REPORT FROM THE JOINT LEGISLATIVE COMMITTEE ON ECONOMIC GROWTH

This report is submitted in accordance with House Concurrent Resolution No. 13 of 1961 which authorized the Joint Legislative Committee on Economic Growth to function during the legislative session and interim.

The members of the Committee are Representatives Bursley (Chairman), Conlin, Copeland, DeMaso, Green and Mill and Senators Stahlin (Vice-Chairman), Beadle, Geerlings, McManiman, Morris and Ryan.

The Committee held a series of 50 public meetings throughout the entire State. More than 2500 persons attended these meetings and for the greater part submitted written or oral testimony on the various economic problems facing Michigan together with their recommendations for solutions to these problems. Business, civic and labor leaders were invited to all meetings. A bipartisan constructive spirit was the keynote with legislators from both political parties present at all hearings.

The Committee visited several factories which had announced or were believe to be considering leaving Michigan. The Committee Chairman visited the port and dock facilities of the City of Detroit.

An Economic Advisory Panel of some 25 bankers, businessmen and academic experts was established in Ann Arbor to support the Committee. This group researched various economic problems reporting at biweekly meetings, minutes of which were immediately sent all legislative Committee members and are a part of the permanent record.

A prime objective of the Committee was to coordinate the activities and findings of the various committees, commissions and ad hoc groups concerned with the subject of economic growth. Close liaison or joint meetings were held with the Governor's Commission on Industrial Development Legislation, the Michigan Economic Development Commission, the Department of Economic Development, the Michigan Industrial Ambassadors, the Michigan State Chamber of Commerce, the Greater Detroit Board of Commerce, local chambers of commerce and industrial development corporations, the Institute of Science and Technology and the Bureau of Business Research at the University of Michigan, the Upjohn Institute for Employment Research, the Greater Michigan Foundation, the Campbell-Twald Advertising Agency, the Michigan Professional Industrial Development Association, the Michigan Bankers Association and many others. The Committee would like to thank all these agencies, their directors and staffs for the full cooperation and help which it received. Especial thanks are due the Department of Economic Development for having organized the series of hearings conducted by the Committee throughout the State, for having prepared minutes of these meetings and for having submitted several valuable research reports at the request of the Committee. A special word of appreciation is due the press, radio and TV for their wholehearted cooperation in publicizing the Committee's activities and objectives. Further thanks are due the municipal authorities and chambers of commerce for the hospitality and meeting facilities which they provided.

The Committee Chairman and several members made trips to other states in conjunction with other legislative activities and had highly informative meetings with the Economic Development Directors in Missouri, Kansas, Colorado, California and Washington. Coordination with the Area Redevelopment Authority was effected in Washington, D. C. Committee members were able to observe industrial development activities in Florida, Georgia, North Carolina, Kentucky and New York while traveling at their own expense on vacation or private business.

Committee expenses were held to two thirds of the authorized $3,500. The Committee normally operated on a subcommittee basis in outstate hearings to keep expenses down. Trips were usually scheduled on weekends while the Legislature was in session so that no Committee member ever missed a session because of hearings. The Committee wishes to thank the many senators and representatives who were not members of the Committee but who participated in hearings and activities throughout the State.

(Over)
The economic problems of Michigan have been thoroughly explored and are well known. It is not the purpose of this report to go into the massive detail available in the Committee's official records. Rather there will follow a series of recommendations preceded by brief explanations. The order of recommendations has no significance.

1. The Upper Peninsula has a high rate of unemployment, a decreasing population and natural resources that need further basic and applied research to be rendered economically exploitable. The Committee has noted the alarming trend of young people of high school age to leave the Upper Peninsula and seek opportunity elsewhere. The Committee has received a multitude of suggestions for new industries in the Upper Peninsula, ranging from major manufacturing enterprises to such relatively minor projects as growing mushrooms commercially in abandoned mines and developing home crafts and industries.

