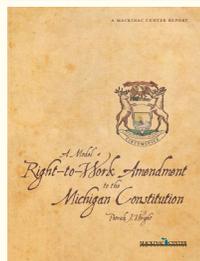
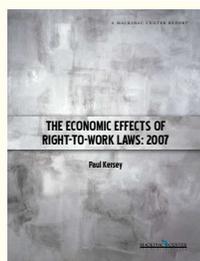
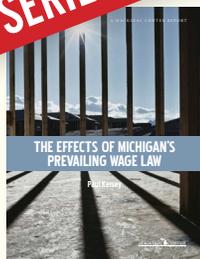


LABOR DAY
2007 SERIES



Labor Intensive

Call it a labor of love. In the week prior to Labor Day, the Mackinac Center released three labor-related studies, hosted a labor forum in Lansing and issued a press release highlighting an example of one union's hypocrisy. The publication of three studies in three days set a Mackinac Center record.

An increasing number of those witnessing Michigan's economic decline now recognize that the state's labor climate has been a contributing factor and reform is overdue. As the state's leading advocate of labor law reform, the Center was intent on using this opportunity to shift the

window of political possibility.

The Labor Day blitz quickly produced fruit, helping shift the terms of public debate away from simply maintaining the status quo to the consideration of substantial labor-law reforms.

The week began Aug. 27 with the publication of "The Effects of Michigan's Prevailing Wage Law" by Senior Labor Policy Analyst Paul Kersey. The 28-page report described what Kersey called a "trifecta" of bad public policy — higher costs, fewer jobs, and benefits going to high-wage workers. Under Michigan's prevailing wage law, all workers receive union wages on state-

funded construction. Kersey's study found that Michigan had a low number of construction jobs compared to its overall workforce and that the prevailing wage increased the cost of construction by 10 to 15 percent, adding \$250 million to the cost of government. In addition, Kersey highlighted the prevailing wage's "reverse Robin Hood" effect; construction workers in Michigan typically earn wages that are 28 percent higher than those for Michigan's workforce as a whole, but Michigan's prevailing wage law boosts those above-average wages by another
see "Labor," Page 6

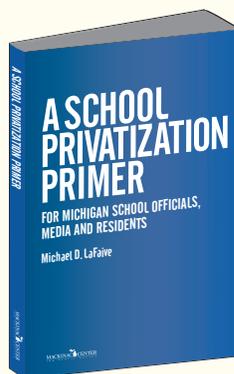
SCHOOL PRIVATIZATION: Tools and Trends

The 2007 school budgeting season was aided significantly by a trio of Mackinac Center school reform primers, the last of which was "A School Privatization Primer for Michigan School Officials, Media and Residents."

The 110-page primer, authored by Morey Fiscal Policy Initiative Director Michael D. LaFaive, was released at the end of June to coincide with the beginning of the new school fiscal year. (The other primers, highlighted in the Summer 2007 issue of Impact, covered collective bargaining and school finance.) Privatization was also the focus of the Center's

2007 survey of school support service privatization, which found that more than 40 percent of Michigan school districts contract out for one of the three major noninstructional services — custodial, food and transportation.

The primer filled an information void. Since there was no single, comprehensive source for people or institutions to turn to regarding school support service privatization, the Mackinac Center conducted a 50-state survey to determine the rate at which conventional public school districts embraced competitive contracting for school food services. The Center also published the details of other national surveys to provide perspective for Michigan's experience with school contracting. "The capstone of our
see "School Privatization," Page 10



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"Here in Southwest Missouri we think of Larry Reed as one of us because he so strongly shares our solid, common-sense values. The Missouri Legislature's Majority Caucus was pleased to have Mr. Reed attend our Summer Caucus as a special guest speaker. A large number of state representatives left the Caucus inspired by his reinforcement of the Seven Principles of Sound Public Policy."

— Marilyn Ruestman, Missouri State Representative, 131st District, Majority Caucus Secretary

"Who Funds You, Anyway?"



Joseph G. Lehman
Executive
Vice President

This message is adapted from Joseph G. Lehman's response to "anonymous," an Internet user who questioned our policy of donor privacy. – Ed.

It's a bit ironic that someone who signs his name "anonymous" is asking the identity of Mackinac Center supporters.

Yet I don't begrudge "anonymous" the safety of shielding his name. He's firmly within his First Amendment rights, which were codified to protect political speech. "Anonymous" obviously finds it important to inject his own ideas into public debate without revealing his identity. I bet we agree on other things, too.

All of our supporters share a commitment to free enterprise principles. We respect our friends who let us publicly thank them, and we respect the wishes of supporters who prefer the same privacy claimed by "anonymous."

We're proud of our friends. Our lobby — the most public place in our building — is adorned with the names of key supporters. Our quarterly newsletter — publicly available online — features articles about great folks who support our work. Our educational forums — open to the public — are attended by supporters. Charitable foundations list Mackinac Center gifts in public documents. Each of our directors support us — their names are listed inside each study we publish.

We've attracted broad support. Last year, 62 percent of our contributions came from foundations, 24 percent from individuals and 14 percent from businesses. All of our support is voluntary, which is something that can't be said by tax-funded groups or labor unions that say "give us dues, or we'll get you fired."

"Anonymous" might be one to march down to the local Salvation Army, Greenpeace office or other charity and demand names of donors. But I wonder if he would show his checkbook register to anyone who demanded to know how much "anonymous" donates to the organizations that share his goals.

In 2002, the Michigan Education Association sued the Mackinac Center, demanding a fundraising list. The union and its then-president, Luigi Battaglieri, were unhappy that we quoted Mr. Battaglieri telling reporters, "Frankly, I admire what they [the Mackinac Center] have done."

