

The Magazine of the Mackinac Center for Public Policy MARCH/APRIL 2017

IMPACT

(NO) RIGHT TO WORK

How State Licensing Laws Cost
Michigan Jobs and Money

Page 10



DETROIT

CHILDREN'S BUSINESS

FAIR

Children's Business Fairs grant kids the opportunity to create a product, business model, marketing strategy and then sell a product to the public in a safe environment.

The **2nd Detroit Children's Business Fair** is coming up!

When: May 13, 2017
11:00 am to 1:00 pm

Where: The Streets of Old Detroit
The Detroit Historical Museum

Visit **DetroitChildrensBusinessFair.org** for more information and details.

MACKINAC CENTER
FOR PUBLIC POLICY



Junior
Achievement





Explore this issue

- 4

Creating the Future for 30 Years
- 5

Two Right-to-Work States in One Month!
- 7

School Money Primer Stands the Test of Time

Still referenced 10 years later
- 8

State Environmental Department Stiff-Arms Open Government, FOIA Law
- 9

Fueling our Economy by Digging with Spoons
- 10

(No) Right to Work

How state licensing laws cost Michigan jobs and money
- 12

Two Good Reasons to Stop Licensing
- 13

Bottlenecks

Lansing event discusses the problem with occupational licensing
- 15

National School Choice Week Shines Light On What's Right In Detroit

Families exercising choice sing its praises at January rally
- 16

New Report Card Can Make School Closing Decisions Better
- 17

Mackinac Work Covered by National, In-State Media Outlets
- 18

Closing Crime and Punishment's Revolving Door
- 19

Life and Liberty

Trust and Freedom: A Symbiotic Relationship
- 19

By the Numbers: Right-to-Work
- 20

The Two Goal Lead and Championship Teams



Blog

Keep up to date on the latest policy stories from Mackinac Center analysts.

Mackinac.org/blog

MichiganVotes

Want to know what your legislator (and others) have been voting for?

MichiganVotes.org helps keep Michigan politicians accountable to their constituents.

MichiganVotes.org

CapCon

Our flagship news source for the state of Michigan. Breaking news like never before.

MichCapCon.com

Databases

Labor contracts, superintendent salaries, school grading and more. Our online databases provide easy access to important information.

Mackinac.org/databases



WHAT FOLKS ARE SAYING
ABOUT THE MACKINAC CENTER

“I think the Mackinac Center’s top to bottom list is the fairest way to rank schools that I am aware of. I applaud the newspapers for publishing an article based on the Mackinac Center’s methodology.”

— Loren Vannest
Superintendent,
Hale Area Schools

KRISTIN ANDERSON RECOMMENDS “LEADERS EAT LAST” BY SIMON SINEK

Why do only a few people get to say “I love my job”? Imagine a world where almost everyone wakes up inspired to go to work, feels trusted and valued during the day, then returns home feeling fulfilled. In many successful organizations, great leaders create environments in which people naturally work together to do remarkable things.

Simon Sinek does not propose a new leadership theory or core principle; he has a much higher purpose. Sinek would like to make this world a better place for all of us. His vision is simple: Create a new generation of men and women who understand that an organization’s success or failure is based on excellent leadership and not managerial acumen. A true optimist, Sinek believes that leaders who are willing to “eat last” are rewarded with deeply loyal colleagues who will stop at nothing to advance their leader’s vision and their organization’s interests. I would highly recommend this book as food for thought!





Creating the Future for 30 Years

This year marks the 30th anniversary of the Mackinac Center for Public Policy's founding. Consider what the world was like in 1987: The Berlin Wall was standing, three networks dominated the news business and the Dow Jones closed above 2,500 for the first time. Extreme poverty stood at 37 percent of the world's population. (Now, it's below 10 percent.)

Since then, the Mackinac Center has shaped history in Michigan and beyond. Our research has contributed to the passage of much useful legislation, including one of the nation's first public charter school programs, right-to-work laws, tuition tax credits, privatization programs, major tax relief and education reform. Mackinac Center ideas now live on in the Michigan Constitution, state statutes and public opinion. We have given tens of thousands of employees the freedom to choose their union affiliation. Our experts trained more than 600 think tank executives from 47 countries; nearly 11,000 high school students participated in our debate workshops. Men and women who interned with us have gone on to careers in public service, writing, academia and think tank leadership.

Along the way, the Mackinac Center has reinvented itself repeatedly so that it continues to expand the opportunities for people to pursue happy lives.

The people of Michigan can thank the foresight of Mackinac Center founders — people like Richard McLellan and Joseph Olson — and with the encouragement of leaders like John Engler. These men understood a profound truth — ideas matter — and decided to establish a research institute that could argue for constitutional liberty and free markets.

Michigan's leaders in those days had a long-range vision; they understood that for the state to thrive, it would need strong institutions and a court system that embraced the rule of law. They knew the engine of prosperity in Michigan would be a strong market economy. Every successful endeavor requires the right people, and these leaders worked hard to find them.

This prescient vision has had profound results. Walk around Lansing today and

you'll find that scores of lawmakers, judges, agency heads, lawyers and advocates got their start during the Engler administration. Today's reality is the legacy of men and women who thought big thoughts 30 years ago.

The question is, who will do that today?

In politics, it is natural to consider the short term. We focus on the next task, the next bill, the next election. Legislative terms and political cycles produce nearsighted vision. Term limits, for all the good they do, erode some institutional memory and political wisdom. An ever-younger and ever-more-depleted news corps is less equipped to put the controversies of the day into historical context.

The Mackinac Center's role is to take the long view, pointing True North regardless of the undulations of political cycles.

Looking out at the next 30 years, if Michigan is a freer, more prosperous state, what will have happened?

Michigan will have created an environment to maximize human capital; this takes more than merely spending more on K-12 or higher education. The state also can eliminate obstacles to attracting talented people and entrepreneurs. The state's business environment will encourage innovation by leveling barriers to work and regulatory drags on productivity.

Additionally, state and local governments will have eliminated the long-term liabilities of unfunded pensions and retiree health costs. Political leaders will have abandoned the presumption that they can pick winning companies or industries to receive targeted favors. Compassionate safety nets will depend on civil society more than government programs. Education will look less like a factory assembly line and more like Pandora, Uber or Netflix — customized for the individual user.

