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DEAR MI FRIENDS AND SUPPORTERS,

The results of the midterm elections are in, and the American voter, yearning for a return to growth and prosperity, has decisively rejected the agenda of expansive regulation and unprecedented government intervention. Americans want effective policies that emphasize investment and job creation. They do not want redistribution and ideologically driven crusades.

In this new political environment, the Manhattan Institute stands ready to play its historical role as an incubator of constructive new policy approaches in a multitude of areas of domestic public policy.

As the work described herein demonstrates, we are going far beyond a simple rejection of the bad ideas coming out of Washington. We are doing more than simply sounding the alarm about the power of public-sector unions and the budget disasters that they have helped foster. We’re crafting sustainable, new approaches, with an eye toward what’s right and fair for all Americans. We’re not just hoping for state and local government to lead the way in controlling costs while delivering effective services; we’re helping in any way we can—and are proud to say that some of America’s most promising new leaders, including New Jersey governor Chris Christie, Indiana governor Mitch Daniels, and Louisiana governor Bobby Jindal, are, according to the New York Times, “being assisted by budget experts from … the Manhattan Institute.” Our new Center for State and Local Leadership, which you will hear much about in the coming months, will build on our success.

In the pages of our own City Journal, in the research papers of our scholars, in our columns in the nation’s leading newspapers, on our highly trafficked websites, and in our appearances on the highest-profile public-affairs programs, we prove, time and again, that we are a reliable source of new analysis and policy ideas—ideas that can encourage healthy families and vital neighborhoods, and spark the pent-up energies of the American entrepreneur.

Of course, all our work is the direct result of the generosity of our donors—people who believe in the principles of free markets, limited but effective government, and the rule of law, and who help sustain those principles through their support of the Manhattan Institute. Your support is greatly appreciated by everyone associated with the Institute, especially me.

I wish you and your families a happy holiday season. I look forward to reporting to you on all the exciting new ventures we have planned for 2011.

Sincerely,

Lawrence Mone
President
LEADERSHIP FOR OUR CITIES AND STATES

- TAX PAYERS VS. TAX EATERS
- SAFE STREETS, STRONG SCHOOLS
- *CITY JOURNAL*—TWENTY YEARS OF URBAN INTELLIGENCE
At the Manhattan Institute, we have long believed that Washington is “a lagging indicator” when it comes to public policy innovation. Often, the most consequential and influential policy reforms originate and take hold at the state and local levels. Over the years, we have targeted much of our intellectual firepower at the problems facing mayors and governors. And we’ve seen many of our ideas—including welfare reform, “broken windows” policing, and choice and accountability in education—successfully turned into concrete policy.

Today, with the nation’s cities and states facing daunting fiscal challenges, we are redoubling our efforts to effect reform by reinvigorating and reintroducing our Center for Civic Innovation under a new name: the Center for State and Local Leadership (CSLL). In keeping with the history and mission of its predecessor, the new Center will commission and publish original research on policy and management issues at the state and local levels. With new projects and new fellows, CSLL will provide innovative and practical solutions to the unprecedented challenges associated with public finance, public safety, immigration, housing, education, crime, and transportation.

To aid in the activities of the Center and because we believe that good ideas combined with good leadership are the key to success for any city or state, we are building an advisory board of knowledgeable and successful policy practitioners. These distinguished personalities will lend their counsel and expertise to our fellows. Together we hope to spread the word about effective approaches to the problems of cities and states and assist current and future state and local leaders. Stay tuned: there will be more on this front in the coming months.
Our new Center for State and Local Leadership will focus much of its attention on the unsustainable rise in the cost of state and local government, especially skyrocketing public-employee pension and benefit costs. George Will recently noted that this issue “will dominate the nation’s policymaking in this decade.” Few organizations are having more of an impact on this subject than the Manhattan Institute, and few writers have been more prolific or effective than City Journal senior editor and MI senior fellow Steven Malanga, whose work, including his new book Shakedown: The Continuing Conspiracy against the American Taxpayer, is receiving widespread attention. BusinessWeek recently noted that Malanga is one of New Jersey governor Chris Christie’s prime “intellectual influences,” FOX Business Channel’s Stuart Varney has called Malanga the “preeminent expert on municipal finance in the United States of America,” and Shakedown has consistently reached Amazon.com’s number-one spot for books on labor unions.

In Shakedown, Malanga offers a troubling history of the expansion of the public sector over the past several decades and describes in gripping detail how a “new Tammany” consisting of a self-interested coalition of public-employee unions and government-financed community activists has bankrupted state and local governments across the country. As Steve Forbes notes in the foreword, Shakedown “truly deserves those overused adjectives ‘timely’ and ‘important.’ It enables us to grasp and analyze the root causes of the catastrophic financial collapse of so many state and local governments as well as the seemingly sudden explosion of federal spending and the unprecedented peace-time penetration of federal power into our now beleaguered free-enterprise economy.”
Rising concern about the burden on taxpayers stemming from unrestrained public-sector spending makes this the perfect time to examine and monitor the reasons for such growth. Our special concern about the abuse of power by public-sector unions has led us to create a new Institute website. PublicSectorInc.com will take advantage of our long record of work in this area and provide in-depth research, must-read commentary, and thoughtful solutions to the challenges posed by the underfunding and overpromising at the state and local levels. Public Sector Inc. will serve as the go-to resource for policymakers, the public, and the media on these issues, and build on the work of MI scholars such as Malanga, senior fellow E. J. McMahon, and Walter B. Wriston Fellow Josh Barro.

