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“Our scholars and policy analysts have documented the perils of giving free rein to what F.A. Hayek, the great Austrian economist, called the ‘pretense of knowledge,’ or the ‘fatal conceit.’ That is the notion that a group of planners and bureaucrats should be able to outperform the marketplace in picking winners and losers. In practice, it never works out that way. When government agencies attempt to override and outsmart the marketplace, they end up picking losers and compounding failure.”

Brenda Talent, Executive Director
SHOW-ME INSTITUTE
Dear Friends:

Many people are surprised to learn that the Show-Me Institute - Missouri’s only free-market think tank – has a full-time staff of only a dozen people. Though we are a small organization, we have demonstrated the ability to punch well above our weight in the public policy arena.

The Show-Me Institute completed its sixth full year of operation in 2011. By a wide margin, this was the most productive year in our history.

During 2011, our talented staff of policy analysts and scholars produced dozens of commentaries that were published in newspapers and journals around the state. Our policy analysts appeared on numerous radio and television programs, and they testified on several notable occasions before legislative bodies at both the state and municipal levels.

There is a common theme to most everything we do. It is:

Freedom works.

That is something we never tire of saying in the course of writing articles, giving speeches, testifying before public committees, and reaching out to young people in the work we do with schools. There is no greater force than individual freedom and choice in the creation of wealth and the advancement not just of commerce and industry, but also of science and the arts... and what the Founding Fathers of this country called “the pursuit of happiness.”

We aim to inspire as many people as we can with that message.

At the same time, we want to move the needle in the here and now of public policy-making. Sometimes – as happened with a bill that came up before the Missouri Legislature in 2011 – that means saying “No” to bad public policy that has gained broad support from both sides of the aisle and from prominent business groups.

Opposing Bad Public Policy

It is easy to confuse being “pro-business” (as some people loosely use the term) with being pro-free market. The two things are not always the same.

As a free-market think tank, we are fiercely and consistently opposed to corporate welfare, or crony capitalism – which usually involves the use of taxpayers’ money to favor some businesses, industries, or technologies at the expense of others.

Over the past several years, we have not hesitated to condemn the use of state tax credits and other supposedly “business friendly” incentives skewed in favor of particular companies or industries. The fact is, business ventures that require public subsidies are rarely successful.

But the issue was never framed in quite the same way as it was in 2011 when Missouri lawmakers of both parties – joined by the St. Louis Regional Chamber and Growth Association (RCGA) and the Missouri Chambers of Commerce – threw their support behind a bill that would have provided $360 million in state tax credits for the creation of a “Midwest China hub,” or “Aerotropolis,” at Lambert-St. Louis International Airport. It seemed that nothing could stop the China hub bandwagon.

But the bandwagon was stopped – and not just once, but twice: first at the end of the regular session of the Missouri Legislature in May, and then again at the end of a 50-day special session in October.

The reader will find a fuller account of the Aerotropolis saga on pages 6 and 7.
of this annual report. Suffice it to say that our policy analysts and writers – in digging into the details of the proposed legislation – found a lethal combination of wishful thinking (in unfounded and wildly exaggerated estimates of assumed benefits) and blatant favoritism (toward certain developers who had already been on the receiving end of various local, state, and federal subsidies).

Under the searching scrutiny which we provided, Aerotropolis looked like nothing so much as a publicly supported aerial silk road to nowhere. It was that all-too-clear picture of a boondoggle in the making that turned many early supporters into skeptics and led to the defeat of the Aerotropolis legislation.

The Show-Me Institute led the way in bringing the important facts to light – and saving hundreds of millions of dollars of Missouri taxpayers’ money that might otherwise have gone to waste.

**Missouri Rising?**

According to data from the U.S. Bureau of Economic Analysis and Bureau of Labor Statistics for the years 1997 to 2010, Missouri ranked 43rd out of the 50 states in total employment growth and 45th in economic growth per capita.

Our state government is not nearly as “conservative” as many people think in the strict and narrow sense of living within its means and avoiding foolish or unnecessary expenditures.

In the past few years, the state legislature has struggled to close significant shortfalls in its annual budgets. The right solution is to cut spending and to end overly generous

(or, to be more accurate, wasteful) state tax credits.

The more you tax something, the less you get of it – and that applies to employment and production as well as products and services.

The reduction or elimination of the corporate income tax will be one of the top priorities at the Show-Me Institute as we look ahead over the next two years.

And that is just the beginning of what we need to do to turn Missouri into a go-to state for business and job creation.

We are committed to expanding school choice, privatizing wasteful or inefficient government endeavors, reducing regulatory and licensure requirements, and promoting greater competition and choice in health care.

Once again, *freedom works*. It works miracles in unleashing human energy and creativity. It succeeds where central planning fails because it stimulates people to satisfy their own needs by competing to satisfy the needs of others. But freedom is not something that can be taken for granted. It has to be constantly preached, vigorously defended, and jealously preserved.

That is the mission of the Show-Me Institute.