The next 30 years will require vision, talent, new communications channels and courage. The Mackinac Center is well-prepared for the task. ■

Editor's Note: This piece originally mistakenly listed John Engler among the founders of the Mackinac Center.

MICHAEL J. REITZ

Board of Directors

- | | |
|--|---|
| Hon. Clifford W. Taylor,
Chairman
Retired Chief Justice,
Michigan Supreme Court | Edward C. Levy Jr.
President, Edw. C.
Levy Co. |
| Joseph G. Lehman, President
Mackinac Center for
Public Policy | Rodney M. Lockwood Jr.
President, Lockwood
Construction Company,
Inc. |
| Dulce M. Fuller
Owner, Woodward and
Maple | Joseph P. Maguire
President,
Wolverine Development
Corporation |
| Daniel J. Graf
Chief Investment Officer,
Amerisure Mutual
Holdings, Inc. | Richard D. McLellan
Attorney, McLellan Law
Offices |
| Richard G. Haworth
Chairman Emeritus,
Haworth, Inc. | D. Joseph Olson
Retired Senior Vice
President and General
Counsel, Amerisure
Companies |
| Kent B. Herrick
President and CEO,
Thermogy | |
| J.C. Huizenga
President, Westwater
Group | |

Board of Scholars

- | | |
|---|--|
| Dr. Donald Alexander
Western Michigan
University | David Littmann
Mackinac Center for
Public Policy |
| Dr. William Allen
Michigan State
University | Dr. Dale Matcheck
Northwood University |
| Dr. Thomas Bertonneau
SUNY - Oswego | Charles Meiser
Lake Superior
State University (ret.) |
| Dr. Brad Birzer
Hillsdale College | Dr. Glenn Moots
Northwood University |
| Dr. Peter Boettke
George Mason
University | Dr. George Nastas III
Marketing Consultants |
| Dr. Theodore Bolema
Mercatus Center | Dr. Todd Nesbit
Ohio State University |
| Dr. Michael Clark
Hillsdale College | Dr. John Pafford
Northwood University
(ret.) |
| Dr. Dan Crane
University of Michigan
Law School | Dr. Mark Perry
University of Michigan
- Flint |
| Dr. Chris Douglas
University of Michigan
- Flint | Lawrence W. Reed
Foundation for
Economic Education |
| Dr. Jefferson Edgens
University of Wyoming | Gregory Rehmke
Economic Thinking/
E Pluribus Unum Films |
| Dr. Ross Emmett
Michigan State
University | Dr. Steve Safranek
Private Sector
General Counsel |
| Dr. Sarah Estelle
Hope College | Dr. Howard Schwartz
Oakland University |
| Hugo Eyzaguirre
Northern Michigan
University | Dr. Martha Seger
Federal Reserve Board
(ret.) |
| Dr. David Felbeck
University of Michigan
(ret.) | James Sheehan
Deutsche Bank
Securities |
| Tawni Ferrarini
Northern Michigan
University | Rev. Robert Sirico
Acton Institute |
| Dr. Burton Folsom
Hillsdale College | Dr. Bradley Smith
Capital University Law
School |
| John Grether
Northwood University | Dr. Jason Taylor
Central Michigan
University |
| Dr. Michael Heberling
Baker College | Dr. John Taylor
Wayne State University |
| Dr. David Hebert
Troy University | Dr. Richard K. Vedder
Ohio University |
| Dr. Michael Hicks
Ball State University | Prof. Harry Veryser Jr.
University of Detroit
Mercy |
| Dr. Ormand Hook
Mecosta-Osceola ISD | John Walter Jr.
Dow Corning
Corporation (ret.) |
| Robert Hunter
Mackinac Center for
Public Policy | Dr. William T. Wilson
The Heritage Foundation |
| Prof. Harry Hutchinson
George Mason
University School of Law | Mike Winther
Institute for Principle
Studies |
| Dr. David Janda
Institute for Preventative
Sports Medicine | Dr. Gary Wolfram
Hillsdale College |
| Annette Kirk
Russell Kirk Center | |

140 West Main Street, P.O. Box 568
Midland, Michigan 48640
989-631-0900, Fax 989-631-0964
www.mackinac.org mcpp@mackinac.org

IMPACT is published six times a year by the Mackinac Center for Public Policy, a nonprofit, nonpartisan, tax-exempt research and educational institute classified under section 501(c)(3) of the IRS code.

GENEVA RUPPERT Editor
ILIA ANDERSON Designer

TWO RIGHT-TO-WORK STATES

IN ONE MONTH!

Both Kentucky and Missouri gave workers the freedom to choose at the start of 2017. In the first week of the year, Kentucky passed worker freedom, followed less than a month later by the Show-Me State.

Right-to-work simply means that unions cannot get workers fired for not paying them. Employees in 28 states now have this right, thanks to the law.

The Mackinac Center has been on the ground providing intellectual ammunition and messaging, and sharing the story of how Michigan became a worker-freedom state in 2012. Since that year, the Center has worked with local think tanks, elected officials, and grassroots groups in every state that has become right-to work.

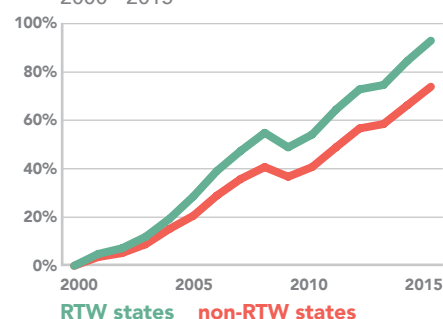
Jim Waters, president of the Bluegrass Institute for Public Policy Solutions in Kentucky, summarizes how Mackinac helped in his state. "The relevant and

consistently updated research provided by Mackinac Center Labor Policy Director Vincent Vernuccio and his team was critical to the success of our hard-fought effort to bring right-to-work to Kentucky. Their efforts mean more opportunities and a better future for our state and its citizens."

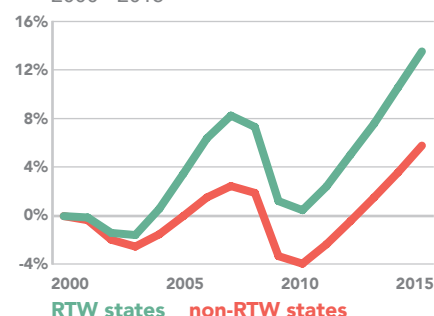
The Mackinac Center has been on the ground providing intellectual ammunition and messaging, and sharing the story of how Michigan became a worker-freedom state in 2012. Since that year, the Center has worked with local think tanks, elected officials, and grassroots groups in every state that has become right-to work.