Because his proposals can help states across the country, we have asked McMahon to train his practiced focus on tax and fiscal issues to the world beyond New York State—and to lend his considerable experience and abilities to the Center for State and Local Leadership. While still directing research for the Empire Center, McMahon will hand over administrative responsibilities to Tim Hoefer, the Center’s new director. Look to McMahon for more work of the high quality of his recent Iceberg Ahead—which revealed the massive, unfunded cost of government-retiree health care in New York State and which was featured on the front page of the New York Times.

As part of his intensified focus on these issues, this summer McMahon published Obama and America’s Public Sector Plague, an entry in Encounter Books’ popular and provocative “Broadside” series of eighteenth-century-style critical pamphlets. In this succinct yet comprehensive presentation of the unsustainable costs associated with an expanded public sector, McMahon explains how the current administration’s policies have thus far shielded most state and municipal employees from the effects of the Great Recession, forestalling the structural reforms that are so desperately needed.

Also contributing to the new Center is Wriston Fellow Josh Barro, who has been producing original research that shows how to reduce the cost of government without sacrificing its quality. His February issue brief, “Two Americas,” revealed that while private-sector employment fell sharply as a result of the Great Recession, the public-sector civilian workforce continued to expand. His April report, Underfunded Teacher Pension Plans: It’s Worse than You Think, focused on the gap between assets and liabilities affecting the fifty-nine pension funds that cover most public school teachers in America, and it proposed structural changes that would avoid funding shortfalls and rein in out-of-control public pensions. Barro’s May report, Do Property-Tax Caps Work?: Lessons for New Jersey from Massachusetts, directly affected the legislative debate in Trenton over Governor Chris Christie’s plan to limit property-tax rate increases to 2.5 percent annually. And in October he released his
third issue brief of the year, “Evaluating States’ Credit with Bond Yields”—which will be the foundation of a larger report out next year. Barro is a first-rate number cruncher who writes in a clear and compelling fashion. We are pleased that, in addition to his research reports on budget and taxation issues, he has also become a regular contributor to Real Clear Markets and National Review Online.

Good Ideas and Good Leadership

It takes political courage to take on the entrenched interests that are constantly pushing for bigger government. That is why the Institute has launched its new “Ideas for the New Decade” event series to showcase innovative office-holders who challenge the notion that the only path out of our current economic and fiscal difficulties is through greater government spending and increased government control. Our first forum featured New Jersey governor Chris Christie. This autumn, we were honored to host Mississippi governor Haley Barbour, who spoke on “The Challenges Facing Cities and States across the Nation.” These two governors are at the forefront of the sea-change that is taking place in American politics. In 2011, we plan to host more like-minded leaders who are offering innovative, market-friendly, fiscally-prudent solutions to the public-policy challenges of our time. By highlighting these leaders, we hope to bring attention to their ideas so other leaders can be inspired. (These addresses are available for viewing on the Manhattan Institute website.)
Just as the Manhattan Institute helped develop and disseminate the successful “welfare-to-work” reforms of the 1990s, so too today we are helping to design and implement another innovative policy to break the cycles of crime and dependency. We call it “prison-to-work.” More than 700,000 Americans will be released from prison this year, more than two-thirds of whom are likely to return. To begin the hard work of improving on that dismal record, the Institute has partnered over the past two years with one of the nation’s top young mayors, Cory Booker of Newark, to develop a pilot program to chart a new path. The Newark Prisoner Reentry Initiative, based in a “work first” philosophy, has helped some 750 ex-offenders get jobs, and the recidivism rate for those in the program is in the single digits. With news of our success spreading quickly, the Institute’s vice president for policy research, Howard Husock, was called to testify in July before the United States Senate about our success in Newark; we are now preparing to move the program beyond our laboratory city. There will be much more to report in the coming months.

Education will be another key focus for the new Center. On December 15, the Institute will present its annual Urban Innovator Award to one of the nation’s premier education reformers: former Washington, D.C. public schools chancellor Michelle Rhee. As showcased in the recent hit documentary *Waiting for “Superman,”* Rhee’s Herculean efforts to turn D.C.’s long-troubled schools around—including a revolutionary new teacher contract that unwinds tenure protections and evaluates teachers based on student progress—represent a transformation in national education policy. The Institute is honored to recognize Rhee, and we look forward to working with her in the months ahead to continue the fight to improve America’s schools.

Rhee’s efforts in Washington centered on improving the quality of D.C.’s teachers, and the Manhattan Institute is about to weigh in on this subject with an important new book by senior fellow Marcus Winters: *Teachers Matter.* In this work, Winters will discuss the effects of teacher quality on student achievement—and why we must rethink how we hire, pay, retain, and manage our teachers in order to improve the quality of instruction taking place in America’s classrooms.

**Hellos and Good-Byes**

We are pleased to welcome Josh Barro and Robert Bryce into the Manhattan Institute family of scholars. There are several other significant personnel changes to report:

This year, we bid farewell to Jay P. Greene, our long-serving senior fellow for education policy. We wish him the best in his new position with the Bush Institute’s education reform initiative.

