

**NEXT ISSUE: FULL COVERAGE
OF THE OVERTON WINDOW**

*A Mackinac Center concept that
inspired a best-selling novel.*

The Newsletter of the Mackinac Center for Public Policy www.mackinac.org SUMMER 2010

Charging Service Taxes



At the beginning of 2010, the conventional wisdom in Lansing seemed sober and self-evident: The state had for many dark months balanced the budget on the backs of teachers and state employees while holding the line on taxes. It was time now — and only fair — to levy a modest tax on services that would address the inequities of an antiquated state tax structure and spare the public another brutal round of cuts to

state services. This measured rhetoric and the state's pressing budget shortfalls lent these arguments an air of inevitability.

Then along came James Hohman, who single-handedly crumpled every pillar of intellectual support for the pro-tax arguments. At the same time, the Mackinac Center fiscal policy analyst helped Morey Fiscal Policy Director Michael D. LaFaive spearhead a withering attack on a series of economic development claims by state government meant to create the illusion of a friendly state business climate. This second line of attack against tax-hike apologists made inroads:

see "Service Taxes" Page 6

'Punching Bag' Myths Pummeled

Michigan's economic decline is starting to affect public school budgets, and over the past few months, education lobbyists, led by the Michigan Education Association, have invested their considerable resources in a public relations barrage calling for tax hikes. But Center Education Policy Director Michael Van Beek has deftly parried every blow, deploying a wide range of Mackinac Center research into an ad campaign full of half-truths and myths.

The MEA purchased significant television and radio airtime around the state for ads making an emotional appeal in the school funding debate. The ads, which exclaimed that "enough is enough" and complained that politicians are "beating up on teachers like punching bags," were full of misleading statements and unverifiable claims. It's likely they were designed as part of the MEA's plan to build support for the creation of a service tax and the institution of a graduated income tax.

Working with Communications Specialist Kathy Hoekstra, Van Beek responded to these misleading ads with a video fact-check. By analyzing each claim in the MEA ads, Van Beek was able to expose the elements that were misleading, partially true or just plain false. (The video can be found on the Center's website at www.mackinac.org/12928.)

Misleading claims, especially when repeated often enough, can evolve into widely accepted myths. To combat this tendency in the education funding debate and to promote better-informed dialogue, Van Beek began authoring an ongoing series of articles that explore issues like how much revenue schools actually receive, the stability and equitability of school funding over time and how much school employees have "sacrificed" on behalf of taxpayers. The School Funding Myths can be found at www.mackinac.org/12610.

Van Beek's expertise on funding and other education issues was in demand. Over a four-month period, he was invited to address the State Board

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"Want to know why Michigan can't make even the most common sense changes in the face of a budget crisis that is taking it toward bankruptcy? Read Mackinac Center analyst Jack McHugh's report on how public employee unions are effectively blocking modest spending reforms at www.MichiganCapitolConfidential.com. It's a disgusting eye-opener."

Nolan Finley (The Detroit News), April 16, 2010

PRESIDENT'S MESSAGE

A Novel Idea: Mackinac Center Concept Tops Best-Seller List



Joseph G. Lehman
President

My late friend and colleague Joe Overton understood the power of ideas to change public policy. Change ideas, he recognized, and you change the range of options available to policymakers. That's why he devoted his career to the think tank business rather than politics. It's also why a book titled with his name rose to No. 1 on The New York Times best-seller list last month.

The journey to the best-seller spotlight began more than a decade ago with Joe's subtle explanation of think tanks' real but indirect influence on policy. Joe wanted to describe how think tanks like the Mackinac Center affect policy even though they don't vote in the legislature and they typically don't lobby or command legions of activists. So he devised a model of policy change he called the Window of Political Possibility.

As far as lawmakers are concerned, there are only two kinds of ideas: those that are inside the window of political possibility, and those that are outside. Ideas inside the window are acceptable to the electorate. Support those ideas and gain (or keep) your constituents' support. Ideas outside the window are perceived as unacceptable to voters. Advocate those ideas and risk being replaced at the next election.



This much is common sense, but Joe saw how the window actually shifts over time along a range of ideas to encompass new policies and exclude old ones. If public policy ideas are arranged on a scale from top to bottom, with little government interference at the top and a lot at the bottom, the window will slide

up and down depending on whether society accepts limited government or expansive government.

The ideas that influence society determine what laws that society will accept. When think tanks (and others) develop and promote ideas, they can shift the window of acceptable new laws. Politicians who want to remain in office take heed.

After we tragically lost Joe seven years ago, we renamed his model the Overton Window. We trained hundreds of think tank professionals in how it works. Political blogs began to buzz with the idea. This inspired popular and controversial talk show host Glenn Beck to write a political thriller that he titled *The Overton Window*. Without giving away too much, I can tell you the novel's bad guy stole his big idea from "a think tank in the Midwest."

When Glenn Beck recently invited me to be a guest on his radio and television programs, we saw it as an opportunity to educate large audiences on the role of think tanks and the power of ideas. My appearances drew more than 25,000 individuals to our dedicated website (www.TheOvertonWindow.com). More than 1,400 of those people asked us to keep in touch with them, and many became financial supporters.

At this writing, the Glenn Beck Program intends to air one more segment with me about the Overton Window. Look for more in our next issue of *Impact*. I

See videos of Joseph Lehman on the Glenn Beck Program at www.mackinac.org/OvertonWindow#Video1.

