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Study Shows Private Schools Could Ease Public School Woes

Privately funded schools throughout Michigan are able and willing to enroll and educate tens of thousands more students from the state's overburdened government-run education system, according to a new Mackinac Center for Public Policy study.

Study author and Assistant Director of Education Policy Matthew Brouillette said that the private schools' unused classroom space could help ease public school overcrowding, reduce class head counts, or accommodate expanded school choice. A large majority of parents support school choice through tuition tax credits or vouchers.

The study surveyed roughly one-third of Michigan's 1,058 privately funded schools and estimated that the state's private school community as a whole could accommodate more than 55,000 additional students, or 3.3 percent of the state's public school population, without exceeding 1998-99 classroom space.

The findings indicate programs that would allow Michigan public schools to simply rent unused private school classroom space to ease

student overcrowding or help reduce student-to-teacher ratios could provide an alternative to the unpopular



Innovative programs to allow government schools to take advantage of unused private school capacity may be more practical than raising tax money to build new schools or classrooms.

tax hikes necessary to fund new public school facilities.

Voters are reluctant to approve new school bond and millage proposals. In 1998, Michigan school districts proposed 107 new school bonds that would raise \$2.2 billion, but voters approved only 44 of them, totaling \$798 million.

The study also confirms that Michigan private schools have sufficient capacity to participate in school choice programs including the Mackinac Center's proposed Universal Tuition Tax Credit.

Center researchers estimate that a tax credit plan would provide incentives for 33,000 students to migrate from

government to private schools in its first year, well below the 55,000 private school seats now available. Only 8 percent of surveyed schools said they would be

unwilling to expand to meet future demand.

Kids First! Yes!, a grassroots organization, is working to overturn the state constitution's ban on expanded school choice (see page 3).

The 10-page study, *Unused Capacity in Privately Funded Michigan Schools*, was released in March to extensive news media coverage (see page 4) and sent to lawmakers, journalists, and every board of education member in the state. !

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Lawrence Reed
President

Ideas Have Legs

We who appreciate the importance of shaping public policy by first influencing public opinion are fond of citing one or more quotations about the power of ideas.

"Nothing is as powerful as an idea whose time has come," the French author Victor Hugo reportedly once said. Richard Weaver wrote a book entitled, "Ideas Have Consequences." I don't know who said it first, but my favorite is "Ideas have legs," because of the powerful imagery it conjures up—an idea, taking whatever form in your mind's eye that you wish, getting up on its legs and taking off. In other words, an idea that isn't just sitting around; it's up and running.

Such an idea is school choice. If anyone in Michigan thinks school choice doesn't have "legs" yet, a little time and a major undertaking will soon change that. School choice, something with the Mackinac Center has been researching, writing and speaking about for almost 12 years, is up and running.

Dick DeVos, a longtime friend and former member of the Mackinac Center's board of directors, is spearheading an initiative for the November 2000 ballot that promises new educational opportunities for Michigan's children and parents. The plan proposes to strike the outdated language in Michigan's constitution that prohibits vouchers and tuition tax credits. It offers a voucher for parents in the poorest-performing school districts and gives the legislature flexibility to enact other choice plans such as tax credits if it so chooses.

School choice is sprouting legs all over the country—from Florida to Wisconsin to Arizona to Minnesota and now Michigan—for one reason alone: It's a *good* idea that many fine individuals and organizations like ours have worked to promote for a long, long time. Fifteen years ago, the very term—"school choice"—was barely whispered anywhere. Now, a vast body of literature has emerged demonstrating that the competition choice brings about is one powerful ingredient in the prescription for what ails American education.

School choice is sprouting legs all over the country—from Florida to Wisconsin to Arizona to Minnesota and now Michigan—for one reason alone: It's a *good* idea that many fine individuals and organizations like ours have worked to promote for a long, long time.

When the Mackinac Center first called for charter schools in 1989, only Minnesota had them. From our publications, those of others, and news reports from other states, the idea took hold here and the Michigan legislature passed a charter school law in December 1993. We've been educating the public and stimulating creative discussion for twelve years about broader forms of school choice and now a ballot initiative to accomplish just that is only a year and a half away.

Ideas do indeed have legs, and the voters of Michigan may well prove that beyond a shadow of doubt in November 2000. !

IMPACT!

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DeVos and Other Leaders Back School Choice Ballot Drive

More than a decade of tireless Mackinac Center research and promotion of the best ways to improve Michigan schools is helping to make the idea of school choice fashionable. More importantly, it is making school choice become public policy. And a statewide school choice ballot measure led by the honorary chair of our Grand Rapids Area Board of Advisors promises to knock down more of the legal and financial barriers that still prevent parents from choosing the safest and best schools for their children.

Dick DeVos, Amway Corporation president and a former Mackinac Center director, is leading a broad coalition called Kids First! Yes! that will



Alveda King, niece of Dr. Martin Luther King, Jr., explains at a Mackinac Center news conference that "school choice is the civil rights issue of the '90s."

put school choice to a statewide vote in November 2000.

