

MEGA-Splash!

Few organizations receive a birthday celebration like the one Director of Fiscal Policy Michael D. LaFaive arranged for the state of Michigan's primary tax incentive program, known



Michigan House TV provided live coverage of Michael D. LaFaive's testimony to a Michigan House committee on the findings of the Center's study of the Michigan Economic Growth Authority.

as the Michigan Economic Growth Authority. On April 12, just six days before MEGA's 10th birthday, the Mackinac Center for Public Policy published a 121-page study by LaFaive and co-author Dr. Michael J. Hicks that scrutinized nearly every aspect of MEGA's existence — its track record, its public

claims, its economic effectiveness and even its *potential* for economic effectiveness. The impact has resounded in Lansing, with budget cuts and major staff changes now in the air.

The study's success was no fluke. LaFaive began planning his research and education campaign last November. LaFaive knew that in addition to MEGA's approaching birthday, three factors would help create interest in his findings: MEGA's largely unknown list of selective business tax credits begged for review; the authority's activities had been carefully tracked by the Center since the program's inception; and MEGA had often made dubious claims about its effectiveness and about Michigan's economic progress.

Still, to ensure the project's success, LaFaive charted a research schedule that included the publication of several key commentaries prior to the release of the study in order to alert opinion leaders to its findings. This brilliantly orchestrated campaign ensured that LaFaive and Hicks' thorough and rigorous study became the culmination of a strategy that raised awareness about MEGA's performance long before the report was released.

"When we looked at Mike's plans, we realized we had an ambitious and well-conceived project see "MEGA-Splash!," Page 4

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Mapping a State of Freedom

On Jan. 31, Mackinac Center President Lawrence W. Reed rose to the podium at the Anderson House Office Building in Lansing and launched a new era in the Center's policy communications strategy. Speaking just eight days before Gov. Jennifer Granholm's State of the State address, Reed delivered his own wide-ranging and carefully researched assessment of the state of the state to a packed room of more than 100 policymakers, opinion leaders, reporters and Mackinac Center supporters. This integrated state policy agenda has proved a singular success, providing a stable platform for the Center's policy work throughout the year, even as the themes of Reed's message have echoed through the chambers of the state Capitol.

Reed's topics that day were fundamental. He highlighted the many measures of Michigan's sur-

prisingly weak economy and then laid out a clear road map of tax cuts, deregulation and education spending reforms to address the negative effects of state policy on the state's economy. He also offered a succinct metaphor to summarize the state's economic decline and to press upon policymakers the inescapable need for a fundamental course correction: "Michigan," he said, "is at a crossroads."

REACHING "THE CROSSROADS"

It was a theme the Mackinac Center had already thrust into the policy debate. In January, the Center had distributed to state policymakers and media outlets a Viewpoint by Legislative Analyst Jack McHugh titled "Michigan at the Crossroads," and see "Freedom," Page 8

State Policy, Federal Policy and Human Capital



Joseph G. Lehman
Executive
Vice President

“Human capital” is one reason state policy might be even more important to our lives than federal policy. Economist Gary Becker, a Nobel Memorial Prize winner, calls human capital the most important form of wealth in the United States, and the Milken Institute estimates its value at \$900 trillion. A look at what comprises human capital suggests a fascinating question: Which policies have a greater impact on human capital — national, or state and local?

No doubt this question will be the future Ph.D. dissertation or Nobel nomination of a Mackinac Center intern. But until then, let's look at what we know.

According to Becker, human capital is comprised mainly of training, health and education. He sees employers as the source of most training, while government is more involved in health and education.

Workplace training, though relatively free of government interference, is probably affected more by state policies than federal. By this, I don't mean state job-training programs; I'm talking about employment law, including at-will employment, training regulation, safety regulation and dozens of related elements.

Health care may be influenced more by federal policies than state. But state discretion on Medicaid spending is huge, and insurance — perhaps the biggest health care factor for most — is largely state-regulated. States also oversee doctors, and hospitals are constrained by certificates-of-need and myriad other state rules.

State spending on education dwarfs the \$56 billion federal Department of Education budget. Education is one area where federalism — distinct spheres of state authority without federal interference — has been somewhat preserved. When it comes to influencing education policy, the action is at the state level.

There is a serious underinvestment in state policy reform.

If we don't get education right, it might not matter what else we do. That alone justifies a big investment in reforming state policies.

Of course, good policy at the state level doesn't protect only human capital. When the U.S. Supreme Court ruled this summer that government can transfer your home to another owner who promises to generate higher tax revenues, the battle to protect property rights instantly shifted to the 50 states — many of which, including Michigan, have stronger protections than the federal government now grants.

When prospective employees or Mackinac Center contributors tell me they want to focus more on Washington, D.C., I love to explain how they can make a bigger difference by leveraging their work, or support, through the states. In fact, there is a serious underinvestment in state policy reform. Fortunately, this underinvestment occurs on all sides of the policy debate, creating massive opportunities for the Mackinac Center to influence state policy in the right direction.

Human capital is difficult to measure. Nevertheless, it is immensely important, and it may well be affected more by state policy than by federal policy. This tells us that advocates of liberty should put their best people and their best resources principally at the state level, where they will have the most influence — particularly on our most important asset, human capital.

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Mackinac Center IMPACT is a quarterly publication of the Mackinac Center for Public Policy, a nonprofit, nonpartisan, tax-exempt research and educational organization classified under section 501(c)(3) of the IRS code.

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A Contested Water Legacy



Russ Harding

When Gov. Jennifer Granholm proposed last year that Michigan businesses, farms and citizens be required to obtain permits for larger volumes of groundwater use, she clearly intended her plan to be historic and compelling — so much so that she named it the “Water Legacy Act,” as if it were already law. More than a year later, it still isn’t, due in no small part to the educational efforts of Senior Environmental Policy Analyst Russ Harding.

After Gov. Granholm made her announcement, Harding, a former director of the Michigan Department of Environmental Quality, was well-positioned to provide an informed review. His subsequent study of the governor’s plan led him to conclude that it was environmentally unjustified, but leaders in the Legislature were suggesting the bill might pass.

