

"Bad news. A right-to-work asteroid just hit Michigan."

Impact of Freedom-to-Work on Michigan's Economy

Robert Genetski

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Organization

- I. Economic Freedom & Prosperity**
- II. Economic Freedom & the Wealth of Nations**
- III. Economic Freedom & the Wealth of States**
- IV. Impact of Freedom-to-Work on Michigan**
- V. Takeaway Points**

I. Economic Freedom & Prosperity

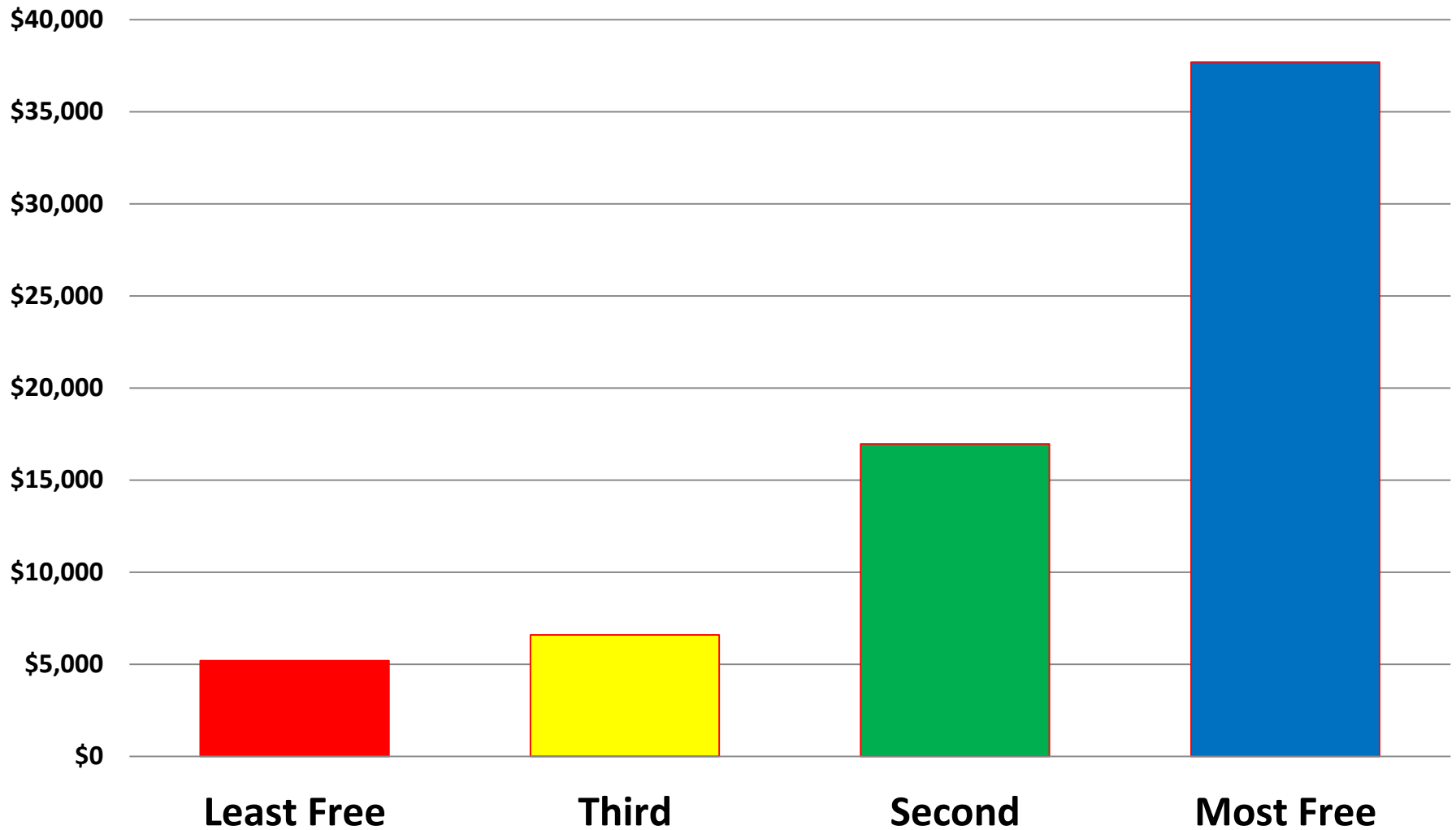
Classical Economic Principles

1. Low tax rates & limited government
2. Free Markets
3. Protect individual property rights
4. Sound money

II. Economic Freedom & the Wealth of Nations

**When individuals have economic freedom,
both individuals and nations prosper**

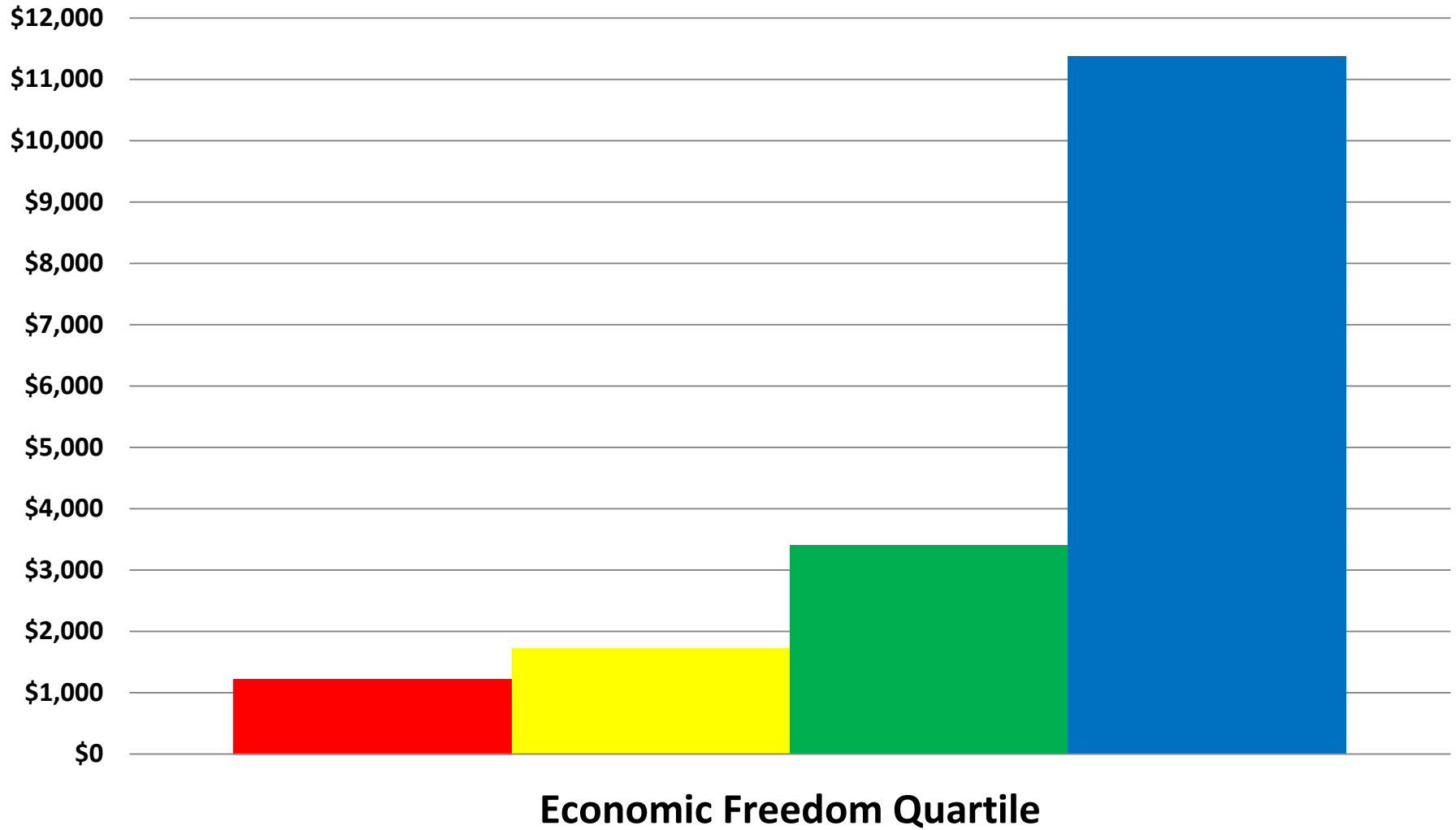
Economic Freedom and Per Capita Income: 2010



Source: Fraser Institute, Economic Freedom of the World: 2012 Annual Report

■ Least Free ■ Third ■ Second ■ Most Free

Income of the Poorest 10%: 2010



Source: Fraser Institute, Economic Freedom of the World: 2012 Annual Report

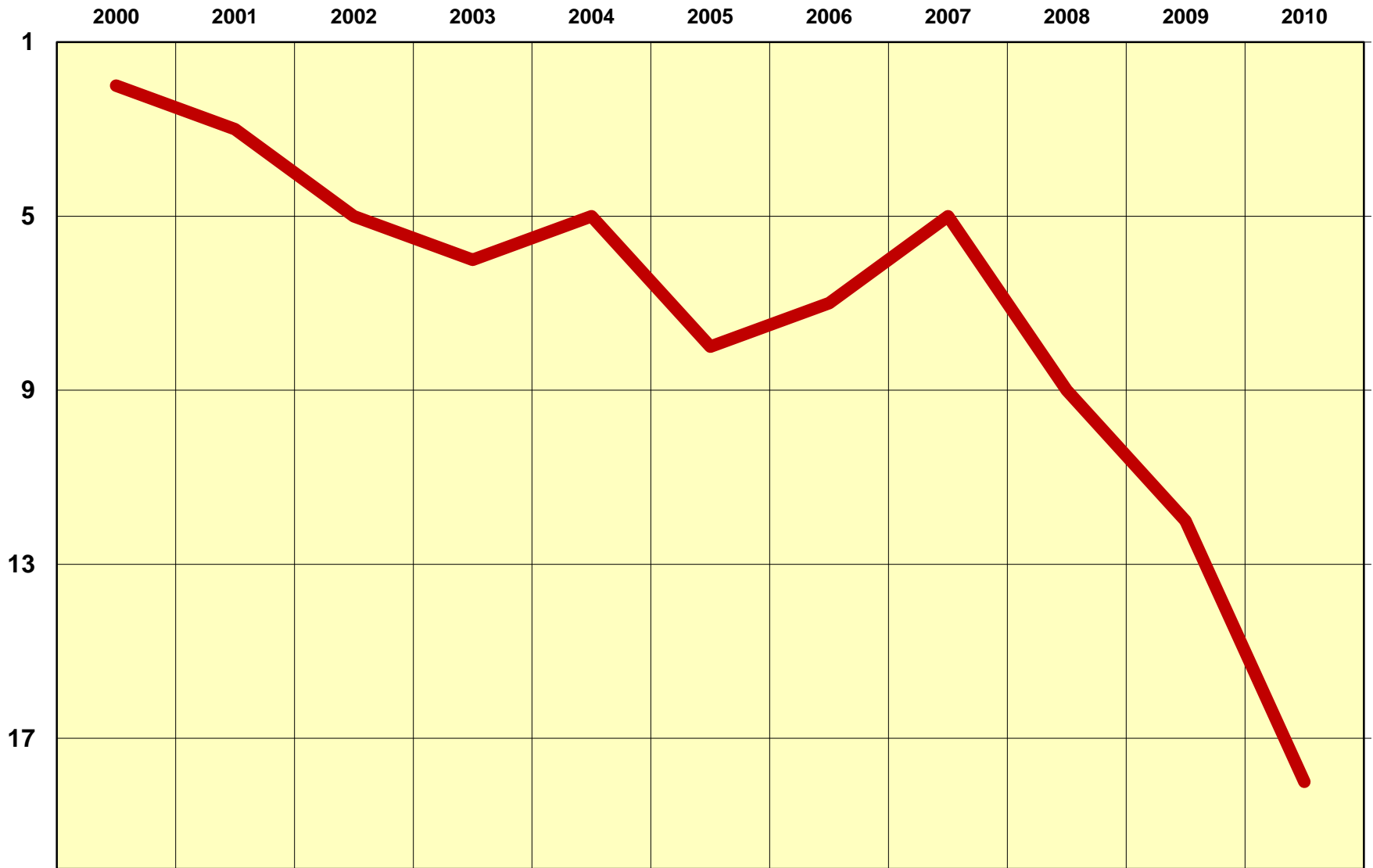
■ Least Free ■ Third ■ second ■ most free

United States: Economic Freedom Score



Source: Fraser Institute; Economic Freedom of the World, 2012 Annual Report

United States Economic Freedom Rank



Source: Fraser Institute; Economic Freedom of the World, 2012 Annual Report

III. Economic Freedom & the Wealth of States

People have an innate desire to live and work where they can have the greatest control over their lives, income and property.

