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The Magazine of the Mackinac Center for Public Policy JULY/AUGUST 2013

IMPACT

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READY
FOR THE
SUMMER?
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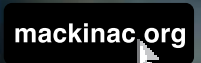
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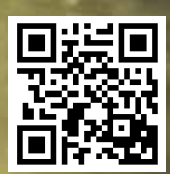
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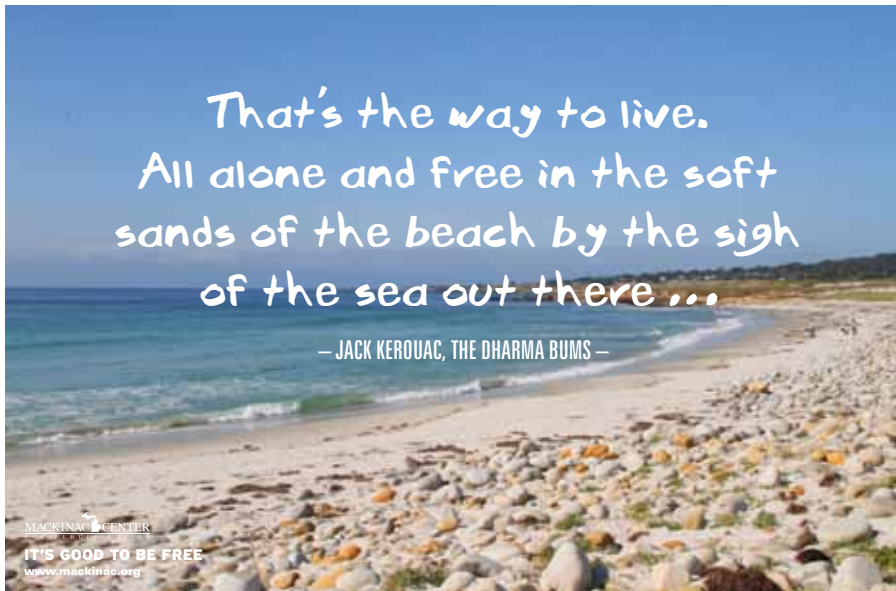


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NOTABLES & QUOTABLES



Health Care, Heat and Hollywood

Let's not jinx it, but I believe fine weather is finally here. And with it comes a whole slew of projects and initiatives for the Mackinac Center. Let's dive right in to our Summer Issue.

The heat is turning up on Medicaid expansion debates in states across the country, and Michigan is no exception. Big changes are being made every day, so rather than providing a latest news bulletin, we decided to give you an overview as well as an in-depth look into how Medicaid expansion would directly impact young adults (Page 10).

We focus on young adults more than we normally do in this issue: both as an ode to the youthful spirit of summer as well as a reminder that public policy affects everybody. Our interns remind us that the freedom movement is growing (Page 15), and our fiscal policy director Michael LaFaive offers a glimpse into the personal finance practices of the young – and what they need to know (Page 5).

A lot of you (including this editor) will be escaping the humidity by going to the movies this summer, but how much are these movies that were made in Michigan costing us?

It turns out, you're paying for a ticket to movies such as "Oz the Great and Powerful" and "Transformers 4" whether you like it or not, just by being a Michigan taxpayer (Page 13). Not only that, but Michigan Capitol Confidential has turned up some of Michigan's craziest laws (Page 7), which will serve to entertain as well as to remind us of government's tendency towards bloat.

Last but not least, we decided to have some summer fun with this issue by including a page featuring a Mackinac Center Fourth-of-July recipe, inspirational wallpapers and more (Page 14). Independence Day is a big day at the Mackinac Center, and we hope to provide a little liberty-themed celebration to your holiday as well.

Practicing constant vigilance on behalf of Michigan liberty-lovers, we sometimes forget to occasionally pause and remember why we enjoy and cherish our freedom so much. So please do, get plenty of sunshine, and let us know what you think via letter, Facebook and Twitter.

All best,
Lindsey Dodge, editor



Registration is now open!
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mackinac.org/25th

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WHAT FOLKS ARE SAYING
ABOUT THE MACKINAC CENTER

“With a long track record of success, an outstanding team and a clear mission, the Mackinac Center for Public Policy is destined to advance liberty even more in the next 25 years. Best wishes for continued success!”

— Chip Mellor, Institute for Justice



JAMES HOHMAN, assistant director of fiscal policy, **RECOMMENDS** “THE GREAT STAGNATION”

In “The Great Stagnation,” Tyler Cowen argues that the way to get the U.S. from the low-growth norm of the early 21st century is to elevate the social status of scientists and engineers. It looks like the producers of Iron Man 3 took his advice. Tony Stark, or Iron Man, has a special place among the Avengers: He has no super powers. By taking the man outside of his Iron Man suit for most of the movie, Iron Man 3 venerates the tinkerer; deprived of his suit and struggling through panic attacks, Stark turns to tinkering with stuff bought at a hardware store to save the day. Cowen and Iron Man seem to agree: ingenuity can save the world.





Mother May I?

You've seen the helicopter parent. It's the father who hovers at the playground, poised to intercept his falling child. It's the mother who slathers anti-bacterial gel on every object her baby touches. The parents who slavishly cater to a child's whims and self-esteem.

MICHAEL J. REITZ

Watch closely and you'll see the same traits in government. Politicians and bureaucrats have embraced the "duty" to prevent every possible harm that you might inflict on yourself.

Whether attempting to relieve the discomfort of poor choices, prohibiting behavior that would otherwise be acceptable, or mandating elitist-approved conduct, the State has taken on a parental role. And what a bad parent it is.

Nanny-in-Chief Mayor Michael Bloomberg wants to snatch large sodas out of the hands of New Yorkers (never mind that New Yorkers will still buy two smaller ones at four in the morning). City leaders across America are banning plastic shopping bags. If a person in Michigan wants to make a living cutting hair, painting houses or installing security alarms, he or she needs the state's permission through occupational licensing. Transfats, incandescent light bulbs, Styrofoam and candy cigarettes are all targets for the statists. As Mayor Bloomberg told *The Atlantic*, "People aren't good at describing what is in their own interest."

That's right: "You don't know what's good for you." Except he's not saying this to his own teenagers before a dance — he's saying this to grown men and women across the country.

This haughty presumption — that the government knows what's best — is what many of us object to in Obamacare's individual mandate. What's worse, a system of individual mandates will deteriorate any reason for

people to eat broccoli, join a gym or give up that glass of red wine: there's no incentive to live well when the system subsidizes

only symptomatic treatments or unhealthy living, and removes personal actions from financial responsibility. It'll be a nation of

financial teenagers, living off their parent-government.

