

Lawrence J. Mone

## DEAR FRIENDS AND SUPPORTERS,

In today's public debate, rhetoric by politicians and public intellectuals alike has sown widespread confusion about the nature of America's greatest economic challenges. Specious arguments about the effects of rising incomes at the top—as if the economy were a zero-sum game—and misleading claims about economic inequality have distracted attention away from our country's most serious problems, such as stalled upward mobility, increasing dependence on public assistance, and declining participation in the workforce—all within the context of historically slow economic growth. Absent strong, effective leadership from Washington, the Manhattan Institute is working instead to refocus the national conversation on issues that matter and solutions to foster opportunity for all citizens. In the long run, good policy ideas make for good politics.

Developing policies that unleash the energy and ingenuity of the U.S. workforce, while debunking flawed economic thinking, are at the forefront of our agenda. As national and local politicians—from President Obama to New York mayor de Blasio—call for growth-inhibiting policies such as tax increases and raising the minimum wage, MI senior fellows Scott Winship and Diana Furchtgott-Roth have been rebutting the misleading narratives about economic inequality cited to justify such policies.

This May, the Institute's Washington, D.C.-based research division, e21: Economic Policies for the 21st Century, released a primer, *Income Inequality in America: Fact and Fiction*, based on presentations delivered by Winship, Furchtgott-Roth, and other experts at an inequality briefing for Hill staffers

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**"We've got to grab the policies that really do bring growth, and this is why I am excited about what the Manhattan Institute does. Go read Scott Winship's work."**

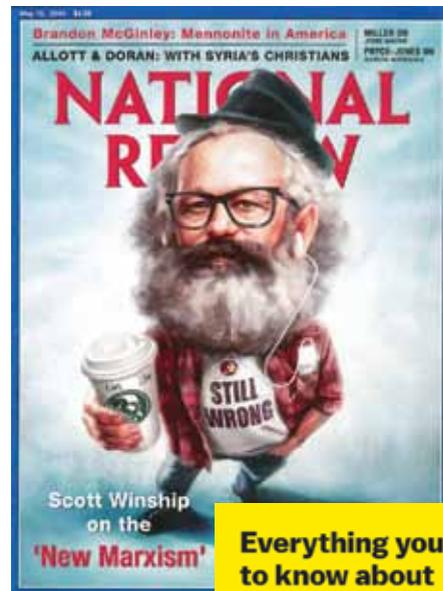
**—Rep. Paul Ryan**

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earlier this year. The essays explain how the measures of inequality being touted by the Left are inaccurate and incomplete, often failing to take into account changes in demographics, living standards, and life-cycle progressions. This primer provides a timely rejoinder to French economist Thomas Piketty's recently translated 700-page tome, *Capital in the Twenty-First Century*. Winship, in fact, has spent much of the spring challenging Piketty's arguments head-on in popular outlets such as Forbes.com (where he now has his own column), *U.S. News and World Report*, and *The Fiscal Times*, as well as in a lead article for *National Review*, "Inequality and the Fate of Capitalism."

Through the primer and other writing, our fellows have sought to change the focus of

the national conversation from inequality to what is arguably a far greater cause for concern: low rates of mobility among income groups. In the recently published volume *Room to Grow: Conservative Reforms for a Limited Government and a Thriving Middle Class*, Winship contributed an essay with ideas for a conservative antipoverty agenda that encourages the disadvantaged to move into the world of work and reap the benefits of employment and self-sufficiency. Above all, the Institute will continue to promote policies that favor a dynamic, expanding economy and rising innovation—the main driver of prosperity and higher living standards for all.



Everything you need to know about income inequality

BY MATTHEW YGLESIAS  
MAY 7 2014, 1:15P

Vox

Why do some economists say the increase in inequality has been overstated?

While income inequality has been a growing subject of public discussion and most authorities take it for granted at this point that incomes in the United States have grown very unequal, there is some dispute about this. Richard Burkhauser, a Cornell University economist, and **Scott Winship**, policy analyst at the Manhattan Institute, have been the leading proponents of the view that the new conventional wisdom overstates the increase in inequality.



"We need a war on immobility—a bipartisan crusade to identify and address the barriers that leave 70 percent of poor children below the middle class as adults. . ."  
—Scott Winship writes in the *New York Times'* Room For Debate on May 1, 2014

"If we want to avoid stagnation, we must keep pioneering new methods of innovation that play to our strengths. . ." So argued MI senior fellow Jim Manzi in his spring *National Affairs* essay, "The New American System." With great confidence in the potential of human ingenuity to make life better, MI senior fellows promote legal and regulatory frameworks that encourage the development and application of new discoveries and ideas.

