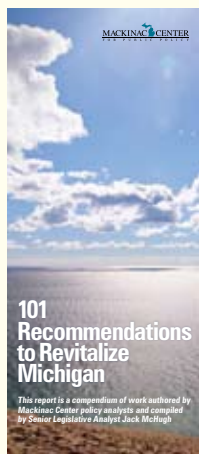


Revitalizing Michigan With Help From Gov. Granholm



An online version of "101 Recommendations to Revitalize Michigan" can be found at www.mackinac.org/10154.

2009 began in economic turmoil, with the state's unemployment rate surging and Michigan's auto industry skirting bankruptcy. But in crisis lies opportunity, and Mackinac Center scholars seized an opening with the release of the pamphlet "101 Recommendations to Revitalize Michigan" in January, just weeks before Gov. Jennifer Granholm began to champion seven of their earlier policy ideas.

The "101 Recommendations" pamphlet was timed perfectly. As property values declined, the state's population fell and credit markets went into arrest near the end of 2008, Center scholars recognized that state government would experience a steep drop in tax revenue this year, forcing important budget choices on legislators. So Senior Legislative Analyst Jack McHugh compiled a list of single-sentence policy recommendations based on past Mackinac

Center material and provided Web addresses for that material to allow policymakers to investigate the details. The resulting 4-inch-by-9.25-inch pamphlet, designed to slip easily into the inner pocket of a suit jacket, is a veritable tool kit for prioritizing state spending and improving our state's economy.

On Jan. 14, the first day of the state's new legislative session, McHugh, Communications Director Michael Jahr and Communications Specialist Kathy Hoekstra had hundreds of the pamphlets on hand at the Michigan State Capitol as journalists and legislators swarmed the building for the legislative swearing-in ceremony. They fanned out to reach as many people as possible with the pamphlets, explaining the publication's contents and the Center's readiness to respond to questions. McHugh was even tapped for television interviews

see "Revitalizing" Page 4

Sunshine: The Best Disinfectant

There are two specific details of public finance that should be readily available for taxpayer inspection: How are taxpayer dollars being spent and by whom? Blending strategy and tenacity, the Mackinac Center's "Show Michigan the Money" transparency project is fighting to secure these details from both state officials and school districts, while garnering editorial praise throughout the state.

Though there are some public officials willing to provide these details when asked, the goal of project Director Ken Braun is to encourage more public entities to reveal spending information as a matter of course. Despite some bureaucratic recalcitrance, there have been several promising developments.

On Jan. 27, Braun was invited to testify before



Kenneth M. Braun discusses school district transparency on WNEM-TV.

the Michigan Senate Finance Committee about the likely impact of Senate Bills 71 and 72, which

see "Sunshine," Page 9

CONTENTS

- 2 President's Message
- 3 Climate of Extremes
- 3 Beyond the Bailout
- 5 Media Impact
- 6 Pink Houses
- 7 Film Critique
- 8 Remembering Ruth
- 8 What's at Stake
- 10 Free-Market Fundamental
- 10 Marshall Advances
- 11 Free-Market Library
- 12 Smuggler's Blues
- 12 Payne Cartoon

"Today, the Mackinac Center embodies Reagan's ideology. And the superintendents are marching lock step with them."

Sidney Kardon, president of the Royal Oak Education Association, in an Op-Ed on school privatization in The Oakland Press, March 4, 2009

The Government Bubble



Joseph G. Lehman
President

The best title for any book ever written may be “Extraordinary Popular Delusions and the Madness of Crowds.” Charles Mackay’s 1841 classic describes the growth and sudden collapse of some of history’s most ruinous investment bubbles. The recent credit and real estate bubble would fit neatly into Mackay’s narrative. If he were writing today, he would no doubt note a new government bubble that our tax dollars are rapidly inflating.

This government bubble is President Obama’s so-called stimulus plan and all the appurtenances thereto. The rush to tax, borrow and spend our way out of this recession has a bubble-like feel to it.

Using round numbers, the stimulus is (so far) a trillion-dollar expansion of federal spending. Heritage Foundation economists estimate the 10-year cost at triple that amount. That’s on top of our current \$3 trillion annual federal budget which runs a nearly \$2 trillion deficit. Compared to our \$13 trillion GDP, we’re talking real money.

The stimulus is built on a Keynesian notion: The way out of a recession is for government to take from you the money you won’t spend and spend it. This was tried most famously during the lengthy Great Depression. President Franklin D. Roosevelt’s frustrated Treasury Secretary Henry Morgenthau said, “We are spending more than we have ever spent before, and it does not work.”

Contrary to conventional wisdom taught in high schools, New Deal spending did not end, or even shorten, the Great Depression. Indeed, it may have lengthened it, as Lawrence W. Reed has argued in the Mackinac Center classic, “Great Myths of the Great Depression.”

Although economists differ on Keynes’s theories, they differ more on bubble theories. Bubbles defy precise definition. No theory satisfactorily explains why they grow. And since no one can predict how big they get or when they pop, bubbles are apparent only in hindsight. “Yep. That was a bubble.”

But here’s what we know. Bubbles are fed by people’s desire to get something for nothing, or at least get a lot for a little. The run-ups can seem nonsensical to some, but people invest anyway, often motivated by emotion as much as an actual understanding of the underlying investment. Bubble pops can bring other investments down with them.

Bursting bubbles destroy wealth. The destruction is worse when the invested wealth comes from borrowed money. And it’s worse yet when investments are forced, not voluntary.

Yet that describes the president’s stimulus plan in many ways. Unprecedented sums urgently bet on questionable theories, hyped by emotionalism and urgency, paid for with money taken from current taxpayers and borrowed from future ones.

Most people who lost fortunes in historic bubbles invested their own money voluntarily. No one was forced to buy overpriced Dutch tulip bulbs in the 1630s or Pets.com stock in 2000. But we and future taxpayers are on the hook for the stimulus.

