Show-Me Institute

Where Liberty Comes First

ANNUAL REPORT

2015

FREE SPEECH UNDER FIRE

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Sign on University of Missouri–Columbia's campus, 2015.

A LETTER FROM THE CHAIRMAN AND THE PRESIDENT

R. Crosby Kemper III
Chairman

Rex Sinquefield
President

DEAR FRIENDS:

Churchill called courage the "first" of the virtues. In the garden of good and evil, it is the one virtue that allows all of the others to flourish—from humility to wisdom and from charity to a genuine respect for the rights of others.

Courage does not tremble in the face of coercion. It does not beg for forgiveness for non-existent crimes. It stands tall in the defense of freedom . . . and in opposition to the dangers of mob rule or jackbooted tyranny.

All of which brings us to the wave of student protests that hit colleges and universities across the country in the fall of 2015. In one college after another, college presidents and administrators capitulated to unreasonable demands and went out of their way to curry favor with unruly protesters. In doing so, the titular leaders of these citadels of higher education acted both unwisely and with a shameful lack of courage.

At Princeton University, a group of 15 students stormed into the president's office demanding racial/cultural reeducation courses for "all college staff and students," "a cultural space on campus dedicated specifically to Black students," and the removal of Woodrow Wilson's name from all public buildings on the grounds that the 28th U.S. president was a "racist." Bingo! After a two-day sit-in and marathon meeting inside his office, Princeton's president agreed to give serious consideration to all of the protesters' demands.

The wave of protests began at the University of Missouri (MU) in Columbia, and it was here that assault on free speech became crystallized in the now-infamous picture of an MU communications professor (shown on the cover of this annual report) calling for "some muscle" to bar campus journalists from a public area occupied by protesters.

Showing real courage in the face of taunts and physical intimidation, Tim Tai, a student photographer on assignment from ESPN, refused to leave the scene and asserted his First Amendment right to videotape in a public place—telling the protesters that his desire was to protect free speech for them no less than for himself.

In a quick succession of events in early November, protesters toppled University of Missouri system President Tim Wolfe, who was unpopular for reasons that had little or nothing to do with race. It began when a black graduate student (the son of a wealthy business executive) went on a hunger strike demanding Wolfe's resignation. A few days later, black football players (coming to the end of a losing season) joined in a sympathy strike—refusing to play and exposing the university to a $1 million fine if it were forced to forfeit an upcoming game against Brigham Young University. Then head football coach Gary Pinkel (only days before announcing his retirement for health reasons) chose to play Fletcher Christian to Wolfe's Captain Bligh—supporting his players in the mutiny against a sitting university president. On the very next day, Wolfe resigned—and black football players agreed to end their strike.

LESSONS LEARNED?

We are all limited to our own experience, so no one can tell how prevalent bias and racism may be at an institution the size of the University of Missouri (with 35,000 students). However, putting aside *undocumented* claims of deep and widespread bias by a few protesters (including a much-trumpeted but spurious report of a large Ku Klux Klan presence on the MU campus), we will cite three lessons.

Let us hope that the university's new leaders will have the wisdom and courage to reject an anti–free speech conformity that masquerades as a paradigm-busting "diversity."

First, there is a clear free-speech problem at the University of Missouri and other campuses. People are not allowed to express certain opinions, and even media coverage of protesting students is prohibited by those whose self-righteousness is overwhelming.

Second, you can tell that the values of the university have been misplaced—and indeed corrupted—when the football team and the football coach play a decisive role in the resolution of a major conflict. It shows the grossly exaggerated importance of athletics—and semi-professional athletics, at that—in what is supposed to be an institution dedicated to the creation of an educated populace . . . and also to helping the neediest students get ahead. Instead, money goes to the football program and to higher salaries for administrators who don't even begin to realize what academic values are.

Third, it seems to us that the obsessive insistence by protest leaders (not just at MU but within the larger Black Lives Matter movement) that almost everything that is wrong in our society reduces to a single problem—white racism and supremacy in an ongoing saga that casts blacks in the role of victims—is not only unfair but truly unhelpful. More than anything else, it is a major distraction in the way of any serious attempt to come to grips with problems that disproportionately affect black people living in poorer neighborhoods—everything from low rates of K-12 educational achievement to high rates of unemployment and crime among black youth, and from government programs that discourage work to the sharp decline in recent decades of intact two-parent families.

At the end of the day, it may be that what happened at Mizzou last November will serve a useful purpose—alerting many people to the danger of falling into an intellectual trap: supporting calls for greater "diversity" that are more realistically described as an attempt to enforce an unquestioning and frightened conformity.

In looking forward, we hope and believe that the new leaders of the university will have the wisdom and courage to reject an anti–free speech conformity that masquerades as a paradigm-busting "diversity."

Sincerely,

Crosby Kemper III

R. Crosby Kemper III

Rex Sinquefield

Rex Sinquefield

June 1, 2016

HEY, BUDDY, CAN YOU SPARE ME A MINUTE OF YOUR TIME?

Rick Edlund

Show-Me Opportunity Communications Director

ON THE AIR WITH THE SHOW-ME MINUTE

It's only a minute—a thimbleful of time. How much can you say in a minute about a book you have read or a movie you have just seen?

Still more, how much can you say about complex issues of the day, such as school choice, crony capitalism, Common Core, privatization, Missouri's "border war" with Kansas, or the proposed use of hundreds of millions of dollars of taxpayers' money to help build a new football stadium in downtown Saint Louis?

Let's take that last issue. Here is the 60-second dissection of that issue contained in a "Show-Me Minute" which aired hundreds of times a week on scores of radio stations across Missouri in early 2015:

> (crowd roar)
>
> *It's easy to get carried away with the roar of the crowd at an NFL game. It's great entertainment.*
>
> *But when it comes to paying for your team, the price of a ticket should be enough.*
>
> *Talk of the Rams possibly leaving St. Louis has prompted plans for a new stadium.*
>
> *The price tag…almost a billion dollars, with roughly $400 million in public money.*
>
> *Public money…hmm…that's our tax dollars. And we still owe $120 million on the stadium we have now.*
>
> *Study after study has shown that new stadiums do not provide a boost to the economy.*
>
> *Rather than get fleeced by the Rams, why not a privately financed stadium? It's been done in San Francisco and New Jersey, so why not in St. Louis? That way our $400 million can be directed toward real needs, like public safety.*
>
> *NFL football…it's great entertainment…but a lousy economic investment.*
>
> *This has been the Show-Me Minute, brought to you by the Show-Me Institute and Show-Me Opportunity.*

Simple words . . . simple sentences . . . and a devastating critique of the potential misuse of public money.