In Missouri, the Center has been on the ground advancing worker freedom for years, starting when Vernuccio testified there in January 2014. Since then, Mackinac has published numerous op-eds in Missouri papers, met with lawmakers and worked with

PERSONAL INCOME GROWTH
2000 - 2015



PRIVATE EMPLOYMENT GROWTH
2000 - 2015



local grassroots groups. Vernuccio testified in both the State House and Senate in support of the bill that eventually passed.

Mackinac research compiled by Assistant Director of Fiscal Policy James Hohman was cited in recent and past debates.

Hohman used government data from the Census Bureau, the Department of Labor, and other agencies to show that right-to-work means more jobs, higher wages, a better economy and higher population growth.

Hohman’s research provided to lawmakers in Missouri, in conjunction with Vernuccio’s testimony, detailed how:

- Personal income in right-to-work states grew nearly 93 percent over 15 years, but only 74 percent in non-right-to-work states.
- Weekly earnings are up in states that have recently passed right-

to-work. They are up 14 percent, or \$102, in Indiana since 2012; 9.2 percent, or \$71, in Michigan since 2013; 2.9 percent, or \$23, in Wisconsin since 2015; and 1.5 percent, or \$11, in West Virginia since February 2016.

- Private-sector jobs in right-to-work states grew by 13.5 percent from 2000 to 2015. Other states saw less than half that growth, at only 5.8 percent.
- Seven of the 10 states with the most private-sector job growth since 2000 are right-to-work. Michigan’s unemployment rate was at 8.8 percent, or 45th worst in the country, before right-to-work. With right-to-work, its unemployment rate is 4.9 percent and Michigan ranks 28th nationally. After passing right-to-work, Indiana’s unemployment fell from 8.3 percent to 4.2 percent and

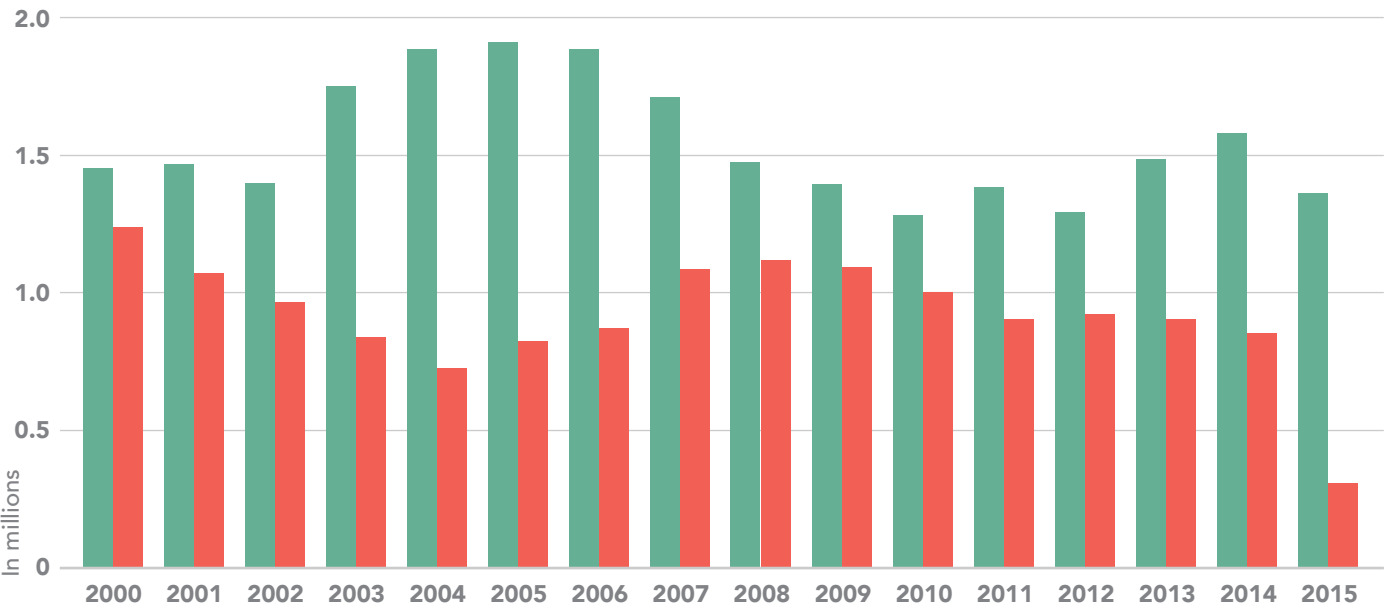
its national ranking improved from 34th to 17th.

- More people are moving to right-to-work states. Between 2000 and 2016, the population of right-to-work states grew by 23.6 percent, compared to only 10 percent in other states.
- In just one year, between July 2015 and July 2016, a net of nearly half a million Americans moved from non-right-to-work states to right-to-work states.

Since Michigan became a right-to-work state in 2012, the country has added about one state per year to the worker-freedom column. This is in contrast to the record before that of roughly once a decade. The fire of worker freedom is shining brightly, and it is spreading quickly across the nation. The Mackinac Center has been and will be there to make sure freedom continues to spread across the land. ■

POPULATION GROWTH 2000 - 2015

RTW states non-RTW states



A MICHIGAN SCHOOL MONEY PRIMER

FOR POLICYMAKERS, SCHOOL OFFICIALS,
MEDIA AND RESIDENTS

Ryan S. Olson and Michael D. LaFaive

MACKINAC CENTER

Check out the Mackinac Center's primer
online at mackinac.org/s2007-04

School Money Primer Stands the Test of Time

Still referenced 10 years later

In 2007, the Mackinac Center released its book on school finance in Michigan. Titled “A Michigan School Money Primer,” it’s used today as a basic guide for people interested in how schools are funded.

At the time of its release, the book traced \$19 billion in federal, state, local and intermediate school district revenues — \$12,000 per student — from the methods used to raise the money to the mechanics of spending it. Where does the money come from and when? How is it appropriated and distributed? How is the money spent by school districts? The book asks these broad questions and then answers them in detail.

