



# ANNUAL REPORT 2007

ADVANCING LIBERTY WITH RESPONSIBILITY  
BY PROMOTING MARKET SOLUTIONS  
FOR MISSOURI PUBLIC POLICY

# Dear Friends,

It seems hard to believe that the Show-Me Institute has already finished two full calendar years of operations. We spent 2007 significantly expanding our operations and producing some of our best, most exciting work. We had a tremendous impact on Missouri public policy last year, and at the foundation of that success is our commitment to the highest quality of scholarship in our research efforts. We laid a solid foundation for future growth during 2006, and that investment yielded remarkable rewards in 2007.

After we had published multiple commentaries and a full policy study — the latter by University of Missouri–Columbia economics professor Joseph Haslag — demonstrating the benefits of a deregulated cable franchise system, and after several of our scholars testified before the General Assembly, Missouri’s legislators and governor passed a new law that allows real competition in video provider markets. Consumers are the winners here, as they begin to see the innovation and lower prices that market-based choice provides.

After our research fellow Beverly Gossage gave a presentation to Missouri legislators about health savings accounts and the importance of free-market solutions to the state’s health care problems, officials scrapped the health care reform bill they had in the works and drafted HB 818, which incorporated many of Gossage’s ideas. This new law enables Missourians to purchase affordable, portable health insurance plans that are independent



R. Crosby Kemper III



Rex Sinquefield

of any particular job — and allows employers to contribute more easily to their employees’ private plans. This kind of health care flexibility will leave fewer people out in the cold if they have to move or change occupations. With HB 818 in place, people can keep their insurance intact no matter how many times they switch jobs or residences.

After we published a commentary about how Missouri’s “adequacy” lawsuit was doomed to fail on a practical level — and after three members of the board of directors got involved in the case, with their own money and time — a circuit court judge ruled against the 262 school districts that were suing Missouri taxpayers for more money. Empirical studies have shown time and again that per-student spending levels have no correlation with better student performance, so this lawsuit would have wasted \$1 billion, by some estimates, trying to fix a failing system with an approach that doesn’t work. Essentially, if the school districts had won their lawsuit it would be like trying to use a gold-plated, jewel-encrusted bucket to bail out a massive sinking ship. Missouri’s taxpayers are obviously better off in this case, but the state’s children also won a huge victory with the defeat of this lawsuit. They may still suffer under an education system that fails to meet their needs, but because the state can keep that \$1 billion, officials will have the money to fund programs that actually provide results — tuition tax credits, teacher performance bonuses, etc.

Even after the circuit court defeat, however, many of Missouri’s school districts vowed to continue pressing forward with their frivolous and unpractical lawsuit. Some of the districts have dropped out, though. In December, Show-Me Institute board member and University of Missouri–Columbia economics professor Michael

Podgursky published a piece in the *Columbia Daily Tribune* pointing out that pursuing the “adequacy” case was not only a waste of millions of tax dollars in court costs alone, but that if the lawsuit succeeded, Columbia’s public school district would be getting its increased funding at a tremendously high cost. Because of the Hancock Amendment restricting tax increases, Podgursky calculated that every additional dollar of funding received by the Columbia School District as a result of the “adequacy” lawsuit would imply at least a \$2.25 cut in the University of Missouri–Columbia’s budget. That loss in funding would be even greater if programs like Medicaid escape the massive budget shortfalls that the lawsuit would create — and funding issues such as this would inevitably become a problem throughout the state. Podgursky was one of the many voices calling for the Columbia School District to abandon the lawsuit, and later that month the district joined the more than a dozen other districts that have come to their senses and stopped wasting the public’s time and money on such a foolish case.

In addition to our education work, we’ve been moving full speed ahead on our tax policy research. Podgursky and Haslag published a commentary in June arguing against the use of tax credits for economic development, pointing out that when favored industries receive tax breaks, the marginal rate has to rise

for everybody else, if officials want to maintain their revenue flow — and they always want to maintain their revenue. The piece argued that government officials have no special talent for predicting growth industries or picking winners in the market, so these sorts of interventions will often fail in spite of legislators’ best intentions. Not long after the Show-Me Institute released this commentary, the economic development



**Rex Sinquefield, president of the Show-Me Institute, converses with Clint Bolick, director of the Scharf-Norton Center for Constitutional Litigation at the Goldwater Institute, and Eric Hanushek, Ph.D., the Paul and Jean Hanna Senior Fellow at Stanford University’s Hoover Institution, between sessions at the Show-Me Institute’s education funding conference on Oct. 30, 2007, at the University of Missouri–Columbia. The event, co-sponsored by the Truman School of Public Policy, featured the debut of several groundbreaking working papers, including one by Bolick and another coauthored by Hanushek, about educational “adequacy” lawsuits and other school finance issues.**

bill then under consideration, HB 327, was drastically scaled back before finally being passed. Although the final bill still amounted to corporate welfare, millions of dollars of tax credits and other government-funded incentives were stripped away from the original proposal.

Our income tax study from December 2006, written by Richard Vedder, an economics professor at Ohio University, and Stephen Moore, senior economics writer for the *Wall Street Journal*, paid partial dividends during 2007. In a January press conference, former Missouri House Speaker Rod

Jetton talked about Vedder and Moore’s proposal to phase out the state’s income tax. The *Columbia Daily Tribune* quoted him: “That is the goal that I share, and I’d like to try to push for it,” Jetton said of repealing the state’s income tax. “[Eliminating the tax on Social Security benefits] is a first step in that particular endeavor.” By the summer of 2007, legislation to that effect had been passed and signed into law, eliminating

the income tax on Social Security for the many Missourians who rely on it.

We published plenty of other research during 2007, which you can read all about in the following pages of this report. We wanted to hit a few important high points here, though, and demonstrate how the Show-Me Institute’s research investment has brought about concrete results. Affecting policy decisions can be a long, difficult road, and although not all of our policy recommendations have been enacted just yet,

we’re confident that as we focus on producing the highest quality of policy scholarship, our efforts will continue to show new results for many years to come.

Of course, none of this success would be possible without a hardworking and dedicated staff. We made several additions to our team last year, each of whom brings a unique perspective and skillset to the Show-Me Institute’s operations. Midway through the year, our former editor, Timothy Lee, accepted a position as an adjunct scholar with the Cato Institute. He still lives in Missouri

and helps us when we need him, but we hired a new editor to take over his regular duties. Eric Dixon, the Show-Me Institute's new editor, has had more than a decade of experience in both public policy and journalism. Not long after that, we hired David Stokes, who has had years of experience in county and local government, as a new policy analyst focusing on privatization. A few months later, we brought aboard two more analysts we managed to steal from the Institute for Justice in Washington, D.C. Dave Roland, our new education policy analyst, spent three years litigating school choice and property rights before joining us. Jenifer Zeigler Roland, our new director of policy, aided IJ's Castle Coalition in reforming eminent domain laws. And late in the year we hired our newest policy analyst, Justin Hauke, who formerly worked as a senior research associate at the Federal Reserve Bank of Saint Louis. Our final staff addition, late last year, was Joe Haslag, who has produced some of our best work. We hired him to be the institute's research director in November, and beginning in 2008 he took an even more central role in the organization as our executive vice president. You can read a little more about all of our staff members by taking

a look at their bios toward the end of this report. We're excited that we've put together a team that knows the issues and is committed to publishing solid, scholarly research.

The Show-Me Institute had a great year financially, raising \$1,129,720 in 2007. We've maintained our commitment for the board of directors to cover the institute's basic operational expenses, which ensures that your donation can be devoted entirely to support our research and publishing program. We had another great year for foundation grants; although the amount of money we raised in 2007 increased substantially from the previous year, more than a quarter of our income once again came from grants. And actually, the full amount we raised in grant money, \$291,701, is almost 68 percent higher than our goal for the year.

We also had a much better ratio for program expenses during 2007. Our 2006 budget included so many startup expenses that a much higher fraction of our budget went toward operational expenses that year than we would have liked. For 2007, though, we're happy to report that almost 78 percent of our budget went to supporting programming — and we plan to continue raising that percentage in future years.

