

MANHATTAN INSTITUTE PRESIDENT'S UPDATE 2011 SUMMER

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MANHATTAN INSTITUTE FOR POLICY RESEARCH

The mission of the Manhattan Institute is to develop and disseminate new ideas that foster greater economic choice and individual responsibility.



Lawrence J. Mone

DEAR FRIENDS AND SUPPORTERS,

“This is a defining moment.”

So said Congressman Paul Ryan—at an event hosted by our partner think tank, e21—the day after President Obama made his mid-April speech criticizing the bold new budgetary framework put forth by the Republican leadership. We at the Manhattan Institute agree with Congressman Ryan: this is a defining moment. And our fellows are leading the effort to reveal the true scope of the ongoing fiscal crisis and propose practical structural reforms that can lead us out of the current mess. The status quo is neither defensible nor sustainable.

The problems associated with the cost of government affect all levels of American society. States and cities, in particular—where we have had a historical interest and expertise—are emerging as key battlegrounds in the fight to rein in spending by controlling the cost of public employment. For too long, actuarial practice and political sleight of hand at the state and local levels have obscured the true financial liabilities of public-sector employee pensions. Manhattan Institute senior fellows Josh Barro, Nicole Gelinas, Steven Malanga, and E. J. McMahon have consistently worked to expose the inadequacy of government accounting standards.





pire State, as elsewhere—reining in public-employee pension and benefit costs, reforming the costly Medicaid program, capping property taxes. However, as senior fellow E. J. McMahon wrote in the *New York Post*, Cuomo's agenda is "a welcome change after years of drift."

One state that does, unfortunately, continue to drift is California—the size of whose population and economy make it crucial to long-term American recovery. But we remain confident that intelligent policy can bring California back from the brink. Our quarterly policy magazine,

Happily, they have helped spark the movement now afoot to improve the transparency of public-sector pension-fund balances—and shortfalls. Moreover, with the real cost of taxpayer-guaranteed promises finally in plain sight, local leaders and citizens are standing behind the policies that our research fellows have long favored: transitioning public employees from defined-benefit pensions to 401(k)-type plans; bringing public health-care benefits into line with what is considered standard in the private sector; and reforming the collective bargaining procedures that have enabled and broadened the negotiating power of public-sector unions. Much of our research on these issues can be found on PublicSectorInc.org, which is fast becoming the focal point for a national conversation on restraining the growth of government, restructuring public-employee retirement benefits, and enacting measures that will allow the U.S. economy to start growing again.

Across the country, many state governments are taking serious steps to get their fiscal houses in order. Here in New York, Governor Andrew Cuomo was able to pass a budget that actually cuts taxes and reduces spending. To be sure, there is more to be done in the Em-

City Journal, is doing its part. For the past two years, *City Journal* has expanded its reporting on the origins of California's current problems, including sky-high budget deficits, unfunded pension liabilities, and the political influence of the public-sector unions, as well as problems in education, crime, and the public culture. Relying on the investigative prowess of veteran contributors Steven Malanga and Heather Mac Donald, as well as recruiting some of the most savvy policy writers living in the Golden State, the *City Journal* California Project has generated substantial interest and recognition, with essays reprinted from coast to coast in newspapers such as the *Wall Street*





Left to right: Maria Bartiromo, Lewis Lehrman, Larry Kudlow, Lawrence Lindsey



Paul Gigot (left), Brian Domitrovic, Robert Mundell



Steve Forbes



Econoclasts author Brian Domitrovic, Arthur Laffer

Journal and the *Los Angeles Times*, and has ignited serious discussions on the Internet. We are proud to be expanding our online influence by adding a new page dedicated to our analysis and policy prescriptions concerning California to our website (www.City-Journal.org), which recorded more than 5 million unique visits last year.

In charting a course for future economic health, it is often instructive to look to the successes of the past—and the Manhattan Institute did just that this past March when we partnered with the *Wall Street*

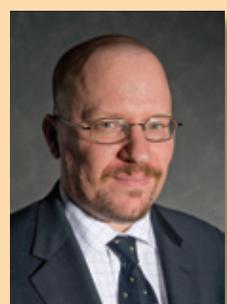
Journal and the Ronald Reagan Presidential Foundation to organize a daylong conference examining the 40th president’s legacy of economic leadership. We put the conference together to celebrate and commemorate the 100th birthday of one of the great political figures of the twentieth century. But we were also interested in reminding people of the history of the “supply-side revolution,” when groups such as the Manhattan Institute and publications such as the *Wall Street Journal* helped popularize what was then a new economic paradigm.