Research laboratories across America are on the verge of major breakthroughs that could help us better understand illnesses such as cancer, heart disease, and Alzheimer's. But the U.S. Food and Drug Administration's (FDA) outdated drug-approval process is delaying the translation of this new knowledge into working therapies.

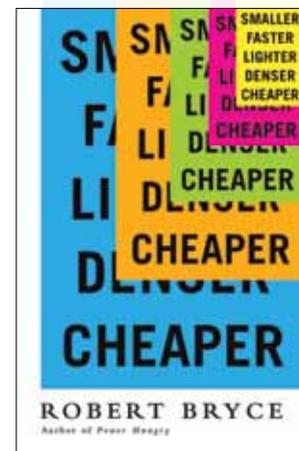
Under the auspices of MI's Project FDA, former FDA commissioner Dr. Andrew von Eschenbach and se-



nior fellows Peter Huber and Paul Howard have been promoting ideas that can help the agency become a bridge to innovation. This May, at the House Energy and Commerce Committee's "21st Century Cures Initiative" roundtable, Dr. von Eschenbach and Huber discussed their recommendations in the presence of top FDA officials. To cultivate support for change at the agency among policymakers and leaders in science and academia, MI scholars will soon embark on a multicity tour of top biotech hubs where they will make the case for reform.

## COUNTERING THE CATASTROPHISTS

*Smaller, Faster, Lighter, Denser, Cheaper: How Innovation Keeps Proving the Catastrophists Wrong* is the latest book by MI energy scholar Robert Bryce. In the face of today's environmental and economic challenges, doomsayers preach that the only way to stave off disaster is for humans to reverse course: to de-industrialize, re-localize, ban the use of modern energy sources, and forswear prosperity. But in this provocative and optimistic rebuke to the catastrophists—reviewed favorably by both *The Wall Street Journal* and *The New York Times*—Bryce shows how innovation has led to unprecedented prosperity, greater liberty, and better environmental protection.



"... President Obama likes to call oil yesterday's energy. . . Anyone who thinks that he is doing the world a favor by compelling the switch from fossil fuels to wind and solar is consigning billions of people to a life of poverty and darkness."  
—Review of SFLDC in the *Wall Street Journal*

## 2014 ALEXANDER HAMILTON AWARD DINNER

Every year, the Institute's Alexander Hamilton Award Dinner gives us the opportunity to honor individuals who have bettered civic life and advanced our nation's highest ideals. On May 12, before a capacity crowd at Cipriani on 42nd Street, we presented awards to Congressman Paul Ryan, Manhattan Institute trustee Thomas W. Smith, and Governor Jeb Bush. All three of 2014's honorees have a passion for seeing good ideas put to work. Congressman Ryan and Governor Bush focused their speeches on conservative policy reforms to foster upward economic mobility. Smith, a philanthropist who has supported numerous programs on constitutional government and political economy at colleges and universities nationwide, spoke about the enduring insights of Austrian economist Friedrich Hayek and the relevance of his thought to today's challenges. Picked up by the Associated Press and run in over 210 different media outlets, news of MI's Hamilton Dinner and our honorees reached citizens across the country.



"I have long admired the work of the Manhattan Institute and its development and advancement of good policy that fosters economic choice and individual responsibility.... I ... read *City Journal* on a regular basis ... and I love the works of a lot of your scholars."  
—Gov. Jeb Bush



"Hayek believed that ideas change the world. That is what the Manhattan Institute is all about. That is what our scholars devote their lives to."  
—MI trustee Thomas W. Smith

*Alexander Hamilton*

## FRIEDRICH HAYEK LECTURE AND BOOK PRIZE

The great Austrian economist and Nobel laureate Friedrich Hayek (1899–1992) was one of the world's most brilliant proponents of free markets and individual liberty. To foster greater public appreciation for his ideas—as well as the scholars whose books best exemplify them—each year the Manhattan Institute presents the Friedrich Hayek Book Prize, inspired and sponsored by MI trustee Thomas W. Smith. The winner receives an honorarium of \$50,000, among the world's most generous book prizes, and delivers a lecture at the Manhattan Institute. The 2014 Hayek Prize went to University of Chicago professor Casey Mulligan for his book *The Redistribution Recession: How Labor Market Distortions Contracted the Economy*.

ANNUAL HAYEK PRIZE  
10TH ANNIVERSARY

## MI YOUNG LEADERS CIRCLE

The Manhattan Institute believes in communicating the foundations of a free society to the next generation. One of our programs dedicated to this aim is the MI Young Leaders Circle, a membership group for people in their twenties and thirties in the New York metro area. At monthly gatherings, members hear from scholars and practitioners about public policy issues and free-market ideas. This year has been a banner one for Young Leaders, featuring speakers such as Mayor Rudolph Giuliani, General David Petraeus, and Governor Scott Walker. If you or someone you know might like more information about Young Leaders, please contact the MI Benefit Office at 212-599-7000.

