

# NEWS RELEASE

## Ontario could boost struggling manufacturing sector by following Michigan's example

August 11, 2016  
For immediate release

**TORONTO** — To revive Ontario's battered manufacturing sector, policymakers could learn a lesson from Michigan where manufacturing employment and output have rebounded strongly following the recession eight years ago, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

"Michigan and Ontario have a lot in common, but while Michigan has revived its manufacturing sector since the recession, Ontario's manufacturing sector continues to struggle," said Ben Eisen, the Fraser Institute's director of provincial prosperity studies and co-author of **Ontario vs. Michigan: Policy Lessons from the Wolverine State**.

For much of the early part of this century, Michigan — home of the Detroit automakers — lagged behind both Ontario and the rest of the United States in terms of employment and economic growth. The Wolverine State was especially hard hit during the recession of 2008 when its economy contracted by almost three per cent and its population declined as residents left.

Starting in 2011, Michigan's state government introduced a suite of significant policy reforms designed to reverse the state's decline. These reforms included: 1) replacing the complex and onerous Michigan Business Tax (MBT) with a simpler and flatter corporate income tax of six per cent, 2) implementing sharp budget cuts followed by a period of limited spending growth in order to balance its budget, and 3) the introduction of "right-to-work" legislation.

The study shows that these reforms coincided with a remarkable economic turnaround, during which Michigan's economy outperformed Ontario's.

One of the most important dimensions of Michigan's economic turnaround has been the resurgence of its manufacturing sector. From 2011 to 2014, manufacturing employment in Michigan grew at an average annual rate of 6.1 per cent while it actually shrank at an average annual rate of 0.5 per cent in Ontario.

Michigan has also done a better job at balancing their books than policymakers at Queen's Park. While Ontario has experienced a dramatic and economically harmful run-up in public debt since 2011, Michigan has seen a slight decline in net public debt.

"In the face of daunting challenges, Michigan took charge of its economic future by implementing an ambitious reform package that has coincided with job growth and a lower debt burden," said study co-author Robert Murphy.

"Although there are some factors beyond direct provincial control that influence economic performance, policy choices matter and Ontario should take note of Michigan's reforms and its economic turnaround"

-30-

### **MEDIA CONTACTS:**

Ben Eisen, Director, Provincial Prosperity Studies  
Fraser Institute

For interviews with Ben Eisen, please contact:  
Aanand Radia  
Media Relations Specialist, Fraser Institute  
(416) 363-6575 ext. 238  
[aanand.radia@fraserinstitute.org](mailto:aanand.radia@fraserinstitute.org)  
@FraserInstitute

[Follow the Fraser Institute on Twitter](#) | [Like us on Facebook](#)

The Fraser Institute is an independent Canadian public policy research and educational organization with offices in Vancouver, Calgary, Toronto, and Montreal and ties to a global network of think-tanks in 87 countries. Its mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship and choice on their well-being. To protect the Institute's independence, it does not accept grants from governments or contracts for research. Visit [www.fraserinstitute.org](http://www.fraserinstitute.org)

For more information:  
Aanand Radia  
Media Relations Specialist, Fraser Institute  
(416) 363-6575 ext. 238  
[aanand.radia@fraserinstitute.org](mailto:aanand.radia@fraserinstitute.org)  
@FraserInstitute