There's a better way.

Frédéric Bastiat profoundly said that the purpose of the law is not to make good things happen. Rather, the purpose of the law is to prevent injustice from reigning. You and I have the right to pursue happiness; the State cannot create happiness for us.

Further, these lawmakers suffer from a dearth of self-limitation. As T.S. Eliot once wrote, "Most of the evil in this world is done by people with good intentions." The trouble is, they think they can never go far enough in their meddling.

People who accuse limited government advocates of being anti-government fail to appreciate the true objection. Government has a proper — even noble — role in society. But even the most attached parent must eventually let their child be free.

This is the task the Mackinac Center has embraced: to influence this generation's fundamental view of what role the State should play in our lives. The good news is that the desire for liberty is embedded in the human spirit. We envision a free society, where individuals are unencumbered to enjoy liberty and pursue opportunity ... no nanny required. ■

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THE WALL STREET JOURNAL.

On June 6, the Wall Street Journal's Political Diary cited Mackinac Center Executive Vice President Michael J. Reitz on the possibility that Republicans in the Michigan Legislature could be close to caving in on support for Medicaid expansion under Obamacare. goo.gl/9E3tN



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

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Michael D. LaFaive is director of the Morey Fiscal Policy Initiative at the Mackinac Center.



Will Financial Illiteracy Harm Future Voters?

In examining the complexity and role that various taxes and fees play in funding road construction and repair, I became a little disheartened. I have to ask myself, How does the average voter come to grips with public finance questions such as these? Do they even have the time to try?

The answer is a resounding “no.” Economists call it “rational ignorance.” People are too busy living their lives, attending school, starting businesses and raising children to pay attention to the intricate details of public finance and related policy. This was hammered home for me recently when I saw statistics about the financial literacy of American youth as it relates to *personal* finance questions.

Junior Achievement, an organization dedicated to teaching young people how to be successful economically through “work-readiness, entrepreneurship and financial literacy” has released its “2013 Teens and Personal Finance Survey.” (The poll is published in conjunction with the Allstate Foundation.) The results, along with other survey work, are worrisome for a number of reasons.

Financial illiteracy, and all of the financial rights and responsibilities that come with it, are acute problems for many people on the cusp of adulthood. Most of these children will someday be voters and will need to be informed about financial issues such as taxes and government spending to make sound decisions in the voting booth.

Up to a point, money is liquid freedom. Sound money management by individuals is a necessary tool to sustain a free society. Money, if earned and maintained, can fund a year volunteering in Guatemala, or fund a comfortable retirement for Mom and Dad, or maybe even simply support a favorite coffee shop. Money, when used to create the life of one’s own choosing, gives government one less reason to tell someone how to live.

How can we expect people to understand the minutia of often impersonal public finance – where the bills for government are spread out across millions of taxpayers – if they cannot or will not take pains to understand the basics of personal finance?

According to the JA 2013 survey, 23 percent of teens (age 14-18) report being somewhat or extremely unsure about their ability to budget successfully and 34 percent are unsure about their ability to invest their money.

The 2011 Charles Schwab & Co. “Teens and Money” survey has some similarly disconcerting numbers. For instance, only 17 percent know what a 401k plan is. Schwab also reports that since their 2007 survey “knowledge of money management seems to have declined.”

Sixty one percent of those surveyed want more advice on how to invest “money to make it grow.” This is important because starting a retirement plan early is key to a more prosperous, safe retirement. This is a good thing – this sixty one percent wants to know more.

Teenagers in the Schwab survey (age 16-18) are remarkably confident about the starting salaries they expect to pull in at the start of a career. Boys think they will make nearly \$80,000 to start while girls estimate a starting salary at just over \$66,000.

A National Financial Literacy Challenge gave a 35 question test to 46,000 American students in 2008 and the average score was just 56 percent correct.

In Michigan, the state mandates about 4-5 weeks of personal finance training so students receive some exposure to concepts of personal finance. Indeed, the Michigan Department of Education has published “content expectations” for economics classes; six categories are dedicated to personal finance. Topics covered for students include such things as personal financial management, investments, the use of credit, mortgages and insurance.

Schools may very well do a great job exposing youth to matters of personal finance – and with limited time and resources – but more may need to be done (perhaps by the likes of private organizations) to ensure that youth get a grip on their finances before their finances get a grip on them.

This brings me back to public life and policy. Knowledge is power whether it is in public or private affairs. Unfortunately, financial knowledge – something people should know much about – seems to be lacking, at least in those on the road to adulthood. How much they obtain and how much they use to become successes in life is vital to sound public policy.

When people take care of themselves and their loved ones – financially and otherwise – there is less need for the state to do so. ■

The Mackinac Center is proud to stand alongside fellow freedom fighters from around the United States. Every day, the country benefits from the fine work of men and women in the policy trenches – in every state in the nation – working to give everybody access to life, liberty and the pursuit of happiness.

Here are some of their upcoming events:

JULY 18, 2013
“The Beholden State: California’s Lost Promise and How to Recapture It” Luncheon
Pacific Research Institute & City Journal
San Francisco, Calif.

Held at the City Club, PCI invites experts to discuss how California moved from an economic model for the nation to a Detroit-By-The-Sea, and how to bring it back again.
goo.gl/lvBVG

SEPT. 24-27, 2013
The 21st Annual Meeting
State Policy Network
Oklahoma City, Okla.

The Annual Meeting is a yearly gathering of state think tank leaders, board members, network partners and anyone else interested in advancing the causes of liberty and free-market economics at the state level. Registration is available, pending SPN’s approval. Registration for non-members is \$350 before August 2.
www.spn2013.org

OCT. 3, 2013
The 21st Women of Valor Dinner
Independent Women’s Forum
Washington, D.C.

Held at the National Museum for Women in the Arts, IWF will honor women in politics who have promoted the message of free markets successfully in their state and even nationally, with remarks from Bill Kristol of The Weekly Standard.
www.iwf.org/events



With each issue of IMPACT, the Mackinac Center interviews one of its supporters to highlight the people behind what we do in support of free markets. This issue, we feature **Jon Sorber** from the moving company, Two Men and a Truck.

MCPP: What got you interested in the moving industry?

Jon Sorber: My brother and I wanted to do something different to make money after school. A lot of our friends had paper routes or they were involved in the restaurant business. We started hauling trash at first, and then we became involved with helping people move. We had one old truck and serviced the Okemos area. My mother designed the stick-figure logo that we still use today on all of our trucks.

Eventually, I began attending Northern Michigan University, but my mom continued to take moving orders while I was away at college. I had work waiting for me when I got home during break times and summers.

MCPP: Are you interested in policy?