Senior fellow Marcus A. Winters, previously in residence at the Manhattan Institute, has decamped from the Big Apple for Colorado Springs, where he is now assistant professor in the education department at the University of Colorado. Winters remains an MI senior fellow, and we look forward to more of his empirical research and trenchant analysis of American public education.

Longtime MI fellow Walter Olson is moving on to a fellowship at the Cato Institute. His contributions to the Center for Legal Policy will always be greatly appreciated by the Manhattan Institute. We are pleased to announce that Ted Frank has stepped in to take over for Olson as editor of PointofLaw.com. As one of the site’s founding contributors, Frank brings deep experience in litigation through years of private practice and, more recently, leadership on tort reform in his own endeavor as the founder and president of the Center for Class Action Fairness.
“The city we love is at a turning point.” So began the letter from the editors in the first issue of City Journal, in autumn 1990. The letter cataloged the “intolerable conditions” that plagued New York—crime and public disorder chief among them—and went on to offer the then-somewhat-fanciful notion that if we could only “focus some of the immense ingenuity and energy that flows to New York on making the city livable once again,” there might be “hope for a New York that works.”

Twenty years later, the Manhattan Institute is proud of the key role that City Journal has played—and continues to play—in building “a New York that works.” From crime and disorder to welfare to education policy, City Journal has helped chart a new course for Gotham. Indeed, Rudy Giuliani has noted, “If there was a charge of plagiarism for political programs, I’d probably be in a lot of trouble because I think we plagiarized most of them, if not all of them, from the pages of City Journal and from the thinking and analysis of the Manhattan Institute.”

City Journal’s impact is not limited to New York. A broad new urban model has emerged from its pages. As City Journal editor Brian Anderson recently remarked in an interview with The Atlantic, “City Journal was launched as an intellectual and journalistic response to this crisis of urban life, which its editors and writers viewed not as a fate but rather as the outcome of specific bad policies and weak political leadership. Change the policy environment, put the right ideas in place, and cities could regain their vitality and again become the crucibles of innovation, culture, and economic growth that they were through much of our nation’s history.”

To mark the magazine’s twentieth anniversary, City Journal has assembled an extra-large autumn issue called “The Past, Present, and Future of the City.” The issue’s lead
story, by Steven Malanga, examines the “next wave” of urban reformers—people such as Newark mayor Cory Booker and Detroit mayor David Bing, who are using the same kind of innovative policies that brought New York back from disaster to turn around cities that many had given up on. Other important pieces by City Journal regulars include Edward Glaeser on how entrepreneurs were the heroes of New York’s past and are the keys to its future; Heather Mac Donald on San Francisco’s battle to reclaim public space from aggressive vagrants; Nicole Gelinas on how New Orleans, five years after Katrina, is showing how to do recovery right; and Howard Husock on Atlanta’s revolution in public housing. Contributors to the issue also include Victor Davis Hanson on why some cities prosper and others die across history; and Christopher Hitchens and Stefan Kanfer on the differing literary traditions of Washington, D.C., and New York.

In November, the Institute organized a special City Journal twentieth-anniversary conference, hosted by City Journal editor Brian Anderson. New York City deputy mayor Stephen Goldsmith gave the welcoming remarks. As mayor of Indianapolis, chairman of the Institute’s Center for Civic Innovation, and author of The Twenty-First-Century City and numerous other books, Goldsmith played a central role in forging the new urban paradigm that has revived cities from coast to coast. In his remarks, Goldsmith lauded City Journal for the role that it has played as a clearinghouse for the best new ideas in urban policy, and he discussed how a new generation of innovative mayors is picking up the reform mantle and making great strides in addressing the real problems of our urban centers.

Contributing editors Glaeser, Malanga, and Mac Donald then gave presentations that detailed how far cities have come over the past two decades by rejecting liberal approaches to crime, welfare, education, and economic life, and how far many still need to go in certain areas. Political analyst and columnist Michael Barone made a luncheon address in which he discussed the politics of cities and the urban future. That evening, a cocktail reception at the stylish Midtown Loft and Terrace celebrated the tremendous contributions that City Journal has made to the civic life of New York.

A lot has changed in the twenty years since City Journal first arrived on the scene. For one, a quarterly magazine that was once mailed to just a few thousand subscribers is now also posting stories daily on its website, which now attracts 5 million readers a year. What remains constant, however, is the quality of the writing and the power of the ideas.
DECONSTRUCTING WASHINGTON

- FOSTERING MEDICAL INNOVATION
- AMERICA’S FINANCIAL FUTURE
- “LET JUDGES BE JUDGES”
- POWERING THE 21ST CENTURY ECONOMY
The past two years have seen an activist Congress authorize a breathtakingly vast set of regulatory changes affecting broad swathes of the American economy—particularly our health care and financial services industries. As dramatic and dispiriting as these changes have been, we are mindful that they are neither set in stone nor fully implemented. So it is that even as we seek to focus on and nurture promising reforms at the state and local level, we well understand that we must also continue to pursue a robust national agenda. We cannot and will not stand by as regulation undermines healthy capital markets, quashes medical innovation, and makes American business ever more vulnerable to avaricious trial lawyers. The long-term economic health and prosperity of the nation is at risk.
At our Center for Medical Progress, Paul Howard is at work identifying the worst parts of ObamaCare—but also seeking ways in which forthcoming health-policy regulations can be written to encourage both high quality and consumer choice. The Center continues to keep its eye on a key part of the health care sector which is too often either ignored or demonized: the life-saving innovations in prescription drugs and medical devices developed by private firms and regulated by the Food and Drug Administration. Our Project FDA—which brings together a board of top physician-scientists, economists, medical ethicists, and policy experts—is identifying regulatory barriers which delay the development and use of life-saving drugs and devices, and advancing proposals to transform the system. In his report entitled *Cost of Caution*, University of Chicago economist Tomas Philipson—who chairs Project FDA—quantified, for the first time, the actual cost of such delay; some costs, of course—such as the value of years of life lost—are heartbreaking, as well as expensive. In the same vein, Institute visiting fellow Richard Epstein, one of the nation’s premier public intellectuals writing on law and regulation, explained in a fall MI report why rules governing alleged conflicts of interest among those who conduct FDA reviews lead to a bias against innovation—and investment. Their ideas for rethinking the FDA’s regulatory climate reflect the foundation of MI’s preference for nuanced, market-based policy reforms rather than rigid government control of our health-care system.

