



Budget Proposals Could Save State More than \$2 Billion

When Michigan lawmakers needed specifics on how to close Michigan's looming \$1.7 billion budget deficit, they didn't have to look far. Mackinac Center Director of Fiscal Policy Michael LaFaive examined the fiscal year 2003 state budget item by item to come up with a grand total of \$2,029,715,677 in recommended spending reductions and revenue enhancements for fiscal year 2004 — more than enough to erase the deficit.

If all 200-plus recommendations in the Mackinac Center study were adopted — including those involving federal funds passed through the state budget — the state budget would be reduced by 14.2 percent, or a total of \$3.7 billion.

"Some savings would result from scaling back current programs, others from contracting with more efficient service providers, still others from

outright elimination of programs the private sector is better equipped to handle," LaFaive told reporters throughout the state.

Among the Mackinac Center's recommendations was a proposal to eliminate in its entirety Michigan's Department of Career Development, which provides services that duplicate, and often interfere with, private sector providers of identical or superior services. Just taking this much-needed step would save the state of Michigan nearly \$460 million per year — with \$27 million saved in the general fund budget. Other proposals in the study include contracting out for management of the state prison system for savings of \$253 million; and rolling back spending on community colleges and higher education for total savings of more than \$320 million.

see "\$2 Billion," p. 4

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"Six Habits" Recommended to Improve Public School District Finances

For years, the Mackinac Center has been getting out the message that Michigan schools looking for ways to cut costs need not do it by hurting the job they do for students in the classroom. Now, they can follow the advice given in a new Mackinac Center report on "The Six Habits of Fiscally Responsible School Districts," released in December. "The Six Habits" recommends that school districts:



Coopersville public school superintendent Kevin O'Neill explains how his district saves money with ideas similar to those found in the Mackinac Center's report.

- minimize administrative costs;
- take advantage of cost savings from outsourcing non-instructional services;
- manage employee health benefits effectively;
- structure capital costs effectively;
- participate in Michigan's schools-of-choice program; and
- reform collective bargaining.

In fact, "The Six Habits" was the subject of a Dec. 11, 2002 forum at the Lansing Center, sponsored by

the Center and attended by more than 80 principals, superintendents, school board members

see "Six Habits," p. 4

With Friends Like This, We're Winning



Joseph G. Lehman
Executive
Vice President

Printed below is part of a letter we received, along with a gift, from long-time Mackinac Center friend Bill Griesinger. Bill is a former St. Joseph resident temporarily working in Brazil. I think you'll find his words as inspiring and encouraging as we do. Bill kindly allowed us to make minor edits.

Dear Larry and Staff:

"While my gift will not rank among the largest contributions to the Mackinac Center, I can assure you it ranks as high as any in terms of my gratitude and appreciation for, and inspiration from, the work that you do each and every day to advance the cause of a more free and civil society."

"My appreciation is even more pronounced after 18 months in Brazil. It is amazing to encounter fairly intelligent people here who really do not grasp either the meaning or importance of individual liberty in their daily lives. They see no harm or danger in turning to government for "solutions" to problems large and small. ... This is why the work of the Mackinac Center and other freedom-promoting organizations is so vital."

"Although your talented staff probably needs no reminders of the importance of their work, its significance was certainly underscored by the frivolous lawsuit filed by the Michigan Education Association against the Mackinac Center. This despicable ploy illustrates the fragility of some of our basic liberties. It is a stark reminder of how organizations like the MEA are bent on forcing their ideology on others at all costs, not through debate and intelligent discourse in the arena of public opinion, but through the use of force and coercion of the state to achieve their ends."

"While reading my Mackinac Center packet, I was practically moved to tears of anger and astonishment by the political maneuvering of the MEA against the Mackinac Center. Why? Because all at once, all rolled into one, I was reminded of the work done and risks taken by our founding fathers, of the price that so many paid, even death, to secure and maintain these rights for us, and of the vigilance necessary to continually preserve and guard against the erosion of these rights by the MEAs of the world. ... At the same time, I was reminded of how thankful I am to have the Mackinac Center advancing individual freedom and individual responsibility."

"Injustices like the MEA lawsuit are clear reminders of the constant vigilance we must keep to advance the cause of freedom so eloquently defended by the Mackinac Center. I appreciate most the clarity of your arguments and the consistency of principle with which you make them."