State Policies to Promote Individual Freedom

- Low or no tax on income**
- Falling tax burdens relative to other states**
- Prudent state spending limited to essential services**
- Freedom to work without being forced to join a union and pay dues or fees**

States that maximize individual freedom

No individual income tax: AK, FL, NV, SD, TX, WA, WY

Prudent spending limited to essential services: CO

Declining tax burdens relative to other states

Freedom-to-work: AL, AZ, AR, FL, GA, ID, IA, KS, LA, MS, NV, NE, OK, NC, ND, SC, SD, TN, TX, UT, VA, WY
WI, IN, MI

III. Economic Freedom & the Wealth of States

- 1. Economic Research**
- 2. Best and Worst Performing States**
- 3. Income taxes & Economic Growth**
- 4. Freedom-to-Work & Economic Growth**
- 5. Freedom-to-Work & Worker Compensation**

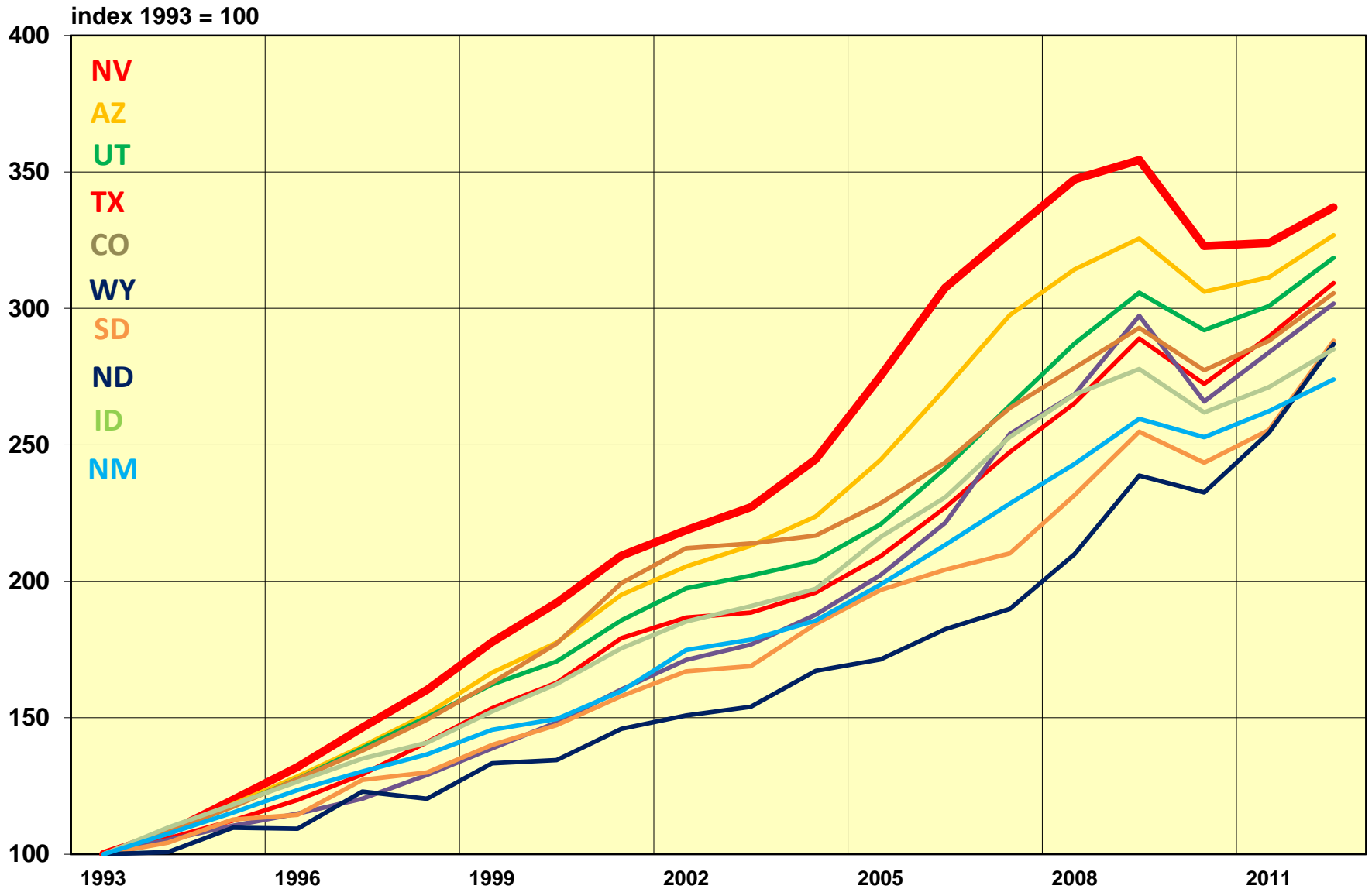
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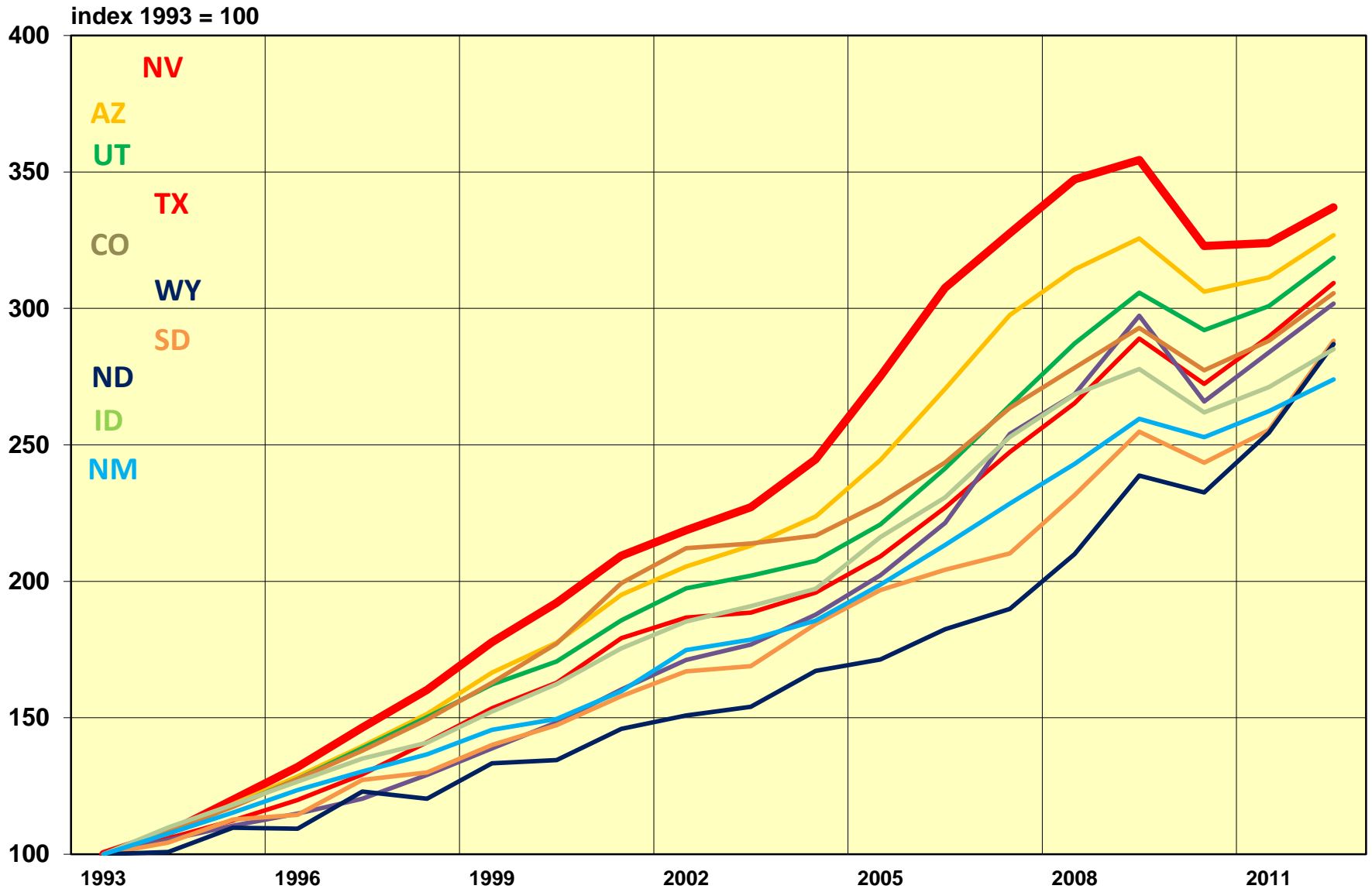
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10 Fastest Growing States Personal Income: 1993-2012



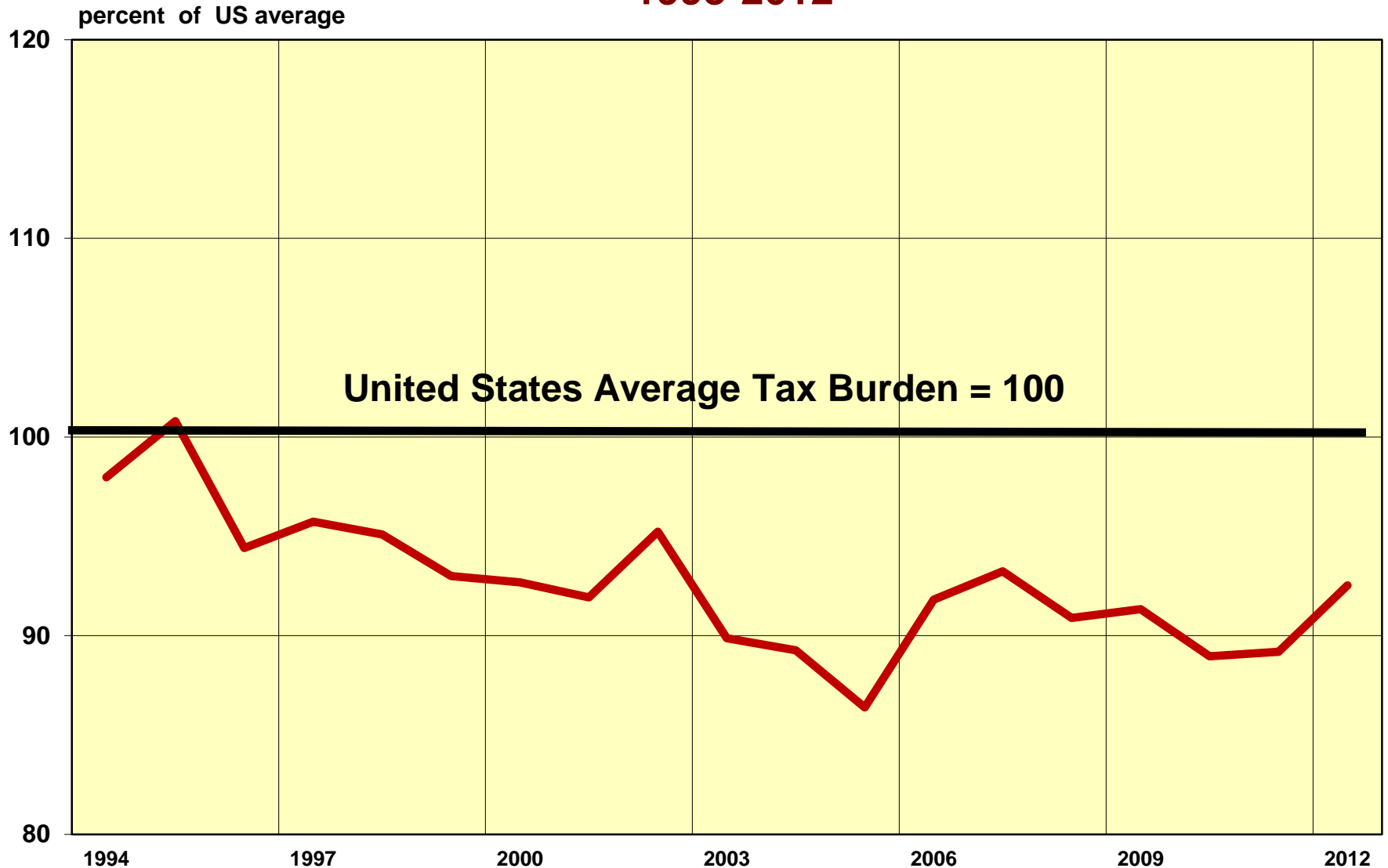
Source: US Census Bureau; BEA; classicalprinciples.com

10 Fastest Growing States Personal Income: 1993-2012



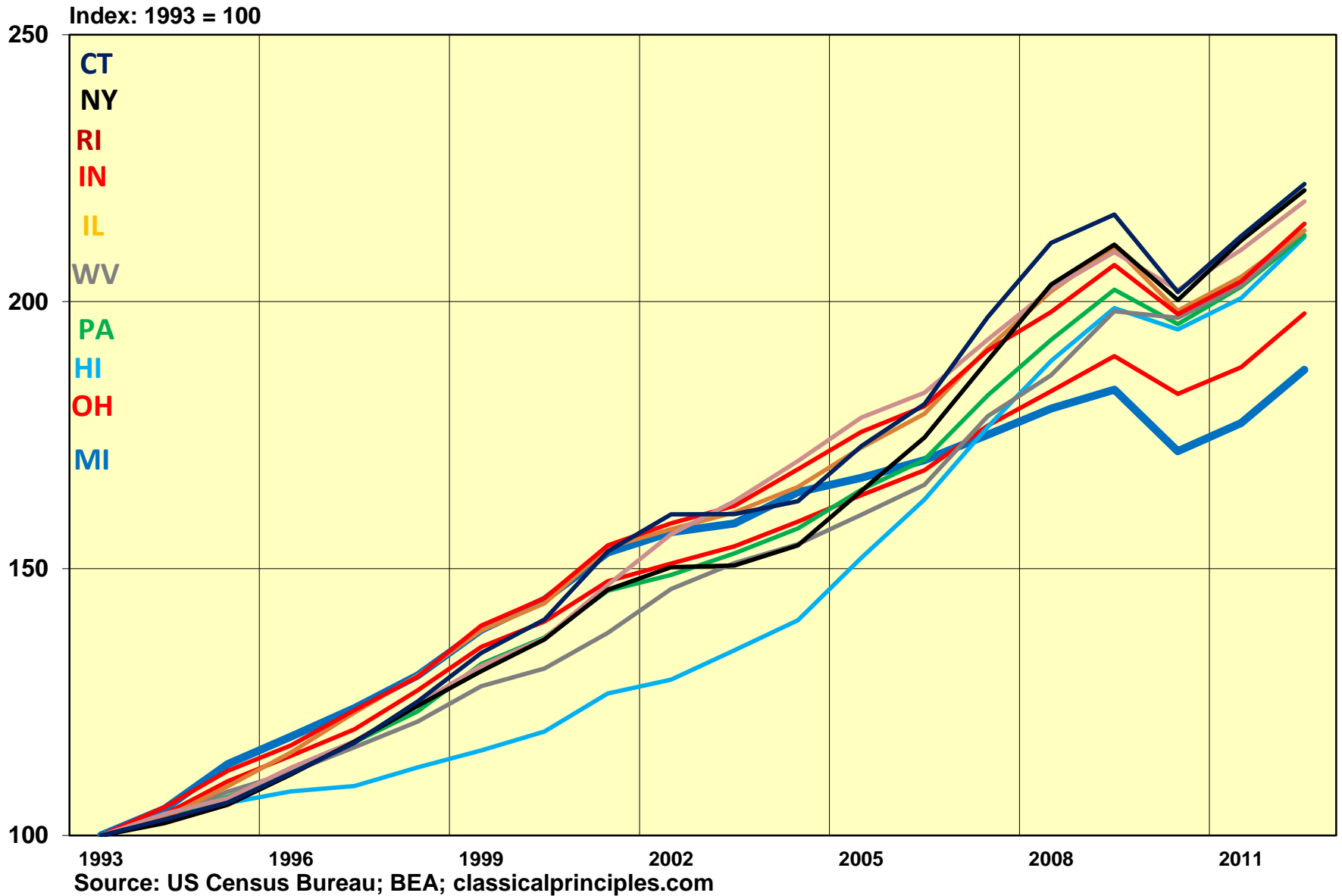
Source: US Census Bureau; BEA; classicalprinciples.com

