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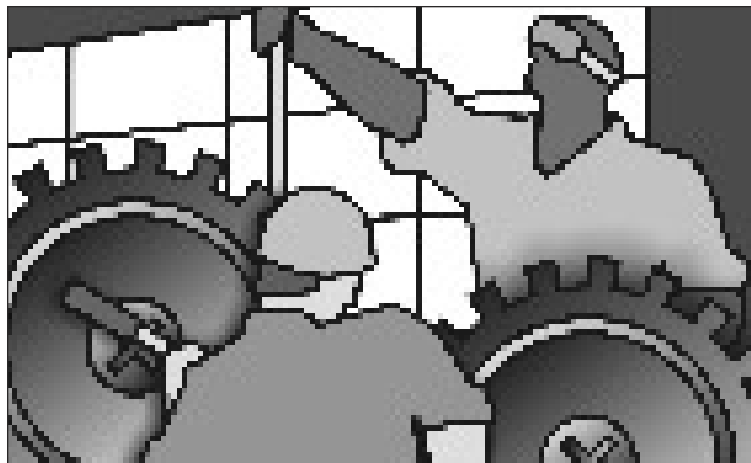
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# Right-to-Work Law Is Powerful Economic Development Tool

Citizens in states that outlaw compulsory unionism via "right-to-work" laws are enjoying the benefits of greater economic growth and prosperity thanks to their states' higher degree of worker choice and freedom.

That's the major finding of a new Mackinac Center for Public Policy study entitled "The Effect of Right-to-Work Laws on Economic Development," released in June to Michigan policy-makers, journalists, and business and opinion leaders.

The study, authored by economist and former Comerica Bank Vice President Dr. Wil-



The study showed that labor costs in Michigan are second highest in the nation, making the state unattractive to businesses looking to create or relocate jobs here.

liam Wilson, examined economic data from states with right-to-work laws and those without, including Michigan. Wilson found that in nine

major economic categories, right-to-work states are either outperforming Michigan or gaining ground steadily. See **"Right to Work"** on page 4

## Center Scholars Draft Policy Blueprint for New Administration, Legislature

Timeliness plays a key role in the realm of ideas. Waiting to react until after public officials formulate policy often ensures that good ideas do not receive a fair hearing. That's why, in anticipation of Michigan's House, Senate and gubernatorial elections this year, the Mackinac Center for Public Policy in May released

"Keeping Michigan on Track: A Blueprint for a Freer, More Prosperous State."

This 67-page comprehensive policy blueprint offers Michigan lawmakers dozens of specific ideas for crafting policy for the next term and beyond. It deals with topics as diverse as government involvement in Internet "broadband" tech-

nology and economic development, Internet taxation, "living-wage" laws, charter schools, tuition tax credits, teacher certification, Proposal A, and how to fix Michigan's transportation infrastructure.

"We want Michigan lawmakers to have a briefcase-sized, categorized manual to refer to See **"Mandate"** on page 4

*"This lawsuit [MEA's lawsuit against the Mackinac Center] seeks to stifle the most effective voice for education reform in Michigan."*  
 —Chip Mellor, President, Institute for Justice  
 Quoted by the Associated Press. See story on page 6.

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## Statesmanship: A Most Worthy Cause



Lawrence Reed  
President

A busy political season is heating up. Candidates are courting voters, but recent trends suggest that in the end, more than half of those eligible to vote will fail to do so. Many people don't like the choices they're offered, while others just don't care one way or the other. But almost all would agree that they'd more likely get involved if more of the men and women seeking office possessed the qualities that define "statesmanship."

Statesmen are a cut above politicians. The latter are run-of-the-mill, nothing-specials who seek office for the thrill of it, for the power and notoriety it brings. Some politicians are better than others but it takes something more to rise above mere politics, the meat grinder of principles. The best politician knows how to deftly manipulate the levers of power for personal advantage, but the statesman's allegiance is to loftier objectives.

What qualities define a statesman? He (or she) doesn't seek public office for personal gain or because it's the only job he knows how to do. In fact, like ancient Rome's Cincinnatus or America's own George Washington, the statesman takes time out from a life of accomplishment to serve the general welfare. He stands for a principled vision, not for what he thinks citizens will fall for. He is well informed about the vicissitudes of human nature, the lessons of history, the role of ideas, and the economics of the marketplace. He is a truth-seeker, which means he is more likely to do what's right than what may be politically popular at the moment. You know where he stands because he says what he means and means what he says. He elevates public discussion because he knows what he's talking about. He does not engage in class warfare or in other divisive or partisan tactics that pull people apart. He does not cynically buy votes with the money his taxes take from others. He may even judge his success in office as much by how many laws he repealed as by how many he passed.

So how do we breed more statesmen and fewer politicians? We can raise the standards we as voters require of our candidates. And we can support the educational efforts of groups like the Mackinac Center for Public Policy—efforts such as our "Statesmanship Initiative" that, when fully funded, will train candidates and officeholders in what good government is all about.

