

Framing the Tax Hike Debate



When preparation meets opportunity, good things happen. In January, Mackinac Center Director of Communications Michael D. Jahr and Legislative Analyst Jack McHugh went to Lansing to meet members of the press covering the swearing-in of the new Legislature — and generated a media wave that has carried the Center's economic message forward to this day. The result has been an intense and sustained media campaign on the most pressing issues before Michigan policymakers: reducing taxes and cutting spending.

Jahr was accompanied at the Capitol by McHugh and Legislative

Analyst Ken Braun, where they met and spoke at length with a reporter from the Detroit Free Press. A short time later, McHugh was contacted by the same reporter, who was seeking reaction to news that Gov. Jennifer Granholm had appointed a panel of notoriously tax-friendly current and former public officials to recommend a solution to the budget "crisis." Jahr, Braun and McHugh quickly called Mackinac Center Senior Economist David L. Littmann and put him in touch with the reporter. Knowing that other journalists would be working on the same story, McHugh and Jahr personally visited Lansing press offices to arrange other interviews

with Littmann.

The next day, the state's two largest newspapers, The Detroit News and Detroit Free Press, quoted Littmann. The coverage led to an interview on WJR radio's popular "Frank Beckmann Show" in Detroit, where Littmann dispelled any confusion about the panel's predestined pro-tax outcome. He explained how Michigan's economic and budget difficulties are the result of years of bad public policies (many created by members of the governor's panel) that serve the interests of government rather than taxpayers.

The Center had long anticipated
see "Budget Crisis," Page 6

The Standard for Collective Bargaining

Michigan school board members face an unenviable task. They are elected officials who must keep taxpayers happy, establish policies that provide children with quality learning and master a dizzying array of complex issues. And they must do all this while negotiating with powerful employee unions that fight for arcane work rules and compensation packages that often drain district coffers.

In an effort to help school board members better understand the basic principles of collective bargaining, as well as the laws governing the process, Director of Labor Policy Thomas W. Washburne and Communications Director Michael D. Jahr coauthored "A Collective

Bargaining Primer for Michigan School Board Members." The primer informs school boards about the law and their legal rights; offers recommendations and strategies for collective bargaining; and relates anecdotal information from school board members, superintendents and negotiators.

A copy of the primer was mailed to all 3,800 school board members in the state and, according to one school board president, the timing could not have been better.

"I read it from cover to cover on Sunday, in preparation for the board meeting Monday night," said Howell School Board President Susan Drazic. "I made it required reading for the entire board. Since we're in the
see "Collective Bargaining," Page 4



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"I am a science teacher at Linden High School in Linden, Michigan. I teach an integrated science class and ecology. I just received the premier issue of MichiganScience and read every word. It has so much relevant material that I can use in my class. It addresses important issues from a scientific standpoint without bias. It is also written at a level that every group who receives it can understand and will, hopefully, use to get the word out about Michigan's environment. Congratulations on a wonderful publication." — Deb Hayes, Linden High School Teacher, Nov. 29, 2006



Joseph G. Lehman
Executive
Vice President

They Can't Ignore Us

One indication of the Mackinac Center's influence is how frequently a governor must publicly respond to our ideas. Every day a governor chooses which of the scores of voices vying for attention she can — and cannot — safely ignore. Apparently Gov. Jennifer Granholm and those who work for her find they cannot ignore the Mackinac Center.

- Gov. Granholm reacted to a Mackinac Center economic

analysis during a live interview on WZZM TV-13 in Grand Rapids on March 7 less than two hours after we published it. Asked to respond to our estimate that showed her proposed 2 percent tax on services could destroy as many as 19,000 jobs in 16 months, she told the news anchor, "No, I don't agree with it they [the Mackinac Center] come from a certain perspective which is that the less you can have any government the better off you are We've got a \$3 billion deficit. The Mackinac Center believes we can do, we can fill that all with cuts."

- Gov. Granholm's spokeswoman Liz Boyd later told the Midland Daily News for a Mar. 14 story, "We disagree with their [the Mackinac Center's] findings," and "We do not believe the governor's plan is a job killer."
- Gov. Granholm was Frank Beckmann's guest on Detroit's powerhouse radio station, WJR, on Feb. 7. When Beckmann suggested she should listen to the ideas of Mackinac Center Senior Economist David Littmann, the governor countered by saying the Mackinac Center would "privatize all, uh, public safety functions" Beckmann reminded her of her promise to "consider all views" and indicated she might benefit from the advice of Littmann, who he described as a one-time advisor to Federal Reserve Chairman Alan Greenspan. The governor abruptly moved to end the questioning, stating incorrectly that "he [Littmann] was on my Council of Economic Advisors at one point...."
- Gov. Granholm's Director of the Department of Environmental Quality, Steven Chester, wrote an Editorial Rebuttal for the Jan. 29 Detroit News responding to a Mackinac Center report on mercury emissions. The analysis by Diane S. Katz concluded that new regulations on power plants' mercury emissions would be costly and ineffective. Chester defended the governor's plan while acknowledging it would raise consumers' utility costs.
- State Budget Office spokesman Greg Bird responded to a Mackinac Center idea that would save \$85 million per year in state Medicaid costs. Bird told Gongwer News Service for a Feb. 12 story, "We think the figure ... from the Mackinac Center is very overstated." His own figure for estimated savings was not included in the story.

Of course, we'd rather the governor simply recognize economic facts and acknowledge the need to reduce spending, cut taxes and enact sensible reforms. We hold out hope that she eventually will. There certainly seems to be little support for her plan to raise taxes and "invest" your money in more dubious economic development programs.