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MACKINAC CENTER LEGAL FOUNDATION

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

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MICHAEL D. JAHR Editor DANIEL E. MONTGOMERY Graphic Designer

Mackinac Center Tea Service

It's not your father's protest movement. Everyone from small children to military veterans wave the Stars and Stripes and the coiled snake of the Gadsden flag, symbols of the Tea Party message: I'm American — so don't tread on me.

But it takes work to turn these broad principles into focused action. As Paul Kersey, Mackinac Center labor policy director, said in speeches to two Tea Party rallies: "Government is so big, so intrusive, and so complicated that you need trained professionals to really grasp how messed up the whole thing is. That's where we come in." Thus, on April 15, as Tea Party groups across the nation gathered to protest ever-expanding government and budget deficits, Mackinac Center policy analysts spoke at nine of the "Tax Day" rallies in Michigan to encourage and inform the crowds, giving them the tools to make a real difference.

Center staff were also on hand at these and many more rallies across the state to distribute thousands of copies of such Mackinac Center publications as Michigan Capitol Confidential, "Tea Party Toolbox" and "101 Recommendations to Revitalize Michigan" —



which Tea Partiers then carried proudly in Mackinac Center "Freedom makes all the difference" bags.

Emphasizing the importance of keeping politicians accountable, Center speakers focused on the central question of how to limit government. Each alerted the crowds to many examples of "misbehavior" on the part of Lansing politicians and told them the best way to keep

see "Tea Service" Page 5

Dr. Thorning: How Cap-and-Trade Would Harm Michigan

Michigan's already fragile economy would be further injured if Congress approves cap-and-trade legislation to regulate carbon emissions, a noted speaker explained at a recent Mackinac Center Issues & Ideas forum. Margo Thorning, senior vice president and chief economist at the American Council for Capital Formation, outlined her findings in late April at a Lansing I&I luncheon titled "Global Environmental and Economic Challenges."

Earlier that day, Thorning was a guest on "The Frank Beckmann Show" on WJR AM760 radio, and she later summarized her research in an Op-Ed that appeared in The Detroit News. The Michigan-specific findings that Thorning discussed in all three venues are startling. By 2030, a national climate change bill would impact Michigan in the following ways:

- Annual state manufacturing output would decrease by between 5.4 percent and 6 percent.



Dr. Margo Thorning addresses a Lansing audience at an April Mackinac Center Issues and Ideas forum.

- Annual state transportation manufacturing alone would fall by 9 percent.
- State gross domestic product would decline by between \$12 billion and \$16.5 billion.
- Annual employment would decrease by 66,700 to 90,800 jobs.
- Annual disposable household income would fall an average of between \$883 and \$1,435.

- Household electricity prices could be 60 percent higher than they would be otherwise.

Thorning said all of this would occur with virtually no environmental gain. "Government agencies advising the president," she wrote in The Detroit News, "have already acknowledged that an America-only emissions cap will not make meaningful global reductions in greenhouse gas concentrations."

Thorning, who also served in the U.S. Department of Energy, said potential solutions should include improving the U.S. tax code to reduce the cost of new, cleaner technology; promoting market reforms to allow the developing world access to cleaner energy; and using nuclear power for electricity generation.

A video of Thorning's presentation is posted at www.mackinac.org/13088, and a transcript of her speech will soon be posted at www.mackinac.org/12867. I

'PUNCHING BAG' from Page One

of Education, the House Committee on Education (twice) and a group of about 200 administrators and school board members at Saginaw Valley State University. At each event, he presented ideas for ways Michigan schools could trim their budgets and better weather the state's new fiscal condition. Most of the time, Van Beek was alone in calling for more fiscal responsibility as opposed to tax hikes. At the House Committee on Education, MIRS reported that "Van Beek ran into a buzz saw of contentious questions," but "he stuck to his guns."



Van Beek and Hoekstra's "Knockout Punch" video exposes false claims in a statewide MEA ad campaign. See www.mackinac.org/12928.

In an effort to bring the broader discussion of education funding to a local level, Van Beek in March began evaluating specific districts' teacher contracts. The project's aim was to help local districts become more fiscally responsible and make local school spending more transparent.

About 70 percent of local districts' operating budgets are consumed by compensation for teachers, and every detail of this compensation is dictated by collective bargaining agreements. This Teacher Contract Analysis project dissects these contracts on a district-by-district level and reports the results through a multitude of media outlets.

Union contract analyses have appeared in a number of newspapers and were the subject of a story by Lansing's WILX-TV. The analysis of the Utica school district, the second largest district in the state, was published in *The Macomb Daily* on May 9. Days later, the local teachers union agreed to a new contract that saved the district \$6 million in concessions. The local union president wrote a letter to the editor in an

attempt to discredit the analysis, but failed to point out any errors.

In addition to running these analyses in local newspapers, the Center is using its own online media outlet, Michigan Capitol Confidential. Each contract analysis is posted at www.michcapcon.com, and these explanations are among the most popular articles on the site.

