Michigan Political History Society
NEWS

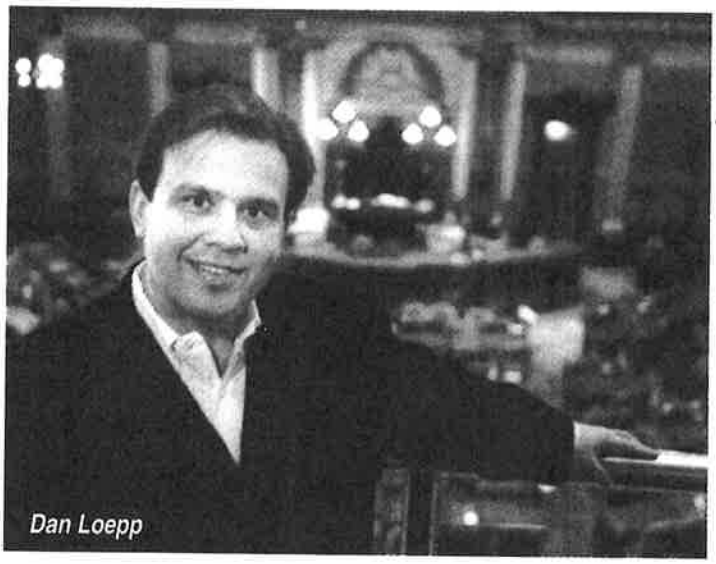
Vol. 6. No. 2 Michigan Political History Society • P.O. Box 4684 • East Lansing, MI 48826-4684 Summer 1999

# MPHS event previews Dan Loepp's new book

*Sharing the Balance of Power*, a new book by **Dan Loepp**, profiles the unique 1993-94 legislative session which followed the 1992 election tie (55-55) in the Michigan State House. The book will be published later this fall by the University of Michigan Press.

The Michigan Political History Society will host a program previewing the book on Tuesday, September 28, at the Michigan Chamber of Commerce, in Lansing. Loepp will offer commentary and former co-speakers **Curtis Hertel** and **Paul Hillegonds** have been invited to share their insights.

The 1993-94 legislative session was one of the most productive sessions in recent years in terms of recorded roll call votes and bills passed. It is also remembered for its unique power sharing arrangement. In alternating months Paul Hillegonds, a Republican, presided over the daily House sessions as Speaker and **Richard Bandstra** (now Chief Judge of the Michigan Court of Appeals) managed the House calendar as Floor Leader. During this time Democrats would serve as chairs of the House Standing Committees (each party had an equal number of members on each committee). The next month, while Democrat Curtis Hertel presided over the daily House sessions as Speaker and the House calendar was directed by Floor Leader **Pat Gagliardi**, Republicans would chair the House Standing Committees.


Dan Loepp

In 1994 Hertel and Hillegonds were named co-recipients of *Governing Magazine*'s National Public Official of the Year Award in recognition of their successful power sharing relationship. Both co-speakers went on to serve as Speaker of the House of Representatives in his own right—Hillegonds in the 1995-96 session and Hertel in the 1997-98 session.

Paul Hillegonds currently serves as President of Detroit Renaissance and Curtis Hertel is a partner with Public Affairs Associates.

Dan Loepp was Hertel's chief of staff during the power sharing session and during Hertel's tenures as minority leader (1995-96) and speaker (1997-98). Loepp is now with Karoub Associates in Lansing.

**Sharing the Balance of Power**
**Preview Program**

**September 28, 1999**
**Michigan Chamber of Commerce**

**Reception–5:30p.m., Program–6:15p.m.**

**Call 517-371-7653 to register**

# When Michigan couldn't pay its bills

*By Patrick L. Anderson*

Forty years ago, the State of Michigan went through a political cataclysm that resulted in payless paydays, seriously damaged the prospects of a Michigan presidential candidate and set the stage for a constitutional collision between the executive, legislative and judicial branches. For popular Democratic Governor **G. Mennen "Soapy" Williams** it was a defining moment. For many state employees it was a time—reminiscent of the Great Depression—when government provided scrip rather than paychecks.


"Soapy" Williams

It all started, like most donnybrooks, with a minor disagreement over a matter of large importance.