But we don't take her criticism personally. We're simply glad to be the agent by which free-market ideas get the public hearing they deserve. **I**

... they [the Mackinac Center]
come from a certain
perspective which is
that the less you can have
any government the better
off you are ...

— Gov. Granholm, March 7

Joseph G. Lehman

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Russ Harding's Proposals Inspire Permitting Reform Legislation



Russ Harding

Russ Harding is like an environmental policy E.F. Hutton — when he presents ideas, people listen. When Harding published his essay “Bold Changes Needed in State Permitting” in November 2006, a state senator took the recommendations of the Center’s senior environmental policy analyst to heart.

“Russ Harding’s November Viewpoint article is precisely the kind of reform to Michigan’s structural deficit that I have been pursuing for years,” said Sen. John Pappageorge. “He has given clarity to the fatal flaws in our permitting process in Michigan, and I look forward to addressing this concern with legislation.”

Pappageorge is drafting legislation in 2007 based on Harding’s essay, which outlined the economic downside of cumbersome permitting methods. Harding, who served as the director of the Department of Environmental Quality from 1995-2002, estimated that DEQ permitting requirements add as much as \$100,000 in costs to an individual’s or company’s overhead. The “overzealous interpretation of wetland regulations by DEQ

staff” either lead to expensive litigation or cause the individual or company to abandon projects, according to Harding.

In his Viewpoint, Harding recommended three actions that, if adopted, would make Michigan more attractive for prospective companies and individuals contemplating doing business in the state. The first would forbid state agencies from promulgating regulations more stringent than federal requirements; the second would establish maximum time frames for the adjudication of permits to ensure timely permit processing for businesses compliant with the law; and the third would remove all permitting and licensing functions from the DEQ.

“There is an anti-business culture that pervades DEQ,” said Harding. “State regulators often have little regard for larger issues such as private property rights or job creation. Ripping the permitting process out by the roots would increase the likelihood that permits would be distributed on merit and in a timely fashion.” **I**

Ten Thousand Request Education Digest

What began as a convenient way to monitor the press coverage of education issues has exploded into a weekly electronic news digest with 10,000 e-mail subscribers, most of them teachers, journalists and policymakers. In just eight years, the Michigan Education Digest has become an essential tool for those who follow education policies and reforms throughout the state.

“MED does what a lot of teachers wish they could do, but just don’t have the time,” said Joseph

G. Lehman, executive vice president of the Mackinac Center. “It provides balanced information about Michigan education news without first being filtered through a union.”

The digest, which readers must request to receive via e-mail, surpassed the 10,000 subscriber mark near the end of 2006. The concept for MED originally grew out of a desire for Center staff members to monitor what the media

around the state was reporting about education.

“We were scouring scores of news sources to find out what schools were doing to save money, offer choices, improve learning and keep students safe,” Lehman said. “We figured it was a shame that we were the only ones benefiting from that accumulation.”

The first MED was distributed on July 30, 1999. The publication was ahead of the curve in revealing education trends that remain at the forefront of public debate today — issues ranging from the expansion of school choice to problems within the Detroit Public Schools.

MED has been published more than 375 times and is now distributed Tuesday mornings. Among its 10,000 subscribers are thousands of teachers, more than five dozen working journalists and even staff personnel at the Michigan Education Association school employee union headquarters.

MED’s impact becomes more evident every week, as newspaper reporters pick up on items found in the digest and incorporate them into their stories. This is particularly true of the objective language MED uses to describe teacher health insurance and the substantial savings schools can realize through competitive contracting. **I**

Center Snapshot



MichiganScience debuted its new exhibit display at the 2007 Michigan Science Teachers Association’s 54th Annual Conference, March 15-17, in Grand Rapids. Among the attendees was a ball python (pictured above) that graciously modeled one of the thousands of “I Love Science” stickers and buttons MichiganScience distributed at the conference.

Laboring for Liberty

Paul S. Kersey, a tireless researcher and prolific writer, brings a wealth of legal and labor experience to the Mackinac Center — again. In December 2006, Kersey rejoined the Mackinac Center staff after a three-year hiatus, this time as senior labor policy analyst.

Kersey's original stint with the Center was from 2001 to 2003, when he served as a labor policy research associate. During that time, Kersey worked closely with then-director of labor policy Robert Hunter, a former National Labor Relations Board member and a current Mackinac Center senior fellow in labor policy. Kersey wrote a policy brief analyzing Proposal 3, a constitutional amendment that would have extended mandatory collective bargaining and binding arbitration to state employees. The ballot proposal, heavily backed by unions, received virtually no scrutiny prior to Kersey's study. After the brief was released, most major newspapers in the state came out against the measure, which ultimately failed.

Kersey was in private practice in the Detroit area in the 1990s before serving on the staff of the House of Representatives Government Reform and Oversight Committee. He spent three years

at the National Right to Work Committee as director of state legislation, where he analyzed and responded to labor legislation in all 50 states. After leaving the Center in 2003, Kersey joined The Heritage Foundation in Washington, D.C.

Kersey, a Michigan native, has written extensively about labor issues, including right-to-work laws, union finances and binding arbitration. He received a bachelor's degree in economics from the University of Michigan-Dearborn and earned a law degree from the University of Illinois.

The Center has also announced two promotions: Michael D. Jahr, who joined the Center as a communications specialist in 2005, has been promoted to director of communications; and Justin W. Marshall has been named director of advancement. In 2002, Marshall began as a fiscal policy researcher. From 2003 to 2006, he served as membership development officer. **I**



Paul S. Kersey returns to the Mackinac Center as senior labor policy analyst.