One reason for their popularity is that they describe in detail all the different ways that teachers are compensated, including the single salary schedule, health insurance benefits, pension program, working hours and additional pay for extracurricular duties. Much of the information is eyebrow-raising, especially the cost of teacher health insurance plans and how little teachers contribute to their own premiums. Both *The Detroit News* and *Detroit Free Press* wrote editorials about the need to reform this aspect of school spending based on this information. The *Free Press* challenged the MEA to accept "more realistic health plans" for teachers, "instead of standing by watching school districts gut critical services to kids."

Another reason for the contract analyses' popularity is that they enable many residents to actually understand school districts' spending. These contracts are laden with legalese, so a plain-English translation allows anyone to understand the contract's provisions. For instance, by just reading through the contract, few people would pick up on the fact that the Warren school district pays the local union president the highest possible contractual salary with full benefits for not teaching a single class — the union president has full release time to conduct union business. But Van Beek's analyses bring such details into the light.

The success of these contract analyses is made possible by the Center's ongoing transparency effort. For the last three years, the Mackinac Center has been hosting the state's only publicly available online database of school employee contracts. New contracts



Check for Van Beek's latest myth-busting at www.mackinac.org/12610.

are constantly updated on the Center's site, and contracts from all 551 school districts are available in a searchable database. To date, the web page that provides access to these contracts remains among the most visited pages on the Center's website.

Another myth that lingers in the school funding debate is that teachers are underpaid. Van Beek released a report regarding average teacher salaries that significantly challenges this notion. His findings garnered substantial public attention.

Compiling data from the National Education Association and the Bureau of Economic Analysis, Van Beek showed that the average teacher salary in Michigan was the highest in the nation from 2003 to 2009 when taking into account a state's per capita personal income. Essentially, Michigan pays its teachers well considering overall state wealth. The *Detroit News*, *Battle Creek Enquirer*, *Livingston Daily* and *Midland Daily News*, among others, reported on these findings.

As Michigan continues to drive businesses, residents and, ultimately, tax revenues out of the state with its tax, labor and regulatory environment, arguments will continue over how to deal with rising school costs and shrinking school revenues. A variety of projects driven by the Mackinac Center's Education Policy Initiative are helping shape this debate. Arming voters and policymakers with fact-based, plain-English analyses the Center is aiming to make sensible and responsible school spending reforms a reality. **I**

TEA SERVICE from Page Three

tabs on what their representatives are up to: reading the Mackinac Center's daily news site, www.MichCapCon.com.

Kathy Hoekstra, Mackinac Center communications specialist, starred at the rally held on the steps of the Capitol building in Lansing. Speaking to a crowd 1,500 strong, Hoekstra pointed out the "bad habits of democracy" — that is, the people forgetting to hold their representatives accountable. She encouraged her audience by letting them know how easy it is to hold their legislators responsible:

"Remember, information is power. Power to break all of these bad habits. That's where the Mackinac Center can help. When people are trying to quit smoking, some try things like special gum or patches. For these bad habits of democracy, the Mackinac Center has your limited government, back-to-basics, free-market equivalent of gum and patches!"

Kersey spoke in Hillsdale and Brighton. He highlighted the dangers of union special-interest lobbying, explaining how public-sector collective bargaining can even override local law and gave the facts on the state's forced unionization of home-based day care providers (see Page 9).

Jack McHugh, the Center's legislative analyst, spoke in Lapeer and Sterling Heights and at a seminar in Lansing. He also emphasized government accountability

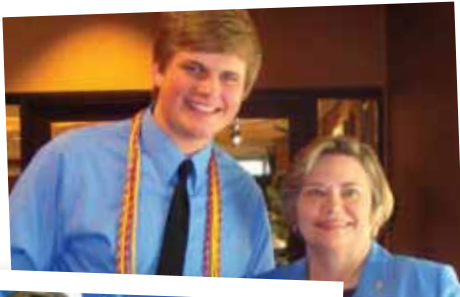
and told of the many tools the Mackinac Center offers to help individuals stay informed: Daily political news (MichCapCon.com), plain-English descriptions and complete roll call votes of every single bill in the Legislature (MichiganVotes.org), and checkbook registers from municipalities and school districts (ShowMichigantheMoney.org).

Mackinac Center Fiscal Policy Director Michael LaFaive spoke at a rally in Midland and at the seminar in Lansing. In his speeches, he focused on Michigan's unemployment and outmigration statistics. These, he said, show the failure of Michigan's big-government, high-tax policies and the need for a new strategy: limited government and tax cuts.

Ken Braun gave a rousing address in Hudsonville. Elliot Gaiser, a Hillsdale College student who attended and spoke at the Hudsonville rally, commented: "The crowd was very enthusiastic and heartily applauded each of the speakers, including Ken Braun. His comments were taken very well. It was remarkable how large the crowd was on a Thursday at noon for a smaller community like Hudsonville."

That's the Tea Party movement: thousands of ordinary people refusing to let the routine demand of daily life prevent them from rallying against a profligate government. Mackinac Center analysts are offering them practical ways to achieve the greatest impact possible. With ideas, energy and know-how, we can help restore America's founding principles of personal responsibility and limited government. **I**

Center
Snapshots



Mackinac Center High School Debate Workshop Director Kendra Shrode presents \$1,000 scholarships to Luke Anderson and Grace Green, both from Lenawee Christian School in Adrian. The students were two of the four winners of the Center's annual Debate Workshop essay contest. Erik Kraayeveld and Scott Hoelsema of Zion Christian in Byron Center were the other two winners. Each year, hundreds of students and teachers from dozens of public, charter and independent schools attend the Center's four debate workshops around the state.