Sincerely,

[Croix Krueger, President]

[Reed Sangerfield, Executive Director]

The Show-Me Institute has become the go-to source for policymakers, media, and concerned citizens in demonstrating the power of market-based solutions across a broad range of public policy issues.
TAX CREDITS AND THE JOB-KILLING EFFECTS OF THE ‘DO SOMETHING’ MENTALITY

Democracy, as practiced in America, is not very good at intentionally doing nothing. Our elected officials are prone to following the advice of the Hollywood activist who declared: “We have to do something – even if it is something stupid.”

Unlike their counterparts in the federal government, Missouri lawmakers are constrained by the requirement of having to run a balanced budget. But there is one way around that requirement that encourages the foolish exercise of the “do something” mentality.

That is the use of state tax credits for targeted commercial developments.

To hear some of our leading politicians talk, you might think that money used for this purpose was free money. You might also believe that this free money would create hundreds or thousands of new jobs and stimulate much faster economic growth.

The Show-Me Institute has worked hard to dispel both of those myths.

As we have argued in many commentaries, policy studies, and other documents and media appearances, every dollar that is given away in tax credits is a dollar that must be replaced by increased taxes or cuts in existing programs.

Over the past few years, our policy analysts have cited numerous instances, in Saint Louis, Kansas City, and other places around the state, where targeted tax incentives have failed to produce promised results. The list includes failed shopping centers, convention centers, the stalled “Ballpark Village” in downtown Saint Louis, and other supposed economic wonders turned sour.

In 2011, the Show-Me Institute played a decisive role in the defeat of a plan that would have provided $360 million in state tax credits and other subsidies for the creation of a “Midwest China hub,” or “Aerotropolis,” at Lambert-St. Louis International Airport.

In a 4,000-word case study released in July, Policy Analysts Audrey Spalding and Patrick Ishmael called the Aerotropolis plan “a raw deal for Missourians.” In great detail, they described how the plan failed to address major obstacles, such as the lack of international connectivity in and out of Lambert compared with other competing airports. They also showed how the plan would direct major benefits to “a small group of businesses and private developers” at the expense of other businesses and taxpayers across the state.

Spalding and Ishmael asked a pointed question:

If, as proponents have argued, the Aerotropolis dream is viable, and one that will bring a tremendous return on investment, where are the private investors in the absence of subsidy? After all, the RCGA suggested that $300 million would yield almost $34 billion in economic activity over 20 years, a return of more than 10,000 percent.
As the question suggests, the disconnect between public risk and private gain leads to poor investment choices, which even the promoters of subsidized ventures like Aerotropolis implicitly acknowledge in making grandiose claims based on wishful thinking rather than serious analysis. No one would use the same slipshod thinking and faulty logic in trying to persuade a group of private investors to buy into a project.

It is widely assumed that tax credits are synonymous with tax deductions, but that is another misconception. In fact, tax credits are a far more powerful tax reduction tool – 16 times more powerful, to be precise. A $100 tax deduction in Missouri will reduce an individual’s income tax by no more than $6 and a corporation’s by no more than $6.25. A $100 tax credit, on the other hand, eliminates a $100 tax liability.

But the chickens are coming home to roost.

In testimony on Feb. 15, 2012, to the Missouri House Appropriations Committee, Ishmael warned legislators of the “gargantuan liability” that was building “as a result of its generous issuance of tax credits over the last decade.”

Since 2008, Missouri has issued between $425 million and $476 million new tax credits on an annual basis. The bill for those credits has grown alarmingly.

A dozen years ago, it amounted to a little more than $100 million. In fiscal year 2013, Missouri expects state tax credit redemptions to cost the state roughly $866 million. That is more money than the state spends from general revenues on prisons and public safety. It is equal to 11.4 percent of expected net general revenue receipts in fiscal 2013.

Politicians argue that even one job created through tax credits is better than none. To think in this way, however, is to engage in single-entry bookkeeping – counting jobs gained but ignoring jobs lost due to poor choices that elected officials make when they succumb to the “do something” mentality in trying to pick winners and losers.

We believe it is time to rein in the sacred cows of development tax credits, historic tax credits, and film tax credits. We need to make these and other state tax credit programs subject to strict budgetary processes and disciplines.

Rather than being automatically rolled over (or increased) from one year to the next, the legislature should make deep cuts in these programs on the grounds of inefficiency, waste, and the need to put a stop to crony capitalism and corporate welfare.

With the money that is saved, the state should reduce or eliminate the corporate income tax – benefitting not just a few businesses, but all companies across the state.

Patrick Ishmael
Policy Analyst

“Tax credits are powerful tax reduction tools, and the state has made itself subject to a gargantuan liability as a result of its generous issuance of tax credits over the last decade.”

Patrick Ishmael discusses the victory for Missouri residents represented by the defeat of Aerotropolis, and also what is needed from Missouri legislators going forward (October 25, 2011).
SAINT LOUIS LAND BANK:
FAILURE OF A MISSION

Saint Louis’ Land Reutilization Authority (LRA) is the oldest land bank in the 50 states and the biggest landowner in Saint Louis. Set up in 1971, it had a laudable mission: to speed the return of vacant, tax-delinquent properties to private, productive use.

Unfortunately, the agency has failed in that mission.

As revealed in a Show-Me Institute policy study published in February 2011, the Saint Louis land bank serves as a cautionary example of government planning gone awry, and of well-intentioned meddling that has worsened the very problem that it was supposed to solve.