Our attorneys at the Institute for Justice likened the MEA's bullying tactics to those of southern segregationists in a notorious 1958 case of donor intimidation (NAACP v. Alabama). Powerful interests wanted to pressure NAACP donors, but first they had to discover their names. The U.S. Supreme Court protected the donors' privacy.

Likewise, a Michigan court threw out the MEA's lawsuit, citing our First Amendment rights. The union could not use our list to intimidate our friends. It got a dose of national scorn and ridicule instead.

We welcome scrutiny of everything we publish. The best way to judge our research is through rigorous critique. But not everyone will challenge our work on its merits — some people resort to name-calling, conjure up conspiracy theories or attack our supporters. Because of that sort of "critic," we are thankful for our First Amendment rights while remaining mindful of theirs, even if they remain "anonymous." **I**

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Senior Vice President and General Counsel, Amerisure Companies

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Mackinac Center for Public Policy

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Free-Market Fundamentals for a New Generation

Ideas can dissipate easily if not conveyed to each new generation. Young people — who will one day be the leaders of families, businesses, communities and governments — often communicate differently than their predecessors and may be motivated by different things. Principles, therefore, must be shared in new ways while maintaining fundamental truths.

A desire to convey the principles of free markets and individual liberty to a new generation served as the impetus for a Center initiative that would reach out to Michigan's college students. Students for a Free Economy, led by Director of Campus Leadership Isaac M. Morehouse, was tasked with taking the ideas that Mackinac Center scholars have promoted over the last 20 years and finding innovative ways to propagate them in our institutions of higher learning.

In its official back-to-school fall kickoff, SFE hosted booths at student organization fairs and campus events on five different campuses across the state. Hundreds of SFE t-shirts were handed out, iPod music players were raffled off and student-oriented booklets titled "Economic Freedom and Human Prosperity" were disseminated.

"The response from students



University of Michigan students gather around the Students for a Free Economy table during the university's back-to-school student fair. Hundreds of young people on five Michigan campuses snatched up SFE materials and giveaways, and signed up for the organization's distribution list.

was amazing," said Morehouse, who manned the booths along with student volunteers. More than 1,000 students signed up at Michigan State University, Central Michigan University, Grand Valley State University, the University of Michigan and Western Michigan University. Even more encouraging than the numbers, Morehouse said, were the conversations he had with interested students.

"Young people today care about the important issues," he said. "Students can be passionate about improving health care, protecting the environment and ending world conflict. What many do not realize, however, is how economic freedom has a profound effect on all of these issues. Students have passion.

All they need now is the right information."

Many students were amazed that there was a group on campus supporting free markets. Most had never been exposed to the idea that free markets help alleviate poverty and protect the environment. Though they may have been fed a steady diet of anti-capitalist rhetoric, they were open to new ideas.

SFE will provide an alternative to the often big-government ideas espoused in higher education.

New methods of communicating the principles of freedom are required to compete with the culture and reach students who don't want to add another lecture or forum to their busy schedule. SFE is pursuing creative ways to engage students through contests, a blog site (www.michigansfe.org), barbecues and even free-market tailgate parties. In July, SFE invited students to a "Competition Makes it Better" minor-league baseball outing, where they celebrated competition and what would have been the 95th birthday of economist Milton Friedman. Participants received baseball jerseys bearing the number 95 and a free copy of Friedman's classic book, "Free to Choose."

SFE will also reach out to students who already favor free markets but may feel isolated on campus. The organization will serve as a link between them and like-minded students and organizations.

This generation of college students has every bit of the intelligence, passion and ability needed to lead the world. But they need a solid and principled foundation. Students for a Free Economy will challenge them with new questions and ideas that will hopefully lead them to understand that liberty can make all the difference. **I**



Center Launches Property Rights Network

A manufacturer of high-tech medical supplies, Hart Enterprises has grown significantly since moving its operations to Sparta, Mich., in 1998. The company employs more than 100 Michigan workers in technical, sales and administrative functions. But the company's owner, Alan Taylor, is threatening to move Hart to a different state if Michigan doesn't adapt its environmental regulatory enforcement to allow expanding the company's parking lot to accommodate future hires. The expansion, it seems, would compromise one of the state's valued "wetlands" — a half-acre plot of land between the current parking lot and an expressway that retains water for approximately three weeks each spring.

Hart Enterprises' plight is far from isolated. Every year, hundreds of Michigan businesses and property owners are thwarted by overzealous



Russ Harding

enforcement of vaguely written codes, which further threatens the state's already perilous economic climate. For this reason, the Mackinac Center for Public Policy has launched a new initiative: the Property Rights Network.

Headed by Director Russ Harding, PRN will be the first full-time program dedicated to preserving and expanding private property rights — rights that Harding says "are constantly under assault by uninformed legislators, activist judges, out-of-control regulatory bureaucracies and a school system that rarely emphasizes the importance of property rights." PRN's goal is to elevate public awareness of property rights and how to protect them; encourage

policymakers to respect property rights when crafting laws and regulations; and identify, organize and support property owners across Michigan into a powerful statewide property rights coalition.

Before assuming charge of the Property Rights Network, Harding was senior environmental policy analyst for the Center. Prior to that, he was senior director for environment and energy affairs with Scofes, Kindsvatter & Associates, a consulting firm with offices in Lansing. He served as director of the Michigan Department of Environmental Quality from 1995 through 2002, following senior management posts in environmental and natural resources for the states of Arizona, Alaska and Missouri.

