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DEAR MI FRIENDS AND SUPPORTERS,

Presidential election years determine the immediate and long term fate of the nation. 2012 was no exception. It clarified the path forward for the Manhattan Institute and confirmed the continued importance of our work. Recognizing that the public was especially engaged, we undertook a concerted effort to offer ideas in such key issue areas as energy development, health care, corporate governance, and public finance. For us, these seemingly disparate fields were all related to an overarching goal: the sustainable revival of the American economy, which we believe can only be made possible through the renewal of private-sector growth.

On the state level, with budgets squeezed like never before, policymakers will need new ideas (or will need to be reminded of good old ones). Our policy centers and scholars will be busy supplying them. This past year, the Institute has been especially active in three states—California, Wisconsin and our home state, New York—at the forefront of the national debate about our fiscal future. And in keeping with the Institute’s historic belief that healthy cities are the building blocks of a healthy economy, we have been working with the mayors of two of the nation’s most distressed urban areas—Detroit and Newark—and have successfully helped them reduce crime and integrate ex-offenders, respectively. Although the specific areas of our engagement may change, the work will continue.

As always, we sought this year both to decry worrisome trends—such as the historically high number of Americans forced to rely on food stamps—and to lay out a positive, constructive vision of the future. That future could include, for example, breakthroughs in the development of new medical treatments and an energy-resource-based revival of the American economy, if the government reforms the regulatory regimes that block the way.

In 2013, the Manhattan Institute will continue to serve as a tireless advocate for market principles, limited but effective government, and the rule of law across the country. I wish you and your family the very best this holiday season, and I look forward to keeping you updated on our important work throughout the coming months.

Sincerely,

A handwritten signature in blue ink that reads "Lawrence Mone". The signature is written in a cursive, flowing style.

Lawrence Mone
President

try Public Housing Unions Health Care Legal Reform Energy Policy New York City/State Policy Economy Finance Education Infrastructure Higher Education Policing Pension Reform Project FDA Prisoner Reentry Public Housing Unions Health Care Legal Energy Policy New York City/State Policy Economy Finance Education Reform Infrastructure Higher Education Policing Pension ct FDA Prisoner Reentry Public Housing Unions Health Care Legal Reform Energy Policy New York City/State Policy Economy cation Reform Infrastructure Higher Education Policing Pension Reform Project FDA Prisoner Reentry Public Housing Unions Legal Reform Energy Policy New York City/State Policy Economy Finance Education Reform Infrastructure Higher Education on Reform Project FDA Prisoner Reentry Public Housing Unions Health Care Legal Reform Energy Policy New York City/State my Finance Education Reform Infrastructure Higher Education Policing Pension Reform Project FDA Prisoner Reentry Public Unions Health Care Legal Reform Energy Policy New York City/State Policy Economy Finance Education Reform Infrastructure ation Policing Pension Reform Project FDA Prisoner Reentry Public Housing Unions Health Care Legal Reform Energy Polic k City/State Policy Economy Finance Education Reform Infrastructure Higher Education Policing Pension Reform Project FDA ntry Public Housing Unions Health Care Legal Reform Energy Policy New York City/State Policy Economy Finance Education structure Higher Education Policing Pension Reform Project FDA Prisoner Reentry Public Housing Unions Health Care Legal Energy Policy New York City/State Policy Economy Finance Education Reform Infrastructure Higher Education Policing Pension ct FDA Prisoner Reentry Public Housing Unions Health Care Legal Reform Energy Policy New York City/State Policy Economy cation Reform Infrastructure Higher Education Policing Pension Reform Project FDA Prisoner Reentry Public Housing Unions Legal Reform Energy Policy New York City/State Policy Economy Finance Education Reform Infrastructure Higher Education on Reform Project FDA Prisoner Reentry Public Housing Unions Health Care Legal Reform Energy Policy New York City/State my Finance Education Reform Infrastructure Higher Education Policing Pension Reform Project FDA Prisoner Reentry Public Unions Health Care Legal Reform Energy Policy New York City/State Policy Economy Finance Education Reform Infrastructure ation Policing Pension Reform Project FDA Prisoner Reentry Public Housing Unions Health Care Legal Reform Energy Policy k City/State Policy Economy Finance Education Reform Infrastructure Higher Education Policing Pension Reform Project FDA ntry Public Housing Unions Health Care Legal Reform Energy Policy New York City/State Policy Economy Finance Education structure Higher Education Policing Pension Reform Project FDA Prisoner Reentry Public Housing Unions Health Care Legal

A GROWTH AGENDA FOR AMERICA



Campaign season is over; the elections have passed. Governing is now the order of the day. During the past year, MI fellows have developed solutions to some of the major problems impeding true economic recovery. These include a byzantine, inefficient tax code; regulations that stymie the progress of America's hydrocarbon renaissance; the FDA's failure to keep pace with scientific advances; and a legal system that is manipulated to serve ends other than the rule of law. In 2013, with Lawrence Lindsey rejoining the Institute to produce a new and updated version of his book *The Growth Experiment*, we will continue to reorient the terms of policy debates and advance ideas that can retrigger the dynamism of the U.S. economy.

THE GROWTH WE NEED

It is an overarching goal of the Manhattan Institute to identify, explain, and promote policies that encourage economic growth at all levels of government. Only growth will provide opportunity for the young, uplift the poor, and sustain effective government. This year, with this in mind we welcomed the chance to once again support the work of Lawrence Lindsey, former director of the National Economic Council and a former governor of the Federal Reserve Bank, who, early in his career, held the Wriston Fellowship at the Manhattan Institute. In a revised and expanded edition of his seminal 1990 book *The Growth Experiment* (to be published in autumn 2013), Lindsey will map the ways in which the right fiscal policies can jump-start the growth we need. With sharp tax hikes looming on the horizon, Lindsey’s 1990 language remains a clarion call to those who believe in free enterprise and economic growth: “What we need now is the political courage and perseverance to create a tax system that liberates economic energy, not enervating envy; a tax system that puts people before political pandering; a tax system that will keep America great.”

Lindsey sees the current stakes as being at the highest level. “Today,” he observes, “we are mired in an economic challenge even more severe than the one Reagan faced. Our economic situation cannot be solved with ever more rapid money creation and tax increases, and spending cuts alone will not balance our budget. If all of this is not done in a way that returns America to a path of sustained growth, then we will be doomed to a continued downward economic spiral that is reminiscent of any number of failed economies in the past—ranging from Argentina to Weimar Germany.”

At a December forum where he will share the podium with George Osborne, MP, chancellor of the exchequer in the United Kingdom government of Prime Minister David Cameron, Lindsey will map the ways in which the right fiscal policies can accelerate economic growth.

The Manhattan Institute is proud to host U.K. Chancellor of the Exchequer George Osborne on visit to New York in December.



Featuring

GEORGE OSBORNE, MP

Chancellor of the Exchequer and
Second Lord of the Treasury of the United Kingdom

In Conversation with

LAWRENCE LINDSEY
The Lindsey Group



Our Issues 2012 series of more than 30 short research papers by senior fellows such as Diana Furchtgott-Roth succeeded in putting MI squarely in the center of the debate over our nation's economic future. These data-driven reports on numerous hot-button issues, from the failures of federal workforce training to the impact of Obamacare, made headlines and moved the debate.

For more on Issues 2012, see page 26.



Lindsey sees as crucial a willingness to defend “a streamlining and broadening of the tax base that would be coupled with somewhat more modest tax rates. This is the only way we can produce the revenue that, when combined with serious entitlement and spending reform, can meet our fiscal challenge.”

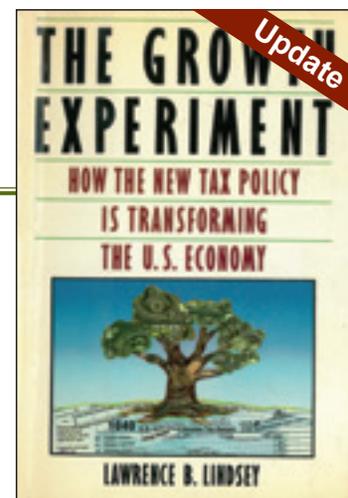
The Manhattan Institute has always understood an efficient tax system to be a mainspring of economic resurgence, particularly in the face of high unemployment, tepid growth, and encroaching inflation. Indeed, we've been here before: in the 1980s, the Institute helped create a climate of opinion that embraced the supply-side revolution—one of the main drivers of the next quarter-century of prosperity. Books sponsored by the Manhattan Institute, such as *Wealth and Poverty*, by George Gilder, and *The Economy in Mind* by Warren Brookes, made the economic and, critically, the moral case for unleashing people's capacity to invest, innovate, and generate wealth. We anticipate that Lindsey's forthcoming volume will have similar consequences in the public discourse, helping spur a renewed appreciation for the virtues of a tax system that is simple, transparent, and pro-growth.

