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# Report Makes Case for Union Financial Disclosure

If a Michigan corporation employed more than 900,000 workers and took in more than \$250 million in profits each year, would it be required to publicly disclose its financial dealings?

You bet it would. So why is it that Michigan's public and private labor unions, which boast the very membership and annual revenue described above, face only minimal—and easily evaded—requirements when it comes to financial disclosure? Doesn't this leave the door open for the kind of union corruption we've constantly heard about on the evening news for decades?

That's a question Robert Hunter, the Mackinac Center



"I'm shocked that union members and taxpayers can't get this information under current law," said Rep. Robert Gosselin, chairman of the Michigan House Employment Relations, Training and Safety Committee, upon reading the report.

for Public Policy's director of labor policy, decided to address in a December 2001

report. In "The Michigan Union Accountability Act: A See **"Disclosure"** on page 4

# Science and Environment Initiative Launched

Another pillar of the Mackinac Center for Public Policy's strategic plan to make Michigan the nation's freest and most prosperous state will be in place with the January 2002 launch of the new Science, Environment, and Technology (SET) Initiative.

The SET Initiative, modeled after the Center's success-

ful education and labor initiatives designed to expand school choice and give workers more options in labor representation, will study state laws and regulations regarding the environment and technological infrastructure and promote policies based on sound science and protection of property rights.

Multi-year grants totaling \$600,000, including \$330,000

from the Herbert H. and Grace A. Dow Foundation, have enabled the Center to hire award-winning Detroit News editorial writer Diane Katz to spearhead the initiative. In her role at The News, Katz for nine years wrote hundreds of influential editorials staking out the paper's official position on issues including biotechnology, wetlands, energy, biodiversity,

See **"Initiative"** on page 4

*"Frankly, I admire what the Mackinac Center has done."  
—Michigan Education Association President Luigi Battaglieri, September 27, 2001. See story p. 7.*

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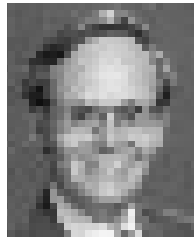
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Lawrence Reed  
President

**Making the Case for Liberty Stick**

To some eager beavers who want instant results, focusing on ideas seems to be an unbearably long-term strategy. They yearn for the magic button that, when pressed, will make things better. They think everything depends on who wins the next election, so they put their money and time into yard signs and bumper stickers instead of books, studies, op-eds, seminars and other thought-provoking educational tools.

These impatient friends fail to understand that politicians rarely operate outside a box framed by public opinion. A wealthy patron of hundreds of candidates over the years expressed his frustration to me once: "I wish I could do something so that once the people I support get elected, I won't have to keep calling them to find out why they cast so many bad votes and make so many wrong decisions." I told him that the one most effective thing he could do is to *invest in ideas*. Give someone a good book, I said, not a bumper sticker.

Making the case for liberty stick, so that it isn't simply some rhetorical exercise, is a multi-faceted program. It draws from a range of intellectual disciplines—economics, political science, sociology, history, to name a few. It encourages a patient, long-term perspective over the instant gratification of short-term obsessions.

Too many battles for liberty and sound policy are lost because of a misplaced and hard-to-shake faith in government. For all its many failures, government is still regarded as real and tangible while free-market alternatives are often thought of as nebulous and imaginary.

Far too many Americans think that if government provides education, it may do so poorly but at least education will happen. Likewise, they think that if government gets into the low-income housing business, the result may be scandal-ridden but at least the poor will be housed.

Defenders of the free market are often expected to offer certainty and perfection while government only has to make promises and express good intentions. Many times I've heard people say, "A free market in education is a bad idea because some child somewhere might fall through the cracks" even though in today's government schools, *millions* of children are falling through the cracks every day.

We must reverse this sad state of affairs. We must explain the real and tangible achievements of free markets and civil society. And we also must call attention to the painfully real and tangible *failures* of government and politicized society that result from promises of nebulous and imaginary benefits.

With your support and the hard work of the most talented staff in the business, that is what the Mackinac Center for Public Policy will continue to do.

Making the case for liberty stick requires a patient, long-term perspective over the instant gratification of short-term obsessions.

*Lawrence W. Reed*

# Mackinac Center Champions Tax Cuts in Lansing

**W**hen Mackinac Center for Public Policy President Lawrence Reed heard legislators and pundits talk of postponing or canceling statewide tax cuts scheduled to take effect—and even raising taxes—in response to economic sluggishness in the wake of Sept. 11, he knew the forces of economic freedom had to go on the offensive.

On Tuesday, Oct. 18, Reed teamed up with a dozen state lawmakers as well as Jim Barrett, president of the Michigan Chamber of Commerce, at a Lansing press conference unveiling a package of six proposals crafted by the Mackinac Center and the Michigan

Chamber to help stimulate a sagging Michigan economy. The proposals were based on data obtained from the State Tax Analysis Modeling Program, a sophisticated econometric model developed for the Mackinac Center by the Boston-based Beacon Hill Institute at Suffolk University.