The book is one of a kind. When it was published, no other primer had such detail, and it came with no specific policy recommendations. The Mackinac Center published it to be used solely as a guide for district officials and school board members, not as a platform for recommending a particular policy change. At 195 pages and with 600 reference footnotes and endnotes, it continues to be one of the largest, most comprehensive works we’ve ever produced. Moreover, the study emphasized the use of primary sources to a greater degree than perhaps any other study did to that date.

By primary sources, we mean that most assertions made in the primer can be traced back to the laws that mandates the funding formula, as well as other official documents. We did not rely on the interpretations of others. While that latter point is a hallmark of Mackinac Center scholarship today, it is perhaps no better illustrated than in this book. When we discuss millages for public recreational facilities, for example, it is only after reading and understanding the 1917 law that makes them possible.

The primary author of this book, Ryan Olson, is a classically trained scholar with a doctorate in classical studies and literature

from Oxford University. At the time, he was director of education policy with the Mackinac Center; today, he directs the Institute for Advanced Studies in Culture at the University of Virginia. Co-author Michael LaFaive was and remains director of the Morey Fiscal Policy Initiative for the Mackinac Center, where he continues to write on state budget topics.

The book was well-received. It drew praise from members of the press who write on school finance as well as school board members. Professors at Michigan colleges used it in their graduate-level classes. Olson spoke about the book at Michigan State University, Eastern Michigan University and the Michigan Negotiators Association.

The Mackinac Center’s current director of education policy, Ben DeGrow, still uses the book despite its age and dated figures. “Understanding the inner workings and idiosyncrasies of Michigan’s school finance system — like that of almost any other state — poses a daunting challenge,” he said.

“It may take prolonged and careful study,” DeGrow continued. “Being able to explain the funding puzzle in comprehensive fashion for legislators, superintendents and education reporters alike represents a remarkable feat. While policymaking never stands still, and certain details have changed, the primer largely has stood the test of time. The bright yellow copy is never far away from my desk, ready when I need to reference insights on anything from local taxing authority to state reimbursement formulas.”

Though it is 10 years old, “A Michigan School Money Primer” is arguably one of the Center’s masterpieces of research and writing. There was nothing like its deep and broad presentation on the school finance beforehand and we have yet to see its equal. ■

State Environmental Department Stiff-Arms Open Government, FOIA Law



Patrick J. Wright

Patrick Wright is vice president for legal affairs at the Mackinac Center.

Michigan's FOIA law states: "[A]ll persons ... are entitled to full and complete information regarding the affairs of government and the official acts of those who represent them as public officials and public employees, consistent with this act. The people shall be informed so that they may fully participate in the democratic process."

When the Michigan Department of Environmental Quality responded to the Mackinac Center's FOIA request for documents about the Flint water crisis with a long delay, it undermined this policy. We responded by suing the department, and Court of Claims Judge Cynthia Stephens rejected the MDEQ's attempt to dismiss the suit.

The matter began with a simple FOIA request filed on March 30, 2016. The Mackinac Center sought emails from two employees as well as the names of any employees transferred or reassigned due to the Flint water issues. On April 21, the Department of Environmental Quality said it would take 4 ½ hours to compile the data, which would cost us \$114.35. We sent a check for the full amount and the department cashed it on May 6, 2016. On June 21, the department released a number of emails on its website, but not all of the ones we requested. We filed suit on July 14 and received the documents we asked for on July 29, or 121 days after the request was initially filed.

The department then sought to dismiss the suit, arguing that because the Mackinac Center now had the documents, no suit was allowed. In a Dec. 28, 2016 opinion, the judge allowed the suit to continue. She noted the department "estimated that it would take approximately 4 ½ hours to produce the requested records. ... However, despite this relatively short time estimate, [DEQ] proceeded to give — and adhere to — a 6-day 'best efforts' estimate for producing the records."

Accountable government requires transparency, especially during times of crisis. While the department deserves most of the blame for delaying reasonable requests for information, the Legislature must take a portion too. When it amended the FOIA law in 2015, it did not set a firm time limit for agencies to deliver documents. Because it settled on a "reasonable" standard, citizens will often be forced to sue to get government officials to comply. But litigation is often costly and time consuming. The Mackinac Center brought this suit to highlight the problem and perhaps create a useful legal precedent. People and the press have a right to transparency even if it's inconvenient to the government agency receiving a FOIA request. The actions of the Department of Environmental Quality helped lead to a public health crisis. Its legal intransigence and foot-dragging do not help it regain trust and credibility with a public seeking to fully participate in the democratic process. ■



FUELING OUR ECONOMY BY DIGGING WITH SPOONS

There's an old story often attributed to the economist Milton Friedman that describes how he was taken to view a worksite during a 1960s-era visit to China. His hosts were eager to show the many laborers working to excavate a canal. But Friedman was more interested in the lack of modern machinery on the site.

He asked why they relied on human labor to do a job that would be more easily and quickly done with modern machinery. "This is a jobs program," came back the reply. Most of the workers would be unnecessary if the work was completed with machines.

Recognizing the inherent inefficiency of jobs for jobs' sake, Friedman responded that he had mistakenly thought they were building a canal. If they were only seeking to provide extended employment to many workers, he said, they would need even more if they handed out spoons for digging, rather than shovels.

This story came immediately to mind when I saw a congratulatory email sent out by solar energy industry supporters. The email gushed over a so-called boom in solar employment, and it included a graph showing numbers from the U.S. Department of Energy for employment in various sectors of the energy industry. In

2016, the email said, the U.S. solar industry employed 370,807 people. In comparison, fossil fuels employed a mere 187,117, wind energy employed 101,738, and nuclear rounded out the group with 68,176 employees.

**JASON
HAYES**

The solar numbers appear very impressive, and the Energy Department study

indicates solar workers make up a full 43 percent of the nation's electric power generation workforce. Numbers like this would seem to support the widely publicized notion that the renewable wave has washed over the nation.

But there is more to consider about the relative value of each of these solar jobs.

First, the numbers in the email only list workers involved in generating electric power, excluding those who produce fuels. When those numbers are taken into account, though, the fossil fuels and nuclear industry numbers go to 1,073,872 and 76,771 respectively.

Second, the idea of providing spoons to workers springs to mind again when we consider that, in 2015, numbers from the Energy Information Administration showed solar energy produced a mere 0.6 percent of the nation's electricity. That is, it took almost 400,000 workers to produce

0.6 percent of the electricity we need.