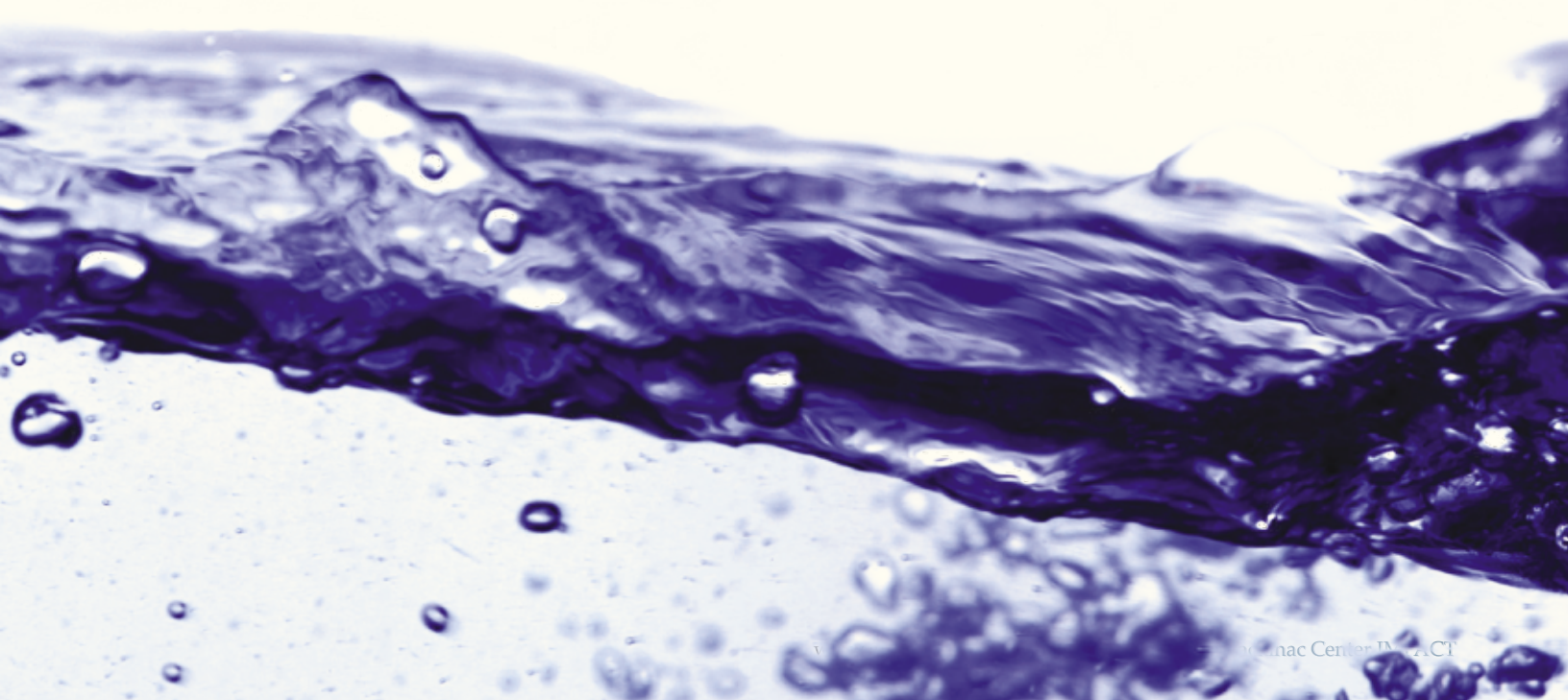
On May 11 of last year, The Detroit Free Press published an Op-Ed by Harding that directly questioned the proposal, describing “negative economic consequences” and “overbroad regulatory power,” while concluding, “Lacking any evidence that supplies of Michigan groundwater are in jeopardy, the imposition of a costly job-killing new regulatory bureaucracy is unjustified.” Harding subsequently received requests for briefings on the plan from members of the Legislature, and he discussed it with the chairs of the House and Senate environmental committees, several members of the committees, and House and Senate policy staff.

The Michigan Information Research Service also published its interview with Harding in August 2004, giving his groundwater comments an even higher profile in Lansing. The following February, Harding repeated them to a joint meeting of the Michigan House Commerce Com-

mittee and the Michigan House Committee on Natural Resources, Land Use and Environment. His research culminated in April 2005 with a 27-page Mackinac Center Policy Study, “Groundwater Regulation: An Assessment.” The study compared the regulatory regimes throughout the Great Lakes region and showed that the proposed Water Legacy Act was far more stringent than regulations in neighboring states — a rebuttal of the governor’s repeated claim that Michigan lags other states in protecting groundwater.

Following the study’s release, Harding joined Communications Director Christopher F. Bachelder for a round robin of Michigan newspaper editorial boards, including the Detroit Free Press, The Oakland Press, The Grand Rapids Press and a series of medium-size newspapers. Harding also briefed the Michigan Chamber of Commerce and the Michigan Manufacturers Association on his conclusions, and the chamber subsequently published a groundwater article by Harding as the cover story of the July/August 2005 Michigan Forward, the chamber’s statewide magazine. The Detroit News published a letter from Harding observing that, “The permit requirements proposed in Gov. Jennifer Granholm’s Water Legacy Act are not the norm,” and that, “Michigan is blessed with abundant groundwater.”

With the bill currently stalled in the Legislature, Harding reflects, “The Center was really able to fill a niche with this particular issue. A couple organizations calculated the cost of the regulations, but we went out and looked at what was actually happening in the Great Lakes and in the regulations of other states. When it became clear that there were no benefits to the Water Legacy Act, people who had been concerned about the costs turned against it.” I



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on our hands,” says Christopher F. Bachelder, the Center’s director of communications. “So we put everything we had into making it work.”

So did LaFaive, contacting co-author Hicks to develop an econometric model for determining MEGA’s economic impact; mobilizing interns to comb the Center’s historical files on the program; submitting Freedom of Information Act requests to the agency to ensure he had a complete and unassailable record of MEGA’s projects; and writing relentlessly as information was made available to him.

TURNING OBSTACLES INTO OPPORTUNITIES

Unfortunately, state officials’ response to LaFaive’s months of FOIA requests was grudging and unsatisfactory, as if the agency were complying with the law through a hostile game of “Simon Says.” It was then that LaFaive decided to make the first of his pre-release publications a detailed open letter to Midland state Rep. John Moolenar concerning the difficulties he had experienced in receiving information from the authority.

The letter was published under the title “Job Search” on the Center’s Web site on March 1, a week before the state House Commerce Committee was scheduled to hear testimony about economic development from the Michigan Economic Development Corporation, the state agency that oversees the authority. Rep. Moolenar’s office informed LaFaive that the committee had been made aware of the problem; at the same time, Web traffic on “Job Search” shot up to three times the rate for most new publications. “We began to wonder if the entire staff of the MEDC was logging on to read what questions they might have to answer at the hearing,” says Bachelder.

When the House committee convened, MEDC President Don Jakeway appeared with the agency’s lawyer, and following the scheduled testimony, a committee member asked if MEDC officials would be complying with the Mackinac Center’s FOIA requests. Jakeway answered that they would — and from then on, the MEDC was more forthcoming.

ADJUSTED SITES

After all, Jakeway had just been able to trumpet to the committee an annual ranking by Site Selection magazine that suggested Michigan had hosted the second highest number of new and expanded business facilities in the nation in 2004. But LaFaive had anticipated the magazine’s announcement, and the following day, the Center posted a methodical and withering analysis of the reliability of the magazine’s rankings. In particular, LaFaive noted that the magazine had been praising Michi-

gan’s supposed business development for years, even as Michigan’s economy had remained one of the worst in the nation. The Michigan Information and Research Service summarized LaFaive’s comments, giving them a high profile in Lansing. In the end, state media gave very little coverage to the magazine’s findings, and Gov. Jennifer Granholm later chastised reporters for failing to cover the magazine’s announcement.

THE IDES OF MARCH

LaFaive had also been busy with the data he’d been amassing through his FOIA requests. Armed with basic but thorough calculations, he penned an Op-Ed for The Detroit Free Press that exposed MEGA’s unimpressive track record in creating new jobs, including the revelation that the authority had directly produced just 38 percent of the jobs it had predicted for its projects through 2005. The piece, published on March 15, was particularly well-timed, since it appeared on the day that MEGA’s board of directors met, and it highlighted in excruciating detail the recent, high-profile financial woes of Tower Automotive and Kmart Corp., two previous recipients of MEGA tax credits.

