



## Michigan COMMENTARY

### Michigan Plays a Leading Role in the World Economy

by Gerald A. Faverman, Ph.D.

Historically, Michigan business to a great degree has seen itself as regionally based, buying and selling from adjacent markets. That view needs to be revised drastically to take into account the changing global relationships that affect our national interest and the reality of Michigan's economic position in the world. If we do not muster a considerably more accurate—which is to say, sophisticated—geopolitical self-concept, then inevitably we will jeopardize Michigan's economic strength, competitiveness, market share, and future prosperity.

In his book, *Politics Among the Nations*, Hans Morganthau propounds the theory that in foreign policy there are no permanent alliances or permanent friendships, only permanent national interests. Americans have lived for the last half-century with a contrary sense: that there *are* permanent friends and immutable alliances. Our view has been based on the tradition of special relationships with the Anglo-Saxon nations (England, Canada, Australia, and New Zealand), a NATO-driven European alliance aimed against the Soviet Union, and a SEATO-based alliance aimed against China.

Now, after forty comfortable years of believing we know who are our country's friends and enemies—and of stereotyping the "good" nations and the "bad"—Americans have arrived at a fascinating and unsettling realization. At the close of the twentieth century, we are now perceiving that Morganthau's dictum that there are no permanent friends, only permanent interests is true also for the United States. Now, as a nation, we must reassess our traditional list of friends and enemies. This time of change and reassessment presents us with both opportunity and peril. How the world will be is as yet unclear, but one can be certain that major change will occur. Understanding the change, responding to the opportunity, and discovering special relationships and special economic and commercial niches are tasks that Michigan's business and political leadership must address. Compared with foreign nations, this state's economy is the twenty-third largest in the world.

One aspect of the much publicized and woeful American ignorance about world geography is that many of our citizens are spoiled by the sheer continental mass of our nation, as well as by its relative wealth and power. It is a not uncommon misconception that many other nations are rather like us in terms of size and productivity.

In fact, most of the world's nations are small; there are very few giants in terms of land area, population, or economic power. Of the 161 members of the United Nations, only a handful are sufficiently large, by any of these measures, to have a truly global impact. Table 1 displays the wide range of size between the Soviet Union's 8.7 million square miles, which make it the world's largest country, and Algeria's .9 million square miles, which rank it as tenth largest. There is a similarly sharp difference in population figures

**TABLE 1**  
**World's Ten Largest Countries by Land Area**  
(in square miles)

1. USSR	8,649,490
2. Canada	3,851,787
3. China, People's Republic	3,691,000
4. USA	3,623,420
5. Brazil	3,284,426
6. Australia	2,966,136
7. India	1,269,339
8. Argentina	1,072,070
9. Sudan	967,494
10. Algeria	919,591
World	57,970,000

SOURCE: *Ambassador World Atlas* (Maplewood, N.J.: Hammond, Inc., 1986).

among the world giants. Note, in Table 2, China's population of 1.1 billion, India's 755 million, the Soviet Union's 276 million, and our own 238 million; more significantly, note the spread between these largest nations and all others listed.

Within our own country, another aspect of American naivete is a tendency to think that all 50 states are pretty much equal. The fact is, of course, that ten "superstates," of which Michigan is one, dominate the economic and political life of our nation (tables 3 and 4). Fifteen others play an intermediate role, and the remainder usually are spectators to the action.

That is never more true than in

presidential elections: As noted in Table 4, the ten "superstates" account for 47 percent of the country's electoral votes.

One of the most important geopolitical facts of life is this: The gross state product (GSP) of any one of the American "superstates" would rank it among the 25 most productive economies represented in the United Nations (Table 2).

We in Michigan need to have a heightened view of our economic strength. We think of ourselves in parochial terms—comparing ourselves with Indiana, Wisconsin, and other "Rust Belt" states—not as one of the largest economies in the world. Forty-two UN members have gross national products (GNPs) smaller than the annual budget of the City of Detroit. We need to be thinking about competing not with Idaho and Nebraska, but with Japan, West Germany, and France. We need to have a public policy and an industrial infrastructure sufficiently competitive with these world powers to ensure our own economic prosperity and strength. Michigan needs more aggressive international marketing; we do not export enough. Too much of the Michigan business community is too used to selling only to itself and neighboring states. We need to take more cognizance of foreign trade and reach out more aggressively in marketing our products around the world.

Our state's economic and demographic positions in the nation and the world are still unsettlingly surprising to many Michigan residents. Our continued economic growth requires a more sophisticated world view, one that begins from accurate geopolitical moorings.

Looking again at Morgenthau's admonition regarding the transience of "friendships" creates a context for critically reviewing our nation's current relationships with Europe and the emerging world superpower, Japan. These entities are already our competitors and could become our rivals and antagonists. Meantime,

