

CENTER CHARTS NEW COURSE FOR LANSING



Oakland County Executive L. Brooks Patterson offered proven policy prescriptions for Michigan's next governor.

Leadership Lessons From Oakland County

Leading up to the general election, it was clear that the next governor of Michigan would face tremendous opportunities and entrenched obstacles. Whether the next state executive would be Ann Arbor businessman Rick Snyder or Lansing Mayor Virg Bernero (Snyder ultimately prevailed), the winner would have to act decisively if he was serious about improving Michigan's economic fortunes and subduing government spending.

Over the last several years, the current governor and other state officials blamed many of the state's problems on "globalization," distress in the auto industry and other vaguely defined trends that were implicitly beyond their ability to control. Michigan, lawmakers told us, was a victim of circumstances. The justification for many bad policies — from tax increases to expanding failed economic development programs — was rooted in this mindset.

But there was a gaping hole in the victimization argument. Oakland County, a locale that experienced all the same externalities as the rest of the

see "Lessons" Page 6

CONTENTS

- 2 President's Message
- 3 Super Salaries
- 3 GlobalWatt's Up?
- 4 Privatization Progress
- 4 Public Servants Paid Royally
- 5 Media Impact
- 7 Virtual Schools
- 7 Legal Battles
- 8 A Great Man
- 8 Direct Investment
- 9 Rich States, Poor States
- 9 True Medal
- 10 Free-Market Fundamentals
- 11 Free-Market Library
- 12 Fresh Alternatives

A Blueprint for Regulatory Overhaul

The most troubling aspect of the growth of government in the past 50 years has been the expanding scope of unelected government bureaucracies and their near-monopoly on interpreting many of the laws that govern us. A new Mackinac Center publication addresses this with reforms to relocate this regulatory power where it belongs — with the people's elected representatives in the Legislature.

Released just in time for a new governor and many rookie legislators, "Environmental Regulation in Michigan: A Blueprint for Reform" lays out the changes needed to restore accountability to the regulatory process. Russ Harding, the Mackinac Center's senior environmental policy analyst, proposes general principles for a good regulatory system, then suggests statutory and structural changes to

protect the environment while also fostering a flourishing economy.

Highlighting the necessity for sensible regulatory policies amidst great economic competition between the states, the Blueprint explains that businesses take regulatory restrictions seriously in choosing where to invest and create jobs. The Blueprint reforms would transform Michigan's harsh regulatory climate into a system responsive to Michiganders' needs.

The principles in the Blueprint focus on the need for regulatory agencies to be limited in their power, accountable to the people and fair to those seeking permits. Currently, the Legislature writes generic laws and lets unelected regulators determine the specific applications of the laws. As such, these administrators, who are not accountable to the people, essentially have the

see "Blueprint" Page 5

"Michigan Capitol Confidential is the very first thing I check in the morning, and the Michigan Votes website is indispensable!"

Mickey Blashfield, director of governmental relations, Detroit International Bridge Co.

PRESIDENT'S MESSAGE

Grateful for President Obama



Joseph G. Lehman
President

We already know two things for which the Obama presidency will be remembered, and I am grateful for both of them. First, his election emphatically marked a new frontier that pushed back boundaries of obdurate racism. Second, his policy mistakes and political overreach ignited the country's political center to action over ruinous economic problems too long ignored.

About the second, Admiral Isoroku Yamamoto might have said President Obama awakened a sleeping giant.

His campaign rhetoric set the bar so high that when his policies deepened and prolonged the economic crisis, the electorate responded as if obeying a political version of Newton's law of equal and opposite reaction.

Partisan Republicans reacted as expected. And those who believed Mr. Obama was too timidly borrowing, spending and nationalizing industries also reacted. But the big surprise was a big swath of the political center energizing in opposition to his massive expansions of government.

The Sam Adams Alliance surveyed Tea Party leaders and found no party has a lock on that new movement. Most of the leaders felt aligned with the Republican Party, but 28 percent said they were politically independent and another 11 percent identified with the Tea Party movement itself. That breakdown reflects the center-right inclinations of the nation as a whole.

Perhaps most importantly, more than 75 percent had never before been involved significantly in politics. Are the hundreds of thousands of Tea Partiers the awakened giant?

I hope so. For decades, our elected representatives in Washington and Lansing have been growing government at the expense of our freedom, dignity and prosperity. The Mackinac Center and our sister organizations have been sounding the alarm. We've carefully and persistently built the intellectual case that high taxes and spending levels are unsustainable and even immoral.

While we won some victories, we lost other important ones. Ironically, decades of remarkable economic growth in spite of poor policy covered a multitude of policy sins. But now that growth has become anemic, those sins are in full view to more people than ever before.

For a bright student whose parents don't notice that he neglects his homework, the report card eventually comes home with a grade of "F" that does get Mom and Dad's attention. The failing mark will likely trigger better study habits or start a long slide to academic failure. While no one wishes for a failing grade, one may be grateful for the chance to turn around a failing situation.