Dear Bill: We appreciate your eloquent clarity and commitment to freedom, too. With your help, we are winning. I

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Secretary of State Meets with Mackinac Center Leaders to Discuss School Election Reform

On Jan. 23, newly elected Michigan Secretary of State Terry Lynn Land paid a visit to the Mackinac Center for Public Policy, to confer with Center staffers on a number of important issues as she sets her policy agenda for the coming term.



Secretary of State Terri Lynn Land (center) visited the Mackinac center to confer with President Lawrence Reed and other Center policy experts.

Land and members of her staff met with President Lawrence W. Reed and other Mackinac Center policy experts, discussing everything from privatization, education and labor issues to state budget matters and policy points as specific as how best to use resources for towing abandoned cars from state freeways.

Of particular interest to Land was the Mackinac Center's proposal that school elections be

consolidated with Michigan's general elections in order to increase voter participation, and consequently, school district accountability. Since Land's visit, a package of bills has been proposed to do just that (see House Bills 4820 through 4828 on MichiganVotes.org).

Land also was interested in a Mackinac Center proposal to raise the \$3 fee that is currently charged for notary public services. This fee hasn't been raised since it was set 61 years ago in 1942. Legislation for accomplishing this is now making its way through the Michigan Legislature as well.

Secretary of State Land and her husband, Dan Hibma, a Grand Rapids-area builder, have been members of the Mackinac Center since 2000. President Lawrence Reed noted that the Center has pulled off a trifecta: A good friend of the Center was elected to high public office, she personally paid us a visit, and she went back to work in Lansing carrying some of our newest ideas for government reform. **I**

House Passes Ban on "Living-Wage" Laws

Ever since the first "living wage" law was passed in Michigan in 1998, the Mackinac Center has pointed out to lawmakers, through commentaries, committee testimony and media interviews, the fallacy of boosting wages above market levels as a way of helping the poor.

"Living wage" laws, passed by 13 local governments in Michigan, including Detroit, make it illegal for employers to pay workers less than an amount set by a particular municipality, even if employees agree to work for a market wage. "Living wage" rates range from \$8 to \$11 per hour or more, with and without benefits. The state minimum wage is \$5.15.

In February, following testimony by Mackinac Center labor law analyst Paul Kersey, the House Employment Relations, Training, and Safety Committee approved a bill prohibiting local governments from enacting such laws, on a vote of 6 to 3. And

on Feb. 25, the House voted 58 to 51 in favor of the prohibition. The bill now awaits consideration by the Senate for a final vote.

At the hearing, Kersey testified that "living wage" laws penalize "those unable to find work because potential employers cannot afford the increased wages." He cited data showing that for every 10 percent increase in the minimum wage, employment among those affected drops by 2 percent. Kersey said the job losses caused by a higher minimum wages tend to be concentrated among older workers – those most likely to have dependents.

"Government can't make a worker worth more to an employer just by making it illegal to pay him less," Kersey said. "Why would a company hire someone for \$10 an hour when the market values his work at only \$6 an hour? That worker will either not get the job, or he can lose the one he has," he said.

Kersey's testimony is available at www.mackinac.org/5037. **I**



Labor Research Associate Paul Kersey testifies before a state House committee that "living wage" ordinances often harm the people they are purported to help.

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"It is the Mackinac Center's hope that Gov. Granholm will take much of Lansing's power and return it to where it rightfully belongs: the individuals and families of the Great Lakes State," LaFaive said. In addition to garnering mentions in the Detroit News, the Associated Press (which dispatches to newspapers throughout the state), LaFaive was interviewed by NBC network television in Lansing (see story, page 5). The study, which can be viewed



at www.mackinac.org/5046, was hand-delivered to legislators, and is now influencing the state budget debate. I

The state subsidizes awards for race horses, like "Schmoopy," the "2000 Michigan Thoroughbred of the Year." The Mackinac Center recommends eliminating this, and other, unneeded subsidies.

Six Habits from page 1

and journalists from around the state. Besides Mackinac Center co-authors Dr. Kirk Johnson and Elizabeth Moser, Dr. David Plank, director of the Education Policy Center at Michigan State University and Dr. Kevin O'Neill, superintendent of the Coopersville Area Public Schools near Grand Rapids, spoke on the panel.

