

**INSIDE:** Minnesota's economy no victory for Dayton

# THINKING MINNESOTA

ISSUE 3  
WINTER 2016



## Power Alignment

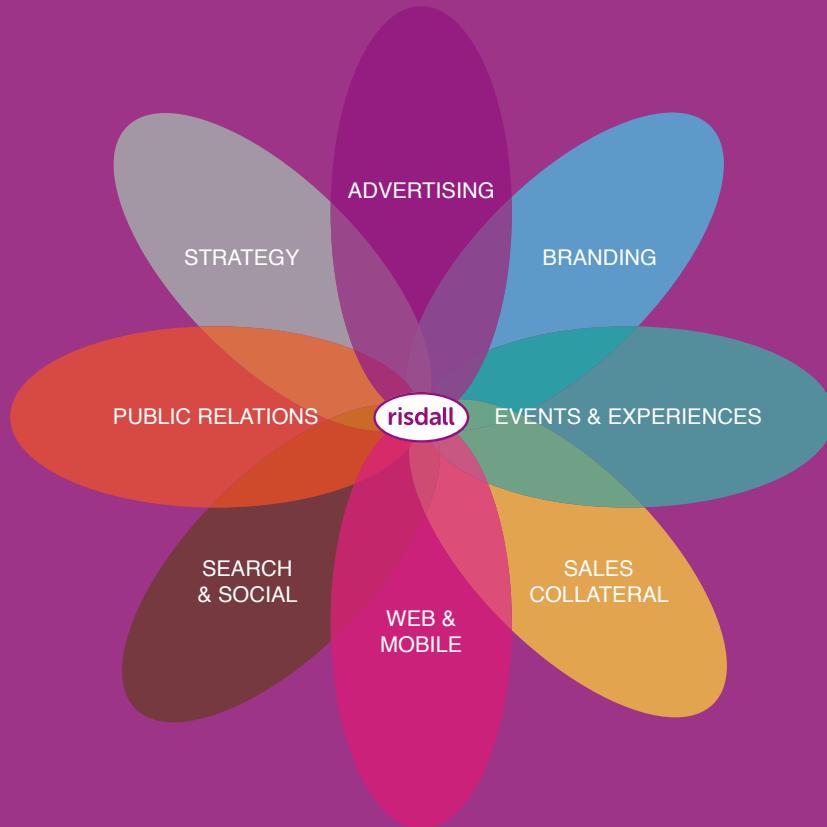
Nationally prominent conservative commentator John Hinderaker becomes the new president of Center of the American Experiment.



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## NOTE FROM THE CHAIRMAN

# THE PLANETS ALIGN

American Experiment plans aggressive innovative plan to promote free-market policies

I signed on for my second stint as chairman of Center of the American Experiment in part because I think Minnesota (and America) should (again) heed the wisdom of Milton Friedman, who famously once said that laws should be judged by their results rather than their intentions. I see how liberal policies are increasingly harmful to the middle class, low income workers, and minorities – and I'm astonished that almost nobody talks about it. There are judgments that should be made regarding these ineffective policies, no matter how well intentioned and I believe the Center is well positioned to begin this debate.

We're in a good position to do it. The Center last year confirmed its place as an objective source of free-market policy analysis when it published the *Minnesota Policy Blueprint* just prior to the beginning of the 2015 legislative session. In it, our staff covered 10 wide-ranging policy areas and contributed more than 100 substantive policy recommendations that played a significant role in what was addressed in that session of the Legislature. I think that book represented some of the most important work the Center has ever taken on.

Our prospects were strengthened considerably when John Hinderaker agreed to a proposal from CAE founder Mitch Pearlstein that he become CAE's president. Hinderaker, who recently ended his 41-year legal practice at Faegre Baker



Ron Eibensteiner

Daniels, is also cofounder of *Power Line*, the highly acclaimed conservative blog. (See the interview between Mitch and John beginning on page 18.)

I've known John for many years, since we both first served on the board of the Center some 25 years ago. He's an articulate policy analyst who has deep access to a who's who of America's conservative leaders.

He expects to continue the ongoing policy work being done by CAE staff, but you'll soon see his fingerprints in other policy activities. He's already commissioned a top national economist

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## THINKING MINNESOTA

Center of the American Experiment's mission is to build a culture of prosperity for Minnesota and the nation. Our daily pursuit is a free and thriving Minnesota whose cultural and intellectual center of gravity is grounded in free enterprise, limited government, individual freedom, and other time-tested American virtues. As a 501(c)(3) educational organization, contributions to American Experiment are tax deductible.

### STAFF

**John Hinderaker, J.D.**  
President

**Mitch Pearlstein, Ph.D.**  
Founder and American  
Experiment Senior Fellow

**Kim Crockett, J.D.**  
Vice President and  
Senior Policy Fellow

**Peter Nelson, J.D.**  
Vice President and  
Senior Policy Fellow

**Kristen Sheehan**  
Development Director

**Samantha Peterson**  
Deputy Development Director

**Dwight Tostenson**  
Chief Financial Officer

**Peter Zeller**  
Director of Operations

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Center of the American Experiment  
8441 Wayzata Blvd., Suite 350  
Golden Valley, MN 55426  
Phone: (612) 338-3605

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Contact Peter Zeller  
at (612) 338-3605

Custom Publishing by

**MASON**  
PUBLIC AFFAIRS

**Tom Mason**  
Publisher & Editor

**Scott Buchschacher**  
Creative Director

# UP FRONT



**Chas Anderson is executive director of Opportunity for All Kids (OAK), an organization created last year to advocate for parental choice in education. American Experiment's founder Mitch Pearlstein is chairman of the organization.**

parental choice in education. OAK is currently chaired by longtime choice advocate Mitch Pearlstein, founder of Center of the American Experiment.

“This will lower the barriers for families when they make decisions about school choice,” says OAK Executive Director Chas Anderson. “They will have a new tax credit to help pay for private school tuition.”

And there is evidence to suggest that many Minnesotans would opt for private schools if cost were not a factor. A poll conducted in 2015 by the Friedman Foundation for Educational Choice

**A 2015 poll revealed that 45 percent of Minnesota's parents would consider private schools if cost were not a factor.**

## A VICTORY FOR CHOICE?

The 2016 legislature is poised to enact tuition relief for private school parents

**L**ow and middle-income parents might receive a tax break from the 2016 Minnesota legislature to help send their children to higher quality private schools, according to parent-advocate insiders at the Capitol.

That relief could arrive as part of a bill to expand current law providing education tax credits and deductions for educational expenses. Already in conference committee, the measure

would help nearly 95,000 Minnesota families, with the average family qualifying for just over \$1,000 in direct tax relief. The bill would include private school tuition as an allowable credit.

Passage of that bill would be considered a significant victory for Opportunity for All Kids (OAK), an advocacy organization formed last January to focus solely on building grassroots and legislative support for

found that the number of Minnesotans who would choose private schools would grow five-fold.

When asked if they could “select any type of school” for their children without regard for outside factors, 45 percent chose private schools. Currently only eight percent of students attend private schools.

Governor Mark Dayton also proposed expanding the tax credit deduction in last year’s legislative session. His version included more families, but limited its use. House Republicans added the tax credit for private school tuition.

OAK will also push this year to

*continued on page 5*

## Minnesota's Real Economy

A new study will provide a realistic look at how the state stacks up

**M**innesotans who believe their economy is performing well above the national average are likely to be surprised by a study commissioned by Center of the American Experiment intended to provide a more realistic understanding of how the state's economy stacks up.

The paper, scheduled to be released at the end of the first quarter of 2016, will represent the first comprehensive project undertaken under John Hinderaker, the Center's new president.

"Over the last 10 years, Minnesota ranks only 30th in percentage job growth and 32nd in personal income growth," he says. "The truth is that while Minnesotans have inherited a strong and diverse economy, Minnesota can—and must—do better than the state's current performance."

Hinderaker says the study will be "largely descriptive," but will also address the impact of public policy—high taxes, regulation and so on—on Minnesota's economic performance, compared with similar states. It will emphasize trends and data that are particularly relevant to Minnesota's future, such as the relative lack of business startups and of innovative, high-tech businesses, he said.

The paper will be supplemented by an ambitious program of public outreach that will include events, town meetings and op/eds in regional markets statewide, according to Hinderaker. "We intend to bring this information to millions, not thousands, of Minnesotans," he says. Other activities will include aggressive social media strategies and possibly advertising.



**"Our objective is to bring a realistic view of Minnesota's economy to many, many Minnesotans in order to provoke an ongoing discussion about how our state can do better."**

"Our objective is to bring a realistic view of Minnesota's economy to many, many Minnesotans in order to provoke an ongoing discussion about how our state can do better," Hinderaker says.

The study will be written by Joe Kennedy, a Washington, D.C.-based economist who served as chief economist for the U.S. Department of Commerce under President George W. Bush. Kennedy has deep experience providing economic advice to senior officials in the public and private

sector, much of it directed at how social policies involving technology, competitiveness, and the social contract. He has held numerous other positions in government, serving on committees in both Houses of Congress and in the executive branch. As senior counsel for the Senate Permanent Subcommittee on Investigations he helped oversee investigations of the credit counseling industry, music downloading, and the U.N. Oil for Food Program. As senior economist for the Joint Economic Committee of Congress he authored papers on telecommunications policy and nanotechnology. And as a Senior Officer at the Pew Charitable Trusts he started and oversaw the Financial Reform Project.

Kennedy is also an attorney. He received his Ph.D. and J.D. from the University of Minnesota. ★

## Eibensteiner: CAE will focus on marketing

*continued from page 2*

(with Minnesota roots) to examine the realities of Minnesota's economy (see Friedman, above!) which will be released in early spring. He's negotiating a similar analysis about the job-killing burden of excessive regulation on Minnesota's employers. There are ideas in the queue, but it's too early to talk about them. And, hey, as I write this he's only been officially on the job for two weeks!

John's vision for the Center also acknowledges that we can't unleash the power of good ideas merely by having them; we must expend equal energy *selling* them. His communications agenda will combine old-school outreach with sophisticated digital communications. He will be emphasizing localized op/eds with an aggressive calendar of town meetings cosponsored by elected officials and civic leaders that will publicize our messages and grow our network of like-minded allies and advocates. John has already created some

quick-hit radio ads and has produced plans for Google-based advertising.

We're also relaunching the quarterly policy lunches that the Center hosted so deftly in its early days. The first will be February 18 featuring pundit Jason Riley, author of *Please Stop Helping Us: How Liberals Make It Harder for Blacks to Succeed* (see page 9.)

In addition, I'm particularly proud of

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**We can't unleash the  
power of good ideas  
merely by having them;  
we must expend equal  
energy selling them.**

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the Center's new edition of *Thinking Minnesota* magazine. We previously circulated a couple prototype editions, but this is the first one that will reach wide circulation. The magazine will present the Center's work in a pleasing, readable format that will give it enduring shelf-life. Let us know if you would like

to regularly receive the magazine – or better yet, if you know a young person who would benefit from reading about the value of free-market public policies, sign them up.

As a venture capitalist I've learned (sometimes the hard way) that the success of a business startup requires far more than an innovative product or a charismatic entrepreneur. They need to be supplemented by strategic vision, an interested marketplace, disciplined operations, and adequate financing. And there's nothing more invigorating than seeing those planets have aligned.

That's also true for policy centers. The early days of my second stint as chairman of Center of the American Experiment show me that the dynamics of leadership, innovation, and market demand have combined to enable the Center to create and promote free market policies that will, among other things, enable Minnesota to regain the economic stature most people don't realize we've lost. ★

*Ron Eibensteiner, a Minneapolis-based venture capitalist, just began his second stint as chairman of Center of the American Experiment. He previously served from 1995-1999.*

## OAK advances educational savings accounts

*continued from page 3*

enact a bill to enable individuals and businesses to receive a tax credit for donating to charitable entities that award K-12 scholarships to children from income-qualifying families. The Equity and Opportunity Scholarship Act would allow an individual corporation to deduct up to 80 percent of their tax liabilities toward these contributions.

"If you had a \$100,000 tax bill, you

could apply \$80,000 to that scholarship tuition organization, which will then be able to grant scholarships to low and middle income families," Anderson said. Qualified families would be a family of four with up to \$95,000 in income.

Scholarship tuition organizations would be approved by the Department of Revenue. Scholarship organizations would be required to serve two schools.

The group is also organizing to enact legislative that would create education savings accounts (ESAs) for parents of children with disabilities to select a school of their choice based on the needs of the student. An estimated 127,000 students in Minnesota who receive

special education services could qualify for the ESA program, Anderson says.

Pearlstein and Anderson both say they were encouraged by the fact that 20 Minnesota legislators joined them at a Minnesota Summit, hosted by the Friedman Foundation in Chicago this fall for what they called a "school choice boot camp" to discuss legislative priorities.

