



A Legal Foundation for Liberty

MACKINAC LEGAL CENTER FOUNDATION

We hear the stories all too often. Michigan residents find their rights trampled by a government agency and feel powerless. Without money, lawyers or political connections, their fight for justice is often over before it begins. Until now. On Sept. 16, the Mackinac Center launched a pro bono, public interest law firm dedicated to advancing individual freedom and the rule of law in Michigan. As its first action, the Mackinac Center Legal Foundation

filed suit on behalf of two Michigan women who refuse to acquiesce to an abusive scheme concocted by a state agency and three unions.

The Case

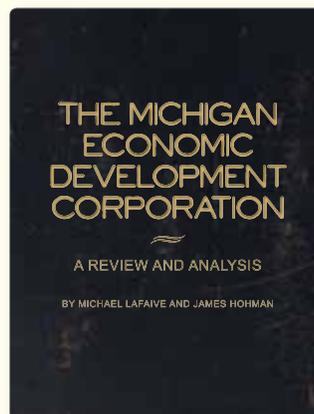
For years, Sherry Loar (pictured far left) and Dawn Ives (to Loar's right) have run successful day care operations out of their homes in Petoskey, Mich.¹ When talking with them, it quickly becomes clear that they love what they do and that they provide an important service to parents and children in their community.

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¹ Just before this issue went to press, Dawn Ives closed her day care operation and could no longer act as a plaintiff in the case.

The Michigan Economic Delusion Corporation

The Michigan Economic Development Corp., the agency that oversees the state government's targeted tax incentives and other flawed "jobs" programs, is the black box of state government: Few know what it does. On Aug. 31, however, Mackinac Center analysts Michael LaFaive and James Hohman capped off a summer of hard-hitting publications on the MEDC's shortcomings with the release of an 81-page study, "The Michigan Economic Development Corporation: A Review and Analysis." It appears to have helped push the MEDC to a tipping point: Just over a week later, a leading newspaper columnist was reporting that MEDC President Greg Main had now conceded that



the agency needed to become more transparent.

The concession was a tactical victory. Openness will not only further good government; it will expose the MEDC's fecklessness. Since the agency's creation in 1999, the MEDC has blustered its way through the largest decline in Michigan's economic fortunes in state history. Indeed, since 1999, Michigan's gross domestic product has plummeted from 16th in the nation to 41st. The state's per-capita personal income is now 11.2 percent below the national average. Not even during the Great Depression did our incomes as a percentage of the national income drop this low.

Yet the MEDC continues to claim it is

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"A fabulous research and educational institute headquartered in Midland. The largest state-based free-market think tank in the country and certainly one of the most respected."

Paul W. Smith, WJR AM760 radio show host, discussing the Mackinac Center, Sept. 2, 2009

PRESIDENT'S MESSAGE

Introducing the Mackinac Center Legal Foundation



Joseph G. Lehman
President

The Mackinac Center has never been an ivory tower think tank. Historically, our work has been aimed at public policy formulated in the legislative and executive branches. Our newest venture, the Mackinac Center Legal Foundation, will place free-market ideas squarely in the judicial branch.

The Center's entrepreneurial founders saw a void in the marketplace of ideas and filled it. Until they formed the Mackinac Center, no Michigan institution existed solely to develop comprehensive, free-market solutions and put them on the policymaking table.

That entrepreneurial spark still burns. The newly launched MCLF fills a void in judicial decision making. We will represent clients, free of charge, in strategic cases with the potential to set strong legal precedents that protect economic liberty.

This approach, called "public interest law," focuses beyond the narrow interests of particular litigants by advancing a broad social goal. For example, *Brown vs. Board of Education* wasn't just about a handful of children's right to attend particular schools in 1954. It was about the right of millions of people to equal treatment.

We've come to understand that litigation capacity is necessary to achieve our mission. For years, big-government advocates have used the courts to achieve their policy goals — either undoing what legislatures have done or doing what legislatures would not do. Ceding the field of strategic litigation is one way we can fail to accomplish our mission.

Public interest litigation gives us more ways to succeed. We will always try to win in courts of law, but we'll also take every opportunity to win in the court of public opinion through strong media relations.

Litigation produces yea-or-nay decisions, while many legislative ideas never get a vote. Litigation coupled with effective publicity can stop bad legislation in its tracks. And sometimes, litigation is the only way to force government to comply with laws already on the books.

Strategic litigation augments our public policy work without compromising our principles or changing our identity as a research institute. Our priorities remain the same: education, labor, property rights, tax and budget, economic development, political speech and government transparency.

In our first case, we're representing home day care owners who were illegally dragooned into a union along with 40,000 others. If we're successful, the union will lose its hold on these business owners and the state will have to stop diverting \$3.7 million in child assistance funds to the union each year. (See Page One.) Our friends at the Institute for Justice have advised us along the way.