Shortly after the piece appeared in the Free Press, the Center published it to the Web and appended LaFaive’s detailed discussion of his method — a document LaFaive had prepared to pre-empt any attempt by MEGA officials to dispute his figures by taking advantage of occasional ambiguities that the authority had itself created through its obscure language and foot-dragging. Ultimately, MEGA never questioned his calculations, which were all based on (theoretically) available public information.

HOUSE WARMING

Less than a month later, on April 12, the Center posted the 121-page study “MEGA: A Retrospective Assessment” to its Web site. A news release was e-mailed and faxed to media outlets across the state, announcing, “Extensive Study of Michigan Economic Growth Authority Finds Weak



An eight-page executive summary (left) of “MEGA: A Retrospective Assessment” (right) has provided policymakers and the media with easy access to the major findings of this blockbuster study.

Following the study’s release, the MEDC was defensive, with officials simply asserting that ending MEGA would be “unilateral disarmament,” since other states had similar programs.

Track Record and No Significant Economic Effects: Approaching authority's 10th birthday, economic model finds no net state- or county-level impact; authors question MEGA job figures."

The barrage of calls that followed in the next 30 days, says LaFaive, "was larger than that for any other document I've produced at the Mackinac Center." Coverage came from such major outlets as The Detroit Free Press, Detroit's WJR radio, Michigan Talk Radio, Crain's Detroit Business, The Oakland Press, Gongwer News Service and Michigan Information & Research Service. The MEDC, in response, was defensive, with officials simply asserting that ending MEGA would be "unilateral disarmament," since other states had similar programs.

Research Service reported one of Brandenburg's particularly pungent queries to MEDC officials:

"Our credit rating has been dropped. Our unemployment rate is at 7 percent. That is the highest in the continental United States. ... We have spent money competing with other states. We have spent money on your budget. One out of every 10 people in your organization has the title of vice president or higher. How can I, in good faith, justify your existence to the taxpayers of this state?"

On April 24, LaFaive and Hicks kept up the pressure with publication of an Op-Ed in the Lansing State Journal summarizing the study.

"MEGA: An Assessment" was clearly on the map, and when Republican legislators caucused at the Michigan Chamber of Commerce on May 31 — a period when budget policies were being settled — one lawmaker handed out a multi-page summary of the study to everyone present.

NEW ATMOSPHERE, NEW PRESSURE

By June, changes were in the wind. Don Jakeway, the president and CEO of the MEDC, retained his job at the corporation, but was stripped of his title when Gov. Granholm appointed someone new to the post. The proposed House budget included a 6.4 percent decrease in the MEDC's budget, and Rep. Brandenburg repeated his criticisms of MEGA to the media, stating in a House Republican news release:

"MEDC testified before (our) committee that they account for three-tenths of one percent of the growth for the state. They're getting Super Bowl salaries and coming in last place."

When the House passed its budget in July, the MEDC was threatened with a \$7.5 million budget cut, which equals 14 percent of the agency's General Fund allocation from the year before. The authority estimates it would have to eliminate between 50 and 80 staff if the cut becomes law.

LaFaive remains steadfast, and his research continues. "MEGA has long made questionable claims about its impact on Michigan's economy," he notes, "and in fairness to taxpayers — most of whom will never receive a MEGA tax credit — we had to look at the program's effectiveness." That "look" has put MEGA in the position of justifying its use of tax dollars and its very existence — right where the burden of proof belongs. **I**



Henry Payne

The study's momentum continued to build. The Michigan House Commerce Committee invited LaFaive to testify at its meeting on Tuesday, April 19, and his presentation to the committee was aired live on Michigan House TV.

The day after LaFaive's appearance, MEDC officials appeared at a hearing of the House Appropriations Subcommittee on Economic Development, and they were grilled remorselessly by Rep. Jack Brandenburg, chairman of the subcommittee. Brandenburg, described by Gongwer News Service as "the leading legislator in the House on funding for the Michigan Economic Development Corporation," mentioned Mackinac Center findings, added a number of charges about the MEDC's top-heavy organization and suggested to Gongwer that when it came to MEDC appropriations, "I don't think anything is guaranteed around here." The Michigan Information &

Mackinac Center Telecom Research Goes Long-Distance

For the past two years, Diane S. Katz, the Center's director of science, environment and technology policy, has led our drive to place Michigan at the leading edge of the Electronic Revolution. But her work for the Center has also "gone national" — delivering multistate impact in advancing a free and vibrant telecommunications market.

TEXAS

In January, for instance, the Texas Public Policy Foundation published Katz's modified version of "A Telecommunications Policy Primer: 20 Comprehensive Answers to 20 Basic Questions." The Texas study contained much from the original telecom primer that Katz authored for the Center last August, but also included original research in which Katz addressed policy issues particular to Texas. The state now faces an ideal opportunity for deregulation, given this year's sunset of the state's telecom regulatory body, the Texas Public Utilities Commission.

The Texas primer immediately gained the attention of the state's policy-makers when it was released in late January at the TPPF's Third Annual Policy Orientation for the Texas Legislature — a major two-day seminar that included addresses by Texas' governor and lieutenant governor. Katz also spoke and answered questions at the gathering as part of the telecommunications policy panel, "New Telecom Technologies, Old Regulations." One of her co-panelists, Texas Rep. Phil King, the recent chairman of the Regulated Industries Committee of the Texas House of Representatives, later wrote Katz praising her as a "telecom goddess."

INDIANA, WISCONSIN AND SOUTH CAROLINA

January brought further out-of-state impact from the Mackinac Center with the publication of a special "telecommunications" edition of the Indiana Policy Review. Katz guest-edited the issue, commissioning and editing seven original articles from policy specialists in Indiana and elsewhere, while excerpting two articles from the "Telecommunications Primer," writing two original pieces on telecommunications competition, and summarizing a telecom policy survey of Indiana legislative candidates. Following the completion of this high-profile publication, Katz helped the Indiana Policy Review Foundation organize a telecommunications forum for Indiana legislators in Indianapolis, where she also appeared as a guest speaker.

And the influence of the Center's telecom primer is about to expand elsewhere. State-specific versions of the "Telecommunications Primer," researched and written by Katz, will enter the policy debate later this year in both Wisconsin and South Carolina.

CALIFORNIA

The Center's December 2003 study "Crossed Lines: Regulatory Missteps in Telecom Policy" has also leapt beyond Michigan's borders. Co-written by Katz and Mackinac Center Adjunct Scholar Theodore R. Bolema, a lawyer and assistant professor at Central Michigan University, the study was adapted for California by Sonia Arrison and Vince Vasquez at the Pacific Research Institute, a non-profit free-market think tank in San Francisco. PRI released the "California Edition" of the study on February 17, and several days later, Arrison served as keynote speaker at the annual meeting of the California Telephone Association.

LANDING A DEREGULATORY "ARMEY" IN MICHIGAN

The proliferation of the Center's telecom publications outside the state's borders has produced, in turn, synergies for Michigan. The state confronts a strategic opportunity for free-market telecom reform later this year with the scheduled sunset of the Michigan Telecommunications Act on Dec. 31. Looking to energize state lawmakers on telecom issues, Katz arranged a Michigan visit by former U.S. House Majority Leader Dick Armey, an ardent advocate of telecom deregulation.