"OAK's mission is to ensure that every child in Minnesota has access to an education that will help them thrive," Anderson said. "We need the help of every Minnesotan if we are to truly make a difference, change lives and create better opportunity for all kids." ★



The Employee Freedom project kicked off in November with a legal seminar at the Minneapolis Club.

## Employee Freedom

Crockett on forced unionization and the monopoly power of public unions

Last November, Center of the American Experiment launched *The Employee Freedom Project*, an effort intended “to address the monopoly power of public unions while providing greater freedom of choice to Minnesota’s public employees,” according to Kim Crockett, who directs the project.

The inaugural event featured Doug Seaton, of Seaton, Peters & Revnew, who worked with child care providers to defeat Governor Dayton’s attempt to use executive authority to order union elections for private sector groups: personal care attendants

and child care providers. Also, Professor John Raudabaugh, of the Ave Maria School of Law, the National Right to Work Legal Defense Foundation and a former member of the National Labor Relations Board; and F. Vincent Vernuccio, director of labor policy at the Mackinac Center for Public Policy. The event was co-sponsored by American

for Lawful Unionism (ALU) and The Federalist Society.

Some Background. Under legislation passed in 2013, public unions are expanding their revenue and base of influence by using welfare subsidies to redefine who is a public employee in

Minnesota. According to Crockett, SEIU recently unionized up to 27,000 personal care attendants (PCAs) who are paid via Medicaid, despite a U.S. Supreme Court decision in 2014 that said PCAs are not full-fledged public employees.

That election is being challenged in court by

Doug Seaton’s firm.

Another public union, AFSCME, was also given the legislative green light to organize family child care providers if their clients receive a state child care subsidy. That “card campaign” was launched late in 2015. As we go to print, there is no outcome but roughly 10,000 child care providers and parents are

already affected. “Between the effort to unionize them and the Governor’s attempt to move pre-K children into the public schools, the number of child care providers has dropped drastically in Minnesota,” said Crockett. This means working parents have fewer high quality choices. “This is also a poorly-concealed attempt to create 3,000 new dues-paying union positions at the expense of our youngest learners, hard-working parents and providers.”

The Center has allied itself with Americans for Lawful Unionism (ALU), a new 501c3 that was formed to educate the targets of unionization and fund litigation challenging forced unionization laws.

“Employee Freedom is much more than Right-to-Work,” Crockett says. “It means first, challenging the state’s attempt to unionize private sector jobs, and then freeing citizens in public unions from forced support of the union’s political agenda. On a broader scale, it also means freeing Minnesota’s political and legislative process from the undue influence of public sector unions.” ★

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**Office:** Minneapolis

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# 5 QUESTIONS

WITH  
CHARLIE  
NICKOLOFF

Charlie Nickoloff, president of St. Paul-based Medical Equities Investments, is a new member of the board of directors at Center of the American Experiment.



**You grew up in a rather prominent Iron Range political family.**

My father was active way back in the '50s, '60s and into the '70s, the early days of Hubert Humphrey, John Blatnik, Fritz Mondale—what you'd call the glory days of the DFL. As you know, it was practically a state law that you couldn't be a Republican on the Iron Range. Looking back on it, I think he was really sort of a traditional Blue Dog Democrat. He was a businessman who believed in getting things done.

**You eventually went in a different direction?**

I don't think I left liberal politics, I think it left me. It took a severe turn at some point over this time period and has devolved into something that won't help move the country, or individual freedom, forward.

I had what you'd call a born again experience in the mid '80s. Conservative messages started to resonate with me. I realized that there were all kinds of things that government was doing that didn't seem to make sense.

Conservative ideas continued to speak to me as we got married and started to have a family. That was about the same time the Center (of the American Experiment) was starting up. I began to realize that there needed to be a strong, conservative, thoughtful policy voice in the state... particularly a state like Minnesota that has such a left-leaning bent to its politics.

**Is that what drew you to the Center?**

It's a combination of that and people I respected in the public square—

people like Mitch Pearlstein and Ron Eibensteiner and others—who were advocating for policies, in a civil way, that advanced conservative thought.

**What is your expectation for the Center as a new board member?**

I joined the board in part because I was asked, to be perfectly blunt. When somebody turned to me and said, "We'd like to see you help bring some new thinking and by helping us to round out our membership," I felt it was my turn to say "yes." I'm also excited to be part of this team and the vision that John Hinderaker is now articulating.

**The Center is looking at whether Minnesotans are too bullish on the strength of our economy.**

**What's your take on that?**

Minnesota is a great place to live and certainly can boast a history of innovation. But let's also remember: For a generation we've bemoaned the fact that we're losing talent and jobs to just about anywhere. There are hundreds of businesses, with thousands of employees, that used to be in Minnesota and are now in South Dakota, North Dakota, Tennessee, or Texas.

You can't have that happen year in and year out for a couple decades and not have an effect. We're patting ourselves on the back, saying that we're doing everything really well, while just throwing a casual eye at this continued bleeding. People and companies are leaving the state for reasons we're all aware of—taxation, regulation, and honestly, the fear of what our legislature will do next. We need more certainty. ★

# Skills Gap Solutions

CAE town meeting shows how effective public policies don't have to include government

A panel of local leaders, educators, and manufacturers demonstrated to Center of the American Experiment how community leadership can be more important than legislation to solving Minnesota's looming "skills gap."

Meeting in a conference room just outside the commons area of Alexandria's impressive new high school, panelists described how community leaders, elected officials, and local manufacturers coalesced to ensure that the school would include a massive new manufacturing

"That's how you help solve the skills gap," said Ron Eibensteiner, a Minneapolis-based venture capitalist who co-chaired the meeting with Senator Bill Ingebrigtsen. Eibensteiner is board chair at American Experiment.

"We have to remember that this is an era when most schools are shutting down their 'shop classes,'" Eibensteiner said.

Alexandria is a thriving regional manufacturing hub, creating 18 percent of local jobs. It is home to five of the world's leading manufacturers of automated

Eibensteiner coauthored a chapter on job creation in the Center's *Minnesota Policy Blueprint* entitled *Unleashing Minnesota's Job Creating Potential*.

The Alexandria session included a panel of Alexandria's educators and manufacturers: Julie Critz, Alexandria's school superintendent; Tom Ellison, instructor at Alexandria High School; Brent Smith, founder, the Aagard Group; Tom Schabel, Alexandria Industries; and Duane Taillefer, vice president, operations, Massman Automation Designs.

Peter Nelson, the Center's director of public policy, also participated in the meeting, as did Representative Paul Anderson, a farmer/legislator whose district includes parts of Douglas, Stearns, and Pope Counties.

The Center selected Alexandria as its first meeting because the community's educators, business community, and elected officials have collaborated seamlessly to ensure that schools are producing graduates who are ready to meet manufacturers' needs.

There are more than 6,500 open manufacturing jobs in Minnesota today. Most of those jobs are unfilled because companies can't find applicants with the skills necessary to work in the increasingly high-tech demands within manufacturing companies.

The National Association of Manufacturers recently projected that almost 60 percent of 3.5 million manufacturing jobs over the next decade will go unfilled as experienced baby boomers retire, and fewer young people acquire needed skills.

"Meetings like this tend too often to look first for legislative solutions," Eibensteiner said. The Alexandria model demonstrates that "sometimes—maybe most times—the best public policies don't include government at all." ★



JEREMY PETRICK

Participants included Tom Schabel, Alexandria Industries; Brent Smith, the Aagard Group; Tom Ellison, instructor at Alexandria High School; Julie Critz, Alexandria's school superintendent; and Duane Taillefer, Massman Automation Designs.

lab outfitted with sophisticated high tech equipment, much of it donated by local manufacturers whose employees also provide hands-on instruction.

To get it done, the group privately raised \$7 million before going to the public with a bond request to build the school. The energy behind the high school project, they added, formed enduring community attitudes about the value of manufacturing and finding employees to fill their jobs.

packaging machines, marking the region as one of the leaders in technology development and innovation in this industry.

The informal town meeting was the first of up to 15 the Center will host across Minnesota this year on a variety of topics. They are designed to bring real life perspectives to the Center's *Minnesota Policy Blueprint*, an ongoing series of public policy recommendations first circulated last year as a book.

NOTE FROM THE FOUNDER

# A PRETTY GOOD RUN

Plus, an opportunity to dig deeper and wider.

**A**s I write in December, I've been president of American Experiment for more than twenty-five years. Given that I originally assumed I would be purged after five or ten years by some cabal convinced I wasn't ideologically pure enough – or perhaps too pure – it's been a pretty good run.

But given that my old friend and colleague John Hinderaker is the Center's new president, having taken office in January, it's not false modesty on my part when I predict we will race even faster and better in years coming. He's that talented and energetic, as witness his double duty as a distinguished lawyer in town as well as a *Power Line* cofounder and fount. In fact, the excitement and boost of energy propelling American Experiment right now matches any moment in our history, save perhaps the time Lady Thatcher and I sang "God Save the Queen" and "The Star Spangled Banner" together at our 1997 Annual Dinner. It was the most goose-bumping duet I'll ever be part of, sublimely accompanied as we were by a nearly 2,300-member chorus at the Minneapolis Convention Center.

I will not get overly nostalgic here mainly because I'm not going anywhere, although I have given up my corner office overlooking scenic I-394. Without getting too deep in the organizational weeds, when John was selected a couple of months ago it was to be as Executive Director, albeit with CEO responsibilities, and I would keep the title of "President." This, even though I have not had CEO



Mitch Pearlstein

responsibilities for more than a decade, as the first nearly fifteen years of them, when combined with my policy work, just about did me in. The combination didn't serve the institution well either.

At the risk of succumbing even deeper in the weeds, most managerial heavy lifting since then has been shouldered by Chairs of the Board of Directors, Dwight Tostenson as Chief Financial Officer, and over the last four years, by Kim Crockett as Executive Vice President. All this led to my recognizing it would be confusing if John were to lead the show while I retained the more exalted title. So I suggested that he be named "President" and I would be more than pleased to be

"Founder and American Experiment Senior Fellow."

And that is why, ladies and gentlemen, John now has the (comparatively) best view in the office.

So what will I be working on with my new title? Mostly the same issues I've been researching and writing about in recent years, but free to dig even deeper and wider now, as John's coming aboard does free me of some chores. Not that fund-raising is one of the excluded ones, as I will continue working closely with our superb development team of Kristen Sheehan and Samantha Peterson in keeping our doors open in the first place.

When it comes to strengthening education, my focus will remain on expanding educational freedom, with my chairmanship of Opportunity for All Kids (OAK) reinforcing this work. Do I believe we may have a school choice victory or two earlier than some people believe possible? Yes, I do.

I also will continue spending time on how well education in Minnesota is performing, saluting the good things going on but also citing how we're often not doing nearly well enough. This is the case not just in regard to achievement gaps, but also how K-12 education in Minnesota stacks up when compared to educational achievement in other places, including other nations.

In terms of strengthening families and marriage, my current emphasis is on doing so by finding ways of taking greater advantage of our religious traditions, institutions, and

leaders. Elsewhere in this magazine there are several pages of excerpts from a new paper of mine that may have been released by the time you read this. *Can America's Religious Traditions Strengthen Marriage?* will be disseminated broadly. And if you are a member of a religious institution that might be interested in my speaking, suffice it to say I'll be there, come heck or high water.

My work in these two areas is complementary, as there is no way, for example, enough men will ever become "marriageable" in the eyes of properly discerning women unless they do a lot better in school, equipping themselves for good jobs, than is currently the case.

Nostalgia not entirely aside, I'm quick these days to think about American Experiment's earliest years, when I worked closely with Peter Bell, Kathy Kersten, Mark Larson, Ron Eibensteiner, Steve Young, and many others in creating what many people thought a geographical contradiction in terms: A conservative and free market think tank in Minnesota. In a fine piece of symbolic trivia, we held our very first board meeting on the very evening of Ronald Reagan's farewell address in January 1989. And yes, we stopped talking to watch it.

Reverting back to that evening twenty-seven years ago (which turned out to be fourteen months before the Center was financially able to actually open up) spotlights the fact that I have held the title of "President" for more than a quarter century. I'm hard-pressed to think of any organization that should have any one person as its principal face for so long, no matter how good looking his mother thinks it is.

So suffice it to say again, the moment is right for me to change seats and windows in an organization I'm massively proud to have built – along with a battalion of directors, staffers, senior fellows, interns, and generous donors – over what has turned out to be a surprisingly, but always gratefully satisfying long time. ★

## YLC Holiday Party

The Center's Young Leadership Council hosted a holiday party in December at the Minneapolis Club. The YLC is a social organization created to develop Minnesota's next generation of conservative leaders.