FORTHCOMING FROM BASIC BOOKS, SEPTEMBER 2013

THE GROWTH EXPERIMENT REVISITED

by Lawrence B. Lindsey

In this revised and updated edition of his 1990 masterpiece proving that Reaganomics worked, former Federal Reserve governor Lawrence Lindsey will demonstrate that tax rates matter, particularly in a struggling economy. His new account and analysis of the Bush, Clinton, and Obama administrations' fiscal policies will be crucial to the great debates of the coming year.



NORTH AMERICA: THE NEW MIDDLE EAST



CENTER FOR ENERGY POLICY AND THE ENVIRONMENT
AT THE MANHATTAN INSTITUTE

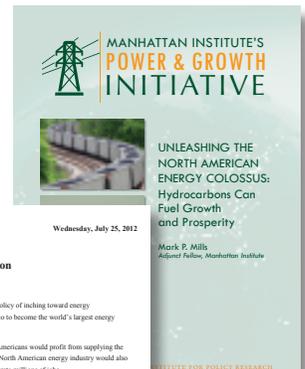
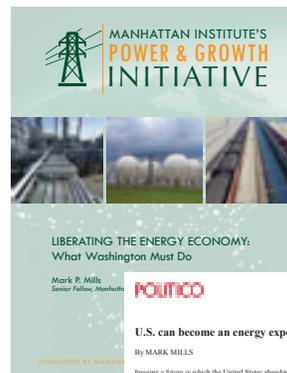
THE WALL STREET JOURNAL

How to Avoid Making the Energy Boom Go Bust by Lawrence Mone

- Don't pit renewables against hydrocarbons and nuclear. Solar and wind can't meet the economy's vast energy needs at an affordable price.
- Avoid "resource nationalism." North American energy may enable us to achieve self-sufficiency, but protectionism would be a mistake.
- Expedite the permitting process. Too much federal land and too many offshore waters are off-limits to drilling.
- Don't let regulators dictate the energy mix. Excessive intervention harms consumers.

The essential role of power in a functioning, thriving economy was made dramatically real to New York, the Northeast, and to the nation in the dark aftermath of October's superstorm Sandy. The resulting power outages, gasoline lines, and cold homes confirmed that we must continue to support policies that lead to energy supplies that are abundant—and reliable. In his July report, *Unleashing the North American Energy Colossus*, MI senior fellow Mark Mills led the way in signaling to the American public that a new era of energy prosperity is actually within our grasp. Our national energy policy, previously predicated on the idea of perennial scarcity and shortages, must adapt to this new abundance. The effect on the economy, noted Mills—coauthor, with MI senior fellow Peter Huber, of the prescient 2005 book *The Bottomless Well: The Twilight of Fuel, the Virtue of Waste, and Why We Will Never Run Out of Energy*—can be substantial. Mills calculated that expanding extraction and export capabilities for oil and gas over the next two decades could yield as much as \$7 trillion of value to the North American economy, with \$5 trillion of that accruing to the United States, including \$1–\$2 trillion in tax receipts to cash-strapped federal and local governments.

We have the power to turn the American economy into a world leader in energy production and export. MI president Lawrence Mone wrote in an August op-ed in *The Wall Street Journal*: “[T]he United States has accessible energy stores that could not only help resuscitate the American economy, but also transform global politics by taking energy leadership away from the perennially troubled Middle East.” These are encouraging projections, particularly given our long-standing economic difficulties. Mone continued: “With such bright prospects, and such high stakes for a fragile economic recovery, it’s crucial to avoid public policies that could slow or even stop this boom.”



In another paper, *Liberating the Energy Economy: What Washington Must Do*, Mills, a physicist and former staff member of the Office of the White House Science Advisor, cautioned that bureaucratic obstacles to drilling and shipping permits, inappropriate mandates, and subsidies focused on “green jobs,” cannot power a modern economy and will not encourage an energy boom. This point was also reflected in senior fellow Diana Furchtgott-Roth’s new and powerful book, *Regulating to Disaster*. Furchtgott-Roth, former chief economist in the U.S. Department of Labor, made clear just how misguided green job policies—epitomized by failed federal investments in green energy firms such as Solyndra—have been. She notes: “Any evaluation of green initiatives should include estimates of slowdown in economic activity and the number of jobs lost due to these initiatives, as well as potential benefits.”



The federal government is not the only threat to the economic growth that energy abundance can spark. Institute senior fellow Robert Bryce—who has long championed energy that is “cheap, abundant, and reliable”—made clear this past year that energy costs can have particularly harsh effects on low-income Americans. In February’s *The High Cost of Renewable Electricity Mandates*, Bryce cataloged the ever-increasing electricity prices in 29 states and the District of Columbia stemming from requirements that certain percentages of electricity must be generated from renewable sources such as solar and wind. Bryce showed that these mandates resulted in consumers paying 31.9 percent more for electricity than consumers in states that didn’t have the mandates; that’s a serious cost to any family’s bottom line. For a family struggling just to get by, being forced to pay more for electricity usually means cutting back on other essentials such as food and clothing.

Those who assert that it is believers in free markets and private enterprise who would consign more Americans to poverty would do well to consult the work of Mills, Furchtgott-Roth, and Bryce.

THE HIGH COST OF CLOSING AND REPLACING INDIAN POINT

Higher electricity prices come not just from renewable mandates. Here in the Manhattan Institute’s backyard, the administration of New York governor Andrew Cuomo is considering letting the operating licenses for two nuclear reactors at the Indian Point Energy Center—just upriver from Manhattan—expire. In September, we asked economist Jonathan Lesser to examine the impact of allowing these reactors to go offline in 2013 and 2015, respectively. What he found was not encouraging. Closing Indian Point would have a devastating effect on the New York economy. The resulting increase in electricity prices could reduce economic output by up to \$2.7 billion and cause the loss of up to 40,000 jobs per year over the next 15 years. It goes without saying that this is the absolute worst time to pull the plug on job growth in any state.



BIOTECH MEETS SILICON VALLEY

Project FDA

Sponsored by the Manhattan Institute

Policymakers often underestimate—or are woefully unprepared for—the incredible inventiveness of the human mind. Regulators make the mistake of assuming that the future will be much like the past and that the same rules, only more of them, should apply. They assume, most notably, that technology will either be stagnant or will proceed at a predictable pace. As a result, layers of outdated and overly complex rules accumulate and stymie innovation.

It has been the genius of MI senior fellow Peter Huber to pierce the presumptions of regulators in not just one but a series of key policy areas—including telecommunications, the integrity of the legal system, and energy policy—consistently succeeding in reconfiguring public debate and prompting policymakers to accept new realities and adapt to them. Huber has now turned his attention to the ongoing revolution in biomedical knowledge and insight, and the ways in which an outdated regulatory system, led by the Food and Drug Administration, threatens to limit the lifesaving benefits that it promises. His breakthrough ideas about how to clear pathways for new medical treatments based on scientific advances help form the foundation for the Manhattan Institute initiative that we call Project FDA.

Making the FDA more efficient, predictable, and, importantly, scientifically up-to-date is the key to unleashing the new science that is the subject of Huber's untitled forthcoming book. "The agency has failed to keep pace with the revolutionary nature of scientific advances in recent years and to adjust its protocols accordingly. The resulting bottlenecks and bureaucracy are preventing lifesaving treatments from reaching patients," says Center for Medical Progress director Paul Howard.

Today, thanks to advances in molecular biology and enormous—and inexpensive—increases in computing power, we can look beyond surface symptoms and peer deeply into the specific, cellular nature of disease. We can use this cornucopia of newly accessible biological information to unleash the nation's biotech and pharmaceutical companies to develop what the National Research Council has called "precision medicine"—genetically tailored molecules that attack specific disease-causing abnormalities—and software that can sift through the genetic information of millions of patients to help us find out who will benefit from exactly which treatments. It is the future of American medicine—a future that the FDA, with its focus on lengthy clinical trials and broad-brush cures, is currently ill-equipped to embrace. Huber will map the way toward a new regulatory regime for the new science.



