DEAR FRIENDS,

November’s presidential election is sure to have a lasting effect—for good or ill—on our nation. And not just for the next four years, but for generations to come. In this challenging moment, we must keep the debate focused on what’s most important: charting a path back to growth and prosperity. To achieve this goal in a complex and rapidly changing environment, the Manhattan Institute has launched a new program that we are calling Issues 2012.

**Issues 2012**

Election years provide an opportunity to introduce significant policy ideas, whether new or previously overlooked, into the public discussion. Those of us whose mandate is the continued education of the public must also intervene when myths and fallacies are paraded as facts. Issues 2012 provides the context and analysis to improve understanding of key public policies. It will include coverage, response, and anticipatory work expressed in the form of short white papers, a public debate series, and, of course, our traditional Manhattan Institute formats.

For examples of how this new series is already moving the debate, please visit our website to read a pair of editorials from *Investor’s Business Daily* which highlight two Issues 2012 reports released in March: “Why Obamacare will End Health Insurance as We Know It,” by MI visiting scholar Richard Epstein and former Federal Trade Commission special counsel David Hyman; and “The Myth of Increasing Income Inequality” by senior fellow Diana Furchtgott-Roth. Please also take the time to see MI
senior fellow Avik Roy’s most recent work. Roy, of our Center for Medical Progress, has lately emerged as one of the freshest voices in the national debate over health care reform. In a March 28 USA Today op-ed, he offered a strikingly original analysis of the problems with the “individual mandate,” the Obamacare provision requiring most Americans to purchase health insurance by 2014 or pay a penalty. “The mandate’s proponents call it an ‘individual responsibility’ requirement. But its real aim is to force young people to cover up for irresponsible government policies: laws that force hospitals to care for people who don’t pay, and laws, like Obamacare, that make insurance too expensive.” The op-ed landed just as the Supreme Court was hearing oral arguments on the constitutionality of the mandate. It is this sort of timely analysis that will be a hallmark of our Issues 2012 briefs.

Roy was also the first MI fellow to take part in our new series of Issues 2012 public debates; he and Princeton University professor Paul Starr debated whether the Obamacare law should be amended or repealed. In his remarks, Roy emphasized that access to health insurance does not guarantee access to good health care—citing the significantly worse health outcomes for Medicaid patients, whose ranks would be greatly expanded by the new law. Such analysis is firmly in the Manhattan Institute tradition—moving the debate by making clear how poorly conceived policies fail on their own terms.
Taking on Public Sector Inc.

The heavy hand of government—whether in health care or other sectors—increases the cost of doing just about everything in America. Equally dangerous is the heavy hand of public-sector labor unions, which very specifically increase the cost of American government by putting union-member interests above the public interest. In city halls and statehouses around the country this year, policymakers and politicians will have to deal with the cost issue and make decisions about whether to reform runaway public pension systems or to continue to postpone a day of reckoning.

Among those who have opted to face reality is Rhode Island general treasurer Gina Raimondo, whom we were proud to recognize in January with the 2011 Manhattan Institute Urban Innovator Award. We recognized this reform Democrat for proposing and securing passage of the Rhode Island Retirement Security Act, which Raimondo persuaded her state’s legislative leaders to adopt in November—reforms that MI scholars such as Steven Malanga, E. J. McMahon, and Nicole Gelinas have been promoting for years.

Raimondo’s reforms have cut the Ocean State’s pension system’s projected unfunded pension liability by about $3 billion. Similar savings are showing up in other states, such as Wisconsin, where Governor Scott Walker’s proposal to limit collective bargaining for public workers...
angered unions and led protesters to storm the statehouse in Madison. Yet, as Christian Schneider of the Wisconsin Policy Research Institute pointed out in his winter 2012 City Journal article, excerpted in the New York Post, Walker's reforms are working, especially for the state's financially strapped school districts, which are poised to save millions of dollars in health-care costs.

