

Business “Who’s Who” Endorses Center’s State Budget Study



Michael LaFaive, director of fiscal policy, presented his updated Michigan budget study to lawmakers at a Michigan State Capitol news conference.

In May, with the Granholm Administration facing a projected \$1.3 billion budget deficit for fiscal 2004, the Mackinac Center went to Lansing to release an updated version of its 2003 budget study, “Recommendations to Strengthen Civil Society and Balance Michigan’s State Budget.” The Center kicked off the release in a Capitol Rotunda news conference with eight key

members of the state’s business community, each of whom promptly endorsed the study.

Mackinac Director of Fiscal Policy Michael LaFaive began the conference by speaking in favor of less state spending and against new tax hikes. He was followed by a virtual “Who’s Who” of

representatives from the state’s business organizations: the Michigan Chamber of Commerce, National Federation of Independent Business (Michigan), Small Business Association of Michigan, Michigan Association of Home Builders, Auto Dealers of Michigan, Michigan Bankers Association, Michigan Grocers Association and Michigan Restaurant Association.

“The Mackinac Center’s study provides a broad range of recommendations that we believe have not been fully considered by the Legislature and administration,” said Tricia Kinley, director of tax policy and economic development for the Michigan Chamber of Commerce. “Some have claimed that state government has ‘cut to the bone.’ This document demonstrates that this is not the case.”

Matt Hanley, Director of Government Relations *“State Budget Study,” p. 4*

CONTENTS

- Executive Vice
- President’s Message 2
- Electric Gridiron 3
- Telecom Connection 3
- Media Impact 5
- Labor Dispute 6
- Communications Team 6
- “Worldwide Vineyard” 7
- Harding Hire 7
- Freeing to Learn 8
- Bequeathing Liberty 10
- Legacy Society 10
- MEA Pays 11
- Defending the Center 11
- Free-Market Fundamentals 12
- Joseph Overton’s Legacy 13
- Free-Market Library 14
- Porkies II 16

School Choice: Not Whether, But Which

Executive Vice President Joseph Lehman is the last one to assume that talking at a conference constitutes “impact.” But when he was asked to participate in a July 20 school reform panel at the National Conference of State Legislatures, he found himself struck by the magnitude of the moment.

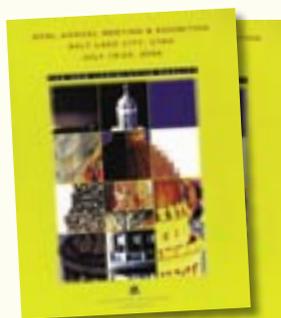
“Here I was, being invited to join a school-choice panel *not* by a free-market organization or even by a group of conservative officeholders, but by a conference of mostly liberal and moderate legislators,” Lehman explained. “And what was the topic? Not whether we should have school choice — which I still might have considered a victory — but *what form* of school choice would work best.”

For Lehman, the meaning of the event was

clear: “A major debate is over, and we have won. School choice has become a permanent fixture of the legislative landscape.”

And an important fixture, as well. Although the panel discussion ran concurrently with some of the conference’s other meetings, it turned into a standing-room-only event attended by nearly two hundred state legislators.

The forum, which was covered in the July 21 Salt Lake Tribune, addressed the specific question of which of two programs, vouchers or tuition tax credits, was a better approach to school reform. In his analysis, Lehman referred to “Forging Consensus,” the groundbreaking study written by Mackinac Center Senior Fellow in *see “School Choice,” p. 4*



Tuition tax credits were part of the agenda at the National Conference of State Legislatures.

“I want to thank you for all you’ve done for our nation’s children. The Mackinac Center and institutions like it have helped blaze a trail of education reform in Michigan and across the nation.”

— U.S. Education Secretary Rod Paige, addressing Mackinac Center advisors, directors and guests in June

Courts Limit Selective "Economic Development"



Joseph G. Lehman
Executive
Vice President

For years Mackinac Center economists have identified politicized economic development schemes as one of the reasons jobs flee the state. Two recent, wide-reaching court decisions suggest new legal boundaries for government industrial policy — good news for the people of Michigan.

The first decision, by a unanimous Michigan Supreme Court in July, was an unqualified victory for property rights and a renunciation of more than two decades of government takings of private land for "economic development." The court had ruled in 1981 that it was a permissible "public use" for government to exercise its powers of eminent domain to condemn private homes, businesses and churches in Detroit's "Poletown" neighborhood for the benefit of General Motors.

Officials in other states began citing the Poletown precedent, taking property from their citizens to give it to more powerful ones. But the economic results were usually poor. The Poletown plant never lived up to its promises of economic growth, and the former residents remained permanently dispossessed.

The most obvious problem with Poletown was that it invited abuses, justifying practically any taking of private property if government could posit some economic benefit. Supreme Court Justice Robert P. Young Jr. wrote, refreshingly, "We must overrule 'Poletown' in order to vindicate our constitution, protect the people's property rights and preserve the legitimacy of the judicial branch. . . ."

The Mackinac Center, in a brief submitted to the court with the Washington, D.C.-based Institute for Justice, argued for precisely this outcome.

In the second decision, the U.S. 6th Circuit Court of Appeals in September ruled that Ohio's targeted business tax credit program violates the "commerce clause" of the U.S. Constitution, a point of view elaborated earlier on the

The Mackinac Center, in a brief submitted to the court, argued for precisely this outcome.

Center's Web site (see "Are Targeted Tax Incentives Constitutional?"). The decision opens similar programs in Michigan and other states to legal challenge.

The Michigan Economic Growth Authority is our state's version of the imperiled Ohio program. Set up in 1995, MEGA has granted more than \$1.7 billion in Single Business Tax credits for over 200 select firms that promised to create jobs.

As Mackinac Center Fiscal Policy Director Michael LaFaive has carefully documented, MEGA has not made Michigan a jobs magnet. MEGA's cost has made broad-based tax cuts more difficult to enact, and MEGA is unfair to the thousands of businesses that do not receive tax breaks, but must compete with companies that do.

When our friends ask why a Mackinac Center economist would oppose MEGA tax breaks, we explain we're for tax breaks for everyone, not just the few firms chosen by bureaucrats. No company can be blamed for pursuing every legal tax advantage, but we have yet to talk to a CEO who would not prefer predictable, lower taxes across-the-board, with no special favors for anyone.

It's a shame that it took court action, rather than legislative review, to rein in clearly flawed economic development schemes. But these decisions give Mackinac Center scholars new opportunities to remind lawmakers that economic growth is a result of government performing limited functions well — and not the product of ever-more ambitious government economic development schemes.

Joseph G. Lehman

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New Electricity Study Shifts Burden of Proof Back to Regulators

Michigan's electricity regulations are somewhat arcane, but they directly impact every household and business in the state. With the publication of a new study on the state's electricity market, the Mackinac Center remains at the leading edge of a shifting debate over this fundamental energy supply, helping solidify support for consumer choice.

