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JULY 2012

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BY ARTHUR BROOKS, STEPHEN HAYES,
FRED SIEGEL AND MARK GREEN



Editor > CHARLES J. SYKES

A watershed moment for Wisconsin

As *Politico* noted earlier this year, if there is any state that “epitomizes what the permanent campaign feels like,” it is Wisconsin. For the past year, voters here have been dragged to the polls every 60 days. The recalls, recounts, rallies and petition drives seemed as endless as a Madison drum circle. On June 5, it all ended. Well, probably not.

But the decisive re-affirmation of Gov. Scott Walker’s election was clearly a watershed. As Walter Russell Mead noted the day after, “The American left as we have come to know it suffered a devastating blow in Wisconsin last night.... The left picked this fight, on the issue and in the place of its choosing.... And it failed.”

Despite the pickup of a seat in the state Senate that gives Democrats temporary (if meaningless) control of that body

for a few months, Walker’s victory (1) assures the survival of his reforms for the foreseeable future, (2) deals a substantive body blow to public employee unions, (3) ensures that Wisconsin will be a swing state in the November elections.

In this issue, we’ve asked a number of commentators to weigh in on the fallout from Walker’s victory. Contributors include *The Weekly Standard’s* Stephen Hayes, former Ambassador (and gubernatorial candidate) Mark Green, the American Enterprise Institute’s Arthur C. Brooks, and Fred Siegel from the Manhattan Institute’s *City Journal* magazine.

They will have the final word on Badger State politics, at least until our next election. In August.

WPRI

The Wisconsin Policy Research Institute, Inc., established in 1987, is a nonpartisan, not-for-profit institute working to engage and energize Wisconsinites and others in discussions and timely action on key public policy issues critical to the state’s future, its growth and prosperity. The institute’s research and public education activities are directed to identify and promote public policies in Wisconsin that are fair, accountable and cost effective.

Through original research and analysis and through public opinion polling, the institute’s work will focus on such issue arenas as state and local government tax policy and spending and related program accountability, consequences and effectiveness. It will also focus on health care policy and service delivery; education; transportation and economic development; welfare and social services; and other issues currently or likely to significantly impact the quality of life and future of the state.

The institute is guided by a belief that competitive free markets, limited government, private initiative, and personal responsibility are essential to our democratic way of life.

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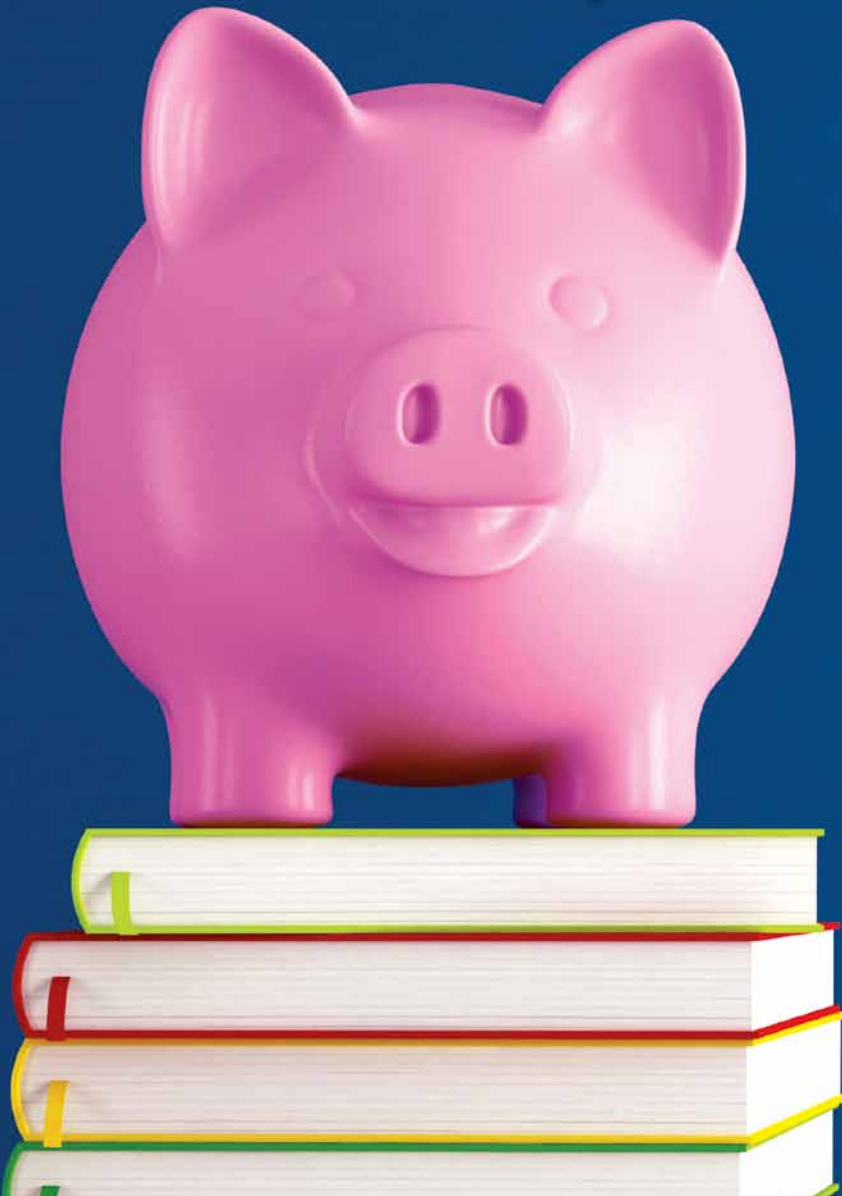
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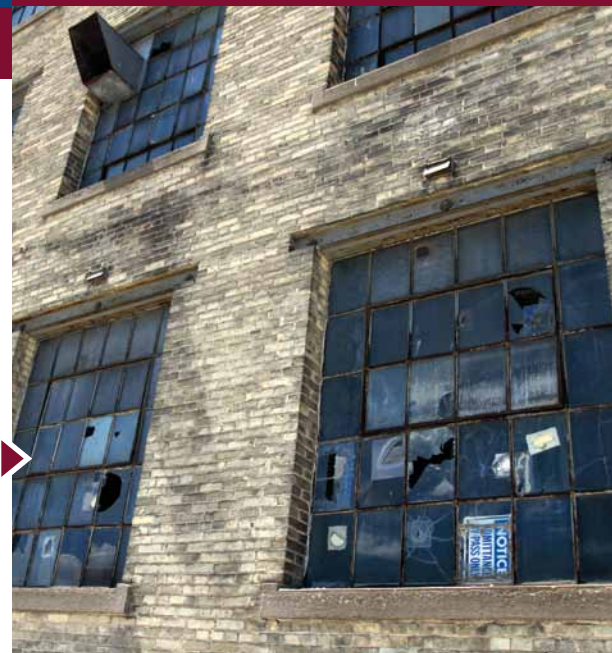
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Churchill got it right

“A little Madness in the Spring,” observed Emily Dickinson, “is wholesome even for the King.” Wisconsin had more than a little madness, but maybe it was good for us as well.

As the Spring of the Endless Campaign evolved into the Summer of Perpetual Elections, the interminable tantrum turned from rallies and petitions to the main event: the recall of Gov. Scott Walker, who became the first governor ever to be elected twice for the same term.

Irresistibly, the mind turns to Winston Churchill’s observation that there is “nothing more exhilarating than to be shot at without result.”

Can you hear us now?

In November 2010, Walker defeated challenger Tom Barrett by six points. In June, he defeated him again, this time by an even wider margin.

As the distraught left struggled to make sense of the defeat, comedian Jon Stewart put the failed recall in perspective: “The people have spoken saying, ‘I’m sorry, you didn’t hear us the first time? Yeah, we said we liked the tyrant-y, union-busting guy. Like we said 16 months ago. So what the f***?’”

In a moment of harmonic convergence, the Democratic standard-bearer, Tom Barrett, was slapped in the face by a distraught supporter moments after he was slapped by voters for the third time.

If only the Teamsters...

Matthew Rothschild, editor of our bizarro-world sister publication *The Progressive* eschewed rationalization and spin, declaring Walker’s victory a “whopping.”

“After 16 months of the most historic and exciting citizens’ uprising that I’ve ever been a part of in my 35 years of progressive activism and journalism, we’re left with this disaster,” lamented Rothschild. “Scott Walker is governor for another two and a half years. He claims vindication for his rightist onslaught. The national right-wing media is carrying him around on their shoulders.”

In politics, as in life, the saddest words are “if only.”

For Rothschild, it all could have been so different if only the left had been more militant, more aggressive and more



... creative. “The Teamsters with their 18 wheelers...,” he suggested, “could have driven down Interstate 90 and 94 at 45 mph all day long for a week’s time to demonstrate that workers in Wisconsin weren’t going to take this lying down.”

Because nothing wins hearts and minds as effectively as the gratuitous snarling of traffic.

Apologies?

In the wake of the Walker victory, *Washington Post* columnist Charles Lane wondered “if we’ll be hearing any expressions of remorse for the smears, false rumors and general vilification that his opponents have hurled at him over the last year and a half.” Any remorse for the Walker=Hitler posters; the threats, the all-around boorishness?

We assume that either the question was rhetorical or Lane hasn’t met Democratic Party spokesman Graeme Zielinski.

Who are these guys?

In the days leading up to the election, the leftocracy dismissed polls showing Walker leading by regaling us with tales of the epic, unprecedented and perhaps gravity-bending awesomeness of the Democrat/union voter turnout effort. Bill Clinton and Jesse Jackson parachuted into town and pundits on MSNBC giddily recounted stories about legions of canvassers inspiring/dragging voters to the polls in Democrat strongholds.

But in the end, it was the GOP turnout that defied predictions: Walker ended up with more votes than he won in 2010. “What Republicans showed in Wisconsin on Tuesday,” wrote the *Washington Post*’s Dan Balz, “was their ability to run a superior voter-mobilization operation, at least in this one election.” Politico’s David Catanese marveled: “Conservatives have arguably their best ground operation in place of any of the 50 states — and it’s all going to be transferred to Romney.”

But turnout operations don’t tell the whole story. In May,

conservatives made it clear they would walk through fire to vote for Walker, when Walker got 626,538 votes in an essentially meaningless primary, more than both of the leading Democratic candidates — Barrett and Kathleen Falk — combined.

The whole world was watching

During the campaign, Rep. Paul Ryan frequently said that courage was on the ballot on June 5, and the reaction to the vote seemed to embolden conservatives in distant outposts. The results were closely watched in statehouses across the country, including south of the border in the increasingly dysfunctional and profligate state of Illinois.

“Where is Illinois’ Scott Walker?” plaintively asked *Chicago Tribune* columnist John Kass. “Are there any Scott Walker types among our Republican politicians? Or have they been prudently squirreled away in a cave or woodland hut for safekeeping?”

Turning point

Given the polarization of the recall campaign, there was probably no single turning point in the campaign. But the closest thing to a dagger for the recallers was a piece of good news about the state’s economy. For months, the Democrats’ favorite talking point was that under Walker, Wisconsin had lost more jobs than any other state.