**TOP:** Longtime board member and former chair Chuck Spevacek (R) welcomed attendees. Others include (left to right): Unknown, Andrew Brehm, Asim Baig, Madison Larva, Unknown, and Jed Ipsen.

**Photo 2.** Left to right: Unknown, Founder Mitch Pearlstein, Jack Sundry, Tyler Kollodge

**Photo 3.** Senior Fellow Kathy Kersten

**Bottom:** Maddie Johnson and Morgan Kirvida.

# Looking Ahead

## Five Things to Look for in the 2016 Legislative Session

In 2014 Center of the American Experiment developed the *Minnesota Policy Blueprint*, a comprehensive set of policy recommendations broadly aimed at enabling all Minnesotans to thrive in their personal and financial pursuits. In 2015, a number of important recommendations gained traction in the Minnesota legislature.

Looking to 2016, the legislative session will be short because it is not a budget year. This short timeframe means every proposal considered at the Capitol will face stiff competition to get the attention necessary to pass, but there are at least five key *Blueprint* recommendations with a reasonable chance and some with a strong chance for passage. Here's what to look for.

**1. Look for an increase in transportation funding without a tax increase.** Move Minnesota is a large coalition of more than 150 non-profits and businesses that was founded to demand increased funding for roads, bridges and transit. In 2014, it recommended funding the increase by initiating a five percent sales tax on motor fuels and by increasing the metro sales tax by 3/4 cent. That recommendation dominated the transportation conversation until the *Blueprint* supplied an alternative.

The *Blueprint* supported more money for roads and bridges, but instead of raising taxes, it proposed to do so through a portion of the existing sales taxes. Republican legislators in the House largely adopted this proposal and improved on it by tying transportation



Peter Nelson

funding from the sales to taxes on auto-related items. After the November economic forecast bumped the projected budget surplus to \$1.9 billion, Governor Dayton conceded, "I think a gas tax increase is dead." This concession paves the way to use the existing sales tax revenue for funding.

**2. Look for southwest light rail to die.** While nearly every roadblock to SWLRT has been removed, the Met Council must still win legislative approval to start construction. The Council originally argued it could

complete funding by selling revenue bonds. But under pressure to avoid serious conflict with the legislature—created in part by the Center's work—its Chairman Adam Duininck in September pledged to get final approval from the legislature. The *Blueprint* recommends putting a moratorium on all light rail projects because these projects receive disproportionate amounts of transit funding and have not sufficiently proven themselves. It will be hard to stop the momentum of SWLRT, but there may be enough lawmakers who view it as a wasteful \$2 billion disruption to the current transportation network to try.

**3. Look for the estate tax exemption to increase.** Minnesota's onerous estate tax continues to motivate wealthy people to move to other states—and take their income, investments, charitable giving, and community involvement along with them. The *Blueprint*

recommends eliminating the estate tax, and an election-year appetite to cut taxes may increase chances the legislature may increase the estate tax exemption to the federal amount, a significant second-best option. Current Minnesota tax law exempts estates valued up to \$1.6 million, which will increase to \$2 million by 2018. Raising the exemption to the federal amount, currently \$5.45 million, would exempt the large majority of estates currently subject to the tax. The concept received hearings in both the House and the Senate last year.

**4. Look for a reduction in the statewide general property tax on business and recreational property.**

Like the estate tax, the *Blueprint* recommends eliminating the statewide general tax and, like the estate tax, second best proposals to lower the tax were considered in both the House and the Senate in 2015 and those remain on the table for 2016. Lowering the statewide general property tax may be the best opportunity for a significant and sound tax cut in the 2016 session. The *Pioneer Press* reported in November “there appears to be bipartisan agreement” the tax is too high and “it is the top priority for the state’s two largest business organizations.”

**5. Look for an expansion of school choice.** American Experiment’s education priorities have long included expanding opportunities for kids, especially low income kids, to choose alternative education opportunities. Some of the best chances to advance choice in years are now surfacing thanks to growing legislative leadership. More than 15 legislators joined Mitch

**Minnesota’s onerous estate tax continues to motivate wealthy people to move to other states.**

Pearlstein at a school choice conference in Chicago in December. Also, Rep. Jim Knoblach successfully guided a proposal to add private school tuition as an eligible expense to the education tax credit into the House omnibus tax bill last session. Presumably, this idea will remain on the negotiating table in 2016. Finally, the larger surplus makes passage of other choice proposals, such as tax credits for donations to scholarship programs, a real possibility in 2016. ★



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TOM STEWARD

# CHANGING COURSE

Would fewer tests worsen Minnesota's dismal achievement gap?

**G**ov. Mark Dayton and the Education Minnesota teachers' union are calling for cuts in K-12 classrooms, but spending isn't the issue. Rather, the target is standardized testing, and powerful proponents plan to renew their push in the 2016 Minnesota Legislature.

"If you get that chance, please take it," Annette Walen, an Osseo Area Schools teacher, said recently on behalf of Education Minnesota during a hearing of the Minnesota Senate Education Committee. "Please break this wheel of test prep, followed by testing, followed by more test prep, followed by more testing."

But some charter schools and other critics warn the move away from statewide annual assessments could impede academic progress for minority and low-income students, exacerbating one of the nation's worst achievement gaps.

Recent national report card results, for example, show reading scores for black fourth-graders in Minnesota averaged 37 points lower than those of white students. Latino fourth-graders averaged 33 points lower on reading scores, as compared to white classmates.

Educators use statewide tests to evaluate and compare student results among schools, groups and programs, allowing them to identify things that do and don't work.

"This move is particularly harmful to kids of color and underserved kids who can't afford to go several years without



Tom Steward

knowing whether or not they're on track," said Daniel Sellers, executive director of MinnCan, an education reform advocacy group. "We know that, in particular, when underserved students fall behind it's much, much harder to catch them up."

Legislators this year passed limits on the amount of time students are allotted for district exams — ten hours for grades one through six and 11 hours for grades seven through 12, per year.

"I shouldn't use the word testing, because our administrators like to look at this as assessment of the children," Gary Amoroso, Minnesota Association of School Administrators executive director, told legislators. "Assessments

to help inform instruction, to work with our parents, to work with staff."

But Dayton wants to shrink the overall number of tests by one-third, starting with the Minnesota Comprehensive Assessments statewide tests tied to federal No Child Left Behind requirements. Minnesota students take annual MCA math and reading tests from third through eighth grade, plus once in high school. They take MCA science tests in fifth and eighth grades, as well as once in high school.

"Testing has always been a critical part of the teaching and learning process, but over-testing and constant test preparation are not strategies to improve student outcomes or close achievement gaps," states a Minnesota Department of Education legislative overview.

MDE Commissioner Brenda Cassellius was told to draw up a 2016 legislative lesson plan, which is expected to press for the end of statewide math tests in grades three and four, along with statewide reading tests in grades six and seven.

"What we don't know yet is what exactly it will look like," MDE communications director Josh Collins said. "Are they going to build on what was proposed before? Has the atmosphere changed? Will there be more of an appetite for it, especially since the feds have started to talk as if they may be supportive of reduced testing? I think these things are unknown still."



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Said Sellers: “Why is it, when everybody is upset about too much testing, the teachers’ union, and the governor at their request, have decided to eliminate only this test, the one test that actually allows us to understand how kids are doing?”

Global Academy, a charter school in which 92 percent of students qualify for free and reduced lunches, welcomes the accountability. The 430 students in kindergarten through eighth grade at the Columbia Heights school consistently rank near the top of Twin Cities schools as it relates to closing the achievement gap.

“I don’t necessarily think there’s over-testing going on,” said Helen

**“When underserved students fall behind it’s much, much harder to catch them up.”**

— Daniel Sellers,  
executive director, MinnCan

Fisk, Global Academy director. “I think reading and math are pretty basic in wanting to know how your kid’s doing. It’s not unreasonable to give a standardized test in those areas as often as we do. I don’t have a problem with that.”

An Education Minnesota study recommends so-called “grade span” testing, statewide assessments at the end of elementary and middle schools.

“The use of fewer, better tests can improve the quality of information produced by that system-level testing and reduce some of the unintended consequences of the current system on curriculum and instructional time,” according to the union testing report. ★

*Tom Steward is a local investigative reporter.*

## Stop Helping Us

Author Riley to kick off new speakers’ series.

**J**ason Riley, author of *Please Stop Helping Us: How Liberals Make it Harder for Blacks to Succeed*, will headline the first of a new series of quarterly luncheons sponsored by Center of the American Experiment. He will appear 12-1:15 pm Thursday, February 18 at the Hilton Hotel Minneapolis.

Riley is a senior fellow at the Manhattan Institute and a columnist for the *Wall Street Journal*, where for 20 years he’s written opinion pieces on politics, economics, education, immigration and race, among other subjects. He’s also a frequent commentator for Fox News.



Jason Riley



- soft-on-crime laws make black neighborhoods more dangerous; and how
- policies that limit school choice actually harm the traditional public schools that most low-income students attend.

Charles Krauthammer, nationally syndicated columnist and Fox News commentator characterized the book as “a thoughtful, lucid, and often restrained account of the wreckage produced by racial politics (that marks Jason Riley as one of the nation’s rising political writers.”

Thomas Sowell, senior fellow at the Hoover Institution, called the book “a much-needed fundamental education on the facts about race in America. It is an honest discussion

of race in plain English, without the evasive rhetoric and outright cant that have become the norm in these politically correct times. I cannot think of any book that has said so much in so few pages since Milton Friedman’s *Capitalism and Freedom* back in 1962.” ★

After joining the *Journal* in 1994, he was named a senior editorial page writer in 2000 and a member of the editorial board in 2005. He joined the Manhattan Institute in 2015.

*Please Stop Helping Us* examines how so many efforts by liberals to lift the black underclass not only fail but often harm the intended beneficiaries. Among its topics are how:

- minimum-wage laws may lift earnings for people who are already employed, but price a disproportionate number of blacks out of the labor force;
- affirmative action in higher education is intended to address past discrimination, but the result is fewer black college graduates than would otherwise exist;



The pre-ordered individual ticket price for the lunch is \$25.00. Tickets will be available for purchase at the door for \$30.00. **To RSVP, contact Samantha Peterson at 612-584-4559, [speterson@americanexperiment.org](mailto:speterson@americanexperiment.org)**



2016

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- Printed recognition in the dinner program

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- 2 guests invited to a private conversation with Dana Perino prior to the reception
- 2 guests seated at Dana Perino's dinner table
- 10 tickets to the Annual Dinner including Cocktail Reception
- 1 table, front of house, with seating for 10 guests
- 10 tickets to a Photo Opportunity with Dana Perino from 5:45 - 6:15 pm
- Printed recognition in the dinner program

**To reserve your ticket or table contact:** Kristen Sheehan at 612-325-3597 or [kristen@kristensheehan.net](mailto:kristen@kristensheehan.net).

Reserve on the website at: [www.americanexperiment.org](http://www.americanexperiment.org)



**Q&A**

# POWER ALIGNMENT

Mitch Pearlstein interviews John Hinderaker as he becomes the new president of Center of the American Experiment.

Several months ago, Ron Eibensteiner, a venture capitalist and long-time board member (now chairman) at Center of the American Experiment, took John Hinderaker to lunch and asked whether he was interested in a role with the Center.

Hinderaker had announced that at the end of 2015 he would end his award-heavy 41-year career at Faegre Baker Daniels, Minnesota's largest law firm. But he had not yet revealed other plans.

"I didn't really have an agenda," Eibensteiner says. "I knew that John was leaving his legal practice and that he wouldn't be playing golf. And I knew that the Center would be much better with him than without him."

He sensed, too, that CAE founder and President Mitch Pearlstein would fervently agree. Hinderaker had been an

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**"People often confuse vigorous advocacy with taking an extreme position."**

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early contributor to the Center's policy work, and he had once served as chair.

He had also become a national force in the world of conservative commentary. In 1990, he began writing op-eds for newspapers and magazines with his friend and law partner Scott Johnson, a fellow Dartmouth alum. In 2002, they founded the website *Power Line* along with Paul Mirengoff, another Dartmouth grad, later to be joined by Steve Hayward.

In 2004, their site attracted national acclaim in part for its successful defense of President George W. Bush against



false attacks by CBS's *60 Minutes* during the presidential campaign. For their work, *Time* named the *Power Line* partners among the most influential people of 2004. In 2005, *Yahoo* named Hinderaker one of the 50 most influential people on the Internet, and *Forbes* listed him as one of the 25 top celebrities on the Internet. *Power Line* remains a premier website for political commentary.

After discussing various possible roles at CAE, Eibensteiner and Hinderaker settled on executive director, a position that would enable Hinderaker to guide the Center's policy priorities, to manage its business operations, and to use his hands-on experience in "new media" to influence the effectiveness of its communications.

