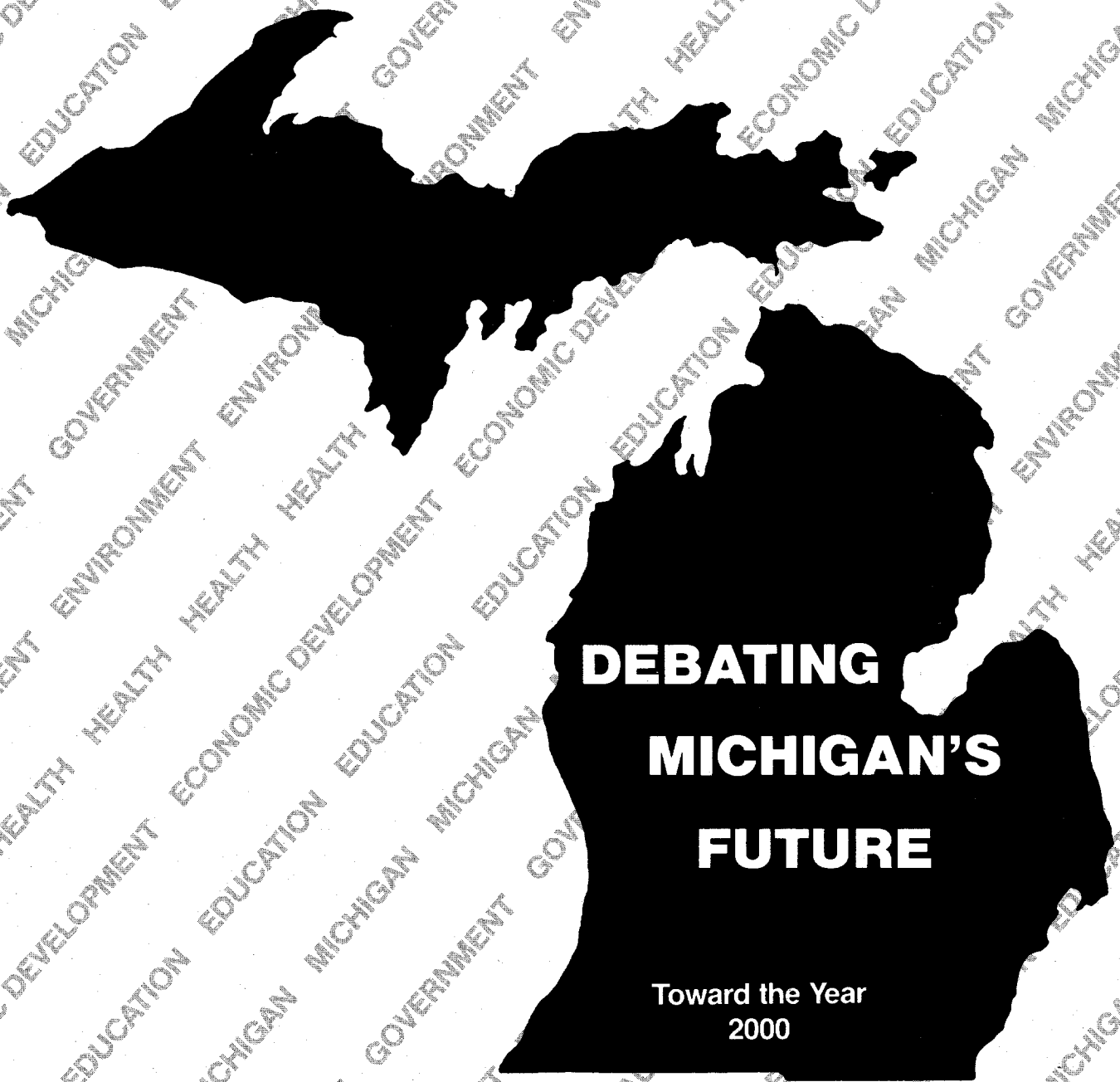
A series of publications from
PUBLIC SECTOR CONSULTANTS, INC.



DEBATING MICHIGAN'S FUTURE

Toward the Year 2000

These papers are presented to encourage thought and discussion. The comments of our readership are welcome and may be incorporated into the final publication, a compendium of the series.

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Toward the Year 2000
is a series of publications
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DEBATING MICHIGAN'S FUTURE

I. A PREVIEW

Michigan is not master of its fate. Events far beyond our borders have a wrenching impact on our lives. Yet if we are not the rulers of our destiny, neither need we be its slaves. We can and should shape outside influences to Michigan's advantage. We can and must control the consequences for Michigan of the modern world's most compelling phenomenon--change.

In terms of human knowledge and events, said economist Kenneth Boulding, the date that divides human history into two equal parts is well within living memory. "The world of today is as different from the world into which I was born as that world was from Julius Caesar's," he said, "and as much has happened since I was born as happened before." A Michigan child born today may experience the same phenomenon within his or her lifetime.

Coping with change is the premier challenge of our time. How well we do it--the decisions we make in the next 14 years--will determine the future of our state for the generations beyond 2000.

In a series of papers, of which this is the first, Public Sector Consultants, Inc., will examine specific public policy issues that bear on the quality of life in our state. These discussion papers will focus on perils, opportunities, and goals relating to economic development, environment, education, government organization, and health in Michigan--in short, the direction and destination of the state.

Among the factors affecting each of these topics are several influences of national and international scope over which Michigan has negligible control.

- The emergence of a world economy--the shrinking of the planet, for want of a better phrase--constitutes a powerful trend that has shaken the underpinnings of the state and continues to do so with increasing effect. Our economy is touched profoundly by a world in which a person 10,000 miles away may take the job of a Michigan worker. Michigan's education system is strained by the need to retrain that worker at local cost. The quality of our environment can be impaired by pollution from factories miles from our borders. Loss of employment damages the public well-being and saps the resources of

government. These conditions occur, in part, because the world is an increasingly smaller place, and each challenges Michigan's ability to adapt and compete in a vastly broadened arena.

- The pervasive effect of technology has brought mixed blessings that touch every aspect of Michigan life. Technology has widely acknowledged implications as well as others that are scarcely recognized. New technologies can lighten the burden of many jobs, but may debase our environment in unforeseen ways. Yet technologies that can be applied to protecting our environment are not being encouraged. The automated factory requires fewer but more highly skilled workers, leaving thousands jobless and ill equipped for today's workplace. Advances in telecommunications promote wide dissemination of ideas and information, but the applications are not keeping pace with technology.