Reed elaborated on these proposals one week later as he testified before the House Commerce Committee and the Senate Economic Development Committee. He explained how the proposals, championed by Sen. Bill Schuette, R-Midland, chairman of the Senate Regulatory Affairs Committee, would cut state spending by 5 percent; accelerate scheduled cuts in



Timid Michigan legislators should take a lesson from outgoing New York Mayor Rudy Giuliani, who believes lightening the burden of government is even more important following the devastation wrought by the Sept. 11 attacks.

the state personal income tax; speed up scheduled decreases in the Single Business Tax; reduce the real estate transfer tax; lower the unemployment insurance payroll tax base; and tax telecommunications property on a more equitable basis.

Reed provided the example of New York Mayor Rudy Giuliani who, when he heard some suggest the city's recovery from the Sept. 11 attacks required him to rescind more than \$17.5 billion in tax cuts, responded that would be "a stupid, idiotic, moronic thing to do."

Rather than send the wrong message to families, workers, and job providers, legislators should refuse to give in to the economic naysayers, Reed testified, and speed up the pace of scheduled tax cuts and allow enterprising Michigan citizens to bring the state out of recession.

The full text of Reed's testimony is available at [www.mackinac.org/3821](http://www.mackinac.org/3821)!

# Detroit Economic Club Hosts Mackinac Center President

**P**resident Lawrence Reed recently took the Mackinac Center for Public Policy's message of free markets and individual liberty to a world-renowned forum for the discussion of economic, political, and social ideas.

Members and guests of the prestigious Economic Club of Detroit gathered downtown Oct. 29 at Cobo Hall to hear Reed's luncheon address, "Seven Principles of Sound Public Policy." In the address, Reed outlined the essential building blocks that must undergird any successful and free society.

"When we study an issue at the Mackinac Center, we begin with the core assumption that private property and

free-market economies are superior to state ownership and central planning," Reed told the crowd. That assumption, he argued, is based not upon opinion, but is the result of received wisdom from centuries of human experience.

The seven principles Reed discussed included the following economic aphorisms:

- "Free people are not equal, and equal people are not free";
- "What belongs to you, you tend to take care of; what belongs to no one or everyone tends to fall into disrepair";
- "Sound policy considers



Reed's speech was videotaped and broadcast on local cable networks to 700,000 Detroit-area households.

- long-term effects on all people, not simply short-run effects on a few people";
- "If you encourage something, you get more of it; if you discourage something, you get less of it";
- "Nobody spends somebody else's money as carefully as he spends his own";
- "Government has nothing

to give anybody except what it first takes from somebody, and a government that's big enough to give you everything you want is big enough to take away everything you've got"; and

- "Liberty makes all the difference in the world."

Reed's address was well received by the audience, which included many "movers and shakers" of the Detroit business community. Founded in 1934, the club has hosted many high-profile individuals including former Presidents Bush and Clinton and Microsoft Chairman Bill Gates.

The full text of Reed's address is available at [www.mackinac.org/3832](http://www.mackinac.org/3832)!

# Sept. 11 Events Impact Mackinac Center Media Coverage

The Sept. 11 attacks colored this quarter's Mackinac Center media coverage and activities. Here is a snapshot:

- Immediately after the attacks, local media sought Mackinac Center President Lawrence Reed and Executive Vice President Joseph Lehman's views on how Americans should respond. Reed and Lehman cautioned against rash government actions that might permanently damage traditional American liberties. This view was echoed by Michigan ACLU Director Kary Moss, guest speaker at the

Center's November Issues and Ideas luncheon, which was attended by a packed audience of Lansing print and television media and government officials (see story, page 12).

- In late September, our annual High School Debate Workshops tackled the events of Sept. 11, garnering the most extensive news coverage ever in the program's 14-year history. The Detroit News, Detroit Free Press, Jackson Citizen-Patriot, and other papers ran extensive articles; The News included a prominent photo spread and interviews with student participants. Fox News and other national network affli-

ates broadcast stories that aired throughout Michigan.

- Newspapers including The Detroit News, Lansing State Journal, and Grand Rapids Business Journal covered the Oct. 18 news conference in which the Mackinac Center, a dozen state legislators, and the Michigan Chamber of Commerce urged state officials to push forward with scheduled tax cuts to help revive an economy reeling from the events of Sept. 11 (see story, page 3).

- Policy Analyst Michael LaFaive's analysis of Detroit's precarious financial situation ran in The Detroit News Nov. 1, on the eve of the mayoral

election. LaFaive spotlighted millions of dollars in savings the city could realize by privatizing its convention center, Department of Public Works, and other assets. Crain's Detroit Business cited the Center when it editorialized in favor of privatizing Cobo Hall.

- A Mackinac Center news release inspired a Nov. 2 Detroit News editorial questioning Gov. Engler's plan to use tax dollars to wire the state for high-speed Internet access. The release also prompted one reporter to challenge the governor at his press conference announcing the plan.!