PRN was established with a \$250,000 gift from a Michigan foundation. The foundation also pledged to match dollar-for-dollar \$500,000 in future contributions. **I**

UPDATES

Essay Contest, Paycheck Protection, Cartoon Winner

Genna Greenberger, a 15-year-old student at Portage Central High School, received a \$500 scholarship from MichiganScience for her winning submission to the "Scientific or Not?" essay contest. Her "Under the Sea" essay described how the Disney animated feature "The Little Mermaid" defies the laws of science.

The contest required students in grades six through 12 to analyze a scientific fact or fallacy from a book, movie, song or other pop-culture medium.

Two other Portage high school students were also winners. Second place was awarded to Alisha Kamboj for her essay on the scientific errors in the film "The Day After Tomorrow." Phoebe Huberty won third place for her analysis of the Fizzy Lifting Drink featured in "Charlie and the Chocolate Factory." Both will receive gift certificates from Edmund Scientifics.

A unanimous U.S. Supreme Court ruling on June 14 indicated that Michigan's "paycheck protection" law is on solid constitutional ground, according to Senior Legal Analyst Patrick J. Wright. Deciding two cases out of Washington, the court held that states may require public sector unions to obtain nonmembers' affirmative consent before the union may spend any of nonmembers' agency fees on political purposes. "Michigan workers will very likely maintain their right as a result of this ruling," Wright said.

The justices reasoned that since states have the power to prevent public sector unions from charging agency fees to nonmembers altogether, states clearly have the power to place a condition on the unions' use of such fees, an argument advanced in an amicus brief that Wright filed in both cases.

The Summer issue of Impact included a survey that solicited reader feedback on the newsletter and ideas for improvement. The responses were thoughtful, encouraging and valuable!



Susan Campbell

Those who filled out and returned the survey were eligible to win the signed original of the Henry Payne editorial cartoon that appeared in that issue. The winner of the drawing was Susan Campbell of Midland, Mich.

"I never win anything, so I was shocked," said Campbell. "The cartoon is terrific. I plan to hang it where all my friends can see it."

As a long-time Impact reader, Campbell said she likes the newsletter because it delivers free-market news and principles in a succinct and lucid fashion. "I like the brief nature of Impact," she said. "I am inundated with free-market information and publications, and I don't always have the time or interest to read it all. Impact is the exception." **I**

Center's Right-to-Work Efforts Draw Wide Coverage

The Mackinac Center's long-time emphasis on the benefits of Michigan becoming a right-to-work state generated considerable media coverage over the summer.

"This is the one best thing that can break the perception around the country that Michigan doesn't have a friendly work environment," President **LAWRENCE W. REED** told *USA Today* in the July 26 edition. "Nothing would do that better than a right-to-work initiative." The *Detroit News* cited the Center's analysis of right-to-work policy in a July 20 Op-Ed.

PAUL KERSEY, recently promoted to director of labor policy, wrote about the benefits of right-to-work legislation for the electronic business newsletter of *Detroit's WWJ 950 NewsRadio* on Aug. 20. Kersey authored an August study titled "The Economic Effects of Right-to-Work Laws: 2007." (For more details, see related story on Page 1). Kersey and the study findings were quoted Sept. 4 in *The Detroit News*, Sept. 4 in *The Battle Creek Enquirer* and Sept. 5 in *The Oakland Press*. Statistics from Kersey's study were used in a Sept. 3 *Detroit News* editorial that called for Michigan to become a right-to-work state.

A second Kersey study, titled "The Effects of Michigan's Prevailing Wage Law," was cited on Aug. 28, Aug. 29, Aug. 31 and Sept. 4 by *The Detroit News* and Aug. 30 in *Michigan Information & Research News*. A Sept. 5 *Grand Rapids Press* editorial cited the study when calling for repeal of the state's prevailing wage law.

DR. BILL CONERLY, who spoke about unions in a competitive economy at an Aug. 29 Issues and Ideas forum, was interviewed on WJR's "The Frank Beckmann Show" on Aug. 27. He was interviewed on the same topic by *Michigan Public Radio* on Aug. 29.

DR. RYAN OLSON, director of education policy, wrote an Op-Ed for the *Detroit Free Press* Aug. 19 on the federal No Child Left Behind law, and another *Detroit Free Press* Op-Ed on Aug. 3

about tuition tax credits. He also was a guest on WKAR's "Off the Record" special focusing on school financing. The program aired on public broadcast stations statewide in early August. Olson, co-author of "A Michigan School Money Primer," along with **MICHAEL D. LAFAIVE**, director of the Center's Morey Fiscal Policy Initiative, was quoted in numerous education stories, discussing: Detroit school closings (*School Reform News*, July 17); Michigan public school financing (*WGVU AM/FM*, Aug. 1, *Grand Rapids' WOOD NewsRadio 1300*, July 18 and *WZZM-TV*, July 18); and school support service privatization (*The Ann Arbor News*, July 30, *Livingston Daily Press & Argus*, Aug. 12, *Michigan Radio Network*, Aug. 13). Olson and LaFaive discussed the school money primer at length in an Aug. 8 interview on WAAM's "Lucy Ann Lance Show."

LaFaive discussed the success of school contracting in a July 25 *Detroit News* Op-Ed, and in the Aug. 7 *Jackson Citizen Patriot*, on the Aug. 16 "Frank Beckmann Show," Aug. 16 on *Gladwin's WGDN*, Aug. 8 in the *Dearborn Times-Herald* and on NBC TV-25's "Up Close With Kathy Hoekstra" on Aug. 2. LaFaive and co-author **DANIEL J. SMITH** were quoted in the Sept. 4 *Livingston Daily Press & Argus*. LaFaive was quoted in an Aug. 22 *USA Today* story about targeted tax cuts.