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SERVICE TAXES from Page One

LaFaive’s work was widely reported and garnered 70 media interview requests through May, including a live national television interview with Stuart Varney on the Fox Business channel.

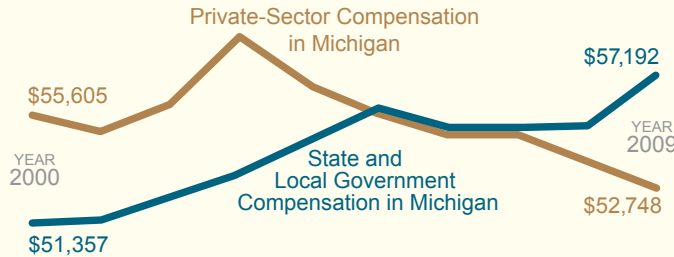
These efforts paid off. Five months after unveiling a tax “restructuring” plan that included the creation of a sales tax on services, Gov. Jennifer Granholm said at a July press conference that she had given up on the Legislature adopting her proposal. While many factors may have contributed to the tax hike’s demise, Hohman and LaFaive — at times lone voices — helped create an informed environment where the plan was recognized as unnecessary and destructive.

Early on, LaFaive and Hohman were beset by speech, interview and commentary requests from across the state, thanks in part to Gov. Granholm’s final State of the State address, fiscal 2011 budget proposal and tax hike recommendations. But it was also due to Hohman carefully explaining fallacies in arguments advanced by tax “restructuring” proponents.

For example, the state’s “Legislative Commission on Government Efficiency” argued that the state’s tax system was “no longer appropriately linked with state’s resources/tax base.” The commission cited as evidence the fact that revenues to the state Treasury have fallen far short of the state’s Headlee Amendment that capped them at 9.49 percent of personal income. But Hohman examined Michigan government revenues going back to the late 1970s and found that the state’s benchmark is a poor measure for tax affordability, because the revenues include transfer payments (sometimes described as “welfare”). When these dollars are excluded, Hohman noted, the numbers show that the state extracts \$1 billion more from taxpayers than would be allowed under the Headlee Amendment. Since 1978,

Public-sector average compensation grows while private sector’s decreases

And you thought government budgets were cut to the bone



transfer payments have jumped from 11.2 percent of state personal income to 18.8 percent.

Hohman also pointed out that Michigan’s tax system is “juiced” relative to other states. That is, as revenues have declined in state treasuries across the country, the Great Lakes State generated more tax revenue per capita than 35 other states.

Hohman also discovered and published one of the more remarkable numbers employed by the Mackinac Center in the last decade: \$5.7 billion. In Michigan, that is the staggering difference between the value of nonsalary benefits, such as health insurance, paid to employees in state and local government and public schools, and the value of nonsalary benefits paid to workers in the private sector. To put that figure in perspective, that amount of money could eliminate the state’s hated business tax and related surcharge and still leave \$3.3 billion for balancing the budget and improving roads.

Not content with knocking down the arguments of tax-and-spend advocates, Hohman turned his attention to employment numbers for Michigan’s film industry. In his analysis, Hohman found — to the shock of many — that there are fewer Michigan people working in Michigan’s film industry than before the state’s movie subsidy program began. This finding generated headlines across the state and prompted one state senator to declare, “As a job creator, film subsidies have failed in Michigan ... With the budget problems

we face, we cannot afford this generous subsidy.”

Hohman and Adjunct Scholar Gary Wolfram analyzed claims made in a National Institute on Retirement Security study titled “Out of Balance,” which purported to show that government employees are underpaid compared to their private-sector counterparts.

Hohman explained that the paper’s authors used a convoluted, inappropriate method for arguing that government employees are undercompensated.

Hohman’s work resulted in media coverage throughout the state, including radio appearances on WJR with Frank Beckmann, WKZO in Kalamazoo, WTCM in Traverse City, WJRW in Grand Rapids, WBCK in Battle Creek, WKLA in Ludington and TalkLansing.net. Hohman also published tax- and budget-related editorials in the Detroit Free Press and The Oakland Press.

While Hohman was busy smashing tax and spending myths, LaFaive was focused on both broad and narrow topics of economic development, detailing for legislators, university professors, students and the public where Michigan has been and where it may continue to go economically. As part of his research, LaFaive zeroed in on decade-long interstate migration patterns, demonstrating that since 2000, Michigan lost more than 540,000 people while Texas added 848,000 — in part a function of differing state public policies. LaFaive’s Viewpoint on this topic was carried on opinion pages in newspapers throughout Michigan.

LaFaive also worked with Communications Specialist Kathy Hoekstra for several months on an investigation involving a possible Michigan Film Office deal for “Hangar42,” a Grand Rapids-based movie studio project with such state secrecy that Mackinac Center staff nicknamed the deal “Area 42” after the famed Area 51 military base in Nevada.

With a hard-hitting video and accompanying essay, LaFaive and Hoekstra publicly raised questions about the deal's finances and the lack of government transparency. The Grand Rapids Press, WOOD radio, WOOD-TV and WWMT-TV all used the Mackinac Center's work as a springboard for their own coverage. (Look for more developments on this story in the next issue of IMPACT.)

