

IMPACT

**"EVERYONE'D
LIKE THEIR
KIDS TO HANG
AROUND HOME
– SO YOU CAN
WATCH THEIR
FAMILIES GROW
UP."** From our feature "Driving Michigan's
Migration Discussion," on Page 10

Cigarette Smuggling on the Rise

Page 13

CESAR CHAVEZ ACADEMY

Standards, not geography Page 8

Research Matters!

Page 14



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We're counting down the days to our anniversary gala in Lansing this fall. Sneak Peek: We'll soon announce a drawing for folks buying tickets to the event. Everyone who buys a ticket to the celebration at the Kellogg Center will be entered into a giveaway for an iPad! We'll give it away from the stage at the event. Now you know a little secret.



Back In The Spring of Things

It might not feel like spring is on its way, but the Legislature is rather busy considering laws for the state of Michigan. The Mackinac Center (and YOU) can't hibernate a good while yet.

As the furor of the passage of right-to-work legislation dies down a bit, the Mackinac Center wants to ensure people pay attention to a key component of this debate: the outmigration factor (coincidentally, our lead feature on Page 10). One of the cornerstones of our organization is improving the quality of life and opportunities for all people. When Michigan is the only state in the union to lose overall population between 2000 and 2010, something is not working.

Education is a big part of giving people opportunities from day one in Michigan – fortunately, the Mackinac Center has a devoted education policy team that recently compiled a school

superintendent salary database for the entire state (available at mackinac.org/depts/epi/salary.aspx). Education Policy Analyst Audrey Spalding underlines the importance of standards over geography at Cesar Chavez Academy in Detroit (Page 8), which is taking kids with not a lot of options and giving them the freedom of a real boost in life.

Sprinkled throughout the issue you will also notice QR codes – those black-and-white boxes you can scan with your smartphones – which link up to our latest videos. Scan and watch instantly – the future is coming very quickly, indeed.

We love all the feedback we've received so far. Please keep it up! We love to hear from you.

For Liberty,
Lindsey Dodge, EDITOR

FROM OUR WEB

Blog

Keep up to date on the latest policy stories from Mackinac Center analysts. mackinac.org/blog

MichiganVotes

Want to know what your legislator (and others) have been voting for? MichiganVotes.org helps keep Michigan politicians accountable to their constituents. MichiganVotes.org

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WHAT FOLKS ARE SAYING ABOUT BELLE ISLE

“Change requires us to think differently. Detroit has been changed by Cadillac,



Woodward and Henry Ford in the past. Rod Lockwood’s vision and passion for Detroit and its

citizens is the change we need for the future. I hope the people who decide will see the vision for what it is – finally real freedom and opportunity for us Detroiters, the chance of a lifetime to let us share in the American Dream.”

– Larry Mongo, owner of Cafe D'Mongo Speakeasy in Detroit; entrepreneur



MANNY LOPEZ RECOMMENDS “BELLE ISLE: DETROIT’S GAME CHANGER”

“When given the opportunity free from overbearing government regulations and restrictions, individuals will outperform the decisions made by bureaucrats. Nowhere is that more evident than in Rod Lockwood’s story of the transformation of Belle Isle. Central planners and obstructionists be damned – and stay far, far away. Bold actions are needed to transform Detroit, and Lockwood’s vision lays the groundwork to make it all happen.” (Book review by Manny Lopez, managing editor of *MichCapCon.com*, located at www.commonwealthofbelleisle.com)



MJR

A Quarter Century of Advancing Liberty

Over the holidays my wife and I joined friends to watch the Christmas classic "It's A Wonderful Life" at a local theater. A despondent George Bailey (played by Jimmy Stewart) contemplates suicide when facing a ruinous business scandal.

MICHAEL J. REITZ

of competitive bidding. In 2012, 61 percent of school districts contracted out for support services, freeing up more money to focus on teaching children. (You can read more about this in our Privatization Report 2012, available online.)

Just before he ends it all, an unpretentious angel named Clarence appears and shows George a world in which he doesn't exist and where the impact of his integrity has been erased. George realizes that he shouldn't measure life by its ease, but by his ability to ease it for others.

The Mackinac Center team is not inclined to stare in the rear-view mirror, but as we celebrate the Center's 25th year, we imagined for a moment what we'd all be missing without a free-market advocate in Michigan.

Twenty-five years ago, a right-to-work law in Michigan was unthinkable. Employees could be required to support a union as a condition of employment and unions could take money for political causes without a worker's permission. Over the course of two decades the Mackinac Center moved the idea of worker freedom from "ludicrous" to "reality."

Twenty-five years ago, a family's residence dictated which school a child could attend. The Center proposed and championed an expansion of educational options, including charter schools and online learning, and today hundreds of thousands of students get to choose the school that's right for them.

Twenty-five years ago, "privatization" was a dirty word. Public schools had to get union permission to use non-union support services, wasting millions of dollars a year. The Mackinac Center's work led to a 1995 reform, and we continue to stress the value

of competitive bidding. In 2012, 61 percent of school districts contracted out for support services, freeing up more money to focus on teaching children. (You can read more about this in our Privatization Report 2012, available online.)

Policy – good or bad – affects real people. The Mackinac Center Legal Foundation vigilantly defends liberty by representing individuals who are affected by harmful public policy. Consider day care provider Sherry Loar, who was snared into a union simply because she cares for children from low-income families who receive public assistance. This scheme affected 40,000 home-based day care providers. With the help of our legal team, Loar and others exposed the stealth unionization and successfully terminated the scheme.

