



THE DIFFERENCE ONE CAN MAKE
Check your mail for a special offer in the Center's year-end appeal!

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Property Rights Protections Overwhelmingly Approved

In the 2005 *Kelo v. New London* case, a 5-4 majority of the U.S. Supreme Court held that a municipality may take an individual's land for purposes of economic development or tax enhancement. This widely reviled ruling effectively gutted the "public use" requirement of the Fifth Amendment of the U.S. Constitution. But the court indicated that individual states could enact greater protections for property owners. Michigan's residents did just that in November, voting 80 percent in favor of a constitutional amendment that expressly prohibits economic development takings and offers other significant protections to property owners. Mackinac Center research and programs played a significant role in educating citizens about Proposal 4 and other property rights matters this year, and the Center is preparing for the next great property rights

issue — regulatory takings.

The Center has championed greater property rights protections for nearly two decades. Center analysts have issued studies calling for takings reform and written about the issue extensively. In 2004, the Center and the Institute for Justice — which argued the *Kelo* case — filed a joint amicus brief asking the Michigan Supreme Court to overturn its noxious *Poletown* decision, which allowed GM to raze a neighborhood in order to build a factory. The Michigan Supreme Court did overturn *Poletown* in its 2004 *Wayne County v. Hathcock* case.

When *Kelo* was decided, there was a tremendous public outcry, and the Center's long history of property rights advocacy positioned us to inform the Legislature's response. The
see "Property Rights," Page 11

Center Helps Prop 5 Go Down Swinging

On Nov. 7, Mighty Casey struck out. Proposal 5, a Michigan Education Association-backed statewide ballot initiative that would have guaranteed annual inflationary state funding increases to public elementary, secondary and higher education, fell to an overwhelming defeat when 62 percent of Michigan voters rejected the idea. The election result was a vindication of months of intensive Mackinac Center research and public outreach showing that Prop 5 was likely to hurt educational quality and drive education costs even higher.

The proposal was initially expected to be a home run for the brawny MEA. Education spending is politically popular; state education funding increases had recently faltered; and early opinion polls showed widespread public support. But Mackinac Center scholars, led by Policy Analyst Kenneth M. Braun, had actually read Prop 5's fine print.

As Braun painstakingly demonstrated in



Kenneth M. Braun

the cornerstone Policy Brief "An Analysis of Proposal 5: The 'K-16' Michigan Ballot Measure," Prop 5's popular appeal was based on a faulty assumption. Spending by Michigan's institutions of public education has outpaced inflation since 1995 and remained high compared to the rest of the nation. Mandating increases was, as Braun notes, not just "a solution in search of a problem," but a way of preventing the state policymakers from ever restraining funding if educators were found to be wasteful or ineffective.

But Braun's most important contribution to the public policy debate was his finding that, as he later put it, "Education employee pension spending was more than 66 percent of Prop 5's first year costs and a major factor in the very real school finance problems that Prop 5

see "Proposal 5," Page 6

We Won't Let You Down



Lawrence W. Reed
President

Ludwig von Mises, one of the greatest thinkers of the 20th century, said the economist will never be popular with most politicians. It is the economist who must bring the politician down to earth and show him how promises are one thing but reality may be quite another. Many politicians would prefer compliant yes-men who forsake any principle, ignore the evidence and schedule the next photo-op.

One of the many reasons I am proud of the Mackinac Center's nearly 20 years of work is that we have fulfilled that role of the economist faithfully and effectively. Sound policy would be the loser if we ever let politics interfere with our research. Our integrity depends upon calling the shots as we see them, and letting the political chips fall where they may.

The Nov. 7 elections were a mixed bag. Some supporters of sound economic policies lost, and some proponents of bad economics were elected. Generally speaking, candidates who knew better, but nevertheless abandoned a forceful, pro-free enterprise stance, were themselves abandoned by an electorate uninspired by mush and retreat. To the pleasure of those who believe in sound policy, two of the five ballot issues which the Mackinac Center studied extensively — stopping eminent domain abuse and mandating more waste in education spending — went the right way on Election Day. Voters also strongly endorsed an end to racial discrimination in government.

The Mackinac Center's work often has enjoyed the endorsement and support of prominent public officials. Some of the policies of state government today have their roots in ideas that we originated or advanced

Many politicians would prefer compliant yes-men who forsake any principle, ignore the evidence and schedule the next photo-op.

in some way. But we have not hesitated to offer constructive criticism whenever we have felt that remaining true to our mission or sticking to the evidence required it. In the long run, our friends in and out of government should understand that we would have no credibility when we praise them if we didn't speak out when we disagree

with them. Being independent often means pushing public discussion in directions politicians don't want it to go.

Have you ever been disappointed in politicians who let you down, who run from principle, who offer nonsense instead of solutions or who promise one thing but deliver something else? Who hasn't? It's the nature of the political beast (see www.mackinac.org/8051 for a fuller explanation). We, however, are not afraid of telling it like it is. With the Mackinac Center, what you see is what you get — *consistent application of the principles of sound economics*. That's what economists — and all independent thinkers — are supposed to be about.

Mercifully, the 2006 political season is over. A new year will soon be upon us. Many of you are pondering your year-end giving. Assuming you have something left after government takes its hefty cut, I hope you will remember that in ways that matter most, the Mackinac Center is the same today as it was nearly two decades ago.

Lawrence W. Reed

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Mackinac Center Launches MichiganScience Magazine

Science reporting lacks credibility with a majority of the American public, according to a survey conducted by the National Health Council. Sixty-eight percent of respondents agreed with the statement, “When reporting medical and health news, the media often contradict themselves, so I don’t know what to believe.” The Mackinac Center for Public Policy is seeking to remedy this dismaying statistic with the publication of MichiganScience, a quarterly publication that explores current science issues relevant to the state and its residents.

Having debuted in November 2006, MichiganScience will help meet the need for accurate and accessible information about the increasingly complex scientific issues confronting voters and lawmakers, according to Diane S. Katz, Mackinac Center director of science, environment and technology policy. “Informed policy choices require a basic understanding of scientific questions, not just political ones,” she said. “Within days of the magazine’s debut, three high school teachers and



a university professor requested copies for use in their classrooms.”

The premier issue of the high-gloss, four-color magazine features an examination of the environmental trade-offs of renewable energy; the latest findings on the quality of Michigan’s air, water and forests; and

guidelines for interpreting science news. Also included are a list of science exhibits open to students, families and teachers; a forecast of legislative and regulatory actions; and the work of award-winning cartoonist Henry Payne.

The content of MichiganScience is assembled by Science Editor Bruce Edward Walker and reviewed by the Mackinac Center Science Board of Advisors, which is comprised of scholars and researchers from various scientific disciplines. The magazine is available free of charge to members of the media and is being distributed to all Michigan legislators and their staffs; state agency personnel; educators; libraries; civic organizations; high school science instructors; and science museum staff and boards of directors.

In addition to the print version, MichiganScience maintains a permanent presence on the World Wide Web, and can be viewed at www.MichiganScienceOnline.org. **I**

See Page 13 for ordering information!