- The contraction of the world and expansion of technology both influence and are influenced by a third trend that is changing the face of Michigan society. After 100 years of urbanization, the movement outward from the city is altering how we live, work, and play in our state.

  Confronted with a diminishing population and tax base, the economy, schools, and government services of older cities falter under the weight of heavy demand and frail supply. Aging infrastructures crumble while new systems elsewhere gobble space and resources. The throwaway mentality first seen in packaging spreads to places and to people as resources are withdrawn from older urban communities, leaving their citizens increasingly dependent, unstable, and despondent. At enormous cost to society, schools, sewer systems, roads, and public utilities are replicated each generation to accommodate people moving into new areas.

- Finally, every aspect of Michigan life in the next century will be affected by the aging of our population and the nation's. We have accepted but not come to terms with the need for alternative health care systems, broader recreational and educational options, new approaches to medical progress and ethics, and accommodation to altered markets for products and services.

This series of papers will consider the effect of these overriding influences in view of the demographic, economic, and social trends that have brought us to this point and those envisioned for the year 2000 and beyond. The papers will be organized under the broad but overlapping

categories of education, environment, health, economic development, and organization of state and local government.

Together, the papers will present fresh approaches that consider but are unencumbered by historical precedent. Unless difficult questions are debated, change will take a path of least resistance that may or may not advance the public good. If change presents a threat to our complacency, it also proffers opportunity for imagination and innovation, qualities so richly evident in Michigan's past.

We look forward to offering these papers for your thoughtful consideration and solicit the benefit of your comments.

March 1986

II. ECONOMIC DEVELOPMENT

Current Economic Trends

Natural economic causes have prompted a slowdown in the rate of economic growth in Michigan and most Northeast and Midwest states for at least the past 20 years. All economies reach a point of maturation and begin to grow at a slower pace. This occurs as population growth causes business and social costs to rise: higher taxes are needed to support increased demand for public services, higher wages are paid as workers organize and firms become profitable, higher social costs arise from crime, pollution, and congestion. These eventually reach a point at which locations in less-developed areas become attractive to businesses, and companies relocate or expand to new areas. As population disperses, the advantages of a centralized location become less important, and a firm's ties to its original location are loosened; the relocation of New England textile mills to the South and the relocation of Michigan's furniture factories to North Carolina are classic cases. This has been occurring in Michigan for a number of years, and will continue during the foreseeable future. By itself this trend would not be cause for alarm, but Michigan is also facing two other developments that are severely testing the vitality of the state's economy: increasing world economic competition and increasing automation of manufacturing. These factors are particularly germane to the auto industry, upon which the state economy is overly dependent.

The Auto Industry

The best years have passed for domestic automakers and domestic automotive suppliers. As recently as 1965, the Japanese were not a factor in the automobile market, but today they have about 25 percent of the market and would have more without voluntary import restrictions. European vehicle importers and entry-level newcomers--such as Yugo (Yugoslavia) and Hyundai (Korea)--are also making strong inroads in the United States. These new competitors could capture as much as 20 percent of the market in the years ahead.

By 1990, the big three U.S. automakers will have virtually given up small car production in the United States, except for special projects such as GM's Saturn, Ford's Alpha, and Chrysler's Liberty programs. GM will increase small car imports from Isuzu and Suzuki in Japan and Daewoo in Korea, and will continue to take the bulk of car production from Nummi, its U.S.-based joint venture with Toyota. Ford will give up its small car production to its Japanese partner, Mazda, and its Korean partner, Kiu. Chrysler may turn over its small car production to its Japanese partner, Mitsubishi. The three United States auto firms will concentrate on marketing and distribution rather than assembly.

As foreign automobile manufacturers become a factor in the U.S. market, it makes economic sense for them to build plants here. Yet foreign companies do not have the ties to Michigan of domestic automakers and therefore, they are more likely to make their location decisions on economic considerations alone. In fact, only one foreign automaker, Mazda, has chosen to build a plant in Michigan. (Volkswagon planned to purchase an existing facility in Michigan, but cancelled these plans when their market share in the United States dropped sharply.)

Automotive News is forecasting that by the 1990s, Japanese auto production in the United States will reach a capacity of 1.4 million units. At the same time, U.S. makers and suppliers will move offshore for cheaper sources of supply. Japanese assembly plants in the United States are not likely to take up the job slack. To keep profits high, Japanese companies will continue to source as much as possible from Japan and from the few suppliers they have established in the United States. As domestic car manufacturers find they are at a competitive disadvantage in the United States, they will cut operating capacity sharply, possibly by shutting down entire plants. The grim scenario for the 1990s depicts a U.S. automotive market with excess manufacturing capacity, layoffs, collapsing prices, and financial difficulties for U.S. manufacturers, a situation similar to that of Western Europe in recent years.

In spite of foreign competition, Michigan has managed to hold onto its approximately 40 percent share of national motor vehicle employment. The expansion of the domestic motor vehicle industry in Michigan is a reflection of the historic advantages that this state has enjoyed: the combination of existing plants, a supplier network in place, native sons in charge of decision making, and a skilled workforce. Although Michigan still enjoys these obvious advantages, they are diminishing. The benefit of existing plants erodes as our share of the total market declines and as cost factors become more important. In recent years, a growing wage rate disadvantage coupled with higher costs for workers' compensation, unemployment insurance, and health care have also hurt Michigan. The supplier network is an asset, but suppliers can relocate relatively quickly and, as the industry becomes more international, fewer native sons of Michigan are making plant location decisions.

The benefits of a skilled labor force are declining as the auto industry automates. To keep up with foreign competition, domestic automakers are finding it increasingly necessary to automate to improve productivity (output per hour). After increasing at a rate of about 3 percent annually from 1955 to 1978, and declining slightly from 1978 to 1983, productivity growth has exploded in the last two years. Over the next two decades, productivity is likely to increase rapidly. By the year 2000, auto plants may be almost fully automated, with relatively few employees monitoring and repairing huge complexes of tools and equipment. Productivity gains could be slowed by recessions, financial constraints, or labor problems, but it is more likely that by early in the 21st century, cars will be built by a labor force half the present size.