That was just one of more than a dozen 60-second infomercials that the Rick Edlund has written and delivered over the past two years – turning the Show-Me Minute into a popular feature on radio programs throughout the state.

"We are talking about free-market values almost every day of the week for six months out of the year through the Show-Me Minute," Edlund says. "It's one more way for us to get out the message of the Show-Me Institute."

Ernie Clarke, a retired McDonnell Douglas engineer who went on to co-found a high-tech business of his own, counts himself as one of the many fans of the Show-Me Minute: "I like the straight talk. It's a perfect example of straight talk: It strips away all the hype and gloss that is used to obscure the truth."

Not including the Show-Me Minute, over the course of 2015 the Show-Me Institute averaged 50 major media hits a month—including newspaper op-eds or commentaries, appearances by Show-Me Institute analysts and writers on television and radio shows around the state, and links to Show-Me Institute commentaries by popular online blog posts like "Tony's Kansas City" and the Daily Caller.

Edlund—a former award-winning reporter and television news anchor who has worked for leading stations in Denver, Detroit, Saint Louis, and San Francisco—joined the Institute in January of 2011. Back then, he recalls, "the question I heard most often was 'What's the Show-Me Institute?' "

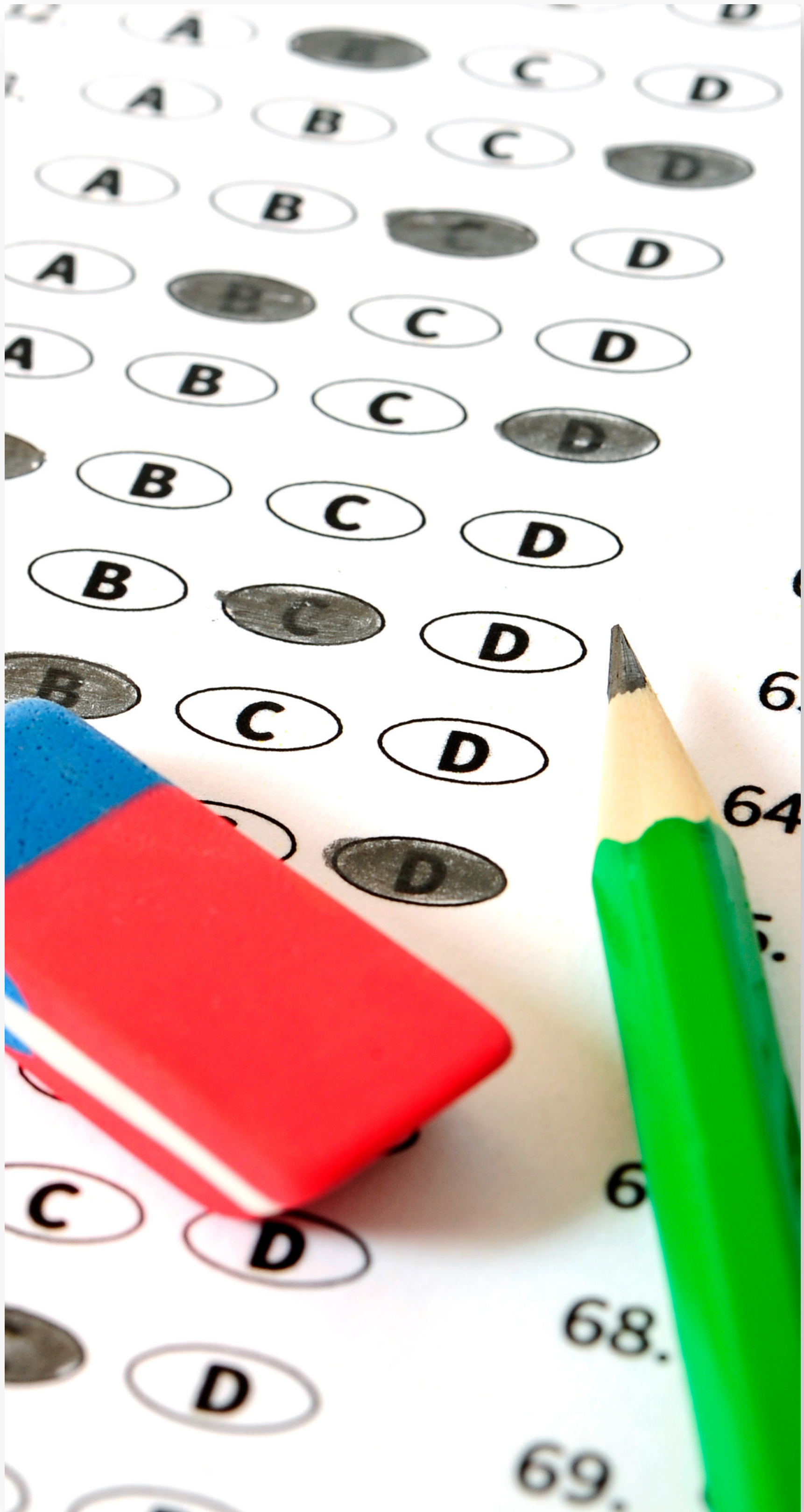
That is now a distant memory. In late February 2015, Richard Callow, a leading Democratic operative in Saint Louis, tweeted: "The Show-Me Institute is the second largest private content provider to local AM radio (Twitter is first)."

MISSOURI IS LEAVING ITS AFRICAN-AMERICAN STUDENTS BEHIND

Michael Q. McShane
Director of Education Policy

There's no other way to put it: Missouri schools simply aren't giving African-American students a chance.

—Show-Me Institute
Director of Education Policy
Michael McShane



The release by the U.S. Chamber of Commerce Foundation of *The Path Forward: Improving Educational Opportunities for African-American Students* lays out the challenges facing African-American students in grim detail. McShane was among those who helped collect and analyze the data for the report, so he has first-hand knowledge of the depth and the urgency of the crisis.

The Path Forward presented a state-by-state breakdown of African-American student performance. The results for Missouri were beyond disheartening:

- On the 2015 National Assessment for Educational Progress, only 15 percent of Missouri's African-American 4th-graders were deemed proficient in reading and only 15 percent were proficient in math.
- By the time they got to 8th grade it was even worse, with only 14 percent of African-American students proficient in reading and only 11 percent proficient in math.
- While the graduation rate stood at 72 percent, only 6 percent of African-American students scored college-ready in all four tested subjects on the ACT.
- Only 2.7 percent of African-American students graduated having passed at least one AP test during their time in high school. That was the third-worst rate in the nation.

Missouri's African-American students make up approximately 16.5 percent of the state's K-12 students. Results like those listed above for such a large swath of our student population cannot be excused or tolerated.

