



## The AEG study for CPAN

*Giving consumers more choices, lowering insurance rates, reducing medical costs and saving Michigan consumers up to a Trillion dollars a year is bad for the Michigan economy and other fairy tales...*

Initial Comments of Gary Wolfram, Ph.D. on Anderson Economic Group's report, *Impact of Proposed "PIP Choice" Law in Michigan*, September 5, 2011

AEG writes that "The purpose of this report is to quantify the effects that the proposed legislation would have on the output, earnings, and employment of Michigan industries." There are a number of problems with the AEG analysis, but one obvious one is there is no attempt to recognize the effect on output and employment from the decreased costs of auto insurance that AEG recognizes will exist. It is easy to think of companies that use vehicles in their business, from the local flower delivery shop to General Motors. This reduction in the cost of doing business, which is probably the largest effect on Michigan employment and output from the legislation, is specifically ignored. The AEG report states that the estimated impact on Michigan output from their own estimate of premium savings of "between \$709 million and \$1 trillion" is "\$0".

And AEG would have us believe that spending less money on catastrophic health care will result in nearly \$3 million in lost output in "management of companies and enterprises," and more than \$7 million in "real estate, rental and leasing." Suppose that I invented a device that for \$5 each treated every person who had a catastrophic injury in Michigan. Using AEG's methodology this would cost the Michigan economy hundreds of millions of dollars in lost output and thousands of jobs.

**About the Author:** The author is President of Hillsdale Policy Group, Ltd, and the William E. Simon Professor of Economics and Public Policy at Hillsdale College. He is the author of *Towards a Free Society: An Introduction to Political Economy* and has published numerous works on public policy issues. He has served in several policy positions, including Michigan's Deputy State Treasurer, member of the Michigan State Board of Education, President of the Board of Trustees of Lake Superior State University and Congressman Nick Smith's Washington Chief-of-Staff. Dr. Wolfram received his Ph.D. in Economics from the University of California at Berkeley and has taught at the University of California at Davis, Mount Holyoke College, Washington State University, and the University of Michigan at Dearborn.