President Ronald Reagan once said, "We are a nation that has a government, not the other way around." If we want to keep it that way, we had best devote more time and resources to encouraging statesmanship—because, ultimately, we get the government we deserve.!

The best politician knows how to deftly manipulate the levers of power for personal advantage, but the statesman's allegiance is to loftier objectives.

*Lawrence W. Reed*

## IMPACT!

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## Policy-Makers “Think Green” at Lansing Forums

**M**ichigan is home to both a heavy industrial base and an abundance of natural resources. This fact ensures that environmental policy always tops the list of citizens’ concerns.

In this election year, in which environmental issues take on added significance, the Mackinac Center for Public Policy is taking the lead in providing forums to judge competing proposals and help determine the most effective environmental policies. Two recent Issues and Ideas luncheons in Lansing allowed for a healthy debate and exchange on issues relating to the environment.

Mackinac Center Director of Science, Environment, and Technology Policy Diane Katz told dozens of policy-makers and legislative staffers in the House Office Building’s Mackinac Room about the fundamentals of effective environmental stewardship efforts. Katz emphasized the importance of protecting private property rights, providing market-based incentives for environmental protection, and allowing for regulatory flexibility. Katz also discussed the increased attempts



Katz explains to lawmakers how enforcement of private property rights is the soundest approach to protecting the environment.

by Congress and federal regulators to seize control of Great Lakes policy. A lively audience discussion followed her remarks.

The May 22 forum, also held in the Mackinac Room, presented a panel featuring state Sen. Ken Sikkema, who recently chaired a task force on Great Lakes conservation, and Keith Schneider, program director for the Michigan Land Use Institute. Both

guests advocated a heavily government-oriented agenda regarding the Great Lakes, while moderator Katz challenged the conventional wisdom that statutes and regulation yield the greatest environmental benefits. The roomful of public officials, journalists, and

policy-makers then joined in a spirited question-and-answer period.

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.!



Both Schneider and Sen. Sikkema (right) stressed a strong governmental role in Great Lakes conservation efforts.

On April 29,

## Teacher Wins Center “Outrageous Regulation” Contest

**A** law requiring before- and after-school programs to sign a contract with parents pledging that the programs will abide by the same rules as day-care centers—including rules for handling dirty diapers and hungry babies—won the Mackinac Center for Public Policy’s “Most Outrageous School Regulation” contest in April. Brenda Roe, learning center director for St. John’s Lutheran School in Adrian, sent in the winning entry.

“I’m not sure about you, but I haven’t yet enrolled a kin-

dergartener that still is fed by a bottle!” Roe wrote to the Mackinac Center, complaining that the children she cares for are ages 5 and above and have no need of diapers or infant formula. The contest was conducted as part of the research for the Mackinac Center’s study on the over-regulation of Michigan public schools. Roe won a “Palm Pilot” hand-held computer organizer, a prize symbolic of the order and clarity school administrators want and deserve.

Michigan requires all schools with before- and after-school

programs, both public and private, to draw up a “child-placement contract” signed by parents and school administrators, stating explicitly that the school or the parent will fulfill day-care requirements for infant formula, milk, food, diapering and other matters not commonly regarded as responsibilities of these programs.

“Our parents get a kick out of their contracts!” Roe quipped.

“We picked this one for the humor value, no doubt about it,” said Joseph Lehman, Mackinac Center executive

vice president. “But conflicting, confusing and contradictory regulations—and arms of government imposing overlapping agendas that leave school administrators wondering what to do—are an epidemic in Michigan public schools today. This is why we conducted the contest and why we will soon release our new study on school regulation.”!

# Spring Rings with Mackinac Center Media Mentions

The message of free markets and individual liberty rang from one end of Michigan to the other this spring, thanks to the tireless efforts of Mackinac Center for Public Policy staff and scholars. Here are just a few highlights:

- The Michigan Education Association's legal attack on the Mackinac Center (see page 6) garnered attention statewide and nationally. National Review Online columnist Dave Kopel called the MEA lawsuit a "blatant abuse of the legal system." The Detroit News in a May 25 editorial opined the MEA action "smacks of intimidation." And an Associated Press story relayed the details

of the case to newspapers throughout Michigan.

- National Review published a March article by Director of Science, Environment, and Technology Policy Diane Katz that was critical of the idea that America is in danger from "dependency" on foreign oil. Co-authored by freelance writer and Detroit News editorial staffer Henry Payne, the article made the case for free markets as the best insurance policy for the nation's energy supply.
- A March 13 report in the Lansing State Journal and a May 7 Associated Press story both quoted Katz's criticism of Gov. Engler's plan to subsidize the spread of high-speed Internet hookup throughout Michigan. Katz said the

plan would disrupt the allocation of "broadband" resources already being carried out by the free market.

- The April 16 Detroit News carried an article by President Lawrence Reed citing the threat posed to Michigan jobs by Federal Prison Industries, a unit of the U.S. Justice Dept. that unfairly sells in the unsubsidized private sector goods and services produced by prison labor.
- Executive Vice President Joseph Lehman explained to WNEM TV-5 viewers the damaging effects of the recently enacted \$190-billion federal farm bill on a May 13 broadcast.
- In a March 14 National Review Online article, Director of Labor Policy Robert

Hunter and Labor Research Associate Paul Kersey encouraged President Bush to appoint National Labor Relations Board members who will vigorously enforce workers' rights not to be forced to pay for union politicking.