Superintendent O'Neill discussed how his district has saved money through methods similar to those outlined in the Mackinac Center's report. Coopersville has reduced the cost of administration and outsourced many non-instructional services such as food management, lawn maintenance, technology support and preventative maintenance of heating and cooling systems. The district has restructured its capital costs and negotiated needed changes in the collectively bargained salary schedule to increase management

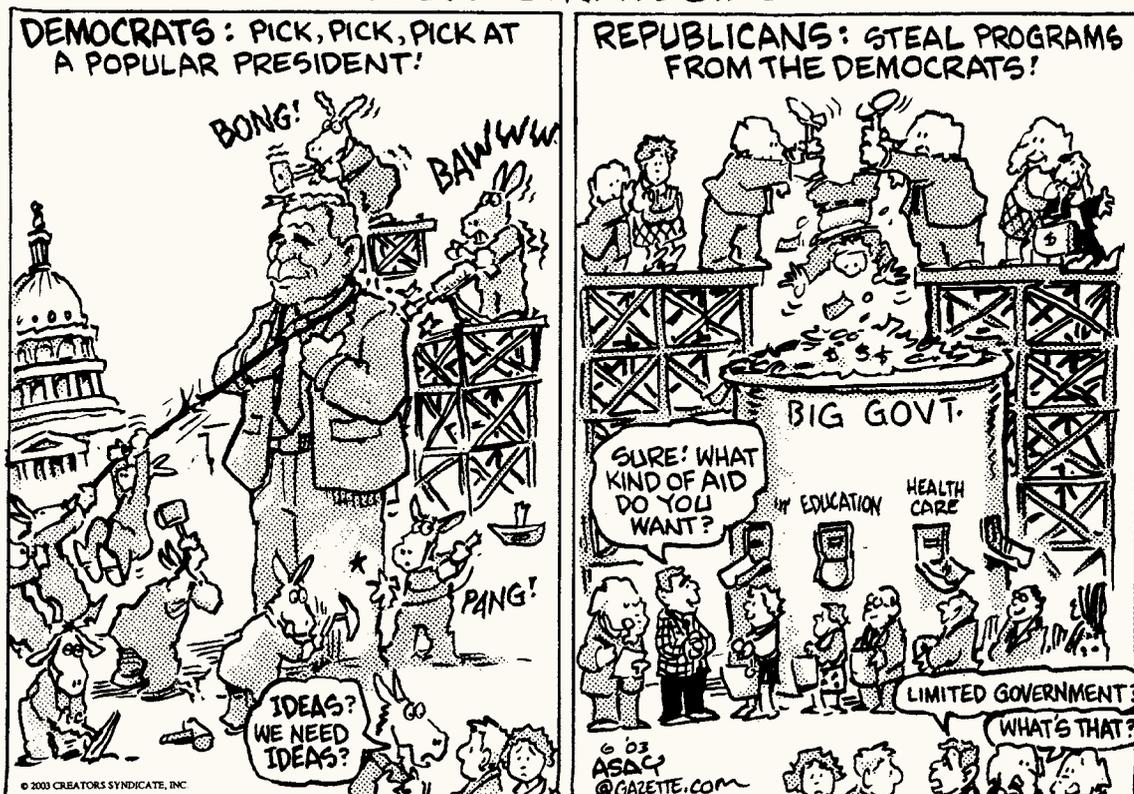
discretion in rewarding quality teachers.

"Too many public school districts threaten to cut instructional programs or lay-off teachers when there is a budget crunch. Instead, districts should look to cut wasteful spending first," according to the Mackinac Center report.

Both O'Neill and Planck praised the timeliness of the report. Government schools statewide are reporting budget crises in spite of record levels of state funding.

The Mackinac Center provided a copy of the report to each of the state's 4000-plus public school board members and more than 1,000 school administrators. Some districts have ordered additional quantities. The full text is available for free at www.mackinac.org/4891. I

CAMPAIGN STRATEGIES



Media Relies on Mackinac Center Budget Research ... and More

- In two January articles on Michigan's budget crisis — one authored by Mackinac Center Director of Fiscal Policy Michael LaFaive — the Lansing State Journal began a three-month round of articles in papers throughout the state spotlighting LaFaive's recommendations for downsizing, privatizing, prioritizing, and otherwise paring back the state's fiscal 2004 budget. In fact, of 100 budget recommendations offered by the state capital's home newspaper, 22 of them had been proposed



Mackinac Center President Lawrence Reed was the first guest on Michigan Public Television's "Off the Record" after Gov. Granholm proposed her state budget. Reed explained to a panel of journalists that the reason for the deficit was state overspending, not a "revenue shortfall."

by the Mackinac Center. The Mackinac Center released more than 200 budget proposals in March in the 157-page "Recommendations to Strengthen Civil Society and Balance Michigan's State Budget."