Instead of speeding redevelopment of struggling inner-city neighborhoods, the LRA has turned the derelict status of much of Saint Louis’ housing stock into an unchanging and seemingly permanent condition.

What went wrong?

In “banking,” or building up an inventory of some 10,000 vacant and tax-delinquent properties, the Saint Louis land bank has a long and sorry history of waiting for miracles of large-scale development that rarely happen. In the hopes of stimulating major developments, the agency followed a policy of hoarding – or refusing to sell – many vacant properties that others wanted to buy and fix up in order to improve their neighborhoods.

As incredible as it may sound, the land bank had a de facto policy of preventing real people living in the midst of these vacant lots and crumbling buildings from taking action to rebuild their communities.

From a public policy perspective, offers to buy vacant city properties are a win-win: The city has fewer vacant properties to maintain, and private individuals take on the risk and reap the reward of rising property values. Yet, from January 2003 through December 2010, the LRA rejected offers to purchase more than 2,250 vacant city properties. Over this eight-year period, it rejected almost half of the offers it received.

In 2010, four different people tried to buy 2925 Union Blvd., the vacant city-owned property shown on this page. The agency said “no” to all of them.

The most frequent reason for rejection was that the property was being “held for future development.” Neither LRA minutes nor the short rejection letters sent to the individuals who made offers to purchase city property provided any detail or description of the future development for which the property was being held.

Audrey Spalding
Policy Analyst

“Fortunately, in responding to criticism, the LRA has begun to think and act differently. It has dramatically reduced its rejection rate since the publication of our research. Our work is giving people greater opportunity to rebuild communities.”

In 2010, four different people tried to buy 2925 Union Blvd. The agency said “no” to all of them.
The only explanation that some city planning officials would give for the high rejection rate (most officials refused to comment on this research) is that the LRA has the expertise to tell people trying to buy vacant property what they can and cannot accomplish.

Yet the LRA’s ability to tell an unsuccessful development from a successful one is doubtful, to say the least. Many of the properties it refused to sell in past years continue to sit vacant today, while some of those it sold at a discount to large-scale developers remain undeveloped. Remarkably, more than half of the parcels that the LRA owns have been in the agency’s possession for more than a decade.

Show-Me Institute Policy Analyst Audrey Spalding, the principal author of the study (“Standstill: Is St. Louis Hindering Development by Waiting for Large-Scale Miracles?”), spent a great deal of time researching the Saint Louis land bank in 2010 and early 2011. She attended its public meetings, examined its minutes, explored its history, and spoke to a number of people who had been frustrated in their efforts to purchase property from the agency.

Until Spalding trained a spotlight upon it in her 13,000-word policy study, the LRA worked in relative obscurity. Nevertheless, as she wrote, it has wielded extraordinary powers with “every hallmark of the mid-20th century urban planner’s ideal regime for land-use regulation.”

The broad powers that were granted to the LRA under Missouri’s Municipal Land Reutilization Act of 1971 allow it to handle property in almost any way it sees fit, including holding parcels indefinitely. With that kind of mandate, the LRA springs from the same kind of thinking that has led to abuse of eminent domain laws: a lack of regard for the rights and interest of small landowners, and the assumption that government knows better than the free market how to dispose of property.

Other cities should consider Saint Louis’ failures before creating land banks of their own. The LRA indeed is a study in how not to do it.

Fortunately, in responding to criticism, the LRA has begun to think and act differently. It has dramatically reduced its rejection rate since the publication of our research. Our work is giving people greater opportunity to rebuild communities.
In cities around Missouri and across the country, people witnessed a strange phenomenon in 2011: Crowds of unhappy and often unruly demonstrators built tent cities in public plazas and squares and claimed the right to “occupy” those places indefinitely as an act of protest by the bottom “99 percent” of Americans against the top “1 percent.” Many chanted “Death to Capitalism” and “This is What Democracy Looks Like.”

What made the occupiers think they could possibly speak for 99 percent of the population? That is difficult to fathom.

That said, we, at the Show-Me Institute, do not begrudge any law-abiding citizen the right to express dissatisfaction with government policies or practices. It is something that we do all the time.

At the same time, we cannot fail to register our strong belief that the occupiers had the problem wrong. In fact, they stood truth on its head. It is not an excess of capitalism that has undermined the economy in recent years. And capitalism poses no threat to democracy. If there is a real threat to our prosperity and, ultimately, to democracy, it comes from a different direction – from the growing power of government to suppress opportunity and curtail freedom, while dispensing favors to some but not to others and failing to insist upon the equal application of the law to all citizens.

In condemning capitalism and demanding greater “fairness,” the occupy movement gave fresh urgency to what we have always considered a critical part of our mission: Answering our critics and explaining why and how freedom works in creating material wealth for the many (not just the few) . . . and in making democracy possible.

In the latter months of 2011, we devoted considerable time, energy, and passion to fulfilling this part of our mission.

In one of several commentaries on the subject (first run in Missouri newspapers and picked up in national and international publications), Senior Writer and Show-Me Institute Fellow Andrew B. Wilson wrote:

The same people who are calling for more “fairness” are also calling for government’s right to claim more of your income. They are using fairness and allegations of corporate greed and irresponsibility in order to justify higher levels of government spending and increased regulation and government control of business and commerce. Everywhere – including Missouri – they aim to enlarge the public sector, even though that takes money and jobs out of the private sector.

