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**Keynote Speaker:**

THE HONORABLE JENNIFER GRANHOLM (D-MICH.)  
Governor of Michigan

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ANDERSON COURT REPORTING  
706 Duke Street, Suite 100  
Alexandria, VA 22314  
Phone (703) 519-7180 Fax (703) 519-7190

## P R O C E E D I N G S

ROGER ALTMAN: I don't think we could have a better keynote speaker than Governor Jennifer Granholm of Michigan. She's completing her second four year term having been overwhelmingly reelected in 2006 and she's an ideal speaker for a host of reasons but one central one, of course, is that Michigan faces the toughest economic challenge of any state. Its economy, of course, having been centered in the auto sector for 100 years and that sector having nearly collapsed, virtually collapsed two years ago.

In Detroit, Michigan's largest city, it's certainly close to or is the most distressed large city in this country. And as someone who happens to spend a lot of time in Detroit, I've seen that first hand, and for those of you who haven't, it's pretty tough to see.

Governor Granholm has concentrated on the most important ingredient and economic advancement, namely education, by setting a goal for example of doubling the number of college graduates living and working in Michigan, and by installing, and I hope she'll talk about this, a free tuition program for unemployed or under employed workers to retrain themselves by – through the community college system in Michigan. And I thought it was quite fascinating that 136,000 people have enrolled under that program and there's about a 75 percent placement or retention rate through that program; pretty innovative.

Governor Granholm also has concentrated on a series of measures at the state level to foster and accelerate an alternative energy industry in Michigan. There have been a lot of alternative energy start ups in that state, recently, particularly quite

recently. And she set a goal of 85,000 employees in that sector in that state over the next 10 years.

She's also had to implement a series of pretty sweeping cutbacks and the size of the state government itself; closing 13 prisons, making cuts in 25 percent of the state departments, and implementing quite a level of austerity of that type.

So I think we're very fortunate to have Governor Granholm. She's really, as I said, absolutely ideal for our topic here this morning and it's my particular pleasure to introduce her to you this – right now; Governor Granholm.

GOVERNOR GRANHOLM: Thank you, I appreciate it; thank you. Well I am really sorry that I missed the first panel; heard the second panel. Really interested in what you all are talking about because I feel like some of the others that I've been living it. I've been Governor of Michigan since 2003. For this decade largely, Michigan has had the most challenged economy in the nation.

So what I want to talk to you about is sort of our experience as part of the laboratories of democracy from our lab, which is Michigan. And I want to focus not just on the auto industry, although there's huge issues there, I want to just take you first to one story.

And that one story is from a little community called Greenville. I was elected in 2002. In 2003, at the end of my first year as Governor, I got a phone call from the head of our Michigan Economic Development Corporations, called the MEDC, our State Economic Development – and he said Governor, we have a crisis and I said what, and he said a little town of Greenville, 8,000 people, they have a huge refrigerator factory. In that town of 8,000 the refrigerator factory employs 2,700 people and they are Electrolux saying they're going to go to Mexico.

Now in this first year in office, we have knocked down all sorts of crises. My way, as the leader, is to get -- and then we can go to a SWAT team, we figure out the answers, we solve the problems, we move on. So I said to Jim Donaldson from the MEDC okay, we'll get our cabinet, we are going to go to Greenville, and we'll fix this problem. So we did.

We went to Greenville, a little community. We went into the community center which was maybe about half of the size of this room, seated around a really big table was the Mayor of Greenville, Head of the Chamber of Commerce, the Head of the UAW, the community college, everybody was there to figure out how we were going to persuade Electrolux to stay in Michigan, in Greenville.

So we put, you know, we basically were at the poker table and we put all of our chips on the table; everybody anteed. And we put in zero taxes for 20 years. We also put in help to build an entirely new factory. The UAW put unprecedented level of concessions on, which at that time they didn't even want us to tell anybody because of the level of cuts that they were willing to accept.

The community college was going to retrain the workers, you name it. We made a big pile of our chips and slid it across the table to the Head of the Management and they went out of the room, looked at our package of incentives, took 17 minutes, came back in, and said this is a really generous offer.

We have never had the level of cooperation related to an offer to keep us in a community. But, they said, there is nothing you can do to compensate for the fact that we can pay \$1.57 an hour in Mexico; nothing you can do.