JACK MCHUGH, legislative analyst, was quoted in news stories on July 9 (*WOOD TV*, *Lansing State Journal* and *Gongwer News Service*) regarding the need for budget reforms to solve the Legislature's overspending crisis, and in the July 20 *Midland Daily News*. On Aug. 19 *The Oakland Press* ran a McHugh Op-Ed on Oakland County's financial stewardship.

Legislative Analyst **KENNETH M. BRAUN**'s proposals on how to reduce costs for Michigan's prison system were the focus of stories and editorials on Aug. 6 in the *Detroit Free Press*, *The Detroit News* and *The Midland Daily News*. Braun's comments on the Michigan Business Tax appeared Aug. 8 on



Director of Education Policy Ryan S. Olson and Morey Fiscal Policy Director Michael D. LaFaive discuss public school financing with WAAM talk show host Lucy Ann Lance.

WWJ's Michigan Future and Muskegon Examiner, and on Aug. 16 in the *Grosse Pointe News*. His Op-Ed on a part-time legislature appeared Aug. 13 in the *Cadillac News*. A Braun commentary on the *Detroit People Mover* appeared Aug. 8 in the *Dearborn Times-Herald*.

DIANE S. KATZ, director of science, environment and technology policy, spoke on state ethanol subsidies in the July 20 *State News* and on subsidized cable access channels in the July 23 *Small Business Times*. Katz's view of a proposed increase in phone taxes ran Aug. 6 in the *Big Rapids Pioneer* and Aug. 8 in the *Grosse Pointe News*. A writing contest sponsored by MichiganScience was covered in the Aug. 22 *Kalamazoo Gazette*.

Cutting the cost of government was the topic of an Op-Ed by **RUSS HARDING**, senior environmental policy analyst, in the June 26 *Escanaba Daily Press*. Harding also discussed renewable electricity in the July 17 *MIRS*.

Senior Economist **DAVID LITTMANN** discussed sole proprietorships July 10 in *Booth Newspapers* and Aug. 6 in *The Bay City Times*; farm subsidies July 19 in *Booth Newspapers*; household income Aug. 29 in the *Detroit Free Press*; and the impact of the Detroit riots July 24 on *Michigan Radio Network*.

LAWRENCE W. REED's essay on the use of government force to sway behavior was printed in Aug. 28 issue of *Christian Science Monitor*. **I**

Labor from Page One

40 to 60 percent whenever state funding is involved.

The report drew the attention of newspapers throughout the state. The Detroit News reported on the study on Aug. 27. Four days later, the News ran an editorial headlined “Dump costly wage rule for public construction,” which noted that: “A study released this week by the Mackinac Center, a free-market think tank in Midland, estimates that state and local prevailing wage laws add more than \$250 million to the cost of these projects. This extra money comes right out of the pockets of taxpayers and is directed to construction unions.” The Grand Rapids Press also used the Kersey study as the basis for its own editorial, calling on the state to “Get Rid of Prevailing Wage.” The editorial concluded: “With Michigan struggling for every job and each tax dollar, it’s irresponsible of lawmakers and the governor to retain this expensive law. Smarter policy, not union-scale wages, should prevail.”

As a result of the study, proposals for relief, whether in terms of an exemption for public schools, a temporary suspension or a revision that will allow contractors to



Dr. Bill Conerly, an economist and consultant, discusses competition's effect on labor unions with a Michigan Public Radio reporter. Conerly was the guest speaker at a Mackinac Center Issues and Ideas forum.

A Model Right-to-Work Amendment for Michigan

- A. As used in this section, “labor organization” means any agency, union, employee representation committee, or organization of any kind that exists for the purpose, in whole or in part, of dealing with employers concerning wages, rates of pay, hours of work, other conditions of employment, or other forms of compensation.
- B. No person shall be required as a condition of obtaining or continuing public-sector or private-sector employment to:
 - 1. Resign or refrain from membership in, voluntary affiliation with, or voluntary financial support of, a labor organization.
 - 2. Become or remain a member of a labor organization.
 - 3. Pay any dues, fees, assessments, or other charges of any kind or amount, or provide anything else of value, to a labor organization.
 - 4. Pay to any charity or other third party an amount equivalent to, or a portion of, dues, fees, assessments, or other charges required of members of a labor organization.
- C. An agreement, contract, understanding, or practice between a labor organization and an employer that violates this section is unlawful and unenforceable. This section will apply only to those agreements, contracts, understandings or practices that take force or are extended or renewed after this section takes effect.
- D. Any person who suffers an injury or a threatened injury under this section may bring a civil action for damages, injunctive relief, or both. In addition, the court shall award a prevailing plaintiff costs and reasonable attorney fees.
- E. This section shall be self-executing. If any part or parts of this section are found to be in conflict with the United States Constitution or federal law, the section shall be implemented to the maximum extent that the United States Constitution and federal law permit. Any provision held invalid or inoperative shall be severable from the remaining portions of this section.

pay wages closer to those found in the market, are now on the table.

The Center followed that study with another report by Kersey, titled “The Economic Effects of Right-to-Work Laws: 2007.” This study updated Dr. William T. Wilson’s 2002 Mackinac Center study comparing the economic performance of right-to-work and non-right-to-work states.

Under a state right-to-work law, employees cannot be forced to join or pay dues to a union as a term of employment, though workers maintain the right to join a union and collectively bargain. Focusing on very basic measurements of job creation and income over a 30-year time period, Wilson’s 2002 study found that states with right-to-work laws created more jobs and had lower unemployment than states that allowed forced unionism.