The reforms that the FDA will need are also being championed by someone who knows very well how the FDA works and how it must change: Andrew von Eschenbach, former commissioner of the FDA, former director of the National Cancer Institute, and now chairman of our Project FDA. In addition to other activities, Dr. von Eschenbach has published three articles since February in *The Wall Street Journal* outlining his vision for a modernized FDA. This includes developing alternatives to clinical trials and fostering a spirit of collaboration between the FDA and the pharmaceutical industry to replace the atmosphere of mutual suspicion that now prevails. Dr. von Eschenbach notes: “American workers should be employed in this vital industry. American investors should profit from it. Most of all, American patients should benefit from it, in the form of better health and longer life. But that won’t happen if we saddle the industry with regulations that are slow, costly, and ineffective.”

With Huber’s and Howard’s scholarship and research and von Eschenbach’s standing as a former FDA commissioner, the Manhattan Institute is well positioned to make the case for a twenty-first-century FDA that is reoriented toward bringing safe and effective new therapies as rapidly as possible to the patients who need them.

Project FDA research reports, issue briefs, and op-eds shaped the debate over FDA reform in the pages of *The Wall Street Journal* and *Investor’s Business Daily* and on top-rated cable news programs.



Peter Huber



Dr. Andrew C. von Eschenbach



Paul Howard

HOSTILE TAKEOVER OF THE AMERICAN ECONOMY



Economic growth will depend on enterprise and investment—whether in energy or biomedical innovation. Historically, the American economy has relied on the rule of law and on regulation that is fair and effective, not designed to favor special interests at the expense of the general welfare. For over two decades, the Manhattan Institute’s Center for Legal Policy (CLP) has fought against abuse of the legal system by self-interested trial lawyers. Today, the CLP has also taken up the fight against those who would take advantage of the rules of corporate governance to advance political goals in ways that threaten the capacity of firms to grow and create prosperity.

That such an effort is under way was confirmed by the Institute’s Proxy Monitor project. An online database and scorecard, Proxy Monitor tracks all proxy proposals, revealing and analyzing resulting trends. *Washington Post* columnist Harold Meyerson recently noted: “The one arena in which unions have made some headway this year is in shareholder capitalism by using the voting power of their pension funds and by organizing shareholder opposition to excessive executive pay and corporate political speech.” It’s an effort that contravenes the historical role for shareholders—to hold corporate management accountable and to insist on business practices that benefit the bottom line. The CLP’s Proxy Monitor has been successful in highlighting shareholder proposals that are simply political activism in disguise and in bringing this issue greater recognition.

Publicly owned corporations cannot thrive if they are strangled by activist shareholders motivated not by the firm’s interests but by their own. Neither can they thrive if they are micromanaged by political overseers. Yet in cases involving some of our largest corporations, that’s exactly what has been occurring.



PROXY MONITOR



David Asman

Harvey Pitt



Over the last decade, a novel form of federal government regulation has emerged, prompted not by new congressional legislation or administrative agency action but by the aggressive assertion of prosecutorial authority over business. With little fanfare, executive-branch attorneys citing vague federal criminal laws have targeted companies and threatened them with prosecution. Since 2009, absent any formal accusations or criminal trials, companies have been forced by federal prosecutors into a combined 29 “deferred prosecution” agreements and “nonprosecution” agreements. Under such agreements, the Justice Department forgoes prosecution so long as the company abides by certain oversight requirements and restrictions. Fines and penalties levied have exceeded \$3 billion in each of the last three years. Moreover, in reaching and enforcing these agreements, prosecutors have coerced firms into making sweeping changes to their business practices, including changing long-standing sales and compensation practices, restricting contracting and merger decisions, and ousting executives and directors.

Like abuses of the proxy process, this “shadow regulatory state” constitutes an end run around the democratic process, as unelected, largely unaccountable, Justice Department bureaucrats have imposed their will on the day-to-day management of major American businesses. As CLP director James Copland noted in his Bloomberg View editorial accompanying his May Civil Justice Report on the subject: “It is long past time that Congress asserted itself over the Justice Department’s use of DPAs and NPAs to assume broad and unaccountable regulatory authority.” Absent congressional action, we can expect this abuse of prosecutorial power to continue to dampen the vitality of American businesses and delay our national economic recovery. Look for further work on this issue in spring 2013.

EXPOSING TRIAL LAWYERS INC.

For more than 20 years, the Manhattan Institute has worked to expose the unscrupulous behavior of trial lawyers, who are often more interested in achieving grandiose settlements than in pursuing justice. Beginning with the watershed books *Liability: The Legal Revolution and Its Consequences*, by Peter Huber, and *The Litigation Explosion: What Happened When America Unleashed the Lawsuit*, by Walter Olsen, the Center for Legal Policy has continued to alert the public to the many ways in which the burgeoning lawsuit industry imposes a drag on the economy, restricts personal freedom, and gives the legal system an excessive presence in American life. In November 2012, as part of the CLP’s report series, *Trial Lawyers Inc.*, James Copland documented how Philadelphia became a magnet for plaintiffs’ lawyers in search of favorable jurisdictions and the downside of this development for Pennsylvania residents and businesses. With legal reform sometimes more possible at the state and local levels than in the federal government, jurisdiction-specific research will remain a central aspect of the CLP’s activities.



ADAM SMITH GOES TO BUSINESS SCHOOL

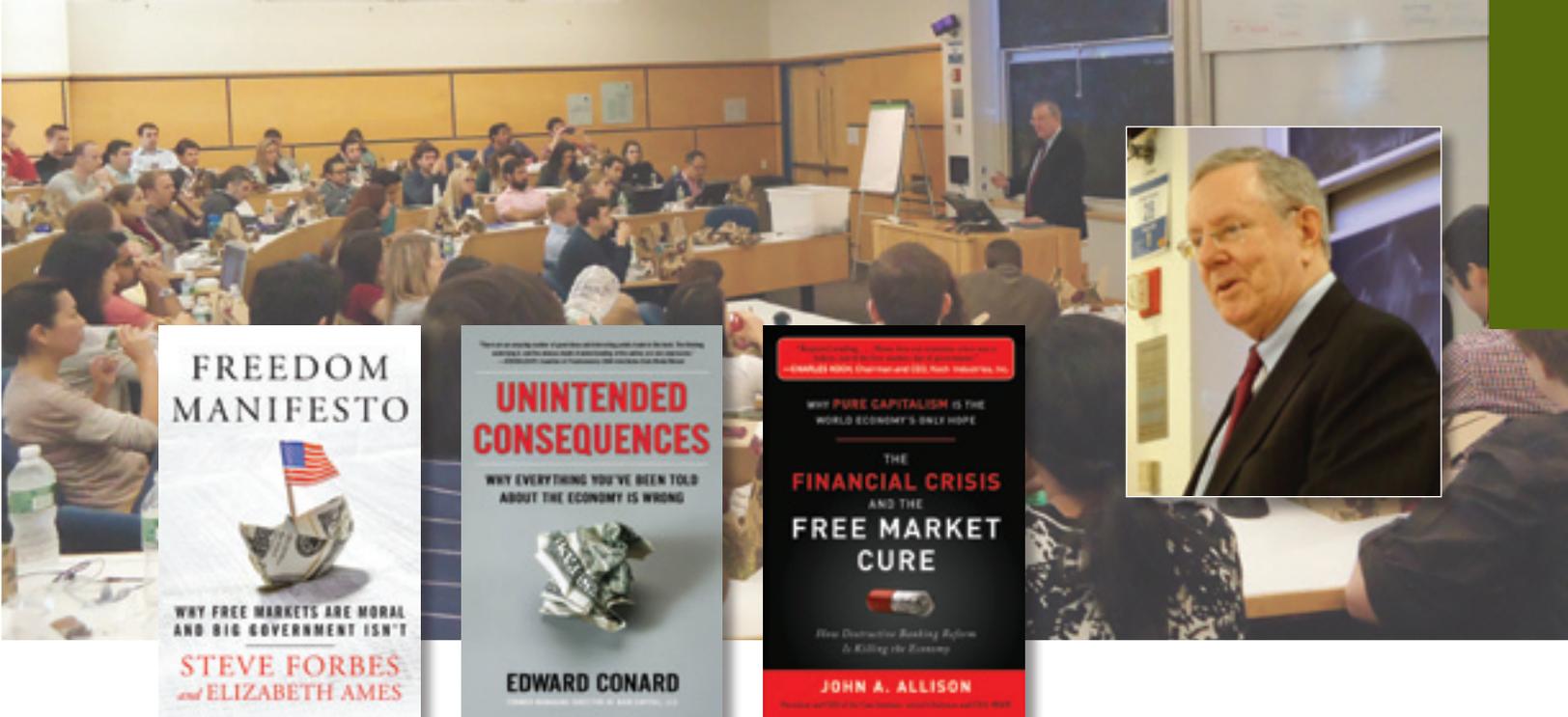


MISSION STATEMENT

The Adam Smith Society is a community of business school students and alumni dedicated to exploring the links among the economy, government, and society. The Society believes that business, entrepreneurship, and commerce are wellsprings that keep this country vibrant, creative, prosperous, and free. Through debate and discussion, the Society aims to advance this idea on campus and among business leaders.