I'm like, what does that mean. Nothing we can do; a little town of 8,000. These 2,700 direct jobs go and you better believe the barbershop was there to serve the

people who fed into that factory. The coffee shop was there for them, the dry cleaners. Four thousand jobs were lost in a town of 8,000 when this one factory left.

Now, I actually, you know, I come to D.C. a lot because the National Governors Association has its February meetings here and in February of 2004, just when Electrolux made this decision, we were invited to come – I was a new Governor, and the Head of the Democratic Governors at the time was Gary Locke, of course, Head of the Department of Commerce, and he was having us all sort of stand up in front of supporters and muckity mucks and brag about what had happened in our first year in office.

And so, you know, everybody got up, got their 30 seconds of brag time and so I got up and Gary Locke says, oh, here to Governor Granholm, she's a rising star in the Democratic Party; she has a 77 percent approval rate. And those were the days. But he said tell them what has been going on in Michigan for the past year.

My head is in Greenville so I tell the group what happened with Greenville; that there was nothing you could do. And Gary Locke gets up, you know, I say this story and everybody is – and Gary gets up and says, you know, Governor, that's really a terrible story. And he sort of whispers into the mike saying next time I ask you to tell successes you list the success. But he also said something that was interesting because he said what does that mean for America; right?

Greenville, this little community, but it's happening all over the country. So the months that the last refrigerator – took a little while for Electrolux to wind down but the month that the last refrigerator came off of the assembly line I was invited to go to Greenville to a picnic that was hosted by the employees. And the employees were

having it at a place called Klackles Orchard Pavilion. It was a big pavilion and it was called the picnic, the last supper.

And I walked into the pavilion and there were families seated at like eight top tables all over the pavilion with checkered table clothes; they were eating out of box lunches and they were sort of nudging each other going what's – what are you going to do next – what are you going to do next. And I – as I went up to the first table, this guy comes up to me and he's got – got his two sort of 10 year old, 12 year old daughters next to him and he says, Governor, these are my daughters. He's got tattoos, he's got a baseball cap, a pony tail; he says, these are my kids. He says I have worked at this factory for 30 years; I'm 48 years old. I went from high school to factory.

My father worked here, my grandfather worked here, this is all I know. And then he puts his hand on his chest and he says now, who is going to hire me; who is ever going to hire me? That question, too, is being asked all over America.

So I use Greenville as an example because the answers are not easy. They – I appreciate, Mayor, what you had said that we're not here to celebrate victory. I wish I could cut the ribbon on the new economy all over Michigan, but I'm not going to be able to. It's going to take a long time. But what I can do is tell you what I've learned as Governor of the state with the most challenged economy of this decade.

I've learned, first of all, that this is a structural change and that we can't be foolish enough to think that if we just wait long enough, the cycle will return. And I say that as Governor of Michigan because for 50 of the past 100 years at least, we had been in a typical cyclical economy. Because we have been so concentrated on automotive, when the nation was in a recession and people weren't buying cars, our economy went down.

When people started buying cars again, our economy came back up and for 50 years people had been talking about oh, we've got to diversify, oh, we've got to educate people. But then when the cycle picked up again people sort of forgot about it. And so we, with the loss of Greenville and the many other companies like it to global competition, we realize that this is a whole new world baby.

The economy is just not going to come back the way it has before. So it means we've got to do things entirely differently. I've got four lessons that I want to talk about. One is to – the first one and I think is the most important, which is because this job is so big no one leader can do it. We were not issued magic wands. The President can't do it, the Mayor can't do it, the Governor can't do it.

The only way this happens is to empower others. And how do you get other people to move? A lot of times you have to pay them for it; right. You have to make sure that it's in their best interests to make things happen for them. And so that's what I want to talk about for a second because really the lesson from the last supper was the creation, as Roger was describing, of a work force program in Michigan that we're really proud of. It's called No Worker Left Behind and the idea – actually, it's 140,000 people now that have enrolled so that's great; more than any other – as a per capita matter, more than any other city in the country because we've needed it more.

But what we did was to say we will pay for you to go and get retrained or go to college. Many of them had never been to college before. You have to demystify that experience. A lot of people have to test normally into a community college and, you know, testing in when you haven't had, you know, math class since you were in high school and it was 30 years ago, the idea of testing and then taking algebra tests to be able to even get in or to be placed is almost humiliating.