This spring, along with Stephen T. Parente of the University of Minnesota, Howard wrote an article for the prestigious new quarterly *National Affairs*, titled “Toward...
Real Health Care Reform,” which distinctly framed the Institute’s thinking on the issue and provided genuine solutions that could supersede the poorly constructed new health-care law—such as tax credits to help Americans purchase their own insurance and robust interstate insurance competition. Our objective, in this and other articles like it, is to compile a comprehensive package of ideas and promote it to the public, the media, and policymakers in Washington.

In part because of the seemingly endless debates over health-care legislation, our scholars spent a great deal of time in Washington, D.C., this year (and they will continue to spend time there, as the battle over health care is far from over). To ensure that our voice is heard in Washington on this and other issues, I am very pleased to announce that we have recently merged e21—a D.C.-based organization that marshals commentary based on the best economics research—into the Manhattan Institute’s family of policy centers. We will soon open an MI satellite office in D.C. proper. By inserting the Manhattan Institute’s outside-the-beltway perspective more directly into the debates on Capitol Hill, we can work both from within and outside of Washington to influence the thinking of our national leaders.

Collaboration with e21 Brings MI to DC

Just a year or two ago, conventional wisdom held that Americans had tired of the free-market economics that had “gotten us into this mess.” November’s election results dispensed with that notion and opened the door for a new approach to economic policy—one that is grounded in common sense and dedicated to free enterprise, fiscal discipline, and individual freedom.

As part of our family of centers, Economic Policies for the 21st Century will enhance the Manhattan Institute’s ability to develop and integrate our practical perspectives into the national conversation about economic policy. e21’s mission is to offer new solutions for today’s economic problems. Dedicated to supporting economic research and promoting sound policy, e21 analysts and commentators share the Manhattan Institute’s desire to advance new ideas that are grounded in empirical evidence, not ideology. The leadership and staff of e21 boast decades of experience in the halls of power, from the White House to Congress, which enables them to identify trends and opportunities that will inevitably inform our own work on issues ranging from financial regulation to pension reform.

We look forward to what will surely be a long and fruitful partnership.
Our partnership with e21 will enhance our impact on a variety of issues and amplify our rejection of the idea that Washington regulators can micromanage our dynamic and complex financial system. As Nicole Gelinash—who, in addition to her contributing editorship at *City Journal*, is now an e21 senior adviser—wrote this summer in *Roll Call*, “Just as Washington regulators can’t predict which industrial firms are going to succeed or fail, regulators cannot predict which financial firms and instruments are going to succeed or fail. We need rules that allow markets to reward success and punish failure, not government micromanagement futilely to foreordain success or failure.”

“One of the best analyses I’ve read on the causes of the 2008 financial meltdown is by Nicole Gelinash” — Mort Kondracke, *Roll Call*
Gelinas’s message, detailed this year in her book *After the Fall: Saving Capitalism from Wall Street—and Washington*, is to allow market discipline to govern Wall Street within the boundaries of a set of simple, straightforward rules. Unfortunately, the financial reform legislation does the opposite: it sets up numerous complicated regulatory authorities that basically enshrine “too big to fail” into law, and it eschews simple, commonsense regulations such as clear borrowing limits and greater transparency.

Since the release of *After the Fall*, Gelinas has been on radio an average of seven times a week and regularly appears on five of the “Top Talkers” radio shows. She is frequently a guest on the top financial shows on CNBC and FOX Business including the Kudlow Report, where host Larry Kudlow praised her book. In the spring, Senator David Vitter invited Nicole to Louisiana for a tour of four cities to discuss economic policy with his constituents. Recently she has been asked to speak about “finreg” at Hillsdale College and London’s Legatum Institute. In addition, *After the Fall* was a finalist for the Sir Anthony Fischer International Memorial Book Award.

As with health care, the debate over financial regulation is far from over. Many of the law’s provisions still need to be hammered out by regulators. Expect to see output from the Institute on this issue as we continue to serve as a powerful voice for sensible regulations designed to prevent future market meltdowns while preserving the financial dynamism on which a growing economy depends.