Bright students do sometimes fail in school. Great, and good, nations do fall. Along the way, there are usually warning signs and missed chances to turn things around. I'm grateful if President Obama has illuminated such an opportunity for us.

Candidate Obama said about his supporters in 2008, "We are the ones we've been waiting for." For those of us dedicated to limited government and free markets, who have long sought a strong social movement to undergird our ideas, it looks like the newly awakened Tea Partiers might be the ones we've been waiting for. I

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Super Salaries

Forget CEO salaries — the new controversy is over outsized salaries for public school superintendents. Mackinac Center resources have helped reveal that a few superintendents of small districts are receiving some big compensation packages. Following public outcry at these revelations, the two superintendents have announced their resignations.

When Flint's ABC-12 discovered that the superintendent of 600-student Harbor Beach School District was being paid a \$300,000 compensation package, they interviewed Michael Van Beek, the Mackinac Center's director of education policy, for his take. Using data that the Mackinac Center routinely collects, Van Beek compared the Harbor Beach superintendent's pay with that of district superintendents throughout Michigan. He found that this particular superintendent was being paid more than those in districts with more than 30 times the number of students.

After the Mackinac Center's online news site, Michigan Capitol Confidential, ran two

additional stories about the Harbor Beach superintendent's pay, the Huron Daily Tribune reported that school board meetings in Harbor Beach were packed with concerned residents. The superintendent promised in October to work part-time to save the district some money, and later in November announced he will resign after this school year.

Capitol Confidential also uncovered that the 2,000-student district of Coopersville also paid its superintendent on par with some of the largest and wealthiest districts in the state. His total compensation hovered around \$311,000.

After this was reported by Capitol Confidential, The Grand Rapids Press revisited a story they ran in 2008 on superintendent salaries and discovered that the Coopersville superintendent had misrepresented his salary in their original story — in fact, he had grossly underestimated it. A few days after The Press unveiled this disparity, the Coopersville superintendent announced he would retire from the district at the end of the school year. **I**



Education Policy Director Michael Van Beek discusses superintendent salaries on ABC-12.

MEGA GlobalWatt Deal Raises Questions

Michigan Gov. Jennifer Granholm's laundry list of job creation "success stories" seems to contain some more dirty laundry in the basket. This time, Mackinac Center Fiscal Policy Director Michael D. LaFaive and Communications Specialist Kathy Hoekstra uncovered what looks to be a fraudulent claim on a solar panel company's application for tax credits from the Michigan Economic Growth Authority.

California-based GlobalWatt announced in December 2009 that it chose Saginaw, Mich., over Corpus Christi, Texas, as its new home. Gov. Granholm made specific mention of this deal in her February 2010 State of the State address, saying, "In fact, GlobalWatt literally left Silicon Valley in California to set up shop in an abandoned auto plant in Saginaw." Initial media coverage also made much of the fact that it took as much as \$42 million in state and local tax credits to lure GlobalWatt away from Texas. In return, GlobalWatt promised to create 500 new direct jobs. GlobalWatt claimed on its MEGA application that Texas had offered "upfront cash incentives" to locate in Corpus Christi.

To investigate this claim, Hoekstra contacted her counterpart at Texas Watchdog, Mark

Lisher. Lisher did some digging of his own, then steered Hoekstra and LaFaive to economic development organizations in Texas. These agencies confirmed that GlobalWatt's claims regarding Texas' cash offers were false.

On Sept. 29, Hoekstra and LaFaive released an essay and video highlighting the results of their two-month-long investigation. The essay and video described the discrepancies between the claims made on GlobalWatt's tax credit application and what was offered by Texas. The Saginaw News and Midland Daily News quickly published stories, as did two Saginaw- and Flint-area TV stations, WNEM and WJRT.

The story also took root in Texas, with follow-up coverage by Texas Watchdog and The Corpus Christi Daily Caller. Both outlets were able to verify Hoekstra and LaFaive's findings that GlobalWatt's claims regarding Texas' incentive offers were untrue.

GlobalWatt has yet to fulfill its job-creation promises — or to begin production of solar panel components. In the meantime, the Mackinac Center will continue to protect Michigan taxpayers by shining sunlight on questionable "economic development" deals. **I**



Privatization Growth Spurs Savings

Less than 10 years after the Mackinac Center’s first school privatization survey, almost half of Michigan school districts contract out for at least one of the three main support services. The survey reports have helped inform school district administrators of the growing trend toward privatization.

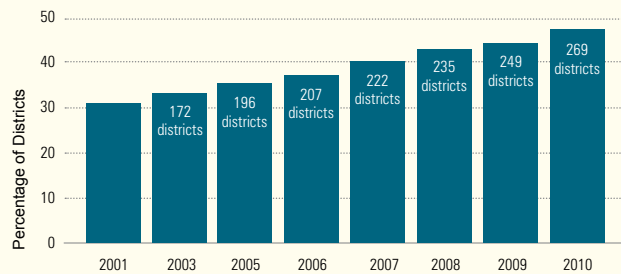
The latest report, authored by Fiscal Policy Analyst James Hohman and intern Dustin Anderson, showed that 48.8 percent of school districts contract out for food, custodial or transportation services. The 57 newly contracted services are expected to save \$16.7 million in the first year alone.

