



ANNUAL REPORT 2009

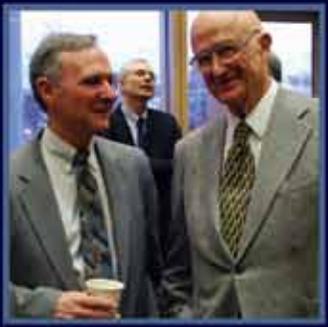
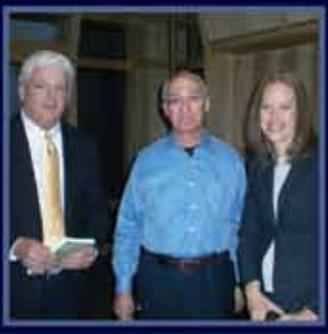


Table of Contents

Message From the President	1
Taxes	4
Education.....	6
Corporate Welfare	8
Health Care.....	10
Privatization	12
Red Tape	14
Publications.....	16
Board of Directors.....	17
Staff.....	19
Youth Outreach.....	21
Media.....	24
Interactive	25
Financials	26

Dear Friends,

It's hard to believe that 2009 represented our fourth full year of operations as Missouri's source for research and data about free-market policy reforms. With groundbreaking research by our in-house team of scholars and renowned researchers nationwide, the Show-Me Institute has developed into a premier advocate of free-market principles and sensible public policies. We continue to speak aggressively for free-market principles — and the need is great. The American public seems too willing to accept that government can solve every problem, from a slumping economy to a purported health care crisis. In the meantime, market-based solutions are shunted aside. The outlook for our economy may seem dire at the moment, but we are confident that with hard work and enduring assistance, we can put free-market policies back on the offensive.

at Stanford University and a senior fellow of the Hoover Institution; and Wendy Kopp, CEO and founder of Teach for America. We brought in Robert Levy, chairman of the Cato Institute, to provide his historical and legal analysis of Supreme Court cases that have expanded government and eroded freedom. We sponsored an address by Lawrence Reed, president of the Foundation for Economic Education, to explain how government intervention prolonged and deepened the Great Depression. We were privileged to host a lecture by Carl Schramm, president and CEO of the Kauffman Foundation, to explain principles of fiscal responsibility, and a set of book forums by Jeff Benedict, who detailed Susette Kelo's now infamous fight to save her home from being seized by the city of New London, Conn., for the benefit of a private developer.



R. Crosby Kemper III

We go to great lengths to bring the best ideas in policy research to Missouri, not only through our own careful analytical work, but also by sponsoring public lectures by world-renowned authorities. We began the year with a strong focus on education policy, bringing experts to Missouri to shed light on the solutions to problems in today's schools: Eric Hanushek, the Paul and Jean Hanna Senior Fellow at the Hoover Institution and a leading expert on educational policy specializing in the economics and finance of schools; Caroline Hoxby, the Scott and Donya Bommer Professor of Economics

We also sponsored several Show-Me Forum events during 2009, reaching out to communities throughout the state with insightful discussions of policy and economics. In Columbia, University of Missouri economist Peter Klein spoke before 60 people about the insights of Austrian economics into the current financial crisis, Policy Analyst Dave Roland addressed approximately 45 people about eminent domain and the Missouri Constitution, and radio talk show host Gary Nolan chose a provocative topic for his lecture, "When the Right is Wrong, What's Left?" In



Rex Sinquefeld

Carthage and Springfield, the institute's former executive vice president and current chief economist, Joseph Haslag, spoke about the federal stimulus package. Also in Springfield, Rick Dreyfuss, an expert on pension plans who wrote a policy paper about Missouri state pensions in 2008 for the Show-Me Institute, spoke about that city's police and fire pension programs, which are underfunded by \$200 million.

We published new groundbreaking research from leading scholars in 2009, including an analysis of health care reform by Arduin, Laffer & Moore Econometrics, a look at the dangers of funding high-speed rail by Randal O'Toole of the Cato Institute, a review of charter school performance data by Timothy Gronberg and Dennis Jansen of Texas A&M University, and a historical survey by Timothy Sandefur of the Pacific Legal Foundation about how eminent domain has been increasingly abused over time. Our own policy staff provided some particularly outstanding works of scholarship last year as well, including a comprehensive outline of Missouri government structure by David Stokes, a comparison of tax policy between Missouri and Tennessee by Jenifer and Dave Roland, and an analysis by Joseph Haslag and Abhi Sivasailam about how replacing the state income tax with a somewhat higher sales tax could help the state's economy grow more quickly.

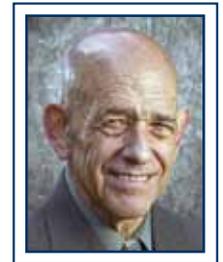


None of this would be nearly as impressive, however, if we didn't also get the results of our research into the hands of the media, policymakers, and the general public. If you take a look at the media report on page 24 of this report, you'll be able to see at a glance the dizzying array of coverage we've received from publications across the state, writing about and broadcasting our work, and often republishing our commentaries for wide audiences. For further proof that the Show-Me Institute is reaching an ever-increasing audience, we need only look at the number

of people visiting our website and attending our book club. We saw impressive growth in web traffic throughout 2009, with the institute's main website netting an average of 35 percent more visitors during 2009 than in 2008, while the blog saw a 34-percent average increase in unique visitors over 2008 figures.

August through December were particularly special months, because they each brought a new record for website traffic, culminating with an average of 1,124 unique visitors per day throughout December. Similarly, our Show-Me Daily blog set a new traffic record in December.

On Nov. 21, the Show-Me Institute hosted a conference for Missouri bloggers and activists at the Sheraton Hotel in Clayton. It was an incredible success, drawing almost 100 attendees who were treated to presentations by some of the most prominent bloggers in



**Robert A. Levy,
Chairman of
the Cato Institute**

“For more than 30 years, the Cato Institute has been at the forefront of the movement to advance individual liberty and free markets. One organization can do only so much, which is why it's vital for state-based groups to promote limited government, using local insight and their unique access to decentralized information. I'm proud to have worked with the Show-Me Institute in its mission to bring the ideas of freedom to all Missourians. The success of the Show-Me Institute is a critical component of our fight for a more civil and free society.”



Lawrence W. Reed, President of the Foundation for Economic Education

“Missouri is a big state, where decisions and directions have national impact. The Show-Me Institute has become ground zero for good policy ideas in the state. As one who has spoken at half a dozen events sponsored by the institute around the state, I can vouch for the passion and professionalism of the staff and the eagerness with which audiences listen to the institute’s perspective. If you live in Missouri and believe in liberty and sound policy, you have every reason to be a proud and generous supporter of the Show-Me Institute.”

Missouri. In fact, the conference room did not initially have enough chairs to seat everyone in attendance. The crowd and panel presenters came from across the ideological spectrum, but everyone who participated shared a goal of learning how to communicate their messages on the Internet so that the government can be held accountable for its actions.

Then there is our biweekly book club, which plays an important role in exposing young people to free-market ideas in much greater depth than a blog post or even a policy study ever could. It is in book clubs such as ours that the next generation of free-market scholars is made. For that reason, we are proud to note that the Dec. 2 meeting of the book club had our largest attendance to date, with 18 participants — more than double the average head count during the previous year. That number continues to climb.

With the national economy in trouble, we’ve seen harsh talk ranging from Washington to Jefferson City about heaping new restrictions on market-based activities. Our concern is that we will enter a period of dramatic regulation, reduced economic freedom, higher taxes, and fewer personal choices. Obviously, we at the Show-Me Institute have a different take on the economy’s ills and how to resolve them. Times are tough, yes, but that simply means we have to strive harder to get our message across. More than at any time in the Show-Me Institute’s history, we need your support in order to keep watching how government spends our money and to expand on our already large body of research and Internet tools to shed light on Missouri government.

The future may appear dark for free markets and individual liberty, but we

at the Show-Me Institute are convinced that we can make it bright once again. However, we cannot do it alone. We need your assistance to continue our efforts. Our message is reaching more and more people, and day after day is helping to shift the debate in Missouri toward free-market solutions. We’re not just a think tank churning out academic papers for the already enlightened. Lawmakers are listening, the media are interested in what we’re doing, and the general public is starting to understand our message that liberty and free markets should be the foundation of public policy. Although the economy is still stalling, our work in fighting for fiscal sanity is not in recession, so please keep supporting the Show-Me Institute, and I promise we’ll keep delivering a consistent message of the importance of free markets, limited government, and individual liberty. The best ideas in the world only provide results if people hear them and act on them, and that’s more likely to happen if we stand together. And together, we can make Missouri a better place for everyone.

R. Crosby Kemper III

Rex Sinquefield

Taxes

IN 2009, THE SHOW-ME INSTITUTE FOCUSED HEAVILY ON TAXES AND MADE IMPRESSIVE HEADWAY TOWARD A MORE SENSIBLE TAX POLICY FOR MISSOURI. FOR INSTANCE, ON AUG. 6,

the institute published a case study by Director of Publications Jenifer Zeigler Roland and Policy Analyst Dave Roland examining the role that lower taxes have played in Tennessee, a neighboring state that has surged ahead of Missouri in terms of both population and gross domestic product (GDP).

They pointed out that Missouri and Tennessee are similar in many ways: Both have a great deal of their populations concentrated in two cities near their border; both have two major rivers; and both have considerable amounts of mountains and farmland. Missouri, being the larger state, long enjoyed both a larger population and economy, but Tennessee now surpasses Missouri in both areas.