The burst of a market bubble, though painful, can be a necessary corrective. But what will it take to correct a government bubble? We must start by calling it what it is. I

BOARD OF DIRECTORS

- | | |
|--|--|
| D. Joseph Olson, Chairman
<i>Senior Vice President and General Counsel, Amerisure Companies</i> | Rodney M. Lockwood Jr.
<i>President, Lockwood Construction Company, Inc.</i> |
| Joseph G. Lehman, President
<i>Mackinac Center for Public Policy</i> | Joseph P. Maguire
<i>President, Wolverine Development Corporation</i> |
| Joseph J. Fitzsimmons
<i>Retired President, University Microfilms</i> | Richard D. McLellan
<i>Attorney, Dykema Gossett</i> |
| Hon. Paul V. Gadola
<i>U.S. District Court Judge</i> | Lawrence W. Reed
<i>President Emeritus, Mackinac Center for Public Policy</i> |
| Kent B. Herrick
<i>President and CEO, Thermogy</i> | James M. Rodney
<i>Chairman of the Board, Detroit Forming Inc.</i> |
| Richard G. Haworth
<i>Chairman of the Board, Haworth, Inc.</i> | Linda K. Rodney
<i>Attorney at Law, Law Offices of Linda K. Rodney, P.C.</i> |
| Phil F. Jenkins
<i>Chairman, Sweepster Inc.</i> | |
| Edward C. Levy Jr.
<i>President, Edw. C. Levy Co.</i> | |

BOARD OF SCHOLARS

- | | |
|--|--|
| Dr. Donald Alexander
<i>Western Michigan University</i> | Dr. Dale Matcheck
<i>Northwood University</i> |
| Dr. William Allen
<i>Michigan State University</i> | Dr. Paul McCracken
<i>University of Michigan (ret.)</i> |
| Dr. Thomas Bertonneau
<i>Writer and Independent Scholar</i> | Charles Meiser
<i>Lake Superior State University (ret.)</i> |
| Dr. Brad Birzer
<i>Hillsdale College</i> | Glenn Moots
<i>Northwood University</i> |
| Dr. Peter Boettke
<i>George Mason University</i> | Dr. George Nastas III
<i>Marketing Consultants</i> |
| Dr. Theodore Bolema
<i>Anderson Economic Group</i> | Dr. John Pafford
<i>Northwood University</i> |
| Dr. Stephen Colarelli
<i>Central Michigan University</i> | Dr. Mark Perry
<i>University of Michigan - Flint</i> |
| Andrew Coulson
<i>Cato Institute</i> | Gregory Rehmke
<i>Economic Thinking/ E Pluribus Unum Films</i> |
| Robert Crowner
<i>Eastern Michigan University (ret.)</i> | Dr. Steve Safranek
<i>Ave Maria School of Law</i> |
| Dr. Richard Cutler
<i>University of Michigan (ret.)</i> | Dr. Howard Schwartz
<i>Oakland University</i> |
| Dr. Jefferson Edgens
<i>Morehead State University</i> | James Sheehan
<i>Deutsche Bank Securities</i> |
| Dr. David Felbeck
<i>University of Michigan (ret.)</i> | Rev. Robert Sirico
<i>Acton Institute for the Study of Religion and Liberty</i> |
| Dr. Burton Folsom
<i>Hillsdale College</i> | Dr. Bradley Smith
<i>Capital University Law School</i> |
| Dr. Wayland Gardner
<i>Western Michigan University (ret.)</i> | Dr. John Taylor
<i>Grand Valley State University</i> |
| John Grether
<i>Northwood University</i> | Dr. Richard K. Vedder
<i>Ohio University</i> |
| Dr. Michael Heberling
<i>Baker College</i> | Prof. Harry Veryser Jr.
<i>University of Detroit Mercy</i> |
| Dr. Ormand Hook
<i>Mecosta-Osceola Intermediate School District</i> | John Walter Jr.
<i>Dow Corning Corporation (ret.)</i> |
| Robert Hunter
<i>Mackinac Center for Public Policy</i> | Dr. William Wilson
<i>Economic Consultant</i> |
| Prof. Harry Hutchison
<i>Wayne State University</i> | Mike Winther
<i>Institute for Principle Studies</i> |
| Dr. David Janda
<i>Institute for Preventative Sports Medicine</i> | Dr. Gary Wolfram
<i>Hillsdale College</i> |
| Annette Kirk
<i>Russell Kirk Center for Cultural Renewal</i> | |
| David Littmann
<i>Mackinac Center for Public Policy</i> | |



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

Mackinac Center IMPACT is a quarterly publication of 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.

MICHAEL D. JAHR Editor DANIEL E. MONTGOMERY Graphic Designer

SFE Cools Down Global Warming Debate

Driven by a belief in man-made global warming and a desire to strictly regulate carbon emissions, the new administration in Washington is intent on implementing major changes to America's energy policy.

While the debate is marked by politicized science and a disregard for cost-benefit analysis, the Mackinac Center's college outreach organization, Students for a Free Economy, is working to inject reason into the conversation and expose future leaders to perspectives they're not likely to hear from politicians, professors or the media.

At a Feb. 3 event at the University of Michigan, Patrick Michaels, senior fellow in environmental studies at The Cato Institute, made it clear that the debate over global warming is far from over. Hosted by SFE, Michaels drew more than 140 students and Ann Arbor residents for a discussion of his new book, "Climate of Extremes," coauthored by Robert C. Balling Jr.



Some 2,000 fliers were distributed on and around campus to promote SFE's global warming event.

The event gave Michaels a chance to present a viewpoint often unacknowledged on college campuses: while man does have a modest impact on the Earth's temperature, the extreme polarization of the debate surrounding climate change often ignores scientific reality, pitting straight-up deniers against doomsday alarmists.

To promote the event, SFE, along with UM College Libertarians and Young Americans for Freedom, published an Op-Ed in the Michigan Daily and staged a global warming beach party. Michaels had an hour-

long interview on WJR's "Frank Beckman Show" to discuss the science of global warming. He also recorded a segment on an Ann Arbor public radio program.

The event and related activities are just one example of how the Mackinac Center is engaging students and the public on important issues to make sure a free-market voice is heard. **I**



AMERICAN GRAPHIC DESIGN AWARD
2008 WINNER

"Economic Freedom and Human Prosperity," a booklet published by Students for a Free Economy, won a prestigious 2008 American Graphic Design Award.