Another significant development in the domestic automobile industry is increasing diversification by the big three. Domestic manufacturers may be able to maintain financial health through such diversification. In the past year, General Motors, Ford, and Chrysler have made a number of acquisitions in financial services, computer services, and the defense and aerospace

industries. They will continue to make acquisitions and increase the size of their nonautomotive business. By 1990 and beyond, they will devote a much smaller portion of their business to auto production. It is important to Michigan's future that a reasonable share of these nonautomotive activities be based in this state. A competitive business environment is the key.

Employment: Outlook and Strategy

No strategy or set of events is likely to prevent Michigan automobile employment from declining. Although lower productivity growth or import restraints could slow the decline, Michigan inevitably faces a future with significantly fewer jobs in automobile manufacturing.

The question is how to replace these lost automotive jobs. Some prescriptions recommend readjusting the wage structure to reflect competitive realities, but this is neither helpful nor practical. Wage rates tend to adjust naturally over time--a state with high wage rates will suffer higher levels of unemployment, which will cause a labor surplus in the state and drive down wage rates. Out-migration of workers seeking opportunities elsewhere will tend to slow this process, as will the resistance of labor unions.

The state's long-term economic recovery and prosperity will be built on our existing strengths, on the clarity with which we view the realities of job creation, and on our ability and willingness to respond to competition with speed and flexibility. State government must be a positive force for the creation of jobs. It must assure that our educational system can provide our residents, industry, and agriculture with the skills and technologies necessary to prosper. It must attract business and industry, and assist in promoting and marketing products.

Schools must reorient their educational programs to prepare students for the jobs emerging in commerce and industry. Mathematics, computer technology, and the sciences must be core courses emphasized in high school and college curricula. Foreign language proficiency will be important to facilitate rapid trade expansion and the exchange of knowledge with other countries. State government must develop and enforce educational guidelines and provide funding to meet these objectives. The state and its colleges of education must assure that well-trained instructors are available.

Massive retraining efforts should be initiated by government, employers, and unions for workers whose jobs in industry and commerce have disappeared. The focus should be on providing marketable skills and orienting trainees to job settings which, in many cases, will be radically different from those with which they are familiar. Traditional government-sponsored training programs have not been notably successful. A better approach is to offer tax credits or other incentives that will encourage private employers to shoulder the responsibility for job retraining.

Michigan's excellent transportation system has been an essential factor in its economic prosperity, but the state's roads and public transit systems have deteriorated because the revenues dedicated to transportation grew slowly in the 1970s and early 1980s. Although the transportation survival package, enacted in 1982, has begun to reverse this, we must give as high a priority to improving our transportation infrastructure as we are giving now to the

construction of new prisons. (We must remember that a strong economy can alleviate some of the social problems that create the need for new prisons.)

The major source of new jobs in Michigan is and will continue to be small businesses (those employing fewer than 100 workers); the need of most is access to capital markets at a reasonable cost. The Michigan Strategic Fund was established to provide this type of financing, but it is not yet fully operational. This fund should be the major focus of Michigan's efforts to assist small business; state resources should be concentrated here rather than on business tax credits or tax abatements.

These actions combined with favorable demographic trends will ease Michigan's transition from an automotive-based to a more diversified economy. The nation can expect a 21 percent drop in the number of persons of labor force entry age in the late 1980s and early 1990s. In manufacturing, this will ease adjustment to automation and related trends and encourage new investments in labor-saving technology. In services, large numbers of low-skill "kid jobs" will be replaced by smaller numbers of higher-paying jobs requiring more skill, created by reorganization and greater investment in technology.

The aging of the population also has significant implications for Michigan's economic future. The median age in Michigan in 1980 was 28.8 years; it is expected to be 34.2 in 2000 and 35.9 in 2010. In future years, the population group aged 65 and older will continue to grow larger. (In 1980, 9.8 percent of the state's population was age 65 and older; this share will increase to 11.1 percent in 2010.) The baby-boom generation--those born between 1950 and 1965--will be growing older. The number of young people will decline substantially. (The population below age 15 will fall from 23.9 percent of the total in 1980 to 20.9 percent in 2010.)

The number of workers will actually decrease moderately during the 1990s unless there is appreciable in-migration, a higher average retirement age, or a greater than anticipated rise in the proportion of employed females. By the year 2000, the size of Michigan's labor force will be only about 5 percent higher than current levels of 4.4 million and should closely match the number of available positions. If Michigan takes steps to replace lost automotive jobs by diversifying its economy, and receives no unexpected outside shocks such as another energy crisis, the unemployment rate by the year 2000 will be about 6.5 percent, the level generally accepted as full employment.

Potential Areas of Economic Growth

Michigan has always been a business and finance center because of its large industrial capacity. Major economic expansion appears likely, in part, because of Michigan's central location. Expansion is expected to be particularly rapid in commercial, residential, and personal insurance; local and international trade; and finance and credit management. This should result in considerable employment growth. In addition, business and finance are in a state of rapid transition as many positions are automated. Information storage and retrieval is becoming computerized with transmission through telecommunication processes. This will generate a substantial demand for personnel who can maintain and handle sophisticated equipment.

There also are several possible sources for expanded light industrial employment. New job opportunities should develop in plastics, lightweight

metal, and electronic fabricating. The manufacture of robots is also rapidly increasing in importance. These industries will be a growing source of materials and parts for motor vehicles.

Michigan has the potential for major industrial development and expansion in a number of other fields as well. The state continues to send the products from its farms, forests, and mines to other states for processing. Instead of exporting apples and cherries, for example, we should expand facilities to produce applesauce, jellies, and cherry pies here in Michigan. While high production and transportation costs have slowed development of the food-processing industry, cost differentials have narrowed, creating the potential for increased sales of processed products to other states and nations.

There is also potential for industrial development in wood processing and fabricating. At one time Michigan's vast forests made it the center of the nation's furniture industry. Most Michigan furniture factories have moved south, but the trees remain in Michigan, providing the potential for the revival of long-dormant industries and the start-up of new manufacturing processes, such as the production of specialty paper and related goods. Japan, which has virtually no forests, is a major importer of wood and wood products, and could be an important market for Michigan.