Center Files U.S. Supreme Court Brief in Cases Considered “Most Prominent”

Thomas Jefferson once stated, “To compel a man to furnish contributions of money for the propagation of ideas he disbelieves in is sinful and tyrannical.” But many workers who do not want to join their workplace union are nevertheless arm-wrestled into paying union fees that finance causes with which the workers do not agree.

On Nov. 14, in keeping with the Center’s longstanding efforts to protect teachers from this tyrannical practice, Mackinac Center Senior Legal Analyst Patrick J. Wright filed a “friend of the court” brief with the U.S. Supreme Court in defense of a voter-approved state of Washington law that would limit such abuses. The law prevents legally required agency fees from being used by a union for political causes without the nonmember’s “affirmative authorization.”

In the consolidated cases *Davenport v. Washington Education Association* and *Washington v. Washington Education Association*, the Washington Supreme Court threw out this law, holding that the union’s First Amendment protections are stronger than those of the nonmembers. If the U.S. Supreme Court were to uphold this ruling, Michigan’s system for allowing workers to choose explicitly whether to contribute to a union’s political causes could be open to legal challenge.

In calling for Washington’s court to be overruled, Wright argued in his brief: “A union should be allowed to charge only those fees that are related to its statutory duties as the exclusive bargaining agent. ... This rule would necessarily exclude the collection of agency fees related to political causes.” Thus, Wright called on the U.S. Supreme Court to reaffirm

the First Amendment by “ruling that a state may not enforce an agency fee statute that allows a union to collect fees unrelated to its statutory responsibilities.”

This argument is in keeping with the Founders’ views, as Jefferson’s words suggest, and The New York Times has remarked that these Washington disputes are the “most prominent” new cases before the court. As the Jan. 10 oral arguments draw near, the Center will continue to fight for workers’ free speech rights alongside Washington’s free-market Evergreen Freedom Foundation and the National Right to Work Legal Defense Foundation, both of which have been the lead advocates in the cases. The Center believes that these arguments, freely made and freely chosen, are bound to win new freedoms for us all. **I**

New York Times Devotes Two Stories to Mackinac Center Training Program and Free-Market Movement

It only took The New York Times two decades, but the newspaper committed to “all the news that’s fit to print” recently gave its 1.7 million readers a snapshot of one of the most remarkable movements in American public policy — the ascendance of state-based, free-market think tanks.

In telling this story, Times reporter Jason DeParle focused on the impact of the Mackinac Center’s eight-year-old “think tank school,” his term for our biannual Leadership Conference that has trained nearly 500 think tank executives from 42 nations, Washington, D.C., and nearly every U. S. state.

DeParle worked more than a year to produce an extraordinary two-part series the Times called “The Conservative Reach.”

Part I, titled “Right-of-Center Guru Goes Wide With the Gospel of Small Government,” highlighted Mackinac Center President Lawrence W. Reed’s role in mentoring think tank leaders throughout the United States and the world. The front page of the Nov. 17 issue referred to Reed in a blurb steering readers to the nearly 2,000-word story inside. The article and the Times Web site included a photo of Reed at the Center.

Part II of the series ran the next day on the front page and above the fold. Under the headline, “In the Marketplace of Ideas, Conservatives Export,” the article ran more than 2,000 words (in comparison, this story contains about 600 words). DeParle’s series reported on the influence of free-market think tanks — in the United States, Africa, Europe, Latin America and Asia — whose leaders have been trained by Reed and the Mackinac Center.

DeParle wrote, “Policy institutes have been central to a national organizing strategy that has long won the right a reputation for savvy, and state-level versions are growing in number and clout.”

The series included photos of the leaders of many of our sister think tanks and documented their successes, particularly those of the relatively young Bluegrass Institute for Public Policy Solutions in Kentucky and the Inter-Region Economic Network based in Nairobi, Kenya. Referring to the proliferation of free-market policy groups, DeParle wrote, “No one is more central to this replicating effort than Mr. Reed.”

The Times stories depicted the Mackinac Center and similar groups as more relevant to the public debate than ever. In light of Republican defeats in the 2006 midterm elections, DeParle reported that “many conservatives” consider free-market think tanks and their networks “vital to the movement’s revival.” DeParle wrote that such institutes have “offered conservatives a base of



Lawrence W. Reed explains his “Seven Principles of Sound Public Policy” at August’s Africa Think Tank Leadership Conference, an event attended by New York Times reporter Jason DeParle.

influence independent of electoral politics.”

Although the Times repeatedly conflated “free-market” with “conservative,” DeParle quoted Reed explaining why “free-market” is a more accurate description of groups that stress primarily economic issues, not social ones.

DeParle interviewed detractors as well, including Michigan Education Association union officials. His article recounted how the Mackinac Center exposed the fact that while the MEA officially opposed any effort by schools to contract for private support services (such as security and food), the union simultaneously contracted for the same services at its own headquarters.



Joseph G. Lehman outlines strategic planning to nearly 30 African think tank leaders in Nairobi, Kenya, while a New York Times reporter and photographer observe.

The response to the Times series has been overwhelmingly positive. The Mackinac Center received nearly 300 congratulatory e-mails immediately after the articles’ publication. Acknowledgement by the New York Times affirms the importance, and the growing influence, of the Center efforts to advance free-market ideas through public policy research and education. **I**

For reprints of the New York Times’ two-part series, call 989-631-0900.

Nation's Three Largest Newspapers Cite Mackinac Center Experts, Programs

Mackinac Center scholarship was in demand for several weeks as the media covered a handful of proposals on the November ballot.

In the Oct. 31 **Holland Sentinel**, Senior Legal Analyst **Patrick J. Wright** explained that Proposal 4, which prohibits Kelo-style eminent domain takings, "would make it harder for future Michigan courts to misinterpret and weaken" the rights of Michigan property owners. Following the release of his policy brief titled "Proposal 4: A Legal Review and Analysis," Wright was invited to discuss the measure on WMKT's "**Greg Marshall Show**" on Oct. 20 and "**The Frank Beckmann Show**" on News/Talk 760 WJR on Oct. 26. An Op-Ed that Wright wrote about the proposal was carried in the **Zeeland Record** on Nov. 2. The **Detroit Free Press** quoted Wright in an Oct. 19 article on the merits of the ballot measure. In addition, Policy Analyst **Kenneth M. Braun** explained the protections provided by Proposal 4 in a Nov. 2 interview on Lansing's **WILX-TV**.

Braun was also widely quoted following publication of his policy brief titled "An Analysis of Proposal 5: The 'K-16' Michigan Ballot Measure." The press release

announcing the study appeared in the Oct. 20 **Flint-Genesee County Legal News**. Braun's findings were cited in the Sept. 18 **Mt. Pleasant Morning Sun**, the Sept. 27 **Niles Daily Star**, the Oct. 28 **Ann Arbor News**, the Nov. 4 **Grand Haven Tribune** and an **Associated Press** story that was carried in the Oct. 18 **Big Rapids Pioneer**, the Oct. 20 **Macomb Daily**, the Oct. 22 **Battle Creek Enquirer** and the Oct. 29 **Grand Rapids Press**. Braun Op-Eds highlighting the pitfalls of Proposal 5 were carried in the Sept. 21 **Marcellus News**, the **Escanaba Daily Press** in late October, the Oct. 19 **Big Rapids Pioneer**, and the Nov. 2 **Grosse Pointe News**. On Sept. 12, Braun's brief was covered in **Gongwer News Service** and **MIRS Capitol Capsule**. The "**Greg Marshall Show**" on Petoskey's WMKT had Braun as a guest on Nov. 2 as did WKLA's "**Morning Show with George Wilson**" in Ludington on Sept. 28.

