



President's Update

Summer 2016

HEATHER MAC DONALD



Heather Mac Donald appeared on Fox News's The O'Reilly Factor in April to discuss violent crime and incarceration. Then she sat down with O'Reilly's producer to discuss her new book, The War on Cops.

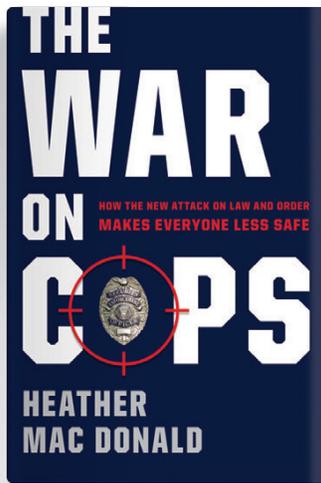
THE WAR ON COPS QUICK FACTS

In 2013, drug offenders made up less than 16% of state prison populations, compared with violent felons, at 54%.

In 2015, homicides in Cleveland rose 90%;
homicides in Nashville rose 83%;
homicides in Milwaukee rose 72%;
homicides in Washington, D.C., rose 54%.

In New York City alone, more than 10,000 minority males are alive today who would be dead, had crime rates remained at their early 1990s levels.

In 2015, homicides in the largest 50 cities rose nearly 17%, the largest one-year rise in murder in over two decades. Predominantly black cities were hit the hardest.



“This is a book that can save lives.”

—THOMAS SOWELL

It was around this time last year that Heather Mac Donald, the Thomas W. Smith Fellow at the Manhattan Institute, brought national attention to the so-called Ferguson effect. Through her *Wall Street Journal* op-ed, “The New Nationwide Crime Wave,” Mac Donald argued that the most likely reason behind the uptick in violent crime is that police officers, in response to heated rhetoric about police racism and the possibility that any interaction between cops and civilians can go viral, have grown reluctant to confront suspects. But even as the FBI director and top cops such as NYPD commissioner William Bratton have agreed with this assessment, Washington continues to dismiss the Ferguson effect, behind which lies a reluctance to acknowledge the connection between proactive policing and public safety. As cities from Chicago to Dallas to Los Angeles have seen their murder rates increase dramatically, Mac Donald has been providing a voice for the law-abiding inner-city residents and the police who protect them.

This June, Mac Donald’s latest book, *The War on Cops: How the New Attack on Law and Order Makes Everyone Less Safe*, was published by Encounter Books. According to Thomas Sowell, “If you have heard the rhetoric on all sides of the issues involving the police, and would like some facts to put that rhetoric to the test, there is no better source than *The War on Cops*. Whether

you want facts about the explosive events in Ferguson, Missouri, or in Baltimore, or you want to know why murder rates in New York City fell sharply in the 1990s, this is the place to find solid information. If you want to understand the role of race in all this, that, too, is documented with data. This is a book that can save lives.” I’m happy to report that the interest in Mac Donald’s book has necessitated a second print run even before the book’s official launch date. As of the writing of this update, Mac Donald is scheduled for more than 50 radio and TV interviews and speaking engagements across the country, as she continues her on-the-ground reporting—most recently, from Chicago.

VIOLENT CRIME HAS BEEN RISING SHARPLY IN MANY AMERICAN CITIES AFTER TWO DECADES OF DECLINE.

Core Services and Burdened States

Policing, like many other core public services, is the responsibility of state and local governments. But across the country, cities and states burdened by the mounting cost of public-employee pensions and benefits are struggling to maintain core services and are being forced to delay investment in essential infrastructure. This problem, while decades in the making, has reached a tipping point in many cities—Chicago, in particular. To strengthen the hand of reformist leaders, such as Governor Bruce Rauner of Illinois, MI’s deep bench of state and local policy scholars has been working to find viable ways forward.



Most recently, through a series of studies and a communications campaign, MI has been driving home the message that not only does the budgetary status quo compromise the ability of states and cities to deliver core public services; it is also to the detriment of many public servants themselves. Senior fellow Josh McGee highlights both these realities in his May report, “Chicago Crowd-Out: How Rising Pension Costs Harm Current Teachers—and Students.” In it, McGee explains how the Chicago Public Schools have had to increase spending on pensions sevenfold, while revenue has grown by only about 11 percent. Forced to pay more for benefits that teachers have already earned, Chicago has resorted to wide-ranging budget cuts, from textbooks to coaching stipends, while average teacher salaries have stagnated. This fall, McGee will release a follow-up report analyzing the crowd-out effect of pensions on the budgets of school districts across the country, showing how current pension systems limit the resources available to educate kids today.