The Center has published eight privatization surveys since 2001, when only 31 percent of districts contracted out services. The report is the only list of which Michigan districts are contracting out, and it has been replicated in Arizona, Florida and Illinois.

While its primary goal is to inform administrators and school boards of the benefits of privatization, the survey helps others as well. Contractors check on the growth in the market, school district consultants consider it in cost-saving plans and Michigan media turn to the Center for detailed survey data.

“The Mackinac Center’s privatization survey has helped public school officials make data-driven decisions that have saved districts —

Outsourcing by Michigan School Districts



Note: The number of districts that responded each year varied.

and taxpayers — millions of dollars,” said former state Superintendent Tom Watkins. “The Center and its research have helped advance privatization from a seldom used practice to an effective tool that has now been accepted by nearly half of Michigan’s school districts.” **I**

In 2006, Center analysts recommended that the city of Pontiac outsource police services to Oakland County. The city’s finances were deteriorating and officials were looking for savings ideas. Pontiac didn’t implement the recommendation at that point, and the state had to appoint an emergency financial manager to get the city’s books back in order. The manager decided in October to contract with the county sheriff, saving \$2 million.

New Pension Study Shows Government Overcompensation

Amidst a struggling economy, public employees can be a public burden. A new Mackinac Center study finds when it comes to retirement plans, state and public school employees are offered benefits far more expensive than those offered to workers in the private sector.

The study, “Michigan’s Public-Employee Retirement Benefits: Benchmarking and Managing Benefits and Costs,” compares retirement plans for school and state employees to benefits offered by private-sector employers. Even recent changes to the state’s two largest employee pension programs have failed to bring public-employee benefits in line with those in the private sector.

In addition to burdening current taxpayers, the plans incur significant financial obligations that will cost billions of dollars in the future. Unfunded liabilities currently stand at \$15.1 billion. In addition, the system pays for retiree health care, a benefit that cost the state and public school districts \$1 billion last year alone.

Actuary Rick Dreyfuss, an adjunct scholar with the Center, wrote the study, drawing on data from consulting firm Aon Hewitt to compare Michigan’s

pension plan benefits to 24 large state employers. None of the private employers offered the traditional “defined benefit” pensions that new public school employees are still granted. In addition, Dreyfuss found that only 12.5 percent of private employers cover retiree medical expenses. Under the state’s systems, taxpayers pick up a whopping 90 percent of retiree health insurance premiums.

The study shows that government and school employees receive pensions three to five times more expensive than the private sector’s. This accounts for a large part of Michigan’s \$5.7 billion gap between benefits to government employees and private-sector averages.

When the new leadership arrives in Lansing next year, they’ll be greeted by a budget that is projected to spend \$1.6 billion more than revenues. Using the Mackinac Center’s new study to guide pension reform, the state can begin to address overspending issues. It can also bring government employee benefits in line with those of the people they’re supposed to be serving. **I**

Appealing News

The Mackinac Center Legal Foundation's ongoing fight to stop the forced unionization of 40,000 home-based day care owners and employees continues to receive statewide media attention.

The **Detroit Free Press** reported Sept. 17 that the Michigan Supreme Court ruled unanimously that the Michigan Court of Appeals would have to better explain why it rejected the case. The **Livingston Daily Press & Argus** reported Sept. 27 that the appellate court had again rejected the case, and the MCLF's motion for reconsideration was covered by **WPBN-WTOM** in Traverse City, **The Petoskey News-Review** and the **Midland Daily News** on Oct. 15. The **Livingston Daily** also reported Nov. 1 that the Department of Human Services must account for the money it uses to fund the shell corporation it created that now claims it is the employer of tens of thousands of private employees.

President **Joseph G. Lehman** and Senior Economist **David Littmann** both participated in the West Michigan Policy Forum in Grand Rapids. Littmann appeared on "**The Frank Beckmann Show**" on WJR-AM760 during the forum, discussing how to fix Michigan's economy. Lehman was cited Oct. 1 by both the **West Michigan Business Review** and the **Grand Rapids Business Journal**, discussing how the bloated benefits given to public-sector employees harm Michigan. Lehman was again cited on this point Nov. 4 by **Fortune Magazine**. He also was interviewed during the forum by **Comcast Newsmakers**, and a commentary he penned about how to hold elected officials accountable appeared Nov. 5 in the **Detroit Legal News**. **National Review** on Oct. 27 sought Lehman's opinion on then-

upcoming elections, while **WEYI-TV25** in Saginaw interviewed him about statewide ballot proposals.