During the financial crisis, when the nation's confidence in free markets was approaching its nadir, the Manhattan Institute's Center for the American University (CAU) decided to focus on the underpinnings of capitalism. We were concerned that the next generation was entering the workforce without an understanding—let alone an appreciation—of the economic benefits and fundamental social justice of the free-enterprise system. The emergence of the Occupy Wall Street movement and much of the campaign rhetoric, moreover, confirmed our belief that many young people simply fail to recognize the virtues of free markets, particularly their role in promoting opportunity and the unleashing of human talent and ingenuity. To encourage the restoration of meaningful education about the foundations of





free markets, we launched the Adam Smith Society in partnership with the Marilyn G. Fedak Capitalism Project, focusing our efforts on America's next generation of business leaders.

Today our organization, started just one year ago, has chapters at six schools (Harvard, Yale, University of Chicago, University of Texas at Austin, Cornell, and Columbia), with our seventh school, NYU Stern, to come on board this spring. With a goal of establishing chapters at all leading business schools, the Institute is working to expand the program while simultaneously providing support for Adam Smith alumni.

This spring in New York, the Manhattan Institute will host the first national Adam Smith Society conference, which will bring together students and alumni members from across the country to hear from some of the country's great business leaders. We are happy that John Mackey has signed on to provide one of the keynotes, and we thank others in the business world, including John Allison, Steve Forbes, and Edward Conard, who have engaged with our students on campus.

Under the leadership of new Adam Smith Society executive director Jody Wood, our student-led chapters are holding speaker and debate events and have the opportunity to develop relationships with business leaders such as those just mentioned, who are unabashed in their defense of free enterprise.

CAU
 CENTER FOR THE AMERICAN UNIVERSITY
 AT THE MANHATTAN INSTITUTE



In an April *New York Post* op-ed, "How Colleges Waste Our 'Investments,'" Michael Barone referred to the "invaluable Minding the Campus blog." For six years, the CAU's web magazine, MindingTheCampus.com (MTC), has shed light on the true state of higher education. Through original essays, constant blogging, and podcast interviews, MTC holds colleges and universities accountable, particularly for the content of the curriculum in the humanities and social sciences—which rarely provides a genuine diversity of perspectives on key moral, social, political, and economic questions, let alone a substantive education in the foundations of the American constitutional order.

Our historic work on crime and welfare reform was built on the idea that cities should not be thought of as bleak collections of the poor but as a prime meeting place of the talented and the ambitious, who together build new enterprises based on new ideas. State governments, moreover, continue to have oversight and management of many vital public services that affect the lives of citizens on a day-to-day basis. With those principles in mind, our Center for State and Local Leadership (CSLL), under the direction of Michael Allegretti, confronted some of the most serious and difficult challenges faced by many U.S. locales this past year. Using places such as California, Wisconsin, and Detroit as examples and laboratories, CSLL fellows analyzed the roots of problems pertaining to runaway budgets, public-sector unions' outsized political influence, and high crime rates, and then developed innovative solutions.

EXPORTING BROKEN WINDOWS

*“The Republican Party is, more than ever before in its history, an anti-urban party.”
—Kevin Baker, “Republicans to Cities: Drop Dead,” The New York Times, October 7, 2012*

“So the question becomes: Can Republicans start to contest urban areas again? Yes, but they’ll need to get over their cultural aversion to the metropolis.” —Lynda DePillis, “The GOP Can’t Afford to Ignore Cities Anymore,” The New Republic, November 12, 2012

As anyone who has long followed the Manhattan Institute’s work is well aware, our concern for America’s cities is nothing new. Indeed, it’s part of our intellectual DNA. Healthy cities are the crossroads where talent and capital meet—and economic growth is the result. Healthy cities are not places of dependency and decay but the places where the poor can find the means to rise. Healthy city and state governments provide the key elements—notably, public safety and public education—that make commerce and prosperity possible. Such perspectives have guided our historically successful work in introducing new, effective policing techniques to New York and Los Angeles, as well as championing welfare reform nationwide.

Crime continues to be the core challenge facing many of America’s major cities. This year, the CSLL has been building on past successes in a city that faces serious challenges to maintaining public safety: Detroit. For the fourth straight year, Detroit was ranked the most dangerous big city in America. At the request of its mayor, David Bing, MI senior fellow George Kelling and CSLL director Michael Allegritti have been operating as executives-on-loan, advising the Detroit Police Department and launching a broken-windows pilot program focused on combating the rampant crime of breaking-and-entering, which generally goes unpunished in the Motor City. In the Detroit neighborhood where the pilot was carried out, home invasions declined by 32 percent over a three-month period. This is good news for Detroit, but there is more work to do.

This fall, former NYPD and LAPD commissioner and longtime friend of the Institute, William Bratton, joined the CSLL team. Along with Kelling, Bratton will devote his time to expanding our pilot program, improving management structure, and institutionalizing Compstat. With Detroit’s violent crime rate at five times the national average, policies that work well are critical to the future of the city and can provide an example for other cities to emulate.

Another dimension of our work on criminal justice has been to pioneer solutions to America’s tragically high rates of recidivism and reincarceration. The inability of many former convicts to reintegrate successfully into the social and economic mainstream places added strain on the criminal-justice system, and exacerbates the



problem of family breakdown. To tackle this problem head-on, in 2009 the Manhattan Institute set up shop in Newark, New Jersey, a city in which as many as one in six residents has been arrested. Through a partnership with Mayor Cory Booker, the Institute has been working to connect ex-convicts with paid work immediately upon release. This “work-first” approach to reentry has proved to be far more effective at lowering recidivism rates than the typical “services-first” model, which emphasizes counseling and drug treatment—so much so, in fact, that Governor Chris Christie announced in November 2011 that he would be implementing lessons learned from the Newark pilot at the state level.



Newark mayor Cory Booker



Our work with the Newark Prisoner Reentry Initiative was documented in *Gaining Ground*, a short film available on our website.

It is not our intention to remain directly involved in any of our pilot projects in perpetuity. We are pleased to announce that the City of Newark has agreed to take programmatic and financial ownership of the program starting in January 2013. As with any of our on-the-ground activities, our goal is to enable the effort, test the policy, and, when there is success, trumpet the innovation so as to encourage replication where appropriate.

There is still much to do on the prisoner reentry front. Mayors and governors continue to reach out to us for advice on replicating “the Newark model,” and we will provide it.

THE BATTLE AGAINST PUBLIC SECTOR INC.



Central to our work has been an ongoing effort to sound the alarm about the interest-group power of public-sector unions and the ways in which they threaten the prospects for economic recovery in cities and states across the country. This year, as in others, we have played an active role in those places most affected by these issues. During the spring, the Manhattan Institute's Center for State and Local Leadership focused on Wisconsin, aiming to connect the reform of the terms of public employment with improvements in the quality and cost-effectiveness of public services. Governor Scott Walker's policies have made Wisconsin government more accountable, transparent, and fiscally sound. Those improvements have led to demonstrably better services for those who live in the state.

The results in Wisconsin have confirmed for the Institute that the kind of message that can advance lasting, meaningful change is linked in the public mind with the reining in of collective bargaining rules and the capacity of local government to deliver quality public services. As part of our strategy to inject our work (three focused reports released in March, May, and June) into the public discourse, we sent MI senior fellows to the Badger State to complete an extensive media tour. Following his election victory, Governor Walker, speaking to an Institute audience in New York, emphasized how important it is for elected officials to "think in terms of what's best for the next generation rather than what's best for the next election." At the Manhattan Institute, we intend to repeat that sound advice.