Beyond the Bailout

The financial crisis affecting the Big Three automakers is clearly one of the biggest economic events in Michigan's history. The government's response to the situation — taxpayer bailouts, regulatory relief, allowing for bankruptcy or other alternatives — can exacerbate or improve the manufacturers' standing.

To help weigh the options and outcomes, the Mackinac Center assembled a world-class lineup of experts at a Jan. 13 forum titled, "Beyond the Bailout: A Mackinac Center for Public Policy Panel on Saving the American Automobile Industry." The forum was held at the Renaissance Center during the week of the North American International Auto Show in Detroit.

The panel featured three analysts who had written extensively on the restructuring and regulatory reforms necessary to restore economic viability to the U.S. automakers. Andrew Grossman, senior legal policy analyst for the Heritage Foundation, was an outspoken critic of a government bailout that he predicted would not bail out anyone, but would place billions of dollars of taxpayers' money at risk. Pulitzer-Prize winner Paul Ingrassia, former Detroit bureau chief for The Wall Street Journal, had written for years about

the management decisions and labor practices that helped contribute to the automakers' collapse.

Sam Kazman, general counsel of the Competitive Enterprise Institute, focused on how government regulations — like federally imposed Corporate Average Fuel Efficiency standards — hamper the industry and distort the marketplace. The panel was moderated by David Littmann, the Mackinac Center's senior economist and an industry expert in his own right.

The panel was attended by several prominent Detroit-area media, including business columnists, editors and reporters from The Detroit News, the Detroit Free Press and Newsradio WWJ. Michigan Government Television recorded the panel for later broadcast. Television news crews from Flint and Detroit covered the event, as did reporters from other media outlets.

The forum, which was simulcast live on the Internet, attracted nearly 1,300 viewers. Several viewers submitted questions for panelists to answer in real time.

The complete 90-minute event can be viewed at www.soundque.com/bcast/streamMPPI.html. A video summary of the panel can be viewed at www.mackinac.org/10214. **I**



Sam Kazman, general counsel for the Competitive Enterprise Institute, discusses CAFE standards with a reporter from WWJ.

REVITALIZING from Page One

by on-scene reporters from WJRT-TV in Flint and WLAJ-TV in Lansing. After the swearing-in, McHugh, Jahr and Hoekstra headed to the legislative office building and distributed scores of pamphlets “to every office,” as Jahr puts it, “with an unlocked door.”

The same afternoon, the pamphlet received coverage in Gongwer Michigan Report and MIRS Capitol Capsule. McHugh subsequently discussed the recommendations on WMKT radio in Petoskey and WTCM radio in Traverse City, and surprisingly, the entire list of recommendations appeared in major spreads in The Oakland Press, The Southgate News-Herald, The Chelsea Standard and other newspapers.

The pamphlet will remain relevant throughout the year, but Center scholars were delighted just a few weeks later as Gov. Granholm, first through her Feb. 3 State of the State Address and later through her budget recommendations, proposed seven policy ideas (or variations on them) previously advanced by the Center:



In her State of the State address, Gov. Jennifer Granholm suggested reforms in line with several Mackinac Center policy recommendations.

1. Governor’s recommendation: End state support to the Michigan Council for Arts and Cultural Affairs.

Mackinac Center scholars have been calling for an end to state art subsidies since 1991, when Chairman of the Board D. Joseph Olson published his incisive Op-Ed “Arts Ogres’ and the Killer Bees.” Mackinac Center Fiscal Policy Director Michael D. LaFaive and other Center scholars have repeatedly advanced the idea, presenting it in all three of the Center’s state budget

studies, published in 1996, 2003 and 2004 (see illustration nearby).

2. Governor’s recommendation: Eliminate state fair subsidies.

Gov. Granholm argued in her State of the State Address that the fairs “are a wonderful tradition [but] the state fairs are not an essential purpose of government.” The Center has been saying precisely that since 1996, when it wrote, “[S]ponsoring fairs is not a proper function of government in a civil society.”

3. Governor’s recommendation: Return control of state wetlands policy to the federal government.

Russ Harding, director of the Center’s Property Rights Network and former director of the Michigan Department of Environmental Quality, first published this idea in 2005. In her State of the State Address, Gov. Granholm concurred, saying, “I will recommend returning enforcement of wetlands protections to the federal government where more staff exists to effectively safeguard our natural resources.”

4. Governor’s recommendation: Cut state subsidies for university operations.

In the Center’s 2004 budget study, LaFaive observed that state subsidies had not prevented student tuition and fees from skyrocketing, and that college students, who reap the considerable direct benefits of postsecondary education, could reasonably be asked to carry the burden of paying for it.

5. Governor’s recommendation: Halve and combine the Agricultural Experiment Station and Cooperative Extension Program.

All three of the Center’s state budget studies have recommended eliminating these programs. The experiment station has conducted agricultural research, such as how to grow “the perfect Poinsettia” — studies that Michigan’s agriculture industry should finance. The cooperative extension



The Mackinac Center’s budget studies have generated hundreds of ideas for saving taxpayers billions of dollars.

service has offered co-op-style classes to Michigan residents on such topics as sewing and pottery. Like state fairs, these are nice, but not proper functions of state government.

6. Governor’s recommendation: Eliminate the Office of Drug Control Policy and downsize the Office of Services to the Aging.

Reducing narcotics use and providing specialized at-home care for the aged are laudable goals, but both these state offices crowd out private efforts to solve societal problems. The Mackinac Center recommended eliminating both programs in its 2003 and 2004 budget studies. The governor’s proposal allows some of the OSA’s activities to continue and transfers some of the ODCP’s activities to another department, but her priorities match the Center’s recommendation.

7. Governor’s recommendation: Eliminate the Department of History, Arts and Libraries.

This recommendation is a slight variation on LaFaive’s call in the 2003 and 2004 budget studies for reducing the department’s activities, which are not essential functions of government. The governor’s proposal technically ends the department, but does so by downsizing its activities and redistributing them to other state departments.