For those who talk about “fairness,” there is no greater heresy than the real truth about free-market capitalism: It needs (and indeed requires)
minimal regulation, which is to say, open competition and free choice. In the absence of distortions caused by excessive government regulation and intervention, our free enterprise system is largely self-correcting. No one has to order growth to occur. It comes about simply and naturally – through voluntary exchange for mutual benefit. People satisfy their own needs by competing to serve the needs of others. As Milton Friedman put it, “The most important single central fact about a free market is that no exchange takes place unless both parties benefit.”

In a letter to supporters of the Show-Me Institute, Executive Director Brenda Talent elaborated on some of those same points. She wrote:

It is not true, as proponents of big government continually suggest, that the history of free-market capitalism is one of the rich preying ceaselessly upon the poor. Nor does free enterprise depend on “trickle-down” economics.

The real key is the freedom of every individual to control his or her own labor and property. In a free society, every able-bodied person enjoys the immense benefit of being able to work, produce, consume, and invest as he or she sees fit.

F. A. Hayek spoke a profound truth when he said:

“Only capitalism makes democracy possible.”

**Stopping Runaway Government**

The Show-Me Institute combines the passion of a Patrick Henry (“Give me liberty or give me death”) with the professionalism of a research organization and think tank that is active in the public policy arena. Winning the battle of ideas is the first step in any public policy issue. As Margaret Thatcher said, “You must first win the argument before you win the vote.”

During 2011, one of the ways in which the Institute helped win the argument about “Aerotropolis” was by getting even the most ardent supporters of the proposed public subsidy package to admit to themselves – and others – that the much ballyhooed benefits of the plan were the product of a great deal of wishful thinking, and, still more, that the plan might never succeed. Publisher Ray Hartmann, co-owner of *St. Louis Magazine*, wrote in one of his columns: “I also share the institute’s skepticism about whether Missouri can or will pull off the China hub deal.” Why then should elected officials go ahead and put several hundred million dollars of taxpayer money at risk on what was truly a hope and a prayer?

The short answer: They didn’t . . . after we had done our job of bringing the needed facts and analysis to public attention.

**Elizabeth Lanier-Shipp**

*Director of Development*

“The generosity of our donors empowers our staff to shine a spotlight on the repeated failures of over-reaching government – and the amazing benefits of individual freedom and opportunity. Our donors are the ones who make everything we do possible.”


**‘MONEYBALL’ FOR MUNICIPALITIES**

In “Moneyball,” the popular movie starring Brad Pitt, the general manager of the Oakland Athletics defies expectations in fielding a competitive team with a budget this is only a quarter the size of “big-market” teams like the New York Yankees. The key to his success: He drops out of the chase for “five-tool” superstars who can run, field, throw, hit, and hit for power – and looks instead for value in low-profile players who are very good at avoiding outs.

Policy Analyst David Stokes, an expert on local and state government and municipal finance, has urged mayors and city managers to practice a similar combination of frugality and inventiveness in their approach to local governance. According to Stokes, they should:

- Give no benefit to one business that they don’t give to every other business.
- Do everything they can to cut costs, reduce taxes across the board, and improve the general business environment.
- Scale back or eliminate tax abatement plans and subsidies to lure selected residents or businesses to the city.

The last point means dropping out of the chase for big-box retailers, fancy hotels, big-name businesses, and splashy commercial developments – if it takes Tax Increment Financing (TIF) and other subsidies to bring them on board.

“You have to stop playing the same game that all the other municipalities are playing with TIFs and tax subsidies for selected businesses,” Stokes said. “Compete all you want to improve the general business environment; just don’t give a benefit to one business that you don’t give to others.”

**Privatization**

The sale of inefficient or wasteful government services is one option that is open to many cities – large and small. Typically, privatization brings a threefold benefit: an immediate cash infusion from the sale of public-owned assets; lower operating costs under private management; and better service at lower rates for city residents. Privatization has the further benefit of adding assets to the property tax rolls.

Already many Missouri residents receive their water from private, regulated utilities, which provide services as well as public utilities. Saint Louis County’s water utility is privately operated, and the county has successfully privatized the low-cost pharmacy service tied to its public health clinic.

Florissant, in Saint Louis County, sold its municipal water utility to Missouri-American Water for $14.5 million in 2002 – placing $10 million into a reserve fund and using the rest of the proceeds to finance immediately needed public improvements.

Are there any lessons to be learned here for elected officials and opinion leaders in Saint Louis and Kansas City?

We would say: It is time for them to stop making excuses and accept the reality that residents and businesses are going to “shop” for the best value they can find on a consistent basis among competing communities.

**Smoker’s Dilemma**

In a pair of editorials that appeared in the St. Louis Post-Dispatch and the Kansas City Star two weeks before voters in the
two cities went to the polls on April 5, 2011, to decide whether to maintain their earnings taxes, Stokes noted that there was broad agreement that the 1 percent earnings tax helps kill jobs and businesses in our state’s biggest cities.