- When teachers at one public school voted to oust the Michigan Education Association as their representative and teachers at another ratified a contract allowing them to decide whether to financially support their union, Senior Vice President Joseph Overton called it "a non-union revolution" in an article that appeared in the Detroit Legal News and other newspapers in March. !

## "Right to Work" from page 1

Right-to-work laws are state statutes or constitutional provisions that ban the practice of requiring union membership or financial support as a condition of employment. Currently, 22 states have such laws on the books—and that fact correlates strongly with robust economic growth. "There is compelling evidence that right-to-work laws increase state economic development and overall prosperity," writes Wilson. "Union officials in Michigan claim that forced union membership is necessary to protect the interests of workers, but compulsory unionism just hasn't delivered the goods."

The study shows that from 1978 through 2000, the unemployment rate in Michigan was, on average, 2.3 percent

higher than in right-to-work states. Michigan workers continue to lose ground to their compatriots in right-to-work states in terms of disposable income. And while poverty rates dropped dramatically nationwide over the past 30 years, Michigan was one of seven states, all non-right-to-work, that witnessed an increase in the percentage of residents living in poverty.

"Michigan workers have gone without the ability to decide as individuals whether or not to support a union, and the cost in both freedom and economic growth is substantial," said Director of Labor Policy Robert Hunter. "Michigan needs to debate the right-to-work issue, and we believe this study will open up that debate." !

## "Mandate" from page 1

when looking for innovative ideas for making life better for their constituents," said Mackinac Center President Lawrence Reed. "If the new crop of lawmakers follows the recommendations in this document, our state could become a beacon of opportunity and prosperity, and shed forever its 'rust belt' reputation," Reed said.

The blueprint offers a host of ideas in areas of particular concern, such as enforcement of property rights, improving environmental protection, encouraging telecommunications technology, reforming labor law to protect worker rights, improving education for Michigan children, spur-

ring economic growth and development and enhancing transportation infrastructure.

"Lawmakers ought to put aside parochial concerns, avoid the pork barrel, eschew the temptation to plan and control the lives and businesses of people, keep government in its proper place, and solve problems in ways that leave citizens freer, better off materially, and facing a future full of new opportunities," the Mackinac Center report concludes.

"Keeping Michigan on Track" is available online on our website, at [www.mackinac.org/4198](http://www.mackinac.org/4198). !



# Hunter Appointed to Federal and State Panels

**O**n May 2, Mackinac Center for Public Policy Director of Labor Policy

Robert Hunter traveled to Washington, D.C., at the invitation of the U.S. Department of Labor. Officials there were looking for a free-market perspective on federal workforce training programs.

Hunter, an attorney who served on the National Labor Relations Board under President Ronald Reagan, was asked to join a special panel of labor experts to help shape the Department of Labor's administration of national worker training programs mandated by the Workforce Investment Act (WIA) of 1998.

"My goal is to direct the Department of Labor's research

efforts toward a better understanding of how the private sector provides effective training," Hunter said.

"There are a number of ways we can improve the efficiency of the services provided under the WIA to further benefit Michiganians, allowing us to provide better services while reducing the burdens this program puts on the taxpayers of Michigan and the nation as a whole," he added.

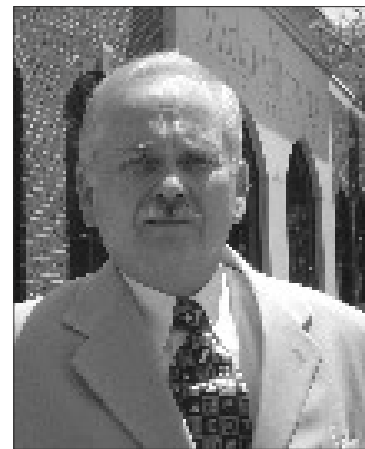
The 12-member panel also includes Robert Rector of The Heritage Foundation, Ron Haskins of the Brookings Institution, and officials from five other states.

Also in May, Gov. John Engler re-appointed Hunter

to a second term on the Michigan Civil Service Commission. The four-member commission has full authority under the Michigan Constitution to decide all aspects of employment terms for state workers.

In 1998, Hunter's work on the commission helped to enact "paycheck protection" for over 41,000 state employees, requiring departments to get written approval before using union dues for purposes other than collective bargaining.

"I'm delighted to accept the governor's appointment to continue to serve on this most important commission, affecting the lives of so many Michigan residents," Hunter said. "I will continue to do



U.S. Department of Labor officials invited Hunter, pictured here, to help craft a five-year plan to guide the department's administration of federal worker training programs.

my utmost to ensure that Michigan has the best state workforce in the nation."

Hunter's term expires Dec. 31, 2004.!