But in May, Walker was able to point to more comprehensive and reliable numbers showing that Wisconsin had actually added more than 23,000 jobs in 2011. As it turned out, the earlier bad numbers were based on estimates gleaned from a survey of just 3.5 percent of state employers. The new numbers were based on actual data provided by more than 160,000 employers.

And they ruined Tom Barrett’s whole campaign.

Rock stars

Throughout his campaign, Barrett seem oddly obsessed with Walker’s status as a “rock star,” apparently unaware that the recall itself would succeed in making Walker an even bigger celebrity. Indeed, the 16 months of hate engineered by the unionista left may well have created a second rock star in the person of Lt. Gov. Rebecca Kleefisch, who emerged from the first-ever recall attempt of a lite guy as one of the

country’s rising young conservative politicians.

Speaking of rock stars, Barack Obama never came here (but did tweet his support for Barrett in 140 characters or less, giving new meaning to the term “mailing it in.”).

Whimper

How badly did organized labor lose in Wisconsin? Let us count the ways: It failed to stop the passage of Act 10; it failed to flip the state Supreme Court; its hand-picked candidate for governor was annihilated in the Democratic primary; its membership is hemorrhaging. And on June 5, its all-in campaign to defeat Walker failed.

After all the rallies, fliers, phone banks, threats and millions of dollars of dues, all they got was a single new state senator, John Lehman, a symbolic victory with no discernible practical consequence.

But unionism wasn’t killed by Scott Walker; it’s dying of obsolescence. In an article in the *New Republic* headlined, “Not with a bang, but a whimper: The long, slow death spiral of America’s labor movement,” Richard Yeselson noted the creeping irrelevancy of unions. “Unions are like manual typewriters, oh hell, electric ones — pretty cool in their time, but who has even seen one today?”

Actually, I did see one today. It’s being used as a doorstop.

Flattered

And, finally, there was the awful specter of the conservative media. Adding to Scott Walker’s multitude of sins, the George Soros-funded Wisconsin Center for Investigative Journalism indignantly reported that Walker made it a habit to bypass traditional media:

“Fox News isn’t the only conservative-leaning outlet Walker favors,” the group reported. “Charlie Sykes, a radio host of Milwaukee’s WTMJ, was scheduled for more interview time with Walker than any other media professional in his first 13 months in office.”

But I don’t like to brag. ■

Charles J. Sykes is the editor of Wisconsin Interest. His new book is A Nation of Moochers: America’s Addiction to Getting Something for Nothing (St. Martin’s Press).



WHAT IT





MEANS

REFLECTIONS ON THE JUNE 5 RECALL

By Arthur C. Brooks, Stephen H. Hayes, Fred Siegel and Ambassador Mark Green



By Arthur C. Brooks

Scott Walker's victory over Wisconsin's public sector unions and their political allies is a victory not just for his state, but also for taxpayers nationwide.

Walker has demonstrated more willingness to tip over the apple carts of public sector unions than almost any recent governor, and he has now shown that standing up to entrenched and powerful interest groups is not a death sentence.

Walker's triumph is to be celebrated, and it will likely diminish the enthusiasm of the privileged classes in other states to punish pro-growth, pro-taxpayer politicians. But focusing on the recall per se misses the most important point. What's most important is what Walker would have accomplished even if he had lost his recall fight.

In fewer than 18 months in office, Scott Walker did more for the cause of efficient state government than almost any other governor in memory. Walker rang a bell that cannot be unrung, not just in Wisconsin, but around the country. His governorship is now ratified, but only in another decade will the true import of Walker's deeds be understood.

Walker's success came in stating the public-finance fact that few in public life dare to utter: Public-sector collective bargaining is unfair and inherently untenable. In the private sector, unions negotiate with employers who are constrained by costs and competition. Unions have an interest in keeping the firm healthy. But the public sector is different, because taxpayers — unlike customers — can be legally forced to pay higher prices for goods and services provided by government.

Rather than face the wrath of organized government workers, many politicians have simply made



'Walker rang a bell that cannot be unrung, not just in Wisconsin, but around the country.'

unrealistic promises that future officials — and taxpayers — will have to pay for. If this sounds unfair and unsustainable, it's because it is.

What Walker did was to reinstitute what used to be commonly accepted, obvious-on-its-face economics. President Franklin Roosevelt — hardly a right-wing ideologue — wrote in 1937, “All government employees

should realize that the process of collective bargaining, as usually understood, cannot be transplanted into the public service. It has its distinct and insurmountable limitations when applied to public personnel management.”

In 1955, AFL-CIO chief George Meany put it even more plainly: “It is impossible to bargain collectively with the government.”

Nothing fundamental changed in the ensuing years, except this: A rapidly growing economy, undergirded by robust free enterprise and small government (at least relative to today) made public-sector collective bargaining temporarily appear affordable. That was an illusion, of course, as the financial crisis and sluggish economy made clear. A majority of Wisconsinites have shown that they recognize this fact.

Wisconsin is in better fiscal shape today — and will be for the foreseeable future — because of Scott Walker's reforms. Perhaps more importantly, Walker was the progenitor of a series of changes, not just in policy, but also in public attitudes, about the relationship between public employees, politicians and taxpayers.

Walker's electoral victory is important. But setting in motion what is becoming a national trend will be his legacy. ■



By Stephen H. Hayes



On Aug. 12, 2010, Milwaukee County Executive Scott Walker munched on a ham sandwich in the backseat of a black SUV and answered questions for an hour as we drove from a meeting with Indian tribes near Fond du Lac back to Wauwatosa. To close the interview, I asked Walker what he would do on his first day in office.

His ‘work on the budget would come to define not only Walker’s first two years but will almost certainly shape national politics....’

“I won’t wait until Jan.

3. On Nov. 3, I’ll take my chief of staff, my secretary of administration and my budget director, and we’re going to Madison to start taking over the budget, because for the next two years, that’s the most defining thing I’ve got to work on,” he said.

Even Walker couldn’t have anticipated how true those words would be. That work on the budget would come to define not only Walker’s first two years but will almost certainly shape national politics in this important election year.

But it was Walker’s answer to the obvious follow-up question — “What can you do as governor-elect?” — that best explains why his budget reforms worked.

“We’ve spent a fair amount of time looking at this,” he said. Walker had consulted officials involved in the transition for then-Gov.-elect Tommy Thompson in 1986-’87. They explained that they’d had staffers “embedded” into the Department of Administration to facilitate budget work before he officially took office. “They walked us through how to do this.”

So by mid-August 2010 — three months before he’d be elected and some five months before he’d take office — Scott Walker understood that his budget work would characterize his term and he’d spent a “fair amount of time looking” at how he’d set about fixing it.

For all the complicated reasons analysts have offered to explain Walker’s triumph in the June 5 recall, the simplest one is the truest: Walker won because he’d

campaigned on solving Wisconsin’s budget woes, and he did what he said he’d do. The state went from a \$3.6 billion biennial deficit to a projected surplus of \$154 million. It worked.

This is the story of Walker’s career.

He was elected governor on his record as Milwaukee County executive. He won that position promising to be a reformer, and then he implemented his reforms. And they worked. Walker trimmed the number of county workers by 20 percent; he fought to keep property taxes low; and, by the end of his term in 2008, even as Wisconsin was on its way to a record deficit, he had turned a \$3.5 million deficit in Milwaukee County into a surplus.

So in a county with a long history of progressive politics, this conservative reformer won re-election twice. In 2008, Walker won 59 percent of the vote just eight months before Barack Obama won Milwaukee County with 67.5 percent against John McCain.

Republicans, even conservative Republicans, can win in deep blue counties and light-blue states if they offer real solutions to the problems caused by bloated government and then follow through on those campaign pledges. It turns out that voters reward politicians who keep their promises and gets results.

And that’s the lesson: Nothing succeeds like success. ■

By Fred Siegel

Why did the labor left insist the on the self-defeating campaign to recall Scott Walker?

An able perspective would have noted the recent string of liberal defeats stretching from the New Jersey and Virginia gubernatorial races, to the Scott Brown senatorial victory in Massachusetts, to the Republican legislative gains in state after state, to the failure right here in Wisconsin to oust Supreme

Court Justice David Prosser. The Walker recall was bound to be tough going, as a left-wing mobilization produced a right-wing counter-mobilization.

But hotheaded liberals decided to double down. Their recall effect was driven by the memory of two events that didn't happen. The first is the memory widespread among liberals that their victory in the 2008 presidential election was the harbinger of a fundamental leftward shift in American politics. The second, which came into play when the leftward shift was stymied, was the belief that billionaires pulling the puppet strings of the Tea Partiers were to blame for their losses.

The first misreading impelled the second, trapping labor liberals inside smoke and mirrors of their concocting. They were sure that they had been cheated.

In the wake of the 2008 election, Andy Stern, then president of the Service Employees International Union and a close ally of the Obama White House, boasted that public sector unions "are the most powerful political force in the country." And so it might have seemed when the public unions became the primary beneficiaries of the 2009 stimulus bill.

But like 1930s unionism, the once serviceable Keynesian solution had dissolved. The ensuing travail



'Work-a-day citizens were caught between rising property taxes to pay for the public sector and declining home values. They bridled at the soaring cost of government.'

pushed voters into a closer look at the workings of the public sector, and they didn't like what they saw.

The bitter conflict between Scott

Walker, the self-described "Tea Party governor" who stripped public unions of their pivotal ability to automatically collect dues from their members, and the labor movement is intense because an overgrown government, arguably a bearable burden during times of prosperity, threatened to

capsize Wisconsin's fiscal boat.

Work-a-day citizens were caught between rising property taxes to pay for the public sector and declining home values. They bridled at the soaring cost and inefficiency of government. One of Walker's most effective tropes was to point across Wisconsin's southern border to Illinois, where the union stranglehold has produced near bankruptcy.

In Illinois, Walker noted, "they're now shutting down state facilities, laying off tons of public employees, and cutting Medicaid, while we added money to Medicaid and avoided massive layoffs."

But caught up in their own rhetoric about the evils of Walker and the Darth Vader-like power of the Koch brothers, liberal militants in Wisconsin couldn't acknowledge the effects of austerity on the 2010 elections. Nor could they acknowledge the implication of Kathleen Falk's defeat in the Democratic primary. Enveloped in a righteous anger, they couldn't respect their fellow citizens' worry that public unions threatened the Madisonian underpinning of American politics.

You didn't have to be a Tea Partier to fear that government had, by way of the unions, gone into business for itself. ■



By Ambassador Mark Green (Ret.)

I remember an episode from my state legislative days when we were grappling with an especially difficult set of issues. A colleague turned to me, shaking his head, and said, “The problem with this place is that too many guys know when the end of the world is: the first Tuesday in November in an even-numbered year.”

Compared to the chain of events culminating in the June recall vote, that seems like long-term thinking.

The 2011-'12 legislative term began on Jan. 3 as lawmakers took the oath of office. Less than two months later, union-led activists launched their first recall drive targeting state senators for their support of Act 10. Before those first recalls were even concluded, those same activists vowed to go after Gov. Scott Walker and others with a second recall drive as soon as state law permitted.