Liberty has advocates around the world and many of them came through our doors. The Center has trained hundreds of think tank executives in the public policy business. Add to that the 10,700 students we have trained (so far) to analyze issues from a free-market perspective at our high school debate workshops; there's hope for the future.

Since 1988, the Center has doggedly stressed the importance of fiscal integrity, free markets, and non-invasive government. Those were worthy ideas in 1988, and we're relying on them to make the next 25 years even better. ■

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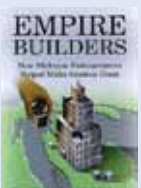
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25 years: A brief history of liberty

Mackinac scholars and historians have written extensively on freedom, the pioneering spirit and legends of liberty.



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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.

LINDSEY R. DODGE Editor

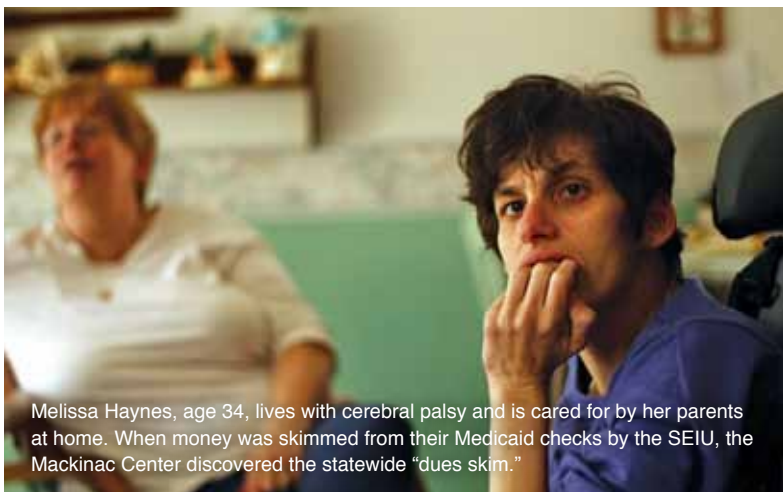
DANIEL E. MONTGOMERY Designer

How Do You Solve A Problem Like A Dues-Skim?

Will the dues skim ever end? According to Mackinac Center Legal Foundation Director Patrick Wright, it should end on Feb. 28.

Whether that actually occurs may depend on how the Department of Community Health and the Michigan Attorney General's Office interpret a June 2012 preliminary injunction entered by Federal District Court Nancy Edmunds that has allowed the skim to continue.

Judge Edmunds enjoined various state officials from enforcing 2012 PA 76, which clarified that home help workers were not public employees and therefore could not be forced to pay dues to a public employees' union like Service Employees International Union Healthcare.



Melissa Haynes, age 34, lives with cerebral palsy and is cared for by her parents at home. When money was skimmed from their Medicaid checks by the SEIU, the Mackinac Center discovered the statewide "dues skim."

On April 9, 2012, the day before that law passed, the SEIU extended its so-called collective bargaining agreement with the Michigan Quality Community Care Council, an entity concocted by the Granholm Administration and the SEIU in order to create an "employer" for home help workers to organize against. The MQCCC-SEIU agreement was extended until Feb. 28, 2013.

The lawsuit was not the only way that the SEIU challenged 2012 PA 76. It also financed Proposal 12-04, which would have amended Michigan's constitution to allow the dues skim. Michigan's voters rejected this proposal 56 percent to 44 percent.

One of the proposed amendment's provisions would have created a new "employer" that would have had its board members drawn almost entirely from the SEIU-friendly MQCCC board. Just before the election, Governor Snyder changed the composition of the MQCCC board to foil this plot.

One of the first actions this new MQCCC board took was to inform the SEIU that there would be no further collective bargaining agreement extensions. Then the board voted to end the MQCCC's existence as of March.

Judge Edmunds' order required the state to withhold dues "pursuant to the CBA." According to Wright, given that there is no collective bargaining agreement in place after Feb. 28, that should mean the state no longer is required to facilitate the dues skim that has allowed the SEIU to skim \$34 million from a program meant to help some of Michigan's neediest citizens.

The Mackinac Center Legal Foundation has sought to return a portion of that \$34 million back to home help workers through its representation of Patricia Haynes and Steven Glossup. Patricia and her husband Robert tend for their two adult children who have cerebral palsy and Steven has spent the last four years providing care for his mother who suffered complications from a stroke. The case is currently before the Michigan Employment Relations Commission and a decision could issue at any time. ■



Clifford W. Taylor

Clifford W. Taylor, former chief justice of the Michigan State Supreme Court, assumed the role of chairman of the Center's Board of Directors effective Jan. 1.

Taylor, a former U.S. Navy officer, served on the Michigan Supreme Court from 1997 to 2008 and was on the Michigan Court of Appeals from 1992 to 1997. He joined the Mackinac Center's Board of Directors in May of 2012.

At the time, Taylor said he was looking forward to serving on the board due to the potential of the Mackinac Center Legal Foundation.

"Having a public interest law firm at the Mackinac Center increases its effectiveness, and I will provide whatever insight and guidance I can when needed," he said.

Mackinac Center President Joseph G. Lehman at the time stated that "Cliff's legal and judicial experience will better enable us to defend the people against government overreach."

About his selection as chair, Taylor said "The Mackinac Center for the last quarter century has been at the forefront in promoting free-market policies and fighting against government overreach. I look forward to helping strengthen those tools as the Center begins its next 25 years of service to the people of Michigan."