Raimondo was able to enact groundbreaking reform of public-sector pensions by articulating how pensions are crowding out spending on vital services, including schools, libraries, roads, buses, colleges, and other programs. We have been arguing much the same; over the next few months, we will bring our work to bear in Wisconsin specifically—given the particular significance of the fight. Mindful that the citizens of Wisconsin will have the opportunity to validate or nullify the recent reforms on June 5th, the Manhattan Institute will continually provide public education on the issues in the state throughout the spring and early summer.

The difficulty of achieving prudent pension reform reflects the power of public-employee unions—as exercised both at the bargaining table and, crucially, at the ballot box. At a time when public discussion has focused on the novelty of campaign contributions made by so-called super PACs and other institutions, MI senior fellow Daniel DiSalvo, a City University of New York political scientist, has made clear that public-employee unions are the single largest source of campaign funds. In Dues and Deep Pockets: Public-Sector Unions’ Money Machine, DiSalvo describes how public-sector unions build huge
war chests for political activity from dues checkoff and agency-shop legal provisions that automatically fund unions’ political activities out of members’ paychecks. Because part of the Walker reform was to end the mandatory collection of union dues, DiSalvo highlights the ramifications of this change in Wisconsin versus the results of mandatory dues in other states.

Also, with Wisconsin in mind, this summer MI fellow Steven Malanga will elucidate the benefits of collective bargaining reform in Wisconsin by comparing the state’s economic and fiscal trajectories with those of Illinois. If you missed it, head over to PublicSectorInc.org to read Malanga’s devastating response to Paul Krugman’s comparison of government hiring and spending during the recovery of Ronald Reagan’s first term: “Krugman says that if local government were growing at the rate of the Reagan recovery we’d have some 1.3 million more ‘schoolteachers, firefighters, police officers, etc.’ To Krugman it seems inconsequential whether we need those additional 1.3 million government workers.”

In the Institute’s home state, the public sector continues to fight important reform. Empire Center senior fellow E. J. McMahon has fought back, exposing the unsustainable cost of New York’s public pension obligations. This has prompted officials, including Governor Cuomo, to propose changes in the state’s pension law—specifically, to permit new employees to choose a defined-contribution plan like those offered in the private sector.

When the proposal drew union fire, the Institute was ready with a groundbreaking new report showing that a group of New York State employees has already been availing itself of and benefiting from just such a plan. The report compares the defined-contribution plan managed by TIAA-CREF—which has been voluntarily chosen by SUNY and CUNY employees for decades—with the traditional defined-benefit plans enjoyed by New York’s public workers. Though Cuomo’s proposal was ultimately scaled back, it demonstrates that meaningful shifts are occurring in elected officials’ policy narratives. Lawmakers are waking up to the reality that—as a result of our work—fewer New Yorkers are in the dark about the massive, unfunded public-sector benefits that taxpayers finance, while public services they deem essential are landing on the chopping block.
A Positive Vision for Cities

The Manhattan Institute, since its inception, has focused on forging a positive urban governing agenda. In the spirit of good news, just last month, we released *The End of the Segregated Century: Racial Separation in America’s Neighborhoods, 1890–2010*, coauthored by Harvard economist and MI senior fellow Edward Glaeser; and Duke University economist and adjunct fellow Jacob Vigdor. The report, which made headlines across the country, reveals the pervasive decline in segregation that occurred during the first decade of the twenty-first century, and it was featured on the front page of *USA Today* and reported on by the *New York Times*, the *Wall Street Journal*, NPR’s *Morning Edition* and *Talk of the Nation* programs, and dozens of other national and local media outlets. In his Bloomberg column announcing the study’s release, Glaeser observed that “the lessening of segregation reminds us that our nation continues to have a great ability to fight even its worst problems.”

More good news: New Jersey governor Chris Christie recently announced that the Garden State is restructuring its criminal-justice operations based, in part, on a report that the Manhattan Institute wrote for his office last year. The report outlines our experience working with the administration of Newark mayor Cory Booker to create a pilot prisoner-reentry program that values “work first” principles. With markedly reduced recidivism and a focus on crime prevention, mayors and governors from across the United States are showing interest in our proposed reforms. In one example, just a few months ago, the Institute was pleased to bring a delegation of experts to Detroit to discuss prisoner reentry and other crime-reduction strategies with Detroit mayor Dave Bing and police chief Ralph Godbee. At the request of the mayor and police chief, and as a result of that meeting, the Institute is currently providing senior fellow George Kelling as a “loaned executive” to the City of Detroit.

