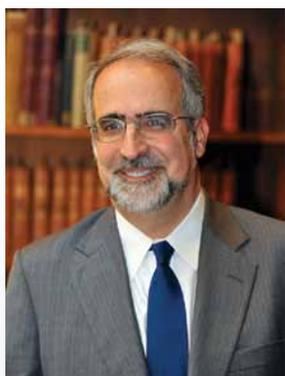


MANHATTAN INSTITUTE PRESIDENT'S UPDATE 2013 WINTER



Lawrence J. Mone
President

DEAR FRIENDS AND SUPPORTERS,

“Growth” is the word of day—or at least, it should be. The most promising way out of many of the challenges we currently face, from persistent unemployment to underfunded entitlements, is up. What constitutes growth and how we get there are not complicated issues despite some very provocative and confusing rhetoric emanating from Washington. This year and for the foreseeable future, the Manhattan Institute’s core objective will be to highlight, develop, and aggressively promote the kinds of policies that can catalyze entrepreneurship and innovation—and bring prosperity to people throughout our nation. While proposing what should be done at the federal level, we are particularly focused on the astonishing opportunities for pro-growth policies at the state and local levels—where solutions and leadership to solve national problems are emerging.



THE GROWTH EXPERIMENT REDUX

Fundamental tax-rate reform must be a key component of our nation's economic growth agenda. Recent debates over the tax code, however, have tended to center more on questions of equity and the need for revenue than the system's long-term effects on investment, productivity, and job creation. To ensure that the debate on tax reform does not neglect this crucial concern, the Institute has begun a new collaboration with longtime friend and former senior fellow Lawrence Lindsey. More than two decades ago, the Institute proudly sponsored the publication of Lindsey's *The Growth Experiment*, which remains one of the most powerful articulations of the economic benefits of supply-side tax policies ever written. This year, he is working with the Institute to update *The Growth Experiment*, explaining the reforms that we need today to enhance America's economic competitiveness, rein in federal deficits, and remove obstacles to growth.

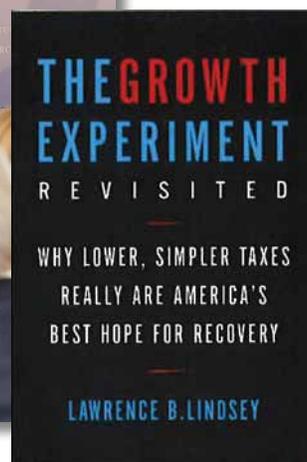
These issues—competitiveness and fiscal responsibility, in particular—were the subject of a Manhattan Institute event in December (cosponsored with the American Friends of Policy Exchange and the Lindsey Group)

headlined by Lindsey and U.K. Chancellor of the Exchequer George Osborne. The purpose of this public conversation was to bring to the attention of U.S. policymakers the bold, growth-oriented course that Osborne has pursued in the face of the U.K.'s fiscal crisis—one not unlike America's. During the event, Osborne explained that while needing to find ways to increase revenue, he has diligently sought to avoid economically damaging tax increases—and has even lowered taxes to promote the U.K.'s competitiveness. His fiscal program has entailed an aggressive lowering of the corporate tax rate, as well as a reduction in the top marginal income-tax rate (the latter, he noted, was not generating significant revenue in the first place). The Institute will continue to monitor Osborne's efforts.

**"I've always admired what the Manhattan Institute has done."
—Chancellor of the Exchequer
George Osborne**



Larry Mone, George Osborne, Lawrence Lindsey



THE GREAT RED-STATE/BLUE-STATE EXPERIMENT

We believe that Washington would benefit by paying close attention to the policy courses being pursued in various states, where two distinct models of governance are coming into sharp relief: California and Illinois have exemplified the “blue-state” model of raising taxes and putting off overdue systemic reforms; states such as Texas, Oklahoma, and the Carolinas have prioritized maintaining favorable business climates, with impressive economic results to show for their efforts. In keeping with our historical efforts to drive positive policy developments at the local levels of government and in Washington, MI’s Center for State and Local Leadership (CSLL) will be highlighting the outcomes of the experiments taking place in America’s laboratories of democracy.