And then the idea of going and sitting next to a 20 year old at a community college who knows all of this stuff, you have to break it down and demystify it for this generation of workers. And I'm talking about a whole generation of workers who are in their 30's, 40's, and 50's, who have many years left in them, but who don't have the skills to succeed.

So we said to them we will pay for your tuition to go back and get retrained at a private – at a private proprietary school, to get a certification or at a community college. We'll pay for two years for you to go and get trained.

We got permission from the Federal Government to allow us to pay for people while they're on unemployment. We've got – obviously we were able to retool our Workforce Investment Act and our trade adjustment assistance dollars. We'll pay for \$5,000 per year, up to \$10,000 per worker.

But here's the catch, we said to the workers, we will pay for that but you must agree to be steered into training that is in an emerging sector. We will not pay for you to go back and get trained in an area like French, or political science. Those are my degrees so I can say that.

But we will pay for you to go and get trained in healthcare, nursing, in renewable energy, in one of the emerging sectors that we're working on in Michigan. We will pay for that. And as a result, we've had 140,000 people enrolled. So we can't forget the adults. That's really lesson number one. If we have this generation of workers out there and if we pay for them and make sure that they can still put food on the table while they're getting retrained, they'll take advantage of it and by the time their unemployment expires, perhaps they're ready to move into a new job.

Now, the question is where is the job, right. But hang on just one second. Long term goal, our big hairy audacious goal, has been to double the number of college graduates in Michigan. That's obviously a long term strategy as well.

We, in 2005, raised all of the standards for K through 12 in every single grade. It used to be in Michigan that all of the districts could set their own standards of what the kids were to learn. There was only one state requirement; that state requirement was a class in civics. Totally ridiculous if you're in a global economy; you have to have high standards.

Now when we did this, many educators were afraid that it would cause people to drop out because what we were doing now was requiring every single child in Michigan to take a college prep curriculum in high school. Four years of math, three years of science, four years of English, a foreign language, an online learning experience, every child.

So if you go up to algebra two, that's causing people to freak out a little bit. And they're worried that the drop out rate is going to increase. But you set the bar high and what happens? Well, this is my no worker left behind slide. We are training workers at quadruple the national rate, which is great, and as Roger said, 75% of the workers have completed – completing their training have retained a job and have moved up the ladder of wherever they work because they – you can apply through underemployed too. Or have gotten a new job; 82% of those who have gotten a new job have gotten a job in the area that they were trained in, which is great.

But with respect to the kids, the math proficiency is rising in all grades, the reading proficiency is rising in all grades, and even with the tougher curriculum the drop out rate is going down. Why? Because the schools organize themselves in

response to the challenge and they said we're going to get every kid to jump over this higher bar.

We are not where we need to be, we are a state where 1/3 of the adults had some sort of college degree because it could be that people went from high school to factory and were perfectly fine in the last century. And in the 21<sup>st</sup> century, as I say to all of the parents, what was good enough for you is not going to be good enough for your child. So you want the best for your child. You have got to get this child to be able to go – obviously stay in school, but then go to college as well.

Community college enrollment in Michigan as a result of No Worker Left Behind and this focus is up 35 percent. University enrollment is up 6 percent. We're still working on that. But the bottom line is we are working to double the number of college graduates and as I say to everybody if we did that we would have the most well educated state in the nation and therefore, we would have the lowest unemployment rate in the nation because of the inextricable link between education and unemployment.

The second lesson from our lab is how do you get these jobs here. Now Bruce, you came to Michigan after Electrolux. We – you came to one of my Cabinet's offsite SWAT team meetings and – something you said -- you should know how great it is when your words actually have impact. So you said to focus on our core competencies as well.

And so what we did was we did a SWAT analysis of Michigan; our strengths, weaknesses, opportunities, and threats. And we said what is it in Michigan that makes us have a competitive advantage vis a vis Indiana, or California, or India, or Mexico, where is it that we can excel?

So we identified six sectors, with the help of economists and economic developers. The six sectors are clean energy, life sciences, defense, advance manufacturing, film, and tourism. The Michigan Economic Development Corporation, in targeting these sectors, and I'll talk about how in just a moment, were – have brought over 1,000 new or expanded companies in these and other areas.

Our two lessons from our SWAT team meeting offsite after Greenville was educate and diversify and identifying these sectors was critical to it. So in identifying those sectors we said what is going to make us irresistible.