This support has become vital. Although the state Legislature in May 2000 approved new competition in retail power supplies — a deregulation prefigured by the Center's 1997 study "Energizing Michigan's Electricity Market" — a package of six bills recently emerged in the state Senate that would once again restrict competition among electricity retailers. Introduction of the package follows an aggressive media campaign engineered by one of Michigan's two

historic monopolies to convince the public that the state faces a power market meltdown unless the Legislature restricts consumer choices.

But ending the regional monopoly structure in electricity four years ago has provided customers with lower rates and improved service quality, a new Mackinac Center policy study shows. The

study, "Assessing Electric Choice in Michigan," was released on July 21 in Lansing at a Mackinac Center "Issues and Ideas" forum that featured Theodore Bolema, Ph.D., J.D., the study's author and a Center Adjunct Scholar.

Bolema pointed out that in addition to consumer benefits, the 2000 deregulation has increased generating capacity for electricity in the state. While recognizing that proponents of restructuring have raised some legitimate issues, Bolema concluded that none warrant new limits on competition.

Giving new meaning to the phrase "power lunch," the presentation drew a critical mass of more than 80 forum participants, including lawmakers, legislative staff, media and industry representatives, most of them intimately involved in the state's electricity policy struggles. The turnout and the spirited debate that followed Bolema's remarks underscored the cogency and timeliness of his insights, which clearly force the burden of proof back on those who would re-regulate. The Lansing State Journal published a summary of the study's findings on Aug. 15, further ensuring they will remain front-and-center in the ongoing legislative debate. **I**



Mackinac Center Adjunct Scholar Theodore Bolema, Ph.D., J.D., presents the key findings of his electricity policy study to lawmakers and their staffs.

Telecom Research Intensifies Drumbeat for Regulatory Reform in State, Nation

Michigan's regulation of telecommunications ranks among the most draconian in the nation, raising costs and strangling innovation while Michigan's economy stagnates. Promoting market-based telecom reforms is a top priority of the Mackinac Center's Science, Environment and Technology Initiative.

A stream of Mackinac Center reports and analyses now sets the stage for reform as the state Legislature eyes the Michigan Telecommunications Act, slated to sunset on Dec. 31, 2005. Two major Mackinac telecom studies released in the past year, along with numerous commentaries penned by Diane Katz, the Center's SET director, are proving instrumental in shaping the debate over rewriting the legislation.

The first study, "Crossed Lines: Regulatory Mistakes in Telecom Policy," documents the regulatory blunders that have cost workers their jobs, investors their savings and consumers the choices found in a robust telecom market. The study, issued in December, also provides recommendations grounded in sound economic principles to

help restore rationality in telecom policy.

To further educate lawmakers and policymakers, the Center recently published Katz's seminal study "A Telecommunications Policy Primer: 20 Comprehensive Answers to 20 Basic Questions." Both publications are poised for nationwide impact; the State Policy Network is offering grants to other research institutes to adapt both the "Primer" and "Crossed Lines" for use in their states.

A greater understanding of telecommunications among lawmakers, the media and the public is sorely needed. Despite its central importance to the nation, telecommunications policy has largely been crafted by unseen hands in ineffective ways. Consequently, America now trails a number of Asian and European nations in deployment of the most advanced wireless and broadband technologies.

Transforming telecom policies will demand public outreach, as well as aggressive oversight of regulators — tasks for which the Mackinac Center is uniquely qualified. **I**

State Budget Study from page 1

tions for the Michigan Bankers Association was also quick to praise the study's recommendations. "In bringing a market-based framework to the discussion, the Mackinac Center has identified state services that the private sector is better able to provide, as well as opportunities to introduce market mechanisms to improve programs that only state government can provide," he said.

The Center's budget study was updated to help lawmakers in several ways. First, it excluded many budget items that rely solely on federal or restricted revenues. The Center wanted to make a leaner document for legislators to analyze in caucus, on the floor of the Legislature and with their staff. Second, it incorporated the most current "as passed" budget data from fiscal 2003. Third, the study noted whether gross appropriations increased, decreased or remained unchanged from the previous year, and it provided commentary on changes that deserved additional explanation.

The study included more than 90 ideas to reduce general fund spending by a total of more than \$1.6 billion, while gaining the state hundreds of millions of dollars in new revenue through asset sales. Ideas for new revenue and savings included the following:

- saving \$313 million by reducing state revenue sharing to within \$313 million of its constitutionally established level;
- saving \$282 million by redirecting tobacco settlement revenue to the general fund;
- gaining \$10 million by selling the MacMul-

lan hotel/conference center on Higgins Lake;

- saving \$327 million by stopping the general fund subsidy to the school aid fund entirely; and
- saving \$150 million to \$400 million by repealing the state's "prevailing wage act," which increases construction costs on public projects.

Perhaps the most notable observation of the press conference came from Keith Carey of Michigan's chapter of the National Federation of Independent Business. Carey said, "When government raises taxes on business, they don't ask the owner where they are going to get the extra money to pay the taxes."

Mackinac Center analysts have made precisely this point for 17 years, and LaFaive concluded the conference by asking a series of rhetorical questions: "Where do lawmakers think the people should cut their spending to pay for a tax hike? Should they buy less food? Move to lower-cost neighborhoods? Purchase fewer books?

"Should businesses raise prices for their products, or hire fewer workers?"

After the news conference, LaFaive was invited to address members of the Legislature's "Taxpayer Caucus." "It was clear to me that there is a core group of legislators who want to avoid burdening Michigan with more taxes," LaFaive said. "It is my hope that this study will provide intellectual firepower for their position." **I**

School Choice from page 1

Education Policy Andrew Coulson, and published in April by the Mackinac Center and the nonprofit LEAD Foundation, which researches existing school-choice programs. Lehman observed that the report performed a comprehensive comparison of all existing choice programs in the United States (and several international efforts), and he detailed three conclusions:

- well-crafted tax credit programs are generally preferable to voucher programs;
- school-choice programs should include all schoolchildren, not just specially targeted groups; and
- school choice can be designed to save state governments money, rather than cost more.

The panel discussion included a representative of the Florida Education Association, which opposes that state's variety of choice programs, including education tax credits and vouchers for students in failing schools.

When these programs were criticized as lacking "accountability" and "oversight," Lehman

observed that schools of choice were in fact accountable to parents, who were more likely than a bureaucracy to care about education outcomes, as opposed to administrative process. When the specter of fraud in school choice was raised, Lehman noted that there is no reason to assume K-12 school administrators would be more prone to corruption than the thousands of preschool and college administrators who responsibly manage existing school-choice aid programs. And while teachers union officials will no doubt continue to question the very idea of school choice, Lehman commented, "It is less and less politically viable to oppose all forms of choice."

By the end of the forum, legislators had taken all 125 copies of Coulson's 80-page study. It was a final sign, if another was needed, that the ground has shifted. The important debate over what kind of school choice will help children most has finally moved into the legislative mainstream — and the Mackinac Center is already helping lead the way. **I**

Defending Free Speech and Firing on All Cylinders:

Education, Fiscal Policy, the Environment and Technology

- A Wall Street Journal editorial on abusive wetlands laws cited Senior Environmental Policy Analyst Russ Harding regarding the case of John Rapanos, a Bay City man convicted of moving sand on his property, which the government has designated a wetland. As Harding noted, it was wrong to call it a wetland: a drainage ditch was constructed there by the county government about 100 years earlier, and it was working as intended. The absurdity of the case has led the federal judge overseeing it to postpone sentencing.