Our second full year of operations was a time of both tremendous growth and phenomenal success. We haven't won every battle, but that doesn't mean we'll stop fighting — or even slow down. Missourians deserve to have their tax dollars spent wisely, and the work of the Show-Me Institute is an instrumental part of making that happen. We want to make the best in policy research readily available to everybody who cares about the future of the state. As we lay the economic groundwork for an honest and accurate analysis of Missouri policy, we're putting valuable tools of knowledge and insight into the hands of those who want to work toward a more prosperous future. We invite you to help us make 2008 even better.

Sincerely,



R. Crosby Kemper III



Rex Sinquefield



# TAXES

OUR ECONOMY WORKS BETTER WHEN THE TAX SYSTEM IS SIMPLE, FAIR, AND LETS workers keep more of the money they earn. Show-Me Institute scholars study the impact of tax and spending policies, and develop reforms that will give us more for our tax dollars and spur faster economic growth.

The Show-Me Institute began the year on a strong note, with two complementary policy studies about the earnings taxes in Saint Louis and Kansas City, both by University of Missouri–Columbia economics professor Joseph Haslag. The studies detail how earnings taxes spur people to move to the suburbs in order to avoid having to pay the tax. They also distort labor markets, both causing workers to expend less effort per hour, decreasing the number of hours they are willing to work, and causing employers to demand fewer hours of labor for their enterprises. Although some contend that a higher earnings tax doesn't decrease the number of hours in a standard work week, Haslag pointed out that this "ignores the tax's effect on an individual's decision to take on overtime work, take a second job or make retirement decisions. On the margin, a higher tax on labor will reduce the quantity of labor supplied to the market."

Haslag's studies propose a two-tier land tax as a non-distortionary means of eliminating earnings taxes while avoiding reductions in government tax revenue. The supply of land is inelastic,

so although a tax would increase the cost of land, the fixed supply would eliminate the deadweight economic loss associated with many other forms of taxation. "On the surface," Haslag wrote, "the two-tier property tax is a slam dunk from the perspective of city economic development. A small increase in the property tax rate applied to the value of land permits the city to eliminate the earnings tax."

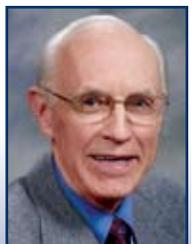
In February, Show-Me Institute policy analyst David Stokes wrote in favor of a long-considered merger between two Saint Louis County municipalities: Richmond Heights, a heavy shopping area for the region; and Clayton, the county seat and virtually a second "downtown" for the Saint Louis area. Stokes argued that such



Of the nine full policy studies produced by Show-Me Institute scholars during 2007, three were devoted to exploring the effects of taxation on Missouri residents. Two studies published early in the year, written by University of Missouri–Columbia economics professor Joseph Haslag, outlined revenue-neutral strategies for eliminating the harmful earnings taxes that today exist in Kansas City and Saint Louis. In December, the Show-Me Institute released a study by R.W. Hafer, distinguished research professor and chair of the Department of Economics and Finance at Southern Illinois University Edwardsville, asking, "Should Missouri Eliminate the Individual Income Tax?" Comparing economic theory with real-world empirical studies, Hafer concluded that altering or even eliminating this tax could well improve the state's economic condition.

*Menlo Smith, founding member, Show-Me Institute Board of Directors*

*"The Show-Me Institute has become a respected voice in a remarkably short time, providing critically valuable insights and understanding about important public policy issues. SMI's scholars provide solutions that respect individual rights, encourage creativity and hard work, and promote cost-effective social cooperation. I have long been involved with organizations that research market solutions for public policy issues. SMI is proving to be among the best, and deserves the support of all who desire effective government and sound public policies."*



a merger would benefit the residents of both areas. “The rationale behind the merger is fairly simple: the commercial property tax base of Clayton and the retail sales tax strength of Richmond Heights would combine into a new city with an extremely strong local economic foundation not held hostage to downturns in any one sector of the economy.” Although he couldn’t be sure of exact tax rates for the proposed merger, Stokes pointed out that taxes would decrease for everybody.

In March, Stokes argued in favor of the so-called “Westfall Plan” for sales tax collection, which for more than a decade has operated a sales tax “pool” in Saint Louis County, to which every municipality must contribute. Point-of-sale cities, with large retail districts, contribute only a portion of their sales taxes to the pool, while all other municipalities in the county contribute all of their collected sales taxes. The pool is then redistributed within the county based on city population sizes. Stokes pointed out that if this pool were eliminated, cities without significant retail districts would have a greater incentive to abuse eminent domain to increase space devoted to shopping, drawing consumers away from neighboring municipalities. Ultimately, Stokes argues, the sales-tax pool relieves the pressure that local governments would otherwise feel to increase their own sales tax revenues, and thereby helps to preserve citizens’ property rights.

In December, the Show-Me Institute published a new policy study about whether Missouri should eliminate the state’s individual income tax. The study, written by R.W. Hafer, chair of the Department of Economics and Finance at Southern Illinois University Edwardsville, compared Missouri’s relatively stagnant economy with states that do not levy individual income taxes. Hafer concluded that altering or eliminating Missouri’s individual income tax could well improve the state’s economic condition. As Haslag demonstrated earlier in the year for earnings taxes, in this study Hafer showed how income taxes distort the labor market. He noted that numerous empirical studies support this theoretical insight revealing that states with lower tax burdens have relatively better economic track records.

Also in December, David Stokes tackled Missouri’s property assessment system, citing the seemingly arbitrary way in which rates are set as a primary cause of the public’s lack of faith in property tax fairness. He argued that officials should begin with established measures of aggregate housing prices,

then make adjustments based on county averages for particular property classes. “This would eliminate wide discrepancies from house to house that undermine faith in the current system,” Stokes wrote. He also pointed out that it would drastically decrease the number of assessors that need to be paid by taxpayers.

Tax policy can be needlessly complicated by the many competing interests involved in debating and establishing policy. The Show-Me Institute will continue to establish a strong foundation of economic research that demonstrates the fiscal benefits of a tax system free from burdensome complexity and inconsistent application. 



The Show-Me Institute’s Oct. 30 education funding conference touched on topics dealing with both taxation and educational quality. Pictured are two of the conference’s speakers, Kevin Chavous, partner at Sonnenschein Nath & Rosenthal LLP, and co-founder and board chair of Democrats for Education Reform, and Julio Gomez, a private-practice lawyer who last year litigated a major school choice case in New Jersey and, at this conference, debuted an early version of his paper, “Hope for Children Trapped in Failing Schools: The Promise of *Crawford v. Davy*.”



### *Joshua Schindler, Attorney, Schindler Law Firm*

*“Rex Sinqeufield single-handedly helped save the state of Missouri more than a billion dollars that would have been earmarked as an additional public education expenditure, without any significant game plan on how it would be spent. Mike Podgursky’s testimony made it evident that there was no direct correlation between spending and educational achievement. Rex has consistently shown through his contributions that he seeks to enhance education through the implementation of competition and resulting efficiency.”*

# EDUCATION

THE LATEST EDUCATION RESEARCH CONFIRMS WHAT COMMON SENSE HAS ALWAYS told us: Kids learn better when their parents have more choices. The Show-Me Institute studies how to empower parents by expanding educational options and providing them with better information, so that every child can attend a school that best meets his or her unique needs.

The Show-Me Institute had a banner year in conducting and promoting research that highlights the benefits of school choice and other educational reforms. In February, the institute released a new policy study, "Looking for Leadership: Assessing the Case for Mayoral Control of Urban School Systems." This study, written by American Enterprise Institute scholar Frederick M. Hess, analyzes the potential benefits of appointed — rather than elected — school boards. Some studies suggest that appointed boards tend to be more resistant to the fluctuations of public opinion, which allows them "to make the hard choices that are sometimes needed for long-term success." Hess concludes that an appointed board could well help heal the fractious, squabbling leadership of Saint Louis Public Schools.

A month and a half later, the Missouri State Board of Education voted to take over management of the Saint Louis schools, effective in June. The new school board is appointed

by multiple officials, including the mayor, the governor, and president of the city's Board of Aldermen. The old elected board challenged this action, but it has so far held up under judicial scrutiny.