I hope you are pleased by this natural and necessary extension of our capability. A generous friend has pledged to match 50 cents of every dollar you give for strategic litigation. Please consider multiplying the impact of your support by designating a gift to the Mackinac Center Legal Foundation. I

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Center Videos Detect Smoke

Mackinac Center investigative videos this summer aimed to snuff out two bad proposals before they caught fire and spread: a bill that would allow Michigan politicians who violate campaign finance laws to defer their penalties, and an expensive and heavy-handed measure to make fire sprinklers mandatory in new housing construction.

The Center's dogged reporter, Kathy Hoekstra, took note of little-publicized House Bills 4713 and 4714, which would allow political candidates who violate campaign finance laws to pay their fines on an installment plan. Hoekstra produced a video to shed light on this self-preservation effort by lawmakers.

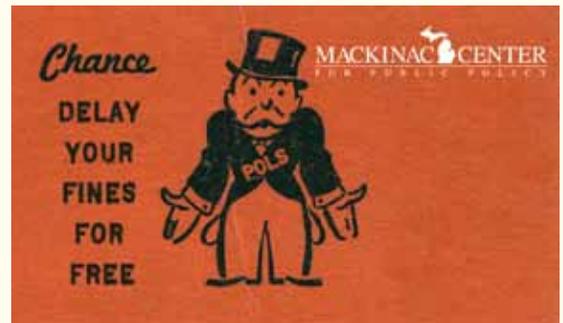
While slogging through reams of campaign finance documents, Hoekstra found that many of the bills' co-sponsors had lengthy records of campaign violations. Among those violators was the legislation's primary sponsor, Rep. Fred Durhal Jr., D-Detroit. Hoekstra landed an on-camera interview with Durhal and asked him about the offenses she had uncovered. He acknowledged his record, adding that he currently owes no money to the state for campaign finance violations. Instead, Durhal told Hoekstra, he introduced the bill on behalf of another lawmaker who had run up significant debt due to campaign finance disclosure violations and who wanted the Secretary of State to have the ability to set up an installment plan to pay it off.

Hoekstra also interviewed the head of the Michigan Campaign Finance Network, a nonprofit campaign finance watchdog group. Executive Director Rich Robinson told Hoekstra, "If I was to prepare a long list of problems that need to be addressed in the campaign finance reporting system and enforcement, I don't think that would make the list at all."

There is no indication that the legislation will emerge from the House committee where it now languishes.

Another issue that had gone unnoticed by the media, but had the potential to negatively impact Michigan's economy and those in need, was a measure that would require fire sprinklers in every new home in Michigan. On July 21, Hoekstra released a video that explained how the state Building Code Committee was considering a fire sprinkler mandate for new home construction throughout the state.

While some, including the fire sprinkler industry, argued that such a mandate would save



Watch the Mackinac Center's video on politicians seeking to defer campaign finance fees and penalties at www.mackinac.org/10834.

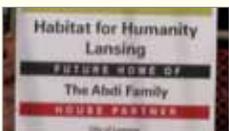
lives, groups like Habitat for Humanity said the mandate would unfairly raise home building costs for the neediest families. The video brought the issue to the attention of reporters from Detroit to Traverse City, Livingston to Muskegon.

When the Building Code Committee met on July 22, officials initially tried to prevent Hoekstra from bringing her video camera into the hearing. In violation of the Open Meetings Act, they claimed she needed to secure a waiver from the Department of Energy, Labor & Economic Growth two days prior to the meeting. However, a few e-mails from Mackinac Center Legal Analyst Patrick Wright convinced the officials they were in error. In the end, the committee overwhelmingly voted to eliminate mandatory fire sprinkler installation from the proposed state building code.

Ken Bensen, president of Habitat for Humanity of Michigan, was featured in Hoekstra's video and led the opposition against mandatory sprinklers. He later said of Hoekstra's reporting, "We were impressed with the widespread coverage this video received in news outlets across the country. Our news searches show it is receiving play from Texas to the East Coast. Since this issue is being addressed in many more states in the next year, we appreciate the widespread coverage and will continue to use the video as a resource in our continued efforts to educate others on this issue."

The fire sprinkler issue could flare up again. The state's director of Building Codes will consider whether to adopt the committee's recommendation at a later date. But thanks to top-notch investigative reporting, the public is less likely to be burned by policies that might have gone undetected until the damage was done. **I**

mackinac
media



Watch the Mackinac Center's video on fire sprinklers at www.mackinac.org/10778.

THE MICHIGAN ECONOMIC DELUSION CORPORATION from Page One

creating thousands of jobs and to deprive the public and the Legislature of meaningful information on the agency’s successes and failures. As LaFaive, director of the Center’s Morey Fiscal Initiative, puts it, “We wanted to make this sprawling and complex agency more transparent and understandable, because all too often, all that’s known about the department is what it chooses to reveal — usually in self-aggrandizing press releases.”