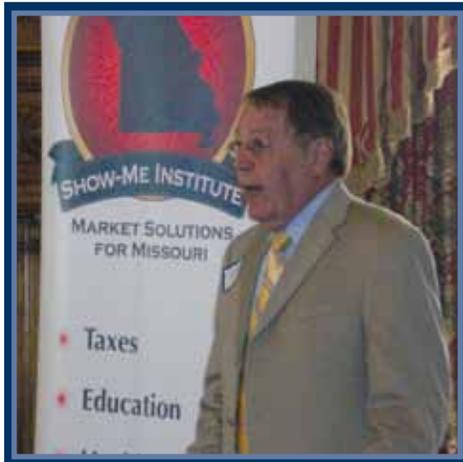
Although many factors contribute to changing economic conditions, the Rolands show that Tennessee's greater growth is strongly correlated with a superior tax policy. Tennessee has an overall lower tax burden than Missouri, with only 8.3 percent of income going to state and local taxes, as opposed to 9.2 percent for Missourians. However, the Rolands also note that the different types of taxation implemented by each state may have an impact on economic

growth. Tennessee has no income tax and relies on a higher sales tax to provide government revenues. Missouri, on the other hand, uses an income tax that is among the 20 highest income tax rates in the country. Eliminating the state's income tax and replacing it with a higher sales tax would leave

Missourians with more of their own money to spend, generating more economic activity and growth.

The Show-Me Institute has published two other studies showing the negative effects of the income tax and the viability of replacing it with a sales tax. On Oct. 13, we published a case study of House Joint Resolution 36, also known as the "Fair Tax"

bill, which proposed replacing the Missouri income tax with a higher state sales tax. The piece, written by Show-Me Institute Executive Vice President Joseph Haslag and intern Abhi Sivasailam, found that the proposal could generate the same amount of revenue for the state and still lower the overall level of taxation for Missouri workers. The authors conceded that some businesses could be hurt by a higher sales tax, but argued that the business climate as a whole would benefit and expand after the repeal of the



Ed Robb, a senior research fellow with the Show-Me Institute and former Missouri state representative, addresses a gathering in Saint Louis on June 3.



**Michele Boldrin, Chair
of the Washington
University Department
of Economics**

“During this economic downturn, it’s important to think hard about what we’re facing, because it’s not something that’s clearly understood. There is no quick and painless fix for the economy, and the illusion that dramatic government spending can solve the problem will only make things worse. The Show-Me Institute is engaged in the difficult analytical job of crafting real solutions to economic problems, without relying on the mistaken idea that a Band-Aid applied by government officials can cure the economy.”



**Rep. John J. Diehl, Jr.,
(R-Mo., 87th District)**

“When preparing my decisions to vote on policy, I have found the work of the Show-Me Institute to be an invaluable resource of research with a solid economic basis, especially on tax and budget issues. It’s important to policymakers in Jefferson City to know they can turn to the institute’s policy analysts to provide thoughtful and reliable expert testimony to special committee members throughout the legislative session, to help us all make sound decisions.”

corporate income tax. Finally, Haslag and Sivasailam showed that families making less than \$60,000 would actually see the greatest reductions in their tax burden.

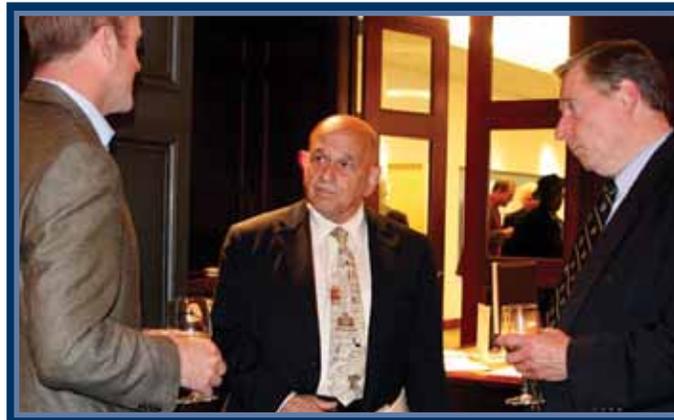
Show-Me Institute President Rex Sinquefeld also contributed an essay to the debate over income taxation *versus* sales taxation, cowritten by Jack Naudi, the editor and senior writer at Slay and Associates and former assistant business editor for the *St. Louis Post-Dispatch*. According to Sinquefeld and Naudi, Missouri’s economic growth rates have been sluggish by national standards, but the nine states without an income tax added more than twice as many jobs as the national average. Furthermore, states without an income tax have lower overall rates of taxation. The eight states with the lowest taxation rates in the country are also eight of the nine states with no income tax. Eliminating the state income tax and instead replacing it with a revenue-neutral sales tax could make Missouri more competitive economically and raise our standard of living.

While politicians in Jefferson City discussed how to spend Missouri’s share of the federal stimulus, Haslag and Policy Analyst David Stokes advocated giving those dollars to Missouri taxpayers to spend as they see fit. In a June 5 commentary posted to our website, Haslag and Stokes argued that the best course of action would be for public officials to refrain from spending the stimulus dollars at all, and thereby avoid the future tax obligations that come with

such spending. The federal government has already committed to spending, though, so if Missouri returned the money to Washington, it would be spent elsewhere, making residents of Missouri worse off. If the money must be disbursed by the Missouri state government in some way, Haslag and Stokes suggested that it should be used where it will have the most positive impact — and, by giving it back to taxpayers, we can be sure that they will either spend it or save it in the way that best meets their needs. This contrasts with increased government spending on programs like public education, which has no correlation with increased student performance.

Our researchers have also looked at the needless complication of Missouri’s tax code brought by industry tax credits that distort the free market. Show-Me Institute Research Analyst Christine Harbin published an editorial in the *Springfield Business Journal* arguing that film tax credits are a losing proposition for Missouri. Development tax credits require the government to pick economic winners and losers, distorting the market. Instead, Harbin recommends more fundamental reforms to tax policy — such as eliminating the commercial property tax and the earnings tax in Saint Louis — to stimulate business investment in Missouri.

The Show-Me Institute will continue to focus attention on taxation and the importance of establishing a more efficient and equitable tax system for all Missourians.



Robert A. Levy (center), chairman of the Cato Institute, speaks with John Crowe (left), a consultant with Trinity Capital Management, LLC, and R. Crosby Kemper III, chairman of the Show-Me Institute’s board of directors and executive director and CEO of the Kansas City Public Library. Levy was in Kansas City to speak before a crowd of 135 people at a lecture about the book he coauthored, *The Dirty Dozen: How Twelve Supreme Court Cases Radically Expanded Government and Eroded Freedom*. The event was cosponsored by the Show-Me Institute and the Kansas City Public Library.

Education

IN 2009, THE SHOW-ME INSTITUTE CONTINUED TO SPREAD THE WORD ABOUT THE SUCCESSES OF MARKET-ORIENTED REFORMS IN EDUCATION. IN ADDITION TO CONTINUING OUR SCHOLARLY

research in this area, we sponsored public events and wrote popular articles to reach a wider audience.

On Nov. 18, the Show-Me Institute published a study by Texas A&M University economists Timothy J. Gronberg and Dennis W. Jansen about the performance of charter schools across the

country, as well as in Missouri. Gronberg and Jansen found that charter schools provide similar educational outcomes to those provided by traditional public schools, but at substantially lower costs. In many cases, charters outperform public schools. The authors cited a Stanford study showing that when students' starting points are taken into account, charter schools

in Missouri improve their test scores more than their public school counterparts. Finally, the performance of charter school students improves in correlation with the length of time that the charter school has been established, and some charter school programs may even improve the performance of students who stay in public schools because of the increased competition they bring. Show-Me Institute Policy Analyst Dave Roland used Gronberg's and Jansen's research to pen

a commentary summarizing their findings and highlighting the successes of Missouri's charter schools. Roland's piece was published by the *Springfield News-Leader*. Outlining the successes of school choice is an important step toward ensuring greater educational freedom for Missouri's parents and students.

Roland wrote another commentary for our website in January describing how Missouri could improve educational achievement while still saving money. Roland noted that both the Kansas City and Saint Louis school districts spend more than \$15,000 per pupil — more than all but the most expensive private schools. Consequently, Roland proposed that these districts could contract with private

schools in their respective areas to educate a number of their students, provided that it cost less than 80 percent of what the school district would otherwise spend per student. The savings from that plan would be divided evenly, with 10 percent going back to the state government and the district keeping the other 10 percent in its budget, providing an incentive for them to participate in such a program.

The Show-Me Institute launched a series of lectures in 2009, "What Works in Urban



Kevin Chavous, Co-Founder and Board Chair, Democrats for Education Reform

"Americans have always responded to straight talk rather than political evasion. The honest, direct truth about what's going on in today's schools is that America is failing its children.

The one-size-fits-all approach to education service delivery has failed our nation, and parental choice is a big part of how we move forward. The Show-Me Institute's research helps make the case for how choice and competition in schools can bring freedom and autonomy for schools to implement successful programs and bring real education to the children who need it so desperately. We should never give up the fight for a quality education for all children. It has to be ongoing. I consider the Show-Me Institute to be a valuable ally in that fight."



Several teachers working with Teach for America in Kansas City attended a lecture by Wendy Kopp, founder of Teach for America, as she spoke before a crowd of more than 250 people on April 21 at the Kansas City Public Library's Plaza Branch Truman Forum.