The year was 1959. Governor "Soapy" Williams (the nickname came from the Mennen family's business fortune in toiletries, including shaving cream), was embroiled in a battle with the Republican-controlled legislature over spending and taxes. Foreshadowing many future budget battles, the governor wanted to spend more than the legislature wanted to raise in taxes. While such struggles are part and parcel of every legislative session, in this instance the parties dug in for a showdown.

Soapy led the way by pushing for a new tax to be levied, on progressive terms, on what he perceived to be the wealthier elements of Michigan's society. The Republican legislature adamantly refused to go along. Meanwhile the state careened, ever so slowly, toward an inability to pay its bills.

As the cash crisis deepened, the governor attempted to borrow internally, using a surplus in one state fund—the Veteran's Trust Fund—to finance a deficit in the general fund. The 1908 state constitution would not allow such internal borrowing without the acquiescence of the legislature.

At one point in the struggle partisan feelings boiled over. The Republicans, frustrated at five unsuccessful attempts to dislodge Soapy from office, found an opportunity. In a memorable telegram, John Lovett, a lobbyist for MMA, advised GOP lawmakers, "You have Soapy over a barrel. Don't let him up until he cries uncle."

There was no backing down on either side. Finally, in May of 1959, the state no longer had the funds to honor bills. Employees went unpaid. Instead of declaring bankruptcy, like private sector organizations would, the State of Michigan actually issued a form of scrip. "Scrip," or privately issued money, is the forerunner of U.S. Treasury-issued paper money. It is a form of evidence that a third party will pay to the bearer of the scrip an amount at a future date. In this instance, the state issued "certificates" to its employees, which they could then use to obtain loans. This wasn't the first instance of government scrip used in Michigan—Detroit used the system in the 1930s—but it is one of few examples in modern times.

**"You have Soapy over a barrel. Don't let him up until he cries uncle."**

## The tax increase nobody wanted but everybody paid

After a period of public outrage, the legislature and governor agreed to a tax increase—one that Soapy did not want, however, and that most everyone knew was unconstitutional.

The new "use tax" was a thinly-disguised sales tax, raising the tax on sales of goods from three percent to four percent. The law patently offended the constitution's three

*Continued*

percent sales tax limit creating a constitutional crisis. The legislative and executive branches trampled on the constitution's sales tax limit segment in order to pay the state's bills.

The Supreme Court, in *Lockwood v. Nims*, faced this daunting issue. (It is interesting to note that the law was signed by the governor on September 1, 1959, and the case was argued, and decided, in the Supreme Court before the end of October!)

**"The new "use tax" was a thinly-disguised sales tax raising the tax on sales of goods from three percent to four percent."**

The state argued strenuously that the tax was desperately needed while the citizens who challenged the law argued that the state was evading the constitutional tax limit through a "subterfuge." The court quite properly saw beyond expediency and ruled the tax unconstitutional. Their decision reads well today:

> "We need only glance at the history of our income taxes, our gasoline taxes and other levies, which, starting as taxes in modest amounts, had risen constantly through the years. The sales tax, said our people, was not to follow this well-worn path of constant increases. It was to be limited to three cents on the dollar.
>
> At this point we take judicial notice of what every citizen knows from his daily life...A tax of four percent upon retail sales is now being collected in every city and village and township of Michigan. The citizens of this State are under no illusion—the tax payable by them upon their retail purchases has been increased above the three percent rate despite the prohibition in their Constitution."

So the "use tax" went away and the immediate cash crisis had passed. The political consequences, though, remained.

## Soapy on the National Scene

The battle embroiled the popular governor in a high-stakes political theater in his home state at a time when Democrats across the country were looking for new leadership. In the presidential election year of 1960, both parties would nominate a new candidate, **Dwight D. Eisenhower** having filled his two-term limit. With the bright dawn of the 1960s ahead, and American power at its zenith, an optimistic, energetic, progressive man like Soapy Williams was an attractive prospect.

**"With the bright dawn of the 1960s ahead and American power at its zenith an optimistic, energetic, progressive man like Soapy Williams was an attractive prospect."**

Soapy had transformed the Democratic Party and turned it into a powerhouse by assembling a coalition of urban blacks, immigrants and laborers. Michigan was an important political state and other national figures came calling—including the charismatic young senator from Massachusetts, **John F. Kennedy**. Pictures taken during one of Kennedy's visits—hanging in the lobby of Mackinac Island's Grand Hotel—can evoke wistful feelings even today.