Mike Gardner, a former Mackinac Center intern, was featured Oct. 30 as part of a story in **The Los Angeles Times** about the fiscally conservative Flushing Township Board, on which he serves as a trustee.

An investigation by Fiscal Policy Director **Michael LaFaive** and Communications Specialist **Kathy Hoekstra** into a solar panel company in Saginaw that received state subsidies was cited on **WNEM-TV5** in Saginaw, **WJRT-TV12** in Flint and the **Corpus Christi Caller-Times** between Sept. 30 and Oct. 22. **The Washington Examiner** and **San Jose Mercury News** both cited LaFaive about the lack of transparency at the Michigan Economic Development Corp. **I**

BLUEPRINT from Page One

power to create the rules that affect all individuals and businesses in Michigan.

Proposed changes in statute include requiring legislative votes on regulations rather than allowing unelected bureaucrats to set the rules, imposing deadlines for permit-issuance to expedite the regulatory process for individuals and business, preparing fiscal reports on all regulations so the full costs are known to residents and policymakers, and enacting a Regulatory Bill of Rights as a guarantee that all will be treated fairly and promptly in the regulatory process.

The Blueprint also suggests administrative changes. Shedding permitting power from the Michigan Department of Natural Resources and Environment to a separate agency responsible for all permitting would prevent a conflict of interest between issuance and enforcement, both of which currently fall to the DNRE. Furthermore, reallocating responsibility for certain programs to the local or

federal level can help improve the environment and reduce costs. Wetland permitting can be effectively managed by federal agencies, as is done in the vast majority of states. Landfill regulation, on the other hand, would be best managed on the local level, as local governments have the most interest in properly regulating them. Finally, privatization opportunities should be explored for functions like environmental laboratories and certain aspects of permitting.

For the Blueprint, Harding drew on his extensive experience in the realm of environmental regulation and analysis, particularly his seven years as the director of the Michigan Department of Environmental Quality.

The Blueprint's case for change and specific reforms have caught the attention of many. Harding has discussed



www.mackinac.org/13789

the document with incoming Gov. Rick Snyder's transition team and incoming Attorney General Bill Schuette. The Blueprint was covered in MIRS News, and Harding discussed it during radio interviews with WJR's Frank Beckmann, WTCM's Ron Jolly, WMKT's Greg Marshall, WOOD radio and Michigan Radio. He also spoke about the Blueprint to an economic development group in Saginaw, and wrote related

Op-Eds for the Lansing State Journal and The Oakland Press.

Harding has emphasized the immediate importance of the Blueprint: "We hear a lot about the loss of jobs to foreign competition," he said. "But a far greater threat is the loss of jobs to other states that have fewer regulatory barriers." Harding's proposals would improve both Michigan's natural and economic environment. **I**

LESSONS from Page One

state, had a balanced budget, earned a triple-A bond rating and attracted new enterprise. If Oakland County could be well-managed during these trying economic times, why couldn't the state?

The Mackinac Center invited Oakland County Executive L. Brooks Patterson to answer this and other questions at a public event at the Townsend Hotel in Birmingham on Oct. 14. What policies had the county pursued that might be applicable at the state level? What advice would Patterson offer to the incoming governor for leading Michigan out of its economic malaise?

More than 300 people — both longtime Center supporters and new friends — turned out to hear Patterson's insights. During the reception, guests enjoyed hors d'oeuvres and rubbed shoulders with the likes of former U.S. Attorney General Ed Meese.

The event, which was simulcast live on the home pages of the Mackinac Center and The Oakland Press, was kicked off by Center President Joseph G. Lehman. Lehman reminded the audience that when Republicans took over Congress in 1994 and gained the White House in 2000, "the policy accomplishments didn't quite match the campaign promises. Government did not shrink. We did not become more free overall. ... By the time Republicans were growing government as fast as the Democrats that they'd campaigned against, the voters put them out on their ears."

Lehman explained how the Mackinac Center was employing new tools to increase transparency and hold politicians accountable.



Former U.S. Attorney General Ed Meese and Center President Joseph G. Lehman talk with Oakland County Executive L. Brooks Patterson.

MichiganVotes.org, Michigan Capitol Confidential and investigative videos can equip the "people who are the most civically engaged" because they "have disproportionate influence over policy.

Lehman also introduced a video of Bill Ballenger, editor of the political newsletter "Inside Michigan Politics." Ballenger delivered an exclusive, detailed preview of the election, full of history, trivia and insider perspective.

Patterson was introduced by Mackinac Center Senior Economist David Littmann. "Our next governor and indeed all of Michigan government could learn a lot from reviewing the budgeting process and the market-oriented policies of L. Brooks Patterson and Oakland County over the last 18 years," Littmann told the audience.

Patterson's remarks were laced with self-effacing humor, praise for his leadership team and personal anecdotes, as well as recommendations for Michigan's next governor. One part of Oakland County's success, he said, is the practice of looking forward. Most governments, he noted, look at revenues and expenditures only one year at a time.

