



2010 ANNUAL REPORT



A crowd of Show-Me Institute supporters turns out to hear famed economist Dr. Arthur Laffer's keynote speech at the institute's open house in October.





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

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Art Laffer (Economist):

"Studies have repeatedly shown that lower taxes lead to higher economic growth and that income taxes in particular make the economy grow more slowly than it otherwise would, but some previous and current elected officials still don't get it. I'm proud to work with the only organization in Missouri working to educate elected officials on the statistics that show the advantages of lower taxes that do not penalize people for creating wealth. The Show-Me Institute remains the voice in Missouri advocating free-market principles."

A NOTE FROM THE CHAIRMAN AND THE PRESIDENT

Dear Friends,

We celebrated a noteworthy anniversary in 2010, concluding our fifth full year of operations as Missouri's only free-market think tank. The Show-Me Institute has become the go-to source for policymakers, media, and concerned citizens in demonstrating the power of market-based solutions across a broad range of public policy issues.

It was a year of strong growth in almost every way. We had a record number of media appearances, both in print and over the airwaves. We released 10 percent more commentaries than in 2009, had 13 percent more traffic on our main website, and attracted 31 percent more visitors to our Show-Me Daily blog. We expanded our book club outreach program to record attendance levels, and our 2010 class of college interns was the biggest ever.

There were exciting organizational developments, as well. After a lengthy search, we brought Brenda Talent on board as our new executive director. She has more than 25 years of experience as a successful litigator, campaign manager, and public servant, with wide-ranging experience in tax policy and education. She is well-equipped to lead the Show-Me Institute to a new level of excellence, bringing new organizational focus and drive to our work.

Award-winning TV news anchor Rick Edlund joined the institute as Brenda's first staff hire, heading up our communications department. Rick is the ideal person to bring our free-market message to a wider audience. In a world where a flood of information is available at the touch of a computer keyboard, effective communication is vital. That's why it's important the Show-Me Institute takes advantage of the presentation skills and media knowledge that Rick brings to the table. We want our work to change the face

of public policy in Missouri, and that means making the benefits of market-based policy change understandable and engaging. During his first few months on the job, Rick has helped our policy staff hone their interview skills and tailor their message to reach new and expanding audiences.

In March, we relocated to our new headquarters, a restored home in the Central West End of Saint Louis, which gives us the space we need to expand our base of operations, take on additional student interns, and host a wide variety of events — for donors, media, youth outreach, and the general public. After a few months of breaking it in and making it our new home, we brought in the renowned economist Dr. Art Laffer to be the keynote speaker at our official open house in October. We're grateful that so many of our supporters were able to join us for a memorable evening of discussion and debate.

The core of what we do at the Show-Me Institute has always been our solid, groundbreaking research, which began with our first policy study more than five years ago about the economic damage caused by earnings taxes in Saint Louis and Kansas City. In 2010, we published the results of several research projects that had long been in the works. Two of these studies examined the economic impact of changes in taxation, with an emphasis on income taxes — one providing a detailed comparison of state economies, and the other looking more broadly to the differences in international tax structures. Together, they help demonstrate how income taxes dampen growth and prosperity in every kind of jurisdiction. Essentially, you can draw a circle on a map around any place that has a higher income tax, and see it stagnate while the surrounding area grows. Another study, more than two years in the making, provided a thorough review of public



R. Crosby Kemper III,
Chairman



Rex Sinquefield,
President

school superintendent salaries and benefits in Missouri. Drawing on data obtained from the filing of more than 500 sunshine information requests by the author, it reached the telling conclusion that there is little or no correlation between increased pay and benefits for school superintendents and improved student performance.

We're committed to keep bringing these hard-hitting studies to you, and to the media and policymakers, to show why freedom paves the road to economic growth and success.

In addition to our open-house event with Art Laffer, the Show-Me Institute hosted an array of events featuring leading free-market thinkers and writers. Our guest speakers included:

- Dr. Jay Greene, who came to the Kansas City Public Library to speak about "What Education Reforms Are Likely to Succeed." He pointed out that one thing we know does not work in urban education is the policy, common during the last four decades, of giving urban schools more money to reduce class sizes.
- Harvard economist Dr. Jeffrey Miron spoke at Show-Me Institute events in both Kansas City and Saint Louis, arguing that President Barack Obama has implemented policies that are specifically designed to benefit the special interest groups that supported his election — at the expense of overall economic growth.
- Chess grandmaster Garry Kasparov spoke about economic freedom in Russia to more than 300 audience members at Saint Louis University in November, followed the next day by an address to more than 500 people at the Kansas City Public Library. Widely seen in his home country as standing in opposition to Russian Prime Minister Vladimir Putin, today Kasparov spreads his message of freedom, democracy, and innovation across the globe.
- Timothy Sandefur, author of *The Right to Earn a Living: Economic Freedom and*

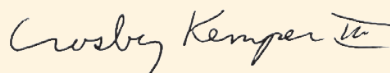
the Law, spoke in Kansas City about how barriers to work like occupational licensure and burdensome regulation have evolved throughout the history of the United States.