Kersey picked up where Wilson’s report left off, focusing on economic data from the last five years. The new report found that right-to-work states retained most of their advantages in job creation and in many cases the right-to-work advantage had grown larger. In terms of income — one area where right-to-work states appeared to be at a disadvantage in Wilson’s original study — right-to-work states were catching up, to the point that if the trend of the last five years holds, most right-to-work states will have higher per-capita disposable incomes than Michigan by 2010.

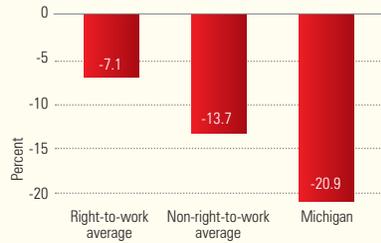
On Labor Day, The Detroit News cited the report in an article on the decline of big labor in Michigan

and published an editorial calling for a national right-to-work law. The Battle Creek Enquirer and Oakland Press both featured the right-to-work report in their own Labor Day articles on the state of Michigan's union movement.

The Labor trilogy was capped off by "A Model Right-to-Work Amendment to the Michigan Constitution" on Aug. 29. After reviewing national and state labor laws and court decisions, Senior Legal Analyst Patrick Wright drafted right-to-work model language that would offer Michigan workers the maximum level of protection from compulsory unionism while avoiding issues that could lead to costly and time-consuming litigation. Should there be a concerted effort to make Michigan a right-to-work state, Wright's amendment will likely play a critical role in informing drafters of legislation or petition language for a ballot initiative.

Later that day, economist and consultant Dr. Bill Conerly addressed

Total percentage losses in manufacturing employment, 2001-2006



Michigan has a particular interest in preserving manufacturing employment as much as possible, an area where states with right-to-work laws appear to have a distinct advantage, according to Paul Kersey's right-to-work study.

labor issues at a Mackinac Center Issues and Ideas forum in Lansing. More than 60 legislators, staffers and reporters attended. Conerly discussed how global competition and corporate accountability have reduced the opportunities for labor unions to expand. The exception is in the public sector, where competition is lacking. This trend does not necessarily serve the public interest, he said, nor the interest

of some employees. The ideal model, he told the audience, was recently adopted in New Zealand where employees are guaranteed a choice in representation.

The week's events were capped by a Center press release that highlighted a conflict between management of the Michigan Education Association union and its employees over retirement benefits and retirees health care. Michael D. LaFaive, director of the Center's Morey Fiscal Policy Initiative, took the MEA to task for making "financial decisions as a business that conflict with its own stance in negotiations with school districts."

While deeply entrenched and well-financed opponents to labor reform remain, the Mackinac Center has effectively moved these ideas from the periphery to the political mainstream. If state leaders are serious about wanting to revive Michigan's economy, the fruit of the Center's labor would be a good starting place. **I**



We planned a study on how much the prevailing wage is costing the state, but we had to spend the money on prevailing wages.

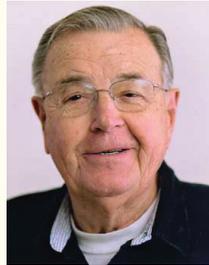
Principled Philanthropy

When asked by an Ann Arbor News reporter to provide reasons for his generous philanthropy, Phil F. Jenkins responded: “I don’t want the government to have my money. They can’t run a three-car funeral, why give them money to run something else?” That quote ran prominently in an article devoted to Jenkins and raised quite a storm among readers. His words may not have made him the most beloved guy in certain Ann Arbor circles, but the subsequent responses in his mailbox indicated that his sentiments were popular.

Generous? Without a doubt. Principled? Yes. Outspoken? Certainly. Troublemaker? Some might say so. Yet, without those character traits, Phil wouldn’t be Phil. At the Mackinac Center, he is a triple threat: a friend, a member of our Board of Directors and a contributor since 1997.

Jenkins is the founder and CEO of Sweepster Inc., which manufactures attachment, walk-behind, self-propelled and airport runway sweepers for airports, municipalities, agriculture and construction work around the globe. He

admits it was his commitment to excellence and the relationships he created — not his engineering skills — that propelled his business to the top of the industry and led his company to eventually outsell Japanese competitors — in Japan.



Phil Jenkins

Success in business allows Jenkins to be a philanthropist today. Eager to assist many noble causes, Phil has donated both time and money to

the University of Michigan’s medical school and hospitals, contributed significantly to the new U of M Depression Center and supported the Ann Arbor Hands-On Museum and teen shelters in Washtenaw County.

Jenkins is a genuine Michigan success story. The Mackinac Center considers him to be a great friend and a wonderful ally in our fight against big government. **I**

The Science of Changing the Future

Summer is ending, and fall is upon us. You can already notice the change. The nights are cooler, and the leaves are changing color.

It’s a time when Michiganders try to make the most of the warm afternoons and evening sun. People may take a day off; others may squeeze in end-of-season vacations; and some, if they’re like me, work on a yard project or two.

For me, yardwork provides the satisfaction of spending time outside and seeing immediate improvement. You can enjoy the pattern of lines in the grass after mowing or reflect on the transformation that new landscaping makes. Neighbors walking by can admire the difference you’ve made.

The changes the Mackinac Center for Public Policy helps to bring about are sometimes every bit as visible — for instance, the proliferation of charter schools and cross-district school choice options that have given thousands of Michigan families new educational options. In many cases, however, the results of our work are not quite as visible.

As a Mackinac Center friend and supporter, you have no doubt taken note of the tremendous amount of work we do. You’ve received our studies and Viewpoints, or heard our scholars on the radio or television, or read an Op-Ed in your local

newspaper. Maybe you’ve received one of our periodicals, such as MichiganScience.

