DEAR FRIENDS AND SUPPORTERS,

With economic growth nowhere close to what it should be and overbearing policies continuing to dampen the entrepreneurial energy of our fellow citizens, the Institute’s work remains in high demand. Special-interest-driven political decisions that undermine innovative efforts at giving the poor a chance to succeed are also deplorable. In this regard, I am thinking of the assault being waged against charter schools in New York City, which, during the past decade, have become a leader in the education reform movement. We at the Manhattan Institute are determined to challenge the bad ideas in today’s policy debates and pave the way for real solutions.

A focus on opportunity has been and will remain a defining feature of all of MI’s programs—beginning with the Institute’s new Washington, D.C.–based research division, e21: Economic Policies for the 21st Century. Led by senior fellow Diana Furchtgott-Roth and joined by our newest senior fellow Scott Winship, e21 analyzes current economic news and policies through the prism of their effects on efficient markets and growth, educating both the general public and national policymakers. The e21 team generates daily content for the website and engages regularly with members of Congress and their staffs. In January, Winship testified before the House Budget Committee on the need to develop an agenda focused on encouraging upward-mobility. More recently e21 hosted a briefing on Capitol Hill, empowering members to combat misleading rhetoric and giving them ideas for public policies that can help more people pursue the American Dream.

The Manhattan Institute is a think tank that does things. The scholars here think more about governing than any other institution on the right.
—Michael Gerson, Columnist, Washington Post
In January, MI presented its annual Urban Innovator Award to New Jersey education commissioner Christopher Cerf. Appointed by Governor Chris Christie in 2011, Cerf helped drive reform of teacher tenure, improving accountability and giving local administrators greater autonomy with regard to school staffing decisions. Cerf is also a longtime champion of effective charter schools. In distressed urban centers such as Camden, he has helped close charters that were not performing, while authorizing new schools focused on improving outcomes for disadvantaged kids. MI’s Urban Innovator Award recognizes leaders who, like Cerf, are helping to enhance life in America’s cities and states. Previous honorees span the political and geographic spectrum—from former Chicago mayor Richard Daley to Florida governor Jeb Bush.

STANDING UP FOR CHARTER SCHOOLS

Improving K–12 education is foundational for broadening opportunity for all Americans. The Manhattan Institute has been a stalwart in the education reform movement, constantly calling for greater choice and accountability. While there have been serious gains for the school reform movement in recent years, one of the most promising innovations—charter schools—is in danger.

New York City has been the locus for much of the charter school movement, but new mayor, Bill de Blasio, is calling for major policy changes—some of which may sound the death knell for many of the best schools in the city. For the 70,000 kids currently enrolled in NYC charter schools, as well as for the national charter movement, the Manhattan Institute will continue its efforts to educate the public as to the dreadful potential consequences of the mayor’s policy choices.

Over the past two months, the Institute has brought great attention to the flawed thinking of the leadership here in New York. In February, MI senior fellow Stephen Eide authored a report, “Should Charters Pay Rent? Implications for Staffing and Growth,” demonstrating that charging rent would impose an immense financial burden, possibly resulting in hundreds of teacher layoffs. A few weeks later, senior fellow Marcus Winters took aim at de Blasio’s other alarming idea: the end of co-location. From a policy perspective, co-location should be worrisome if it leads to poorer student outcomes. But as Winters found in his report, “The Effect of Co-locations on Student Achievement in NYC Public Schools,” the sharing of a building has no discernible impact on student achievement in a traditional public school.

In addition, research that Winters conducted for his September 2013 MI report on special-education enrollments in charter schools has debunked faulty information on this issue propagated by New York City’s Independent Budget Office (IBO). Winters found that a primary reason that special-education enrollments are lower in charter schools is because the schools are less likely than traditional public schools to label children as disabled—and are more successful at integrating them into mainstream classes. In light of Winters’s research, the IBO was forced to admit that it miscalculated (and had overstated) attrition rates of this particular student population.

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Expanding opportunity also depends on economic growth and the creation of jobs in the private sector. Over the past five years, we have seen the slowest post-recession recovery in U.S. history since World War II. There has, however, been one employment bright spot: jobs in America's oil and gas sector and related industries. While the surge in America's oil and gas production has become reasonably well known, the general public is less aware of the widespread geographic dispersion of the jobs created and of the fact that the majority of new jobs have been in small businesses. These realities were the subject of senior fellow Mark Mills's latest paper, “Where the Jobs Are: Small Businesses Unleash America's Energy Employment Boom.” Surrounding the paper’s release, Mills briefed congressional staffers from House leadership and key House and Senate committees.