The reason why we picked these sectors, for example, in clean energy, we know how to make stuff in Michigan. So we can make the products that lead our nation to energy independence. We have the resources and the history that make us uniquely able to manufacture clean energy products.

Life sciences; we have a great university corridor. We already had a life sciences corridor. We have great pharmaceutical industries like Upjohn, like Pfizer, like Pharmacy – and so we built on that and life sciences is the second area.

The third is in defense because of the link between the auto industry and the defense industry. The – the historic, as well as future link, they're all looking for the same solution. The fourth was in advance manufacturing like robotics, nanotechnology; we do that really well.

Film we added because everybody in Michigan was clamoring for a creative sector. And the experts said if you want to move quickly, do film. You have to get the infrastructure there so you've got to put the incentives in the right place, but if you want to establish some sort of creative niche, which of course we want to do to be able to reinvigorate our city, film was it and tourism because if you have ever been to Michigan,

you know that we are nestled between these great blue jewels, which are the Great Lakes.

It is a magical place to be and we knew we could take advantage of that. So we very robustly started a tourism campaign called Pure in Michigan narrated by Tim Allen. If you have ever seen these ads -- Forbes Magazine has said it is the -- in the top ten tourism campaigns anywhere in the world of all time. Anywhere in the world of all time; the question is getting my legislature to fund it. But anyway, okay.

I want to talk just about one segment of those six, which is energy because this is where I think policy really makes a difference. So in 2008 we adopted an energy policy and then in 2009 the Obama Administration came by and offered Department of Energy grants.

Now the combination of those two things -- in fact, today there was a story out that said that Michigan -- it -- by the Solar Foundation, has the fourth highest employment in solar in the country. I'd say eight companies here because those are the eight companies since 2008 that I personally went out and brought in and applied the heavy persuasion on. But we've got about 76 companies that are doing that in Michigan now. These eight companies alone are projected to create 21,000 jobs, which is terrific.

Now when, and again this is my direct involvement, 13 companies since 2008, since the passage of our law, 243 million invested and 5,319 jobs. Do you recognize this guy right here; this little wind turbine? You guys from D.C., hello, hello. In front of the botanical garden; it spins like this. That's a wind turbine. And the great thing about that it was all made in Michigan. But this wind turbine is manufactured by a company that used to be an auto company and they've completely flipped over to do the production of wind. You know, wind turbines have break pads, gear boxes, and drive

trains. Yes – so do cars. We can do that kind of stuff so we are really focused on wind as well.

And then in 2009 the Vice President comes and announces 1.35 billion dollars for Michigan advanced battery projects. And the reason why I put this up here because the pancaking on of our state incentives with the federal incentives was irresistible. So we knew that we, with the auto industry, had to be the place that led the nation to freedom from foreign oil. You can't do it without an American auto industry to get you less reliant on oil; right.

You've got to have an American auto industry, which is the biggest sector that consumes foreign oil. You've got to have an industry in America if you want to have energy independence and the U.S. auto industry has got to do it. So we are the place, of course, where the opportunity is there for that.

Well, the Vice President comes and he announces that we have received all of these battery grants. Well before he came we had adopted battery tax credits in Michigan because we had identified this as one of the sectors that we want to focus on, is batteries, and so when the companies applied to the Federal Department of Energy, they knew they were going to locate in Michigan because they would get the benefit of our state incentives pancake on with the federal grants.

That – that strategy of doubling up, in the past one year alone, has caused 17 battery companies to locate in Michigan, 5.8 billion dollars invested, and 63,000 jobs that are projected to be created over the next decade.

The reason why I raise this is because I think that as a strategy the Federal Government really does have a lot more flexibility than many of us on the state levels, where we've got Constitutions that require us to balance the budget, and we have

revenues that are declining, and you know, as Ed Montgomery, who is here, who is the Auto Communities Czar and who has been to Michigan many times knows.

I mean sometimes the forces are such a downward vortex that you just have nowhere else to turn and the Federal Government is really a tremendous place to be able to have creative solutions to create jobs in communities. I believe that what the Department of Energy has done can be a model by offering competitive grants to companies who want to do breakthrough technology, for example, and allow the strings to be attached to those federal grants to be located in communities that have the highest unemployment rates, or in communities that have clearly organized themselves around that sector.