Former U.S. House Majority Leader Dick Armey

Thus did Armey become the featured speaker at a May 24 Mackinac Center luncheon in Lansing. State policymakers, legislative staff and key opinion leaders listened as Armey stressed the harm government telecom regulation does to consumers and the way it has helped strangle U.S. jobs and investment. They also heard him describe the enormous worldwide electronic revolution and offer blunt advice on state telecom policy: Either change, or "get left behind."

With the Center helping create pressure for telecom reform in states across the nation, that advice is truer than ever. **I**

Defending Economic Freedoms and Exploding Economic Myths

THE WALL STREET JOURNAL

The Washington Times

The Grand Rapids Press

THE OAKLAND PRESS



Lansing State Journal

Detroit Free Press

- In June, **The Detroit Free Press**, **The Oakland Press** and **Crain's Detroit Business** cited the views of Senior Legal Analyst Patrick J. Wright on the U.S. Supreme Court's decision in *Kelo v. New London*. Wright lashed the court for gutting a constitutional provision that permits government takings of private property only for a "public use." (See related story on Page 13.)
- In a March **Washington Times** Op-Ed, Senior Environmental Policy Analyst Russ Harding chronicled the absurdity of the U.S. government's prosecution of John Rapanos, a Bay County resident who had moved sand on personal property dubiously deemed "wetlands." The next day, U.S. District Court Judge Lawrence Zatkoff rejected a government request to sentence Rapanos to prison.
- Diane S. Katz, director of science, environment and technology policy, published an essay in **The Oakland Press** in March alerting citizens to the tremendous investment opportunities that would be created in the state if the Michigan Legislature uses the expiration of a major telecommunications statute to deregulate telecom.
- In an April **Lansing State Journal** commentary, Legislative Analyst Jack McHugh explained how proponents of reducing the state's Single Business Tax could borrow from the playbook of the legislators who crafted Proposal A of 1994. (See "First Steps: Taxing and Spending," on Page 8.)
- **USA Today** featured a May Op-Ed by Adjunct Scholar Dr. Mark J. Perry showing that U.S. gas prices, when adjusted for inflation, were well below peak levels.
- SET Director Diane S. Katz's January Op-Ed in the **Lansing State Journal** took the state of Michigan to task for selling a tract of land to the Toyota Motor Company at a price \$16 million below what was offered by a competitive bidder. The transaction, made possible by special legislation, has been challenged in court.
- Senior Fellow in Education Policy Andrew J. Coulson authored a May column for California's **Orange County Register** arguing that Americans think more highly of their local schools than of the nation's schools because they actually know *less* about the quality of local education.
- **The Oakland Press** published a February editorial that drew on Senior Economist David L. Littmann's review of "The Price of Government," a tome that has figured prominently in state budget debates. Littmann observed that the book's policies were simi-

lar to past initiatives that failed to achieve meaningful reform.

- In a letter to **The Wall Street Journal** published in March, the National Taxpayers Union's Paul J. Gessing cited Mackinac Center research on the jobs destroyed by postponing tax reduction. The letter responded to a Journal editorial criticizing Gov. Granholm's tax policies.
- Mackinac Center privatization research was cited in various media reports, including a June article by the Denver **Rocky Mountain News** and an April report on Grand Rapids' **WOOD-TV** regarding the Grand Rapids Public School District's decision to outsource its bus services.

Director of Fiscal Policy Michael D. LaFaive demonstrated that it is possible to generate a wave of media coverage with a 121-page "academic" study replete with econometric, historical and policy analysis. "MEGA: An Assessment," a review of the Michigan Economic Growth Authority that LaFaive co-authored with Dr. Michael Hicks, produced this media interest from a standing start, with help only from several of LaFaive and Hicks' related newspaper and Web commentaries. (See related story on Page 1.) Highlights included the following:

- LaFaive's Op-Ed in March in **The Detroit Free Press** discussing the troubles of two major MEGA grant recipients and MEGA's poor track record.
- Major news articles upon the study's release in the April 13 **Detroit Free Press**, the April 15 **MIRS** Capitol Capsule and the April 12 **Gongwer Michigan Report**.
- An April 18 **Oakland Press** editorial that reviewed the study's results and wrote of MEGA, "It's been a fool's game."
- Two news features on **WOOD-TV** in Grand Rapids, with the first covering the report's findings, and the second covering local angles on MEGA.
- An Op-Ed in the **Lansing State Journal** by LaFaive and Hicks detailing the failure of MEGA grants to generate state- or county-level impact on income growth, job growth or unemployment.

- Adjunct Scholar Dr. Gary L. Wolfram co-authored a July **Wall Street Journal** Op-Ed that criticized Gov. Granholm's fiscal proposals and listed tax cuts that would improve Michigan's economy. The governor angrily labeled the piece "treasonous" to Michigan, prompting statewide editorial criticism of her outburst and calling further attention to Wolfram's recommendations. (See related story on Page 16.)
- Director of Education Policy Ryan S. Olson published an August Op-Ed in **The Grand Rapids Press** criticizing the lawsuit the Michigan Education Association has filed against the state for financing charter schools authorized by Bay Mills Community College. Olson argued the suit, if successful, would betray children by closing schools. **I**

Freedom from Page 1

its sober assessment of Michigan’s economic predicament was reprinted in a variety of newspapers. Subsequently, on Jan. 28, the Michigan Information & Research Service reported that Gov. Granholm herself “concluded that Michigan is ‘at a crossroads’” during a speech about tax restructuring to the Michigan Press Association.

The Center had also released two other Viewpoints to buttress Reed’s address. One of these commentaries, written by Fiscal Policy Director Michael D. LaFaive and Adjunct Scholar Gary D. Wolfram, laid bare Michigan’s weak economic indicators and called for the elimination of the state’s insidious Single Business Tax — a policy argument that later subjected Dr. Wolfram to a stormy accusation of “treason” from Gov. Granholm when he offered a modified form of it in *The Wall Street Journal* (see “Treason: Making the Most of It” on Page 16). The final Viewpoint, by Senior Environmental Policy Analyst Russ Harding, specified six environmental regulatory reforms that would help the state’s economy while preserving its natural resources.

FIRST STEPS: TAXES AND SPENDING

By the end of January, the Center had positioned itself as a go-to media source on breaking state policy and budget issues. Immediately after Gov. Granholm’s Feb. 8 State of the State address, McHugh was an invited panelist on the WDCQ public television program “Currently Speaking,” where he analyzed the considerable costs of the governor’s proposal to borrow more than \$2 billion for infrastructure and technology subsidies. The Center published his analysis — complete with a table of estimated interest costs — the next day on its Web site, just 16 hours after the governor’s speech.

The governor’s bond proposal also received a critical review from Diane S. Katz, the Center’s director of science, environment and technology policy. Testifying to the Michigan House Appropriations Subcommittee on Economic Development, Katz compared the proposal’s goals — and likely results — with those of the “Clean Michigan Initiative,” the \$675 million bond program intended to finance environmental improvements. Katz explained to the committee how the CMI program, in practice, had “inflated program costs,” “exacerbated budgetary politics” and “undermined fiscal discipline,” producing pork barrel programs “that would yield relatively minor environmental benefits.”

The governor’s other major initiative was a “revenue-neutral” shift in the state’s Single Business Tax, where SBT cuts for some businesses would be canceled by increases for others. In an



Mackinac Center President Lawrence W. Reed delivering his “state of the state” address at the Anderson House Office Building in Lansing.