Energy policies we ought to avoid were the focus of senior fellow Robert Bryce's February report, “Maintaining the Advantage: Why the U.S. Should Not Follow the EU’s Energy Policies.” During the past decade, the EU has emphasized rigid and extensive mandates, market interventions (including a “cap and trade” regime to reduce emissions), and subsidies aimed at promoting renewable energy. These policies have contributed to electricity prices that are far higher in Europe than in the United States, for both residential and industrial consumers. Yet even for its higher electricity costs, Europe has not received the benefit of higher carbon-emissions reductions: between 2005 and 2012, U.S. carbon dioxide emissions fell more than those of the European Union. The main reason for America's success in reducing emissions, as Bryce pointed out in his Wall Street Journal op-ed derived from the report, “The Real Climate ‘Deniers’ Are the Greens,” is the reduced use of coal—made possible by the greater reliance on shale gas.

On April 8, the Institute will continue to advance the national discussion on a pro-growth energy policy through convening a public conversation about the ramifications of Mexico's recent decision to denationalize its oil industry. The resultant surge in Mexican oil production that many analysts now predict will provide further impetus for achieving a more integrated energy market among the countries of North America—an idea that Mills has advocated in past MI reports, such as “Unleashing the North American Energy Colossus” and “Liberalizing the Energy Economy.” With the right trade policies and infrastructure in place, the United States could play a key role in the refining and exportation of Mexican crude oil, helping generate even more jobs and economic output. The April 8 event will feature remarks by Mills and Mexican officials and will be moderated by The Wall Street Journal's Mary Anastasia O'Grady.

Liberalism is often associated with concern for the economically disadvantaged. But while shale gas development presents the best opportunity for well-paying employment in poor regions—such as depressed rural parts of upstate New York—hydraulic fracturing’s most vociferous opponents come from the extreme Left. In a new book, Revolt Against the Masses: How Liberalism Has Undermined the Middle Class, MI senior fellow Fred Siegel sheds new light on contemporary liberalism’s increasing disregard for the concerns of ordinary Americans. Siegel’s intellectual history reveals that contemporary liberalism has its origins in the thought of early-twentieth-century writers such as H. L. Mencken, Herbert Croly, and Sinclair Lewis, who scorned America's middle-class ethos and favored centralizing governing power in the hands of a highly educated elite.
During a time of slow growth and limited job gains, entrepreneurs and business leaders must have the freedom—and the confidence and drive—to take risks and embark on new ventures. Good public policy favors economic freedom; but confidence and drive come partly from a deep-seated belief that commerce is a noble endeavor. Traditionally, most Americans have recognized that successful business is the lifeblood of our nation, responsible for generating employment, innovation, and broadly shared wealth. Today, however, the value of free enterprise and the moral basis of capitalism are increasingly being questioned. Our country must renew its appreciation for the importance of business to national well-being—and the most fitting place to begin is with the next generation of business leaders.

For the past three years, the Manhattan Institute has been building a new national organization called the Adam Smith Society. Modeled after the Federalist Society, which is based at law schools around the country, the Adam Smith Society has been founding chapters at business schools. Chapters bring to campus scholars, executives, and MI fellows for events to foster discussion and debate about the importance of economic freedom. The popularity of the Adam Smith Society... suggests there’s still an appetite for unadulterated free market economics. —Bloomberg Businessweek
free enterprise and to provide public policy education for MBA students.

The weekend of February 22, the Adam Smith Society held its second annual national meeting in New York City. In attendance were approximately 180 students representing 18 MBA programs, where chapters exist or are in the process of being launched. Students heard from an array of inspiring business and thought leaders, such as biotechnology executive John Crowley, AllianceBernstein vice chair emeritus of investment services Marilyn G. Fedak, former Hewlett-Packard CEO Carly Fiorina, CNBC’s Larry Kudlow, Syracuse University professor Carl Schramm, MI chairman Paul Singer, and Fox Business Network’s John Stossel. Topics discussed at this year’s conference included the regulatory climate facing various sectors of the economy, the treatment of business by the news media, and the responsibility of business leaders in speaking up for free markets.

It has been encouraging to see such an enthusiastic response for this program from the MBA universe—growing as fast as it has in under three years. Many business students have an instinctive appreciation for the link between an open, competitive economic system and individual success. With the intellectual formation and supportive community they receive through the Adam Smith Society, they’ll have the resources to become articulate advocates on behalf of free enterprise.