Recreation and related businesses can be major sources of sustained economic growth and job creation. Michigan has seasonal and year-round recreational sites in all parts of the state. Many of these sites are minimally developed and underused. As these areas are within a six-hour drive for more than 25 million people, there is a potential for substantial growth of a broad range of resort facilities and support services; the state must vigorously seek the attention of investors who have financial resources and entrepreneurial skills. Recreation can be a source of sustained employment growth for individuals in skilled and semiskilled occupations.

The service sector is now Michigan's second largest employer, exceeded only by manufacturing; it is expected to surpass manufacturing by the year 2000. The service sector encompasses a broad range of occupations, from those that cater to the health and social needs of the elderly to those that repair motor vehicles and a growing variety of other mechanized equipment. Demand for services continues to increase rapidly with the introduction and use of new and more complex products. Continued growth in Michigan's elderly population will increase the demand for skilled and semiskilled health care personnel; while the level of demand will depend in part on the extent of third-party payment coverage, demographics point to inevitable growth in the health care industry.

One consequence of the shift in employment from heavy, durable goods manufacturing to light manufacturing and services will be a slightly lower standard of living. Historically, Michigan per capita income has been well above the national average, peaking at 119.4 percent of U.S. per capita income in 1953. Between 1960 and 1979, Michigan per capita income averaged 106.1 percent and in the past five years Michigan per capita income has averaged only 98 percent of national per capita income. The outlook for the remainder of this century is that Michigan will continue to lose ground, albeit at a slow pace. This, however, will be balanced by higher levels of employment.

Problems of Cities

An economic strategy enabling Michigan's existing industries to make the transition to more competitive, technology-intensive, high-skill manufacturing would help the state's industrial areas regain much of their lost prosperity. However, there are reasons to believe that the fruits of renewed industrial growth in Michigan will not be shared fully by the state's older industrial central cities.

Some areas of the state, such as southwest Michigan and the northern lower peninsula, appear capable of competing with little state help; however, distressed areas will need assistance. In the absence of any proven means to funnel job development away from suburbs and into central cities, policies to reduce urban unemployment must focus on giving central city residents better access, through regional public transit systems, to jobs outside the city. In Detroit, for example, 35 percent of employed city residents already commute to the suburbs to work. Unemployed central city residents, in addition to the skill training to be employable in a changing economy, particularly need access to jobs outside the city.

If Detroit, Flint, Saginaw, and Michigan's other industrial central cities are to attract their share of Michigan's future economic growth, they must upgrade the quality of life for their residents and businesses. Failure to do so virtually guarantees that they will become the deteriorating preserves of people and businesses too poor to move out. The social cost of abandoning these cities would be immense. Moreover, a very practical argument exists for maintaining viable central cities: urban concentrations of financial, cultural, and educational activity strengthen the suburbs that surround them.

A certain level of services is required to enable a city to offer its residents an attractive quality of life. Without state and/or regional financial assistance, the cities in question will be unable to afford services such as good recreation facilities and adequate police protection. There are several ways to provide such financial assistance.

- Revenues should be raised and distributed on a regional basis. This is generally called tax base sharing and is a system whereby the revenue from growth in property values in a metropolitan area is shared among all local governments regardless of where the growth occurred. Such a plan has been adopted in the Minneapolis area and has been considered in Michigan.

- Aid formulas should be revised to consider the higher cost of providing public services in central cities.

- A rainy-day fund should be established for the State's revenue-sharing program, using a formula similar to the current State budget stabilization fund. Such a program would set aside a portion of the State's revenue sharing payments during good economic times for distribution during periods of weak economic growth.

- Taxation of industrial property should be assumed by the State. This would allow all local governments to share in industrial growth in the state and reduce competition among these governments. It would also transfer the responsibility for assessing these complex properties from local assessors to the State.

Moreover, with the exception of major projects important to the total state economy such as Saturn, tax abatements should be permitted only in distressed areas. Greater regional cooperation is needed, i.e., tax base sharing, regional authorities for services such as fire and police protection, or metropolitan government. Artificial political boundaries are at the heart of the problem; redrawing boundaries to coincide with market areas would help, but the political barriers are probably too great to overcome.

Energy

The current glut of oil and the dramatic reductions in gasoline and transportation costs should not blind us to the fact that oil is a finite resource and that the total world supply grows smaller each day.

Over the course of the next two or three years, it can be expected that oil and gasoline supplies will remain high and prices relatively low. However, as we enter the decades of the 1990s and beyond, the increase in consumption spurred by lower prices will have the effect of dramatically reducing overall supply. The reduction in supply, coupled with increased demand, will lead to another round of price increases. This will have a major effect on the world and national economies.

Michigan must plan for the inevitable price increases and the concurrent supply shortage. Short-sighted actions such as raising the speed limit, relaxing automobile mileage standards, and encouraging the construction of oil- or gas-fueled power plants should be avoided. In addition, the Public Service Commission should review and update emergency management programs to assure that they reflect changes in state population and development trends, and should encourage sufficient storage capacity to meet any future crisis.

Summary

Michigan is a state with many strengths: a large and affluent population, an extraordinary manufacturing infrastructure, a skilled workforce, a concentration of powerful businesses and unions, an excellent education system, and abundant natural resources. To realize its potential, Michigan must build on these strengths. At the same time, Michigan must work to overcome its weaknesses: over-dependence on the auto industry, an inflated wage structure, a sense of complacency about the cyclical characteristics of our economy, a high level of factionalism (particularly between city and suburb), and eroding urban centers. The outlook for the automobile industry in the 1990s and beyond is not bright. The failure to adjust to the decline in the importance of this industry will leave Michigan in a weak economic position. Fortunately, the state has recognized these problems and is moving on many fronts to address them. The future for Michigan is uncertain and challenging, but there is every reason to believe that the people of this state have the vision and the skill required to forge a prosperous future, without losing sight of the values that have made Michigan a great state.

April 1986

III. THE ENVIRONMENT

Historically, Michigan's rich bounty has fueled the economic growth of the Midwest and the nation. From the time of the early fur traders and trappers through the industrial era, Michigan has been a cornucopia of the natural resources necessary for human sustenance, creation of wealth, and advancement. Michigan provided the lumber for the construction of farm buildings, fences, furniture, and the early cities of the region; it contributed the iron ore and copper necessary for entry into the modern age; and it was blessed with the fertile soils so important to the development of modern agriculture.