Eric Hanushek, Paul & Jean Hanna Senior Fellow at the Hoover Institution of Stanford University

“Contrary to much of the national reporting, education policy remains largely a matter for state legislatures and agencies, and for local districts. Therefore, work like that pioneered by the Show-Me Institute is vital to reforming our schools. National studies of this or that have some impact, but it is the evaluation of policies specific to each state that can transform things. The focus of the Show-Me Institute on improving the schools of Missouri is now being emulated in a number of other states, and therein is hope for the future.”

Education,” cosponsored by Tom Bloch, the Urban Academy, and the Kansas City Public Library. The first event, held on Jan. 22, featured Eric Hanushek, the Paul and Jean Hanna Senior Fellow at the Hoover Institution and a leading expert on educational policy specializing in the economics and finance of schools. Hanushek’s lecture asked the question “Can We Improve Urban Schools?” and pointed out that we can — but only by first implementing

fundamental reforms. Hanushek argued that although we spend four times as much on education today as in 1960, when adjusted for inflation, educational achievement is no higher than it was then. The problem, according to Hanushek, is that school systems tend to reward failure and punish success. To improve urban education, we must move to a system that allows parents and students to hold schools and teachers accountable by voting with their feet and choosing a different school. The presentation drew more than 200 people to the Plaza branch of the Kansas City Public Library. On April 21, the series featured Wendy Kopp, founder and president of Teach for America, and her speech drew another strong, enthusiastic audience. For nearly two decades, Teach for America has persuaded graduates of the nation’s best universities to commit to spend two years teaching in some of the nation’s most challenging classrooms, and Kopp’s speech proved insightful and engaging.

On May 5, we brought Caroline Hoxby to speak at our ongoing economic lecture series held in conjunction with Saint Louis University. Hoxby is a professor of economics at Stanford University and director of the Economics and Education Program at the



Renowned school choice leader Kevin Chavous spoke at the Show-Me Institute’s third annual event celebrating the life and ideas of Milton Friedman, cosponsored by the Friedman Foundation for Educational Choice and held at Washington University’s Whittemore House.

National Bureau of Economic Research. One of the nation’s leading evaluators of charter schools, Hoxby has looked extensively at charter programs in both New York and Chicago, and concluded that charters are effective at improving student performance. In comparing charter schools and public schools, Hoxby points out that charter schools have mostly urban, minority students, so it is unfair to compare them to suburban schools. Hoxby argued that charter schools provide an alternative to students stuck in failing public schools, can innovate much more readily, and force public schools to improve their performances in order to compete successfully.

The Show-Me Institute continues to lead the way in education reform for Missouri — both in terms of academic studies about which reforms are effective, and communicating those findings to a mass audience. Time and again, our research has shown that education is improved when parents and students are given more choices and schools face more competition. Our efforts are changing the policy discussion on education in Missouri from one about different methods of centralized government control to the empowerment of individuals.

Corporate Welfare

THE ISSUE OF CORPORATE WELFARE IS ONE THAT HIT HOME FOR MANY MISSOURIANS IN 2009, AS A MAJOR DEVELOPMENT PROPOSAL IN NORTH SAINT LOUIS CITY WOULD LIKELY EMPLOY EMINENT

domain to take a number of homes and businesses from individuals and give the land to a large corporation. Consequently, much of the Show-Me Institute's work on corporate welfare has focused on eminent domain in general and the NorthSide Redevelopment Project in particular.

On the general subject of eminent domain, the Show-Me Institute sponsored two lectures by Jeff Benedict, on a whirlwind two-city tour — the first on Sept. 15 in Kansas City and the second the following day in Saint Louis. The combined audience totaled nearly 150 people. Benedict is the author of the book *Little Pink House: A True Story of Defiance and Courage*, which details

Susette Kelo's now infamous fight to save her home from being seized by the city of New London, Conn., to be turned over to a private developer. Kelo ultimately lost that fight, but her story is still an inspiring example that helps renew our determination to fight on for essential private property rights.

This issue has a direct and immediate impact on the lives of many Missourians, so institute scholars spent a great deal of time

discussing the state's eminent domain laws, and how they can be strengthened to better protect individuals and small businesses. First, in a speech before the Saint Louis County Pachyderm Club on April 17, Policy Analyst Dave Roland outlined problems with Missouri law. Roland argued that because the

federal Constitution offers little protection against eminent domain abuse, at least according to current jurisprudence, we must look to the Missouri Constitution. Although Missouri's Constitution and early Missouri Supreme Court cases tightly restricted the use of eminent domain, that power is frequently abused today because the state now uses its police power to label areas targeted for private redevelopment as "blighted."

Similarly, in September, the institute published Timothy Sandefur's study about how the Missouri Supreme Court has slowly undermined property rights in the state by allowing for ever-greater use of eminent domain. Like Roland, Sandefur, a senior staff attorney at the Pacific Legal Foundation, demonstrates that Missouri once had one of the strongest state restrictions preventing eminent domain abuse. However, during



Jeff Benedict (left), author of *Little Pink House: A True Story of Defiance and Courage*, about the infamous Susette Kelo eminent domain case, speaks at a Sept. 16 Show-Me Institute forum in Saint Louis with Menlo Smith, CEO of Sunmark Capital and a former member of the Show-Me Institute's board of directors.



**Timothy Sandefur,
Principal Attorney
at the Pacific Legal
Foundation's National
Litigation Center**

"Perhaps more than any state in the union, Missouri needs a forceful and responsible voice for free markets, private property rights, and constitutional protections for individual freedom. The Show-Me Institute has shown time and time again that it is that voice."



Jeff Benedict, Author of *Little Pink House: A True Story of Defiance and Courage*

“After spending nearly three years researching and writing the story behind the Supreme Court’s infamous *Kelo v. New London* decision, I had the privilege of partnering with the Show-Me Institute for a series of events designed to raise awareness about eminent domain and mobilize citizens to engage in grassroots efforts to protect property rights. In my years as a journalist, I’ve had the privilege of working with many organizations. Few compare to the professionalism and passion of the Show-Me Institute team. Their name suits their actions. This is a group with some serious get up and go, along with a leadership team that knows how to lead and execute.”

the Progressive Era, many people came to believe that government should no longer be limited to protecting individual rights, but should also solve any number of social ills. Consequently, many so-called “blighted” neighborhoods were destroyed to make way for new developments. Even worse, the Missouri Supreme Court has ruled that the Missouri Real Property Tax Increment Allocation Redevelopment Act (TIF Act) allows any municipality to condemn property and turn it over to private interests. The publication of this scholarship was extremely timely because the issue of eminent domain moved to the forefront of political discussion in Saint Louis and the surrounding areas during 2009.

For that reason, we have also covered this issue on the ground, as it develops. Throughout the fall and winter, Staff Writer Audrey Spalding focused her journalism skills on the proposed NorthSide redevelopment project in north Saint Louis. Spalding doggedly documented the story, from the legal actions being brought against the project to the people who may lose their property in the land grab. On Dec. 14, Spalding filed a story covering Judge Robert Dierker’s decision allowing the NorthSide development to move forward. Spalding noted, however, that it was not a pure victory for the developers because Dierker’s decision criticized centrally planned cities and quoted free-market economist and Nobel Prize winner Friedrich von Hayek to

support that criticism. Dierker declined to intervene in the case not because he thought the development was necessarily wise, but because he did not see any legal basis to do so.

Also, on Dec. 3, Dave Roland appeared on the Charlie Brennan Show on KMOX, to speak about the potential NorthSide development.

Roland argued that the government’s quest to condemn privately owned properties has led officials to infringe on the citizens’ right to speak out against the plans. Roland pointed out that if we do not defend our economic freedoms, we may soon lose our political freedoms, as well. Spalding wrote a story illustrating Roland’s point by discussing a lawsuit filed by

the American Civil Liberty Union (ACLU) against the city of Saint Louis, after police arrested Gustavo Rendon for placing flyers on car windshields in support of a petition drive that would place the development plan on the ballot in Saint Louis.

Although the litigation and debate over the NorthSide development project is far from over, the Show-Me Institute will continue to shine a spotlight on eminent domain abuse, and argue against the effectiveness of central planning as an economic development tool. However, regardless of how this particular case turns out, powerful corporations will inevitably continue trying to abuse eminent domain and other laws for their own advantage, at the expense of everyone else. We will oppose them every step of the way.

SHOW-ME INSTITUTE
ADVANCING LIBERTY WITH RESPONSIBILITY BY PROMOTING MARKET SOLUTIONS FOR MISSOURI PUBLIC POLICY

POLICY STUDY
NUMBER 20 SEPTEMBER 15, 2009

GRADUAL AND SILENT ENCROACHMENTS: HOW THE MISSOURI SUPREME COURT EXPANDED THE POWER OF EMINENT DOMAIN
By Timothy Sandefur

EXECUTIVE SUMMARY
The Constitution of Missouri includes more provisions addressing the property rights of citizens than that of any other state. The careful restrictions it places on the use of eminent domain show that, in ratifying the Constitution, the people of the Show-Me State intended to prevent the abuse of eminent domain to benefit private parties. Despite these protections, however, few states today have so dismal a record of eminent domain abuse as Missouri. And, in 2008, despite the constitutional and statutory restrictions on the government’s ability to take one person’s home, business, or house of worship and give it to another private owner, the Missouri Supreme Court chose to expand the power even further, placing the property rights of all Missourians in even greater jeopardy. This study will examine the case of *City of Arnold v. Tourkakis* to describe the protections to which Missourians should be entitled and how Missouri’s courts have eroded the legal barriers that once protected citizens from governmental efforts to transfer property from one private owner to another. Part I, therefore, details the constitutional provisions governing eminent domain in Missouri. Part II discusses the Missouri Real Property Tax Increment Allocation Redevelopment Act — the “TIF Act” — which was at the center of the *Tourkakis* case. Part III will detail the *Tourkakis* litigation, and Part IV will describe the court’s decision and its shortcomings.