TABLE 2

## GNP or GSP Ranking of the Top 25 United Nations Members and Top Ten U.S. States

Country	State	Population	GNP/GSP (in millions of dollars)
1. United States		237,640,000	\$3,363,300
2. Japan		120,200,000	1,060,000
3. USSR		275,590,000	1,715,000
4. West Germany		61,390,000	658,400
5. France		55,020,000	542,000
	1. California	23,667,565	533,816
6. UK and N. Ireland		56,040,000	482,700
	2. New York	17,558,072	362,736
7. Italy		56,940,000	347,000
8. China		1,080,980,000	313,000
	3. Texas	14,229,288	303,510
9. Brazil		134,340,000	295,000
10. Canada		25,270,000	288,800
	4. Illinois	11,426,596	209,666
11. Poland		37,055,000	186,800
	5. Pennsylvania	11,863,895	183,559
12. Spain		38,515,000	179,700
	6. Florida	5,463,105	177,729
	7. Ohio	3,025,290	176,102
13. Mexico		78,670,000	168,000
14. East Germany		16,600,000	165,600
	8. New Jersey	7,364,823	154,765
	9. MICHIGAN	9,262,078	153,240
15. Australia		15,565,000	153,000
16. Czechoslovakia		15,490,000	147,100
17. India		754,600,000	146,000
18. Netherlands		14,465,000	137,300
19. Argentina		30,340,000	130,000
20. Saudi Arabia		10,970,000	120,000
	10. Massachusetts	5,737,037	115,526
21. Romania		22,860,000	104,800
22. Belgium		9,875,000	85,420
23. Sweden		8,335,000	81,000
24. Nigeria		89,650,000	74,000
25. South Africa		26,855,000	73,600

SOURCES: Rand McNally and Co., *World Facts in Brief* (Chicago: 1986), pp. 130-256; and Vernon Renshaw, Edward A. Trott, Jr., and Howard L. Friedenberg, "Gross State Product by Industry 1963-86," *Survey of Current Business* (May 1988):34-35, 37.

TABLE 3

## Top Ten States in GSP, 1986

State	GSP (dollars in millions)
1. California	\$533,816
2. New York	362,736
3. Texas	303,510
4. Illinois	209,666
5. Pennsylvania	183,559
6. Florida	177,729
7. Ohio	176,102
8. New Jersey	154,765
9. MICHIGAN	153,240
10. Massachusetts	115,526

SOURCE: *Survey of Current Business*,  
May 1988.

TABLE 4

## Top Ten States in Electoral Votes

State	Number of Votes	Percentage of Total Votes
1. California	47	8.7
2. New York	36	6.7
3. Texas	29	5.4
4. Pennsylvania	25	4.6
5. Illinois	24	4.5
6. Ohio	23	4.3
7. Florida	21	3.9
8. MICHIGAN	20	3.7
9. New Jersey	16	3.0
10. Massachusetts	13	2.4
Total	254	47.2
Total Electoral Votes:	538	

SOURCE: *World Almanac 1986* (New York: Newspaper Enterprise  
Associates, Inc.).

after almost seventy years of perceiving the Soviet Union as the dangerous enemy and China as a potentially powerful foe, we are being urged to reassess this view. The new message from both nations is that they share with us common interests, common concerns, and common competitors. It is not out of the question that these two countries could become our friends and allies.

This prospect leads to a sense not only of opportunity but also of anxiety, because change is a compelling but frightening phenomenon for all societies, as we can see in the besiegement of the governments of the Soviet Union, China, East Germany, Poland, Czechoslovakia, and Hungary by their own citizens. The tumultuous changes sweeping through Communist society threaten to destroy the Russian imperial state built over 300 years of expansion. Moreover, we are watching the collapse, after almost fifty years, of the *cordon sanitaire* of East European buffer states designed to protect the Soviet Union from Germany. Change is reshaping the geopolitics of Europe.

There is danger that these movements for change may happen too quickly, frightening more conservative forces in these nations and leading to reaction, retrogression, and repression, which could create the climate for confrontation and war. A very delicate dance is required to encourage positive change and avoid disaster. In China—a tragic case study—the delicate dance foundered on misunderstanding, misapprehension, and misjudgment. China is now caught in contradiction and confusion, its future path uncertain, a source of great disquietude to potential friends and enemies alike.

We Americans, used to the security of our political process, tend to overestimate the stability of other nations' governments. Democracy, for all its inefficiency, has worked extraordinarily well in this country, bearing out Winston Churchill's observation that he believed democracy to be the worst possible system of government until he considered the alternatives. In the Soviet Union and Poland, the cultural understanding of how to deal with democratic institutions is marginal, and the danger of a significant

misreading of intention by the contending forces could lead to confrontation and civil war. Changes of this magnitude, however gradual, will require incredible acumen, patience, and caution; the social, political, and economic risks are extraordinarily high.

In the face of several years of national self-doubt about U.S. society, government, and economic style, it is reassuring to perceive that what has been called "the American Century" has in fact spawned a pervasive world opinion that says our style of government, personal freedom, economic benefit, and organization is the wave of the future. Millions of citizens of India, China, the Soviet Union, Poland, East Germany, and Europe now want to move toward the realization of *their* American-style century.

For Michigan, the potential for involvement in this process is more than an opportunity, it is a virtual necessity; our economic future is at stake.

We must invest more resources in the public sector and in the budgets of Michigan business and industry specifically to interpret better the advantages of our commerce to developing foreign markets. As a key U. S. industrial state, Michigan has unique commercial and intellectual gifts to offer the world. In particular, the state needs to be more vigorous in establishing offices in other countries to carry our commercial intelligence and market cultivation to a broader range of nations.

At our colleges and universities, we must place more stress on foreign language and culture study as appropriate preparation for business careers with new constituencies.

Finally, we badly need to augment the existing dialogue between Michigan government and industry, so that our state officers can represent most effectively to foreign markets the special strengths of our industrial base. If we do these things, our foreign trade and economic strength will grow mightily. If we fail to do them, we will experience a set of economic contractions entirely incompatible with our aspirations for the future.

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