So what can we do? McShane offers three steps we can take immediately:

First, we have to break down the barriers between African-American students and quality schools. Right now, tens of thousands of students are trapped in low-quality schools because of where they live. Several of the small, almost entirely African-American districts of St. Louis County have only one high school. If students are not being served there, they have nowhere else to go. Elsewhere in the state, the geographic assignment of schooling often requires African-American students to attend schools that do not meet their needs. By allowing students to enroll across district lines—or even better, by allowing independent charter schools to open and draw students from across district boundaries—the link between where a child lives and where he or she goes to school can be severed.

Second, we have to engage the whole community in creating quality educational environments for African-American students. Statistics like those above remind us that this is an all-hands-on-deck crisis. Granting funding flexibility for students to attend the school that best serves them, regardless of whether it is a public or private school, would encourage churches, nonprofits, and other social organizations to get involved in schooling and reach out to children in need.

Third, we have to push for higher, not lower, expectations for African-American students. In the No Child Left Behind era, schools have been judged based on how well they meet basic targets of proficiency or how well they do at getting students to graduate from high school. Clearly, these are important stepping stones on the way to a well-rounded education, but they are far from sufficient. Passing AP tests, scoring well on college entrance exams and thus not needing remediation, and other more advanced indicators need to be part of the suite of metrics we use to judge student, school, and district success.

The Missouri Constitution calls for the state to fund and support a system of schools because knowledge and intelligence are "essential to the preservation of the rights and liberties of the people." An education system that leaves behind a large group of our students is a threat to our rights and liberties, and fixing it should be a priority of our leaders.

Several of the small, almost entirely African-American districts of St. Louis County have only one high school. If students are not being served there, they have nowhere else to go.

HIGH ON THE LEFT-WING WISH LIST:

LAWS THAT FORCE EMPLOYERS TO DISCRIMINATE

Andrew B. Wilson
Fellow and Senior Writer

The headlong rush to raise the minimum wage in cities and states across the country is a striking example of the left's bold and increasingly heedless assault on economic freedom and rational policymaking.

There is no shortage of solid evidence that minimum wage laws are counter-productive: They hurt the very people whom they are supposed to help—reducing employment opportunities for low-skill workers, youth, and minorities. Logic and common sense tell us why.

To force companies to pay some people more than their actual value to the business is to ensure that companies will (perforce) do everything they can to keep employment of such people to an absolute minimum. This is especially true in low-margin, hypercompetitive businesses such as big box retailing and fast-food restaurants, which have traditionally provided large numbers of jobs for entry-level workers.

Under heavy pressure from "Making a Change at Wal-Mart," a union-backed group that has staged demonstrations outside many of its stores demanding higher wages, Wal-Mart Stores, Inc., agreed to raise its internal minimum wage to $9 an hour in 2015 and to $10 an hour in February of this year. How is that working out?

Not at all well for the company. For the year ended January 31, 2016, revenues dipped 1.4 percent and operating income fell 16.4 percent. Year on year, the company's share price dropped by about a third.

And not so well for many employees (and would-be employees) either. Early in 2016, Wal-Mart announced immediate plans to close more than 150 stores across the United States, affecting more than 10,000 workers.

Included in the closure list was the Walmart store in Oakland, California, which has raised its minimum wage to $12.55. When this store opened in 2005, more than 10,000 people applied for 400 jobs. City Councilman Larry Reid told reporters that Oakland's minimum wage "was one of the factors they considered in closing the store."

Then there is the loss of would-have-been, could-have-been jobs. Wal-Mart canceled much-ballyhooed plans for two store openings in Washington, D.C., where the minimum wage is now $10.50 and set to go $11.50 in July, with a ballot measure in November that could take it to $15. A councilman told the *Washington Post* that in closed-door sessions Wal-Mart had "cited the District's rising minimum wage"—along with proposals to force the companies to provide paid family leave and other benefits to hourly workers—as reason for shelving its planned expansion. "They were saying, 'How are we going to run the three stores we have, let alone build two more?" the councilman said.

Within the last year, Wal-Mart has announced that it will be investing heavily in e-commerce—belatedly following Amazon.com's lead in the paradigmatic shift from brick-and-mortar stores to the direct shipment of goods to people's homes from giant warehouses. Of course, that is also a classic example of substituting capital for labor through increased automation. Amazon's sales per employee are almost three times those of Wal-Mart.

In an article for *The Weekly Standard* ("Killing the Golden Goose," Nov. 30, 2015), Show-Me Institute Fellow and Senior Writer Andrew Wilson pointed out that if Wal-Mart were to close the productivity gap between itself and Amazon by 25 percent over the next three years while also achieving its stated objective in raising annual sales from $485 billion to $530 billion, it would require a global workforce of 1.7 million associates, well below the 2.2 million it now has – a loss of approximately 500,000 jobs. That would entail a loss of about 320,000 associates out of the U.S. workforce of 1.4 million associates.

Wal-Mart may be a colossus, but its total annual net profit per employee is a mere $2,074. Not a lot of wriggle room there for paying workers more than they are worth. With everything else remaining the same, adding $5 an hour to the wage of every Wal-Mart worker would reduce its net profit to zero. Unlike governments, companies that aren't making any money are subject to extinction. Past examples of large employers that no longer exist include Borders and Blockbuster Video.

Minimum wage proponents will often argue that higher wages are good for morale and therefore boost productivity. This is no doubt true for *some* companies. An upscale restaurant, for example, may want to pay its cooks, waiters, and busboys more than other restaurants in order to reduce turnover and secure the best talent. But this not only misses the point; taken to its logical conclusion, it underscores the fallacy in enacting more "generous" minimum wage laws.

If cities and states pass laws that force *all* employers to pay the same wage that only a *few* can afford because of the specialized nature of their business, it will only create havoc in the workplace (making higher wages the norm rather than a means of selecting or keeping the exceptionally motivated workers), and it will force a great many otherwise successful businesses to cut back and look for ways to replace workers they can no longer afford.

The current call for a $15 minimum wage allows politicians and political activists to posture as philanthropists when playing with other people's money. But as the economist Milton Friedman said, "The minimum wage law is most properly described as a law saying that employers *must* discriminate against people who have low skills." He also said:

> *There is absolutely no positive objective achieved by the minimum wage law. Its real purpose is to reduce competition for the trade unions and make it easier for them to maintain the higher wages of their privileged members.*

IF YOU BUY YOUR OWN TIRES, YOU MIGHT JUST LIKE DIRECT PRIMARY CARE

Patrick Ishmael
Director of Government Accountability

Few sectors of the American economy operate the way that our health care system does. When we go to replace the tires on a car, we don't call Geico to make sure it covers name brands at the local Firestone. When we buy a house, there isn't a list of in-network landscaping companies that Allstate will hire to mow our lawn.