Sure enough, in November 2011, a second round of recalls began. Before those recalls were concluded, the regular 2012 elections began in April with nomination papers circulating for the fall elections.

From the date they were sworn in until the June 5 vote, lawmakers operated in an environment of recalls more than 85 percent of the time. In fact, Wisconsin was under one form or another of election season for more than 90 percent of the 2011-'12 biennium.

Welcome to a new political reality where any day just might be the end of the world.

It wasn't always this way. Teddy Roosevelt famously called the Badger State a “laboratory of democracy” because its innovative policymaking so often inspired the rest of America. In the Progressive era, Wisconsin led with groundbreaking worker safety laws, women’s suffrage and other political reforms

like primary elections and direct election of U.S. senators. Under Gov. Tommy Thompson’s conservative leadership, the state pioneered school choice and

sweeping welfare reforms that broke the stranglehold of the bureaucratic welfare state. These reforms offended powerful interests and offered little immediate political reward.

Is there room for this kind of leadership today? Most of the elected officials targeted for removal survived, but at enormous cost. Estimates are that \$125 million was spent during the recalls, much of it from out-of-state sources. More significantly, lawmakers were subjected to bitter personal attacks throughout the recalls.

Nearly one-third of the members of the Assembly and one-quarter of the senators were first elected in 2010. In their “formative months,” they’ve seen Wisconsin go through two rounds of recall elections. They’ve seen “fake candidates” — candidates who filed in the primary of the other party in order to extend the recall campaign timeline. They’ve even seen more than a dozen legislators go into hiding to prevent a voting quorum.

2013 will tell us if there’s still room for Wisconsin to be TR’s laboratory of democracy. Will we once again inspire the nation with our reforms or instead inspire special interests to punish the reformers? Leaders need to decide which of these will be our new normal. ■

‘2013 will tell us if there’s still room for Wisconsin to be Teddy Roosevelt’s laboratory of democracy.’

The party that couldn't say no



Because Democrats draw political support by passing out tax dollars, they don't have a clue what the limits of government should be

BY RICHARD ESENBERG

One of my favorite quotes is from the French economist Frederic Bastiat. In his essay “Ce qu'on voit et ce qu'on ne voit pas” (“What is Seen and What is Unseen”), he explains, “There is only one difference between a bad economist and a good one: The bad economist confines himself to the visible effect; the good economist takes into account both the effect that can be seen and those effects that must be foreseen.”

Much of our political discourse is conducted by bad economists. It focuses on “what is seen” — generally whatever immediate benefit government can deliver. In attacking Mitt Romney's career in private equity, for example, President Obama is a wildly bad economist.

Turning around a failing business can be a painful process and may not always succeed. It may involve misery that is seen. But, if no one were willing to inject the money and make the tough decisions that might rescue a doomed venture, we could foresee even more misery.

In his recent book, *Never Enough*, William Voegeli writes that modern American liberalism suffers

from philosophical incoherence. Its view on the role of government has no limiting principle. The state may — and should — do whatever can garner political support. The Democratic mainstream, he says, is committed to an exercise in what he calls “ad hococracy.”

One could defend this as a commitment to find what works and to discard what does not. But given the prevalence of bad economists, this is not what happens. Here's why.

The benefits of social spending are concentrated and easy to see. The costs are diffuse and not always obvious. A political movement without any firm notion of what the state ought to do — and hence no capacity to resist the political benefits of government largesse — will devolve into the party of government — perhaps not quite government “for its own sake” but uncomfortably close.

One of the most remarkable things about the reaction to Gov. Scott Walker's reforms was how angry it was. To be sure, the governor's proposal entailed a pay cut

for a sizeable group of people, and no one likes that. But the chanting and occupation — the blue fists and vuvuzelas — cannot simply be dismissed as the anger of disgruntled employees. Nor can the Walker reforms be readily seen as an attack on middle-class families.

The governor's collective bargaining reforms affected a group — state and local employees — who earn considerably more than the average worker. Given that taxes in Wisconsin aren't particularly progressive, one might have seen Walker's reforms as striking a blow for working families.

But recall that a party that believes that the government can do anything will tend to believe that it should do everything. The adhocery of the left is a conversation about how quickly the state should expand. For a Democratic Party that has come to rest on a coalition of beneficiaries, Walker's departure from business as usual was existential.

We've all seen the yard signs and bumper stickers displayed by recall opponents urging us to "recall Santa" because "I didn't get what I wanted." As a criticism of the recall, this message may have been more insightful than humorous. Walker's message, at least in part, has been that there is no Santa.

There is a fundamental contradiction in being the party of promises. The lack of a limiting principle results in a state with no boundaries other than what is politically possible today. Because the Democratic coalition is based on assembling a majority of voters who see themselves as net takers of tax dollars, and because it is the reach of that coalition that will determine whether Democrats get elected, the modern American liberal has no language to persuade the recipients of government largesse to pay for it.

Thus, President Obama defends every last entitlement and proposes significant expansion in the role of government while promising not

to raise taxes on 98 percent of the population. Wisconsin liberals did not want to give things up, but, significantly, were unwilling to explain how they proposed to pay for keeping them.

Tom Barrett refused to explain how he would have addressed the \$3.6 billion deficit that led to the Walker reforms. Indeed, his Democratic primary opponent, Kathleen Falk, seemed to regard it as ridiculous that anyone would even ask.

A party that believes government can do anything will tend to believe that it should do everything

Voegeli points out that conservatives have a bind of their own. They do not wish to raise — and may want to cut — taxes. But they are often either unwilling to propose — or unable to obtain — corresponding cuts in government spending. They, too, can be bad economists.

He suggests that they escape this bind by doing what liberals — dependent on a coalition of beneficiaries — won't. Conservatives ought to insist that those parts of the welfare state that cannot be ended be made to work — and at the lowest possible cost.

As I have written in these pages, that is precisely what Walker tried to do. The morning after the election, I appeared on a national radio show. A caller from Massachusetts asked why Walker had to limit collective bargaining. He could have just laid off teachers.

The question contained its own answer. ■

Richard Esenberg is president of the Wisconsin Institute for Law & Liberty and an adjunct professor of law at Marquette University. He blogs at sharkandshepherd.blogspot.com

MPS' LOOMING FISCAL CRACK-UP



The trend is clear: More money for retired teachers, less money for the classroom. What can be done?

By Michael Ford



MPS' looming fiscal crack-up

Mavis Roesch began teaching in the St. Louis Public Schools in 1967. Soon after, she moved to Milwaukee, teaching first at a private high school and then in the Milwaukee Public Schools. For the past 15 years, Roesch has taught at Rufus King High School, recently ranked by *U.S. News and World Report* as one of the top 200 high schools in the country.

"I care about young people and their future and the future of our city," Roesch says with passion. "I believe that I make a difference in my students' lives. I work to inspire them to do things they thought they couldn't do. I believe that all children can learn — maybe in different ways and on different days, but I want to be there when it happens."

And then Roesch, who runs King's International Baccalaureate program, adds something that is already evident in her self-declared mission: "I do not work for a paycheck or benefits."

Clearly, teachers like Roesch are not what ails MPS. Dedicated professionals like her are the reasons for academic success stories like Rufus King. Yet, paradoxically, she is soon to join the ranks of those who are at the root of MPS' looming fiscal crack-up: Retirees.

By 2022, the cost of MPS pensions and health benefits will absorb just more than 50 percent of the district's state aid and property tax, up from one-third in 2012. More to the point, less than half of MPS' state aid and local tax revenue will be available for teacher salaries, classroom materials, new technology and other educational needs. There is little MPS can do to stem this decline in

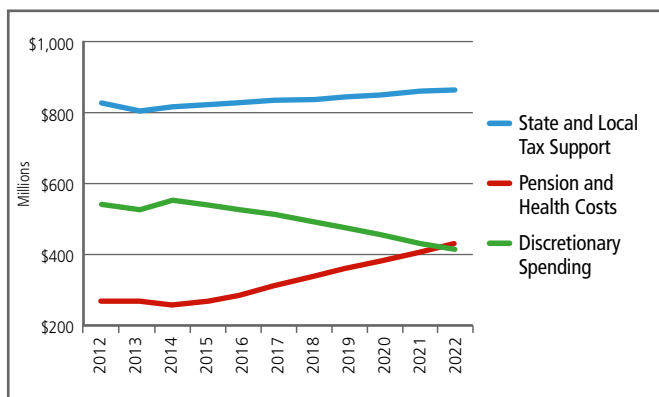
discretionary spending. As shown on the chart on this page, it could be a death knell for the district.

The decline is driven primarily by the ballooning cost of retiree health benefits. Estimates put MPS's unfunded liability at \$2.2 billion. (See the WPRI study authored by Don Bezruki for details: www.wpri.org/Reports/Volume22/Vol22No8/Vol22No8.html.)

Almost a quarter

of MPS' 9,300 employees are eligible for retirement and corresponding health benefits, and the district estimates that more than 1,400 employees will retire by 2015. This includes Roesch, who plans to step down in June 2013. She will be 67.

More Pension and Benefit Costs, Fewer Classroom Resources



Source: Author calculations

Logic suggests that the retirement of older employees with higher salaries should allow the district to save money by replacing them with younger, cheaper employees. However, this logic is undermined by the district's need to continue paying for the health benefits of those retirees.

By 2022, the cost of MPS pensions and health benefits will absorb just more than 50 percent of the district's state aid and property tax, up from one-third in 2012.

Soon MPS will be spending nearly as much on retiree health benefits as it spends to insure current employees. Any savings from the lower salaries will be offset by obligations to retirees.

In short, MPS is in the throes of a slow but inexorable budgetary meltdown. This prospect was already evident in 2004 when then-Superintendent William Andrekopoulous told the Milwaukee Journal Sentinel that fiscally the district was like a late-stage cancer patient facing death.

Harsh reality is that without a dramatic rethinking of how public education is delivered, tens of thousands of Milwaukee children will be stuck in a school system putting fewer and fewer of its resources into the classroom.

MPS 2012, at a glance

Total Staff: **9,306**

Teachers: **5,044**

MPS Sites Enrollment: **80,098**

Total Budget: **\$1,188,160,523**

Property Tax Levy (Operations Fund): **\$275,843,911**

General Equalization Aid: **\$554,850,459**

Federal Categorical Aids: **\$183,531,554**

State Categorical Aids: **\$29,691,425**

Private Grants: **\$7,060,441**

Source: MPS fiscal year 2013 proposed budget

This is unlikely to improve academic performance in a district distinguished by its failure to educate its predominantly poor and minority enrollment. In 2011, only 10 percent of MPS pupils scored proficient in reading and math on the National Assessment for Educational

Progress.

At 61.1 percent, the district's four-year graduation rate lags significantly behind the state average of 87 percent. And graduating from

Almost a quarter of MPS' 9,300 employees are eligible for retirement and corresponding health benefits.

MPS is no guarantee of future success. About 70 percent of MPS graduates attending the University of Wisconsin-Milwaukee need remedial math education. Worse, less than 20 percent actually graduate from UWM after six years.

MPS' financial problem is quite simple. The amount of revenue committed to retiree health benefits is growing faster than the district's capacity to raise revenue from state and local taxes. Many difficult financial decisions, such as freezing salaries and increasing employee benefit contributions, have already been made. The forecast made for this WI story factors in the impact of these decisions.