CSLL scholars are working to keep the public conversation focused on the kinds of fiscal reforms that can rein in retirement-benefit costs and encourage robust growth. As senior fellow Richard Dreyfuss pointed out in February’s report *Fixing the Public Sector Pension Problem: The (True) Path to Long-Term Reform*, not all pension reforms are created equal. To pave the way for true reforms, Dreyfuss will be actively engaging those states where systemic changes to underfunded pension systems are up for debate—a strategy that is already under way. In anticipation of Pennsylvania governor Tom Corbett’s announcement of a plan to reform pensions in the Keystone State, Dreyfuss placed an op-ed in *The Philadelphia Inquirer*, which the governor responded to by Tweeting, “Great article about the need for pension reform in PA.” As debates in Pennsylvania and other states progress, Dreyfuss will be eager to provide advice to policymakers on how to tailor his recommendations to their states, as well as how to educate citizens about what is at stake if true reform continues to be delayed.

But even if states fail to enact necessary changes and persist in policies that discourage growth, it is likely that citizens will continue to respond by voting with their feet. In recent decades, thousands upon thousands of blue-state residents have migrated to new areas in search of better places to live and work. The Manhattan Institute has been following these trends very closely—most notably, by issuing reports on out-migration from New York and California that have appeared widely in the press. Having called attention to taxpayer flight and the states where it is particularly prominent, we now want to focus on the policy agendas pursued by regions that have been most successful at attracting new residents.

In a new CSLL report, *America’s Growth Corridors: The Key to National Revival*, *City Journal* contributing editor Joel Kotkin explains that, increasingly, entrepreneurs are no longer viewing coastal cities such as New York and Los Angeles as beacons of opportunity. Rather, they are looking toward the nation’s interior, where Kotkin has identified four “growth corridors”: the Great Plains, the “Third Coast” of the Gulf of Mexico, the Intermountain West, and the Southeast Manufacturing Belt. What these regions have in common, he explains, are lower costs (particularly for housing), better business climates, and population growth. He also observes that these locales have continually sought to expand their economies and foster private-sector opportunities for their citizens. By promoting Kotkin’s study of the recent successes—and enormous potential—of these regions, we aim to encourage national policymakers and public officials in struggling states to give market-based, pro-growth policies the attention they deserve.



THE NEXT GENERATION OF ENTREPRENEURS

The growth of America's economy has always depended on the efforts of entrepreneurs and innovators—those who start new businesses, create jobs, and generate wealth. But beyond their contributions in these areas, business leaders have traditionally held a deep appreciation for the nature of the free-enterprise system as a whole and assumed a sense of responsibility to help preserve it for the future. To perpetuate this sense of responsibility for the maintenance of capitalism among the next generation of business leaders, the Manhattan Institute has been building a new national organization at elite business schools across the country: the Adam Smith Society.

Central to our efforts has been to highlight for MBA students the immense benefits that free enterprise confers on society at large. While this idea is all too often ab-

sent from the business school curriculum, it was a recurring theme of the first national meeting of the Adam Smith Society, held this February in New York and titled "Next-Gen Business Leaders: Power and Responsibility." As Whole Foods CEO John Mackey stated in his keynote address, "Business is the greatest value creator in the world. Business is what has lifted humanity out of the dirt." Two hundred years ago, before capitalism spread across the globe, 85 percent of the world population lived on less than \$1 a day; 90 percent of people were illiterate; and average life expectancy was 30 years. Today, the first two figures have dropped to 16 percent and 14 percent, respectively, and average life expectancy has risen to 68 years. Capitalism deserves much of the credit for this amazing advancement of civilization—but is more often blamed as the source of society's ills.

**"Business is what has lifted humanity out of the dirt."
—Whole Foods CEO John Mackey**

THE ADAM SMITH SOCIETY



Mark Mills



Cliff Asness



John Mackey



Paul Atkins, Marilyn G. Fedak, Harvey Pitt



Dan Loeb

As part of the Institute's efforts to promote the principles of economic choice and individual responsibility, we have continually called attention to America's rich tradition of civil society, primarily through MI's annual social entrepreneurship awards program. Every year, we confer the Richard Cornuelle Awards for Social Entrepreneurship and the William E. Simon Prize for Lifetime Achievement in Social Entrepreneurship on specific nonprofit organizations and their leaders who have found innovative ways of helping those in need. Given the recent (and sure-to-be recurring) debate over the merits of the charitable tax deduction and questions about the proper role of the welfare state in addressing social ills, we have decided to build on our awards program with the establishment of a new Project on Philanthropy and Social Entrepreneurship. Leading this new initiative will be vice president for policy research Howard Husock, who has led the awards program since its inception. The project will involve policy research, policy journalism, and regular media engagement, all dedicated to advancing discussion on how to foster a robust civil society. Husock has already begun addressing this issue—and has been sounding the alarm on federal efforts to compromise the independence of nonprofits and philanthropy—in the pages of *National Affairs* and *City Journal* and his own blog on Forbes.com, "Philanthropy and Society."