Julie Meyer

Julie Meyer, meanwhile, joined the Center last October as database manager.

Meyer, a native Midlander, got her first taste of free-market principles in 1986 while working as a co-op at Northwood University. She graduated from Central Michigan University in 1990 with a bachelor's degree in family economics and management, then joined Northwood full-time in the advancement department.

"After years of assisting to educate the youth of America, I saw there was an importance to assist in the education of all ages," Meyer said. "Northwood students who would help the Center during events or seminars always came back with a positive outlook about the future, and I wanted to be part of that."

As database manager, Meyer helps the Center keep internal information well organized and up to date, readily available for a variety of uses including fundraising, mailings and other outreach.

"People continually make decisions based on one or two pieces of information and take that as the end all and be all," she said. "The Center strives to provide more information to help people make better informed decisions." ■



Jack and Clarice Engelhart

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 Jack and Clarice Engelhart of Clio. Jack is the founder and chairman of Quality Pool Supply.

Mackinac Center: How did you get started in the pool business?

J. Engelhart: In 1968, I was in the wholesale plumbing and heating business in Flint. I could see there was a lack of engineering in the swimming pool business, which was very expensive to homeowners.

Then I read an article in The Wall Street Journal that said that the pool business in 1968 was a very unusual business because every time there was a downturn, for them, everything didn't change and usually increased. And I thought, From The Wall Street Journal, which is a pretty stable organization, I thought there's probably some truth in it.

Having an established wholesale business at the time, I started a small division in the pool business. I went to Anaheim to a pool convention to see whether the industry would eventually go through distributors. I decided it would, and it did. It grew from there.

I was cooking from scratch.

Mackinac Center: Why did pools get popular in Michigan?

J. Engelhart: At the time there were quite a few pools going in because General Motors, because of the union, had a very high wage rate and a lot of them were working a lot of overtime and they didn't have time to go on vacation. So they decided to put a pool in their backyard because the income was relatively high.

It was a vacation in their own backyards. We filled a need. It's a very inexpensive way to go.

We were selling steel wall pools with vinyl liners, and we sold the pumps and other things too that people who build concrete pools also need. We covered the entire spectrum including spas and commercial pools.

Mackinac Center: What's your business philosophy?

J. Engelhart: The golden rule is a very good place to start. I've always felt and I was always taught by my father that if you take care of your customers, they will take care of you, and they did.

Mackinac Center: What would you change in Michigan's business climate?

J. Engelhart: The rules and the regulations are just extremely oppressive. It costs enormous amounts of money to keep up with those and hire people to take care of them because some of them are so complicated you can't possibly do it yourself.

The government is just too big. It has forgotten what it's there for. They think they're there for themselves, and they really are, that's the problem.

Mackinac Center: How many people work at Quality Pool Supply?

J. Engelhart: Right now I think we

have around 57 full-time employees with full benefits. And it has been up to 105 in the summer time. We have several locations: Clio, Byron Center, Michigan and two in Ohio.

Mackinac Center: What value do you see in the Mackinac Center?

J. Engelhart: The Mackinac Center provides a tremendous education for any citizen who wants to learn about their state.

C. Engelhart: I just think it's a good organization that studies what's going on and does things that will help change things for the better. I think of right-to-work and also those people who were forced into a union and didn't even know it. The Mackinac Center's education let people know that. It came to their aid. I'm glad there's someone out there to help.

Mackinac Center: Last year you gave your largest gift to the Mackinac Center. What prompted that?

J. Engelhart: I was talking with the Mackinac Center president, Joe Lehman, at a meeting in Traverse City. I told him that it must be stressful wondering if you're going to make payroll every month in times like these, Joe said that like anybody sometimes he lost sleep thinking about it. So I wrote a check and sent it in a pill bottle telling him that he could sleep a little easier. ■





MEDIA MATTERS

While media outlets around the country — including The Wall Street Journal, The Boston Globe, USA Today, The New York Times, Fox and Forbes — turned to Mackinac Center analysts at the end of 2012 for guidance on Michigan's new right-to-work law, state and national media returned to our experts for comment on a host of other issues in 2013. Labor Policy Director F. Vincent Vernuccio also appeared on Fox Business to discuss potential recall attempts against Gov. Rick Snyder in the wake of right-to-work protections being extended to Michigan workers.

The New York Times, CNN, Reuters, CBS, Bloomberg and The Salt Lake Tribune, as well as several MLive papers across Michigan, all reported on a new study by Fiscal Policy Director Michael D. LaFaive and Adjunct Scholar Todd Nesbit detailing cigarette smuggling rates in relation to tobacco taxes nationwide.

Papers across Michigan — including The Detroit News, Flint Journal, Holland Sentinel, Lansing State Journal, Kalamazoo Gazette and Midland Daily News — wrote about MichiganVotes.org's annual "missed votes report" for Michigan legislators tabulated by Senior Legislative Analyst Jack McHugh. Media outlets regularly use this feature to track the attendance records of state representatives and state senators in their specific readership areas.

MLive also reported on a school ranking system put out by Bridge Magazine that MLive said was "similar" to one authored by Education Policy Director Michael Van Beek last year.

Newly elected Gratiot County Commissioner Scott Shower began 2013 by suggesting his fellow commissioners all read "Seven Principles of Sound Public Policy," according to The Morning Sun in Mount Pleasant. The popular essay, by President Emeritus Lawrence W. Reed, has been translated into at least a dozen languages and was once delivered by Reed at none other than the People's University in Beijing.