Serious pension reform will require concessions by public unions, especially in states where benefits are protected by state constitutions, as they are in Illinois. While fostering a public consensus about the need for reform is critical, there may also be a role for major philanthropies to play in revising the social contract between public unions and the American taxpayer. We saw this happen recently in Detroit, where a dozen major foundations pledged \$366 million toward the Motor City’s pension liability, on the proviso that their generosity would leverage contributions from private corporations, state government, and the public unions, which agreed to pension reductions.

How the Detroit precedent could represent a way forward for other struggling postindustrial cities was the subject of the latest paper by MI senior fellow and vice president for research and publications Howard Husock, “The Pension Grand Bargain: A New Reform Model for Cities.”

MI has pointed the way toward other constructive approaches to reducing cities’ retiree costs—including what are called Other Post-Employment Benefits (OPEB), health insurance provided for retirees. In contrast to public-employee pensions, which are often shielded from reform by formidable legal barriers, OPEB may represent an opportunity for significant and appropriate reductions in spending. The national OPEB liability has been estimated at more than a trillion dollars. This spring, MI published two studies unpacking the OPEB problem and presenting a practical agenda for reform-minded leaders. In the first report, “The OPEB Off-Ramp: How to Phase Out State and Local Governments’ Retiree Health Care Costs,” senior fellows Daniel DiSalvo and Stephen Eide call for officials to place a high priority on reforming OPEB. They recommend phasing out OPEB entirely, as these benefits are unnecessary for states to recruit and retain workers, and recommend against establishing trust funds to prefund OPEB. In the second MI report, “Inviolable—or Not: The Legal Status of Retiree Medical Benefits for State and Local Employees,” Amy Monahan, one of the nation’s leading authorities on public pension law, surveys the legal protections for OPEB in ten states, finding that they vary significantly by jurisdiction and circumstance. Her analysis provides a framework through which officials may evaluate their legal options on how to reform OPEB.

SMITH SOC TREKS



The Adam Smith Society, an initiative sponsored by the Manhattan Institute, is a nationwide, chapter-based association of MBA students and business leaders who believe that business, entrepreneurship, and commerce are wellsprings that keep this country vibrant, creative, prosperous, and free. We are building an influential network of future business leaders who are dedicated to preserving and strengthening the free-market economic system. Founded in 2011, the Adam Smith Society now has student chapters at 25 business schools and professional chapters for alumni members in six cities. This fall, we are excited to introduce a series of what we are calling Smith Soc Treks, providing exceptional students with the opportunity to explore the philosophical foundations of capitalism and public-policy issues in greater depth. To learn more about the Adam Smith Society and opportunities to get involved, contact us at adamsmith@manhattan-institute.org.

YOUNG LEADERS CIRCLE

MI's Young Leaders Circle (YLC) provides a forum for young professionals in the New York metropolitan area who want to continue their education and have serious discussions about public policy. Founded in 2007, the YLC now comprises a network of more than 1,100 individuals. YLC represents a unique opportunity for millennials in New York. Speakers have included Rupert Murdoch, Tom Wolfe, Karl Rove, His Eminence Timothy Cardinal Dolan, and former World Chess Champion and global human-rights activist Garry Kasparov. If you or someone you know might be interested in joining Young Leaders or attending one of our events, please e-mail ylc@manhattan-institute.org or call 212-599-7000. Through initiatives such as Young Leaders and MI's Adam Smith Society, we are cultivating networks of future leaders with an interest in free markets and public policy.

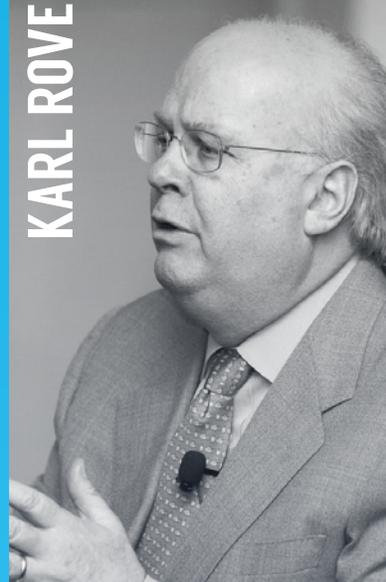
RUPERT MURDOCH



GARRY KASPAROV



KARL ROVE



CARDINAL DOLAN



PAUL HOWARD



Paul Howard appeared on The Brian Lehrer Show in May to discuss health care reform and the 2016 election.