## RESPONSIVE CITIES

An innovation-driven economy will depend on leadership from America's cities. As MI senior fellow and Harvard University economist Edward Glaeser explained in his best-selling book *Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier, and Happier*, the dense agglomerations that dot the globe have been engines of innovation ever since Plato and Socrates bickered in an Athenian marketplace. When governed well, cities are the incubators of opportunity, the breeding ground where ideas, ambition, and financial capital combine to create new firms. To encourage public policies that help cities abide as the bastions of free enterprise, the Manhattan Institute has been studying successes and failures in cities across the country—and the globe.

In a spirit of urban Atlanticism, a delegation from the Institute, including Glaeser, traveled to London in June for a joint conference cosponsored by our friends at Policy Exchange, the United Kingdom's leading center-right think tank. The theme of the conference was the future of postindustrial cities and what our respective countries can learn from each other in this area.

Highlighting both exemplars and cautionary tales has been a major theme of the Institute's urban-focused research and policy journalism in recent months. This June saw the publication of two MI research papers on cities: one explores the best- and worst-perform-

ing metro areas since the Recession ("America's Top Metros: Who's Leading the Recovery, and Why"); the other discusses how cities are enhancing the effectiveness of local governance through technological advances such as big-data analytics ("Digital Transformation: Wiring the Responsive City"). And, of course, the Institute's magazine, *City Journal*, continues to publish in-depth reporting on urban triumphs and tragedies. A particularly uplifting story from the Spring issue, "Brooklyn's Chinese Pioneers," by Kay Hymowitz, tells of how immigrants from the Chinese province of Fujian are starting out poor but successfully working their way into the middle class—a story that challenges the narrative about inequality put forward by liberal politicians like New York mayor Bill de Blasio.



### THE FIRST ANNUAL JAMES Q. WILSON LECTURE ON URBAN AFFAIRS

For years—until his death, in 2012—renowned political scientist James Q. Wilson, a leading thinker on questions of crime, policing, culture, and urban politics, gave an annual lecture at the Manhattan Institute. To

honor Wilson's legacy, the Manhattan Institute has established an annual eponymous lecture series on urban affairs. At the 2014 inaugural Wilson Lecture, MI senior fellow and Harvard University economist Edward Glaeser spoke about what makes urban areas thrive, building upon ideas articulated in his acclaimed book *Triumph of the City*.

## nyc21: 21<sup>ST</sup> CENTURY POLICIES FOR TODAY'S NEW YORK CITY

At various moments throughout the twentieth century, New York City was an example for the nation of urban policy at both its worst and its best. With Gotham coming off two decades of stunning improvements in areas such as public safety, education, and welfare policy, the Manhattan Institute is determined to see the city build on these past successes and respond effectively to pressing challenges in areas such as the budget, housing, and infrastructure.

The most critical measure of de Blasio's performance, based on the mayor's own reasoning, will be how much conditions improve for the disadvantaged—the New Yorkers whose interests the mayor claims to champion. To hold the mayor accountable in this area, the Institute has launched a benchmarking project, "Poverty and Progress in New York," which examines indicators such as population, crime, poverty, income, welfare dependence, family structure, and educational attainment in the city's poorest neighborhoods. The inaugural report in this series, authored by senior fellow Stephen Eide, establishes a baseline against which we will measure progress and decline in coming years.

In the shorter term, MI fellows have been a constant source of rapid-response commentary to all major policy developments of de Blasio's mayoralty—through both traditional media and the Institute's new nyc21 blog. Heather Mac Donald, Nicole Gelinas, Daniel DiSalvo, Steven Malanga, Eide, and others have been



mainstays of the local papers and radio and television programs, educating citizens about the ramifications of the mayor's agenda for New York and urban America generally. The Institute will be a source of constant information and analysis of policy decisions that affect all the aforementioned areas, especially crime and public safety, given the Institute's history as a leading proponent of Broken Windows policing. As NYPD commissioner William Bratton, a longtime collaborator with the Institute, stated at an MI forum in May, "Without public safety, all other pillars of democracy deteriorate." In the months and years ahead, you can count on MI fellows to continue cultivating public opinion about the importance of public safety, keeping pressure on the mayor to give Bratton and the NYPD the discretion they need to keep our city safe.

The role of the Manhattan Institute will always be to lay the intellectual foundations for successful policy reform. As I expressed above, good policy makes for good politics. As the 2014 midterm elections draw closer, fellows will continue to keep their ideas and recommendations at the forefront of the public debate. Please know how much I appreciate the support of our friends and benefactors who make these efforts possible. I wish a pleasant summer to you all.

Sincerely,

*Lawrence Mone*  
Lawrence J. Mone  
President



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