Michigan's past is also replete with examples of unwise use of precious natural resources. Gone is the passenger pigeon which would pass over the state in flocks so large the sun was blocked. Gone is the grayling, a fish that once abounded in the pristine waters of Michigan streams and rivers. Gone are the vast expanses of virgin woodland. And gone are many of the wetlands that were habitats for a plethora of bird and mammal species, that provided a natural water treatment system, and that protected surrounding areas from flooding.

Early lumbering practices left much of the landscape in ruins. Topsoil with its valuable nutrients--the product of thousands of years--was washed away. And the construction of roads, highways, ditches, and buildings was too often an effort to overcome nature rather than to live within its bounds.

Despite the massive injury, however, natural processes and the passage of time have often been able to heal the face of Michigan. Surrounded by one-fifth of the world's total surface fresh water supply, the state is today still one of the most beautiful and unique places on earth.

But problems remain. While earlier generations left scars, our generation too often leaves festering wounds. Although the topsoil runoff of years past has abated, it still continues, made more hazardous by pesticides, fertilizers, oils, and toxic materials. To the massive farmland dust storms, which still occur in certain areas of our state, has been added the threat of acid depositions. And we have added to the problems created by yesterday's open garbage pits the toxic waste dumps of today.

As Michigan approaches the 21st century, its unique and abundant natural resources can make even more important contributions to its economy, provided we husband them carefully. Clean, fresh water, for example, a resource that will become increasingly scarce and substantially more expensive in the world, can enable our state to attract manufacturing, support expanded agricultural development, and enhance the growing tourism industry.

Water Quality. Assuring an adequate supply of clean, fresh water for the future is one of our major challenges. While much of the visible pollution of years past has been reduced, we are faced now with insidious and invisible pollution by hazardous materials that render our fish inedible and our water unsafe for human or industrial use. Between now and the year 2000, the decisions we make to protect Michigan waters will determine whether or not Michigan ground and surface waters, including those of the Great Lakes, can meet our future needs.

Michigan faces a complex series of questions pertaining to water quality as we head toward the next century. Who should bear the costs of equipment and technology needed to reduce discharges into ground and surface waters to an acceptable level? Should it be industry, taxpayers, or both? How do we determine what level of pollution is acceptable to our society and to the ecosystem in which we live? How does the state begin to correct the thousands of unpermitted discharges into the groundwater, unpermitted discharges from underground and surface storage tanks, and the illegal disposal and storage of hazardous materials? And what do we do about the lakes, streams and bottomlands that now bear large loads of hazardous materials in their sediments?

The development of answers to these and other critical public policy questions pertaining to our state's abundant fresh water supply are critical to the quality of life of those who will reside in Michigan in the twenty-first century, for Michigan's most important natural resource in the future is very likely to be its water.

Hazardous Waste. Of particular importance in protecting our water supply is the need to encourage, rather than discourage, the use of new technologies for dealing with hazardous wastes. *Two million tons of hazardous waste are generated annually in Michigan;* most is either shipped to hazardous waste landfills outside the state, or stored on-site at the facilities where it was generated. At present, alternative means of disposal, such as waste recycling and incineration, are more expensive in the short term. Despite the availability of alternative technologies and their success in other parts of the world, Michigan has failed to step up to its responsibilities to assure that facilities for the proper disposal of hazardous waste are available in the state.

We must also take steps to assure that real long-term costs, including costs of site maintenance, monitoring, and cleanup are factored into every toxic waste disposal decision. This means that government, through tax incentives and regulation, must make landfilling and on-site storage of hazardous materials more expensive than it now is, and make incineration and recycling processes less so. Public dollars must be committed to assist in constructing at least one hazardous waste incinerator for use by Michigan industries. The absence of such facilities is not only a threat to our environment now; it is also a threat to our future economic growth, for without the availability of these alternatives, responsible businesses and industries will go to states where hazardous wastes can be disposed of safely.

Inappropriate hazardous waste disposal practices are exceptionally dangerous, and expensive for the taxpayer. More than 1,200 sites have been identified by the Michigan Department of Natural Resources as sources of groundwater contamination. Some $70 million in public funds have been spent in the last decade on some of the worst, but only a handful of the identified 1,200 sites have been cleaned up. Groundwater contamination is incredibly expensive to correct where it is possible to correct it at all, and most of the contamination problems in Michigan continue to wait for funding for remedial action.

The cost for the cleanup of these sites is growing geometrically. This generation is paying for the cleanup of sites left by the previous generation. Future generations will pay not only for the mistakes of their immediate predecessors, but also for those of all previous generations. Unless we bring an end to the practices that create such problems, the cleanup bill presented to the generations of the 21st century will be staggering.

The number of synthetic chemicals now known is roughly 4 million, with 55,000 in common use; about 700 new synthetic chemicals are introduced annually. Certainly, it is inappropriate to argue that such development should or could be brought to a halt. Chemical compounds make life easier, more enjoyable, and longer. It is clear, however, that proper handling and disposal of chemical compounds are essential to our future.

Solid Waste. While the problems of toxic (hazardous) materials continue to plague the state, general (solid) refuse is an equally ominous threat. Like hazardous waste products, landfills for general refuse have contributed to ground and surface water pollution all across the state. *Each year, 10 million tons of solid waste are generated in the state--more than one ton for every man, woman, and child in Michigan.* The volume is increasing every year. Disposal is a formidable problem for state and local decision makers as well as for the general public.

Despite the availability of alternative technologies, including incineration, cogeneration, composting, and recycling, the vast majority of Michigan's solid waste continues to end up in landfills. This is true simply because it is now cheaper to bury wastes in the ground than it is to do anything else with them. The problem is that landfills--no matter how well constructed--eventually leak. In the long run, therefore, continued landfilling of solid waste will prove to have incredibly expensive consequences.

Like the rest of the nation, Michigan residents have been caught up in a "throwaway" mentality. We believe that when the garbage is picked up from curbside on Monday morning, that is the end of it. The truth is, of course, that the problems of solid waste disposal have just then begun. Landfills are becoming more and more difficult to establish anywhere in the state. Already, several Michigan counties have simply run out of space within their borders to dispose of their trash. By the year 2000, the problems of disposing of an increasing volume of general refuse will have multiplied many times.