"Oakland County is the only county in America that has a three-year rolling budget," Patterson said.



Advanced Placement government students from Milford High School enjoy the event.

Looking forward allows the county to foresee and prepare for problems. For instance, the county expects a significant shortfall in revenues in 2014. "We're already working on 2014 so when that year rolls up to us, what was a cliff ... is going to be a molehill."

In 1987, the county began addressing the liabilities associated with retirees' health care. Now Oakland County is the only county in America to have completely paid off its health care debt, according to Patterson. "We're out of the business. We don't have a debt. When people come to work for Oakland County, they don't get a promise of health care in retirement, they get a health savings account. ... We don't have those multibillion dollar legacy costs looming, because we started back in '87."

Other changes to employee benefits saved the county additional tens of millions of dollars over the years, Patterson added, and elected officials in the county more than once voluntarily rolled back their own pay. He also challenged department heads from both parties to cut their budgets. And they did.

Oakland County's success in the face of a shrinking auto industry, a decade-long statewide recession, decreasing population and lost revenues provide a clear example to the next governor — and other elected officials — of how Michigan can succeed. They must be willing to look beyond the immediate, find savings within government and establish a friendly environment for job creation. To do otherwise — to claim that circumstances are beyond our control — is to guarantee that things will only get worse. **I**



Exploring the World of Virtual Schooling

Students' extensive use of texting and internet access during class is often seen as disruptive to learning. Many experts, however, see new technology as a promising way to improve education. On Sept. 16, the Mackinac Center held an Issues & Ideas forum to explore the potential of "virtual learning" to revolutionize the way students learn. This well-attended event demonstrates that there's a growing desire in Michigan to find better ways to expand learning opportunities and reduce school costs.

Virtual learning includes computer-based instructional software, online lectures accessed remotely or another medium delivered over the Internet.

The Mackinac Center event featured two of the nation's leading experts on virtual learning: Michael B. Horn and Susan Patrick. Horn is the co-founder and



Susan Patrick, president of the International Association for K-12 Online Learning, discusses the future of virtual learning.

executive director of Innosight Institute and co-author of "Disrupting Class: How Disruptive Innovation Will Change the Way the World Learns," one of the most influential books on online learning. Patrick is the president and CEO of the International Association for K-12 Online Learning and former director of the Office of Educational Technology at the U.S. Department of Education. Both speakers shared their insights into how Michigan could take full advantage of new technologies to enhance education.

About 55 people attended the event in Lansing. The make-up of the crowd reflected virtual learning's wide appeal: There were school teachers, administrators, parents, policymakers, and representatives from both for-profit and nonprofit companies. Appropriately, the event was also streamed live online, where another 120 people tuned in. The archived video of the forum is available at www.mackinac.org/13587.

This event was part of the Mackinac Center's effort to examine the possibilities for virtual schooling in Michigan. Michael Van Beek, the Center's education policy director, will soon release a study documenting current online learning opportunities in Michigan and suggest ways the state can unlock the full potential of virtual schooling. **I**

Full Court Press

It is often said that patience is a virtue — with most legal matters, it is a necessity. The Mackinac Center Legal Foundation continues the good fight, particularly in two long battles: the Foundation's case to prevent an illegal scheme that made private day care owners into government employees, and a Secretary of State case to prevent governmental entities from assisting partisan political activity.

Home-based day care owners, who are being represented by the Center in the case *Sherry Loar v. Michigan Department of Human Services*, received some good news in September when the Michigan Supreme Court unanimously ordered the Court of Appeals to explain that lower court's dismissal of the case. Later that month, however, the Court of Appeals curtly dismissed the case again. The MCLF will file another

appeal to the Michigan Supreme Court in December.

Legal Foundation Director Patrick Wright stated, "I expect the Supreme Court will be disappointed in the Court of Appeals' terse denial." He noted that the Court of Appeals' actions stand in strong contrast to Court of Appeals Judge Douglas Shapiro's recent statement that court decisions should inform litigants "not only ... if they won or lost, but why."

In the second case, *Michigan Education Association v Secretary of State*, the Mackinac Center filed a brief of amicus curiae, or "friend of the court." The case concerns whether it is proper for school districts to collect money for union political accounts, an activity the Center contends is an improper renting of government resources for political ends. In November, the Michigan Supreme Court heard oral arguments



Child care providers Sherry Loar, Paulette Silversen and Michelle Berry are the Legal Foundation's clients in *Loar v. DHS*, the case against the forced unionization of day care owners.

on this matter, and many of the court's questions mirrored issues raised in the Center's brief. A decision is expected by July.

"Public-interest legal battles are often long and difficult," Wright said, "but that's because fundamental principles are involved and the stakes are high. We are committed to fighting these to the end." **I**

Pete Peters, Champion of Freedom By Joseph G. Lehman

His race well run, Lovett C. “Pete” Peters passed away on Nov. 11, at the age of 97. He was the kind of man — wise, generous, good-humored and accomplished — whose passing makes one despair of ever meeting his like again. But he was also the kind of man who invested his time and treasure to benefit people he would never meet, including generations yet to come.