However, the effect of the payless paydays episode on Soapy William's political career, and on the prestige of the State of Michigan, was significant. Even after the state got its fiscal house back in order, Soapy had been painted on the national stage as the governor of a state that had effectively gone bankrupt. The "over a barrel" remark proved, unfortunately, to be right on the money.

## Resultant changes to the Constitution

The budget episode also helped to usher Michigan into the modern era. After the constitutional crisis the people moved to adopt a new constitution to replace the outdated 1908 document. Even this first move required a "gateway" amendment, which allowed a majority of those voting on the

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question (as opposed to a majority of those voting in the election) to call a constitutional convention. Such a convention was called and the resultant document was narrowly adopted by Michigan voters in 1963. The revised document remains in effect today.

The new constitution featured a number of provisions that were heavily influenced by the payless payday trauma. It limited the sales tax rate to four percent, raising the three percent limit. The state treasurer was empowered to borrow among the various funds of the state, as well as to borrow within each fiscal year, making it possible for the state to internally finance short-term cash flow problems. And the governor's term of office became four years, eliminating the constant rounds of gubernatorial elections that had hamstrung Michigan in the 1940s and 50s.

**"The new Constitution featured a number of provisions that were heavily influenced by the payless payday trauma."**

The effort to amend the constitution brought to the stage another eventual Michigan presidential candidate, **George Romney**. The constitutional convention—bitterly opposed by the legislature at the time, which refused to fund even its preparation expenses—brought forward not only Romney, but **Coleman Young**, **Richard Austin** and another generation of political leaders. State Senator **Ray Murphy** is the last con-con delegate still in the legislature.

## Echoes in recent years

It's interesting to consider a similar situation, almost 40 years later, in which a wily Democratic executive officer of the United States government confronted a Republican legislature in a face-off that ultimately led to a "shut down" of the government. In this case, President **Bill Clinton** was able to paint Congress as the demon, even though the government never actually shut down, never declared bankruptcy and always paid its bills. The legislature, too, had passed a budget that would have allowed for the continuation of all government services.

It is also interesting to recall the State Supreme Court's weary but prescient observations about taxes. Despite the court's vigilance on the three percent sales tax limit, the people would later allow a four percent sales tax, and 35 years later, allow a two percent raise to a six percent sales tax. (Although this last time it was passed in return for lower property taxes.) Two rounds of tax revolt would follow. One in the late 1970s resulting in the "Headlee" amendment and one in the early 1990s, resulting in Proposal A. The "subterfuge" the Court rejected in 1959 as an end-run on the constitutional limit on sales taxes (labeling a sales tax a "use" tax) is eerily similar to the 1998 *Bolt* decision on property taxes. Proving that the same temptations arise again and again, the 1998 court determined that labeling a tax on property a "fee" could not provide escape from the property tax limit.

## A final note on Soapy

Soapy did not find his way onto a national ticket but went on, instead, to serve as an assistant secretary of state, ambassador and as a justice of the Michigan Supreme Court. He was succeeded as governor by his lt. governor, **John B. Swainson**, another man of great courage. Today Michigan's citizens remember "Soapy" as a World War II Navy veteran, governor from 1949 to 1960, a leader who helped tie the state's peninsulas together with the Mackinac Bridge and a man who cut a vivid figure in his trademark polka-dot bow ties.

*Patrick L. Anderson, managing director of Anderson Economic Group (AEG), in Lansing, Michigan, is a former chief of staff for the Michigan Department of State. The AEG web site is: www.aeg1.com. The author wishes to acknowledge the assistance of the Michigan Historical Center and former Speaker Bob Waldron in researching this article.*

Michigan Political History Society NEWS

is published three times each year by the Michigan Political History Society,
P.O. Box 4684,
East Lansing, MI 48826-4684

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# Transportation building renamed in honor of former governor Murray Van Wagoner

*By Jack Spencer*

*Much of this article appeared in MIRS Capitol Capsule, Wednesday, August 11, 1999, Issue 154, Vol. XVII. Reprinted with permission.*

Three buildings that are in close proximity to the State Capitol have been renamed to honor former Michigan governors. The Olds Plaza Office Building was renamed to honor former governor **George Romney** and the Law Building was renamed the **G. Mennen Williams** Building to honor the former six-term governor and supreme court justice.