In the study, LaFaive and Hohman zeroed in on the MEDC’s most high-profile program, the Michigan Economic Growth Authority, which offers select companies state business-tax credits if they create or maintain jobs and investment in Michigan. Among other measures, they included a new analysis by Mackinac Center Adjunct Scholar Michael Hicks. Hicks used a common statistical technique to test the relationship between a county’s manufacturing jobs and the MEGA tax credits earned by the county’s manufacturers. He discovered the relationship was negative: For every \$1 million in credits, 95 manufacturing jobs were destroyed. LaFaive and Hohman also discussed the Michigan Strategic Fund and the Michigan Film Office (see Impact, Summer 2009, Page One), while outlining the MEDC’s congeries of other “job creation” programs.



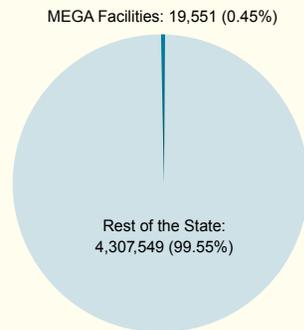
“The MEDC’s CEO has called on people to examine the results of the MEDC’s programs. We did exactly that, and we weren’t impressed.”
James Hohman, co-author of “The Michigan Economic Development Corporation: A Review and Analysis”

The release of the study was met with an explosion of interest, including an editorial in The Wall Street Journal titled “The Michigan Example,” an editorial in The Detroit News, stories in the Detroit Free Press and in Crain’s Detroit Business. In a Sept. 8 Grand Rapids Press column on the study, Booth Newspapers business writer Rick Haglund reported: “[MEDC President] Main said he agrees with the center’s contention the MEDC should be required to release additional details about its programs. He said he supports legislation that would allow more information to be released without violating taxpayers’ privacy.”

This response followed numerous Mackinac

FROM THE REPORT

“New Jobs” at MEGA Facilities as a Percentage of Michigan Jobs, 2006



Source: Authors’ calculations based on data from the U.S. Bureau of Labor Statistics and the MEDC’s “MEGA Credits vs. Conversions” spreadsheets. (“New Jobs” were not all created in 2006.)

Center news releases throughout the summer and the publication of two shorter Mackinac Center Policy Briefs by LaFaive on MEDC Programs: “Special Effects: Flawed Report on Film Incentive Provides Distorted Lens,” and “MEGA, the MEDC and the Loss of Sunshine.” As a result of this communications drive, LaFaive conducted 26 interviews with a variety of media outlets, including WJR radio in Detroit and Grand Rapids, WTCM radio in Traverse City, WMKT radio in Petoskey, WHWL radio in the Upper Peninsula and Michigan Public Radio statewide.

There has also been a response in the Legislature. State Sen. Nancy Cassis, R-Nov, chair of the Senate Finance Committee, has publicly praised the Center’s work during her fights to mandate greater MEDC transparency, and she sponsored a bill increasing the MEDC’s reporting requirements for MEGA along the lines of two recommendations in the Center’s study. Her bill was subsequently signed into law. An additional amendment — ultimately defeated — would have prevented MEGA from issuing tax credits to new companies that directly competed with an existing Michigan business. Jim McBryde of the MEDC reportedly said that if the amendment were approved, it “would essentially render the entire program neutered.”

No harm done. As LaFaive and Hohman’s work shows, the black box of the MEDC is really a black hole — a distraction, at best, from the real work of improving the business and residential climate for everyone, not just a few. The new transparency mandates on the MEDC will help force that truth into the light of day. **I**

Promoting Sunshine, the Law and Economic Growth



The Mackinac Center Legal Foundation, the Center's public interest law firm, introduced itself to Michigan with a media blitz in mid-September immediately after filing its first lawsuit, with coverage in **The Washington Times**, **The Detroit News**, **Detroit Free Press**, **Lansing State Journal** and numerous TV and radio outlets (see related story, Page One).

The Aug. 31 release of "The Michigan Economic Development Corporation: A Review and Analysis," also drew extensive media coverage. Co-authored by **Michael D. LaFaive**, director of the Morey Fiscal Policy Initiative, and **James Hohman**, fiscal policy analyst, the study explores the shortcomings of special tax favors the state gives to selected companies in hopes of creating more jobs. The study was cited by the **Detroit Free Press** Sept. 1, **The Detroit News** Sept. 3, a **Wall Street Journal** editorial Sept. 4 (reprinted in the **Minneapolis Star-Tribune** Sept. 6), the Dalton, Ga., **Daily Citizen** Sept. 8, **The Grand Rapids Press** Sept. 8, **Livingston Daily** Sept. 23 and **USA Today** Sept. 25. LaFaive was also cited earlier by the **Wall Street Journal** July 24 about the MEDC's lack of transparency.

Transparency also was the focus of extensive media coverage for another of the Center's initiatives — the "Show Michigan the Money" project directed by Policy Analyst **Ken Braun**. His work convincing school districts, municipalities and lawmakers statewide to post their spending online was cited by the **Traverse City Record-Eagle** June 16, **Battle Creek Enquirer** June 18, **Clare County Review** June 19, **Michigan Citizen** June 21, **Lansing State Journal** June 30, **Observer & Eccentric Newspapers** July 2, **Southgate News-Herald** July 7, **Port Huron Times-Herald** July 24 and **WOOD-TV** Aug. 4.

