

Free Press editorial

# It's crunch time for shrinking incomes

Precipitous drop in incomes threatens services, school programs, jobs

Median household income in southeast Michigan, adjusted for inflation, fell nearly 24% over the last decade, as manufacturing jobs continued to crumble. Michigan's decline of 21% was far worse than the nation's 7% drop. Locally, Sterling Heights, Detroit and Kalamazoo took the biggest hits, reporting drops of more than 30% in median household income. Such precipitous declines are unmatched since the Great Depression of the 1930s, and they demand urgent attention by elected officials. State government must restructure how it delivers services while cultivating a 21st Century economy braced by a tax system that's fair to middle- and working-class residents. Businesses can't prosper if middle-income workers can't afford to buy goods and services that fuel the economy. Households in Wayne, Oakland and Macomb Counties lost

an estimated \$27 billion in annual income since 1999, said Kurt Metzger, director of Data Driven Detroit. That translates into nearly \$7,000 less in 2009 for every man, woman and child in the tri-county area. Small wonder southeast Michigan has lost nearly 500,000 jobs — or 22% — since 2000. Local property values have fallen about 30% since 2007, further eroding the purchasing power of many middle-income Michiganders. **The growing crisis** Structural changes in the economy are wreaking havoc on individual families and local governments, which are cutting services and imposing user fees to stay solvent. In the coming decade, dozens of local communities could face bankruptcy. "We're in a crisis," said Paul Tait, executive director of the Southeast Michigan Council of Governments.

"There will be a serious and ongoing debate about what governmental services we can continue to provide." With cuts in state revenue sharing, even preserving core services such as police and fire will take bolder action from local government. State government must provide economic incentives to nudge local governments to work together. Emergency financial managers appointed to manage the fiscal affairs of distressed cities and school districts should be given the power to force distressed cities to consolidate services such as payroll, assessing, building inspection, police, fire and emergency medical. In some cases, entire units of governments, including townships and local school districts, need to merge. In southeast Michigan alone, there are 241 local units of govern-

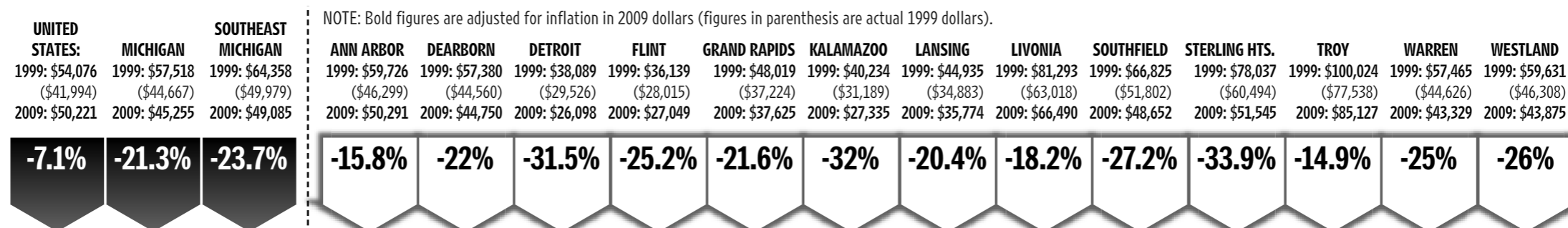
ment that too often compete instead of cooperate. **Necessary consolidations** Across the state, nearly 2,000 cities, townships, villages and counties act in similar fashion. In Inkster, four school districts serve a population of 26,000. Michigan has 1,242 township governments, providing services that counties could easily assume with additional resources. To their credit, local elected leaders in southeast Michigan have negotiated dozens of shared agreements for police, fire, telecommunications, recreation and other services. Even township governments are sharing services, especially fire departments, or contracting to obtain them from other units. But such arrangements must become the rule, not the exception. Government policies must also help ensure a healthy middle class,

whose ability to buy goods and services drives the economy. Michigan should develop a graduated income tax that distributes the state's tax burden fairly and invest the proceeds in higher education and public transportation — two services crucial to the success of a knowledge-based economy. Spending more on corrections than higher education, as Michigan does, is a recipe for failure. Nationwide, the gap between the richest and poorest Americans is bigger than at any time since the 1920s — a trend that, not coincidentally, preceded the Great Depression. Government can't create a new economy, but it can nurture the conditions for one and develop a fair way to pay for its services. Given Michigan's staggering loss in household income, doing so is both a moral imperative and an economic necessity.



**MEDIAN HOUSEHOLD INCOME DECLINE FOR CITIES OF 65,000 POPULATION OR MORE, 2000 TO 2009**

Median household income in southeast Michigan, adjusted for inflation, fell nearly 24% over the last decade, as manufacturing jobs continued to crumble. Michigan's decline of 21% was also far worse than the nation's 7% drop. Locally, Sterling Heights, Detroit and Kalamazoo took the biggest hits, reporting drops of more than 30% in median household income.



Sources: 2000 Census; 2009 American Community Survey; Southeast Michigan Council of Governments

Calculations by KURT METZGER, Director, Data Driven Detroit; Graphic by MARTHA THIERRY/Detroit Free Press

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