DEAR MI FRIENDS AND SUPPORTERS,

At the Manhattan Institute, we pride ourselves on the quality of our public policy research and the practical impact of our ideas. We have long known that Washington is not the only place for new ideas—indeed some of the most important and influential polices first take hold at the state and local levels. From the Manhattan Institute’s inception we have placed a special emphasis on these issues and enjoyed great success, for example, in the areas of policing and public assistance. Today, with the nation’s cascading crisis of public debt reaching the state and local levels, our fellows are utilizing their expertise to explain the roots of the problem and propose solutions.

The growing influence of public-employee unions and the demands that they place on the public purse are unsustainable. For years, MI senior fellows E. J. McMahon and Steven Malanga have warned about public spending run amok. Happily, the general public is getting the message and electing political leaders willing to make the tough decisions needed to rein in government spending.
One such leader is New Jersey governor Chris Christie, whom George Will recently dubbed the “Trenton Thunder” for his willingness to shake up that state’s political establishment. Will noted that Christie’s fight to get skyrocketing public-employee benefit costs under control is one that “will dominate the nation’s domestic policymaking in this decade.” The Manhattan Institute was gratified this May to have Governor Christie kick off our “Ideas for the New Decade” forum series with a rousing address. In his speech, Governor Christie forcefully argued for the kind of serious, structural budget reforms that are needed to restore fiscal sanity to state and local government.

Christie’s speech, which is available for viewing on the Manhattan Institute’s website (as are most of our events nowadays), is worth quoting at length:

“This is about restoring some common sense to a totally out-of-control system…. We are going to stand up to the entrenched special interests that are unused to having the truth told to them…. The stakes here are no less than the future that we want our children and our grandchildren to have. If we continue to allow a minority group of union leaders to define for us our standard of living, then we are bound to be Greece. We are bound to be buried
under a mound of taxes and debt that our children will not be able to dig out from....

Everyone here at the Manhattan Institute—those who work on these ideas and those who support these ideas—is going to be integral to the fight that I am talking about. Because if we don’t stand up and say we are ready and willing to take on the tough fights and make the difficult decisions, then we are, in my opinion, abrogating the most solemn responsibility we have as human beings: to leave this place better for our children and grandchildren than it was left for us.

The Institute has been and will continue to be out in front on these issues. Our research is helping the public understand that changes in policy can make a difference—by reducing the cost of government without sacrificing its quality. For example, Governor Christie’s speech coincided with the release of a headline-generating study by our Walter B. Wriston Fellow, Josh Barro. The report, titled “Do Property-Tax Caps Work? Lessons for New Jersey from Massachusetts,” demonstrates that lower spending need not lead to a decline in the quality of public services. In Massachusetts, where a 2.5 percent cap on property-tax increases has already been tried, the state government got spending under control while at the same time improving public schools. Student achievement in Massachusetts is now the highest in the nation.

As Barro wrote in a Newark Star-Ledger op-ed, “The recovering taxaholics in Massachusetts have shown a path for a wealthy, northeastern state to tax and spend somewhat less, improve competitiveness, and maintain high-quality public services. It’s a much more appealing choice than yet another round of tax hikes for New Jersey.”

Just as the debate on Cap 2.5 legislation grew heated, Josh Barro’s report on the effect of property tax caps became a must-read for New Jersey’s leaders. In July, Barro testified in front of the state Assembly’s Budget Committee.
Meanwhile, across the Hudson, senior fellow E.J. McMahon’s Empire Center for New York State Policy is detailing every single state contract, budget item, and public employee salary via our transparency website, SeeThroughNY.net. The site, which celebrates its second anniversary this month, has become a popular template for other states around the country (ten state think tanks are utilizing the program) and an indispensable resource for reporters looking to analyze budget woes. In June, for example, the New York Times used the website as the basis for an article about the more than 8,000 MTA employees earning more than $100,000 a year. The Empire Center’s data and analysis received an amazing amount of local and national media attention and lit up the blogosphere, with links on the Drudge Report and Gawker.com.

Like New York, New Jersey, and many other states around the country, California has major spending woes. By now, many of you have read Steven Malanga’s recent City Journal article, “The Beholden State: How Public-Sector Unions Bankrupted California,” which offered a devastating critique of government spending in the Golden State. With more than 20,000 links on the Internet, the article propelled City Journal’s website to a record 2.5 million unique visitors in the first half of 2010. Building on this success and on his 2005 book The New New Left: How American Politics Works Today, Malanga has completed a new book, Shakedown: The Continuing Conspiracy Against the American Taxpayer. In Shakedown, to be released this autumn, Malanga describes how a “new Tammany,” consisting of public-employee unions and taxpayer-funded community groups, has seized power over the past fifty years and how the bill for public-sector profligacy is now coming due.

[Shakedown] is a book that truly deserves those overused adjectives “timely” and “important.”
— Steve Forbes, from the foreword

Since its debut in 2008, SeeThroughNY.net, the Empire Center’s government transparency website, has become the go-to site for concerned taxpayers and investigative journalists looking to access public records on worker salaries and generous pensions across the state.
Such profligacy and imprudence should never be allowed to dictate policy, particularly in an area crucial to our economy as a whole: energy. In the wake of the Gulf of Mexico oil leak, senior fellow Robert Bryce helped make sense of what was going on, noting that BP’s safety record was atypical for the deepwater drilling industry. As Bryce makes clear in his new book Power Hungry: The Myths of “Green” Energy and the Real Fuels of the Future, the United States cannot—and should not—stop using oil anytime soon because it provides the most “energy density” or, in layman’s terms, the most “bang for the buck.” Bryce argues in the book and in his recent op-eds in the Washington Post, Wall Street Journal, Slate, and elsewhere that the United States can lead the global transition to a cleaner, lower-carbon future by embracing the real fuels of the future: natural gas and nuclear power.