HOMER TOURKAKIS AND THE CITY OF ARNOLD
In 1988, dentist Homer Tourkakis and his wife purchased property in

Timothy Sandefur, a senior staff attorney at the Pacific Legal Foundation, acted as counsel for Homer Tourkakis in the Missouri Supreme Court case City of Arnold v. Tourkakis. His book Cornerstone of Liberty: Property Rights in 21st Century America was published by the Cato Institute in 2006.

Health Care

IN 2009, HEALTH CARE BECAME THE MOST INTENSELY DEBATED POLITICAL ISSUE NATIONWIDE, AND THE SHOW-ME INSTITUTE CONTRIBUTED TO THAT DEBATE WITH SCHOLARLY STUDIES AND

editorials demonstrating the need for a freer market in health care.

The most important work that the institute produced in 2009 is undoubtedly the policy study written by the economic consulting firm of Arduin, Laffer & Moore Econometrics, “The Prognosis for National Health Insurance: A

Missouri Perspective.” Published on Aug. 19, the study demonstrated that government intervention is the cause, not the solution, of soaring health care costs. Government spending on health care separates patients from accurate knowledge of their health care costs, serving as a wedge between patient and provider. This wedge insulates consumers from the costs of their decisions, eliminating an incentive

to shop around for good prices and to weigh the expected benefits from a particular form of care against its actual costs. On the other side, the wedge gives health care providers much less of an incentive to provide better services at a lower cost, because they get paid a flat fee for each type of procedure. The health insurance industry is a large part of the problem, because it also expands the wedge between patient and provider. This is not to say that there is

no place in a truly free market for insurance and insurers, but by serving as a mechanism to pay for routine, expected care rather than only hedging against unknown risk, the role insurance providers currently play has become bloated far beyond their natural utility.

The first and easiest reform necessary for

removing the health care wedge would be to give individuals the same tax deduction for health insurance that is now given to employers. This would allow individuals to carry their insurance with them between jobs, and encourage them to purchase their own insurance policies based on varied individual needs. Many would also be drawn to high-deductible insurance plans that charge lower premiums but cover fewer routine health services,

a type of plan that is often accompanied by health savings accounts (HSAs), which allow people to save pretax money for medical expenses — whether routine or emergency. The study also recommends disbursing Medicaid payments directly to individuals in the form of vouchers they could use to purchase private insurance, eliminating the need for a government-run insurance program for lower-income citizens. Furthermore, doctors’ fees can



Michael F. Cannon, director of health policy studies for the Cato Institute, Milton Wolf, professor of health care management and economics at the Wharton School of the University of Pennsylvania, and Beverly Gossage, research fellow with the Show-Me Institute, all spoke at a Cato Institute health care forum in Scottsdale, Ariz., in January 2009.



**Sen. Eric Schmitt
(R-Mo., 15th District)**

“Missouri benefits from having an organization like the Show-Me Institute. I value their research, writing, and analysis on critical areas of public policy.”



**Rep. Chris Kelly
(D-Mo., 24th District)**

“As a legislator, I benefit from regular participation in the Show-Me Forum discussion luncheons. The debate is lively, and I value their research on tax and health care policy. One of the most dangerous practices for a policymaker is to seek and hear opinions with which one tends to agree. I appreciate the willingness of their scholars to discuss contrasting ideas, as following that practice aids in identifying solutions that work to create a stronger economy for Missouri.”



Beverly Gossage, research fellow with the Show-Me Institute, meets with Ramesh Ponnuru, senior editor of *National Review*, at a Cato Institute health care conference.

be reduced dramatically through a combination of tort reform, which would eliminate much of the tremendous loss that defensive medicine causes, and by allowing non-doctor health professionals such as nurse practitioners to offer services within their expertise. Finally, we must introduce more market competition by allowing people to purchase plans across state lines and reducing the number of mandated benefits that insurers must cover. Both reforms would allow health care consumers to select the insurance plan that suits them best, whether it is a bare-bones policy with very low premiums or a radically expensive “Cadillac” plan that covers every imaginable disease.

In a commentary that appeared on our website on Dec. 8, Susan Feigenbaum, professor of economics at University of Missouri–Saint Louis and Show-Me Institute research fellow, argued that Missourians should reject the health care plan being pushed at the time by the president and the Democratic leadership in Congress. Feigenbaum contended that all proposed methods of financing the health care expansion would raise taxes and slow economic growth. For example, Feigenbaum showed that a tax on Cadillac health insurance plans would fall disproportionately on small businesses, which generate many of the country’s new jobs, and would serve to discourage them from hiring new workers.

Show-Me Institute Policy Analyst Dave Roland took a different tack in arguing

against the proposed health care bill. In a commentary published by the *Schuyler County Times* on Dec. 31, Roland suggested that a federal mandate to buy insurance could be unconstitutional. For instance, some people hold religious beliefs that lead them to reject many aspects of modern medicine. Forcing them to buy a health insurance plan could be interpreted as a violation of their First Amendment right to practice their religion. Roland concluded that the Supreme Court could decide that congressional interest supersedes such constitutional concerns, but it is an argument that would likely have to be addressed. Furthermore, Roland proposed responding to the proposed mandate with an amendment to the Missouri Constitution that would protect Missourians’ individual right to participate — or not — in any form of health care they choose.

Although major health care reform has not yet been passed by Congress, the issue is still very much alive. There are numerous problems with the way health care is currently administered in this country, but most of the proposed reforms involve extending the government’s influence still further into the market. The Show-Me Institute will continue to remind the public that the government is the main culprit in the inflation of medical costs, and that we can only get better care and lower costs through market-based solutions.

Privatization

FOR THE SECOND STRAIGHT YEAR, SHOW-ME INSTITUTE SCHOLARS FOCUSED THEIR STUDIES OF PRIVATIZATION ON TRANSPORTATION ISSUES. WITH BILLIONS OF DOLLARS FLOWING

from federal stimulus packages to transportation projects, it is absolutely necessary that we point out more efficient market solutions to our transportation problems.

In May, Policy Analyst David Stokes provided testimony to the Missouri Senate Transportation Committee, educating its members about the value of legislation that would enable public-private partnerships to be considered for many of the state's roads. Stokes acknowledged that public-private partnerships are not the answer to all of Missouri's transportation needs, but they can help fund a number of large projects. Unfortunately, state lawmakers still

have not passed legislation that would be necessary for highway privatization efforts in Missouri, but the Show-Me Institute will keep presenting ideas. Altering highway production rules to allow more private-sector involvement could add a new supply of useful roads and bridges for Missouri's economy.

On Sept. 29, the Show-Me Institute published an important study by Randal O'Toole arguing against taxpayer-subsidized high-speed rail in Missouri. O'Toole is a senior fellow with the Cato Institute and

author of *Gridlock: Why We're Stuck in Traffic and What to Do About It*. Although the Obama Administration claims that a high-speed rail network would revolutionize transportation like the Interstate Highway System did 50 years ago, O'Toole pointed out that a high-speed rail network completed in



Randal O'Toole, a senior fellow at the Cato Institute, discusses his Show-Me Institute policy study, "Why Missouri Taxpayers Should Not Build High-Speed Rail."

2025 is only projected to carry the average American 58 miles per year — or about 1.4 percent of the amount traveled on interstate highways. Furthermore, passenger train service in Missouri is already heavily subsidized by taxpayers at nearly \$8 million per year. Looking abroad for comparisons, O'Toole found that only one high-speed rail line in the world is profitable: the 135 mph

Tokaido Shinkansen, which connects three of the world's largest cities — Tokyo, Osaka, and Nagoya, Japan. Many Americans believe Europeans use rail travel far more extensively than Americans, but despite Europe's much larger subsidies to rail travel, the average European traveled only eight more miles per year on rail than the average American.

O'Toole's study demonstrates that upgrading 250 miles of rail line in Missouri to run trains at 110 mph would cost \$150 for every man, woman, and child in the



**Tracie Sharp,
President of the
State Policy Network**

"During the past five years, the Show-Me Institute's work has been crucial in helping shape a fiscally responsible future for Missouri, providing intellectual ammunition for policymakers and community leaders alike. The Show-Me Institute is a credit to all liberty-minded Missourians."



Rep. Ed Emery (R-Mo., 126th District)

“In a culture that seems determined to abandon the principles of American exceptionalism, the Show-Me Institute is restoring them. Individual liberty and the free market launched American exceptionalism, and the Show-Me Institute is reminding Missourians of that history and that potential. They ask the right questions and look to the right people for answers. They exalt facts, trends, and truth over political correctness or sentiment. I thank God for a Missouri organization like the Show-Me Institute.”

state, yet a typical resident will take a round trip on one of the trains only once every six years. Furthermore, the trains would not help to improve the environment, as officials have promised, because they require massive amounts of energy to operate. Instead of constructing expensive new high-speed rail between Saint Louis and Kansas City, O’Toole recommends making improvements to the existing line that would reduce the trip time by 20 minutes and cut delays by 36 percent, at a small fraction of the cost of high-speed rail. This study generated a great deal of media interest, with O’Toole granting interviews to MissouriNet, NPR affiliate KBIA-FM in Columbia, and the McGraw Milhaven show on KTRS in Saint Louis.