Braun also was cited July 6 by the **Detroit Free Press** and **WDIV-TV4** in Detroit on the Center's objection to Michigan's pursuing stimulus money for a Detroit-to-Chicago high-speed rail. That issue was covered in-depth by **Randal O'Toole**, an adjunct scholar with the Center, in an Op-Ed that appeared Aug. 3 in the **Detroit Free Press** and Aug. 5 in the **Livingston Daily**. **Michael Jahr**, director of communications, discussed the issue July 6 on **WJRT-TV12**, while the Center was cited Aug. 24 by the **Chicago Tribune** and **CBS2** in Chicago, as well as Aug. 25 by the **Lansing State Journal**.

More transparency coverage resulted from the Center's scrutiny of the Michigan Film Office, the tax rebates it gives to movie producers and the office's unwillingness to be forthcoming about total expenditures. The Center's research was cited in the Aug. 28 issue of **Variety**, the Hollywood trade publication that covers the entertainment industry. **LaFaive** was cited on the topic June 28 in the **Livingston Daily** and Aug. 28 in **MIRS**, as was Communications Specialist **Kathy Hoekstra** Aug. 18 by **FOX17** of Grand Rapids.

THE WALL STREET JOURNAL

The Detroit News

Investor's Business Daily

THE OAKLAND PRESS

Detroit Free Press



The Grand Rapids Press

Chicago Tribune

Paul Kersey and **Michael Van Beek**, directors of labor policy and education policy, respectively, were asked by **The Wall Street Journal** to write a July 24 Op-Ed about the state of Detroit Public Schools. Van Beek also was cited on a variety of education issues, including a school reform, school funding, teacher certification and the Center's database of school union collective bargaining agreements in **Gongwer** Aug. 12, **The Kalamazoo Gazette** Aug. 17, the **Detroit Free Press** and **Bay City Times** Aug. 18 and the **Midland Daily News** Aug. 31. Kersey was cited on binding arbitration in the July 11 **Wall Street Journal** and the July 19 **Detroit News**, and on right-to-work protection for employees in the June 24 **Grand Rapids Press**.

A study by LaFaive about cigarette taxes and smuggling caught fire on the West Coast over the summer when California's Legislature considered increasing tobacco taxes. Op-Eds by LaFaive appeared in the Aug. 11 **San Jose Mercury News**, the Aug. 13 **Fresno Bee**, the Aug. 14 **Sacramento Bee** and the Aug. 16 **Long Beach Press Telegram**. The study was also cited in an Aug. 11 **Investor's Business Daily** editorial. I



Neither woman works for the state of Michigan or any other government entity. In fact, aside from the parents who have hired them, neither woman has an employer. Each has simply run a child day care service out of her home, much like tens of thousands of other Michiganders.

So it came as a surprise in December 2008 when Loar and Ives were notified that they were dues-paying members of the newly formed “Child Care Providers Together Michigan,” a union of supposed government employees. How could individuals who independently contract with parents become members of a public-sector union?

It wasn’t easy, but the basic pretext was this: Because a parent who used Loar’s or Ives’ services received a subsidy from the Michigan Department of Human Services for child care, Loar and Ives were considered government workers. This absurd and sweeping argument, combined with underhanded contrivances of the DHS, the United Auto Workers and the American Federation of State, County and Municipal Employees, left Loar, Ives and more than 40,000 other home-based day care workers in Michigan illegally shanghaied into a government union. The union, in turn, was collecting cumulative “dues” of an estimated \$3.7 million annually.

The exact process resembled an elaborate swindle. In 2006, Child Care Providers Together Michigan — a joint creation of the UAW and AFSCME — was formed to organize home-based day care providers. The fact that a manufacturing union and a government-employee union produced a third union to represent private-sector, home-based day care business owners and employees should have raised eyebrows. Instead, the Michigan Department of Human Services took another bizarre step, entering into an agreement with Flint-based Mott Community College to create the Michigan Home Based Child Care Council, with the DHS and Mott

failing even to comply with basic state constitutional provisions in doing so. This council, a government shell corporation, was to become the day care providers’ “employer,” even though it handled none of the money involved in the state day care subsidy to parents. In September 2006, the CCPTM won the right to organize against the MHBCCC.

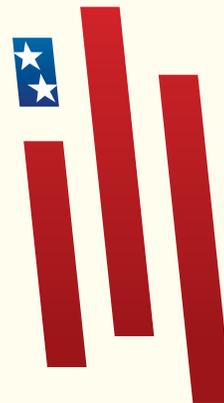
A statewide union certification vote was conducted by mail in late 2006. Of the 40,500 home day care providers who would be affected by this decision, 6,396 voted. The outcome was 5,921 in favor of the union and 475 opposed. Loar, Ives and other home-based day care providers say they were not aware of, and did not vote in, that election.

