



# SHOW-ME

## newsletter

APRIL 2014

### Tell Us Your Stories: What Is Your Experience With Obamacare?

*By Patrick Ishmael*

Over the last year, the Show-Me Institute has dug into the Affordable Care Act (ACA). We have examined what the law actually says and its repercussions for health care, the economy, and Missourians.

But the personal stories are missing. To that end, we want to hear and tell your stories. Specifically, we want to hear what you have to say about the law and its personal impact on you, how it has affected you, your friends, and your families.

We have a brief survey that we are asking you to fill out regarding your experience with the law. When telling your story, keep in mind some of the

following questions to address as well:

- What worries you about the ACA?
- How has your health care been affected?
- What would you change about the health care system in America?
- What does genuine health care reform look like to you?

Thank you for your participation. Please visit the link listed below, and feel free to share this with your friends because we want to know their stories as well.

<http://showmeinstitute.org/outreach/122-survey/1078-tell-us-your-obamacare-story.html>



## A Message From The Chief Executive Officer

*Brenda Talent*

The Show-Me Institute works with scholars who know that free-market capitalism has been the greatest engine for economic growth — and for improving people’s lives — in the history of mankind. This truth has tremendous power, and we are relying on it to uproot an entrenched status quo and change the public policies of our state. Our efforts are having an impact across Missouri. We have spent years building strong relationships with the media and policymakers on the state and local levels. As a result, on a daily basis, newspapers and blogs publish our work, and our policy staff discusses our ideas on radio and local news.

Public officials seek out our staff and research when they are crafting legislation, and grassroots activists turn to us when they battle City Hall or advocate for change with their legislators.

For example, the Show-Me Institute has pointed out the significant issues in the proposal to build a new airport in Kansas City. Western Missouri Field Manager Patrick Tuohey and

Policy Researcher Joseph Miller have exposed the gaps and flaws in information that the Kansas City Aviation Department has provided to Kansas City citizens. Now, the city is rethinking the current plan, and Kansas City officials have begun a new process that will include all affected parties. We have high hopes that a better plan will emerge, and we will not stop fighting until it does.

Last year, a group of state lawmakers approached Policy Analyst Patrick Ishmael for ideas on market-based reform of Missouri’s Medicaid program. Legislation containing our ideas was introduced recently. Also, for the second straight year, legislation that would cut taxes has been introduced; it is based on the work of Ishmael and Policy Researcher Michael Rathbone.

Director of Education Policy James Shuls was asked to review a proposed bill to implement a tax credit scholarship program in Missouri. Several state senators also have reached out to Shuls regarding

the Common Core State Standards. Shuls was invited to deliver the lead testimony in support of a bill that allows local boards, administrators, and parents to determine the best standards for their schools. The bill recently passed out of a House committee.

Director of Local Government Policy David Stokes is regularly asked to testify about the harmful effects of tax subsidies such as Tax Increment Financing (TIF) and Enhanced Enterprise Zones (EZZs). He has traveled the state to educate local leaders and engaged citizens about these handouts that benefit the city and developers while harming other taxing entities.

Our goal is to be the go-to source for the media, policymakers, and others who are interested in the potential of freedom and free markets. I am proud to say that we have realized that goal, and we will continue working to increase our reach and influence. We are regularly asked to speak before community, business, and citizen groups, and we make it a high priority to do so.

George Will once said, “a long life in journalism and around Washington, D.C., has taught me not just that ideas have consequences, but that only ideas have large and lasting consequences.” He was right. But ideas cannot have consequences unless someone develops them, documents them, and works tirelessly to bring their power to bear on the process of making real change. At the Show-Me Institute, that is our job, but more than that, it is our vocation. We are proud of our accomplishments, and hopeful about the future. Thank you for supporting our efforts.

# Ways To Enhance Freedom And Economic Growth

By Andrew B. Wilson

Here are five market-oriented resolutions for a more prosperous 2014:

## 1. Privatize the United States Postal Service (USPS).

The United States should follow the lead of other western nations in deregulating and privatizing mail service. It is a form of economic insanity to require daily delivery of mountains of mostly junk mail to U.S. households. The USPS should have to compete with FedEx, UPS, and other private concerns in the delivery of first-class mail.

## 2. Follow suit with other public services.

Look for other ways to benefit consumers and taxpayers by deregulating or privatizing other public services, with airports, roads, and public utilities at the top of the list. Europe has widespread airport privatization and greater reliance on market forces to allocate scarce resources.