When the Michigan Education Association sued the Mackinac Center for publishing a fundraising letter that quoted MEA President Luigi Battaglieri's comments about the Center, the union was not only routed in court (see page 11), but firmly defeated in the court of public opinion, with numerous editorial pages endorsing the verdict in the case.

- *The Detroit Free Press* commented, "The usual response to such an exercise of free speech is free speech back. ... The MEA chose, instead, to take it to court, which seems a questionable use of union resources."
- *The Lansing State Journal* editorialized that the MEA gave "new meaning to the term 'frivolous lawsuit.'"
- *The Oakland Press* remarked, "Why the MEA would file such a suit remains a mystery. Americans are free to say what they like, and others are free to publicly quote them."
- *The Monroe Evening News* stated, "Give the appeals court credit for its resounding judgment in favor of free speech."
- *The Traverse City Record-Eagle* observed, "There's no place for intimidation tactics like these in public policy issues."
- *Detroit News* columnist Thomas Bray wrote that the MEA "took a much-deserved punch to the solar plexus."

- An editorial in *The Detroit News* endorsed the Mackinac Center's idea of auctioning off state licenses for slot machines, rather than granting them outright to 12 racetracks around the state, as was being proposed in the Legislature. The editorial quoted a Mackinac Center analysis suggesting that the state could raise as much as \$1.6 billion by opening the process to competitive bidding, thereby erasing the budget deficit. Gov. Granholm was quoted in a *Saginaw News* editorial as calling the idea "interesting."
- *The Detroit Free Press* published an op-ed by Senior Fellow in Education Policy Andrew Coulson that exposed a major omission in the ongoing media coverage of the budget deficits of the Detroit Public Schools. As the projected shortfall reached \$250 million, the deficit seemed inexplicable. But as Coulson revealed,

student enrollment in the district had fallen every year for seven years, during which time the school system had added 1,700 employees to its payroll.

- Mackinac Center President Lawrence Reed appeared in a news report by WOOD-TV in Grand Rapids covering the 10th anniversary of the passage of Proposal A by Michigan voters. Reed called the proposal, which dramatically reduced Michigan's property taxes and restructured the funding sources for Michigan's schools, a "big step in the right direction" and added, "Proposal A hasn't shortchanged anybody."
- An editorial in *The Oakland Press* stated that the Legislature should end the MESSA monopoly over the provision of health insurance benefits for public school employees, citing Mackinac Center analysts' estimates that \$400 million could be saved annually by such a step. The editorial pointed out that other unions, such as the UAW, had agreed to similar reforms.
- An editorial in the *Detroit News* cited research by Director of Science, Environment and Technology Policy Diane Katz and Adjunct Scholar Theodore Bolema calling for the Federal Communications Commission to eliminate unnecessary and obsolete regulations of telecommunications. The regulations require, in part, that established telephone companies rent their wireline networks to competitors at below-market prices, violating their property rights and inhibiting new investment and job creation.
- Education Policy Research Associate Jon Perdue authored an op-ed in the *Oakland Press* suggesting ways that Michigan can improve teacher certification to encourage skilled people with nontraditional experience to enter the teaching profession. Perdue noted the success of states that have implemented similar reforms.
- *The Detroit Free Press* published an op-ed by Senior Environmental Policy Analyst Russ Harding on the likely adverse consequences of Gov. Granholm's proposed Water Legacy Act. Harding pointed out that the act would do little to lessen the already low likelihood of Michigan facing significant withdrawals of water from the Great Lakes, but would constitute an enormous expansion of the state's bureaucratic power, while decreasing the property rights of landowners. **I**

Zogby-Mackinac Center Labor Survey: Gut Check on “Card Check”

Union officials commonly claim that they speak for the rank-and-file. But when union organizers began using a controversial new “card check” strategy to unionize workers, the Mackinac Center decided to put that claim to the test.

Under “card check,” a union can represent a workplace after union organizers gather signatures from a majority of employees stating that they want to be represented by the union. The traditional private-ballot election is bypassed entirely.

Union organizers prefer the strategy because it has raised their success rate, but card check invites abuses. In public, people can feel pressured to sign for the union, even if they would have voted “no” in private. Union officials also need an employer’s approval before they can initiate card check, thus encouraging backroom deals that sacrifice workers’ interests.

So in June, the Center tapped Robert Hunter, former member of the National Labor Relations Board and senior fellow in labor policy at the Center, to help draft a survey of union members. The poll was administered by the respected firm Zogby International.

The Zogby-Mackinac Center survey strongly suggests that union workers question the fairness of card check. According to the survey, which

involved 703 randomly selected union members nationwide, majorities would keep the current secret-ballot process (78 percent); agree that the current government-supervised, secret-ballot process is fair (71 percent); do not think their company and union organizers should be able to bypass secret-ballot elections (66 percent); believe stronger laws are needed to ensure members make their decisions about forming a union in private (63 percent); and favor a government-supervised, secret-ballot election to a card-check system (53 percent).

“The data indicates that union leaders’ tactics do not reflect what their members prefer,” notes Hunter. “Strength in numbers may appeal to workers, but like all Americans, they want to retain some basic rights.”

The survey results have been in demand from groups working for labor reform, including law firms and congressional offices in Washington, D.C. Corporations, too, have sought the findings to better understand their workers’ attitudes.

Survey results and analysis can be found in the Policy Brief “Union Members’ Attitudes Toward Their Unions’ Performance,” posted at www.mackinac.org/6806. I

Center Deploys New Communications Team

The Mackinac Center has never been just about research. Our role is to bring policy ideas to the public so they can be put into action. A good communications team is key.

In July, the Center hired two people for its communications department who are uniquely qualified. Chris Bachelder, the new director of communications, joins the Center with a Harvard M.B.A. and a 20-year business career in management consulting and the marketing of institutional investment research for such firms as Deloitte Consulting and Todd Investment Advisors. “No matter what form of work I’ve done,” Bachelder notes, “it’s always involved a key element of marketing, sales or branding. I look forward to bringing this focus to the Mackinac Center’s media relations and publications.” Further fueling his work is his passionate attachment to Michigan: Born in Detroit, he graduated from the University of Michigan and was elected to the Northville City Council.

The other new member of the communications team is Thomas Shull, the Center’s senior editor. He arrives at the Mackinac Center after four

years as senior analyst for the late political pollster Robert Teeter, whose Ann Arbor-based firm co-produced the regular NBC/Wall Street Journal public opinion surveys. Shull has also worked for the Heartland Institute, a Midwestern free-market think tank, and more recently as a member of the Detroit News editorial board, where his writing won awards from the Michigan Associated Press, Detroit Press Club Foundation, Michigan Press Association, and Education Writers Association.