- For good measure, in a Feb. 24 article for the Detroit Free Press, Mackinac Center President Lawrence Reed offered 10 innovative recommen-

dations for how Michigan can avoid budget crises in the future, including employing more "sunset provisions" to legislation, phasing down revenue shared with local governments, renegotiating labor contracts, and passing two-year budgets.

- In spectacular fashion, the Wall Street Journal came to the Mackinac Center's defense in a Feb. 27 editorial condemning the Michigan Education Association for suing the Center because it quoted MEA President Luigi Battaglieri, who said at his own news conference, "Frankly I admire what they [the Mackinac Center] have done." Calling the lawsuit "a grudge, not a legitimate grievance," one of the Journal's editorial writers said the Center "plainly is exercising its constitutionally protected right of free speech," and that the MEA deserves "the prize for intimidation."

- Mackinac Center Legislative Analyst Jack McHugh won endorsement from the Detroit News for a proposal that could save the state as much as \$65 million per year: Take the job of patrolling highways, and funding for the job, from the State Police and give it to local sheriff's deputies. The News reported in a May 15 editorial that the idea is being embraced enthusiastically by Oakland County Sheriff Michael Bouchard, who echoed

McHugh in saying that the move would free up State Police resources for other law enforcement needs, including criminal investigations and anti-terrorism work. The Oakland Press has also praised McHugh's idea.

- Mackinac Center Director of Fiscal Policy Michael LaFaive told the Detroit News, for a front-page article that appeared April 30, that the city should sell the scandal-ridden Public Lighting Department, but that the reasons Detroit mayors keep city ownership are political: "It is politically profitable to keep services that employ dues-paying [union] members [who are] your supporters," LaFaive said.

- Mackinac Center Director of Science, Environment and Technology Policy Diane Katz told the Detroit Free Press that ill-advised plans to extend environmental protection to smaller wetlands throughout Michigan were the result of the failure of the state to establish clear rules with regard to environmental policy. Devoting resources to more pressing issues like invasive aquatic species and the dumping of sewage into waterways would be more effective, she told the Free Press, for an article that appeared April 23rd.

- And in May, Katz exposed the Michigan Department of Natural Resources (DNR) for approving the acquisition of \$16 million-worth of new public land even though it knew — and publicly announced in April — that it would be unable to pay its summer 2003 property taxes on the vast holdings it already owns. The Lansing State Journal picked up Katz' discovery, chastising the agency in an editorial May 12th. The Detroit News cited Katz in a feature June 3. "The DNR is simply saying 'We're not going to pay,' when no private landowner would ever be able to say that," Katz told the News. "So, why are they buying more land when they can't even pay for what they've got?" Katz called on the DNR to "... make a decision about what lands are really important and sell off those lands that are not environmentally necessary." A House budget bill was quickly amended by a Senate subcommittee to prohibit the state from acquiring more land when its tax payments are past due. **I**

Court Agrees to Consider Dismissing MEA's Lawsuit Against Mackinac Center

Union President Reaffirms Mackinac Center Is "Influential"

In March the Court of Appeals for the State of Michigan agreed to consider throwing out a lawsuit brought against the Mackinac Center last year by the Michigan Education Association (MEA). The appeals court, acting without a request from the Mackinac Center, also ordered all trial proceedings to be stayed pending its decision.

The MEA, the state's largest union of school personnel, brought the suit in early 2002 after the Mackinac Center accurately quoted MEA President Luigi Battaglieri saying "...frankly, I admire what they [the Mackinac Center] have done" at a Lansing news conference he convened.

The union's lawsuit does not dispute that Mr. Battaglieri told a room full of reporters that he admires what the Mackinac Center has done. Nor are any other facts of the case disputed. When the Mackinac Center's attorneys deposed Mr. Battaglieri, the union president reaffirmed, under oath, that he considers the Mackinac Center one of Michigan's "most

influential" organizations with respect to education policy. Identifying the top "three or four" such organizations, Mr. Battaglieri named just his union, another union, and the Mackinac Center.

The MEA asserts that it sued because it believes the Mackinac Center should not have been allowed to repeat Mr. Battaglieri's news conference statement in a 2001 letter that included an appeal for support. The MEA has demanded the Mackinac Center's mailing list and all money given to the Mackinac Center by the letter's recipients, and it asked the court to permanently forbid the Mackinac Center from naming the union or its officials in future solicitations.