PROJECT FDA

A decade ago, when the public and the media were obsessed with rare adverse events that might be linked to drugs such as Vioxx, and later Avandia, MI recognized that far more lives were being lost because of the outdated drug-development regulations in place at the FDA.

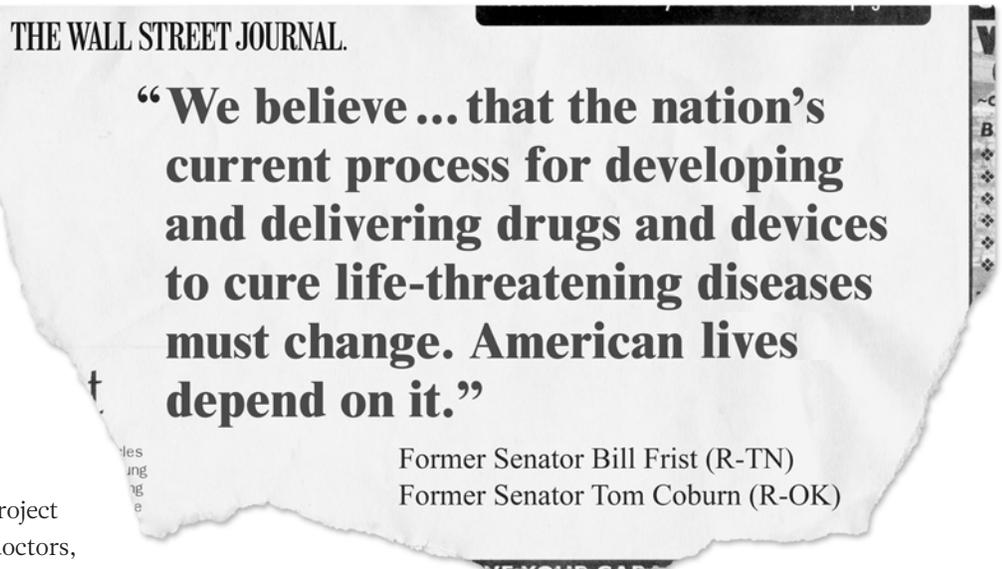
Through MI's Project FDA, we have been working to change the national conversation on this issue, arguing for a faster, safer drug and medical-device pipeline—and for meeting twenty-first-century health challenges with more science, not more regulation. For several years, in addition to shaping

public discourse through a constant stream of new- and traditional-media engagement, MI scholars Paul Howard and Peter Huber were on Capitol Hill advising the House Energy and Commerce Committee, helping to lay the intellectual foundation for what became the 21st-Century Cures Act.

This legislation, which passed in 2015, would streamline the nation's regulatory process for the discovery, development, and delivery of safe and effective drugs and devices. With companion legislation pending in the Senate and the possibility of watershed reform passing this year, Project FDA has been working to keep these issues at the forefront of the public mind and influence the debate in Washington, D.C.

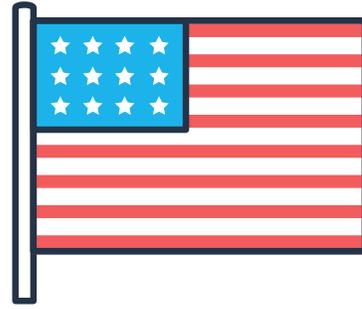
Senator Tom Coburn, a member of the Project FDA advisory board, which comprises doctors, legal experts, and policy analysts, has been MI's lead voice in publicly championing our agenda. Shortly after President Obama's 2016 State of the Union address, in which he announced the goal to "make America the country that cures cancer once and for all," Coburn authored an op-ed in the *Wall Street Journal*, "A Cancer 'Moonshot' Needs Big Data." This May, he coauthored a *Boston Globe* op-ed with Yale School of Medicine professor and fellow Project FDA advisory board member Daniel Petrylak on the need for data sharing among drug innovators. And in another *Journal* op-ed, Coburn and former senator Bill Frist called on the Senate to pass the companion legislation to the 21st-Century Cures Act.

In the nation's capital, Project FDA has continued to advise policymakers focused on reforming regulations concerning new drugs and devices. Earlier this year, Howard and Huber met with Vice President Joe Biden, who is heading up the National Cancer Moonshot Initiative, and we have since been working with his team to develop policies to enable quantum leaps in cancer research. In April, Project FDA convened a briefing on Capitol Hill, where Howard presented his latest report, "Precision Oncology in the Era of Health Care Reform: Improving Outcomes, Sustaining Innovation, and Increasing Value." Following a keynote address by Senator Coburn, Howard discussed issues such as new frameworks for clinical-data sharing, conditional drug approvals, and value-based pricing with representatives from science and industry. We are pleased to see that our original vision has gone from outsiders' lament to conventional wisdom on both sides of the aisle, but there is still more to do. There is much that could be accomplished before the end of the administration. Regardless of what changes are enacted this year, we are working to ensure that momentum for reform carries through into the next administration.