Collective Bargaining from Page One

middle of a hot negotiation, I wanted everyone to benefit from this information.”

Like many school districts, Howell is struggling to meet the high cost of employee health insurance provided through the Michigan Education Special Services Association, a third-party administrator affiliated with the Michigan Education Association union. In order to achieve savings, and in accordance with state law, the board in February voted to name itself the policyholder of the teacher's health care coverage. In response, the local MEA affiliate has threatened to file an unfair labor practice charge against the school district.

“The primer did a very good job at laying out the steps of collective bargaining,” Drazic said. “A great amount of time is dedicated to each topic, but the book as a whole is small enough to tackle. The quotes throughout the primer were very important. It's good to know what other boards are doing, and it confirms that we're doing the right thing.”

Howell's deputy superintendent for personnel and labor relations, Lynn Parrish, serves as the district's negotiator on all five of its labor contracts. “I believe the primer's release could not have been more timely than it is now, not just because of our

MESSA situation, but because all school districts are challenged more than ever to make “hard-line” economies in ways that least adversely affect students. To that end, I would like all school board members and all superintendents in the state to read it!”

Following the public meeting where the Howell board declared itself the health insurance policyholder, a Livingston Daily Press & Argus reporter asked Parrish about the decision. In order to help him understand the board's rationale and legal rights, Parrish handed him a copy of the primer. “This is a wonderful book,” she told him. “It will help you understand what's going on.”

The primer includes the insights of a diverse group of people experienced in the collective bargaining process, including current and former school board members, superintendents and deputy superintendents, negotiators, a Michigan Court of Appeals judge, the former CEO of the Detroit Public Schools and even a teacher who was exempted from his state union membership based on religious objections.

In addition to the state's school board members, all 550 superintendents were mailed a copy of the primer in mid-March. **I**

Jeff Steinport: “A school district needs to concentrate on education, not bus maintenance or cutting the grass.”

The primer text is full of comments and anecdotes from school board members, superintendents and others concerning collective bargaining.

Framing the Terms of the State Budget Debate

The Mackinac Center's analysis of the state budget deficit, tax increase proposals and overall economic outlook produced coverage in the state's four largest newspapers, Detroit's talk and news radio giants, and television stations in Detroit, Lansing, Grand Rapids and Flint, as well as other media coverage throughout the state. **The Detroit News** and **Detroit Free Press** cited Center scholars and research a total of 17 times in January alone.

Senior economist **DAVID LITTMANN** was quoted in both the Jan. 11 **Detroit News** and **Detroit Free Press**, assessing the "Emergency Financial Advisory Panel" announced the previous day by Gov. Jennifer Granholm. On the same day, Littmann addressed budget and economic issues on "**The Frank Beckmann Show**" on Detroit's News/Talk 760

WJR. He was also cited by the **Gongwer News Service** on Jan. 17, the **Escanaba Daily Press** on Jan. 18 and again in the **Free Press** on Jan. 18. When Comerica Bank on March 6 announced it was moving its headquarters out of Detroit, Littmann was invited again to appear on "**The Frank Beckmann Show**." He was also contacted by **WWJ Newsradio 950**, **Wall Street Journal Radio** and was cited March 7 in **The Detroit News**. In an editorial titled "MoveOnOutofMichigan.Org," the March 9 **Wall Street Journal** quoted Littmann's analysis of falling per capita income levels in the state. On March 12, the **Detroit Free Press** republished the same editorial.

In January, **MICHAEL D. LAFAIVE**, director of the Morey Fiscal Policy Initiative, released his annual assess-

ment of United Van Lines data, which showed that Michigan was tied for first in the nation for outbound moves. The analysis by LaFaive and adjunct scholar **MICHAEL HICKS** was covered in **MIRS Capitol Capsule** (Jan. 8), **The Midland Daily News** (Jan. 9), **The Detroit News** (Jan. 9), **WNEM Radio** (Jan. 9), **WEYI-TV 25** (Jan. 9), **Booth Newspapers** (Jan. 9), **The Saginaw News** (Jan. 9), **Niles Daily Star** (Jan. 10), and **Gongwer News Service** (Jan. 19).

President **LAWRENCE W. REED** proposed a "do no harm" agenda for Michigan's Legislature in an Op-Ed that ran Jan. 4 in **The Detroit News** and Jan. 20 in **The Grand Rapids Press**, and commented on the 21st Century Jobs Fund in the Jan. 21 **Detroit News**.

DIANE S. KATZ, director of science, environment and technology policy, drew statewide attention with her policy brief "Assessing Stricter Mercury Controls in Michigan," including the day it was released, Dec. 6, in both **MIRS Capitol Capsule** and **Gongwer News Service**. Katz followed that with a Dec. 7 appearance on "**The Frank Beckmann Show**" on Detroit's News/Talk WJR 760, an interview in the Dec. 11 **Midland Daily News** and an Op-Ed in the Dec. 13 **Detroit News**, as well as Dec. 27 appearances in both the **Huron County Press** and **Harbor Beach Times**. Katz also wrote about problems facing shippers due to new DEQ ballast water regulations in the Jan. 19 **MIRS Capitol Capsule**.

RUSS HARDING, senior environmental policy analyst, also addressed the ballast water issue and the economic impact of prohibiting ocean-going vessels from docking in Michigan in a Jan. 25 **Lansing State Journal** Op-Ed.