Pearlstein took their proposal a step further.

"He should be president," he said.

Pearlstein thought it was essential that Hinderaker be seen as the Center's leader. "But that wouldn't necessarily be the clear-cut case if I retained the title of president. So, after about 15 or 20 seconds of accelerated contemplation, I told Ron that John should become

John Hinderaker, who recently left a 41-year career as a litigator at Faegre Baker Daniels, will help guide the Center's policy priorities, manage its business operations, and use his extensive hands-on experience in "new media" to influence the effectiveness of its communications.

President and that I would suggest a new title for myself."

After discounting "Founder and President Emeritus," (which, he says, "sounded as if I wouldn't be doing much beyond watching ESPN"), they settled on Founder and American Experiment Senior Fellow, which Pearlstein says better reflects his intention to exploit the new arrangement to write more and take on additional speaking engagements.

"I actually started thinking about an



Mitch Pearlstein, founder of Center of American Experiment and president for its entire 25-year history, played a fundamental role in naming Hinderaker as his replacement. Pearlstein wanted to devote more time to writing.

eventual successor years ago, not that I had any intention of changing anything back then,” Pearlstein says. “But now, in fact, it’s time for me to change roles, as it’s in the Center’s best interests. And as an added bonus, in mine too.

“As for my longtime friend and colleague John Hinderaker, *Home Run* was perhaps the most frequently heard response among directors and staff members once they heard he was geared up to take the reins. There might have been a few Grand Slams, too. I can’t think of anyone better equipped to serve as American Experiment’s new president than John. I’m honored to be

so successfully succeeded.”

In December, Pearlstein and Hinderaker met in Eibensteiner’s office to discuss the transition.

**PEARLSTEIN:** You weren’t always on the right. How did you wind up there?

**HINDERAKER:** People who read *Power Line* are probably aware that Paul Mirengoff and I were once very far over on the left. Scott was never as radical as Paul and I were, but he was a liberal.

All of us have made the journey from left to right. For me it was partly the experience I got when I started practicing law and learned how the world really works. The second factor was Ronald Reagan. I’m one of many people who became a conservative because of Reagan. It wasn’t so much Reagan’s persuasiveness as a spokesman for conservatism as the experience of observing the success of his administration, both in domestic and foreign policy — especially in contrast to the Carter administration. I realized I needed to reevaluate assumptions about how things work, what’s effective, and what isn’t effective.

**PEARLSTEIN:** The Center has worked very hard to respect many diverse schools of conservative thought. Our board of directors represents different points of view, as do the speakers we have brought in. What kind of conservative are you?

**HINDERAKER:** I describe myself as a mainstream American conservative. People often confuse vigorous advocacy with taking an extreme position. Over the years, Scott and I and the others on *Power Line* have certainly been vigorous advocates. But the views we advocate are mainstream, in most cases quite moderate.

I agree that it’s important to be respectful. I think it helps that I’ve been doing litigation for 41 years. In litigation you’re always butting heads with somebody. You’re always sharply in opposition to someone who represents a contrary interest — and you go at it hard. Often a great deal of money is at stake. You go at it aggressively, but it’s not personal.

I try to carry that attitude over into politics. I have all kinds of friends on the left. I debate with them but I don’t hate them.

**PEARLSTEIN:** Tone and civility are very important to me. The late John Brandl once said I was something like the “most amiable partisan in the state.” I appreciated that, as I very much appreciate what you just said. Talk a bit more, if you would, about your law practice. Why leave?

**HINDERAKER:** I was 22 years old when I drew my first Faegre paycheck as a summer clerk; I was twenty-three when I was hired full-time after graduation from law school.

**PEARLSTEIN:** You graduated from Harvard Law School at 23? That’s scary.

**HINDERAKER:** I went straight through high school at 16, college at 20, and law school at 23. I’ve spent my whole career at Faegre. It’s a big transition to say goodbye to the law practice. It’s been my life. But the day comes when you feel like you’re ready to do some different things, and to try to have a different impact on the world.

It was a wonderful coincidence when Ron Eibensteiner asked if I was interested in taking on a role with the Center. When my wife Loree and I talked about things to do after retirement from the law business, we both said a number of times that the greatest thing would be to find a role at Center of the American Experiment.

**PEARLSTEIN:** Let’s talk about *Power Line*. My first question is, how do you find the time? You and Scott have churned out terrific copy while holding down demanding full-time jobs.

**HINDERAKER:** My wife’s answer is that I work all the time. That’s not quite true, but it’s close. There was a picture of me in a magazine some years ago in which I’m standing at the sink in my bathroom with a tee shirt on. I’m shaving and I’ve got my laptop up on the counter next to the sink — and that’s true.

It also helps that you can work on the Internet whenever you’ve got time. If

you have fifteen minutes in the morning, fifteen minutes in the afternoon, an hour and a half in the evening, it doesn’t matter.

**PEARLSTEIN:** After you led the way in showing how Dan Rather’s *60 Minutes* critique of George W. Bush’s war record was a lie, *Power Line* was named **Blog of the Year** by *Time* magazine.

**HINDERAKER:** That’s right. The presidential campaign was heating up. The Swift Boat Vets ads were hurting John Kerry and his campaign was looking for a way to respond. Mary Mapes, who produced this segment for *60 Minutes*, had been chasing this story for years, longer than Ahab chased the white whale. She was poking around Texas, trying in vain to find evidence that George W. Bush had somehow not

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**While we inherited a strong, diverse economy, there are some real trouble signs – despite the fact that a lot of Minnesotans believe our economy is doing wonderfully.**

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performed his National Guard duties during the Vietnam War.

The truth is, he performed them very well. His evaluations, which have been made public, were glowing. He put in about three times the number of required hours over the course of his service in the Texas Air National Guard. But she wasn’t satisfied with that. She kept looking for evidence against him. She finally found it in the form of four documents that were handed to her by a political activist in Texas named Bill Burkett, who was out to get the Bush family. These documents appeared to support the theory that President Bush had not performed well as

a pilot in the Texas Air National Guard.

She ran with them even though she had no idea of their provenance. They supposedly came from the personal files of a colonel in the Texas Air National Guard who at that point had been dead for 20 years — and who, in fact, didn’t have any personal files. She had no reason to think there was anything remotely genuine about these documents, but she didn’t care. She ran with it.

**PEARLSTEIN:** How did *Power Line* get involved? If I recall, somebody discovered that the documents were produced on a word-processing device or program that didn’t exist at the time.

**HINDERAKER:** That’s right. We asked readers for input. Emails started pouring in from readers who knew something about typewriters and word-processors, and fonts and these kinds of things — and also about the Texas Air National Guard. Scott put up the original post, called *The Sixty First Minute*. It included an observation made by a lawyer in Atlanta who said the documents looked like they were produced last week on Microsoft Word.

Scott and I wound up taking most of the day off and manning our battle stations. We updated our post repeatedly, putting up information we were getting from readers. Websites all over the world linked to us, including at one point *The Drudge Report*. People from all over who had expertise in the relevant areas were sending us emails. Sometimes they disagreed; when that happened we would put up both and said, “There’s disagreement about this point.”

Within 12 hours after Scott hit the save button on his original post, CBS News announced that it was launching an investigation into what had happened. One reason the incident became so famous is that it was one of the first and most dramatic demonstrations of the power of the Internet. People knew about this controversy in a matter of hours, and if somebody knew something relevant, he could instantaneously feed it into the

hopper. Scott and I didn't have expertise in these areas but we were getting information from people who did. We were playing the role of editors.

The idea that you could communicate with that many people, that you could get information from people all over the world, publish it instantaneously and dramatically affect the course of events was a revelation about the power of the medium.

**PEARLSTEIN:** I've read that *Power Line* has had 700 million page views since you founded it. Can that be true?



*Time* named the *Power Line* partners among the most influential people of 2004. In 2005, *Yahoo* named Hinderaker as one of the 50 most influential people on the Internet, and *Forbes* listed him one of the 25 top celebrities on the Internet. *Power Line* remains a premier website for political commentary.

**HINDERAKER:** It is true. I'm hopeful we can use that experience to benefit the Center. I want to introduce more Minnesotans to the ideas, the information, and the arguments that the Center has been generating for 25 years. Only a limited number of people are willing to read a 40-page research paper. We've got to try to put out information from the Center's major products in digestible bits — whether that's newspaper op/eds, short Internet videos, or radio ads that cause people to say, "I didn't know that, I just learned something."

We want to communicate the Center's

ideas to many Minnesotans because, ultimately, to move the political discourse in Minnesota in a better direction we have to talk to more people. At the end of the day, we're a democracy. Politicians go where the people lead them, so we need to be talking to the grassroots.

**PEARLSTEIN:** Ron Eibensteiner likes to say, "We give legs to ideas."

**HINDERAKER:** The Center has been remarkably influential over its history. In terms of bang for the buck, the Center has been tremendously effective in influencing the overall discourse about

politics and cultural issues in Minnesota. At a more nuts and bolts level, the Center has had a lot of influence on legislation. We can point to the *Minnesota Policy Blueprint* as something that's been particularly effective. I want to keep doing all those things, I want to keep being influential behind the scenes and continue to maintain dialogue with the thought leaders of Minnesota.

One of our early 2016 initiatives illustrates the way I hope the Center will operate, given enough support from our donors. We've contracted with a prominent economist to examine the current state of Minnesota's economy as it relates to the national economy and to comparable states. We think his study will show that while we inherited a strong, diverse economy, there are some real trouble signs — despite the fact that a lot of Minnesotans believe our economy is doing wonderfully.

We've seen President Obama compare Minnesota to Wisconsin as evidence of the success of blue state economics. But in reality, Minnesota's recent economic performance has not been great. During the last decade, Minnesota ranks 30th among the states in rate of job growth, 32nd in income growth, and 35th in growth in disposable income. That's not very good.

We will use the economist's paper as a springboard to spur debate and discussion on economic policy. We'll host public meetings across the state to talk about economic issues. We'll use the data for op/eds. I hope we'll be able to finance an information campaign on the Internet and radio.

We will use the tagline, "Minnesota can do better." We're not going to say, "Minnesota's lousy, Minnesota's doing terrible," because Minnesotans will never believe that — and it's not true. What is true is that Minnesota can do better if it adopts more free market solutions, if we take ourselves out of the ranks of the highest taxed states, and if we stop punishing ourselves with an estate tax that drives productive citizens away. Minnesota can and will do better, and the Center will lead the way. ★





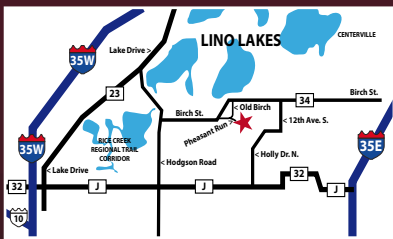
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# Can America's Religious Traditions STRENGTHEN MARRIAGE?

Minnesota Leaders Say "Yes"  
and Propose How

MITCH PEARLSTEIN, PH.D.

***Can America's Religious Traditions Strengthen Marriage?***

is Mitch Pearlstein's fourth effort in the last five years to think through how we might take greater advantage of our religious leaders, institutions, and traditions in reducing family fragmentation.

The first two (short) discussions were in books of his: *From Family Collapse to America's Decline: The Educational, Economic, and Social Costs of Family*

*Fragmentation*, released in 2011; and *Broken Bonds: What Family Fragmentation Means for America's Future*, released in 2014.

The third was in an American Experiment symposium, *Silence of the Faithful: How Religious Leaders and Institutions Must Speak Up and Reach Out*, which was released in 2015 and included 34 brief essays by 36 men and women from across Minnesota and the country.

And now this installment, subtitled *Minnesota Leaders Say “Yes” and Propose How*, in which Dr. Pearlstein draws on five intellectually rich roundtable discussions involving nineteen Minnesotans, both lay and clergy, held at American Experiment in the late summer and early fall of 2015. Conversations moved smoothly from theological to earthly, from abstract to programmatic.

All five roundtable conversations went their distinctive ways, but always started out with American Experiment’s Founder asking what participants thought clergy should say if they had a minute – a robust sixty seconds – to talk to all Americans about marriage. As is the case throughout the report, answers to this first question ranged from the conceptual to the specific. They also branched out a lot, profitably.

How severe is family fragmentation? In rounded numbers, about 40 percent of all American babies come into this life outside of marriage, with rates roughly 30 percent for whites, 50 percent for Hispanics, and 70 percent for African Americans. As for divorce, between 40 percent and 50 percent of all first marriages end that way.

What follows is a small sampling of excerpts from this new publication, which can be found online, for no charge, at [www.americanexperiment.org](http://www.americanexperiment.org). Individual hard copies are also available for free, with bulk orders for churches and other institutions at prices not much higher. For information, please call 612-338-3605.