Continuing the factual bombardment against policies that would create higher taxes for Michigan residents and businesses, LaFaive on June 15 released the results of an analysis performed to measure the impact of Gov. Granholm's February tax hike proposal. The governor's plan would total some \$940 million over three years.

The analysis was done in conjunction with the Beacon Hill Institute of Massachusetts and found that the first-year job losses would total more than 30,000, dropping to 13,500 by the end of year three as supposed offsetting tax cuts were phased in. The model also showed that the tax proposal would produce a \$264 million drop in total investment in the state in the first year.

When Michigan Capitol Confidential reporter Tom Gantert contacted Liz Boyd, spokeswoman for Gov. Granholm, about the findings, she was dismissive. "The governor's tax restructuring proposal was actually based on recommendations from the Business Leaders for Michigan," she wrote in an e-mail.

A letter to Gantert from the Business Leaders for Michigan disputed that

characterization, however. "Our plan has been compared to Governor Granholm's tax reform plan," the letter read. "While some elements of the Governor's plan may have been influenced by ours, Business Leaders for Michigan's business tax reform plan is not the same as the Governor's."

In the end, it did not matter. Facing an array of influential tax hike proponents, Hohman and LaFaive effectively exposed every erroneous argument and dissected every example of specious scholarship that claimed the state needed more revenues. With the apparent death of the governor's tax-hike proposal, both are determined to restructure an antiquated tax debate that has focused too often on Michigan taxpayers' leaving more money for state government — not the other way around. **I**

MEDIA IMPACT: RADIO FREE MICHIGAN

THERE IS HARDLY a Michigan media outlet that hasn't carried the Mackinac Center's message at some point. But on the morning of May 6, Center analysts were made available to almost every one of Michigan's 10 million residents, as long as they had a good radio.

Patrick J. Wright, director of the Mackinac Center Legal Foundation, was on "The Frank Beckmann Show" on WJR AM760, explaining the MCLF lawsuit that is attempting to overturn the forced unionization of tens of thousands of small-business owners and independent contractors statewide. The same interview was also broadcast on Grand Rapids-based WJRW.

At the same time, Russ Harding, senior environmental analyst and director of the Center's Property Rights Network, was on "The Greg Marshall Show" on WMKT in Traverse City, reviewing Michigan's hostile regulatory regime. Also that morning, Michael Jahr, senior communications director, and James Hohman, fiscal policy analyst, were live guests on the "Renk and File" show on WBCK in Battle Creek, discussing Michigan's budget and why Gov. Jennifer Granholm's tax-hike plan — which she has since abandoned — would be detrimental to Michigan.

As a bonus, May 6 also saw Senior Economist David Littmann quoted in The Oakland Press in a story about the stock market, and Jack McHugh, senior legislative analyst, cited in a Detroit News editorial about the Michigan Legislature's self-created overspending crisis. Those papers have circulations of 70,000 and 180,000, respectively. **I**



An Encouraging Word — or 215!

How often do you receive a compliment or a personal note of encouragement in the mail? In today's busy world, it is rare indeed when people take the time to share a kind and uplifting word. Well, please keep reading, as I share with you just some of the encouraging words that we have received this year. Our contributors truly are a class act.

Since its inception in 1987, the Mackinac Center for Public Policy has operated through generous, voluntary contributions from individuals, businesses and foundations who embrace free markets, personal liberty for all individuals, limited government and personal property rights.

During our 23-year history, we have never accepted, nor will we ever accept, government funding for the work we do.

In the past five years, we have seen more and more individuals step up and provide financial support to



Darryl M. White,
Vice President for
Advancement

the Mackinac Center. This strengthens us as an organization by significantly diversifying our funding base while also increasing the number of people who embrace the important principles that we work for every day at the Center.

We have been greatly encouraged by this enhanced level of support and look forward to joining together with hundreds, if not thousands, more Michigan residents in the year ahead, as the Mackinac Center staff works diligently to provide winning ideas to turn around this state.

We hope you will enjoy reading this cross-section of unsolicited comments received from our friends across Michigan since Jan. 1. Most of these words arrived on a sticky note, a scrap piece of paper or on the memo line of a contributor's check.

One thing is sure: These folks care about freedom, liberty, limited government and the future of our state.

I shared a handful of these quotes at a recent Mackinac Center staff meeting. (No names were used, in keeping with our confidentiality practices inside and outside the Center.) My colleagues greatly appreciated hearing from you, since this is why we do the work we do: to make Michigan a better place for us all, particularly in honor of your support for our fight for freedom.



After you read these comments, please let me know what you think. Send me an e-mail at white@mackinac.org; call me at 989-631-0900; or write me a note and send it to Darryl White, Mackinac Center for Public Policy, 140 West Main Street, P.O. Box 568, Midland, MI 48640.