On Oct. 6, Stokes again offered his testimony, this time to the Joint Committee on Transportation Oversight. Stokes provided copies of O’Toole’s study and its accompanying briefing paper to the legislators, and he summarized its findings in his testimony. Stokes clarified that although Missouri has applied for stimulus money designated for high-speed rail, the money will actually go toward making improvements to the existing rail line between Saint Louis and Kansas City, which both O’Toole and Stokes agree is far more cost-effective than building a new high-speed line. Even if the rail line running from Chicago to Kansas City through Saint Louis were upgraded to

allow trains to run at 110 miles per hour, a trip from Chicago to Kansas City would still take at least eight hours by train, compared to one hour and 20 minutes by commercial air travel. Stokes argues that such a marginal improvement will not generate a dramatic increase in the number of people traveling by train.

Although transportation was the primary focus of our work on privatization during 2009, we continued to demonstrate the advantages of using private solutions in other areas. In a commentary published by the *Springfield Business Journal*, David Stokes suggested that selling the city’s utility company could help ease the shortfalls of the troubled Police and Fire Pension

Fund. Stokes wrote that Springfield is one of the largest cities in Missouri in which all the utilities are publicly owned. Gas and electricity are provided by privately owned companies in both Saint Louis and Kansas City, and all utilities in Saint Louis County—including water—are privately provided. Stokes admitted that Springfield’s utility rates are fairly low, but pointed out that Saint Louis’ rates are even lower. Finally, Stokes estimated that Springfield could earn \$75 million by selling off its water company alone.

The Show-Me Institute will continue to research the private provision of services currently handled by the government, and point out ways in which the profit motive can lead to better service and lower prices than the administration of bureaucrats.

SHOW-ME INSTITUTE
ADVANCING LIBERTY WITH RESPONSIBILITY BY PROMOTING MARKET SOLUTIONS FOR MISSOURI PUBLIC POLICY

POLICY STUDY
NUMBER 21 SEPTEMBER 29, 2009

WHY MISSOURI TAXPAYERS SHOULD NOT BUILD HIGH-SPEED RAIL
By Randal O’Toole

EXECUTIVE SUMMARY
In February 2009, Congress dedicated \$8 billion of stimulus funds to high-speed rail projects. In April 2009, President Barack Obama released his high-speed rail “vision” for America, which includes 8,500 miles that the Federal Railroad Administration had identified as potential high-speed rail routes in 2001. In June, the FRA announced its criteria for Missouri and other states to apply for high-speed rail grants out of the \$8 billion in stimulus funds.

Yet the FRA has no estimates of how much high-speed rail would ultimately cost, who would ride it, who would pay for it, and whether the benefits can justify the costs. A realistic review shows that high-speed rail would be extremely costly and would add little to American mobility or environmental quality.

The best available data indicate that the FRA plan would cost about \$90 billion, or roughly one fifth the inflation-adjusted cost of the Interstate Highway System. This plan would provide trains with average speeds of 140–150 miles per hour (mph) in California, 75–85 mph in Florida, and moderate-speed trains averaging 55–75 mph in Missouri and 30 other states.

The average American would ride these trains less than 60 miles per year, or about one seventieth as much as the average American travels on interstate freeways. In fact, most of the taxpayers who pay for high-speed trains would rarely, if ever, use them. Because of a premium fare structure and downtown orientation, the main patrons of high-speed trains would be the wealthy and downtown workers, such as bankers, lawyers, and government officials, whose employers pay the fare.

A true high-speed rail system, with average speeds of 140–150 mph connecting major cities in 33 states, would cost well over \$200 billion. Meeting political demands to close gaps in the system could bring the cost

Randal O’Toole is a senior fellow with the Cato Institute and author of The Vanishing Automobile and Other Urban Myths.

Red Tape

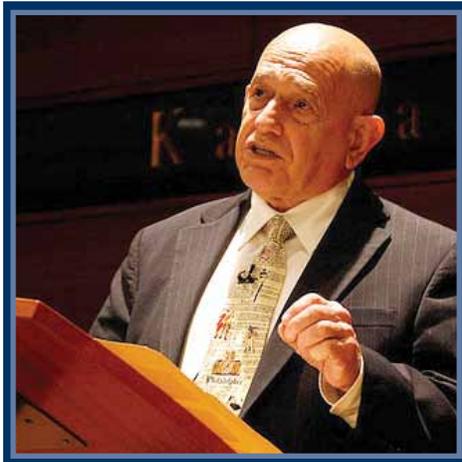
THROUGHOUT 2009, THE SHOW-ME INSTITUTE CONTINUED TO EXPOSE THE EXCESSIVE GOVERNMENT RED TAPE THAT PREVENTS BUSINESSES AND ENTREPRENEURS FROM EFFICIENTLY

serving the needs of consumers. Policy Analyst David Stokes examined financing restrictions that impede AmerenUE's ability to construct new power plants, particularly nuclear plants, in a commentary picked up by both the *Columbia Missourian* and the *St. Louis Post-Dispatch*, on March 23 and March 26, respectively.

A 1976 law prevents utility companies from charging current customers to finance power plants still under construction. This ban on construction-work-in-progress (CWIP) was originally passed in an effort to prevent the construction of the Callaway Nuclear Generating Station — Missouri's only nuclear power plant — and is now being used to prevent its expansion. Stokes argued that, as Missouri's energy needs continue to grow, nuclear plants are the best option for generating new power. Although eliminating the financing rule may lead to higher energy prices in the short term, Stokes pointed out that it will ultimately lead to lower energy prices over the in the long run, along with decreased use of fossil fuels by Missourians.

On May 12, Policy Analyst Dave Roland testified before the Clayton City Council

regarding the city's proposed smoking ban, which restricts the ability of bar and restaurant owners to run their businesses in the way that they believe best serves their customers. After listening to a host of speakers before him support the ban, Roland noticed a common theme, that many establishments



Robert A. Levy, chairman of the Cato Institute, was in Kansas City to speak before a crowd of 135 people at a lecture about a book he coauthored, *The Dirty Dozen: How Twelve Supreme Court Cases Radically Expanded Government and Eroded Freedom*. The event was cosponsored by the Show-Me Institute and the Kansas City Public Library.

already have imposed a ban, and were still doing very well. Essentially tossing out his prepared speech, Roland pointed out that the previous speakers had made his point for him. Markets were already ahead of the regulatory curve, and many businesses already had prohibited smoking simply in order to cater to a market demand. Roland had a principled point: Let businesses, rather than government, decide whether they want to allow smoking.

The following day, KSDK showed a clip of Roland's testimony in a story about the proposed ban. Unfortunately, the Clayton City Council ultimately voted in favor of the ban in July. By spreading better ideas, however, the Show-Me Institute will continue to fight government attempts to micromanage small businesses.

Rik Hafer, a Show-Me Institute research fellow and chair of the Department



Adam B. Summers,
Policy Analyst at the
Reason Foundation

“The Show-Me Institute has demonstrated great leadership in tackling the issue of occupational and business licensing. Through its valuable research and public testimony, the institute has been instrumental in illustrating the arbitrary and protectionist nature of such regulations, which shield existing practitioners from competition, stifle entrepreneurship and economic growth, and increase prices to consumers without providing improvements in the quality of services.”



Bev Randles, Attorney and Owner of Randles Consulting

“When it comes to the issues that matter most to Missouri citizens from all walks of life, the Show-Me Institute is there, bringing a level of creativity and intellectual rigor that is sorely lacking in most political discourse. I am pleased to support such a valuable organization and applaud the practical, free-market solutions it has brought to Kansas City and to our state.”

of Economics and Finance at Southern Illinois University Edwardsville, published two articles in the *St. Louis Beacon* about government’s burdensome regulation of business. In the first, Hafer considered the idea that the Federal Reserve should be given regulatory power over all financial agencies. He contended that, as dysfunctional as the current system is, it is at least built on regulatory specialization, so regulators do not have to understand all aspects of financial markets. However, if the Federal Reserve became a kind of super-regulator, its employees could not possibly possess all the knowledge to effectively regulate the entire economy. Furthermore, the Federal Reserve failed to warn investors about the risk of the housing bubble, providing solid evidence that it is incapable of preventing future crises.

Hafer’s second article looked at the competitiveness of the health insurance industry. He found that, although there is competition in health insurance, it is limited. For example, in nine smaller states, a single company dominates the health insurance market. However, in three of the most populous states (Florida, New York, and California) the largest health insurance companies control no more than 30 percent of the market. Still, Hafer argued that the industry could be more competitive if there were fewer government restrictions on health insurance. The most important of these restrictions is the ban on selling health insurance across state lines. If that ban were lifted, there could be a national market in health insurance that would allow for a far more competitive market for all Americans. Hafer also discussed the effective collusion of private health insurers with Medicare to set prices for medical

services, thus eliminating cost competition in the market. A free market, unburdened by such red tape, would lead to lower costs and better health services for consumers.