Senior Environmental Policy Analyst **Russ Harding** addressed the pros and cons of Proposal 1, which created a constitutional protection for DNR funds, in articles in the Oct. 29 **Southgate Herald**, the Nov. 2 **Saline Reporter**, the Nov. 5 **Port Huron Times-Herald** and the Nov. 3 **Detroit Free Press**.

by **Diane S. Katz**, director of science, environment and technology policy, that appeared in the Sept. 18 **Oakland Press** and another that appeared in **The Flint Journal** on Oct. 1. Katz and her September policy brief on cable franchise reform were cited in an Oct. 3 **Detroit News** editorial entitled "Foster cable competition with less state regulation." The News incorporated the study's findings into a chart accompanying the editorial. The Center press release summarizing the policy brief ran in the Oct. 13 **Flint-Genesee County Legal News**.

In an article on the "evolving relationship between donors and think tanks" in the September/October issue of **Philanthropy Magazine**, John J. Miller wrote: "One of the finest state-level think tanks, nearly all observers agree, is the Mackinac Center, based in Midland, Mich. With a clear record of success and an annual budget of more than \$4 million, it serves as a model for like-minded groups to emulate."

The **Detroit News** on Nov. 8 ran an Op-Ed on the importation of trash by Science Editor **Bruce Edward Walker**. On Nov. 9, Walker explained the economic benefits of trash importation on the "**Morning Show with George Wilson**" on WKLA and on Nov. 16 he was a guest on WMKT's "**Greg Marshall Show**." Walker was also quoted in an article about climate change and the Great Lakes region in the Nov. 19 **Lansing State Journal**.

On Nov. 16, the day Milton Friedman died, **The Detroit News** ran an online tribute to the Nobel prize-winning economist written by Morey Fiscal Policy Director **Michael D. LaFaive**. Lawrence Reed also paid homage to Friedman as "a great thinker and a great friend" in an article in the Nov. 17 **Midland Daily News**.

Ryan S. Olson, director of education policy, was featured on **National Public Radio's** Sept. 27 "All Things Considered" program discussing student count day in Michigan's public schools. Olson's remarks were also carried on **Michigan Radio** the same day. Olson was quoted see "Media Impact," Page 15

On Nov. 17 and 18, **The New York Times** ran two stories focusing on President **Lawrence W. Reed** and the Mackinac Center's impact on the growth of the free-market movement, both nationally and worldwide. "Mr. Reed has nurtured so many state policy groups that he has been called the movement's Johnny Appleseed," the Times reported. (For more details, see related story on Page 4.) John J. Miller highlighted the Times coverage in **National Review Online**: "Today, the NYT pays tribute to (state-based think tanks) with a piece on Michigan's Mackinac Center, which is often regarded as the best of the bunch, and its outstanding president, Larry Reed ..."

In two days, Senior Economist **David Littmann** was quoted in the two largest-circulation dailies in the United States. On Oct.

25, Littmann discussed economic trends in **USA Today**. He was cited the following day in a **Wall Street Journal** Op-Ed on economic development and the high cost of generating wealth in Michigan.

"The Mackinac Center think tank in Midland has been a leading voice in advocating that Michigan schools make real structural changes," a **Detroit News** editorial stated on Nov. 24. "So we asked the folks there to help us come up with five ways schools could save money." The News incorporated Center ideas like privatizing non-instructional services, purchasing reasonably priced health insurance for school employees, sharing services with neighboring districts and selling off surplus assets.

The consumer benefits of cable franchise reform was the topic of an Op-Ed

Public School Superintendent Tells Michigan Educators How Competition Helps Schools

What do you get when you mix breakfast, lunch, public school superintendents, business leaders, legislative staffers, reporters and a retired Canadian superintendent telling stories about leading his public school district through reforms focusing on accountability and parental choice? A compelling education-reform conversation.

In September, the Mackinac Center welcomed Edmonton Public Schools retired superintendent Angus McBeath. McBeath's message was simple: Superintendents already have the legal authority to do much of the work that needs to be done to make public schools more effective. To that they must add courage and a firm grasp of reforms that work.

Having led a district that draws attention from education researchers and reporters around the world, McBeath described how he changed school management. Dollars shifted from the administration building to principals' control so schools could be managed on-site by leaders rather than centrally by bureaucrats. McBeath required principals to spend at least half of their time coaching teachers in effective teaching strategies.

The Edmonton district also gave parents the right to select any school and transparently published vital school statistics. "It is as competitive a market as any I've seen," McBeath told Frank Beckmann, when he and Mackinac Center Director of Education Policy Ryan S. Olson appeared on Beckmann's WJR AM 760



Former Edmonton Public Schools Superintendent Angus McBeath praises school choice at a September Issues and Ideas Luncheon in Lansing.

program in Detroit.

Describing McBeath as one of his most important guests of the year, Beckmann grasped what McBeath had already told superintendents and policymakers at Mackinac Center events in Grand Rapids and Lansing, respectively: Michigan schools can learn from Edmonton's experience. Rising graduation rates with nearly every student reading and understanding mathematics at grade level, satisfied teachers and administrators and — most significantly — satisfied parents are a few of the major benefits Michigan might enjoy if it implemented competitive policies such as those pioneered by Michigan's not-so-distant neighbor.

The Mackinac Center continues to work with reform-minded school leaders to bring about those improvements. **I**

Proposal Five from Page One

failed to address." Braun showed that the pensions of Michigan's public school employees are far better than what most taxpayers receive and include an unusually generous retirement health care benefit. In fact, he observed, this single health care item will soon consume more than half of the pension benefit's total cost, helping to drive projected pension costs for public school employees above an astonishing 30 percent of public school payroll within the next 15 years. "Prop 5," Braun observes, "offered no reforms for this gigantic problem beyond continued spending, and the proposal's state subsidies would have further accelerated the problem."

The red flags Braun raised caught the media's attention. His findings were cited in newspapers around the state, including The Grand Rapids Press, The Macomb Daily and The Ann Arbor News (see "Media Impact," Page 5). Braun had already prepared the ground with commentaries in July and October highlighting some of his ongoing findings, as had Mackinac Center Director of Education Policy Ryan S. Olson, whose Web commentary "Double-but-Nothing: More Education Spending Hasn't Yielded Better Results" was reprinted in the June 11 Saginaw News.

The Center had also arranged Issues and Ideas luncheons in Lansing with three education speakers: Ohio University's Dr. Richard Vedder, who on Sept. 21 discussed his finding that state spending on higher education does not produce higher levels of economic growth; retired Edmonton, Alberta, school superintendent Angus McBeath, who on Sept. 13 suggested spending is not fundamental to better education and described internationally acclaimed school choice reforms in Edmonton Public Schools; and former Colorado Senate President John Andrews, who on Oct. 12 discussed the problems caused by a Colorado constitutional amendment similar to Prop 5.