In 1996, during his time at the News, Shull recalls writing an endorsement for a particularly good candidate for the 38th district of the state House of Representatives: coincidentally, Chris Bachelder. Observes Center President Lawrence Reed: “That cinched it. I could tell that these two were destined to make a great team.” I



Senior Editor Thomas Shull and Director of Communications Christopher Bachelder map strategies for the release of the Center’s forthcoming “Telecommunications Policy Primer.”

Helping Cultivate a Worldwide Vineyard

The Mackinac Center studies state and local public policy like no one else in Michigan. Yet no think tank is an island, and in April, Mackinac Center President Lawrence W. Reed seized two



Mackinac Center President Lawrence Reed helps build the movement for limited government at the Heritage Foundation's Annual Resource Bank Meeting, an international gathering held this year in Chicago.

prime opportunities to promote freedom outside the state.

One chance came when Reed addressed one of the world's most prominent free-market assemblies: the Annual Resource Bank Meeting sponsored by the Washington,

D.C.-based Heritage Foundation. The gathering included think tank executives, elected officials, activists and policy experts from around the globe, and on April 29 in Chicago, a packed session of more than 300 attendees heard him answer the question, Why limit government? His speech was later reprinted by the Foundation and posted to the Center's own Web site, from which it has been downloaded more than 1,000 times.

Reed emphasized not just choosing smart

strategies, but conveying a positive, vivid image of freedom in which government is curbed "because we want people to dream and to have the room to bring those dreams to fruition — for themselves and their families." He added, "We need to convince the world that if anything in human affairs is inevitable, it is that humans will be the free beings their Maker intended. ... History is on the side of liberty, not statism."

The other opportunity to promote freedom abroad came the preceding day, again in Chicago, when he spoke to the Annual Liberty Forum of the Virginia-based Atlas Economic Research Foundation, which cultivates free-market organizations worldwide. Reed delivered first-hand accounts of fledgling freedom movements in China, South Korea and Vietnam, and he then illuminated why free-market organizations should cooperate: "We need to take time to assist our brothers and sisters who are laboring in the same vineyards, on behalf of the same causes. When others within our movement score successes, we are all winners. When we strengthen others, we all grow stronger."

The Mackinac Center will thus remain a "movement-builder" — to ensure that your support for our work is multiplied many times over. I

Russ Harding Adds Environmental Expertise

Gov. Engler's former DEQ director joins full-time staff



Russ Harding

Major environmental issues grab headlines and lead reporters and legislators to call the Mackinac Center for guidance. The hiring in February of Russ Harding as its new senior environmental policy analyst has enhanced the Center's standing as the state's premier source for environmental policy grounded in sound science and a respect for property rights.

Harding, who for seven years served with distinction in the Engler administration as director of the Michigan Department of Environmental Quality, brings considerable knowledge and experience to the Center's Science, Environment and Technology Initiative. Immediately prior to joining the Mackinac Center, Harding was senior director for environment and energy affairs in the Lansing offices of a nationally respected consulting firm. His prior experiences also include senior management posts in natural resources for the states of Arizona, Alaska and Missouri.

His work at the Center has confronted major issues head-on. Harding recently initiated a study



Russ Harding surveys the "wetlands" of a Bay County property owner. Harding's investigation was the basis for later coverage in The Detroit News and The Wall Street Journal.

of the Granholm administration's widely publicized proposal to more tightly regulate groundwater withdrawals. Harding observed that there is no evidence that groundwater supplies are in jeopardy, and as he noted in a May 11 column

see "Russ Harding," p. 15

Launching Liberty for America's Schoolchildren

Million Dollar Advance

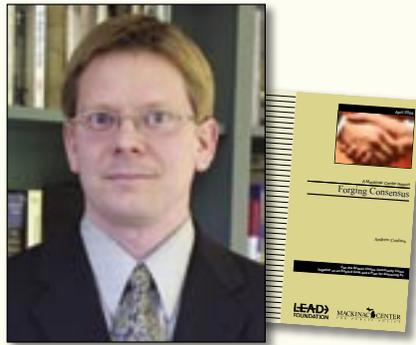
The Mackinac Center for Public Policy is proud to announce that two unusually generous grants have supercharged its education policy efforts. The first was bestowed by The Herbert H. and Grace A. Dow Foundation, and it provides the Center with \$967,500 during the three-year period from 2004 through 2006 — the largest single gift the Mackinac Center has ever received for policy research. In awarding the grant, Margaret Ann Riecker, president of the Foundation, said the Center provides “thought-provoking ideas that enrich the discussion about education reform. We are pleased to assist in its efforts.”

The Foundation specified that the monies in this historic gift be used to advance the Center's Education Policy Initiative, a sustained, multi-year program of strategically targeted studies, programs and periodicals designed to bring market incentives to the education marketplace. The Center's widely recognized Michigan Education Report and Michigan Education Digest are part of the initiative.

A second gift has further strengthened the Center's education programs: a \$322,500 grant that arose from an anonymous pledge to provide one dollar for every three donated to the EPI. Along with the Dow Foundation grant, the two gifts total nearly \$1.3 million.

Propelling a Consensus for Freedom

Another advance in the multi-year EPI came in April with the publication of “Forging Consensus,” an 80-page study by the Mackinac Center's senior fellow for education policy, Andrew Coulson. Published by the Mackinac Center and the nonprofit LEAD Foundation, which researches existing school-choice programs, Coulson's study challenges educational choice proponents to review dispassionately the record of historical and contemporary school-choice programs and use



Senior Fellow for Education Policy Andrew Coulson is provoking fundamental discussion about the direction of market-based educational reform.

the results to “forge a consensus” on a compelling education reform strategy. To this end, the report reviews all the existing tax credit and voucher programs in the United States, as well as international experiences with educational choice.

Coulson concludes that a “universal education tax credit” — a credit available to anyone who helps pay for the cost of any child's education — would create an optimal trade-off between universal access to schools and the direct parental financial responsibility necessary for educational excellence. The credibility of his conclusion is reinforced by educational reformers' widespread respect for his pioneering 1998 book, “Market Education: The Unknown History.”

“‘Forging Consensus’ is not meant to ram a particular education policy down people's throats,” Coulson says. “Rather, it is meant to be an opening salvo in a debate to establish a common vision for market-based education reform.” Coulson hopes that this debate will, in turn, ensure that the reforms promoted by educational choice advocates are informed by historical precedents and do not inadvertently undermine the very goals the reformers seek to achieve.

Coulson's education policy work has also translated into headlines. In July, the Detroit Free Press published his penetrating op-ed regarding the Detroit Public Schools' \$250 million budget deficit and subsequent teacher layoffs. In the piece, Coulson showed that despite some public educators' characterization of the crisis as unexpected, there was a plausible explana-

tion immediately at hand: According to the district's own numbers, it had increased its staff by 1,700 employees over a seven-year period, even as enrollment had steadily declined and left it with 35,000 fewer students. Coulson observed that the Detroit predicament was a sad illustration of the fundamental inefficiency of an education market dominated by monopoly government schools.

U.S. Education Secretary Urges Monopoly-Busting

Monopoly government schooling might seem a natural cause for a U.S. secretary of education. But in June, U.S. Education Secretary Rod Paige sent an encouraging message to school-choice proponents during a special Mackinac Center luncheon.