The Detroit News and Crain's Detroit Business were the first media outlets to report on a plan crafted by Rod Lockwood of the Center's board of directors to privatize and develop Belle Isle.

Editor-at-Large Bruce Edward Walker wrote in the Lansing State Journal about the negative environmental and economic impact of ethanol subsidies, while McHugh addressed protectionist auto dealership laws in Deadline Detroit. ■



New State House Could Face Lively 2013

Passing a state budget is the Legislature's most basic annual task. In 2011, Gov. Rick Snyder introduced two-year budgeting. Under this method, most major (and contentious) budget reforms happen in the odd-numbered year. That means new — perhaps surprising — budget reforms might be in store for 2013.

Coming into the new 2013-2014 term, Republicans hold a 59-51 majority in the Michigan House of Representatives. That margin is four seats smaller than they had in 2011-2012. Just four Republicans voting with the Democrats would now be enough to prevent passage of legislation.

The smaller GOP majority in the House might make it more difficult for the Governor to get some measures passed. This could result in tougher negotiations and more compromises than he experienced two years ago.

The House Republican agenda is likely to parallel Snyder's agenda in most respects. However, though areas of disagreement are few, there is a real possibility for them to become stumbling blocks. Road funding

could be one such issue.

Road improvement is on the 2013 agenda. Lawmakers will be expected to search for new road funding from existing resources. However, some kind of tax or fee hike could be put on the table. Potentially, this could lead to a major battle in the House. If so, House Democrats might attempt to use the resulting struggle to gain bargaining chips on other issues.

Overall, education and regulation are key policy areas over which Republicans and Democrats will surely continue to disagree in 2013.

House Republicans are expected to push for further removal of barriers facing job providers. House Democrats will likely oppose many of these measures.

It's also likely that House Republicans will try to create more education choices for students and parents. Democrats tend to view such reforms as attacks on traditional schools.

All in all, a promising road for Michigan, but with several visible roadblocks on the horizon. ■



Cesar Chavez Academy

STANDARDS, NOT GEOGRAPHY

In September I visited Cesar Chavez Academy, one of Michigan's oldest and most successful charter schools. The academy, which serves grades K through 12, is in Southwest Detroit. Nearby buildings are in disrepair, and some are covered in graffiti. Yet the Cesar Chavez campus feels safe and clean. In between classes, students in blue and white uniforms mill about outside.

Just a couple blocks down Waterman Street from Cesar Chavez is the building that used to house Southwestern High School. Despite student and parent protests, Detroit Public Schools closed the high school this year because of its poor academic and attendance track record.

The Mackinac Center recently published a high school report card that considers student socioeconomic status as well as academic performance when grading schools. The report card results support the closure of Southwestern High School: The school received an 'F' on the high school report card, and was the 20th lowest-scoring high school in the entire state of Michigan.

Another DPS high school, Western International, offered to take nearly 600 displaced Southwestern students when the closing was announced. The school, at least when it comes to student academic performance, is a mediocre option. Though better than Southwestern, Western

International scored a 'C' on the Mackinac Center's report card, meaning that the school does little to improve student academic performance beyond what would be expected.

Cesar Chavez High School, in comparison, received an 'A.' In fact, Cesar Chavez is the second highest-scoring high school in the entire state and the top-performing city high school.

Some might be quick to suggest that Cesar Chavez received a higher score because it serves fewer students from low-income backgrounds, or because it is a selective school. Neither statement is true. The school offers open enrollment, and more than 95 percent of Cesar Chavez's students come from low-income backgrounds, compared to 69 percent at Southwestern.

Cesar Chavez is a smaller school than Southwestern, and it would be unreasonable to suggest that every displaced student could find a spot at the school. But it is a much better nearby option, and it could make all the difference for some students. ■

(Editor's Note: This perspective has been adapted and published in the Mackinac Center for Public Policy's February Viewpoints, available at mackinac.org/v2013-06.)

m.e.d.

michigan education digest

Each Tuesday, the Mackinac Center emails a free roundup of education news from around the state. Go to mackinac.org/subscribe to get it delivered to your inbox. Here's a sampling of education headlines.

Jan. 8, 2013

Grosse Pointe removes 21 students

Dec. 18, 2012

Right-to-work legislation passes

Dec. 18, 2012

Union health insurance company sues Pontiac school district

Dec. 18, 2012

Ann Arbor district tries to sell northern Michigan land

Dec. 4, 2012

Oakland County school officials lobby against reform legislation

Dec. 4, 2012

EAA only Michigan finalist in federal funding competition

Dec. 4, 2012

More than 97 percent of Michigan teachers rated 'effective'

Nov. 27, 2012

Districts have trouble budgeting under MEA, AFT pension lawsuit

MERIT PAY ADOPTED!

Have a couple minutes? Here's a video where Dan Armstrong explores two Michigan schools that approved contracts based on merit, Blissfield Community Schools and St. Clair County RESA. We like to celebrate when good things are happening around the state (viewable at mackinac.org/17721).

WATCH THE VIDEO WITH THIS QR CODE!