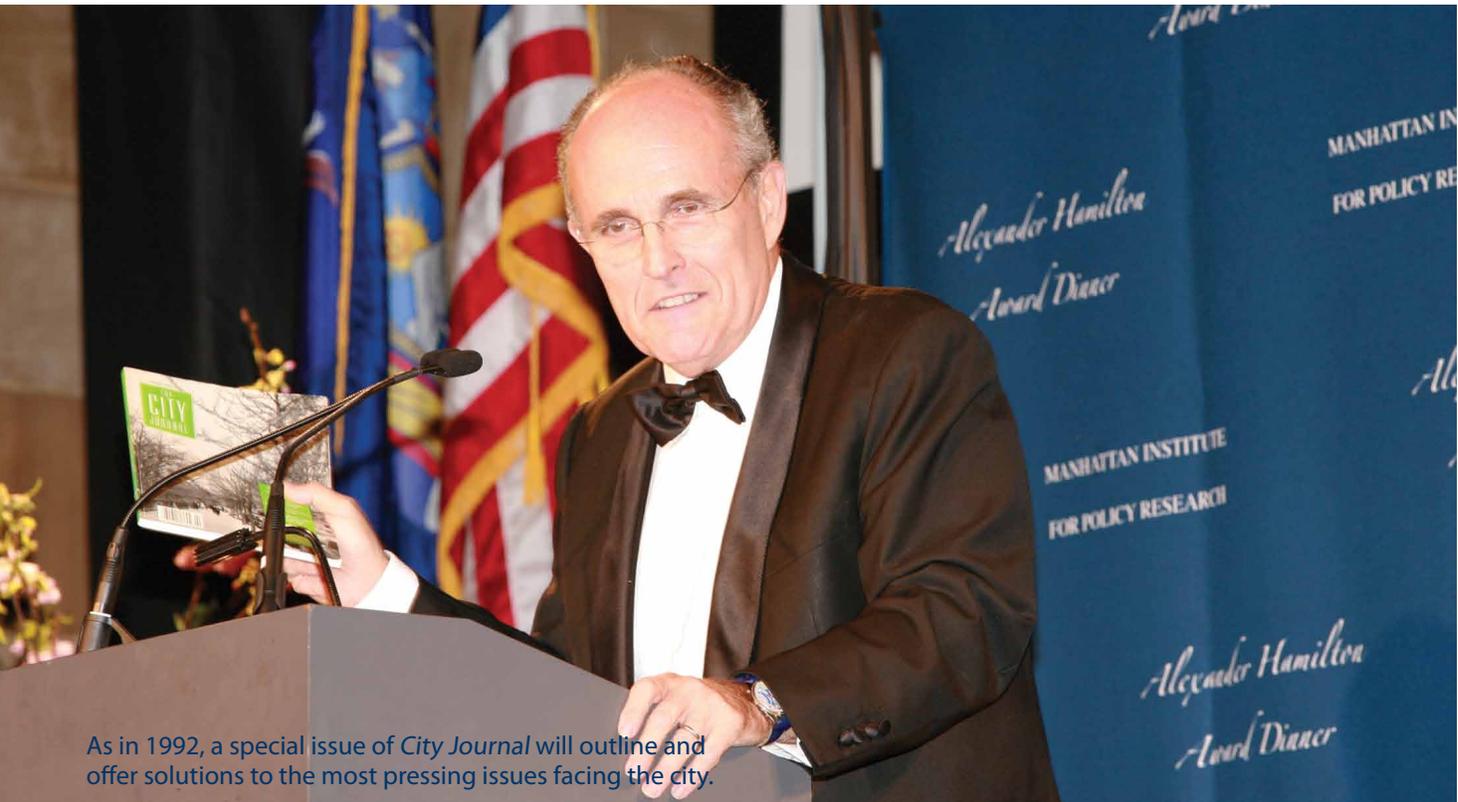
Howard Husock

Throughout the conference, MBA students and young alumni repeatedly posed the question of what they themselves could do to advance free markets. The business leaders who spoke, including Mackey, encouraged them, above all, to be courageous, as well as successful and determined in their own ventures.

