More Jim Blanchard, taxes and jobs

By Lou Glazer • on August 13, 2012

As a follow up to my previous post on Governor Blanchard's record of both raising taxes and a job creator, Don Grimes sent me an analysis of job growth in Michigan compared to the US and the state income tax rates during the full terms of Governors Romney, Milliken, Blanchard, Engler and Granholm and the first year of the Snyder Administration. Basically five decades of data.

During the complete terms of Governors Romney and Blanchard Michigan's employment growth exceeded the national average. Greater than the nation by an annual average of 0.45 percentage points in the Romney years and 0.07 percentage points in the Blanchard years. And lagged the nation during the complete terms of Governors Milliken, Engler and Granholm. Lower than the nation by an annual average of 1.19 percentage points in the Milliken years, 0.40 percentage points in the Engler years, and 1.87 percentage points in the Granholm years. (During Governor Snyder's first year the state exceeded the nation in employment growth by 0.46 percentage points).

Over the entire five decades Michigan lagged the nation in annual employment growth by 0.67 percentage points. In only 16 years of the combined complete terms of the five governors did Michigan's employment growth rate exceed the nation's. Five of the 16 were in the Blanchard years.

So what do we make of this data? The data provides more evidence on the main point of these posts: that today's conventional wisdom that raising taxes – particularly in an economic downturn – is a recipe for economic decline, and that cutting taxes is a recipe for economic growth, is not accurate Governor Blanchard was able to grow the state's economy **and** raise taxes (to the highest income tax rate in Michigan's history during his first three year). Not only did Michigan get strong job growth during his Administration, it also had employment growth faster than the nation's.

The tax increases preserved the state's ability to provide basic services, a decent safety net and make public investments in education and infrastructure.

Once again, my contention is not that the Blanchard tax increase was a major cause of the economic expansion during his years as Governor. Almost certainly it wasn't. But that the Blanchard record is evidence that you don't have to choose between a growing economy and state funded goods and services. That the huge state budget cuts since 2000 – a lot due to tax cuts – in areas like higher education, revenue sharing, infrastructure and the non health care safety net were not necessary to grow the state's economy.

Michigan's track record from 2000 through 2011 (when the state income tax rate has ranged from 3.9% to 4.35%) provides more evidence that cutting taxes does not necessarily lead to job growth. The state enjoyed job growth in only two of those years: 2000 and 2011. But even in 200o – when the first of income tax cuts went into effect (from 4.4% to 4.2%) – the state's job growth rate was lower than the nation's. The only two years it was greater than the country's was 2008 (the year the rate went up to 4.35%) and 2011.

Once again, I do not believe that the tax and budget cuts of 2000-2011 were a major cause of the state's serve economic decline. But it is clear that the policy of lower state taxes (and the reduced state government spending that goes with it) did not work as an economic growth strategy.

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