NEW STAFF



The Manhattan Institute proudly announces two new hires. In April, MICHAEL ALLEGRETTI joined our staff as director of our new Center for State and Local Leadership (CSLL). Allegretti comes to us fresh off a run for the U.S. Congress in the 13th District of New York. We are fortunate to have his talents, energy, and insight at the helm of the CSLL, where so many of our best ideas originate. The Center’s work is based on the belief that effective and efficient government is more than an end in itself; it lays the groundwork for an environment in which commerce, employment, and a rich civic life can flourish. These are values that Allegretti shares and that he has championed throughout a career that has taken him from the World Economic Forum to the Partnership for New York City.

BEN BOYCHUK will be coming on as a new associate editor of *City Journal* and will be working mostly on our California-related articles. Boychuk is the outgoing editor of the Heartland Institute’s *School Reform News* and was previously an editorial writer for *Investor’s Business Daily* and the *Press-Enterprise* in Riverside, California, as well as managing editor of the *Claremont Review of Books* from 2000-2004. He writes a weekly syndicated column for Scripps-Howard News Service and contributes regularly to the *Sacramento Bee*. Boychuk’s writing has also appeared in the *Los Angeles Times*, the *Orange County Register*, the *San Diego Union-Tribune*, the *Washington Times*, the *Arizona Republic*, *National Review Online*, and elsewhere.



The Institute's Center for Legal Policy (CLP) has long focused on civil litigation, but in the last couple of years, it has broadened its focus to look at other legal mechanisms being used, without democratic accountability, to regulate business and inhibit its growth. In the field of corporate law, shareholder activists have increasingly sought to use their equity voting power to force changes in business behavior, motivated less by concern about corporate profitability than by their own political and social points of view, an effort enabled by legal changes in the 2010 Dodd-Frank financial reform law.

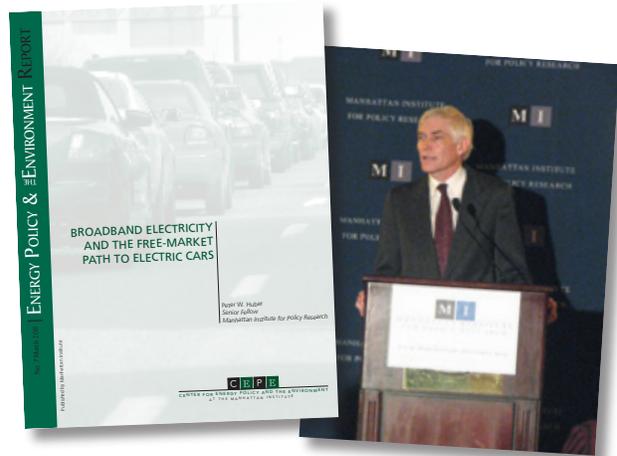
To explore these trends, in January the Institute unveiled its new website **ProxyMonitor.org**, which features a database with information on all shareholder proposals submitted to Fortune 100 companies since 2008. The first publicly available source synthesizing such information for easy use, Proxy Monitor is designed to become a hub through which investors, reporters, academics, and policymakers can access information on shareholder involvement in corporate governance.

Through June, CLP director James Copland has authored a report and seven separate "findings" exploring how shareholder activism has varied over time and across industries, as well as delving into the leading sponsors of shareholder proposals, including labor union pension funds and "socially responsible" investors. Proxy Monitor has gained significant attention from relevant online media, including CNBC.com, Reuters, Westlaw Business, Boardmember.com, Chief Executive Online, and the Motley Fool.

Ultimately, the tax-rate reductions and simplification of the Reagan administration helped spark decades of growth and prosperity. We were honored to have Robert Mundell, Arthur Laffer, Lawrence Lindsey, Steve Forbes, Larry Kudlow, and others join us to discuss the economic tenets that helped start the 1980s economic boom—sensible tax policies, sound money, free trade—and how we must once again return to those policies in order to reignite the great American growth machine.

Since the start of the financial crisis, our focus at the Institute has been on proposing and developing ideas to get our economy growing again. As Reagan said while campaigning for the presidency in 1980, we believe that we can "not stand by and watch this great country destroy itself under mediocre leadership that drifts from one crisis to the next, eroding our national will and purpose. The time is now ... to recapture our destiny, to take it into our own hands." One key policy area with a crucial part to play in the growth of our economy—and which is far more within our power to control than often understood—is energy.