By Election Day, newspapers across the state, including The Detroit News and the Detroit Free Press, had editorialized against the proposal, and public support had plummeted. Since Prop 5's defeat, Olson has weighed in with the Mackinac Center Viewpoint "Time To Get Serious About School Employee Pension Reform," echoing suggestions sketched in Braun's Policy Brief. "Mighty Casey" may have struck out, but the Center will keep pitching education reform that will genuinely help Michigan's kids. **I**

Timely Policy Brief Questions Proposed Mercury Regulations

Gov. Jennifer Granholm's lopsided victory in the November election has provided her with political capital to pursue her major policy goals. Unfortunately for Michigan, which is currently in the throes of a single-state recession, one of these goals is likely to be implementation of mercury regulations that the governor recently directed the Department of Environmental Quality to draft. These regulations would force Michigan's coal-fired power plants to reduce their mercury emissions by 90 percent by 2015 — a costly and arbitrary goal that will not improve either public health or the environment.

Mercury is considered by many to be a destructive environmental pollutant. The Bush administration has called for reducing mercury emissions from coal-fired power plants some 70 percent by 2018. This federal program, however, involves a market-based emissions trading program that crosses state borders, while the governor's

more aggressive reductions will occur through inefficient command-and-control regulations.

To evaluate the governor's directive, Diane S. Katz, director of science, environment and technology policy, worked with Jon Heuss, a veteran researcher of air quality, to produce "Assessing Stricter Mercury Controls in Michigan," a Policy Brief released on Dec. 6. The publication is being distributed to lawmakers, regulators, the media and environmental groups, among others.

"These mercury directives carry huge economic consequences for energy suppliers, industry and consumers," Katz notes. "Yet these significant costs for Michigan's economy will not bring corresponding benefits for public health. Michigan power plants contribute only about 2 percent of the 4 tons of mercury deposited annually in Michigan, and the 90 percent reduction target is unrelated to the actual risk to human health."

This message was seized on by the media, with articles appearing in Gongwer News Service and MIRS on the day of the brief's release, and interviews aired the following day on the "Frank Beckmann Show" on WJR 760 AM in Detroit and the "Greg Marshall Show" on WMKT 1270 AM in Petoskey.

Katz and Heuss suggest that Michigan would do better to postpone mercury control requirements that exceed the federal standards and to cooperate with neighboring states and the Environmental Protection Agency to better define the risks associated with mercury exposures. In coming months, they will continue to argue that an improved scientific understanding of mercury emissions and risks may lead to sound policies that help Michigan — rather than politically driven policies that hurt it. **I**



More Schools Privatize Services to Save Money

In September the Center's Morey Fiscal Policy Initiative completed its 4th school privatization survey of Michigan's 550-plus school districts. We published the results in a news release and Viewpoint commentary that was reprinted by newspapers statewide.

The survey, which drew responses from 550 out of 552 school districts successfully surveyed, found that 208 contract for one of the three major noninstructional services: busing, janitorial or food. Total contracting rose from 35.7 percent of all districts in 2005 to 37.8 percent. Custodial contracting saw a staggering 26 percent one-year increase (from 50 districts statewide to 65). The Jackson Public Schools alone expects to save \$1.3 million — about \$193 per student — from its custodial contract.

This is the second survey that showed growth in competitive contracting for custodial services outpacing busing and cafeteria. Still, cafeteria services remain a favorite among districts, with 158 contracting for some type of work.



The Winter issue of Michigan Privatization Report contained a poster that showed the extent of major-service privatization in Michigan school districts.

One company, Chartwells Inc. of Ada, holds 131 contracts, up from 96 in 1995, when Public Act 112 took effect. Public Act 112 gave school boards

unilateral authority to contract for noninstructional services without seeking the union's approval.

Since the survey, five additional school districts have contracted for services. They are Lansing (cafeteria); Whitehall (custodial); L'Anse (custodial); Gwinn (custodial); Lakeshore (custodial); Arenac Eastern (cafeteria); and Inland Lakes Schools (cafeteria).

Customarily, the Mackinac Center surveys districts biennially with the next scheduled for 2007. We moved up our research a full year due to overwhelming media coverage for school privatization in 2006.

The data compiled in this year's survey will be used in a larger 2007 study highlighting areas for cost savings in Michigan public schools. Another summer survey of school privatization will be conducted starting in the spring, with results released in August.

Our survey of school contracting practices is the only one of its kind. School officials considering contracting to save money, or journalists reporting on the growing trend, often call the Mackinac Center first. **I**

Debate Workshops Draw Record Number of High School Students

Given the record number of participants and overflow capacity at some venues, the continued success of the Mackinac Center High School Debate Workshops is one topic that's not open for debate.

More than 470 students and coaches attended the four-day event in late September, listening to experts present round-winning strategies and offer points both for and against this year's national debate topic.

For 19 years the Debate Workshops have helped debaters in Michigan get an early jump on the question that high school students nationwide focus on throughout their 2006 forensic competitions.

This year's topic is "Resolved: That the United States federal government should establish a policy substantially increasing the number of persons serving in one or more of the following national service programs: AmeriCorps, Citizen Corps, Senior Corps, Peace Corps, Learn and Serve America, Armed Services."

The workshops featured three main speakers — Richard Edwards, Mike Winther and Greg Rehmke — all of whom returned to Michigan after participating in the 2005 workshops.

Edwards, a professor of communication studies at Baylor University, has authored the "topic introduction" feature in *Forensic Quarterly* since 1972. Winther, a former high school and college debater, is a frequent lecturer at debate camps and workshops around the country and coaches a California debate club that is consistently ranked in the top 10 nationally. Rehmke is program director for Economic Thinking, a Web site that provides economic educational resources. He has published resource books, study guides and newsletters focused on the economic aspects of the past 20 high school debate topics.

"It was once again a pleasure to have such dedicated and knowledgeable speakers involved in the Debate Workshops," Mackinac Center President Lawrence W. Reed said. "Hundreds of high school students heard a perspective on the debate topic that they won't get anywhere else."

All three speakers agreed that the level of participation and enthusiasm among participants this year was impressive. Students asked in-depth questions during and after each day's event. The Mackinac Center's "Ask the Debate Coach," an interactive Web site that offers answers to debate questions within 48 hours, received more than 30 e-mails from participants by the end of the four workshops.

The workshops were attended by students from 30 high schools, including independent, conventional and charter public schools from both urban and rural areas. They were North Branch, Saginaw Heritage, Arts Academy in the Woods, Thurston, Hamilton, Michigan Islamic Academy, Bishop Foley, Stevenson, Dearborn, Livonia Churchill, New Covenant Christian, Madison, Northville, Lenawee Christian, Hudson, Adrian, Clinton, Greenville, Holt, Ionia, Kenowa Hills, Gateway, East Grand Rapids, Grand Rapids Catholic Central, Forest Hills Central, Northview, Traverse City Central, Traverse City West, Petoskey and McBain.

The Debate Workshop series is the Mackinac Center's longest running program. More than 8,000 students have benefited from the expertise of well-known speakers, learning about research, preparation and presentation.