On August 11, 1999, a third structure, the Transportation Building, was officially renamed the **Murray D. Van Wagoner** Transportation Building to honor the former governor and state highway director.

Van Wagoner was governor of Michigan in 1941 and 1942 and served as state highway commissioner, an elected position at that time, from 1933 to 1940. Following is a brief history of this colorful public servant.

In 1939, Governor **Frank Fitzgerald** (Grandfather of the current insurance commissioner and former representative from Grand Ledge of the same name) died in office. Lt. Governor **Luren Dickinson** became governor.

In the 1940 gubernatorial race Van Wagoner, a Democrat, defeated the then 81-year-old Dickinson. This was the same election year in which **Franklin Roosevelt** ran for an unprecedented third term and defeated **Wendell Willkie**.

During World War II, Van Wagoner led Michigan's development into the "Arsenal of Democracy" with such projects as the construction of an expressway linking Detroit and Ypsilanti to support the Willow Run bomber plant.

"Pat" Van Wagoner

When Van Wagoner filled out a biographical information sheet for the State Library, he wrote a summary of posts he'd held. As state highway commissioner he wrote he was "in charge of all State Roads" and as governor of Michigan he was "in charge of all People."

Van Wagoner's ancestors can be traced back to Holland. His great-grandfather came to Michigan from New York in 1820. His father, James, and mother, Florence Loomis, farmed in the "Thumb" region, near Kingston. He was born in the early minutes of March 18, 1898.

It was just five minutes after St. Patrick's Day, so the doctor said he'd call the baby "Pat" but they could name him what they wanted later. They named him Murray Delos, but Pat stuck and the Dutch boy grew up with an Irish nickname.

Pat Van Wagoner had one brother, Jacob, who grew up to own an insurance agency in Pontiac and one sister, Esther Van Wagoner Tuffy, who became a nationally-known journalist.

The family moved to Pontiac when Pat was three years old and his father was a life insurance agent there from 1902 until his death.

*Continued*

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The Van Wagoner kids kept busy when they weren't in school. Pat and his brother delivered papers for the *Pontiac Press* and, on Saturdays, they picked up empty wooden pails on doorsteps to return to a creamery to make some extra money.

While in Pontiac High School, Pat was a tackle on the football team and played in the orchestra. He'd been pals with a girl, Helen Josephine Jossman, in grade school but in high school they became sweethearts. The only dates they ever had were with each other.

***"He was described as big, breezy, boisterous, with a broad becoming smile and laughter that shouts."***

After graduating from high school in 1917, Van Wagoner worked his way through the University of Michigan's Engineering School. In addition to working nights in Marquardt's Garage, he played center on the football team until he was sidelined by a knee injury as a sophomore. He was vice president of his senior class when he graduated with a B.S. degree in Civil Engineering in 1921.

***"He often bungled the speech he was reading and blurted out remarks that aides would try to keep from getting into newspapers."***

Pat began his career as a project engineer for the Michigan State Highway Department that same year. The headquarters for his district were in Alpena, so he borrowed Helen's Model A Ford for his surveying work. Within three years he joined an engineering firm in Pontiac and he and Helen were married on June 7, 1924.

During the next six years, Van Wagoner started his own engineering firm and got into local politics. Although his family was Republican, he had to run as a Democrat to get on the ballot. He lost his bid for Oakland County Surveyor in 1928.

But in 1930, "they stuck my name on the ballot without asking me, and I was elected (county) drain commissioner," he recalled later. He was re-elected for a second term.

In 1933, Van Wagoner took office as Michigan's state highway commissioner and moved to Lansing with Helen and their two daughters, Ellen Louise and Jo Ann. He took over the job directing the greatest road building program in Michigan history.

He was re-elected to another four-year term and was responsible for the first roadside park along a state highway system and established the nation's first permanent travel information center at New Buffalo. Every time he heard of a natural spring along a highway, he'd try to purchase surrounding land so it could be used for one of the parks.

The Van Wagoner name became well known throughout the state and he ended up with a political machine of his own. He was described as "big, breezy, boisterous, with a broad becoming smile and laughter that shouts. He likes cigars, children, dogs, games and simple ways of living. Pat works hard and plays hard all the time. He's a hearty man, likes having people around him and loves the strenuous life."