The Kids First! Yes! plan amends the state constitution as follows: It provides parents a tuition voucher redeemable at a nongovernment school if their children

are assigned to a government school that fails to graduate two-thirds of its students; allows citizens or school boards in other districts to decide for themselves whether to expand choice locally; and removes restrictive language that blocks broader school choice measures such as the Universal Tuition Tax Credit. After passage of the ballot proposal, the legislature could enact tuition tax credits if it chose to do so.

The Mackinac Center for Public Policy was the first Michigan policy institute to educate the public on the benefits of school choice. Some amazing changes we helped make possible benefit hundreds of thousands of students every day. They include today's nearly 150

operating charter schools, intra-district choice laws, and more flexible school collective bargaining statutes.

The analysis included in our 1997 tuition tax credit plan and the media attention it garnered propelled school choice to the political front burner and set the stage for the Kids First! Yes! initiative.

School Choice YES!, a citizens' group formed to promote the Center's tax credit plan, has thrown its support behind the new initiative as a way to expand the frontier of school choice in Michigan.

Kids First! Yes! may be reached at 1-888-330-KIDS or www.kidsfirstyes.org !

Supreme Court Tax Ruling Affirms Reed's Work on Engler-Appointed Commission

Quoting from a report written in part by Mackinac Center President Lawrence Reed, the Michigan Supreme Court recently issued a powerful ruling that defends citizens' constitutional rights to keep rising state and local taxes under democratic control.

The December 1998 ruling, which struck down a disputed Lansing property tax, strongly affirms a provision of the 1978 Headlee Amendment to the Michigan constitution which requires voter approval before taxes can be imposed or increased. Lansing imposed its tax without a vote by

inappropriately mislabeling it a "user fee."

The Court relied on Reed's work as a former member of the Headlee Amendment Blue Ribbon Commission, a fact-finding group charged with investigating state and local governments' compliance with the tax-limiting amendment. Governor Engler appointed Reed to the commission in 1993.

In the commission's final report to the governor, issued in 1995, Reed co-authored the chapter that examined the question of user fees vs. taxes. The Court cited the report in its majority opinion



Tax increases to pay for municipal projects such as sewer improvements must be approved by voters. User fee increases for government services do not require voter approval.

to explain that true user fees are voluntary payments in exchange for specific services, whereas taxes are compulsory levies imposed for the purposes of raising revenue. Lansing's property tax did not meet the criteria

for a user fee and therefore required a citizen vote.

"This is precisely the sort of abuse from which the Headlee Amendment was intended to protect taxpayers," wrote the justices in quoting from Reed's section of the commission's report.

Reed hailed the Court's ruling as a "ringing defense of the Headlee Amendment that sets a solid precedent and strikes a blow for Michigan taxpayers and advocates of honest and accountable government." !

News Media Turn to Mackinac Center Experts and Ideas

A snapshot of last quarter's Mackinac Center for Public Policy research in the news:

- A spate of news stories and opinion columns in *The Detroit News*, *Grand Rapids Press*, and other daily papers prominently cited the Mackinac Center's role in shaping and supporting the Kids First! Yes! statewide school choice initiative (see page 3).
- Nongovernment schools in Michigan have unused capacity of more than 55,000 seats that could help relieve overcrowded government school classrooms and accommodate school choice, Assistant Director of Education Policy Matthew Brouillette told talk radio audiences in Detroit, Lansing, Kalamazoo, and Port Huron. *Detroit News* columnist George Weeks referred to Brouillette's findings in two successive columns recommending expanded school choice. Brouillette's

study (see page 1) inspired editorials in more than a dozen papers and his commentary on the same subject was printed in *The Detroit News*. News stories containing the study's findings also ran in the *Detroit Free Press*, *Lansing State Journal*, and other Associated Press member papers. Senior Science Advisor Kent Davis explained on the *Detroit Free Press* editorial page and in extended features on *Michigan Public Radio* and *Michigan Public Television* that the Great Lakes State is not running out of open space. Drawing from our 1998 urban sprawl study, he advised officials to reject new federal "smart growth" initiatives and to rely instead on local, market-driven land use decisions. Adjunct Scholar Aarne Frobom's *Detroit News* commentary warned of higher housing costs and reduced freedom of movement if federal "livability" initiatives are adopted.

- *Detroit Free Press* columnist

- Doron Levin referred readers to the Mackinac Center Web site for information on urban sprawl. The Michigan Chamber of Commerce's flagship publication, *Michigan Forward*, printed a five-page condensation of the Mackinac Center's study recommending that Social Security be improved by allowing individuals to direct their mandatory contributions to private investments that offer greater security and rates of return. A *Detroit Free Press* news story and a Port Huron *Times Herald* column cited the Mackinac Center's analysis of taxes vs. user fees contained in a *Viewpoint* by President Lawrence Reed. Director of Labor Policy Robert Hunter was cited extensively in front-page *Detroit News* and *Holland Sentinel* stories on labor unions' waning influence and the benefits of repealing prevailing wage laws.
- Vice President of Communications Joseph Lehman suggested in an *Investor's*

Business Daily news story that state testing of schools and students would be more useful if parents could use the test results as a basis to choose the best school for their children.