In December 2008, the DHS notified Loar, Ives and their counterparts that they were now members of a government-employee union. At the same time, the DHS began withholding “dues” from state subsidy payments intended to help low-income parents pay for their children’s day care. In short, a state agency was taking money from day care providers’ pay and funneling it to a union that would “bargain” with a shell corporation on their behalf. Amazingly, the shell corporation’s only involvement in their pay would be lobbying the Michigan Legislature for higher child care subsidies.

Seeking Justice

When Loar shared her story with Wright, he realized he had the inaugural case for the Mackinac Center Legal Foundation. Two women, providing a service to their community, had been swept into a government-employee union by a conglomeration of powerful and distant interests. Nearly \$4 million annually was being diverted from day care providers and needy parents to union coffers. The Michigan Constitution had been circumvented.

And it all happened under the radar.
At the Hall of Justice in Lansing on Sept. 16,



mackinac media



Watch the Mackinac Center's videos covering the Loar v. DHS case at www.mackinac.org/11149.

“The Mackinac Center is beginning a new effort in strategic litigation because it’s something that the proponents of freedom have ignored for too long. We’ve noticed that those who favor larger and more expansive government have been doing this for a long time — taking strategic cases to court, trying to get key decisions that actually set precedents that increase government’s power over our lives. The Mackinac Center wants to be the antidote to that.”

Mackinac Center President Joseph Lehman, “Opening a New Front in the Battle for Freedom,” www.mackinac.org/9051

Wright filed a suit asking the Michigan Court of Appeals to prevent the DHS from taking dues from child care subsidy payments. At a press conference on the courthouse steps, Wright, Loar and Ives explained the merits of the case.

Both women told the gathered reporters that their issue is not with unions — both come from union households. But Loar summed it up best: “How can I be in a union? In my house, I’m both management and labor.”

The case received coverage throughout the week (and well beyond), while the Michigan Department of Human Services, the UAW and AFSCME consistently provided “no comment.” Among the outlets covering the story were The Washington Times, The Detroit News, the Detroit Free Press, the Lansing State Journal, The Flint Journal, the Petoskey News-Review, WXYZ-TV7, WJBK-TV2, WEYI-TV25, WJRT-TV12, WILX-TV10, WLNS-TV6, WJR AM760, Reporting Michigan, WATZ-Alpena, Michigan Public Radio, Detroit Public Television and the Lansing-based political newsletters MIRS and Gongwer News Service. The case also received

nationwide blog attention, including coverage on the widely read blog site MichelleMalkin.com.

Wright pointed out that the case set a dangerous precedent, saying, “If Sherry and Dawn are government employees simply because a few of their customers receive government aid, then doctors, landlords and independent grocers can’t be far behind.”

Following the press conference, Wright did live radio interviews with Frank Beckmann on WJR 760 AM in Detroit and with Norm Jones on WTCM NewsTalk 580 in Traverse City. Wright, Loar and Ives then did in-studio interviews at Detroit TV stations WJBK-TV and WXYZ-TV. They also spoke with members of the editorial boards of the Detroit Free Press and The Detroit News.

There was more print, radio and television coverage around the state in the days that followed. Loar, Ives and Wright did a lengthy interview with Greg Marshall on WMKT 1270 AM in Petoskey, where both women reside. Wright was a guest on the Detroit Public TV show “Am I Right?” Flint’s WEYI-TV began looking into the role that Mott Community College played in the affair.

It is the natural tendency of government to stray from serving the people to subverting their rights. The judicial branch checks this tendency, but only when prodded, which is why the Mackinac Center Legal Foundation was founded. Starting with Loar and Ives, ordinary Michiganders whose constitutional rights have been abused now have a champion in the halls of justice.

Visit www.mackinac.org/9051 to see case documents and short videos discussing the Mackinac Center Legal Foundation and the stories of Sherry Loar and Dawn Ives.

Building Stronger Bones

Gov. Jennifer Granholm has been quoted in **G**The Washington Post as saying Michigan has a sound basis for a better future: “We have great bones as a state. We know how to build stuff.”

But without smart choices, bones can decay. Recognizing that fact and dealing with it require tough decisions.

Consider Mike Houseman, a contributor and friend who knows “how to build stuff.” Mike started Houseman Construction in 1998, specializing in small commercial building. While his business grew, so did Michigan’s government. Investment waned, work slowed and Houseman Construction had to find work outside of Michigan.

Houseman Construction developed a strong reputation nationally, yet in 2009, Mike made the difficult decision to sell his business to a larger contractor, Wolverine Building Group. Mike is now president of Wolverine North America.

Though Mike is still able to work in an industry he loves, the road has not been easy. Hillary Walker, wife of one of Mike’s employees, Charlie Walker, wrote an e-mail praising Mike for keeping

Charlie on board throughout the transition. But regarding his workers’ need to work out of state, she wrote: “It would be nice if you could get those poor guys home more often. They and their families are suffering terrible. Trust me, I know. For the 14 months Charlie has been with your company he has only been home about 20 weeks out of the 60. It has been really hard for all of us.”