April 5 Op-Ed for the *Lansing State Journal*, Jack McHugh suggested that the Legislature directly pass the SBT cuts without the offsetting hikes, forcing the kinds of cost-cutting and budget innovations that had followed the temporary elimination of the state property tax in 1993.

The idea gained currency in the Capitol, so that several weeks later, “passing the good parts” of the governor’s plan was a natural part of the discussion on “Off the Record,” the weekly television show hosted by Lansing media veteran Tim Skubick. The approach has found some running room in the Michigan House, where the House Tax Policy Committee has been reporting many of the “good parts” of Granholm’s proposal and omitting the tax hikes.

One key to a state tax cut is finding spending decreases to make it feasible, since the Michigan Constitution requires a balanced budget. In January, Reed had recommended that policymakers consider the \$2 billion in state spending cuts that the Mackinac Center had identified in its 2004 state budget study.

Some of those cuts are now in the works. In May, *Gon-gwer News Service* reported that the Michigan Senate proposed to eliminate the following programs with the governor’s support: the Migrant Labor Housing Grant program, saving \$255,000; a Future Farmers of America grant to Michigan State University, saving \$60,000; and a Michigan 4-H Foundation grant, saving \$20,000. A Senate committee has also proposed eliminating the state’s Export Market Development Program, which would save \$50,000, while a bill passed by the Senate in June would require the Grand Rapids and Jacobetti veterans homes to privatize services, with a projected \$4 million in savings. Each of these ideas is the same as, or similar to, Mackinac Center recommendations.



On May 18, SET Director Diane S. Katz provided frank testimony about the pitfalls of a recent state bond proposal to the Michigan House Appropriations Subcommittee on Economic Development.

SECOND STEPS: REGULATION

Reed and Harding’s regulatory recommendations have also become part of the legislative debate. On Feb. 17, about one week after the governor’s speech, Harding gave invited testimony to a joint meeting of the Michigan House Commerce Committee and the Michigan House Committee on Natural Resources, Land Use and Environment. Harding elaborated on the Center’s January recommendations, including proposals to turn wetlands regulation back to the federal government and to require that the regulations promulgated by Michigan environmental agencies be no more stringent than federal regulations without a vote of the state Legislature.

These two recommendations found partial expression in a bill introduced on Feb. 22 by Rep. Brian Palmer, a member of the House natural



Health care consultant and Mackinac Center author Frank Webster (left) talks with Center Executive Vice President Joseph G. Lehman (center) and Alticor entrepreneur Dick DeVos (right) following Lawrence W. Reed’s speech.

resources committee. Palmer’s bill calls for adopting the federal definition of a “wetland” as the basis of state wetland regulations, rather than the current, more expansive Michigan interpretation. He is frank in crediting the Center, saying, “The commentaries and testimony of the Mackinac Center’s Russ Harding influenced the development of this legislation.”

In April, Harding also penned an analysis of two legislative bills that would have granted the Michigan Department of Environmental Quality sweeping powers to issue state permits for ships that use Michigan ports on the Great Lakes. The bills were intended to limit the accidental importation of zebra mussels and other invasive species, but they would have burdened Michigan’s economy by empowering the DEQ to issue costly and arbitrary regulations, just as Harding had warned against in his January Viewpoint.

On April 26 — the very day Harding’s critique was posted on the Center’s Web site — the state Senate passed on a voice vote a substitute version of the Senate bill that incorporated substantial portions of his suggested reforms. While the bill is still not ideal, it is better than it would have been — and Harding’s larger arguments against it may yet help prevent its passage. (For more on Harding’s impact on state water regulation, see “A Contested Water Legacy” on Page 3.)

THIRD STEPS: EDUCATION

On the subject of education spending reform, one of Reed’s primary recommendations was to attack soaring school employee health insurance costs, which have increased more than 10 percent annually in some districts. One reason for this rapid growth is that many Michigan school districts obtain their insurance through MESSA, a health insurance provider affiliated with the Michigan Education Association. MESSA insurance, Reed noted, has “Cadillac plans” with “Rolls-Royce premiums,” and MESSA “is often unwilling to provide general claims data that would allow districts to seek competitive health insurance bids” from other insurance providers.

One high-profile legislative response to school health insurance costs is a proposal introduced in the state Senate in January to create a state-run health insurance pool for all of the state’s school and community college employees. While it appears that such a plan could save the state some money (at least in the short term), a much better plan was introduced in February by state Rep. Barb Vander Veen, who met with Center staff some time ago to discuss the problem. Rep. Vander Veen’s House Bill 4274 would simply require MESSA to provide general insurance-use information to school districts. The data would free districts to shop around for more reasonable plans, enabling market competition to reduce costs. Her approach would avoid the state entanglement in school employee health insurance implied by the state Senate proposal.

Rep. Vander Veen says, “Research and reports by the Mackinac Center for Public Policy have been extremely valuable in moving this legislation forward.” Her market-oriented proposal gained ground in May when the House Education Committee reported the bill to the floor of the House.

COMPLETING THE JOURNEY

In the months ahead, such reforms in taxes, spending, regulation and education will help keep the focus on limited government, while new Center studies will reinforce the themes laid out by Reed and the Center’s scholars in January. Whatever legislation is ultimately passed by the governor and the Legislature this year, the Center will have helped move Michigan’s policy debate further in the right direction by the time of Reed’s next “state of the state” address — and we will have made it clearer than ever how important the state’s choices at this crossroads have become. **I**

A “Little Rebellion,” a Great Man

On May 3, at the same event where the Mackinac Center awarded Louis H. Schimmel its Lives, Fortunes and Sacred Honor Award (see Page 11), it made a surprise presentation of its special Jefferson Award to Sheldon Rose. Rose’s unwavering allegiance to the ideals of individual liberty and limited government has led him to furnish generous financial support to free-market organizations, creating a bedrock for the freedom movement that recalls the actions of the courageous, unsung financial heroes of the American Revolution.

But Rose has also moved quickly to the front lines when fundamental liberties are at stake. He is a general partner of a large Michigan-based apartment firm, and he chose to “rebel” in 1987 when the city of Lansing attempted to abrogate his property rights by using the power of eminent domain to give a politically well-connected cable company a right-of-way to provide TV services to more than 1,500 of his firm’s dwelling units. The tenants already had cable television, and the city’s offer of “compensation” was not just outrageously low, but lacking in provisions against property damage or inconvenience to his tenants. Rose, at tremendous financial cost, fought the city’s actions for a decade, finally winning a decisive victory for

property rights in the Michigan Supreme Court.

On the evening Rose received the Jefferson Award, Mackinac Center President Lawrence W. Reed summed up Rose’s impact: “Sheldon Rose is one of liberty’s best friends in America. Generous, thoughtful, passionate and candid, he is a patriot of the first order who resists the blandishments of patronizing politicians and the intrusiveness of meddling bureaucrats. Among the many recipients of his faithful support is the Mackinac Center for Public Policy, which gratefully acknowledges with this award his many contributions to its efforts, and to the larger cause of liberty and limited government.”



Sheldon Rose (left) receives the Mackinac Center’s Jefferson Award from Lawrence W. Reed.