Jon Sorber: Very much so. In the late '80s, when trucking deregulated on a national level, it was up to every state to change their own trucking regulations. My mother and I were involved in those hearings. In Michigan, everything deregulated except for household goods. Big businesses were able to get general commodities deregulated, but we were unable to get the change that would allow competition in our industry and benefit the customer. We were very disappointed. We eventually purchased a trucking authority in order to compete. However, there were still significant challenges to

the moving industry that favored large, well-established companies over those starting out or small. The regulations were created in the 1930s to protect the railroad industry and later interpreted to protect large corporations.

We fought for what we knew was right, and eventually the rules changed. No longer were moving companies restricted to an eight-mile moving area. It expanded to 40 miles, which made more sense since our primary mode of transportation is no longer horse and buggy. The eight-mile rule made no sense. We also saw more common sense changes like getting rid of the "as the crow flies" way of calculating mileage. Now we use technology to determine how many road miles are actually logged.

We helped break the monopoly where new movers did not have to "prove need" to get an authority. The old system was an impossible barrier to keep others out. We got it changed to a "shall issue" standard where, if an applicant can prove they meet safety and fiscal standards and are not criminals, they will get a license in order to compete.

Now all licenses are statewide authorities and not whittled down to a two-county area for moving.

MCPP: How did you first get introduced to the Mackinac Center?

Jon Sorber: My mother received articles from the Mackinac Center and shared them with me. I really liked them. I'm a big freedom guy.

MCPP: What value do you believe the Mackinac Center provides?

Jon Sorber: Your work is based on facts, not emotion. The Mackinac Center is able to take complex issues and explain them in a way that people can understand. I've contacted folks at the Mackinac Center for information regarding policy issues. It's a reliable source.

MCPP: Why have you decided to stay in Michigan?

Jon Sorber: It's home. I'm from here. My kids are from here. I want Michigan to continue to be a place of opportunity for future generations. Michigan is worth fighting for. Like I said before, when we were a small operation, we fought hard so that we could compete with the large companies. The old rules were set up to protect the big businesses and keep competition out. We were able to change that. It's better for the consumer.

We were able to change an archaic law that was written in the 1930s, and anyone can do it. One person, with enough passion, drive and focus, can make a difference. We now employ 5,000 people and have more than 1,500 trucks on the road. ■



The Mackinac Center for Public Policy's job is to be prescient and offer policy solutions that may not seem palatable at the time they are introduced.

When we authored our first education choice study in 1991, few understood the concept. Today, Michigan enjoys cross-district schools of choice and charter public schools. Indeed, charters are so popular in Detroit they now outnumber conventional schools in the city. The same goes for right-to-work legislation. Many questioned and criticized the Mackinac Center when we first started recommending RTW as a policy change in 1992. Today it is the law of the land.

Lately, it is hard not to notice that **warnings we repeatedly offered Detroit went unheeded. Only now are our recommendations being discussed as viable policy options.**

In 2000, Morey Fiscal Policy Initiative Director Michael LaFaive released a Detroit-specific edition of Michigan Privatization Report that — even then — painted a grim financial picture for the city. In one article LaFaive warned:

If Detroit's future expenditures were relatively stable, this financial snapshot still would be cause for concern. But the city is looking at two new outlays of monstrous proportions: funding the pension obligations of current and future city employees, which could cost up to \$3 billion, and fulfilling requirements under several federal environmental acts, which will cost billions more.

The Mackinac Center gave Detroit and state leadership a 13-year warning on pensions. Now pension responsibilities are a cause of great consternation to the city's new emergency manager.

LaFaive's recommendations for reform ranged from selling Belle Isle and the Detroit Public Lighting Department to contracting out for water and waste-water management. No such efforts were ever adopted by the Motor City.

In 2005, LaFaive again warned the city of its financial troubles, but this time in a Detroit News op-ed titled: "Detroit Can't Postpone Economic Reform: Here are five ways the city can restore prosperity and avoid state receivership."

Now that an EM has been put in charge of righting the Motor City's financial ship, he is discussing reform ideas — such as ridding the city of its lighting department — that were first brought up by the Mackinac Center years ago. ■



JARRETT
SKORUP

Michigan's Craziest Laws

Seducing an unmarried woman is a felony. Playing or singing the national anthem "as a part or selection of a medley of any kind ... [or] for dancing or as an exit march" is a misdemeanor. And mocking someone for refusing to duel is a finable offense.

That's not all: Pet lovers take note — owning an unlicensed dog means the sheriff has to have it killed. Cursing is prosecutable, and exhibiting deformed human beings is a crime.

These laws are all currently on the books in Michigan.

While many people like to make small bets with friends, with few exceptions, the state considers it to be illegal gambling. That means that if you participated in those NCAA March Madness brackets, even if you guessed correctly and cashed in on Michigan's run in the final, you likely broke the law.

A previous statute on the books prevented people from being allowed to "display ... on his or her motor vehicle any emblem or insignia of any organization ... unless the owner of such motor vehicle be a member of the organization." For the sake of Detroit Tigers fans with bumper stickers, it was good that the Court of Appeals struck that down.

Whether archaic, simply bizarre or both, Michigan has too many laws. And legislators have introduced another 25,000 since 2001, passing more than 5,000 of them. (Every one of them can be found at MichiganVotes.org)

What are the real-time implications of these now frivolous-seeming laws, and the multitude of others, from a policy angle?

Lawyer Harvey Silverglate, who estimates that citizens commit three federal felonies per day, told me that an abundance of laws

makes everyone a criminal — intentionally or not. The state is also able to pick and choose who it prosecutes.

"Since no individual can keep track of what is illegal, every citizen is in danger of being singled out for prosecution simply because he or she has come within the sights of

a law enforcement official," said Silverglate.

While these laws seem absurd to us now, how will some of the bills proposed today or the laws actively enforced look in the future?

One Michigan representative is working to crack down on "truant" homeschooled students, who would seem to be the least of our educational system's problems.

The act of homeschooling was illegal in Michigan until the 1990s. Today, however, it is increasingly popular, according to the National Center for Labor Statistics; a shift in the Overton Window.

Our state's three-tiered liquor control system, which institutes price controls and a virtual monopoly, is as old as some of the laws previously cited — left over from the post-Prohibition era.

And while it is fun to laugh at these antiquated rules, some of these laws have actually been prosecuted in recent times.

In the late 1990s, a man canoeing on the Rifle River (dubbed the "cussing canoeist") let out some choice words while falling out of his boat. He was convicted of a misdemeanor and fined under an 1897 law prohibiting cursing in front of women and children.

So keep laughing at the absurd — but urge policymakers to clean up the books. ■

Jarrett Skorup is a research associate for Michigan Capitol Confidential.