These proposals represent only a first step in balancing the state budget and setting Michigan on a road to prosperity. Nevertheless, they are a start. With “101 Recommendations” at hand and Center scholars tracking the budget debate, the Center is poised to help turn economic crisis into policy opportunity. **I**

Government Transparency and Accountability

While the Mackinac Center is often cited on what policy-makers should do, one issue receiving recent press was based on something legislators didn't do: vote. When Michiganvotes.org releases its annual tally of the number of missed votes for each state legislator, media outlets around Michigan pick up the story. Coverage included stories and editorials in **The Detroit News** (Dec. 31), **WKZO AM950** (Jan. 2), **Livingston Daily Press & Argus** (Jan. 5), **Port Huron Times Herald** (Jan. 5) **Jackson Citizen Patriot** (Jan. 6, 12 and March 5), **Flint Journal** (Jan. 7 and 11), **Saginaw News** (Jan. 8), **Kalamazoo Gazette** (Jan. 9), **Monroe News** (Jan. 26) and **Lansing State Journal** (Jan. 29). When speaking to reporters, [JACK McHUGH](#), senior legislative analyst and Michiganvotes.org coordinator, pointed out that while legislators can and do have legitimate reasons for missing work, they owe it to their constituents to explain why.

[KENNETH M. BRAUN](#), director of the "Show Michigan the Money" project, continues to ask school districts statewide to post their checkbook registers online. His efforts received praise and endorsements in editorials published Dec. 13 in **The Detroit News** and Dec. 18 in the **Detroit Free Press**. **The Macomb Daily** reported and editorialized in favor of the project on Feb. 1. Coverage appeared in **The Saginaw News** on Dec. 15 and Dec. 30, **The Detroit News** on Dec. 24, Jan. 13 and Feb. 14, and the **Lapeer County Press** on Feb. 15. Other transparency coverage appeared in the Feb. 9 **Flint Journal**, the Feb. 15 **Rochester Eccentric** and the Feb. 16 **Traverse City Record-Eagle**. [MICHAEL D. LAFAIVE](#), director of fiscal policy, was quoted Feb. 16 in the **MIRS Capitol Capsule** about proposed legislation that would increase transparency requirements for the Michigan Economic Development Corporation.

LaFaive, co-author of the Center's newest study, "Cigarette Taxes and Smug-

gling: A Historical Review and Statistical Analysis," was cited on that topic Dec. 3 in the **Rocky Mountain News**. LaFaive also discussed the issue on several Michigan radio stations following the study's Dec. 2 release, including **WTCM**, **WHNN**, **WGDN**, **WIPR**, **WOOD**, **WMKT** and **WGVU**. The study was cited in Jan. 9 editorials in the **Fremont (Ohio) News Messenger** and **Port Clinton (Ohio) News Herald** and Jan. 11 in the **Vineland (New Jersey) Daily Journal**. An Op-Ed by LaFaive appeared Jan. 31 in the **Niles Daily Star**, Feb. 13 in the **Dearborn Times-Herald** and Feb. 24 in the **Detroit Legal News**. The study also was cited Feb. 19 in the **Tallahassee Democrat**, Feb. 24 by **National Review Online** and March 5 in the **Philadelphia Inquirer**. Another LaFaive Op-Ed on the subject appeared in the March 4 **Orlando Sentinel**. The issue also received attention March 5 by **WCTV** in Tallahassee, Fla., and March 6 on **WMBB** in Panama City, Fla.

The Feb. 3 editions of **The Macomb Daily** and **The Oakland Press** contained advance stories about Gov. Jennifer Granholm's State of the State address, pointing out that some of the ideas she intended to discuss — closing down the state fair, eliminating state departments, ceding wetland regulation to the federal government — had long been touted by Center scholars (see related article, page one). LaFaive was cited by the **Detroit News**, **Detroit Free Press** and **Lansing State Journal** on Feb. 3, and wrote a State of the State Op-Ed for the Feb. 5 **Detroit News**.

A Feb. 10 Issues & Ideas Forum with property rights champion Susette Kelo and author Jeff Benedict was covered on **WKAR AM 870**, in the Feb. 11 **Lansing State Journal** and the Feb. 16 **Dome Magazine**. Kelo and Benedict were guests on "The Frank Beckmann Show" on **WJR 760 AM** on Feb. 10. [RUSS HARDING](#), director of the Center's Property Rights Network, wrote

an Op-Ed about property rights abuses in the Feb. 13 **Lansing State Journal**. Harding also authored Op-Eds about smoking regulations in the Dec. 29 **Big Rapids Pioneer** and about coal plants in the Feb. 17 **Detroit Free Press**.

A panel discussion about the future of the Detroit Three (see related article, page 3) drew mentions in the **Ann Arbor Business Review** (Jan. 13), **Detroit News** (Jan. 14) and **WMYD TV20** in Detroit (Jan. 14). Senior Economist [DAVID LITTMANN](#) was quoted on the Big 3 bailout on Dec. 12 in **Bloomberg News**, Dec. 14 in the **Philadelphia Inquirer**, Jan. 8 in **Forbes** and Jan. 12 in the **Toronto Financial Post**.

WXMI-17 in Grand Rapids, **WNEM-5** in Saginaw and **WJRT-12** in Flint featured the work of Communications Specialist [KATHY HOEKSTRA](#) in her continuing series on the Michigan Film Incentive. Her reporting was carried in the **Dearborn Times-Herald** on Jan. 21 and the **Grosse Pointe News** on Feb. 26. LaFaive was quoted on the MFI in the Jan. 25 **Livingston Daily Press & Argus** and Feb. 15 **Detroit Free Press**. **The Livingston Daily** quoted LaFaive and [PATRICK J. WRIGHT](#), senior legal analyst, on March 4 after state officials questioned the efficacy of the movie subsidies.

An Op-Ed on state subsidies by Fiscal Policy Analyst [JAMES M. HOHMAN](#) appeared in the Feb. 5 **Ann Arbor Business Review**. Hohman was interviewed about the state and national economies on **WWJ 950 AM** in Detroit on Feb. 26 and **WSGW-AM** on March 11.

Christmas Day editorials that ran in the **Milan News Leader**, **Saline Reporter**, **Belleville View**, **Chelsea Standard** and **Dexter Leader** said the Center "is a very informative resource for visitors," stating that, "Articles on any given topic are well-written, thoughtful and well researched." I

Pink Houses and Brownfields

My name is Susette Kelo and the government stole my house.”