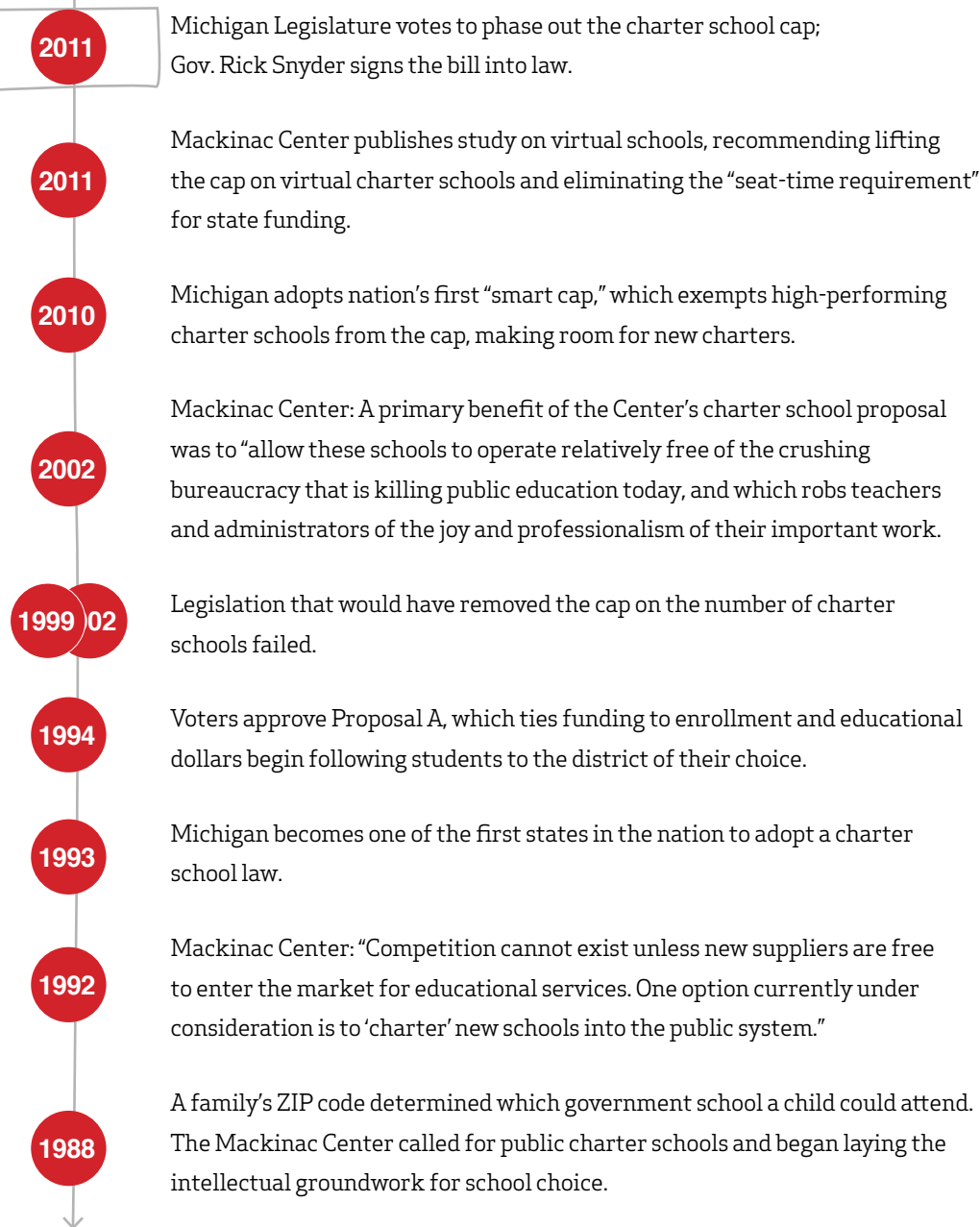
THIS MORNING, MORE THAN 130,000 MICHIGAN STUDENTS ARE BEING EDUCATED BY PUBLIC CHARTER SCHOOLS. IT DIDN'T JUST HAPPEN OVERNIGHT. >>>



>>> 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.

An illustration of the Overton Window in action can be seen in the introduction and expansion of public charter schools in Michigan.



Today, more than 130,000 Michigan students are attending a public charter school, and estimates indicate that two-thirds of those charter schools have waitlists. A new study from Stanford University's Center for Research on Education Outcomes shows that students in Michigan public charter schools are outperforming their counterparts in conventional public schools. ■

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.

Find out more about the Overton Window at mackinac.org/overtonwindow

THE MACKINAC CENTER *DRIVING MICHIGAN'S MIGRATION DISCUSSION*

BY MICHAEL D. LAFAIVE

“My husband and I grew up in Michigan. We enjoy what the state has to offer. We would like our children to go where they will be happy and successful and hopefully within driving distance.”

— Patti McManus, office furniture designer, Lansing-area mother of two children, ages 13 and 8, who discovered firsthand the value of a strong economy when her husband with two masters degrees and working towards a PhD, was unable to find work 10 years ago in Michigan for a period of nine months.



Mackinac Center analysts have frequently been the first to say what needs to be said on public policy issues. Committed to our independence, big and bold ideas are produced by our shop because that is part of the mission of a good think tank. One idea discussed early and often by our experts was that of state-to-state migration and what such statistics tell us about ourselves and public policy.

Many scholars believe that there is arguably no better single metric for summing up “quality of life” issues than that of migration. For some reason, people get up and go, and moves are viewed economically as investments in one’s self and one’s family. These investments can come with considerable costs – both economic and psychological.

What drives people to vote with their feet and move to other states (or to Michigan from elsewhere), and what does it say about policy choices? In a word: opportunity.

Typically, opportunity takes an economic form but it need not. It can also be a function of such things as days of sunshine and other amenities such as access to lakes and oceans.