Any parent or child who has chosen a K-12 school apart from the government’s assigned “district” school has Pete Peters partially to thank. After a successful career as a financier in energy and other businesses, he “retired” at age 75 to begin a new career in ideas.

He founded the Mackinac Center’s sister think tank in Boston, the Pioneer Institute. He and his wife, “Ruthie,” also gave generously through their family foundation to school choice initiatives around the country, including in Michigan.

Pete was the kind of man who:

- In his late 80s would provide major charitable venture capital to an Internet-based education enterprise when most people his age didn’t use the Internet;
- Smiled with satisfaction as Ruthie wore a baseball cap with her fine suit and announced that “ladies need not remove their hats indoors”;

- In his 90s would mark up your business plan in his own hand to show you how to improve your chances of success — and then expect you to follow up;
- Would, with his son Dan, quietly back a \$350,000 public guarantee to a Redford, Mich., public school if the Mackinac Center could not find \$350,000 of savings in that school’s budget;
- Would appoint himself and Ruthie chaperones of your courtship if you were the Mackinac Center’s senior vice president who set a course to marry a Boston lady; and
- Would support a teacher’s legal challenge to a union’s unjust use of compulsory dues, and then unassumingly watch from the back of the room as the case was successfully argued before the U.S. Supreme Court.

Few of Pete’s accomplishments in business, charity or public policy bear his name. I am glad I could tell you of some of them now. I’m reminded of a quote from Presbyterian pastor George Grant:

“Some men’s greatness may be seen in how largely they loom over the movements they launched. But greater men are they whose movements loom large over them — even to the point of obscuring them from view.”

God bless Pete Peters. **I**



Lovett C. Peters and his wife, Ruth Peters

Stocks and Shared Bonds

Just as June is known as the month for weddings, December is the month that many of us make financial contributions to our favorite non-profit organizations.

Besides the tried-and-true method of making a cash gift, there are other ways to make a contribution that can have a great impact. Please allow me to share one idea with you.

The donation of appreciated stock can be an excellent way to support the Mackinac Center while also providing additional benefits to you as the contributor.

For the past couple of years, with the major drop in the value of the overall stock market, contributing stock has not been the best approach for most people to consider.

Yet, this year we have seen a positive movement in the Dow Jones Industrial Average. Since Jan. 1, the stock market has gained 5.7 percent.

For those of you who may be thinking about making a contribution of stock to the Mackinac

Center, here are a couple of thoughts to consider.

When making this type of contribution, not only will you help the Mackinac Center continue making Michigan a freer and more prosperous place, but you may also potentially benefit in two different ways. The first is the tax deduction of the actual cash value of the gift being made. The second benefit is the savings on your capital gains taxes. We would strongly advise that you consult with your tax adviser to see if the capital gains tax savings would occur in your individual case.

If you are interested in making a stock contribution to the Mackinac Center this year, please contact our office by noon on Thursday, Dec. 30. You can call our office any time between 8 a.m. and 5 p.m., Monday through Friday, at 800-224-3327. Let the receptionist know that you wish to make a stock donation, and we will handle your request directly through a Midland financial firm.

Thank you for considering investing in the Mackinac Center. **I**



Darryl M. White, Vice President for Advancement



Your estate plans reflect the values you hold dear and hope to perpetuate.

Join the Mackinac Center’s Legacy Society by calling Darryl White at 989-631-0900 and including the Center in your bequest today.

'Club-Mid' Speaker Offers Blunt Advice to Government

Michigan is a poor state and will become increasingly so without a shift toward statewide free-market policies, author Jonathan Williams of the Washington, D.C.-based American Legislative Council told a Mackinac Center audience on Oct. 19.

As part of the Mackinac Center's ongoing engagement with individuals in the mid-Michigan region, the Center hosted its latest "Club Mid," with Williams as the guest speaker. Held at the Mackinac Center's headquarters in Midland, Club Mid events introduce regional supporters and others to intriguing public policy ideas and speakers.

Williams, a Michigan native and Northwood University graduate, is co-author of the book "Rich States, Poor States" with

world-famous economist Arthur Laffer — originator of the Laffer Curve — and Wall Street Journal writer Stephen Moore. The book is a 50-state examination of state competitiveness and the link between economic performance and state policies.

The audience of more than 80 people heard that "Rich States, Poor States" ranks each state's previous 10-year economic performance based on per-capita personal income, state migration and employment. In terms of economic performance, Michigan finished 50th among the states. The book also contains a forward-looking index and state ranking system. In 2010, our rank in this category was 26th among the states, up from a lowly 34th the year before.

Williams cautioned the audience not to celebrate the improvement, however. He argued that Michigan's improvement was not a function of sound policies being adopted in the state, but by other states' adoption of bad policies, such as large tax hikes.