THE FUTURE OF CONSERVATISM

Since the 2012 election, a number of young, leading-edge journalists, scholars, and authors have been engaged in a rich conversation about the future of conservatism. Deeply versed in the nuances of policy, they have offered and debated big-think suggestions and ideas in response to the challenges facing our nation. On March 11, the Manhattan Institute held a forum intended to elevate their conversation. Panelists were Josh Barro, New York Times; Yuval Levin, National Affairs; Megan McArdle, Bloomberg View; Avik Roy, Manhattan Institute and Forbes; and Reihan Salam, National Review. The forum was moderated by The New York Times’s David Brooks and is available to view on our website.
**THINKING LOCAL**

Good ideas to foster opportunity come not just from Washington but also from cities and states across America, as well as the independent sector. As part of MI’s efforts to encourage greater appreciation for the virtues of civil society, we recently hosted our annual William E. Simon Lecture on Philanthropy and Social Entrepreneurship. On the state and local policy front, the Manhattan Institute has been introducing ideas that can improve public services, conserve taxpayer dollars, and promote economic competitiveness—while warning about policy proposals that run counter to those ends.

This year, the Institute’s Center for State and Local Leadership is paying particularly close attention to the policy agenda advanced by New York City’s new mayor, Bill de Blasio. To bring our senior fellows’ analysis to the attention of citizens, we recently launched a new blog, NYC21.org. Our goal in this project is to offer ongoing analysis of new and changing policies being proposed for New York City—giving credit where credit is due, while opposing ideas that could compromise the amazing gains of the past 20 years. We applaud, for example, the new mayor’s commitment to improving traffic safety and reducing the number of pedestrians killed by cars. But on issues such as charter schools (see p. 2) and taxes, we have been quick to educate citizens about the dangers of de Blasio’s plans.

In addition to disseminating our ideas through the new blog, we have sought to spread our message in the local New York papers. In early February, for example, I penned an op-ed for The New York Post, “The Mayor’s Tax Hike Isn’t ‘Little,’” arguing that de Blasio’s proposal to raise city income taxes threatens to drive more high earners—a critical segment of the tax base—out of New York. With many high earners already fleeing to low-tax states such as Florida, the city should seek to avoid policies that encourage further outmigration, as well as pursue ideas to keep spending in check.

Pension reform is one idea that New York, as well as other cities and states, must embrace to avoid having to raise taxes, among even direr consequences. For years, the Institute has produced a wealth of research on the need to restructure public-employee retirement benefits, as well as introduced practical proposals. We continue to draw public attention to this issue, hosting a forum about the future of a city that has become emblematic of fiscal mismanagement: Detroit. The event will feature a conversation between Michigan governor Rick Snyder and Detroit’s emergency manager Kevyn Orr, moderated by senior fellow Daniel DiSalvo. The participants will discuss what comes next for the Motor City in terms of managing its public labor force, reconciling its balance sheet, and striving to deliver the public services that its citizens deserve. Our hope is that our guests will offer lessons that other cities and states can follow to keep their fiscal house in order—a message that the Institute will reiterate as New York negotiates new contracts with various public unions.

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**The 40,000 households earning more than $500,000 already contribute 43 percent of the city’s income-tax revenues. These folks are a highly mobile group and many are already fleeing to low-tax states like Florida. Do we really want to encourage that trend?** —Larry Mone, New York Post

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The problems we are addressing are more than 60 years in the making and won’t be solved in a few months. But we are making steady progress. —Detroit Emergency Manager, Kevyn Orr during a PublicSectorInc.org Q&A
As 2014 continues, the Institute will remain at the forefront of debates over urban, state, and national public policies. In addition to the work described in this update, MI fellows remain focused on topics such as the deficiencies in the Affordable Care Act, public-sector unions, ways to reform the Food and Drug Administration, and restoring the rule of law. The run-up to the mid-term election, I am certain, will provide us with many opportunities to inject our ideas into the national conversation. As new leaders rise up to take on our nation’s challenges, the Institute will remain dedicated to guiding public sentiment toward the reform ideas that can make a difference. Thank you to all the supporters who make our work possible.

Sincerely,

Lawrence J. Mone
President

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Alexander Hamilton Award

The Manhattan Institute’s Alexander Hamilton Award Dinner was founded to recognize individuals who have exemplified a commitment to bettering civic life through public service, commerce, philanthropy, or scholarship. It gives us great pleasure to announce that at this year’s dinner, on Monday, May 12, the Institute will honor Congressman Paul Ryan of Wisconsin, philanthropist Thomas W. Smith, and Governor Jeb Bush of Florida. The dinner is also a key source of financial support that enables the work of our fellows. For information on joining the dinner committee by buying a table or individual tickets, or to make a leadership gift, please contact the MI Benefit Office at 212-599-7000 or e-mail hamiltondinner@manhattan-institute.org.

Honoring:

Congressman Paul Ryan
U.S. Representative, Wisconsin

Thomas W. Smith
Chairman, Prescott Investors

The Honorable Jeb Bush
Former Governor, State of Florida
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