We've also continued to make Columbia a focus for regular lectures, with our Show-Me Forum series. Early in 2010, we featured a spirited debate involving Dr. Ed Robb, Amy Blouin of the Missouri Budget Project, and Cato Institute fellow Dr. Jeff Milyo, who discussed the merits of replacing Missouri's income tax with a broader and higher sales tax. After the legislative session ended, several members of our policy staff presented their picks for the best and worst bills that had been proposed.

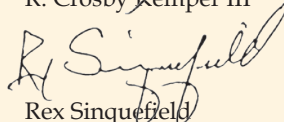
We have many more details to tell you in the pages ahead about the battle we are waging to bring free-market thinking to the forefront of a wide range of public policy issues.

At our first public event, more than five years ago, Lawrence Reed, then the president of the Mackinac Center for Public Policy and currently president of the Foundation for Economic Education, observed, "Liberty makes all the difference in the world." We agree wholeheartedly. At the Show-Me Institute, we will oppose those who seek to expand the role of government to the detriment of individual freedom and responsibility. And we will fight unceasingly for the ability of individuals to pursue their own goals freely and to control their own labor and property. With an array of special interests lined up to oppose us, a difficult path toward liberty lies ahead — but every step on that path is well worth taking.

Sincerely,



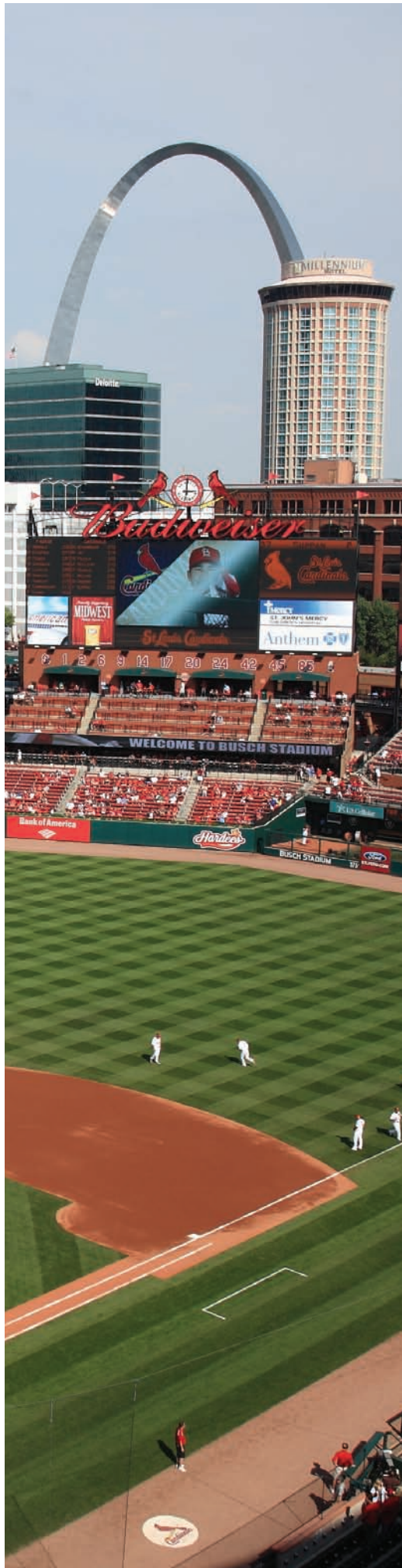
R. Crosby Kemper III



Rex Siquel



The Show-Me Institute has become the go-to source for policymakers, media, and concerned citizens in demonstrating the power of market-based solutions across a broad range of public policy issues.



The Show-Me Institute's Founders Club donors gather in June to mingle with Saint Louis Cardinal Hall of Fame greats Albert "Red" Schoendienst, Whitey Herzog, Lou Brock, and Bob Gibson at Rex Sinquefield's annual event.

TAXES

The Show-Me Institute continued to focus on taxes during 2010, and produced several policy studies, essays, and commentaries on the subject. These works attracted wide-ranging media attention, and have helped to shift the policy debate in favor of lower taxes for Missouri. Lawmakers in Jefferson City proposed legislation to repeal Missouri's income tax, and voters statewide endorsed a new law allowing residents of Saint Louis and Kansas City to vote on whether to retain their earnings taxes. Our scholars have laid the intellectual foundation to make all this possible, and we will continue to push these ideas forward in the future.