## "Disclosure" from page 1

Step Toward Accountability and Democracy in Labor Organizations," he, Labor Research Associate Paul Kersey, and summer 2001 intern Shawn Miller put forth a plan that would ensure that Michigan's public-sector union workers would no longer be kept in the dark about what is being done with their dues money.

The plan would amend Michigan's Public Employment Rela-

tions Act (PERA) to require annual union reporting according to the same kinds of strict standards businesses have abided by since the 1930s. Violations would result in the loss of mandatory union dues and, in extreme cases, trigger a decertification election, in which the union could lose representation rights.

Private-sector unions would be excluded from the plan

because federal law governs financial disclosure for those organizations.

Amending PERA to include a reporting requirement would give union members a new understanding of how their locals operate and information that would assist them in challenging union officers who are not doing their jobs well. All workers would benefit from an atmosphere

of accountability in which misuse of funds is discouraged and union politics is brought into the open.

The 35-page report is available for \$5 by calling (989) 631-0900 or for free at [www.mackinac.org](http://www.mackinac.org)!

## "Initiative" from page 1

technological infrastructure, and global climate change.

Katz's solid research and persuasive style have resulted in recognition from the scientific community as well as her peers at the Michigan Press Association, who bestowed upon her their top honors for 1994, 1996, 1997, and 1998.

Katz was the keynote speaker at the 2001 Mackinac Center



"The best guarantees of a healthy environment are free minds and free markets," new Director of Science, Environment, and Technology Policy Diane Katz says at the 2001 Mackinac Center Scholars Summit. Her full remarks are available at [www.mackinac.org/3858](http://www.mackinac.org/3858).

Scholars Summit, hosted

Nov. 9-10 at the Center's Midland headquarters for our 40-member Board of Scholars

to share research and discuss current issues in Michigan policy.

The summit also included presentations on the public transportation challenges facing Detroit's new mayor, Gov. Engler's counterproductive plan to raise taxes and involve state government in the Internet access market, and—

underscoring the need for the SET Initiative—the story of how out-of-control environmental regulations turned an award-winning Upper Peninsula conservationist into a fugitive from the law.

The summit is an annual event for the Board of Scholars, which advises, and conducts and reviews research for, the Mackinac Center.!

# New Staff Members Lengthen Reach of Center Policy Initiatives

One reason the Mackinac Center for Public Policy is so effective is because we don't just look for expertise—we also look for the kind of enthusiasm and leadership that make a winning team. Those two words—enthusiasm and leadership—perfectly describe the two latest additions to the Mackinac Center's full-time professional staff.

Nathan Crosslin joined the Center in October as the new coordinator for the Education Reform Leadership Project, the Mackinac Center's long-term strategic plan to mobilize an army of school-choice leaders throughout the state. Crosslin worked as a field

director for the Kids First! Yes! coalition, which helped educate Michigan citizens about the need for wider school choice in the state.

The string of contacts Crosslin developed throughout Michigan as a result of his work with Kids First! Yes! serves as a solid basis upon which to build the Mackinac Center's vision of a citizenry willing and able to lead



Crosslin's solid organizational experience and extensive statewide contacts make him well suited to identify and train school choice advocates across Michigan.

the push for greater educational choices for Michigan parents and children. He received his bachelor's degree in political science from Central Michigan University in 2000.

Attorney Paul Kersey is the Mackinac Center's new labor research associate. Kersey, who holds a bachelor of arts degree in economics from the



Kersey's degrees in law and economics and experience on the front lines of labor reform help him research and explain the benefits of a free market in labor representation.

University of Michigan at Dearborn, helps Director of Labor Policy Robert Hunter conduct in-depth research and analysis for the Center's Labor Policy Initiative.

After practicing law for several years in the Detroit area, Kersey served on the staff of the U.S. House of Representatives' Government Reform and Oversight Committee, where he investigated questionable campaign contributions. He then spent three years at the National Right to Work Committee as director of state legislation. In that role he analyzed and responded to labor legislation in all 50 states. Kersey earned his law degree from the University of Illinois in 1993.!

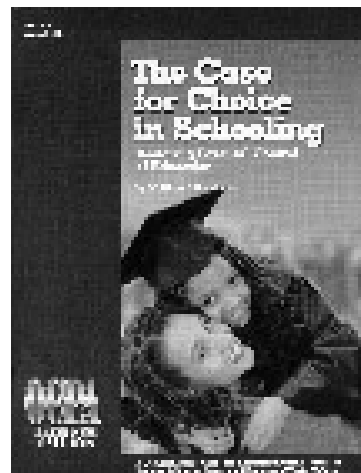
# Center Experts in Demand in State Legislatures and Congress

When you're considered one of the best state-based policy research institutes in America, you'd better be ready, because other state legislatures—and even the U.S. Congress—are going to want your advice. Recently, two Mackinac Center for Public Policy analysts were called upon to testify before state and federal legislative committees considering important changes in their laws.