In May, the Show-Me Institute released another groundbreaking study, "Ready for Change: What Missourians Think of Parental Choice and Public



Attendees at the Show-Me Institute's Oct. 30 education funding conference included several officials with Missouri's public schools and related professional associations. Pictured are Roger Kurtz, executive director of the Missouri Association of School Administrators, Roger Dorson, director of school finance for Missouri's Department of Elementary and Secondary Education, and Gerri Ogle, DESE's associate commissioner in the Division of Administrative and Financial Services.

Schools." In it, Verne Kennedy of Market Research Insight and former policy analyst Sarah Brodsky analyzed

poll results conducted in late 2006 that demonstrate a staggeringly high level of support for school choice across every Missouri demographic. Almost all of the respondents demonstrated support for school choice early in the poll; 57 percent statewide said they think school choice would work better than a single public school system, a figure that rises into

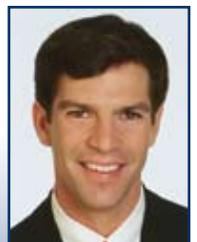
the 60s for parents and minorities. Even more impressive, 85 percent of respondents statewide indicated they think parents should make the basic decision of which school — or kind of school — their children should attend. This rose to 88 percent for African-American and Hispanic respondents.

Respondents reported a high level of dissatisfaction with public schooling in Missouri and little faith in the power of parents to change public schools for the better. When asked how well Missouri's K-12 public schools are doing, just 12 percent of respondents believed the schools are "doing very well,"

while 63 percent reported that public schools in Missouri are either "in a crisis" or have "serious problems." Sixty-six

### Senator Jeff Smith (D-Mo., 4th District)

*"I quite enjoyed participating in the Show-Me Institute's panel on education reform last year. While I don't always agree with all of its positions, the institute is helping to spark fresh discourse about education issues and providing a valuable perspective on issues such as teacher quality, charter schools, and innovative compensation plans for educators."*



percent of respondents felt that parents have “very little control” over how schools are run, with just 5 percent saying that parents have “a great deal of control.” African-Americans overwhelmingly indicated their views that parents have little influence over schooling.

There are many potential paths that lead to greater choice in type and quality of schools, and the Show-Me Institute released several commentaries throughout the year that highlighted some of these options. Some would be relatively easy to implement, like including more diverse course offerings in virtual schools, or allowing students in the unaccredited Saint Louis School District to attend schools in neighboring districts instead. Other ideas for improving quality outlined by Show-Me Institute commentaries include student scholarships funded by tuition tax credits, a more flexible teacher certification process to help ease teacher shortages, and merit pay based on student performance.

One of the biggest obstacles faced last year by advocates of educational quality was Missouri’s school finance “adequacy” lawsuit, in which 262 school districts throughout Missouri sued the state for increased funding. These suits have become a trend, sprouting up in 34 states so far. Fortunately for Missouri’s taxpayers, however, three members of the Show-Me Institute’s board of directors — Rex Siquefield, Bevis Schock, and Menlo Smith — helped fund



Show-Me Institute policy analyst Dave Roland, second from left, discusses the future of Saint Louis Public Schools on Sept. 25, 2007, in a panel discussion hosted by Metropolis St. Louis, FOCUS St. Louis, and the League of Women Voters. From left to right, the other panel participants were Sen. Jeff Smith (D-Mo., 4th District), Jeff Lewis, vice-president of Chicago’s Urban Prep Academy, Melanie Adams of the Saint Louis Special Administrative Board, and Dr. John Martin, then the deputy superintendent for Saint Louis Public Schools and currently the interim superintendent in Kansas City. Although Roland began working at the Show-Me Institute late in 2007, he got off to a prolific start, producing four outstanding commentaries about the value of school choice during his first two months as a policy analyst, three of which were printed by Missouri newspapers — the *Southeast Missourian*, the *Columbia Daily Tribune*, and the *St. Louis Business Journal*.

the state’s defense, on their own time and using their own money. A circuit court judge found in favor of the state’s existing school funding arrangement.

In October, the Show-Me Institute dramatically expanded the scope of its education research by cosponsoring a school finance conference in conjunction with the University of Missouri–Columbia’s Truman School of Public Policy. Scholars from across the country presented seven working papers about a variety of issues related to school funding and choice programs, bringing a wide range of perspectives on school choice to conference attendees from throughout Missouri and the nation. The final drafts of these papers have been published by Vanderbilt University’s *Peabody Journal of Education* in its April 2008 issue, which can be viewed online: [tinyurl.com/5wzunu](http://tinyurl.com/5wzunu)

The event also included other academics, attorneys, and legislators,

whose varying perspectives and insight brought a greater depth of discussion to the issues being raised. A reporter for the *Columbia Missourian* summarized one main focus of the conference this way: “The papers presented had a theme — economists can’t say what makes a good teacher. They left that up to the experts, those working in the schools. They did say that better rewards would encourage better teaching.”

Education reform is one of the most urgent issues Missouri now faces. The longer it takes to improve the state’s schools, the more our children will be left to face life without the foundation of a quality education. That’s why the Show-Me Institute is committed to conducting the highest caliber of research about how Missouri’s schools can better serve the needs of actual children who so desperately need better options than they currently have. 

*Clint Bolick, Director of the Scharf-Norton Center for Constitutional Litigation, Goldwater Institute*

*“The Show-Me Institute hosted a cutting-edge conference on school litigation that promises to shift the paradigm from a concern about funding to a focus on kids and opportunities, not only in Missouri but throughout the entire nation. The institute is helping to set the standard for innovative and constructive policy ideas in American education.”*



# CORPORATE WELFARE

FROM EMINENT DOMAIN ABUSE TO SUBSIDIES AND TAX BREAKS FOR THE POWERFUL and well-connected, government officials often try to pick winners and losers in the market. The Show-Me Institute develops policy recommendations to protect property rights and promote economic growth without caving in to demands for corporate welfare. Secure property rights encourage investment and entrepreneurship. Trying to create economic success through government intervention is a formula for failure.

Out of all the forms of corporate welfare, none is more attractive to government officials than handing out tax breaks in an effort to spur new development. It almost seems like a market-based strategy — it involves cutting taxes, after all, if only for a favored few. There are some serious problems with this approach, however, as outlined in a Show-Me Institute commentary released in June, “Centralized Economic Policy Bad for Missouri.”

This commentary outlines how tax breaks that are targeted to selected industries, or even to specific businesses, reduce government revenue. If officials don’t also decrease their spending, their need to recoup that lost revenue leads to a higher marginal tax rate for everybody else. The authors — Michael Podgursky, a member of the board of directors, Joseph Haslag, the institute’s executive vice president, and Steve Bernstetter, a former intern — point out that government officials have not been particularly successful

in predicting high-growth industries, so their centralized efforts to pick economic winners and losers won’t work:

“Government economic planners do not know what the next ‘big idea’ will be, and any effort to find that idea through central intervention is likely to fail. The best way for Missouri to ensure future economic prosperity is to provide businesses with a climate favorable to developing those ideas, whatever they may be.”

The Show-Me Institute released this commentary while a pending “economic development” bill, HB 327, was being considered by Gov. Matt Blunt. This bill would have handed out about \$200 million in tax breaks, among other worrisome details. The governor vetoed this legislation, however, calling for a special legislative session that provided a new, drastically scaled-back version of the bill. Although the final bill still amounted to corporate welfare, millions of dollars of tax credits and other government-funded incentives were stripped away from the original proposal.

One of the unfortunate provisions of this truncated bill was an increase in the state’s eminent domain powers. The Show-Me Institute addressed eminent domain head-on in a policy study released in October, “The Specter of Condemnation: The Case Against Eminent Domain for Private Profit in Missouri.” Written by the institute’s former editor, Timothy B. Lee, and a former intern, Shaida Dezfuli, this study examines the abuses of eminent domain when used for private profit in Missouri.

Although many government officials believe that eminent domain is necessary for comprehensive development projects that will help stimulate the economy, Lee and Dezfuli focus on how eminent domain often hurts economic development by creating economic uncertainty and harming small businesses. Furthermore, it exacerbates poverty in inner city communities by destroying affordable housing and undermining community reform efforts. The study concludes that only an amendment to

*John E. Kramer, Vice President for Communications, Institute for Justice*

*“From property rights to economic liberty, the liberties of ordinary Missourians are under siege from state and local politicians. That’s why the work of the Show-Me Institute staff is so important. With insightful and timely reports and other public advocacy, they are fighting hard to restore limited government and unlimited opportunity for everyone in the Show-Me State.”*





Homer Tourkakis, a dentist in Arnold, Mo., stands in front of his “blighted” office. When the city decided a new shopping mall was more important than Tourkakis and his neighbors, officials sought to seize their homes and businesses. In November 2007, the Show-Me Institute filed a brief of *amicus curiae* on behalf of Tourkakis, arguing that a correct interpretation of the Missouri Constitution’s eminent domain provisions favors strong property rights.

the Missouri Constitution will provide adequate property rights protection for the state’s citizens.