There is plenty of blame to go around. Generations of school boards that saw the perils did nothing. State legislators for years increased education funding for the purposes of property tax relief rather than classroom funding. Governors and state superintendents did not use their bully pulpit to bring attention to the growing problem. But playing the blame game does nothing to deal with the tens of thousands of Milwaukee children stuck in a deteriorating school district.

MPS' looming fiscal crack-up

The roots of MPS' financial problem date to its 1973-'74 labor contract with the Milwaukee Teachers Education Association. The contract allowed retiring teachers to maintain the same health insurance plan they had as teachers, and it required the district to pay the cost of premiums up to the highest-cost plan offered in the year the teacher retired.

Today MPS employees can retire with lifetime

Increasing the burden placed on MPS employees, teachers in particular, is not a realistic solution to MPS' fiscal challenges.

health benefits for themselves and their spouses if they are 55 or older, have at least 15 years of experience and can show that they've used no more than 30 percent of their sick leave. (Teachers earn up to 12.5 days of sick pay annually; the maximum balance is 145 days.)

Several factors have combined to make this seemingly innocuous decision on retiree health benefits the cause of the district's demise.

First, people are living longer, extending the amount of time health benefits must be paid. According to the U.S. Census Bureau, life expectancy has increased since 1970 from 71 to 78 years.

Second, in 1982, the district began offering a sweetener pension that was designed, according to MPS, "to incent retirements at a time when there was a surplus of teachers to avoid teacher layoffs." This early retirement sweetener increased MPS' retiree cost burden by decreasing the average age

of retirees and extending the length of time retired teachers received health benefits. And that expense was magnified by the comparably higher cost of pre-Medicare health benefits for retirees under 65.

To its credit, the MPS board has said it will eliminate the second pension when the current union contract expires in 2013.

Third, the costs of health care have increased at a rate unfathomable in 1972: two to three times the rate of inflation over the past eight years, according to MPS board documents.

Fourth, and most damaging, MPS chose to use pay-as-you-go budgeting for retiree health care costs rather than setting aside funds annually for the cost of future retirees. As a result, it has no reserve to draw on as employees retire and begin racking up health insurance costs.

The next 10 years pose

a nearly impossible challenge for MPS leadership. The combination of soaring health insurance costs and the fiscal impact of shrinking enrollment leaves the district in a death spiral from which it is unlikely to recover.

You can find the assumptions of my projections in the sidebar on page 19. I project that, under the most likely scenario for 2012 to 2022, state and

School Funding

MPS' looming fiscal crack-up

local taxes for each MPS student will increase by 27 percent. However, because of declining enrollment, the overall increase in state and local tax money to the district will be only 5 percent.

At the same time the cost of retiree health benefits will increase by a stunning 168 percent. MPS does receive program-specific aids, but that stream of state and federal aid cannot be counted on to offset the shrinking pot of general school-aid and property tax revenue.



Put another way, over the next 10 years, taxpayers will send more money to MPS, but significantly less money to MPS classrooms. In 2022, taxpayer support for the district is estimated to be \$42.4 million higher than it is today, but the district's discretionary spending (revenue not committed to health and pension costs) will be \$118.5 million lower than it is today.

Fewer students. Higher overall public support but less money making it to the classrooms. Annual layoffs and program cuts. This is the untenable situation MPS faces over the next 10 years.

What can MPS do?

Pretending nothing is wrong is the easiest option. That would mean more and more money would go to benefits and pensions at the expense of

classrooms. This would have dire consequences for the classroom and likely for enrollment. Consider that MPS' own 2013 budget narrative lists as a top priority ensuring that "Every traditional MPS school in FY13 will have an art, music or physical education teacher in their school at least one day per week."

This modest goal isn't competitive with other schools. For example, Greendale Superintendent William Hughes tells me that his district offers "art twice a week, music twice a week and physical education three times a week" for grades K-5, and "daily art and music mainly on an elective basis" for grades 6-12.

Milwaukee College Prep, a charter school, has "art, music and physical education teachers at each campus every day," says president Rob Rauh.

Lutheran Urban Mission Initiative, which operates four schools in the Milwaukee Parental Choice Program, offers "physical education twice a week for all the students," and "music and art once per week," says curriculum chief Charles Moore.

How can MPS attract students when its programming falls below the level available at competing schools? If MPS chooses the path of least resistance, its enrollment declines and yearly budget strains will only intensify.

Critics and reformers have called on MPS to

It is unlikely MPS could benefit from protection under federal municipal bankruptcy law.

make the difficult decisions necessary to offset the cost of retiree health benefits. The problem, however, is that MPS Superintendent Gregory Thornton and the MPS board have already made

difficult decisions to rein in costs.

In November, the board voted to require employee contributions to fund from 7 percent to 14 percent of their health care premiums, depending on salary. The board also voted to

Calculating a financial meltdown

Under the most likely scenario for the years 2012-'22, the state aid and property taxes going to MPS will increase by only 5 percent, while the cost of retiree health benefits will climb by 168 percent. Here are the assumptions behind that scenario:

- Beginning in 2014, annual MPS increases return to their 2000-'11 average growth rate of \$285 per pupil. (Per-pupil revenue limits were cut statewide by 5.5 percent in 2012 and set to increase by \$50 in 2013.) This would raise MPS' per-pupil revenue limit from \$9,726 to \$12,341 over 10 years.
- The average annual decline in MPS' three-year enrollment average for the past 10 years, 1,437 students, continues until 2022. Over 10 years this would decrease MPS' three-year enrollment average from 84,011 to 69,641.
- MPS' five-year health benefit costs and retiree health benefit cost trends hold steady for 10 years. This would increase total annual health benefit costs from \$203 million to \$360.5 million and total annual retiree health benefit costs from \$64.6 million to \$173 million over the next 10 years.
- Total MPS annual pension costs continue their gradual uptick from \$70.1 million in 2012 to \$73.5 million in 2022.

— M.F.

introduce four furlough days as well as to institute a salary freeze in 2013, 2014 and 2015.

These changes, which begin when MPS employee union contracts expire in 2013, are projected to reduce the district's unfunded liability to \$1 billion over the next 30 years. However, as my calculations show, these savings may be insufficient and too late.

Of course, to save even more money, MPS could choose to increase employee health care contributions, cut rather than freeze salaries, or institute more furlough days. However, further decreases to employee take-home pay will make the district an unattractive place to work and only intensify the stress felt by teachers.



When I asked Roesch about the challenges facing MPS, she cited the expanded choice program, student behavior, “unconscionable class sizes” and attacks by the Walker administration on MPS and Milwaukee.

“I have never before felt such palpable stress among my colleagues as they contemplate the future of our state and our students,” she told me.

Increasing the burden placed on MPS employees, teachers in particular, is not a realistic solution to MPS' fiscal challenges.

The “nuclear option” — bankruptcy or dissolution of the district — was floated in 2008 by the MPS board and more recently in 2010 by Milwaukee Alderman Bob Donovan. However,

Mysteries of the state funding formula revealed

Wisconsin school districts are permitted to raise a set amount of revenue from state aid and local property taxes annually. That amount is called their revenue limit. Here's how the formula works:

1. The legislature sets in the state budget the annual increase in the per-pupil revenue limit. That number is added to the district's per-pupil revenue limit from the previous year.
2. The three-year average of a district's enrollment is determined.
3. The total amount of revenue a district can raise from state equalization aid and the property tax levy is determined by multiplying the per-pupil revenue limit by the three-year rolling average. If a district had a per-pupil revenue limit of \$10,000 and a year enrollment average of 500, for example, the district could raise \$5 million.
4. The property wealth of a school district is used to determine the share of allowable revenue that comes from state equalization aid and the share that comes from the local levy. The poorer the district, the more state aid it receives. That's the "equalization" principle at work.
5. A district can also choose to set its tax levy below the maximum allowable amount, or to go to referendum if it wishes to exceed its maximum allowable levy.

— M.F.

municipal bankruptcy would require significant changes to state statutes, and even then it is unlikely MPS would qualify for protection under federal municipal bankruptcy law.

That's because MPS' fiscal problem stems from liability costs, not insolvency, which is defined in the federal statutes as not meeting debt obligations or being "unable to pay its debts as they become due."

MPS may be fiscally strained, but it's not insolvent.

Another option is a state bailout where the district's retiree health care obligations are transferred to the state. While this would certainly improve MPS' fiscal trajectory, the transfer of a \$2 billion-plus obligation to state taxpayers seems unlikely.

What about more public aid? Alternative fiscal scenarios show that even unprecedented public investment in MPS through the state funding formula and losing fewer students to choice schools will not solve the fundamental problem, only delay the inevitable.



Say for example the annual per-pupil revenue limit grows by \$500 annually, creating a 38 percent increase in per-pupil investment in MPS over the next 10 years. Still, total health care and pension costs would account for almost half (46 percent) of the state and local tax revenue sent to MPS.

Only a dramatic restructuring of how public education is delivered to Milwaukee students can stem the district's fiscal decline.

MPS does have an apparent stealth strategy.

Historically MPS advocates have complained that private and independent charter schools are cutting into district enrollments. However, there appears to be an uptick in MPS' enthusiasm for non-district classrooms, as long as the students in them are counted as MPS pupils.

In 2011-'12, 4,326 MPS students attended non-union charter schools in Milwaukee. One-year prior, only 2,471 MPS students attended non-union charters. MPS employees do not staff non-union charter schools, but the students in them are counted for state aid purposes.

The growth appears to be part of a deliberate strategy to increase the use of non-MPS providers to educate students included in the MPS school aid count. Such arrangements can give non-MPS providers additional funding, while also leaving MPS with more money to set aside for its unfunded liability.

Consider the case of Milwaukee College Preparatory.

The school, whose original campus was chartered by UWM, now enrolls 652 students in two non-union MPS charter school campuses.

MPS offered incentives for the school to come under the MPS umbrella. This included added per-pupil funding above the standard payment of \$7,775 in return for meeting specific performance goals and for providing expanded hours of instruction. More to the point, the agreement also generates new revenue for the district because it keeps a chunk of the new state aid for its own purposes.

For this approach to be a long-term fiscal solution, MPS must dramatically increase the number of students served in independent, non-union schools. However, a 1999 memo of understanding between MPS and the Milwaukee Teacher's Education Association limits the number of MPS students to be served by non-MPS providers to 8 percent of total district enrollment. Pursuing this strategy will require scrapping this agreement.