Free-speech experts and journalists around the country, however, see the MEA's lawsuit as a brazen attempt by a large, powerful labor union to squelch public debate through intimidation. (See box at left.) The MEA has long opposed reforms successfully championed by the Mackinac Center, such as school choice, charter schools, privatization, changes to collective bargaining rules, and union accountability. The lawsuit has received widespread news coverage.

The Washington, D.C.-based Institute for Justice is defending the Mackinac Center free of charge. Senior Attorney Clark Neilly said, "The idea that a public policy organization has to get permission from its opponents to quote them is ludicrous." The case is pending. **I**

Journalists Respond to MEA's Attack on Free Speech

"The prize for intimidation has to go to the Michigan Education Association."

— John Fund, Wall Street Journal

"The Mackinac Center ... will easily defeat the MEA's frivolous claim.... The MEA's president speaking at a news conference is [a newsworthy public event], and people may report it without being sued."

— George F. Will, Washington Post

"No wonder the union wants to stifle its [the Mackinac Center's] voice.... I suspect the MEA's real motive is to force the Mackinac Center to spend tens of thousands of dollars in legal fees...."

— Jeff Jacoby, Boston Globe (also printed in the Detroit Free Press)

"Some liberals are all in favor of free speech — until they are on the receiving end ... If it's not fair to quote a well-known public figure like Battaglieri at a press conference he himself called, then we can forget about the First Amendment."

— Thomas Bray, Detroit News

"The Michigan Education Association has given new meaning to the term 'frivolous lawsuit.' At the same time, this powerful teachers union is wasting considerable money that, indirectly, comes from Michigan taxpayers."

— Lansing State Journal

"If the courts follow MEA's logic, free speech would be squashed. ... This smacks of intimidation. ... If the MEA is worried about how its public comments are perceived and used, it can control them the old-fashioned way: by watching what they say."

— Detroit News

MEA Tells Members to Quit Reading Mackinac Center Journal

"Unsubscribe to Michigan Education Report" is the command emblazoned in block letters headlined across a full page of the April issue of MEA Voice, a monthly publication of the Michigan Education Association, the state's largest school employee union. It is sent to 159,000 of the union's members.

Michigan Education Report is the Mackinac Center's quarterly journal of education news and analysis for parents, educators and policy-makers, published since 1998.

More than 100,000 public school teachers have received Michigan Education Report free of charge, thanks to Mackinac Center supporters who believe teachers should be provided information they won't find in union publications. More than 40,000 school administrators, policy-makers, parents and others have also received the journal.

A half-page article under the MEA's commanding headline tells teachers how to "unsubscribe" to Michigan Education Report, and it directs readers to the newsletter of a group the union formed in 2001 to counter Mackinac Center research.

The article's anonymous author calls Mackinac Center literature "junk mail" and describes Michigan

Education Report as "unwanted." Also included is a handy, clip-out form that teachers can fill out, cut out, and mail to the Mackinac Center to "unsubscribe."

"We received a few of the forms," said Mackinac Center Executive Vice President Joseph Lehman.

"But for every unsubscribe form, we've received in total more than 100 requests to start a new subscription." Robert Hunter, director of labor policy for the Mackinac Center, reports that the number of teachers contacting him about resigning from the MEA has been "in the dozens."

"MEA officials apparently don't want teachers to read education-related news that isn't filtered through the union," Lehman said.

Anyone can disassociate from Michigan Education Report's free mailing list by merely asking to have his or her name removed, and it will be done "cheerfully and promptly," Lehman said. On the other hand, any MEA-unionized teacher who wishes to disassociate from that union and its mandatory dues typically must quit his or her job. **I**



Seminars Strengthen Bridge Between Pro-School Choice Whites, Blacks

Polls consistently show that African American parents favor parental choice in education in even greater numbers than white parents do. The greatest political successes for school choice will occur when whites and blacks work closely to advance their common goal of excellent education.

The Mackinac Center's "The Power to Choose" seminars have caught the attention of the Black Alliance for Educational Options (BAEO), an organization that is emerging as the voice of pro-school-choice blacks across the nation.

Last September, Director of Leadership Development Brian Carpenter began traveling all over Michigan, conducting one-hour free informational seminars that help parents understand the crisis in education, and how school choice improves all schools.

Word got around quickly, and BAEO invited Carpenter to speak to its Detroit chapter. So delighted were the attendees with Carpenter's message of hope for low-income parents of children stuck in

failing schools that he subsequently was invited to speak before BAEO's third-annual national symposium in Dallas in March.