**Debating “FinReg”**

Marking the two-year anniversary of the financial market meltdown, this September the Manhattan Institute partnered with *The Economist* magazine to organize a forum called “Financial Regulation and America’s Future” featuring the authors of three top books on the topic. The details of the Dodd-Frank financial reform act and its impact on economic growth were discussed by the Institute’s own Nicole Gelinas; *The Economist*’s New York bureau chief, Matthew Bishop, author of *The Road From Ruin: How to Renew Capitalism and Put America Back on Top*; and Roger Lowenstein, New York Times Magazine contributing editor and author of *The End of Wall Street*. Later, Gelinas was invited by *The Economist* to participate in an online debate of the question, “Has the Obama administration has been good for business.” Gelinas presented a thoughtful argument that spoke to the heart of the problem: “For American business to thrive, it needs the federal government to create a safe, predictable environment for investment capital.”
This October, the Manhattan Institute was honored to have Supreme Court Justice Samuel Alito deliver the twenty-fourth annual Walter B. Wriston Lecture, a forum that has enabled some of the greatest public intellectuals to voice their thoughts on the challenges that we face as a nation. Our dinner is, as our chairman Paul Singer puts it, “the enemy of the sound bite, the anti-Twitter, and a bracing antidote to our attention-deficit-disorder culture.” Justice Alito’s talk, “Let Judges Be Judges,” focused on the fundamental role of judges and the threat posed to the rule of law by the influence of political ideology on judicial decision making.

Justice Alito noted the role that the Manhattan Institute has played in providing “an alternative voice on public policy issues and helping to counteract the spread of a lot of bad ideas, including the ideas about what the Constitution means.” Ridding “bad ideas” from the nation’s civil justice system has been the mission of our Center for Legal Policy for over two decades, and, as American businesses continue to struggle to recover from the Great Recession, the CLP has broadened its work to reflect the new realities of legal abuse that threaten our economy. Self-serving trial lawyers who abuse our tort system often work in concert with other legal players: ambitious prosecutors who farm out civil cases to private attorneys and target businesses under vague, far-reaching criminal statutes; and shareholder activists who abuse the corporate governance process to achieve political ends. Today, we’re worried not only about regulation through litigation but also regulation through prosecution and regulation through shareholder activism.

In 2010, the CLP has been actively addressing the alarming trend of prosecutors treating honest business judgments as criminal activity—a phenomenon that we have dubbed the “criminalization of capitalism.” With a book project (CLP director
CLP scholars were showcased twice this year on John Stossel’s new FOX Business television program, Stossel. Stossel recently dedicated two hour-long shows to the issue of legal reform. The first, “The Trouble with Lawyers,” featured CLP director James Copland, who discussed how lawsuits harm small businesses. The second, “Lawyers Win, You Lose!,” featured extensive interviews with Marie Gryphon, who discussed “loser pays” reforms; and Ted Frank, who explored class action lawsuit abuse.

James Copland contributed a chapter to the Heritage Foundation book One Nation Under Arrest, papers (CLP fellow Marie Gryphon’s instructive work on “loser pays” reform and the explosion of criminal laws lacking a traditional intent requirement), events (a discussion highlighting the destructive side of loosely defined “honest services” fraud and a forum featuring Home Depot cofounder Ken Langone and former U.S. attorney general Dick Thornburgh on the threat that overcriminalization poses to high-level corporate executives), and engagement with the media, our fellows are emerging as national thought leaders on the erosion of criminal-intent standards and the proliferation of ambiguous crimes that are creating a debilitating atmosphere of uncertainty for business leaders.

This autumn also marks the launch of a new CLP effort focusing on shareholder activists’ abuse of the corporate proxy process to influence business practice. Ensuring that corporate governance is protected from the whims, pet projects, and political agendas of individual shareholders—including labor unions and government-run pension funds—is crucial to preserving corporations' ability to plan over the long term and deliver on their fiduciary duty to stockholders. Our new website, ProxyMonitor.org, will be in the style of our popular government transparency site SeeThroughNY.net, consisting of a user-friendly database of
We are happy to report that our well-trafficked CLP website, Pointoflaw.com, continues to maintain robust readership, with last year seeing 1.6 million unique visitors and nearly 13,000 downloads of podcasts produced for the site. Point of Law’s effectiveness has consistently made it the Number One ranked “tort reform” blog, according to Technorati, a website that monitors the movers and shakers of the blogosphere. Our new editor, Ted Frank, who has previously written for law reviews, the Wall Street Journal, the Washington Post, and more—has helped Point of Law continue to grow as a go-to site for discussion of the criminalization issue: in 2009/2010, over 100 topical posts emerged in our criminal law category alone.

This year, the CLP added two new reports to its successful Trial Lawyers Inc. series. The first, Trial Lawyers Inc.: K Street, exposes how the litigation lobby exerts outsized influence in Washington—often through political strong-arming backed by massive campaign contributions that are matched by no other industry in America—and has, inch by inch, created new legal offenses and more opportunities to enrich itself. Timed to the release, CLP director Copland penned an op-ed for the Wall Street Journal, “How the Plaintiffs Bar Bought the Senate,” which raised the ire of Pennsylvania senator Arlen Specter and spawned back-and-forth columns in the Pittsburgh press that presaged the senator’s defeat in the Democratic primary. Also in 2010, the CLP released “Trial Lawyers Inc.: Environment,” an update exploring how trial lawyers are using environmental disasters as well as speculative claims to fill their coffers and push regulations that should be decided by the democratic process. While some cases represent traditional torts and should no doubt be treated as such, abuse of the civil justice system has run rampant, and reforms are necessary to ensure fairness and consistency to consumers and industry stakeholders alike.
An abundant supply of clean, cheap energy—and effective means for its transmission—is key to the continued economic prosperity of the United States. Unfortunately, current U.S. energy policy is terribly misguided. Economically ruinous “cap-and-trade” policies and the utopian belief that wind and other “renewables” can power our twenty-first-century economy have captured the imagination of policymakers in Washington. Obtaining the energy that the United States needs will require heavy doses of energy reality—an acknowledgment of the practical limits of our current resources and a commitment to develop new sources of energy both here and around the world.