State Relative Tax Burdens: 10 Fastest Growing States: 1993-2012

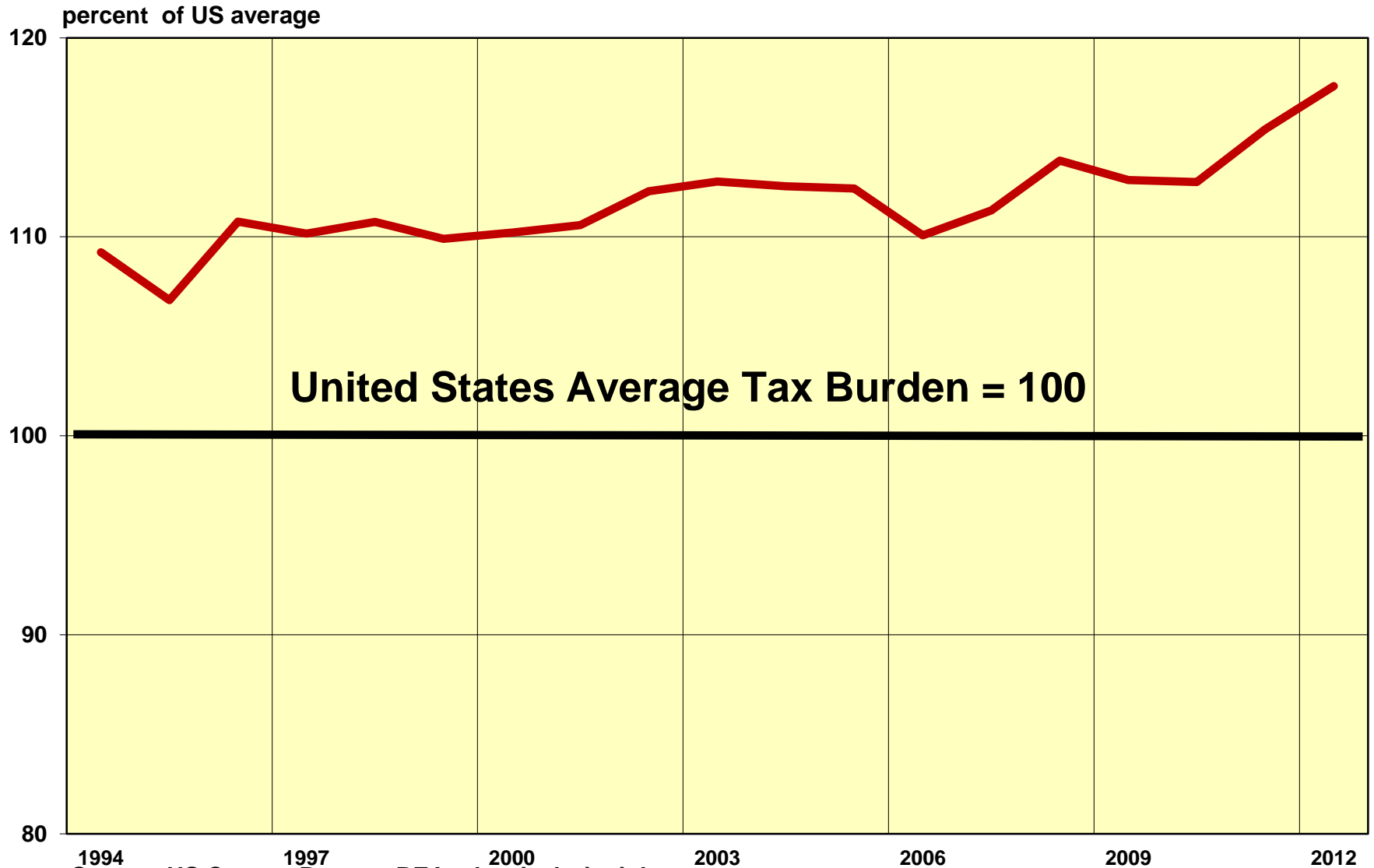


Source: US Census Bureau; BEA; classicalprinciples.com

10 Slowest Growing States Personal Income: 1993-2012



State Relative Tax Burdens: 10 Fastest Growing States: 1993-2012

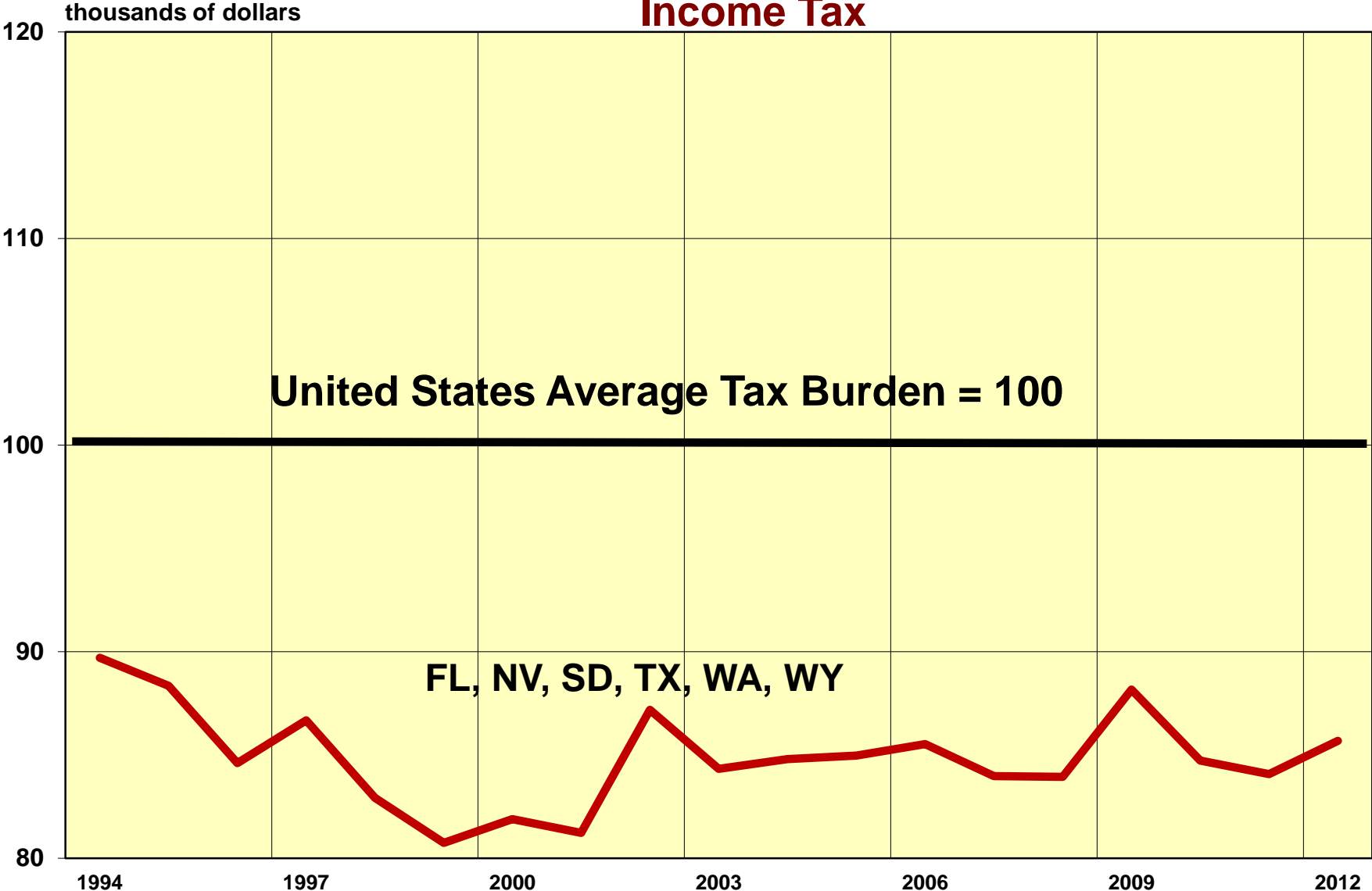


Source: US Census Bureau; BEA; classicalprinciples.com

III. Economic Freedom & the Wealth of States

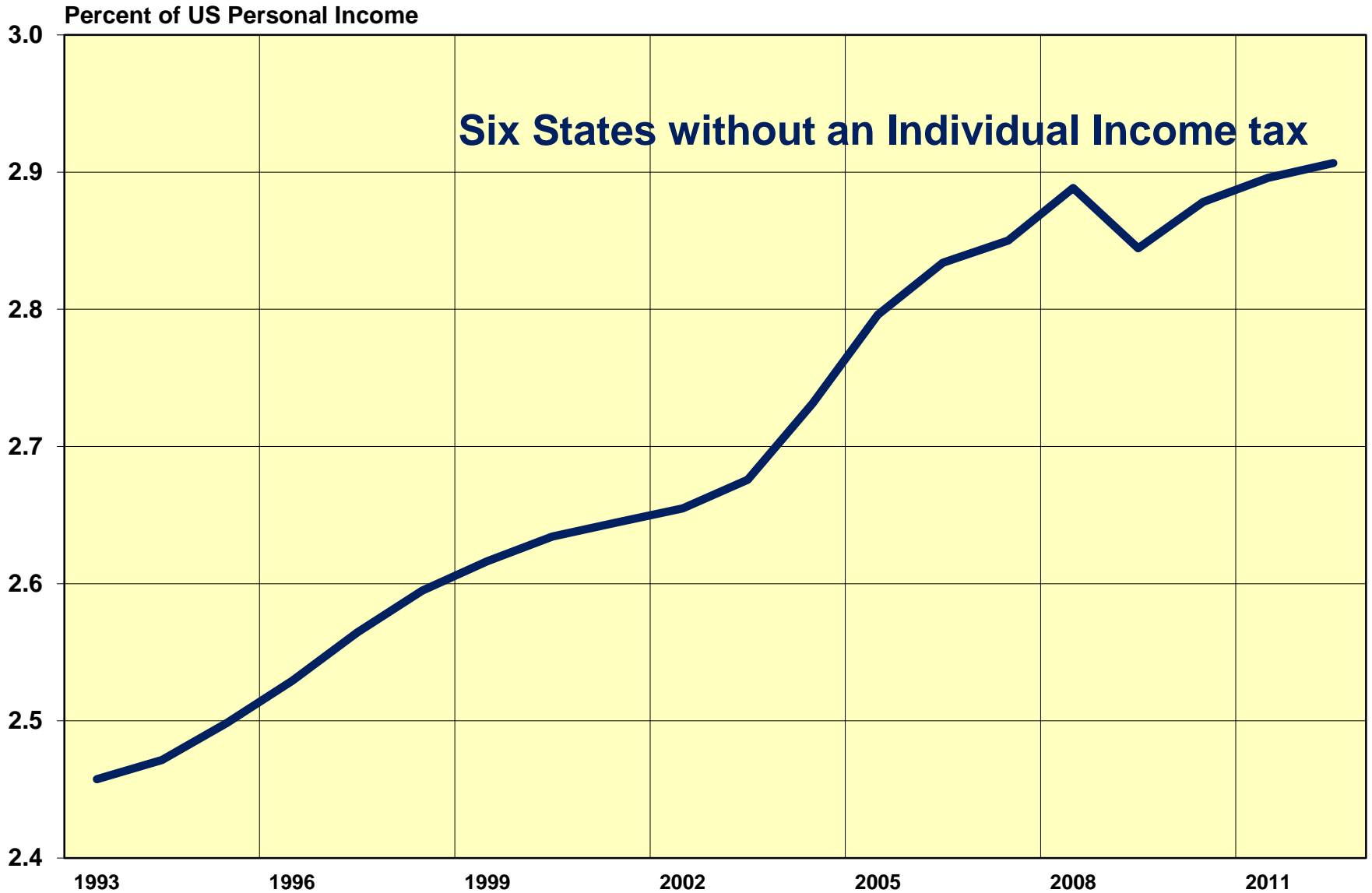
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- 3. Income taxes & Economic Growth**
4. Freedom-to-Work & Economic Growth
5. Freedom-to-Work & Worker Compensation