But while our work is concrete enough, actual improvements in the law or the state’s economy are sometimes incremental and difficult to observe. Consider this example: Genna Greenberger, a 15-year-old student from Portage High School, won our “Scientific or Not” MichiganScience essay contest. Her essay on why the Disney movie “The Little Mermaid” defies the laws of science earned her a \$500 Mackinac Center college scholarship. Because of our magazine, Genna learned more about water pressure, exoskeletons, well-composed writing and, in the process, earned some money for college. Dozens of other Michigan students gained from the experience as well.

Seemingly small victories like these are setting the framework for long-term improvements in many different policy areas. Each day we move closer to achieving right-to-work status for Michigan, school choice and real protections for our resources and environment.

Our goal of a freer and more prosperous state is advancing every day. With your support we can continue to work together to improve Michigan’s policy landscape. **I**



Justin W. Marshall,
Director of
Advancement



Your estate plans reflect the values you hold dear and hope to perpetuate.

Join the Mackinac Center’s Legacy Society by calling Justin W. Marshall at 989-631-0900 and including the Center in your bequest today.



Following are excerpts from “Economic Freedom and Human Prosperity,” an introductory pamphlet now being distributed by the Mackinac Center’s Students for a Free Economy (see Page 3).

Economic Freedom Matters

Economic freedom may seem like a pale abstraction. Yet economics involves an essential part of our social life: our exchange of goods and services with others, including those we work with and those we buy from. Freedom in this social sphere means allowing everyone to make his or her own decisions, so long as those decisions do not threaten the lives, property and liberty of others.

Economic freedom brings energy and meaning to human life. Economic fetters, in turn, can hobble and cripple. The 2006 edition of “Economic Freedom of the World,” an annual report published by Canada’s Fraser Institute, found that the economically freest countries typically have not only wealthier and more dynamic economies, but also lower unemployment, greater political liberty, higher life expectancies and fewer children in the labor force.

Economic freedom can pose challenges, just as political freedom and civil freedom do, but whatever these challenges, freer markets clearly yield a host of benefits.

Equality Before the Law

The justice system in a free market must do more than punish extortion, theft and fraud. It must ensure that all people are treated equally when it comes to dispensing justice, so that the law protects, rather than curbs, people’s economic freedom.

This principle involves not just the courts, but lawmakers as well. Government-granted monopolies and special licenses, whether to the East India Company in 18th century Britain or to the mortgage giant Fannie Mae in 21st century America, discriminate against potential competitors and protect bad business decisions at other people’s expense.

Prohibitory regulations can also violate economic freedoms. For instance, a notorious 1869 Louisiana law ostensibly passed to protect people’s health actually enshrined a monopoly that deprived low-income butchers of economic opportunity. This law was upheld in the U.S. Supreme Court’s infamous Slaughter-House decision, which subsequently harmed blacks by empowering the South’s “Jim Crow” laws and the “separate but equal” doctrine. The Slaughter-House ruling was even used to prevent women from practicing law in Illinois.

Easing Poverty

President John F. Kennedy once proposed an analogy for the way both the rich and poor can prosper in a growing economy, saying, “A rising tide lifts all boats.”

Admittedly, nothing is this simple — people can suffer in the best of times — but it’s true that the prosperity produced by economic freedom generally helps the poor. The world’s most economically free nations are not just wealthier overall: The poorest 10 percent of their populations make an average income about eight times that of the poorest 10 percent of the populations of the world’s least economically free countries. This disparity is a key reason poor immigrants flock to the United States.

Economic freedom works for impoverished countries, too. China, Vietnam, Peru and other poorer nations that have liberalized their economies in recent years are becoming wealthier. Zimbabwe, Myanmar and other poor nations that have repressed economic liberty have remained poverty-stricken.

Peace

History suggests there is no vaccine against war. The causes of war are as varied as human beings themselves. That said, international trade and economic freedom exert a subtle but relentless pressure for peace.

In a 2006 analysis of data concerning bilateral political interactions, professors Solomon W. Polachek and Carlos Seiglie concluded that a doubling of trade between two countries reduces their belligerent

actions toward each other by 20 percent. This finding corresponds to economic logic. In a voluntary exchange, each side gets something it wants. Higher levels of such trade increase its value to both sides, raising the cost of losing it to conflict.

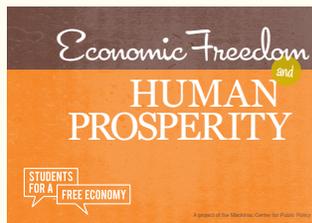
Other economic freedoms reinforce this dynamic. People with property that can be seized or destroyed in combat have an incentive to avoid the depredations of war. The general prosperity of economically free peoples also gives them one less reason to fight.

Health

Economic freedom is good for human health. Statistics compiled in the 2006 “Economic Freedom of the World” report show that infant mortality rates in the world’s most economically free countries are less than one-tenth those in the least free countries. Life expectancy in the economically freest countries is about 40 percent — more than 20 years — longer.

Much of this difference is due to the freer economies’ better sanitation and abundance of food and labor-saving devices, but much is also due to superior medical care. The freest economies have produced most of the world’s recent advances in pharmaceuticals and medical technology.

Some of the economically freer countries, such as Canada and the United Kingdom, nevertheless have government-controlled health care systems. Patients there can wait weeks or months for a common diagnostic procedure like an MRI. Other market economies, such as Switzerland and Germany, force everyone to buy health insurance, but avoid waiting lists by allowing some market competition among private insurers and medical care providers.