BAEO was formed in August 2002 mainly through the leadership of Dr. Howard Fuller, a black former school superintendent in the Milwaukee area, who got fed up with the minority student achievement gap. Dr. Fuller helped establish a school voucher system for students from low-income families in Milwaukee.



Brian Carpenter's "The Power to Choose" seminars across Michigan have educated hundreds of parents and other citizens about the benefits of education vouchers and tax credits. To arrange a seminar, contact Carpenter at (989) 631-0900 or carpenter@mackinac.org.

More than 600 people attended the symposium that included Carpenter's talk, enabling him strengthen ties to Michigan's large African American pro-school choice community. "I'm very optimistic about the possibility of people of all ethnic backgrounds working together to achieve parental choice," Carpenter said. **I**

Every Legislative Action Tallied and Described for First Time

One of the primary ways the Mackinac Center helps citizens keep tabs on lawmakers' activities and on the consequences of their legislative actions is through MichiganVotes.org, a first-of-its-kind web-based legislative database operated as a free public service of the Mackinac Center.

At the end of 2002, for the first time in the history of any state or national legislature, MichiganVotes.org described every action of an entire legislative session, and every vote of every legislator, in concise, plain English, and recorded these in a searchable electronic public database. Table 1 shows the number of legislative actions MichiganVotes.org recorded for the 91st Legislature, and for the first 100 days of the 92nd Legislature.

Table 1: Sample of Legislative Activity Recorded by MichiganVotes.org

Legislature	Roll Call Votes	Bills & Resolutions	Amendments	New Laws Signed by Governor
91 st (2001-02)	2,200	4,101	3,178	873
92 nd (First 100 days of 2003-04 session)	102	1,105	131	1

MichiganVotes.org

Journalists, lawmakers themselves, lobbyists and ordinary Michigan citizens have found MichiganVotes.org so useful and informative that now other organizations are following the Mackinac Center's lead. Two institutes in Washington state, the Evergreen Freedom Foundation and the Washington Policy Center, have created web sites to monitor their

legislature, using the name WashingtonVotes.org. Citizens in other states have asked the Mackinac Center to help them establish similar services. **I**

Gov. Granholm Promises to Cut Spending, but Expand Government

Gov. Jennifer Granholm came into office promising not to raise taxes and instead to cut spending. So far, she has done reasonably well at both. But Mackinac Center analysts pointed out that she may have a hard time keeping her promises if she is serious about every proposal in her Feb. 6 State of the State address.

Gov. Granholm proposed 14 new expansions of government and only 6 new limitations in her speech. Center analysts reviewed the previous 35 State of the State

addresses to provide context for hers. Table 2 shows how her speech compared to those of past Democratic and Republican governors.

Table 2: Government Expansions and Limitations Proposed in 35 Michigan State of the State Addresses

Milliken, 1969 - 1982	Proposed expansions: Avg: 5.6	High: 12 ('71, '80)	Low: 0 ('74)
	Proposed limitations: Avg: 2.9	High: 8 ('73)	Low: 0 ('70, '79, '82)
Blanchard, 1983 - 1990	Proposed expansions: Avg: 8.6	High: 19 ('89, '90)	Low: 1 ('85)
	Proposed limitations: Avg: 2.1	High: 7 ('84)	Low: 0 ('87, '88)
Engler, 1991 - 2002	Proposed expansions: Avg: 8.4	High: 18 (2000)	Low: 3 ('91)
	Proposed limitations: Avg: 4.3	High: 11 ('95)	Low: 1 ('02, '97, '03)
Granholm, 2003 -	Proposed expansions: Avg: 14	High: 14	Low: 14
	Proposed limitations: Avg: 6	High: 6	Low: 6

Governors don't always follow through on all the expansions and limitations they propose in State of the State addresses. But the speeches are a barometer of a governor's vision and what he or she believes may be politically popular. **I**

Detroit Entrepreneur Goes from Peanut Salesman to Baseball Consultant

When Steve Khalil began selling peanuts outside Tiger Stadium at age 11, no one could have predicted that he would serve as a marketing consultant for the National Baseball Hall of Fame in Cooperstown, N.Y.

In 1985, Khalil and his brother David, opened a store one block west of Tiger Stadium called "The Designated Hatter." With the help of family members, the brothers parlayed their earnings into one of the most revered sports memorabilia shops in the country. This attracted the attention of Dale Petroskey and Bill Haase, the current president and vice president of the National Baseball Hall of Fame.