Communities must find alternatives to landfills as the means to dispose of solid waste. The State's $10 million program for the purpose is not adequate. A bonding program should be approved to help local governments explore and experiment with solid waste disposal alternatives. Consumers should be given incentives to separate waste products into papers, plastics, glasses, metals, etc. This practice has been established in other parts of the nation and clearly was successful on a national scale during World War II. Separation of waste products would encourage recycling and reduce the sheer volume of solid waste to be disposed of in Michigan landfills.

In addition, we must make the tough decisions that will reduce the use of nonbiodegradable materials. Motivated by ease and convenience, we are flooding our landscape and our landfills with materials and goods that were designed specifically to be thrown away. We have developed disposable utensils, pens, lighters, flashlights, and diapers. Even some appliances are disposable by virtue of the impracticality or inconvenience of repairing them; many times it is simply easier or less expensive to buy new ones. At the same time, more food and consumer goods are being packaged and the producers and distributors are relying more on the use of nonbiodegradable materials as packaging materials.

In 1976, Michigan took a historic step toward reducing the volume of solid waste generated in the state when the people adopted the "bottle bill," an initiative that has reduced solid waste by 600,000 tons per year. The time has come to consider similar steps in other industries. For example, just how important is it really to "keep the hot side hot and the cool side cool"? Is it truly worth increasing the volume of solid waste generated by a single hamburger by two and one-half times?

Waste disposal taxes should be imposed on nonbiodegradable packaging that is not recycled. The long-term costs of disposing of such materials, both to the taxpayer and to the environment, are much higher than for biodegradables such as paper. Businesses that use biodegradable materials must help educate consumers about the quality-of-life benefits of using biodegradable/recyclable materials versus the true costs of using nonbiodegradable conveniences. The benefits could exceed the costs to a business that voices concern through creative advertising for the quality of the Michigan environment. Finally, we should ban outright the use of nonbiodegradable materials in such industries as take-out food, because this is one of the major sources of litter and contributes substantially to the solid waste stream in our state.

Land Use Planning. As Michigan enters the 21st century, the problems caused by inadequate land use planning will grow worse. Our beautiful open countryside, farm fields, and vast forests are subject to incredible development pressures. While new paving, construction, and engineering is taking place in exurban and rural areas at tremendous public expense, the existing infrastructure in our present urban areas is deteriorating beyond repair. Unlike Europeans, who insist on keeping development confined and urban centers healthy, our society seems bent on abandoning existing development and covering undeveloped land with concrete. Prime agricultural land, prime forest areas, prime recreation land, and prime wetland areas are paved over each year.

The development pattern in Michigan, like the pattern throughout America, is a slow exodus from cities into suburban and exurban areas. As thousands of new homes, businesses, and retail centers are being built in undeveloped areas, thousands of other homes, office buildings, and vacant storefronts are left behind in the cities and developed communities of the state. In essence, our society treats existing communities like last year's car model. Each year, we trade in hosts of buildings to satisfy our appetite for newness. For example, each year new public school buildings are erected while others in already mature communities are mothballed. The conspicuous consumption of undeveloped land has left many established communities shorn of tax bases and people, with a glut of unused schoolrooms, utility capacity, and retail space.

The fact is that the 37 million acres of land in Michigan is all the land our state will ever have. Planning for its best use and for the wise investment of limited public dollars for infrastructure development is one of the most important tasks we face as we enter the next century. Michigan must identify its key agricultural lands and say "no" to development on them; it should identify the best recreational land and say "no" to development there; and it must identify critical wetland, timber, and mining lands and say "no" to development in those areas.

Government must not shrink from the responsibility of saying "no" loudly and clearly, since virtually all development projects require some public subsidy, either in the form of direct tax relief or through the construction of roads, sewer systems, schools, or water systems. Controlling public expenditures can direct development to areas where it is appropriate, and prevent it in areas where it is not.

Great Lakes Water Diversion. Much has been written and said during the past several years about the possibility of diverting Great Lakes water outside the basin. As supplies of fresh water dwindle in other parts of the nation, pressure will mount to use some of the water from the Great Lakes to meet the needs of other areas. At the same time, increased consumptive use (water withdrawn and not returned) of the Great Lakes by Michigan and surrounding states may eventually impair our ability to support the recreational, hydropower, and shipping industries so important to our regional economy.

At the same time that the region is concerned about potential reductions in the volume of Great Lakes water, the lakes are rising to unprecedented levels. If this continues, major problems could result. Already, homes along Lake Michigan have been destroyed, and Lake St. Clair threatens the residents along its shore. It is clear, however, that short-sighted solutions to lake-level problems, such as increasing diversions of Great Lakes water, are not the answer. Because of the size and volume of the Great Lakes, increased diversion will not have a significant impact on lake levels over the short term. It should be remembered that lake levels rise and fall in cycles. Less than thirty years ago, concern was being expressed about the low levels of the Great Lakes. Massive water diversions, once initiated, are difficult, if not impossible, to revoke. Strict zoning and careful attention to land use planning are much more realistic and appropriate methods of dealing with the long-term ebb and flow of Great Lakes waters. Comprehensive region-wide

decision-making processes are required if these and other Great Lakes issues are to be addressed systematically.

The new spirit of cooperation among Great Lakes governors and premiers in addressing Great Lakes diversion issues is promising; however, agreements reached thus far have been informal. Article I, Section 10 of the U.S. Constitution provides for the states to establish binding interstate compacts among themselves. Such a compact is the best means to systematize the multi-state decision making that will be necessary to resolve the problems of Great Lakes water diversion, quality, consumptive use, and levels. Interstate compacts must be ratified by the participating states (eight, in the case of the Great Lakes basin) and by the U.S. Congress. The Canadian provinces of Ontario and Quebec also could participate. Historically, such compacts have averaged several years in the making. There is little time to lose; Michigan--the only state or province completely within the Great Lakes basin--must exert uncommon leadership in bringing about a formal compact to protect the future of the lakes and the generations to come who will enjoy and prosper by them.