On Oct. 10, Director of Education Policy Matthew Brouillette testified before the Pennsylvania House of Representatives Select Committee on Public Education Funding. The committee was charged with making recommendations for a new system of

funding for public education in the Keystone State. State Rep. Jeff Coleman invited Brouillette to discuss Michigan's experience with school finance reform in 1994, when voters approved Proposal A, the measure that cut property taxes and shifted much of the responsibility of school funding to the state level.

On Nov. 5, Brouillette testified before the Oklahoma House of Representatives Revenue and Taxation Committee on the issue of increasing school choice in that state. He took advantage of the opportunity to explain the advantages of the Center's Universal Tuition Tax Credit, a proposal that would enable tuition-payers to deduct the cost of tuition from their state taxes each year. Many



The Oklahoma Council of Public Affairs reprinted and distributed to legislators Mackinac Center Director of Education Policy Matthew Brouillette's study on school choice prior to Brouillette's testimony before the Oklahoma House.

Oklahoma newspapers covered Brouillette's remarks, and The Daily Oklahoman editorialized in agreement

with the Center that, "the needs of children, not the needs of institutions, should drive educational policy."

Director of Labor Policy Robert Hunter was called to Washington on Nov. 14 to testify before the U.S. House Education and the Workforce Committee and meet with Department of Labor officials to discuss ways to protect workers' rights against union abuse. Hunter explained to federal officials how the National Labor Relations Board (of which Hunter is a former member) could enforce workers' constitutional right not to be forced to underwrite union activities with which they disagree.!

# Terrorism Takes Center Stage at High School Debate Workshops

**T**wo weeks after the Sept. 11 attacks, nationally recognized experts from New York and Washington, D.C. were in Michigan providing hundreds of high school students with facts on terrorism, U.S. foreign policy, and weapons of mass destruction. It was all part of the Mackinac Center for Public Policy's 14th annual High School Debate Workshops, held in Grand Rapids, Jackson, Livonia, and Midland.

Over 300 debate students from 28 Michigan schools attended the four workshops, where they gained valuable knowledge regarding the tragically timely 2001 debate topic, "Resolved: That the United States federal government should establish a foreign policy significantly limiting the use of weapons of mass destruction."

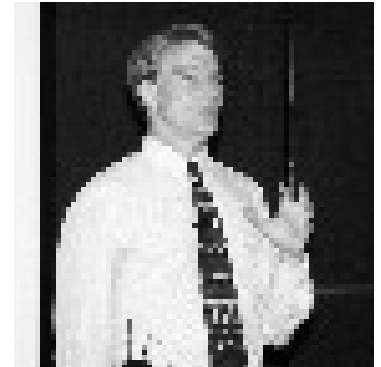
The annual debate topic, which is debated by over 100,000 students across the country, is selected each January by state and national debate officials.

Questioning students not only absorbed solid debate techniques and learned key economic arguments, they also found answers to help make sense of the terrible events that rocked the world. Speakers included terrorism expert Ivan Eland, director of defense policy at the Washington-based Cato Institute; Gregory Rehmke, director of the New York-based Foundation for Economic Education's (FEE) High School Speech and Debate Program; David Beers, a debate expert and consultant with FEE; Gary Leff, director of development for George Mason University's Institute for Humane Studies and former California state championship debate coach; and foreign policy expert Doug Bandow, senior fellow with the Cato Institute.

"[My students] were overawed at the pertinent information which was shared with them on an adult level from such excellent speakers," said Esther Rodabaugh, Beaverton High School debate coach. More than 7,000 students

have honed their forensic skills at past debate workshops. But no previous debate workshop gained the media coverage and attention from attendees than this year's did (see page 4).

The workshops are attended by public, private, and charter school students from around the state. The Mackinac Center also offers a workshop for home-school students. For more information, visit the Mackinac Center web site at [www.mackinac.org/debate](http://www.mackinac.org/debate)!



Cato's Eland (above) "opens your mind to new ideas," the Detroit Free Press quoted Dearborn High School student Linda Ataie as saying. "He gave so many different views and looked at the long-term effects" of America's interventionist foreign policy.



Students can log on to [www.mackinac.org](http://www.mackinac.org) throughout the debate season to "Ask the Debate Coach" for expert help on their topic.



Mackinac Center Debate Workshops bring to Michigan the speakers best equipped to provide a solid understanding of the economic and historical facts surrounding the debate topic. This year students learned from experts from Washington, D.C. and New York, targets of the Sept. 11 attacks.



Students received solid answers to their questions regarding terrorism, U.S. foreign policy, and weapons of mass destruction.

# MEA Forms Group to Attack Mackinac Center Research

## Union Spends \$200,000, Gets Embarrassing Questions and Faulty Document

A \$700 million school labor union conglomerate has conceived, funded, and staffed the board of a new group whose first act was to publicly attack Mackinac Center research. But a flawed inaugural publication and an embarrassing error by the group's chairman have damaged the effort's credibility.

The group, called the Great Lakes Center for Education Research and Practice, is the latest attempt by the Michigan Education Association (MEA) to discredit independent research that threatens the union's legally protected monopoly status and income stream.

