



An Anniversary All Michigan Citizens Can Celebrate

by Burton Folsom

Summary

Detroit's tricentennial is not the only major anniversary that Michigan citizens can celebrate this year. Exactly 150 years ago, in 1851, Michigan voters adopted a constitution that strictly limited government interference in the free market. The resulting boom in private enterprise helped make Detroit, and Michigan as a whole, an economic powerhouse.

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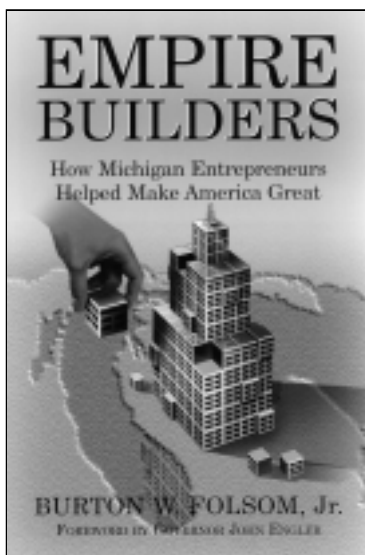
While residents of Detroit celebrate the Motor City's tricentennial this year, all of us as Michiganders can also celebrate an anniversary that in some ways may be even more important. Exactly 150 years ago, in 1851, Michigan voters decided upon a change of direction that made it possible for Detroit, and the state as a whole, to become an economic powerhouse.

Michigan's early history produced a disastrous experiment in government-run economy, followed by a new constitution that opened the door to a thriving free marketplace and the birth of world-class, private industries. It's a story worth retelling.

At age 26, Michigan's first governor and "Boy Wonder," Stevens T. Mason, was determined to get the state off to a fast start. To him, that meant an activist government, which would build and own railroads and canals and other "internal improvements" to promote economic growth. Mason and his allies risked millions in tax dollars and put the state deeply into debt to make it all happen.

Among the first projects was a canal from Clinton Township near Detroit to Kalamazoo 216 miles west. Gov. Mason broke ground in Mt. Clemens in 1838, and bands, parades, speeches, and a 13-gun salute commemorated the occasion. It became one of the worst engineering fiascos of Michigan history: The canal was built only 20 feet wide and four feet deep—too shallow for heavy freight and too narrow for easy passing. After five years and only 16 miles of digging, the unfinished canal had cost the state over \$350,000 and earned only \$90.32 in tolls.

State officials then abandoned the canal, focused on the railroads, and ended up losing even more money. The Michigan Central was to go from Detroit west through Ann Arbor, Jackson, and Kalamazoo and on to St. Joseph on Lake Michigan. Poor construction and management drained most of its revenues each year. The Central's thin strap iron rails were too fragile to carry heavy loads. Rather than switch to a better quality rail, the state chose to run regular heavy shipments over the inferior tracks and repair them frequently. Not only was this practice dangerous, it was more costly in the long run. The



The failure of early state-funded projects and the rise of great entrepreneurs like Ford, Dow, and Kellogg are chronicled in Dr. Folsom's book, "Empire Builders," available from the Mackinac Center.

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Central never made it past Kalamazoo and did not earn enough to pay for needed repairs and new rails to go farther west. A second railroad, the Michigan Southern, was a stunning failure. In eight years of state management, tracks were laid only from Monroe to Hillsdale (halfway to its intended destination), at a cost of more than \$1.2 million, with few customers to generate more than a trickle of revenue.

The state spent almost \$4 million on these three projects. It spent another \$70,000 surveying the Michigan Northern Railroad, from Port Huron to Lake Michigan, before abandoning it. It also spent \$47,000 clearing the route for a canal and turnpike near Saginaw, but quit the project and left the materials to rot or be stolen by local residents. Legislators lobbied for these projects to go through their towns, resulting in routes that often made political but not economic sense.

In his final address as governor, when Mason referred to the failed projects, he spoke of “that fatal policy” for which “a corrective should be applied.” As Thomas Cooley, Michigan’s most prominent lawyer at that time, wrote, “...the management of railroads was in its nature essentially a private business, and ought to be in the hands of individuals.” A corrective measure did come, but Mason never saw it. He died of scarlet fever at the age of 31 in January 1843.

It was left to Gov. Alpheus Felch, in 1846, to shed the state of its failed experiments. During his administration, all of the state’s railroads, canals, and other “internal improvements” were either abandoned entirely or sold to private enterprise, reaping the treasury about 55 cents on the dollar.

By an overwhelming vote of the citizens, a new Michigan Constitution took effect in 1851. It emphatically took the state out of economic development and gave wide berth to free markets and entrepreneurship. Industries then arose in lumber, copper, and furniture, which would open the door to a thriving trade in carriages. Later, Michigan—where government had failed in the transportation business—would become the world’s leader in the production of automobiles.

And now you know, as commentator Paul Harvey would say, “the rest of the story.”

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