Without that gift from the Federal Government and a commitment to breakthrough technology in the U.S., it just would not be happening. So Michigan's experience -- and this is the map of Michigan, I don't know if you can see it in the back but just in the past two years, the reason why I say policy matters, because of our energy bill, our incentives and the federal incentives, we've seen 47 companies choose to come to Michigan, 89,388 jobs, and 9.4 billion dollars of investment.

That policy has made a difference for us and will continue to make a difference. So our strategy to diversify our economy, which is an ongoing strategy, will really still be focused on this clean energy stuff.

The third lesson is really the global aspect of things. Global competition requires these unprecedented public private partnerships and I know you've talked about that. Let me just say before I focus on an example from Michigan in that I am leaving tonight to go to France and Sweden. This will be my 11<sup>th</sup> trip overseas as Governor to try to bring international companies to Michigan in these six targeted areas.

And the reason why I raise that is because – because we have been victimized by the globe, or at least that's been often the mindset, our – our point has been we have to got to steer into the wind and sometimes you have to become the thing that you have most feared. And we have most feared global competition.

So what we have said to our mayors and to our regions is come with me overseas to attract the companies that we know want to do business in the U.S.; not the big multinational ones, although those would be nice too.

But really, the midsized firms and like if you go to Germany, all of these great family firms which employ, you know, maybe 1,000 people but want to have a foothold in the United States. Go get them; they don't know how to make the connections and if you make it easy for them, if you make it seamless for them, they'll come.

And so we, you know, I've gone to Germany to try to get solar companies to come to Michigan. I've gone to Japan to get advanced manufacturing and automotive supplier companies to come to Michigan.

You know, I'm going to the Paris Auto Show tonight because they're focus is on electrification of the vehicles and we want to let those who are supplying the battery of, you know, supply chain, that ecosystem, to come to Michigan. I'm going to Sweden because they have a huge bio economy focus. The forests that are in Sweden are tremendous for the creation of jobs and we want to do the same thing.

So I'm just saying that as a result of these 10 trips that I've taken so far, we've had 13,000 jobs come to Michigan, 48 companies that we've been able to recruit and that's just me. So I know that that strategy is a great strategy to take advantage locally of the globe.

Now, global competition requires that you can't expect that you're going to win on tax incentives alone because you're never going to be the cheapest place on the planet to do business; right. You're never going to be able to say that I'm as cheap a place as Vietnam to be able to manufacture. It's just not going to fly. So you need a different strategy.

The strategy has to involve partners. So this is one example from this. This is the Ford Rawsonville Plant; the plant that had over a million square feet. Huge plant, lots of employees; it was scheduled to shut down. What Ford did was brought jobs back from Mexico to Michigan to build the electric battery for their electric vehicles. Why? It starts with the Federal Government, again, because of Department of Energy grants, Ford got a significant grant from the Department of Energy to be able to build these batteries and there was strings attached. It had to be built in the United States.

So if those strings were attached, we jumped in. I signed into a lot of the most aggressive battery incentives in – of anywhere in the nation because we were going to plunk for this and that's why we're a second partner, the state of Michigan is.

The third partner is the local community. They did provide tax incentives through a renaissance zone and the UAW was the fourth partner. And I say the UAW because there is just a real paradigm shift happening right now with the UAW and I want to – I just want to let you know about this.

There's a brand new President of the UAW. His name is Bob King. And he went to the head of all of the automotive management at a briefing seminar in Traverse City about a month ago and he said to them, this is a whole different day for the UAW.

In the 20<sup>th</sup> century we were focused on job saving, saving our own jobs and that might have been appropriate. But in the 21<sup>st</sup> century, our job security is going to depend upon our global competitiveness. So management, we intend to partner with you to make the best products at the lowest price possible. Now that is a total paradigm shift.

If that bears out, that means that the UAW ends up becoming the broker of great skill. So in the most technologically advanced mass produced product in the world, which is the automobile, you need to have a great level of sophistication and skill in the manufacturing process. And if that happens, then you're going to need the talent necessary to do that.

That's where the UAW has said we're going to change the paradigm. We're going to also adopt the flexible tiered contract. Anyone can do any job, anywhere, any time on the factory floor. We just, you know, we hope that that all bears out because we do want to keep jobs in American. But that was the fourth partner to be able to bring jobs back from Mexico to Michigan.