"The Debate Workshop was an informative wonderland," said Blake Woodward, a Hudson High School student.

For the second consecutive year, workshop attendees had a chance to win one of four \$1,000 college scholarships. Students could qualify for the scholarship contest by submitting

an essay of 600 to 725 words on a subject related to this year's debate resolution. Their instructions were to craft an editorial-style commentary that was both persuasive and informational.

Many schools participate in the workshops on an annual basis.

"If I wasn't a senior in high school, I definitely would like to attend again," said Kaylee Sorenson of Forest Hills Central High School.

One former high school senior actually did just that. Now a college freshman and debate team member, the workshop alumnus said he owed part of his past success to his participation in the Mackinac Center workshops during high school. Presently serving as an assistant coach at his alma mater, he was able to attend this year's workshop, picking up useful information for his college debate career and helping his former high school teammates.

Teachers also appreciate the workshops.

"As a first-year debate coach, [I found] this workshop ... extremely beneficial to me," said Cheryl Pfister of East Grand Rapids High School. "I know my novices are walking away with so much that will assist them as they begin their debate career."

For more information on this and future workshops, please visit www.mackinac.org/debate. **I**



MACKINAC CENTER FOR PUBLIC POLICY

DEBATE WORKSHOPS

2006



Tom McCann: Standing for Personal Freedom

The poorest man may in his cottage bid defiance to all the force of the Crown. It may be frail; its roof may shake; the wind may blow through it; the storms may enter, the rain may enter — but the King of England cannot enter: all his forces dare not cross the threshold of the ruined tenement!”

This profound quote comes from William Pitt, the first Earl of Chatham and former British prime minister. It was delivered in a speech 3,000 miles away and more than 200 years ago. Yet its message still rings true today for Michigan, and more specifically for Tom McCann of Midland.

McCann is a real estate investor who runs his business out of a home office. For decades, McCann has operated a successful and profitable business with little interference. That all changed on April 17, 2006, when the Midland County Clean Indoor Air Regulation was passed. The ordinance prohibits smoking in any business or near business entrances and exits. Certain businesses, such as bars and restaurants, are exempt from the regulation. McCann, however, is not exempt and has been told he cannot smoke cigars in his own residence.

The Midland County Health Department has asked McCann to comply with the new

regulation. So far, he has not. McCann may eventually risk a \$500 fine, but sees no reason why he should observe the new rules. Tenants have dropped off checks without complaining about the smoke and have always had the option of mailing their rent or leaving it outside his office. More importantly, though, McCann refuses to comply based on principle.

In a free society, a private owner who wants to allow smoking in his establishment has as much right to permit it as his customers have the right to go elsewhere. When a society is overburdened with rules and regulations, personal choice and responsibility are impeded. Can we expect to live freely if others use government to make decisions about our private actions for us?

McCann’s principled stand reminds us of the importance of fighting for what is right when our freedoms are at stake — no matter how small the encroachment may seem. **I**



Tom McCann at his home office in Midland.

Free Markets, Greed and Generosity

The holiday season is a natural time to think a bit more about family, friends and helping the needy stranger. Even businesses and other organizations embrace the spirit of the season. Local firms send customers small gifts that say “thank you” and churches and groups like the



Salvation Army work longer hours to make sure those in need have something extra. Yet, the season never fails to bring out those who unfairly criticize the free-market for encouraging greed and discouraging generosity.

But taxing people more does not make them more generous. Truly generous acts come from free people in a free society who voluntarily choose to help others. The New York Times articles featured in this issue of Impact illustrate

this principle of the pro-freedom philosophy.

One of the articles features James Shikwati, president of Kenya’s Inter Region Economic Network. IREN is working directly with villagers to eliminate malaria, improve crop yields, and create more markets for farmers. As his programs succeed, more mouths will be fed, fewer people will suffer from a preventable disease and Kenyans will be a bit more free from corrupt regimes propped up by foreign aid.

How is he doing this? Instead of asking for government handouts, Shikwati is creating incentives for Kenyans to improve their standards of living. As he tells The New York Times, “We have to stop looking for other people to save us, we need to look for ways to save ourselves.” This is not incompatible with charity. It’s fundamental to it.

By supporting the Mackinac Center for Public Policy, you are supporting ideas and policies that encourage people to be truly generous and create the wealth that enables them to give. As you help our message grow, the myth that more government funding is the path to a compassionate society will crumble. For that, we thank you. **I**



Justin W. Marshall,
Director of
Advancement

Property Rights from Page One

Kelo decision was the first issue that Senior Legal Analyst Patrick J. Wright addressed after joining the Center from his prior position as a Michigan Supreme Court commissioner.

The Mackinac Center issued a news release condemning Kelo, and recognized that a legislative response at the state level was almost certain (see *Impact*, Summer 2005 and Fall 2005). That response included both legislation and a proposed constitutional amendment, which eventually became Proposal 4. Wright was invited to testify before the Michigan House Committee on Government Operations and the Michigan Senate Transportation Committee. Wright emphasized the need for reform of “blight” takings, and suggested that courts should not blindly defer to governmental determinations that the taking of a property would serve a public use.

Wright’s observations led to significant alterations in Proposal 4 (see *Impact*, Winter/Spring 2006). As originally drafted, the proposal was to explicitly reject the notion that economic development takings were proper, as the court ruled in the *Hatchcock* decision. But there was a concern that a future court could revive the *Poletown* decision because the Michigan Constitution did not explicitly address this question. Wright noted that any amendment that would prevent physical takings abuse also must address blight. His argument was buttressed by a controversial blight designation that occurred in East Lansing.