- *The Jackson Citizen Patriot* argued in an editorial for the elimination of the Michigan Economic Growth Authority, a discriminatory corporate tax abatement program long criticized by the Mackinac Center. The editorial cited Research Associate Michael LaFaive's findings that each job "created" by the government program is accompanied by more than \$40,000 in subsidies, abatements, and grants. *Investor's Business Daily* columnist William Peterson quoted several segments from Senior Fellow in Economic Education Burton Folsom's study of economics textbooks to illustrate the inaccuracies contained in many of them (see page 5).!

Center Finds that State Program Shifts Jobs Where Needed Least

Mackinac Center for Public Policy research has discovered another reason to eliminate a controversial state program that hands out tax credits to select companies that locate or expand in Michigan. The jobs "created" by the program tend to be in counties that already have low unemployment.

Research Associate Michael LaFaive found that 60% of Michigan Economic Growth

Authority (MEGA) tax credits go to firms in counties with unemployment below the state average. Companies in high-unemployment areas including Detroit receive little or no help from the jobs program.

A recent example is the April 6 award of nearly \$16 million in tax credits to two firms promising to build in Eaton and Kent counties, respectively. Both counties already boast unemployment rates more than a full percentage point below the

February state average of 4.6%.

LaFaive calculated that \$40,000 in government giveaways and tax credits are granted for every job the four-year-old MEGA program claims to create.

A *Jackson Citizen Patriot* editorial cited LaFaive's research and agreed with the Mackinac Center that MEGA should be eliminated.

"We're not suggesting that MEGA be converted to a

welfare program," LaFaive said in the news release. "But MEGA certainly should not provide corporate welfare to companies in counties with the strongest economies."

Previous Mackinac Center studies and reports have shown that MEGA unfairly discriminates against some job providers, has negligible impact on job creation or retention, and is a poor substitute for across-the-board tax relief.!

W. K. Kellogg Foundation Makes Major Education Grant to Mackinac Center

The W. K. Kellogg Foundation recently awarded a \$97,000 grant to the Mackinac Center for Public Policy to devise a plan to ensure that Michigan high school diplomas signify a verifiable level of achievement and competence needed to move on to college or a job.

The Remedial Education Study (RES), to be conducted by a team of researchers led

by Assistant Director of Education Policy Matthew J. Brouillette, will measure the difference between what Michigan high school graduates learn and what colleges and employers expect with regard to reading, writing, and math skills. The research team will then formulate a plan Michigan lawmakers, job providers, and educators can champion to make Michigan primary and secondary schools account-

able for producing competent graduates. The RES is part of the Mackinac Center's professionally staffed Education Policy Initiative, a long-range project to improve elementary and secondary education in Michigan.

The Center gratefully acknowledges the generosity and commitment of the W. K. Kellogg Foundation. Mackinac Center President Lawrence Reed said, "Bright

students are the building blocks of a bright future for Michigan, and the Center is pleased to join the Kellogg Foundation in helping students gain greater educational opportunities." The Battle Creek-based W. K. Kellogg Foundation is one of the world's largest private foundations and holds assets of more than \$5.5 billion.!

Survey Helps Educators Choose Best Economics Teaching Tools Researchers Expose Errors and Political Bias in Weak Texts

What kind of future will our children build in the twenty-first century? A lot depends on what they learn about this one.

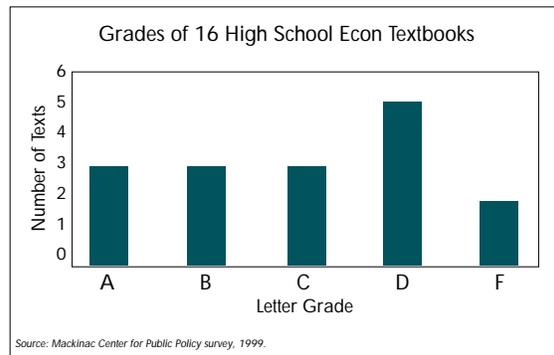
The Mackinac Center for Public Policy may be the only institution in Michigan trying to ensure high school students are taught the economic lessons of the twentieth century. Why has statism failed? Why are free markets sweeping the field? Are Michigan's kids learning these lessons? Or are they being taught a shopworn, statist, class-warfare mentality that brought us the Soviet Union abroad and Big Government at home?

The Center has just released a groundbreaking survey that grades 16 economics textbooks used in Michigan high schools according to how well they cover 12 major subject areas, such as the price system and production,

taxation, the business cycle, and other important topics. The sobering results: "It is highly doubtful that most of Michigan's teenagers are

obtaining a basic understanding of the principles of economics from the textbooks they use in class," according to survey authors

at Grove City College in Pennsylvania. Of the 16 textbooks examined, three received A's and three others earned B's. However, three received C's, five textbooks received a D, and two were given F's.



