



## Michigan COMMENTARY

### Grasping the Future Wisely

by Gerald A. Faverman, Ph.D., and David Kimball

On the threshold of the 21st century thoughtful Americans know that the world cannot long continue as it is currently configured. The economic power base that made this the American Century is being quickly overshadowed by an invigorated off-shore economic competitiveness, rapid technological change, and the restructuring of the developed world's industrial base.

This realization of an urgent need for change has been especially trenchant in Michigan, whose signal prosperity and economic power were forged by the establishment and maturation of the archetypical American industry, automobile manufacturing. In fact, the technological breakthrough of the concept of mass production—Henry Ford's unique contribution—became the basis of American industrial supremacy.

The impact on America and particularly on Michigan of a burgeoning world-class automobile industry brought radical change from the style and culture of the 19th century; yet we were able to deal creatively and astutely with the opportunity offered and the challenge faced. Michiganians now sense instinctively that they have to get about the business of the future and fix those parts of our society that no longer work or seem inappropriate to the requirements of the future.

This sense of the imperative and requirement of change has been graphically driven home again by the surprising brevity of the 100-hour ground war against Iraq. As communications technology, computers, robotics, and microchips have changed the conduct of war, so also will these advances change the organization and conduct of industry and commerce.

Michigan residents, past the partisan rhetoric of the last election, recognize the peril that our economic and social institutions face if they are to survive and prosper in a more difficult and unfriendly world. Increasingly we have come to suspect that much of the economic chaos that we are undergoing is based on the unwelcome return in the 1980s of the speculators, profiteers, and those seduced by the prospect of fast personal gain that so scarred our nation in the 1920s.

With the lessons of the "Me First" decade still fresh in memory, materialism and selfishness appeared never more inappropriate, while collective, unselfish, cooperative behavior have taken on a new appeal. Notwithstanding the debate of special interests and the concerns and agony of at-risk constituencies, there is widespread acceptance of the unpleasant realities of required change and societal reform. Michigan has looked forward to the arrival of its new government with eagerness and anticipation.

When Franklin Delano Roosevelt took the helm of a battered and frightened nation, an eager public measured his accomplishments and progress during the first 100 days. There has been a similarly expectant air regarding the actions of the Engler administration in its first 100 days. Press comment has generally been favorable to the governor, and the media have appeared positively beguiled by the unprecedented commotion



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emanating from Lansing. However, some thoughtful observers are disappointed and disconcerted by the lack of meaningful progress by the new administration and legislature in dealing with the fiscal challenges of solvency, restructuring Michigan government, addressing the agenda of education and health care reform, and implementing equitable property tax relief.

If John Engler is going to have the skill and wit to lead us to meet the future, he will have to do a better job. Ideological partisanship and rancor, while attractive to protagonists, does not facilitate policy change or enact legislation. Currently, the dialogue generates more heat than light. Government by its nature moves slowly, and change is evolutionary rather than revolutionary. It is useful to observe that the Republicans control two out of the three locuses of power—the executive branch and the state Senate—and the Democrats control the third, the state House of Representatives.

Based on this division of power, the administration needs to work successfully with the House of Representatives and its Democratic majority. To make change successfully, one needs to build coalitions, relationships, understandings, and compromises. Nobody should know better than John Engler how influence is derived from controlling a single locus of power. In fact, using the Senate as a bully pulpit, he edged Blanchard from office and picked up the pieces of a Republican Party that lay defeated, disheartened, and disorganized after the disaster of the Lucas campaign of 1986. So far, this administration's self-righteous dealings with the Democratic House—a chamber initially stunned by the defeat of Governor Blanchard then torn by internal divisions—polarized the Democratic caucus into a coherent opposition force that might, if well led, be as dangerous to Governor Engler as he was to Governor Blanchard.

In these first 60 days of highly charged partisan rhetoric and ideological posturing, participants have lost sight of the reality that it is possible to construct scenarios to transcend the current stalemate and arrive at solutions for the current and projected deficit, the determination of an acceptable general fund and restricted fund budget for 1991–92, and the design of an equitable property tax relief package, clearing the deck for fall consideration of the agenda for change for the 21st century.