Mackinac Center Executive Vice President Joseph Lehman and U.S. Education Secretary Rod Paige share a laugh at a June Mackinac Center luncheon. Paige earlier had urged the audience not to worry about “misappropriating’ my words or ‘likeness’” in quoting his praise — a reference to the MEA's failed lawsuit against the Center.

The event, held at Weber's Inn in Ann Arbor, gave Paige the opportunity to outline his vision for the future of American public education to more than 70 of the Mackinac Center's advisers, directors and their guests. He began with an expression of gratitude, saying: “I want to thank you for all you've done for our nation's children. The Mackinac Center and institutions like it have helped blaze a trail of education reform in Michigan and across the nation.”

Paige, whose department has focused on standardized test results and teacher accountability following the passage of the federal No Child

Left Behind Act, voiced his approval of school vouchers, tuition tax credits and the growing role of private schools in American education.

“It is vitally important that we build a broad base of support for school choice and vouchers,” Paige said. “I applaud your leadership in support of universal education tax credits.”

The education secretary also observed: “The educational system has become a monopoly. And like all monopolies, it needs an injection of fresh ideas, sunshine and competition. ‘No Child Left Behind’ and our other federal reforms offer all of the above.”

Center scholars have expressed concerns about many of the federal reforms to which Paige referred. Nevertheless, Paige’s discontent with the stagnant system of public education is a refreshing and potentially important change. As Mackinac Center President Lawrence Reed noted in his introduction to Paige’s speech, “For as often as you hear the old statement, ‘I am from the government, I am here to help,’ I think you’re about to hear from a man who really means it.”

New Research Associate Speeds Ahead

Since his arrival at the Mackinac Center, Education Policy Research Associate Jon Perdue has been a driving force in the Center’s Education Policy Initiative. Perdue has penned numerous articles and serves as managing editor of Michigan Education Report, a periodical news publication of important education policy stories that is sent to more than 130,000 people in Michigan, including over 100,000 public school teachers and administrators. The most recent issue of MER, which Perdue produced with assistance from education policy interns Neil Block and Bryan Dahl, was published in August, just as teachers began the new school year.

Perdue is quick to the punch. He was the first education journalist in Michigan to recognize the significance of the Michigan Education Association’s attempts to unionize teachers

at Brother Rice High School, a Roman Catholic institution in Bloomfield Hills. This unique case, which is still being adjudicated, raises complex questions of labor relations law, union growth and fundamental religious freedoms. Perdue has explored these issues in cutting-edge stories in both MER and the weekly Michigan Education Digest.

Perdue, a native of Georgia, has broad experience in writing, publishing, technical consulting and entrepreneurship. His articles on economic policy have been published by Investor’s Business Daily, and his pieces on education and environmental issues have appeared in the Atlanta Journal-Constitution and other periodicals.

Perdue is also former editor and



Education Policy Research Associate Jon Perdue is currently investigating public education staff benefits.

publisher of Georgia Politics Report. He possesses a degree in finance from North Georgia College and State University, and he is trained in quantitative
see “Jon Perdue,” p. 15

Gaining Ground in “The Quest for Excellent Schools”

If a journey of a thousand leagues begins with a single step, Brian Carpenter is well underway in a quest for excellent schools. In recent months, Carpenter, a seasoned educator and director of the Mackinac Center’s Leadership Development Initiative, has shared the Mackinac Center’s expertise on school choice not only throughout the state of Michigan, but in North and South Carolina.

His Michigan seminars, appropriately titled “The Quest for Excellent Schools,” are targeted at local community members concerned about lackluster public education. As Carpenter explains: “The presentation is written for skeptical but open-minded folks who cling to the belief that new administrative rules are the solution, rather than changing the schools’ incentives in the marketplace. It’s probably the biggest mistake that kind-hearted people make.” In recent months alone, Carpenter has spread his message to grass-roots community leaders in St. Joseph, Muskegon, Jackson, Auburn Hills, Kalamazoo, Plymouth and Gaylord.

He has also traveled to North Carolina, where he shared Mackinac Center strategies for grass-roots leader-

ship development with experts at the free-market John Locke Foundation. He further leveraged his trip by giving a speech and a media interview before conferring with analysts at the South Carolina Policy Council. The Carolinas are considered pivotal states in the school-choice movement, since they lack hostile constitutional language of the kind that currently limits school choice in Michigan.

The prospects in South Carolina are particularly promising. The South Carolina Legislature is considering the governor’s proposed Put Parents in Charge Act, a bill modeled on the Center’s universal tuition tax credit. If such programs can pass in states with constitutions more favorable to choice, Carpenter notes, “The day is coming ever nearer when Michigan parents will demand a similar credit.”

At that point, with hundreds of thousands of parents in the hunt, excellent schools will be right around the corner.

To arrange a “Quest for Excellent Schools” presentation for your community or organization, contact Brian Carpenter at (989) 631-0900 or carpenter@mackinac.org.

Bequeathing Freedom

James M. Rodney ranks among our most loyal friends. He is one of the longest-serving members of our Board of Directors, and his leadership, financial support and business advice have been instrumental to the Center's success.

Jim's many contributions to Michigan begin with his founding and successful leadership of Southfield-based DFI Corporation, a manufacturer of plastic packaging with facilities in several states. Jim parlayed his considerable business achievements into an entrepreneurial initiative for liberty, providing early support to the Mackinac Center and other free-market institutions.

Since 1993, he has served with distinction on the board of directors of the Mackinac Center. He has also been a member of the board of directors of the Michigan Chamber of Commerce. In 2000, the Mackinac Center presented Jim with



James M. Rodney,
Champion of Freedom

the "Champions of Freedom Award," the highest honor we bestow, for his resolute dedication to the cause of free markets and individual liberty.

Hewing to principle means looking to the future, and Jim has done just that, most recently through his support for our summer intern program. Jim has also included the Mackinac Center in his estate plans. This deferred gift has made him a charter member of our Legacy Society, formed to recognize those who have made a bequest to the Center (see below).

If you have already included the Mackinac Center in your estate arrangements, please let us know, so that we can recognize you as a Society member, too. As we can attest in the case of Jim Rodney, you will be in great company indeed. **I**

"A gift to the Mackinac Center for Public Policy will ensure someone is around to fight for individual liberty and economic opportunity after you are gone. I can think of no better gift to leave future generations." – James M. Rodney

The Legacy Society: Nurturing the Tree of Liberty

Ben Franklin once said, "In this world, nothing is certain but death and taxes." The Mackinac Center is trying to do something about the taxes, but when I think of our mortality, another old adage comes to mind: "The shade we enjoy today comes from trees planted by others long ago."

This simple proverb emphasizes the importance of acting now to nurture the ideals that benefit future generations, even after we are gone. The best gift we can leave them is the promise of individual liberty and economic opportunity — the very things the Mackinac Center fights for every day.