And the reason Firestone and Geico are removed from our tire and crabgrass decisions is pretty straightforward. Insurance is not supposed to be a maintenance plan. It's insurance. It's meant to protect us against the catastrophic and unforeseen, and visits to the tire place or the Lawn-Boy store don't really qualify as either.

Reacquainting ourselves with the limits and purpose of insurance is a good thing. Can you imagine how expensive—and how complicated—car insurance would be if your insurer was responsible for your oil changes or your gasoline? We take for granted that in most cases paying directly for the goods and services we know we'll need is both cheaper and simpler than depending on some third-party—in this case, an "insurer"—to handle those decisions for us.

Yet, the third-party payer system in the United States is the default when it comes to health care. Health care in this country is driven in large part by health insurers that substantively define where and whether we can receive health care when we need it. That's bad for our pocketbooks, and many times that's bad for our health.

The Affordable Care Act, or "Obamacare," doubled down on this broken status quo, requiring millions of Americans to buy insurance plans (more accurately, health maintenance plans), which they didn't want and which were priced to cover services they didn't need.

It's no wonder, then, that public interest in a health care model called direct primary care (DPC) has risen in recent years. The idea is simple but revolutionary: instead of paying an insurer to pay doctors for regular care, patients . . . pay their doctors. Period.

It's crazy talk, I know, but cutting insurance out of the health care equation with DPC has benefits for both doctors and for patients.

As the Show-Me Institute's Patrick Ishmael noted last October in his essay, "Where Obamacare Leaves Questions, Direct Primary Care May Offer Answers," DPC doctors tend to have lower administrative costs and more time for themselves and patients once they leave the insurance system. As much as 40% of the revenue from a doctor's practice can go to claims processing; with no claims to process, DPC practices can be leaner and more patient-focused than they were before.

Meanwhile, DPC patients get predictable pricing that is generally lower than if they pursued the same services using insurance. The access part of the health care equation—so often omitted in the health care debate—is basically solved by DPC arrangements, too. If you have a

DPC arrangement with your doctor, you're typically guaranteed access to her. "Coverage" sounds good; "care" is better, and that's what DPC offers and insurance does not.

While DPC continues to grow, there remains the threat that policymakers and government regulators may intervene to make it more difficult for doctors to serve their patients via the DPC model. One concern is that insurance regulators could start treating DPC doctors as insurers. Fortunately, over the past few years Missouri and over a dozen states nationwide have passed laws that would prevent this. For the hundreds of DPC practices already operating nationwide and those soon coming online, such laws are necessary to ensure these innovative care delivery models aren't destroyed by ambitious bureaucrats.

But perhaps the bigger concern is that so long as health "insurance" is mandated, government policy will continue to steer millions into the traditional health care insurance system that places insurers rather than patients at its center.

Ending Obamacare's individual mandate should be the primary objective for free marketeers who support DPC-style reforms. In the meantime, however, state and federal exchanges should approve "wraparound" insurance to satisfy the mandate requirements for patients receiving care from DPC practices. The ACA allows for it; regulators should stop wasting time and act. Currently, Missouri has over a dozen DPC practices serving several thousand clients. Once federally approved wraparound policies are available, the number of Missourians taking advantage of DPC arrangements could grow rapidly—even exponentially.

The good news is that DPC practices continue to spring up around the country, offering guaranteed and direct access to care that health insurers always promise, but too often fail to deliver.

And yes, direct primary care is different from what many of us are used to, but if you're okay buying your own tires and cutting your own lawn, DPC might just be right for you.

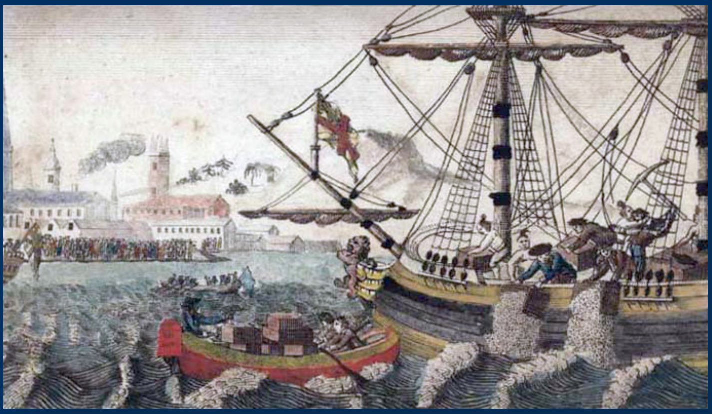
IN THE BATTLE OF IDEAS, FREEDOM IS MORE THAN EVER IN PERIL

Brenda Talent
CEO

It's not just free speech that has come under fire. It's free trade. It's freedom of religion and freedom of association. It's the whole concept of free-market capitalism.

Free trade used to enjoy broad, bipartisan support. Now, however, political leaders from both parties are loudly denouncing trade agreements—and few are singing the praises of free trade. To listen to current political rhetoric, you might think you were living in a wholly different country than the one described in history books.

For instance, what really happened on that wintry night of Dec. 16, 1773, when Samuel Adams and the Sons of Liberty boarded three ships in Boston Harbor and threw 342 chests of tea overboard? Was the Boston Tea Party an act of rebellion against a hated tax, as most of us learned as schoolchildren?



Or was it an act of rebellion against a flood of cheap imports, including tea, which helped no one and caused many colonists to lose their jobs?

If you buy into the arguments of today's Fortress America partisans, you might easily think it was the latter.

Likewise, it has become commonplace in this political season to see thousands of college students turn out to cheer socialism and shout out their assent to false claims that capitalism is to blame for everything from poverty and "social injustice" to the erosion of the middle class and a rapid increase in their own indebtedness as American college students.

None of these students is even faintly aware of the profound truth expressed by Joseph Schumpeter, the Austrian-born American economist and political scientist (1883–1950), when he wrote:

Capitalist achievement does not typically consist in providing more silk stockings for queens but in bringing them within the reach of factory girls in return for steadily decreasing amounts of effort.

If some of the language there sounds archaic, we may paraphrase Schumpeter in saying that capitalism produces miracles of productivity and efficiency: It drives down the cost of everything from iPhones to jet travel, while lifting incomes for all working people and greatly expanding freedom of choice.

Free-market capitalism works precisely because it doesn't *force* anyone to do anything. It works on the principle of *voluntary* exchange for *mutual* benefit. Nothing happens unless both sides expect to benefit. The end result—seen through almost all of American history—is unceasing growth and prosperity.

How can anyone embrace socialism, given the abundance of horrors caused by socialism and communism in so many different places around the world over the past 100 years? How can anyone seriously believe that "progress" in our own country would result from punishing success in the marketplace and rewarding greater dependence on government?