THE COMMITTEE RECOMMENDS TO THE APPROPRIATIONS COMMITTEES OF BOTH HOUSES STRONG SUPPORT FOR THE BASIC RESEARCH PROGRAMS AT THE MINERALS RESEARCH INSTITUTE AND THE FOREST PRODUCTS RESEARCH INSTITUTE AT THE MICHIGAN COLLEGE OF MINING AND TECHNOLOGY. SPECIFIC SUPPORT FOR H. B. 166 IS RECOMMENDED.

THE COMMITTEE STRONGLY RECOMMENDS SUPPORT OF H. B. 544 CALLING FOR A GEOLOGICAL AND MINERAL SURVEY OF COGEBIC COUNTY.

THE COMMITTEE INVITES THE NEW UPPER PENINSULA ADVISORY COMMITTEE HEADED BY DR. EDGAR HARDEN, PRESIDENT OF NORTHERN MICHIGAN COLLEGE, TO INVESTIGATE SUGGESTIONS FOR NEW INDUSTRIES IN THE UPPER PENINSULA AND TO REPORT TO THE LEGISLATURE ITS FINDINGS AND RECOMMENDATIONS FOR LEGISLATIVE SUPPORT.

THE COMMITTEE FURTHER RECOMMENDS TO THE SUPERINTENDENT OF PUBLIC INSTRUCTION EXTENDING POST HIGH SCHOOL EDUCATIONAL FACILITIES SUCH AS COMMUNITY COLLEGES AND VOCATIONAL SCHOOLS TO AS MANY UPPER PENINSUAL COMMUNITIES AS POSSIBLE.

2. The Committee stresses the widely recognized need for Michigan to further diversify its industrial base. It is imperative that Michigan strike out to become a great space age and electronics center. Michigan must not only become an even greater research center for such activities, but must also gear its industrial thinking and investment into practical action in these areas.

THE COMMITTEE RECOMMENDS LEGISLATIVE STUDY OF THE KEWEENAW PENINSULA AS A LAUNCHING SITE AND RANGE FOR NORTH POLAR ORBITAL SHOTS AND HIGH ALTITUDE EXPLORATION. HOUSE RESOLUTION 65 HAS BEEN INTRODUCED TO THIS END.

THE COMMITTEE RECOMMENDS THE ESTABLISHMENT AT THE UNIVERSITY OF MICHIGAN OF A SPACE SCIENCE INSTITUTE TO COMPLEMENT IN A SPECIALIZED FIELD THE HIGHLY IMPORTANT WORK OF THE INSTITUTE OF SCIENCE AND TECHNOLOGY. THE COMMITTEE WOULD ENTERTAIN RECOMMENDATIONS FROM THE UNIVERSITY IN THIS REGARD.

3. The Committee has noted the alarming tendency for young scientists and engineers graduating from our universities to accept employment in California and the East Coast. We are exporting brainpower, a great natural asset we should put to work in Michigan.

THE COMMITTEE HAS REQUESTED RECOMMENDATIONS OF SEVERAL AGENCIES ON HOW TO KEEP OUR MOST HIGHLY TRAINED YOUNG PEOPLE IN MICHIGAN. PUBLIC AWARENESS OF THIS PROBLEM MIGHT LEAD TO FURTHER CONSTRUCTIVE SUGGESTIONS WHICH THE COMMITTEE WOULD BE HAPPY TO CONSIDER.

4. One of the most fundamental problems confronting Michigan is to place the State's fiscal house in order—on a stable, solvent basis.

The Committee has heard hundreds of times from businessmen on this subject. It is recognized that the business community is willing to pay its just share of taxes. However, business wants equitable taxes that will not compare unfavorably with the level in competitor states. Business also wants a balanced State budget and assurance that whatever tax revision is agreed upon will not be subject to annual change. Stability in the tax structure for planning purposes is a prerequisite.
The desperate plight of Wayne County and Detroit is recognized. More local revenues are needed. The State of Michigan cannot be economically healthy if its biggest industrial center is critically depressed. A body cannot be healthy if a vital organ is sick.