The AFL-CIO's decision to appeal to the United Nations in a dispute over U.S. law was the topic of an Op-Ed by **THOMAS W. WASHBURN**, director of labor policy, in the Dec. 29 **Flint Legal News** and the Jan. 7 **Midland Daily News**. In a Dec. 31 **Flint Journal** Op-Ed, Washburne pointed out the difficulties school boards face when teachers unions attempt to usurp power

in particular districts. He appeared on **WEYI-TV 25's "Up Close,"** a public affairs program, to discuss the need for a right-to-work law in Michigan and assessed Michigan's labor climate in the Jan. 26 **Detroit News**. **PAUL S. KERSEY**, senior labor policy analyst, wrote about the problems associated with the federal Employee Free Choice Act in a March 1 **Detroit News** Op-Ed.

The tracking of state lawmakers' voting records garnered statewide coverage of MichiganVotes.org and Legislative Analyst **JACK MCHUGH**. The issue was covered in **The Muskegon Chronicle**, **Grand Haven Tribune**, **Detroit Free Press**, **The Midland Daily News** and **Ludington Daily News** on Jan. 3; **The Kalamazoo Gazette**, **Macomb Daily**, **Oakland Press**, **Big Rapids Pioneer**, **Benton Harbor Herald Palladium** and **The Ann Arbor News** on Jan. 4; **The Saginaw News** and **Lapeer County Press** on Jan. 5; and **The Alpena News** on Jan. 6.

Senior Legal Analyst **PATRICK J. WRIGHT**, who filed a "friend of the court" brief and also attended oral arguments in an important free speech case at the U.S. Supreme Court, wrote about unions taking fees from non-members in a Jan. 19 **Washington Times** column. Wright's explanation of regulatory takings of property was featured Dec. 27 in the **Yale**

Expositor and Dec. 28 in the **Dearborn Times Herald**.

Competitive contracting in schools was addressed by **RYAN S. OLSON**, director of education policy, in the Dec. 26 **Jackson Citizen Patriot** and by **MICHAEL D. LAFAIVE** in the Jan. 14 **Kalamazoo Gazette**. Olson also wrote about how union cooperation is necessary to reform public schools in the Jan. 16 **Washington (D.C.) Examiner**, and was interviewed about state high school graduation requirements by **Metro Parent Magazine**. Olson explained the overwhelming defeat of Proposal 5 on the November ballot and the pressing need to address school pension costs on Dec. 20 in the **Detroit Legal News**, Dec. 29 in the **Grosse Pointe News** and Dec. 31 in **The Shelby Adviser**.

LaFaive, who first wrote about the privatization of Michigan's lottery four years ago, was cited in **The Detroit News** on Jan. 26 and the **MIRS Capitol Capsule** on Feb. 5 after policymakers discussed the issue.

During the week of President Gerald Ford's funeral, **LAWRENCE W. REED'S** views on the former president were sought by **The Midland Daily News** (Dec. 27), **National Review Online** (Dec. 29), **The Detroit News** (Dec. 28) and **Bloomberg Radio News** (Jan. 2). **I**

Budget Crisis from Page 1

and prepared for this debate. In 2003, Fiscal Policy Director Michael D. LaFaive released 200 budget recommendations that could save the state \$2 billion. In 2006, McHugh wrote an essay that detailed how the state could save \$1.8 billion without cutting essential services. On Jan. 4, 2007, The Detroit News published an Op-Ed by President Lawrence W. Reed recommending specific ways the Legislature could help the Michigan economy, not hurt it. The piece later appeared in The Grand Rapids Press.

When the governor made her announcement, the Center was well-positioned to respond. Littmann cited the Center's earlier work on budget cuts. The Center's Web page was updated to bring a number of useful budget and tax materials into one place. McHugh updated his 2006 article, "How to Replace the SBT with Nothing," with 14 specific budget reforms totaling \$1.9 billion. The only resource of its kind, it was widely cited, reprinted and used as a budget cut "laundry list" by reporters, editorial writers, lawmakers, party officials and taxpayer organizations seeking easy-to-understand and plausible tax hike alternatives.

LaFaive released a report showing near-record levels of net out-migration from Michigan, in part caused by the same destructive policies described by Littmann. LaFaive explained his findings in television and radio interviews, and was quoted in news reports around the state.

When leaks from the "emergency" panel revealed that funding for higher education would be cited as a tax hike justification, Mackinac Center adjunct scholar Richard Vedder explained in a Jan. 19 commentary why increased higher education spending is more likely to harm than help the state economy.

The day before Gov. Granholm's State of the State address — where she was to use variations on the word "investment" 28 times — McHugh posted an article on the Center home page explaining that when politicians use the word "invest" they really mean "spend." McHugh was asked to deconstruct the term for Frank Beckmann's WJR audience in a live, 15-minute interview.

The morning of the governor's speech, Littmann laid out eight ways the state could save money and cut taxes on WJR's "Paul W. Smith Show." LaFaive then released figures showing that Michigan's government employees earn significantly more than their private-sector counterparts for comparable work. The implication was that the tax talk was really about protecting a privileged class — government workers — at the expense of ordinary Michiganians.

Two hours after the governor's speech, LaFaive posted a tally of 20 government expansions she

Center Snapshot



In January, Senior Labor Policy Analyst Paul S. Kersey, Executive Vice President Joseph G. Lehman and Senior Legal Analyst Patrick J. Wright attended Supreme Court oral arguments on two key labor cases. The Center filed a "friend of the court" brief in the cases, which involved a state of Washington law that protected the rights of nonunion workers.

proposed and an article highlighting the similarities between this address and the one given by Gov. James Blanchard 20 years earlier.

Two days later, hours before the governor announced her specific tax and spending proposals, a McHugh article was posted exposing the bankruptcy of politicians' claims that modest spending cuts jeopardize "vital government services." McHugh explained on WOOD-TV in Grand Rapids how the proposed tax hikes will likely produce more job losses. Littmann did the same a few days later on WJR.