We made big strides toward lower taxes almost as soon as 2010 began, when Show-Me Institute Chief Economist Joseph Haslag testified on Jan. 12 during a seminar for Missouri state senators. Haslag pointed out that Missouri's economic growth has been slower than the national average in recent years, resulting in a lower standard of living for all Missourians. Using a widely accepted economic model, Haslag estimated that Missouri's economic growth rates could be 0.7 percent higher per year. This may seem insignificant at first glance, but when compounded over 25 years, that figure would translate to \$438.6 billion in extra goods and services for Missourians.

A proposition that would raise sales taxes in Saint Louis County to finance an expansion of the MetroLink mass transit system became one of the hottest topics in the region. In February, Research Assistant John Payne wrote a commentary arguing that Saint Louis County does not have the population density to support new

MetroLink lines, and that if new lines are constructed, they will drain away taxpayer money. The article was picked up on the *Riverfront Times* blog on Feb. 15, then published in print by the *St. Louis Business Journal* a week later. The op-ed attracted widespread media attention, and led to several radio and television interviews. In March, Payne and his arguments were featured on two radio shows, “Kuumba’s Call” and the “Freeman Bosley Jr. Show” — the latter hosted by the former mayor of Saint Louis. On March 2, Payne appeared in a Charles Jaco television piece on Fox 2 News.

In March, we released a policy study by Mark Skidmore and Nicole Bradshaw — both from the Department of Agricultural, Food, and Resource Economics at Michigan State University — showing that taxes and government spending have a detrimental impact on economic activity. Skidmore and Bradshaw further contend that nearby states compete to have the best tax policies, so a change in one state can lead to a similar change in a neighboring state. This is welcome news, because it means that if we are successful in lowering Missouri’s tax burden, we might also be able to lighten the tax load for our neighbors in states like Kansas, Illinois, and Iowa. Payne wrote an editorial summarizing the study and showing that the federal stimulus plan is likely to hurt economic growth. It was published in the *Columbia Missourian* on March 15.

In December, we published a policy study by University of Missouri economist Shawn Ni comparing taxes and government spending with economic growth across a number of countries. He found

that taxes reduce economic growth by discouraging businesses and entrepreneurs from creating the capital that raises productivity and, ultimately, wages. Ni estimated that a 10 percent cut in the corporate income tax rate will lead to a 1 to 2 percent increase in the rate of annual GDP growth. Later in the month, the institute released an essay by Haslag and Washington University economics doctoral student Grant Casteel, showing that if Missouri were to replace its income tax with a sales tax, it would lead to a higher growth rate and therefore greater lifetime consumption than we would have under the current system. The studies were discussed in commentaries written by Payne and Policy Analyst Audrey Spalding, published in the *Saint Louis Beacon* and the *Sedalia Democrat*, respectively.

With intellectual battles brewing over the Saint Louis and Kansas City earnings taxes and the Missouri income tax, our research into tax policy remains highly relevant for Missouri.

We remain committed to producing the highest-quality research so that Missourians can choose the best possible tax environment for future growth and prosperity.



Rod Jones
(Owner of Quadrant Properties and Show-Me Institute Donor):

“The value of the Show-Me Institute to Missouri and me personally is that we have an organization that has no agenda other than to educate the citizens, including the politicians, with market solutions based on quality research so a real decision on policy reform can be made based on facts, and not emotion.”

