much better. In 1840, the board overspent its budget and covered it by falsifying its records.

The problem was not just corruption; it was human nature. Officials did not spend state money as wisely as they would have spent their own. If Mason, for example, had been a wealthy industrialist, would he have invested $5 million of his own money with bankers he hardly knew during a national depression? Would any of the legislators have done so?

The spending policies of the board raise similar questions. In 1838, for example, it had a bridge built over the River Rouge. The problem was that the bridge they decided to build could not carry heavy freight. The Central, not the builders, lost almost $10,000 that year hauling passengers and freight around the bridge. Since no individual owned the bridge, no one had a direct financial stake in building it well—or even protecting it. The next year an arsonist destroyed the bridge.

In another example, the board ordered iron spikes for the Michigan Southern in 1841. The contractors, however, only put one spike in every other hole along the track. They stole the rest of the spikes and, when questioned, they persuaded the board that the unused spikes were defective. The board did not own the spikes or even have to ride on the rickety railroad that resulted; they simply believed the contractors and left the track partly unspiked.

The Boy Governor, no longer a boy, left office in 1840 at age 28. He had served almost nine years as secretary, acting governor, and elected governor. During this time, he had focused so intently on administration that he had left office almost penniless. He decided to leave Michigan for New York City, his wife's home, and make his fortune there in law and business. As he entered Buffalo and made his way across the Erie Canal to New York City, he may have wondered why the experiment with an active government worked so much better in New York than in Michigan. During the next two years, however, if Mason studied local politics, he saw New York repeat Michigan's experience. State legislators in districts outside the Erie Canal area had won eight new canal projects at a cost of $9.4 million. These new canals failed miserably and caused an economic collapse in the state, forcing eight banks to close and new taxes to be imposed.

Pennsylvanians did even worse. They spent $14.6 million on a risky canal from Philadelphia to Pittsburgh. The large losses on it each year helped force the state into default on its bonds. Several other states also defaulted on their internal improvement bonds, which damaged U.S. credit abroad and made Michigan look better. How much attention Mason paid to this we don't know. He died of scarlet fever on January 5, 1843, at age 31.

Mason was gone, but his "false spirit of the age" speech in 1840 had reopened the debate in Michigan on the role of the state in economic development. Right from the start, the government lost money building and operating the state's system of canals and railroads. William Woodbridge, the governor who followed Mason, first suggested selling the railroads to entrepreneurs and getting government out of the internal improvements business. At first, many resisted the idea. Legislators wanted railroads in their districts at taxpayer expense; they worried that entrepreneurs would build them elsewhere.

"The Errors of Our Policy . . ."

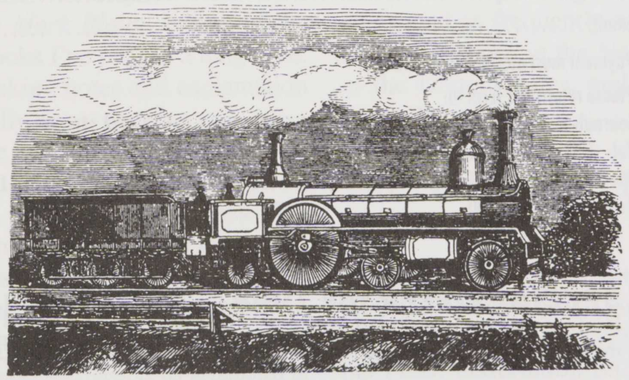
As the number of blunders on the projects began to multiply, however, more pressure came for the state to privatize. John Barry, who was elected governor after Woodbridge, echoed Mason and talked about "the spirit of the times unfortunately [becoming] the governing policy of states." Barry argued that "in extraordinary cases only . . . should a state undertake the construction of public works." He continued: "Seeing now the errors of our policy and the evils resulting from a departure from correct principle, let us with the least possible delay correct the one by a return to the other."

Thomas Cooley, Michigan's most prominent lawyer in the 1800s, observed firsthand the way the state ran its railroads. In a history of the state, he wrote, "Doubts were arising in the minds of the people whether the state had been wise in undertaking the construction and management" of internal improvements. "These doubts soon matured into a settled conviction that the management of railroads was in its nature essentially a private business, and ought to be in the hands of individuals. By common consent it came to be considered that the state in entering upon these works had made a serious mistake."

By 1846 Governor Alpheus Felch, who had followed Barry, carried the day for privatization. "The business of transporting passengers and freight by railroad is clearly not within the ordinary design of state government," Felch observed. The legislature finally agreed and voted to sell the state's public works in 1846. The state took bids and sold the Central for $2 million and the Southern for $500,000. As a result, Michigan recovered 90 percent of its investment in the Central and 44 percent in the Southern. If the losses on the canals and other projects are included, the state—through this sale—recaptured about 55 percent of its total investment in internal improvements. This decision helped the state cut its bureaucracy and also avoid bankruptcy.

As a condition of the sale, the new railroad owners had to agree to rebuild both lines with quality rails and extend them to Lake Michigan within three years. It had taken the state nine years to move the lines not much more than half-way across the state; the new entrepreneurs had to rebuild that part and complete the rest in just three years. When they did so, while keeping rates competitive, Michiganians knew they had learned something. They moved quickly to write this discovery into law.

A New Constitution

The next year, 1850, Michigan held a state constitutional convention. The proper role of government was one of the issues. The 1835 constitution, which mandated government support for internal improvements, was changed to include this: "The State shall not subscribe to or be interested in the stock of any company, association, or corporation." Further, "the state shall not be a party to or interested in any work of internal improvement, nor engaged in carrying on any such work" except for the donation of land.

The public debate that followed showed much support for the new constitution. "Looking at it as a whole," said the Grand Rapids *Enquirer*, "we honestly believe that if it had been adopted at the organization of our State Government, our State would now be out of debt, prosperous, and flourishing." In November 1850, the voters of Michigan overwhelmingly accepted the new constitution. Michigan had learned from its history. The building of railroads and the development of resources—lumber, copper, and chemicals—would be done by private enterprise. □