## 3. Do not buy the “living wage” rhetoric.

Recognize the folly of calls to increase the minimum wage (now \$7.25 nationally and \$7.50 in

Missouri) to \$10 or more at a time of sky-high youth and minority unemployment. Why would a fast-food restaurant (or any other business) want to hire someone for \$10 an hour who adds – say – only \$6 an hour in additional profit (before counting the cost of his wages)? To do so would be to accept a \$4-an-hour loss. Raising the minimum wage thus has the perverse effect of *causing* unemployment. It artificially reduces the demand for labor and makes the first rung on the job ladder higher than it ought to be for young and unskilled workers.

## 4. Break the health insurance oligopoly.

The next stage in the seemingly never-ending debate about health care may be between full-scale nationalization – as one way of rescuing the Affordable Care Act from going into a full-scale “death spiral” in 2014 – and the creation of a much more market-oriented system than the *status quo ante*. The starting point for a market-oriented approach should be in freeing insurers to compete across state lines on both price and range of product offerings, without a great assortment of government dictates or mandates at either the state or federal level.

That would give individual consumers the right to buy low-cost, low-priced health insurance from a far larger universe of sellers. And it would cause big insurers to lose the monopolistic or oligopolistic positions they have built up over the years through assiduous lobbying at statehouses around the country. Their cozy arrangements with state regulatory offices have resulted in mandates to cover everything from hair pieces and contraceptives to acupuncture

and marriage counseling. Opening the insurance market to open-ended interstate commerce will cause all producers (both insurers and health care providers) to reduce costs and look for more and better ways to satisfy the health care customer.

## 5. Choose growth over class warfare.

Be prepared for the proponents of big government to try to turn every debate (whether it is about health care, privatization, the minimum wage, entitlement reform, curbing the power and privileges of public sector unions, or any other issue) into another rant on what President Obama has called “the defining issue of our time” – namely, income inequality. However, the president and others greatly exaggerate income disparities between different quintiles in the distribution of income by ignoring the effects of high taxes on high earners and – for lower earners – the effects of income tax rebates, food stamps, and other welfare. One study finds that income inequality actually declined between 1993 and 2007 – after adjusting for taxes and transfer payments.

But the real takeaway here is what the poor and the middle class really need in order to achieve a better life for themselves and their children. That is faster growth, not more income redistribution. It is the opportunity for self-improvement, not the fallback of welfare dependency.



# Announcing Show-Me Institute's New Releases

**The Show-Me Institute policy staff has been busy researching, analyzing, and writing about the issues that affect you. We have released several policy papers since the start of 2014, including:**

## **Available Seats? Survey Analysis Of Missouri Private School Participation In Potential State Scholarship Programs**

*By James V. Shuls, Ph.D.*

Many families find that the district-run public schools in their areas simply are not the best option for their children. This essay explores the data on what parents want, what private schools can supply, and how much taxpayers could save.

## **Justifying Boeing: A Post-Mortem Analysis On The Process**

*By Joseph Haslag*

Missouri's General Assembly passed legislation that would provide \$1.7 billion in tax incentives to Boeing conditional on the company locating all or part of the assembly plant for the 777 aircraft in Missouri, but Boeing decided to stay in Washington. In this post-mortem review, the process used to justify the Missouri tax incentive package is examined.



## **Government Privatization In Missouri: Successes, Risks, And Opportunities**

*By David Stokes*

This paper documents the variety of ways in which counties, cities, and towns can engage the private sector to effectively provide public services. The study discusses the many public service areas where privatization is appropriate and potentially beneficial, along with the areas it is not.

## **Missouri Transition Costs And Public Pension Reform**

*By Andrew G. Biggs*

Some elected officials have proposed shifting public employee pensions to cash balance or defined contribution plans. A potential obstacle to such reforms are so-called "transition costs." The paper discusses why claims of large transition costs are almost entirely mistaken and should not stand in the way of reform.



## Move Missouri's Medicaid Program Forward, Not Backward

*By Patrick Ishmael*

The Affordable Care Act originally required states to expand their Medicaid programs or lose all funding for their states' Medicaid programs. However, this policy brief explains that Medicaid needs to be reformed, not expanded with debt-addled Washington spending. Free-market ideas can take Missouri in a better direction.

## Live Free And Learn: A Case Study Of New Hampshire's Scholarship Tax Credit Program

*By Jason Bedrick*

Policymakers have sought innovative methods of expanding educational opportunities, including scholarship tax credit (STC) programs. This paper summarizes the available research on STC programs in general and presents a case study on New Hampshire's STC program in particular.