Happily, senior fellow Robert Bryce’s specialty is the debunking of pernicious myths. Bryce has taken on such shibboleths as ethanol, “green jobs,” “clean tech,” and “energy independence.” His 2008 book *Gusher of Lies* has become the bible for energy realists. His latest book, *Power Hungry: The Myths of “Green” Energy and the Real Fuels of the Future*, shows that we need to use “old tech” sources of energy to supply most of our needs. Lacking “energy density,” there simply isn’t enough scalable potential in so-called renewables. Bryce’s message is that we should invest in research and development of new technologies—but that Washington should be realistic about the timing and, above all, the value of those investments. Spending billions of federal dollars on green energy—whether formulated as research grants or subsidies to prop up uneconomical or unready technologies—is worse than a waste of money. It creates vain hopes and unrealistic expectations, distorts energy markets, and discourages investment in the development of the supplies that we desperately need and can actually access and use right now.

It’s not enough to find, extract, and bring to market the energy supplies that we have. We also need to deliver them efficiently and move them cheaply and quickly to the places—and at the times—that they are needed the most. President Obama
and his Democratic allies in Congress would like to see production of renewable electricity dramatically expanded; but without an improved and extended national transmission grid capable of transporting power across great distances, this notion is not realistic.

An updated and extended national electricity transmission grid has the support of environmentalists, who view it as a way to integrate renewable sources of power into the national energy mix; and of the electrical power industry, which craves the reliability that an extended and improved national transmission network would ensure. The benefits of building a truly national grid are clear; but, as always, the big questions are: Who pays? What steps need to be taken? What barriers stand in the way?

This autumn, the Center for Energy Policy and the Environment (CEPE) released two papers at an event on Capitol Hill arguing that the obstacles to an extended...
Metcalf and Thornley’s findings were discussed by a panel of energy experts, including Ashley C. Brown of the Harvard Electricity Policy Group; and J. Mark Robinson, former director of the office of energy projects at FERC. MI senior fellow Peter Huber gave the opening remarks, and Susan Eisenhower, president of the Eisenhower Group, Inc., delivered the keynote address. Eisenhower explained why building a national energy grid is as important to our prosperity today as building the interstate highway system was fifty years ago. The conference received a great deal of attention, including write-ups in Energy Tribune, National Review Online’s Planet Gore, and Power Market Today. The CEPE continued to investigate the many myths that skew the energy debate with another event this autumn, featuring Spencer Abraham, former U.S. secretary of energy. Abraham discussed his new book *Lights Out: Ten Myths about (and Real Solutions to) America’s Energy Crisis*. 

Overcoming Obstacles to a National Electricity Grid
MAKING THE CASE FOR CAPITALISM
The financial crisis and its after-effects have prompted many to question the soundness of our financial markets and of American capitalism broadly. Unfortunately, too little of this concern is informed by a familiarity with the demonstrated benefits of free markets as the engine of poverty reduction and the foundation of mutually beneficial exchanges amongst free people. The vacuum of informed conversation can be traced, in no small part, to the lack of serious instruction in political economy—that trans-disciplinary combination of economics, political science, law, and history—at our universities. Indeed, there is good reason to believe that our campuses are, in fact, sources of enmity toward free markets and their adherents. Thus it is no coincidence that, according to a survey conducted by the Intercollegiate Studies Institute, only about half of all graduates correctly defined free enterprise as a system in which individual citizens create, exchange, and control goods and services. In fact 13 percent believe it’s a system in which demand and supply are decided through majority vote.
In 2009, *Newsweek* magazine ran a cover story declaring, “We Are All Socialists Now.” This followed a poll finding that one-third of respondents under the age of thirty believe that socialism is a better system than capitalism. Concerned by this lack of appreciation for the benefits of our free-market system, especially among America’s young people, our Center for the American University worked with Capitalism Project founder Marilyn G. Fedak to host a major conference in October, “Capitalism on Campus: What Are Students Learning? What Should They Know?” The conference launched the Project, which encourages a rebirth of interest in the principles of free markets through the support of political economy programs on college campuses across the country.

Professors of economics, history, and political science from leading universities focused on at least two causes of the lack of training in political economy: the overspecialization of academic disciplines; and political bias among professors. After a lively panel discussion, Peter Flanigan, a Manhattan Institute trustee and a founder of its VerItas Fund for Higher Education Reform, introduced keynote speaker professor Robert P. George, director of the James Madison Program in American Ideals and Institutions at Princeton University. George urged professors and donors to force the contemporary university to live up to its own ideals: to represent a diversity of rational and reasonable points of view and to encourage real debate. Such a transformation can only be effected “from the inside out,” said George, via partnerships between those with the resources to effect real change and those in the position to reach students within the academy.

“If you put together money and faculty members on the inside who are not going to give up,” said George, “you can make things happen.”