It's For the Kids, Right?

Protectionism in Michigan Public Schools

We are told regularly that there is something different about public education. Unlike the rest of the world where people are primarily driven by their own rational self-interest, public schools are hallowed sanctuaries of selflessness, where everyone works together for the common goal of educating children. But actions speak louder than words, and show that, on the whole, school officials and employees seek to primarily protect their own interests.

This is not a condemnation of public school employees per se – in fact, their good intentions are precisely what fuels this myth. Rather, it is a reminder that public schools are not controlled by a different class of people from you and me – this is important to remember when designing policies aimed at improving taxpayer-funded educational services.

A recent case in the Brandon School District is just one example of school officials prioritizing their own interests above their students. The school board there recently voted to demolish an unused school building rather than sell it to a local group of residents who wanted to turn it into a charter public school. In the end, taxpayers have to pay to demolish a building, rather than profit from its sale, and students in the district have fewer educational opportunities than

they might otherwise. The Brandon school board fended off potential competition from another public school and the risk of losing revenue, just in case local parents chose to send their children to that school over Brandon schools.

**MICHAEL
VAN BEEK**

Brandon is not alone. Last year, as reported by Michigan Capitol Confidential, the Battle Creek school district refused a \$250,000 offer from a charter school group to buy a building that had been vacant for six years. Recognizing the threat of competition and potential loss of revenue this might bring, the Battle Creek school board chose to take the building off the market altogether and continue paying tens of thousands of taxpayer dollars to maintain the unused facility.

Too much money is spent protecting the interests of adults rather than educating children, and it's because public school policies' vanguard is protectionism. Some school districts are trying to serve more students by setting up "alternative education" programs for students who've dropped out, been expelled or quietly ushered out of their local schools. But these well-meaning districts are hampered by a state law forcing them to obtain permission from the local school district in order to operate a facility within another district's boundaries. On top of that, due to high-stakes "count days," the schools these students leave

get to keep the state aid meant to be spent on their education. The districts actually attempting to serve these students get none of it.

Consider the districts that refuse to serve any students who do not live within their boundaries. Parents and taxpayers in these districts might be concerned that "their" schools (the ones we all pay for) will be harmed if students not wealthy enough to reside within the district boundaries co-mingle with their children. Perhaps this fear is valid, but these districts are clearly more interested in protecting their own turf than educating all children.

The actions of these districts and related public policies are not necessarily immoral or wrong, but they're also not about serving the best interest of all kids. Reflecting on working in education policy for more than 40 years, here's how Harvard's Richard Elmore put it: "I used to think that public institutions embodied the collective values of society. And now I think that they embody the interests of the people who work in them. ... To say that the adults in public institutions 'represent' the interests of their clients – children and families – is self-deceptive and irresponsible." ■

Michael Van Beek is director of education policy at the Mackinac Center.

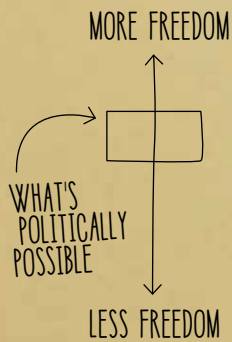
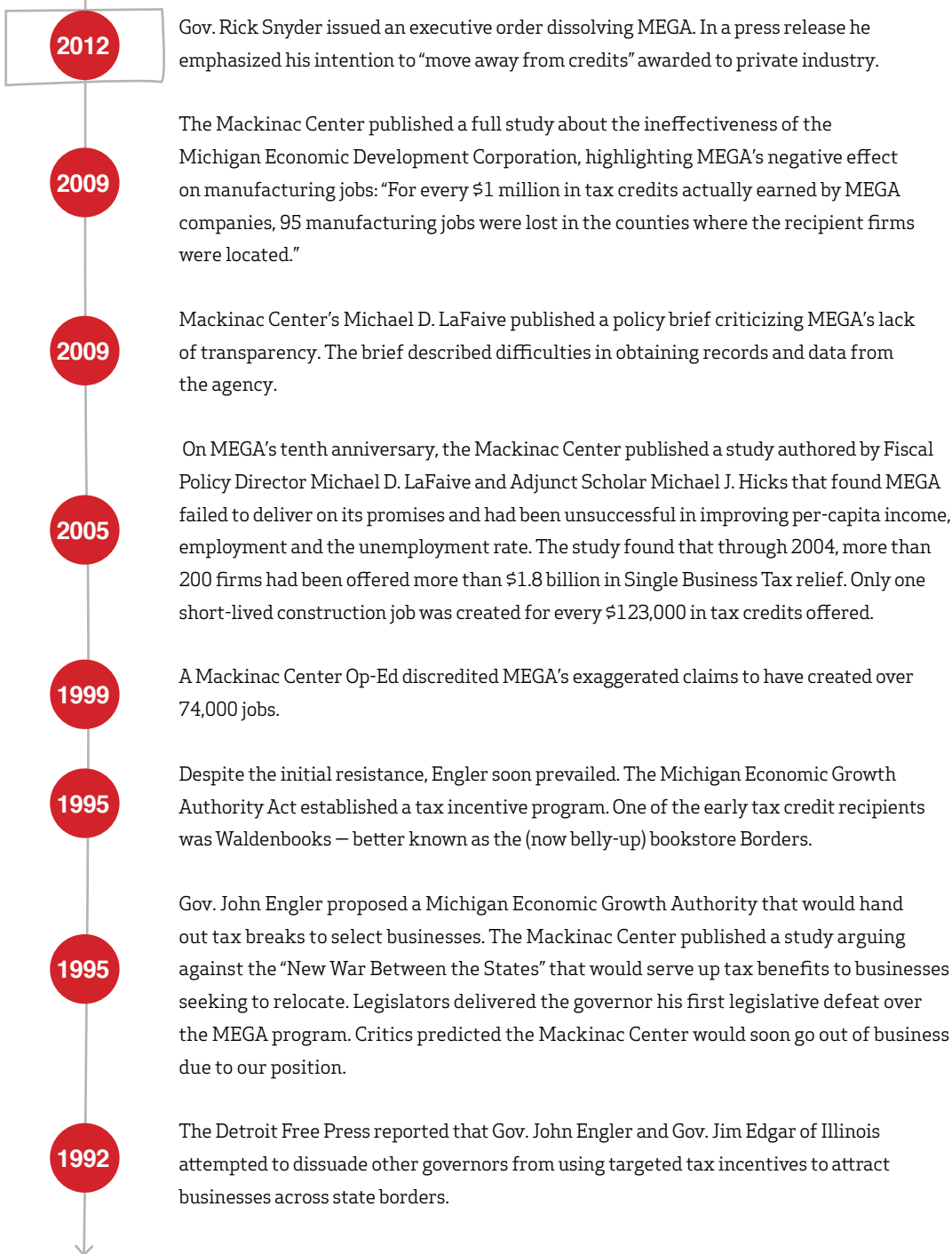


Taxpaying businesses in Michigan no longer live in constant fear that their tax dollars will be awarded to their competitors. It didn't just happen overnight. >>>

The Overton Window of Political Possibility

The Overton Window of Political Possibility is a model to explain how changes in public policy occur. When evaluating the options within any specific public policy issue, only a relatively narrow window of options will be considered politically acceptable by politicians. The window of acceptable policies is not primarily defined by the politician's preference, but by what he or she can support without jeopardizing re-election. As society embraces new ideas, the Overton Window shifts to include additional public policy options that were previously deemed unacceptable.