This is a request that Mike would love to fulfill, but can’t for now. A husband and father of four himself, Mike is travelling far more than he would like in order to obtain licenses to operate in other states and create work for his employees.

For these reasons and more, Mike is passionate about the Mackinac Center’s work to improve tax policy, restrain spending and encourage a better business environment in Michigan. He volunteers, supports us financially and introduces us to others who desire positive change.

You can “build stuff” — and strengthen Michigan’s bones — by doing the same. **I**



Mike Houseman

Curing a Plague by Going Viral

Flu season has arrived in Michigan, and we have gone viral.

Viral by YouTube’s standards, that is.

On Oct. 12, 2009, the Mackinac Center posted the video “Oh. Canada?” to YouTube. The two-minute video features Canadian citizens discussing their experiences with universal health care.

Lin Gilbert, a young mother and resident of Vancouver, British Columbia, asks, “If the U.S. changes their medical system, where are Canadians like us going to go for surgery?” During her three-year wait for surgery, she became so crippled she had to use a walker and wear diapers.

Shirley McGuin of Windsor, Ontario, needed a knee replacement for over a year, and when the pain became unbearable, she went on “medical vacation” to receive treatment abroad. She warns, “[Canadians] have to be patient patients in Canada.”

Why is “Oh. Canada?” viral? Twenty percent of individuals who viewed the video forwarded it to a friend via e-mail, Instant Messenger or a blog post. In two days, the video received over 10,000 views. That number continues to grow as national organizations like Consumers for Health Care

Choices link to it.

Mackinac Center President Joe Lehman has committed resources to marketing our research through social networking Web sites and producing entertaining, high-quality and strategic videos. Greater investment in marketing and new media formats will not distract from the fundamentals, however: The Center is, and will remain, a research institute that produces original and insightful analysis of the most important policy matters.

Your investment in our work and belief in liberty is allowing us to have ever greater impact. As 2009 ends, I hope you will support our work with a contribution. And if you choose specifically to support our new litigation center (see Page One and the President’s Message on Page 2), an anonymous contributor will match 50 cents for every dollar you send us.

The Mackinac Center is a cure for the plague of bad government policy. Join us today by sending a contribution — and help keep our video contagious by passing it along: www.mackinac.org/11145. **I**



Justin W. Marshall,
Vice President 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.

Young Guns Join the Drive

It's been said that the demands of the Western frontier spurred America's love of liberty and self-reliance. But the end of the "wild West" hasn't killed that spirit. Instead, it has opened up new frontiers in the quest for freedom, which is why we've hired four young guns to take new ground.

Michael Van Beek, 28, is the Mackinac Center's new director of education policy. As a former teacher and administrator at a private academy, Van Beek brings firsthand experience to educational issues, and he's restless to push on, saying: "We'll continue to be the voice that demands more freedom for parents to choose the way they school their children."

He knows it won't be easy, but adds: "My colleagues hold me to a very high standard. It's invigorating and challenging." Rising to this challenge, Van Beek has already embarked on several major projects, including a new study of virtual schools, an update of the "Michigan School Money Primer" and a public database of Michigan school districts' insurance spending.

Van Beek is used to tough goals. He earned his master's in American history from Purdue University, and he received his bachelor's degree from Hope College while serving as captain of the varsity baseball team.

Hannah Mead joins the Mackinac Center as assistant editor, having impressed everyone with her work as Center communications intern during the summers of 2007 and 2008. Just 22, she has already accumulated an impressive resume: She graduated summa cum laude from Hillsdale College in 2009, receiving the Adam Smith Award for academic achievement in economics. In the spring of 2009, she even journeyed to Guatemala City to present a paper at a conference of the Association of Private Enterprise Education.

Mead says she appreciates the Center's congenial work environment and her colleagues' "wit, sincerity and dedication to the Mackinac Center's mission." Though most of her work is behind-the-scenes, she has already written several commentaries, including "Advice from the Nanny State," a hilarious riff she co-authored with Communications Director Michael Jahr, and "The Bone of Contention," a thoughtful reflection on quarterback Michael Vick's reinstatement into the NFL.

Christopher Deming, 22, is the new director of Students for a Free Economy, the Mackinac Center's college outreach and leadership program. Deming says he is excited: "College students don't often hear a message like SFE's. Entrepreneurial success, opportunity for all people and the moral arguments for free markets: These ideas resonate with college students. Students become the fiercest of advocates for individual liberty the world has ever seen."

Deming wants to expand SFE's influence to every university in Michigan and to community colleges as well.



Four reasons the West will remain free. From left to right: Hannah Mead, 22, Chris Deming, 22, Claire Forman, 22, Michael Van Beek, 28.

He began work over the summer, and this fall, SFE was present at information fairs on 17 college campuses.

Deming just finished college himself, graduating magna cum laude in 2009 from Northwood University in Midland, Mich., where he majored in economics, international business and management. Deming also received the Ludwig von Mises Award, the university's highest honor for an economics student.