Combining these philanthropic partners and faculty members “on the inside” has been the driving strategy of our VERITAS Fund. Since its inception nearly four years ago, the VERITAS Fund has sought out professors at top-tier universities who are committed to bringing intellectual pluralism to their institutions. By investing in academic programs that are led by established faculty members and that have the goal of introducing new courses

I’ve noticed a pervasive disdain among many of our best and brightest young people toward business; I feel it is critical that they understand the reasons why capitalism is so important. —Marilyn G. Fedak
on Western civilization, the American founding, and political economy into
the undergraduate curriculum, the VERITAS Fund is aiming to strengthen
many centers modeled after George’s own Madison Program. Our goal
in strengthening teaching in these areas and encouraging real debate on
campus is to “create something like what a university would be if it were
what it should be.”

James Piereson, chairman of the VERITAS Fund and director and senior
fellow of the Manhattan Institute’s Center for the American University,
continues to promote the idea that college students should be exposed to a
solid core curriculum that includes the history of Western civilization and the
founding principles of American government and economics. In Piereson’s
recent Wall Street Journal op-ed “Where Columbia Beats Harvard,” he held
Columbia up as an example “where students are required to pass through a
structured curriculum in which they encounter the great books and artistic
creations of Western civilization.”

As a follow-up to the launch of the Capitalism Project, MindingTheCampus.com
contributing editor Charlotte Allen is penning a white paper on the teaching
of political economy that will highlight the conference’s conclusions; look
for it this winter. And thanks to Allen, editors John Leo and Anthony Paletta,
and outside contributors such as Harvard Law School’s Alan Dershowitz and
Bard College president Leon Botstein, Minding the Campus has become one
of the most frequently visited websites on higher education over the last
year. Recent Minding the Campus articles and reports have been cited or
reprinted in the New York Times, the Wall Street Journal, National Review,
The New Criterion, and The Chronicle of Higher Education, to name a few.

The VERITAS Fund is now funding twenty-seven centers at colleges and universities
around the country and has allocated nearly $4 million in grants since its inception in
2007. We currently sponsor programs on the following campuses:

Amherst College
Baylor University
Boston College
Brown University
Christopher Newport University
College of the Holy Cross
Cornell University
Dartmouth College
Duke University

Emory University
Furman University
Georgetown University
Hamilton College
Harvard University
Indiana University
Massachusetts Institute of Technology
New York University
Ohio University

Rhodes College
University of California–Los Angeles
University of Colorado
University of Notre Dame
University of Richmond
University of Texas
University of Virginia
Villanova University
Yale University

The VERITAS Fund is actively searching for professors who are willing and able to teach courses and sponsor programs to
illuminate the relationship between capitalism and American democracy. If you are interested in submitting a proposal to
the VERITAS Fund, or for general funding inquiries, please contact Alison Smith at asmith@manhattan-institute.org.

The VERITAS Fund is also searching for philanthropic partners. Experience has taught us that there is no dearth of funding
opportunities, with many programs past the idea stage; the real bottleneck is funding. We hope that our programs will
inspire new philanthropy. If you are interested in supporting the VERITAS Fund, please contact Vanessa Mendoza at
vmendoza@manhattan-institute.org.
PUBLICATIONS 2010

AFTER THE FALL: SAVING CAPITALISM FROM WALL STREET—AND WASHINGTON by Nicole Gelin (Encounter Books, December 2009)


SHAKE-DOWN: THE CONTINUING CONSPIRACY AGAINST THE AMERICAN TAXPAYER by Steven Malanga (Ivan R. Dee, October 2010)

PATHOLOGY OF THE ELITES: HOW THE ARROGANT CLASSES PLAN TO RUN YOUR LIFE by Michael Knox Beran (Roman and Littlefield, December 2010)

How Conflict-of-Interest Rules Endanger Medical Progress and Cures by Richard A. Epstein
Project FDA Report 3, October 2010

New York’s Exploding Pension Costs by E.J. McMahon and Josh Barro
Empire Center Special Report SRB-11, October 2010

Despite Billions in Subsidies, Corn Ethanol Has Not Cut U.S. Oil Imports by Robert Bryce
Issue Brief 7, October 2010

Evaluating States’ Credit with Bond Yields by Josh Barro
Issue Brief 6, September 2010

Iceberg Ahead: The Hidden Cost of Public-Sector Retiree Health Benefits in New York by E.J. McMahon
Empire Center Special Report SRB-10, September 2010

Regulatory Barriers to a National Electricity Grid by Drew Thornley
Energy Policy & the Environment Report 6, September 2010

Financing a National Transmission Grid: What Are the Issues? by Gilbert E. Metcalf
Energy Policy & the Environment Report 5, September 2010

Trial Lawyers, Inc.: Environment by James R. Copland
Trial Lawyers Inc. Report, August 2010

New Jersey Teacher Salaries Are Comparable to Professional Pay by Marcus A. Winters
Issue Brief 5, July 2010

Making Prisoner Re-Entry Work: Testimony on the Second Chance Act by Howard Husock
Testimony, July 21, 2010

Cost of Caution: The Impact on Patients of Delayed Drug Approvals by Tomas J. Philipson
Project FDA Report 2, June 2010

Do Property-Tax Caps Work? Lessons for New Jersey from Massachusetts by Josh Barro
Civic Report 62, May 2010

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Underfunded Teacher Pension Plans: It’s Worse Than You Think by Josh Barro
Civic Report 3, April 2010