You can help us today in our future battles for America's legacy of freedom through deferred gifts bequeathed through your estate. They can be any asset you own — usually life insurance, stocks, real estate, retirement plans — or a direct bequest through a will, revocable trust or charitable trust. Bequests to the Center can even help reduce the estate taxes that devour huge portions of your hard-earned assets.

Everyone benefits. You will know that your assets will promote the ideals you hold dear,

rather than provide tax income for ever-bigger government. We will gain important resources in the ongoing struggle for a freer society. And future generations will benefit from your down payment on a better world.

Please know that we will work with you now to ensure that your bequest to the Mackinac Center will be used precisely as you wish in the future. Also know that any deferred gift you give will be acknowledged in person and earn you entry in our newly formed Legacy Society, established to recognize contributors — such as Jim Rodney, featured above — who are empowering us to plan far into the future.

We are all-too-mortal and far too taxed, but I invite you to join the Center in transcending both. Help ensure the tree of liberty provides shelter for generations to come.

*If you would like to discuss a bequest to the Mackinac Center, please contact John E. Coonradt at (989) 631-0900. **I***



John Coonradt,
Vice President
for Advancement

MEA Pays Mackinac Center

What began nearly three years ago when the president of the Michigan Education Association expressed admiration for the effectiveness of the Mackinac Center has ended this summer with the union reimbursing the Center for the



MEA President Luigi Battaglieri, answering questions from Mackinac Center attorneys, said about the Center under oath, "I think they've been very influential with legislators, they've been influential in policymaking. They were influential with the current governor [Engler]. ... So clearly the influence has been there for the last 12 years."

court costs of defending itself against the union's frivolous lawsuit. The lawsuit was unanimously dismissed earlier this year by a three-judge panel of the Michigan Court of Appeals.

The controversy stemmed from an incident in 2001 when Luigi Battaglieri, president of the MEA, convened a news conference to tell reporters of his union's plans to form an think tank to counter the influence of Mackinac Center research. During the conference, Battaglieri referred to the Center and said, "Frankly, I admire what they have done."

After Center President Lawrence Reed included Battaglieri's quote in a letter to our supporters, the MEA and Battaglieri sued, contending the Mackinac Center should have obtained Battaglieri's permission before quoting him in a fundraising letter. Neither the union nor Battaglieri disputed the accuracy of the quote.

Union officials apparently hoped a lawsuit — even one without merit — would drain the Center's financial resources and mute its voice on

education reform. The Center's research has often been cited by legislators when they pass bills that the union opposes.

The Mackinac Center quickly secured free legal counsel from the Washington, D.C.-based Institute for Justice, a pre-eminent public-interest law firm. IJ's attorneys mounted a superb defense based on the First Amendment's guarantee of freedom of speech, and an IJ-Mackinac Center media campaign prompted criticism of the union nationwide.

Under oath, Battaglieri admitted to using the names of professional athletes and the Mackinac Center without their permission in order to raise money for union-related purposes, even as he maintained that the Mackinac Center needed his permission to use his name similarly. When the appeals court panel dismissed the MEA suit, the Detroit Free Press called the ruling an "unqualified victory for free speech" and the lawsuit a "questionable use of union resources." The court decision also forced the union to pay the Center's court costs, even though IJ had represented the Center for free.

Mackinac Center Executive Vice President Joseph Lehman said, "Ironically, the MEA's lawsuit brought vastly more attention to Mr. Battaglieri's statement of admiration than we ever could have generated on our own." The summer issue of the Mackinac Center's Michigan Education Report carried news of the lawsuit decision to more than 100,000 Michigan public school teachers, most of them MEA dues payers. **I**

Teaming Up With the Mackinac Center

by **Chip Mellor, President, Institute for Justice**

At the Institute for Justice, we are privileged to represent clients who embody the principles of freedom. They inspire us.

That was emphatically true when we represented the Mackinac Center for Public Policy in the lawsuit filed against it by the Michigan Education Association.

Being all-too-familiar with the determination of the teachers union to oppose meaningful education reform, we immediately took notice when the MEA sued the Center. It was clearly an attempt to harass, even silence, the most effective voice for education reform in Michigan. If the MEA could get away with something like this against Mackinac, the largest state-based think tank in America, it would send a chilling message to the many think tanks working heroically for school choice and similar reform in other states.

Mackinac was determined to fight back, and we wanted to do anything possible to let the MEA

know it had picked the wrong organization to try to intimidate. That's why we offered to represent the Center.

It was a glorious team — Mackinac and IJ. The Mackinac Center has a well-deserved reputation for producing first-rate public policy analysis, and it is known nationwide for its excellent management and marketing abilities. The Institute for Justice employs in every lawsuit a unique approach to public interest law, combining litigation, media and outreach. At every crucial juncture of the case, Mackinac and IJ brought these skills to bear to deliver a one-two punch that left the MEA constantly off-balance.

While all of us at IJ had long known and respected Mackinac and its staff, those of us working on the case came away with an even greater appreciation of what a special organization Mackinac is.

And we came away with something else, too — enduring friendships that will serve as the foundation for joining forces again in the future. That's a very exciting prospect! **I**



The Institute for Justice's Clark Neily, lead defense attorney for the Mackinac Center against the MEA, is shown briefing the media in Lansing. The Institute's Web site comments, "Among his most notable victories, Clark won a unanimous appeals court victory against the Michigan Education Association when it sought to silence its most effective free-market rival, the Mackinac Center for Public Policy."

The Cause and Perils of Inflation

Some 25 years ago, well past the age of 80, Henry Hazlitt set about to compose a book on inflation. A succession of American Presidents in the 1970s appeared at a loss to understand, much less remedy, an ongoing collapse of the worldwide monetary system. Though Hazlitt was not trained as an economist, there were few authors more qualified from a lifetime's work — journalist, literary critic, economic scholar and philosopher — to produce the timely and prescient volume "The Inflation Crisis and How To Resolve It."

Hazlitt's experience as an analyst of inflation was intensive and decades-old. At the end of World War II, he had been an editorial writer at the New York Times for 12 years when his opposition to the 1944 Bretton Woods international monetary agreements caused an irreparable strain in his relationship with the paper's management. He eventually refused to write anything further on the subject, saying, "It's an inflationist scheme that will end badly, and I can't support it."

As a capstone to the work of the Mackinac Center's summer interns, Board of Directors Member James Rodney suggested that they read Hazlitt's book and write analytical and interpretive essays on it. These young staff members didn't personally live through the severe dislocations caused by the extreme inflation of the 1970s, but it's clear they have developed through reading Hazlitt's book a deep understanding of inflation's causes and its destructive effects. Excerpts from the essays illustrate three of the most important general lessons on inflation:

1. *Economists often provide faulty definitions of inflation, with an undue emphasis on rising prices. Hazlitt focuses on currency expansion and its consequences.*

"According to Hazlitt, inflation is actually the degradation in the value of the currency."

— Richard Scherf,
Central Michigan University

"The ideal stable unit of currency has neither physical utility itself nor fluctuations in value. Money with these features would make it a neutral commodity with a set value, favoring neither borrowers nor lenders, rich nor poor, governments nor citizens.