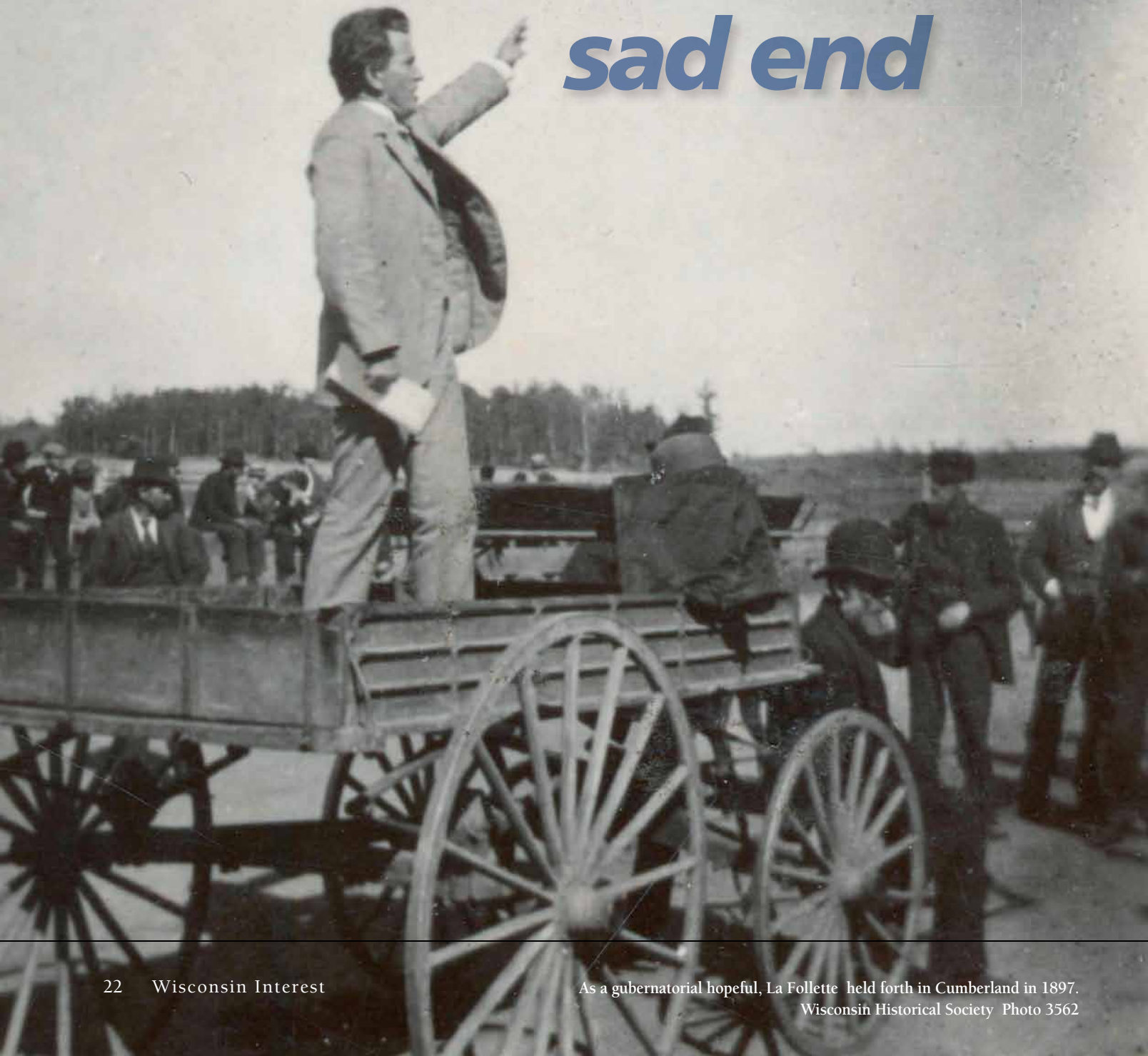
MPS is dying.

As Mavis Roesch and thousands of other MPS employees move onto retirement, the pace of the district's fiscal deterioration will increase exponentially. More money and improved leadership are not enough to save MPS. Cutting pensions and health benefits earned in good faith by MPS employees like Roesch will likely not hold up to a court challenge.

Only a dramatic restructuring of how public education is delivered to Milwaukee students can stem the district's fiscal decline. Failure to act is an implicit choice to leave Wisconsin's largest and most troubled school system with not only the state's most-disadvantaged students, but with fewer dollars to invest in teachers and classrooms. ■

Michael Ford is the research director of the Wisconsin Policy Research Institute.

Fighting Bob's sad end



Once a force for change, Progressives now battle to preserve the past

BY CHRISTIAN SCHNEIDER

In the summer of 1897, Wisconsin gubernatorial candidate Robert M. La Follette hopped on to the back of a farm wagon at the Oshkosh fairgrounds to give a speech. The wagon was positioned on the racetrack, and when La Follette started speaking, the starting bell began drowning him out. Soon, he saw horses running right at him, and he pulled the wagon off the track. When they had passed, La Follette rode the wagon right back on to the track and threatened to keep talking for the rest of the day if he wasn't allowed to finish his speech.

"The supreme issue, involving all the others, is the encroachment of the powerful few on the rights of the many!" he thundered in conclusion.

Of course, La Follette was talking about both business interests and the political machines, which, in concert, routinely bought and sold legislation in smoky back rooms.

"I believed then, as I believe now, that the only salvation for the Republican Party lies in purging itself wholly from the influence of financial interests," wrote La Follette in his autobiography. But after 112 years of La Follette's Progressive vision coming to fruition, it is worth considering: What now constitutes the state's most powerful "financial interest"?

Government unions are a good place to start.

While things like "public sector unions" and "women voting" were still dreams when La Follette was governor from 1901 to 1906, government unions now spend more than any other single group to affect campaigns in Wisconsin. And this spending is rarely intended to forge a new Progressive vision in Wisconsin. It is generally used to protect what the unions already have.

"Progressivism" used to stand for clean, honest government. Today, it merely means, "Keep your hands off my benefits."

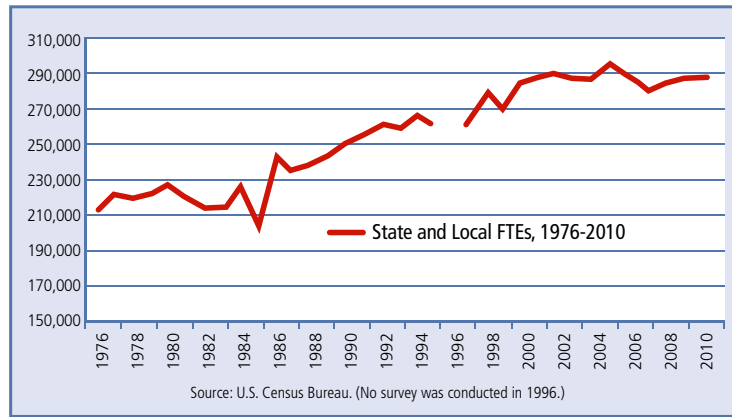
'Progressivism' stood for clean government. Today it means, 'Keep your hands off my benefits.'

One of La Follette's many sworn enemies, Republican Gov. Edward Scofield, dismissed his rage against

the party "machine" in 1900, predicting that government would one day become the same type of machine La Follette purportedly loathed. Branding Fighting Bob's avowed hostility to political machines as farcical, Scofield warned that if elected, La Follette would "build up the most complete and personal machine in the history of the state."

And in 2012, it was that machine of 284,963 Wisconsin state and local government employees and their spouses who sought to recall Scott Walker from the governorship, thereby attempting to overturn a popular election held little more than a year earlier. (The recall election is also a product of the Progressives, having been added to the state

Wisconsin State and Local Government Employees, full-time equivalents, 1976-2010



Government has become the primary employer for more and more Wisconsin citizens.

constitution in 1926 by La Follette loyalists.)

In his time as governor, La Follette could not have imagined the breadth and scope to which

government would grow in Wisconsin. In 1899, the state spent \$4.7 million on everything, from public education to universities, to the court system, to “insane county asylums.” (About 32 percent of all government was funded by railroad license fees.) That amounts to \$121.5 million in 2012 dollars, or \$58.73 per capita. This year, Wisconsin state government is scheduled to raise and spend around \$32.4 billion, or \$5,696.52 per capita.

The imposition of the nation’s first income tax in 1911 — and the commensurate revenue it produced — sparked an inexorable 100-year march toward government as the state’s largest employer. (See the chart on this page.)

Even in the past 35 years, government has become the primary employer for more and more Wisconsin citizens. Today, 71,552 more Wisconsinites are employed by state and local governments than in 1976, an increase of 33 percent.

All those new government jobs came with a cost; especially once Democratic Gov. Gaylord Nelson signed the nation’s first law allowing public sector collective bargaining in 1959. Within a decade, unionized teachers were participating in illegal

strikes to force higher salaries and better benefits. As a result, Wisconsin passed a new landmark mediation-arbitration law that virtually guaranteed that teacher

compensation couldn’t be cut.

Geographical-pattern bargaining strategies were perfected by the teachers union, forcing school districts to match the gaudy compensation packages passed in comparable districts around the state. By 2011, state government employee salary and benefit packages averaged \$71,000. In the Milwaukee school district, average employee

compensation soared to more than \$100,000 per employee — for nine months of work.

In recent decades, the growth in the cost of

government has exceeded the growth in the state’s economic output. In 1980, state spending accounted for 12.9 percent of the state’s gross domestic product. By 2010, that number had grown to 16.2 percent of Wisconsin’s GDP. (See the chart on page 27.)

The financial cost to taxpayers is just the beginning. Bob La Follette stood on hundreds of stages, wagons and soapboxes upbraiding railroads for their monopolistic practices. The railroads, he argued, preyed on the public, soaked customers for excessive fees, then turned around and bought legislators with campaign contributions.

But now that party standard-bearers are picked

The unions have dropped any pretense of bipartisanship.

through primary elections (thanks to "Fighting Bob") and not backroom dealings, the most powerful monopoly that still exists can be found in the state's public education system. Public school teachers pay millions in dues to elect politicians who vow to kill any legislation that allows parents choices in where to educate their children. "Choice" and "charter" schools are pejorative terms in the hallways of the teachers union headquarters. Mention "virtual" schools and they might throw you out a window.

Again, "progressive" has simply become political-speak for "status quo."

Often times, the aims of the teachers unions directly conflict with the needs of their own students. When Gov. Scott Walker introduced his collective bargaining reforms in February 2011, Madison-area teachers staged a "sick out," walking off the job for four days. Teachers in other districts around the state followed suit, ignoring the state law against coordinated work stoppages.

Other union rules make it nearly impossible to fire troublesome teachers. In 2006, the Cedarburg School District attempted to fire a teacher who had been caught viewing pornography on his work computer; the union sued, and an arbitrator granted the teacher his job, plus back pay with interest. Eventually, the firing was upheld, but only after great expense to the district.

Similarly, the Middleton-Cross Plains School District last year tried to fire a teacher who had been viewing and sharing pornography from his work computer. Again, the union sued, and this time, the teacher was awarded his job and \$200,000 in

back pay. In its failed attempt to fire him, the district estimates it spent \$300,000.

Of course, education's union-friendly framework is represented legislatively by the Democratic Party. And teacher unions are mightily focused on electing Democrats to positions of power. In the 2008 and 2010 election cycles, the political arm of the Wisconsin Education Association Council poured an estimated \$3.6 million into electing Democrats to state office.

The investment paid off, as Democratic Gov. Jim Doyle battled school-choice measures, lifted the statutory cap on teacher salaries, and continued to increase school funding, despite driving the state into ever-increasing structural deficits.

Liberals delude themselves in thinking public unions aren't special interests.