Finally, David Stokes wrote a commentary about eliminating licensing codes in Kansas City that appeared in the *Missouri Record* on Aug. 26, and was later revised and submitted as testimony to city officials. Stokes noted that Kansas City has higher taxes than its neighbors and would become a more attractive location for businesses if owners did not face the costs of numerous licensing fees. Kansas City consumers would also benefit from the elimination of licensing codes as more practitioners flowed into previously protected fields, driving prices down. To recoup some of the revenues that the government would lose as a result of eliminating the fees, Stokes suggested replacing them with a small, flat business tax that would not punish businesses for being successful. Almost across the board, the residents of Kansas City would stand to benefit from a simpler tax system without licensing codes.

Every year, the state of Missouri and its localities propose and pass countless meddlesome regulations that impinge on economic and social freedoms. The Show-Me Institute will remain on the lookout for any such new and unnecessary rules, and be ready to point out when they are counterproductive, wasteful, or flatly absurd.



Publications

Commentaries Published in 2009

January 21	“How to Improve Education While Spending Less Money”	August 25	“Switching to Private Utilities Could Fund Springfield’s Pension Shortfall”
February 12	“Urban Schools Need Fundamental Change Before They Will Improve”	August 25	“Saint Louis County Would Benefit from City’s Return”
February 20	“Three Ideas for Smaller Government in Missouri”	August 26	“Scrapping Licensing Codes Would Benefit Kansas City”
March 24	“Nonpartisan Elections Are a Bad Idea for Franklin County”	September 17	“Giving Insurers More Room to Operate Would Increase Beneficial Competition”
March 25	“Charter Schools Succeed at Language Instruction”	October 2	“Tariffs Punish Consumers, but Remain Politically Popular”
March 27	“Kick Anti-CWIP Laws to the Curb”	November 17	“Will Future Health Care Look Like Canada’s or Britain’s?”
April 6	“Despite Drawbacks, Proposed Franklin Charter a Positive Step Forward”	November 17	“Large Counties Should Reduce Their Commercial Property Tax Surcharges”
May 1	“Missouri Would Be Better Off Without an Income Tax”	November 18	“Charter Schools Still a Good Choice for Missouri”
June 5	“Tax Cuts Provide Better Stimulus Than Government Spending”	November 24	“Don’t Overreact to Bumps in the Economic Recovery”
June 19	“Who’s Afraid of the Defined Contribution Plan?”	December 7	“Offering Incentives for Early High School Graduation Would Save Taxpayer Money”
June 26	“Stretcher Vans Could Provide Private Transportation Solution for Disabled”	December 7	“Changes to College Funding System Could Increase Efficiency, Transparency”
July 1	“What Does the Earnings Tax Cost Saint Louis and Kansas City?”	December 8	“Small Businesses Can’t Drive Job Growth if They’re Saddled with Higher Taxes”
July 28	“What Does the Income Tax Cost Missourians?”	December 14	“Film Tax Credits Don’t Bring Lasting Jobs or Significant Revenue Gains”
August 4	“Missouri Suffers from the Saint Louis and Kansas City Earnings Taxes”	December 23	“Individual Health Insurance Mandate Would Violate Constitutional Liberties”
August 5	“Increasing Fed’s Regulatory Responsibility Probably Won’t Help”		
August 6	“Interstate Rail Project Would Bring High-Speed Spending”		

Studies Published in 2009

February 5	“Government in Missouri”	September 29	“Why Missouri Taxpayers Should Not Build High-Speed Rail”
August 6	“All Caught Up: How Tax Policy May Have Allowed Tennessee to Outgrow Missouri”	October 13	“Previous Estimates Overstate ‘Fair Tax’ Rates, Harms”
August 19	“The Prognosis for National Health Insurance: A Missouri Perspective”	November 18	“Charter Schools: Rationale and Research”
September 15	“Gradual and Silent Encroachments: How the Missouri Supreme Court Expanded the Power of Eminent Domain”	December 18	“Why a Sales Tax Is Better for Missouri Than an Income Tax”

2009 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 Sinquefeld, President

Rex Sinquefeld is the cofounder and past co-chairman of Dimensional Fund Advisors Inc. 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 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 Opera Theatre of Saint Louis.



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.



James Forsyth, Treasurer

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.



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.



Joe Forshaw, Director

Joe Forshaw is president and CEO of the Saint Louis-based Forshaw, a family-owned business founded in 1871 specializing in the retail sale of home furnishings, as well as the manufacture and national distribution of fireplace-related building products. He has served for several years as an advisory director for Commerce Bank, and is the managing partner of several family real estate partnerships. An alumnus of Saint Louis University High School, Forshaw received both his B.A. and J.D. degrees from Saint Louis University.



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.



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 coauthored a book titled *Teacher Pay and Teacher Quality*. He earned his Ph.D. in economics from the University of Wisconsin-Madison.



Gerald A. Reynolds, Director

Gerald A. Reynolds is assistant general counsel at Kansas City Power & Light Company, an integrated electric utility. Earlier he served as 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 for Civil Rights. Reynolds received his law degree from Boston University School of Law and he received his B.A. in history from City University of New York, at York College.



Kevin Short, Director

Kevin Short is the co-founder and managing partner-CEO of Clayton Capital Partners, a Saint Louis-based investment banking firm specializing in merger and acquisition advisement. 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 an active board member for Today & Tomorrow Educational Foundation, the Chess Club and Scholastic Center of Saint Louis, and the Board of Education for the Archdiocese of St. Louis.

2009 Staff



Joseph Haslag, Executive Vice President

Joe Haslag is a professor and the Kenneth Lay Chair in economics at the University of Missouri–Columbia. An expert in monetary policy, he 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.



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.



Rebecca Bruchhauser, Director of Development

Rebecca worked for 10 years in health care consulting with hospitals and health care systems across the nation, the last five years in the Saint Louis area’s fastest growing hospital, SSM DePaul Health Center. As a member of the administrative team, she performed duties in strategic planning, business development, and special event planning. An Illinois native, she has worked in the Illinois Legislature and the office of Gov. Jim Edgar. She holds a B.S. in speech communication from Southern Illinois University at Carbondale.



Eric D. Dixon, Editor

Eric D. Dixon began working as the Show-Me Institute’s editor in May 2007. He holds a bachelor’s degree in journalism from Brigham Young University, and although he originally planned to pursue a life in newspapers, he never got over his 1997 internship at the Cato Institute. He has since kept a foot in both journalism and public policy, working for U.S. Term Limits, Americans for Limited Government, the Cascade Policy Institute, *Liberty* magazine, the Oregon Newspaper Publishers Association, and the *Idaho Press-Tribune*.



Breck Frerking, Public Relations Coordinator

Before joining the Show-Me Institute, Breck worked for several years in wealth management. She holds a bachelor’s degree in business management from the University of Missouri–Columbia, and an MBA with an emphasis in agribusiness from William Woods University. Breck is actively involved in several community organizations and boards.



Sara Haslag, Director of Development, February–July

Sara Haslag received her bachelor’s degree in nursing from the University of Missouri, and her master’s degree in nursing from the University of Texas. She has practiced as a certified pediatric nurse practitioner for the past 15 years. Sara grew up in Branson and now resides in Columbia.



Dave Roland, Policy Analyst

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 Publications

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 aide 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.



Josh Smith, Research Assistant

Josh Smith began working as a research assistant at the Show-Me Institute in October 2008. In 2010, he received a B.S. in economics from the University of Missouri–St. Louis. A lifelong Saint Louis resident, Josh attained his associate's degree in mathematics from St. Louis Community College, and plans on pursuing a graduate degree in the same field. First introduced to free-market economics circa 2002, today Josh considers widespread economic freedom to be one of the most important goals for sound public policy. Working at the Show-Me Institute is Josh's first foray into public policy.



David Stokes, Policy Analyst

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.



Audrey Spalding, Staff Writer, June–December

Audrey Spalding graduated in 2009 from the University of Missouri–Columbia with dual degrees in journalism and economics. Her coverage of the Columbia Public School District's tax levy increase election won a Hearst Journalism Award. Before joining the Show-Me Institute as staff writer in June 2009, Audrey worked for the institute as a research intern for a year, and during that time filed more than 500 requests for public information. She is originally from Michigan.



Christine Harbin, Research Analyst, July–December

Christine Harbin, a recent transplant from Wisconsin, joined the Show-Me Institute as a research analyst in July 2009. She holds undergraduate degrees in economics, mathematics, and French from the University of Wisconsin–Madison. She is currently pursuing an MBA with an emphasis in operations management from the University of Wisconsin–Eau Claire, with an anticipated graduation in December 2010. She interned with the National Economic Council at the White House in Washington, D.C., during spring 2007. Prior to joining the Show-Me Institute, she worked as an advance planning analyst for hospitals and health care systems.

Youth Outreach

AN IMPORTANT ASPECT OF THE SHOW-ME INSTITUTE'S MISSION IS REACHING OUT TO THE NEXT GENERATION OF LIBERTY ENTHUSIASTS. TO THAT END, THE 2009 YEAR HAS BEEN A RESOUNDING SUCCESS,



Phil Eckelkamp,
2009 Show-Me
Institute Intern

“My experience as a Show-Me Institute intern provided me with a valuable exposure to free-market principles. Conducting research on the importance of limited government enhanced my perspective on the critical need for economic freedom. As I enter the legal workforce, my appreciation has deepened for the experience I was given to freely debate competing ideas with the Show-Me Institute staff. It helped to enhance the critical thinking skills necessary not only for a great legal career, but for everyday interaction.”

with an expansion of previous youth programs like the institute’s free-market book club, and the addition of a new contest centered around the Missouri General Assembly.