*An essential point before going on: Healthy marriages are the only kind advocated here. Domestically abusive unions need to be escaped, abused partners need protection, and abusive partners need cops called.*

### **If clergy could speak to the whole country about marriage for one minute, what should they say?**

- “If the question is religious leaders talking to the whole country about the religious aspects of marriage the first thing you’d have to do is sell the whole country on the concept of religion in general. Because if you try to talk about the religious dimensions of marriage to people for whom

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**Marriage is a profound exploration of who you are and how someone else mirrors that to you and pushes on your painful buttons.**

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religion is either off-putting or if they simply don’t grasp that religion is a legitimate topic for intellectual inquiry, it’s not going to be a very fruitful conversation. So I guess there are really two ways that anyone, including religious leaders, could talk about marriage to the whole country. One is from a secular, practical perspective, in keeping with a billboard I once saw that said ‘Married people are richer.’ But if we are talking to people who are able to process messages about religion, then they have to be tailored to their respective religious traditions.”

- “What I would say a religious or spiritual person might have to offer as opposed to a parent or an educator is that marriage is a very spiritual

undertaking. We have a culture that emphasizes flash, fun, and instant gratification. But marriage is a profound exploration of who you are and how someone else mirrors that to you and pushes on your painful buttons. And who shows you who they are and what happens when you push on their painful buttons. The spiritual unfolding during a marriage makes it what it is. The enterprise needs to be thought of as a spiritual one rather than a self-gratification one.”

- “It would be good if clergy emphasized they know ‘stuff happens’ and that life is complicated. But at the root, they might say, ‘We’re not being fair to our kids, we’re not being fair to ourselves, and we’re not being fair to our country. We love you. C’mon, let’s try a little harder.’”

- “I would keep it under 30 seconds to help avoid finger wagging. I would have clergy say that partnering is important for success in life and that no partnership exceeds marriage. Marriage is hard, but we’re here to help you.”

### **How can clergy retrieve their voice about marriage?**

- I’ve learned over the years that people are more willing to listen than I used to give them credit for. I talk about marriage. During the announcements people come up for special prayers, and they will come up for anniversary prayers. I just pray about it being a sacrament. About marriage being a symbol of living for each other instead of yourself. I’ve never had any negative feedback about that, and I’ve had some good conversations with divorced people.

I've never met anyone who is divorced who's bragging about it. So I'm learning I can talk more about these things than I thought. I can ask more of people than I thought."

- "There are so many divorced people in congregations, so many kids from divorced families and from families in which there never has been marriage, that there is a reluctance to stigmatize. There has to be a sense of grace and graciousness in the way clergy talk about marriage, with people believing they're coming from a place of love and a concern for their best interests. If people believe that, they can take a lot of stuff. The devastation of marriage is especially widespread in the African American community. So many single parents, so many children of single-parent families that it's very hard to preach about it in a way that is not alienating."

- "Forty or fifty years into the sexual revolution, I suppose there are many religious leaders who have had broken lives and have compromised what used to be called sexual morality. And they may feel they lack the moral authority and are open to charges of criticism if they talk about marriage. The only real cure for that is ownership of one's brokenness and a willingness to lead out of an acknowledgment of our common brokenness as human beings. That's a much more compelling message than hiding, but it will take a lot of courage."

- "Each religious tradition needs to identify the sources of its own ineffectiveness around issues of marriage and two-parent families. The Evangelicals I came to know and respect as a Unitarian-Universalist are un-ambivalent in their beliefs and theological values about marriage and

kids growing up in two-parent families – on *Sunday*. But they have trouble holding that out to people pastorally on *Monday*. You don't want to drive people away at a time when they need to come closer. It's a huge challenge. As for mainstream liberal churches it's really finding *any* voice about marriage at all, as 'family diversity' has become an ultimate value."

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**"Each religious tradition needs to identify the sources of its own ineffectiveness around issues of marriage and two-parent families.**

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- "Clergy should talk about marriage, divorce, and nonmarital births in a spirit of love, but those who remain silent because they are 'cowed by the culture' should just 'get over it.'"

### **How can clergy do a better job reaching young people? And what about religious schools?**

- "One of my children went to several public schools and I remember visiting them. My daughter would be in second or third grade and I would see banners on the walls saying 'Respect Each Other' and 'Be Nice.'" These messages were pounded in, but teachers could never tell the kids the reason for these kinds of things. A Christian school can do that."

- "Religious schools are important because they have an unconstrained

vocabulary. They can talk about everything. Public schools *can't* talk about everything."

- "When I get teenagers in confirmation, what I quickly realize is that the most important thing they're taught in public schools, and what they hold onto as the most important value in life, is 'tolerance.' Which is not a bad thing, except that it becomes relativism. So all they can talk about is being tolerant. I have to help them understand that there's truth, that there is something unique about the being Christian and that they can be proud of it, that they can articulate it. It's not an insult to other people to feel connected to who you are."

- "A three-word answer: 'religious released time.' Minnesota's K-12 statutes, and those of many other states, provide for religious released time in the middle of the K-12 day. That used to be more popular than it is today, but that statute still exists."

### **How can religious leaders and institutions help ex-offenders get their lives in order?**

- "Judges often start out with a great degree of skepticism about jailhouse conversions, but I've come to believe there are lots of them."

- "The more dysfunctional the individual, the fewer external support systems they have, the more religious affiliation is important in their transformation. That's true not just in corrections, but also in education, for example. I know of no deeply dysfunctional individual who has had a long-term turnaround in his life outside of a deeply religious context."

- “Religion has been feminized a bit and religious leaders often don’t know how to talk to guys. We’re emphasizing the nurturing aspect of God and the nurturing and supportive aspect of community, and downplaying the edgier side of accountability, responsibility, courage, and sacrifice. Guys want to be tough and they’re attracted to sacrifice, and one of the things I say to guys is that I’m the protector of my family. I defend my family.”

- “Mutual encouragement can happen so transparently in a group and many churches are doing it now. They’re saying it’s not just about showing up on Sunday to worship with us. That’s important too. We need to have that experience of worshipping. But we also need to have smaller groups and people need to be part of them. But some people will say, ‘Oh, you can’t bring somebody with his bad record into a small group.’ That’s not necessarily true. One of my very best friends in my whole life – in fact he just visited us from South Dakota – grew up on the streets of L.A. and spent time in jail. Kind of a rough character. But God has done something in this guy’s life and I love him like my brother. This is the way church ought to be and can be.”

### How can religious leaders and institutions strengthen and save troubled marriages?

- “A dear friend called me earlier this year to tell me that she and her husband of many years were divorcing. I think she expected to find an understanding ear, at least a listening ear, which she did. I listened carefully and then said flatly, ‘I don’t want you to divorce. This hurts me. It hurts your family. I love you all.’ We’ve had additional

conversations since that time; they are still together, still working on their marriage. She has thanked me for the forcefulness of a friend saying: ‘Don’t do this. It will hurt you. It will hurt your kids. It will hurt me.’ We don’t know the outcome, but among various voices, we need challenging ones.”

- “We need to fight for marriages. By that I mean specific marriages. I can say my wife and I have done that. We’ve poured money and lots of time into several marriages trying to save them. And in almost every instance it was worth it. In two particular cases I’m thinking of, we fought when everybody else said, ‘split.’ Despite the powerful effect of modernity, I tell them, ‘Thus saith the Lord.’ These four words have to be used judiciously, but they can be powerful in resisting and neutralizing modernity’s effect.”

- “In Orthodox Jewish circles, we put the bride and groom on a pedestal, both pre- and post- wedding. There’s some event or another where the whole community comes to wish them well and celebrate with them. But it’s not just, ‘We’re going to get married and form our lives together, and blah, blah, blah.’ By having the whole community celebrate, it has to send a subliminal message, if nothing else, that marriage is something unique and special and we’re all going to cheer for it and be happy for the couple.”

- “I think back to when I had my children. I had twins and when they were 22 months old, I had another baby. A few months later my church offered a retreat for women and I was so thankful. I really wanted to get away and have time with other women in fellowship. I was very excited and signed up to attend. But when the organizers found out I was bringing my

baby because she was nursing they said, ‘We’re sorry. You can’t come.’ I’ve since thought, in all my life that was one point when my church truly missed an important opportunity to minister to me. Sometimes it’s inconvenient to minister to people, but I think we get the greatest return from our efforts by ministering to young families when they are just starting off.”

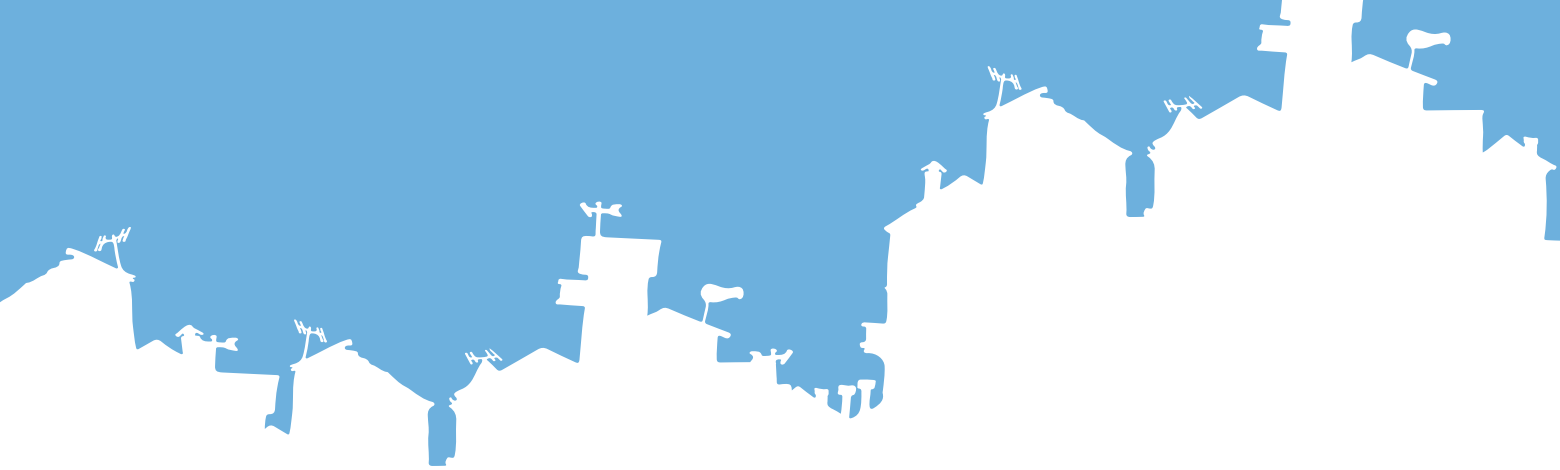
### Conclusion

Questions of religion specifically and cultural upheavals more generally are not the only factors involved in the weakening of marriage in the United States and large parts of the rest of the world. The same holds when it comes to often extraordinarily high rates of nonmarital births. Significant other factors are also at play, starting with how huge numbers of men – for reasons including educational failures, skill shortcomings, economic dislocations, criminal records, and various addictions – are understandably judged by huge numbers of women to be unmarriageable.

But even if shortages of religion and faith can’t be said to be dominant causes of familial problems, that doesn’t mean their strengths can’t be better called on to lessen those problems. As a state and nation, we must take greater advantage of our religious traditions if we are to adequately help many millions of people in need. And yes, it’s possible to do so in perfect harmony with both the Constitution and American variety.