The unions have dropped any pretense of bipartisanship. In 2003, facing a \$3.2 billion budget deficit, Gov. Jim Doyle proposed eliminating the requirement that the state fund two-thirds of local

school costs, and granted an increase of \$26 million in general funds between 2003 and 2005. As expected, the teachers unions gave Doyle a pass, calling the budget situation "worse than grim," conceding there would be "pain on the way to recovery."

Republicans, who had gained control of both houses, believed that with such a paltry state-aid increase, school districts would simply pass the cost on to taxpayers. So the GOP shrewdly increased school funding by \$88 million over what Doyle had proposed, along with installing a commensurate cap on local property taxes that could be loosened via public referendum.

Fighting Bob's sad end

Predictably, the state's largest teacher union lost its mind. WEAC President Stan Johnson declared the Republican version of the budget would "return Wisconsin to the Ice Age" — as if children would be forced to ride mastodons to school. When Democrats propose increased spending, it's because "every kid deserves a great school." When Republicans increase spending, you'll have a saber-toothed tiger chasing you to the mall.

no longer to push to expand its benefits; it is simply to protect the status quo it has built over decades of lobbying. Loftus quotes former WEAC head Morris Andrews, who justified lobbying the Legislature and governor heavily by arguing those are the entities that "can stop bad things from happening."

In fact, being a Progressive in Wisconsin these days appears to mean you think politics began on the day Scott Walker introduced his collective



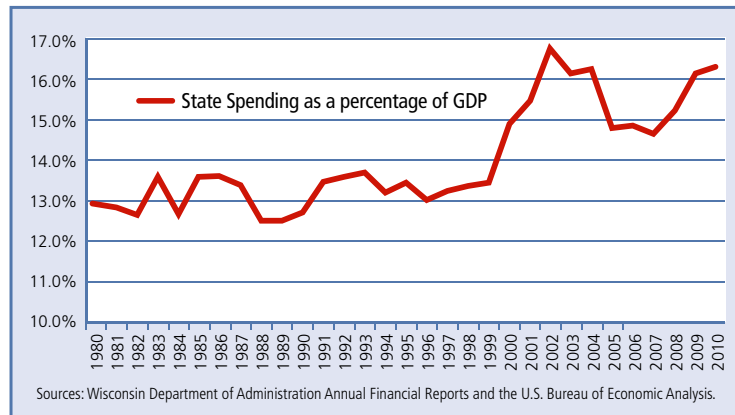
Of course, the hyperbole continued to flow from legislators tethered on the union leash. Democratic Sen. Bob Jauch said he had "a hard time understanding the Republican compulsion to take a meat ax to the children of this state." The Joint Finance Committee co-chair, Sen. Russ Decker, said the proposal was like "putting a gun to the head of public education and to students."

In his 1994 book, *The Art of Legislative Politics*, former Assembly Speaker Tom Loftus, himself a Democrat, shrewdly explained that WEAC's goal is

bargaining bill. You have to condemn the evil, right-wing Koch brothers for funding Walker's campaign to benefit themselves. You have to say things like, "Scott Walker is a liar because he never said he was going to eliminate collective bargaining during the campaign."

It isn't incumbent on you, as a Progressive, to learn that after two unsuccessful gubernatorial runs, Robert La Follette's third campaign was funded almost entirely by wealthy U.S. Rep. Joseph Babcock, who thought bankrolling La Follette would catapult himself into the U.S. Senate. According to

Wisconsin State Spending as a Percentage of GDP



In recent decades, the growth in the cost of government has exceeded the growth in the state's economic output.

author Robert S. Maxwell, in *La Follette and the Rise of Progressives in Wisconsin*:

“La Follette also received valuable assistance from the leader of the

congressional delegation, Joseph W. Babcock. This politically ambitious ex-lumberman had already served four terms in Congress and was seeking a larger field for his talents. He was quite aware of the disintegration of the Republican organization and sought to organize the machine to advance his own interests. Babcock was sure that his support of a La Follette ticket would be both popular and successful. It is probable that he thought he would be able to control the new governor and use the state organization to elevate himself to the senatorship.

“Events were to prove that he misjudged his candidate completely and vastly overestimated his own abilities, but during the campaign of 1900, Babcock’s financial assistance and organizing skill contributed greatly to its success.”

You aren’t expected to know that La Follette, in his 1900 campaign, completely changed course and positioned himself as a pro-corporate candidate to earn the approval of the public. When one supporter urged La Follette to talk about regulating railroad fees, La Follette bristled because of the backlash it might cause.

“We might, therefore, get a taxation law, but if we proposed also to push railroad regulation at

that time and assert the power of the state to fix rates, the railroads would call to their support all the throng of shippers who were then receiving rebates,” La Follette recalled in his

autobiography. Later, as governor, he would propose regulating railroad rates. (To Scofield, La Follette’s most bitter enemy, this “harmony” campaign was considered “a ruse and subterfuge of the radicals and Populists to gain power.”)

You are also supposed to forget the black marks

of Progressivism: the virulently racist eugenics of La Follette’s handpicked president of the University of Wisconsin, Charles Van Hise, who once

said, “He who thinks not of himself primarily, but of his race and of its future, is the new patriot.” You have to forget that Progressives played a part in foisting Prohibition on the nation, an unforeseen effect of which was people either blinding or killing themselves by drinking substitute alcohol made of chemicals such as paint thinner.

All that a liberal Wisconsinite needs to know about “Progressivism” is that it now means, “We like things exactly the way they are.” You must simply delude yourself into thinking government unions aren’t a “special interest.” But the lesson of the past 100 years is clear: Everyone has an interest in government; it’s just the amount of money that determines how “special” it is. ■

Christian Schneider is a senior fellow at the Wisconsin Policy Research Institute.

The subsidy game



The headquarters of Orion Energy Systems.

Great hype and uncertain success mark the repeated public investments in a Manitowoc energy firm

BY MIKE NICHOLS

Manitowoc — *Kaye Schulz worked at the old Mirro Co. here, mostly as a lathe operator, for almost 35 years. When she walked out of the plant for the very last time in September 2003, she left a well-worn pair of steel-toed shoes at the door right next to a sign with a humorous — and ominous — message: “Try filling these!”*

Everyone knew that would be a tall order for this old manufacturing city along the shores of Lake Michigan.

As far back as the late 1920s, the aluminum goods maker known to locals simply as “The Goods” employed more than 3,000 people. Philip Groll, a volunteer at the Manitowoc County Historical Society, said his grandfather and father both worked at Mirro. Along with shipbuilding, “basically, it was the city,” he says.

The company’s origins were simple. In the late 1800s, two local men, Joseph Koenig and Henry Vits, foresaw a burgeoning market for aluminum products and decided to go into business. As the market grew, so did their fortunes. And those of their neighbors. The history of the company became so intertwined



The Mirro plant was booming circa 1920.

with that of the area that there’s a room in the society called “The Mirro Room” — perhaps, Groll thinks, because company leaders helped pay for the building’s renovation.

Today, that history is all that remains. The Newell Companies, which would later become Newell Rubbermaid, acquired Mirro in 1983 and eventually shifted manufacturing to Mexico and China. The last 1,000 jobs disappeared altogether by 2003. Badly

stung, local officials tried to find a way to recover.

They didn’t sit back and wait for another Mirro, an old-fashioned capitalist stalwart that was eventually carried away by the tides of global economics. Instead, they — along with their state and federal counterparts — pinned their hopes at least in part on a very different kind of company, which they came to see as a partner: Orion Energy Systems.

Orion has a back-story politicians of all stripes find irresistible. One of the companies that sprouted up along the border of Manitowoc and Two Rivers on over 100 acres where Mirro once had a big chunk of its operations, it is to many a phoenix that arose from the Mirro ashes.

Here, they hoped, was a symbol of how America

The subsidy game

will re-invent itself in a cleaner, better way. It is also, though, an example of a new sort of government-assisted capitalism that didn't exist back in the days of Koenig and Vits.

Orion has been remarkably successful in attracting government grants and loans and plaudits from government officials and politicians right up to the president of the United States. Investors, in the meantime, are waiting for the performance to match the hype.

President Barack Obama

has been among Orion's most vocal cheerleaders.

So important was Orion to his vision of a new America that the president came to Manitowoc on the day

after his State of the Union address in January 2011. He came to praise Orion for its "hard work and ingenuity." But, in a visit to the factory, he stressed that Orion has also been supported by the Small Business Administration and by government programs that include "tax credits and awards we created to give a leg up to renewable energy companies." Indeed, Obama made Orion an example of why — from his perspective — government sometimes needs to "step in" and help private businesses in a way that the private sector finds too financially risky.

While Orion does indeed like to define itself as a "renewable" energy business, it is an atypical one. Inside the same factory where Obama spoke, it manufactures high-efficiency industrial lights, "light pipes" that capture sunlight and stream it inside buildings, and wireless control systems that reduce the use of electricity when it's not needed. The company also installs solar panels and, as a result, at one time

worked closely with the failed California solar panel manufacturer Solyndra.

All told, Orion has done work in more than 6,800 facilities of customers across the country, including some 140 Fortune 500 companies. "We are not a voodoo energy company," says Kevin Crawford, a former six-term mayor of Manitowoc who joined Orion in February 2009 and is its vice-president of government affairs and corporate communications. "Our potential is really quite immense."

So too, though, are the challenges that federal, state and local government bureaucrats and politicians have tried to help the company overcome.

Orion started out in Plymouth in the mid-1990s,

and didn't purchase the old Mirro facility plus 30 acres of land in Manitowoc and some machinery until nearly a decade later. It is true, as Obama suggested, that the company did not do it alone.

The deal was financed in part with a low-interest, \$500,000 loan from the state and the city of Manitowoc, as well as a private bank loan of approximately \$1 million secured through a Small Business Administration-guaranteed debenture, according to records. A separate \$500,000 low-interest loan from the Manitowoc Industrial Development Corp., a public entity, was also made and \$250,000 of it was eventually forgiven after the company created 100 new jobs between 2004 and 2007, records state. The list of other assistance to the company is long and includes a state jobs credit package, more low-interest loans or grants and, recently, stimulus funds that were used to help place solar panels atop the Orion factory. (See the sidebar on page 35 for a list of the



At one time Orion worked closely with the failed California solar panel manufacturer Solyndra.

government subsidies.)

By 2007, Orion was strong enough to go public and, at first, was embraced by investors — some of whom paid more than \$20 a share and, according to court documents, helped the company raise \$115 million in capital.

Manitowoc City Planner Dave Less is unabashedly proud of government's role in helping the company prosper.

"We really were a partner with them going forward," he says. "This would not have happened if we had not been a partner.

"This is a company that has done a very, very special thing up here," he adds. "They went from no employment in Manitowoc to 215 now. They have been great performers. They pay on time." Orion, he says, is a "terrific story."

It is also, though, an unfinished and, perhaps, cautionary one.

While public officials continue to adore Orion, investors have been more restrained. Throughout much of spring 2012, the company's stock price hovered around \$2, just one-tenth of what it once was, creating what one local investment adviser calls a "disconnect" between an upbeat story line and what the market actually thinks of it.