Burton Folsom, Ph.D., Mackinac Center senior fellow in economic education, George Leef, J.D., vice president of the Pope Center for the Study of Higher Education in North Carolina, and Dirk Mateer, Ph.D., associate professor of eco-

nomics at Grove City College in Pennsylvania. Of the 16 textbooks examined, three received A's and three others earned B's. However, three received C's, five textbooks received a D, and two were given F's. "While a few of the textbooks did instill 'an economic way of thinking,' most were partly and sometimes almost completely deficient," said the survey authors. "We often found dismal understanding or outright bias on the part of the text authors."

Investor's Business Daily printed some of the most misleading statements identified in the Mackinac Center survey.

How Reliable Are Michigan's High School Economics Textbooks? has been sent to lawmakers, journalists, education groups, and to every Michigan school board member with recommendations that:

- Schools that do not offer courses in economics do so;
- Schools adopt a textbook that received a high grade;
- School boards check to see what economics textbook their schools are using; and
- Schools using a textbook that received a poor grade switch to a better one.

The abridged version of the report contains synopsized textbook evaluations for quick, easy reference. For greater detail, the full evaluations of the 16 textbooks can be found at www.mackinac.org!

Policy Makers Deepen Understanding of Property Rights, Taxation, and Privatization

Scores of Michigan policy makers, legislative aides, and state officials gathered to hear three expert speakers at the Mackinac Center for Public Policy's Issues and Ideas luncheons in Lansing in March and April.

On March 5, attorney and Center scholar Donald Kochan explained how government regulation often takes from private land owners the use or value of their property without providing just compensation as required by both the U. S. and Michigan constitutions. Kochan cited examples from his 1996 Mackinac Center



Donald Kochan explains to lawmakers a proposed state constitutional amendment released in his 1996 Mackinac Center study. The amendment would further protect the rights of citizens to own and use property.

study, *Reforming the Law of Takings in Michigan*, and

argued for enhanced protections of citizens' property rights against regulatory abuse.

Kochan also answered questions about his study, *Reforming Property Forfeiture Laws to Protect Citizens' Rights*, released by the Center in 1998 and praised by Democratic U. S. Representative John Conyers as "a great public

service" for its common sense solutions to government abuse of asset forfeiture laws.

Wall Street Journal editorial board member and author Amity Shlaes discussed the



Amity Shlaes speaks to policy makers in Lansing before addressing a full house of more than 300 students and faculty members at Northwood University in Midland.

history and growth of taxation in America before a full house on March 25. Drawing from her new book *The Greedy Hand: How Taxes Drive Americans Crazy and What to Do about It*, Shlaes revealed the origin of income

History Is the Friend of Free Market Ideas

If you look on the lapel of practically any Mackinac Center professional, you'll see a shiny pin in the shape of the state of Michigan with the year "1851" emblazoned upon it.

And if you ask that person how he learned 1851 was the year Michigan rewrote its constitution—to take remove government barriers and give private enterprise the go-ahead to make Michigan a world industry leader—their eyes will sparkle. "Burt Folsom!" will be the reply.

The significance of 1851 is one of the first "historical gold nuggets" uncovered by Dr. Burton Folsom in his five-year affiliation with the Mackinac Center for Public Policy. Folsom uses vivid, real-life

examples to teach the Center's ever-expanding audiences an extremely important lesson: History is chock full of lessons that validate the soundness of free-market ideas.

Did you know that Detroit's own all-time heavyweight champion Joe Louis ended his fantastic boxing career in financial ruin—and continued fighting long after he should have quit—because of a punitive tax code that took more of his high earnings than he got to keep? Did you know that

businesses that avoid racial discrimination are commonly more profitable than those who do not—and that the integration of Major League baseball

northern states wanted to keep more efficient southern firms from cutting into their market share?

Those are just a few of the many nuggets Folsom unearthed and taught in more than 30 *Viewpoint* commentaries printed more than one hundred times in state and national newspapers including *The Wall Street Journal*.

Folsom has alerted parents, educators, and lawmakers to serious deficiencies in what Michigan children are taught in school with two groundbreaking studies, *Are Michigan History Textbooks Reliable?* and "How Reliable



starting in the 1940s provides the perfect illustration of this? Or that the minimum wage law—which puts many low-skilled laborers out of work—was originally passed because the textile industry in the

tax withholding and explained the many ways that tax laws affect human behavior. Mackinac Center Economic Policy Advisor William Wilson's review of her book was printed in *The Detroit News*.

Shlaes drew examples from her research as one of the *Journal's* lead editorial writers and recounted a recent *Journal* editorial that cited a Mackinac Center *Viewpoint* on Michigan cigarette taxes and tobacco smuggling. She concluded by answering questions about how to limit government's taxing and spending powers.

On April 28, the speaker was



Jürgen Skoppek outlines improvements in Michigan's privatized workers' compensation insurer.

Jürgen Skoppek, Mackinac Center senior policy analyst

and an appellate judge with the state commission that reviews workers' compensation claim appeals. Skoppek discussed the improved performance of Michigan's workers' compensation system after the Engler administration followed a Mackinac Center recommendation to privatize the state-owned Michigan Accident Fund. The Fund, which was sold in 1994 for \$291 million, is the largest provider of workers' compensation insurance.

Skoppek has authored Mackinac Center studies including *Stress Claims in Michigan*, an influential and well received report on

mental disability and the workers' compensation system.