*Not* taking advantage of our faith-based gifts and resources is akin to doing battle against widespread pain and sadness with a muscular arm needlessly tied behind our backs. ★

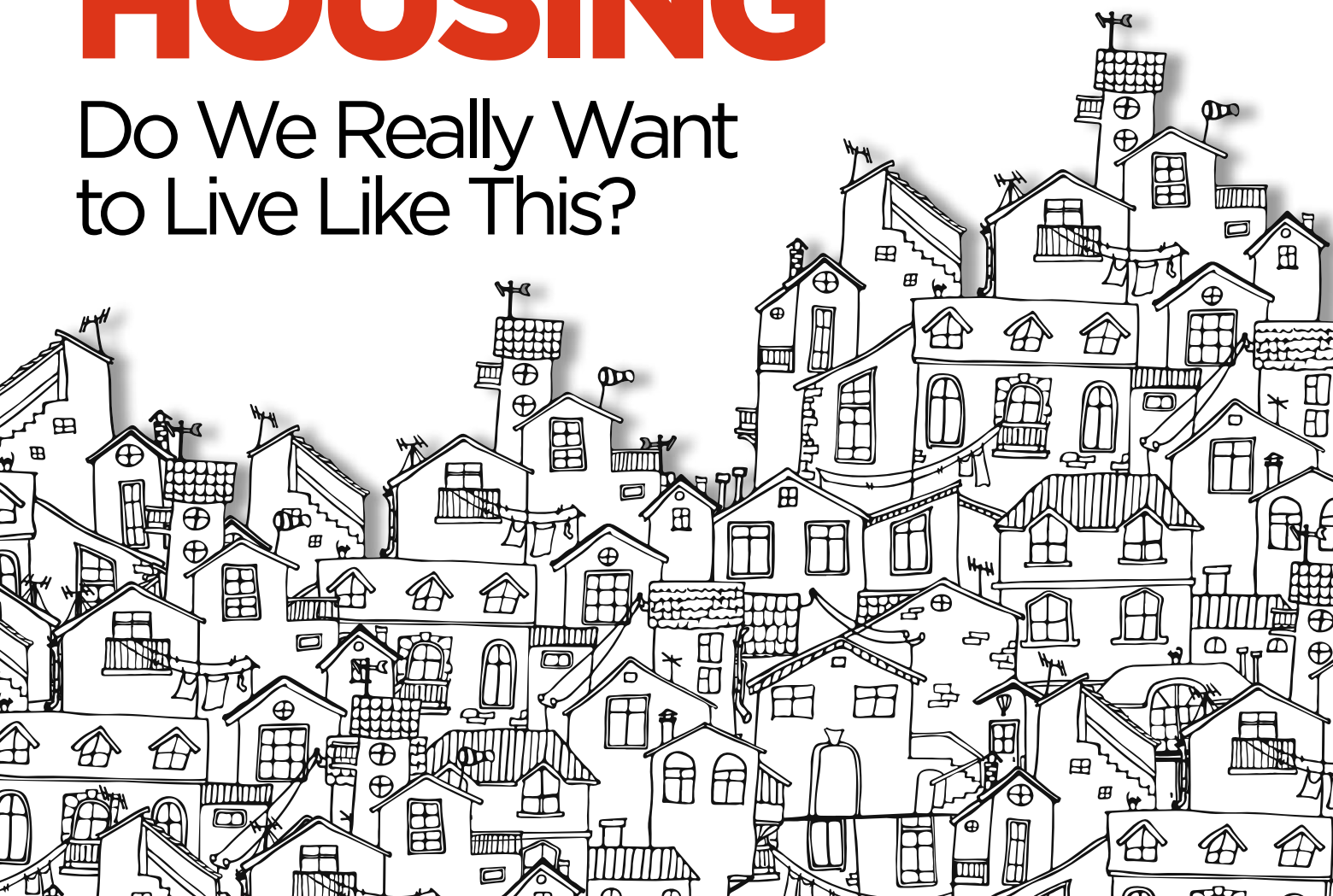
*Mitch Pearlstein is founder at Center of the American Experiment*

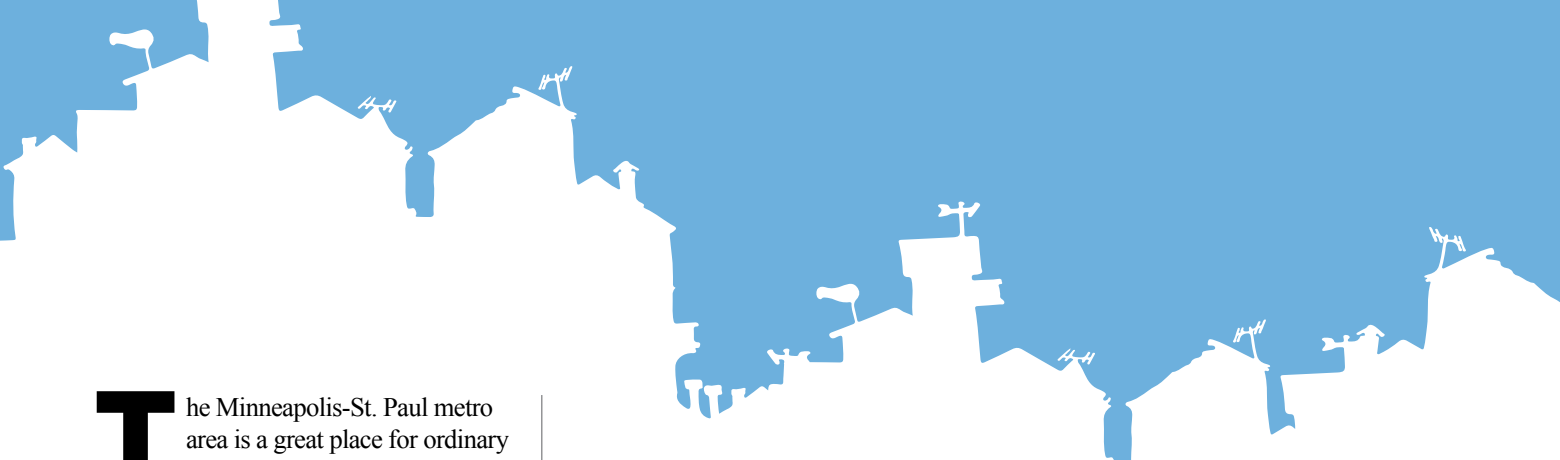


# THE MET COUNCIL'S STAMP ON HOUSING

By KATHERINE KERSTEN

Do We Really Want  
to Live Like This?





**T**he Minneapolis-St. Paul metro area is a great place for ordinary folks to buy a house, put down roots and pursue the American dream. For now — but likely not for much longer.

Today, fully two-thirds of homes in the metro area are affordable to a family of four making \$63,900 — which is 80 percent of the 2014 area median income for such a family, according to the Metropolitan Council.

But a new, top-down “housing policy plan” from the Met Council, our unelected regional government, now threatens to drive up housing costs for everyone — ironically, in the name of creating more affordable housing.

Freshly amended in July to more clearly define the council’s “expectations,” the housing plan is part of “Thrive MSP 2040,” the council’s 30-year master plan to transform how we live to conform to government planners’ vision of an ideal society.

The Met Council believes that too many of us live in single-family homes and have neighbors who look too much like us. Its housing plan has two primary goals: 1) to herd many more of us into dense enclaves of multifamily, stack-and-pack housing, and 2) to rearrange people in communities across the metro area in a government-approved mix of income and skin color.

To advance its crusade, the council’s new housing plan requires each sewered city among the metro area’s 186 municipalities to plan for and accommodate a precise, arbitrarily determined number of taxpayer-subsidized, high-density housing units for low-income people. Cities must set aside land and demonstrate how they will change land-use policies and use “fiscal tools” and community resources to do all they can to ensure that this housing is constructed.

The housing plan flows directly from

the council’s 2012-14 “Choice, Place and Opportunity” project, which mapped every census tract in the seven-county area by race, ethnicity and income. The project’s purpose was to identify racially concentrated areas of poverty and high-opportunity “clusters”— essentially areas with low crime and good schools. Now the council is using its housing plan to disperse urban poverty by locating new low-income housing, wherever possible,



### **A new “housing policy plan” from the Met Council threatens to drive up housing costs for everyone**

in higher-income communities and municipalities on the suburban edge.

Here’s how the new housing plan will play out in Andover, a community of 32,000 on the far north edge of the metro area. The Met Council has instructed Andover to plan for one in three of all new housing units built there between 2021 and 2030 to be affordable to families making 50 percent of area median income or below. Sixty percent of those units must be affordable to people of extremely limited incomes: \$24,850 or below for a family of four in 2014.

But Andover is a very challenging place for people in poverty to live. It has no public transit, job training or public-assistance-related services, and access to

jobs is limited. Without transit, many of the people the council is pushing to move there will be stranded — and set up for failure.


It makes little sense to build housing for families of very limited means in Andover and similar outlying communities. Yet the council will pay “mobility counselors” to urge people to move there.

In short, the Met Council is attempting to compel cities to plan for and accommodate low-income housing without regard to whether low-income households will actually want to live there or will benefit from living there. Cities must plan for this even if, like Plymouth and St. Louis Park, they lack the vacant land necessary to comply with council-imposed numbers. For many cities, the exercise will be a costly and wasteful game of “let’s pretend.”

Moreover, the council is imposing these dictates despite the fact that the massive sums required to build all of this new housing are not there. The council says its plan will require more than \$5 billion in public subsidies (or more than \$500 million a year from 2021 to 2030) to meet its projected need for units affordable at 50 percent of area median income or below.

Clearly, funding on this scale is not in the cards — at the federal, state or regional levels. So the council is strong-arming cities to promote construction of the housing themselves by tying their receipt of vital transportation funding — and perhaps other council-controlled benefits — to compliance with its arbitrarily determined housing numbers. Cities that fall short may be penalized for failing to do the impossible.

The housing plan will have other adverse consequences. It will likely



drive up the cost of single-family homes across the region by creating an artificial oversupply of land zoned as high-density. People will respond by leapfrogging outside the seven-county metro area to find the homes they can afford.

The plan will also drive up property taxes in many cities. New residents will generate increased costs for roads, parks, public safety and stormwater infrastructure, which residents paying market rate will be required to subsidize. Developing cities will face even greater challenges to growth if the council requires them to set aside substantial land for costly high-density, low-income housing — much of which may never be built.

Before the Twin Cities region embarks on a new, wildly ambitious \$5 billion affordable-housing scheme, we should consider how efficiently and effectively such funds are being used now.

Today, the average public subsidy for metro-area affordable units — excluding single-room-occupancy facilities — is a whopping \$185,000 per unit, according to the Met Council. In some cases, the subsidy is far higher. Per-unit costs for affordable-housing projects at Fort Snelling and the Pillsbury A Lofts — both historic properties — are a jaw-dropping \$526,000 and \$693,000 per unit, respectively. What's affordable about that?

By contrast, the median home price in the Minneapolis-St. Paul area is \$229,000 — just 24 percent more than the public subsidy for the average new affordable unit. Twin Cities-area taxpayers could actually buy three such market-value homes and rent them to low-income households rather than subsidize one small “affordable” unit in the Pillsbury A Lofts.

Taxpayers who live in those \$229,000 market-rate homes often have to scrimp and save to make ends meet. Yet, in many cases, they are being required to subsidize people who live in newer, better-appointed spaces than they do.

If we are concerned about regional

prosperity, we should move beyond a narrow focus on subsidizing “affordable housing” for a fraction of our population to the broader issue of how to make all housing more affordable.

Today, 25 percent of the cost of the average new home built for sale in our nation is attributable to government regulation, according to the National Association of Home Builders (NAHB). This includes permit, hookup and impact fees, and the costs of increasingly onerous building and energy codes, among other factors.

Prudent regulation is necessary, of course. But we must weigh the increases in, say, a home's safety and energy efficiency against their cost. Every \$1,000 increase in the price of a new home in the Minneapolis-St. Paul area places it beyond the financial reach of 2,000 additional households, according to the NAHB. By reducing the current regulatory burden in a responsible way, we can increase the affordability of all homes.

For decades, metro-area policymakers have struggled to identify policies that will consistently and reliably improve the lives of low-income residents. Yet poverty has been growing. Perhaps it's time to look at the housing question from a different perspective.

Evidence suggests that the fundamental problem we face is not a shortage of affordable housing. It's that too many people lack the education and stable family structure necessary to hold down a well-paying job.

The only way to effectively address this challenge over the long term is to adopt policies that will encourage the formation of strong families, bring about serious education reform, and promote a lower-tax, business-friendly economic environment that will generate the jobs

our region's people need.

Today, minority citizens are streaming into Twin Cities suburbs as they climb the economic ladder. The Met Council threatens to hinder that natural process by cultivating an entitlement mentality — confusing the ability to live somewhere with a right to live there.

A bedrock principle of the council's new housing plan is that all metro residents have a right to live wherever they want — or in the council's words, in the “communities where they would like to live” — regardless of their ability to pay.

But encouraging this entitlement mentality — which severs the tie between housing and work — is counterproductive to those it aims to help. It is demeaning, creates dependency, and in the long run is unlikely to lead to self-sufficiency or self-respect.

A regional housing policy should aim to make all housing more affordable — enhancing prosperity and expanding choice for people at every income level. And it should do so while respecting the rights of diverse local communities to determine where and how they will grow.