The Mackinac Center has long expressed concerns about economic development programs that award taxpayer dollars to businesses favored by state bureaucrats. One program, the **Michigan Economic Growth Authority** (MEGA), exemplified the flaws of a department, such as the MEDC, that picks winners and losers in the private market.



The concept of the Overton Window is very simple. Policy issues *normally* travel towards improved freedom or lessened freedom. The Mackinac Center’s default is to move an issue toward more freedom. We want more.

The Un-Affordable Care Act

The Affordable Care Act, commonly known as Obamacare, has lived its relatively short life shielded like a Chinese emperor by its unprecedented collection of mandates, subsidies and tax credits intended to extend government-subsidized health insurance to ever more Americans. Since it was signed into law in 2010, controversies surrounding the law have grown more complex rather than simplified.

Those controversies quickly spread to state legislatures around the country, first on the issue of whether to create state agencies to distribute the law's insurance subsidies, styled as "exchanges" (33 states declined). This year, the focus is whether to accept the law's expansion of Medicaid – originally mandatory, but made optional for states by last year's Supreme Court ruling on individual mandates.

In many states, including Michigan, the debate has revolved around the possibility of getting something the state wants in return for something the current administration wants. Specifically, the Administration wants every state to approve the Medicaid expansion, because it is a key component of the law's implementation. Certain states want federal approval for reforms to the Medicaid program that would, according to most health care analysts, save money and create better incentives for benefit recipients.

Michigan Republicans originally demanded a slate of rigorous reforms, including a 48-month cap on benefits for able-bodied adults. Importantly, they demanded that the federal government grant approval for these in advance, with no Medicaid expansion until they do. Many viewed

these conditions as "poison pills," intended to guarantee a "no" answer from Washington. This would have let legislators tell the powerful hospital lobby – the chief state-based advocate

for the expansion – that they had tried to make a deal.

In the end, however, House Republicans succumbed to the pressure and passed a bill that lets the expansion proceed immediately, and which

proposes much less stringent reforms that won't go into effect unless and until they are approved by the Obama administration – a doubtful prospect.

The bill does contain an "opt out" provision that would rescind the expansion if approval is not granted. However, once hundreds of thousands of new people are enrolled on the state Medicaid rolls and federal dollars are rolling in to cover most of the cost, the chances of the Legislature opting out are unlikely.

As this issue of IMPACT goes to press, the bill is pending in the state Senate.

The Health of a Nation

Americans generally agree that no person whose health depends on medical attention should be unable to get it simply because they can't afford it. Related, most people don't think individuals who suffer from chronic health problems should be burdened with insurance premium costs far beyond the reach of most regular people. States have adopted various strategies to address this "pre-existing conditions" problem, including subsidized high-risk insurance pools, and in Michigan, establishing Blue Cross Blue Shield as an "insurer of last resort," with subsidized coverage enabled by tax exemptions for the insurer and other means.

Obamacare was intended as a one-size-fits-all national solution to this problem, replacing a patchwork of state programs, some more effective than others. A key component was expanding Medicaid eligibility to everyone with an income up to 138 percent of the federal poverty level, including childless adults (who with some exceptions were not previously eligible even at lower income levels).

However, most health care policy experts agree that Medicaid delivers mediocre health outcomes to its "beneficiaries" at a tremendous cost to current taxpayers (and future ones given that much of the expense contributes to the national debt). In short, Medicaid isn't delivering its intended results for the \$389 billion spent on it by federal and state governments in 2010.

Recently, this view received further support from a critical and ongoing Oregon study of Medicaid. This study is regarded as a "gold standard" because unique circumstances allow it to test a randomized population sample with little "selection bias." Specifically, the state used a lottery to determine who would get benefits under a limited Medicaid expansion. This allowed researchers to compare the population of "winners" against a population that is essentially identical except for one thing – their number didn't come up in this benefits lottery.

For that reason, it created a buzz in health care policy circles earlier this year when the researchers announced they could find "no significant improvement in measured physical health outcomes" attributable to Medicaid coverage.

LINDSEY
DODGE

JACK
MCHUGH

Avik Roy, senior fellow at the Manhattan Institute, described the findings this way: "If Medicaid were a new medicine applying for approval from the Food and Drug Administration, it would be summarily rejected. ... Most importantly, the Oregon results on health outcomes are consistent with a mountain of clinical evidence showing that Medicaid makes no meaningful difference, at best, compared to being uninsured."

And like many other health care policy experts, that's what really bothers Roy most about Medicaid. He writes,

"But I want to make clear that I'm not opposed to spending that sum of money on health care for the poor. What I'm opposed to is wasting that sum. ... There are so many market-based alternatives to Medicaid, alternatives that would offer uninsured, low-income Americans the opportunity to see the doctor of their choice, and gain access to high-quality, private-sector health care."

Teach Your Children Well

A notable moiety of the law's supporters initially could be found in young voters. Before the implementation of the Affordable Care Act, MIT economist Jonathan Gruber, the architect of the law, asserted that in 2016, young people would save 16 percent on their health care premiums. We're halfway to 2016 since the passage of Obamacare and it appears even Gruber is swallowing a hard pill that those premiums are most definitely more expensive.

This is due to the law's "community rating." Under the Affordable Care Act, insurers can charge the elderly only three times what they charge the youngest customers. Why is this problematic? Because health expenditures for

these older members are, on average, six times more costly than those required by younger members. This redistributes the cost of insurance unduly on those who are just starting out in the workplace.

The trials facing young workers in the health care market do not stop there. When this community rating provision butts heads with the individual mandate and the coverage requirement, young workers' premiums skyrocket. Young workers are generally healthy and less likely to have health insurance – while they may be required now by law to purchase health insurance (or pay a nearly \$700 penalty by 2016), they will most likely not be able to afford it due to the inflated premium prices. Even \$695 means a hefty portion of an entry-level salary, particularly in a national job market that is stagnant.