# Board Member Leads Charge for More School Choice

**F**ollowing Mackinac Center for Public Policy recommendations, Michigan emerged in the early 1990s as a leader in the creation of charter schools—innovative public school academies that now educate nearly 60,000 K-12 students throughout the state.

But nearly a decade after its first charter school appeared, Michigan has relinquished its education reform leadership role to Arizona, Minnesota, and other states. This is due, in part, to a legislative limit on the number of charters state universities can authorize.

The lack of progress on charters has not slowed down prominent Lansing attorney

and longtime Mackinac Center supporter and board member Richard McLellan, however. McLellan, who recently completed his work on a special charter school commission, continues to lead the charge for more educational choices for Michigan parents.

Gov. Engler appointed McLellan in 2001 to the "McPherson Commission," so dubbed after commission chairman and Michigan State University president Peter McPherson. The eight-member commission was tasked



Mackinac Center board member Richard McLellan ensured that the McPherson Commission's recommendations included more educational choices for parents.

with making legislative recommendations regarding charter schools.

McLellan, a partner with the respected law firm of Dykema Gossett, helped draft Michigan's 1993 charter school law, which restricts to 150 the number of charters state universities can authorize, a restriction reached in 1999. Michigan now has 188 charter schools, 38 of

which are sponsored by either intermediate school districts or community colleges.

McLellan's involvement in the commission ensured that

a voice for increased parental choice in education would be included in the commission's recommendations. The commission's report, released April 10, recommended that the state allow 130 additional university-authorized charters over the next 5 years.

A bill crafted from the commission's recommendations failed in the Michigan House of Representatives by one vote on May 1. The Legislature is expected to revisit the bill again soon. Internet surfers can check for the latest action on the Mackinac Center's free legislative update service, [www.michiganvotes.org](http://www.michiganvotes.org)!

# MEA Sues Mackinac Center for Quoting Union President's News Conference Statement

**T**he Michigan Education Association and its president have sued the Mackinac Center for repeating words spoken by the union's president at a news conference he called last September. Publicity surrounding the union's legal attack has resulted in newspaper editorials and columns denouncing the MEA, and a spontaneous influx of financial support for the Mackinac Center.

MEA President Luigi Battaglieri convened a news conference last fall to opine on Mackinac Center for Public Policy research, and to explain why his union found it necessary to form and finance a brand-new group to disseminate views in response to Mackinac Center analyses.

With TV cameras rolling, tape recorders humming, and scribes scribbling, Mr. Battaglieri prefaced his Mackinac Center criticism with praise. He told the assembled journalists that he frankly "admired" what the Mackinac Center had done, and he acknowledged that the MEA had "done a poor job" compared to the Mackinac Center in providing research to the public, legislators, and even MEA members.

Perhaps regretting Mr. Battaglieri's public candor, he and the union sued the Mackinac Center four months after a November letter to Mackinac Center supporters repeated Mr. Battaglieri's praise, in context. The lawsuit asserts that the Mackinac Center should have asked Mr. Battaglieri for permission to repeat his

public news conference remarks. The lawsuit does not challenge the context or accuracy with which the Mackinac Center repeated Mr. Battaglieri's praise.

The MEA's lawsuit demands the Mackinac Center's mailing list, as well as the full amount of gifts given to the Mackinac Center by supporters responding to the letter.

The Institute for Justice (IJ), the esteemed Washington, D.C.-based public interest law firm, is mounting the Mackinac Center's legal defense at no charge.

At a joint Mackinac Center/Institute for Justice news conference May 21, IJ President Chip Mellor told reporters that the MEA, the single largest opponent of school choice in the state, is suing the Mackinac Center to squelch free speech and "stifle the most effective voice for education reform in Michigan."

Mellor said the MEA's demand for the Mackinac Center's mailing list is reminiscent of attempts by segregationists in the 1950s to intimidate civil rights proponents. Confidential mailing lists of friends are among the most valuable assets of nonprofits such as the Mackinac Center, whose funding comes exclusively from voluntary support. The MEA is supported by compulsory dues

payments taken from school employee paychecks.

An MEA spokeswoman "angrily denied" that her union's lawsuit is an attempt to stifle the Center's free speech rights, according to an Associated Press story carried



Mackinac Center Senior Vice President Joseph Overton, flanked by Institute for Justice Senior Attorney Clark Neily (left) and President Chip Mellor (right), tells journalists "the only time the MEA tastes success in education reform is when it takes a bite out of the Mackinac Center."

by newspapers and radio stations statewide.

IJ Senior Attorney Clark Neily exposed the weakness of the MEA's legal position in a written analysis for journalists. He also explained that MEA's possible motivation for filing suit is the fact that 14 years of Mackinac Center research have influenced law makers to critically reexamine public policies that favor the MEA at the expense of schools and taxpayers. One such Mackinac Center study precipitated state action that forced the union's \$600 million insurance subsidiary to refund more than \$70 million in overcharges to public schools that are required by law to bargain with the MEA.

Mackinac Center Senior Vice President Joseph Overton said, "If unions like the MEA think they can bully us into

silence, or divert us from researching ways to help parents choose the safest and best schools for children, they are quite mistaken."