Compare solar power to fossil fuels, which generated over 66 percent of our electricity and employed roughly 1.1 million workers. Or compare them to nuclear, which produced 20 percent of our electricity and required 77,000 people.

Further compounding solar energy's extreme costs are the gratuitous government subsidies and special market protections it receives. The most recent Energy Information Administration numbers show that in 2013, solar energy received over \$5.3 billion in government aid. That came out to a subsidy of \$231 per megawatt-hour. In comparison, coal received about \$0.57 / MWh and natural gas received \$0.67 / MWh.

Reports of hundreds of thousands of new jobs created by an up-and-coming industry make for great headlines. But when you look at the real numbers, you're forced to ask serious questions. Where are the billions in tax dollars going? And why do our state and federal governments hand out metaphorical spoons to solar energy workers when other energy sources are doing the job far more effectively and efficiently? ■

Jason Hayes is director of environmental policy at the Mackinac Center.

(NO) RIGHT TO WORK

How state licensing laws cost Michigan jobs and money

JARRETT SKORUP

In an occupational licensure scheme, the government requires fees, coursework, training and exams before someone can legally perform a certain job. In Michigan, an estimated 21 percent of workers must hold such a license. By comparison, less than 1 percent of workers earn the minimum wage and only 15 percent belong to labor unions. In other words, state licensing has a larger effect

on Michigan than any other labor-related economic issue.

Nationally, licensing has grown dramatically. In 1950, less than 5 percent of workers were licensed; now about 30 percent are. Almost every state licenses doctors, lawyers, dentists, opticians and other technical and specialized occupations. Many of these requirements are similar across the states. But many states also require licenses for a range of other jobs, including auctioneers,

court clerks, fishermen, floor sanders, painters, interior designers and tree trimmers. For its part, Michigan licenses about 160 occupations.

Why does the state require occupational licenses? The chief argument is that doing so improves public health and safety. But for the vast majority of occupations the state licenses, there is very little evidence that this is true.

And licensing requirements are often inconsistent in their attempt to protect public safety. Consider the following. The mechanic who fixes the brakes on your car has to pass a single \$6 test to legally perform this work. In contrast, a builder who repairs the gutters on your house needs to take 60 hours of classes, pass a test and pay \$900 in fees.

Licensing laws are arbitrarily applied, both within Michigan and across the country. There is no consistent concern for public health and safety in the occupations that states license. For instance:

- In Michigan, people must take contracting classes and pay extra fees before they install wood floors (but not carpet or vinyl), pave concrete (but not asphalt), paint a wall (but not put up drywall), hang siding (but not erect a fence) or wreck a house (but not move one).
- Emergency medical technicians need 30 hours of training. Athletic trainers need 1,460 hours of classes and 25 hours a year of continuing education.
- Up until 2013, commercial airline pilots needed 250 hours of flight time. Michigan cosmetologists and funeral

directors, however, need 1,500 hours of education and training.

- South Dakota requires 490 days of education and experience, three exams, and minimum grade and age levels for cosmetologists, but Massachusetts requires only 233 days of education and experience and has no age or grade-level requirements.
- Barbers in Nevada need more than three years of school or training (890 days) and have to pass four exams; those in Wyoming need only six months of training and to pass just two exams.
- EMTs need 140 days of education and experience and have to pass two exams in Alaska but need no education or training to work in Washington, D.C.

The economic theory of public choice – “concentrated benefits and diffused costs” – helps explain how licensing laws come about. These laws create concentrated benefits (enjoyed by people who are licensed) and diffuse costs (paid by all consumers). So, the theory goes, this creates a special interest group that will promote and defend these concentrated benefits. But no organized group will oppose the laws, due to the nature of the costs. In other words, the people who benefit the most from these laws care far more about their existence than the rest of us since, individually, we are only minimally harmed (through higher prices).

Another economic theory that applies here is known as “regulatory capture.” In the words of economist George Stigler, who developed this concept, “We propose the general hypothesis: Every industry or

occupation that has enough political power to utilize the state will seek to control entry.” Once in place, these regulations are said to be “captured,” because they do not exist to benefit the public, but to benefit those who are regulated.

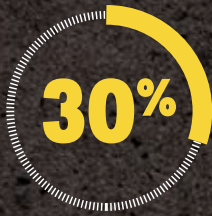
It is no wonder, therefore, that the people who most adamantly seek and support occupational licensing are the regulated practitioners. A federal government study from the 1960s noted, “Legislatures are being overrun by requests from private interests which beg for the licensing of their occupations.” The problem is the same today, with doctors protecting their licensing requirements, builders defending construction licenses and landscape architects arguing that licensure is the only way their business could function.

What does the economic research say? Well, it is virtually unanimous: State licensing causes less competition, worse service and increased prices – with no discernible public health and safety benefit. The laws are arbitrary, increase income inequality, influence where people choose to live, disproportionally harm lower-income Americans and prevent ex-offenders from rehabilitating back into society.

Morris Kleiner, one of the nation’s leading experts on occupational licensure, writes: “[L]icensing has had an important influence on wage determination, benefits, employment, and prices in ways that impose net costs on society with little improvement to service quality, health, and safety.” And a report from President Obama’s Council of Economic Advisers summarized the research well. “There is evidence,” it said, “that licensing requirements

State licensing hurts Michigan residents.

A study from Dr. Morris Kleiner of the University of Minnesota says that licensing laws in Michigan raise prices for consumers by up to 30 percent and cost Michigan 125,480 jobs. Citizens pay \$10.4 billion annually in higher prices, or about \$2,700 annually per household. And the state spends over \$150 million directly on licensing individual occupations with \$25 million coming out of the state’s general fund.



Raises prices for consumers by up to 30 percent

Michigan citizens pay **\$10.4 billion** annually in higher prices

-125,480 Michigan jobs

Michigan spends **\$150m+** directly on licensing individual occupations

raise the price of goods and services, restrict employment opportunities, and make it more difficult for workers to take their skills across state lines.”

Kleiner, along with Alan Krueger, estimated that the approximately 38 million licensed workers in the United States, with average annual earnings of \$41,000, cost the country 2.8 million jobs and \$203 billion in higher prices.

Kleiner estimates that in Michigan, licensing laws increase consumer prices by up to 30 percent, cost the state 125,480 jobs and means \$10.4 billion in higher prices — \$2,700 annually per family. And the state spends over \$150 million directly on licensing individual occupations, with \$25 million of that coming out of the state’s general fund.