Acid Rain. Acid rain is a serious threat to rivers, lakes, streams, buildings, soil, crops, and forests. Its origin, of course, is not confined to Michigan. But the fact that recent research shows that some 37 percent of Upper Peninsula lakes are already acidic should make it clear that Michigan has a huge stake in solving the problem. We must actively push for congressional action to control emissions from power plants that spew out the precursors of acid rain. The fact that Michigan has already taken critical steps in reducing such emissions from utilities within our own borders is evidence of our citizenry's concern. But we must do more. No matter what the costs in relations with our neighboring states--some of the largest producers of acid rain--Michigan must stand tall and join the Eastern states and our Canadian neighbors in encouraging congressional action.

State Government Organization. Finally, as we prepare for a new century, state government must restructure its environmental protection and natural resource management activities. Despite several reorganizations in the past, the Michigan system for protecting the quality of its environment remains fragmented. Eight separate commissions and five departments of state government now have varying responsibilities for environmental decision making. This fragmentation does not serve the private sector, the public sector, or the environment well. While the Water Resources, Air Pollution, and the several other environmental commissions have served well, they have generally outlived their original purposes. The problems that humans create in the ecosystem can no longer be neatly compartmentalized into problems solely of air, water, or the land. What is spewed into the air eventually ends up on the land and in the water, and what is done to the land will affect the quality of the water and the air. The existing several and separate environmental commissions should be eliminated; one "environmental protection commission" should be established which has clear responsibility for deciding which air-water-land trade-offs are permissible in any development project. This will serve the environment better and will mean speedier and more consistent decision making, which is very important to business.

* * * * *

Michigan has long been nationally recognized as a leader in environmental protection. It has been said that Michigan has done more because it has so much beauty to lose. But what we stand to lose is more than just the beauty of our lakes, river, forests; we run the risk of losing a way of life and much of our state's livelihood.

The simple truth is that Michigan's environmental and economic futures are inextricably intertwined. Tourism and agriculture, our second and third leading industries, both depend on a good environment. In addition, modern chemical, plastics, and high-technology manufacturing industries need uncontaminated air and water supplies both for production and for a high quality of life to attract employees.

Much of Michigan's strength in years past has come directly through the gifts that nature provided for those who live in these peninsulas. Much of our future strength will come from the same gifts.

IV. TOWARD A MORE ACCOUNTABLE STATE GOVERNMENT

Few institutional structures in American society have been as resistant to change as government. The uniquely American representative democracy was structured, as Gore Vidal writes, so that "everyone ruled so that no one could rule." The elaborate checks and balances of government in the United States were imposed to protect the public from the concentration of governmental power, which throughout history has been an agent of tyranny and a usurper of individual rights.

The role of state government will become more and more important in Michigan's future. Local government is becoming less able to deal with significant public issues, such as transportation and waste disposal, that transcend city and township boundaries. The federal government is divesting itself of authority and influence as it turns programs back to the states to solve its budget problems. A critical question is whether state government is structured to respond to 21st century issues, or whether its labyrinth of checks and balances, expanded bureaucracy, and excessive reliance on special interest influence will leave it unable to act.

In the 18th and 19th centuries, the public feared a government that was centralized enough to tyrannize. In the 21st century, what the public should fear more is government so splintered and internally divided that it cannot respond to the public will: a different sort of tyranny, the tyranny of paralysis.

States were envisioned by the country's founders as laboratories of democracy. The obligation to fulfill this vision is not a colonial relic. Unlike the federal government, states are sufficiently diverse and small in population to be led by more responsive, accountable, and flexible governments. Michigan can mold a modern government.

The Ballot

To run the nearly $1 trillion federal government, each American has four officeholders to represent him/her: one member of the U.S. House of Representatives, two U.S. senators, and the president, who is jointly elected with the vice-president. To run the $15 billion state government, the Michigan voter elects up to 120 individuals.

* One governor every four years (jointly elected with a lieutenant governor)

* One state representative every two years

* One state senator every four years
* One attorney general every four years
* One secretary of state every four years
* Two members of the State Board of Education every two years
* Two members of the University of Michigan Board of Regents every two years
* Two members of the Wayne State Board of Governors every two years
* Two members of the Michigan State Board of Trustees every two years
* Seven justices of the Michigan Supreme Court every eight years
* Six judges of the Court of Appeals every six years
* Between one and thirty-five judges of the circuit court
* Between one and twenty-seven judges of the district court
* Between one and eight judges of the probate court

It defies logic to expect the average voter over the course of eight years to screen the qualifications, experience, and philosophies of several hundred candidates and select the 54 to 120 people best able to represent him or her in state government. The long ballot diffuses accountability, buries important offices in a tediously long list of names, and inhibits the ability of voters to direct philosophical change. The long ballot does not enhance representative democracy. Instead, it condemns our most important officeholders to ever-diminishing visibility and our system of governance to an ever-increasing complexity. The primary beneficiary of the long ballot is an officeholder who is accountable to an electorate that cannot recall his or her name, let alone judge the officeholder's performance in office.

The simplicity of the federal election ballot permits the electorate to focus on the offices most important to running government and to hold those individuals accountable for their actions. We do not seriously entertain electing the U.S. attorney general, secretary of state, supreme court justices, and all other federal judges, yet that is what we do at the state level.

The state constitution should be amended to limit state elective offices to governor/lieutenant governor, state senators, and state representatives. All other executive and judicial offices now elected should be filled by the governor with the advice and consent of the state Senate.

The Executive

The 1963 state constitution dramatically pared down the number of state departments from 148 to a maximum of 20. It ended the statewide election of the auditor, highway commissioner, treasurer, and superintendent of public instruction. The 1963 constitution assuredly enhanced the stature and powers

of the governor, but left anachronisms that impede the public's ability to hold a governor fully accountable for running the state's executive branch.

Unlike the federal government, headed by one executive, Michigan's executive functions are diffused. Of the nineteen departments created by the constitution and legislature, two are headed by elected officials (attorney general and secretary of state). Five (Agriculture, Civil Rights, Civil Service, Corrections, and Natural Resources) are governed by commissions appointed by the governor; the commissions in turn appoint the department directors. One department (Transportation) has both a commission and department head appointed by the governor. Another department (Education) is governed by an eight-member board elected statewide. In total, only eleven departments are led by directors appointed by the governor. Support for this balkanization of executive functions traditionally comes from special interests, such as the educational community, utilities, road builders, recreational sports enthusiasts, and the legal community, who wish to keep their regulators and policymakers "out of politics." The resulting dissemination of responsibilities weakens the authority of the governor, even though the chief executive customarily receives the blame or credit for all administrative actions.