— James Hohman, Northwood University

2. *Inflation's impacts are not simply economic, but inevitably political, social and moral.*

"Inflation calls to mind images of a wheelbarrow of cash being used to buy a loaf of bread,

images of a life's savings being wiped out in an afternoon. In reality, however, the effects of inflation are much more mundane, insidious and difficult to detect. Though commonly accounted for in our private financial practices, slower rates of inflation still possess great power for social and financial ill.

— Nathan Russell, Hillsdale College

Inflation is popularly viewed as a natural occurrence, not to be feared, and perhaps even, to a certain extent, desirable. People have grown accustomed to a gradual inflation and forgotten its effects in the 1970s. Hazlitt, however, recalls for everyone that inflation is not natural or desirable, and that the system that enables inflation should be dismantled and replaced.

— Laura Davis, University of Michigan

3. *The solutions for inflation involve an increase in personal liberty and a reduction in the power of the state.*

Hazlitt offers possible solutions through the demonopolization of money by the government and the possibility of offering privately created currencies.

— Bryan Dahl, Michigan State University

The government also limits liberty by not allowing free individuals in a free market to establish their own mediums of exchange. The federal government monopolizes the minting of money and prevents, by law, people from contracting and dealing in currency of their own choosing.

— Laura Davis, University of Michigan

Legal tender laws mean you have to use money of the state, and this money is usually emitted by a central bank, or government itself. ... Repealing the legal tender laws would allow free competition among currency issuers.

— Ondrej Hartman,
University of Economics (Czech Republic)

Hazlitt's observations on personal freedom are timeless, and his conclusions about inflation have contributed enormously to the field of monetary economics. They are ideas that are too often absent today in college curricula. The Mackinac Center for Public Policy is pleased to have provided this summer's class of interns with both policy research experience and the chance to review this important work of free-market literature. **I**

In this essay, Communications Director Chris Bachelder provides a sampling of reviews by Mackinac Center summer interns of "The Inflation Crisis and How To Resolve It," a book by free-market journalist Henry Hazlitt. Although the book was first published in 1978, its insights remain relevant today.

Joseph P. Overton's Living Legacy

by Joseph G. Lehman, Mackinac Center executive vice president

Joseph P. Overton was the indispensable man. His passing last year was as devastating as it was sudden. Yet his contributions to the Mackinac Center and the freedom movement have proved so powerful that they now provide the means by which we advance without him.

Until that awful evening last summer when Joe — our colleague, friend and senior vice president — was killed in the crash of his ultralight aircraft, his larger-than-life leader-



Gisèle Huff (left) of the Jaquelin Hume Foundation and Lynn Harsh (right) of the Evergreen Freedom Foundation celebrate after receiving awards at the State Policy Network's Annual Meeting in October 2003. Harsh was honored with the inaugural Overton Award.

ship, passion and accomplishments had made his death seem unimaginable. Abruptly, the "unimaginable" became the severest test in the Mackinac Center's history.

Amid our shock and grief, we resolved to surmount our loss, as Joe would have counseled.

More than a year later, I am deeply grateful to say we have succeeded. I believe the same Divine Providence that numbered Joe's days also ordained

the success of our last, most difficult year. Five achievements stand out, each of them a Mackinac Center "first":

- We secured the largest pure research grant we have ever received — nearly \$1 million for education policy, from the Herbert H. and Grace A. Dow Foundation.
- We added to our full-time staff a former state government department chief: Russ Harding, past director of the Department of Environmental Quality, and now our senior environmental policy analyst.
- A sitting federal cabinet official addressed a Mackinac Center audience, when U.S. Secretary of Education Rod Paige commended our calls for school choice in a speech to our boards of advisors.
- Former Gov. John Engler, who helped found the Mackinac Center, keynoted a Center gathering of business leaders and called on them to support the Center financially.

- We won a landmark legal victory for free speech, when with the help of the Washington-D.C.-based Institute for Justice, we defeated a lawsuit the Michigan Education Association filed against us after we quoted their president in our fundraising letter. The suit was apparently calculated to intimidate the Center and silence our voice on education reform.



Mackinac Center President Lawrence Reed speaks to an audience at the dedication of the Overton Library.

Each of these "firsts" bears Joe's imprint. But as hard as it is to imagine them without the foundation he helped build, it is completely impossible to imagine them without the leadership and hard work of our current staff. We are honoring the legacy of an indispensable man by achieving new heights after he is gone.

* * *

Joe has also been commemorated more concretely in the past year, in ways designed to inspire leaders to advance free markets and individual liberty in the future:

- The State Policy Network inaugurated the Overton Award, which will be given from time to time to a leader who advances sound public policy at the state level. Lynn Harsh, the "indispensable woman" of Washington State's Evergreen Freedom Foundation, was the first honoree.
- The Mackinac Center named its economics, law and public policy library the "Joseph P. Overton Library," in a ceremony led by Mackinac Center President Lawrence Reed and attended by friends and associates of Joe, and Joe's widow, Helen.
- Kenya's first free-market policy institute established a "Joseph P. Overton Leadership Center," in a ceremony attended by Reed and his assistant, Kendra Shrode.

Thus does Joe's legacy continue — a living legacy of hope, progress and freedom. We are working hard to make this legacy as indispensable as the man himself.

More about Joseph P. Overton's life can be found at www.mackinac.org/5513. I



Lansing Bureaucracy Threatens New Communications Technology

July 2004 V2004-19

Efforts by state and federal bureaucrats to reimpose an outdated regulatory framework could stifle the development of future communications technology, such as phone calls over the Internet.

Union Subjects Religious Objector to Modern-Day Inquisition

July 2004 V2004-20

Unionized teachers cannot be compelled to pay union dues spent on activities that violate their religious beliefs. But the Michigan Education Association has subjected teachers who exercise this right to hearings to substantiate their personal beliefs.

Eminent Domain Extremism Runs Into Judicial Brick Wall

July 2004 V2004-21

A Michigan circuit court judge correctly stopped Grosse Ile township officials from seizing a privately owned bridge. (Note: This recognition of limits on government use of the power of eminent domain foreshadowed the Michigan Supreme Court decision in July that reversed the infamous, precedent-setting “Poletown” decision of 1981.)

America’s Scientific Leadership Imperiled by Weakened Curriculum

August 2004 V2004-22

America’s leadership in science and technology depends on a reliable supply of rigorously trained graduates. But many U.S. schools are failing to prepare students adequately in these disciplines.

Reregulating Electricity Could Shock Michigan’s Economy

August 2004 V2004-23

Bills introduced in the Michigan Legislature would reverse the progress made since 2000 in deregulating Michigan’s electricity market. Such reregulation would restrict choice in electricity supply, harming consumers and employers alike.

When Will Conventional Public Schools Be as Accountable as Charters?

August 2004 V2004-24

When Central Michigan University revoked the charter of Walter French Academy, it became the 15th charter school in Michigan since 1994 to be closed by its authorizer for poor performance. This commitment to reform could also improve conventional public schools.

When Politics Trumps Science

September 2004 V2004-25

Environmental scare tactics are now routine, and when they override scientific discipline in public policy, the human and economic costs can be enormous.