While Wisconsin has embraced reform, California has doubled down on the failed blue-state model. California's economy, the ninth-largest in the world, is critical for the growth and prosperity of the United States. Moreover, as the state seeks to respond to decades of fiscal mismanagement, the policies that it adopts may be imitated by other distressed locales nationwide. Scholars affiliated with the Manhattan Institute have long researched California's transformation from a haven for opportunity to a state on the brink of insolvency. With California approaching a fork in the road in November 2012, the CSLI took a page out of its Wisconsin playbook, publishing and promoting a series of reports that shed new light on the drivers and implications of the state's budget crisis. The reports included detailed accounts of the flight of thousands of talented residents that the state has experienced over the past two decades and focused attention on the main factors contributing to California's current difficulties. Unfortunately for California, the title of our second report tells the story that unfolded this past month: *The Nays Have It: When Public-Sector Unions Win in California*.

That paper, authored by MI senior fellow and City College of New York political scientist Daniel DiSalvo, details the history of public unions in California in effectively blocking ballot measures that go against their interests. Today, the "nays" must own it.



Wisconsin governor Scott Walker

As *The Wall Street Journal* observed: “The silver lining here is that Americans will be able to see the modern liberal-union state in all its raw ambition.” As senior fellow Stephen Eide noted in the third report in our series, these benefits systems are impossible to sustain. You can attempt to underwrite them with higher taxes but there is only so long before they collapse under their own weight.

California is still in need of bold policy solutions to its fiscal problems. Having made such deep inroads, the CSLL will continue to provide a voice for reform-minded leadership in the Golden State.



OUR MAN IN ALBANY

While deploying scholars to states facing turning points, MI continued to help our home state of New York regain its fiscal footing. Slowing down tax increases or scaling back public-sector benefits here sends a critical message to other parts of the country: if it can happen in New York, it can happen elsewhere.

MI senior fellow E. J. McMahon was instrumental in New York’s enactment last year of a cap on property taxes. That set the stage for this year’s challenge, which was to clear up misinformation spread by opponents of the new law. The Institute’s Empire Center distributed thousands of copies of its “New York State’s Property Tax Cap: A Citizens’ Guide” (also posted as an online resource) to help taxpayers understand how the cap could empower them to press for greater restraint in local spending. During the law’s first year in effect, the vast majority of county, municipal, and school budgets stayed within their caps. Meanwhile, the center turned its attention toward mandate relief, including repealing laws that drive up collective bargaining costs.

As in other states, both fiscal health and continued provision of essential public services require the reform of expensive public-sector benefits. At a key point in heated deliberations about Governor Cuomo’s pension-reform proposal in early 2012, McMahon’s report *Optimal Option* showed that Cuomo’s proposal to offer state employees defined-contribution (DC) plans was not a new concept for public employees. As *The Wall Street Journal* reported in a story on our study, the majority of faculty at two New York public universities have been voluntarily choosing DC pension plans over defined-benefit plans (which cost taxpayers the most) for almost 50 years. Cuomo’s final plan did not go far enough to rein in New York’s unfunded pension liabilities, but it included a limited DC option—a step toward more expansive reform.



CITY JOURNAL: ARGUABLY AMERICA'S BEST MAGAZINE



In our ongoing mission to “turn intellect into influence,” the Institute has always understood that policy research and related projects have their place and their limits. There is an important place as well for stories—the stuff of high-quality journalism—that provide context for policy ideas pioneered by the Institute. Over the past year, with the excellent leadership of editor Brian Anderson, *City Journal* has continued to shine in this regard. As *The Atlantic* recently recognized, “[City Journal] laid the intellectual foundation for a renaissance of conservative ideas, policy successes, and cultural transformation in New York City—as hostile a territory as there ever has been for the right. You’d think that kind of success would inspire copycats.”

Not surprisingly, the work of John M. Olin Fellow and contributing editor Heather Mac Donald attracted particular attention this year as the editorial page of *The New York Times* launched an unfounded attack on the NYPD’s “stop, question, frisk policies.” Mac Donald almost single-handedly led the counterattack. In her writing, Mac Donald consistently focused on the victims of crime and its violence: the minority poor, in whose name protests against stop-and-frisk policies are mounted. She wrote: “Local gangs keep residents under the thrall of fear. ‘The kids stay in jail in their own project,’ Keisha Graham, 40, told a local paper. ‘We’re paying taxes for what? I don’t pay taxes for kids to keep getting buried.’ It is this mindless violence that leads NYPD commanders to target communities such as [the South Bronx] for assertive patrol. Race has nothing to do with it.”

This past year, *City Journal* maintained its focus not just on crime but on all things city and state—including a continuation of its special coverage of California and the political culture that has shaped its dysfunction (see Michael Anton’s “Tom Wolfe’s California” in the autumn issue of the magazine.

“[A]rguably America’s best magazine, City Journal.”
— Thomas Sowell

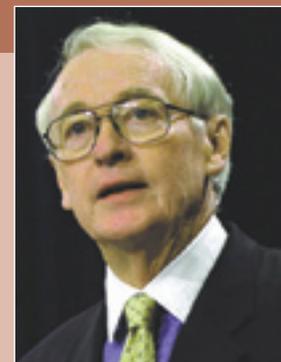
“[City Journal] laid the intellectual foundation for a renaissance of conservative ideas, policy successes, and cultural transformation in New York City—as hostile a territory as there ever has been for the right. You’d think that kind of success would inspire copycats.”
— Conor Friedersdorf, *The Atlantic*

In the coming year, *City Journal* will train much of its intellectual artillery on our home, New York City. You will see imaginative policy prescriptions for our next mayor and for mayors around the country. Nicole Gelinas, with her proven record of insight on New York’s financial-services sector and its limits, and Steven Malanga, with his writing on the city’s poverty industry and the power of public-sector unions, will join Mac Donald, E. J. McMahon, and others in the *City Journal* brain trust to inform the election-year discussion.



JAMES Q. WILSON (1931–2012)

As America mourns the passing of its premier social scientist, James Q. Wilson, *City Journal* looks back with great admiration on the professor’s brilliance, clear articulation of ideas, and ability to reorient the discourse on critical issues. As recently as last summer, Professor Wilson authored an essay for the magazine on the trajectory of crime rates during the recession, bringing to this issue the clarity, insight, and sobriety that defined his scholarship for decades. This is the standard of excellence that *City Journal* will continue to strive toward in assessing problems and proposing innovative policy solutions.



COMPASSIONATE CONSERVATISM: WALKING THE TALK

In the wake of the November election, pundits have glibly opined that the results demonstrated a disdain for the disadvantaged by those who believe in free markets and limited government.

With our work, the Manhattan Institute has consistently disproved that canard—and continues to do so in such areas as education and health-care policy and, notably, by our recognition of and support for those individuals and groups outside government who are designing and implementing new approaches to helping Americans in need.

Senior fellow Marcus Winters, through his book *Teachers Matter*, has added to the case for accountability in public education. He demonstrates that standards can ensure that students are taught by the very best teachers available. Nothing else makes as great a difference in the lives of low-income and disadvantaged students—a fact that Winters has pointed out to attentive state lawmakers around the country.

Senior fellow Paul Howard, who heads our Center for Medical Progress, has mapped the road for states to reform their increasingly expensive, and often ineffective, Medicaid programs of health insurance for the poor. His proposal was articulated in “Medicaid Is Broken—Let the States Fix It” in *The Wall Street Journal*—soon to be expanded into an essay for *National Affairs*—and highlights the successes of states such as Indiana and Rhode Island in lowering costs and improving health when given the flexibility to shape the program to fit the needs of their states. As the Patient Protection and Affordable Care Act (Obamacare) sharply expands the Medicaid-eligible population, we expect his work to become essential reading





Social Entrepreneurship Awards,
November 14, 2012

for reform-minded governors interested in ensuring that, by controlling health-care costs, their state budgets can continue to pay for other essential services.

While developing ideas to make state and local governments more cost-effective in their delivery of such services, the Manhattan Institute has fostered greater public appreciation for the role of private, voluntary associations in responding to those in need. Howard Husock, vice president for policy research and director of the Institute's Social Entrepreneurship Initiative (SEI), has written extensively on the contributions that nonprofits make to the common good and the need to preserve their independence against incursions from the government.

SEI also highlights examples of successful social entrepreneurship in action through an annual awards program, attended by media, philanthropists, and leaders from the independent sector. In 2012, we presented the Richard Cornuelle Award for Social Entrepreneurship to four men and women who have founded nonprofits dedicated to a variety of purposes: instilling the value of entrepreneurship in adolescents at risk of dropping out of high school; providing emergency shelter to elderly people who have been abused; enabling the poor and homeless to begin to reclaim their lives by acquiring proper identification; and helping young men recently released from Rikers Island prison.