THE COMMITTEE RECOMMENDS THAT TAX LEGISLATION MAKE MICHIGAN A BETTER PLACE TO DO BUSINESS BY REPTAL OR REVISION OF THE BUSINESS ACTIVITIES TAX; RELIEF IN THE AREAS OF PERSONAL PROPERTY TAXATION (MACHINERY, EQUIPMENT AND INVENTORIES); AND PERMISSIVE LEGISLATION ENABLING COUNTIES AND CITIES TO OBTAIN ENOUGH REVENUES TO SOLVE THEIR LOCAL PROBLEMS.

5. The Committee takes note of the fact that Michigan competes with the tax free lures and gimmicks of some southern states by maintaining a much higher level of educational and health facilities. These are major factors in management decisions on plant location. It further recognizes that Michigan's college-age population will double in the next ten years.

THE COMMITTEE RECOMMENDS CONTINUED STRONG LEGISLATIVE SUPPORT OF THE SUPERIOR HIGHER EDUCATION AND PUBLIC SCHOOL FACILITIES IN MICHIGAN.

THE COMMITTEE FURTHER RECOMMENDS PREPARATION AND IMPLEMENTATION OF AN ORDERLY PROGRAM OF CAPITAL OUTLAY LONGTERM GROWTH FOR HIGHER EDUCATION AND MENTAL HEALTH.

THE COMMITTEE ALSO RECOMMENDS THAT MICHIGAN'S CONGRESSIONAL DELEGATION BE URGED TO EXERT EVERY EFFORT TO OBTAIN FOR MICHIGAN A FACILITY COMPARABLE TO THE LINCOLN LABORATORIES (SPACE ELECTRONICS) WHICH M.I.T. OPERATES FOR THE DEFENSE DEPARTMENT AND THE LOS ALAMOS ATOMIC ENERGY INSTALLATION WHICH THE UNIVERSITY OF CALIFORNIA OPERATES FOR THE FEDERAL GOVERNMENT.

6. The Committee has found one of the most controversial aspects of Michigan's economic situation to revolve around labor; its costs, productivity and union activity. (Labor is both an important asset and an important liability). The availability of a large pool of skilled and semi-skilled labor is an asset to an employer looking for a place to expand operations.

However, no aspect of Michigan's economic and business climate is of more critical concern to management and investment capital than the subjects of workmen's compensation and unemployment compensation. Although there are other states with higher rates in both of these areas than in Michigan, the total cost to business still is high—greater than the business activities and corporation franchise taxes combined. However, it is the trend of these costs about which business complains. There is a strong feeling in the business community that administrative decisions and judicial interpretations in the administration of the workman's compensation laws are all stacked in favor of labor. The Ford Canton decision is cited hundreds of times by business to prove its point.

The Committee recognizes that partisan positions will probably govern legislation actions in this area.

THE COMMITTEE RECOMMENDS THE ENACTMENT OF CORRECTIVE LABOR LEGISLATION TO ELIMINATE GENERALLY ACCEPTED ABUSES; TO KEEP THE LAWS ON THE SUBJECT AS CLOSE TO THE ORIGINAL LEGISLATIVE INTENT AS POSSIBLE; AND TO RENDER MORE SOLVENT THE UNEMPLOYMENT COMPENSATION FUND.

7. In most states economic development activities are given the highest priority. In Kentucky, this upgrading is aided by making the Lt. Governor* the Chairman of the Economic Development Commission. A similar situation occurs in Indiana. There would be many advantages in thus more closely coordinating business and government at the highest level.


*Recommendation in this report relative to the offices of Lt. Governor, Chairman of the Economic Development Commission and Director of the Department of Economic Development are organizational in scope and have no reference to present incumbents in these offices.

-2- (Over)
8. The Committee recognizes that the tourist industry offers one of the greatest potentials for future economic growth in Michigan. It draws especial attention to the very excellent report on the subject by the House Committee on Tourist Industry Relations published in House Journal 61.

THE COMMITTEE GIVES ITS ENDORSEMENT AND SUPPORT TO THE RECOMMENDATIONS OF THE HOUSE OF REPRESENTATIVES COMMITTEE ON TOURIST INDUSTRY RELATIONS.