But he also acknowledged widespread fears that city government would collapse – or be forced into major layoffs – in the event the earnings tax was eliminated. “Call it ‘smoker’s dilemma,’” Stokes wrote. “Everyone knows that smoking kills but a habitual smoker may be convinced that he requires the steadying effect of cigarettes.”

Stokes dismissed the notion that the earnings taxes, even under a 10-year phase-out plan, could not be replaced without the catastrophic results that some predicted.

He pointed out that Saint Louis and Kansas City could begin by privatizing their municipal water divisions, which would give each city “a quick cash infusion” of hundreds of millions of dollars. After that, he said, there are many opportunities for cost savings through consolidation and regionalism – or through greater cost-sharing and cooperation between the cities and surrounding county areas.

On April 5, a large majority of voters in both cities rejected the opportunity to repeal the tax. But that is not the end of the matter. Under Missouri law, the same issue will come up before voters in both cities again in 2016 – and every five years after that.

**Tax Increment Financing (TIF)**

The multiplicity of different approaches to local government in Missouri presents an abundance of good – and bad – public policy examples.

In testimony before the Saint Louis County government on March 5, 2012, Stokes focused his remarks on the harmful effects of TIFs in providing public subsidies through long-term tax abatement for private developments.

Among the ill effects he noted: increased government management of local economies as subsidies have become a fixture in the development of communities; increased abuse of eminent domain for private purposes; and the presence of many semi-abandoned shopping centers and strip malls as anchor tenants have moved on to collect bigger subsidies from other communities.

There is one rule that would prevent remedy all of those ills. As Stokes said in his testimony: “Government should focus on keeping tax rates low for everyone, instead of artificially low for the chosen few and marginally higher for everyone else.”
Making a Difference in Our Children’s Education

All the children in Lake Wobegon are above average. In the last 10 years, the Parkway School District in St. Louis County, which currently employs more than 1,200 teachers, has terminated a grand total of five teachers. Perhaps all the teachers in Parkway are above average. More likely, poor-performing teachers continue to teach Parkway students. Parkway is far from unusual in this regard. Across Missouri, it is commonplace for school districts to go from one year to the next without terminating any teachers.

In recent months, the Show-Me Institute has made hundreds of information requests to school districts throughout the state to discover how many teachers have been terminated in the past decade. Generally, we are seeing few – and in some cases no – teacher terminations. The superintendent of Van Buren School District wrote that “There were no teachers (since 2000) that were asked to leave, terminated, or were fired by the district.”

Of course there are many outstanding teachers in Missouri schools, and most teachers certainly care about their students and are doing their best to do a good job. But there can be no escaping the need for high standards in the evaluation of teachers – given the extraordinary importance of their work. Teachers make all the difference in a child’s education.

Unfortunately, current law in Missouri protects poor-performing teachers at the expense of students in three major ways:

1. Typically, teachers are only fired for egregious misconduct, such as excessive or unreasonable absences, willful or persistent violations of laws and regulations, and felony convictions.
2. When districts reduce staff due to budgetary constraints, the most senior teachers stay on the job regardless of their fitness as teachers. School boards are obliged to thin the ranks on a last-in-first-out basis.
3. School districts are prohibited from setting salaries according to performance-based criteria. Instead, they pay their teachers based on length of service and level of education.

The Show-Me Institute supports educational reform to reward excellent teachers and force teachers with a track record of failure to find other jobs.

The 2012 session of the Missouri Legislature began with a promising attempt to end teacher tenure and require school boards to consider teacher evaluations when making decisions related to pay, retention, promotion, and dismissal.

Unfortunately, the legislature failed to pass sweeping reform. Once again, teachers’ unions opposed tenure reform. Missouri National Education Association President Chris Guinther told the St. Louis Post-Dispatch that “we’ve got to be given the protection that we need to give those kids the quality education they need.”

Teachers do not need protection. They need accountability. It is the students who need protection – from poor-performing teachers who go on teaching bad classes for years on end.

The Show-Me Institute supports market-oriented reforms that put students and parents first in the setting of educational priorities. There are two keys to better educational options for all Missouri students.

The first is increased competition. Schools and school districts should not be reservoirs of lifetime employment, with guaranteed advancement for teachers and administrators. Like employers in the private sector, they too must continually compete to attract and retain the best people.

The second is increased educational choice. Parents who cannot afford private schools should have greater choice over the schools their children can attend. For this reason, we advocate the expansion of charter schools to districts throughout the state and the use of “virtual learning” in reaching students in every geographical area.

Under current state policy, thousands of students in the unaccredited Saint Louis and Kansas City School Districts are denied quality educational options, while many students in rural districts do not even have the option to take advanced placement math and science courses.

The answer to the impasse facing our schools is not to throw more money at the problem (i.e., plowing more money into struggling districts that already rank near the top in spending per pupil). It is to inaugurate serious reforms that capture the benefits of competition and choice while giving every student the opportunity to receive a high-quality education.
HEALTH CARE: EXPAND COMPETITION AND FREEDOM OF CHOICE

In numerous articles and blog posts in 2011, we documented the negative consequences of the Patient Protection and Affordable Care Act (commonly known as ObamaCare) as it affects Missourians.