Article V, Section 1, of the constitution says: "the executive power is vested in the governor," but unfortunately for accountability, what the big print giveth, the small print (the election of other executives, departmental commissions, and the elected Board of Education) giveth away. The constitution gives the governor the power to submit budget recommendations and to veto items in the budget passed by the legislature, but the governor is unable to appoint the department director in eight of the nineteen departments that spend those funds. Of every $10 of state general funds, only $6 is appropriated to state departments headed by a gubernatorial appointee.

The state constitution should be amended to stipulate that all department heads be appointed by the governor, and serve at the governor's pleasure, subject to the advice and consent of the state Senate.

The state constitution also provides for a strong civil service system in state government, an inheritance from the turn-of-the-century Progressive era in which reformers wished to protect state agencies from political patronage. The constitution gives the chief executive authority to appoint directly only nineteen people in all of state government: eleven department heads and eight unclassified positions in the governor's own office. In each department, the director can exempt from civil service two other positions within the department and the Civil Service Commission may exempt up to three others.

While the civil service system safeguards the technocracy against upheaval following each gubernatorial change, it is unrealistic to expect a governor to bring about change without the ability to bring into the administration key policymakers of his or her philosophical stripe. If the electorate provides a governor with a mandate to govern and to implement the policies espoused in the campaign, the governmental structure should be organized to assure such policies can be carried out.

The state constitution should be amended to enable the governor to fill the positions of senior-level department managers and staff--at the bureau level and above--with appointees who serve at his or her pleasure.

The Legislature

The state constitution calls for 38 members of the Senate and 110 members of the House of Representatives to serve as the state legislature. Senators are elected in gubernatorial elections to four-year terms; state representatives serve two-year terms.

In eight of the past sixteen years, the Senate has been controlled by the Republicans and the House by the Democrats, which has made the writing of public policy a function of bipartisan consensus. In fact, for only three years since 1949 has one party controlled the governorship and both legislative houses (1967-68 and 1983). The partisan fragmentation of state government has made policy change incremental at best and dependent on the personalities of this state's governors and legislative leaders.

Uniting the legislative branch in one house (a unicameral legislature) would eliminate the possibility of the voters' mandate being fogged by there being a different partisan majority in each chamber. Also, it would make the passage of legislation easier--no small benefit over the current system in which one small, but effective, special interest can block a bill by simply convincing as few as three legislators in one house to refuse to report a bill out of their committee. The primary beneficiaries of the current legislative system are those who desire no policy change.

The separation of power between legislative and executive branches has been indoctrinated in us since elementary school, but some blurring of the division between the two branches could permit better implementation of the public will through a more unified government. Permitting state legislators to serve as department heads would be a step in that direction, as would electing all legislators at the same time and for the same term (four years) as the governor.

At one time, legislators depended on their political parties for financial and campaign support. In return, the parties exerted a certain discipline and exacted a degree of adherence to "the party line," a philosophy reflecting the thinking of a broad cross-section of the electorate. The decline of the once-powerful parties has been heralded as a major step in the direction of independence for elected officials. But independence from whom? Absent party support, legislators have come to rely for financial support on political action committees representing narrow, special interests. In place of a two-party system, we are moving toward a "hundred-party" system. Publicly funding legislative campaigns and channeling those funds through the two major political parties would reinvigorate the parties and reduce the reliance of lawmakers on special interest bankrolls.

Many of the recommendations in this paper are based on the parliamentary model used in nearly all Western democracies except the United States. A parliamentary system offers significant advantages to the public in its centralization and integration of power, i.e., accountability. Under such a system, the state would have no elected statewide officeholders. Instead, voters in each legislative district would elect one person to represent them in a single legislative house; the partisan majority in that body would be responsible for selecting the premier (executive) and ministry (department heads) and for writing law.

It would be an innovative and forward-looking step for Michigan to introduce parliamentary government, at the state level, to the United States. The odds against such dramatic structural change are overwhelming; however, certain medium-range steps could be taken to build into the state's legislative structure reforms that increase accountability and unify policy-making, two of the strengths of the parliamentary model.

The state constitution should be amended to (1) establish a unicameral legislature; (2) permit legislators to serve as department heads; (3) finance legislative races through public financing allocated through the state political parties; and (4) fix legislative terms of office at four years, with all members elected at the same time as the governor.

The Judiciary

The state constitution establishes a supreme court, an appeals court, circuit courts, and probate courts. The legislature has also created district courts. All judgeships are elected positions.

The partisan nomination and nonpartisan statewide election of the seven justices of the supreme court must be viewed as one of the world's stranger systems for selecting judges. Requiring supreme court candidates to be partisan in the nominating stage, nonpartisan in the general election campaign, and apartisan once on the bench is detrimental to the system of justice and the operation of the courts. Furthermore, the election of all lower court judges expands the voter ballot to interminable length and assumes falsely that voters can distinguish among the legal philosophies, judicial qualifications, and temperaments of judicial candidates.

A generally accepted model for judicial appointment is the Missouri system in which supreme court justices are appointed by the governor and then stand for a "vote of confidence" at fixed intervals. Elections do not pit the justices against other candidates, but demand of voters only a "retain" or "reject" decision. This permits the public to reject unsuitable or objectionable justices, but leaves the assessment of judicial temperament, qualifications, experience, and philosophy to a screening committee of bar association members and the selection of one of five or six choices recommended by such a screening committee to the governor.

The state constitution should be amended to provide for the appointment of Michigan judges by the governor, upon recommendation of a judicial screening committee and with the advice and consent of the state Senate.

Conclusion

No American institution has been so peculiarly immune to structural change as our government. The founding fathers believed that democracy could be protected best by building elaborate checks and balances and inefficiencies into government. The complexity of modern-day policy issues, the growing need for government to react more quickly and sensitively to public needs, and the confusion among voters as to just who is responsible for what happens in government merit debate on reform and restructure of Michigan's state government.

The guiding principle behind the recommendations in this paper is that the body politic would benefit in the the 21st century from clearer accountability and from centralization and unification of political power in the statehouse.

As with all the papers in this series, we welcome your thoughts and reactions.

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