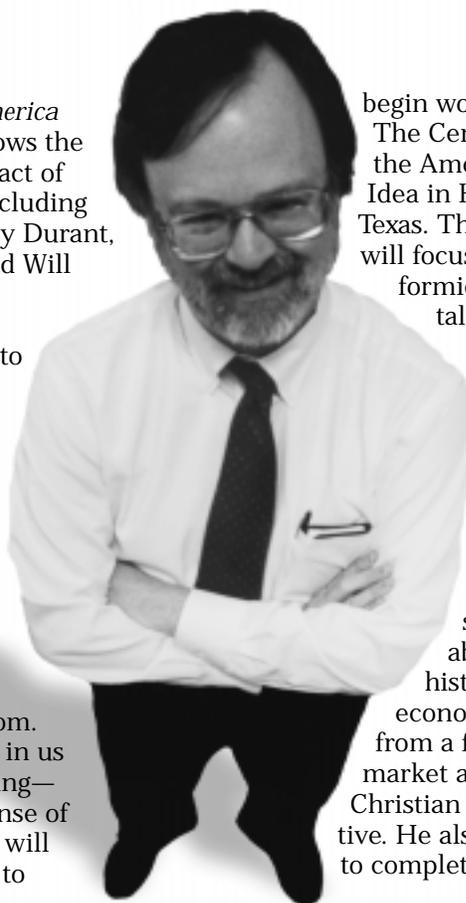
Issues and Ideas luncheons are regular forums designed to offer government officials a broader philosophical perspective on current topics and events and help them embrace the best solutions to particular policy problems.!



Are Michigan High School Economics Textbooks? (see page 5). He has enlightened Michigan teachers with seminars on the history of entrepreneurship, engaged the minds of thousands of high school students through Mackinac Center debate workshops, and helped broaden the perspective of college students at Economic History Weekends. He is the prolific author of many books including *Empire Builders: How Michigan Entrepreneurs*

Helped Make America Great, which shows the remarkable impact of Michiganians including Henry Ford, Billy Durant, Herbert Dow and Will Kellogg.

Folsom imparts to the Mackinac Center a legacy not only of work accomplished, but of heightened awareness that history is a friend to those dedicated to personal and economic freedom. Having instilled in us this understanding—with a robust sense of humor—Folsom will depart August 1 to



begin work for The Center for the American Idea in Houston, Texas. There, he will focus his formidable talents upon "teaching teachers" of middle and high-school students about the history of economics from a free market and Christian perspective. He also hopes to complete a

"myths" book trilogy that began with his 1987 work, *The Myth of the Robber Barons*, and will continue with new books addressing myths of the New Deal and Progressive Era.

"Burton Folsom has left a mark in the Mackinac Center and on the state of Michigan like few before him," said Mackinac Center President Lawrence Reed. "His scholarship has rekindled interest in many long-forgotten lessons of Michigan and U.S. history that we will keep alive for decades to come."!

“Think Tanks” from a Contributor’s Perspective

Bernie Baltic has some fundraising advice for “think tank” managers. “Contributors are your customers,” he told 28 research institute executives from 15 states and three countries at last May’s Leadership Conference for think tank leaders at Mackinac Center for Public Policy headquarters.



Bernie Baltic advises research institute leaders that they can improve their organizations by viewing them through the eyes of their contributors.

Baltic noted in his luncheon speech more than a dozen specific ways that nonprofit research and educational groups can improve relations with and service to their financial supporters. Each of his points was inspired by an actual experience with think tanks, he said.

Baltic, a Cleveland, Ohio, retired capital manager and former engineer, said, “Sometimes think tanks fall

into the trap of treating politicians or the news media as their most important customers. But if they forget to treat financial supporters like customers, they won’t have any customers at all.”

During nine years of association with the Mackinac Center, Baltic incubated his idea for a “think tank school”

that would train managers to run their institutes more effectively. His idea helped inspire the three-day, semianual Mackinac Center Leadership Conferences that have taught more than 60 leaders

from three dozen free-market and conservative organizations how to improve their strategic planning, fundraising, programs, and communications. A fourth conference is planned for May 2000.!

TREATING CONTRIBUTORS LIKE CUSTOMERS

Provide timely gift acknowledgements with acceptable tax information.

Follow contributor’s wishes regarding anonymity or proper use of his or her name.

Send contributor the correct acknowledgement, not one meant for another person.

Notify contributors when organization’s staff members visit contributor’s city, especially when staff makes a presentation.

Acknowledge contributors for ideas they submit and for help they provide to publicize the organization.

Provide special courtesies to directors who travel long distances.

Maintain and use contributors’ correct mailing addresses.

Perform periodic formal assessments of contributors’ satisfaction, including asking why contributions have decreased or been eliminated.

Ask contributors about their sensitivity to “information overload.”

Ask contributors about the desirability of frequent faxes, especially at work.

End open bickering among free-market oriented organizations.

Respond quickly to contributors’ requests.

Share this information with everyone in your organization.