Left in place, the new law would increase unemployment, particularly for those with low incomes, because new mandates would increase the cost of hiring workers.

The Show-Me Institute opposes the idea that government should be able to force people to purchase health insurance whether they want it or not. We see this as an unwarranted infringement of individual freedom and liberty.

We also feel strongly that our state and nation should seek to expand competition and freedom of choice in health care, not restrict them, as the new law clearly does.

As of this writing, we do not know how the Supreme Court may rule on the constitutionality of the law. It could uphold some or all of the law, or it could strike down some or all of the law.

Either way, the Court will rule only on the constitutionality of the law – not its merits or shortcomings as public policy. It is our view that the law represents a misguided and unworkable expansion of government planning and control in the field of health care.

In an op-ed carried in the American Spectator, the St. Louis Post-Dispatch, and the Southeast Missourian in early April 2012, Senior Writer and Fellow Andrew B. Wilson wrote of how the “Health Care Law Violates Sound Public Policy in 10 Ways.”

We invite readers to visit our website (www.showmeinstitute.org) to read the article in its entirety. Wilson concluded with these words:

"Good public policy would encourage health care consumers to shop around and purchase insurance policies that are best suited to their own needs and spending priorities. The PPACA does the opposite. Decision-making power is turned over to bureaucrats, who pay no price for decisions that are costly or wrongheaded.”
YOUTH OUTREACH: TEACHING FUTURE GENERATIONS ABOUT FREE-MARKET PRINCIPLES

Call it the blinkered horse syndrome. It is a common affliction among those who favor free markets and limited government. Too often, they think it is enough to win key battles in the legislative arena. However, those who call for “social justice” and greater “fairness” know better. Through our schools and universities, they have worked hard and successfully to inculcate the message that there is an endlessly expanding universe of issues calling for greater government control over more and more areas of daily life.

That is why we at the Show-Me Institute have made youth outreach an integral part of our mission.

We reach many young people through our monthly book clubs: one hosted at our office in Saint Louis; and the other led by Columbia radio host and Show-Me Institute supporter Steve Spellman. The book clubs provide an informal environment where students, activists, and candidates for advanced degrees meet to discuss and debate some of the classic works of free-market economics, such as *The Law* by Frederic Bastiat and *What Has Government Done to Our Money* by Murray N. Rothbard, as well as other recent titles, such as Tim Sandefur’s *Right to Earn a Living*.

For students seeking a still deeper understanding of the free market and the world of public policy, we offer internship programs in the summer and fall/winter, which teach college students and recent graduates the research, writing, and speaking tools necessary to go into the public policy arena and fight effectively for free markets and personal liberty.

Out of dozens of impressive applicants for summer 2011 internships, we selected five very talented young people and put them to work immediately on a variety of challenging assignments. To cite just two examples:

Before departing to start his sophomore year at Georgetown University, Chad Carson wrote an op-ed in the *Springfield Business Journal* arguing against the construction of a publicly funded community center in Missouri’s third largest city that would compete against a private recreation center. He also did valuable research work for several of our policy analysts and writers for commentaries and op-eds on the proposed Aerotropolis legislation.

Bruce Stahl, a 2011 graduate of Grove City College of Pennsylvania who majored in economics and was active in Students for Liberty, contributed to Show-Me Institute case studies on tax abatement in the Kansas City area and on the use of tax credits to fund politically favored projects. Bruce stayed on with the Institute as an intern and then joined the staff in 2012. With Policy Analyst Audrey Spalding, he co-wrote a bylined article (“Land Bank Is Built to Fail”) that appeared in *The Philadelphia Inquirer* on April 2, 2012 – warning residents of that city against repeating the mistakes that the Saint Louis Land Reutilization Authority has made. Bruce is contemplating a career in public policy.
SHOW-ME EVENTS

The Show-Me Institute sponsored or co-sponsored an array of events featuring leading free-market thinkers, writers, and doers (i.e., entrepreneurs or heads of successful business organizations). Our guest speakers in 2011 included:

• Brian Riedl, lead budget analyst at the Heritage Foundation, who spoke at the Saint Louis University John Cook School of Business on “What Washington Won’t Tell You about The Next Economic Crisis.” Riedl addressed the urgent need for major entitlement reform in order to put the country back on a path of sustainable growth.

• John Fund, award-winning journalist and columnist for the Wall Street Journal, who spoke at the Kansas City Public Library on a great economist and the president who championed many of his ideas: “Milton Friedman and Ronald Reagan: An Enduring Relationship.”

• Andrew F. Puzder, chief executive officer, CKE Restaurants, Inc., owner and operator of the Hardee’s restaurant chain, who spoke at the SLU John Cook School of Business on “Job Creation: How It Really Works and Why Government Doesn’t Understand It.” Puzder spoke of the paralyzing effect on businesses of the U.S. health care reform law and other recent federal legislation that have marked a massive increase in government regulation and oversight. He said that the new legislation had caused unnecessary costs and uncertainties which far outweigh any positive effects from job creation strategies promising tax breaks for hiring new workers.

UPCOMING EVENT - SEPTEMBER 2012

Economic Policy Speaker Series at Saint Louis University John Cook School of Business

Guest Speaker: Arthur C. Brooks


Missouri Sen. Jane Cunningham, an active proponent of educational choice, at a policy breakfast on education issues.