The day after the governor's tax-and-spend announcement in the Capitol — during which government employees in green "Union" T-shirts handed out pro-tax hike literature — the Detroit News published an editorial based on an article by the Center's Diane S. Katz exposing how the largest beneficiaries of state spending had hired a Lansing lobbyist to push for higher taxes — paid for with taxpayer dollars.

After the governor introduced her plan, action shifted from a battle of ideas to a legislative debate. For six weeks, an extraordinary struggle had been fought to frame the issue for the public. By March 18, only 28 percent of Michigan adults supported the service tax proposal, according to a Detroit Free Press-Local 4 Michigan Poll. Five days later, the Michigan Senate defeated the proposal.

On one side was a state political establishment commanding a \$42 billion budget and 50,000 employees. On the other side was a 30-person think tank with an annual budget of less than one-tenthousandth of the state's. Time and again media statewide echoed themes and repeated facts already published by the Mackinac Center (see Media Impact).

The forces of big government entered the rhetorical ring expecting a quick tax hike knockout. They were surprised to find themselves frequently countered by a plucky opponent armed with solid analysis. **I**

Lottery Privatization — a Winning Idea

*"Only a crisis —
actual or perceived
— produces real
change."*

Milton Friedman

Economist Milton Friedman wrote: "Only a crisis — actual or perceived — produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable."

Michigan's budget crisis appears to confirm Friedman's observation. In January, facing a sizable deficit, Lansing officials were compelled to look for "new" ideas. One that emerged, according to news reports, was a policy recommended by the Mackinac Center four years earlier.

In a 2003 article titled "Place a Bet on Lottery Privatization," Michael D. LaFaive, director of the Center's Morey Fiscal Policy Initiative, proposed selling the state lottery. The idea received little attention until May 2006 when LaFaive's cell phone began to ring with calls from journalists and policymakers in Illinois where the governor had just proposed selling his state's lottery. In the scramble

for information, reporters turned to the Internet and discovered LaFaive's article.

"It was virtually the only source of information on lottery privatization at that time," said LaFaive. The Illinois announcement briefly spiked Web traffic to the article by more than 1,000 percent.

Indeed, despite a profusion of stories on the subject since then, the search engine Google ranks LaFaive's 2003 article as No. 1 among some 512,000 Web pages when searching the phrase "lottery privatization." Google uses search algorithms that rank Web pages based on their relative importance on the World Wide Web.

When lottery privatization became a hot topic in Lansing, media outlets such as The Detroit News once again turned to LaFaive for analysis.

It's too early to determine if the state might sell its lottery, but LaFaive has taken great pains to caution lawmakers against frittering away new revenues on new spending programs. "Legislators should use such resources only to reshape the structural nature of state spending, such as paying down debt or shoring up unfunded liabilities," he said. **I**

Michigan Diaspora: LaFaive Calls for Policy Reforms To Reverse the Tide

The Mackinac Center began calendar 2007 with a warning for policymakers: Michigan's population appears to be leaving in record numbers and state policies need to change to stem the tide.

For the third straight year, Fiscal Policy Director Michael D. LaFaive analyzed United Van Lines annual survey of its client traffic and found that

Michigan was tied for first in out-migration. In fact, a whopping 66 percent of all Michigan-related UVL traffic was outbound in 2006. LaFaive's working relationship with UVL, and his insightful assessment of its data, led the mover to provide him with an advance copy of customer move data.

LaFaive's annual analysis is anticipated by media outlets around the state (see Media Impact). The figures — and their troubling message — appear to make public officials nervous. Upon the release of the 2006 UVL figures, State Demographer Kenneth Darga sent a memo to state officials disputing the significance of the data. The UVL numbers, he argued, were distorted by the company's market share in each state.

Mackinac Center econometrician Michael Hicks responded by pointing out that he performed a statistical analysis of UVL data against U.S. Census data and found the two to be very highly correlated. In other words, UVL data is an accurate leading migration indicator. LaFaive and Hicks also acquired, analyzed and compared Internal Revenue Service data that tracks state-to-state moves. They found that Florida, Ohio and Illinois are the top three destination states for Michigan residents.

In an essay titled "Lights Out," LaFaive noted that when people leave the state they take their entrepreneurial spirit, as well as their consumption and investment dollars, with them. The essay highlighted several ways that policymakers could help restore Michigan's status as a magnet for opportunity seekers, and it garnered print, radio and television coverage across the state.

The Mackinac Center expects outward migration to continue until Michigan becomes a relatively attractive state to work, invest and live. At the top of the reform list — one that Mackinac Center scholars will continue to pursue — should be overdue tax and labor reforms. **I**



Michael D. LaFaive discusses with WEYI-TV25 the implications of data showing Michigan leading the nation in outbound migration.

Eric Tubbs: A Driving Force

Have you ever paid attention to people's footsteps on a sidewalk? If you're like most people, you probably haven't. However, if you observed people's patterns, you'd likely notice many cut corners and walk on the grass rather than sticking to the pavement. This may not seem like a profound observation, but businessman and Mackinac Center contributor Eric Tubbs notices this everyday occurrence and recognizes that a few saved steps matter.



In 1954, Tubbs Brothers Inc. was founded by Donald and Cecil Tubbs. Today the company boasts \$24 million in annual sales and 51 employees.