Khalil has also done baseball consulting work for Greenfield Village in Dearborn and Little League Baseball in Williamsport, Pa. He and his brother still own and manage their store near Tiger Stadium, as well as a screen printing and embroidery business in Madison Heights, and a commercial real estate business known as EIC Investment Co. "EIC" stands for "Excellence In Capitalism." Khalil is earning a masters degree in economics from Walsh College.

Encountering statist policies and views in downtown Detroit and at Albion College, Khalil became interested in economics and public policy. He became aware of the work of the

Mackinac Center for Public Policy in 1994, when President Lawrence Reed and economic historian Dr. Burton Fulsom paid him a visit at his Detroit office after reading a Detroit News op-ed he had authored condemning government subsidies for sports stadiums. He has been a supporter of the Mackinac Center ever since.

"Most kids today are convinced by their teachers, politicians and the media that there is no way to make it in this world without a handout from government," says Khalil. "Nothing could be further from the truth." I



Steve Khalil, at right, celebrates liberty in style at the Cato Institute's 25th anniversary celebration with Mackinac Center staff members Michael LaFaive and Kendra Shrode.

What Will Be Your Legacy?

People support the Mackinac Center for Public Policy because they want to advance and perpetuate, the values of freedom, limited government and free enterprise. No one protects those values more vigorously than the Mackinac Center.

You could support the Center's work with immediate gifts of cash or property such as securities, real estate, etc. But even better might be a planned gift, which provides a tax benefit to the donor as well as funding for the Mackinac Center's research and educational programs.

There are many kinds of planned gifts, but one of the most common is a charitable remainder trust.

A charitable remainder trust typically pays an income stream to the donor either for his or her lifetime or for a designated period of years, after which the donated assets would be transferred to the Mackinac Center. Donations to the charitable remainder trust receive an income tax deduction

for the actuarial present value of the contribution.

For example, if a 70-year old donor and spouse contribute real estate worth \$100,000 to a charitable remainder trust, their tax deduction would be approximately \$30,000. The donors would receive an annual payout of approximately \$5,000 for their lifetimes.

The charitable remainder trust is but one of many tools that would protect your estate and achieve your charitable giving goals. By arranging a planned gift to the Mackinac Center for Public Policy, you will also create a legacy of freedom and opportunity for future generations.

For more information, please feel free to call me at (989) 631-0900. I



John Coonrad,
Vice President
for Advancement

Privatization: Fashionable and Sensible

by Murray N. Rothbard

“Privatization” is the in-term, on local, state, and federal levels of government. Even functions that our civic textbooks tell us can only be performed by government, such as prisons, are being accomplished successfully, and far more efficiently, by private enterprise. For once, a fashionable concept contains a great deal of sense.

Privatization is a great and important good in itself. Another name for it is “desocialization.” Privatization is the reversal of the deadly socialist process that had been proceeding unchecked for almost a century. It has the great virtue of taking resources from the coercive sector, the sector of politicians and bureaucrats – in short, the non-producers – and turning them over to the voluntary sector of creators and producers. The more resources remain in the private, productive sector, the less a deadweight of parasitism will burden the producers and cripple the standard of living of consumers.

In a narrower sense, the private sector will always be more efficient than the governmental because income in the private sector is only a function of efficient service to the consumers. The more efficient that service, the higher the income and profits. In the government sector, in contrast, income is unrelated to efficiency or service to the consumer. Income is extracted coercively from the taxpayers (or, by inflation, from the pockets of consumers). In the government sector, the consumer is not someone to be served and courted; he or she is an unwelcome “waster” of scarce resources owned or controlled by the bureaucracy.

Anything and everything is fair game for privatization. Socialists used to argue that all they wish to do is to convert the entire economy to function like one huge Post Office. No socialist would dare argue that today, so much of a disgrace is the monopolized governmental Postal Service. One standard argument is that the government “should only do what private firms or citizens cannot *do*.” But *what* can’t they do? Every good or service now supplied by government has, at one time or another, been successfully supplied by private enterprise. Another argument is that some activities are “too large” to be performed well by private enterprise. But the capital market is enormous, and has successfully financed far more expensive undertakings than most governmental activities. Besides the government has no capital of its own; everything it has, it has taxed away from private producers.

Privatization is becoming politically popular now as a means of financing the huge federal deficit. It is certainly true that a deficit may be reduced not only by cutting expenditures and raising taxes,

but also by selling assets to the private sector. Those economists who have tried to justify deficits by pointing to the growth of government assets backing those deficits can now be requested to put up or shut up: in other words, to start selling those assets as a way of bringing the deficits down.