The capital raised in the successful public offering did not supplant continued — albeit modest — government investment.

Orion is no Solyndra, the California solar panel manufacturer that siphoned off half a billion dollars in taxpayer money before going belly up. But it was one of thousands of Wisconsin companies to get, for instance, a little bit of the state's \$4 billion in stimulus funds.

In July 2010 — almost a year after the Great

Recession formally ended — the Wisconsin Department of Commerce agreed to lend Orion \$260,000 in stimulus money at the low interest rate of 2%, with repayment deferred for two years. The money was for solar panels, wiring, mounting and cabling for a rooftop demonstration project at the Orion factory that once served as Mirro's distribution center, according to a project description attached to a loan agreement. In exchange, Orion promised to keep 190 full-time positions in Manitowoc through 2014 — a number the company has indeed maintained.

A status report on State Energy Program stimulus funding stated that Orion employment by late 2011 was 215. Any quid-pro-quo between the

stimulus funding and job retention, however, would seem tenuous given what the money was used for and how the rest of the \$1.4 million project was funded.

In addition to the loan and its own funds, Orion also targeted more than \$400,000 in investment tax credits, according to project documents. Plus, it received \$250,000 from the Wisconsin Focus on Energy Program that slices money off utility customers' bills and then shifts it elsewhere in an effort to reduce energy use.

It was the Focus on Energy money, in particular, that rankled Manitowoc business owner Mike Fredrich.

Fredrich knows all about the challenges of being a small business. The month after the 9/11 attacks, he leveraged everything he had to purchase MCM Composites, a maker of thermoset plastic parts that he says currently does about \$7.5 million in annual revenue and has 60 employees. Fredrich, who testified recently before the U.S. House of Representatives Committee on Small Business about the path to job creation, is worried about the weakened state of free-market capitalism.

*Orion has a back-story
politicians find irresistible:
It is a phoenix rising from the
ashes of Mirro, one of the region's
great manufacturers.*

The subsidy game

He acknowledges that MCM itself is a recipient of low-interest lending from Manitowoc's revolving loan fund — a total of \$123,000 in loans eight or nine years ago, according to the city. He thinks his company also got a tax credit one time on some lights it installed.

Last year, though, Fredrich had a revelation after MCM purchased a \$33,000 air compressor. The purchase made good sense because it saved about \$1,000 a month in electricity costs.

So he was surprised to discover that the company was eligible for a \$4,125 Focus on Energy grant.

"Is this a great county or what? We decide to buy a new compressor and the people in Manitowoc are forced to help us pay for it," he wrote in an op-ed submitted to Manitowoc's local paper, the Herald Times Reporter. "Actually, it is pitiful."

In an interview with *Wisconsin Interest*, Fredrich said he went to the president of the Manitowoc utility and tried to give the money back.

Told that wasn't possible, he eventually donated it to charity, he said. But he also learned a little about who else was getting Focus on Energy money.

Focus on Energy recipients are not usually disclosed publicly. But looking through the utility's annual report, he found that Orion had been given two large Focus grants: one for the solar project on its roof and another \$93,000 grant to help build a wind turbine on the plant's property.

"If Orion decides to make investments like these, they should do so with their shareholders' money, not money taken from the electric utility customers in Manitowoc," he wrote. "These investments need to stand on their own merit."

Although it was created by statute, Focus on Energy is actually not a government program per se. It is a statewide utility program. Fredrich is not just critical of Focus on Energy, though. He says he would not use

government lending again and is critical of the whole gamut of government subsidies.

"Compete on ideas and products," he says, "not on how well you can lobby the state and federal government."

Fredrich says he just doesn't think the role of government should be to subsidize private business. And, he adds, "the fact is, (subsidies) don't work."

Crawford, the former mayor who is now an Orion vice president, disagrees.

"It is hard for me to have a bad response to government investing, putting people back to work and helping families," he said.

At any rate, he pointed out that Orion did not receive any "sizable grants" and most of the assistance came through a revolving loan fund that helps leverage private investment. Orion has been a "great jobs generator," he said, and pays the money back into a fund that other companies can use.

If people can reduce the cost of money by using a government program, they will, he said, adding that Fredrich did it himself.

The challenge in figuring out if Fredrich is right about subsidies is there are just so many of them — and no good metric by which to judge their success.

The loan that Orion received, for instance, was just one of dozens of loans or grants made through the \$55-million State Energy Program. A primary goal of the program is to create jobs, and the state does maintain a website that tracks how many positions have been created. The answer more than three years after the \$55 million in federal money was sent to Wisconsin, according to the website: 3.95.

"A number like four does not surprise me because under the OMB (Office of Management and Budget) rules you can only count jobs that were directly created



The closed Mirro plant is a symbol of Manitowoc's past glory.

by the federal money,” says Dave Jenkins, director of commercialization and market development for the State Energy Office. “Frankly, to me that is a bunch of nonsense.”

The four jobs were created within state government to administer the grants and loans, so the number doesn't include private-sector jobs that the stimulus may have helped create by encouraging investment. Determining how many of those jobs have been created would entail examining specific projects and companies like Orion.

Orion, according to the website www.recovery.wisconsin.gov, funneled its \$260,000 to a single “vendor”: Solyndra.

Federal tax dollars weren't just used to produce Solyndra products, it

appears, they were used to buy them — meaning the federal government took care of both sides of the economic equation, both supply and demand.

Crawford disagrees with the characterization, pointing out that the \$260,000 was not a grant but a government loan to Orion that will have to be repaid.

No lasting jobs were created at Solyndra, a company that quickly failed. But it would seem nearly impossible to know whether the \$260,000 created any jobs at Orion, either — partly because there were so many other sources of money, both public and private, that were also used to fund the project and the company over time.

Responds Crawford: The public funds leveraged other investment and, because the solar demonstration project was used to stimulate business, it created jobs.

“The investment was, I think, a wise one for taxpayers,” he said.

Both he and the company's founder, Neal Verfuert, stated in an interview the day of the tour that Orion has followed through on its job creation commitments.

“We've performed in terms of job creation,” said Crawford.

“Head count, and payroll,” added Verfuert, sitting across the table from him in the company's boardroom not far from a bustling and highly modernized factory floor.

Speaking publicly at an investors' conference in the spring of 2012, Verfuert said: “We went public in December of '07, working on a five-year plan. Of course, had a little set-back as did most people with the economy for a couple years, but everything is now tracking again and we are very optimistic about what the future holds.”

Others aren't so sure.

Take George Reis, a well-known investment adviser in Two Rivers.

“It seems like, at least if you listen to the company, things are going good,” said Reis, who runs GVR Investment Management Inc. “They just don't perform with the numbers. The bottom line is the numbers are not there.”

“At one point, the stock was selling in the twenties and it's now about \$2 a share,” said Reis in mid-May. “I think the market is saying, ‘Show me the earnings.’”

There “seems to be a disconnect,” he said, between what appears to be a good story and financial performance.

Net income for fiscal year 2011 was only \$341,000, and net income for fiscal 2012 was little better at \$483,000. For fourth quarter 2012, which ended March 31, the company reported a net loss of \$157,000.

On the positive side, Orion has had large year-to-year growth in revenue: Revenue topped \$100 million for the first time in fiscal year 2012. The company announced in early June that it “expects to achieve \$250 million in annual revenues by fiscal year 2017.”

‘At one point, the stock was selling in the twenties, and it's now about \$2 a share,’ investment advisor George Reis said in mid-May. ‘I think the market is saying, “Show me the earnings.”’

The subsidy game

But there are challenges.

The stock price in early June continued to hover around \$2.25.

Crawford emphasizes that Orion has what he calls “an excellent suite of products that compete in the marketplace.” But the company’s basic selling point is that its approach cuts electricity bills, so a sharp decline in energy prices could impact sales, Roth suggests.

In addition, the company is expected to face growing competition and “while short paybacks for its products are not dependent on government subsidies or utility incentives, these programs can influence a portion of potential customers regarding purchases,” the analysis points out.

Incentives that help create markets

are common in the energy sector. For instance, manufacturers of solar panels have benefitted from federal investment tax credits given to their customers. Manufacturers of products that help transform renewable resources like wind into electricity, meanwhile, have long benefitted from states’ Renewable Portfolio Standards (RPS) that essentially help create a market for them.

Orion’s Apollo Light Pipe was granted RPS status as well when former Gov. Jim Doyle signed the Renewable Resource Credits bill in 2010, and Wisconsin, as a result, is now the first place to make “daylighting” part of its standards, according to Rusty Haynes, project manager of the Database for State Incentives for Renewable Energy in North Carolina.

At the time, Crawford called the legislation “a market transformation for the company” and was quoted as

saying it would spur sales. That hasn’t happened yet, perhaps because administrative rules are still being developed. But it’s easy to see why Crawford said it could. Meanwhile, U.S. Sen. Herb Kohl has already unsuccessfully tried to extend federal investment tax credits to buyers of the Apollo Light Pipe.

Verfuert appears unrelentingly upbeat about the company’s future.

Sitting in the company’s board room on a day that Orion stock had slipped below \$2 in late April, he expressed unmitigated confidence and suggested that a “fixation on short-term” thinking has kept the stock price down.

“It will come back around again,” he said of the stock price. “We will go from being the whipping boy to the rock star.”

That would be a very good thing for Manitowoc — and, perhaps, for those focused on reducing energy costs. Indeed, defenders of government assistance to the renewable energy industry note that the justification goes well beyond jobs. But reality is that such government intervention is often sold by touting job-creation to taxpayers who can’t

easily tell if the claims are true.

It is nearing on a decade since Mirro left Manitowoc and upended an entire community.

Kaye Schulz, the Two Rivers resident who left her shoes behind, says she worked for a while as a certified nursing assistant and has spent eight years as a seasonal worker. She also spent three weeks in 2007 as a temporary worker building lights at none other than Orion. She has no idea what happened to the old clodhoppers. But she says she knows one thing for



‘Compete on ideas and products — not on how well you can lobby government,’ says business owner Mike Fredrich.

sure. They're empty.

There has been progress in filling Mirro's shoes, others say, but new challenges, too. In fact, Thermo Fisher Scientific — which just 10 years ago employed over 1,000 people in Two Rivers — is now in the final stages of shutting down manufacturing at its old Hamilton “wood plant” as it moves manufacturing south.

Lee Brocher, the president of the Common Council in Two Rivers, makes it clear local government will

***‘It will come back around again,’
Orion founder Neal Verfuert
said of the stock price. ‘We will
go from being the whipping boy
to the rock star.’***

do what it can to encourage new development and business. To local government officials, it's just the way things are done nowadays.

“We are limited, but we will use what we have and have the state be a part of that,” he said. “Our tool chest in Two Rivers is small but we do have a healthy revolving loan fund we have used.” Government, he said, “can't sit there and be negative.”

Government, indeed, has become both cheerleader and banker. And in an age of free trade, the politicians have learned to protect and retain jobs in exchange for subsidies — at least for a while. The only problem, in the eyes of people like Fredrich and Reis, is cheers only go so far before the market has its say, and subsidies presumably can't last forever.

“Economic reality,” says Fredrich, “will eventually surface.” Companies will either have to make it or break it on their own.