The need for such an amendment becomes obvious when considering the case of Dr. Homer Tourkakis, who has owned a dental practice in Arnold for a couple of decades. When the city decided a new shopping center was more important than Tourkakis and his neighbors, they declared the area “blighted” and sought to seize their citizens’ homes and businesses. Tourkakis fought back — and although a

circuit court ruled in his favor, an appeal to the state Supreme Court eventually reversed that decision.

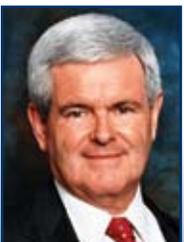
In November, the Show-Me Institute’s director of policy, Jenifer Zeigler Roland, and education policy analyst, Dave Roland, jointly filed a brief of *amicus curiae* on behalf of Tourkakis, arguing that a correct interpretation of the Missouri Constitution’s eminent domain provisions favors strong property rights. They conclude, “Regrettably, it appears that unless this Court

intercedes and revives constitutional limitations on municipalities’ ability to offer their citizens’ properties to the highest-bidding commercial developer, the wave of eminent domain abuse will continue to roll across the state.”

The Show-Me Institute is dedicated to warning both the public and Missouri policymakers about the inherent dangers of all forms of corporate welfare. Our property and prosperity depend on allowing markets to operate without officials attempting to pick winners and losers in advance. 

### *Newt Gingrich, founder, Center for Health Transformation*

*“Free-market health care is driving the future. The Show-Me Institute has truly focused on educating policy makers who can influence and implement the necessary changes to improve the availability and affordability of health care for all Missourians. With our Missouri Project developing models for REAL change, it is valuable to have the Show-Me Institute as a collaborator.”*



# HEALTH CARE

THE STANDARD EMPLOYER-BASED MODEL FOR HEALTH INSURANCE LEAVES A remarkable number of people out. The Show-Me Institute highlights the ways that a consumer-driven, market-based model for coverage can help more people get the care they need while taking ownership for their own health and lifestyle decisions.

Last year brought some exciting new developments in Missouri health care policy, and the Show-Me Institute was at the forefront of the process, educating policymakers about the value of a free-market approach to health care.

In March, Beverly Gossage, a Show-Me Institute research fellow and expert on health insurance from the Kansas City area, educated legislators in Jefferson City about the benefits of health savings accounts. Legislators took Gossage's ideas and ran with them, drafting House Bill 818, which incorporated many of the ideas Gossage presented. It passed both houses of the legislature

by lopsided margins. Under the new law, which the governor signed in June, employers will have more flexibility to help employees purchase individual health insurance plans that are not tied to an individual employer, and the law

will be friendlier to the use of health savings accounts.

One factor stalled passage of HB 818 — a measure legalizing midwifery

provision, the question of whether to legalize midwifery in Missouri continued to generate vigorous debate.

One Show-Me Institute commentary marshaled figures from the National Center for Health Statistics and the Centers for Disease Control demonstrating that “the risk of experiencing an infant death was 19 percent lower for births attended by certified nurse midwives than for births attended by physicians. The risk of neonatal mortality (an infant death occurring in the first 28 days of life) was 33 percent lower, and the risk of delivering a low birthweight infant was 31 percent lower.”

The commentary concluded that prospective parents are capable of making their own decisions about the type of childbirth care they wish to receive, and that this type of health care autonomy is just as important



Rep. Jane Cunningham (R-Mo., 86th District) and Show-Me Institute research fellow Beverly Gossage discuss the groundbreaking health insurance reform legislation that Missouri's General Assembly and governor passed earlier in 2007, while attending a July 31 event honoring the life and legacy of Nobel laureate economist Milton Friedman, sponsored by the Show-Me Institute.

in Missouri that was inserted into the bill at the last minute using obscure language that other legislators were unlikely to recognize. Although officials passed the law anyway, and a judge temporarily struck down the midwife

## *Representative Doug Ervin (R-Mo., 35th District)*

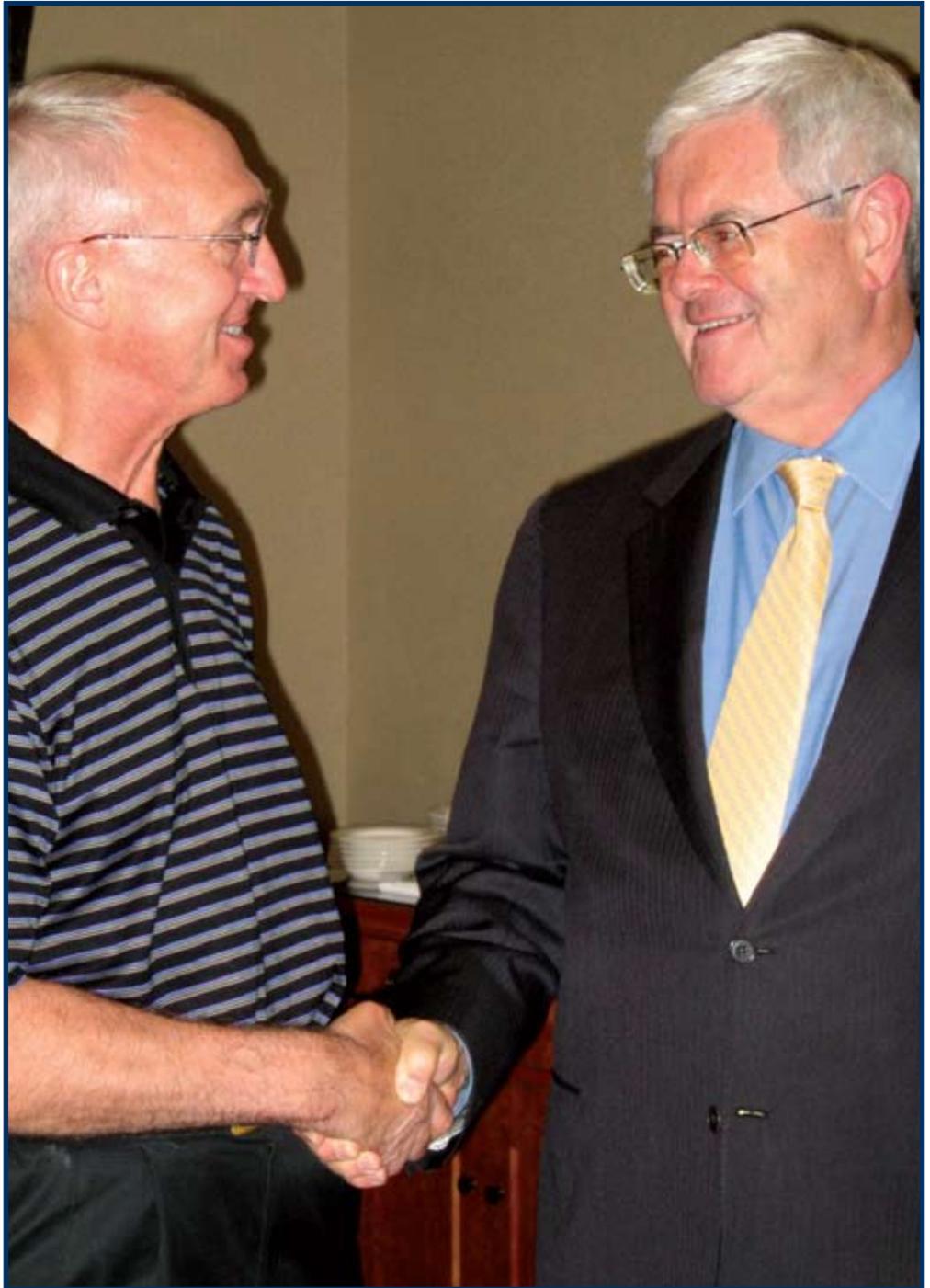
*“Beverly Gossage has been a phenomenal resource, not only in helping Missouri legislators understand how applying free-market concepts to problems with health care can be applied to all demographics. She is also a tremendous aid to major think tanks around the country. She is using her expertise, network of contacts, and clear insight into how to take advantage of health savings accounts in a consumer-directed model to educate elected officials, so that we may transform health care in Missouri.”*



as being able to determine your own health insurance plan.