In 1940, the Democrats insisted Van Wagoner run for governor and the Republicans nominated Governor Luren Dickinson as their candidate. The friendly Democrat with a ready handshake won the election.

A 5-foot, 9-inch man, who weighed about 200 pounds, Van Wagoner wasn't a good public speaker. He often bungled the speech he was reading and blurted out remarks that aides would try to keep from getting into newspapers. He was later tutored and became a competent after-dinner orator.

Although he had projects he hoped to undertake, World War II took precedence and Van Wagoner devoted most of his time to the war effort. He launched the civilian defense program and organized the home guard. He also had to see that strikes didn't interrupt the production of essential war materials and he succeeded.

When he ran for re-election in 1942, Van Wagoner was defeated by Republican, **Harry Kelly**, and returned to private business. In 1946, supporters convinced him to make another try for governor but he was defeated again, this time by **Kim Sigler**. *Continued*

President **Harry Truman** appointed Van Wagoner U.S. Governor of Bavaria in October 1947. The Van Wagoners liked Bavaria, the bread basket of Germany, but the pay was low and they returned to the U.S. after two years.

Van Wagoner brought back mounted trophies from his boar hunting expeditions in Bavaria and they still hang in the Detroit Club.

By 1950, he worked in a private firm as a consulting engineer in

> ***"Van Wagoner was an early advocate of the Mackinac Bridge."***

Detroit and the family lived in a large, rambling house in Birmingham.

At last he had time to camp in the north woods during deer season, play golf, go bowling and play bridge or poker. One of his favorite hobbies was photography, including creating home movies.

Van Wagoner was an early advocate of the Mackinac Bridge. He worked to build a causeway on the north side of the Straits in 1941. But further construction on the bridge came to a halt with the beginning of World War II. In 1950 Governor Williams appointed him to the newly-established Mackinac Bridge Authority. He was reappointed by five Michigan governors and served with the Authority until his death in 1986.

Van Wagoner and his wife were married almost 62 years when Helen died in 1986. Van Wagoner died just seven weeks later, on June 12, at age 88.

# Romney Years event draws standing room only crowd

George Romney

On June 15, 1999, the Michigan Political History Society kicked off its 1999-2000 program series with an event on the Romney gubernatorial years. Judge **Bob Danhof**, Romney's legislative and legal advisor ('63-'69) organized and moderated the event which featured a panel of six other former Romney officers: **Dick Milliman**, press secretary ('62-'64), **Walt DeVries**, executive assistant for programs and policy ('63-'68), **Glenn Allen**, state comptroller and budget director ('63-'69), **Chuck Harmon**, press secretary ('65-'69), **Art Elliott**, campaign director ('62), state party chairman ('63-'64) and **Lucille Kapplinger Hazell**, legislative aide ('63-'67).

**The Romney event was recorded by MGTV and video tapes are available for viewing. Contact MPHS for details.**

The panel discussed the 1962 gubernatorial campaign; the 1963 election held to approve the new constitution; Romney re-election in 1964 amid the LBJ landslide; key legislative battles; the 1966 GOP election landslide; the 1967 Detroit riot; Romney's failed presidential campaign; and his decision to leave the governorship and join the Nixon cabinet.

# Two people correctly identify "unknown" officer


Former governor **William Milliken** and **Chuck Harmon** both sent notes to *Michigan Political History Society News*, which correctly identified an "unknown" state official from a photo taken in the late 1950s of former members of the State Administrative Board. The photo was published in our Spring 1999 issue. The "unknown" has been identified as former auditor general **Murl K. Aten** (1947-50). The auditor general, in that era before the 1963 Constitution, was an elected state-wide office. Today the auditor general is chosen by the legislature for an eight-year term. The 1963 Constitution also requires the auditor general to be a licensed CPA.

Aten was a native of Jackson county. Instead of attending law school he was admitted to the Michigan Bar, at age 33, after four years of study under the Honorable **Leland W. Carr**, a circuit court judge and later a Michigan Supreme Court justice. Aten was chief clerk of the municipal court in Jackson and later served as county clerk and prosecuting attorney in Jackson County before his election to the auditor general office in 1946.

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