9. The St. Lawrence Seaway offers immense potential for the expansion of commerce. Foreign trade is vital and will become increasingly important in the years ahead. Michigan is in an enviable position because of the Seaway, but we have been lax in promoting and taking advantages of its benefits.

THE COMMITTEE SUGGESTS THAT THE STATE SPONSOR SPECIAL EVENTS FOR FOREIGN DIPLOMATS AND COMMERCIAL ATTACHES FROM WASHINGTON (AND OTTAWA) EMBASSIES TO ACQUAINT THEM WITH OUR FACILITIES AND ADVANTAGES. WE BELIEVE THIS COULD HELP STIMULATE FOREIGN COMMERCE FOR MICHIGAN INDUSTRY.

THE COMMITTEE SUGGESTS FURTHER THAT THE QUESTION OF ESTABLISHING A "FREE PORT" IN THE DETROIT AREA BE EXPLORED. UNDER SUCH AN ARRANGEMENT, RAW MATERIALS FROM FOREIGN COUNTRIES COULD BE PROCESSED WITHIN THE PORT ZONE WITHOUT DUTY BEING PAID UNTIL THE PRODUCT ACTUALLY ENTERS AMERICAN COMMERCE; OR IF THE PROCESSED MATERIAL IS TRANSSHIPPED TO ANOTHER FOREIGN COUNTRY, NO DUTY IS PAID. GOODS ALSO COULD BE STORED IN A FREE PORT AREA WITHOUT THE PAYMENT OF DUTY UNTIL THEY ENTER NORMAL COMMERCIAL CHANNELS.

THE COMMITTEE RECOMMENDS THAT THE POSSIBILITY OF SPONSORING A "ST. LAWRENCE SEAWAY FESTIVAL" BE GIVEN FULL CONSIDERATION. SUCH A FESTIVAL SHOULD BE AN INTERNATIONAL EXPOSITION OF PRODUCTS WHICH MOVE THROUGH THE SEAWAY. THIS COULD WELL BE THE THEME OF A MICHIGAN WORLD FAIR REFERRED TO ELSEWHERE IN THIS REPORT.

10. The Department of Economic Development is the statutory agency directly charged with industrial and business development in Michigan. This agency has played a key role in negotiations leading to several large companies moving into Michigan. It was working on 93 "warm" industrial prospects at the year end. It performed a variety of services for these prospects. It provided valuable field assistance to communities and assisted in the formation of local industrial development corporations of which there are now over 125 in Michigan. It works directly with companies and industries experiencing difficulties which might lead to a job loss for Michigan. It works with defense procurement agencies and area redevelopment authorities to secure maximum federal contracts and assistance for Michigan. It handled over 800 inquiries for information and research materials and performed special studies for industrial prospects and communities. A noteworthy achievement was the obtaining of donated advertising space in 282 Michigan newspapers valued at $250,000. This was used in featuring a series of 22 quarter-page advertisements stressing the advantages of doing business in Michigan.

The position of Director of the Department of Economic Development carries a salary of $10,000 which is well below the pay of half a dozen well-qualified subordinates within the Department. This is unsound. Furthermore, it is impossible to secure the services of a first-class professional in this field for anything less than $15,000 to $20,000. The position is now open.

The Legislative Committee on Economic Growth was able to observe the activities of the Department of Economic Development at close hand and feels it is doing its important work very creditably.

THE COMMITTEE RECOMMENDS THAT THE APPROPRIATIONS COMMITTEES FROM BOTH HOUSES MAKE EVERY EFFORT TO GRANT THE 1962-63 BUDGET REQUEST OF $451,000 SUBMITTED BY THE DEPARTMENT OF ECONOMIC DEVELOPMENT.