In the 1990s, Kelling, the father of broken-windows policing, famously helped Commissioner William Bratton tame crime in the New York subways and then aboveground as well. Over the past decade, Kelling has helped police chiefs replicate the New York miracle in cities as diverse as Los Angeles and Milwaukee. Kelling is now traveling to Detroit twice a month to consult with Chief Godbee and his team; soon, we hope to have MI’s “loaned executive” to the City of Newark, Ingrid Johnson, offering some of her expertise to the Motor City as well. It is our hope that with success in Newark and Detroit, and with the opportunities for statewide reform in New Jersey, we can bring continued public attention to policies that can help bring safety and economic opportunity to other cities around the nation.
An Agenda for the Future

There is little question that on the state and national levels, challenges abound. Those challenges are immediate and certainly require our attention. However, we must also keep an eye toward the big ideas that can make for a better not-so-distant future—if we want to ensure that someday those big ideas will be part of our reality.

While the current administration has focused on broadening access to health care, it has done so to the detriment of a central driver of health-care quality: medical innovation. Looking to the future that science promises us, in February the Manhattan Institute was pleased to bring on Dr. Andrew C. von Eschenbach, former commissioner of the U.S. Food and Drug Administration, as chairman of our Project FDA initiative. Over the years, the agency (pulled by Congress, trial lawyers, consumer groups, and other interests in a slew of different directions) has become an unpredictable labyrinth that often prevents rather than enables the kind of innovation in medicine that, while very real, is still so far away, given the barriers to entry. In a February op-ed in the Wall Street Journal, von Eschenbach described the mission of Project FDA and noted that the FDA could serve as a bridge—not a barrier—to cutting-edge technologies.

MI senior fellow Peter Huber, in “Curing Diversity” (a must-read City Journal article, Autumn 2008), noted:

[The stage is set for a long battle between radically new medical science and a senescent, unscientific vision of how diseases are cured and what the “health-care system” ought somehow to deliver. Much of the battle will be fought at the FDA, which is able to see things both ways, because it now has two separate brains humming away under its hat. What health care most needs is less of the old brain and more of the new. That policy alone will improve the quality of medicine and lower its cost more than any development since germs were exposed and immunology became a science almost a century and a half ago.

We are very happy to bring Dr. von Eschenbach aboard. His expertise and experience represent a crucial addition to our Project FDA team.

This synopsis covers just a few of the projects that MI has focused on for the past few months. There is, as you can imagine, much more good work being done. We are grateful for your continued support and hope that this update provides you with continued confidence in our efforts during this year of decision.

Sincerely,

Lawrence J. Mone
President

IN MEMORIAM: JAMES Q. WILSON (1931-2012)

The Manhattan Institute was saddened by the death this spring of James Q. Wilson, one of most influential social scientists of the twentieth century and a longtime friend of the Institute and City Journal. A faculty member at Harvard, Pepperdine and, most recently, Boston College, his pioneering thinking on human nature, urban policy, bureaucracy, marriage, and many other topics brought him well-deserved recognition and the nation’s highest civilian award, the Presidential Medal of Freedom. We New Yorkers are particularly grateful to him for his work developing the Broken Windows theory of policing, which laid the foundation for the historic reductions in crime that New York has seen over the last two decades. The Institute was proud to host an annual lecture by Professor Wilson from 1997 to 2011. It was always a highlight of our year. We will miss his warmth and insights.
The mission of the Manhattan Institute is to develop and disseminate new ideas that foster greater economic choice and individual responsibility. The Manhattan Institute is a 501(c)(3) nonprofit organization. Contributions are tax-deductible to the fullest extent of the law. As a Sponsor, you will receive selected publications and invitations to Manhattan Institute special events. EIN #13-2912529