Studying migration determinants allows us to infer what attracts or repels people and their money and talents. Because Mackinac Center scholars are sensitive to such items we noticed quickly when Michigan’s economic fortunes led to apparent changes in outbound migration rates.

Our first official, published investigation into Michigan’s outbound migration rates came in early 2006, though we had been following available data on the subject for two years. America’s largest mover of household goods, United Van Lines, had reported increases in the rate at which it took Michigan residents elsewhere. According to United Van Lines, 63.9 percent of all its Michigan-related moves in 2005 were

Watch our latest video on why people leaving Michigan is important to us. See Rick Wadel’s story at mackinac.org/18311



outbound. This was just shy of Michigan's all-time outbound rate of almost 67 percent set in 1981. The company keeps such records on the contiguous 48 states going back to 1976.

Mackinac Center Adjunct Scholar Michael Hicks performed a statistical analysis of the entire UVL dataset against actual migration data and found the two to be very highly correlated. That is, UVL's private data was telling us what was happening with regard to inbound and outbound moves long before the Census Bureau could give us official statistics. As the state continued to suffer economically, Hicks and I would drill further into migration data looking for answers and recommending policy solutions.

In 2006, UVL data indicated that Michigan had once again achieved the dubious distinction of having the highest outbound traffic rate of any state in the union – a position it would hold for four straight years. In 2007 Michigan broke its own all-time outbound traffic rate at 67.8 percent of all Michigan-related moves being outbound. Remarkably, Michigan's 2007 unemployment rate of 7.1 would have actually been higher had there not been an economic release valve. There were other jobs to be had around the nation and people were fleeing our state to take them. That would change during the Great Recession and our unemployment rate would leap past 15 percent.

By 2008 the Mackinac Center – with help again from Hicks – decided to create its own statistical model in an attempt to find out what policy variables might be driving what we took to calling Michigan's diaspora. After consulting a rich field of migration literature we chose to measure the influence of variables such as taxes, labor flexibility, days of sunshine, welfare levels and unemployment rates. Our findings confirmed what other scholars had found, though perhaps to varying degrees. We found:

- For every 10 percent increase in per-capita state and local tax burdens some 4,900 people would leave Michigan every year thereafter.

We found this migration impact to be three times higher than the national average we calculated from data in our model. Since our research came hard on the heels of an 11.5 percent increase in the personal income tax, such new data struck home. The full tax hike package (which included a business tax increase) passed in late 2007 and took an additional \$1.4 billion from Michigan taxpayers.

- For every 10 percent increase in the value of transfer payments from government to people in a state, outbound migration would increase by another 850 people annually.
- For every 1 percentage point increase in Michigan's unemployment rate – which was the highest in the nation in June 2008 at 7.9 percent – Michigan could expect to lose another 900 people annually.
- For every 10 percent difference in days of sunshine (our weather variable) between Michigan and other states we could expect to lose another 120 people annually.

The weather variable is no small matter because study after study finds that weather is an influential variable in peoples' decision to move, and it is the one policy above that Lansing

lawmakers can't change. Scholar John Rappaport focused solely on the influence of weather in his study of migration and reported that, from 1970 to 2000 Michigan's weather was responsible for population growth in the Great Lake State of between 1.5 percent and zero.

Maybe we should be grateful that Lansing pols can't change the weather. If they could we'd probably have blizzards in July. Since commanding the sun to shine or the rain to fall is still outside their talents, we long argued, they should make changes that would swamp Michigan's weather variable. Specifically, we began recommending elimination of the state's new and ugly Michigan Business Tax and replacing it with nothing. That is, to make up dollar losses with only cuts to government spending.

We also recommended that the state adopt a right-to-work law. Anecdotally it seemed that many Americans, not just Michiganders, were moving to the South and West areas overwhelmingly represented by states with right-to-work protections.

As 2008 – the year we performed this study drew to a close – the United States Census Bureau announced that between July of 2007 and 2008 Michigan had lost 46,000 more of its residents. At the time, we were only one of two states to lose population.

Studying migration determinants allows us to infer what attracts or repels people and their money and talents. Because Mackinac Center scholars are sensitive to such items we noticed quickly when Michigan's economic fortunes led to apparent changes in outbound migration rates.

But Census and United Van Lines aren't the only sources from which migration statistics can be drawn. The Internal Revenue Service publishes county-to-county move data based on income tax returns. That data was also revealing: Michigan residents chose to move to Florida and Texas from 2007 to 2008 than any other states in the union. During that year 12,748 Wolverines moved to Texas while the Great Lake State absorbed 5,272 Texans for a net loss of more than 7,400.

By July 2009 United Van Lines was reporting that (mid-year) 70 percent of its Michigan-related traffic was outbound. The migration news is still bad for Michigan but getting better. Michigan ended its run as the number one outbound traffic state and through 2012 ranked 4th in the nation. Official Census Bureau numbers, released in December, also noted an improvement in population growth.

It is still too early to tell if it was recent policy changes that are responsible for Michigan's improving migration picture. Eventually, however, we believe that recent business tax and labor climate changes will drive greater economic growth and opportunity for Michigan and ultimately all Americans. ■

A Snapshot From the Center

DOWNTOWN, MIDLAND. The front of our headquarters is decked out in our “25-year ribbon” — it’s one way we’re celebrating our 25th anniversary all year long.



... 1 in 3 cigarettes consumed in Michigan are smuggled.

The Smuggling Diaries

By James Hohman

Incentives matter. As the Mackinac Center's latest work on cigarette smuggling shows, the incentives created by different state cigarette tax rates can have extreme consequences.