Energy policy has been in the news of late, whether because of Japan's damaged nuclear power industry or rising gas prices here at home. Too often, discussions about how to increase supply and reliability, while decreasing energy's cost, are dominated by utopian dreams and political gimmickry. By contrast, the scholars associated with our Center for Energy Policy and the Environment (CEPE) add calmer voices and fact-based analysis to the energy debate. For example, with the disaster in Japan understandably raising concerns



over nuclear power, senior fellow Robert Bryce has been reminding people that a new generation of smaller nuclear reactors powered by the safer fuel thorium are about to come on line. As he wrote in the *New York Daily News*, "The nuclear age is far from over." Peter Huber again made clear how innovation can reduce the cost of power and change the way we use it. In his report *Broadband Electricity and the Free-Market Path to Electric Cars*, Huber argues that instead of subsidizing impractical battery technology that will end up inside the car, investment in the nationwide electric grid, financed by utilities and capital markets, can be the best path to mobilizing a fleet of fully electric cars.

The discovery of vast reserves of domestic natural gas in recent years holds the promise of reshaping America's energy discussion and has far-reaching implications for our local economies, the transportation sector, and even national security. As Bryce pointed out

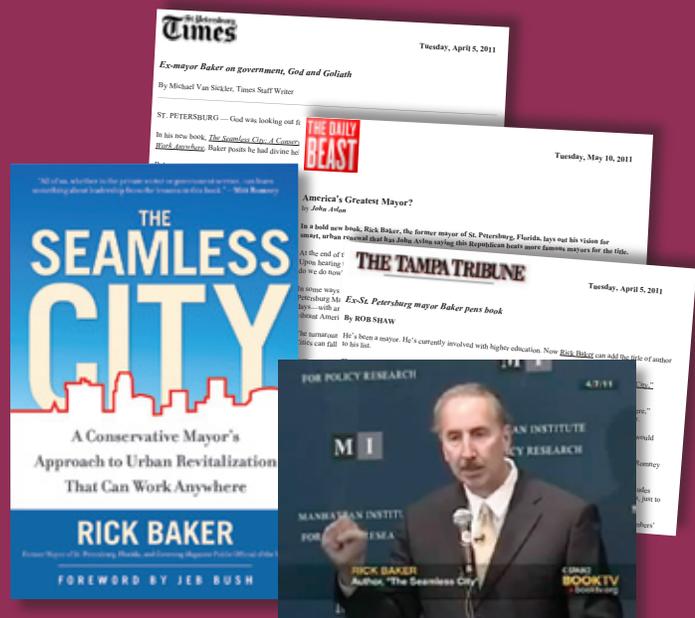
NEW MANHATTAN INSTITUTE BOOKS

William E. Simon Fellow Kay Hymowitz's latest book, *Manning Up: How the Rise of Women Has Turned Men into Boys* (Basic Books), struck a nerve in the culture and became a bona fide hit. Hymowitz appeared in national and international media to discuss the dramatic changes in the lives of young people across the globe. She appeared on NBC's *Today Show*, FOX & Friends, C-SPAN's BookTV, and ABC's *World News Now*. An excerpt in the *Wall Street Journal* received more than 1,000 comments online. The *Journal* asked Hymowitz to respond to these comments, which she did, before participating in a live web chat. *The Times* of London featured Hymowitz and her book on its March 13 magazine cover.



Senior fellow Edward Glaeser's book *Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier, and Happier* (Penguin Press) continues to garner attention. The book, which was excerpted in *The Atlantic* and was one of that magazine's cover stories in March, rose to No. 24 on the *New York Times* bestseller list, a rare achievement for a book about public policy. Favorable reviews appeared in the *New York Times Sunday Book Review*, *The New Yorker*, the *New York Observer*, and the *Washington Post*.

Adjunct fellow Rick Baker, former mayor of St. Petersburg, Florida, has also been making waves in the urban-policy discussion with his book, *The Seamless City: A Conservative Mayor's Approach to Urban Revitalization That Can Work Anywhere* (Regnery). In March, Baker addressed the National League of Cities; and in April, he served on a panel moderated by CSLL director Michael Allegretti at the Heritage Foundation's Resource Bank conference in Dallas.





in an April CEPE report, *Ten Reasons Why Natural Gas Will Fuel the Future*, recent estimates put the quantity of U.S. natural gas resources at 2,074 trillion cubic feet, the energy equivalent of over 350 billion barrels of oil, or about three times as much as the proved oil reserves of Iraq. Yet exaggerated concerns over the environmental effects of the drilling process have hamstrung efforts to take full advantage of this abundant, cheap, and relatively clean domestic source of energy.