The Declaration of Independence lists the “pursuit of happiness”

as one of Americans’ “inalienable rights.” For most, this includes the ability to pursue a vocation of their choice. But for too many people, the right to pursue their dreams has been halted by governments that require them to jump through hoops, pay fees and meet other often arbitrary occupational licensing requirements. ■

Jarrett Skorup is a policy analyst at the Mackinac Center.

CAUTION

CUIDADO

CAUTION

CUIDADO

CAUTION

TWO GOOD REASONS TO STOP LICENSING

KAHRYN RILEY

The Mackinac Center has been studying the number of people who move in and out of Michigan for a long time. But Center staffers have yet to observe an influx of refugees from the unregulated wildlands of Wisconsin, Indiana or Ohio, where governments have fewer restrictions on when people are legally allowed to perform certain jobs without licenses that Michigan requires.

But don’t assume that our laws make Michiganders safer. Although our state requires practitioners of roughly 160 professions to get the government’s permission to work, there is no evidence that these occupational licenses bolster public safety.

Under occupational licensing laws, certain professionals must get a government-issued license before working by undergoing a specific education or training and then paying a fee. Proponents of these laws argue that they protect consumers. The truth, though, is that these laws are typically enacted at the behest of special interest


groups that want to protect existing practitioners from competition.

Lawmakers rarely test the groups’ claims when passing new regulations. The result is that some people — especially those with low incomes and limited skills — are unnecessarily prevented from using their talents to make a living by barriers they can’t afford to overcome.

And it’s not just the poor who are disproportionately affected. Ex-offenders attempting to reenter the workforce may be summarily denied a license because of a criminal conviction, even if they have done time and paid their debt to society. So-called “good character” provisions in many licensing statutes prevent those with a conviction from ever receiving a license to work. This can happen even if the crime was nonviolent and unrelated to the job.

If policymakers want to do right by our most vulnerable populations and by businesses struggling to fill a talent gap, they should stop making it harder for people to work. ■

Kahryn Riley is a policy analyst at the Mackinac Center.



Dick Carpenter, director of strategic research at the Institute for Justice, discusses the history of America's problem with bottlenecks and solutions for dealing with them.

BOTTLE-NECKERS

Lansing event discusses the problem with occupational licensing

Licensing is a perennial headache for the liberty-minded. It is an insidious problem which sneaks up on a society and is difficult to root out. But why?

The book "Bottleneckers" by Dick Carpenter and William "Chip" Mellor, both of the Institute for Justice, answers that question, and was the topic of a recent Issues and Ideas forum.

Carpenter explained that "a bottleneck is someone who uses the power of the government to limit competition in the market and artificially boost their own profits." In other words, bottleneckers are groups and special interests that

attempt to limit the supply of people who can legally perform a certain job.

Some licenses make more sense than others. Even the most ardent adherents to limited government wouldn't argue for removing licensing requirements for doctors right away. But among commonly licensed professions you will find not just health care professionals. Athletic trainers, cosmetologists and barbers are all licensed in Michigan.

Superfluous licenses cause many problems, as Carpenter demonstrated. When it takes hundreds of hours of education to make a legal living styling hair or painting nails, prospective cosmetologists have three options. They can sacrifice income-producing time to pursue the educational requirements. They can skip the license and work illegally, which could lead to other problems, including tax fraud. Or they can look for a different occupation.

Whatever our prospective cosmetologists chose to do, the market

for that occupation is artificially restricted. Licensed cosmetologists charge more than market value for their services, but those services are not inherently better simply because they received the government's stamp of approval.

Indeed, licenses arise not from accidents or safety concerns brought up by average people, but from the licensed parties themselves, who argue that the lack of a license jeopardizes the health and safety of the public. This argument has been made for a variety of professions, from dentists to interior designers. Rarely can this assertion be backed up with facts, but it allows protected groups to push out competition in adjacent markets. Dentists go after teeth whitener kiosks in malls. Registered dietitians go after paleo diet bloggers. The list goes on.

Michigan should take a serious look at many of its occupational licenses. Doing so would be a boon for economic liberty and people looking for work. ■





National School Choice Week Shines Light On What's Right In Detroit

Families exercising choice sing its praises at January rally

Hundreds of children, families and educators filled the Charles H. Wright Museum of African American History in January. Their purpose: Celebrate the school choices they enjoy and raise awareness of the benefits of choice in hopes that other students may one day have those same opportunities.

The event was part of National School Choice Week, an annual celebration marked by over 21,000 events across the 50 states. In Detroit, students from public charter, online and private schools heard from fellow students and Dr. Steve Perry, founder of Connecticut's Capital Preparatory Magnet School and a leading school choice advocate.

"The parent and families know what's best for the student and what their needs are," said Emily Anne Gullickson, a representative from National School Choice Week. "What you really want is your student to be set up for success and have the best opportunity possible. We are here to celebrate whatever that right fit is that gives each child a great opportunity and an education."

For 11th-grader Charlena Wade, the mentorship and support offered at Cornerstone Health + Technology High School is proving to be the right fit.

"When I first started my ninth-grade year, my grades were terrible," Wade said, explaining that her 0.49 GPA in the first semester nearly forced her into an alternative high school.

Then, her Detroit charter school paired her with a mentor, and that changed everything.

"I ended my ninth grade with a 3.2," Wade said. Now, she maintains a 4.0 GPA, is a member of the National Honor Society and is preparing to study veterinary science and music when she gets to college.

Wade's was one of many comeback stories of children whose futures were bleak until they found a school that met their needs.

Perry called the act of bringing education to underprivileged minorities revolutionary and urged the audience to keep fighting for choice, lest a child's destiny be determined by ZIP code. ■

NEW REPORT CARD CAN MAKE SCHOOL CLOSING DECISIONS BETTER

Michigan students' academic achievement is lagging, and the number of students is declining. When a school repeatedly performs at the lowest level, its students need options for a better school. For that to happen, the state needs an accountability system that provides the most accurate picture possible and is clearly and consistently applied.

**BEN
DEGROW**

A good decision starts with good information; this is true for parents and for policymakers alike. Unfortunately, the state's current Top-to-Bottom rankings depend too much on raw achievement scores. The list, then, tells more about the effects of student poverty than true differences in school quality.