Environmental Quality

Free markets are sometimes seen as antagonistic to environmental quality. This view is not only mistaken, but also bad for the environment.

In the wasteful centralized economies of the former Soviet bloc, property was not privately owned, so no one had an immediate personal interest in defending it from harmful pollution.

Considerable environmental damage was the result, epitomized by the devastation of the Aral Sea. The world’s remaining centralized economies do less harm only to the extent that they are small and poor — and poverty is a hazardous environment for human beings.

In contrast, market economies reduce most air and water emissions once they reach a modest level of wealth. As Swedish intellectual Johan Norberg writes in his book “In Defense of Global Capitalism”: “A country that is very poor is too preoccupied with lifting itself out of poverty to bother about the environment at all. Countries usually begin protecting their natural resources when they can afford to do so.”

More Freedom

Some countries, such as Singapore, are relatively free economically, but have fewer civil and political freedoms. These countries are not typical, a point highlighted in a 1998 study by W. Ken Farr, Richard A. Lord and J. Larry Wolfenbarger and in a 1999 study by Wenbo Wu and Otto A. Davis. Both groups’ analyses of international data indicated that economic liberty provides people with a wealth that becomes the basis for greater political freedom.

Can economic freedom really promote other freedoms? It already has. Apartheid in South Africa began to crumble when black workers achieved the economic power to stage powerful bus boycotts. Similarly, the 1989 Tiananmen Square protests for civil and political liberty followed China’s economic liberalization and growth. Although the demonstrations were crushed, freedom of speech in China has grown. The People’s University in Beijing has even hosted a lecture on public policy by Lawrence W. Reed, president of the free-market Mackinac Center for Public Policy.

School Privatization from Page One

school reform series is probably the most comprehensive summation of school support service privatization in the nation,” LaFaive said.

The text, however, is more than a simple compilation of school support service work. It is a “how-to” guide that walks Michigan school officials through the “requests for proposal” process. The RFP is “the heart and soul” of every contracting experience, so LaFaive created an electronic appendix containing 38 real-world RFPs, contracts and other supporting documents on the Center’s Web site. This appendix is expected to give superintendents and business officials an opportunity to examine how neighboring districts went about the contracting process.

As editor of the Michigan Privatization Report for 12 years, LaFaive has witnessed numerous districts succeed and fail in their competitive contracting efforts. From these lessons LaFaive listed “10 Contracting Rules of Thumb” to help districts contract successfully.

Almost no school privatization experience in Michigan would be complete without opposition from the union that represents employees doing the district support service work. So the primer detailed strategies for responding to opposition tactics and anti-privatization arguments employed by the Michigan Education Association and its allies.

The primer also highlighted the MEA’s hypocrisy on competitive contracting issues. In the 1990s, LaFaive discovered that the MEA was contracting out at its headquarters for janitorial, food, security and mailing services — in three out of four cases with nonunion firms.

The primer drew instant accolades. “With the economic stress that has been endured by Michigan public schools in recent years, contracting of noninstructional services has become a major factor in providing financial relief in the form of reduced expenditures without eliminating these services,” said



Morey Fiscal Policy Director Michael D. LaFaive discusses school privatization with WEYL-TV’s Kathy Hoekstra.

Jim Palm, assistant superintendent of the Berrien County Intermediate School District. “A School Privatization Primer” should be required reading for school districts considering this option. It is a resource which is insightful, instructive and arms the district with valuable information to consider prior to going down this path.”

The media also took an interest in the primer. On July 25, The Detroit News ran an Op-Ed by LaFaive titled “Schools should cash in on privatization success.” LaFaive was the guest on a variety of radio programs, including WKLA in Ludington, WMKT in Traverse City and WAAM in Ann Arbor. The privatization primer was also the subject of a 30-minute special that aired three times on Flint television station WEYL.

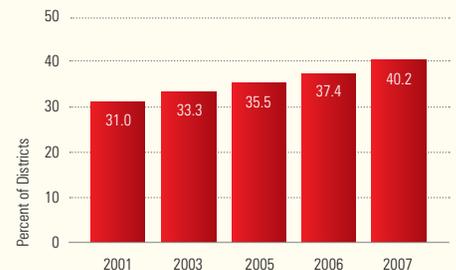
2007 School Survey

The Mackinac Center’s 2007 summer survey of school privatization was released in August. Since 2001, the Mackinac Center has contacted every one of Michigan’s conventional public school districts to survey the extent to which they contract for these services. Lead researcher Daniel J. Smith, a Ph.D. candidate at George Mason University, and LaFaive found that the number of districts contracting for noninstructional services is up 7.6 percent from 2006,

raising the total to more than 40 percent for the first time.

Additionally, 42 districts reported they were seriously considering contracting for one of the three major noninstructional services during this school year alone.

Outsourcing by Michigan School Districts



A growing number of public school districts throughout the state are relying on the privatization of noninstructional services for cost savings.

Detroit’s top talk and news stations, WJR and WWJ, profiled the Center’s survey results in news stories, and LaFaive was a featured guest on WJR’s popular Frank Beckmann show. Editorials and articles throughout the state cited the findings. But the survey is not a one-shot media opportunity: it is the gift that keeps on giving. Throughout the year, as districts consider privatization, news stories will frequently refer to Mackinac Center research because it is the only place in Michigan where such data is available. **I**

VIEWPOINTS

Michigan Needs Environmental Science Board

July 2007 V2007-19
Policymakers should restore the widely respected and all-volunteer Michigan Environmental Science Board.

Intermediate School Districts: Innovations that are Past Their Prime

July 2007 V2007-20
Intermediate school districts are a 1960s-era innovation that has not kept up with the times.