Andrew F. Puzder, CEO, CKE Restaurants, Inc., signing books at the Economic Policy Speaker Series at Saint Louis University John Cook School of Business.

Award-winning journalist John Fund celebrating the Milton Friedman Legacy of Freedom Day at the Kansas City Public Library.

Saint Louis University John Cook School of Business and Show-Me Institute host guest speaker Brian Riedl, lead budget analyst for the Heritage Foundation, as he discusses What Washington Won’t Tell You About The Next Economic Crisis.
MEDIA

Sometimes a simple phrase becomes the dramatic turning point in a debate. Who can forget Ronald Reagan’s remark to Jimmy Carter in the 1978 presidential debates: “There you go again”?

There was a moment like that on public television KETC in Saint Louis on Nov. 10, 2011. One of the regulars on the Donnybrook show – a well-known local newspaper columnist – objected to charter schools on the grounds that they might cause the public education system as a whole to fail. Appearing as a special guest on the show, Show-Me Institute Policy Analyst Audrey Spalding shot back:

“I don’t want the system to succeed. I want the kids to succeed.”

Spalding’s remark struck a chord with many viewers. Put in that way, who would not agree that the school system should exist for the children, and not the other way around?

In doing ground-breaking research, and in expressing a compelling and consistent free-market philosophy across a wide range of policy issues, the Show-Me Institute has become a go-to resource for Missouri media.

On any given day, no matter where you are in the state, if you listen, watch, or link to the media, the chances are good that you will encounter something one of our staffers or scholars has written for publication or is saying on the air.

Certainly, 2011 was a banner year for us in media coverage. Our scholars, policy analysts and writers produced work that resulted in 479 media hits in 2011, up from 398 in 2010.

Our analysts and writers produced 50 commentaries (up from 31 in 2010), and we placed articles in the Columbia Tribune, Columbia Missourian, Joplin Globe, Kansas City Star, Missouri Record, Sedalia Democrat, Southeast Missourian, Springfield Business Journal, Springfield News-Leader, St. Louis Beacon, St. Louis Business Journal, and St. Louis Post-Dispatch.

Our writers also produced articles that appeared in national and international publications, including Air Cargo, American Spectator, Daily Caller, Forbes Online, National Review Online and The Weekly Standard Online.

Radio and television continued to be an important element in our media strategy. Show-Me Institute scholars and staff were interviewed on the following television programs: the Jaco Report on Fox 2 News in Saint Louis,
Donnybrook on KETC in Saint Louis, the Craig Cheatham show on KMOV in Saint Louis, and Conversations with Lee Presser on Charter Cable.

In addition, our people were interviewed on more than two dozen radio shows on stations across Missouri.

**Interactive**

As befits our name, the Show-Me Institute is living up to its name in showing Missouri residents the effects of public policy upon their daily lives from multiple perspectives—and in video as well as print.

Over the past year, the Institute has greatly expanded and improved its multiple websites (www.showmeinstitute.org, www.showmedaily.org, and www.showmeliving.org), and enhanced its Facebook page and Twitter account. Under the leadership and coaching of Communications Director Rick Edlund, formerly the managing editor and lead anchor at KPLR-TV in Saint Louis and, before that, a four-time Emmy award winner as the lead anchor at KSDK-TV in Saint Louis, our policy analysts and writers have become as confident and proficient in appearing on television and radio programs as they are in doing economic research, writing policy and commentaries, and giving testimony before governmental bodies.

During 2011, we produced almost three times as many 3- or 4-minute videos as we did in 2010. We now use videos to illustrate and expand our coverage of almost everything we write about—traveling to homes and offices to conduct interviews and capture the people directly affected by issues or problems such as failing schools, excessive regulation or red tape, and the displacement of residents and businesses through the use of eminent domain in the subsidized development of shopping centers and other commercial developments.

“Freedom and liberty aren’t just words,” Edlund said. “They are everyday goals here at Show-Me. By constantly pushing for good, responsible government, we help ensure a better future for our children and all Missourians.”
INCOME

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Note: The board of directors has made a commitment to cover the basic operational expenses of the Institute. The board has also completely covered overhead expenses. Since 2006, donations from supporters have funded education and research exclusively.

EXPENSES

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STATEMENT OF FINANCIAL POSITION

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Jeff Crowe
Teacher at Rockhurst High School

“I support the Show-Me Institute for these two main reasons. First, overreaching government denies us the opportunity to directly involve ourselves within our communities. Second, if we do not defend freedom and support liberty, we stunt our human dignity.”
Crosby Kemper III - Chairman

Crosby Kemper III is executive director of the Kansas City Public Library and former CEO of UMB Financial Corporation. He co-founded and is chairman of the Show-Me Institute. He is the editor of, and contributor to, *Winston Churchill: Resolution, Defiance, Magnanimity, Good Will*. He has served on the boards of the Thomas Jefferson Foundation, the Kansas City Symphony, the Black Archives of Mid-America, Union Station Kansas City, and *Lapham’s Quarterly*. He helped Marilyn Strauss found the Heart of America Shakespeare Festival and was its first board chair. He also founded and chaired the St. Louis Shakespeare Festival. He received a bachelor’s degree in history from Yale University.