State Relative Tax Burdens: 6 States with No Individual Income Tax



Source: US Census Bureau; BEA; classicalprinciples.com

Share of US Personal Income

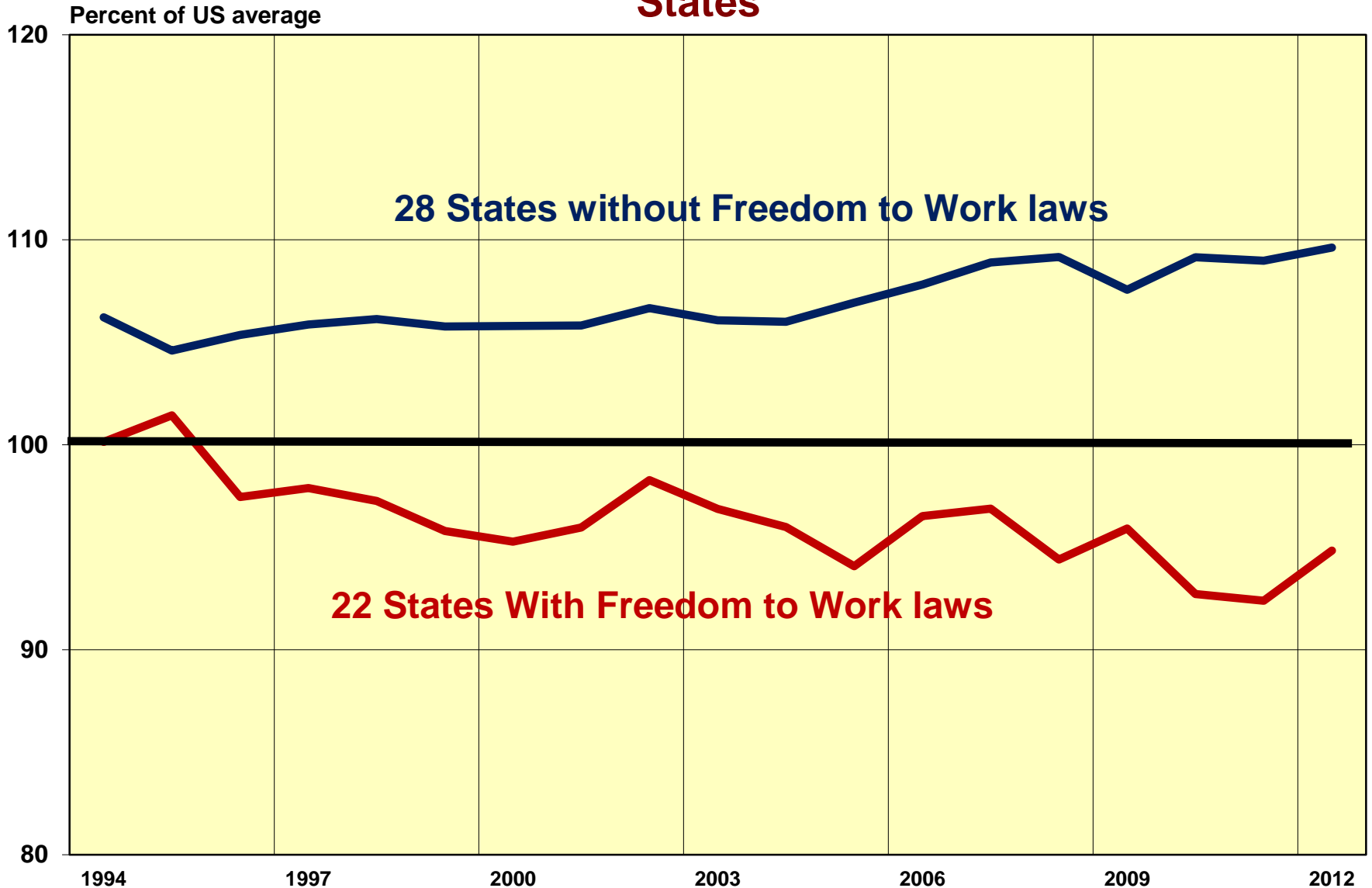


Source: US Census Bureau; BEA; classicalprinciples.com

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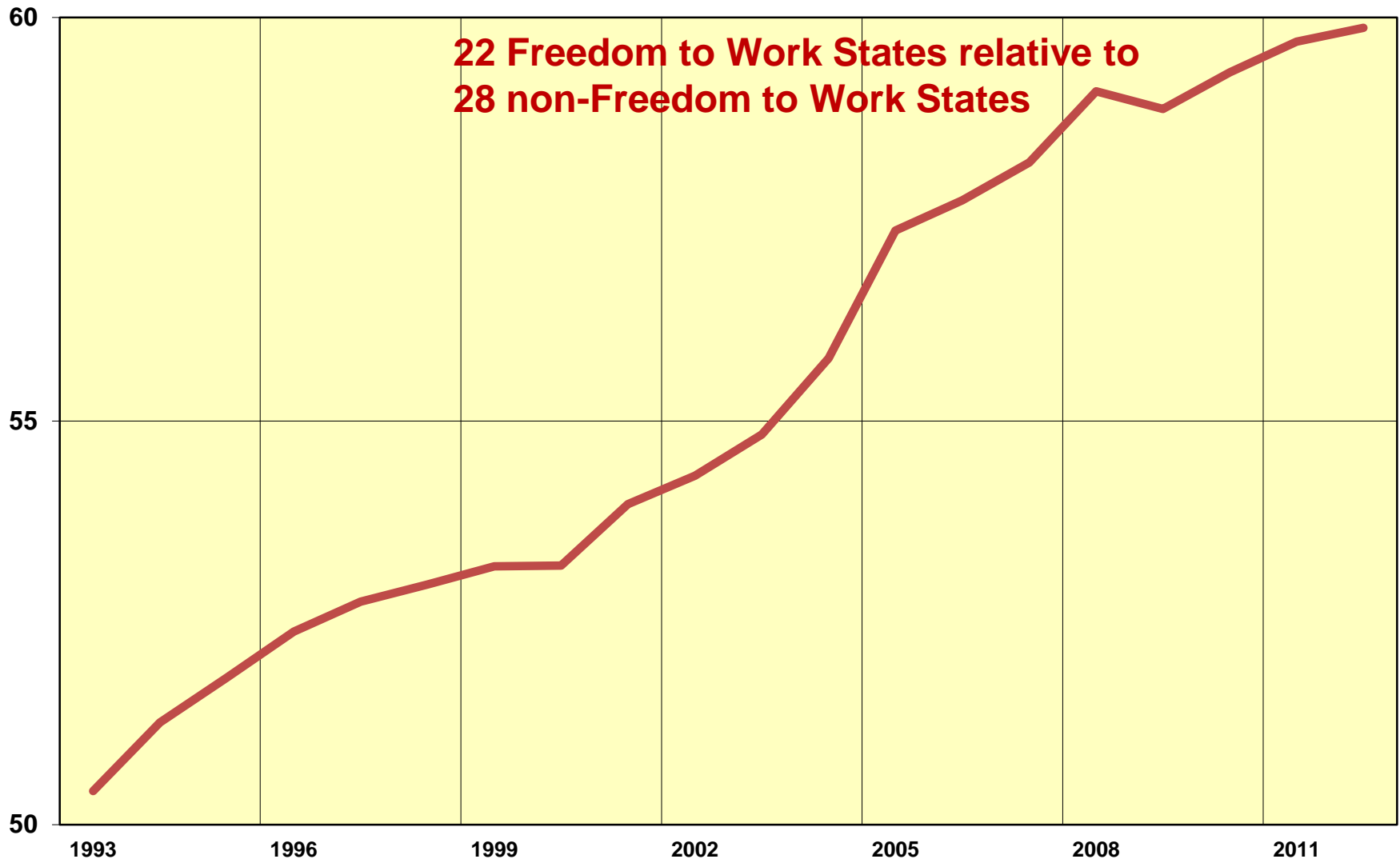
Relative State Tax Burdens: FTW versus non-FTW States



Source: US Census Bureau; BEA; classicalprinciples.com

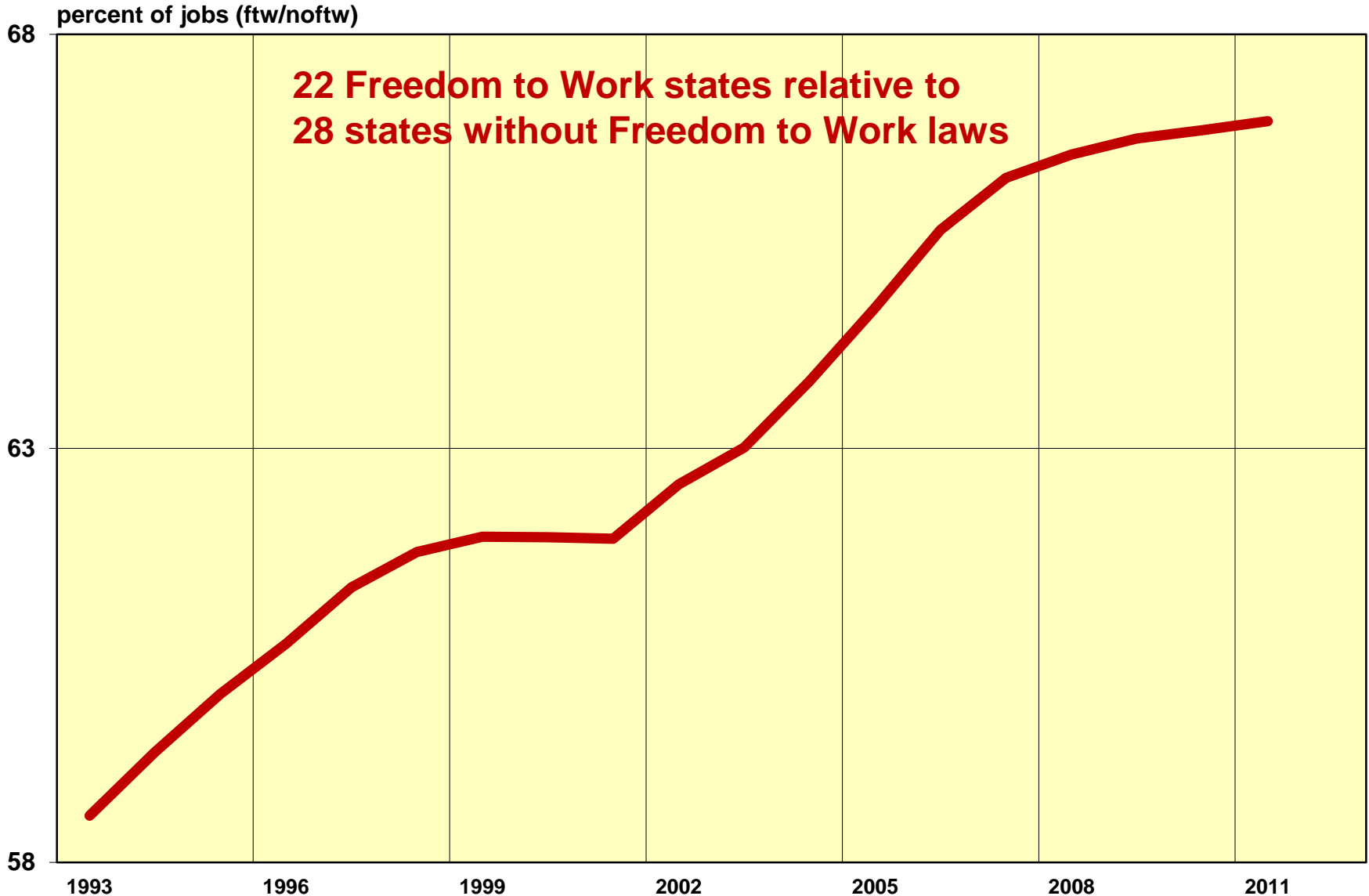
Share of US Personal Income

Percent of US Personal Income



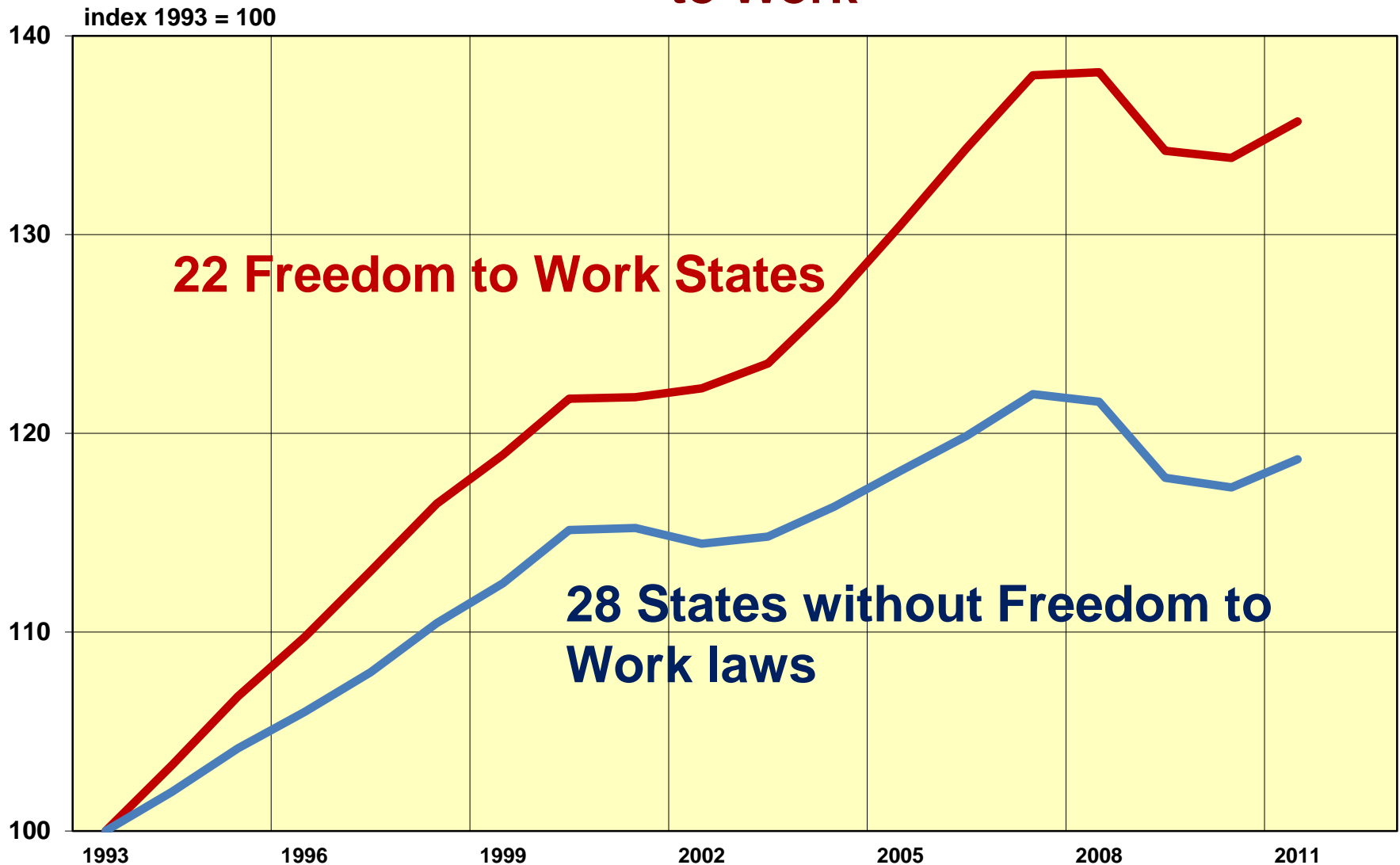
Source: US Census Bureau; BEA; classicalprinciples.com