In its 14 years, the Mackinac Center for Public Policy has published hundreds of studies and reports. Many of the analyses that addressed education policy and labor law concluded that students, teachers, and workers would benefit from greater school choice and freedom from compulsory unionism. Union officials believe such reforms would reduce their income and political clout.

The MEA is funded by the compulsory dues and fees of more than 100,000 public school teachers, bus drivers, cooks, and custodians. Its health insurance subsidiary brings in approximately \$600 million in annual payments from school districts required by law to bargain with the union.

Influential Mackinac Center analyses have affected union finances. In just one instance, a Mackinac Center

study of the MEA's insurance arm (Michigan Education Special Services Association, or MESSA) precipitated state regulatory scrutiny that resulted in MESSA having to return \$70 million in overcharges to public school districts.

Attempting to counter the Mackinac Center's effectiveness over the years, the MEA has followed Mackinac Center publications with contradictory documents of its own, published under the MEA's name. Apparently because few people took such documents seriously, the MEA provided \$200,000 in "seed money" to form its new alter-ego group to continue the practice of issuing negative responses to published Mackinac Center works.

The group's chairman, MEA President Luigi Battaglieri, acknowledged the Mackinac Center's success at his Sept. 27 news conference by saying, "Frankly, I admire what the Mackinac Center has done."

Battaglieri also asserted that the MEA group's first project, a 41-page criticism of 14 Mackinac Center education and labor studies, was needed because news media are quick to cite Mackinac Center research findings with which union officials disagree.

At the news conference, a journalist asked one of the document's authors, Dr. Peter W. Cookson, Jr., to cite an example of news media propagating faulty conclusions of

Mackinac Center research. Cookson replied that he could cite no such instance.

Battaglieri then took the microphone from Cookson and claimed that a University of Virginia researcher, Dr. David Breneman, had publicly disputed a widely quoted Mackinac Center finding that remedial education costs Michigan businesses and colleges more than \$600 million per year.



MEA officials worry that Mackinac Center research will influence lawmakers to reexamine the union's legally protected monopoly power and income stream. The "Great Lakes Center" is the MEA's latest attempt to blunt the impact of Mackinac Center scholarship.

Mackinac Center Director of Education Policy Matthew Brouillette explained to the assembled journalists that, contrary to Battaglieri's assertion and perhaps to his surprise, Breneman in fact had pronounced the Mackinac Center's methodology valid in a short section he wrote inside the Mackinac Center study itself. Breneman authored the section after formally peer-reviewing the study at the Mackinac Center's request.

Battaglieri took no more questions about Breneman and indicated that he would enter-

tain no further remarks from Brouillette.

The MEA group's document received scant media attention, but Mackinac Center staff members reviewed its contents to see if it might nevertheless contain useful information on how to improve Mackinac Center research. Analysis yielded, however, at least three major flaws that prevent the document from being a useful critique.

Weaknesses include the document's failure to cite a single error in any Mackinac Center study; failure to subject itself to any peer review whatsoever, while simultaneously criticizing the more rigorous peer-review process applied to all Mackinac Center studies; and failure to safeguard against the prejudice of a co-author who stated publicly that foundations such as those

that support Mackinac Center research should not even exist.

An analysis of the MEA group's document may be found at [www.mackinac.org/3820](http://www.mackinac.org/3820).

MEA officials vow that their new group will continue to respond to Mackinac Center research. Since its news conference, the group's executive director has left the organization. An interim executive director has been named.!

## Veteran Continues Fight for Freedom

**B**ack in 1988, the Mackinac Center for Public Policy's first year of operation, President Lawrence Reed didn't have much to offer prospective contributors besides a dream. "Give us a hand," Reed said to many, "and I promise we'll create an organization that will ensure the free-market perspective gets a fair hearing around the state." The people who supported Reed's dream from the start have always been special to the Mackinac Center, particularly those who have stuck with us all these years.

Leon A. Brewbaker is one of those special people. Raised in Clinton County north of



World War II veteran and successful businessman Leon Brewbaker has supported the Mackinac Center from its beginning in 1988.

Lansing, Brewbaker served during World War II in the United States Army Air

Corps. He graduated from Ferris State University in 1949. He and his wife Theresa have four children, all of whom remain in the St. Johns area. In 1956, Leon entered the insurance industry as an agent, and he is still active as president and principal stockholder of Allaby & Brewbaker Agency Inc. in St. Johns. The company's motto is, "Allaby & Brewbaker . . . When It's A Matter Of Insurance."

That's how Leon sees his longstanding support of the Mackinac Center for Public Policy. "Investing in the Mackinac Center," he says, "is like buying insurance. If you want Michigan to have

a free and prosperous future, support the Center's work. Nobody does what they do better than they do it."