Sheldon Rose is the living embodiment of the disposition to freedom articulated in the famous Thomas Jefferson quote that appears on the Center’s Jefferson Award: “The spirit of resistance to government is so valuable on certain occasions that I wish it always to be kept alive. . . . I like a little rebellion now and then. It is like a storm in the atmosphere.” I

Granting Freedom of Debate

The American historian Henry Adams once wrote, “A teacher affects eternity; he can never tell where his influence stops.” The statement is widely quoted today, but Adams wrote something else that will also ring true to many friends of the Center: “Nothing in education is so astonishing as the amount of ignorance it accumulates in the form of inert facts.”

Since 1988, the Mackinac Center for Public Policy has been challenging those “inert facts” by training more than 8,000 high school debaters in multiple annual sessions around the state. Our debate workshops promote free enterprise and individual liberty to two important groups: the high school debate students who are likely to become our future public leaders, and the teachers who influence their thinking.

You now have a unique opportunity to help us affect eternity. The Weatherwax Foundation of Jackson has issued the Mackinac Center a \$25,000 challenge. They will match us dollar-for-dollar up to that amount for the money we raise in support of our High School Debate Workshops by the end of 2005. Depending on our success, the offer might be available again in 2006.

The Weatherwax Foundation, which supports projects in Jackson, Lenawee and Hillsdale coun-

ties, made this challenge because of their belief in the academic value of the debate program, and in support of debate workshops the Center has held in Jackson, Mich., for many years. Foundation Executive Director Maria Dotterweich notes, “We see the training and rigor of the workshops, the exposure to challenging views, the skill development — and the fun of it — as a great investment with long-term benefits.”

The national high school debate topic is selected annually by the National Forensic League, and this year it involves the tension between national security measures and civil liberties. The Center’s dynamic daylong sessions this September will introduce students to the complex and often-neglected connections between limited government, civil liberties and national security. The Center will also offer student attendees ongoing, free use of our “Ask the Debate Coach” Web site, where they can receive help and advice from our online expert.

We may never know where this influence will stop, but with your help, the Center’s 2005 workshops will help students develop an independent critical capacity that transforms inert facts into new freedom for us all. I



John Coonradt, Vice President for Advancement

Louis Schimmel: Revolutionary Public Servant



Louis Schimmel

On May 3, The Mackinac Center for Public Policy presented Louis Schimmel with its prestigious Lives, Fortunes and Sacred Honor Award for his unique and exemplary public service. Rarely has one man done so much with so little in such thankless tasks.

Schimmel was a longtime executive director of the Municipal Advisory Council of Michigan, a statistical clearinghouse that tracked Michigan municipal bonds and Michigan municipal finance. He thoroughly understood the need for market incentives in city government and was thus well prepared in December 1986 when a Wayne County Circuit Court judge appointed him receiver for the small Michigan city of Ecorse, south of Detroit.

Ecorse had repeatedly failed to pay its water, sewer and utility bills, and its budget deficits were widely viewed as irreversible. But in less than four years, Schimmel completely erased the City's \$6 million deficit by eliminating sinecures, privatizing a number of city services and creatively renegotiating the city's employee union contracts. The success was so stunning that it received regional and national media attention.

A decade later, the state appointed Schimmel an "emergency financial manager" of the small Detroit-area city of Hamtramck, which had amassed a \$2.4 million debt that threatened it with bankruptcy. Schimmel once again fought small-town politics and strong union resistance in order to privatize services, lay off unnecessary staff, renegotiate city contracts and end unwise management practices.

Schimmel bore these years of battling crisis, cronyism and local criticism with implacable determination and gruff good humor. The Center was thus honored to present him an award fashioned after the memorable closing line of the Declaration of Independence, where the signers pledged "our Lives, our Fortunes and our sacred Honor." Mackinac Center President Lawrence W. Reed and an intimate gathering of family and friends surprised Schimmel with the award at a dinner honoring him. As Reed observed: "(Louis) Schimmel redefined 'public service.' By word and deed, he made it abundantly clear that it means serving the public, not serving one's self at public expense." The idea, though simple and timeless, is revolutionary. **I**

Erin Stahl's "Paycheck Protection" Plan

The Mackinac Center for Public Policy reaches out to officeholders of every party and at every level of Michigan government. It's not often, however, that an officeholder reaches back as firmly as St. Clair Shores City Councilwoman Erin Stahl. In February 2004, Stahl simply took her monthly council paycheck and signed it over to the Center, saying she was "proud" to help "an organization that is working towards reducing government's burden on Americans."

Stahl had learned of the Center shortly after taking office in November 2003, when she received one of our regular mailings to St. Clair Shores city council members. The envelope contained a Mackinac Center Viewpoint concerning the flaws in Gov. Jennifer Granholm's newly proposed "Cool Cities" program, and Stahl was impressed by the piece. Since the city was then considering what requests it might make under that program, she hand-distributed the Viewpoint to her colleagues, setting herself apart from the council consensus.

It wasn't the first time Stahl stepped off the beaten path in order to find her way. She ran for state representative as a Libertarian in

2002, and although she didn't win, she gained enough political support from the campaign to be elected in the nonpartisan race for city council in 2003. Her victory was also spurred by her strong local credentials as a lifelong Michigan resident and a market researcher for Stahls' Inc., a worldwide family business based in St. Clair Shores.

Since assuming office, she has deployed Mackinac Center materials on several occasions to call for a free-market approach to policy issues, including her recommendation that St. Clair Shores consider privatization as an option in response to Detroit's skyrocketing water charges. She also conducted a free-ranging interview with Center President Lawrence W. Reed on a local government cable channel, discussing ways to slash taxes and cut city spending through privatization.

So far, her proposed solutions on these issues have not found a majority on the council. But given her status as a Michigan officeholder and a Mackinac Center donor, she is doubly sure to have the Center's intellectual ammunition in the battle to protect taxpayers. **I**



Erin Stahl

Liberalism and Freedom

(The following is a condensed version of an article written by Jim Peron that originally appeared in the February 2001 issue of The Freeman, published by the Foundation for Economic Education, www.fee.org.)

Liberalism, as originally and properly understood, is the historic advocate of individual freedom. It has promoted the rule of law and private property, with the free exchange of goods and ideas. Its opposition to censorship and state economic controls is based on the same principle of freedom. Liberalism, as the name implies, is the fundamental belief in a political ideal where individuals are free to pursue their own goals, in their own ways, provided they do not infringe on the equal liberty of others.

Liberalism turned the prevailing doctrines of human rights and politics upside down. For centuries it was assumed that man lived for the sake of the state; that what rights he possessed were gifts, given to him by his king or government. Liberals argued that the opposite was true. People possess rights first, and governments receive their sanction from the people.

The French statesman and journalist Frédéric Bastiat explained liberal principles in his classic work “The Law.” Bastiat starts first with the fact that all people are given the gift of life. To survive, man must apply his rational mind to natural resources. Life requires freedom, and if man is to survive, he must keep the product of his labor — or in other words, he must have the right to property.

For centuries it was assumed that man lived for the sake of the state; that what rights he possessed were gifts, given to him by his king or government. Liberals argued that the opposite was true. People possess rights first, and governments receive their sanction from the people.

Life, faculties, production — in other words, individuality, liberty, property — this is man. And in spite of the cunning of artful political leaders, these three gifts from God precede all human legislation, and are superior to it. Life, liberty and property do not exist because men have made laws. On the contrary, it was the fact that life, liberty and property existed beforehand that cause men to make laws in the first place.