Rex Sinquefield - President

Rex Sinquefield is co-founder and former co-chairman of Dimensional Fund Advisors, Inc. He also is co-founder of the Show-Me Institute. In the 1970s, he co-authored (with Roger Ibbotson) a series of papers and books titled *Stocks, Bonds, Bills & Inflation*. At American National Bank of Chicago, he pioneered many of the nation’s first index funds. He is a life trustee of DePaul University and a trustee of the St. Vincent Home for Children in Saint Louis, and serves on the boards of the Saint Louis Symphony Orchestra, the Saint Louis Art Museum, the Missouri Botanical Garden, Opera Theatre of Saint Louis, and Saint Louis University. He received a B.S. from Saint Louis University and his M.B.A. from the University of Chicago.

Kevin Short - Vice Chairman

Kevin Short is managing partner and CEO of Clayton Capital Partners. In addition to contributing to various national trade and business publications, he is the co-author of *Cash Out Move On: Get Top Dollar And More Selling Your Business*. He is chairman of the Today & Tomorrow Educational Foundation, past president of the Board of Education and current chairman of the Finance Council for the Archdiocese of Saint Louis, board member of the Children’s Scholarship Fund, and past member of the Chess Club and Scholastic Center of Saint Louis.

W. Bevis Schock - Secretary

Bevis Schock is a lawyer in solo practice in Saint Louis. He founded the Shrink Missouri Government PAC, which challenged the constitutionality of Missouri’s campaign contribution limits before the United States Supreme Court in 2000. He received a B.A. in history from Yale University and a J.D. from the University of Virginia.

Joe Forshaw - Treasurer

Joseph Forshaw is president and CEO of Saint Louis-based Forshaw, a family-owned business founded in 1871. He has served for several years as an advisory director for Commerce Bank, and is the managing partner of several family real estate partnerships. An alumnus of Saint Louis University High School, Forshaw received both his B.A. and J.D. degrees from Saint Louis University.

Stephen F. Brauer - Director

Stephen Brauer is chairman and CEO of Hunter Engineering Company. From 2001 to 2003, he served as U.S. Ambassador to Belgium. He has served on numerous charitable and civic boards, including the Saint Louis Area Council of Boy Scouts, the Saint Louis Art Museum, and the Missouri Botanical Garden. He is a trustee of Washington University in Saint Louis, a member of its executive committee, and a part owner of the St. Louis Cardinals.

James G. Forsyth III - Director

James Forsyth is president and CEO of Moto, Inc., which operates the MotoMart chain of gas stations and convenience stores. He is also president and CEO of two other family-owned businesses: Forsyth Carterville Coal Company and Missouri Real Estate. He serves on the boards of St. Luke’s Hospital, YMCA of Southwestern Illinois, and Commerce Bank of Saint Louis. He has served on the boards of Webster University and Forsyth School. He holds a bachelor’s degree in economics from the University of Virginia.

Louis Griesemer - Director

Louis Griesemer is president and CEO of Springfield Underground, Inc. He previously served as chairman of the National Stone, Sand, and Gravel Association. He currently serves on the Advisory Board for UMB Bank in Springfield and on the board of Burgers’ Smokehouse in California. He holds a bachelor’s degree from Washington University in Saint Louis.

Hon. Robert M. Heller - Director

Robert Heller is a retired judge who served for 28 years on the Shannon County Circuit Court in Missouri, where he presided over a broad range of civil and criminal cases both locally and throughout the state. He has served as a member of several Missouri court-related committees and as a district chair for the Boy Scouts of America. He holds a J.D. from the University of Missouri-Columbia and a B.A. in philosophy from Northwestern University.
Michael Podgursky - Director

Michael Podgursky is a professor of economics at the University of Missouri–Columbia, where he served as department chair from 1995 to 2005, and is a fellow of the George W. Bush Institute. He has published numerous articles and reports on education policy and teacher quality. He serves on advisory boards for various education organizations, and editorial boards of two education research journals. He earned his bachelor’s degree in economics from the University of Missouri-Columbia and a PhD in economics from the University of Wisconsin-Madison.

Gerald A. Reynolds - Director

Gerald A. Reynolds is general counsel, chief compliance officer, and corporate secretary for LG&E and KU Energy. He also was a deputy associate attorney general in the U.S. Department of Justice. In 2004, President George W. Bush designated Reynolds to serve as chairman of the U.S. Commission on Civil Rights, and in 2002 appointed him assistant secretary of education for the Office of Civil Rights. He received his law degree from Boston University School of Law and his B.A. in history from City University of New York.

Steve Trulaske - Director

Steve Trulaske is owner of True Manufacturing Company, which his father, Bob, co-founded in 1945. He has served on the Board of Trustees for DePauw University and John Burroughs High School, and is a member of the Board of Directors for the Weber Grill Company. He has been an active member of the Young Presidents’ Organization and now is a member of the CEO Organization. He graduated from DePauw University with a bachelor’s degree in English; he also earned a master’s degree in sports administration as well as an MBA degree from Ohio State University.

Advancing Liberty with Responsibility
By Promoting Market Solutions for Missouri Public Policy