I look forward to hearing from you! I

"Keep up the good work and keep us informed."
BARAGA, \$10

"Thanks for speaking on behalf of property owners. ... I'm glad to hear somebody speaking for sanity. Kudos."
MCMILLAN

"Thank you for all you do to help us plebians monitor the patricians in Lansing."
HOXEYVILLE, \$10

"Thank you for what you do — you are hope and action!"
MAPLE CITY, \$25

"I hope other states have a group like yours. I wish we could give a million dollars."
PINCONNING, \$100

"Thank you for sending me a copy of Michigan Capitol Confidential. ... It is very useful in finding out what is going on in Lansing."
CEDAR SPRINGS, \$20

"Keep up the good work. You give me hope for our good state."
TRAVERSE CITY, \$50

"My best to you all. Please keep up your important work."
GRAND RAPIDS, \$15

"Best of luck on the appeal on the union child caregiver case. ... Keep on going!"
MIDLAND, \$150

"We believe in what you stand for."
BLOOMFIELD TOWNSHIP, \$5

"Keep the faith in democracy and free enterprise."
GRAND RAPIDS, \$250

"I would like to send more. ... I want to help."
HEMLOCK, \$10

"Keep spreading the truth."
IONIA, \$2

"You folks are performing a splendid job and direly needed."
PONTIAC, \$20

"Retired and broke!! But I love [Michigan Capitol Confidential]."
CALEDONIA, \$40

"We are retired, but love our liberty."
TEMPERANCE, \$20

"I appreciate the Center's work."
WARREN, \$100

To Joe Lehman: "Your [New Year's] resolutions are on my refrigerator door."
PLAINWELL, \$300

"You are doing a great job — wish I could send more; you think right."
FARMINGTON, \$25

Day Care Lawsuit Allies: And Then There Were Many

For an arrangement born in subterfuge, the forced unionization of Michigan's day care providers is certainly in the spotlight, thanks to Patrick Wright, director of the Mackinac Center Legal Foundation, and the Mackinac Center communications staff. The Center's battle against the unconstitutional arrangement is gaining allies in the courtroom — and in the court of public opinion.

The campaign against the arrangement began last year when Wright filed suit against the state Department of Human Services on behalf of three day care providers, demanding that the department cease withholding so-called “union dues” from state subsidies paid to the women and to other independent day care contractors — including thousands of small-business owners — for providing day care services to low-income parents. The DHS, Wright observed, could not declare private-sector day care contractors “public employees” subject to “union dues” without an act of the Michigan Legislature. After being rebuffed by the Michigan Court of Appeals, Wright appealed to the state Supreme Court.

In April, two additional groups filed “friend of the court” briefs on behalf of the Mackinac Center's clients: the 350,000-member National Federation of Independent Business and the nonprofit American Civil Rights Union. The NFIB emphasized that unionization of day care providers would mean “that any private sector business that accepts subsidies from the State could be similarly forced into a public sector union.” The ACRU agreed, writing, “This [unionization] is just the beginning of the possible mischief.”

On May 12, about a month later, the Department of Human Services responded to the MCLF's suit with an evasive defense that Wright later described as “a thin hodge podge of technicalities.” Indeed, although the DHS was permitted 50 pages to make its case to the court, it filed just 12, and it never tried to show that the day care providers really are public employees.

Instead, the department lamely contended that the Center's clients should have challenged the union's certification with the Michigan Employment Relations Commission, which oversees labor relations with public employees. This logic was circular, and Wright drily noted in his written response to the court that as private contractors, his clients “had [no more] obligation to resort to that forum than they would have had if the issue had been brought before a Superior Court Judge in Nome, Alaska.”

A Michigan Supreme Court decision could come as early as the end of July. In the meantime, media interest in the case remains high. On March 31, the Lansing State Journal editorialized against the day care unionization, observing that if the indirect receipt of state subsidies was sufficient to convert private businesses into public employees, homeowners who receive a property tax exemption could be unionized as well. On April 20, the



Mackinac Center Legal Foundation clients Sherry Loar, Paulette Silversen and Michelle Berry stand firm at the Michigan Supreme Court.

Detroit Free Press published a lengthy, front-page, above-the-fold article on MCLF client Michelle Berry. Shortly after, Frank Beckmann of WJR AM 760 interviewed MCLF client Sherry Loar on his show and subsequently wrote about the case in his April 9 Detroit News column, decrying “the incestuous relationship between the Granholm administration and labor unions in Michigan.” The Macomb Daily and Oakland Press also editorialized against the forced unionization, while The Detroit News weighed in with an editorial about legislative solutions.

Wright testified about those remedies before a Senate committee and subcommittee on three Senate bills that would end the unionization of day care providers (there are similar bills in the Michigan House). He also discussed the possibility of defunding the ersatz “employer” of the day care providers, the Michigan Home Based Child Care Council, a shell corporation cobbled together largely to give the union someone to “bargain” with.

The child care council's thin façade was exposed by Center Communications Specialist Kathy Hoekstra. Using the Freedom of Information Act, Hoekstra unearthed a lengthy e-mail exchange in which a union official stated that the council — a titular “employer” — was created “at the recommendation of Michigan AFSCME and the UAW with the support of the [governor's] Executive Office.” The official also slipped by describing day care providers as “independent contractors” rather than government employees, and he admitted, “This [unionization] is an experiment with little guidance from the statute and virtually no administrative or judicial precedent to follow.”

Hoekstra published the e-mail in a video she produced as part of an ongoing series on the case, and a similar story appeared in the Mackinac Center's online publication, Michigan Capitol Confidential, on May 3.

When this lawsuit began 10 months ago, the Center was the only organization objecting to the forced unionization of Michigan's independent day care contractors. But due to the hard work of Wright, Hoekstra and the entire Center staff, momentum is growing against this tragedy of politics and bureaucracy — and the Center's clients are no longer alone. **I**

Our Economics Knowledge Deficit

By Lawrence W. Reed

Economics dominates public life and important policy discussions these days, but most people who rely on what they've learned of it in the schools are entering the intellectual battle unarmed.