Time to Reform Teacher Compensation in Michigan

July 2007 V2007-21
Teacher salaries continue to rise while student achievement remains average.

MBT: A More Burdensome Tax?

August 2007 V2007-22
The Michigan Legislature ignored business owners, sound economics and itself when it voted to replace the Single Business Tax with the equally burdensome Michigan Business Tax.

School Support Privatization: Getting it Right

August 2007 V2007-23
The privatization of noninstructional support services in public schools is becoming increasingly popular nationwide and across Michigan.

Workers' Paychecks Need Further Protection

August 2007 V2007-24
The U.S. Supreme Court handed workers a victory when it ruled in favor of paycheck protection.

Survey 2007: School Support Service Privatization Rises

September 2007 V2007-25
More than 40 percent of conventional public school districts in Michigan report contracting for one of the three major noninstructional services — food, custodial or transportation — in 2007, and dozens more are considering the cost-saving measure over the next two years.

Used-Car Dealer Regulations Kill Small Businesses

September 2007 V2007-26
New laws that have forced small businesses to close show the devastating power that well-connected special interest groups hold over the legislative process.

The Not So Good Life

September 2007 V2007-27
Contrary to conventional wisdom, life “in the good old days” was not better, cleaner or simpler.

SPECIAL ITEMS

Economic Freedom and Human Prosperity

A publication from Students for a Free Economy, this booklet briefly outlines free-market perspectives on such issues such as poverty, equality and peace through the lens of economic freedom.

JOURNALS



Michigan Science

No. 4
Key stories: Resurrection ecology, fluorescent light bulbs, fuel-efficient vehicles, winning student essays about science fact or fiction in pop culture.



Michigan Education Report

MER2007-03 \$3
Key stories: NCLB, how to teach students to write well, affordable charter school buildings, “An Inconvenient Truth” in class, health savings accounts for teachers.

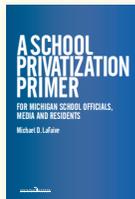


Michigan Privatization Report

MPR2007-01 \$3
Key stories: Toll roads, how unions fight contracting, MSHDA money, Around the State.

STUDIES & REPORTS

A School

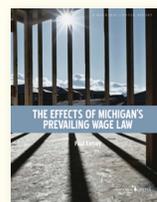


Privatization Primer

S2007-07 \$10
A how-to guide for school boards, media and residents about contracting for school support services.

Michigan Higher Education: Facts and Fiction

S2007-08 \$10
This short study makes two key findings. First, by most measures, Michigan public universities were not starving for funds during the period of sharpest appropriations cutbacks in the first half of this decade. Second, there is compelling and strong econometric evidence nationally that state appropriations for higher education do not have positive effects on economic growth.



The Effects of Michigan's Prevailing Wage Law

S2007-09 \$10
Michigan's prevailing wage law adds unnecessary costs to construction projects at taxpayers' expense.

Survey 2007: More Growth in School Support Service Privatization

S2007-10 \$10
The Mackinac Center's fifth school privatization survey shows more than 40 percent of Michigan's conventional public school districts contract for one of the three major support services — custodial, food or transportation — a 7.6 percent increase over 2006.



The Economic Effects of Right-to-Work Laws: 2007

S2007-11 \$10
Right-to-work states continue to outpace non-right-to-work states, including Michigan, in significant economic performance measures.



A Model Right-to-Work Amendment to the Michigan Constitution

S2007-12 \$10
This policy brief discusses several foundational legal concepts and sets forth model language for a legally sound right-to-work amendment to the Michigan Constitution.

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Higher Education: Dispelling a State Funding Fallacy

The conventional wisdom among Michigan policymakers and editorial writers is that state universities are drastically underfunded and that spending more on higher education will generate economic growth. Given the scientific aura surrounding university learning and research, the arguments can sound convincing.

Nevertheless, they're wrong. In "Michigan Higher Education: Facts and Fiction," a Mackinac Center Policy Study published on June 20, economist Richard K. Vedder of Ohio University and research assistant Matthew Denhart applied sophisticated econometric models to data from every state over nearly the past 50 years to determine whether faster economic growth has actually been associated with greater state higher education spending. Their conclusion: "The statistical correlation between state and local government expenditures on higher education and the rate of economic growth is typically negative — higher spending for universities is associated with lower growth in a state, other things being equal."

Vedder and Denhart also found that most new higher education money isn't used to lower tuition, but instead buys things like expanded bureaucracies, richer faculty compensation and lower faculty teaching loads. Surprisingly, given the recent complaints from university presidents, Vedder and Denhart show that the public colleges' own reports suggest that during the most recent period available — 2000 to 2004 — real revenues per student grew for every state university save Ferris State. At the University of Michigan's Ann Arbor campus, revenue per student rose nearly 20 percent in inflation-adjusted terms.

The findings quickly made news, receiving coverage in the June 20 edition of National Review Online, the June 20 issue of Michigan Information & Research Service, and the June 22 edition of Inside Higher Ed. On



July 18, The Detroit News published a letter from Vedder and Bryan O'Keefe (associate director of the Center for College Affordability and Productivity) rebutting a News editorial calling for more state university funding. Commentaries by Vedder and O'Keefe appeared in the Aug. 22 Lansing State Journal and in the September/October issue of the Michigan Chamber of Commerce's Michigan Forward magazine.

State policymakers express hope that increased spending on higher education will create jobs. This is one reason they avoid meaningful economic reforms, such as deregulation, right-to-work laws, lower taxes and lower state spending. But Vedder and Denhart's study is dispelling the university-spending illusion — a case of higher education indeed. **I**