Share of US Jobs



Source: US Census Bureau; BEA; classicalprinciples.com

Job Growth: States with and without Freedom to Work



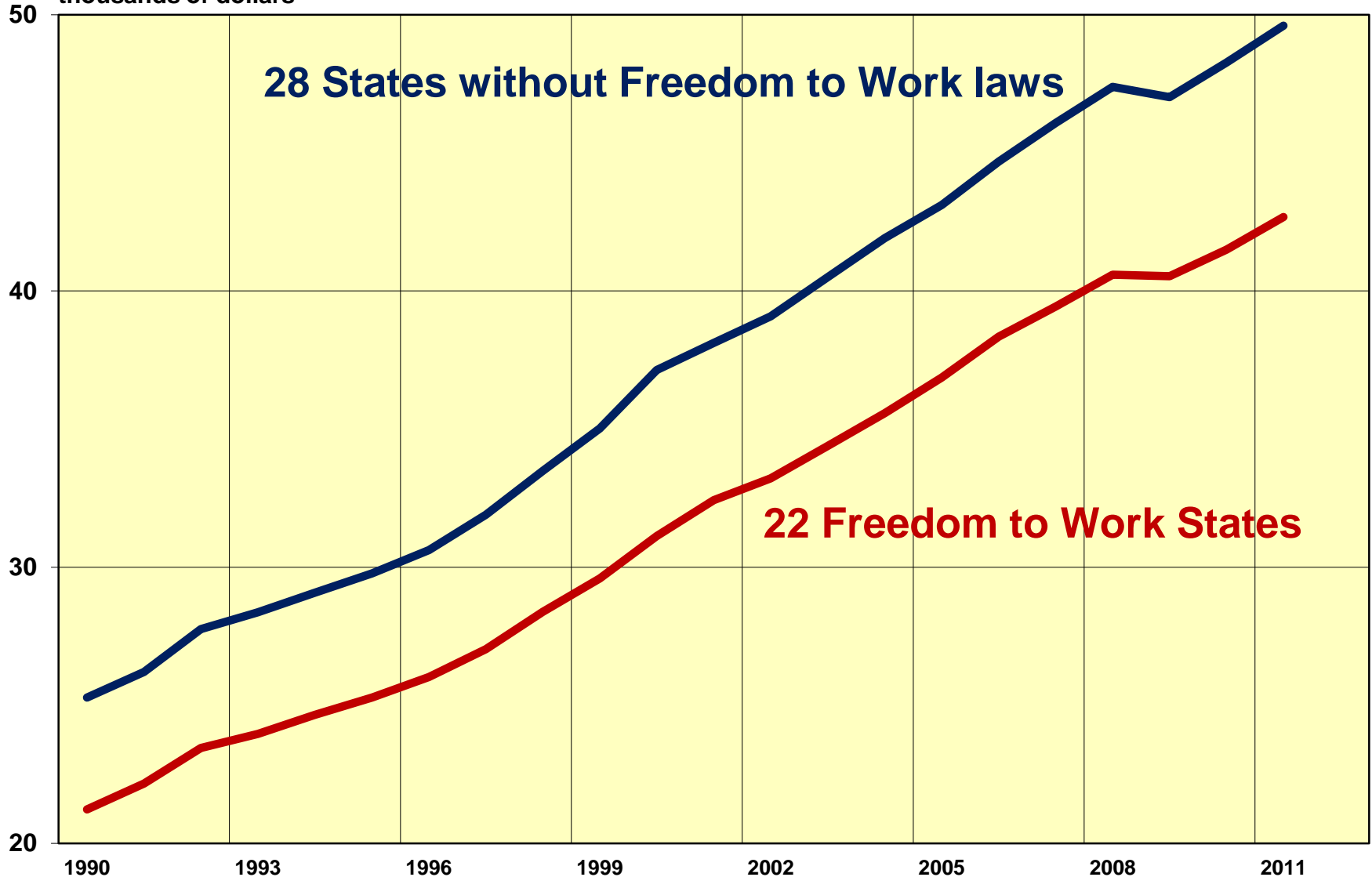
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III. Economic Freedom & the Wealth of States

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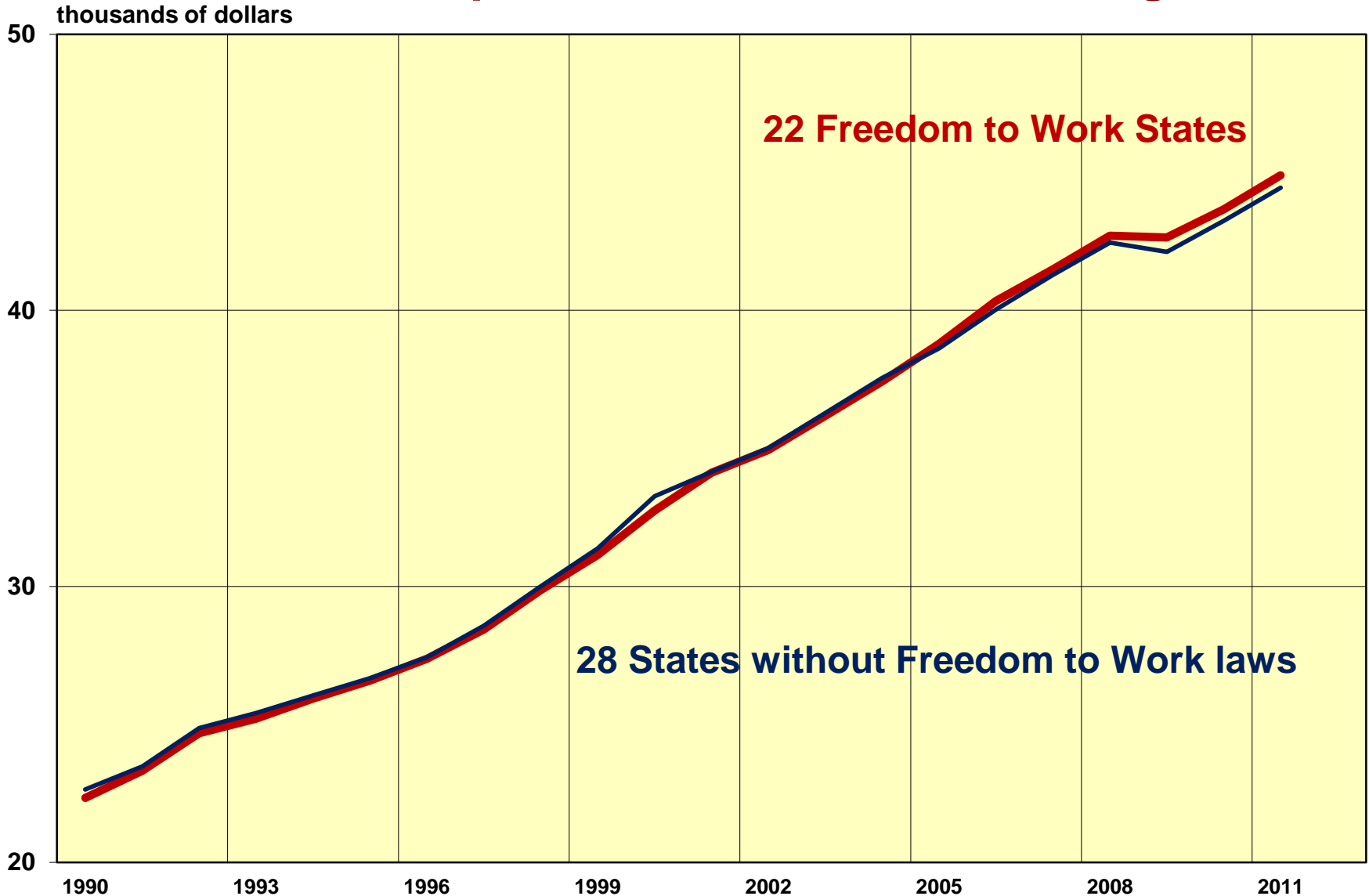
Compensation per Worker

thousands of dollars



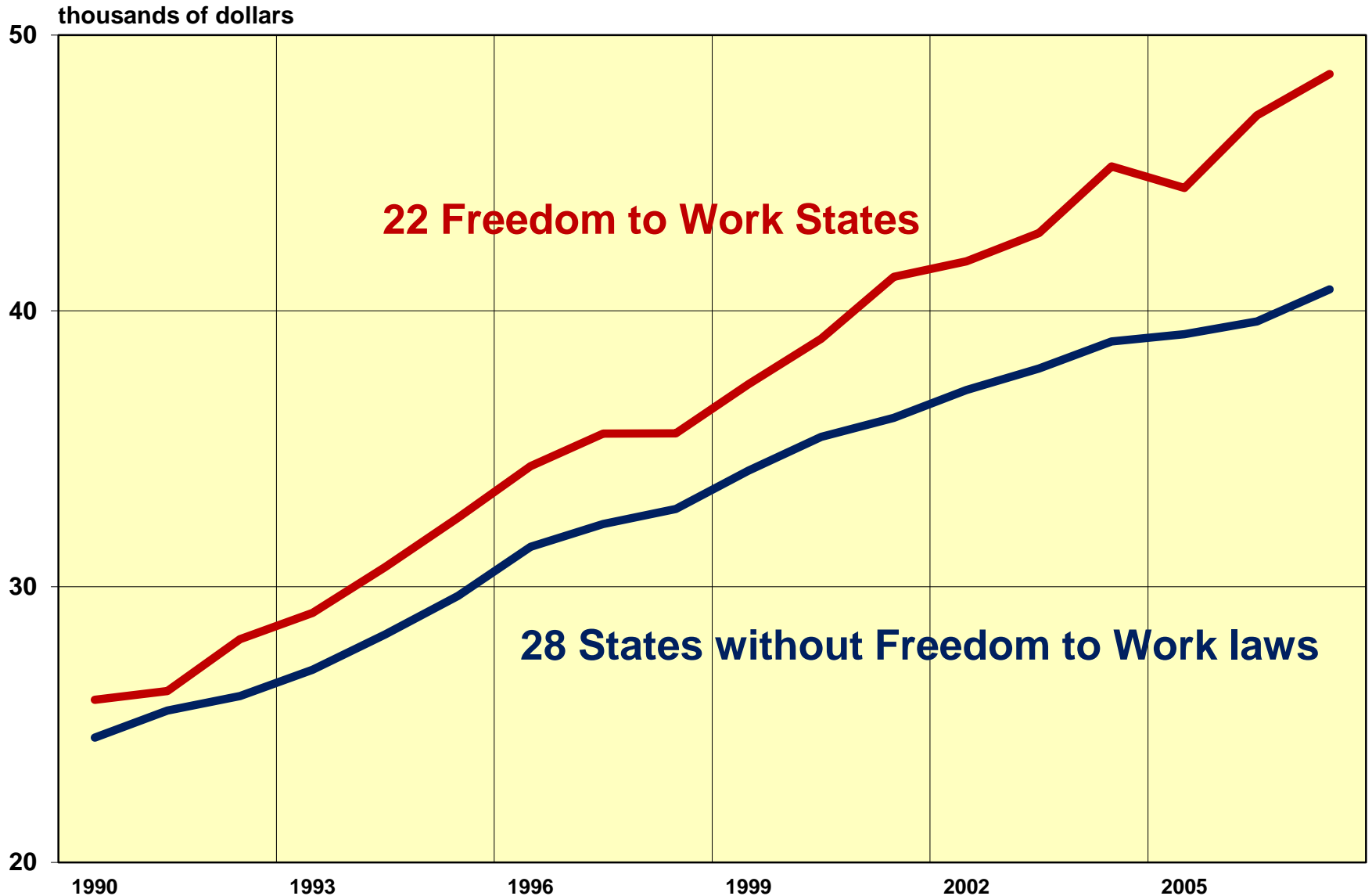
Source: US Census Bureau; BEA; classicalprinciples.com

Worker Compensation with Cost of Living



Source: US Census Bureau; BEA; classicalprinciples.com

Worker Compensation: with Tax & COL



Source: US Census Bureau; BEA; classicalprinciples.com

Economic Freedom & the Wealth of States

Compensation per worker 2011

FTW	\$42,700	
No FTW	\$49,600	16%
FTW COL adj.	\$44,900	1%
No FTW COL adj.	\$44,400	
FTW COL & tax adj.	\$48,600	19%
No FTW COL & tax adj.	\$40,800	

Source: US Census Bureau; BEA; classicalprinciples.com

III. Economic Freedom & the Wealth of States

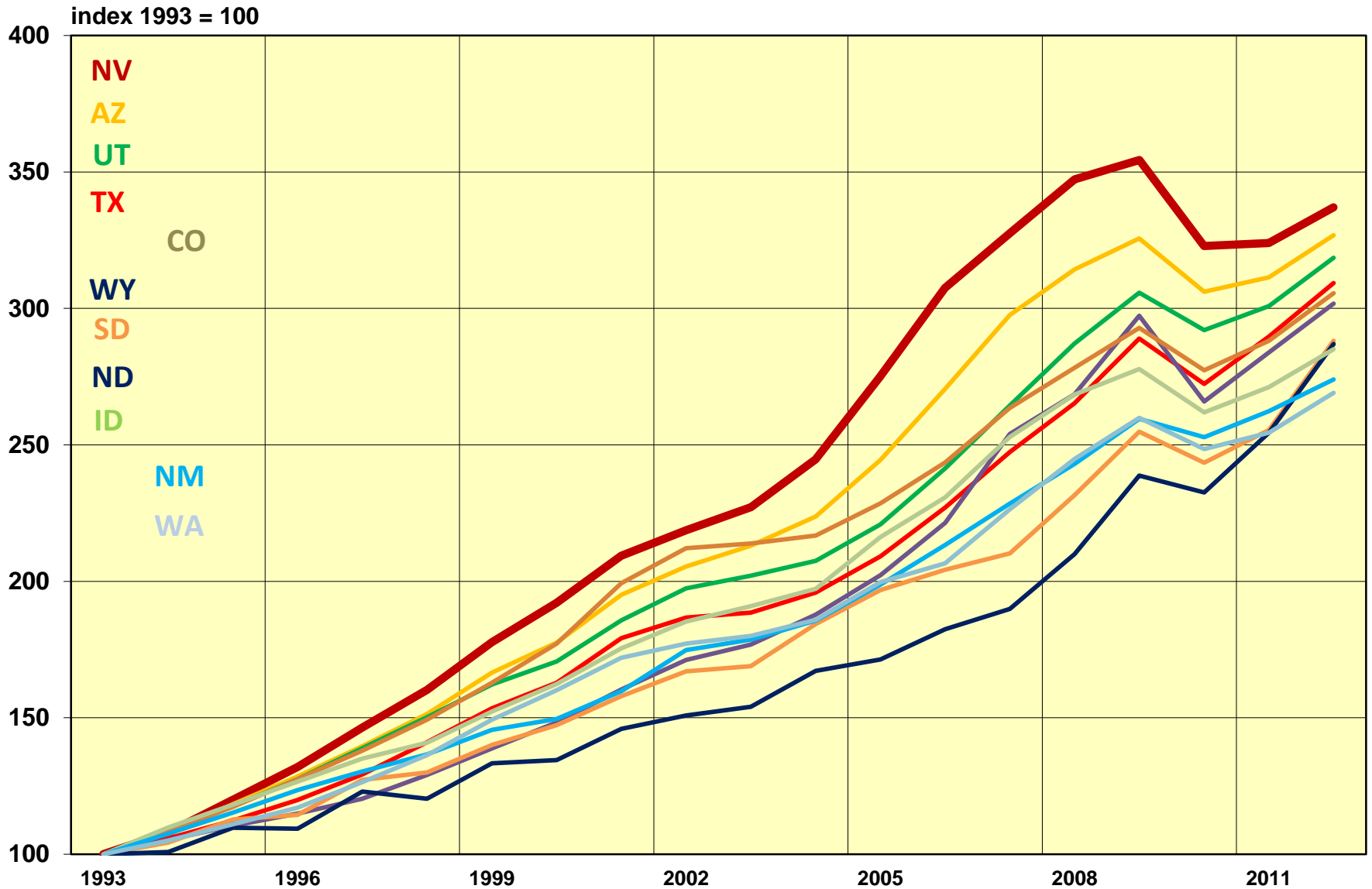
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Economic Freedom & the Wealth of States