Eric Tubbs is co-owner of Tubbs Brothers Inc., a second-generation auto dealership and service center in Sandusky, Mich. Every day Eric looks for efficiencies to improve operations. His philosophy works. For more than 50 years Tubbs Brothers has operated in the same small city in the Thumb where it had its start. Though exposure to the family business provided a foundation for his views, it wasn't until he was in college that Eric first

began to solidify his belief in a free-market system.

Eric's college experience began at Central Michigan University, where he recalls questioning the lectures of a teaching assistant dedicated to promoting Keynesian thought and economic myths. It wasn't until he transferred to Northwood University and met two professors — Lawrence W. Reed and Dale Haywood — that his freedom philosophy found its foundation.

His education prepared him for a question once posed during a discussion among business colleagues. When asked to identify the most important driving force behind business, Eric was the only one to reply "profit." "If it paid well to give people bad service, everyone would do it," he observed. Essentially, customer service and ethical business is driven by the profit motive, not decrees from bureaucrats with good intentions.

Even with three children to put through college, Eric still supports the Mackinac Center. He cites our "impeccable evidence and research" and our acknowledgement of every gift. "You always call to say thank you, and I appreciate that."

To be honest, we appreciate the chance to thank Eric — and the countless other visionaries who support our free-market message. **I**



Eric Tubbs

Gaining Currency Through Economic Education

"How can we balance the budget without raising taxes?" Mackinac Center scholars are often asked. The question has become even more common since the Legislature voted to sunset the single business tax at the end of this year, a measure long recommended by the Mackinac Center. Our response has always been the same — cut unnecessary spending.

Yet lawmakers of all parties claim that without revenue replacements our state's economy and quality of life will collapse. You know, as I do, that this simply isn't true. All of us can enjoy more prosperity when government taxes less of what people earn.

The Detroit News, Detroit Free Press and many other media outlets have noted our cost-cutting ideas and some have cited our work to support their calls for less spending. However, this is not an easy debate to win. Consider the following quote from Gov. Jennifer Granholm during an interview with WJR radio host Frank Beckmann:

"Frank, nobody likes taxes. If we could do this all for free, I would be the first one in line. If we could just print money, like the federal government does, I'd be at the printing press."

As her statement demonstrates, we must constantly combat the misunderstanding of economic realities. You cannot spend your way out of debt and deficits, not even if you have the ability to print money. If that were possible, I'd be sitting in my office printing currency instead of writing proposals and Impact articles.

Your contribution to the Mackinac Center supports our educational efforts aimed at improving economic literacy. Our studies, briefs and periodicals reach thousands of mailboxes and our high school debate workshops teach the best and brightest students debate techniques and arguments from a free-market perspective.

Help us continue our important work by making a gift in 2007. You can contribute online via www.mackinac.org, by phone, by mail or, if you qualify, you can transfer up to \$100,000 from your traditional and Roth IRA to the Mackinac Center as The Pension Protection Act of 2006 allows.

Thanks to your support, we will continue to educate policymakers on the economic fundamentals they may have overlooked. **I**



Justin W. Marshall,
Director of
Advancement

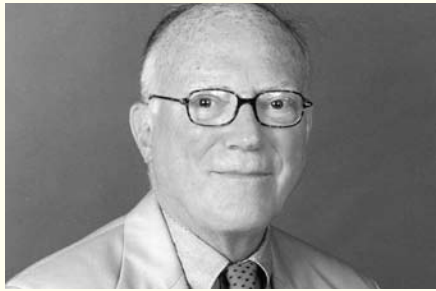
A “Pillar of Integrity”

John E. Riecker, the newest member of the Mackinac Center for Public Policy Board of Directors, has a reputation that precedes him — literally. The board room at the Center’s headquarters in Midland, Mich., was named for him and his wife, Margaret Ann (Ranny) in 2004.

Riecker has served on the Center’s Mid-Michigan Board of Advisors, while Ranny was a member of the Center’s founding board of directors.

“I’m very proud to be a new director, having served on the regional board,” Riecker said in late 2006 upon the announcement. “Both my wife and I have been supporters of the Center since it started. We’re both committed to the principles the Center supports, especially the stimulus to an entrepreneurial spirit.”

Riecker, 76, began his three-year



John E. Riecker

term on the 14-member board in February 2007. As a former military officer and practicing attorney for more than 50 years, Riecker brings experience, guidance and counsel that will be a tremendous addition to the board.

“John Riecker is a pillar of integrity, a strong believer in the principles of free enterprise, and a longtime adviser to both the Mackinac Center and to me,” Center President Lawrence W. Reed said. “We are honored by the wisdom

and commitment he brings to our board of directors. Our very board room is named for him and Ranny, who was one of our co-founders nearly 20 years ago.”

Riecker also has served as a trustee for Northwood University, Hillsdale College and Comerica Bank, as well as in leadership roles with several foundations.

In remarks at the 2004 dedication of the Riecker Board Room, Reed said, “what makes John and Ranny extra-special to the Mackinac Center family is how indispensably helpful they have been to our organization. Indeed, they are among a tiny handful of people it’s hard to imagine the Mackinac Center’s 16-year history without.”

Ranny, who served on the board of directors from 1987 to 1992, also helped chair the Center’s 1997 building campaign which produced a \$2.4 million headquarters. **I**

Lansing Businesswoman Receives Mackinac Center “Lives, Fortunes and Sacred Honor Award”

On Dec. 6, 2006, Mackinac Center Board members Joseph P. Maguire and Richard D. McClellan surprised East Lansing resident and businesswoman Nancy Kurdziel with the “Lives, Fortunes and Sacred Honor Award” for



Nancy Kurdziel displays the “Lives, Fortunes and Sacred Honor Award” she received for her stalwart defense of property rights. She is flanked by Center Senior Legal Analyst Patrick Wright (l) and Senior Environmental Policy Analyst Russ Harding. In 2006, all three were keynote speakers at property rights forums sponsored by the Center throughout the state.

her unwavering defense of property rights.