## Giving Arizona Children Better Opportunities In Education: A Case Study Of The Nation's Oldest Tax Credit Scholarship Program

*By Jonathan Butcher*

This study outlines Arizona's three tax credit scholarship laws, one of which is the nation's oldest such program. This paper also summarizes research on the cost-savings that the scholarships provide to taxpayers.

### Fast Facts

This collection of 4-page brochures gives a brief description of some of the policy areas upon which we focus, including: the Missouri budget, public pensions, property taxes, sales taxes, school choice, teacher tenure, and transportation.

These policy papers, brochures, and much more can be found at [www.showmeinstitute.org](http://www.showmeinstitute.org). Stay tuned as we release several additional papers about education, Missouri's economic performance, and public pensions in the next couple of months.

# Show-Me Institute Staff Developments

## The new year brought some changes to the staff at the Show-Me Institute.

---

- **David Stokes** has been named director of local government policy.
  - **James Shuls** has been named director of education policy.
  - **Sara Addison** has joined the Institute as the new development assistant.
  - The Institute also welcomes **Emily Watson** as our intern this semester.
-

# Privatization Can Benefit Missouri Taxpayers

By David Stokes

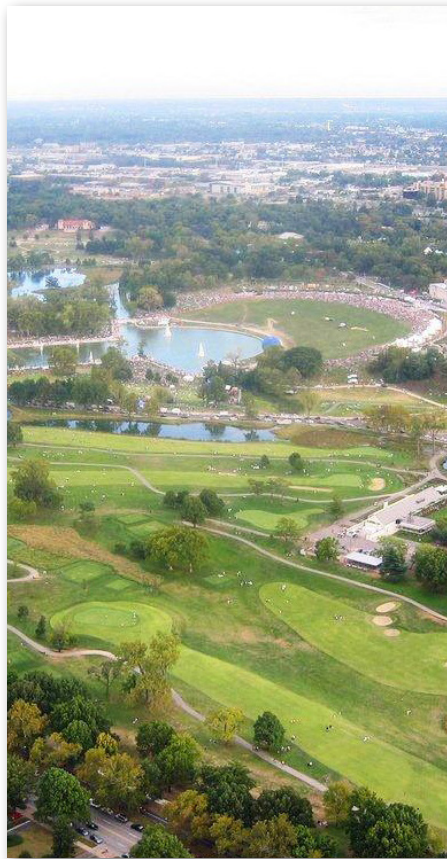
When I was growing up, I regularly played golf at the Forest Park municipal golf course in Saint Louis. Later, in my high school and college years, I noticed that the quality of the course was improving, a lot. This happened at the same time (late 1980s) that the city of Saint Louis outsourced the management of the golf course to a private company. As the outsourcing, or privatization, of the golf course has continued, the quality of the course has continued to improve. I doubt you would find one golfer familiar with the course before and after who thinks the outsourcing of its management and operations did not significantly enhance it.

That same type of story is repeated throughout Missouri. Good government need not be big government, and the public sector does not have to provide public services in every case. There is a role for private delivery, often regulated, of public services in Missouri. In many cases, the private sector can deliver those services more affordably and at a higher quality than the government.

Southwest Missouri is home to one of America's most enterprising privatization projects. The Branson Airport is America's only fully private commercial airport. In a capitalist system, not every business attempt succeeds, and the Branson Airport may yet fail. But if it fails, private

investors will be out their own money, unlike Mid-America Airport in southern Illinois, where local governments have had to continually fund that little-used white elephant.

On the other end of the spectrum is City Utilities (CU), Springfield's municipal behemoth. Missouri's



other large cities are primarily served by private utilities. Those private utilities pay taxes, face more regulations, earn a return on investment, and still charge comparable rates to CU. Springfield needs to consider following the

example of Florissant, Mo., a decade ago, and divest itself of its public utilities.

Research has shown that privatization works best when the driving force is pragmatism, not ideology. Politicians and voters can still debate about what services should be provided as part of the eternal debate about the role of government in our society. But privatization is more about how those services are provided, not whether they should be.

There are certain roles that should always belong to the government, such as police powers, and never to the private sector. Furthermore, the role of government regulation in many privatized public services is important, such as regulation of private utilities. Finally, in some instances, such as animal control, private partnerships with non-profit groups may be preferred to for-profit companies. Whatever way you look at it, there are numerous examples, such as Cox Health operating ambulance services in Christian County or the existence of private libraries in Taney County, where privatization can provide better services at lower costs for Missourians. Just play golf at Forest Park to see the evidence.