Last lesson; is you know, we have really been undergoing a huge paradigm shift in Michigan because we've been a manufacturing state and we're very proud of that. But everybody has always assumed that they were going to go work for someone else.

In fact, you know, in my family there are Ford, you know, Ford folks and instead of saying I work at, you know, I work at Ford Motor Company they say no, I worked at Fords, like the – like Henry Ford is still sitting in the corner office. You always work for someone else, right. And so we have to have a whole paradigm shift about becoming entrepreneurial and becoming – and giving people access to A, the knowledge, and B, the capital. That will allow them to start their own businesses.

So very quickly; we have been creating this entrepreneurial ecosystem and very focused on it. We have now – I've tried to create a web all over the state where in every single county there is a – don't you hate acronyms; SBTDC's, the Small Business Technical and Development Centers. These are one stops, as you all have heard.

But these one stops in every county and in every region could be able to help somebody start their business and link them to access to capital. And then on the access to capital, we're not a state. We're a fly over state in terms of venture capital; not like California, not like Massachusetts and New York.

So we said okay, what have we got that we can do creatively to create capital here. So we took our tobacco settlement funds and we securitized it and we created a two billion dollar 10 year commitment to venture capital and diversifying our economy and that's what the 21<sup>st</sup> Century Jobs Fund is. We took a piece of our pension funds; we said we are also going to use that later stage venture capital to create a whole pool of funds, including a venture capital community in Michigan.

The bottom line is that the capital training and the infrastructure is now in place and including these smart zones, which are essentially incubators attached to universities to provide the infrastructure for those who've got great patents and want to commercialize them.

As a result, we've got -- just last year 1,000 entrepreneurs were trained at our Michigan Economic Development Corporation because of the 21<sup>st</sup> Century Jobs Fund has helped grow or start 1,500 businesses and 24 – can I – I wonder if I can have one of these. Whose do I want to drink? This is a fresh one; I'm just about to choke here.

MEDC has helped, you know; provide start up capital to all of these great companies and 24,000 jobs created as a result of that. And just this week there was an announcement from the Small Business Administration that Michigan is the fifth best state in the country for the rate of increase in the new firm entrance. We still have a long way to go but we feel like at least we've got the infrastructure in place to help change the paradigm and allow people to really be successful.

Now, here's the last slide. Who are these two smiley guys? This is a picture of the city manager and the superintendent of Greenville. And there – that's Pete Haines, the Superintendent and George Bosanic, the City Manager. And why are they smiling?

Greenville has – the plucky town of Greenville has decided they want to live up to their name and they want to be the first community to go off the grid. And so they're calling themselves Greenerville. In fact, if I go back to this slide right here, the slide about Michigan, this little star is Greenville and the reason why there's a star there is because we were able to attract two factories, United Solar Ovonix, which is doing solar panels.

They haven't been able to employ all of the people certainly who were lost – who lost their jobs at Electrolux, but they have taken this challenge very seriously. And I was just there in Greenville on Monday and they have put now United Solar Ovonix's panels on the building that you see there at the end which is a building at the airport. It looks like a house but it's really their airport building. They've put them on all of the schools. Actually, they only have two schools, high school, and a middle – and an elementary school. And as I walked into the school, they have a big grid that shows how many pounds of carbon they are pulling out of the atmosphere, how many roads, how

many cars that they have been able to effectively, the equivalent, take off of the road because of the solar panels on the roof, how many houses they would have been able to save.

And they brought me into the science classes and these kids from first grade through senior in high school, all explained to me the intricacies of how solar panels work and how they convert sunlight to electricity and they – they have – they have, as the Superintendent of Greenville has said, that this is less about the generation of power and more about the power of a generation.

It is a generational change that we are experiencing in the communities that have been distressed. But I, for one, believe in the power of a generation. And we often say in Michigan, quoting a Chinese proverb that sometimes leadership is planting trees under whose shade you will never sit. These are longer term problems but the answers are always going to be surrounding education and empowering people to be able to lift themselves up. Thank you for allowing me to come and share.

Now, do we do question and answer? Is that what we do or are we – am I already over time? Do you got – I don't have a watch so – all right; a couple of questions. Any questions?

SPEAKER: (Off mike.)

GOVERNOR GRANHOLM: The question is why didn't I jump on Tennessee; all over them like a wet rag.