Economics courses in high school are few and far between and often deal with little more than "consumer" issues: how to balance a checkbook, how to find the best deals in the market, or how to borrow money at the lowest interest rate. Those are all useful things to know, but the mental tools and essential principles needed to analyze and evaluate the paramount issues of the day are too often missing.

Even a cursory examination of textbooks used in high school economics courses reveals a dismal level of understanding or outright bias by the authors themselves. Students are sometimes reading that citizens are under-taxed, that government spending creates new wealth and that politicians are better long-term planners than private entrepreneurs are. It is not uncommon for texts to portray free-

market competition and private property in a suspicious light while presenting government intervention with little or no critical scrutiny.

Economics is immensely important. Without it we miss an understanding of much of what makes us the unique, thinking creatures that we are. Economics is the study of human action in a world of limited resources and unlimited wants — a lively topic that cannot be reduced to lifeless graphs and mind-numbing equations that occupy the pretentious planners' time.

Economics teaches us that everything of value has a cost. It informs us that higher standards of living can only come about through greater production. It tells us that nations become wealthy not by printing money or spending it, but through capital accumulation and the creation of goods and services. It tells us that supply and demand are harmonized by the signals we call prices and that political attempts to manipulate them produce harmful consequences.

Economics explains that good intentions are worse than worthless when

they flout inexorable laws of human action. It reminds us to think of the long-term effects of what we do, not just the short-term or the flash-in-the-pan effects.

When people have little or no economic understanding, they embrace impractical "pie-in-the-sky" solutions to problems. They may think that whatever the government gives must really be "free," and that all it has to do to foster prosperity is to command it.

Citizens are being asked every day to form judgments and cast votes for programs and proposals that are largely economic in nature. We should think about how we can provide the missing tools we need to make those and other such decisions, so that we don't dig ourselves deeper in the muck of poor thinking and bad public policy. I'm thankful that the Mackinac Center helps fill the void created by the dearth of sound economics in primary and secondary education. **I**

Lawrence W. Reed is president emeritus of the Mackinac Center for Public Policy and president of the Foundation for Economic Education (www.fee.org).



VIEWPOINTS

Constitutional Convention Won't Fix Michigan's Problems

April 2010 V2010-10

In November, Michigan voters will decide whether to call a constitutional convention. There is no guarantee that a convention would fix problems now plaguing our state, and revising the document could make things worse.

www.mackinac.org/12509

Taxpayers Never Get Early Retirement

April 2010 V2010-11

Policymakers don't seem to have a problem with across-the-board tax increases that impact nearly all Michiganders, but they don't apply the same fervor to keeping their spending in line.

www.mackinac.org/12510



Online Learning Can Improve Michigan Public Education

April 2010 V2010-12

Online schools can increase

student achievement and are less expensive to operate than conventional schools.

www.mackinac.org/12511

Michigan Service Tax Defended by Phantom Facts

May 2010 V2010-13

Gov. Jennifer Granholm and the Legislature should not pursue expanding Michigan's sales tax to services as a way of correcting their overspending crisis.

www.mackinac.org/12665

The Paying Class vs. the Government Class

May 2010 V2010-14

The salaries and benefits of Michigan's government class — including politicians — need to be brought back in line with that of the private-sector workers who are paying the bills.

www.mackinac.org/12666

Michigan's Gift to Texas? People

May 2010 V2010-15

Calls for higher taxes in Michigan — on top of the state's fettered economy — will send more Michigan residents packing. Many of them, statistics show, will end up in Texas.

www.mackinac.org/12667



How Michigan's Foundation Allowance Works

June 2010 V2010-16

Laws governing how Michigan funds public schools can be complex. This commentary explains the foundation allowance and corrects some common myths surrounding the term.

www.mackinac.org/12942

Michigan Taxpayers Have Already Made Compromises

June 2010 V2010-17

Proposed changes to public employee benefit plans will not correct a system that has grown too expensive in past years — and will increase in cost in future years — to offset the tax hikes that legislators desire.

www.mackinac.org/12943

More and More a Political Animal

June 2010 V2010-18

A review of reports filed by the nation's largest unions reveals two things: Public-sector unions are growing while private-sector unions are shrinking; and politics, not collective bargaining, dominates unions' focus.

www.mackinac.org/12945

JOURNALS

MichiganScience

MS2010-02

Key stories: Cancer research, risk assessment, state of the Great Lakes.

www.mackinac.org/12420

MichiganScience

MS2010-03

Key stories: Risk assessment, engineering in high schools, nuclear power plants.

www.mackinac.org/12911

STUDIES

Chetly Zarko v. Howell Education Association

S2009-11

The Mackinac Center Legal Foundation and the Michigan Press Association filed a joint "friend of the court" brief before the Michigan Supreme Court in a case involving a citizen political activist's request for e-mails created on a public school computer server. A faulty decision would seriously damage the state's Freedom of Information Act and the public's ability to monitor the actions of elected officials.

www.mackinac.org/10443

VIDEO

Golden Ticket

Many charter public schools are forced to hold "lotteries" because there are more students than seats available. This video documents the lottery held in March at South Arbor Academy. Due to an arbitrary cap on the number of charter schools in Michigan, some 12,000 students are on waiting lists.