When cigarette taxes rose from 25 cents per pack to 75 cents per pack in 1997, the Mackinac Center began studying the effects on cigarette smuggling. Mackinac Center scholars warned about the increased attractiveness of smuggling due to higher tax levels.

In 2008, the Mackinac Center estimated just how much tax evasion was going on in the state.

With the help of Todd Nesbit at The Ohio State University, we developed a model that looked at how much people smoked (reported in a survey by the Centers for Disease Control and Prevention) and a state's legal retail cigarette sales.

The model estimated that in 2011, 29.3 percent of all cigarettes consumed in Michigan were bought in ways that evaded the state's cigarette taxes.

In other words, nearly one in three cigarettes consumed in Michigan are smuggled.

This means that people might grab a couple of cartons when they're out of town in the comparatively lower tax Indiana. This is known as casual smuggling and is estimated to account for 15.09 percent of all cigarettes smoked by Michigan residents.

It also means there is a large incentive to get more organized with smuggling.

Running a truck down I-75 to Kentucky, where cigarette taxes are only 60 cents a pack, and shipping it back gives a \$1.40 per pack advantage on the tax difference alone. These long haul shipments are known as "commercial smuggling" and represent some 16.28 percent of cigarettes smoked by Michigan residents.

Michigan's proximity to high-tax Canada also makes it a source for out-bound smuggling. The model estimated that 3.6 percent of cigarettes sold in Michigan were transported to Canada.

(The nonlinear construction of the model means that adding commercial, casual and international smuggling estimates do not exactly add up to the total smuggling estimate.)

State treasury officials are definitely concerned about making sure the state gets the revenue required by the tax. The bigger problem is a real human cost to these taxes.

Because of the lucrative market for tax avoidance, there have been a number of instances of crime and corruption. Trucks have been hijacked in Michigan with the drivers assaulted and tied up. One perpetrator smashed a truck through a brick wall in order to steal cigarettes. Last year, a Maryland police officer was sentenced for running cover in his police cruiser for cigarette smugglers.

The market also attracts counterfeit cigarettes, not likely subject to safety and quality concerns that legitimate producers face. In a 2008 study of cigarettes smuggled from China, researchers found the products contained rotten tobacco and adulterations that could increase the already harmful effects of cigarette-smoking.

These impacts are interesting not because of the harm, but because these crimes occur solely due to state tobacco tax policies. Tobacco products have a large market and competitive retailers which would normally nullify opportunities for illicit trade. But a large difference in the costs imposed by state governments in such an easily concealable product makes it a magnet for people with nefarious intent.

Unless Michigan brings its cigarette taxes in line with its comparatively lower neighbors and national averages, it can continue to expect such high levels of cigarette smuggling. ■

James Hohman is assistant director of fiscal policy at the Mackinac Center.

Top 10 States for Cigarette Smuggling

State	Cigarette tax rate (\$ per pack)	Percent of cigarettes smuggled into the state
New York	\$4.35	60.94
Arizona	\$2.00	54.39
New Mexico	\$1.66	52.95
Washington	\$3.03	48.47
Rhode Island	\$3.46	39.75
Wisconsin	\$2.52	36.39
California	\$0.87	36.08
Texas	\$1.41	33.76
Utah	\$1.70	31.95
Michigan	\$2.00	29.34



Research Matters

OF CATERPILLARS AND PENSION FUNDS

If you've read IMPACT through the years, you've noticed that the Center's public profile has risen. Our commentaries are now regularly published by top-tier state and national media, as are the articles of our autokinetic news outlet, Michigan Capitol Confidential. Even our state-level lawsuits make national news.

Yet behind it all, we continue to generate Mackinac Center Studies and Policy Briefs that represent the traditional research we began with. They may be less visible, but like the "dark matter" that physicists talk about, they are responsible for a lot of our mass.

The nature of that mass makes our impact easier to understand. This is not because studies are somehow "more important." Our commentaries and journalism are of tangible value to the public debate, and we would be sadly diminished without them.

Rather, the difference lies in the scope and rigor of the process. In our studies, we cast a wider net for new data and new insights. We subject our evidence and logic to a close and detailed scrutiny that can be exhausting for our authors, fact-checkers, editors and reviewers. Writing becomes rewriting; calculation, recalculation; and analysis, reanalysis. The result is a "careful, systematic, patient study and investigation in some field of knowledge, undertaken to discover

or establish facts or principles" — the dictionary definition of research.

THOMAS A. SHULL

This discipline keeps us flexible and informed. It reminds our critics — and ourselves — that we are willing and able to confront difficult findings. Facts are stubborn things, John Adams warned, and thank goodness they are, for they force us to seek the truth.



The famous "Fact-Checker Mug" was ceremoniously given this winter to the team of Mackinac Center fact-checkers.

Pursuing the truth enables us to speak with specificity and conviction. This is particularly valuable when a topic is new to us, as it was, for instance, when we studied Michigan's major public pension funds in 2010 or their so-called "transition costs" in 2012.

These may sound like abstract research — the equivalent of the behavioral science of caterpillars. But just as caterpillars really matter if they are eating up your family's crops, public pension funds really matter if they are eating away at your children's substance.

In future issues, this column will be devoted to exploring the relevance of specific Mackinac Center studies, essentially describing the tip of the iceberg to illuminate the dark mass below. And in fact, we'll start next time with transition costs in public pension funds.

Oh yes. Oh yes we will.