SPEAKER: And secondly, why didn't you jump on the union who gave them a deal in Tennessee much better than the deal you have at --

GOVERNOR GRANHOLM: Well, so here's the great question. Is that every state is competing, right? And so it really gets to this issue of having a national

policy because I'm competing with Tennessee, and I'm competing with California, and I'm competing with Indiana, and we're all – and the, you know, the companies are pretty savvy. They're in this game too and they know how to play it a bit, right, and so they're going to say well, I'm getting this over there in that – in that state so can you match it or better it.

Tennessee, because of the Tennessee Valley Authority, has very, very cheap power and so that was the – that was the make or break for them to make – to make a decision to go to Tennessee from United Solar Ovonics, but they also went to, you know, a huge part of them went to Mexico. So the bottom line for us is that we're going to compete, you know, we're not going to lay down our tools but if the Federal Government has policy solutions that helps these states to compete based upon their natural strengths, I think that's got to be the way to go. This dog on dog fight between states is very expensive; yes.

SPEAKER: Just for a moment or two about Detroit, and your point of view about Detroit, and how Detroit fits into all of the points that you just so effectively made.

GOVERNOR GRANHOLM: Yeah, well it's – Detroit is the toughest of the tough, right. And Detroit – I was just driving through. There's a community inside of Detroit called Highland Park. I was just driving through it yesterday, you know, Detroit Highland Park communities that have grown up around the automotive industry and now – well Chrysler is – has still got a manufacturing facility in Detroit, all of the factories have gone. And so you go into a community like Highland Park that was once known as the city of trees and they've got – the homes have these great bones but they're completely hollowed out, or their fires of light is enormous.

So this is really a long term problem. And the question for us is how do you get a business to decide to move there, right? That's really the question we're all grappling with. How do you make it so irresistible? Because you have to do both the education and the provision of jobs because I'm not interested in seeing people move out. I know you were talking to me about this issue of the high unemployment rate and why not help people maybe -- yet, then to move to areas of lower unemployment. I'm not interested in that. Obviously I want to keep our citizens and provide jobs to them where they are.

And so the question is how do you make an irresistible case? Well we've got a really robust, for example, ground fields law that -- and a renaissance law which allows for a zero tax environment. You know, so it's -- sometimes it's a lot more than -- right. And if you coupled both the low cost as well as with a training incentive saying we'll take care of the training for all of your employees, that gets you a little bit further.

But ultimately, in order to have a tipping point, I think you have to have the federal incentives that will make it irresistible for businesses to locate in areas that they otherwise might redline for, you know, from because they're afraid, because it's hard to attract the talent or whatever.

I think that there has to also be a very big push on young urban pioneers to come back. There's a lot of people who moves -- whose family has moved out of Detroit, who feel great love for it and maybe their kids or their grandkids want to come back and claim it and provide them with, you know, a dollar house or cluster their living. Maybe you attach it nearby to a university like Waynes State University has done a great job with this, providing housing in the city of Detroit.

But getting people to come back requires a mixture of things and it also requires great leadership. We have a new Mayor in – not anymore, he has been there over a year, but you know, he's been terrific; Mayor Bing. But before that we had real problems because the mayor ended up being convicted and I had to hold a hearing to remove him from office.

So there is all sorts of other issues surrounding the leadership. But I do think that if there were a very aggressive federal policy that targeted incentives, grants, and loans for urban communities that you would see job providers come. I think it's all about work. Yeah, in the back.

SPEAKER: (Off mike) and healthy industries. I'd like to hear some comment about some federal disincentives with regard to corporations, American corporations, that chose to leave your town of Greenville. And they could be of one of two forms and I'm wondering about what thoughts have been already explored and what might be the pros and cons.

A corporation decides, for profitability, to move where jobs are paid – workers who are paid \$1.57 an hour and they leave behind the tremendous gap in a community, unemployment. Should there not be some tax for leaving or should there not be a higher tax on corporations, American corporations, that are deciding to go abroad and employ foreign workers at a very low rate and take in a substantial income while they sell that product back in the United States? And to me, I don't know that this has been explored at all, but in terms of the welfare of the nation, our people, our employment, it certainly deserves some discussion; thank you.