Today, “localism” is all the rage at hip restaurants and farmers' markets. At the same time, as *Forbes.com* columnist Joel Kotkin has pointed out, urban planners — who may insist on locally sourced vegetables at their natural-foods store — are leading an “assault on local control” on a matter of far greater importance: a self-governing people's ability to decide where and how they wish to live. ★

*Katherine Kersten is a senior policy fellow at Center of the American Experiment. This article originally appeared in the StarTribune.*



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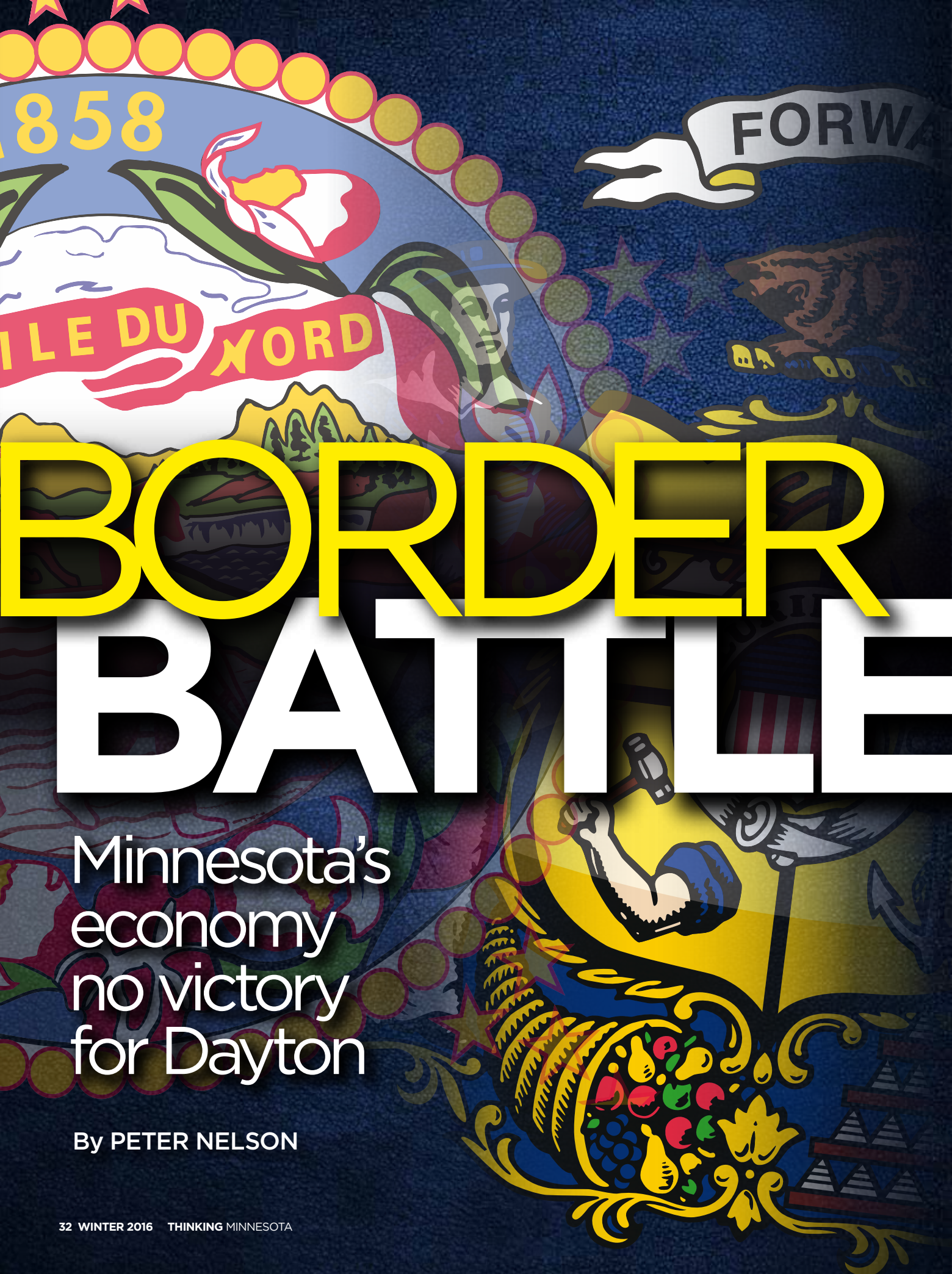
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ILE DU NORD

# BORDER BATTLE

Minnesota's  
economy  
no victory  
for Dayton

By PETER NELSON

**T**here's a border battle going on between Minnesota and Wisconsin, a battle between the policies advanced by Gov. Mark Dayton and Gov. Scott Walker.

The two states have long shared similarly sized populations and economies, as well as similar politics. But since being elected in 2010, each governor pushed and passed dramatically different policies. Dayton raised taxes by over \$2 billion, increased spending by over 10 percent per person and hiked the minimum wage. At the same time Walker cut taxes and ended collective bargaining requirements for public employees. As the *Milwaukee Journal Sentinel* put it, "Wisconsin is getting its most conservative governance in decades. Minnesota is getting its most liberal governance in decades."

After taking these divergent paths, people naturally started comparing which path would lead to better economic outcomes. Despite the fact that Dayton's tax the rich, spendthrift policies have barely been in place for two years, liberals are already claiming victory.

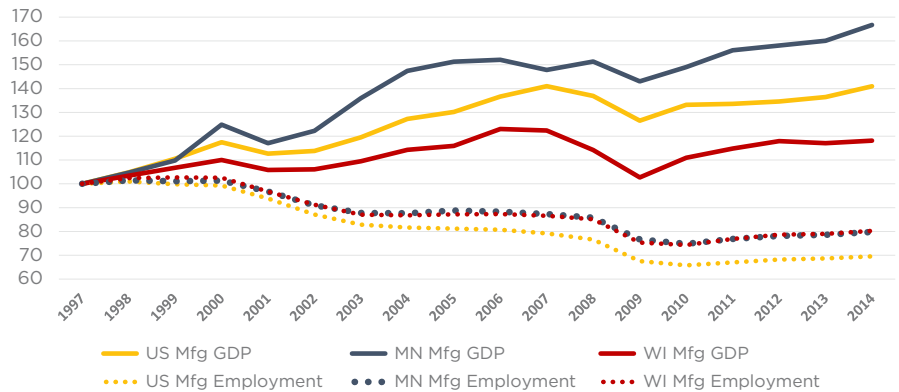
Former Minneapolis Mayor R.T. Rybak, presently a vice chairman of the Democratic National Committee, penned a *Star Tribune* column in April claiming Walker "destroyed [Wisconsin]'s economy," which was followed by President Obama's July trip to La Crosse, Wisconsin where he declared, "Minnesota's winning this border battle." Liberals simply can't get enough of comparing Dayton and Walker.

### Liberal Claims Fail to Square with Economic Realities

Liberal victory speeches touting Minnesota as the shining beacon of progressive policy success simply does not square with two simple economic realities revealed in the following graphs.

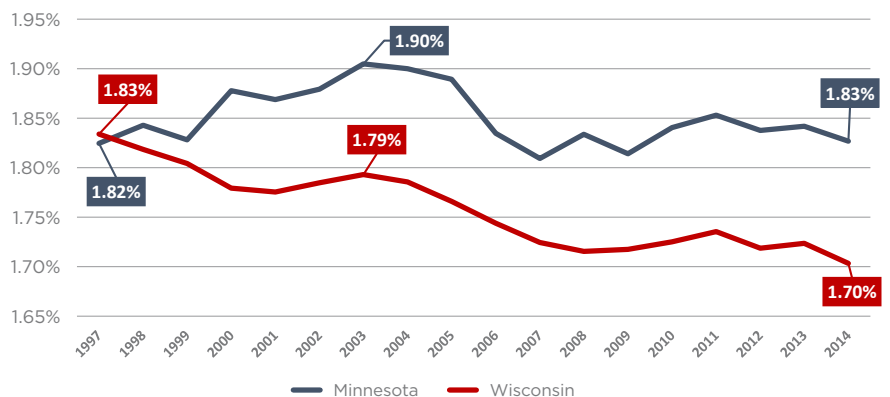
*First, Minnesota's economy pulled*

**Graph #1: Change in Real GDP and Employment in the U.S., Minnesota, and Wisconsin Manufacturing Sectors (Index, 1997=100)**



Sources: U.S. Bureau of Economic Statistics, Regional Economic Accounts; and U.S. Bureau of Labor Statistics, Current Employment Statistics.

**Graph #2: MN and WI GDP as Percent of Total U.S. GDP**



Source: U.S. Bureau of Economic Analysis.

*ahead of Wisconsin's well before Dayton and Walker took office.* Graph #1 shows Minnesota's economy was just a hair smaller than Wisconsin's in 1997, but began growing larger in 2000. By 2005, Minnesota's economy grew to be 6.53 percent larger and since that time, not much has changed in relative terms. These data show whatever lifted the Minnesota economy above Wisconsin must be linked to something that not only predates Dayton and Walker, but even predates Governors Tim Pawlenty and Jim Doyle.

*Second, though Minnesota's economy might beat Wisconsin's, both states have lost ground to the rest of the country.* Graph #2 shows Minnesota and Wisconsin GDP as a percent of U.S. GDP. The slice of the U.S. economic pie declined for both states between 2003 and 2007 and has remained relatively steady since. This strongly suggests neither state has the ideal mix of policies in place to compete for a larger portion of the U.S. economy. Minnesota is therefore no example to the nation of a progressive policy triumph.

## Manufacturing Led Minnesota's Growth

Contrary to the liberal storyline that Minnesota's high taxes don't hamper growth, a closer look at economic data strongly suggests lower taxes are part of what pushed the Minnesota economy ahead of Wisconsin and, more importantly, can be part of strengthening Minnesota's economy in the future. Making the connection between taxes and growth starts by digging deeper into what drove Minnesota's growth over Wisconsin's.

Compare economic growth in Minnesota versus Wisconsin across the major industry sectors and a surprising fact stands out. Minnesota manufacturing is actually the leading industry sector responsible for lifting Minnesota's economy over and above Wisconsin's.

Between 1999 and 2005—the period when Minnesota GDP grew from roughly the same size as Wisconsin GDP to 6.5 percent larger—Minnesota added \$14.6 billion (real 2009 dollars) more to its economy than Wisconsin. Growth in Minnesota's manufacturing industry led the way and beat Wisconsin growth by \$6.2 billion, the largest amount for any major industry sector. The next closest industry was “finance, insurance, real estate, rental, and leasing,” which beat Wisconsin growth by \$3.7 billion.

Extending the period to 1997 to 2014 (the full period of available, comparable data), Minnesota manufacturing sector growth exceeded Wisconsin's by \$8.5 billion. In percentage terms over this period, the Minnesota manufacturing sector grew by 66.7 percent, compared to 18.1 percent for Wisconsin and 41.0 percent for the nation. All of this goes to show Minnesota's manufacturing sector has consistently outperformed the U.S. and Wisconsin in recent years.

So why is Minnesota's manufacturing sector experiencing stronger growth than Wisconsin and the U.S.?

## The Rust Belt Effect

One answer might be that Minnesota was never part of the so-called “Rust Belt,”

the regional belt of more labor-intensive manufacturing extending from Utica, New York to Milwaukee, Wisconsin that has struggled against automation and cheap global labor. On this theory, Minnesota's economy has not been weighed down by the contraction of Rust Belt manufacturers nearly as much as Wisconsin and the U.S. With fewer manufacturers contracting, Minnesota should be experiencing stronger rates of economic growth and lower rates of job losses in the manufacturing sector.

The chart below suggests there may be some truth to this theory when comparing Minnesota to the U.S. Relative to the U.S., Minnesota manufacturing output is clearly experiencing higher growth—66.7 percent in Minnesota versus 41.0 percent in the U.S.—along with lower job loss rates—20.2 percent in Minnesota versus 30.4 percent in the U.S.

But when comparing manufacturing employment in Minnesota to Wisconsin, the states are nearly identical. In fact, manufacturing employment declined a touch less in Wisconsin (19.8 percent) than in Minnesota. If employment contractions are a good indicator of being hit by Rust Belt problems, Minnesota and Wisconsin are being hit the same. So, the Rust Belt experience does not provide a satisfying answer for what separates Minnesota and Wisconsin manufacturers. Something else must be going on.

## Minnesota Manufacturers Pay Far Lower Taxes

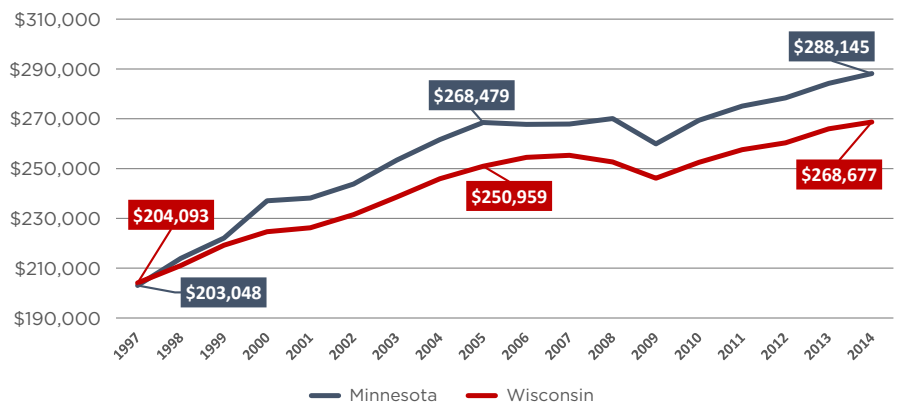
Differences in corporate tax structure offer a much more complete and satisfying answer to why Minnesota manufacturer growth outpaces Wisconsin's. As it turns out, many Minnesota manufacturers pay relatively low taxes, while Wisconsin manufacturers pay very high taxes.