As the president of Prime Housing Group Inc. and joint owner of several East Lansing apartment buildings, Kurdziel challenged the city of East Lansing’s unfounded claim that the neighborhood encompassing her properties was “blighted.” Such a designation would have allowed the city to seize properties through eminent domain and transfer them to

private business interests.

At a lunch in her honor, the board presented Kurdziel with a plaque that states, in part: “Ms. Kurdziel’s pivotal testimony to state lawmakers set the stage for a voter-approved constitutional amendment that strengthened property rights for all Michigani-ans.

Her courageous defense of the right to own property safe from arbitrary government takings has left us a freer people.”

Maguire called Kurdziel a warrior.

“She had everything to lose standing up to the city and its abuses,” Maguire said. “But because she stood up, Michigan’s Constitution now protects us all from flagrant eminent domain abuse.”

Kurdziel, along with Mackinac Center Senior Legal Analyst Patrick J. Wright, provided valuable testimony to legislators that formed the basis for Proposal 4. The November 2006 ballot measure passed by an overwhelming 80-20 margin and prevents Michigan governments from pursuing Kelo-style takings of private property for the purpose of economic development.

In addition to Mackinac Center staff, the lunch was attended by representatives from The National Federation of Independent Business and members of Kurdziel’s family. Frank Webster, a 1998 “Lives, Fortunes and Sacred Honor Award” recipient, was also there to congratulate Kurdziel.

A portrait of Kurdziel and an inscribed plaque will hang at the Mackinac Center headquarters in Midland, Mich. She is the sixth person to receive the award since it was established in 1998. **I**

Biology Interrupted: Malthus, the Malthusian Trap and Prudential Restraint

At the beginning of “An Essay on the Principle of Population,” T. Robert Malthus argued that the power of the passion between the sexes is “indefinitely greater” than our productive capacity to feed ourselves. The conclusion to be drawn — the dreaded Malthusian trap — is that the growth of human population will eventually outstrip the limited resources we have available.

But Malthus himself had a different view. For him, the population principle provided an impetus to think about the rules by which we choose to organize society. In Malthus’ account, the power of human sexuality could be balanced by another human power — that of reason and foresight. People may, if circumstances are right, pause and ask themselves whether delaying marriage and having children later would be better than having them now. In short, biology could be interrupted by prudential restraint. Of course, you’re going to say few of us are that restrained! And Malthus agreed. Our prudential reasoning needs assistance — incentives, if you will. And those incentives are provided by society’s institutions and the rules by which we choose to live.

Malthus lived in a society whose rules he thought were imperfect in this regard. Great Britain had enshrined private property rights in the Magna Carta, but they largely protected the rights of large landowners, not the average citizen. The working class had few reasons to save because they had little prospect of acquiring property. The “parish laws,” remnants of feudal times, tied people to the place they were born, preventing the free operation of labor markets. And the church influenced people to marry early in order to escape those sins associated with the frustrated fulfillment of our sexuality. The imperfections of this English “constitution” — its set of fundamental rules — led to population growth without sufficient economic growth. The resulting poverty held the potential for starvation and disease: If our rules do not restrain us, Malthus said, nature will.

Thus, Malthus could understand how, after the French Revolution, William Godwin could call for a new English constitution that placed property in the hands of “the people,” prevented market transactions and eliminated the Church of England. A society of liberty, equality and communal benevolence would surely be better than what Great Britain offered. At least, that’s

what Malthus’ father, Daniel, argued to his son in 1798. Daniel thought that England could move toward such a world if it followed the path Godwin proposed in “Political Justice” (1793). But Robert could not quite agree. After they debated the issue, Robert wrote up his argument.

His essay is often understood as a defense of the existing property regime in England and an attack on the working class, who lack the will to restrain their sexual nature voluntarily. But such an interpretation overlooks Malthus’ concern about institutional design. Instead, Malthus argued that the occurrence of the natural consequences predicted by the population principle were the result of poorly designed societal institutions. Private property rights that extend to everyone, free labor markets and rules that ensure that both parents bear financial responsibility for their offspring are essential, he claimed, to a constitution that would find the right balance between the power of human sexuality and the prudential exercise of human reason.

Of course, private property rights and free markets are also essential to innovation and entrepreneurship; two things that, since Malthus’ time, have ensured that the growth in productive capacity around the world has outstripped the growth of population. Even in the poorest parts of the world, where property rights still need to be strengthened and markets are often restricted, production has grown at a rate faster than population.

So maybe Malthus was on to something.

Not that population will outrun the limits of our resources; in fact, he said that we can’t know what the limits of the productive capacity of the Earth are. But rather, that good institutional design — including property rights and free markets available to all — will provide incentives that ensure that the power of human sexuality will be counterbalanced by our desire to be economically secure tomorrow. **I**

This commentary is adapted from a Current Comment titled “Malthus, Mating and Money,” which was originally published Feb. 14, 2007 by Ross B. Emmett.

Mr. Emmett is co-director of The Michigan Center for Innovation and Economic Prosperity and an associate professor of political economy and political theory & constitutional democracy at Michigan State University’s James Madison College.

Center Snapshot



Mackinac Center Director of Campus Leadership Isaac Morehouse addresses the University of Michigan chapter of the Young Americans for Freedom. Morehouse is spearheading the Center’s new project, Students for a Free Economy, which will promote free-market principles on college campuses. SFE’s statewide launch is planned for August 2007.