Examining the behavior of outliers:

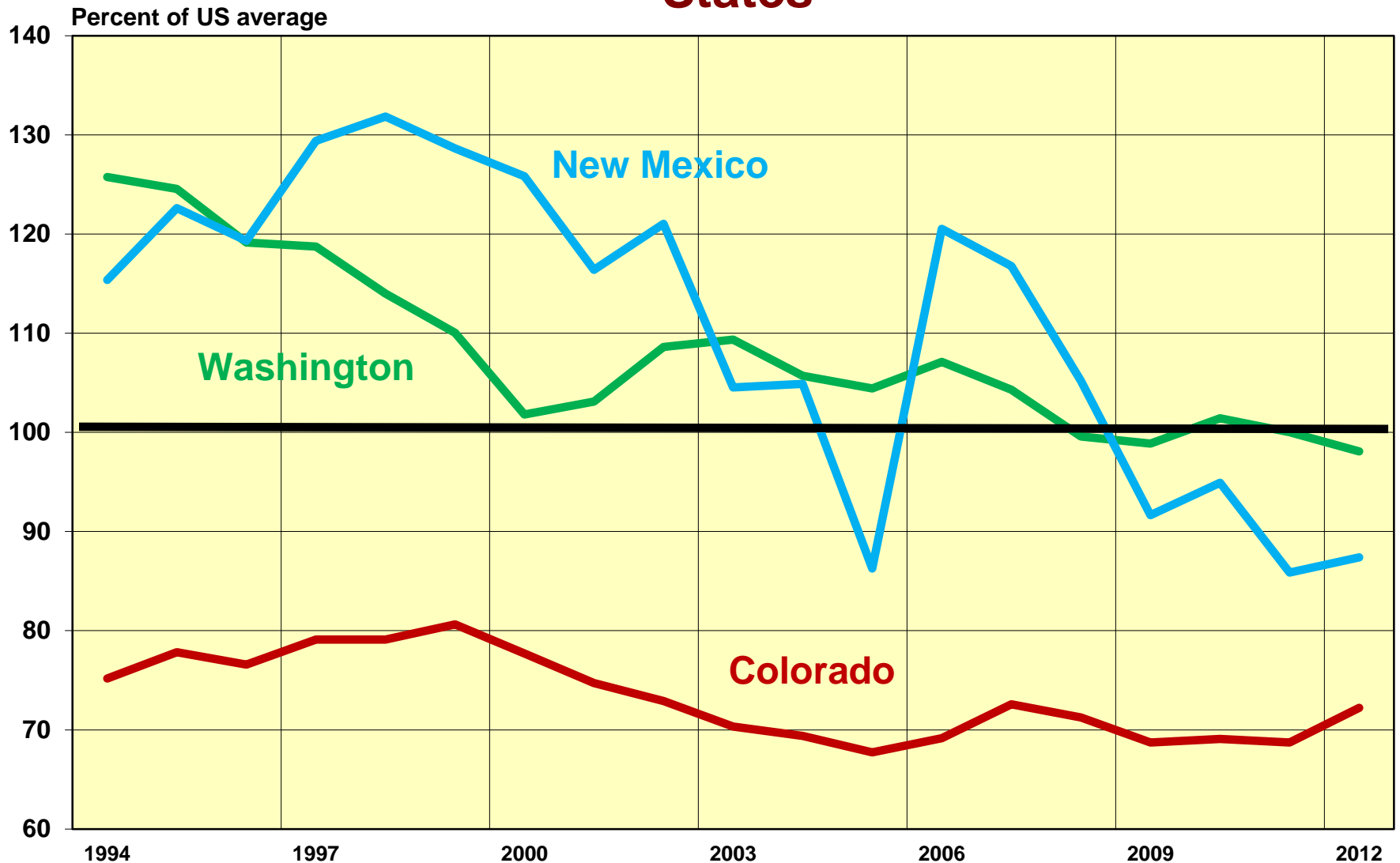
- 1. High performance states without FTW**
2. Low performance states with FTW
3. Oklahoma

11 Fastest Growing States Personal Income: 1993-2012



Source: US Census Bureau; BEA; classicalprinciples.com

Relative State Tax Burdens: Leading non-FTW States



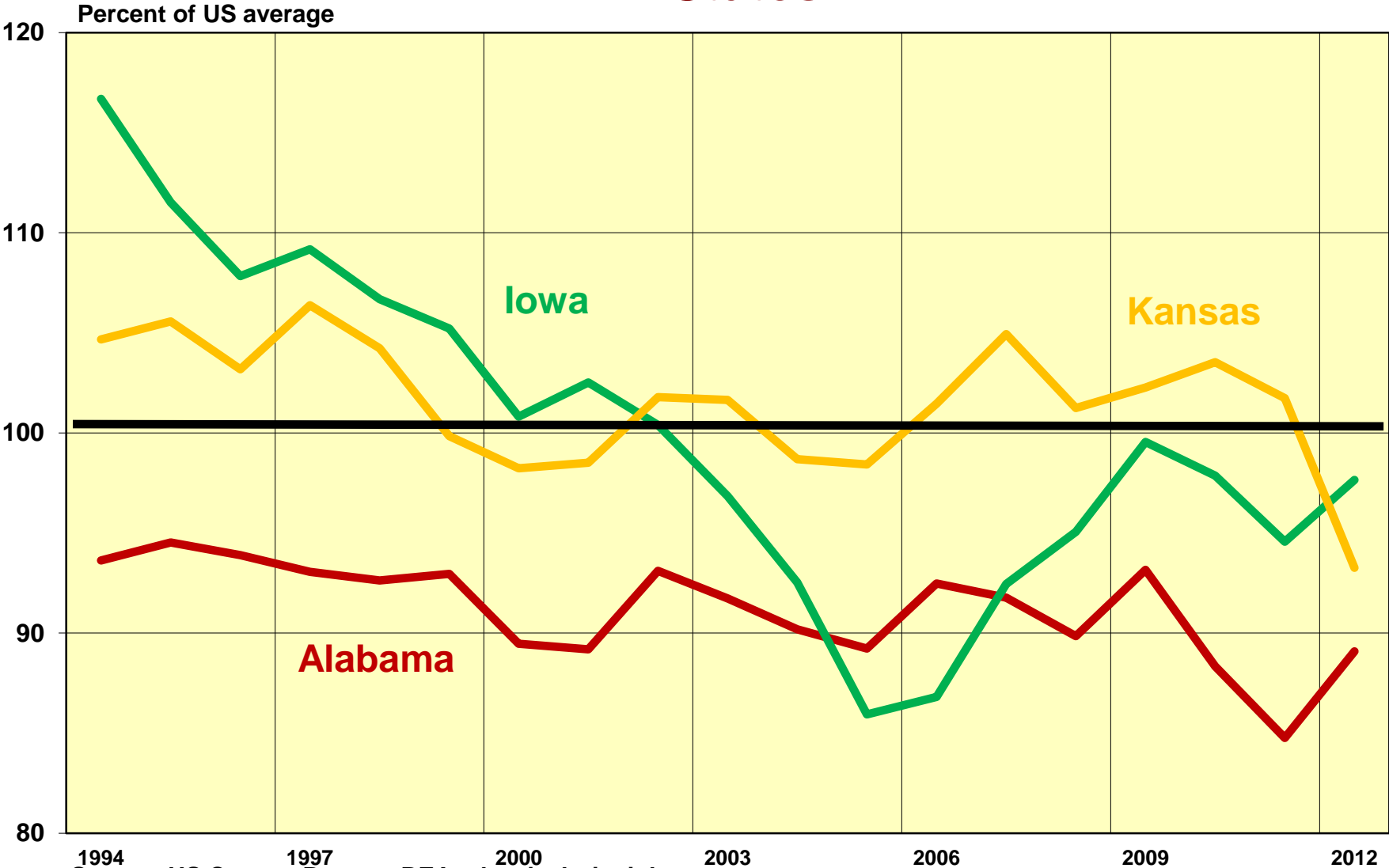
Source: US Census Bureau; BEA; classicalprinciples.com

Economic Freedom & the Wealth of States

Examining the behavior of outliers:

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Relative Tax Burdens: Slow Growth FTW States



Percent of Union Workers in States with Freedom-to-Work: 2012

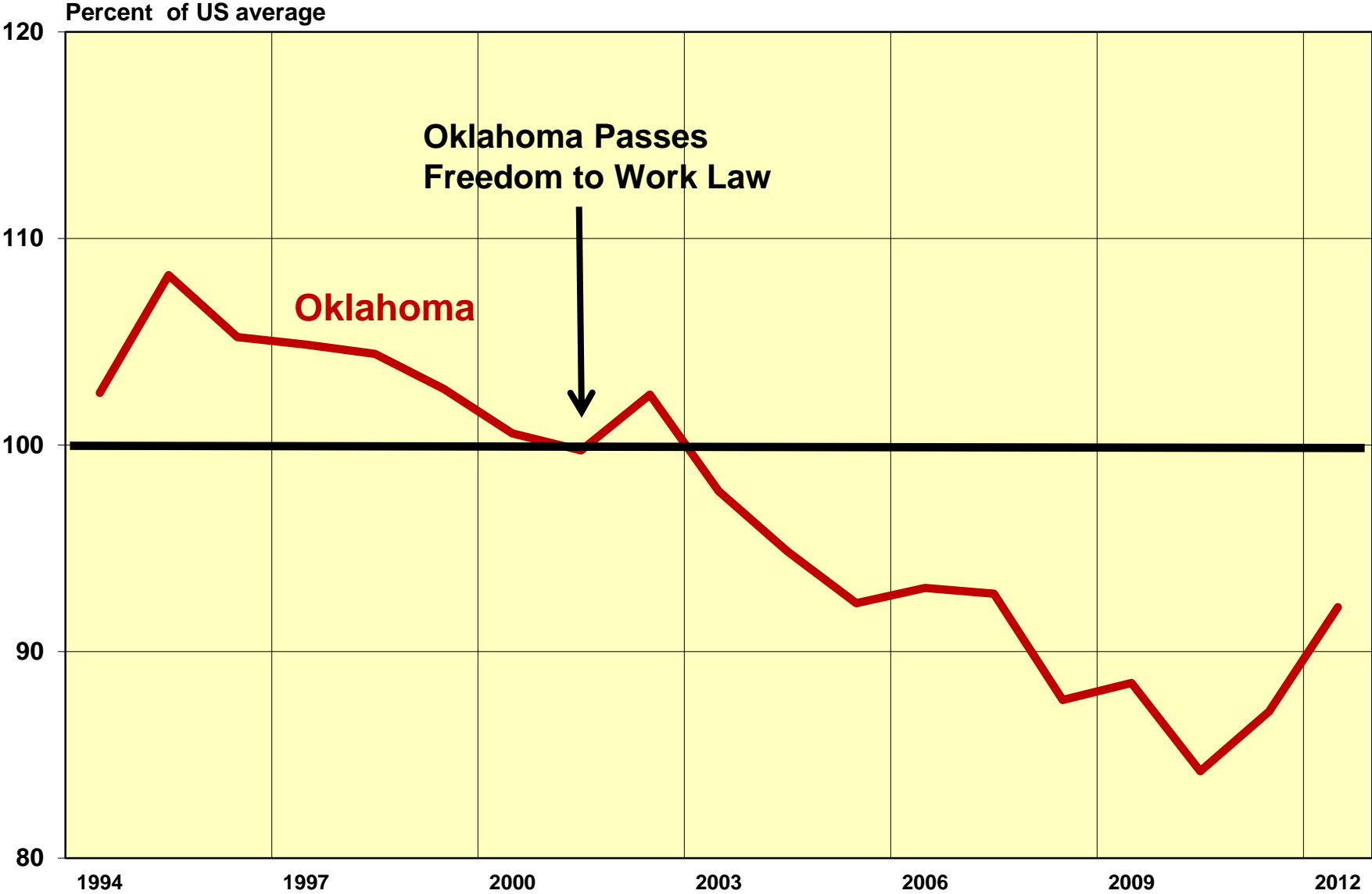
- Nevada 14.7%
- **Iowa 10.4%**
- **Alabama 9.2%**
- Oklahoma 7.5%
- **Kansas 6.8%**
- Avg. other FTW states: **5.0%**

Economic Freedom & the Wealth of States

Examining the behavior of outliers:

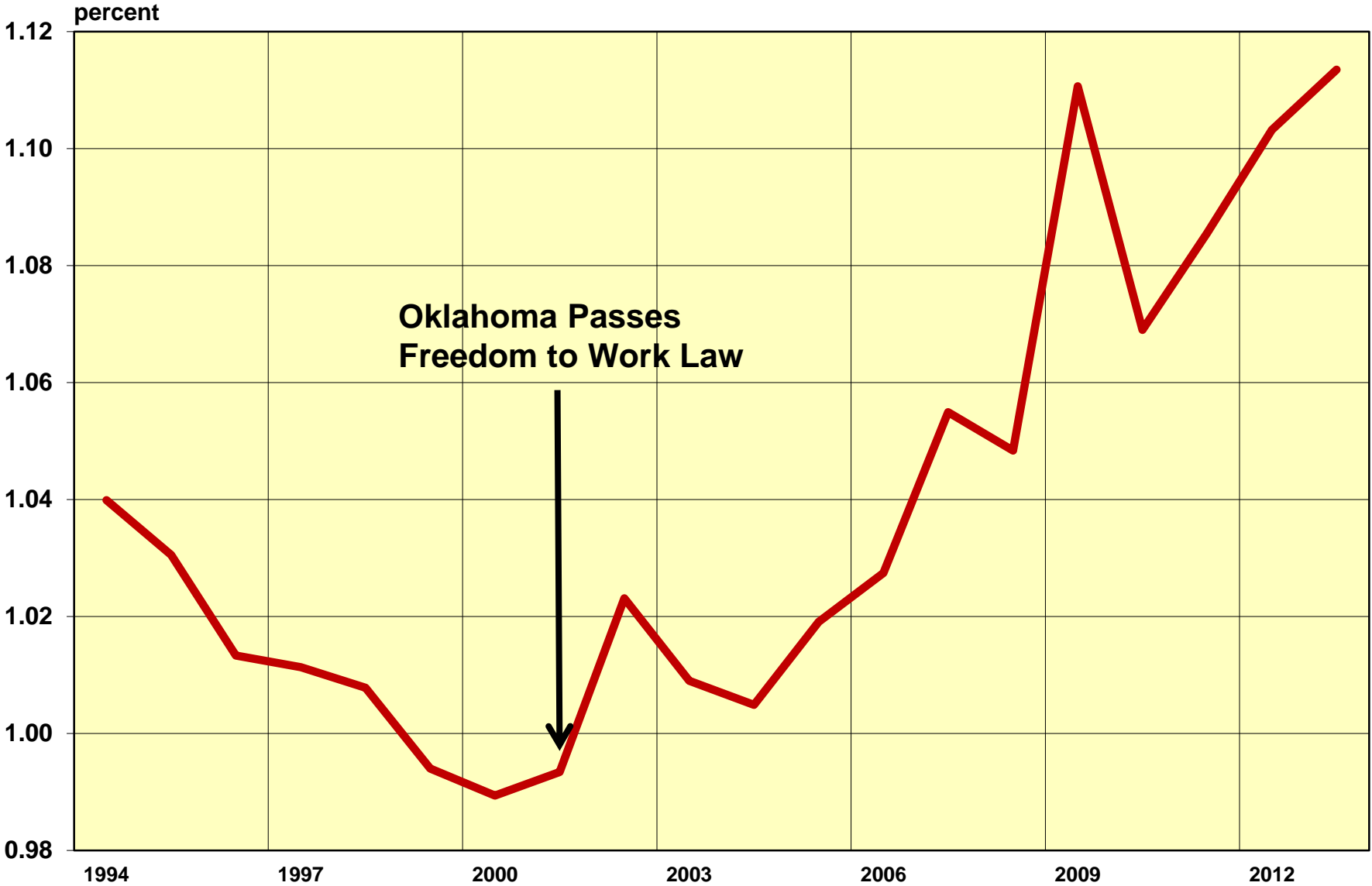
1. High performance states without FTW
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State Relative Tax Burdens: Oklahoma



Source: US Census Bureau; BEA; classicalprinciples.com

Oklahoma's Share of US Personal Income

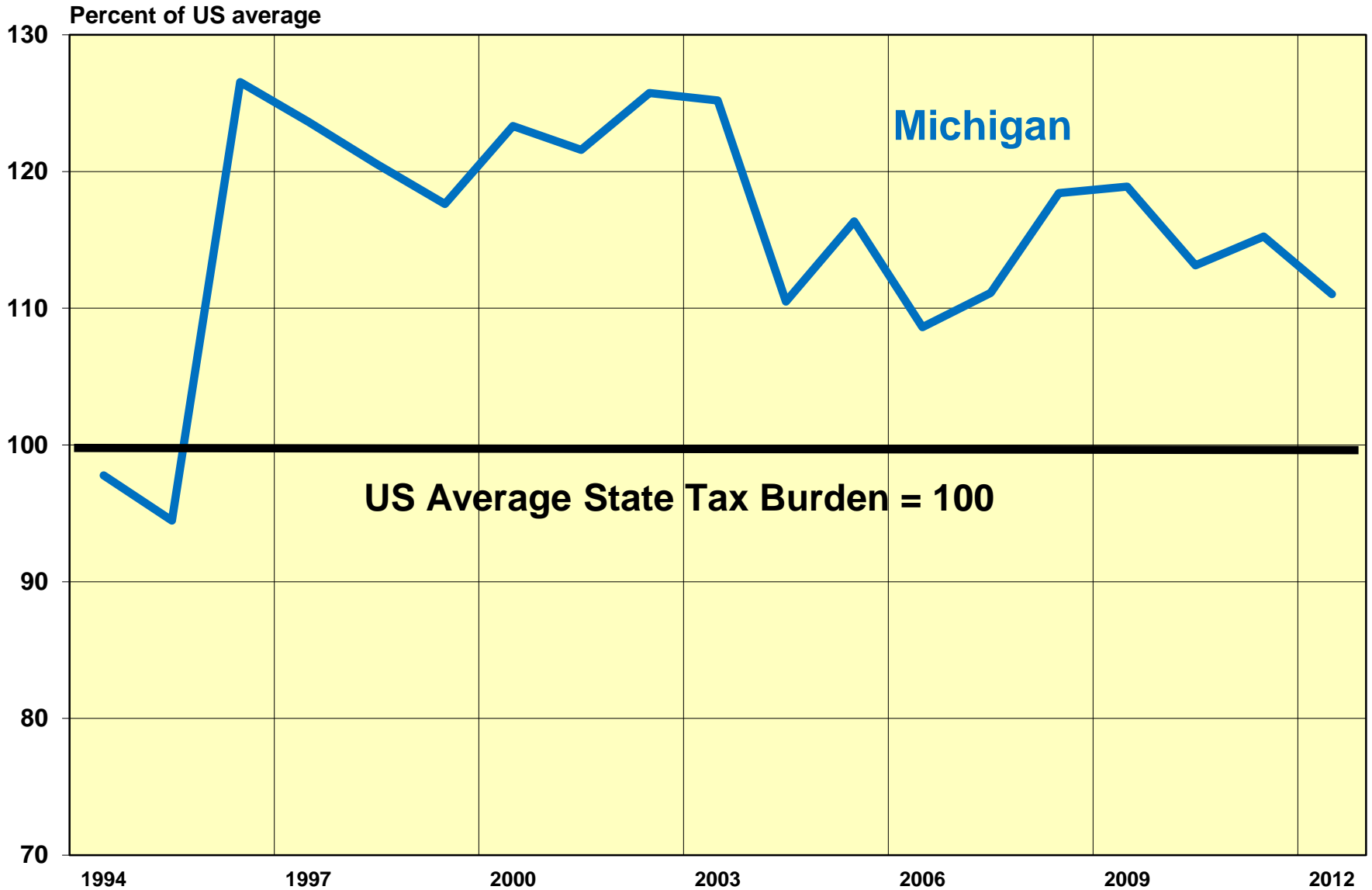


Source: US Census Bureau; BEA; classicalprinciples.com

IV. Impact of Freedom-to-Work on Michigan

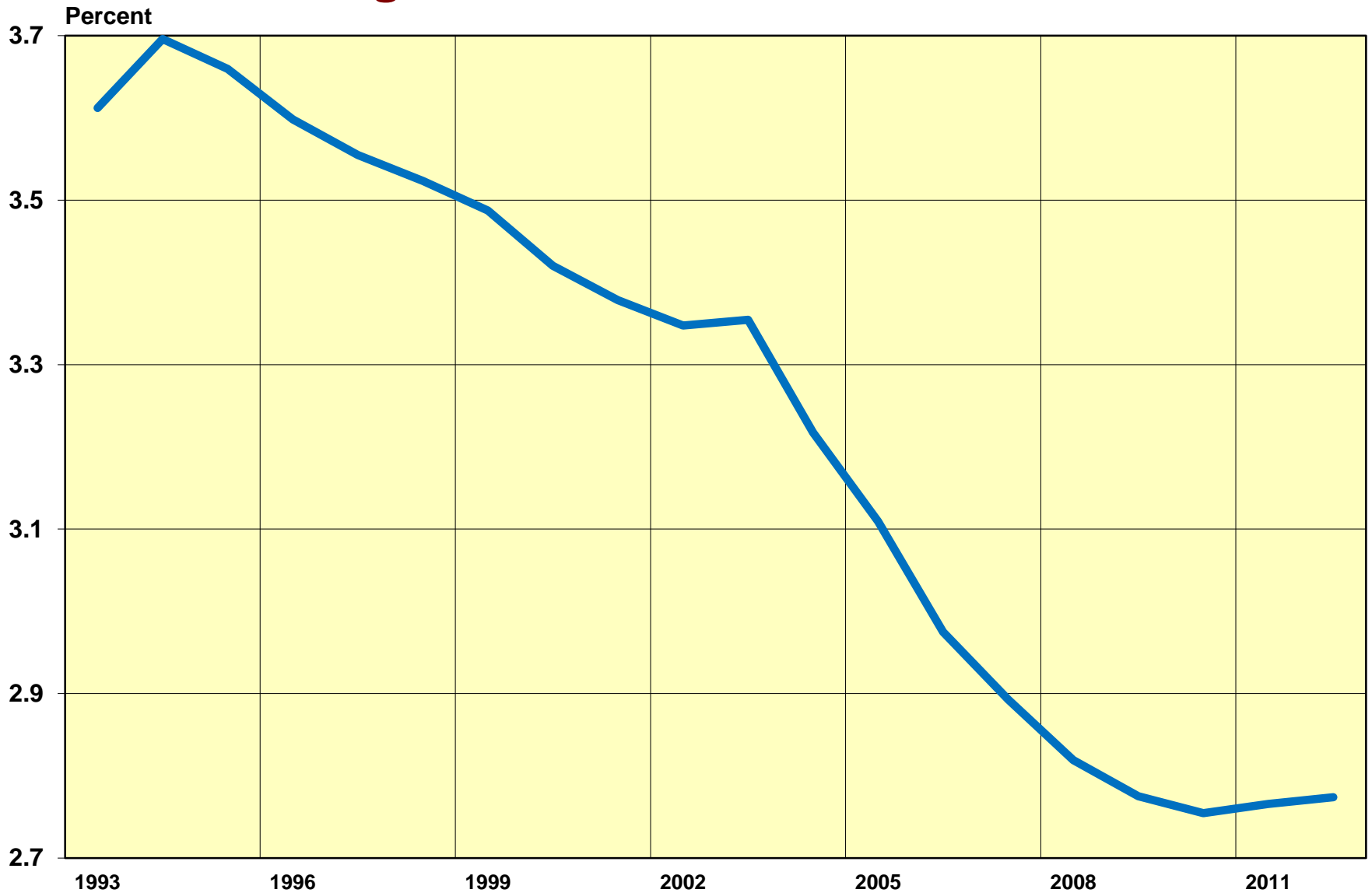
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2. Other FTW states: tax burdens & unions
3. Michigan's progress
4. Impact of \$1.4 billion tax hike for roads

Relative State Tax Burden



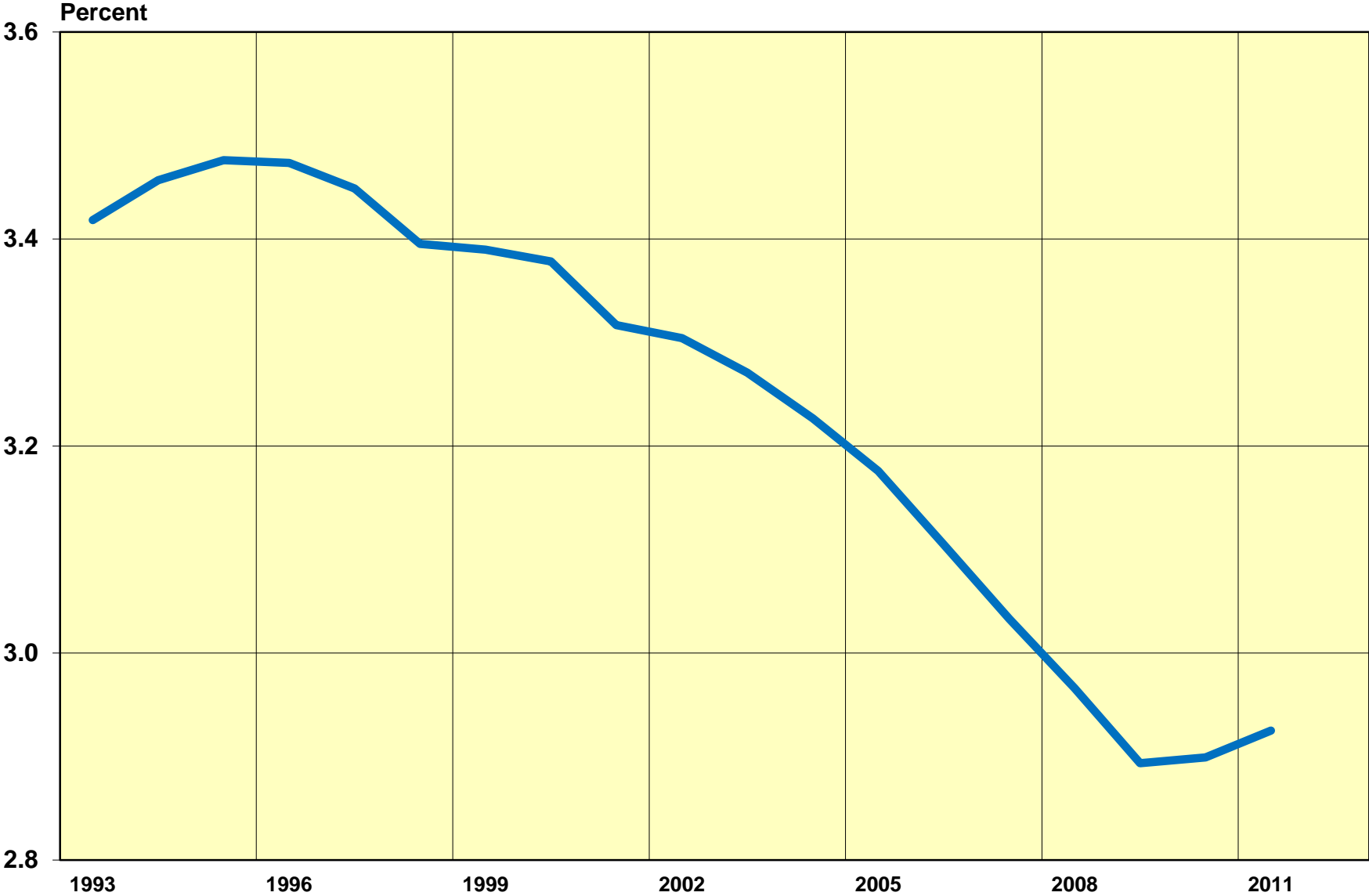
Source: US Census Bureau; BEA; classicalprinciples.com