And you will see the light. ■

Thomas A. Shull is the Mackinac Center's director of research quality.

These are the anonymous voices from emails, interviews and word on the street that ought to be heard. The Mackinac Center for Public Policy firmly believes that policy affects people on a real level, as evidenced by those speaking their mind on **right-to-work in Michigan.**

"My great grandparents were here and we've been based here ever since. Right now with my family, Michigan has a lot going for it and I feel it will come back but I don't know if it will be in their generation or not."

"I look at it [right-to-work] and how it's going to affect people looking at business and whether they want to work here. It makes the environment a lot friendlier for business."

"There is probably a 30% difference in wages when we do prevailing wage work. It's an artificially high wage when I look at what it is that we're paying right now. It doesn't match what the wages are in Michigan. It doesn't come close."

"Am a native Michigander, have a JD from U/M, and spend summers in Leelanau County. Had heard of the Mackinac Ctr, but had not focused on it until passage of MI's right-to-work law."



What Does “Messaging” Mean?

“People fail to get along because they fear each other; they fear each other because they don’t know each other; they don’t know each other because they have not communicated with each other.”

– Martin Luther King Jr.

It may still be the darkest part of winter, but the Michigan Legislature is in-session and the President is back in the Oval Office. The election hub-bub is over and the real work begins.

There are undoubtedly many reading this magazine who are disappointed with the election results. There may be some who are indifferent. There may even be some who are happy. In the best of all possible worlds, everybody – regardless of political affiliation – would be reading the Mackinac Center’s work.

The only realistic path to that sort of Utopia is through communication. Dropping our latest cigarette smuggling study on the desk of those who believe government is the answer to every problem will likely be ineffective. Waving our hands above our head at the latest financial obligation from Washington will perhaps relieve our anger, but will accomplish little, for ourselves or anybody else.

A quick scan of our nation’s most popular publications suggests that we live in an angry world; a world of epithets. Politicians’ names are thrown around as if they were used car salesmen. Our news-providers yell angrily at their guests when they disagree. Taxpayers (that is, the rest of us) are rarely mentioned except as a citation.

So how do we, those who understand the universal benefit of free markets and liberty, convey our message in the best-chosen language?

First, we must listen to those who hate our message and understand why. Fundamentally, we may not change

their minds in this lifetime, but we can make our message smarter, and hopefully more effective.

Second, we should abandon our fear of saying what we think. When people leave Michigan by the tens of thousands, we know the state’s policies are bad for people, not only principles. There is nothing more powerful than voting with one’s feet. When the union member standing out in the cold protesting right-to-work legislation earns only \$8.50 an hour, we know the union is not using its dues money for his benefit, and therefore deserves less government-mandated power and support.

Third, we must reach out to those with whom we have little in common. Whether this person believes in this God, or no God, or sends their kid to private school or public school, or wears these clothes or those clothes, our focus must always be on what works for everybody – and that is a government that doesn’t hinder people on their own path.

These things are not truly instinctive, and often unpleasant, which is why it’s a mark of our surety in freedom that we are willing to do these things. There will be those people who continue their ad hominem attacks against us; that should not halt our efforts to reach out. The more people we can help, the more people who can help us in the future.

These words of Martin Luther King Jr. are profound because they are not exclusive by politics, geography or creed. They simply offer wisdom to anyone who is willing to take it. Here at the Mackinac Center, it will be our task to be wiser than ever this year, and to be sure we do our best to spread the value of our ideas and convictions to as many people as we can, for everyone’s benefit. ■

BY THE NUMBERS Right-to-Work

Michigan had the **18th highest** per capita personal income in 2000. In 2011, it fell to **36th**. *Source: Bureau of Economic Analysis*

Nearly **5 million people moved** from non-RTW to RTW states between 2000 and 2009. *Source: Bureau of Economic Analysis*

RTW per capita personal income is **\$38,308**; Michigan’s is **\$36,264**. *Source: Census Bureau*

Over **400,000 people moved** from non-RTW to RTW states between 2010 and 2012. *Source: Census Bureau*

Unemployment rates in RTW States: **7.4 percent** *Source: Bureau of Labor Statistics*

Unemployment rates in non-RTW States: **8.4 percent** *Source: Bureau of Labor Statistics*

RTW States: **3.5 percent increase** in jobs in the past decade *Source: Bureau of Labor Statistics*

Non-RTW States: **2.6 percent decrease** in jobs in the past decade *Source: Bureau of Labor Statistics*

Find out more about the Mackinac Center’s work on right-to-work, by visiting mackinac.org/rtw

LESSON
No.1

How to navigate the Mackinac Center's HEADLINES app.



Whether at home or on the go, use the Headlines app to help keep up on the issues you care about!

1



Tap the arrow (there's one on both ends of this menu) to filter the Mackinac Center's specialties. Your choices are:

- ALL
- MACKINAC CENTER
- BLOG
- CAPITOL CONFIDENTIAL
- LABOR
- EDUCATION

2

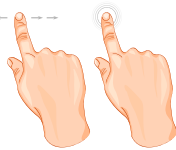


Tap the menu item to filter specific stories.



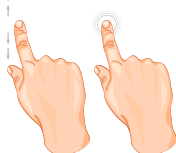
You can also swipe to the left or right to navigate the menu items.

3



This is our Feature area. Swipe to see all our features and then tap one to see it in the viewing area.

4



This is the Viewing area. Swipe up and down to see all the headlines you've chosen from the menu up top. Tap the headline to read the article.