www.mackinac.org/12432



Film Noir

An investigation by Fiscal Policy Director Michael LaFaive and Communications Specialist Kathy Hoekstra uncovered several unanswered questions surrounding a multimillion dollar investment in a Grand Rapids-area movie studio that had been listed by a real estate agent for a fraction of that amount just months ago. The studio has applied for a large refundable tax credit through the Michigan Film Office.

www.mackinac.org/12804

Knockout Punch

Education Policy Director Michael Van Beek and Communications Specialist Kathy Hoekstra apply a "truth-o-meter" to Michigan Education Association ads that claim teachers are treated like "punching bags" by the Michigan Legislature. The video explores claims that school employee concessions have saved taxpayers \$1 billion in recent years, that class sizes are increasing and that teachers spend an average of \$500 annually out-of-pocket on classroom supplies.

www.mackinac.org/12928

SPECIAL PROJECTS

Civil Society

SP2010-01

President Joseph G. Lehman's essay, originally published in The Heritage Foundation's October 2009 booklet "Indivisible: Social and Economic Foundations of American Liberty," was reissued as a Mackinac Center pamphlet.

Defending FOIA: The Center, the Media and the Message

When the Mackinac Center opened more than 22 years ago, it faced an uphill battle to gain attention from the media. Now, the Center and the Michigan Press Association have teamed up to try to undo the damage inflicted on the Michigan Freedom of Information Act by an erroneous state Court of Appeals decision.

On May 11, the Center and the MPA filed a joint “friend of the court” brief with the Michigan Supreme Court, asking it to reverse a judgment that could shield criminal and improper government actions from scrutiny. The case arose from a citizen-journalist’s attempt to determine whether teachers in the Howell Public Schools were illegally using the school district’s e-mail system to conduct union business during a heated collective bargaining process. Using the Freedom of Information Act, he sought e-mails from the various union officials who taught at the school.

The trial court granted the FOIA request, but was overruled by the Court of Appeals, which took a narrow view of the term “public record” and declared the e-mails in question to be “personal,” even though they pertained to collective bargaining between the teachers union and the district, obviously involving the expenditure of public money.

In the joint legal brief, Mackinac Center Legal Foundation Director Patrick Wright and MPA General Counsel Robin Luce Hermann noted that Michigan’s FOIA was passed soon after Watergate and was intended to allow citizens to police the activity of government officials, since the public did not trust those officials to do so themselves. Unfortunately, the Court of Appeals’ ruling would undermine the law’s intent by essentially leaving the decision concerning which e-mails were “personal” and which were “public” to government supervisors,

who may have every reason to bury inappropriate or illegal activity by their subordinates.

In a press release announcing the joint brief, Luce Hermann stated, “The outcome of this case is of vital interest to every newspaper in the state of Michigan because it will impact their ability to engage in reporting and inform citizens on the workings of government, including misuse of taxpayer money.”

Wright later penned an Op-Ed on the case that appeared in the May 28 Detroit Free Press. He was also interviewed on “The Frank Beckmann Show” on WJR 760 AM in Detroit and WSJM out of St. Joseph. The Livingston County Press & Argus reported on the filing of the brief.

The Michigan Supreme Court is expected to act on the case by September or October. As the case proceeds, the Center will help the media defend a freedom of information meant to benefit everyone. **I**

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You don't have to be a school professional to have access to some of the Center's most-used research areas.

Much of the day-to-day life of Michigan's public schools is shaped by districts' union contracts, spending choices and available revenues. Michigan School Databases, hosted by the Mackinac Center, provides a revealing look at Michigan's public school districts.

District Collective Bargaining Agreements

This database contains PDF copies of each Michigan district's collective bargaining agreements for teachers, bus drivers, aides, office staff and other employees. Union contracts spell out not just salaries and benefits, but also information about class size, employee evaluations, school calendars, and more. Also available: District-specific contract summaries and analysis.

District Health Insurance Information

This database contains information about 2008-2009 district-provided employee health insurance. Users can find the insurance providers, plan types and titles, number and type of employees enrolled, monthly premium costs and the amount employees contribute to the premium for nearly every district in the state.

District Revenue and Expenditure Report

These data are taken from the National Public Education Finance Survey and show major categories of revenue and expenditure for each public school district for fiscal 2004 through fiscal 2008. The figures appear as both dollar amounts per category and dollar amounts per pupil. Each district is compared to the state average.

District Checkbook Register Report

Part of the Mackinac Center's ongoing government transparency project "Show Michigan the Money," this database links users to the checkbook registers of the school districts that publish such data online. Users can track districts' expenditures check by check at these sites. More districts are expected to publish their registers online in the months to come.

District Categorical Grant Report

In addition to per-pupil revenues, Michigan school districts receive grant money for specific purposes independent of total student enrollment. The categorical grants database lists the amount each district received in fiscal 2007 in categories as diverse as "at-risk students," "math readiness" and "bilingual education." The database permits district-to-district comparisons.

Find it at mackinac.org/10361

It's easier than ever to stay connected with the Mackinac Center!

By using new social networking tools, not only are you able to tailor-design the information you want to receive, but you're also able to link up with other freedom lovers from Michigan and across the nation.

Use this reference guide to get started.



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