Williams noted that Michigan is one of four states that provide lessons on how not to govern. Government spending, tax increases, powerful unions and punitive regulations all contributed to transforming Michigan from a prosperous to a poor state.

Attendee Norman Burmeister of Remus was delighted at the event and told Center staff that he found the speaker's facts "hard-hitting" and even "startling" on occasion. "You need this information," he said. **I**



Bringing Home the Bling

In 2010, the Mackinac Center won multiple national awards for outstanding projects.

Back row, left to right: Jack McHugh, senior legislative analyst, with Communicator and Telly awards for the video "Oh. Canada?"; Daniel Montgomery, marketing and design director, with a Davey Award for the video "Michael & Me"; Michael Van Beek, director of education policy, with an SPNovation Award for the Michigan School District Health Insurance Database; and Christopher Deming, director of campus leadership, with a Telly Award for the Students for a Free Economy "Economic Freedom Matters" video.

Front row, left to right: Russ Harding, senior environmental analyst, with a Communicator Award for the video "Boardman River Dams: Episode 1"; Kathy Hoekstra, communications specialist, with a Telly Award for the "Stabilizing Blight?" video; Patrick Wright, senior legal analyst, with a Telly for the video "Sherry and Dawn's Story."

Read more about the awards and projects at www.mackinac.org/13441.

Business and the War of Ideas

By Lawrence W. Reed

(Lawrence W. Reed is president emeritus of the Mackinac Center for Public Policy and president of the Foundation for Economic Education in Irvington, N.Y., and Atlanta, Ga.)

Years ago as a college professor of economics, I posed a question to each crop of freshman students on the first day of class. “Can anyone tell me,” I asked, “what determines whether society is organized along socialist, centrally planned lines or as a free enterprise, private-property order?” The answer to that query, I suggested, would be the same as the answer to this corollary question: “What causes societies occasionally to change from one economic system to the other?”

Rarely would I elicit the response I was looking for, in spite of all the hints I gave. The students’ answers included: “the President,” “the Congress,” “the news media,” “the unions,” and “the schools.” Invariably, someone would suggest there was no determinant at all, that we were talking about mere random events.

At some point, the guesswork would come to an end and I would reveal the answer I was seeking. “People or the institutions they establish play important roles, but neither one is fundamental enough, because neither one explains why people behave the way they do. The correct answer is that which the French author Victor Hugo once said was more powerful than all the armies of the world: IDEAS!

People like politicians, activists, clerics and teachers can often be agents of change, but ideas are the instigators. In shaping public policy, which includes the larger questions of

free-enterprise or socialism, democracy or dictatorship, ideas are of decisive importance.

I recall a revealing study years ago of network television in America: Only 3 percent of business-people depicted on television, the Media Institute found, were involved in “socially useful or economically productive” behavior.

Around the same time, a special PBS program declared, “By the age of 18, the average TV viewer has seen businessmen and businesswomen attempt more than 10,000 murders.” In the decades since these two reports, mainstream television hasn’t become much friendlier to men and women of enterprise. And be assured that when a few business-people misbehave, their faults will be presented as commonplace in the business world.

These unfair but popular portrayals play into the hands of demagogues and political shysters, of which there is an endless supply. Failure to commit time and resources to help shape the climate of opinion around you is shortsighted and probably suicidal.

Some may be quick to say, “But I am involved in such things. I give money to candidates.” That’s important, but it’s also like locking the barn door after the horse has already left. Politicians usually reflect opinion and seldom generate it; what they can accomplish in office is defined and circumscribed by prevailing majority opinion.

If you really want to make a difference, then you should invest in ideas. Change public opinion and the politicians will fall into line accordingly. **I**



See article on back cover to read how new media technologies are revolutionizing news and messaging.

VIEWPOINTS

Michigan Schools Contract Out More Than Ever

October 2010 V2010-29
 School contracting increased 8 percent over the last year, according to the Mackinac Center's 2010 School Privatization Survey. Nearly 49 percent of public school districts in Michigan now contract out for one of the three main support services.
www.mackinac.org/13633

Consolidating School Districts Won't Save Michigan \$600 Million

October 2010 V2010-30
 Policymakers should focus on pension reform and expensive contractual costs, not flawed consolidation studies, if they want to truly focus on reducing costs in public schools.
www.mackinac.org/13634



Choice and Privatization Reform for Basic Welfare Services

October 2010 V2010-31
 Privatizing welfare services is an option that could help Michigan.
www.mackinac.org/13635

MEGA "GlobalWatt" Deal Raises Questions

November 2010 V2010-32
 Misinformation on Michigan Economic Growth Authority grant applications underscores the need for greater scrutiny and accountability in the program. If state government won't stop picking winners and losers in the marketplace, then those in charge must perform due diligence in vetting the applications.
www.mackinac.org/13956