In a liberal society, the primary function of government is to protect the pre-existing rights of the individual. The government grants no

rights, but merely acts to prevent others from infringing on such rights.

HUMAN INTERACTION

Liberalism establishes a basic principle for how people must interact. This principle is that all interaction must be by mutual consent. Each individual is thus free to pursue his own happiness in a regime of freedom, regulated only by the equal liberty and rights of others. The proper method of interaction economically is one where individuals trade value for value.

Thus in a truly liberal society, the economy is one of free markets and property rights. Individuals seeking their own well-being produce goods and services for exchange with other individuals who are also seeking their own good. No trade takes place in a free economy unless all trading partners believe they will benefit. To improve his own life, each individual must also improve the lives of others, even if this is not his intent.

In a society where government is limited to the protection of rights, individuals may pursue varying sets of values. Thus, liberalism is the only system that allows for pluralism, or the pursuit of contradictory sets of values.

The function of the state is not to impose one set of values on everyone, but to allow the free exchange of goods, services and ideas. It protects equally every group within the society.

NO EQUAL RESULTS

But liberalism recognizes that a society of equal rights will not lead to one of equal results. Wealth will be created — not distributed. Those who can reach for heights will do so, and the rest of us will benefit from their actions. The result, though not the intention, will be an uplifting of the poorest in society. Jobs will be created as a necessary component of the profit-seeking of the entrepreneurs. The poor will have their living standards vastly improved, and the wealthy will be even wealthier.

And this is the crucial difference between liberalism and socialism (or what goes by the name “liberalism” in America today). Liberalism, based on an ethics of achievement, advocates equal freedom, which leads to unequal results. Socialism, based on the ethics of envy, demands equal results, which requires limiting freedom.

Thus with liberalism, we have freedom, prosperity and unequal wealth. With socialism we have equality, poverty and no freedom. As much as we might want there to be a third alternative, it doesn't exist. **I**

Jim Peron is the author of “Exploding Population Myths,” published by The Heartland Institute. He is executive director of the Institute for Liberal Values in Johannesburg, South Africa.

Senior Legal Analyst: Wheelwright for Justice



Patrick J. Wright

The wheels of justice may grind slowly, but insights on justice spring quickly from Patrick J. Wright, the Mackinac Center's new senior legal analyst. The result is more than just "fine" — and it positions the Center to influence judicial policy in Michigan and the rest of the country.

Wright will direct the Center's new Legal Studies Project, producing commentaries on legal issues and carefully targeted amicus briefs in cases involving economic liberty and limited government. He is uniquely equipped for the post: His resume includes stints as a Michigan Supreme Court commissioner, as an assistant state attorney general and as a law clerk for a federal judge.

Still, few analysts are challenged as immediately as Wright was on joining the Center. Shortly after arriving he received word that the U.S. Supreme Court had just issued a disastrous ruling in the case *Kelo v. New London*. The 5-4 decision stated that the government, at the price of a quick check from the public treasury, could seize Americans' homes and transfer their land to private corporations in order to increase government tax revenues. The Center had earlier submitted a 'friend of the court' brief on behalf of the homeowners.

The court's rationale demanded rebuttal, and

Wright met it head on. He helped produce a news release that was e-mailed statewide the same afternoon, and within a few hours, he had produced a trenchant commentary for our Web site that observed, "The Supreme Court watered down the (Constitution's) public use requirement so as to make it almost meaningless" and "damaged our system of government." His comments were picked up by major media outlets, including the Detroit Free Press, The Oakland Press and Crain's Detroit Business. Unlike some analysts, Wright noted that a Michigan Supreme Court decision last year would limit such takings in Michigan.

Just eight days later, Wright plunged into the fray again when Justice Sandra Day O'Connor retired from the U.S. Supreme Court. By noon, he had helped produce a statewide news release calling for a replacement who would "enforce protections explicitly provided in the Constitution," while respecting that "legislatures and executives enact laws and public policy." His comments received immediate national exposure on the well-traveled Web site Townhall.com.

Wright's opening arguments have been strong, and we expect they'll oil the wheels of justice in the months to come. **I**

A New Director's Classical Education

As a classics scholar, Ryan S. Olson, the Center's new director of education policy, is familiar with Aristotle's dictum, "Teaching is the highest form of understanding." The aphorism turned ironic, however, when Olson taught English composition at a small private college in Michigan.



Ryan S. Olson

"I'd hoped to advance beyond the course syllabus, but I began with a perfunctory review of grade school grammar in the opening weeks of the course," he explains. "That's when I discovered how little they knew about even the most basic elements of language. Something fundamental was wrong."

The discovery helped crystallize his conviction that he would not continue in academia, but would rather seek ways to improve American education. This, in turn, led him to the Mackinac Center.

It was, perhaps, a circuitous route, since Olson has been as peripatetic as a classics scholar should be. Having received his elementary and secondary education in Michigan public schools, he obtained an undergraduate degree at North Park

University in Chicago and then three master's degrees at Regent College in Vancouver, at England's Durham University and at Oxford University, working in a variety of disciplines involving ancient languages, historiography and theology. He is currently finishing his doctoral thesis in classical languages and literature at Oxford.

Olson's love of learning, interest in education reform and Michigan roots now inform his efforts at the Center to study and promote educational policies that would invigorate schools with new and dynamic teaching and learning opportunities. "School choice," he says, "is key to that, and my goal is to help Michigan teachers and families see how fertile, successful and rewarding a free market in education would be."

He's pursued this goal right from the starting gate, having written two Current Comments in just his second week at the Center. Both pieces reminded educators that their focus on state education funding formulas would distract everyone from more important classroom issues. Olson's powerful perspective suggests that a higher understanding of teaching and its relationship to educational freedom will influence Michigan school policy in the future. **I**

Michigan at the Crossroads

January 2005 V2005-01

Michigan's economy is reeling, producing not just low employment and income growth, but weaker state tax revenues. The governor and legislators can improve the economy by rejecting their recent mistakes and timid "business as usual" tactics.

A New Beginning: Ending the Single Business Tax

January 2005 V2005-02

Michigan's Single Business Tax has become a deadweight on Michigan's lagging economy. The governor and the Legislature should eliminate it and ensure bold net tax and spending cuts in order to improve Michigan's business climate, which is already at a disadvantage in regulatory, labor and other policy areas compared to other states.

Improve Michigan's Regulatory Environment

January 2005 V2005-03

Michigan's environmental regulations have contributed to the state's economic woes by making Michigan less competitive with other states for business investment and consumer dollars. The governor and the Legislature should adopt specific reforms that will reduce Michigan's regulatory burden while preserving its natural resources.

The Great Emigration

February 2005 V2005-04

Detroit's declining population is due in large part to its citizens' dissatisfaction with the city's schools. Changing the way the school board is selected won't address the systemic problem of education in Detroit; school choice will.

Creating Clear Signals on Telecom

February 2005 V2005-05

This year state lawmakers will rewrite Michigan's telecommunications statute, which is due to expire in December. Lawmakers should restrain the power of regulators, so that telecommunications providers can drive down prices and increase consumers' choices.



Frederick Douglass, Booker T. Washington and Liberty

February 2005 V2005-06

Frederick Douglass and Booker T. Washington were principled proponents of liberty, arguing that it provided the basis for improving the prospects of black Americans.