But there is no denying that we are seeing a real resurgence in this kind of thinking—and it is not confined to college campuses, important as they are.

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History did not end with the collapse of the Soviet Union. The old battle of ideas not only continues but has intensified with the hardening of the American left, and it has grown more complicated with greater confusion and dissension on the American right.

All of which underlines the importance of the work that we do at the Show-Me Institute as Missouri's only free-market think tank.

We are the leading voice for liberty and free-market thinking in our state. Our writers, scholars, and policy analysts enunciate the case for market-based solutions across a wide range of public policy issues—aiming to reduce state and local income taxes, eliminate corporate welfare, promote greater freedom of choice in health care and education, and force greater transparency and responsibility on the part of public sector unions.

Hardly a day goes by without someone at the Institute doing one or more of the following: penning a commentary that appears in a Missouri (or national) newspaper or magazine; appearing on a radio or television show; being quoted in a leading newspaper; or giving testimony before a legislative body either at the state capitol or before city or municipal bodies.

In their letter at the front of this annual report, the chairman and president of the Show-Me Institute called attention to courage as a critical virtue in the defense of liberty. A free and prosperous people will not stay free for long if they lack the resolve to defend themselves against others who resent their good fortune and covet their wealth.

As CEO of the Institute, I will cite a second important virtue—patience, or what I call "strategic patience," an unwavering perseverance and a steadfast willingness to pursue small as well as big victories in the ongoing battle of ideas between those wanting to expand and protect individual liberty and others wanting to restrict it.

We fight that battle every day of every week. And we encourage many others to fight it as well.

Yes, I can't help being dismayed by much of what I hear and see on college campuses. But I also know that many young people on those same campuses are prepared to champion the cause of individual liberty and free markets.

In the long run, I expect them not only to endure, but to prevail.

Schumpeter on capitalist achievement:
[*It*] *does not typically consist in providing more silk stockings for queens but in bringing them within the reach of factory girls in return for steadily decreasing amounts of effort.*

LIFELINE OR NOOSE:

IS THE EARNINGS TAX SAVING OUR CITIES–OR STRANGLING THEM?

Everyone who lives, works, or owns a business within the city limits of Kansas City, Missouri, or Saint Louis pays a one-percent earnings tax.

That's the beauty of the thing

The tax catches in its net many high earners who work in the city but live in surrounding suburbs. That includes many lawyers, doctors, accountants, and other professionals, along with a good number of corporate executives. Non-residents account for an estimated 50 percent or more of all revenue collected through the earnings tax in Kansas City and Saint Louis. In turn, earnings tax receipts pay for a third or more of day-to-day city services, including police, fire, streets, and parks.

It's also the fatal flaw

Though easy to collect, the earnings tax is also easy to avoid. Just move outside the city limits – to any nearby suburb or municipality. That's all it takes for business owners to avoid the one-percent tax they pay on their net profits. At the same

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time, they no longer have to take $1 out of every $100 they pay to their employees and remit that to the city. They can give employees a raise instead. As an added bonus, the owners and principals in leading downtown firms may be able to spare themselves and many of their employees the time and expense of a long commute.

In going to the polls on April 6, 2016, residents in Kansas City and Saint Louis overwhelmingly chose to continue to pay a one-percent tax on their earnings—and to continue to force tens of thousands others with no vote in the matter (i.e., commuters) to pay the same tax for the privilege of working in the city.

However, there are two ways of voting—and one of them is with your feet. As the Show-Me Institute has demonstrated in a series of scholarly studies and essays published over the last decade, a city earnings tax encourages the out-migration of businesses and people.

What kind of a "lifeline" is that?

It is one that slowly but surely wraps around the user's neck.

Whither Saint Louis—a brief history related to the earnings tax

With a total area of 66 square miles, the boundaries of Saint Louis City have been fixed since 1877, when Saint Louis became an independent city—voluntarily parting ways with St. Louis County. The city experienced explosive growth throughout the second half of the 19th century. In 1900, Saint Louis ranked as the 4th-largest city in the country (behind New York, Chicago, and Philadelphia), with a population of 575,000.

The city held onto 4th place until the 1920 census, when it was overtaken by Detroit and Cleveland, dropping to 6th. It was passed by Los Angeles in 1930 and by Baltimore in 1940, falling to 8th. It remained in that spot in the 1950 census, when the city's population hit an all-time high of 857,000.

Greg Kenkel

At that point the city's population went into a steep decline that continues to this day, with the loss of almost two-thirds of its former human body weight. Saint Louis has gone from a top-ten city down to 60th, behind such places as Tulsa, Oklahoma, and Wichita, Kansas. The census department estimates Saint Louis's current population at 316,000.

It would be absurd to place all or even most of the blame for this precipitous decline on the one-percent earning tax, which was adopted in 1954. It would be equally absurd to deny that the earnings tax has been a significant contributor to the depopulation of the city and the growth of surrounding areas.

For one thing, Saint Louis no longer rules as the unchallenged commercial center of the Saint Louis region. Clayton has become a strong second center, and other places around the county have also filled with offices and business enterprises. Only in Saint Louis City do you find acres and acres of abandoned houses, deserted storefronts, and boarded-up factories.

The old hub-and-spoke model—with the city as the commercial center surrounded by bedroom communities—is long gone. Today the number of people who commute to jobs in Saint Louis County from other jurisdictions (mostly from other outlying counties, but also including city residents with jobs in the county) far exceeds the number who commute to jobs in the city.

Somehow, Clayton, St. Charles, and other municipalities on the receiving end of a great daily influx of commuters have been able to handle it . . . without instituting an earnings tax or having everything from public safety to street maintenance fall to pieces. Why is it so different for Saint Louis?

Whither Kansas City, Missouri

As the metropolitan area expanded and portions of the core aged and shrank, Kansas City experienced problems like those in St. Louis in the 1950s. But its boundaries were not fixed, and Kansas City responded with aggressive territorial expansion, going from 81 square miles in 1953 to 316 square miles in 1963. By that metric, Kansas City, which had been roughly the same size as Saint Louis, suddenly became almost five times bigger.

Struggling to maintain adequate city services over a great expanded area, Kansas City adopted the earnings tax in 1963—nine years after Saint Louis. After reaching a peak of 507,000 people in 1970, the population of Kansas City dropped to 435,000 in 1990, and it inched back since to an estimated 470,000 in 2014. That is better than Saint Louis has done in the past few decades, but it is still a sorry record.

Kansas City is now the 37th biggest U.S. city by population and the 23rd largest by area.

Fair's fair—except when it's not

In both cities, the mayor and other city officials argue that fair is fair—saying commuters as well residents benefit from city services, and that the earnings tax treats everyone the same.