In addition, we conferred the William E. Simon Prize for Lifetime Achievement in Social Entrepreneurship on C-SPAN founder Brian Lamb. In giving these awards, we look to remind the nation that our commitment to limited government includes a vibrant civil society, one in which private, nonprofit, voluntary nongovernmental organizations are formed to ameliorate social ills.

ISSUES 2012

This year, with the election season in full swing, the Institute saw an opportunity to connect with the public and the media by leveraging our significant intellectual resources, as well as our vast “back catalog” of high-quality research, and inserting them directly into the public conversation. We called it Issues 2012, a series of more than 30 short research papers keyed to the policies proposed by the candidates and raised by the media during the campaign.

Why Savings Are Suffering: Fed QE3 Policy Costs Seniors by Diana Furchtgott-Roth
Issues 2012 32, November 2012

Roundtable: Are You Better Off than You Were Four Years Ago?
by Steven Malanga, Marcus A. Winters, Nicole Gelinas, Edward Glaeser, Jacob L. Vigdor, Diana Furchtgott-Roth
Issues 2012 31, October 2012

Oil, Gas, and Coal Can Prime the Jobs Pump: Which States Will Benefit? by Mark P. Mills, Yevgeniy Feyman
Issues 2012 30, October 2012

The Merits of a Territorial Tax System by Diana Furchtgott-Roth, Yevgeniy Feyman
Issues 2012 29, October 2012

Debating Health Reform: The Preexisting Condition Problem by Avik Roy
Issues 2012 28, October 2012

The Welfare Waivers: How They Really Do Water Down Work Requirements by Russell Sykes
Issues 2012 27, October 2012

Wall Street and Dodd-Frank: The Right Questions to Ask the Candidates by Nicole Gelinas
Issues 2012 26, October 2012

Subsidizing Big Wind: The Real Costs to Taxpayers by Robert Bryce
Issues 2012 25, October 2012

How Block Grants Can Make Medicaid Work: Improving Health, Decreasing Costs by Paul Howard
Issues 2012 24, September 2012

The Food Stamp Recovery: The Unprecedented Increase in the Supplemental Nutrition Assistance Program 2008–12
by Diana Furchtgott-Roth, Issues 2012 23, September 2012

The Expensive, Elusive Green Job by Diana Furchtgott-Roth
Issues 2012 20, September 2012

The U.S. Tax System: Who Really Pays? by Stephen Moore
Issues 2012 22, August 2012

Whither Workforce Training? by Diana Furchtgott-Roth
Issues 2012 21, August 2012

Solyndra and the Perils of Green Industrial Policy by Diana Furchtgott-Roth
Issues 2012 19, July 2012

Energy-Related Tax Preferences and Job Creation: Which Industries Provide the Best Value for Taxpayers? by Robert Bryce
Issues 2012 18, June 2012





Tuesday, September 18, 2012

Lax Rules Author Spike in Food Stamp Usage

By Diana Furchtgott-Roth

Last week, the Census Bureau announced American real household income declined in 2011. The year is a low. Coupled with an unending stream of poor economic data from unemployment to its growth, it's not surprising that 47 million Americans, more than ever before, are on food stamps.

Fifteen percent of Americans on food stamps, more than one in seven, is a substantial expansion 6 years ago. At the beginning of the Great Recession, in December 2007, 27 million Americans, one in 10, received Supplemental Nutrition Assistance Program (SNAP) benefits, previously known as food stamps. By the end of the recession, in June 2009, 51 percent of the population was using SNAP.

Have the number of SNAP beneficiaries expanded because our economy is that much weaker than eight years ago? The answer is still weak, which can explain some of the increase. But much of the increase is explained by another factor: evolving SNAP rules that expanded disability and recession benefits to a substantial degree.

Food stamp participation has always increased during a recession and in the initial stages of a recession is far higher than in prior recessions. The three-year period after the recession of the early 1980s saw food stamp usage rise from 19.5 percent to 23.5 percent. In comparison, food stamp usage increased 3.7 percent following the 2001 recession.

It's not just that more people today are on food stamps, but the real value of food stamps has also per household per month in 1998 to 2008. At the same time, the average number of people receiving food stamps declined, from 2.6 people to 2.2 people.

Of course, our economy is still weak. Our unemployment rate has remained above 8 percent for 4 1/2 years, which is worse than in any other period since the Great Depression. Americans are



DRUDGE REPORT @DRUDGE_REPORT
'Unprecedented' Jump in Food Stamps...

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Pipelines Are Safest for Transportation of Oil and Gas by Diana Furchtgott-Roth
Issues 2012 17, June 2012

Romney's Education Plan: Recognizing the Success of Special Education Vouchers by Marcus A. Winters
Issues 2012 16, June 2012

The Volcker Rule Distraction: There Is a Better Way to Fix "Too Big to Fail" by Nicole Gelinas
Issues 2012 15, May 2012

The Unemployment Crisis for Younger Workers by Diana Furchtgott-Roth
Issues 2012 14, May 2012

Is There Still a Case for Coal? by Robert Bryce
Issues 2012 13, May 2012

An Audacious Promise: The Moral Case for Capitalism by James R. Otteson
Issues 2012 12, May 2012

Who Really Owns the Oil Companies? by Diana Furchtgott-Roth
Issues 2012 11, May 2012

The Dangers of Raising Taxes on Investment Income by Diana Furchtgott-Roth
Issues 2012 5, April 2012

Measured Inequality: Fallacies and Overstatements by Christopher Papagianis
Issues 2012 10, April 2012

How Tax Expenditures Hurt the Economy—and What to Do About It by Diana Furchtgott-Roth
Issues 2012 9, April 2012

The Medicaid Mess: How Obamacare Makes It Worse by Avik Roy
Issues 2012 8, April 2012

Why Obamacare Will End Health Insurance as We Know It by Richard A. Epstein, David A. Hyman
Issues 2012 7, March 2012

How Obamacare Increases Unemployment by Diana Furchtgott-Roth
Issues 2012 6, March 2012

How to Lower Gasoline Prices by Diana Furchtgott-Roth
Issues 2012 4, March 2012

The Inconsistencies of the Obama Corporate Tax Plan by Josh Barro
Issues 2012 3, February 2012

The Myth of Increasing Income Inequality by Diana Furchtgott-Roth
Issues 2012 2, March 2012

Obama's Energy Budget: Misplaced Subsidies, Overlooked Benefits by Robert Bryce
Issues 2012 1, February 2012

PUBLICATIONS 2012

The Manhattan Institute annually publishes numerous high-quality, full-length research reports on topics related to key issue areas. This body of work—authored by our resident fellows, associated scholars, and outside experts—has shaped the thinking of policymakers, thought leaders, the media, and the general public.

Reform Before Revenue: How to Fix California’s Retiree Health-Care Problem by Stephen Eide
Civic Report 73, October 2012

The Nays Have It: When Public-Sector Unions Win in California by Daniel DiSalvo
Civic Report 72, October 2012

The Great California Exodus: A Closer Look by Tom Gray, Robert Scardamalia
Civic Report 71, September 2012

Iceberg Ahead by E. J. McMahon
ECNY Special Report September 2012

Transforming Tenure: Using Value-Added Modeling to Identify Ineffective Teachers by Marcus A. Winters
Civic Report 70, September 2012

Proxy Monitor 2012: A Report on Corporate Governance and Shareholder Activism by James R. Copland
Proxy Monitor Report 4, September 2012

Liberating the Energy Economy: What Washington Must Do by Mark P. Mills
Power & Growth Initiative Report 2, September 2012

The Economic Impacts of Closing and Replacing the Indian Point Energy Center by Jonathan A. Lesser
Energy Policy & the Environment Report 11, September 2012

Unleashing the North American Energy Colossus: Hydrocarbons Can Fuel Growth and Prosperity by Mark P. Mills
Power & Growth Initiative Report 1, July 2012

Corporate Political Spending: Why the New Critics Are Wrong by Robert J. Shapiro, Douglas Dowson
Legal Policy Report 15, June 2012

Comparing the Impact: Public-Sector Labor Reform in Wisconsin and Indiana by Josh Barro
Civic Report 69, May 2012

The Shadow Regulatory State: The Rise of Deferred Prosecution Agreements by James R. Copland
Legal Policy Report 14, May 2012

Stifling New Cures: The True Cost of Lengthy Clinical Drug Trials by Avik Roy
Project FDA Report 5, April 2012