Viewpoints

Stop Punishing Michigan Investors

January 2007 V2007-01

In order to improve the economy, Michigan desperately needs to attract entrepreneurs and business investors. Yet Lansing policymakers are looking for ways to reinvent a tax that targets these very people.

From Worst to First: The Best Business Tax is None

January 2007 V2007-02

Michigan's Single Business Tax, ranked the worst corporate tax in the nation, is entering its final year of existence. In light of the job creation and economic expansion experienced by states without corporate taxes, Michigan policymakers would do the state a favor if they fail to produce a replacement.

The People's Power: Defending Representative Government

January 2007 V2007-03

The Michigan Constitution places legislative authority solely in the hands of the people's elected representatives. Unfortunately, executive agencies like the Office of Financial and Insurance Services are increasingly challenging this separation of powers.

A Movie No One Should Miss

February 2007 V2007-04

For those who wonder if one person can truly make the world a better place, a new and inspiring film about the abolition of the British slave trade answers the question with a resounding "Yes."

Legislators: Listen to Detroit Parents

February 2007 V2007-05

By nearly every objective measure, the Detroit public school district is failing the children who attend its schools. The presence of charter schools has Detroit parents voting with their feet, but encountering state-imposed limits on the number of charter schools. The Legislature should lift the charter school cap, fostering competition and opportunity.

Doom for Whom?

February 2007 V2007-06

Whenever government budget cuts are suggested, politicians usually respond with dire predictions of misery and mayhem. In reality, there are ways to spend smarter and get more for less. It is high time elected officials streamline government, instead of asking families to sacrifice more.

Road Funding: Time for a New Direction

March 2007 V2007-07

The state of our roads impacts our economy. Congestion, disrepair, a shortage of lanes and flat revenues threaten to leave Michigan's hopes for recovery stranded by the wayside. But creative options for raising revenues are available.

Renaissance Center Brought No Renaissance

March 2007 V2007-08

The opening of the Renaissance Center was heralded as a harbinger of Detroit's renewal. Thirty years later, community leaders continue to look to flashy and expensive projects — instead of fundamental changes and hard choices — to bring about the city's revival.



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State of Michigan: Best-Run or Best-Protected

March 2007 V2007-09

Citing a budget crisis, the governor has proposed a new service excise tax of almost \$1.5 billion on Michiganders while ignoring savings within state government. For fiscal integrity to be restored, policymakers need to look at the best deal for all of Michigan's citizens, not just government employees.

Journals



MichiganScience

MS2007-01 \$3

Key stories: The current state of landfill operations in Michigan, how ballast water is treated, breakthroughs on a cervical cancer vaccine, a treatment that would be mandated for all young women in Michigan under proposed state legislation, and a look at middle and high school science fairs.

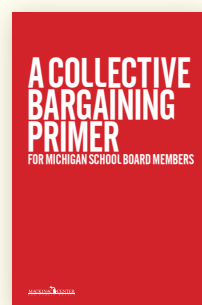


Michigan Education Report

MER2007-01 \$3

Key stories: Charter schools improve MEAP scores, thousands of students flee Detroit Public Schools, insurance pooling saves money, competitive contracting offsets school aid fund cuts and mounting benefits costs.

Studies & Reports



A Collective Bargaining Primer for Michigan School Board Members

S2007-01

This 108-page book explains the legal rights and responsibilities of school boards statewide as they pertain to collective bargaining, including the functions of various parties, strategies and challenges. It

also addresses strategies for contract preparation, and includes comments and observations from school board members, educators, administrators and bargainers.

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Let the (Cable) Competition Begin

No longer are Michigan consumers the captives of local cable TV monopolies. The Michigan Legislature on Dec. 12, 2006, eliminated municipal control of cable franchising in favor of a standardized statewide franchise under which competition in video services is expected to thrive. The work of Diane S. Katz, director of science, environment and technology policy, was crucial to the enactment of these reforms.

Local franchise regulation was largely fashioned in the 1960s and 1970s — the cyberspace equivalent of the Stone Age. But advances in technology have since made it possible for both cable firms and phone companies to provide voice, data and video services. Competition was inhibited, however, by the demands of municipalities that new service providers obtain a local franchise before launching services. Having to negotiate a franchise with hundreds of local governments presented newcomers with an insurmountable barrier to market entry.

Katz detailed the benefits of reform in her policy report “Assessing the Case for Cable Franchise Reform,” which garnered considerable public attention, as did her multiple appearances before both the House and Senate technology committees. The report examined the history of cable TV, market conditions for video

services, and the economic effects of municipal franchising. Her analysis found that cable rates across southeast Michigan increased, on average, by an annualized rate of nearly 38 percent above the annual inflation rate from 1991 to 2006.

Of particular importance was Katz’s contribution to dissolving the opposition to reform among cable firms. As initially formulated, the reform legislation would have required an incumbent cable operator to wait for its existing local franchise to expire before becoming eligible to operate under a state franchise. This constituted a so-called “uneven playing field.” But lawmakers amended the bills to free cable firms from existing local franchises by adopting Katz’s analysis of franchises as “instruments of regulation” undeserving of legal protection. According to Katz, “Franchise agreements, unlike contracts, do not involve a willing buyer and a willing seller. Therefore, it was perfectly appropriate for the Legislature — indeed incumbent upon lawmakers — to free the market from them.”

“The Center’s cable franchise study provided us with informative and neutral analysis that kept free-market objectives at the forefront of the legislative debate on video franchise reform,” said Rep. Jack Hoogendyk, sponsor of one of several cable franchise bills in the Legislature. **I**