But this argument breaks down entirely when it comes to what these same city officials are prepared to do to keep downtown-based law firms, financial firms, and other businesses from taking flight because of the earnings tax.

The earnings tax has encouraged an ongoing merry-go-round of tax carve-outs and special favors for large and well-known firms. City officials do not extend the same benefits to thousands of smaller businesses, such as grocers, cleaners, pharmacists, tax preparers, locksmiths, and auto repair shops, which do a lot more in meeting the daily needs of city dwellers than the suited people in downtown office buildings.

In a commentary, Patrick Ishmael, director of government accountability at the Show-Me Institute, noted:

> *Kansas City takes in a bit over $200 million every year from the earnings tax, and yet each year it also gives away nearly $100 million in special breaks to City Hall's favorite special interests. Giving tax incentives to crony capitalists is an admission that taxes in the city are too high; those rates should be lowered for everyone, not just for a select group of municipal insiders.*

Saint Louis officials have exhibited the same cronyism. In 2011, Stifel Financial Corp., which has had its corporate headquarters in downtown Saint Louis since 1890, announced plans to buy its downtown office building and expand its workforce in the city by a couple hundred people. Mayor Francis Slay called it "tremendous news for the future of downtown." He could also give himself a clap on the back for helping Stifel to get some $17 million in public financing for the purchase and renovation of the building.

Why would a large and successful financial firm need any help in feathering its own nest? Ron Kruszewski, Stifel's CEO, said it all: "There's very little investment going on right now without some incentives."

Given their obsession with preserving earnings tax receipts and preventing big-name firms from taking flight, officials in both cities have turned the fair-is-fair argument on its head. They have gone out of their way to help the big guys and forgotten all about the little guys who are so numerous (even in decline) as to be almost invisible.

A cruel and unusual tax

Though not technically a regressive tax, the earnings tax is a cruel one. Unlike federal and state income taxes, there is no exemption from the city earnings tax for working people at or below the poverty line. The tax hits the first dollar of income even for the lowest-paid jobs.

A still greater problem is the narrowing of job opportunities in parts of the city experiencing a rapid out-migration of people and the closure of many small businesses (all those boarded-up storefronts seen in Saint Louis and Kansas City).

It is also an unusual tax in that most cities—both large and small—have wisely foregone its use, seeing it as bad public policy. In cities with populations of more than 25,000, those with no earnings tax outnumber those with the tax more than 8 to 1.

And look at the dismal performance of the earnings-tax cities.

From 2000 to 2010, the big cities with the largest declines in population (excluding New Orleans post–Hurricane Katrina) were Detroit (–25 percent), Cleveland (–17 percent), Cincinnati (–10 percent), Pittsburgh (–9 percent), and St. Louis (–8 percent). As it happens, every one of them has an earnings tax. Detroit, the biggest loser, had the highest income tax rate—2.5 percent for residents and 1.5 percent for non-residents.

Is there really no alternative to the earnings tax?

Not if you believe the dire predictions of city officials in our two biggest cities. Shortly before the April 6 election, Saint Louis Comptroller Darlene Green declared that even with a ten-year phase-out period, the loss of the earnings tax would be "devastating":

> *Without one-third of the general operating budget, services will be cut, meaning fewer police and firefighters to fight crime and protect our resources, and roads and bridges will be severely impacted.*

In fact, public safety (police and fire) account for only about half of the general operating budget. Why in a shrinking city does the city budget continue to grow from one year to the next?

Policy analysts and scholars at the Show-Me Institute have suggested a number of practical ways that Saint Louis and Kansas City can phase out the earnings tax without drastic cuts in essential services. Here are three main policy changes:

- Curb cronyism. Stop the unfair and revenue-depleting practice of giving special tax breaks to the firms with the most political clout.
- Reform city spending/look for new sources of revenue. It beggars the imagination to think that every dollar in city budgets is well spent. Spending reforms should also include privatizing public assets like the water department and airports both for revenue enhancement and as a stimulus to improved efficiency and performance.
- Reorient taxes. Income taxes are more destructive to growth than sales taxes, which are more destructive than property taxes.

The biggest obstacle to needed change is the lack of any sense of urgency in city government. In clinging to the earnings tax, city officials are fooling themselves into thinking that they can go on doing the same old things in the same old ways—without any need for serious reforms or budget-cutting. They have mistaken a noose for a lifeline.

GETTING THE (UNION) FOXES OUT OF THE (TAXPAYER) HENHOUSE

John Wright
Policy Analyst

As the father of Depression-era labor laws that gave unions the power to compel profit-seeking businesses to bargain, President Franklin D. Roosevelt championed the cause of private sector unions. But he drew the line at public sector unionism. How could "public servants" use hardball negotiating tactics against the public in demanding a larger share of the economic pie? Roosevelt found the idea "unthinkable and intolerable."

To his thinking, government unionization was a direct threat to popular sovereignty, potentially turning the tables and making public sector workers the masters of the people they supposedly served.

As subsequent history has shown, FDR was right to worry on that score.

Consider the case of the Kansas City firefighters union. In March, the Kansas City government agreed to a major increase in spending on fire protection. The agreement between the city council and the firefighters union awarded the fire department over $8 million more than the amount outlined in the city's five-year plan. Even Yael Abouhalkah of the *Kansas City Star*, normally sympathetic to Kansas City government, blasted the city council in a scathing opinion piece.

The day after the city gave the union this sweetheart deal, the union made a $50,000 donation to the city's earnings tax campaign.

In response, Show Me Institute Policy Analyst John Wright observed:

> *Taxpayer advocates often liken politicians negotiating with unions to a fox guarding a henhouse. And for good reason: Politicians get powerful and reliable support in the form of government unions; unions get better deals for their members, usually in the form of more tax money directed to government payrolls. Everybody wins but the taxpayer.*

Today there are more union members in government than in the private sector nationwide. In Missouri, there are over 83,000 government union members with almost 100,000 government workers covered by union contracts. A 2007 Missouri Supreme Court decision allowed teachers and police to collectively bargain, and the last several years have seen an increase in unionization among Missouri teachers, police, firefighters, and health and human services workers.

If we care about having a government that's accountable to the people, we need to limit the power of government unions. But how?

Require unions to operate democratically. Missouri should follow Wisconsin's lead and require union elections on a regular basis.

Regular union elections let government workers de-unionize their workplaces or put in union leadership that's more responsive to their needs. Union elections were enacted as part of Governor Scott Walker's Act 10, and since Wisconsin began holding these elections in 2013, public sector workers have chosen to de-unionize their workplaces over 100 times. When union executives cannot treat government workers as a passive source of income, it's not so easy for those executives to spend taxpayer-funded dues on their pet political causes—advocating the endless expansion of the public sector and opposing all calls for free-market reforms or greater accountability in government.