Claire Forman, 22, is working for one year as a research analyst to Mackinac Center President Joseph Lehman as part of the prestigious Koch Associate Program, which trains promising college graduates in nonprofit management and organization. Forman has already been able to contribute to several Mackinac Center policy initiatives by conducting project research and providing organizational support.

Forman earned her bachelor's degree in global affairs and Latin American studies from George Mason University, where she also minored in economics. She has studied in Argentina and Honduras, working at a micro-credit loan organization and teaching at an orphanage. "It was frustrating to see good people in need and not be able to explain just what the problem was," she says of her time abroad. "Later, my studies in market-based economics made the problems clear, and I want to share that understanding, whether here or in South America."

Talk about new frontiers. The "West" may keep changing — Michigan was once part of the America's "Northwest Territory" — but there is always a new generation ready to join the drive for freedom. **I**

Rome and the Great Depression

By Lawrence W. Reed

Lawrence W. Reed is president emeritus of the Mackinac Center for Public Policy and president of the Foundation for Economic Education, headquartered in Irvington, N.Y.

Commentators on the present financial crisis have noted interesting parallels to the Great Depression of the 1930s, but ominous parallels to an earlier age are more troubling.

Monumental sums for bailouts. Staggering increases in public debt. Concentration of power in the central government. A mad scramble by interest groups with endless claims on the treasury. Higher taxes on the productive. These things are as familiar in 21st century America as they were in the ill-fated Roman welfare state of two millennia ago.

In the first century B.C., a rogue named Clodius ran for the office of tribune. He bribed the electorate with promises of free grain at taxpayer expense and won. Thereafter, Romans in growing numbers embraced the notion that voting for a living could be more lucrative than working for one. Economist Howard E. Kershner described the process this way: "When a self-governing people confer upon their government the power to take from some and give to others, the process will not stop until the last bone of the last taxpayer is picked bare." Nearly a third of the city of Rome received public relief payments by the time of the birth of Christ.

In response to a severe money and credit crisis in 33 A.D., the central government extended credit at zero interest on a massive scale. Government spending in

the wake of the crisis soared.

Following the lead of Rome, many cities within the empire spent themselves deeply into debt. Beginning with Emperor Hadrian, municipalities in financial difficulty received aid from Rome and lost a substantial measure of their political independence in the bargain.

Emperor Nero once rubbed his hands together and declared, "Let us tax and tax again! Let us see to it that no one owns anything!" Taxation ultimately destroyed the wealthy first, followed by the middle and lower classes.

Late in the third century, Emperor Aurelian declared government relief payments to be a hereditary right. He provided recipients government-baked bread (instead of the old practice of giving them wheat for their own bread) and added free salt, pork and olive oil.

The massive demands on the government to spend and subsidize created pressure to increase the money supply. Roman coinage was steadily debased to pay for expensive programs. Once almost pure silver, the denarius by the year 300 was little more than a piece of junk containing less than 5 percent silver.

Price controls further ravaged a battered and shrinking private economy. By 476 A.D., when barbarians wiped the empire from the map, Rome had committed moral and economic suicide.

Another Great Depression should indeed concern us. The one that followed the Roman welfare state is known as the Dark Ages, and it lasted for several hundred years. **I**



VIEWPOINTS

Flawed MSU Film Subsidy Report Misleads Taxpayers

July 2009 V2009-19

A Michigan State University report on the state’s film subsidy program left out the program’s cost, thereby providing a skewed picture of the Michigan film incentive’s actual impact.

www.mackinac.org/10733

Transparent Failures

July 2009 V2009-20

Michigan’s economic standing has fallen precipitously in the decade since the creation of the Michigan Economic Development Corp. The entity is a failure and should be eliminated.

www.mackinac.org/10734

A Perfect Storm: Batten Down the Hatches or Drown

July 2009 V2009-21

Municipal governments across Michigan must redefine how they operate in order to deal with the reality of shrinking tax revenues over the next decade and beyond.

www.mackinac.org/10735

“Obama-Care’s” Unintended Consequences

July 2009 V2009-22

President Obama’s goal that every American have access to affordable, quality health care is laudable, but his proposal’s impact and cost on Michigan taxpayers should be examined closely.

www.mackinac.org/10757

Diminishing Private Sector Keeps Supporting Bloated Public Benefits

August 2009 V2009-23

Government employees in Michigan receive benefits worth almost \$6 billion more than those of private-sector employees. This disparity must be addressed to improve Michigan’s economic future.

www.mackinac.org/10839

Length of School Year Won’t Improve Student Achievement

August 2009 V2009-24

Focusing on teacher quality would do more to improve student performance than increasing the number of days students spend in school.

www.mackinac.org/10840

The EFCA Rodeo

August 2009 V2009-25

The so-called Employee Free Choice Act is like a calf roping contest, with workers as calves and union organizers as cowboys.

www.mackinac.org/10842

Massachusetts Should Not Be Michigan’s Role Model

August 2009 V2009-26

Instead of replicating Massachusetts’s cost overruns and reduced care, Michigan can lower health care costs and increase availability of affordable insurance by allowing more competition.