\*\*\*

Various versions of this commentary appeared in the following publications during February: the *Southeast Missourian*, the *Columbia Daily Tribune*, the *Springfield Business Journal*, and the *Springfield News-Leader*. It also ran as a commentary on St. Louis' KWMU Public Radio.



# Kansas City Streetcars: Residents Wary Of Promises From City Hall

By Patrick Tuohy

After approximately 10 defeats in previous elections, Kansas City's streetcar proponents are at it again. Having passed a 2-mile starter line in what the Show-Me Institute's chairman referred to as "the single-most undemocratic election in Kansas City since the Pendergast era," streetcar supporters now are seeking a special transportation taxing district to extend the line elsewhere in the city.

To help pay for the project, the city is proposing both a 1 percent sales tax increase in the district as well as a special property assessment for one-half mile on either side of the line. This special assessment will equally hit homeowners, commercial interests, and non-profits such as churches.



Show-Me  
Institute's  
chairman called  
the passage  
of the 2-mile  
streetcar line  
"the single-most  
undemocratic  
election in Kansas  
City since the  
Pendergast era."

Researchers at the Show-Me Institute are helping Kansas Citizens understand the impact of these increased taxes and assessments and the dubiousness of the economic development that supporters say will follow. In fact, one member of the Kansas City City Council said, "The dominant goal is not to have a lot of people ride it. The dominant goal is to develop the city."

Yet a review of the research literature regarding streetcars across the country indicates no support that streetcars themselves lead to economic development. What does contribute to economic development are the tax abatements, Tax Increment Financing (TIFs), and corporate welfare that go along with street-cars — and even then it is difficult to demonstrate a net gain. But as is already happening in Kansas City, proponents claim credit for any positive economic news along the proposed route — even before it is built.

Kansas City voters are wary of big promises from City Hall, especially when it comes to streetcars. The Show-Me Institute is producing quality research that informs citizens' views and leads to sound municipal policy.



4512 West Pine Blvd.  
Saint Louis, MO 63108

Visit us at:

[showmeinstitute.org](http://showmeinstitute.org)

View State Government Spending:

[showmeliving.org](http://showmeliving.org)

Read Our Blog:

[showmedaily.org](http://showmedaily.org)

Use Our Interactive Database:

[showmedata.org](http://showmedata.org)

Find Us on Facebook:

[facebook.com/showmeinstitute](https://facebook.com/showmeinstitute)

Follow Us on Twitter:

[twitter.com/showme](https://twitter.com/showme)

## UPCOMING EVENTS

### Join Us For The Speakers Series Featuring *Casey B. Mulligan* *Thursday, April 10*

The Show-Me Institute, Saint Louis University John Cook School of Business, and Sinquefield Charitable Foundation present the 13th in the Speakers Series on Economic Policy.

Guest speaker Casey B. Mulligan, Ph.D., will present “The Redistribution Recession” on Thurs., April 10, 2014. The reception begins at 5:30 p.m. with the lecture at 6 p.m. in the Saint Louis University John Cook School of Business Anheuser-Busch Auditorium (3674 Lindell Blvd. at Spring Ave. in St. Louis). Valet parking is provided at the Pius Library circle located off Lindell



Blvd. Garage parking will not be validated for this event.

Casey B. Mulligan is a professor of economics at the University of Chicago.

To register, visit [casey-mulligan.eventbrite.com](http://casey-mulligan.eventbrite.com).

\*\*\*

Mark your calendars for these upcoming Show-Me Institute events:

*April 25*  
*8-11 a.m.*  
*Education Tax Credits Forum at*  
*Lindenwood University*

*Featuring:*

*Jason Bedrick, policy analyst at the*  
*Cato Institute*

*Jonathan Butcher, education director at*  
*the Goldwater Institute*

*Paul DiPerna, research director at the*  
*Friedman Foundation for Educational*  
*Choice*

*May 6*  
*7:30-8:30 a.m.*

*Show-Me Forum at the Hy-Vee in*  
*Columbia*

*Legislative Update*

*With invited guests Missouri Rep. Chris*  
*Kelly and Missouri Sen. Kurt Schaefer*

*May 20*  
*7:30-8:30 a.m.*

*Policy Breakfast at the Show-Me*  
*Institute in Saint Louis*

*Legislative Update*

*Featuring Missouri Sen. John Lamping*

For more details about these and other Show-Me Institute events, visit [www.showmeinstitute.org/events](http://www.showmeinstitute.org/events).