The Manhattan Institute remains committed to supporting these students as they embrace this challenge. This recent conference was only the beginning. We are currently advising and helping to establish student-led chapters of the Adam Smith Society at the business schools of Brandeis,

Columbia, Cornell, Dartmouth, Harvard, the Massachusetts Institute of Technology, New York University, the University of Chicago, the University of Texas at Austin, the University of Virginia, and Yale. We look forward to working with the student leaders we have recruited to set up chapters and coordinate on-campus programming and debates with prominent market-minded business leaders, journalists, academics, and public officials. Looking ahead, we intend to support a growing alumni network of future business leaders who are serious about discussing, debating, and perpetuating—in America and internationally—the virtues of free enterprise.





As in 1992, a special issue of *City Journal* will outline and offer solutions to the most pressing issues facing the city.

The remarkable revival of New York City over the past two decades, driven largely by policy ideas developed and promoted by the Manhattan Institute, has inspired similar reform efforts in cities nationwide. Proactive policing and the return to law and order in particular have been integral in the restoration of formerly blighted neighborhoods and the reinvigoration of urban economies. In a matter of months, Gotham will have a pivotal mayoral election. The policy agenda pursued by the next mayor will have significant repercussions not only for New York but also for the cities that look to it for leadership in tackling the most pressing urban problems.

Surrounding the election, the Manhattan Institute will be working to keep good ideas at the forefront of the public debate, using a strategy we employed the last time New York faced an election of great consequence. In 1992, when the city was reeling from escalating crime, high rates of intergenerational poverty and dependency on public assistance, and deteriorating schools, among other problems, MI held a conference, “Rethinking New York.” At the conference, MI senior fellows presented an agenda of

policy solutions developed in response to concerns voiced by citizens in a citywide poll that the Institute had commissioned. Among those in attendance was mayoral candidate Rudolph Giuliani, who credits that conference as the moment when his relationship with the Manhattan Institute began to cement. He went on to implement many of the ideas advanced by MI fellows and the writers of *City Journal*—and thankfully, city government has since then kept faith with the central tenets of the Giuliani-era reforms.

With so much at stake in the coming election, the Manhattan Institute is undertaking “Rethinking New York: 2.0.” In collaboration with the polling firm Zogby International, we will conduct a major citywide poll to better understand citizens’ policy opinions on a number of key areas, including the economy, infrastructure, education, public safety, and social services. As we did 20 years ago, we will develop an agenda of policy solutions that respond to citizens’ most pressing concerns and work to keep our ideas front and center during the campaign.

There is every reason to believe that our nation stands at a crossroads, facing a choice between a model of high

taxes and overgenerous entitlements—which has led Europe into economic malaise—and one of free markets enabled by effective government. The wide-ranging and freethinking work of the Manhattan Institute highlights policy approaches that will lead to the economic growth and consequent prosperity that will enable individuals and nations to thrive.

On behalf of the scholars and staff of the Manhattan Institute, I thank you for your continued support.

Sincerely,



Lawrence J. Mone
President

URBAN INNOVATOR 2012 AWARD

Historically, one of the Manhattan Institute’s most important contributions to improving the economic and social health of our cities and states has been our work on welfare reform. This dates to MI’s sponsorship in the 1980s of Charles Murray’s pathbreaking book *Losing Ground*. Recently, the Obama administration has stripped the federal welfare system of some of the hard-won work requirements on which the reforms of the 1990s were built and which contributed to the revival of New York and other cities. Fortunately, there are some who haven’t lost sight of the dignity that having and holding a job can give to a welfare recipient. Right here in New York City, human resources administration commissioner Robert Doar has remained true to the principles of welfare reform: reducing dependency and encouraging upward mobility by consistently promoting and enforcing work-based welfare policies. Under Commissioner Doar’s leadership, the city’s welfare caseload has remained some 20 percent below what it was when Mayor Bloomberg took office in 2002, and the 350,000 currently on the New York City welfare rolls are dramatically fewer than the 1.1 million receiving assistance prior to the administration of Mayor Rudolph Giuliani. For this reason, and to encourage other public officials to stay the course on welfare reform, we were proud to present Doar with the 2012 Urban Innovator award.