Editorial writers at The Detroit News and Lansing State Journal, and columnists including Tom Bray, have denounced the MEA's legal attack.

A summary of lawsuit developments, including media coverage, a 13-minute news conference video, and a six-minute video of a public school board president telling her own

story of union intimidation, is available at [www.mackinac.org/4356](http://www.mackinac.org/4356). At press time, the MEA web site appeared to make no reference to its lawsuit.

Mackinac Center President Lawrence Reed said that some Mackinac Center supporters, after learning of the lawsuit in news accounts, have spontaneously sent contributions to cover other lawsuit-related expenses. Reed said, "One friend who sent us a check is so impressed with IJ's work on our behalf that he told us he was sending a gift to IJ too."

If the lawsuit is not dismissed, a trial will be scheduled for November.!

# New Economic Development Research Clearinghouse

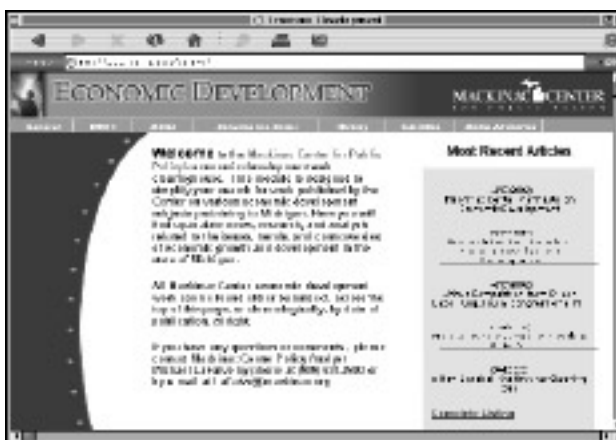
In April, the Mackinac Center for Public Policy marked the seventh anniversary of the creation of a controversial state “jobs” program by launching a new web page that challenges many of the faulty assumptions behind government-sponsored “economic development” efforts.

The web page, located at [www.mackinac.org/ecodevo](http://www.mackinac.org/ecodevo), features a decade’s worth of Mackinac Center research and commentary debunking the inaccurate claims and shoddy economic reasoning behind controversial state policies and programs, including the Michigan Economic Growth Authority (MEGA), created in 1995.

“Too many state officials still believe they can unfairly

dispense tax breaks and other economic favors to some businesses while denying them to others in the name of promoting economic growth,” said Mackinac Center Policy Analyst Michael LaFaive. “This web page informs Michigan citizens, policy-makers and journalists about what such government intervention really accomplishes: an arbitrary redistribution of income that may actually retard economic growth, and a business community that expects favors from the government.”

The web site covers a wide range of development issues including the economics of



“Economic development is ... what happens when government performs its own limited, core functions extremely well and otherwise leaves the rest of us alone,” explains the new web site.

job and wealth creation, unfair government subsidies and selective tax breaks, and tax-free “renaissance zones.” Research available on the site also casts a critical eye on the penchant of many state and local governments to subsidize professional sports teams. A recent LaFaive

commentary even offers readers a new baseball statistic: the subsidies-to-victories ratio, which measures how much taxpayers pay per team victory for the latest publicly funded sports stadium.

“We want the site to become a resource for people interested

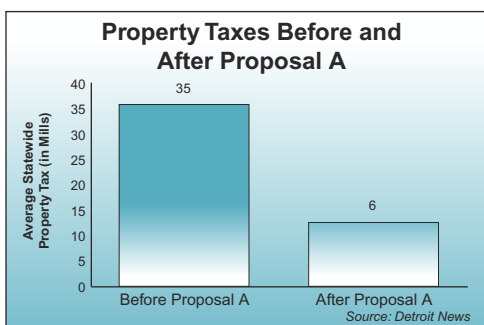
in sound economic development policy in Michigan. It is a quick, one-stop research tool for those looking for information that is not to be found in the state’s self-aggrandizing pronouncements and press releases,” said LaFaive.!

## Center Holds Front Line in Defense of Lower Property Taxes

The Mackinac Center for Public Policy is the state’s leading defender of the “Proposal A” tax reform, in the face of efforts to overturn the measure. In media interviews, commentaries, legislative proposals, and offers to help struggling school districts such as Redford Union and Grand Rapids save money, the Center is working to preserve what *Governing* magazine has called “the most successful resolution of the school funding issue in any major state.”

Enacted in 1994, Proposal A delivered much-needed tax relief to overburdened property owners in exchange for a two-cent increase in the state

sales tax—and established the per-pupil foundation grant for Michigan schools, which forces schools to compete with one another for students.



Proposal A of 1994 provided much-needed relief for Michigan property owners, who were taxed at a rate much higher than the national average.

Eight years later, school budgets are up by 50 percent above 1995 levels. Yet,

there is a rising chorus for giving school districts renewed authority to seek even higher local property taxes. A series of public meetings on “ideas for

changes to Proposal A” are being held throughout the state, and the state school board is reviewing a study it commissioned on possible changes.