This jarring statement was delivered at a Mackinac Center Property Rights Network forum on Feb. 10 in East Lansing. Kelo, who battled the eminent domain taking of her home all the way to the U.S. Supreme Court, was there to tell her story and help the Center shine a light on the city of East Lansing’s efforts to use a “blight” designation to take private properties for redevelopment.

Kelo lost her home in New London, Conn., when the city exercised eminent domain for private economic development that would enhance the city’s tax revenues. Her unsuccessful 10-year court battle prompted the 2006 passage of Proposal 4 in Michigan — which included language drafted by Mackinac Center scholars — and similar property-protecting ballot initiatives throughout the United States.

The forum also included journalist Jeff Benedict (top photo at left), author of “Little Pink House,” a book documenting Kelo’s attempts to save her neighborhood. Benedict recounted Kelo’s steadfast and principled battle against overwhelming and deep-pocketed forces. More than 75 people attended the event and thousands more tuned in through a live Web simulcast.

Earlier in the day, Kelo, Benedict and Russ Harding, director of the Mackinac Center’s Property Rights Network, appeared on WJR’s “Frank Beckmann Show.” The event received coverage in the Lansing State Journal; Michigan State University’s student newspaper, The State News; Lansing-based Dome Magazine; and the MSU alternative newspaper The Spartan Review.



Susette Kelo tells the audience how government took her dream home from her.

communications manager, was interviewed on the Kelo event and other property rights issues later that week on WKLA talk radio.

An Op-Ed by Harding ran in the Lansing State Journal a few days later and detailed the efforts of East Lansing officials to declare thriving rental and commercial properties in the East Village neighborhood blighted or environmental brownfield sites in hopes of redeveloping the area and generating greater tax revenue.

Following the luncheon, Kelo and Benedict were among the 22 people who boarded a bus to tour the East Village area where both Maguire and Kurdziel own property that the city has declared blighted. Reporters from both the Lansing State Journal and Dome Magazine took notes as Kurdziel explained how East Lansing is attempting to force the sale of privately owned East Village property in order to build high-end residences, a movie theater and boutiques. The bus stopped briefly at the Farm House Fraternity (bottom photo at left), also located in the “blighted” area, where members hosted tour attendees for refreshments in their immaculately maintained house.

Several East Lansing city officials attended the PRN forum. The event triggered an angry commentary from East Lansing City Manager Ted Staton, who, instead of refuting the details of the case, resorted to ad hominem attacks on the Property Rights Network, besmirched city property owners and landlords, and insulted Kelo and Benedict.

Following the bus tour, Kelo and Benedict conducted a book signing at the East Lansing Barnes & Noble. Benedict and Harding spoke at the Mackinac Center’s Students for a Free Economy event held that evening on the Michigan State University campus. **I**

The Issues & Ideas forum with Susette Kelo and Jeff Benedict served as the premiere of the Property Rights Network’s newsletter, “The Refuge.” The eight-page newspaper covers ongoing property rights battles in Michigan, actions in Lansing that affect property rights, trends and abuses, and also provides essays on the fundamental reasons for private property, book reviews and more.



A reporter with Lansing radio station WKAR attended the event and interviewed Mackinac Center Board member and East Lansing business property owner Joe Maguire, and East Lansing rental property owner Nancy Kurdziel (middle photo at left). Bruce Edward Walker, PRN

Shooting the Good, the Bad and the Ugly



To Michigan film buffs, Jan. 9, 2009, will be remembered as the day Clint Eastwood premiered his gritty Detroit-based film “Gran Torino.” But to Mackinac Center supporters, Jan. 9, 2009, will be remembered as the day Communication Specialist Kathy Hoekstra launched the Center’s investigative video initiative with a self-assured professionalism reminiscent of Dirty Harry himself.

Ironically, the subject of her first video was state government’s Michigan Film Incentive program, a lavish package of refundable business tax credits said to have lured Eastwood to Michigan in the first place. Under the program, the state writes a check to movie producers for up to 42 percent of what they spend in Michigan or remit in wages and salaries. The unusually generous refund, which can exceed a movie production’s business tax liability, has ramped up filmmaking in Michigan, but has also left Michigan business taxpayers subsidizing the movie industry.

The Center has demystified the destructive allure of preferential tax credits and subsidies before. Hoekstra, however, has pounded the pavement, posing probing questions to state officials on camera and gathering footage on film sites. Her hunt for an answer to the basic question of how much money the state expected to pay filmmakers for productions in 2008 — and the widely varying estimates offered by state officials — formed her first video installment, “The Scene and the Unseen: Act I.”

The video quickly prompted a Grand Rapids WXMI Fox-17 news story and radio interviews on WOOD Newsradio 1300 in Grand Rapids and WTCM in Traverse City. Several newspapers followed up with commentary from Mackinac Center Fiscal Policy Director Michael D. LaFaive, including the Feb. 15 Detroit Free Press. The Sunday, Jan. 25 edition of the Livingston Daily Press & Argus, a paper that had previously written about the filming of a movie in Howell, published an in-depth article on the film incentive program featuring commentary from LaFaive. The following Sunday, the paper published an editorial supporting the Mackinac Center’s call for transparency in the program.

Hoekstra released her second installment, “Act II,” on Feb. 2, this time reviewing the Mackinac Center’s past research on the Michigan Economic Growth Authority and explaining that MEGA’s preferential tax credits have not stimulated the economy or provided the originally expected



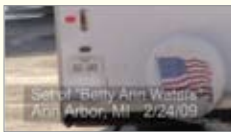
job counts. This follow-up video spawned more newspaper articles and interviews on radio stations, including WSGW 790 AM in Saginaw and WKLA AM in Ludington.

Hoekstra’s series on the Michigan Film Incentive has coincided with the launch of the Center’s new multimedia page, which provides faster video loading, sharper picture quality and a queue of Center videos on similar subjects. The Center’s growing store of video content includes video articles by Russ Harding of the Mackinac Center’s Property Rights Network and Hoekstra’s brief video summaries of recent Mackinac Center events, such as the Jan. 13 “Beyond the Bailout” forum on the auto industry and the Feb. 10 Issues and Ideas Forum with property rights champion Susette Kelo (see opposite page).