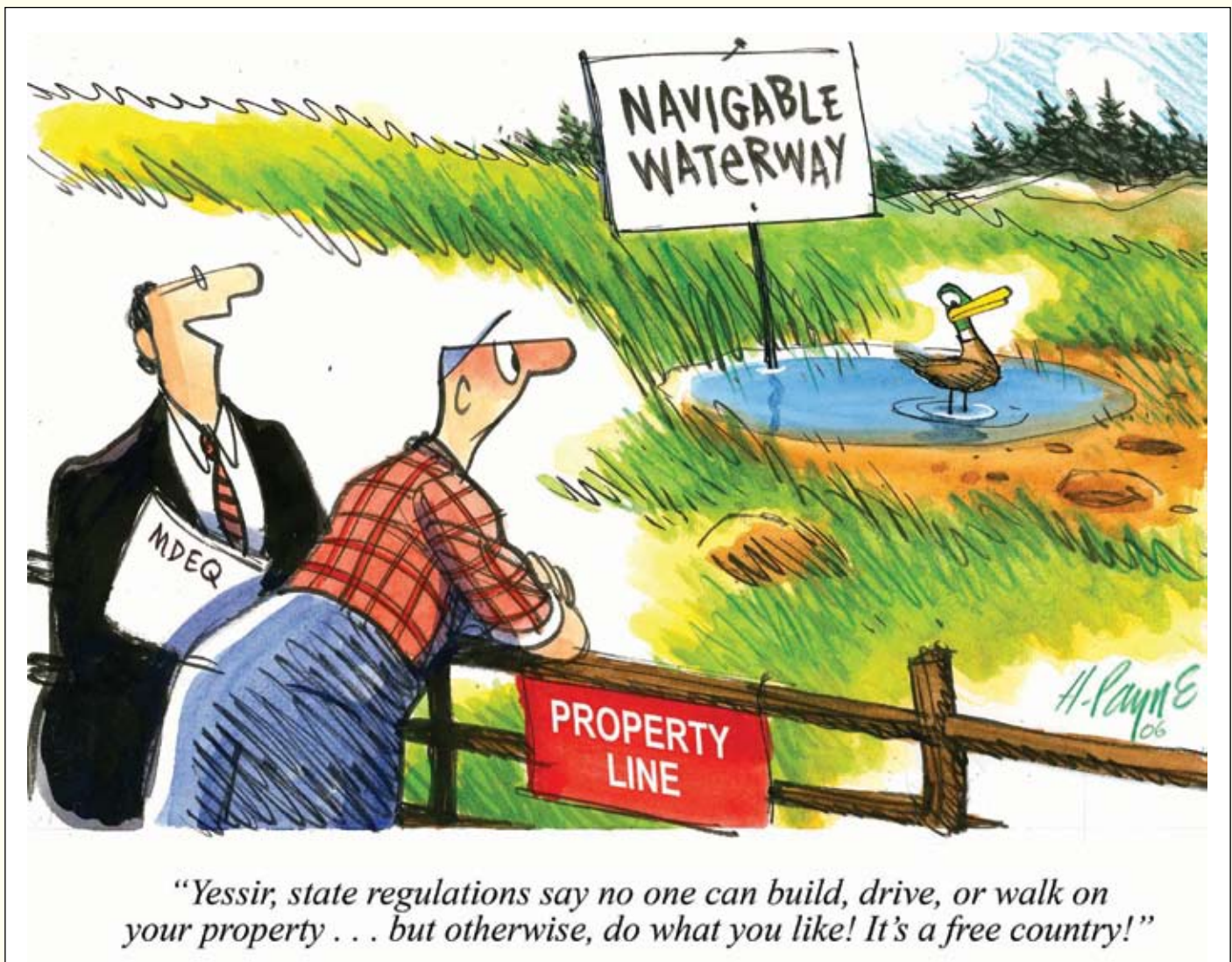
That designation has been fought doggedly by Nancy Kurdziel, who is the president of Prime Housing Group Inc., a family business located in the “blighted area.” While Proposal 4 was

being debated, Kurdziel led lawmakers on a tour that showed her property and neighborhood were thriving, not blighted. On more than one occasion, both Wright and Kurdziel testified on these issues before legislative committees.

Proposal 4 will prevent future blight abuse by requiring the designation to be determined on a property-by-property basis. Further, it significantly raises the burden of proof on a taking entity. With blight, a government must now show by clear and convincing evidence that a property is blighted, and with all other takings the government must now demonstrate by a preponderance of evidence that the property is for a public use.

In addition to the new standards of proof, blight reform and the explicit rejection of economic development

continued on next page



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takings, Proposal 4 also includes requirements that homeowners receive a premium when their homes are taken and that current statutes that protect property owners can not be repealed.

After the Legislature placed Proposal 4 on the ballot, it was necessary to inform the public about what the measure would do. Wright, Kurdziel and Mackinac Center Senior Environmental Analyst Russ Harding conducted property rights forums in Lansing, Bay City, and Traverse City (See Impact, Summer 2006 and Fall 2006).

Wright also authored the definitive legal review and analysis of Proposal 4, which was released on Oct. 5. He traced the history of takings law to explain how the current law had strayed from the Founders' intent to provide significant protections to property owners. The release of this study led to significant media exposure including Detroit Free Press coverage and an interview on "The Frank Beckmann

Show" on 760 AM WJR.

The overwhelming victory that Proposal 4 enjoyed at the polls highlights the passion with which Michigan's residents value their property rights. It will be important to inform Michiganders that the property rights fight is far from over. Proposal 4 addressed most of the flaws related to physical takings, where the government pays "just compensation" for the property it takes. The next battle will likely surround regulatory takings, where the government doesn't take physical possession of a property, but places restrictions on the manner in which the owner can use that property. Generally, the government does not have to pay for these restrictions even when the value of the property is significantly diminished as a result. The Center will continue to advocate for necessary change to limit this type of takings abuse as well. **I**

Educational Choice: View from the Summit

More than 100 school-choice advocates representing organizations from urban and rural areas around the country attended the Grassroots Education Reform Leadership Training Summit, held this past October in Milwaukee, Wis. The day-long seminar was conducted by Mackinac Center experts, and sponsored by the Alliance for School Choice, the Milton and Rose D. Friedman Foundation and the State Policy Network.

The path to full parental choice in education can seem circuitous. Opinions on the soundest policies — and how to implement them — are



Education Policy Director Ryan S. Olson

diverse. Committed to advancing the movement at all levels, Mackinac Center experts shared strategies that would provide direction to school choice researchers and activists.

Director of Education Policy Ryan S. Olson taught attendees how to transcend 13 intellectual "myths" about school choice,

and Director of Communications Michael D. Jahr talked about how to influence media and lawmakers. Director of Fiscal Policy Michael D. LaFaive and Director of Labor Studies Thomas W. Washburne offered strategies for addressing opponents of parental choice. Center President Lawrence W. Reed delivered a stirring message on how to translate ideas



Director of the Labor and Education Project Thomas W. Washburne

into success, and Joseph G. Lehman, the Center's executive vice president and chief operating officer, discussed ways to overcome barriers to success.

Following the summit, free-market research institutes representing more than 40 states gathered for the annual State Policy Network meeting. Because these organizations share similar challenges and opportunities, Olson helped present the results of a school-choice survey of more than 400 policy and grass-roots organizations. Between November 2005 and September 2006, the Mackinac Center assisted Adam B. Schaeffer, then a fellow at the American Enterprise Institute, in capturing a snapshot of views on movement strategies and progress.

Despite these experts' many years of work to shift public opinion, Olson told SPN leaders, a majority of organizations surveyed still perceive opposition to school choice among the general public. That's why events like the training summit for parental choice advocates are so critical. **I**

Viewpoints

Get Rid of the Labels

October 2006 V2006-28

Public debate is hampered by a tendency to slap labels on people and dismiss their ideas. Tangible results, not ad hominem attacks or empty rhetoric, should inform our dialogue.

Environmental Doomsayers Can Breathe Easy

October 2006 V2006-29

The most recent air quality report from the Department of Environmental Quality shows that pollution levels continue to decline. As a result, Michigan's air is cleaner than it has been in decades.

How the Late Great Detroit Statler Lives On

October 2006 V2006-30

Ellsworth M. Statler — and the grand Detroit hotel he designed — were a symbol of innovation and dedication to customer service.

Arrest Pontiac Police Costs

November 2006 V2006-31

The city of Pontiac is edging toward financial ruin. One way to arrest this slide is to introduce competitive contracting to one of the bigger general fund expenditures: public safety.