The “Who Pays?” Test

Economists often emphasize the lesson of scarcity—that is, how to meet unlimited human wants with a world of limited resources. If our resources weren’t scarce—if they were also unlimited—we would never have to worry about how to pay for the fulfillment of every want and need.

One of the major differences between a *political* and a *civil* society is the question of who pays the bills. In a political society, politicians often ignore scarcity when they tell voters how it is good, just, and fair for government to try to meet

every citizen’s wants and needs. What they seldom mention is *who pays* for meeting those needs.

Everyone agrees that it’s good to have adequate food, clothing, shelter, a good education, quality medical treatment, and so on. In a civil society, individuals work to provide these things for themselves through voluntary exchange (or charity) with their neighbors. In a political society, government assumes responsibility for meeting all or many of these needs.

When someone claims, “Best of all, program X is free



James E. Kostrava

because it is provided by government,” they are in effect saying that it will be paid for by you and other taxpayers. Government has

no resources to give to some that it does not first take from others.

Let’s take education as an example. Senator Benevolent promises that everyone who has the desire and aptitude can have a college education whether or not he or she can afford it. Sounds great, but if the collegiate aspirant can’t afford it, who pays?

Voters should apply the three-question “Who Pays?” test to determine if politicians are proposing coercive (political) or voluntary (civil) solutions to society’s problems. 1) What does the program cost?

See “**Test**” on page 9

In Search of Politics' Elusive 'Third Way'

by Sheldon Richman

Socialism and communism have collapsed so completely that only a few holdouts refuse to acknowledge the rubble before their eyes. We've apparently reached "the end of history," as Francis Fukuyama labeled the post-Cold War era a few years ago.

But appearances can deceive. Capitalism may look triumphant, but some people are clearly uncomfortable with the fact that it seems to be the only "ism" left standing. The search for a "third way" goes on. President Clinton used that very term in his 1998 State of the Union address.

Authors Daniel Yergin and Joseph Stanislaw are also looking for that chimera. In their interesting book published last year, *The Commanding Heights: The Battle Between Government and the Marketplace That Is Remaking the World*, they wonder where our era will set the "frontier between government and marketplace." It is ironic that in thinking about the world on the brink of the new millennium, they think in such old terms. They discuss the frontier between government and marketplace in analog terms, as though that line can be adjusted in infinitely small steps. The task, as they see it, is to find just the right position, where marketplace and government balance each other and each prevents abuse by the other.

But we live in the digital age! Analog thinking is inappropriate in so many areas of life—including the politico-

economic realm. A digital device deals with ones and zeros. A switch in a computer chip is either open or closed. There is no in-between, no range of adjustment, no third way.

What does this have to do with government and the marketplace? A great deal. When we focus on the nature of state and economy, we see that the framework is digital, not analog. Let me explain. George Washington was to have said that "government is not reason or eloquence. It is force." When you come right down to it, all government can do is compel. Every activity it undertakes ultimately relies on coercion. If you take away its power to tax, what is left? Regulations would be mere suggestions if the officers of the state did not have prisons, guns, and the legal authority to use them. Government does not produce or create; it appropriates and transfers what others produce and create.

In contrast, the marketplace is reason and eloquence. It is an environment in which people try to better their circumstances by offering to better those of others. A proffer is an act of persuasion. A price, someone said, is an argument. The marketplace is productive and creative. Think about what happens there. Production is actually transformation. A successful entrepreneur transforms pre-existing factors—labor, machines, land, raw materials—into a finished whole for which people are willing to pay more than they would pay for all the separate parts.

The entrepreneur's profit is the difference between those two prices, his reward for figuring this all out. Contrariwise, losses represent the consumers' penalizing an entrepreneur for "missing" the factors by turning them into a less valuable form.

State and market, then, are opposites, embodying, respectively, force and creativity. That is why the mission to finely adjust the frontier between the two, as Yergin and Stanislaw wish, is misconceived. It is not a shade of gray that we should be seeking, but the bright line between force and reason (creativity). Force is appropriate only against force. Leonard Read captured the proper conception of the scope of market and government in the words "Anything that's peaceful." As he wrote, "[L]et anyone do anything he pleases that's

peaceful or creative; let there be no organized restraint against anything but fraud, violence, misrepresentation, predation. . . . [L]eave all else to the free, unfettered market!"

The frontier between the state and market has only one right position, precisely at the point that leaves people free to do as they will so long as they recognize the same right held by everyone else.!

Sheldon Richman is editor of *The Freeman*, published by the Foundation for Economic Education (FEE). Mackinac Center President Lawrence Reed is the chairman of FEE's board of directors. This article originally appeared in *The Freeman* in May 1998.

"Test" from page 8

2) Who will pay for it? and 3) How will they pay for it?

If the senator's answers to the "Who Pays?" test's three questions are, 1) \$9,000 per year at a Michigan public university; 2) the government (i.e., taxpayers); and 3) through coercion in the form of taxes, the "free" education no longer sounds very free.

There are no free lunches! Your voluntary support of the Mackinac Center for Public Policy helps us to provide Michigan citizens with the economic education they need to promote civil society

and ask politicians the tough questions, including, "Who pays?!"