Scan with smartphone to view video

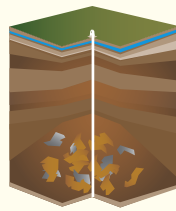


It Shouldn't Take a Superhero to Fix Public Education

November 2010 V2010-33
 Those who want to reform public education, from both the left and the right, must realize they face a common obstacle in teachers unions. Children's education will improve when we return teachers to the status of professionals, rather than interchangeable parts.
www.mackinac.org/article.aspx?ID=13957

Hydraulic Fracturing the Key to Michigan's Energy Future

November 2010 V2010-34
 Hydraulic fracturing has been used since the 1940s as a way to extract natural gas from deep below the earth's surface. Michigan cannot afford to limit this technology as an important way to provide affordable and dependable energy.
www.mackinac.org/13958



STUDIES

Reforming Michigan's Auto Insurance Industry

Michigan auto insurance premiums are among the highest in the nation. Past legislative attempts to keep premiums down unfortunately focused on price controls and regulations. Real reform would address the source of high premiums: no-fault insurance and mandatory insurance requirements.
www.mackinac.org/14038

Michigan's Public-Employee Retirement Benefits: Benchmarking and Managing Benefits and Costs

S2010-05
 The Michigan Public School Employees' Retirement System, known as "MPERS," provides both pension and retiree health care benefits to eligible public school employees. As of Sept. 30, 2009, the most recent date for which data are available, MPERS and MSERS pensions had unfunded liabilities of \$15.1 billion.
www.mackinac.org/13862

2010 School Privatization Survey

S2010-06
 Nearly 49 percent of all public school districts in Michigan contract out for one of the three main support services – busing, transportation or custodial – and 8 percent more districts are contracting out this year compared to last year. First-year savings from new contracts this year are expected to save schools more than \$16 million.
www.mackinac.org/14083



JOURNALS

Michigan Capitol Confidential

MCC2010-04
 Key stories: Ann Arbor budgeting, state audit, government transparency, county land banks.
www.michiganconfidential.com/13763



VIDEO

The School Employee Concession Myth

School employees on the whole have not saved taxpayers money through contract concessions and have remained relatively shielded from Michigan's economic downturn.
www.mackinac.org/13912

An Evening With the Mackinac Center

Video from An Evening With the Mackinac Center event held on Oct. 14, 2010, featuring Oakland County Executive L. Brooks Patterson as the speaker with advice for the new governor.
www.mackinac.org/13885

GlobalWatt's the Deal?

Concerns over the state subsidies given to a solar panel company.
www.mackinac.org/13592



The Alternatives

A panel discussion on how the new media are transforming the political landscape.
www.mackinac.org/13895

Virtual Learning Forum

A discussion hosted by the Mackinac Center about the benefits and future of online education.
www.mackinac.org/13587

Scan with smartphone to view video



'The Alternatives': New Media Is the Message

For decades, free-market ideas were often ridiculed or ignored by the mainstream media. Now, the same new technologies that are breaking down the influence of traditional media are also allowing these principles to reach a wide audience.

On Oct. 21, the Mackinac Center joined forces with some of the most respected voices in Michigan to discuss this media revolution. The panel discussion, "The Alternatives: How New Media Are Transforming the Political Landscape," featured some of the biggest names in free-market media: John Fund, Wall Street Journal columnist and Fox News contributor; Henry Payne, Detroit News editorial cartoonist and editor of TheMichiganView.com; Ken Braun, managing editor of Michigan Capitol Confidential; and Kathy Hoekstra, communications specialist at the Mackinac Center. WJR radio show host Frank Beckmann moderated the event at the Oakland County Commissioners Auditorium. Each brought a unique perspective on how the news media has been transformed by outlets such as talk radio, Fox News, The Drudge Report, state-based think tank reporting and online opinion sites. All agreed that new media have created a novel, freedom-oriented national infrastructure that



Panelists Henry Payne, Kathy Hoekstra, John Fund, Frank Beckmann and Ken Braun.

has fed a starved market, diversified coverage and provided an alternative to the legacy media.

In the days leading up to the panel, Beckmann promoted the event on his radio program, and The Detroit News marketed the event with ads and billboards in the Detroit area.

In the spirit of "new media," the panel itself was streamed live on the internet and promoted by some of Michigan's most prolific political bloggers, Michigan Taxes Too Much and Theblogprof. Around 75 people attended the event in person, and more than 500 watched the live video feed online.

Before the event, Hoekstra interviewed Fund, a long-time political observer, on-camera about

the elections in Michigan as well as the prospects for Congress. The 10-minute video was posted on YouTube and quickly picked up on Politico.com, one of the nation's leading political websites.

Through hard-hitting investigative videos, the widely read daily news site Capitol Confidential, regular e-mail updates and other methods, the Mackinac Center is taking advantage of this new-media revolution. Free-market think tanks no longer rely on the atrophying traditional media — they are becoming the media. I

Scan with
smartphone
to view video