The "Payless Payday"

March 2005 V2005-07

The Michigan state budget crisis of 1959 is similar to the one we face today. The lessons from that episode underscore the need for serious and meaningful choices by state leaders — including fundamental decisions about the size of government.

Watkins Debacle Shows Need for Basic Education Reforms

March 2005 V2005-08

The forced resignation of State Superintendent of Public Instruction Thomas Watkins sends the wrong message to Michigan's education policy leaders. Watkins' call for candid discussion should induce Lansing to embrace more fundamental reforms.

A Fair Comparison: U.S. Students Lag in Math and Science

March 2005 V2005-09

The latest international math and science results show the U.S. lagging other industrialized nations. America's public school problems are far-reaching, and the test scores of even our brightest students cannot be explained away by common objections to international comparisons.



From Hospitals to Tsunami Relief: Lessons of Charles Hackley

April 2005 V2005-10

The life of Muskegon lumberman Charles Hackley illustrates how voluntary cooperation is superior to government compulsion in promoting the public welfare. The recent outpouring of private contributions for tsunami victims shows that the spirit of Hackley's efforts remains alive in America today.

Her Own Personal Autoworld

April 2005 V2005-11

Gov. Granholm's proposal that the state borrow \$2 billion to invest in technological research is merely the latest example in a long and unsuccessful history of state-directed economic development efforts in Michigan.

To Own or Be Owned: That is the Question

April 2005 V2005-12

Pres. Bush's "Ownership Society" proposals offer a timely opportunity to renew our understanding of the general concept of ownership. True ownership implies control, and the controller of an asset is the de facto owner.

ACCESS

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



MEGA: 10 Years Later With Little to Show

May 2005 V2005-13

April marked the 10-year anniversary of MEGA, which grants tax incentives to selected firms in an effort to spur in-state job creation. A new Mackinac Center study finds the program to be ineffective, and recommends broader tax and regulatory relief for all businesses.

Is the Governor's Water Legacy Act All Wet?

May 2005 V2005-14

Gov. Granholm's proposed Water Legacy Act would impose a costly and intrusive permitting process on Michigan property-owners, without providing any tangible increase in protection for groundwater or the Great Lakes.



Remembering George Sutherland: Defender of the Constitution

May 2005 V2005-15

This month marks the 70th anniversary of a landmark victory for free enterprise: the unanimous Supreme Court ruling striking down the National Recovery Act. George Sutherland, a Michigan-trained lawyer, played a key role in this victory.

**Schmeling K.O.'d by Louis!
Louis K.O.'d by the U.S. Government!**

June 2005 V2005-16

Joe Louis is deservedly known as a symbol of black achievement and of the U.S. victory over Nazi Germany. But his famous opponent Max Schmeling was allowed to prosper in post-war West Germany, while Louis was driven to lifelong debt by the punitive tax policies of the U.S. government.



Catholic Schools and the Common Good

June 2005 V2005-17

Roman Catholic schools generally do a better job than public schools of providing disadvantaged children with sound academic and social skills. The exclusion of Catholic schools from school-choice programs, however, pits them against tuition-free charter schools. The result is a loss not just to disadvantaged children, but to the nation.

The Class is Always Keener on Our Own Side of the Street

June 2005 V2005-18

We Americans typically rank our local schools well above our state's or the nation's schools. The usual explanation for this disparity is that the more we know about a school, the more satisfied we are. But there's evidence that we know *less*

about the weaknesses of our local schools than we do about the weakness of our state and national school system.

Journals

Michigan Education Report

Spring 2005 \$3.00

Key stories: State Superintendent of Public Instruction Thomas Watkins resigns. Changes to No Child Left Behind Act debated by educators and policy officials. Michigan reforms election calendar to lessen burden on school districts. MEAP test results show charter schools improving at faster rate than conventional schools. These topics appear with numerous others. 12 pages.

Michigan Education Report

Summer 2005 \$3.00

Key stories: Michigan Education Association sues state for financing Bay Mills Community College charter schools. Grand Rapids school district privatizes busing services. Michigan Board of Education hires Michael Flanagan as new state superintendent. Utah challenges No Child Left Behind Act. These topics appear with numerous others. 12 pages.

Studies & Reports

Groundwater Regulation: An Assessment

S2005-01 \$10.00

Senior environmental analyst Russ Harding assesses state laws concerning groundwater use in the Great Lakes region and offers recommendations for improvement. The study also reviews Gov. Granholm's "Water Legacy" proposal and details its potentially harmful impact on Michigan's economy.

MEGA: A Retrospective Assessment

S2005-02 \$10.00

April 2005 marked the 10-year anniversary of the Michigan Economic Growth Authority, the state of Michigan's primary tax incentive program. In this 121-page comprehensive analysis of the program's history and track record, Director of Fiscal Policy Michael D. LaFaive and Adjunct Scholar Dr. Michael J. Hicks find the program to have generated no net positive economic benefit for the state.

How to order

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Treason: Making the Most of It

All writers — particularly those at the Mackinac Center — hope their comments will have an impact. But Dr. Gary Wolfram, a Mackinac Center Adjunct Scholar, never guessed when he took to the pages of *The Wall Street Journal* just how audible the impact would be — and just how much it would further the free-market cause.

Wolfram's July 7 *Wall Street Journal* Op-Ed, "How to Skin a Wolverine," was co-authored with state Rep. Rick Baxter. They took note of Michigan's lagging economic growth and poor business climate, and they criticized Gov. Jennifer Granholm's recent tax shift and bond proposals, commenting, "History and basic economics teaches us that Gov. Granholm's attempt to tax-spend-and-borrow Michigan to prosperity will fail." Wolfram and Baxter then called for broad tax cuts and recommended the Center's budget study as a source for state spending cuts.

Gov. Granholm attacked, telling Detroit News columnist George Weeks that the Op-Ed's publication in a national newspaper was "treasonous for the state of Michigan" and that it sent the message, "Don't come to Michigan."

Her comments may not have had the effect she intended. Detroit News editorial writer George Bullard penned a pungent rejoinder that began, "Granholm's got to be kidding"; the Lansing State Journal called on her to apologize; and the St.

Joseph-Benton Harbor Herald-Palladium editorialized that she "seemingly became unhinged," asking, "We know the current Supreme Court has made some crazy rulings of late, but the First Amendment is still in effect, isn't it?" The *Wall Street Journal* even weighed in with an entire editorial titled "Of Taxes and 'Treason,'" which referred to the governor's "recent combustion," noted that Wolfram and Baxter's statistics were "well-established," and reiterated, "If Governor Granholm were selling a message of cutting taxes, not raising them, her job would be a lot easier. ..."

Ultimately, dozens of media outlets covered the exchange, providing Rep. Baxter and Dr. Wolfram with far more media coverage than they would have received otherwise. Even the governor's less heated remarks opened the doors for the Center's views: In response to her call for "data" that show the effectiveness of broad-based tax cuts, the MIRS Capitol Capsule produced a July 27 article on the subject that prominently quoted Center Fiscal Policy Director Michael D. LaFaive and Lansing economist (and frequent Mackinac Center author) Patrick Anderson.

Tradition has it that when Patrick Henry was accused of speaking "treason" in 1765, he replied, "If this be treason, make the most of it." And so we have. **I**



Patrick Henry