James E. Kostrava is Vice President for Development.

Education Policy Is Topic of 12th Annual Mackinac Center High School Debate Workshops

Hundreds of students from dozens of schools will learn arguments and techniques to debate the official 1999 high school debate resolution:

“Resolved that the federal government should establish an education policy to significantly increase academic achievement in secondary schools in the United States.”

- Sept. 29 Jackson
- Sept. 30 Livonia
- Oct. 5 Grand Rapids
- Oct. 6 Grayling
- Oct. 7 Midland

For information on how to register or sponsor students and teachers from your school, call Vice President of Operations Kendra Shrode at (517) 631-0900.

Viewpoint Commentaries

Note to Michigan Municipalities: A Tax Is Not a User Fee

April 1999 VP 99-13
A recent Michigan Supreme Court decision overturning Lansing’s “rain tax” sends a warning to municipalities that all tax hikes must be put to a vote, even when they’re disguised as “user fees.”

enforce teachers’ rights of free speech and association if it stopped forcing them to support a union in order to keep their jobs.

“Living Wage” Law Is Public Policy at Its Worst

May 1999 VP 99-17
Detroit voters’ approval of a misguided “living wage” ordinance last November will only price minorities and other disadvantaged workers out of the job market and make the city’s economic comeback even more difficult.

Detroit Admits Problem; Now It’s Time to Deal with It

April 1999 VP 99-14
International embarrassment over Detroit’s inability to plow out of a winter snow-storm highlights the need for Mayor Archer to subject sloppily provided city services to the competition of the market-place.

Which is Better: Cutting Income Tax Rates or Increasing the Exemption?

April 1999 VP 99-15
Legislators who voted to cut the state income tax rate rather than raise the personal exemption understood that rate cuts offer greater incentives for job creation.

State “Teacher Bill of Rights” Is Needed

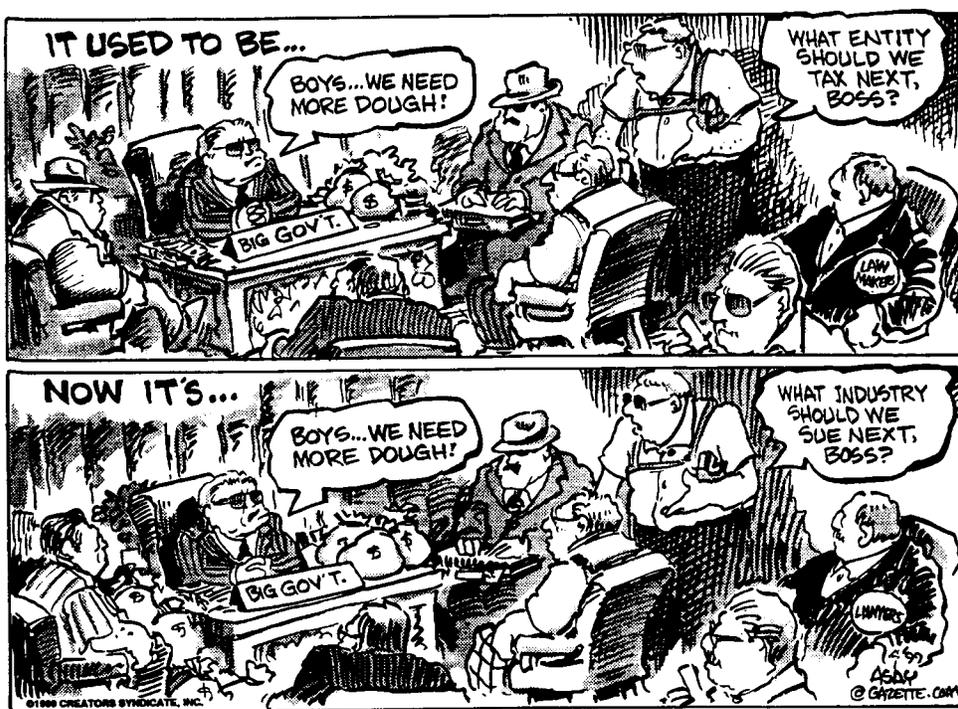
April 1999 VP 99-16
Michigan labor law could help improve education and

No Taxation without Respiration!

May 1999 VP 99-19
The onerous “death tax” accounts for less than two percent of all federal revenue, but it devastates family-owned farms that must often sell prime cropland to developers just to feed Uncle Sam’s ravenous appetite.

Taxation by Litigation Threatens Every American Business

May 1999 VP 99-20
Politically inspired lawsuits against legal businesses includ-



What’s Wrong with the Progressive Income Tax?

May 1999 VP 99-18
The federal income tax has mushroomed from modest beginnings in 1913 to a burdensome and incomprehensible monstrosity. Americans should insist on simplicity and equality in their taxes.

ing tobacco companies are just the latest way for government to raise revenue while evading democratic accountability for increased taxes. Which industry is next in the litigation lottery?

FREE MARKET BOOKSTORE

Are High School Economics Textbooks Reliable?

June 1999 VP 99-21

A review of the 16 most-used high school economics textbooks in Michigan reveals that many contain gross errors and dangerous myths about the market economy and the proper role of government.