Reed regards Leon Brewbaker as "one of our most loyal" friends. "Leon was with us from the start and has stayed with us year after year. We work hard to earn that annual vote of confidence and when it comes from a smart businessman like Leon, it's a powerful endorsement." ❗

## Good News About Estate Taxes

**W**hether you are young, old, wealthy, or just financially comfortable, you have an estate. Your home, business, savings, investments, and property all have been accumulated as a result of your labor and talents. And yet only about 5 percent of us will make a tax-deductible contribution from our estates this year. Those of us who do not voluntarily contribute run the risk of making a mandatory "contribution" to the taxing authorities.

As pointed out in Mackinac Center *Viewpoints* and other research, taxes are assessed on estates exceeding \$675,000 and the beginning rate is 37 percent. If you simply calculate your net worth, factoring

in cars, homes, personal property, real property, stocks, life insurance, and retirement plans, you may be surprised by the total amount. Yet, unless you take action now, you may well be faced with the prospect of paying Uncle Sam over half the value of your estate.

The reasons people don't act are many. Some believe making a contribution through an estate is complicated and expensive. Some feel that it is an exercise better completed late in life. For many others it is simply an uncomfortable thing to contemplate their own mortality. It's easier to procrastinate.

But the alternative—paying estate taxes—simply hands over to government bureau-



David Aussicker, Vice President for Advancement

crats the decision of how your hard-earned money will be spent. Many of us spend lots of time thinking about our freedoms and civil liberties. Yet, in our own financial planning, we give the government an opportunity to take far more than it deserves.

The good news is that there's still time. With proper planning, you can prevent the government from taking what you have worked a lifetime to build. Estate planning tech-

niques offer powerful ways to maintain control over the future of individual earnings. Properly selected instruments may reduce taxes, generate income, or free up frozen assets.

More good news: We can help. The first order of business is to understand your assets. We at the Mackinac Center for Public Policy would be more than happy to link you up with a financial planning professional who can help. We look forward to working with you to reduce your taxable estate and protect your individual liberty. ❗



## No Silver Lining to Sept. 11

by Sheldon Richman

**W**e often see such comments after a hurricane, tornado, or earthquake. I never expected to see it after the horrors of Sept. 11. But there was Paul Krugman, Ph.D. in economics and a New York Times columnist, writing it on Sept. 14 for all the world to see:

*Ghastly as it may seem to say this, the terror attack – like the original day of infamy, which brought an end to the Great Depression – could even do some economic good. . . .*

*First, the driving force behind the economic slowdown has been a plunge in business investment. Now, all of a sudden, we need some new office buildings. As I've*

*already indicated, the destruction isn't big compared with the economy, but rebuilding will generate at least some increase in business spending.*

There is Frederic Bastiat's "broken window" fallacy writ as large as it could possibly be written. For just the sheer scale of Krugman's commission of the fallacy perhaps he should be asked to return his Ph.D. It takes extraordinarily perverse vision to see a silver lining in the unfathomable destruction wreaked on New York that dark day. Does Krugman know enough to even be embarrassed by his remark?

For those who are new to Bastiat, the great 19th-century French classical-lib-

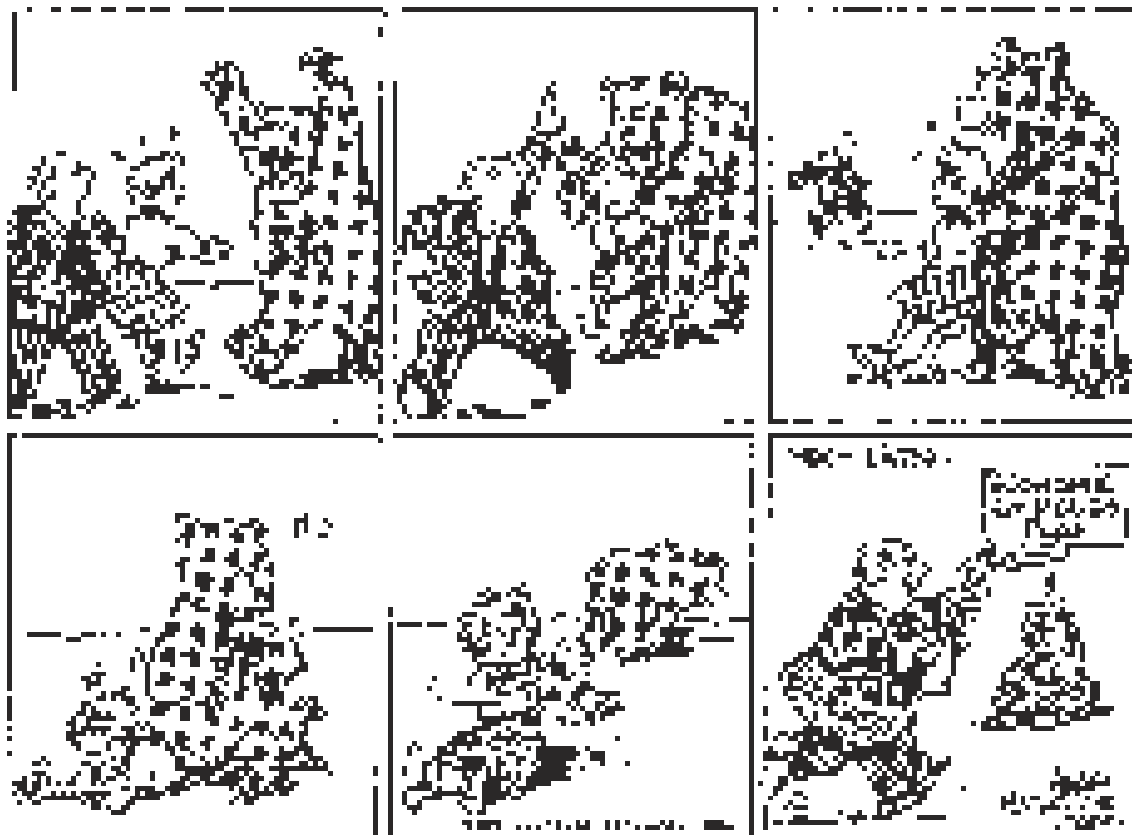
eral economist, the broken window was his way of teaching us that understanding economic phenomena demands a look at the less-obvious consequences of an action or policy. He told the story of a shop window broken by a mischievous boy. As the neighbors gather to lament the shopkeeper's loss, someone (a proto-Keynesian) points out that when the shopkeeper replaces the window, money will begin to circulate through the village. The glazier will buy a hat. The milliner will buy a shirt. And so on. The resulting economic activity will bestow benefits on the entire community.