As the stakes that accompany these rankings have quickly grown higher, so has the interest in changing how they are compiled. The state of Michigan has never closed a traditional district school for poor performance, but that's almost certain to change this year. (Chronically failing charter schools shut down automatically under the law.) Some are happy to delay or water down accountability, while others just want to see it done better.

The Mackinac Center's Public High School Context and Performance Report Card emerged just as the debate on accountability began to heat up. Each year since 2012, the Center has published a report card for either high schools or elementary and middle schools. These report cards highlight the need for a new approach to evaluating schools. The grading formula generates a "CAP" score by comparing a school's actual performance on several years of state tests

to the results we might expect based on the share of low-income students enrolled.

Under this metric, many wealthier schools earn a C or lower for falling short of expectations. Our CAP scores can distinguish

schools with nearly identical and low poverty rates. For example, Goodrich High School in Genesee County earned a D on our new report card, compared with a solid A for Midland's H.H. Dow High School.

Though high-poverty schools may not have the best raw test scores, the ones that beat the odds typically rise to the top of the Center's list. Star International Academy, a Dearborn Heights charter school, has finished No. 1 on each of our three high school report cards.

Four out of five Star International juniors came from families poor enough to make them eligible for federal lunch subsidies. Yet they got the same test scores — or better — as their peers at numerous schools in wealthier communities.

Beating the odds of poverty isn't everything, especially at the high school level, where students are much closer to reaching the real world. There they will be judged far more on what they know and can do than on where they came from. But low-achieving schools that do a poor job of helping students grow should receive sanctions before high-poverty schools that

are making greater progress toward fixed academic goals.

On both elementary-school editions of the Center's report card, Detroit's high-poverty Thirkell Elementary earned an A for exceeding expectations. Yet it showed up on the state School Reform Office's January list of 38 chronically failing schools eligible for closure or overhaul. So did Kalamazoo's Washington Writers' Academy, which earned a solid C for a CAP grade.

In fairness, these schools are exceptions. All but six of the 38 also received a CAP score of an F, even after factoring in poverty rates.

The School Reform Office may, under the law, consider "unreasonable hardships" that students may face if their school gets

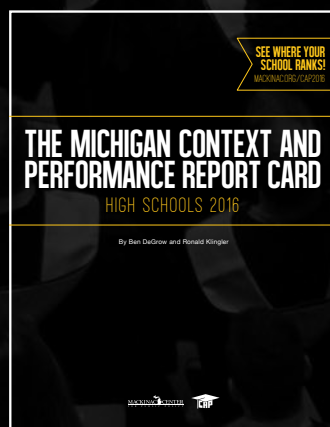
shut down. Namely, the state will seek to ensure there are enough seats available in other, nearby schools to serve those students. Officials may apply similar discretion to the few schools that beat the odds.

The SRO faces high-stakes decisions about closing schools and the Michigan Department of Education is updating its school ranking methods. The Legislature, meanwhile, is weighing

a possible overhaul of the state's current failing-schools law.

For all these important discussions, our new high school report card arrived just in time. ■

Ben DeGrow is director of education policy at the Mackinac Center.



Read the Mackinac Center's high school report card online at mackinac.org/s2017-01



Mackinac Work Covered by National, In-State Media Outlets



Chantal M. Lovell

Chantal Lovell is media relations manager at the Mackinac Center.

The Mackinac Center has already reached millions of people this year, thanks to hundreds of news articles citing its research; op-eds in some of the Beltway's most well-read outlets; and interviews aired by radio and television stations in Michigan and elsewhere.

Its first study of 2017 – the Michigan Public High School Context and Performance Report Card – received news coverage from local and statewide outlets, raising awareness of the need to reform how schools are graded.

Director of Education Policy Ben DeGrow explained in an op-ed for The Detroit News that accounting for both performance and poverty – as is done in the Center's report – provides an accurate picture of how schools are performing. The state's Top-to-Bottom rankings consider only performance, meaning schools that serve high populations of students in poverty – like many charters – could unfairly be slated for closure, as explained by CBS 5 (WNEM-TV). Saginaw's Arthur Hill High School, for one, might be closed even though its performance is average when students' socioeconomic status is considered.

Kentucky and Missouri media – along with national news outlets – turned to the Mackinac Center as each state considered and passed right-to-work legislation. Newspapers in both states and The Washington Times published opinion columns by Mackinac staff. The Wall Street Journal, The Huffington Post, NBC and numerous local news outlets quoted or cited Director of Labor Policy F. Vincent Vernuccio.

The Center also received national attention for its research on cigarette taxes and smuggling. The New York Post – published in the state with the highest taxes and smuggling rates in the country – wrote that while the legal paid sales of cigarettes may decline after a tax increase, only a small percentage is due to people kicking the habit. Michael LaFaive, study co-author and director of the Morey Fiscal Policy Initiative at the Center, explained in op-eds published by The Hill and elsewhere that this is because high taxes lead people to obtain cigarettes elsewhere, allowing them to avoid or evade the tax, rather than quit. Fox News, The Boston Globe, Washington Examiner and The Salt Lake Tribune are a few of the other outlets to cover the research.

In February, the Mackinac Center Legal Foundation received widespread media coverage, particularly in northern Michigan, when it resurrected its fight to protect free speech. The Traverse City Record-Eagle, Associated Press, Fox 17, Up North Live, 9 & 10 News and others told the story of David Gersenson. A lodging owner, Gersenson must pay a tax on each room he rents to fund a marketing campaign he doesn't want. The Center is representing him because it knows that forced speech subsidies violate a person's First Amendment rights.

Other outlets to cite or feature the Mackinac Center's work in the early weeks of 2017 include MLive, the Detroit Free Press, the Petoskey News-Review, WJR-AM, Bloomberg, NPR and many more. ■



Closing Crime and Punishment's Revolving Door

**KAHRYN
RILEY**

When the Mackinac Center for Public Policy launched its Criminal Justice

Policy Initiative in July 2016, stakeholders and lawmakers already agreed that reform was overdue.

In 2013, Gov. Rick Snyder, the Legislature, and the Supreme Court issued a joint invitation to the Council of State Governments to come study Michigan's criminal justice and corrections systems. The goal: Find recommendations about how to reinvest resources to save money and improve public safety.

The following year, the Michigan House of Representatives introduced a set of proposals based on the CSG findings. The proposed reforms included a controversial policy known as "presumptive parole," which would automatically grant parole to some prisoners who have served their minimum sentence. Debate on this policy stymied the passage of all but one reform to Michigan's criminal justice system — despite support for many of the ideas from the Mackinac Center and others — until 2017.