MANHATTAN INSTITUTE FELLOWS

Brian C. Anderson
Editor, *City Journal*

Rick Baker
Adjunct Fellow, Center for State and
Local Leadership

Michael Knox Beran
Contributing Editor, *City Journal*

Claire Berlinski
Contributing Editor, *City Journal*

Ben Boychuk
Associate Editor, *City Journal*

Lester Brickman
Visiting Scholar, Center for Legal Policy

Robert Bryce
Senior Fellow, Center for Energy Policy
and the Environment

James R. Copland
Senior Fellow and Director,
Center for Legal Policy
Managing Editor, Point of Law

Theodore Dalrymple
Dietrich Weismann Fellow
Contributing Editor, *City Journal*

Daniel DiSalvo
Senior Fellow, Center for State and
Local Leadership

Richard C. Dreyfuss
Senior Fellow, Center for State and
Local Leadership

Stephen D. Eide
Senior Fellow, Center for State and
Local Leadership

Richard A. Epstein
Visiting Scholar

Andrew C. von Eschenbach
Chairman, Project FDA

Ted Frank
Adjunct Fellow, Center for Legal Policy
Editor, Point of Law

Diana Furchtgott-Roth
Senior Fellow

Nicole Gelinas
Searle Freedom Trust Fellow
Contributing Editor, *City Journal*

Edward Glaeser
Senior Fellow, Center for State and
Local Leadership
Contributing Editor, *City Journal*

Victor Davis Hanson
Contributing Editor, *City Journal*

Stephanie Hessler
Adjunct Fellow

Paul Howard
Senior Fellow and Director,
Center for Medical Progress
Managing Editor, Medical Progress Today

Peter W. Huber
Senior Fellow, Center for Medical Progress,
Center for Energy Policy and the Environment,
Center for Legal Policy

Howard Husock
Vice President, Policy Research
Contributing Editor, *City Journal*

Kay S. Hymowitz
William E. Simon Fellow
Contributing Editor, *City Journal*

Stefan Kanfer
Contributing Editor, *City Journal*

George L. Kelling
Adjunct Fellow, Center for State and Local Leadership

Andrew Klavan
Contributing Editor, *City Journal*

Joel Kotkin
Contributing Editor, *City Journal*

John Leo
Senior Fellow, Center for the American University
Contributing Editor, *City Journal*
Editor, Minding the Campus

Herbert London
Senior Fellow, Center for the American University

Heather Mac Donald
John M. Olin Fellow
Contributing Editor, *City Journal*

Myron Magnet
Editor-at-Large, *City Journal*

Steven Malanga
Senior Fellow, Senior Editor, *City Journal*

James Manzi
Senior Fellow, Center for Energy Policy
and the Environment

Edmund J. McMahon
Senior Fellow, Empire Center for New York State Policy

John H. McWhorter
Contributing Editor, *City Journal*

Judith Miller
Contributing Editor, *City Journal*

Mark Mills
Senior Fellow, Center for Energy Policy
and the Environment

James Piereson
Senior Fellow, Center for the American University

Peter Reinharz
Contributing Editor, *City Journal*

Avik Roy
Senior Fellow, Center for Medical Progress

Peter D. Salins
Senior Fellow, Center for State and Local Leadership

Fred Siegel
Senior Fellow, Center for State and Local Leadership
Contributing Editor, *City Journal*

Guy Sorman
Contributing Editor, *City Journal*

Harry Stein
Contributing Editor, *City Journal*

Sol Stern
Senior Fellow, Center for State and Local Leadership
Contributing Editor, *City Journal*

William J. Stern
Contributing Editor, *City Journal*

Jacob Vigdor
Adjunct Fellow, Center for State and Local Leadership

Marcus Winters
Senior Fellow, Center for State and Local Leadership

Luigi Zingales
Contributing Editor, *City Journal*

Lawrence Mone, President

Vanessa Mendoza, Executive Vice President

Michael Allegretti, Vice President, Programs

Michael Barreiro, Vice President, Operations

Lindsay Craig, Vice President, Communications & Marketing

Howard Husock, Vice President, Policy Research

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

The Manhattan Institute is a 501(c)(3) nonprofit organization. Contributions are tax-deductible to the fullest extent of the law. As a Sponsor, you will receive selected publications and invitations to Manhattan Institute special events. EIN #13-2912529



MANHATTAN INSTITUTE FOR POLICY RESEARCH

52 Vanderbilt Avenue, New York, N.Y. 10017 phone (212) 599-7000 / fax (212) 599-3494 www.manhattan-institute.org