The Center’s multimedia Web page and stepped-up video commitment have significantly increased the Web traffic to the Center’s video content, providing page-view counts that had hitherto been reserved for the Center’s written material. The Center’s aim is not just to increase public interest in its research and commentary, but also to enable television and radio outlets to adapt Mackinac Center material more easily to their formats.

As a result, the Center’s supporters can anticipate greater interest in the Center’s work, especially with Hoekstra’s steady hand at the helm. Her easy and ingenuous manner is nothing like the ruthlessness of Eastwood’s signature renegades, but with Hoekstra, as with Dirty Harry, expect sudden impact. **I**

mackinac media



The Center’s new multimedia page provides investigative journalism, event footage, interviews and more.

Two Portraits of Ruth Peters

By Joseph G. Lehman

I had to argue with my editors to publish my favorite photo of Ruth Stott Peters, who was 92 when she passed away in January. They said the image I captured with my cell phone camera lacks clarity. I suppose they're right, but I have no other picture that better captures the "Ruthie" I want to tell you about.

I snapped the photo at far right from across her dining room table last spring. Larry Reed, then the Mackinac Center's president, and I traveled to the Boston home of Ruthie and her husband "Pete" Peters to discuss two things they had devoted their lives to supporting — fixing the schools and teaching young people the principles of a free society. Ruthie made sure Larry and I didn't leave her house without a homemade lunch of grilled cheese sandwiches, tomato soup and chocolate chip cookies.

But she didn't slave away in the kitchen while "the men" talked business. In their second-floor study, she and Pete entertained our proposal as the partners they had been for seven decades. They listened to our ideas, challenged us with questions and offered improvements.

Nearly every photo I've seen of Ruthie captures her beautiful open-mouth smile that suggests she's about to issue one of her witty — OK, mischievous — remarks. She and Pete once proudly deemed themselves official chaperones for the courtship of our late senior vice president,

Joe Overton, and his Beantown bride, Helen. When Ruthie and Pete visited the Mackinac Center some years ago, she dressed primly except for her baseball cap, declaring, "Ladies need not remove their hats indoors."

A portrait of Ruthie and Pete (that meets my editors' standards and is shown at left) hangs on our wall of fame at the Mackinac Center, marking their recognition as Champions of Freedom Award honorees. We've given that honor only six times in 20 years, and only to those who do the most to advance a free society.

We didn't have Ruthie all to ourselves, of course.

The Peters Foundation, led by

Pete and Ruth's son, Dan, supports educational freedom projects around the country. She was instrumental in helping Pete establish the Mackinac Center's sister think tank in Boston, the Pioneer Institute. After her passing, the Boston Globe ran a special story about her volunteer work for the Salvation Army, her cofounding of the Ruth B. Stott House (serving disabled people), and her active membership in the Church of the Redeemer.

We mourn with Ruth's family and all who loved her. But we will always be uplifted by the race she ran for 92 years — and finished so well. I



Ruth Stott Peters and Lovett C. "Pete" Peters in their professional portrait.



Ruthie Peters, captured on a cell phone camera, beaming brighter than the daffodils across her dining room table.

Never Forget What's at Stake



Justin W. Marshall,
Vice President of
Advancement

I want to talk about elephants. Not a political party symbol or cartoon character, but actual elephants.

Elephants conditioned for captivity are first trained as calves. A handler usually ties the young elephant's leg to a large tree or another secure object using a chain or thick rope. Instinctively, the calf resists. It tugs against the rope, but the rope restrains it. Over time, the calf accepts that it cannot gain its freedom when its leg is tied to a tree.

Handlers gradually decrease the size of the rope as the elephant ages. Eventually, only a stake and a cord are necessary to keep the adult elephant in captivity. A full-grown elephant could

easily tear loose from its shackles, yet it is too conditioned to recognize that it has an alternative. Even if its handler becomes abusive, it may submit.

The elephant's predicament is similar to our own.

Most of us attended conventional public schools as children and are taught implicitly that a broadly active government is best for everyone. Later, when we accept the responsibility of our first job, we are introduced to taxes. When we complain about the amount of money taxes take, we are told that taxes are



SUNSHINE from Page One

would require the Michigan Economic Growth Authority to create an annual report that accurately demonstrates whether the program is creating jobs or not.

Instead of spurring economic growth by reducing taxes fairly and evenly for all Michigan businesses, MEGA enlists government “experts” to extend selective tax breaks to specific companies that are thought to be more promising job creation investments than others. Braun reminded the committee that the Center’s 2005 study of MEGA found that the program “produced nothing of lasting economic value.”

Braun testified that transparency regarding MEGA’s job-creation claims is long overdue. Both bills were approved by the committee and passed the full Senate on Feb. 12.

Braun’s dogged efforts to encourage school districts to place their checkbook registers online are bearing fruit. The project initially focused on school districts in Oakland County, contacting superintendents and school board members with requests to provide online expenditure details. Initially, only the Oakland Intermediate School District and the Clawson Public Schools were known to be providing this information. Today, at least seven Oakland County school districts do so and more are expected to follow.

On Jan. 6, Braun asked every school district in Macomb County to do the same. The Chippewa Valley School District was singled out as a good candidate for spending transparency since it had experienced two recent incidents of district employees being convicted of stealing money. On March 2, the district’s superintendent told school board members an online check register would be posted by mid-March, and it was. The board of another Macomb district — the Romeo Community Schools — voted to approve an online check register two weeks earlier.

In February, the Show Michigan the Money project

publicly praised two new state lawmakers, Reps. Tom McMillin, R-Rochester Hills, and Justin Amash, R-Kentwood, for voluntarily posting the names and salaries of their employees on the Internet. Braun indicated that they may be the first lawmakers in state history to take this step. On March 11, Rep. Marty Knollenberg, R-Troy, became the third to do so.

A week later, Rep. Kevin Elsenheimer, House minority leader, posted online details including names and salaries of the 11 public employees working directly for him and his \$438,000 annual office budget. The importance of knowing who is on a public payroll was demonstrated in February when it was revealed that the son of embattled U.S. Sen. Roland Burris, D-IL, had received a job under suspicious circumstances from the state of Illinois while disgraced former Gov. Rod Blagojevich was still in office.