The Benefits of Florida’s Test-Based Promotion System by Marcus A. Winters
Civic Report 68, April 2012

Making Work Pay in New York by Russell Sykes
ECNY Special Report April 2012

Dues and Deep Pockets: Public-Sector Unions’ Money Machine by Daniel DiSalvo
Civic Report 67, March 2012

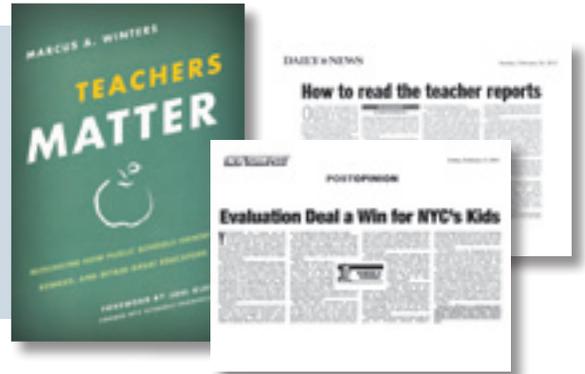
Optimal Option: SUNY’s Personal Retirement Plan as a Model for Pension Reform by E. J. McMahon
ECNY Special Report February 16, 2012

The High Cost of Renewable-Electricity Mandates by Robert Bryce
Energy Policy & the Environment Report 10, February 2012

The End of the Segregated Century: Racial Separation in America’s Neighborhoods, 1890–2010 by Edward Glaeser, Jacob L. Vigdor
Civic Report 66, January 2012

BOOKS 2012

Senior fellow Marcus Winters' debut book, *Teachers Matter: Rethinking How Public Schools Identify, Reward, and Retain Great Educators* (Rowman & Littlefield), showed that good teachers make a huge difference in student learning and that the evaluation of classroom performance—not just a review of credentials—is the only way to know which teachers are best.



Senior fellow James Manzi's book *Uncontrolled: The Surprising Payoff of Trial-and-Eror for Business, Politics, and Society* (Basic Books) made waves by arguing that most widely touted ideas for improving schools, government, businesses, and other complex human institutions don't work. Manzi identified a short list of programs, such as welfare-to-work, charter schools, and community policing, that have been shown to beat these odds, and argued for substantial investment in them. *New York Times* columnist David Brooks devoted an entire column to Manzi's proposals.



City Journal contributing editor Luigi Zingales's book *A Capitalism for the People: Recapturing the Lost Genius of American Prosperity* (Basic Books), couldn't have landed at a more opportune time. Rep. Paul Ryan called his real world recommendations for restoring true competition to our economic system "a must-read for policymakers and citizens alike." *New York Times* columnist Ross Douthat called it a "provocative account" with real prescriptions to "restore American competitiveness."



Senior fellow Diana Furchtgott-Roth's most recent book, *Regulating to Disaster: How Green Jobs Policies Are Damaging America's Economy* (Encounter), debunked the myth that green jobs can save America's economy and are worth taxpayers' investment. She argued that energy prices rise dramatically and America's economic employment rate and economic growth suffer when government invests in nonviable ventures. Furchtgott-Roth's analysis revealed the powerful nexus of union leaders, environmentalists, and lobbyists who dreamed up the green jobs hoax for political and financial benefit.



WEBSITES

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, public-sector pension and benefits reform, health care, tort reform, shareholder activism, and intellectual pluralism in higher education. Making the work of our scholars easily accessible to journalists, policymakers, 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



Public Sector Inc. provides a national forum to probe problems of and develop solutions to issues in state and local governments.
www.publicsectorinc.org



Proxy Monitor is the first and only public database to aggregate information on shareholder proposals and proxy voting in an easy-to-use format. The searchable database features shareholder proposals for 2006–12 from the 200 largest companies.
www.proxymonitor.org



The *Medical Progress Today* blog provides a forum for economists, scientists, and policy experts to explore the scientific, regulatory, and market frameworks that support medical innovation.
www.medicalprogresstoday.com



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



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



The Empire Center for New York State Policy's website offers the latest in the Center's research about the most important policy issues being discussed in Albany, including links to initiatives such as *SeeThroughNY.net* and *NYTorch.com*.
www.empirecenter.org



The Torch features commentary on the most important public policy issues affecting the Empire State. It combines topics and content previously posted on *NYFiscalWatch.com* and *NYPublicPayrollWatch.com*.
www.nytorch.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

VIDEO

The Manhattan Institute regularly hosts forums in New York City and Washington, D.C., for policymakers, businesspeople, researchers, and journalists. Select events are videotaped and made available to the general public on our website. To catch up on events you've missed, or to watch one of our specially produced short films—such as *Teachers Matter: Rethinking How Public Schools Identify, Reward, and Retain Great Educators*—please visit <http://www.manhattan-institute.org/video/> or visit our homepage and click on the Videos tab.



Please also visit our YouTube page at youtube.com/user/ManhattanInst. There you will find short features and select clips from our public events as well as *City Journal* editor Brian Anderson's interviews with authors, pundits, and journalists.

EXPERTS



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BANNER EVENTS 2012

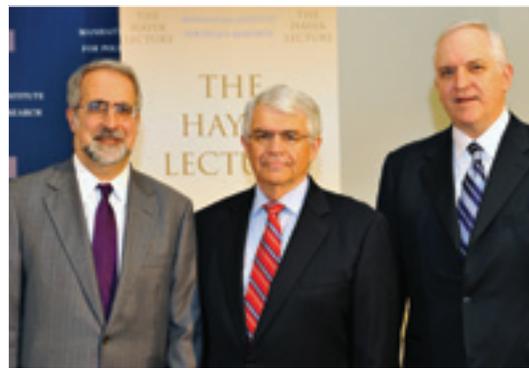
Alexander Hamilton



The Alexander Hamilton Award was created to celebrate New York and honor those individuals helping to foster the revitalization of our nation's cities. We chose to name the award after Hamilton because, like the Manhattan Institute, he was a fervent proponent of commerce and civic life, and he believed that the health of the nation hinged upon vibrant cities. He was also the quintessential New Yorker. Hamilton went to university, joined the army, and practiced law in New York. His last home stands in Harlem; his grave is at the crown of Wall Street across from the bank he started; and the newspaper he founded is still shaking things up. New York's style—passionate, entrepreneurial, ambitious, inclusive—reflected his vision of America and shaped his politics. The 2012 Alexander Hamilton Awards were presented to New York archbishop Timothy Cardinal Dolan, Indiana governor Mitch Daniels, and social scientist James Q. Wilson (in memoriam).

The annual Hayek Lecture is delivered by the recipient of the Hayek Prize, which honors the book published within the past two years that best reflects F.A. Hayek's vision of economic and individual liberty. The Hayek Prize, with its \$50,000 award, is among the world's most generous book prizes. It was conceived and funded by Manhattan Institute trustee Thomas W. Smith to recognize the influence of Hayek and to encourage other scholars to follow his example. The winner of the Hayek Prize is chosen from among the nominations by a selection committee of distinguished economists, journalists, and scholars. Past winners include: Amity Shlaes for *The Forgotten Man*, Matt Ridley for *The Rational Optimist*, and, most recently, John B. Taylor for *First Principles: Five Keys to Restoring America's Prosperity*.

THE HAYEK LECTURE



SOCIAL ENTREPRENEURSHIP AWARDS



Each year since 2001, the Institute, in conjunction with a committee of distinguished scholars, practitioners, and foundation leaders, selects up to five individuals who have originated and effectively steered a nonprofit organization providing direct services to those in need as winners of the Richard Cornuelle Award for Social Entrepreneurship. In keeping with the social entrepreneurship program's emphasis on the vitality of American civil society, the award is aimed at those with original ideas brought to fruition with predominantly private support, rather than in response to government grant programs. In addition, the Institute annually presents the William E. Simon Prize for Lifetime Achievement in Social Entrepreneurship. This year's winner was C-SPAN founder Brian Lamb.

The Wriston Lecture



In 1987, the Manhattan Institute initiated a lecture series in honor of Walter B. Wriston: banker, author, government adviser, and member of the Manhattan Institute's board of trustees. The Wriston Lecture has since been delivered annually in New York City with honorees drawn from the worlds of government, the academy, religion, business, and the arts. In establishing the lecture, the trustees of the Manhattan Institute—who serve as the selection committee—have sought to inform and enrich intellectual debate surrounding the great public issues of our day, and to recognize individuals whose ideas or accomplishments have left a mark on their world. The 2012 Wriston Lecture was delivered by playwright, director, and author David Mamet.