Throughout 2007, Beverly Gossage continued to spread the word about the free-market principles underpinning HB 818, authoring op-eds and a health care “primer,” giving presentations about the benefits of health savings accounts to business and civic leaders, and consulting with think tanks and legislators in other states, including Indiana, Kansas, and Michigan, as they look to Missouri’s free-market health care reforms as a model. Gossage’s efforts have also included well-received presentations for national audiences, including the National Conference of State Legislatures and the State Policy Network.

Not long after the ink was dry on Missouri’s groundbreaking market-based health care law, the governor announced a new proposal, “Insure Missouri,” that would have undone many of HB 818’s free-market advances and cost an estimated \$900 million by 2012. As Gossage phrased it, the proposal would be “a state program with a health plan designed by the state, offered through providers contracted by the state, at rates controlled by the state. What happened to the free-market approach?” Fortunately, a lack of legislative support may have scuttled this proposal — or drastically scaled it back, at least — so that Missouri remains a leader in free-market health care reform with HB 818 safely intact. 



Rex Sinquefield, president of the Show-Me Institute, and Newt Gingrich, founder of the Center for Health Transformation, met with other Show-Me Institute staff and scholars on June 19, 2007, to discuss health care reform ideas for Missouri.



*Michael F. Cannon, Director of Health Policy Studies, Cato Institute*

*“Show-Me Institute scholar Beverly Gossage is a well-informed, unstoppable advocate for health care consumer choice and a key player in the battle to bring individual liberty to America’s health care sector. Her knowledge and experience is a valuable resource, and we appreciate her insight.”*

# PRIVATIZATION

MANY GOVERNMENT SERVICES CAN BE PROVIDED MORE EFFECTIVELY, AND AT A LOWER cost, by the private sector. When public services are provided by private industry, economic incentives and accountability provide a critical feedback loop that is largely absent in government bureaucracy. Show-Me Institute scholars analyze public programs to determine how taxpayers can benefit from market-based alternatives.

Consumers experienced a rare deregulation victory during 2007, after legislators and the governor passed SB 284, the Video Services Providers Act. This law allows cable companies and other video providers to obtain statewide franchise licenses, which opens local markets to the innovation and lower prices that vigorous competition provides. Before the legislation passed, the Show-Me Institute had been arguing in favor of the benefits of cable franchise reform for some time, publishing both a commentary and a full policy study on the subject early in the year.

The study, authored by University of Missouri–Columbia economics professor Joseph Haslag, had estimated that competitive forces would lower consumer prices by as much as \$7.39 per month per household, and would bring in an additional \$17 million in state tax revenues during the first year. The legislation received widespread bipartisan support, bringing new choices and value to video consumers throughout Missouri.

Show-Me Institute policy analyst David Stokes wrote a commentary in June outlining some of the exciting approaches that the Missouri Department of Transportation is taking for the state’s transportation needs. From its consideration of public-private partnerships to the efficiency and savings of the “design-build” model and its consideration of truck-only freeway lanes, MoDOT’s innovative thinking will serve Missouri’s taxpayers well.

In July, the Show-Me Institute brought Leonard Gilroy, director of government reform at the Reason Foundation, to Missouri for the transportation summit meeting of the Joint Transportation Committee in Jefferson City. One of the meeting’s panel

discussions included Robert Poole, director of transportation studies at the Reason Foundation. He talked about the uses of tolls nationwide, the potential for truck-only lanes, the limitations of gas tax funding for roads, and the limitations that government toll agencies have in comparison to public-private partnerships. A working relationship



University of Missouri economics professor Joseph Haslag explored cable industry deregulation in a February 2007 policy study released by the Show-Me Institute, and here he testifies in Jefferson City before a House committee and a room packed with lobbyists, politicians, and citizens concerned about the findings of his research. Later in 2007, Missouri’s General Assembly and governor signed into law a bill designed to deregulate these markets, creating a streamlined video franchise system that encourages competition and new investment.

## *Leonard Gilroy, Director of Government Reform, Reason Foundation*

*“It is simply remarkable to see a relatively new think tank with a small staff have such a disproportionate impact with the speed that the Show-Me Institute has. The institute’s quality of talent and dedication to core intellectual rigor commands immediate respectability, especially with such crucial issues as eminent domain and privatization. We look forward to a long-term relationship in our efforts to change the public policy landscape and expand freedom in Missouri.”*





Len Gilroy and Robert Poole of the Reason Foundation attended the transportation summit meeting of the Joint Transportation Committee, on July 31, 2007, in Jefferson City, along with Show-Me Institute policy analyst David Stokes.

with the Reason Foundation continued throughout the rest of 2007, as Stokes and Gilroy worked with another Reason analyst to research and write a policy study, "Missouri's Changing Transportation Paradigm," that would be released early the following year.

Stokes also published some groundbreaking research in August about the competitive benefits of pharmacy

privatization. He found that after Saint Louis County began to contract out its pharmacy operations in early 2003, actual operating expenses started falling well below budgeted figures, for the first time in years. County officials took note, pointing out that "The clinics are better served with prescriptions than in the past," and "the prescriptions are better controlled and there is less waste." These

improvements were the direct result of competitive bidding and privatization.

The Show-Me Institute will always be at the forefront of research demonstrating how market-based solutions can bring increased efficiency and cost savings to public-sector operations. Taxpayers deserve to have their money spent carefully and effectively by those who hold the public's trust. 



*Bob Heller, Show-Me Institute Board of Directors*

*"As a retired Democratic judge in Shannon County, I am thrilled to be part of an organization that is identifying solutions for critical issues affecting rural Missourians like me. I'm extremely impressed by the quality of research that the Show-Me Institute is providing to the leaders of our communities and our state, and the impact it is having on changing the public policy debate in Missouri."*

# RED TAPE

ONE THING THAT GOVERNMENT OFFICIALS DO WELL IS ESTABLISH BARRIERS TO MARKET innovation and erect hurdles for entrepreneurs to clear. The Show-Me Institute is committed to showing how burdensome regulations stand in the way of economic growth and individual prosperity. Market solutions lose their strength when bound by red tape.

Occupational licensing is one of the most insidious forms of red tape. Although at times this type of licensing can ensure a basic level of quality within an industry and thereby decrease consumer search costs, occupational licenses are often simply a protectionist racket — preventing would-be competitors from entering an industry and lowering prices. Fortunately, the Reason Foundation revealed in an August report that Missouri has the lowest number of state-required occupational licenses in the entire nation — and particularly in comparison to neighboring states like Arkansas, Tennessee, Nebraska, Illinois, Kentucky, and Oklahoma, all of which fall within the top 25 states with the highest number of required licenses.

This news is cause to celebrate, but not to let down our guard. Government officials are often ready and willing to pass new burdensome regulations, and some of the requirements currently on the books are damaging both to open markets and consumers. One of these, the “Certificate of Need” (CON) law, was highlighted in March by former intern Steve Bernstetter. This law requires

anybody seeking to provide health care services within the state of Missouri to demonstrate to state officials a market need for those services. Although the original impetus for this type of regulation at the federal level was to lower health care costs by eliminating duplication of

services, the law’s ultimate effect was to restrict competition and increase costs still further. While the federal government eventually repealed its CON legislation, many states — including Missouri — continue to impose this red tape in their health care markets.



Jason Hannasch, center, the Show-Me Institute’s vice president, speaks to Jennifer Butler, vice president for the State Policy Network, and Nicole Williams, who works both as SPN’s management and technology advisor and as the vice president of operations at the Tennessee Center for Policy Research, at the Show-Me Institute’s Oct. 30 education funding conference in Columbia. The State Policy Network is the only group in the country dedicated solely to improving the practical effectiveness of independent, non-profit, market-oriented, state-focused think tanks. By bringing together the best ideas and strategies from throughout the United States, its programs enable organizations like the Show-Me Institute to better educate local citizens, policy makers, and opinion leaders about market-oriented alternatives to state and local policy challenges.