Public Bans on Private Actions

November 2006 V2006-32

State-mandated smoking bans and other government-imposed restrictions on private behavior are rooted in an immature impulse to employ government force to achieve a real or imagined benefit.

Bold Changes Needed in State Permitting

November 2006 V2006-33

Businesses looking to locate or expand their operations in Michigan are often impeded by a complex and unfriendly permitting process. Legislation and administrative reforms are needed to address this job-killing problem.

The AFL-CIO Picks the U.N. Over the Constitution

December 2006 V2006-34

Unhappy with a National Labor Relations Board ruling, the AFL-CIO has filed a complaint with the United Nations against the government of the United States of America. By appealing to foreign nations to get its way, the union is bypassing established constitutional remedies.

Time To Get Serious About School Employee Pension Reform

December 2006 V2006-35

The Michigan Public School Employee Retirement System is a fiscal burden on school districts, and that burden will only continue to grow. It is up to the state Legislature to address this elephant in the classroom.

Property Owners Hit by Regulatory Takings Deserve Compensation

December 2006 V2006-36

Government regulations often result in the loss of use or value of private property. Instead of saddling an individual owner with the cost of a public benefit, the government should compensate the affected party, as now happens in Oregon and Arizona.

Journals



Michigan Education Report

MER2006-04 \$3

Key stories: Alternative teacher certification; how Upper Peninsula schools deal with winter weather; the story of competition and school choice success in Edmonton (Alberta) Public Schools; the future of Detroit-area Catholic schools; Black River Public Schools in Holland ranked among top 100 in the nation; competitive contracting growth; Mackinac Center High School Debate Workshops a success; commentaries on Michigan's charter public school cap.

Premier Issue!



MichiganScience

MS2006-01 \$3

Key stories: An examination of the environmental trade-offs of renewable energy; the latest findings on the quality of Michigan's air, water and forests; guidelines for interpreting science news; a forecast of legislative and regulatory actions; and a list of scientific exhibits around the state open to students, families and teachers.



Michigan Privatization Report

MPR2006-02 \$3

Key stories: This issue is focused on the fiscal problems in the city of Pontiac and includes several recommendations on how the troubled municipality can cut costs and improve services. Suggestions include changes to the police and fire departments, as well as selling city assets.

Studies & Reports

Assessing Stricter Mercury Controls in Michigan

S2006-04 \$10

Gov. Jennifer Granholm has directed the Department of Environmental Quality to draft a rule to reduce mercury emissions from Michigan's coal-fired power plants by 90 percent. This Policy Brief shows the mandate would impose significant costs on the

Michigan economy without materially benefiting public health or the environment.

School Choice Snapshot: A 2006 Survey of U.S. Policy and Advocacy Organizations

S2006-08 \$10

This survey, undertaken by Adam B. Schaeffer in conjunction with the Mackinac Center, measured past and present support among think tanks and advocacy groups for cross-district choice, vouchers, charter schools, education tax credits, home schooling and total separation of state government and schools.

Mackinac Center Amicus Curiae Brief in Heaphy v. Department of Environmental Quality

www.mackinac.org/archives/2006/heaphybrief.pdf

This brief, filed with the Michigan Supreme Court in October, argues that a couple who bought property adjacent to Lake Michigan in the 1980s should be entitled to compensation from the state of Michigan after the state's 1995 Sand Dune Management and Protection Act ensured that their property could not be developed, rendering it worthless in the marketplace. The brief argued that the couple's loss, equal to \$1.7 million, should not be shouldered by them alone, but should fall on the public, which benefits from the law. The Michigan Supreme Court ultimately agreed, granting the couple the compensation they sought.

Mackinac Center Amicus Curiae Brief in Davenport v. Washington Education Association and Washington v. Washington Education Association

www.mackinac.org/archives/2006/weabrief.pdf

Filed with the U.S. Supreme Court in November, this brief argues that a Washington Supreme Court decision violates the free-speech rights of workers who chose not to join their workplace union. If the decision of the state of Washington's high court stands, a Michigan law that allows workers to choose explicitly whether to contribute to a union's political causes could be open to legal challenge.

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Property Owners Hit by Regulatory Takings Should be Compensated

The most widely reported story regarding this year's election results was the Democratic Party achieving majorities in both the U.S. House of Representatives and Senate. But while that story received the most coverage, it might not have been the most significant. That status likely belongs to the success of a number of property rights ballot initiatives.

In all, 13 states had property rights initiatives on the ballot (including one that was on Louisiana's primary ballot). Ten of them passed. Some of these 13 proposals dealt solely with physical takings and others dealt with both physical and regulatory takings.

Traditionally, a property owner has numerous rights regarding his or her property. These include, but are not limited to, the right to possess the land, to exclude others from the land, to use the land or to sell the land. Property lawyers often refer to these various rights as "a bundle of sticks."

Physical takings occur when the government, after paying just compensation, takes physical possession of a piece of property and puts it to public use. In essence, the government takes all the sticks.

Regulatory takings occur when the government enacts a regulation or law that diminishes the value of the property but does not take ownership. With regulatory takings, the government takes some, but not all, of the sticks.

Regulatory takings are an insidious way for a society to achieve its goals. With regulatory takings, the government generally does not have to pay for the property owner's lost value unless the property's value has been lowered to almost nothing. With physical takings, the government must pay the full value of the property when it wants to use it for a public use. In contrast, with regulatory takings, the government can limit the manner in which the owner can use the property (i.e. the government can take a stick or two) without having to pay for it. These limiting regulations are in effect free public uses, and the landowner pays a one-person tax.

A couple of examples may help illustrate the concepts. If the government takes property valued at \$100,000 in order to build a road, then the government pays \$100,000 to the former owner and the cost is dispersed to all of the

government's taxpayers. But if the government imposes a wetlands regulation that lowers the value of that property from \$100,000 to \$40,000, it is the landowner alone who absorbs the entire \$60,000 loss. The government pays nothing and it thereby receives a \$60,000 benefit for free.

In this election cycle, reformers took three courses. Some chose to present to the voters only physical takings reforms. Every one of those measures, including Michigan's Proposal 4, passed overwhelmingly. In Washington, reformers solely focused on regulatory takings and aggressively sought to compensate property owners for any regulation that came into effect since 1996.

The Washington property rights advocates were severely outspent, and the initiative was defeated. Reformers in three states placed initiatives that combined physical takings reform and regulatory takings reform. In Idaho, a

combined reform was defeated. In California, a combined initiative was narrowly defeated, but reformers are already looking to 2008 and might not be outspent by more than 3-to-1 again.

In the one state where the property rights advocates were not outspent,

Arizona, a combined reform initiative passed with 65 percent of the vote. Arizona thus joins Oregon, which passed a regulatory takings measure in 2004. Both states require the government to either compensate an owner for the value lost due to the regulation or to not enforce the regulation against that owner.

Under the Michigan Supreme Court's current controlling case law, regulatory takings are generally not compensable, though there is a possibility that the court could reexamine this issue in the right case. Regardless, given that slightly more than 80 percent of Michigan residents voted in favor of Proposal 4, it seems likely that either through the Legislature or a petition drive, regulatory takings will need to be addressed.