Under existing Missouri law, decertifying a government union is an arduous process. Many public employees have never had the chance to vote on unionization because their workplaces unionized years before they were hired.

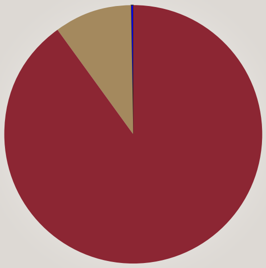
If Missouri public sector employees are able—regularly and freely—to vote up or down on retaining union representation, it will advance the cause of liberty in the workplace, and it will help to counteract the fears FDR expressed in worrying about public sector unions that would wage war against the public—and perhaps even their own members.

Financial Report *

INCOME

Individual Donations	$2,184,524.00	90.08%
Foundation Grants	$239,600.00	09.88%
Other Income	$1,084.00	00.04%

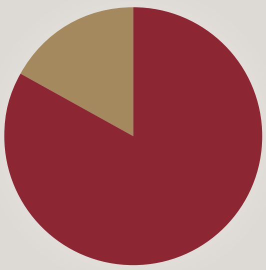
TOTAL: $2,425,208.00



EXPENSES

Overhead	$344,455.00	16.79%
Program	$1,706,992.00	83.21%

TOTAL: $2,051,447.00

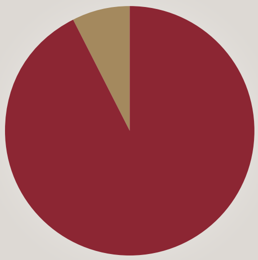


Note: The board of directors covers the overhead expenses of the Show-Me Institute. Since 2006, donations from supporters have funded education and research exclusively.

STATEMENT OF FINANCIAL POSITION

Current Assets	$1,525,283.00	92.65%
Fixed Assets	$120,966.00	07.35%

TOTAL: $1,646,249.00



*Show-Me Opportunity, a supporting organization, is included in this consolidated financial report.

INTERNS AT SMI:

MORE THAN A RESUME LINE

Joseph Miller
Policy Analyst

Every year, the Show-Me Institute invites talented students and recent graduates to participate in our internship program, an integral part of the Show-Me Institute's mission to advance market-based policies across the state. An intern at the Show-Me Institute is expected to research complex public policy areas and produce videos, blog posts, and op-eds to get our message out to the public and media. The Institute envisions a true policy internship, focused on creating and conveying well-researched, free-market ideas.

During their time here, interns gain valuable experience researching Missouri policy from economic, political, and legal perspectives. They learn new research approaches, apply data analysis to complex problems, and learn how to ground market-based policy recommendations in hard evidence and persuasive language. They also learn how to communicate to different audiences, from the general public to legislators. Sometimes interns exceed expectations, and are invited to join our staff in full-time positions. Examples of former interns joining the full-time staff include former Director of Local Government Policy David Stokes and former Policy Analysts Audrey Spalding and Joseph Miller.

The Show-Me Institute's interns in 2015, all of whom joined the Institute in the summer of 2015, were an exemplary group.

They included:

Michael Highsmith

Michael's work focused primarily on education policy, and he contributed to the many research projects of our education policy team. He also wrote blog posts on No Child Left Behind and the issues surrounding Corinthian College transfer rules. He appeared in a Show-Me Institute video arguing for the simplification of college transfers, advocating for competency-based education that helps students move from one education institution to another without being unnecessarily held back.

Michael stated that the most enjoyable aspects of his internships were "getting to see the research done make a difference in the community," and that the internship "led to a lot of critical thinking and professional growth."

Michael is graduating from Saint Louis University in the spring of 2016 and plans to join the Show-Me Institute as a policy researcher thereafter.

George Reynolds

George Reynolds worked on local government policy issues. He contributed to the Show-Me Institute's work on emergency medical transport (EMT) privatization, taxicab regulation in Saint Louis city, and 911 dispatch funding. He wrote on freedom of information issues in the state legislature and helped participate in the monitoring of local regulation.

George said that the favorite aspects of his time at the Institute were "my coworkers and the moments when we were able to see a project we had put together help to make an actual difference in the community."

In 2016, George will be a senior at Brown University, expecting to graduate with double concentrations in English and economics.

Andrew Sullivan

Andrew Sullivan researched entrepreneurship in Missouri, the effects of wage regulations on municipalities, and the problems of underdevelopment in the state's urban areas. During his time at the institute, Andrew contributed to many research projects and also co-authored an essay with Show-Me Institute Scholar Rik Hafer titled "Entrepreneurship in Missouri," which was released in December 2015.

Writing about his experiences at the Show-Me Institute, Andrew commented that his projects "combined to teach me the value of researching economic policies as they affect real people, not just numbers. I could add the human side to the empirical side, seeing benefits of free-market policies not only on the state, but on human lives."

Andrew will be graduating with a degree in economics and theology from Saint Louis University in the spring, after which he plans to pursue a doctorate in public policy at the University of Kentucky.

PUBLICATIONS

COMMENTARIES 2015

January 2: "A Look Past Gone Girl Excitement Reveals a Raw Deal for Missourians," by Jessica Stearns.

February 6: "Two Thumbs Down on Taxpayer Help for New Downtown Stadium," by Andrew Wilson.

February 6: "Super Bowls and the Super Rich: A Tale of Two Cities," by Andrew Wilson.

February 23: "Mizzou Gets an F on Transparency," by John Wright.

March 3: "Playing Favorites on the Board of Aldermen?" by John Wright.

March 3: "Are Charter Schools the School Transfer Fix?" by Brittany Wagner.

March 3: "Lawmakers Answering the Wrong Student Transfer Question," by James Shuls.

April 7: "Spring into Action on School Board Reform," by Brittany Wagner.

April 13: "Ridesharing Is an Opportunity for Saint Louis," by Joseph Miller.

April 13: "Public Schools Need Fewer Mandates, Parents Need More Choices," by James Shuls.

April 13: "The Fallacy of Tailgate Economics," by Joseph Miller.

April 20: "Taxing Smokers Does Not Show Support of Education," by James Shuls.

May 5: "Nixa Officials Dream of High-speed Internet, With Taxpayer Dollars," by Joseph Miller.

May 5: "Legislature's Gas Tax Increase Is Sound Policy," by Joseph Miller.

May 8: "Beware Medicaid Expansion, Even if It Is Billed as Reform," by Michael Rathbone.

May 13: "Two Approaches to Open Government," by John Wright.

May 15: "Green's Tenure Marked With Progress, But There Is More Work To Be Done," by Michael McShane.