Fine. There is a huge amount of assets that have been hoarded, for decades, by the federal government. Most of the land of the Western states has been locked up by the federal government and held permanently out of use. In effect, the federal government has acted like a giant monopolist: permanently keeping out of use an enormous amount of valuable and productive assets: land, water, minerals, and forests. By locking up assets, the federal government has been reducing the productivity and the standard of living of every one of us. It has also been acting as a giant land and natural resource cartel – artificially keeping up the prices of those resources by withholding their supply. Productivity would rise, and prices would fall, and the real income of all of us would greatly increase, if government assets were privatized and thereby allowed to enter the productive system.

Reduce the deficit by selling assets? Sure, let’s go full steam. But let’s not insist on too high a price for these assets. Sell, sell, at whatever prices the assets will bring. If the revenue is not enough to end the deficit, sell yet again.

A few years ago, at an international gathering of free-market economists, Sir Keith Joseph, Minister of Industry and alleged free-market advocate in the Thatcher government, was asked why the government, despite lip-service to privatization, had taken no steps to privatize the steel industry, which had been nationalized by the Labor government. Sir Keith explained that the steel industry was losing money in government hands, and “therefore” could not command a price if put up for sale. At which point, one prominent free-market American economist leaped to his feet, and shouted, waving a dollar bill in the air, “I hereby bid one dollar for the British steel industry!”

Indeed. There is no such thing as no price. Even a bankrupt industry would sell, readily, for its plant and equipment to be used by productive private firms.

And so even a low price should not stop the federal government in its quest to balance the budget by privatization. Those dollars will mount up. Just give freedom and private enterprise a chance. **I**

This essay is excerpted from “Making Economic Sense” by economist Murray N. Rothbard. The book was published by the Ludwig Von Mises Institute in 1995, the year of Rothbard’s death.



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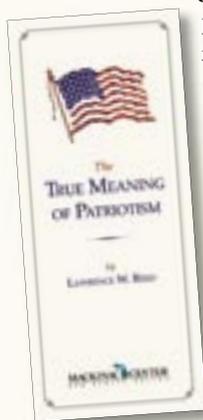


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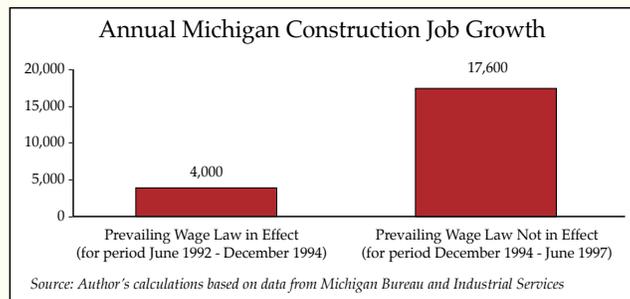
Repeal of Prevailing Wage Could Save State \$400 Million

Mackinac Center labor policy analysts have calculated that repealing a state law that effectively mandates union-scale wage rates for workers on state construction projects would save more than \$400 million per year. Center researchers Robert Hunter and Paul Kersey have discovered that the “prevailing-wage” law inflated state-funded construction costs by approximately 10 percent, or \$400 million, in Michigan in 2002.

The state’s prevailing-wage law effectively requires government construction projects to pay workers union-scale wages, even if the workers and their firms agree to work for a more economical wage. According to a Center report by Dr. Richard Vedder, this practice makes labor on government construction contracts far more expensive than it would be otherwise.

“In light of the recent \$285 shortfall in revenue at the end of 2002, and deficit of \$1.7 billion looming in the future, repeal has become even more attractive,” says Hunter, the Mackinac Center’s director of labor policy. For this reason, a proposal for repeal of the law is included in the Center’s analysis of the Michigan budget, which recommends more than \$2 billion in spending reductions and revenue enhancements for fiscal year 2004 (see story, page 1) — more than enough to erase the projected deficit.

Hillsdale College economist Gary Wolfram estimates that an exemption from the prevailing wage law for public schools — a move that has saved the state of Ohio around 10 percent of its school construction costs since it was instituted in 1997 — would save Michigan taxpayers \$150 million annually. This would easily cover the current School Aid Fund deficit. “The administration of Gov. Jennifer Granholm may be asking



A 1999 Mackinac center study by Dr. Richard Vedder reported that construction employment grew more quickly during the period that Michigan’s prevailing wage law was not in effect.

school districts to get by on less money, without lowering the quality of education that Michigan children receive. Exempting school districts from the prevailing wage law would make that task a lot easier,” Hunter said. **I**