“The problem isn’t money—it’s poor money management,” Mackinac Center President Lawrence Reed told a gathering of the Michigan Association of Public School Academies and journalists

throughout the state. To help schools raise money, the Center has offered “Proposal A+,” a plan articulated in a Dec. 7, 2001 *Detroit News* commentary by Reed and Michigan Congressman Peter Hoekstra that would let corporations or individuals claim a tax credit for contributions to schools.

In fact, from exempting school construction from the Prevailing Wage Act (possible annual savings \$150 million) to privatization of non-instructional services to contracting out for health-care, no organization has suggested more ways for schools to save money—without changes to Proposal A—than the Mackinac Center.!

## Dunn Helps Support and Defend Center's Work

**T**he Mackinac Center for Public Policy's work is focused on Michigan, but as our influence and reputation continue to grow, it's only natural for good people from other states to support what we do. In fact, roughly one-third of the Center's voluntary support now comes from individuals, foundations and businesses in states other than Michigan.

William Dunn of DUNN Capital Management in Stuart, Fla., is one significant source of that non-Michigan support. Bill believes in "building the free-market movement" by betting on the best in the business. To that end, he supports not only the



Dunn's Mackinac Center support is compounded by his contributions to the Institute for Justice, which help the Institute to offer the Center free legal defense against a union attack.

Mackinac Center, but also a number of other like-minded organizations he regards as particularly effective—including the Institute for Justice, the Washington, D.C.-based public interest law firm representing the Mackinac

Center against a Michigan Education Association lawsuit (see story on page 6).

Bill's firm began operations in October 1974 and currently manages over \$1 billion in the global exchange-traded futures markets. Over its nearly 30 years in business, DUNN has produced a compound annual rate of return of over 22 percent net of all fees and expenses, making it one of the oldest, largest and best-performing futures trading managers in the world.

"By supporting the Mackinac Center, I know my investment gets leveraged into progress across many issues and many states and even some foreign countries," says

Dunn. "No other group does as much to inspire and train other free-market organizations. The Mackinac Center stresses sound management and superb stewardship of donor dollars like no other."

Bill is "one of the most strategic thinkers among free-market philanthropists," says Mackinac Center President Lawrence Reed. "He appreciates the value of our leadership role among state-based think tanks. When the Institute for Justice and the Mackinac Center beat the MEA in court, Bill will be among the first people we'll call with the good news because of his generous assistance to both our organizations."!

## Leaving a Legacy of Freedom

**I**n a recent National Review Online article, Mackinac Center Director of Science, Environment, and Technology Policy Diane Katz noted that Americans are now living longer than ever. The average lifespan is 77 years—though healthier lifestyle patterns could easily extend this average—which is up from just 48 years in 1900.

How long can you expect to live? With ongoing advances in medical technology and practice, a retiree in his early sixties today may expect to live as much as another 30 years. Likewise, an age 70 retiree might reasonably expect his Golden Years to span two more decades.

That's the good news. The bad news is that our



David Aussicker, Vice President for Advancement

increased lifespans require retirement assets to be stretched over a longer period of time. That makes for a tough challenge—particularly for those of us who also wish to leave a valuable legacy with organizations that promote the values we cherished throughout our lives.

Fortunately, there is a way to make the most of your nest egg while helping the Mackinac Center for Public Policy in its work to advance liberty and opportunity in

Michigan: You can establish a gift annuity. In exchange for a transfer of cash or securities, an annuity will provide a guaranteed amount of income to you—or another person—for life. Unlike other types of retirement funds that may be exhausted due to various distribution requirements, annuity payments continue throughout your retirement and do not decrease if interest rates fall or the stock market declines.

If you've not yet reached retirement age, you still have time to build a nest egg large enough to sustain you during your retirement period—though you may be disadvantaged because you already contribute the maximum to a qualified plan such as a 401(k). In that case, you may

establish a deferred-payment gift annuity, which has no contribution limit, and contribute appreciated securities without being currently taxed on the gain. Also, you may begin payments as early or as late as you desire.

Contact the Mackinac Center advancement department; we'll work with you to help establish your retirement security—and a lasting legacy of freedom for those who come after you.!



## Why Economists Are Not Popular

by Thomas Sowell

One of the many reasons why economists are unpopular is that they keep reminding people that things have costs, that there is no free lunch. People already know that—but they like to forget it when there is something they have their hearts set on.

Economists don't have to say anything when people are buying things at a shopping mall or at an automobile dealership. The price tags convey the situation in unmistakable terms. It is when people are voting for nice-sounding things that politicians have dreamed up that economists are likely to point out that the costs which the politicians have ignored are going to have to be paid, one way or another—and that you have to weigh those costs against whatever benefits you expect.

Who wants to put on green eye shades and start adding up the numbers when someone grandly proclaims, “access to health care for all” or “clean air” or “saving the environment”? Economists are strictly party-poopers at times like these. They are often gate-crashers too, since usually nobody asked them how much these things would cost or even thought about these issues in such terms.