THE COMMITTEE FURTHER RECOMMENDS THAT A SALARY OF AT LEAST $16,000 BE AUTHORIZED FOR THE POSITION OF DIRECTOR OF ECONOMIC DEVELOPMENT.
11. The Committee recognizes the need to advertise Michigan and thus help establish an image of Michigan as a good place to do business. It recognizes too that such promotional efforts would be built on a sounder base after certain corrective actions in the fiscal and labor areas and a decision on the new constitution. The Committee has received outstanding assistance from the Campbell-Ewald Advertising Company in Detroit in considering the pros and cons of a State magazine. It has considered the potential benefits and costs involved in a Michigan supplement to the Sunday New York Times. It has explored in detail the possibilities of Michigan participation in the New York World's Fair in several meetings with the Fair's Executive Vice-President.

THE COMMITTEE PROPOSES TO CONTINUE ITS STUDY ON THE ESTABLISHMENT OF A STATE MAGAZINE AND TO SEEK FURTHER INTO WAYS AND MEANS TO FINANCE SUCH A PROJECT.

THE COMMITTEE RECOMMENDS THAT THE APPROPRIATIONS COMMITTEES OF BOTH HOUSES EARMARK $50,000 FOR ADVERTISING MICHIGAN'S INDUSTRIAL ATTRACTION, INCLUDING SPECIFICALLY $15,000 TO BE UTILIZED FOR PUTTING OUT A NEW YORK TIMES SUPPLEMENT AS SOON AS POSSIBLE AFTER THE VOTE ON A NEW MICHIGAN CONSTITUTION.

THE COMMITTEE RECOMMENDS SUPPORT FOR THE HOUSE AND SENATE BILLS CALLING FOR A PLANNING STUDY ON POSSIBLE MICHIGAN PARTICIPATION IN THE 1964-65 NEW YORK WORLD'S FAIR.

THE COMMITTEE RECOMMENDS SERIOUS CONSIDERATION OF MICHIGAN AS THE SITE FOR A WORLD FAIR AROUND 1968-70 AND PROPOSES TO STUDY THIS QUESTION DURING THE LEGISLATIVE INTERIM PERIOD.

12. The Committee has found need for more flexible and imaginative financing of industrial development in some parts of the State. It has developed considerable resource material on this subject in its files.

The Committee has requested the Michigan Bankers Association to write a new Development Credit Corporation Act to replace the 1956 law which is unworkable and has never been utilized. This will be submitted to the next legislative session. The Committee will also have recommendations relative to local bonding legislation and an industrial development authority prior to the next legislative session.

THE COMMITTEE WISHES TO ENCOURAGE THE DEVELOPMENT OF SMALL BUSINESS INVESTMENT CORPORATIONS (SBIC'S) AND CALLS UPON THE UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH FOR ANY SPECIFIC LEGISLATIVE RECOMMENDATIONS IN THIS REGARD.

THE COMMITTEE CALLS UPON THE DIRECTOR OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT FOR RECOMMENDATIONS ON LEGISLATION THAT WOULD ASSIST IN THE ESTABLISHMENT, OPERATION AND FINANCING OF LOCAL INDUSTRIAL PARKS AND INDUSTRIAL DEVELOPMENT CORPORATIONS.

13. Basic research in science and technology at our State universities and colleges as well as applied research within industry itself are high priorities for Michigan's progress. The Committee has already gone on record endorsing strong support for research in science and technology at the State's universities and colleges. Attention has been drawn to the importance of the contributions possible at the Institute of Science and Technology at the University of Michigan.

THE COMMITTEE RECOMMENDS THAT THE APPROPRIATIONS COMMITTEES OF BOTH HOUSES GIVE SERIOUS CONSIDERATION TO STRONG SUPPORT FOR THE RESEARCH PROGRAMS AT THE STATE'S COLLEGES AND UNIVERSITIES, ESPECIALLY IN AREAS THAT MAY CONTRIBUTE TO A GROWING MICHIGAN ECONOMY. SUPPORT IS SPECIFICALLY REQUESTED FOR H. B. 166.