In New York, a moratorium on development of the state's shale gas resources has been in place since last December. We asked Professor Timothy Considine of the University of Wyoming to do a study that examines the potential economic benefits of renewed natural gas drilling in the Marcellus shale formation, which reaches from West Virginia and Ohio across Pennsylvania and into the southern tier of New York. His findings: the typical Marcellus well generates about \$4 million in economic benefits while generating, at worst, \$14 thousand in economic damages from environmental impacts. The report predicted that an end to the moratorium would spur the creation of 15,000 to 18,000 jobs in the southern tier and western New York, regions that lost a combined 48,000 jobs between 2000 and 2008.

"If Governor Cuomo were to ask my advice about lifting the moratorium, I would tell him to lift it," said former Pennsylvania governor Ed Rendell at the paper's June release event. "I endorse the findings in Professor Considine's report."

As our Center for Medical Progress (CMP) scholars have argued, last year's federal health-care law's numerous mandates threaten to burden our economy and undermine the quality of health care. Some, such as the individual mandate to buy health insurance, may even be unconstitutional. But so long as the law stands, we

THE MANHATTAN INSTITUTE REMEMBERS MABEL WEIL



The trustees, officers, and staff of the Manhattan Institute mourn the loss of Mabel S. Weil, our beloved friend and colleague for over 20 years. We

extend our condolences to her family: her husband, the Honorable Leon Weil; and their three children—Kate, Jerry, and Carrie—and their families. Mabel joined the Manhattan Institute in 1989 and demonstrated a Midas touch on her many and varied projects: she was a strategic planner, exhibited superior policy judgment, and was the perfect ambassador for our work. While Mabel wore many hats at MI, her role as friend and confidant is the one that her colleagues will miss the most. She was a mentor and inspiration to us all.

must prepare for the possibility of its full implementation on the best possible terms. Among the law's mandates is the requirement that every state set up an Internet-based exchange where consumers can buy health insurance by 2014. If a state fails to do this, the federal government will swoop in and establish the exchange itself. State legislators across the country are currently drafting legislation to create exchange frameworks. CMP direc-



2011 Alexander Hamilton Award Dinner

On April 27, the Manhattan Institute held its 11th annual Alexander Hamilton Award Dinner. This year's dinner honored Joel Klein, former New York City schools chancellor, who is now an executive vice president of News Corporation; and Mortimer Zuckerman, cofounder, chairman, and CEO of Boston Properties, chairman and editor in chief of *U.S. News & World Report*, and publisher of the *New York Daily News*.

For the 11th anniversary of the Hamilton Award Dinner, we were privileged to have several past honorees in attendance, including Herman Badillo, Roger Hertog, Henry Kissinger, Ed Koch, and Robert Rosenkranz.



In terms of impact on policy, nobody rivals what the Manhattan Institute does.—Joel Klein



**The Manhattan Institute is an organization of grown-ups who focus on the problems of America and America's cities in a serious and tough-minded way.
—Mortimer Zuckerman**

tor Paul Howard's new report, *Building a Market-Based Health-Insurance Exchange in New York*, is influencing a fast-moving aspect of the health-care debate in Albany and other state capitals. In his report, Howard recommends that states take advantage of the advent of the exchanges to include market-based, or "consumer-driven," health-care options. He suggests an exchange that includes individual health savings accounts (not currently permitted in all states) and that acts as a clearinghouse rather than as an overly strict regulator—in order to reduce costs, increase consumer choice, and, ultimately, improve health.

Already, Howard was asked to make the case for his reforms in Albany at a roundtable discussion hosted by State Senator Kemp Hannon, chairman of the New York State Standing Committee on Health; and State Senator James Seward, chairman of the New York State Standing Committee on Insurance. The CMP will continue to weigh in on this debate as it evolves.

At the Institute, we are keenly aware that the policy choices made at this defining moment have the potential to alter the course of our nation's history. Over the next weeks and months, many decisions will be

made in our nation's capital and in statehouses around the country that will leave an indelible mark on the short- and long-term growth prospects of our economy. As it was at the dawn of the supply-side revolution, the choice now is clear: Will we allow ourselves to drown in a sea of red ink brought on by fiscal profligacy, inflationary health-care mandates, unfunded liabilities, and soaring energy prices, or will we restore fiscal sanity by addressing the root causes of our debt crisis?

It is our sincere hope that our leaders will opt for the sensible path of restoring fiscal sanity and promoting a growth agenda. Remember, we have been through crises before and survived. With your continued support, we will tackle these challenges and get our economy back on the path to prosperity.

As always, I appreciate your contribution to the ideas and work of the Manhattan Institute. This is a defining moment. We won't let it pass.

Sincerely,

A handwritten signature in blue ink that reads "Lawrence Mone".

Lawrence J. Mone

President

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