Finally, in early March of this year, the Michigan House of Representatives agreed to a set of sweeping Senate proposals designed to introduce some common sense into Michigan's criminal justice system.

As of this writing, the Senate approved the House's amendments and sent the 20 bills on to the governor for his signature, which he is expected to give.

This is an important and very promising development in criminal justice policy in Michigan. The bills include many commonsense measures to enhance public safety and save taxpayer dollars at the same

So these reforms are critically important. ... They will give us the means to close what has become for many a revolving door of crime and imprisonment.

time. They include directing the flow of state funds to probation and parole programs that rely on proven best practices, cutting off welfare benefits to people who abscond from parole and creating special rehabilitative plans for younger inmates. They also include requiring the state to collect data about the corrections system and establishing special problem-solving courts that will help parolees reenter society.

This is also an appropriate moment to reflect on why this work matters. Incarcerating

a citizen is the most powerful exercise of power that our state (having abolished the death penalty over 150 years ago) wields. Incarceration is also an incredible expense: We spend very nearly \$2 billion — a fifth of our general fund dollars — keeping 42,000 people behind bars each year. Finally, incarcerating someone, even for a few days, means they could incur consequences such as the loss of a job or housing and are cut off from family responsibilities and ties to the community. The individual repercussions are often devastating.

So these reforms are critically important. They reflect the growing awareness that involvement in the criminal justice system carries a stigma that can push entire communities to the fringes of society. They will give us the means to close what has become for many a revolving door of crime and imprisonment. They will give us the tools to gather data about our criminal justice and corrections systems and make clear-eyed adjustments where necessary. They will free us to reallocate tax dollars for crime prevention and successful offender reentry. And, if all goes well, they will be just the first step towards creating a modern, effective criminal justice system that makes Michigan a model for the entire nation. ■

Kahryn Riley is a policy analyst at the Mackinac Center.



Trust and Freedom: A Symbiotic Relationship

I value liberty and limited government because the more I have of each, the more flexibility I have to make the decisions that are right for me. And except in rare cases, each of us is the expert most qualified to make decisions for ourselves.

Unfortunately for those of us with grand opinions of our own wisdom (a group I must confess I belong to), this means that we must respect the decisions other people make, assuming they do not harm us. Even if we would have made a very different choice. Even if the choice is objectively bad.

Even if there are terrible consequences.

This is one of the most difficult parts of freedom. It applies to all of us equally and the results can be less than savory. Sometimes it is very hard, even gut-wrenching, to trust the people around us with the freedom we would like to have ourselves — can we really rely on them to make wise choices?

It is easy to judge people. I do it all the time. *Why is she spending her money on that? Why would he waste his time that way? Why on earth would anyone put that on the internet?* I probably have a better idea about what motivates these people than the bureaucrats enforcing one-size-fits-all rules, but that doesn't make me better equipped to make decisions for them.

I consider it a blessing to interact with so many people who have chosen very different paths in

life than I have so far. They offer unique insights and perspectives I might never have considered otherwise. Disagreement is valuable. Yet sometimes it feels like the bane of my existence.

It can be really hard to hear criticisms and judgments about the choices I have made. It seems crazy to me that the people voicing these opinions think they have a better idea of my bank balance, credit history, emotional stability, schedule or needs than I do. But how many times have I assumed I knew better and pushed my unwelcome opinions on my colleagues, friends and family just the same way?

My prudent financial decision might spell disaster for someone else, and the reverse is also true. So when someone gives me advice I can't accept, I try to trust that they have my best interests at heart, even if it's hard to see. And I try to grit my teeth when I'd rather use them to bite heads off, reminding myself that I still have my head, though I've probably said some things that would have warranted its loss.

Trust is a valuable resource. It forms the basis of all functional relationships. Trust takes effort and work and constant reminders to exercise, but it is the bedrock of a free society. And that society would be a little better off if we all made a conscious effort to employ it more as we consider the decisions that others make. ■

BY THE NUMBERS RIGHT-TO-WORK

52.0 percent

Percentage of the US population that lives in RTW states. With Kentucky and Missouri adding new laws, over half of Americans live in states where paying a union can not be a job requirement.

494,000

The number of people that moved from non-RTW states to RTW states. Opportunity is an important factor for why people move from one place to another.

2nd

Michigan had the second highest gains in per-capita personal income since passing its RTW law at the end of 2012. So much for "Right-to-Work for less."



The Two-Goal Lead and Championship Teams



**JIM
WALKER**

In his article for the January/February issue of IMPACT, Mackinac Center President Joseph Lehman wrote that the two-goal lead is the most dangerous lead in hockey.

His analogy of sports and politics made me

wonder: Do championship teams play differently, and what does the answer imply for political change?

An article from puckscene.com gives the answer I was expecting. Championship teams surrendered far fewer two-goal leads than the rest of the league. The Boston Bruins, Eastern Conference champs, and Vancouver Canucks, Western Conference champs, surrendered only 19.8 percent of two-goal leads. The league average,

meanwhile, was 39.5 percent. Perennial contenders, the Detroit Red Wings were also below the mean at 30.0 percent. Interestingly, these three teams all were very near the league average when playing with a one-goal lead. Seven teams, those not champion caliber, surrendered their two-goal lead at least 50 percent of the time.

Competing at a high level is exhausting. In professional sports, where talent is equitably distributed, it is often a team's ability to maintain focus and intensity that allows it to win. Champions know how to keep the intensity high when others would coast. Once momentum shifts, it is often too late.

And when it comes to calling for good public policy, let's not be caught off guard. Opponents of freedom are promising to take the fight to the states. Progressive fundraiser Roger Craver claims that, just as the Reagan era ushered in a

progressive spring, Trump's election will usher in a new progressive spring because "it's always more difficult to motivate ideological donors following a victory."

What Craver doesn't understand is that we learn from history. Moreover, Mackinac donors know that from another perspective, we're still playing from behind. Enemies of freedom and opportunity still control educational institutions, the news and entertainment media and — surprise — professional sports.

What do you think of the two-goal analogy? Do you see us playing with a two-goal lead or, alternately, mounting a comeback because of the left's control over other areas? Email your thoughts to me at jimwalker@mackinac.org. Either way, let's play like champions — and win. ■

Jim Walker is vice president for advancement at the Mackinac Center.