Because taxpayer-funded insurance subsidies exist, young workers will most likely have to resort to these to live sufficiently within the confines of the new law. This will only increase the cost of health care for everyone.

What's Next for Michigan?

If Michigan's Legislature approves the expansion, then childless adults and families with incomes up to 138 percent of the poverty level will be eligible for the Medicaid program. In the short-term, federal funding promises will allow around \$200 million in current health welfare spending to be shifted from the state budget onto the federal. By 2020, however, Michigan taxpayers will be forced to come up with an additional \$300 million annually to pay the state's share of the

expansion, a burden that will mean some combination of higher taxes and fewer services in other areas, such as education or public safety. The Heritage Foundation has estimated the expansion will cost Michigan taxpayers \$1.3 billion by 2022.

The experience of other states suggests a much higher cost than these estimates project. Some states that expanded Medicaid in the past, including Arizona and Maine, saw costs explode using methodologies similar to the Michigan projections. In Arizona, the actual costs were four times higher than projected. In Maine, more than twice as many people signed up for the expansion than projected. In both cases, many new enrollees didn't come from the ranks of "the uninsured," but were individuals who had dropped private insurance to get "free" coverage.

This "crowd-out" effect of a government program replacing private insurance is almost sure to accompany Medicaid expansion in Michigan. Estimates vary, but one study conservatively estimates that Medicaid expansion will result in a crowd-out rate of about 29 percent.

Conclusion

Obamacare's intent was to ensure that more uninsured people were provided insurance than before by the government. But does that solve the problem?

The results are steadily streaming in, and they all seem to say that Medicaid not only doesn't provide better health care coverage for many people in this country, it often provides worse care – while simultaneously draining the pockets of those who could afford care for themselves. ■

Lindsey Dodge is editor of IMPACT and Jack McHugh is senior legislative analyst for the Mackinac Center.

906

Pages of mandates, subsidies and tax credits in the Affordable Care Act

21%

Percentage of Oregon physicians not accepting new Medicaid patients

\$695

The size of the yearly penalty young workers opting-out of insurance will pay by 2016

29%

Percentage of those previously insured who will sign up under proposed Medicaid expansion

80%

The current percentage of MDCH's budget which is used for Medicaid

6%
2006

14%
2030

Percentages of growth in the use of public insurance from 2006 to 2030 projected by a Harvard and VA report

In June, the Mackinac Center and the National Center for Policy Analysis released a study on Medicaid expansion in Michigan. Scan the QR code or follow this URL. mackinac.org/s2013-03





Center Focusing on Government Transparency

"A popular Government, without popular information, or the means of acquiring it, is but a Prologue to a Farce or a Tragedy; or, perhaps both. Knowledge will forever govern ignorance: And a people who mean to be their own Governors, must arm themselves with the power which knowledge gives." -James Madison

MICHAEL J. REITZ

The Mackinac Center has long been a proponent of open government, which is one of the attributes that attracted me to the Center when I signed on last summer. We think it's now time to increase our efforts to improve transparency laws and equip citizens with training to ensure the accountability of elected officials.

Michigan's Freedom of Information Act and Open Meetings Act are Watergate-era laws that badly need updating for the 21st century. These laws were adopted before email and computers became prevalent. Too often new technology is put up as a wall when government wants to prohibit or restrict what the public has a right to access.

We plan to publish a comprehensive study that recommends changes to the FOIA and OMA statutes. We can already identify several needed improvements: faster response times by government agencies; reducing costs that can be charged by government entities; stronger penalties for agencies that improperly withhold public information; and improved access by the public to electronic records.

The time is right for modernizing FOIA. In fact, sunshine laws are currently the subject of legislative interest – a bill introduced by Rep. Mike Shirkey, R-Clark Lake, would standardize how much agencies can charge individuals when turning over public records. Having been charged \$6.8 million for a single document request, we think House Bill 4001 is a meaningful step in the right direction.

A good law is useless if people don't know about it. The Center will host a series of community events aimed at raising awareness of common problems

encountered by those who attempt to request government records and provide information to those who want a better understanding of how FOIA and OMA work.

I recently joined a group of open government advocates for the 2013 Freedom of Information Summit, where I shared some of the insights we've gained as frequent requesters of public records. The Center has also joined the Michigan Coalition for Open Government in order to partner with others who share a vision of transparency.

Finally, the Mackinac Center Legal Foundation will identify litigation opportunities that would improve the enforcement and interpretation of the state's sunshine laws. For example, the Center and the Michigan Press Association filed a joint amicus brief at the Michigan Supreme Court in a case involving publicly funded school district computers being used to conduct private union business.

The Center's ongoing efforts to improve government transparency include MichiganVotes.org, school spending databases, Michigan Capitol Confidential articles and a push for school districts to post their checkbooks online. More recently, the Center and the Michigan Press Association issued a joint statement about the impact of Proposal 2 on FOIA had voters approved it last November.

FOIA is an essential tool for Mackinac Center analysts. With it we have exposed corruption, analyzed government spending, and discovered the lenient school contract that allowed drunken teachers to keep their jobs.

Transparency is one of the few genuinely bipartisan issues in Lansing. Free-market supporters, progressives, news organizations, civil libertarians – we may not agree on the priorities of government, but we all agree on the importance of accountability. ■

Michael J. Reitz is executive vice president at the Mackinac Center.



A full-capacity crowd heard a nationally known health care expert explain why Michigan should not expand **Medicaid under Obamacare** at the Mackinac Center's latest Issues & Ideas Forum.

The Center hosted **Avik Roy**, a senior fellow with the **Manhattan Institute**, as more than 80 people filled the Michigan Restaurant Association in downtown Lansing on April 18. More than 100 people attempted to register for the event. In the weeks leading up to the event Roy did several radio interviews around the state and wrote an Op-Ed for **The Detroit News**.

The forum was also simulcast live and was viewed by more than 100 people at the time. More than 300 people in total have viewed the simulcast, which you can see here: www.mackinac.org/18414.



Labor Policy Director F. Vincent Vernuccio in early April became the first Mackinac Center policy analyst to participate in the **Griffin Policy Forum at Central Michigan University**. The event is named for Robert P. Griffin, a former U.S. representative and senator from Michigan and former justice of the Michigan Supreme Court. CMU's Griffin Endowed Chair in American Government organizes two such policy forums per year.