Some of the more persistent or insensitive economists may even raise questions about the goals themselves. How much health care at the taxpayers' expense? In Britain, a 12-year-old girl was given breast implants. That much health care?

Meanwhile, Britain's skyrocketing medical costs of taking care of things that people would never have spent their

own money to take care of forced cutbacks and delays in more urgently needed medical treatments. One woman's cancer operation was postponed so many times by the British health service that, by the time the system could take her, the disease was now too far gone for medical help—and she died.

Economists could have told anyone in advance that making things “free” causes excessive use by some, leaving less for others with more urgent needs that have to remain unsatisfied. Rent control, for example, had led to more room being occupied by some, who would not have paid the market price for as large an apartment as they live in, while others cannot find any housing that they can afford in the city, and have to live far away and commute to work.

Clean air? There is no such thing and never has been. There is only air with varying degrees of impurities, varying amounts of which can be removed at varying costs. Removing the kinds of things that choke our lungs or otherwise threaten our health is usually not that expensive. But science is becoming capable of detecting ever more minute traces of impurities with ever more insignificant consequences. Yet where is the politician who is going to resist calls for removing more impurities in the name of “clean air”?

Who is going to resist calls to “save the environment”? Only an economist is likely to say, “Save it from what or from whom—and at what price?”

Bumper stickers in and around Redwood City, Calif., long proclaimed: “Save Pete's Harbor.” What did that even mean? In practice, it meant letting one set of people use it as a marina and preventing other people from replacing the marina with housing.

When the Constitution of the United States says that the government owes “equal protection” to all its citizens, why should the government intervene on behalf of one set of contending citizens against another, much less call that “saving” the environment?

People have been bidding against one another for the same resources for centuries. Why replace that process with politicians' control? The 20th century was a virtual laboratory test of political control of economic activi-

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ties—and it was such a dismal failure that even socialists and Communists began abandoning that way of doing things by the 1990s.

Even when you don't realize that you are bidding against other people, you are. When you drive into a filling station and fill up your tank with gasoline, you are bidding against people who want petroleum in the form of heating oil, plastics or Vaseline.

Lunches don't get free just because you don't see the prices on the menu. And economists don't get popular by reminding people of that.

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### Viewpoint Commentaries

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April 2002 V2002-13

A bill before the Michigan Legislature would require public-sector unions to disclose their finances to the same extent as publicly held corporations.

#### The Other Meaning of Arbor Day

April 2002 V2002-14

Anti-protectionist J. Sterling Morton, who established Arbor Day in 1872, would be appalled at the new tariffs placed on imported lumber.

#### Did Anybody Really Know What Time It Was?

April 2002 V2002-15

Today's clock-watchers can thank private industry for the convenience of standardized time zones, an important innovation that government fought against.

#### Proposals for Oil Conservation More of a Threat Than Energy Dependence

April 2002 V2002-16

Proposals to deal with America's "dependence" on foreign oil are an example of the cure being worse than the disease.

#### Two Michigan Towns with the Same Name

May 2002 V2002-17

The story of how two Upper Peninsula towns came to be named after Rudyard Kipling, a Nobel Prize-winning British author.

#### How Health Care Costs Help Raise Your Auto Insurance Premiums

May 2002 V2002-18

The rising cost of medical care also contributes to higher auto insurance premiums, thanks to a state law requiring insurers to provide unlimited medical coverage for all auto accident victims.

#### Michigan Taxpayers Feeling the Heat from Government Greed

May 2002 V2002-19

April 29 was Michigan's "Tax Freedom Day," the day of the year by which the average citizen finally worked enough just to pay his federal, state and local tax bills.

#### Unfair Competition from Prison Labor Requires a Congressional Fix

May 2002 V2002-20

A division of the U.S. Justice Department that uses prison labor to provide goods and services to the federal government wants to expand into the private sector.

#### State Lotteries vs. Truth-in-Advertising

June 2002 V2002-21

Michigan's state lottery, sold to voters as a way to provide additional funds for education, has turned out to be no great windfall for schools.

#### A Good Time to Cut Taxes on Jobs

June 2002 V2002-22

Washington is hanging on to most of the revenue it collects to fund state unemployment programs. Why not eliminate the federal tax and allow states to fund their own programs?

#### The Great 9-1-1 Tax Pileup

June 2002 V2002-23

Thanks to an unfunded federal mandate, Michigan consumers are paying millions of dollars for sophisticated emergency phone-calling services that have yet to materialize.

#### Farmers Getting Angry Over "Checkoff" Programs

June 2002 V2002-24

The cost of federally mandated agricultural ad campaigns—such as "Got Milk?"—disproportionately falls on small farmers.

**Journals**

**Michigan Education Report**

**MER2002-02 \$3.00**  
Features include the rising cost of school administration relative



to instructional expenditures, the findings of the McPherson charter school commission, and a profile of "strict discipline academies." 12 pages.

**Michigan Privatization Report**

**MPR2002-02 \$3.00**  
Features include what the Enron scandal means for Social Security privatization efforts, a new



report on the state of Michigan's privatization initiatives, and a public-private partnership in Kent County for helping neglected and abused youths. 16 pages.