Joining the national trend, the people of Michigan expressed a clear desire to make sure that property owners are protected from governmental abuse. Requiring the government to pay for property that it devalues is the next logical step. **I**

The following is an edited version of a December Viewpoint by Patrick J. Wright, senior legal analyst for the Mackinac Center for Public Policy.



Center Scholars at the Academy: Property, Money and Privatization

It is a classic debate question: Which has more influence on the world — the written word, or the spoken? At the Mackinac Center for Public Policy, we address this question by publishing *and* speaking — and perhaps nowhere does our speech have more long-term impact than at colleges and universities, where young adults are still forming their views of society and government. Below is a description of our recent campus appearances.

On Oct. 3, Senior Environmental Policy Analyst **Russ Harding** took part in a six-person debate at **Saginaw Valley State University** concerning eminent domain reform and Proposal 4. The debate was sponsored by the SVSU Student Association and attended primarily by students. Harding was joined in his call for stronger property rights by Nancy Kurdziel (see “Prop 4 and Beyond,” Page One) and an SVSU adjunct professor. Harding notes that the professor remarked beforehand, “I never agree with the Mackinac Center on anything, but I’m with you on this one.” Harding adds, “By the end of the debate, even a panelist on the other side of the issue had joined us.”

On Oct. 26, **Mackinac Center President Lawrence W. Reed** spoke to **Hillsdale College** students about privatization in school districts and state and local government. His speech was co-sponsored by two Hillsdale student groups: the Politics Club, and the Praxis Political Economy Club. Reed was delighted with the experience, saying, “The students were very attentive, and they had terrific questions afterwards.” On Oct. 28, **Reed** spoke again at **Hillsdale College** during a Durell Colloquium sponsored by the college, the Acton Institute and the Council for Christian Colleges & Universities. Addressing the colloquium’s distinguished assembly of writers, policy analysts, professors and students, Reed discussed President Grover Cleveland’s principled insistence on the importance of sound money to a free society.

On Nov. 6, Senior Legal Analyst **Patrick J. Wright** spoke to a group of **Kenyon College** students in Ohio about eminent domain in state and federal government and about property rights initiatives on state ballots across the nation. The



Lawrence W. Reed addresses the Oct. 28 Durell Colloquium at Hillsdale College in Hillsdale, Mich.

speaking opportunity was arranged by Colin Maguire, a Kenyon College student and son of Mackinac Center Board of Directors Member Joseph P. Maguire. The talk was well-received, says Wright, who told his audience, “In this election, what might be far more important than which political party wins is whether property rights are upheld. Property rights are the basis on which our country was founded.” **I**

Media Impact from Page 5

in an article on state-mandated education standards in the September issue of **Metro Parent Magazine**.

Robert Hunter, senior fellow in labor policy, discussed the impact of paycheck protection legislation in the Oct. 6 issue of **Human Events**.

The **Detroit News** editorial page on Aug. 26 quoted from an earlier **Russ Harding** commentary that called for the state to use the Michigan Environmental Science Board when setting environmental policy.

The Aug. 16 issue of the **Weekly Standard** cited the Mackinac Center in an article titled “Mythology of Minimum Wage.” The article was also posted on the CBS News Web site.

Thomas W. Washburne, director of labor policy, authored a commentary that appeared in the Oct. 2 issue of **MiBiz**, calling for reform of America’s system of collective bargaining.

When Gov. Jennifer Granholm presented her plan for replacing the Single Business Tax, Legislative Analyst **Jack McHugh** once again made the case that the tax should be offset with budget cuts, not replaced with another burdensome tax. “The Single Business Tax should be replaced with nothing,” he told the **Midland Daily News** on Nov. 30, adding that business taxes hurt investors. The Nov. 27 issue of **MiBiz** carried a lengthy excerpt of remarks McHugh delivered on the issue at a Nov. 13 town hall meeting at Michigan State University.

An Op-Ed by **Diane Katz** on Michigan’s improving environment appeared in the Oct. 18 **Dearborn Times Herald** and the Oct. 26-Nov. 1 **Ann Arbor Business Review**.

The misleading nature of political labels was the topic of a **Lawrence Reed** commentary that was carried or excerpted in **The Gladwin County Record** on Oct. 12, **The Detroit News** on Oct. 21, the **Saginaw Press** on Oct. 20, the **Homer Index** on Oct. 25, the **Utica Advisor** on Oct. 29, the **Sterling Advisor** on Oct. 29 and the **Midland Daily News** on Nov. 26. Another Reed commentary (Public Bans on Private Actions) appeared in the Nov. 9 **Dearborn Times Herald**, the Nov. 19 **Midland Daily News** and the Dec. 2 **Grand Rapids Press**. **I**

Cable Franchising: Stone Age Policies in a Cyber Era

Michigan consumers are a big step closer to better cable TV service following the approval of reform legislation by the Michigan House on Nov. 14. The Mackinac Center's Diane S. Katz, director of science, environment and technology policy, has played a prominent role in educating lawmakers about the benefits of streamlining the franchise regime, including her multiple appearances before the House Committee on Energy and Technology, the release of her cable policy analysis and publication of her franchise-related commentaries in *The Detroit News*, *The Oakland Press*, the *Lansing State Journal* and the *Flint Journal*.

From the time cable lines began replacing TV antennas four decades ago, municipalities have required firms to obtain franchises under the assumption that cable service was a natural monopoly in need of taming. This local regulation, which was never justified, has become destructive now that there

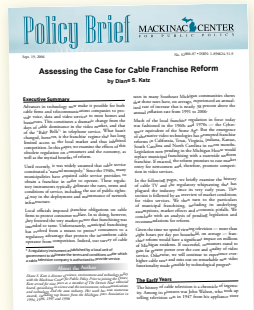
is an assortment of technologies and service providers.

The pending legislation would, if enacted, replace municipal franchising with a statewide uniform franchise. No longer could municipalities dictate the rates, terms and conditions of video services. Such reform promises to ease market entry for newcomers and, therefore, promote competition in video services.

Municipal franchising of cable TV is supposed to serve consumers' interests, but consumers hardly feel well-served: Cable garnered lower customer satisfaction scores than the Internal Revenue Service in a recent survey.

Consumers complain most often about cost and service quality. Cable industry executives insist that rates are rising because customers are getting more for their money. Consequently, Katz calculated changes in cable rates on a per-channel basis in 15 southeast Michigan communities. The average of the increases over 15 years was nearly 67 percent. In fact, cable rates in these communities have on average experienced an annualized rate of increase that is nearly 38 percent above the annual inflation rate from 1991 to 2006.

"As a matter of policy, there is little rationale for maintaining a franchise regime of any sort," Katz said. "In principle, then, the reform legislation does not go nearly far enough in easing barriers to competition. But the reality is that most lawmakers probably do not have the political will to enact broader reforms in the face of fierce opposition from municipalities and the cable industry." **I**



SNAPSHOTS



The Mackinac Center for Public Policy mourns the passing of Nobel Memorial Prize winner Milton Friedman — an economic genius, a gentleman and a historic champion of liberty. Above, Friedman is seated next to Executive Vice President Joseph G. Lehman (left) at a conference sponsored by the Gleason Foundation and the Milton and Rose D. Friedman Foundation in May.