Not so, says Bastiat. Had the window not been broken,

the shopkeeper would have bought something he wanted and the money would have circulated anyway. But instead of being able to improve his situation, now he must spend the money merely to regain the position he held when the sun rose that morning. That is not a gain for him or the community. It is a loss.

The horrendous destruction of life and property on Sept. 11 is an utter loss. Yes, billions of dollars will be spent to rebuild the lost assets. Investments will be made; people will be employed; concrete will be poured. But the tens of billions of dollars will be spent just to bring us back to where we were before, in material terms (the human capital is gone forever), when the sun rose on Sept. 11. Think how far ahead we'd be had those crimes never occurred. In a world of scarcity, there are no silver linings in the destruction of wealth.

*This article originally appeared in the November 2001 issue of Ideas on Liberty, the monthly journal of the Foundation for Economic Education (FEE) in Irvington, New York, and is reprinted with permission. Mackinac Center President Lawrence Reed is a trustee and former chairman of FEE. !*



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# Teachers Oust MEA from Their Charter School

Over the years, the Mackinac Center for Public Policy has worked hard to ensure that Michigan teachers enjoy the full benefit of their rights, including their right not to fund union-supported political causes with which they disagree.

That's why we were gratified to hear on Oct. 29 that the teachers of Island City Academy, a charter school in Eaton Rapids, had voted to remove the Michigan Education Association (MEA) as their collective bargaining agent. The vote was nearly unanimous, with 12 voting to decertify the union and one favoring it.

"This vote is of historic importance," Robert Hunter, the Mackinac Center's director of labor policy, said in a statewide news release. "If it encourages other Michigan charter

schools to take similar steps, it could start to break the MEA's stranglehold on real education reform in Michigan." Hunter said the last known decertification of an MEA local was "probably decades ago."

Prior to the vote, a majority of Island City teachers publicly complained in a petition to their Board of Education that "the union is seeking to protect its own agenda and . . . is causing the district to spend precious resources of time and money that could be used to improve the compensation of teachers or to better meet the classroom instruc-



The Mackinac Center offers a free brochure for teachers who want reliable answers to questions about their legal rights and choices in union representation.

tion needs of students."

The vote clears the way for Island City teachers to negotiate wages and other work issues directly with school officials.

"The law recognizes and protects teachers' right to exercise a free and uncoerced choice in the matter of union representation, and they have successfully exercised that right," Hunter said. "Michigan citizens should wish them well in their efforts to do what is best for their community." !

## Viewpoint Commentaries

### Less Government, Not More, Is Key to Academic Achievement and Accountability

October 2001 V2001-36

A comprehensive new study of Arizona charter schools suggests that proposals to increase government regulation of charter schools in Michigan could stifle, not encourage, student achievement and school accountability.

### "Streamlined Sales Tax" Just Another Government Grab for Cash

October 2001 V2001-37

The National Governors' Association's "Streamlined Sales Tax Project" would result in higher taxes, threaten consumers' privacy, and even open the door to a national sales tax.

### How to Make Social Security Secure for More Americans

October 2001 V2001-38

The best option for younger workers, minorities, and low-wage earners shortchanged by Social Security is a system that allows them to reap more retirement income by privately investing all or part of their taxes in stocks and bonds.

### Cash-Strapped Motor City Needs a Budgetary Tune-Up

October 2001 V2001-39

Detroit residents fed up with massive debt, high taxes, and poor services should insist that the new mayor consider privatization as a way to give the Motor City the financial tune-up it needs.

### Let the Punishment Fit the Crime: Re-Thinking Mandatory Minimums

November 2001 V2001-40

# Michigan votes.org

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State legislators should reform harsh “mandatory minimum” sentencing laws that dramatically lengthen prison sentences for small-time drug offenders while doing almost nothing to punish the “kingpins” the laws were supposed to target.