Former U.S. senator Tom Coburn

Photo Credit: USA Today.com



REALITY CHECK



In late 2015, in anticipation of the presidential race, MI brought back its *Issues* series of reports to focus on policy questions that go unaddressed and to correct misinformation paraded as truth. Heading up our *Issues* project is senior fellow Oren Cass, who served as domestic-policy director of Mitt Romney’s presidential campaign in 2011–12. These brief, straightforward reports were meant to inform not only citizens and journalists but the campaigns as well. But given how devoid of policy substance the 2016 presidential race has turned out, we have refocused *Issues 2016* as MI’s “Reality Check” series, geared primarily toward educating the general public and responding to some of the most egregious fallacies that come up in the course of the campaign.

Senior fellow Daniel DiSalvo, for example, authored a May report, “Are Billionaires Buying Elections?.” Reality check—they are not. In fact, the largest slice of the “big money” in U.S. politics comes from organized labor. In recent years, despite declining membership, organized labor has increased its political spending on elections and lobbying; while there is now far more money flowing into U.S. political campaigns, it is unclear if any group has gained a sizable advantage. Other Reality Check reports this spring have assessed issues such as environmental regulation (“Who Pays the Bill for the Obama Climate Agenda?,” by Cass), health-insurance coverage under the Affordable Care Act (“Will Obamacare Lead to Universal Coverage?,” by fellow Yevgeniy Feyman), and renewable energy mandates (“What Happens to an Economy When Forced to Use Renewable Energy?,” by Robert Bryce). Many *Issues 2016* reports have been cited widely in the press. Look for forthcoming Reality Check reports as the general campaign kicks into high gear this fall.



WAS WELFARE REFORM A SUCCESS?

≡ **THE CLAIM:** *“It turns out that the welfare reform bill has been an absolute disaster.”*

- **BERNIE SANDERS**

≡ **THE REALITY:**

By replacing government benefits with paychecks, welfare reform has helped move millions of families out of poverty.

SCOTT WINSHIP

Senior Fellow, Manhattan Institute



ARE WOMEN PAID LESS THAN MEN?

≡ **THE CLAIM:** *“I don’t think I am letting you in on a secret when I say way too many women earn less than men on the job.”*

- **HILLARY CLINTON**

≡ **THE REALITY:**

When women are compared with men in the same jobs, with the same credentials, and the same job tenure, the wage gap practically disappears.

DIANA FURCHTGOTT-ROTH

Senior Fellow, Manhattan Institute



ARE BILLIONAIRES BUYING ELECTIONS?

≡ **THE CLAIM:** *“Returning to a government of, by, and for the people—not [one for] the billionaires and giant corporations—will not be easy.”*

- **BERNIE SANDERS**

≡ **THE REALITY:**

Labor unions are the largest political spenders, and their donations don’t even reflect their members’ views.

DANIEL DISALVO

Senior Fellow, Manhattan Institute





MI senior fellow Oren Cass sat on a panel with former NYC welfare commissioner Robert Doar and Rev. Eugene Rivers III to discuss the future of antipoverty policy, moderated by Mickey Kaus.

Much of the rhetoric of the presidential campaign has been painful and embarrassing to hear. But an advantage of democracy is that it permits a marketplace of ideas. Your support has enabled MI to offer constructive policy solutions based in evidence and coherent principles. And for this, I am deeply grateful. I wish you a happy summer.



Sincerely,
Lawrence Mone
Lawrence Mone
President



BRUCE KOVNER



HARVEY SILVERGLATE

Highlights From The Sixteenth Annual Manhattan Institute ALEXANDER HAMILTON Award Dinner

On May 9, the Manhattan Institute awarded the 2016 Alexander Hamilton Award to Harvey A. Silverglate, civil liberties litigator, author, and cofounder of the Foundation for Individual Rights in Education (FIRE); and Bruce Kovner, founder of CAM Capital and chair of the board of trustees at the Juilliard School, one of the world's leading music schools. We chose to name the award after Hamilton because, like the Manhattan Institute, he was a fervent proponent of commerce and civic life. As MI chairman Paul Singer said in his opening remarks: "The meaning and future of American conservatism is at stake, and MI's work has never been more urgent." We are grateful to all the dinner sponsors whose generosity will help make that work possible.





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