The recession that we originally thought would last until mid-1992 now appears far more benign, with recovery possibly under way by late 1991. Consumer durable goods manufacturing will improve and car sales will rebound significantly in 1992 from the current, particularly dismal year. The deficit which showed potential of growing to \$1.6 billion now appears likely to plateau at about \$1.2 billion. Interest rates will stay low, encouraging increased activity in residential construction, and easier credit will abet stronger business expansion. Economic forecasts and projections, while useful, are in the final analysis opinions rather than facts. The realities of the economy as it comes to be will drive the politics of the budget. If in fact this more optimistic scenario comes to pass, the strife and antagonism surrounding the current budget and the draconian measures promised in Governor Engler's 1991–92 Executive Budget will be less necessary, creating an opportunity to defuse the confrontation between the executive branch and the legislature.

Historically, Michigan's politics have been centrist, with both Republicans and Democrats prospering only by appealing to the moderate middle. In adverse times, the middle has atrophied, and the extremes have grown. The elections of 1982 and 1990 demonstrate the effect of this principle. As optimism and prosperity return, the current polarity will abate, increasing the influence of moderate forces. Politics never remains static but is in creative engagement with the future; hence, flexibility is a great virtue in charting the course of government.

Notwithstanding the fact that Governor Blanchard's defeat was by a margin of only 17,000 votes, he is at the current time neither well regarded nor well remembered, essentially because of the perception that he represented the imperial style of governorship along with a detached and aloof personal manner. If John Engler is to do better with the legislature than his predecessor, more time, effort, and willingness must be manifested in cultivation, networking, negotiation, and trust-building. As a man of the legislature, he should well understand the alienation that developed between the Democratic governor and his colleagues in the House and his rivals in the Senate. If he does not treat the Democratic House majority with greater care and astuteness, he will destroy its current moderate/conservative leadership, bringing to the fore more radical, less conciliatory leadership who will seek to thwart, embarrass, and destabilize his administration.

By the same token, if Engler does not treat the Republican Senate majority with sensitivity, understanding, and respect for their sovereign prerogatives, he will severely damage its credibility and its capacity to maintain a majority on issues key to his administration. Senate Republican liberals and mavericks might well go with Senate Minority Leader Art Miller on such bellwether issues as property tax reform, creating the opportunity for the Democratic minority to fish effectively in troubled waters.

The budget crisis—for all of its importance and intensity—is but a distraction from the real agenda of this administration, which is to lead the state forward to the next century, creating the climate for a more competitive economic posture and a more competent educational enterprise. Hence, this budget quagmire must be traversed to reach the real agenda. The agenda of reform, restructuring, and repositioning requires skill, diplomacy, and acumen to win sufficient societal support so that it will not be held hostage to the vicissitudes of the political process.

The Democratic budget response to the Engler administration seems to indicate concurrence in the belief that the scope and size of Michigan government has to decline. If in fact there is agreement on this philosophical principle, it is only a matter of negotiation to identify those targets which can win majority legislative support. The nature, degree, and timing of government downsizing thus can be dealt with as a tactical issue inside the budget process.

However, we need to be careful not to blur and confuse the issues. The polity of Michigan's social institutions for half a century has been based on a shared vision of social equality and justice for our most disadvantaged and advantaged citizens. If Michigan wishes to abrogate or rewrite this social contract, it should not do so in the guise of dealing with fiscal emergency or government downsizing; if this be the issue, let it be discussed plainly, as part of the real agenda of the future.

Another issue where plain talk is in short supply is the very vexed question of taxes. In the current climate, the "T" word is used as sparingly as possible, and government at every level looks not only at the equity of a proposed tax but also at its political acceptability to the electorate. In Michigan, it appears that property taxes are too high (tenth highest in the nation) and the sales tax too low. Property tax relief speaks to only half of that equation; we must identify new funding sources for our priority needs. Somewhere between the "No, never!" approach to taxes and the Oxender-Nye proposal (which would eliminate the property tax and nearly double the state income tax) lies a course that we must identify and follow.

The deficit, the most compelling disability in dealing with the current budget quagmire, does not have to be fully resolved in this fiscal year. Rather than trying to resolve the problem in the next 6 months,

amortization could extend over the next 18 to 24 months. Notwithstanding the rhetoric, both governors Milliken and Blanchard enacted taxes and used accounting deviations to resolve fiscal shortfalls by scheduling repayment over more than one year. With 35 other states facing similar challenges, our plight will not appear so exceptional or unusual as to cause inappropriate comment from Wall Street.

It is possible for John Engler to solve these problems with statesmanship and political acumen. He will need to deploy all of his courage, fortitude, and leadership skill. We have just demonstrated these virtues on foreign soil; can we not do the same here at home?

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