Though Minnesota and Wisconsin are both higher tax states, the specific state tax burden for a taxpayer—the amount people and businesses actually pay—can vary quite substantially across income levels and business sectors. Simple comparisons of per capita tax burdens or corporate tax rates fail to account for what a business actually pays.

Indeed, different types of businesses can pay very different tax amounts depending on the type and value of their property, the proportion of sales sold in-state, unemployment insurance tax rates, sales tax rates and whether they apply to business inputs, and various tax incentives offered to new and expanding businesses.

To help understand what actual businesses pay in taxes from state to state, the Tax Foundation in collaboration with accounting firm KPMG developed an apples-to-apples comparison of business tax costs by state. Tax Foundation economists

**Graph #3: MN and WI Real GDP, 1997 to 2014**  
(millions of chained 2009 dollars)



Source: U.S. Bureau of Economic Analysis. Note: Data starts in 1997 because the BEA changed to new industry definitions that year.

developed seven model firms and KPMG then established what these firms would pay in taxes depending on whether they were mature firms or new firms. Of the seven firms, one was a capital-intensive manufacturer and another was a labor-intensive manufacturer.

The results: Minnesota tax burdens ranked very high for four of the seven mature firms. The four high tax firms included corporate headquarters (48th), retail store (49th), call center (45th), and distribution center (42nd).

But despite its high tax reputation, Minnesota ended up being the 13th lowest tax state for a research and development facility and the 17th lowest tax state for labor-intensive manufacturing. But here's where Minnesota really stood out: The state imposed the 2nd lowest tax burden on capital-intensive manufacturers. Yes, despite Minnesota imposing the third highest corporate income tax rate in the country, the actual taxes paid by capital-intensive manufacturers are the 2nd lowest in the country.

Across the border, Wisconsin's tax burden on capital-intensive manufacturers ranks among the worst at 46th and, at 42nd, its rank for labor-intensive manufacturers isn't much better.

### Single Sales Apportionment and No Throwback Rule

The reason Minnesota manufacturers pay such low taxes is largely because Minnesota applies a single sales apportionment factor formula and no "throwback rule" to corporate taxes. Minnesota's corporate income tax is based entirely on the apportionment of sales within the state and does not factor in property or payroll like many other states do. Thus, a manufacturer with 10 percent of sales to Minnesota customers will only pay taxes on 10 percent of income. This is a huge tax advantage to businesses that sell a large proportion of their products out of state, such as General Mills, 3M and Medtronic.

However, the main tax advantage

for Minnesota manufacturers is the absence of a "throwback rule." Many states, including Wisconsin, treat sales shipped to other states as in-state sales for the apportionment formula when the corporation is not subject to taxation by the other state. In effect, the sale is "thrown back" and treated as if it was sold in the originating state, which dramatically increases the portion of corporate income subject to taxation for any company that ships a lot of product beyond the state's border.

So, for tax purposes in Minnesota, Cheerios, Post-it Notes and pacemakers sold to customers in Vegas, stay in Vegas. Windex shipped from Mt. Pleasant, Wisconsin does not receive the same favorable tax treatment.

How unfavorable are Wisconsin's taxes on manufacturers by comparison? Based on the model firm presented in the Tax Foundation report, the actual tax burden for a mature capital-intensive manufacturer is 4.0 percent in Minnesota versus 16.5 percent in Wisconsin. New manufacturers can expect a 4.6 percent rate in Minnesota versus a 9.8 percent rate in Wisconsin.

Though taxes are only one part of a firm's decision to open or expand, these tax rates strongly favor opening or expanding a manufacturing business in Minnesota versus Wisconsin. No business can ignore a 12.5 percentage point difference or even a 5.2 percentage point difference in tax rates.

### The Value of Special Incentives

To put a face on all these numbers, a couple years ago Shutterfly was in the news because it chose to locate a new manufacturing facility for its products in Shakopee, Minnesota, bringing up to 1,000 full- and part-time jobs to the state. Shutterfly wanted a Midwest facility close to Midwest customers and the choice largely came down to Minnesota versus Wisconsin. According to Gov. Mark Dayton, "The plant would be developing in Wisconsin rather than Minnesota if it were not for incentive financing." And nearly every news outlet

dutifully reported on how a \$1 million grant from the state and \$1.5 million in tax breaks from Scott County lured Shutterfly to Minnesota.

News outlets, however, completely neglected the most important tax difference between Minnesota and Wisconsin—Minnesota's lack of a throwback rule. One must wonder if Shutterfly executives were laughing all the way to bank. Would the company really have opened a plant in Appleton,

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**Despite the fact that Dayton's tax the rich, spendthrift policies have barely been in place for two years, liberals are already claiming victory.**

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Wisconsin when the sale of photo books, cards, calendars and photo gifts to customers in other Midwestern states would be thrown back to Wisconsin and taxed? Very, very doubtful.

Shutterfly opened and will thrive in Minnesota in no small part to Minnesota's low tax burden on this particular industry. No doubt other manufacturers are doing the math and choosing Minnesota over Wisconsin and other states as well.

But manufacturing is just one sector of Minnesota's economy. Other industries face among the highest tax burdens in the country. Take away manufacturing and the rest of Minnesota's economy consistently underperforms the U.S.

Minnesota's economy can do better.

In the end, a closer look at Minnesota's border battle with Wisconsin actually shows how taxes matter and how low taxes promote growth. Low taxes on Minnesota's manufacturing sector help spur strong growth and it's long past time the state give other industries the same low-tax advantage to grow. ★

# THE UNION OVERSTEP

The Case to Watch in 2016 is *Friedrichs v. California Teachers Association*



Kim Crockett

**Could it be that collective bargaining itself is inherently political? If so, it means that the “fair share” fee ordained by the Court is not fair at all.**

Imagine this: when you get your paycheck, in addition to deductions for taxes and insurance, there is a deduction to cover your employer’s political action fund. Your employer is free to use your contribution to support policy issues and political causes relating to its business. If you do not want to contribute, you can petition to get a portion of the money back but your employer makes it really hard to do so. And you are bullied at work if you do not cheerfully pony up.

Sounds unconstitutional, right?

But this is essentially what happens to people who work for the government in Minnesota and other states where financial support of a union is a condition of taking and keeping a job. When teachers, cops and MnDOT workers get their paycheck, the government has already deducted union dues from their paychecks. The government deposits the funds directly into the bank accounts of government unions. Employees never see the money.

But wait, aren’t unions spending dues to represent their members, arguably for the member’s benefit? Indeed, some portion of the dues is used for the costs of collective bargaining; the rest is used for lobbying and express political activity.

Moreover, if a teacher wants to keep her job, she does not have to join the union. She can just pay a fee to cover the costs of representing her. The U.S. Supreme Court decided decades ago that teachers and other public employees have to pay a “fair share” fee to cover the union’s estimated cost of collective bargaining.

In Minnesota, that “fair share” is set at approximately 85 percent of full dues. Many people conclude that if they have to pay almost full dues to keep their job, it is not worth the hassle to opt out of union membership. Why be ostracized? And besides, for 15 percent more, you get to keep your vote.

But what about that 85 percent?

Could it be that collective bargaining itself is inherently political? If so, it means that the “fair share” fee ordained by the Court is not fair at all.

That is the position taken by a group of California teachers in a case that was heard on January 11<sup>th</sup>, 2016 by the U.S. Supreme Court called *Friedrichs v. California Teachers Association*. They argue that the positions and actions taken by their union via collective bargaining are just as political as express advocacy, touching on and influencing sensitive areas of state policy (education policy, pensions, taxes, spending and so on). Because this political activity is supported with forced agency fees, and there is no labor law exception to our free speech and association rights, the teachers’ argue that their First Amendment rights are being violated.

These plaintiffs may only represent a minority of teachers but since when did minority status diminish a citizen’s right to protection under the First Amendment? On the contrary, that is what was intended when the First Amendment to the Constitution was ratified on December 15, 1791.

Imagine how it feels to be forced to financially support policy issues that you are philosophically opposed to—and vehemently. These public employees are being forced to fund their political opponents. And under current law, their only relief is to quit their job.

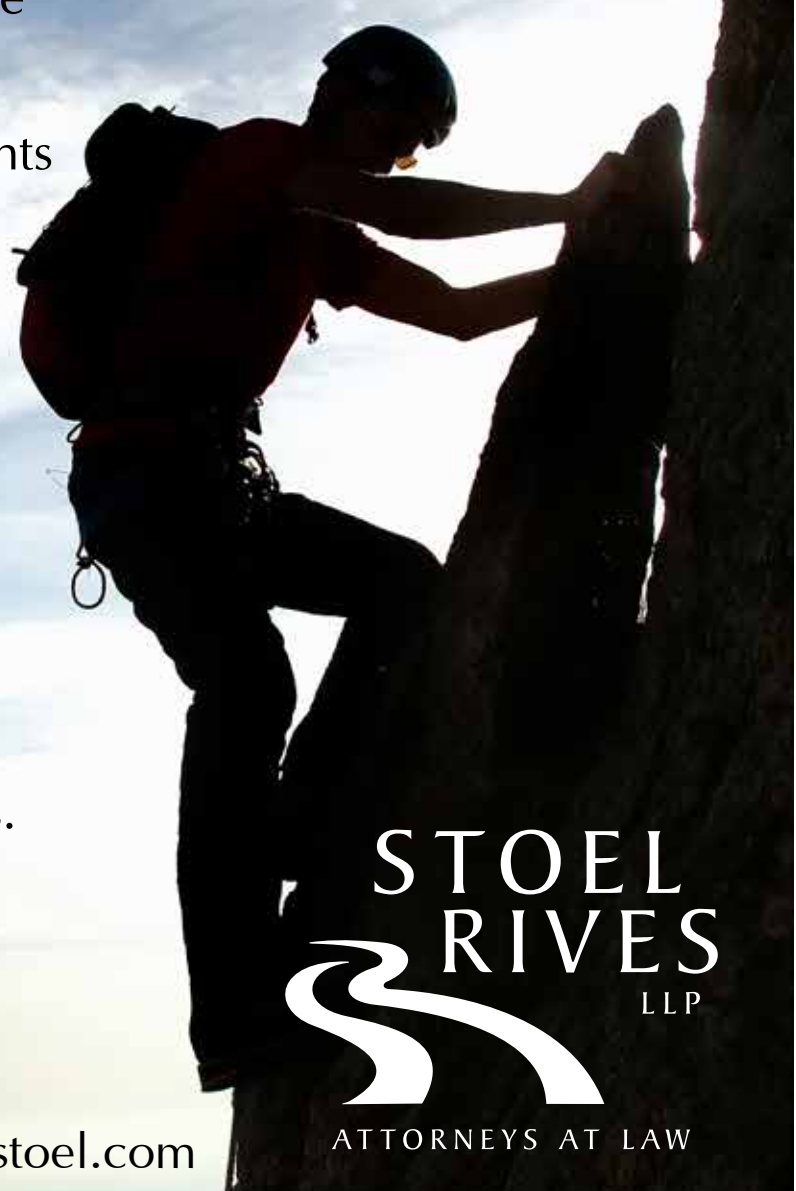
How do we square the forced agency fee with our nation’s highest ideals? The answer is, if we are being intellectually honest, we cannot.

This is why the unions were out in force on January 11<sup>th</sup> in our nation’s capital. This is why Center of the American Experiment joined dozens of other state policy organizations in an *amici curiae* brief in support of the case. And this is why I was standing with Rebecca Friedrichs on the steps of the Supreme Court that day. A decision is expected by June. ★

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## What is a culture of prosperity?

To us, prosperity includes a wide variety of benefits and opportunities that help Minnesotans — *all* Minnesotans — achieve a rich and fulfilling life. Economic success is only part of it.

- It means enabling Minnesotans to raise their families in a safe, healthy and fulfilling environment.
- It means creating opportunities and incentives for self-fulfillment and personal enrichment.
- It rewards hard work, personal responsibility and individual initiative.
- It means access to jobs — *well-paying* jobs.

Minnesotans believe in work. They know that quality jobs are the foundation that sustains our culture and our economy. Work contributes to the sense of dignity and self-reliance that is the best-known antidote to entrenched poverty.

With that in mind, our policy recommendations emphasize opportunity, value in government, innovation, and a full appreciation for the job-creating power of entrepreneurs.