The Record of “Economic Development” Policy in Michigan

September 2004 V2004-26

Michigan’s economy and job growth are among the very worst in the nation, casting doubt on state officials’ claims that generous spending on economic development programs helps produce jobs.

Growing Broke by Degree

September 2004 V2004-27

Gov. Granholm has appointed a “Commission on Higher Education and Economic Growth,” yet research suggests that more state spending on higher education will not improve Michigan’s economy. A better approach would include fewer direct subsidies to colleges and universities and more competition among them.

JOURNALS



Michigan Privatization Report

MPR2004-01 \$3.00

How much has Michigan benefited from contracting out its state-owned ski areas? How much could local units of government save from privatizing golf courses? What is the best management approach for state and local jail facilities? Would the state be better off privatizing the University of Michigan? These and other questions are answered in this issue. 16 pages.



Michigan Education Report

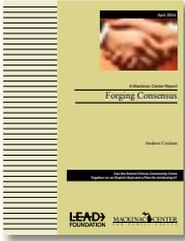
Summer 2004 \$3.00

Key Stories: Court rejects MEA lawsuit against Mackinac Center. Thousands of students unnecessarily assigned to special education. U.S. Dept. of Education accuses states of not using \$6 billion in federal funds. A pro-con debate: Should teachers be paid based on merit? MERC rules that Catholic school must hold union vote. These topics appear with numerous others. 12 pages.



To access electronic versions of the publications in Free-Market Library, simply go to the Mackinac Center Web site, click “Publications,” and go to “Viewpoints,” “Periodicals,” or “Studies.”

STUDIES & REPORTS



Forging Consensus

S2004-01 \$15.00

Mackinac Center Senior Fellow in Education Policy Andrew J. Coulson provides a comprehensive review of domestic and international school-choice plans and describes the philosophical principles most important to effective school reform. Coulson concludes that a universal education tax credit is superior to a means-tested voucher approach and urges all school-choice proponents to unite behind it.



Recommendations to Strengthen Civil Society and Balance Michigan's State Budget — 2nd Edition

S2004-02 \$15.00

Rather than increasing taxes to close Michigan's budget shortfall, Mackinac Center Director of Fiscal Policy Michael LaFaive details a series of specific budget-cutting recommendations and revenue sources that would save the state over \$3.5 billion in fiscal 2004.



Assessing Electrical Choice in Michigan

S2004-03 \$3.00

Adjunct Scholar Theodore Bolema, Ph.D., J.D., provides recommendations for further improving Michigan's electricity market following the Legislature's deregulatory program in 2000. Bolema analyzes a set of Michigan Senate bills that would restrict choice in electricity supply, resulting in less competition and higher electricity rates.

Union Members' Attitudes Toward Their Unions' Performance

S2004-05 \$3.00

Zogby International and the Mackinac Center undertook a nationwide survey of union members to determine their views of their unions' performance. One important finding that emerges from the polling is union members' support for maintaining the secret-ballot process for the formation of unions, as opposed to a "card check" procedure favored by union organizers that requires only the signatures of a majority of workers.

HOW TO ORDER

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VIEWPOINTS: *Viewpoints on Public Issues* are two-page commentaries on current Michigan policy issues. Three are published each month. Individual *Viewpoints* are

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For telephone orders, please call the Mackinac Center at (989) 631-0900. The Center accepts Visa, MasterCard, and Discover/NOVUS for your convenience. Please have your card and item title(s) handy when calling.

Russ Harding from page 7

published in the Detroit Free Press, the proposed permitting system could have devastating consequences for both property rights and Michigan's economy.

Harding has also significantly influenced public debate on how best to manage the presence of dioxin in the soil around Midland, Mich., where the state Department of Environmental Quality has threatened to declare some 9,000 Midland properties "hazardous waste sites." Lawmakers have sought Harding's opinion on the best course of action, and they have followed his lead in demanding a meaningful study of the actual risk to public health before imposing the incalculable economic hardship of declaring Midland a contaminated community.

Among Harding's first projects for the Center was an examination of the federal prosecution of a Bay City developer for moving sand around his property in Bay County, Mich. The case illustrated just how arbitrary — and arguably unconstitutional — the regulation of "wetlands" has become. Due to Harding's work, the case and the Mackinac Center received prominent attention in both The Detroit News and The

Wall Street Journal.

As David Palsrok, chair of the House Great Lakes and Tourism Committee, recently indicated in a letter to the Center, "Mr. Harding's ability to draw on his extensive background knowledge to present facts in a clear and concise manner has been a great benefit for the Legislature and the people of Michigan." We are proud to count him in our ranks. I

Jon Perdue from page 9

analysis and statistical methods.

"I look forward to the research and articles we'll be producing in the months to come," he says. "If we report objectively to public educators and the people of Michigan, we can help create an informed consensus about what steps should be taken to improve the schools."

To view the most recent issue of the Michigan Education Report, browse under the "Sites" menu or the "Publications/Periodicals" menu at www.mackinac.org. I

Privatizing the “Porkies”

For years, Mackinac Center budget analysts have publicly asked, Is owning and running a ski resort a proper function of government? The Michigan Department of Natural Resources has finally admitted the answer might be “no” by contracting with a private firm to manage a state-owned ski area in the Upper Peninsula.

The Mackinac Center first recommended privatizing the Porcupine Mountains Downhill Ski Area — known as the “Porkies” — in 2001. Operating the ski slope was a continual financial drain on the state budget, and the state even considered a partial closure of the area to save money that year. In 2001 and 2002 alone, the Porkies lost more than \$170,000 and \$57,000, respectively. In contrast, two nearby, private ski areas averaged 75,000 visits per year and paid property tax bills to local and state governments exceeding \$60,000 each.

The state finally sought private-sector assistance in 2003. After soliciting and reviewing bids, it signed a one-year contract with the newly created Porcupine Mountain, LLC to operate the ski hill for the 2003-2004 ski season. Porcupine Mountain is owned by the people who run nearby Mt. Bohemia, a private, for-profit ski hill. The contract saved the state approximately \$200,000 this year alone.

Within days of assuming control, the new managers of the ski hill began marketing the Porkies in a way the state never had. They printed 20,000 magazine inserts for distribution in ski magazines, ran commercials in markets as far away as Wisconsin, and developed promotions like the “Rubber

Ducky Challenge,” which paid \$5,000 to the skier who found the most rubber ducks planted throughout the ski area. They also held a \$99 sale for season passes (a 60 percent drop in price) and made the passes transferable to Mt. Bohemia. This led to a 12-fold increase in season pass sales. Daily fees to skiers remained unchanged at \$28.



Private management has taken this ski slope from pork to rubber ducks. The result is a \$200,000 savings for taxpayers. The Mackinac Center was alone in its public recommendation that the ski area be privatized.

Mackinac Center Director of Fiscal Policy Michael LaFaive recently asked a DNR official if the Mackinac Center’s work had led the department to privatize the Porkies. The official insisted on the phone that it had not. He could produce no evidence later, however, of an internal discussion about privatizing the Porkies predating the Center’s first article on the subject in 2001. **I**