**Reports**



**Keeping Michigan on Track: A Blueprint for a Freer, More Prosperous State**

**S2002-01 \$10.00**  
New legislative opportunities will soon come with this year's elections for the Michigan House, Senate and governorship. In this report, the Mackinac Center for Public Policy's staff and Board of Scholars offer dozens of specific ideas for the Legislature and the governor—both current and future officeholders—to consider in crafting state policy for the next term and beyond. The report's recommendations include ways to strengthen protection of private property rights, improve environmental protection, spur economic growth and prosperity, and much more. 68 pages.

**The Effect of Right-to-Work Laws on Economic Development**

**S2002-02 \$10.00**  
In this report, economist and former Comerica Bank vice president William Wilson compares states with and without right-to-work laws, which determine whether or not employees can legally be forced to join a union as a condition of employment. Wilson finds that in nine major economic categories, states that outlaw compulsory-union work environments are either outperforming Michigan and other non-right-to-work states or gaining ground steadily. Wilson con-

cludes with a call for state policymakers to open a debate over the right-to-work issue and the greater freedom and prosperity it brings. 40 pages.



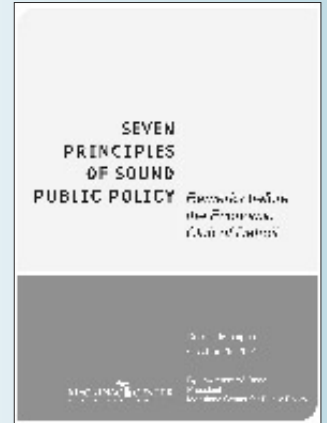
**Which Educational Achievement Test is Best for Michigan?**

**S2002-03 FREE**  
Dr. Kirk Johnson of the Washington, D.C.-based Heritage Foundation compares the state-mandated Michigan Educational Assessment Program (MEAP) with two commercial tests, the Stanford Achievement Test, Ninth Edition (SAT-9) and the Iowa Test of Basic Skills (ITBS). Johnson concludes that a commercial test would better serve Michigan students overall. Available only on the Internet at [www.mackinac.org/4382](http://www.mackinac.org/4382).

**Special**

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Mackinac Center President Lawrence Reed's speech to the Eco-



nomics Club of Detroit is a concise economic guide for policymakers and a primer for students and other citizens. 8 pages.

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# Reed Explains Benefits of Tuition Tax Credits to U.S. House

**M**ackinac Center for Public Policy President Lawrence Reed took the Center's message of school choice to Washington, D.C. this spring when he testified in favor of tuition tax credits before the U.S. House of Representatives' Education Committee.

In his April 16 testimony, Reed explained to the assembled congressmen how education reforms that focus only on more money or more regulations for schools have been and continue to be ineffective or even counterproductive.

Incentive-based reforms, he noted, are key to providing the educational quality parents and policy-makers desire.

"I am referring to incentives that will encourage more people to get involved, as parents and donors and friends of education—incentives in the form of tax credits," Reed said. Recently enacted federal leg-



Tuition tax credits are helping improve public education in states such as Arizona, Minnesota, and Florida, Reed tells the U.S. House Education Committee.

islation all but scuttled the incentive-based choice elements of President Bush's

education plan, offering instead only more of the same failed reform ideas of the past. But Congress could correct this failure, Reed explained, by embracing a proposal put forward by committee member Rep. Peter Hoekstra, R-Mich., based in part on the Mackinac Center's "Universal Tuition Tax Credit" concept, first advanced in 1997.

Hoekstra's proposal would encourage greater parental choice and competition among schools by offering an education tax credit of up to \$500 (or \$1,000 for joint filers) against federal income taxes owed for contributions

to scholarship funds or to public schools for construction or technology. Corporations would receive a 75 percent credit, up to \$100,000.

Tuition tax credits such as Hoekstra proposes "will galvanize and strengthen civil society by giving individuals and companies new incentive to assist the educational dreams of their fellow citizens. And it will bolster the incentives of all schools, public and private, to improve," Reed told the legislators.

The Hoekstra bill has been referred to the House Committee on Ways and Means. **!**

# Kirk Johnson, Ph.D., Is New Director of Education Policy

**T**he Mackinac Center for Public Policy has named Kirk Johnson, Ph.D., as its director of education policy.

At the Mackinac Center, Dr. Johnson will study ways to improve education quality in Michigan and enable parents

to choose the safest and best schools for their children. He is currently senior policy analyst for the Heritage Foundation's Center for Data Analysis.

Dr. Johnson's first Mackinac Center policy brief was "Which Educational Achieve-

ment Test Is Best for Michigan?" (See p. 11.)

Dr. Johnson will lead the Mackinac Center's Education Policy Initiative, which is supported by multi-year grants from foundations, businesses and individuals. He and his family will relocate from the

Washington, D.C. area to Midland in early July. He succeeds Matthew Brouillette, who is the new president of the Pennsylvania-based Commonwealth Foundation. **!**