## *Tracie Sharp, President, State Policy Network*

*“The Show-Me Institute is rapidly capturing the attention of Missouri policymakers by educating them with the findings of quality studies. The results are an impressive change in public policy debate. Because of this quick success, SMI is now advising other think tanks on how to establish themselves as invaluable resources of information to the media, elected officials, community and business leaders, and the general public. SPN is proud to have SMI as a member of our market-oriented network.”*



In September, Show-Me Institute policy analyst Justin Hauke wrote about a different form of red tape in a commentary about the payday loan industry. Officials often target payday lenders for increased regulation, claiming that they charge predatory interest rates. Hauke points out, however, that the payday loan industry is highly competitive and that the exorbitant interest rates they charge are determined by credit risk; most of the people desperate enough to take out a payday loan are those who have few other options because of their terrible credit ratings.

If officials passed new regulations to cap interest rates, many payday lenders would simply go out of business, and the people who genuinely needed their services because they lacked other options would either have to go without or turn to the much riskier black market.

Hauke recommended that officials instead encourage credit unions to expand short-term loan programs and encourage greater financial literacy, so that consumers can arm themselves with the knowledge necessary to make better financial decisions.

In December, Show-Me Institute editor Eric D. Dixon addressed the warnings about price “gouging” that often follow terrible weather or natural disasters. These warnings are usually accompanied by calls for the government to crack down on offenders, or pass new regulation to keep prices steady when market conditions fluctuate. Dixon pointed out, however, that a prohibition of gouging inevitably harms the people the regulations are intended to help.

The commentary describes how prices act as a signal through the profit motive, spurring people to produce

additional goods when prices suddenly rise. “This increased supply is exactly what’s needed in times of crisis,” Dixon wrote. “It not only keeps stores adequately stocked, but an expanded supply helps bring those high prices back down again. The more flexibility prices have to fluctuate, the sooner supply can meet demand and prices can return to normal.” When officials bind market transactions with red tape, their regulations can lead to shortages of critical goods — especially during emergencies.

The Show-Me Institute has ambitious plans to continue documenting the ways in which red tape hampers market activity and causes economic growth to stagnate. Anybody who’s serious about promoting economic development needs to take a close look at the obstacles standing in the way. 

Show-Me Institute board members and donors gather with Saint Louis Baseball Hall of Fame greats at Busch Stadium at Rex Sinquefield’s annual personal event, hosted for members of the institute’s founders donor club. Pictured, from left: Lou Brock, former player and current special instructor coach for the Saint Louis Cardinals; Bob Heller, Show-Me Institute board member; Rex Sinquefield, Show-Me Institute president; Red Schoendienst, former player and manager for the Cardinals, and current special assistant coach; Bob Gibson, former Cardinals pitcher; Nina and Harry Langenberg, Show-Me Institute donors; and Whitey Herzog, former manager for the Cardinals and the Kansas City Royals.



*Harry Langenberg, HFL Foundation; Founders Donor Club Member*

*“My wife Nina and I were delighted to be Rex’s guests at his Cardinals Hall of Fame annual event. When you are in the company of Cardinal greats Bob Gibson, Lou Brock, Red Schoendienst, and Whitey Herzog it is hard to concentrate on the game. I can’t remember who won the game, but it was a most memorable night. My appreciation goes out to Rex for inviting Show-Me Institute donor club members to his personal event. I am proud to support the important work of SMI, and participate in such a fun benefit!”*

# PUBLICATIONS

## *Commentaries Published in 2007*

January 8	“School Takeover Requires Mayoral Commitment”	July 24	“How the Transitional School Board Can Succeed in Saint Louis”
January 26	“Missouri Should Open Cable TV Market to Competition”	August 9	“Adequacy Lawsuits Reinforce Poor Educational Policy”
February 22	“Richmond Heights and Clayton Merger Would Benefit Residents”	August 13	“Missourians Should Be Allowed to Use Midwives”
March 5	“Missouri’s Cable Franchise Laws Harm Missouri’s Consumers”	August 20	“The Missouri Plan, or: How I Learned to Stop Worrying and Love the Lawyers”
March 14	“Don’t Drain the Sales Tax Pool”	August 27	“School Choice Would Bring Greater Student Diversity”
March 22	“Taking the CON Out of Certificate of Need Laws”	September 17	“‘Hot Fuel’ Regulations Would Harm Consumers”
March 27	“Mayoral Control Could Help City Schools”	September 24	“Direct Subsidy More Efficient Than Universal Insurance”
March 30	“Rethinking Public Education, One Measure at a Time”	September 27	“Payday Loan Reform Bad for Borrowers”
May 1	“Missouri Bill Would End Telecom Tax Lawsuits”	September 28	“‘Insure Missouri’ Strays From Path to Free-Market Reform”
May 11	“Saint Louis Kids Deserve Choices”	October 8	“Missouri Teachers Voice Support for School Choice”
May 23	“New Bridge Might Not Ease Rush Hour Congestion”	October 22	“Should Kirkwood Sell Its Municipal Utilities?”
May 25	“Students Would Benefit From Diverse Virtual Schools”	October 29	“Empowering Parents to Seek Out Adequate Education”
June 1	“Missouri Leads the Way to Free-Market Health Care Reform”	November 20	“Learn From Others’ Experience With School Choice”
June 14	“Centralized Economic Policy Bad for Missouri”	November 28	“School Choice Is Working, After All”
June 19	“Health Insurance Reform Paves Way for Consumer-Based Care”	December 4	“District Should Abandon Frivolous Suit”
June 27	“In Praise of MoDOT”	December 6	“Changes to Property Assessment System Would Improve Fairness”
July 3	“Missouri Doesn’t Need an English-Language Amendment”	December 17	“‘Gouging’ a Misleading Term for Supply and Demand”
July 13	“More Flexible Certification Could Help Ease Teacher Shortages”		

## *Studies Published in 2007*

January 24	“How to Replace the Earnings Tax in Kansas City”	June 3	“Free-Market Health Care Reform in Missouri: A Primer”
January 25	“How to Replace the Earnings Tax in Saint Louis”	August 29	“Saint Louis County, Drugs, and Competitive Bidding: A Privatization Success Story”
February 6	“Looking for Leadership: Assessing the Case for Mayoral Control of Urban School Systems”	October 17	“The Specter of Condemnation: The Case Against Eminent Domain for Private Profit in Missouri”
February 28	“Unleashing Video Competition: The Benefits of Cable Franchise Reform for Missouri Consumers”	December 5	“Should Missouri Eliminate the Individual Income Tax?”
May 7	“Ready for Change: What Missourians Think of Parental Choice and Public Schools”		

*Whitey Herzog, former manager, Kansas City Royals and Saint Louis Cardinals*

*“I have long lived in the great state of Missouri, both in Kansas City and Saint Louis. I know all that these terrific cities have to offer, outside of excellent baseball teams! I strongly believe the work that the Show-Me Institute is conducting can help revitalize these cities and our state to be the best they can be.”*



# 2007 BOARD OF DIRECTORS

*R. Crosby Kemper III, Chairman*



R. Crosby Kemper III is Executive Director of the Kansas City Public Library. He served as the chairman and CEO of UMB Financial

Corporation and UMB Bank, n.a., from 2001–2004. He is on the Board of Trustees for the Thomas Jefferson Foundation, the nonprofit corporation that has owned and operated Monticello since 1923. He edited the book *Winston Churchill: Resolution, Defiance, Magnanimity*. Kemper received a bachelor's degree in history from Yale University.

*Rex Sinquefield, President*



Rex Sinquefield is the co-founder and past co-chairman of Dimensional Fund Advisors Inc. 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 received his B.S. from Saint Louis

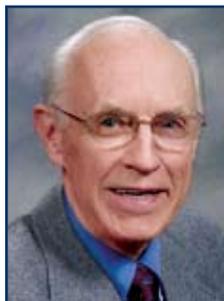
University and his M.B.A. from the University of Chicago. He serves on the boards of numerous cultural organizations, including the Saint Louis Symphony Orchestra, the Saint Louis Art Museum, the Missouri Botanical Garden, and the Saint Louis Opera Theater.