www.mackinac.org/10843

School Privatization Survey Shows Gains in Support Service Contracting

September 2009 V2009-27

Almost half of Michigan public school districts contract out for one of the three main noninstructional services — food, busing or transportation — saving millions of dollars.

www.mackinac.org/10906

MEDC Should Become Transparent — Or Disappear

September 2009 V2009-28

As Michigan’s economy has become less prosperous, the Michigan Economic Development Corp. has become less transparent, making it more difficult to assess its job-creation claims.

www.mackinac.org/10909

Advice from the Nanny State

September 2009 V2009-29

Rest assured that the cash-strapped state of Michigan has not neglected core functions! Multiple state Web sites tell you how to do everything from driving to eating to dressing.

www.mackinac.org/10910

Take a Closer Look at Issues With Canadian Health Care

September 2009 V2009-30

Problems with Canada’s single-payer insurance system need to be kept in mind as the United States considers health care reform.

www.mackinac.org/10914

JOURNALS

Michigan Capitol Confidential

MCC2009-04

Key stories: Canadian trash, Detroit schools, government transparency.

www.mackinac.org/10861

Michigan Capitol Confidential

MCC2009-05

Key stories: Congressional spending, nanny state advice, pending legislation.

www.mackinac.org/11217

STUDIES

Special Effects: Flawed Report on Film Incentive Provides Distorted Lens

S2009-04

A Michigan State University report on the impact of the Michigan film incentive program is of limited use in determining the program’s success because it ignores the film subsidy’s costs.

www.mackinac.org/10661

MEGA, the MEDC and the Loss of Sunshine

S2009-05

The recent emphasis on government “transparency” has led to the publication of much useful data on Michigan state government. One state agency, however, has bucked this trend: the Michigan Economic Growth Authority.

www.mackinac.org/10798

The Michigan Economic Development Corporation: A Review and Analysis

S2009-06

This extensive examination shows the Michigan Economic Development Corp. has spent more than \$1.6 billion and done little to halt the state’s economic decline. Finding that job-creation projections are grossly overstated and tax credit deals are actually associated with job losses, the study recommends the department should be eliminated.

www.mackinac.org/10896

Michigan’s Public Employee Relations Act: Public-Sector Labor Law and Its Consequences

S2009-07

This Policy Brief finds that the Michigan Public Employee Relations Act, which governs collective bargaining between local governments and their employees, hamstring local officials, undermines democratic principles and adds billions to the cost of government.

www.mackinac.org/10911

VIDEO

Delay Your Fines for Free?

Communications Specialist Kathy Hoekstra examines proposed legislation to allow politicians to pay campaign fines in installments — an option not available to residents who owe Michigan taxes.

www.mackinac.org/10834

A Fire Sprinkler Mandate?

Communications Specialist Kathy Hoekstra examines the potential consequences of a proposal to mandate fire sprinklers in all new houses.

www.mackinac.org/10778

A Reform ImPERAtive

The Public Employment Relations Act has been perhaps the most important law passed by the Michigan Legislature in the last 50 years. Understanding PERA is the key to understanding why Michigan government is in a state of perpetual crisis. Yet it rarely comes up in all the debates and punditry.

If Paul Kersey gets his way, that is about to change. Kersey is the Mackinac Center's director of labor policy, and his recent study, "Michigan's Public Employment Relations Act: Public-Sector Labor Law and Its Consequences," reveals the far-ranging and overwhelmingly negative effects of the state law governing labor relations in local governments and school districts throughout Michigan.

The report, issued just prior to Labor Day, demonstrates how public-sector union officials have used the law to usurp the powers of elected officials and voters, expanding their power and making government more extensive and expensive. "PERA

empowers union officials, who are not accountable to the general public, in effect creating a 'union veto' over many decisions. At the same time, contracts signed under PERA transfer millions of dollars from government funds to an increasingly ideological union movement, establishing a permanent, taxpayer-funded lobby for big government. Kersey concludes, "The government employee unions created by PERA may be the single largest obstacle to restoring the state's prosperity. ... PERA is long overdue for a thorough re-examination, leading to the rewriting or repeal of the law."

As reluctant as the state's politicians and media have been to discuss PERA, Kersey's study is already making an impression. Kersey appeared on "The Frank Beckmann Show" on WJR AM760 shortly after the study's release to discuss PERA, yielding a lively give-and-take with several callers. The Detroit News included PERA repeal or overhaul as one of its "50 Ideas to Fix Michigan," and the Heritage

Foundation gave the report additional exposure in the national free-market movement by including it as part of its weekly "Insider." Communications Specialist Kathy Hoekstra made PERA part of the gubernatorial debate when, serving on a panel with The Wall Street Journal's John Fund and the Detroit Free Press' Stephen Henderson, she asked candidates for their opinions on the law at the GOP's Mackinac Island conference.

"We aren't done talking about PERA. It really is critical to understanding Michigan's politics and economy," says Kersey. "PERA creates a lot of problems, but there are solutions that protect both residents and government employees, and we are going to help find them and implement them." **I**