Says Reis: “Show me the earnings.” ■

Mike Nichols is a Senior Fellow at the Wisconsin Policy Research Institute.

Orion's public subsidies

- \$500,000 loan through the city-created Manitowoc Industrial Development Corp. (MIDC) in 2004.
- \$500,000 loan from the Wisconsin Department of Commerce and the City of Manitowoc in 2005.
- State jobs credit package of \$350,000 in 2005.
- Another MIDC loan for \$750,000 in 2007.
- Additional \$163,000 loan from the MIDC structured as an addition to the remaining balance of the 2007 MIDC loan.
- \$854,000 jobs-related tax credit “eligibility allocation” in 2008 that the company has not yet claimed.
- \$200,000 Wisconsin Energy Independence Fund loan in 2009
- \$220,000 Department of Commerce grant in 2009.
- \$250,000 grant from the Focus on Energy program for a solar array in 2010.
- \$93,000 rebate from the Focus on Energy program related to an Orion wind turbine in 2010.
- \$260,000 loan, funded through the American Recovery and Reinvestment Act, from Wisconsin's State Energy Program in 2010.

SOURCES: Wisconsin Economic Development Corp.; Wisconsin Department of Commerce; Focus on Energy; Manitowoc Public Utilities 2010 Annual Report; City of Manitowoc

Teed



From out of nowhere, Nancy Miholland (left) and Lora Halberstadt emerged to spark the Tea Party movement in Wisconsin.

ON THE FRONTLINES OF REFORM
WITH WRITER SUNNY SCHUBERT

Before there was a Tea Party, there was a Teed-Off Party. "It was just something I dreamed up one day, after too much time yelling at the television," Racine's Lora Halberstadt remembers with a laugh.

It was early 2009. Newly elected President Barack Obama was riding high and spending big even as the nation tumbled deeper into the worst recession in 80 years.

Congress was following Obama's lead, endorsing various costly stimulus programs. "Obamacare" was in the planning stages, and the federal deficit was skyrocketing.

Halberstadt was appalled. "Every time I turned on the TV, the news was more unsettling," she says.

The Teed-Off Party grew out of a whimsical idea she had to



pass out special golf balls so she and like-minded friends could “whack the crap out of” politicians and programs that bothered them.

She bought used golf balls and had them labeled with pictures of Obama, Wisconsin Gov. Jim Doyle, House Speaker Nancy Pelosi and her “\$30-million marsh mouse appropriation, which was a jab at Congressional earmarks,” she says.

Philosophically and politically, Halberstadt and Milholland were two strangers with a common mindset: anger at the direction the nation was taking.

Others were labeled “Cap and Trade,” “Pork Projects” and “Stop Socialism.” Halberstadt paid for them herself.

But before the Teed-Off Party got a chance to take off, CNBC commentator Rick Santelli lost his cool on the floor of the Chicago Board of Trade.

His now famous rant that “the government is promoting bad behavior” happened on Feb. 19, 2009. Santelli also suggested that people fed up

with both Democrats and Republicans should come to Chicago and have the nation's second revolutionary tea party.

The Tea Party movement — Tea stands for “Taxed Enough Already” — was born.

Halberstadt found her

political home in the Tea Party — indeed, she founded the Racine TEA Party. Nancy Milholland was the first person to e-mail her.

Today, the two women are the driving force behind the Racine group, which is one of the most active Tea Party groups in Wisconsin.

But back in 2009, they didn't know each other, even though they lived only a few miles apart, both of them “east of the I.” Interstate 94 runs right down the middle of Racine County, separating the mostly urban Democratic east side from the more rural Republican west side.

Philosophically and politically, Halberstadt and Milholland were two strangers with a common mindset.

Milholland, who had spent 20 years working in sales and management for an industrial manufacturer, was laid off from her job in January 2009. Although born in Racine, she had lived in the Netherlands and Dallas before returning to Racine.

Like Halberstadt, she was angry at the direction the nation was taking.

It was almost on a lark that she attended Wisconsin's first statewide Tea Party rally, on April 15, 2009, at the Capitol in Madison, just two months after Santelli's rant.

Halberstadt was a speaker. And when she mentioned how tired she was of yelling at her TV, Milholland felt a click of kinship.

“I joined the Racine TEA Party the following Saturday,” she says proudly.

In the past three years, the two 40-something women have become close friends while building the Racine TEA group into perhaps the most active in the state.

It's hard to tell about those kinds of things, because the Tea Party is unlike the mainstream Democratic and Republican parties.

There is no Tea Party National Committee in Washington, D.C., to give local chapters their marching orders. There are no card-carrying Tea Party members because there are no cards to carry.

In fact, it was just this past April that Racine TEA formed

a Political Action Committee, which enables it to endorse and donate to candidates.

“The Tea Party is a national grassroots organization with no leaders,” explains Milholland.

“There are thousands and thousands of Tea Party groups throughout the country, including about a hundred in Wisconsin,” she adds, crediting Halberstadt's event-planning experience for insuring that the Racine group is so active.

In March 2010, the Racine TEA Party had a

bonfire that drew an estimated 3,500 people on a 28-degree day. Hundreds of seniors burned their American Association of Retired Persons membership cards to protest AARP's endorsement



Lora Halberstadt bought used golf balls and had them labeled with pictures of Obama, Jim Doyle and Nancy Pelosi.

of “Obamacare.”

That was the same year the group was instrumental in organizing opposition to a multi-million-dollar plan to build a railroad linking Milwaukee, Racine and Kenosha with Chicago. Seventy percent of Racine County voters rejected the railroad plan, thanks in part to the efforts of Racine TEA.

The Racine group has a core of about 10 people who plan events, including a recent rally where Republican U.S. Rep. Paul Ryan of Janesville was the keynote speaker. But “we have thousands on our mailing list. They are Republicans, independents and Reagan Democrats,” Milholland says

For the most part, she adds, they don’t care about the social issues that dominate the Republican and Democratic agendas.

They worry more about extravagant and wasteful government spending than about abortion rights, gay marriage and free birth control.

“I have a lesbian friend,” says Milholland, “who told me it was harder for her to ‘come out’ as a fiscal conservative than as a gay woman.”

They want less government and more personal responsibility; they don’t want stimulus packages, national health care or thousands of government regulations strangling the nation’s business sector.

Says Halberstadt: “Our children are going to have to pay for all this borrowing and spending. They’re going to pay for it for the rest of their lives, and that’s just not right.”

Neither woman blames Obama exclusively for the nation’s economic woes: “In terms of government overspending, the last two years of the (George W.) Bush administration were horrific,” says Halberstadt.

But Obama’s steady tilt to the left angers both of them.



‘We have thousands on our mailing list.’ says Nancy Milholland. ‘They are Republicans, independents and Reagan Democrats.’

“I simply don’t understand why, if you love something, you would want to fundamentally change it,” says Milholland.

The irony is that joining Racine TEA has fundamentally changed both Milholland and Halberstadt.

Milholland says that before she joined the Tea Party, her primary concern was getting her teenage daughter off to college. That mission accomplished, today she works as a political consultant.

Halberstadt has two young children, 10 and 5, and works as a design manager for a homebuilder.

Neither imagined they would ever be escorted by police through a crowd of screaming protestors, as they were during the 2010 Tax Day rally at the state Capitol, where they appeared on stage with Sarah Palin.

But they have no regrets. Indeed, they see themselves as soldiers in a fight for the souls of both Wisconsin and the nation.

“I’m doing this for my kids. Nothing is more important,” says Halberstadt, as Milholland nods in agreement. ■

Sunny Schubert is a Monona freelance writer and blogger and a former editorial writer for the Wisconsin State Journal.



Political misdirection

Candidates sometimes reveal more about themselves than they'd like

An old Democratic campaign manager once revealed to me the key to successful public relations: “The more liberal your candidate, the bigger the American flag has to be on his bumper.”

It's a simple illustration of how candidates are free to write their own narrative, no matter the facts. As George Armstrong Custer once said, his goal was “to make my narrative as truthful as possible.” Candidates are free to accentuate the things that make them look good, even if doing so provides a window into what they really think.

For instance, Republican U.S. Senate candidate Eric Hovde began his campaign this year by emphasizing his ties to Wisconsin. In one of his early TV ads, he proudly announces that he was born in the state and attended the University of Wisconsin-Madison. Surely, any candidate wants to show voters he's one of them, but Hovde has a special challenge: He hasn't actually lived in Wisconsin in a quarter of a century. Hovde's job as a hedge fund manager took him to Washington, D.C.; consequently, he's ready to don a cheesehead, paint his chest green and gold, and change his two daughters' names to “Harley” and “Davidson.”

Certainly this isn't dishonest, but it's clearly an attempt to make Hovde's “narrative as truthful as possible.” Messaging misdirection is as endemic to politics as noodles are to lasagna. They go together like “beef” and “stroganoff” or “cole” and “slaw.” (Side note: Is there any other kind of slaw? Can we drop the “cole,” or is there a “Citizens for Cole” interest group out there keeping it alive?)

On May 17, the state Department of Workforce Development issued a press release announcing new statewide jobs numbers. The new Bureau of Labor Statistics numbers were of particular interest, as the gubernatorial recall candidates were sparring

over different sets of employment numbers. Gov. Scott Walker's numbers showed the state was gaining jobs, while Milwaukee Mayor Tom Barrett relied on a BLS report indicating that Wisconsin was last in the nation in job creation over the past year.

The headline of the DWD release said it all: “Wisconsin April unemployment rate declines to 6.7 percent.” I read it and immediately thought: “Oh, no, the state lost jobs.” Because if the state had gained jobs, that would have been the headline. When the BLS numbers show the state losing jobs, the unemployment rate is the last refuge for a positive headline. Sure enough, there in the last paragraph, on the second page, was the number: The BLS estimated a loss of 6,800 in the previous month.

Barrett himself wasn't above shifting the topic. In fact, the whole recall election was a change in subject, as Barrett was loathe

Barrett himself wasn't above shifting the topic. In fact, the whole recall election was a change in subject.

to mention public-sector collective bargaining even though it was the overwhelming reason why the recall petition got traction in the first place.

At one point, Barrett issued a memo showing his campaign “gaining momentum” in the polls. Translation: “I am losing this race.”

Regular people understand how ridiculous some efforts to control the narrative can be. Imagine your spouse joyously telling you that you can spend more time together... because Ryan Braun just got eaten by a leopard that ran out on the baseball field. Or picture your wife telling you the “great news” that you can finally go buy that Harley-Davidson that you always wanted... because she's moving to Sweden with Sven, her personal trainer.

This isn't simply reading between the lines — it's reading outside the lines. So watch political ads very closely; generally, candidates will emphasize an area where they feel weakest. By trying to tell you nothing, they will often tell you everything. ■

Christian Schneider, a senior fellow at the Wisconsin Policy Research Institute, is proud that he often spends most of the day not napping.

AUTHOR OF *A NATION OF VICTIMS AND DUMBING DOWN OUR KIDS*

CHARLES J. SYKES

A NATION of MOOCHERS

AMERICA'S ADDICTION
TO GETTING
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– Paul Ryan, Member of Congress

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