*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 finance 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.

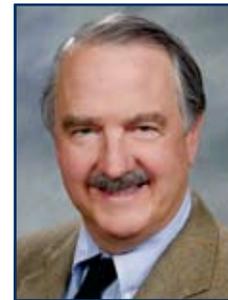
*Menlo Smith, Treasurer*



Menlo Smith is CEO of Sunmark Capital Corp., headquartered in Saint Louis. Previously, he served as chairman and CEO of the Sunmark Companies. Smith serves as chairman of the executive committee

of Enterprise Mentors International, a non-profit group he co-founded to assist impoverished micro-entrepreneurs in the Third World through training, mentoring, and micro credit.

*Stephen Brauer, Director*



Stephen Brauer is the chairman and CEO of Hunter Engineering Company, which sells computer-based automotive service equipment and employs more than a thousand people. From 2001 to 2003, he served as U.S. Ambassador to Belgium. Brauer is a trustee of Washington University in Saint Louis and a part owner of the Saint Louis Cardinals.

*Cindy Brinkley, Director*



Cindy Brinkley returned to her native Missouri in 2002 to take the helm of SBC Missouri, now AT&T Missouri. She previously worked at a variety of SBC posts around the country, most recently as president of SBC Arkansas. She is on the boards



*Don Hicks, President, Missouri Broadcasters Association*

*"The CARR training sessions provided for Missouri journalists by the Show-Me Institute, the Heritage Foundation, and the Sunlight Foundation were the best news seminars that we've ever offered in the 13 years that I've been with the association, in terms of usable information for the participants. I can't say enough good things about this as a resource. It was tremendous."*

of numerous organizations, including the Federal Reserve Bank of Saint Louis, Washington University, Harris-Stowe State University, the Saint Louis Symphony, and the Saint Louis Zoo.

*James Forsyth, 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 holds a bachelor's degree in economics from the University of Virginia

*Robert Heller, Director*



Robert Heller is a retired Democratic associate circuit judge who served 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 holds a J.D. from the University of Missouri-Columbia and a B.A. in Philosophy from Northwestern. He has served as

a member of several Missouri court-related committees and as a district chair for the Boy Scouts of America.

*Ethelmae Humphreys, Director*



For more than half a century, Joplin resident Ethelmae Humphreys has helped build the family business, Tamko Roofing Products, where she currently serves as chair. She is president of two family foundations, the E. L. Craig Foundation and the J. P. Humphreys Foundation.

*Michael Podgursky, Director*



Michael Podgursky is a professor of economics and former chairman of the Department of Economics at the University of Missouri-Columbia. He has published numerous articles on education policy, and co-authored a book titled *Teacher Pay and Teacher Quality*. He earned his Ph.D. in economics from the University of Wisconsin-Madison.

# 2007 STAFF

*Jason Hannasch, Vice President*



Jason Hannasch has become an influential advocate for political and economic reform in Saint Louis. He served as the executive director of Citizens for Home Rule and Empower Saint Louis from 2000 to 2004.

*Joseph Haslag, Research Director, November-December*



Joe Haslag is a professor and the Kenneth Lay Chair in economics at the University of Missouri-Columbia. An expert in monetary policy, Professor Haslag has done research at the Federal Reserve Banks of Saint Louis, Dallas, and Atlanta. He serves on the Federal Reserve Bank of Kansas City's Economic Roundtable and the Federal Reserve Bank of Saint Louis' Business Economic Regional Group.

*Sarah Brodsky, Policy Analyst, January-August*



Sarah Brodsky received her bachelor's degree in economics from the University of Chicago. Her research focused on education policy.

## *Edwin J. Feulner, Ph.D., President, The Heritage Foundation*

*"The Heritage and Sunlight Foundations' CARR program got a major boost this year from the Show-Me Institute, which sponsored the CARR team in Missouri as it taught how to use statistical analysis for cutting-edge news stories. The team particularly appreciated exposure to video and new-media journalists, the high-quality training facilities at UMKC and UMSL, and SMI's logistical and moral support. Computer-assisted reporting is the future of investigative journalism, and SMI is bolstering accurate techniques in the country's heartland."*



# 2007 STAFF

*Rebecca Bruchhauser,  
Director of Development*



Prior to joining SMI, Rebecca worked for 10 years in Saint Louis area hospitals, where she did strategic planning and business development.

An Illinois native, she has worked in the office of Illinois Gov. Jim Edgar.

*Eric D. Dixon, Editor, May–December*



Eric holds a B.A. in journalism from Brigham Young University and has previously worked for U.S. Term Limits, the Cascade Policy

Institute, *Liberty* magazine, the Oregon Newspaper Publishers Association, and the *Idaho Press-Tribune*.

*Justin P. Hauke, Policy Analyst,  
September–December*



While working for SMI, Justin was a graduate student at Washington University's Olin Business School. He previously worked as a

senior research associate for the Federal Reserve bank of Saint Louis, and has an undergraduate degree in economics and math from the University of Texas at Austin.

*Marcia Jackson, Office Manager*



Marcia Jackson has lived in the Saint Louis area with her husband and family since 1996.

*Timothy B. Lee, Editor, January–May*



Tim was SMI's editor during 2006. He has been cited as an intellectual property and technology expert by the *Wall Street Journal*,

and his writings have been featured in numerous other papers. In 2007, he accepted a position as an adjunct scholar with the Cato Institute. He holds a B.A. from the University of Minnesota.

*Dave Roland, Policy Analyst,  
September–December*



Dave Roland spent three years as an attorney with the Institute for Justice, where he litigated school choice, economic liberty, and property rights cases.

He earned undergraduate degrees in political science and Biblical studies at Abilene (TX) Christian University before studying law and religion at Vanderbilt University, where he received his M.T.S. and his law degree in 2004.

*Jenifer Zeigler Roland, Director of Policy,  
September–December*



Jenifer grew up in Mexico, Mo., and attended Truman State University before earning her M.P.A. and law degree from the

University of Missouri–Columbia. While in school, Jenifer worked as a legislative aid in the Missouri Senate. She has worked as a legal and policy analyst for the Cato Institute, and as the legislative affairs attorney for the Castle Coalition, a project of the Institute for Justice dedicated to reforming eminent domain laws.

*David Stokes, Policy Analyst,  
June–December*



David Stokes, a Saint Louis native, is a graduate of Saint Louis University High School and Fairfield (CT) University. He spent five

years as assistant to Saint Louis County Councilman Kurt S. Odenwald, and is currently the president of the University City Library Board. He has served on boards and committees for several area organizations: the University City Centennial, the Saint Louis County Pachyderm Club, and the Downtown Saint Louis Residents Association.

## *Pete Ricketts, President, Platte Institute for Economic Research*

*“The Show-Me Institute is one of the top free-market think tanks in the country. I am impressed with how well it is managed, and with the prodigious number of high-quality research papers, seminars, and editorials it produces. The bottom line is that SMI gets results. It has also been instrumental in assisting with the development of our own think tank in Nebraska, the Platte Institute for Economic Research. SMI has set a high bar for us, and all think tanks, to emulate.”*



# SHOW-ME DAILY

THE SHOW-ME INSTITUTE BEGAN publishing a blog in February 2007, at ShowMeDaily.org, which provides quick and ongoing commentary about public policy issues as they arise from day to day. Its informal nature also allows staff members to inject a little fun into the

proceedings. The often punchy, engaging writing style, along with the continual daily publication pace and regular featured links by other blogs, helps to attract a wide variety of readers who may not find the Show-Me Institute otherwise. In fact, out of all the many websites that link to studies

and articles at the institute's primary website, ShowMeDaily.org is consistently the top referring domain. Staff members produced 609 blog entries during 2007, creating a lively forum that drives more traffic to the institute's formal work than any other single online source. 

## YOUTH OUTREACH

THE INTERNSHIP PROGRAM AT the Show-Me Institute trains college students and recent graduates in research techniques and writing skills. Interns have the opportunity to write both commentaries and longer research papers about public policy. During 2007, the Show-Me Institute published 11 commentaries written by interns, some of which were printed in the *St. Louis Post-Dispatch*, the *St. Louis Business Journal*, the *Springfield News-Leader*, the *St. Louis American*, the *Columbia Daily Tribune*, the *Kansas City Daily Record*, and the *St. Louis Daily Record*. In addition, a 2006 intern coauthored an eminent domain study that was finished and released in late 2007. It received a wide range of media attention, and was downloaded from the Show-Me Institute website more than any other study during 2007, by a wide margin.