Michigan's Share of US Personal Income



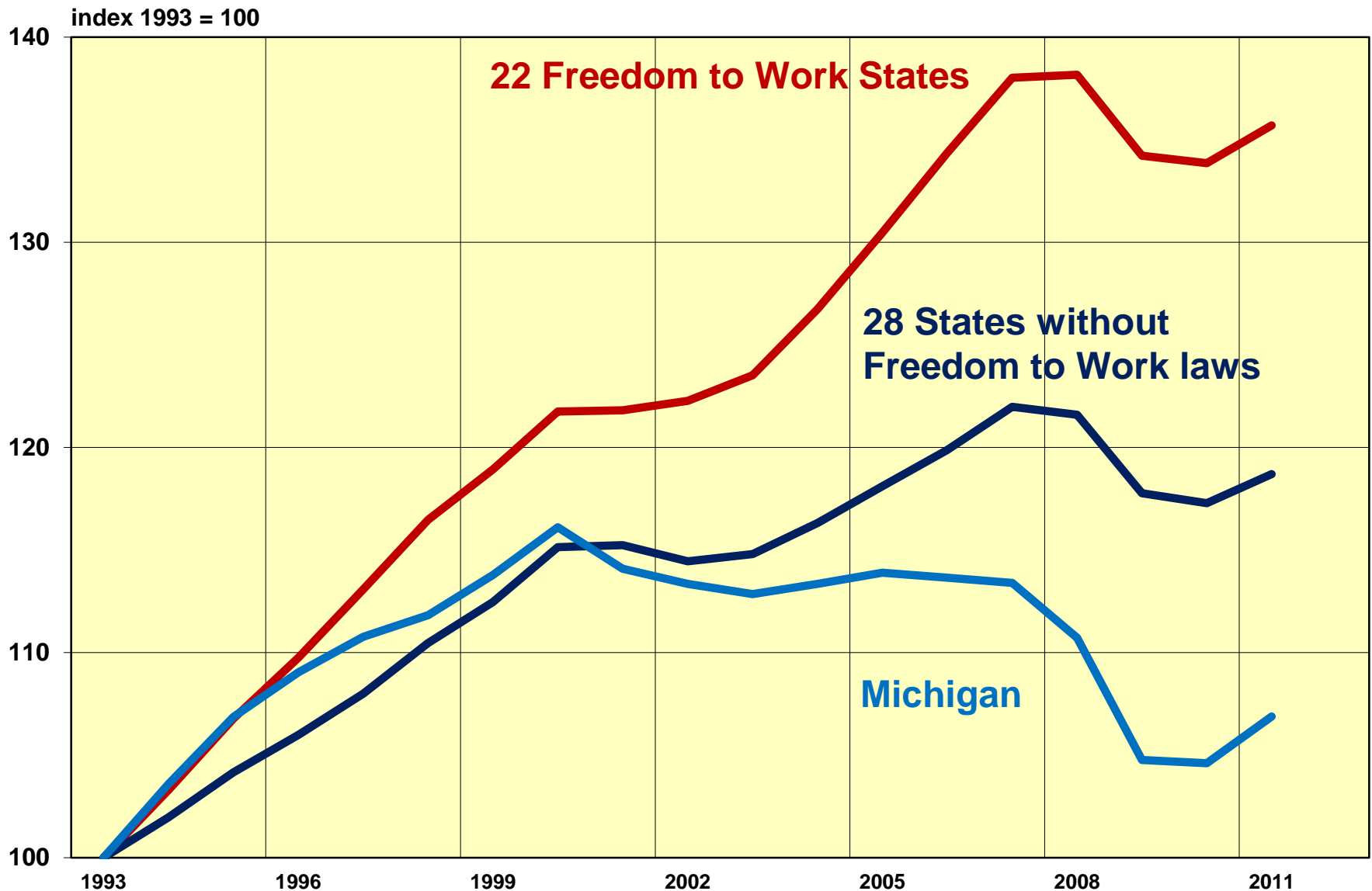
Source: US Census Bureau; BEA; classicalprinciples.com

Michigan's Share of US Jobs



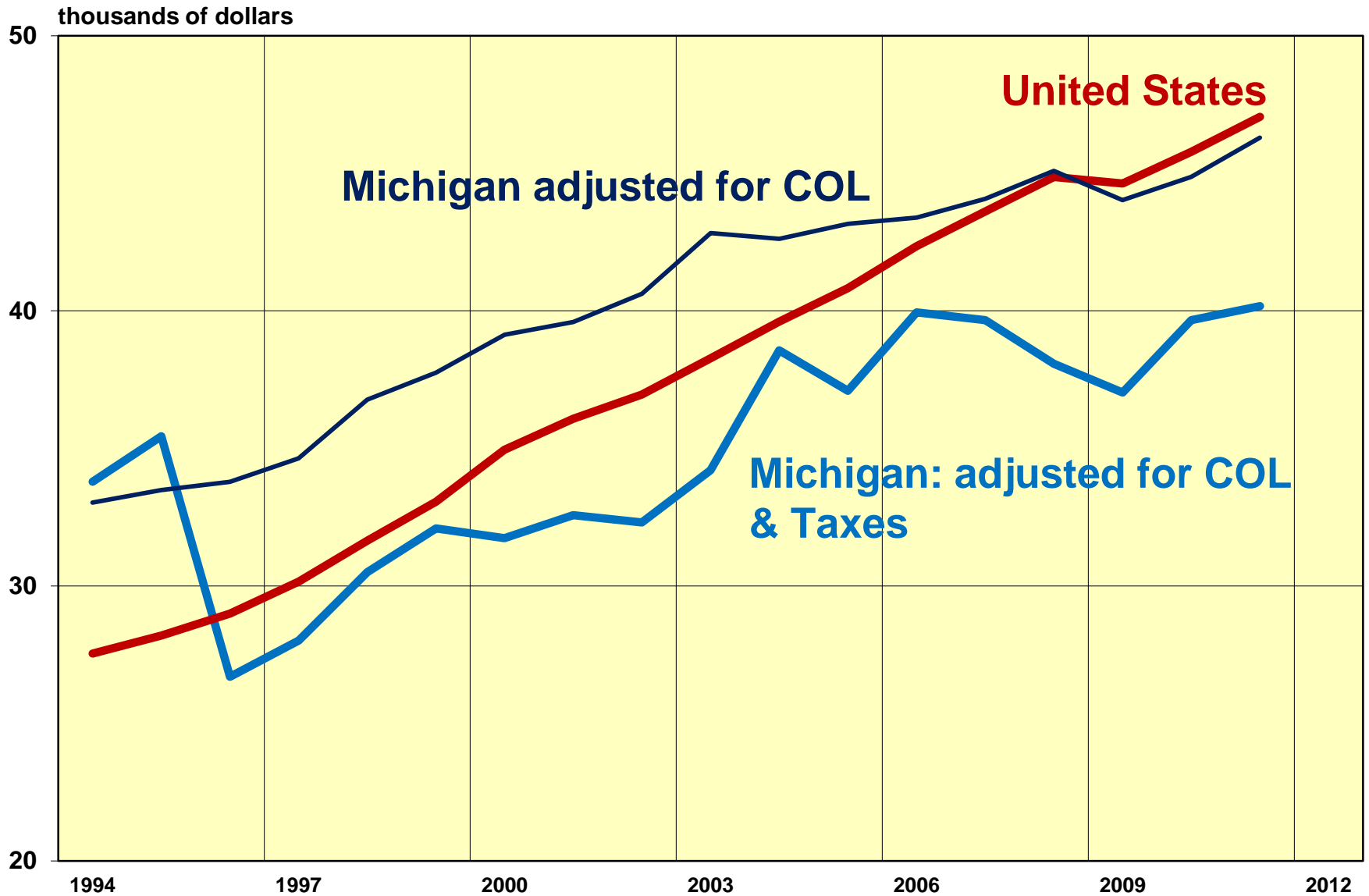
Source: US Census Bureau; BEA; classicalprinciples.com

Job Growth: States with and without Freedom to Work



Source: US Census Bureau; BEA; classicalprinciples.com

Compensation per Worker



Source: US Census Bureau; BEA; classicalprinciples.com

US & Michigan Compensation per Employee: 2011

	<u>Annual Comp.</u>	
US average	\$47,000	
• MI average	44,200	-6%
• MI with COL	46,300	-2%
• MI with COL & tax adj.	40,200	-15%

Source: US Census Bureau; BEA; classicalprinciples.com

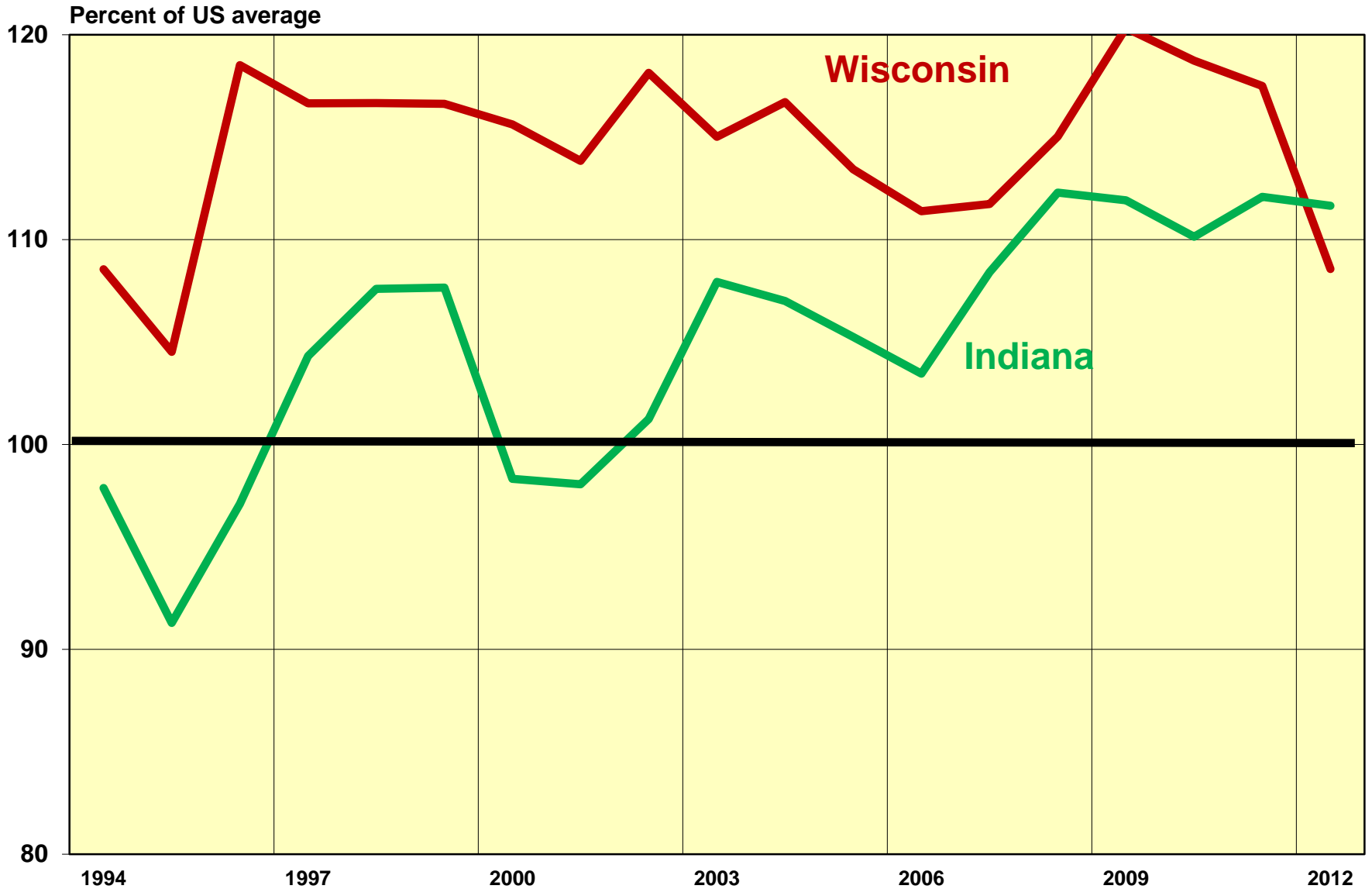
Michigan Compensation per Employee: 2011

<u>Sector</u>	<u>Annual Comp.</u>	<u>Premium</u>
• Federal Government	\$107,000	155%
• State & Local	60,000	42%
• Private Sector	42,000	

IV. Impact of Freedom-to-Work on Michigan

1. Michigan's tax burden and performance
- 2. Other FTW states: tax burdens & unions**
3. Michigan's progress
4. Impact of \$1.4 billion tax hike for roads

Relative State Tax Burden



Source: US Census Bureau; BEA; classicalprinciples.com

State Tax Burdens & Union Percentage: 2012

	<u>Tax Burden</u>	<u>Union%</u>
Oklahoma	92%	7.5%
Wisconsin	109%	11.2%
Indiana	112%	9.1%
Michigan	111%	16.6%

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Impact of Gas Tax on Michigan's Relative State Tax Burden

2012

- Michigan State Revenues \$23.955 billion
- Michigan Relative Tax Burden 111%

- With \$1.4 billion tax increase \$25.355 billion
- Relative Tax Burden with tax 117.5%

V. Takeaway Points

- High-performing states are those that provide individuals with more freedom over their income and job choices
 - Low or declining tax burdens relative to other states
 - Limits on growth in the state's growth in taxes and spending
 - Freedom to Work laws States with low or declining tax burdens tend to outperform those with higher or declining tax burdens

V. Takeaway Points

- Michigan's needs to make a major effort to reduce its tax burden & state and local spending:
 - Freedom-to-Work law should help control both spending and taxes, however more is needed
 - Taxpayer Bill of Rights Amendment to limit state and local spending to increases in inflation and population growth
 - Combination would provide Michigan workers with more economic freedom than any other state

More Information?

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