GOVERNOR GRANHOLM: I completely agree with you. Let me just say, other countries are doing this and I'm not talking about putting up walls here. I'm

talking about taking down the barriers for export of our products over there, as well as not being an accomplice to the off shoring of jobs by making the choice that much more advantageous to move jobs off shore. When you're in this major economic structural change, I mean Michigan perhaps is sort of the poster child of it, but it's happening all over the country. Why is this a jobless recovery? It's because we're in a global economy and it's so easy for capital to move.

Now I know that that's not a very popular thing to say among some who believe that free trade is really important and I believe free trade is important too, but it's got to be fair. And so if we are playing on a playing field where China, or Korea, or others are putting their thumb on the scale for their companies and we're not even in the game, then we're going to continue to see the loss of jobs happen.

So I – I'm just – I'm only interested in what is going to keep jobs in America and I'm very concerned about hollowing out our manufacturing core in this country. If we really are going to be a strong nation, we have to manufacture things. Yes, maybe we manufacture advanced things, but the bottom line is if we lose that then how are we going to be able to build the means through our national defense if we need it.

Are we going to contract that out with China, whom you know, I mean where is that going to happen? So for our own strength as a nation, we have a critical national need to keep a manufacturing infrastructure in this nation and that means you have to play offense and defense and having fair trade is an important aspect of defense. Let's not facilitate the off shoring of these jobs, let's figure out what needs to happen to – the incentives to be here and not over there.

And that's why one of the things that I think the feds can do in addition to enforcing trade agreements that we negotiate and not negotiate more that give advantage to the other side, the other thing that we can do is if they're doing grants or loans, have content requirements, strings attached that would require the manufacturer of those products to be here in the United States. Yes, last one. I know, I'm sensitive to the time. She's coming behind you.

SPEAKER: I went to Cass Tech in Detroit so I'm a product of Detroit public schools and I did extremely well. But I want to talk about the drop out, the current drop out rate of students in Detroit; deplorable black male drop out rates, deplorable. So in terms of all of the stuff you're doing in terms of education, what are you doing specific for Detroit?

GOVERNOR GRANHOLM: So in Detroit, we – I have appointed an Emergency Financial Manager for the Detroit public school system. The Detroit public schools are in a – have a horrible deficit because of the continual loss of pupils. Our school funding is based upon a per pupil foundation allowance and they continue to lose pupils so it creates this downward spiral as well.

The Emergency Financial Manager that I appointed has gone in and has negotiated new contracts with the unions, has put 51 new principals in, has closed 59 schools, put 51 new principals in. Those 51 new principals are allowed to select the staff at those schools, which is very important for creating the culture of success that you want. But half of Detroit's public schools, almost half, 40 of the – 40 of them right now are on the watch list and will be closed in September if they do not make adequate yearly progress.

And so there is going to be a continual cascade but the problem is that the system has been organized up to this point – I mean Cass Tech is a stellar school and it's sort of a beacon among DPS but there's a lot of schools that don't have that great reputation and – or that success.

And if we continue to have a system that's organized around the needs of adults, as that waiting for Superman movie describes, then we're going to continue to serve the adults and not the kids. In my opinion, we have to, have to be able to have site based managed schools where the educators have the freedom to teach and that means adding hours, adding days, there are some, you know, whatever needs to happen, whatever it takes.

I think we have got to organize the school system to be able to get there. That's what Robert Bob, who is the Superintendent now, is trying to do up against a whole lot of grief. I'm just hoping he doesn't leave. Okay; with that, I see you. I've got the hook over here. Thank you so much for the privilege of being able to come.

SPEAKER: I would just – I would just like to say one final thing before we wrap up. It's not true what I'm about to tell you but I want to say it anyway. It was my idea and only my idea to invite Governor Granholm. But let's give her a special round of applause. That was –

GOVERNOR GRANHOLM: Thank you; thank you. Thanks again; appreciate it, thanks.

SPEAKER: Thanks to all of you for being here and thanks to Michael, and to Adam, and to Karen especially for organizing this so well. We look forward to seeing you at the next forum. On behalf of the Hamilton Project, thank you.

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ANDERSON COURT REPORTING  
706 Duke Street, Suite 100  
Alexandria, VA 22314  
Phone (703) 519-7180 Fax (703) 519-7190

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ANDERSON COURT REPORTING  
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Alexandria, VA 22314  
Phone (703) 519-7180 Fax (703) 519-7190