### Show-Me Institute Book Club, 2007

Robert Nozick, *Anarchy, State, and Utopia*

Larry Lessig, *Free Culture*

Richard Epstein, *How Progressives Rewrote the Constitution*

W. Michael Cox and Richard Alm, *Myths of Rich and Poor*

Virginia Postrel, *The Future and Its Enemies*

David Boaz, *Libertarianism: A Primer*

Ronald Bailey, *Liberation Biology*

Leon Kass, *Life, Liberty, and the Defense of Dignity*

Johan Norberg, *In Defense of Global Capitalism*

Isabel Paterson, *The God of the Machine*

Addressing other potential internship candidates in Show-Me Daily, the Show-Me Institute's blog, 2007 intern Steve Bernstetter of the University of Missouri—St. Louis wrote, "Seriously, these guys do great work, are really nice people, and are spearheading a movement with great promise for affecting positive change. Whether you're a naive young grad student like myself, looking to change the world for the better, or a grizzled cynical veteran of

the politics game simply looking for a breath of fresh political air, you'd be a fool to pass up this opportunity."

Another 2007 intern, Maurice Harris of Knox College, wrote, "The Show-Me Institute provided me with the opportunity to do research on policy that I was interested in and that has an effect on many people in Missouri. I enjoyed the focus of the institute on statewide policy, where the research could have a direct effect on policy and can be seen quickly. Overall, being at a place where they give interns vast opportunities really taught me a lot and encouraged me to pursue my interests."

The Show-Me Institute also sponsors a biweekly book club primarily directed to Saint Louis—area college students who are interested in exploring a broad spectrum of the ideas of liberty. During 2007, the club read and discussed the books shown above. 

### David Boaz, Executive Vice President, Cato Institute

*"Missouri has long been in need of a think tank to conduct public policy research at the state level that complements Cato's nationally focused policy work. I am impressed with the amount of attention captured by the work of such a young group. I recently had the pleasure of speaking at a Show-Me Institute luncheon, and I was impressed by the staff's commitment to free markets and individual liberty. SMI's policy staff includes two Cato alums, and I expect them to do great work in the coming years."*



# MEDIA

## THE SHOW-ME INSTITUTE

received a wider range of in-depth coverage during 2007 than ever before. Outlets that either published or wrote about the Show-Me Institute and its work included the *Wall Street Journal*, *National Review*, *The American*, *Education Week*, the *St. Louis Post-Dispatch*, the *Kansas City Star*, the *Columbia Daily Tribune*, the *Springfield News-Leader*, the *Southeast Missourian*, the *St. Louis Business Journal*, the *Kansas City Business Journal*, the *St. Louis American*, the *Columbia Missourian*, the *Kansas City*

*Daily Record*, the *St. Louis Daily Record*, the *Suburban Journals*, the *Citizen Journal*, the *West End Word*, *Info Tech* and *Telecom News*, *Edspresso*, *Inside Consumer-Directed Care*, and the *Charleston Post and Courier*. Show-Me Institute scholars were interviewed by several radio stations during 2007, including KMOX, KWMU, KTRS, KCUR, KFTK, KFRU, and MissouriNet, and by television stations KTVI Fox 2 and KCPT, Kansas City Public Television.

Also in 2007, the Show-Me Institute reached out to the Missouri media with a

program designed to teach the basics of computer-aided research and reporting (CARR). In conjunction with the Heritage Foundation, the Sunlight Foundation, and the Missouri Broadcasters Association, SMI organized seminars in both Kansas City and Saint Louis that brought modern techniques of information gathering and interpretation to broadcast journalists in both cities. Heritage ran an article about the experience in its Winter 2008 issue of *The Insider*, which can be found online: [tinyurl.com/65rbbe](http://tinyurl.com/65rbbe) 

# ACADEMIC INFLUENCE

## THE WORK OF SHOW-ME

institute scholars is finding its way into academia. In August 2007, we received requests to use a policy study, David Neumark's "The Economic Effects of Minimum Wages," in materials for two classes at Georgetown University: GOVT-008 (U.S. Political Systems) and GOVT-235 (Congressional Politics).

This joins the ranks of the policy briefing for a study by Joseph Haslag, "How an Earnings Tax Harms Cities Like Saint Louis and Kansas City," which ran in a 2006 textbook and was used in classes at the University of Missouri–Columbia throughout 2007: "Current and Classic Readings for Microeconomic

Literacy," edited by Ronald M. Harstad and Sharon Ryan. That anthology groups the Haslag paper with works by many other distinguished economists and authors, such as F.A. Hayek, Vernon Smith, Steven E. Landsburg, Russell Roberts, Henry Hazlitt, Fred L. Smith Jr., Victor Niederhoffer, Paul Krugman, and Leonard E. Read.

A version of Frederick Hess' February 2007 Show-Me Institute study, "Looking for Leadership: Assessing the Case for Mayoral Control of Urban School Systems," was included in the May 2008 issue of the *American Journal of Education*, published by the University of Chicago Press.

Also published in 2008 are finalized versions of the seven working papers presented at the Show-Me Institute's October 2007 education conference, held at the University of Missouri–Columbia. These papers, which have been collected in Vanderbilt University's *Peabody Journal of Education*, analyzed public school funding issues and brought a wide range of perspectives on school choice to conference attendees from throughout Missouri and the nation. The working versions of these seven papers can be downloaded at [SMInfo.org](http://SMInfo.org), and the published versions can be found here: [tinyurl.com/5wzunu](http://tinyurl.com/5wzunu) 



### *F.A. Hayek, Nobel laureate economist*

*"Liberty not only means that the individual has both the opportunity and the burden of choice; it also means that he must bear the consequences of his actions. ... Liberty and responsibility are inseparable."*

# 2007 FINANCIALS

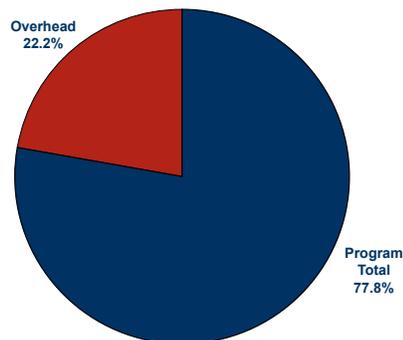
INCOME	
Donations	\$766,856
Grants	\$283,951
Other Income	\$78,913
<b>Total</b>	<b>\$1,129,720</b>

Note: The board of directors has made a commitment to cover the basic operational expenses of the institute, ensuring that your donation will go entirely to support new programming.

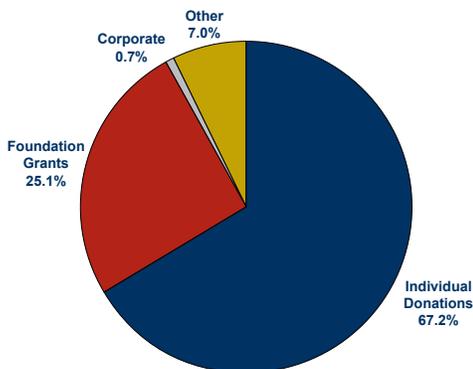
STATEMENT OF FINANCIAL POSITION	
Cash	\$137,950.33
Fixed Assets	\$82,267.53
Other	\$13,471.50
<b>Total</b>	<b>\$233,689.36</b>
<b>Liabilities</b>	<b>\$0.00</b>

Note: The board of directors currently has a policy that the Show-Me Institute will incur no debt.

EXPENSES	
Overhead	\$235,480
Education	\$172,560
Research	\$651,400
<b>Total</b>	<b>\$1,059,440</b>
<b>Program Total</b>	<b>\$823,960</b>



SOURCES OF INCOME	
Individual Donations	\$759,156
Foundation Grants	\$283,951
Corporate	\$7,700
Other	\$78,913
<b>Total</b>	<b>\$1,129,720</b>



*Milton Friedman, Nobel laureate economist*

*“Stimulating independent thought, and examining alternatives to the present crippling governmental system badly needs doing, and is being done by all too few individuals and institutions.”*