To achieve this new energy future, we will have to adopt smart energy policies. Unfortunately, serious thinking on energy is in short supply in Washington, D.C., right now. As Bryce illustrated in a recent New York Times op-ed titled “A Bad Bet on Carbon,” the energy and climate legislation now being considered by the U.S. Senate contains billions of dollars for “carbon sequestration” projects—attempts to remove carbon dioxide from power-plant smokestacks and force it into underground storage. Bryce methodically debunks this infeasible idea and notes that “before Congress throws yet more money at the procedure, lawmakers need to take a closer look at the issues that hamstring nearly every new energy-related technology: cost and scale.”

Energy and environmental policy is not made in a vacuum, however. As with so much in America, lawyers and courts have their say, too. That is why the Manhattan Institute’s Center for Legal Policy will weigh in on the related issues of energy and the environment this autumn with a new report, “Trial Lawyers Inc.: Environment,” which will show how trial lawyers use courts of law to win environmental policy battles that they cannot seem to win in the court of public opinion. The report will also highlight how the oil spill on the Gulf Coast is certain to set off decades of litigation and government inquiry—and how we must be sure to separate legitimate claims from those seeking merely to exploit a genuine ecological tragedy.

One public policy issue that is seemingly heading in the right direction is education reform. The Manhattan Institute is proud to play a role in tipping the debate toward meaningful change. In particular, senior fellow Marcus Winters has been expertly dismantling the arguments standing in the way of reform. Late last year, Winters authored a comprehensive study on the effects of charter schools in New York City that showed that students in traditional public schools also benefit when their schools face increased competition from charters. The study was cited by news outlets across the country, including the New York Daily News, which ran an editorial heralding Winters’s findings with the headline “Good for Some, Good for All: Anti-Charter School Diehards Are Stripped of Their Last Argument.”

Over the past several months, Winters has continued to forcefully advocate for charter schools through a series of op-eds and media appearances. Finally, on June 1, the
New York State legislature agreed to raise the statewide cap on charter schools from 200 to 460. We are proud of Winters’s contribution to the debate and happy to announce that this autumn, in addition to his fellowship at MI, he will join the faculty of the College of Education at the University of Colorado at Colorado Springs.

The Manhattan Institute has long believed that the positive effects of competition in education, as in other sectors of American life, will diminish if choice is limited. The effectiveness of one choice—urban Catholic schools—in serving the disadvantaged has long been noted by contributing editor Sol Stern in the pages of City Journal. This spring, the Manhattan Institute was delighted to have New York’s archbishop, Timothy M. Dolan, address our audience on his “Pathways to Excellence” plan to revive New York’s Catholic schools. Departing from what he called “the hospice approach,” Archbishop Dolan’s initiative
is designed to ensure that Catholic schools stay strong for generations to come.

As I wrote in the last update, health care will continue to be a major focus of the Institute’s work. Paul Howard, director of our Center for Medical Progress (CMP), has a potent article (cowritten with Stephen Parente of the University of Minnesota) in the current issue of the prestigious new quarterly *National Affairs*. In it, they dissect the many shortcomings of the recently passed health-care legislation and argue for market-based changes that could lower the cost while still improving access. And, as if the health-care “reform” legislation wasn’t bad enough, ill-conceived regulations abound in other areas of health care—namely, the FDA. The Center for Medical Progress is countering with two well-timed reports. The first was released in June, and the second is being prepared by renowned University of Chicago scholar and CMP visiting fellow Richard Epstein.

The first study, “Cost of Caution,” calls for reforms to the FDA’s labyrinthine drug-approval process. Written by the FDA’s former top economist, Tomas Philipson, the report calculates and quantifies a previously unconsidered cost of exhaustive FDA regulations and delays: the cost to patients and society of missing out on the benefits of faster access to new and potentially lifesaving drugs. This report could not be more timely, as Congress is now beginning to debate the reauthorization of the Prescription Drug User Fee Act, which contains regulations for the FDA’s development and review of new medicines.

Richard Epstein’s report will examine the FDA’s new conflict-of-interest regulations. Although they have not received much attention in the general media, these heavy-handed regulations crowd out the smartest minds in the field. Epstein will argue that medical innovation is critically dependent on information sharing and collaboration among drugmakers, regulators, and practicing physicians and that conflict-of-interest regulations should recognize this fact.

The Manhattan Institute is ramping up for a busy autumn, when *City Journal* will celebrate its twentieth anniversary. We are compiling a special twentieth-anniversary edition that will look at how far the nation has come over the past two decades—and how far we still have to go. We will also hold a special symposium to celebrate *City Journal*’s twenty years of urban intelligence and discuss the ideas and issues that we believe will resonate in the coming years. In addition, we have several other high-profile events on the calendar for the autumn, including our Social Entrepreneurship Awards and the Hayek Lecture. I am also pleased to announce that Supreme Court Justice Samuel Alito has agreed to deliver our annual Wriston Lecture this October. If you would like to find out how to attend this or any of the other events mentioned above, please feel free to contact our development office.

With a busy autumn to look forward to, please enjoy the waning days of summer.

Sincerely,

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