The topic was "**The Future of Labor Unions in Michigan**" and included as co-panelists Rich Studley, president and CEO of the Michigan Chamber of Commerce; former Lt. Gov. John Cherry; and David Hecker, president of AFT-Michigan. Vernuccio discussed how Michigan's new right-to-work law will promote worker freedom and will mean new and better jobs for the Great Lake State, as well as create better, more focused unions that will have to change to adapt to the 21st century by being responsive to members' collective bargaining concerns.

You can watch a video of the entire forum at www.vimeo.com/63668580. ■



FORTY MILLION DOLLARS for “Oz: The Great and Powerful.” \$20 million promised for “Transformers 4.” \$18.3 million for “Real Steel.” Disney got an average of \$9 from each Michigan taxpayer for agreeing to film Oz in Michigan, while Weinstein and Miramax got comparable amounts for their films.

If state policymakers were to design a program based on the faultiest of premises, they could scarcely do better than the film subsidy program. It operates under the following assumptions:

- Centralized planning can create an industry.
- Funding a tiny part of the overall economy with a large, uncapped amount of money will “bolster the economy.”
- Giving money to groups of people who have little connection to the state will benefit Michigan.
- Issuing funding to an industry that is extremely mobile and bid on by other states will create stable growth in Michigan.
- Backing outlays with underfunded parts of the current budget will pay off in the future and not increase existing debt.
- Support from economists and academics is immaterial; the government knows what’s best.

At its creation, Michigan’s film subsidy program contained all of these elements and most of them still live on.

The Michigan Film Office disperses the money to select production companies, favoring the

companies which are the richest and most politically connected. The original incentive program was uncapped, giving state bureaucrats very little oversight or discretion on spending.

In total, about \$400 million has been paid out through the state’s film subsidy program – to an industry made up of only a few thousand people.

In the meantime, other states are constantly attempting to outbid Michigan for these projects – lucky North Carolina outbid Michigan for the filming of “Iron Man III.” This results in productions being able to drive up the cost of their taxpayer subsidies while also taking money from several different states. A win-win for the rent seekers.

The moral authority of government officials shakes further when you consider the case of Pontiac. In 2009, the administration of former Gov. Jennifer Granholm made a deal with wealthy investors to back an \$18 million agreement for Raleigh Studios, using public pension funds as collateral. When the film studio stopped making the bond payments, the state pension funds for teachers, police officers and other government employees were raided to cover the cost. Three payments have been missed so far and the bailout continues to this day.

In Allen Park, the city council and mayor – egged on by the state and county – saw an opportunity to use the program to enrich the town. They paid \$40 million for Unity Studios with the state and

county kicking in millions more in incentives; nothing ever materialized. A severe crisis, a huge budget deficit, attempted tax hikes and massive layoffs soon followed. The city is now under the guidance of an emergency manager.

Almost no economist or researcher not connected to the film industry who has looked at state movie incentive programs thinks they are a good idea. Those on the left and the right agree that the programs are a poor return on investment. The conservative Tax Foundation writes that they “are costly and fail to live up to their promises,” while the liberal Center on Budget and Policy Priorities calls the job predictions “more fiction than fact.” The Michigan Senate Fiscal Agency found that in 2010-11, the state spent \$125 million for a \$13.5 million return – just 11 cents on the dollar.

The worst parts of this Hollywood horror story? The original bill passed in 2008 by a combined House and Senate vote of 145-1 (truly bipartisan support). And the state has no more film jobs today than when the film subsidy bill passed. There were approximately 6,000 then and there are approximately 6,000 now.

The program is a bad scheme cooked up by self-interested people in power. In probably the most blatant example of this, native Michigan filmmaker Michael Moore applied for about \$1 million dollars in state funding, receiving over \$840,000. He used that money for the film “Capitalism: A Love Story,” which seeks to expose “the disastrous impact of corporate dominance on the everyday lives of Americans.” As a self-proclaimed champion of the little guy against big business receiving special favors from government, Moore himself used a great deal of government funding for his own enterprise.

Centralized planning schemes like the film program and select

tax breaks through the Michigan Economic Development Corp. are sold to taxpayers and politicians as “business-friendly” job creators. Policymakers don’t appear to understand the difference between “pro-business” and “pro-free market.”

Dr. Luigi Zingales, a professor at the University of Chicago and author of “Capitalism for the People,” sums it up this way:

“Most lobbying is pro-business, in the sense that it promotes the interests of existing businesses, not pro-market in the sense of fostering truly free and open competition. Open competition forces established firms to prove their competence again and again; strong successful market players therefore often use their muscle to restrict such competition, and to strengthen their positions.”

Zingales goes on to explain that this can cause “tension” between existing businesses and those favoring the free market.

As a free-market think tank, the Mackinac Center is not necessarily “pro-business,” but rather supports a limited and fair government that allows ingenuity and entrepreneurship to flourish, which benefits everybody as well as creates positive incentives in society.

That’s a true happy ending. ■

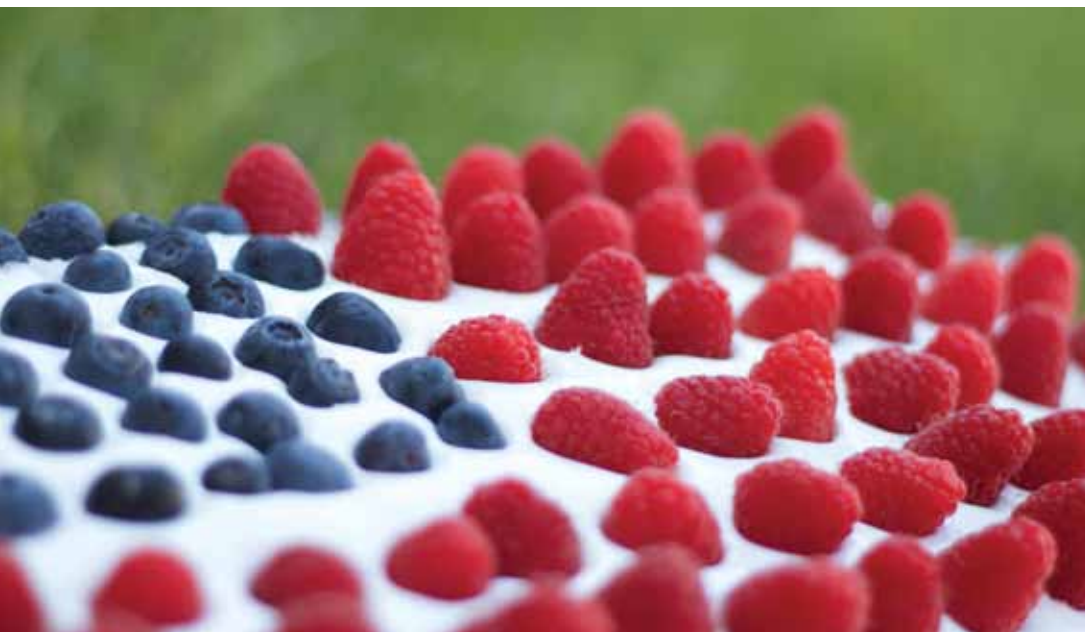
Jarrett Skorup is a research associate for Michigan Capitol Confidential.