The Center’s transparency efforts generated coverage and/or editorial accolades in the Detroit Free Press, The Detroit News, The Saginaw News, the Grosse Pointe News, The Macomb Daily, the Oakland Business Review, The Port Huron Times Herald, the Traverse City Record-Eagle, The Flint Journal, the Rochester Eccentric, WNEM-TV5, WMKT 1270 AM, WJR 760 AM and others. “The push toward online fiscal transparency for schools originates with a ‘Show Michigan the Money’ project developed by the Mackinac Center think tank in Midland,” the Free Press wrote in an editorial encouraging districts statewide to sign up.

Last year, when the project asked the Office of the Governor to provide the names and salaries for all state employees, the response was, “this level of detail provides little value to the taxpayer.” This year, building on its successes, the Show Michigan the Money project will be working to convince all of the state’s elected officials that transparency is an achievable, vital and valuable goal. **I**



necessary for the public benefit.

By the time most of us are adults, we come to accept government as altruistic and necessary — even if it severely limits our freedom and provides little in return. We are so conditioned to this view that during times of stress and fear we automatically turn to the government for solutions.

Yet like the elephant, we have better alternatives if we can see beyond our false

assumptions. We can help ourselves, and when we cannot, we can often get by with our neighbors’ help.

I believe in a society where neighbors help neighbors, rather than a society where neighbors tax away their neighbor’s earnings. There is a way out of the state’s economic mess without the burden of government bailouts or increased taxes. The Center has published “101 Ways to Revitalize Michigan,” a pamphlet posted online at www.mackinac.org/10154. Your contribution can help us promote this vision of a future built on freedom and responsibility — not a stake. **I**



Your estate plans reflect the values you hold dear and hope to perpetuate. Join the Mackinac Center’s Legacy Society by calling Justin W. Marshall at 989-631-0900 and including the Center in your bequest today.

Who Owes What to Whom? By Lawrence W. Reed

Note: Following is an edited version of an essay that first appeared in the February 2002 issue of The Freeman, a publication of the Foundation for Economic Freedom.

For a society that has fed, clothed, housed, informed, entertained and otherwise enriched more people at higher levels than any in history, there sure is a lot of groundless guilt in America.

Manifestations abound. One we often hear is from well-meaning philanthropists who adorn their charitable giving with, "I want to give something back." It's as though they're apologizing for having been successful.

They mean something like this: "I've accumulated some wealth over the years. Never mind how, I just feel guilty for having done it. It makes me feel good to give it away because doing so expunges me of the sin

of having it in the first place."

But, with few exceptions, these philanthropists do not owe a debt to society. They made money; they didn't steal it. They took risks they didn't have to. They invested their own funds or what they borrowed and paid back with interest. They created jobs, paid market wages to willing workers and generated livelihoods for thousands.

They invented things that didn't exist before, some of which saved lives and made us healthier. They manufactured products and provided services for which they received market prices. They had willing customers. They had stockholders to whom they had to offer favorable returns. They had competitors and had to stay sharp or lose out to them. They didn't use force; they relied on free exchange and voluntary contract. They paid their bills and debts in full. And they

routinely donated some of their profits to community charities that no law required them to support.

So how can anybody add all that up and still feel guilty? I suspect that if they are genuinely guilty of anything, it is allowing themselves to be intimidated by the lazy, the envious or the opportunistic, who are in the redistribution business because they either don't know how to create anything or simply choose the easy way out.

This business of "giving something back" means it wasn't yours in the first place, but the creation of wealth through private initiative and voluntary exchange does not involve the expropriation of anyone's rightful property.

Successful people who earn their wealth through free and peaceful exchange may choose to give some of it away, but they'd be no less moral and no less debt-free if they gave

away nothing. It cheapens the powerful charitable impulse to suggest that charity is equivalent to debt service or should be motivated by guilt or self-flagellation.

Those who have an obligation to give something back to society include bank robbers, shoplifters, scam artists, deadbeats and politicians who "bring home the bacon."

But if you are an exemplar of the free and entrepreneurial society, who has truly earned and husbanded what you possess and have done nothing to injure the lives, property or rights of others, you are a different breed altogether. When you give, you should do so because of the satisfaction you derive from supporting worthy causes, not to salve a guilty conscience. **I**

Lawrence W. Reed, president emeritus of the Mackinac Center

Marshall Advances

"Cast down your bucket where you are."

This famous quote from author, educator and civil rights advocate Booker T. Washington serves as an inspiration for Justin Marshall, the Mackinac Center's newly appointed vice president of advancement. The phrase indicates that wherever you are and whatever your circumstances, you should make the best of the situation and strive to succeed.

It's clear that Washington's maxim is more than just a feel-good phrase for Marshall. These are words he lives by.

Marshall, a graduate of Northwood University in

Midland, began his tenure with the Mackinac Center as a fiscal policy intern in the fall of 2002. In May 2003, he joined the Center full time as an assistant to then-Senior Vice President Joe Overton. Following Overton's premature death, Marshall began working in the Center's advancement department.

He served as the Center's membership development officer until 2006 and as director of advancement from 2006 to 2008. Under his leadership, and with new initiatives like a direct-mail campaign, Marshall generated unprecedented numbers of Mackinac Center contributors.

His direct manner, affable personality and commitment to liberty made him popular with donors and coworkers alike.

At an executive session of the Center's Board of Directors meeting in February, President Joseph Lehman recommended that Marshall be elevated to the position of vice president of advancement. The board unanimously agreed.

"Justin is a great example of Mackinac Center professional growth," said Lehman. "Starting as an intern and hiring in as an executive assistant, he grew to oversee the largest increase in financial supporters in our history."

Though he helped coordinate events for the

2002 Winter Olympic Torch Relay and has traveled widely — visiting locales as diverse as France, South Korea, the Netherlands, Turkey, Mexico and New Zealand — Marshall considers this new opportunity one of his greatest adventures.

"There is a great opportunity for Mackinac Center ideas to make a positive difference and find a new audience in Michigan," Marshall said. "My new role involves helping to make those opportunities a reality. It is a responsibility that I am excited to take on with the support of our Board of Directors, Joe and our great staff." **I**

VIEWPOINTS

Tough Choices Ahead for Workers

January 2009 V2009-01

Workers who value their liberty and privacy rights should be extremely concerned about the so-called Employee Free Choice Act.