The Manhattan Institute's Young Leaders Circle program provides a unique forum for young professionals in the New York metropolitan area who are concerned about free-market ideas and public policy. Speakers at YLC events examine a wide range of public policy issues, from energy and health care to immigration and culture. Past speakers have included Harvey Pitt, Paul Atkins, Charles Kessler, Irshad Manji, and Jonah Goldberg as well as some of the Manhattan Institute's very own senior fellows such as Luigi Zingales, Diana Furchtgott-Roth, Nicole Gelinas, and Paul Howard. The stimulating lectures and engaging conversation offered by the ten exclusive YLC cocktail parties each year are unparalleled for New York's policy-minded young professionals.

YOUNG LEADERS CIRCLE



WILLIAM E. SIMON LECTURE



The Manhattan Institute has sponsored the annual William E. Simon lecture on Philanthropy and Social Entrepreneurship since 2007. This lecture series seeks to provide a framework—historical and current, scholarly and personal—for understanding the traditions and trends in American charity and charitable enterprises. Our lectures have ranged widely across these fields, including the 2007 talk by a distinguished historian, the 2008 talk by a renowned public policy essayist, and the 2009 lecture by the founder of the nation's most prominent management consulting firm for nonprofits. The 2012 Simon Lecture will be delivered in December by Matthew Bishop, U.S. business editor and New York bureau chief of *The Economist*.

THE INSTITUTE EXPANDS



This year, to spearhead our efforts to modernize the federal Food and Drug Administration, the Manhattan Institute enlisted **DR. ANDREW C. VON ESCHENBACH** to serve as chairman of Project FDA. As commissioner of the FDA from September 2005 to January 2009, Dr. von Eschenbach championed an agenda to reform the agency to meet the challenges of keeping Americans healthy and safe in the twenty-first century. He is an extraordinary addition to our MI team, and we are excited about the role that he will play in moving the FDA toward a more predictable, transparent, and efficient path for bringing safe and effective new products to patients.



This summer, the Institute welcomed **MARK P. MILLS** as a new senior fellow in our Center for Energy Policy and the Environment. Mills—a physicist by training—is an acknowledged expert on the economics and engineering of the energy sector and will carry the torch for our new Power & Growth Initiative, which aims to make North America the world’s leading exporter of energy within the next two decades. He writes the “Energy Intelligence” column for Forbes.com and is coauthor with MI senior fellow Peter Huber of the 2005 book *The Bottomless Well: The Twilight of Fuel, the Virtue of Waste, and Why We Will Never Run Out of Energy* (Basic Books). He is a well-known writer and commentator whose work has been published in *The Wall Street Journal* and *The New York Times Magazine*. Mills has testified before the U.S. Congress and briefed many state public service commissions and state legislators. In the 1980s, Mills served in the White House Science Office under President Reagan.



Our Center for State and Local Leadership (CSLL) expanded its range this year with the addition of senior fellow **Stephen D. Eide**, an expert on public administration, public finance, and urban policy. Eide comes to us from the Worcester Regional Research Bureau in Worcester, Massachusetts, where he served as a senior research associate. He is a regular contributor to PublicSectorInc.org, and his op-eds have appeared in the *New York Post*, *Boston Herald*, *Orange County Register*, *Worcester Business Journal*, and *Commonwealth Magazine*.



CSLL also brought pension and healthcare expert **Richard C. Dreyfuss** on board in 2012 as a senior fellow. As an actuary and business consultant, Dreyfuss worked for the Hershey Company (formerly Hershey Foods Corporation) for 21 years and held numerous positions there, including director of compensation and benefits, prior to his retirement in 2002. He was also involved in the establishment of the Pennsylvania Health Care Cost Containment Council in 1986 and was its chair in 2001–02. He has written for *The Philadelphia Inquirer* and *The Pittsburgh Post-Gazette* and has been quoted in *The Wall Street Journal* and *The New York Times*.

SUPPORTING THE MANHATTAN INSTITUTE

WHY INVEST IN MI?

For over 30 years, the Manhattan Institute has shaped American public policy by developing ideas that foster economic choice and individual responsibility. By supporting the Manhattan Institute, you affirm your commitment to pragmatic ideas and sound policy prescriptions. We take your investment in our work seriously, and with your support we will continue to turn intellect into influence.

TRADITIONAL WAYS TO SUPPORT MI

There are many ways to support the Manhattan Institute. You can contact us by **e-mail** at support@manhattan-institute.org, or by **phone** at 212-599-7000. Contributions may also be made via regular **mail**, by **stock** or **wire transfer**, and **online** at our website. In some cases, your employer may be willing to match your gift. Please inquire at your place of business if this is possible. The MI sponsorship office will work with you to get the proper authorization.

OTHER WAYS TO GIVE

In addition to the traditional ways to give, the Institute has several new programs worthy of your generous support. For more information on any of these programs, please contact the MI sponsorship office at 212-599-7000.

- **Young Leader's Circle**

The Young Leader's Circle (YLC) welcomes members (membership fee is \$250/year) who are in their twenties and thirties to 10 evening cocktail parties per year. These events feature guest speakers on a variety of public policy topics. Donors under forty who give at the \$1,000 level are invited to join the Young Leader's Advisory Committee which, in addition to the monthly YLC events, holds two private events with Manhattan Institute trustees and fellows. We are proud to report that our program is growing by leaps and bounds. If you know anyone under the age of forty who might be interested in membership, please be sure to let us know.

- **VERITAS Fund for Higher Education Reform**

The Manhattan Institute's VERITAS Fund for Higher Education Reform at DonorsTrust is a donor-advised fund that seeks out professors at top-tier universities who are committed to bringing intellectual pluralism to their institutions. Working with these professors, we fund centers of academic excellence within universities that help introduce a new generation of students to broader perspectives than are available on most campuses. The VERITAS Fund is actively seeking out philanthropic partners. If you are interested in supporting or learning more about the VERITAS Fund, please contact the sponsorship office and request an information packet.

- **Planned Giving**

Please consider making a planned gift to the Manhattan Institute. Such gifts can include bequests by will or living trust, charitable trusts, a designation in a retirement plan, charitable gift annuities, or a designation in a life insurance policy. For more information, please visit our website at www.manhattan-institute.org and download the printer-friendly information sheet on our sponsorship page or contact the MI sponsorship office at 212-599-7000.

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The Manhattan Institute is a 501(c)(3) nonprofit organization. Contributions are tax-deductible to the fullest extent of the law.

ABOUT THE MANHATTAN INSTITUTE

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

For over 30 years, the Manhattan Institute has been an important force shaping American political culture. Our research has won new respect for market-oriented policies and helped make reform a reality. Some of the country's most innovative mayors, governors, and policymakers have acknowledged a debt to the Manhattan Institute.

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."

The Manhattan Institute's book program has a long and successful record of shining a light on public policy problems—and sparking reform: Charles Murray's *Losing Ground* (Basic Books, 1984) reframed the dialogue about welfare and led to historic reform-legislation. Peter Huber's *Liability* (Basic Books, 1988) and *Galileo's Revenge* (Basic Books, 1991), and Walter Olson's *The Litigation Explosion* (Dutton, 1991), sparked national debates on civil justice, junk science, and tort reform. Myron Magnet's *The Dream and the Nightmare* (William Morrow, 1993) was a paradigm-shifting exposé of the 1960s counterculture and its devastating impact on the underclass. In *Fixing Broken Windows* (Free Press, 1996), George Kelling and Catherine Coles articulated the policing strategies that reduced crime at record rates. In the year past, that tradition continued, with the publication of major books on education (*Teachers Matter* by Marcus Winters [Rowman & Littlefield]); program effectiveness (Jim Manzi's *Uncontrolled* [Basic Books/City Journal]); the risks of crony capitalism (*A Capitalism for the People* by Luis Zingales [Basic Books]); and misguided government energy investments (Diana Furchtgott-Roth's *Regulating to Disaster* [Encounter]).

Our websites such as PublicSectorInc.org, MedicalProgressToday.com, PointofLaw.com, ProxyMonitor.org, NYTorch.com, and MindingTheCampus.com communicate practical ideas—everything from health-care 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.

Combining intellectual seriousness and practical wisdom with intelligent marketing and focused advocacy, the Manhattan Institute has achieved a reputation not only for effectiveness, but also for efficiency. Through a continuing emphasis on quality, we hope to sustain and augment our record of success well into the new decade.

Lawrence Mone, President

Vanessa Mendoza, Executive Vice President

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