Protecting the Economy from Wall Street: Can the financial industry pay for its own bailout? by Nicole Gelin
Issue Brief 3, April 2010

New Health Care Taxes to Slam Tri-state Area by Josh Barro
Issue Brief 2, February 2010

Two Americas: Public Sector Gains in Recession by Josh Barro
Issue Brief 1, February 2010

Blueprint for a Better Budget by E.J. McMahon and Josh Barro
Empire Center Special Report, January 4, 2010

Trial Lawyers Inc.: K Street: A Report on the Litigation Lobby by James R. Copland
Trial Lawyers Inc. Report, 2010
The Manhattan Institute publishes several websites that provide ready access to our scholars’ work. In addition to the comprehensive Manhattan Institute and City Journal homepages, we host issue-specific sites that have each earned devoted niche audiences interested in New York State policy, health care, tort reform, and intellectual pluralism in higher education. Making the work of our scholars easily accessible to journalists, policy makers, and lay readers is essential to our mission of turning intellect into influence.

The Manhattan Institute’s website offers the latest research and articles from our senior fellows and policy centers, including features such as podcast interviews and event videos. www.manhattan-institute.org

City Journal, the quarterly magazine of the Manhattan Institute, offers online articles from each issue, daily op-eds, cultural reviews, and podcasts on its website. www.city-journal.org

Point of Law is a web magazine sponsored by the Manhattan Institute that brings together information and opinion on the U.S. litigation system. www.pointoflaw.com

Medical Progress Today is a web magazine devoted to chronicling how market-friendly public policies drive life-saving medical innovations and make health care more affordable and accessible for all Americans. www.medicalprogresstoday.com

Project FDA is a committee of physician-scientists, economists, medical ethicists, and policy experts whose purpose is to show how 21st-century technologies can help better inform FDA regulations and accelerate the drug-development and drug-approval process. www.manhattan-institute.org/projectfda

Minding The Campus seeks to revive the best traditions of the American university by promoting intellectual pluralism and offering comprehensive resources and in-depth articles on the major challenges facing today’s universities. www.mindingthecampus.com

Public Sector Inc. brings together news, analysis and commentary for those concerned about the crisis in public pensions, benefits, and budgets affecting state and local governments across the United States. www.publicsectorinc.org

Proxy Monitor sheds light on the influence of outside shareholder proposals submitted for vote on the corporate proxy statements of America’s 100 largest public companies. www.proxymonitor.org

The Empire Center for New York State Policy’s website offers the latest research and news from Albany, including initiatives such as SeeThroughNY.net and NYFiscalWatch.com. www.empirecenter.org

NY Fiscal Watch is a conversation on the latest news of New York State and City finances, authored by senior fellows Nicole Gellinas and E.J. McMahon. www.nyfiscalwatch.com

NY Public Payroll Watch offers readers a way to track labor issues that affect the cost of state and local government in New York. www.nypublicpayrollwatch.com

See Through NY gives New Yorkers a clearer view of how their state and local tax dollars are spent, and a way to share, analyze, and compare data from counties, cities, towns, villages, school districts, and public authorities throughout New York. www.seethroughny.net
FELLOWS

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EVENTS

2009 HAYEK LECTURE

Steve Forbes, Amity Shlaes

Howard Husock, Richard Gilder, and Lewis Lehrman

2010 WRISTON LECTURE

The Honorable Samuel A. Alito, Jr.

Robert Rosenkranz, Wendy Kopp, and Mayor Michael Bloomberg

2009 URBAN INNOVATOR AWARD

Renee Glover and Howard Husock

2009 HAYEK LECTURE

2010 SOCIAL ENTREPRENEURSHIP AWARDS

2010 ALEXANDER HAMILTON AWARD DINNER

Robert K. Steel

Daniel P. Henninger
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Since 1990, the Manhattan Institute has published *City Journal*, a cutting-edge magazine devoted to culture, urban affairs, and civic life that commands the attention of all who think seriously about urban policy. Edited by Brian Anderson, *City Journal* boasts a stable of outstanding regular contributors, among them Nicole Gelinas, Theodore Dalrymple, Kay S. Hymowitz, Heather Mac Donald, Myron Magnet, Steven Malanga, Judith Miller, Guy Sorman, and Sol Stern. Television commentator Lawrence Kudlow calls *City Journal* “a powerful counterpunch to those who believe that our lives must be governed by tangled nanny state webs of complex regulations and high taxes, which stifle entrepreneurship and depress opportunity.”

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Our websites such as PublicSectorInc.co, MedicalProgressToday.com, PointofLaw.com, ProxyMonitor.org, NYFiscalWatch.com, and MindingTheCampus.com communicate practical ideas—everything from healthcare innovation to pension reform—to our diverse online audience. Videos of our events and weekly podcast interviews allow people across the country to see and hear our scholars and their ideas. We also sponsor a section on the popular website RealClearMarkets.com called Facts and Fallacies that provides insightful, market-oriented analysis and pragmatic economic proposals.

Looking to the future, the Manhattan Institute has launched the Young Leaders Circle, a forum for young professionals in the New York metropolitan area who are interested in free-market ideas and public policy. More than 125 members of the Circle gather monthly to hear such leading thinkers as Steve Forbes, Shelby Steele, Charles Murray, and Andrew Breitbart discuss the pressing issues of our day in an evening lecture and cocktail-party series.

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