May 19: "Seeded With Tax Cuts, Kansas Harvests the Benefits," by Andrew Wilson.

May 26: "Was the Transfer Program Poorly Designed?" by James Shuls.

May 26: "Charter Schools Are Not the Enemy," by James Shuls.

June 1: "What Is Right about Kansas," by Andrew Wilson.

June 3: "Gateway to More Unemployment," by Michael Rathbone.

June 17: "Modernize Saint Louis' Outdated Business Code," by Joseph Miller.

June 18: "Father's Day Thoughts on the Summer Solstice and the Minimum Wage," by Andrew Wilson.

June 25: "Choosing a Major, Picking a Winner," by Brittany Wagner.

July 9: "Fantasy Football at Its Worst," by Joseph Miller and Andrew Wilson.

July 10: "Time to Reform Fine-Reliant Cities," by Joseph Miller.

July 16: "A Periclean Solution to the Problem of Self-Pitying Greeks Demanding Gifts," by Andrew Wilson.

July 17: "Love at Second Sight," by Michael Highsmith.

July 17: The Liberal Solution to Ferguson, Missouri? More Liberalism," by Andrew Wilson.

August 10: "Don't Over-Regulate Charter Schools: Learn from Them," by Michael McShane and James Shuls.

August 11: "Missouri Needs to Learn to Prioritize Spending," by Joseph Miller.

August 20: "Attacking School Choice . . . from the Right?" by Michael McShane.

August 20: "No Gifted Child Left Behind: How Course Access Can Help," by Brittany Wagner.

September 2: "The School Choice Criticism Switcheroo," by Michael McShane.

September 9: "Taxpayers Correct to Be Skeptical of Hotel Subsidies," by Patrick Tuohey.

September 17: "The Ferguson Commission: A Bridge to Nowhere," by James Shuls and Michael McShane.

September 21: "Pope Francis Is Visiting a Catholic School: Maybe You Should, Too," by Michael McShane.

September 21: "Teamsters' Pension Cuts: Harbinger of Looming Pension Crisis?" by John Wright.

October 13: "The Case for 'Boutique' Efforts," by Michael McShane.

October 14: "Taxes Are Still Too High for Missouri," by Michael Rathbone.

October 14: "Charter School Unionization: An Innovative Approach," by Brittany Wagner and John Wright.

October 29: "Keeping the Rams: Lessons from a Nursery Song," by Andrew Wilson.

October 30: "I Was a Good Teacher. I Could Have Been Better," by James Shuls.

November 13: "All Too Many Missouri Students Are College Bound, but Primed for Failure," by Michael McShane.

November 18: "Killing the Golden Goose: How Walmart's Left-Wing Critics Destroy Job Creation," by Andrew Wilson.

November 20: "Universal Pre-K May Destroy the Preschool Marketplace," by Brittany Wagner.

November 30: "Whither Walmart? Higher Pay = Fewer Stores + Fewer Jobs," by Andrew Wilson.

December 3: "The Unspeakable in Full Pursuit of . . . a Football Stadium," by Andrew Wilson.

December 3: "A Common Sense TIF Reform," by Patrick Tuohey.

December 10: "*No Child Left Behind* Is Gone. . . . What Now?" by Michael McShane.

December 8: "It Truly Is a Wonderful Life," by James Shuls.

December 18: "The End of the Road for Scenic Missouri," by Joe Miller.

December 21: "Here's How and Why to Kill the Deal," by Andrew Wilson.

STUDIES PUBLISHED IN 2015

January

"Crush Capacity or Nearly Empty: Demographics and MetroBus Utilization," by Joseph Miller. • "Movin' On Out: Missouri's Migration Process," by R.W. Hafer and Michael Rathbone.

April

"A Primer on Government Labor Relations in Missouri," by John Wright. • "Interdistrict Choice for Students in Failing Schools: Burden or Boon?" by James Shuls. • "Taxes Matter and They're Too High for Missouri," by Patrick Ishmael. • "Pension Reform in Missouri," by Erin Morrow Hawley.

May

"Where Is Missouri Growing?" by Joseph Haslag and Nick Pretnar. • "Vacant School Buildings: An Examination of Kansas City and Saint Louis," by Abigail J. Fallon and James V. Shuls.

July

"Betting on the Big Returns: How Missouri Teacher Pension Plans Have Shifted to Riskier Assets," by James Shuls and Michael Rathbone. • "The Economics of Teacher Tenure," by Joseph Haslag. • "Breaking Down Revenue: How Kansas City and Saint Louis Compare to Six Other Cities," by Michael Rathbone.

October

"Comparing Income Tax Revenue Across States," by Rik Hafer and Michael Rathbone. • "Where Obamacare Leaves Questions, Direct Primary Care May Offer Answers," by Patrick Ishmael. • "The Low Cost of Labor Reform," by John Wright.

December

"Entrepreneurship in Missouri," by Rik Hafer and Andrew Sullivan. • "The Funding Status of State and Local Government Pensions in Missouri," by Andrew Biggs.

BOARD OF DIRECTORS

Crosby Kemper III - *Chairman*

Crosby Kemper III is executive director of the Kansas City Public Library and former CEO of UMB Financial Corporation. He cofounded 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 cofounder and former co-chairman of Dimensional Fund Advisors, Inc. He also is cofounder of the Show-Me Institute. In the 1970s, he coauthored (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 an M.B.A. from the University of Chicago.

Kevin Short - *Vice Chairman*

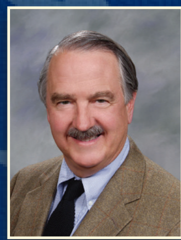
Kevin Short is managing partner and CEO of Clayton Capital Partners. In addition to contributing to various national trade and business publications, he is the coauthor of *Cash Out Move On: Get Top Dollar And More Selling Your Business*. He is chairman of the Today & Tomorrow Educational Foundation, 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 boards 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.

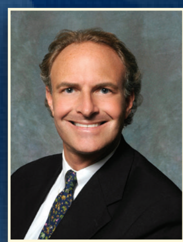
Joe Forshaw - *Treasurer*

Joseph Forshaw is the immediate past president and CEO of Forshaw of St Louis, Inc., a family-owned business founded in 1871. He served for 15 years as an advisory director for Commerce Bank, and prior to his retirement served as the managing partner for several family real estate partnerships. 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, Mo. 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.

Gregg Keller - *Director*

Gregg is the Principal of Atlas Strategy Group and is widely regarded as one of the preeminent public affairs professionals in the country. A former Executive Director of the American Conservative Union, the Conservative Political Action Conference (CPAC) and the Faith & Freedom Coalition, Keller has been an advocate for free-market public policy at local, state and national levels for 15 years.

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 Ph.D. 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.

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