Collecting the Rent

January 2009 V2009-02

The practice of “rent-seeking” — seeking special favors and discriminatory tax breaks for a favored few — is a job killer. Michigan should eliminate these programs and implement across-the-board tax breaks and regulatory reform.

Cigarette Smuggling Rampant in Michigan

January 2009 V2009-03

Michigan’s high excise tax on cigarettes causes a variety of criminal activity, including smuggling, violence and the funding of terrorist activity. The solution is to lower, not increase, cigarette taxes.

MichiGONE: New Migration Data Dark and Portentous

February 2009 V2009-04

According to several sources, Michigan continues to lose population at a rapid pace. This trend can be reversed if the Legislature would reform the state’s tax, labor and regulatory climate.

Good News About the Bad Economy

February 2009 V2009-05

The U.S. economy is facing myriad problems, but its overall strength will allow it to rebound if policymakers pursue free-market remedies rather than increased government meddling.

Where’s the Brownfield?

February 2009 V2009-06

It appears that the city of East Lansing is attempting to classify prosperous and well-maintained businesses as environmentally contaminated in order to seize private property for central planning purposes.

The State of the State You Should Have Heard

March 2009 V2009-07

Fiscal Policy Director Michael LaFaive would have delivered this speech as his State of the State address if he were governor — speaking directly to the people about what voters can do to correct the problems created by a Legislature that serves itself rather than taxpayers.

Dragging 'Em Down to Our Level

March 2009 V2009-08

The Employee Free Choice Act would not only deny free choice to employees who do not wish to belong to a union, it would also exacerbate Michigan’s economic woes by making unions stronger politically and financially.

Digging Ourselves a Deeper Hole

March 2009 V2009-09

Michigan has a long history of failed central planning and a legal precedent against public financing of private projects, which policymakers should keep in mind as they push renewable energy plans.

JOURNALS

Michigan Capitol Confidential

MCC2009-01

Key stories: Government transparency, alcohol sales, school millages.

Michigan Science MS-08

Key stories: Nuclear power, EPA regulations, natural gas vehicles.

Michigan Science MS-09

Key stories: Mining, organic farming.

Michigan Privatization Report

MPR2008-02

Key stories: Private initiative in Detroit, school board recalls, college contracting.

The Refuge

Spring 2009

Premier issue from the Property Rights Network details private property owners and their struggles to combat eminent domain, regulatory takings and other government abuses.

STUDIES

101 Recommendations to Revitalize Michigan

S2009-01

A compilation of 101 ideas, complete with links, to commentaries written by Center scholars on what Michigan must do to revitalize itself to restore freedom and economic vitality.

VIDEOS



The Scene and the Unseen (Acts I, II and III)

Three installments to date feature Communications Specialist Kathy Hoekstra and her on-going investigation of the Michigan Film Incentive. Hoekstra’s reports detail how much in subsidies and tax credits Michigan’s decreasing number of working families and business owners are paying Hollywood movie producers to visit Michigan temporarily to make films, as well as legal questions surrounding the MFO’s accounting methods.

BOOKS

“New Deal or Raw Deal?: How FDR’s Economic Legacy Has Damaged America.”

Written by Dr. Burton Folsom, senior fellow in economic education for the Mackinac Center, this book examines the policies of the Roosevelt administration and their lasting impact on the American economy.

How to order

All publications are available at www.mackinac.org. For telephone orders, please call the Mackinac Center at 989-631-0900. The Center accepts Visa, MasterCard and Discover/NOVUS for your convenience. Please have your card and item titles handy when calling.

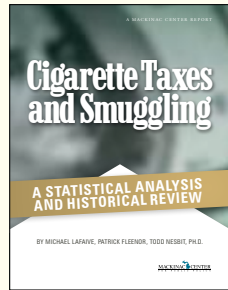
WARNING:

Cigarette Taxes Can Be Hazardous to Public Health

Cigarette taxes are often seen as a neat political twofer: They reduce smoking and increase revenue. But an exhaustive, 90-page Mackinac Center study shows that this is not always so, and that like smoking, tobacco taxes can be harmful — a point the study has put on the public radar screen by exposing the danger that high taxes will lead to illegal cigarette smuggling.

"Cigarette Taxes and Smuggling," authored by Morey Fiscal Policy Director Michael D. LaFaive, assistant professor Todd Nesbit of Pennsylvania State University-Erie, and Tax Foundation economist Patrick Flenor, contains a new statistical model that estimates cross-border cigarette smuggling for 47 of the 48 contiguous states over two distinct time periods. The results were revealing, including a calculation that nearly 35 percent of the cigarettes consumed in Michigan in 2006 were smuggled into the state. About 13.7 percent of the state's total consumption was due to casual smuggling — individuals bootlegging cigarettes for friends or personal use — while 22.5 percent was from commercial smuggling — large-scale or long-haul shipments imported for resale profit.

The study also contains reviews of the history of cigarette smuggling in Michigan, California and New Jersey. These histories make clear that more than untaxed cigarette revenue is at stake in cigarette smuggling; the enormous profits involved theft, highjacking and armed conflict that are



LaFaive, Flenor and Nesbit's report, "Cigarette Taxes and Smuggling," can be purchased by mail or accessed for free at www.mackinac.org/s2008-12

serious hazard to public safety. Release of the study has resulted in widespread media coverage, in part due to politicians' interest in hiking tobacco taxes to close fiscal 2010 budget deficits. Since December, LaFaive has been interviewed at length on the subject by nine different radio stations and newspapers across the country.

Other press coverage included a story in National Review Online, Lansing's Gongwer newsletter, a favorable editorial in the Port Huron Times Herald, and opinion pieces authored or co-authored by LaFaive in a variety of different outlets. And in early March, the James Madison Institute of Florida invited LaFaive to speak about the study's findings as Florida policymakers contemplated an aggressive \$1.00 per-pack cigarette tax hike.

Thanks to the Center's research, the public health risks of high cigarette taxes have clear. Center analysts are now working hard to help states kick the habit. **I**