14. One of the greatest potential sources of outside investment capital for Michigan is currently deterred from entering the State due to the provisions of Article XII, Section 5 of the Michigan Constitution which prohibits a corporation from holding any real estate for a period longer than 10 years, except when occupied by the corporation in the exercise of its franchise. Insurance company investment funds with a total potential of hundreds of millions thus bypass Michigan. The Committee has long advocated repeal of this constitutional provision as have almost all other groups that have studied the problem. The new constitution currently calls for deleting this clause.

-3- (Over)
THE COMMITTEE RECOMMENDS SUPPORT OF HOUSE JOINT RESOLUTION "C" CALLING FOR ELIMINATION OF ARTICLE XII, SECTIONS FROM THE CONSTITUTION.

15. The tolls on the Mackinac Bridge amounting to $7.50 for a round trip and several times as much for a truck are deterrents to a healthy economic growth as a unit of the areas to the north and south of the bridge. Present revenue bonds to pay off the debt on the bridge and make it toll-free cost over $1,000,000 more annually than would general obligation bonds. The bridge, for all practical purposes, will be an obligation of the State in spite of the legal liability limitations of revenue bonds.

THE COMMITTEE RECOMMENDS SUPPORT OF HOUSE JOINT RESOLUTION "D" CALLING FOR A CONSTITUTIONAL AMENDMENT TO MAKE POSSIBLE THE REFUNDING OF MACKINAC BRIDGE BONDS AT A LOWER INTEREST RATE.

16. There are hundreds of thousands of Michigan citizens associated with truly small businesses. They have problems quite different from those of big business, chains and well-organized trade groups. Economic factors of all sorts have especial significance to them, and their voice is often not clearly heard in Lansing.

THE COMMITTEE RECOMMENDS ESTABLISHMENT OF A STATUTORY JOINT LEGISLATIVE COMMITTEE ON SMALL BUSINESS. IT SPECIFICALLY SUPPORTS H. R. 410.

17. There are currently valuable studies underway on why businesses have moved into Michigan; why they have left; what factors influenced these decisions; what types of industry offers the greatest chance for future profitable operations in Michigan.

THE JOINT LEGISLATIVE COMMITTEE ON ECONOMIC GROWTH URGES ALL GROUPS CONDUCTING RESEARCH ON THE MICHIGAN ECONOMY TO KEEP THE COMMITTEE FULLY INFORMED ON THEIR FINDINGS. THE COMMITTEE WILL BE GLAD TO ASSIST ANY SUCH GROUPS, PUBLIC OR PRIVATE.

18. The problems of automation and retraining of workers are of immense importance to the Michigan economy where automotive employment will probably continue to provide a decreasing percentage of the total State manufacturing jobs. The Committee has several studies underway on this subject.

THE COMMITTEE URGES ORGANIZED LABOR AND THE MAJOR UNIVERSITIES TO PROVIDE RECOMMENDATIONS IN THIS AREA PRIOR TO THE NEXT LEGISLATIVE SESSION.

19. In the struggle to make Michigan nationally recognized as a progressive, dynamic, imaginative leader in the area of economic growth, we must continue to study carefully the problems and solutions arrived at in other states. The Committee is exploring the possibility of a regional or national conference of legislative committees on economic growth to be held in Lansing early in the fall. The problem is being discussed with the Council of State Governments.

THE COMMITTEE RECOMMENDS HOLDING A NATIONAL CONFERENCE OF LEGISLATIVE COMMITTEES ON ECONOMIC GROWTH IN LANSING NEXT SEPTEMBER (IF CHANCES OF BROAD PARTICIPATION AND INTEREST CONTINUE GOOD).

*******************************************************************************
Recognizing the continuing nature of Michigan's economic problems, the Legislature has continued for another year the Joint Legislative Committee on Economic Growth through House Concurrent Resolution No. 2 of 1962.

Submitted:

Representatives
Gilbert E. Bursley, Chairman
Rollo G. Conlin
William R. Copeland
Harry A. DeMaso
Allison Green
Walter H. Mill

Senators
John H. Stahlin, Vice Chairman
Frank D. Beadle
Charles O. McManiman
Clyde H. Geerlings