We’ve followed this issue for years and have quite a catalog of articles, essays and videos on film incentives. Here’s a quick way to find them all. goo.gl/fHWxF



The lovely part of attending State Policy Network events is the networking with fellow liberty-minded people, so imagine my surprise and delight when the ladies from all over the Network remarked on how much they enjoy the Mackinac Center's Pinterest page. They mentioned particularly our "Fourth of July Recipes" and "Freedom Matters" series of wallpapers, so we decided to share them with our IMPACT readers as well. Just head to Pinterest.com, sign up, and begin "pinning" photos you like to your online scrapboard. It's a great way to keep tabs on the people behind your favorite institutions.

– Lindsey Dodge, editor



I come by the name of the Red, White and Blue Grandma for a very good reason ... my 4th of July decorations and party supplies are second only to those I have collected for Christmas. I was thrilled to find a flag Jello mold ... but the first use was a disaster! I quickly realized this special dessert could not hold up for a family picnic on what had to have been a record heat wave across the Midwest. Happily, this tribute to our country fares better!

Old Glory Fruit Pizza Cake

Prep Time: 20 minutes (ready in 2 hours 45 minutes), 24 servings

Cake

- 1 18.25 oz. white cake mix
- 1 1/4 cups water
- 1/4 cup oil
- 2 eggs

Topping

- 2 8 oz. pkg. cream cheese
- 1 7 oz. jar (1 1/2 cups) marshmallow crème
- 1 cup fresh blueberries
- 3 cups fresh raspberries

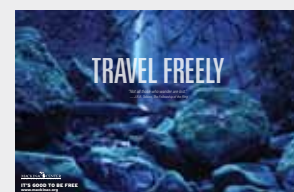
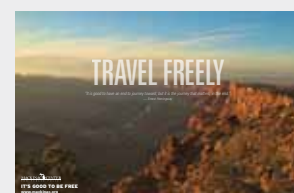
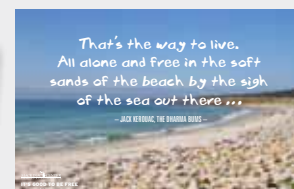
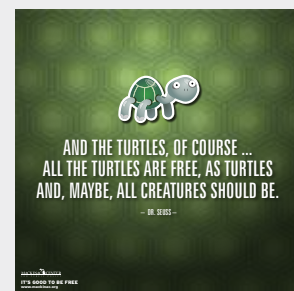
1. Heat oven to 350°F. Spray 15x10x1 inch baking pan with nonstick cooking spray. Prepare cake mix as directed on package, using water, oil and eggs. Pour batter into sprayed pan.
2. Bake at 350°F for 20-25 minutes or until toothpick inserted in center comes out clean. Cool in pan for 30 minutes or until completely cooled.
3. In medium bowl, combine cream cheese and marshmallow crème; beat until smooth. Spread over cooled cake. Refrigerate 1 1/2 hours before decorating.
4. Rinse berries; pat dry with paper towels. In upper left corner, arrange blueberries in 5 inch square to make blue field of flag. Starting and ending at edges of cake, arrange 7 horizontal rows of raspberries, leaving white stripes between red stripes. Store in refrigerator.

GOD BLESS THE USA!

Kendra



The Mackinac Center recommends employees celebrate Independence Day with "passion and vigor." Kendra had some real competition the year her colleagues dared to rival her spirit.



↖
GO STRAIGHT
TO PINTEREST!



Nuance

As many readers know, I am among those young upstarts trying to change the world. And I really only have one major complaint with people my age, which is our often youth-inspired inability to appreciate nuance. Nuance is interpreted rhetorically as old-fashioned – it’s Debbie Downer at the cerebral cocktail party. But there’s a reason she’s invited.

Take for instance right-to-work in Michigan. More often than not, the debate is pitched as those who support unions vs. those who want unions to go away and never come back. But that’s not the case at all. The Mackinac Center for Public Policy has always advocated for government neutrality regarding labor policy – the government should neither serve unions as a special interest nor undermine individuals’ right to association. The only reason this seems like a revolutionary idea is that, in the current entrenchment of labor interests into state budgeting and election cycles, it is.

Fortunately, we have a whole new crop of interns to restore my faith, selected from a large group of applicants due to their unique capacities as well as their collective strength of mind; a trait that is essential to capture nuance in policy and aid the Center’s mission.

Todd Flynn, an economics student at the University of Michigan, will be working with our education policy team. Geneva Ruppert hails from Smith College and will be supporting the communications team – that is, after she

returns from studying in Vienna. Another University of Michigan economics student, Grace Kendall, is a Midland native and will also be supporting communications (we’re ramping up our efforts!). Evan Brubaker is an economics and Latin student at Hillsdale College and will be interning with Michigan Capitol Confidential. Evan Fryzelka will be leading the summer privatization survey of school districts,

a Mackinac Center tradition for one qualified intern, while assisting our fiscal and education policy initiatives. Finally, returning intern Christina Bolema will be supporting the labor department, after her invaluable research assistance with the Mackinac Center’s policy brief on Proposal 3 and the Renewable Energy Standard that appeared on last year’s ballot.

What’s almost more impressive? More of our applications are coming from schools such as the University of Michigan and the East Coast than ever before. Clearly, there is still intellectual interest in the ideas of

the Mackinac Center among young people, even those attending schools stereotypically uninterested in free markets.

We cherish our summer time, where the interns grant us the freedom to invest even more in the hands-on research that truly benefits taxpayers and lawmakers. They also serve as reassurance that, though the liberty movement may be insurgent, it is growing with every generation. ■



This photo from the Mackinac Center archives reveals a lighter side to the kind of work our interns might get involved in this summer.

BY THE NUMBERS Employment

2.2%

Michigan’s inflation-adjusted per capita gross domestic product growth in 2012.

107,800

Increase in the state’s non-auto and auto parts manufacturing jobs since the end of the recession, a 24.4 percent rebound.

208,500

Number of payroll jobs Michigan’s added since the end of the recession, a 5.7 percent rebound.

8th

Michigan’s rank among the states in per capita GDP growth.

Join Us!

Registration now open!
RESERVE YOUR
SEAT TODAY!

mackinac.org/25th

John Mackey will be giving the keynote
address at our 25th anniversary gala Oct. 7.