In the spring, the Show-Me Institute announced its Policy Pulse contest, inviting high school and college students in Missouri to submit an essay, a video, or an audio clip about a legislative issue. The entries spanned topics such as wind energy, secondhand smoke, the shortened school week, and changes to legal protections of school employees.

Abhi Sivasailam, an economics student at the University of Missouri–Columbia, won the contest in June for his piece about the “Fair Tax.” Following his submission, he applied for the institute’s summer internship program. In a letter to the board about the contest, Sivasailam epitomized the purpose of both the contest and institute’s focus on youth outreach.

“As I analyzed and agonized for the paper that week, I found myself learning beyond the bounds of school curriculums and being challenged in new ways that were exciting, novel, and formulative,” he said. “It was at this point that I realized that a life spent shaping public policy was one that I wanted to lead, and that free-market solutions made

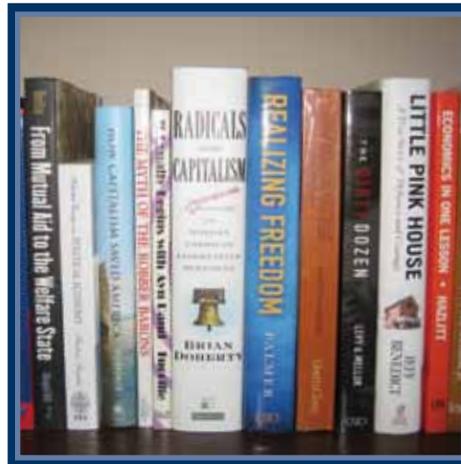
more sense to me than anything I had been exposed to before.”

The internship has been a valuable tool in getting young people involved in Missouri policy. Audrey Spalding, who interned for one year at the Show-Me Institute’s former office in Columbia, joined the staff in June as the

institute’s staff writer, in charge of investigative news pieces and reports. Audrey credits her internship for giving her invaluable experience for her newest position. “I can confidently say that without my Show-Me Institute internship, I would not have the research skills I now have. I filed more than 500 freedom of

information requests as an intern.”

The internship experience at a state-based think tank like the Show-Me Institute provides useful opportunities beyond the typical filing and letter-stuffing of many internships. In 2009, interns had commentaries and letters to the editor published in the *St. Louis Beacon*, the *Columbia Daily Tribune*, the *Sedalia Democrat*, the *St. Louis Post-Dispatch*, and the *Schuyler County Times*. Interns also helped conduct research for scholars’ policy studies, commentaries, and case studies. One intern coauthored a case study with Show-Me Institute scholar Joseph Haslag, about proposed “Fair Tax” legislation.

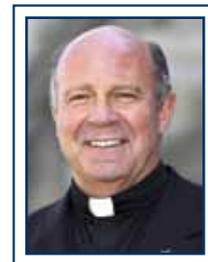


Washington University graduate student Caitlin Hartsell, a Show-Me Institute intern and regular book club attendee, credits the Show-Me Institute with her decision to work on state policy in the future. “My policy views before coming to the Show-Me Institute were not fully formed,” she said. “The book club has helped me understand the philosophical underpinnings of the liberty movement, while the internship has given me the practical skills to apply them to actual state policy.”

The Show-Me Institute’s book club has seen unprecedented growth in 2009. The year started with 12 regular participants, but by December, there were 23, necessitating a change of location for the biweekly meetings in order to accommodate the larger group. College-age young people from across Saint Louis gather for each book club meeting to discuss topics spanning a range of economics, philosophy, history, and current events — from eminent domain in the infamous *Kelo v. New London* case, to primers in fundamental economic concepts, to thorough looks at the history of liberty and markets in the United

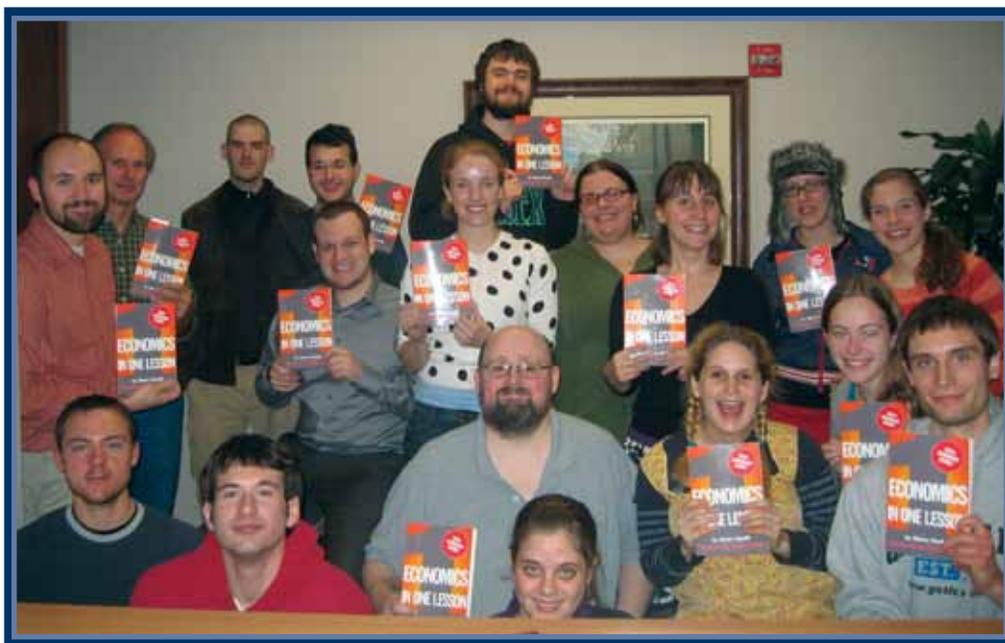
States. Long-time book club participants have amassed an impressive collection of books about liberty. In 2009, the club read authors such as Lysander Spooner, Ludwig von Mises, Frédéric Bastiat, and Henry Hazlitt. The institute’s book club provides an indispensable outlet for young people to explore ideas not typically taught in the university setting, preparing the groundwork for the next generation of liberty-minded citizens.

Although the book club was initially aimed at educating Saint Louis-area college students in political and economic issues, it now reaches a wider range of participants, many of whom had little if any exposure to these types of issues prior to joining the club. The books selected for club members to read are chosen by the Show-Me Institute’s editor, Eric D. Dixon, and range from classic works of economics, history, and political philosophy to innovative new examinations of how the ideas of freedom can be understood and spread to others. Thanks to the generous funding made possible by donors, these books are made available to participants for a nominal cost.



Lawrence Biondi, S.J., President, Saint Louis University

“The Show-Me Institute’s youth outreach programs demonstrate a strong commitment to educating future leaders who are prepared to meet the challenges of tomorrow — a commitment we share at Saint Louis University. In particular, the institute’s distinctive internship program offers students from SLU and other institutions of higher learning valuable experiences that will give them a competitive edge when they graduate. We also are proud to partner with the institute on the scholarly economic policy lecture series offered through our John Cook School of Business.”



Toward the end of 2009, the Show-Me Institute book club discussed Henry Hazlitt’s classic *Economics in One Lesson*. This meeting attracted 18 people, record attendance at the time. Although the Show-Me Institute usually subsidizes the books used in the club, in this case they were supplied for free to the Show-Me Institute by Students for Liberty, a free-market organization whose mission is “to provide a unified, student-driven forum of support for students and student organizations dedicated to liberty.”



Michael Martinich-Sauter, Book Club Member

“Although I took numerous philosophy and economics courses as an undergraduate, it was not until the Show-Me Institute’s book club that I encountered serious intellectual defenses of liberty. The book club provides a forum of thoughtful and challenging perspectives that has been invaluable in my intellectual and political development.”

Sometimes, books are suggested by club members. After some club participants attended the Show-Me Institute’s September book forum for Jeff Benedict’s look at the infamous Susette Kelo eminent domain case, *Little Pink House: A True Story of Defiance and Courage*, they eagerly requested to cover that book in the club, as well.

The book club tends to grow as a social network, with current participants bringing new friends to join in the engaging conversation. Attendees often find themselves caught up in issues that they have previously never considered, or reading books about topics that they have never before found interesting or relevant. The fun camaraderie at book club meetings (not to mention the free food) keeps members coming back, so that the type of bright young people who are eager

to absorb new ideas sit up and take notice of the important policy issues that affect the lives of Missourians.

The club now features a wide variety of students, graduates, and young professionals. With such a mix, there is no telling which way the conversation will go. The club’s popularity has even spread to the point that out-of-state guests attend when they are in town, and one former member is in the early stages of helping to start a similar book club on the West Coast.

The Show-Me Institute book club is a way to spread good ideas that aren’t explicitly tied to any particular ongoing policy debate, but that help shape people’s fundamental notions about whether and why freedom is valuable in the first place. Ultimately, those cultural assumptions determine whether practical policy success will last over time.