Disability Discrimination: Good Intentions Can Produce Bad Law

June 1999 VP 99-22

Laws intended to help disabled people find and keep jobs have encouraged anyone with a personal problem to file frivolous lawsuits in the hopes of winning huge cash awards from employers.

Detroit's Reform School Board Would Be Wise to Privatize

June 1999 VP 99-23

Detroit should join Chicago, Philadelphia, and other big-city school districts to contract with private firms to save money and improve the quality of such support functions as busing, custodial, and food service.

Journals

Michigan Education Report

MER99-02 \$3.00

MER reports on the formation of a new school board members' association, the Michigan PTA's opposition to parental school choice, Detroit Mayor Archer's appointment of a new school board, and allegations of electioneering in one school district. Commentaries focus on teacher pay and school funding, and current and former labor



union presidents debate whether unions help or hurt education. 12 pages.

Michigan Privatization Report

MPR99-02 \$3.00

Wasting money again in Privatizationville? MPR shows examples of how local municipalities can privatize to cut costs while improving such services as garbage collection, school construction, youth



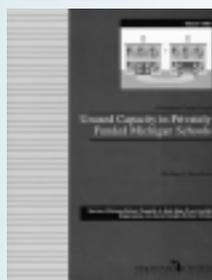
social services, cable television, electric power, and even zoning laws. 20 pages.

Studies & Reports

Unused Capacity in Privately Funded Michigan Schools

S99-02 \$5.00

Many Michigan education reformers are exploring proposals to use private schools to help fix government school problems, including student overcrowding and a lack of incentives for improving student performance. The proposals, whether they involve public-to-private student transfers or expanded parental choice among all schools, depend on private schools' willingness and ability to accommodate new students. This study, which surveyed 342 of Michigan's 1,058 private schools, confirms that private schools have the classroom capacity and desire to accept a significantly larger role in providing more of the state's children with quality education. 10 pages.



social services, cable television, electric power, and even zoning laws. 20 pages.

Are Michigan High School Economics Textbooks Reliable?

S99-03 \$5.00

A strong knowledge of sound economic principles is not only important in the twenty-first



century global marketplace, it is essential for the maintenance of a free society. Are Michigan high school students being taught what they need to know in order to succeed and prosper?

This review of 16 of the most commonly used economics textbooks in Michigan high schools uses 12 criteria—including trade, taxation, and the role of government—to evaluate which texts are and are not effective at presenting students with a balanced and accurate perspective on the modern market economy. Each text is graded, from A to F, on its ability to clearly instruct students in the "economic way of thinking."

An abridged 27-page written copy of the report may be ordered normally, or the full reviews of each textbook may be downloaded at no charge via www.mackinac.org.

Michigan Labor Law: What Every Citizen Should Know

S99-04 \$10.00

Michigan is one of the most unionized states in the country, with a long and sometimes troubled labor history that powerfully affects every citizen in the state from blue-collar factory workers to suburban soccer moms. Yet few understand how modern labor unions and state and federal labor laws operate.

This study clearly and concisely explains the history of organized labor in America, how public-sector unions affect the democratic process, how compulsory unionism abridges workers' rights of free speech and association, and much more. Several recommendations for reform point the way toward restoring a more balanced, government-neutral approach to Michigan labor relations. 60 pages.

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School Choice Leader, Top Writer Join Staff

Gary Glenn, a leading spokesman for Michigan's school choice movement, and Samuel Walker, former director of editorial services for The Heritage Foundation in Washington, D.C., have joined the staff of the Mackinac Center for Public Policy.

Formerly president of School Choice YES!, Glenn played a major role in persuading corporate, religious, minority and political leaders to sponsor a 2000 ballot campaign to amend Michigan's constitution to expand parental choice in education.

"Gary's enthusiasm and effectiveness as an activist

will give the Mackinac Center that extra burst of energy it needs to influence Michigan public policy in support of personal freedom, economic opportunities, and quality of life for all citizens,"



Gary Glenn (right) in 1998 with then-Congressman Floyd Flake, Democrat from New York. Flake has spoken to Michigan audiences of the need to give parents the ability to choose the safest and best schools for their children.

said Mackinac Center Senior Vice President Joseph Overton.

Glenn will develop and communicate Center research regarding school choice—

including the Universal Tuition Tax Credit devised by the Mackinac Center—as well as policies in labor and economic development, health-care reform, and land-use and natural resources issues.



Samuel Walker (left) discusses with Wisconsin Governor Tommy Thompson an essay on welfare reform Walker had just placed in *The Wall Street Journal*.

Walker served for nearly six years at The Heritage Foundation, one of America's top market-oriented policy research institutes. Working in the Foundation's award-winning public relations

department, Walker wrote or edited the many hundreds of commentaries, news releases, and other publications that have helped Heritage exert enormous influence on national public policy.

"When it comes to honing our message so that it resonates in the hearts and minds of lawmakers, the news media, and the general public, Walker is one of the best," Overton said.

"Glenn and Walker will help the Mackinac Center increase its effectiveness and impact."!

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