**Is Michigan Public Education Improving?**

**November 2001 V2001-41**  
Michigan has laid some important groundwork for improving public education, but the continued lackluster performance of many schools argues the need for more choice and competition in the system.

**New Web Tool Enhances Accountability in Michigan State Government**

**November 2001 V2001-42**  
**MichiganVotes.org**, a new web site that for the first time posts objective, concise, plain-English descriptions of every bill, amendment, and vote, is enhancing Michigan government’s already admirable record of accountability.

**Michigan’s Prevailing Wage Law Forces Schools to Waste Money**

**November 2001 V2001-43**  
Repealing Michigan’s Prevailing Wage Act—or at least exempting schools from its rules—would make school construction more affordable, save money for use in the classroom, and allow for other improvements to public education.

**Gas “Gouging” Brouhaha Ignores Lessons of Economics 101**

**December 2001 V2001-44**  
Michigan Attorney General Jennifer Granholm’s crusade against gas stations that raised their prices after Sept. 11 illustrates the disastrous effects that result when politicians get involved in decid-

ing how much things “should” cost.

**Church’s Campaign Against Sprawl May Do More Harm Than Good**

**December 2001 V2001-45**  
The Catholic Archdiocese of Detroit has come out swinging against “urban sprawl,” but church officials could better serve Michigan citizens by engaging in a balanced debate on the issue of growth management.

**“Preserving” History at Bayonet Point**

**December 2001 V2001-46**  
Preserving historic buildings is a noble endeavor, but it is best accomplished using voluntary means, not the coercion of government “historic district commissions.”

**State Provision of Internet Access: A Bad Idea Whose Time Shouldn’t Come**

**December 2001 V2001-47**  
The state’s plan to wire all of Michigan, including sparsely populated rural areas, with high-speed Internet cable is redundant at best and harmful to the telecommunications market at worst.

**Journals**

**Michigan Education Report**

**MER2001-04 \$3.00**  
The latest edition of Michigan’s leading source of education news and views includes features on school “zero-tolerance” policies, alternatives to state teacher certification, and workshops for debate students to learn more about terrorism and foreign policy. Commentary topics include Proposal A school funding and standardized testing. State Superintendent of Public Instruction Tom Watkins and a charter school



president square off over the question, “Is public education improving in Michigan?” 12 pages.

**Michigan Privatization Report**

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Features include ways Detroit can meet its present and future fiscal challenges, how a private Upper Peninsula water utility effectively serves consumers, and problems with the state’s plan to enter the Internet access business. 16 pages.



**Reports**

**The Michigan Union Accountability Act: A Step Toward Accountability and Democracy in Labor Organizations**

**S2001-02 \$5.00**  
Unions in Michigan represent over 900,000 workers and take in more than \$250 million in membership dues annually. But in spite of their expansive wealth and political power, requirements that unions disclose their financial dealings are minimal. Reform of the federal report-

ing system, which governs private-sector unions, is needed but unlikely in the current political climate. Michigan can take the lead by passing its own Union



Accountability Act, requiring annual financial disclosure reports and independent audits of public-sector union affiliates active in the Great Lakes State. 35 pages.

**How to Order**

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# ACLU Leader Addresses Anti-Terrorism Measures

Critics spanning the political spectrum are concerned that the recent “anti-terrorism” bill passed by Congress contains unprecedented measures—including sweeping authority to conduct warrantless surveillance on U.S. citizens—that strip Americans of their fundamental constitutional rights while doing little to thwart terrorism.

On Nov. 14, the Mackinac Center for Public Policy hosted Kary L. Moss, executive director of the American Civil Liberties Union (ACLU) of Michigan, to speak on whether the “war on terrorism” warrants the kinds of steps being taken by the federal government, and what those steps might mean for the future.

Moss spoke at the Center’s Issues and Ideas luncheon, and delivered her talk, “Pre-



“Eliminating our freedoms and civil liberties could result in a false sense of security and do irreparable damage to innocent citizens,” warned the ACLU’s Moss.

serving Civil Liberties in Times of Trouble,” to an overflow crowd at Lansing’s Parthenon restaurant, followed by a lively discussion that had to be truncated for lack of time. Focusing on the “USA Patriot Act,” signed into law by President Bush on Oct. 25,

Moss warned listeners that taking steps that violate constitutional protections against unwarranted search and seizure could lead to a police state.

“In this kind of situation, where the government’s

power has never been stronger, when technology has never been more powerful, it really presents a danger that we may end up very soon in the world of Big Brother,” she said.

The recipient of many awards and holder of prestigious positions of influence throughout the state, Moss worked in the national office of the ACLU Women’s Rights Project before assuming leadership of the ACLU’s Michigan chapter.

Issues and Ideas luncheons are monthly forums designed to offer government officials a broader philosophical perspective on current topics, emphasizing free-market solutions to important policy questions.!

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