Show-Me Institute Book Club, 2009

Lysander Spooner, *The Lysander Spooner Reader*

Ludwig von Mises, *Liberalism: The Classical Tradition*

Mark Skousen, *Vienna & Chicago, Friends or Foes? A Tale of Two Schools of Free-Market Economics*

David T. Beito, *From Mutual Aid to the Welfare State: Fraternal Societies and Social Services, 1890–1967*

Frédéric Bastiat, *Selected Essays on Political Economy*

Thomas J. DiLorenzo, *How Capitalism Saved America: The Untold History of Our Country, From the Pilgrims to the Present*

Burton W. Folsom, *The Myth of the Robber Barons: A New Look at the Rise of Big Business in America*

Jerome Tuccille, *It Usually Begins With Ayn Rand*

Brian Doherty, *Radicals for Capitalism: A Freewheeling History of the Modern American Libertarian Movement*

Tom G. Palmer, *Realizing Freedom: Libertarian Theory, History, and Practice*

Auberon Herbert, *The Right and Wrong of Compulsion by the State, and Other Essays*

Robert A. Levy and William Mellor, *The Dirty Dozen: How Twelve Supreme Court Cases Radically Expanded Government and Eroded Freedom*

Jeff Benedict, *Little Pink House: A True Story of Defiance and Courage*

Henry Hazlitt, *Economics in One Lesson*

Roy A. Childs, Jr., *Liberty Against Power*

Media

THE SHOW-ME INSTITUTE CONTINUED TO AMASS MEDIA COVERAGE THROUGHOUT 2009, RECEIVING ATTENTION FROM AN ASSORTMENT OF MISSOURI AND NATIONAL MEDIA OUTLETS.

Show-Me Institute scholars and staff had articles published in a variety of media outlets, including the *St. Louis Post-Dispatch*, the *Kansas City Star*, the *Columbia Daily Tribune*, the *Springfield News-Leader*, the *Linn County Leader*, the *Sedalia Democrat*, the *Columbia Missourian*, the *St. Louis Beacon*, the *Springfield Business Journal*, the *St. Joseph News-Press*, and the *Schuyler County Times*. A few newspapers also printed letters to the editor by institute staff, including the *St. Louis Post-Dispatch* and the *Springfield News-Leader*.

New outlets made numerous mentions of Show-Me Institute work and scholars, through various interviews and quotes. These publications included the *New York Times*, the *Kansas City Star*, the *St. Louis Post-Dispatch*, the *Springfield News-Leader*, the *Columbia Missourian*, Springfield's *Community Free Press*, *St. Louis Magazine*, the *Kansas City Kansan*, the *Riverfront Times*, *Suburban Journals*, the *Columbia Daily Tribune*, the *Gallatin North Missourian*, the *Missouri Record*, *Missouri Lawyers Media*, the *Maneater*, the *Springfield Business Journal*, the *Moberly Monitor*, the *Sedalia Democrat*, the *Arch City Chronicle*, Buzz Bell of the *Carthage*

Press, Cape Girardeau's *Southeast Missourian*, and KY3.

Show-Me institute scholars gave interviews for multiple television stations, including Channel 5 KSDK, KMBC 9 News, and the ABC affiliate KMIZ 17. A wide range of radio stations interviewed the institute's policy scholars, including "The Shanin & Parks Show" on KMBZ-AM 980, "The Mark Reardon Show" and "The Charlie Brennan Show" on

KMOX-AM 1120, "Up to Date with Steve Kraske" on the Kansas City NPR station KCUR-FM 89.3, "the Morning Show with Chris Stigall" on KCMO-AM 710, "The Wright Side of Politics" and "Kuumba's Call" on WGNU-AM 920,

"News at 5:00" with Steve Spellman on KOPN-FM 89.5, "Allman in the Morning" on Fox News Radio 97.1 KFTK-FM, "The McGraw Show" on KTRS-AM 550, "The Drive with Gary Nolan" on the Eagle 93.9 KSSZ-FM, "The Jericho show" on 94.7 KTTS-FM, "Columbia's Morning News with David Lile" on KFRU-AM 1400, "The Diane Jones Show" on KLPW-AM 1220, the Columbia NPR affiliate KBIA-FM 91.3, KRZG-FM 102.9, KWTO-AM 560, the Poplar Bluff Fox Radio Network, *Missourinet*, and the nationally-syndicated "The Laura Ingraham Show."

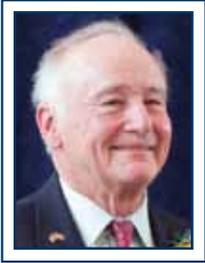


Joe Forshaw,
Show-Me Institute
Board of Directors

"As the owner of a small fourth-generation business, I have always been something of a student of regulation and tax policy at the federal level. There are many sources of high-quality research available on virtually any topic you can imagine, but only recently has an institution — the Show-Me Institute — brought a real focus to quality research at the state and local level here in Missouri. Local news outlets simply do not have the inclination or resources to tell people, in any depth, what is really happening in their communities. The Show-Me Institute has filled that need marvelously by focusing on quality, unbiased research and creating resources to inform all Missourians."

Interactive

THE SHOW-ME INSTITUTE'S BLOG, SHOW-ME DAILY, CONTINUED TO GROW SIGNIFICANTLY DURING 2009, WITH SCHOLARS, STAFF, AND INTERNS PRODUCING A RECORD 882 ORIGINAL ENTRIES.



**Ambassador
George H. Walker III,
The George Herbert
Walker School
of Business and
Technology at
Webster University**

“I know of no other organization in Missouri that is having a greater impact on the economic well-being of our state and its citizens. Both the state and the cities of Saint Louis and Kansas City must heed the wise and well-researched recommendations that have come from the Show-Me Institute’s scholars in the last several years. The benefits that will follow will impact all of the citizens of our great state.”

That represents nearly a 20-percent increase over 2008! The blog serves as a forum to address policy issues as they emerge, bringing sound economic reasoning to topics breaking in the news every day.

The larger number of new Show-Me Daily blog entries brought with them increased readership, as well, with a 34-percent increase in unique visitors over 2008. Show-Me Daily also serves as the single biggest source of traffic to the more formal work featured on our primary website. Be sure to join in the discussion at ShowMeDaily.org.

The Show-Me Institute’s interactive Show-Me Living tools continue to gain more use and attention. The site hosts a variety of applications that allow site visitors to estimate their tax burden, rank school performance, map occupational licensure requirements throughout the state, and more. Show-Me Living saw perhaps the most dramatic upswing in

traffic over 2008, with nearly 56 percent more unique visitors. Try out the tools for yourself at ShowMeLiving.org.

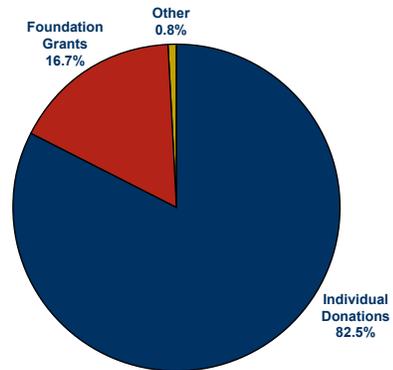
The institute also produced and published 106 investigative news stories during 2009 for its former Policy Pulse website. This content has since been relocated to our primary website and labeled as “Reports.” As the institute’s public information specialist, Audrey Spalding, noted, “What good is Policy Pulse doing if it is covering the same legislative hearing that seven other reporters also attended?” This redirection allows the Show-Me Institute to focus its investigative resources on larger, more thorough projects than it was able to undertake before.

The Show-Me Institute continues to expand its online presence, making government data more transparent and policy information easier to access and understand.

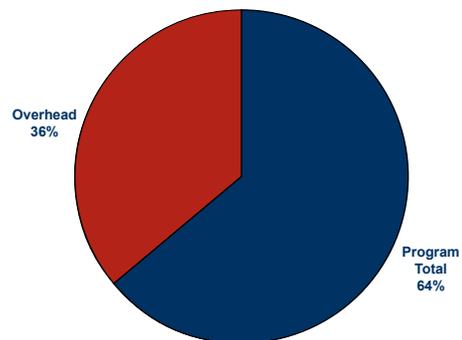


Financials

INCOME	
Individual Donations	\$1,594,461
Foundation Grants	\$321,658
Other Income	\$15,880
Total	\$1,931,999

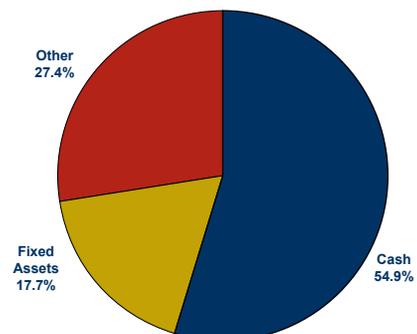


EXPENSES	
Overhead	\$627,497
Program	
Education	\$906,888
Research	\$209,097
Program Subtotal	\$1,115,985
Total Expenses	\$1,743,482



Note: The board of directors has made an ongoing commitment to cover the basic operational expenses of the Show-Me Institute. The board has also completely covered overhead expenses – including losses from theft, for which new preventative measures and controls have been implemented. Since 2005, donations from supporters have funded education and research exclusively.

STATEMENT OF FINANCIAL POSITION	
Cash	\$205,669
Fixed Assets	\$66,341
Other	\$102,716
Total	\$374,726



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

Thank You



The Show-Me Institute staff

WOULD LIKE TO THANK ALL OF OUR MANY SUPPORTERS
FOR HELPING US IN OUR FIGHT TO ADVANCE LIBERTY.
WE KNOW YOU SHARE OUR BELIEF IN THE IMPORTANCE
OF OUR WORK, AND WE'RE PROUD TO STAND TOGETHER
WITH YOU AS WE BUILD A BETTER FUTURE FOR
ALL MISSOURIANS.