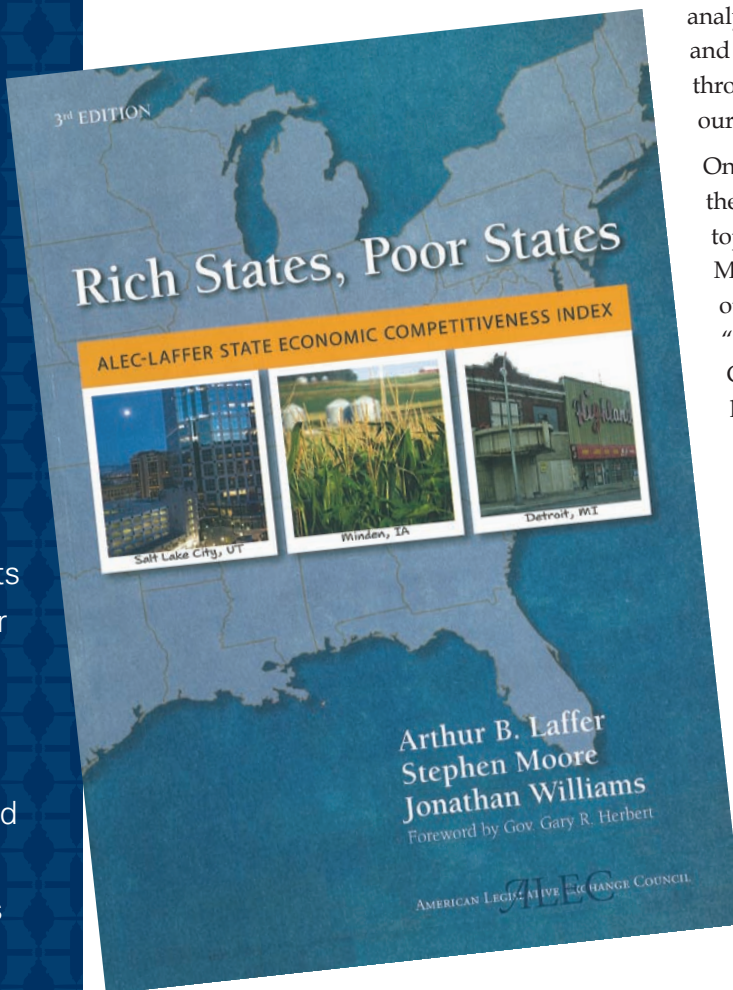


Rep. Scott Dieckhaus:

"As chairman of the Elementary and Secondary Education Committee, I constantly search for ways to improve Missouri's schools. Our worst school systems function like monopolies, with many families forced to buy an inferior product. I am firmly convinced that any successful school reform must include meaningful school choice for parents and students. With their high quality research and knowledgeable scholars, the Show-Me Institute is a forceful and effective advocate for real educational options in the state."



When the American Legislative Exchange Council (ALEC) held its Spring Force Task Summit in Saint Louis, the group came to the Show-Me Institute's newly opened office in the Central West End to hold the launch party for the 2010 edition of the Laffer Institute's book *Rich States, Poor States*. This also made it an ideal opportunity to demonstrate the Show-Me Institute's new Interactive Database for Economic Analysis by State (IDEAS) tool, which allows users to track taxes in all 50 states.



EDUCATION

Across the United States, governmental entities control and regulate the education of the vast majority of students at all levels, from kindergarten through high school. In many areas, the government monopolizes the education market. Parents who cannot afford private schools are left with no room to exercise choice over the schools that their children attend. When schools are guaranteed a steady stream of students — and the funding that comes with them — they have little or no incentive to improve.

In 2010, Show-Me Institute scholars analyzed problems in public education and proposed market-oriented reforms through policy studies, editorials, and our blog, as well as at public events.

On Feb. 18, Dr. Jay Greene spoke at the Kansas City Public Library on the topic "Which Education Reforms Are Most Likely to Succeed," as part of our continuing series with the library, "What Works in Urban Education." Greene began by stating that we know what does not work in urban education because we have been doing it the wrong way for decades: pouring more and more money into urban schools in order to reduce class sizes. Since 1970, spending per pupil has more than doubled, in inflation-adjusted terms, to \$11,000. Despite all the extra resources devoted to education, outcomes have been flat, as measured both by graduation rates and by scores on the National Assessment of Educational Progress (NAEP) test. Greene divided reforms into "structural" and

“instructional” categories, with the former changing the incentive structure outside the school and the latter changing both what is taught, and how, inside the school. In order to overcome the entrenched interests of school systems, Greene recommended trying many reforms at once. Florida tried such an approach under Gov. Jeb Bush, and scores on the NAEP test advanced two grade levels over 10 years. Greene also emphasized that market-oriented structural reforms would prevent special interests from gutting instructional reforms by attaching funding to students, thereby giving parents the power to reward or punish schools as they see fit instead of leaving those decisions to the political process.

At the end of July, the Show-Me Institute released “Actual Pay: A Survey of Missouri Public School Superintendent Salary and Benefit Packages,” a new study by Policy Analyst Audrey Spalding. It found no statistical relationship between superintendent pay and student performance in Missouri. In analyzing nearly 500 superintendent contracts, as well as salary data from the Department of Elementary and Secondary Education (DESE) and U.S. Census data organized by school district, Spalding searched for factors that were positively correlated with superintendent pay. She found that a few factors were all linked with increases in superintendent pay: total student enrollment, the percentage of residents with a college degree, and whether a superintendent has an advanced degree. However, when Spalding tested superintendent pay against scores on the mathematics section of the Missouri Assessment Program (MAP), she found no correlation. In other words, superintendents

received raises despite mediocre or poor student achievement.

This study caused quite a stir when it was released — particularly in Springfield, where the *News-Leader* ran three articles about the study and published the data that Spalding had compiled. Additionally, on Aug. 6, the newspaper published a commentary by Research Assistant John Payne summarizing Spalding’s work, and calling for the use of performance incentives and other merit-based measures when determining superintendent pay.

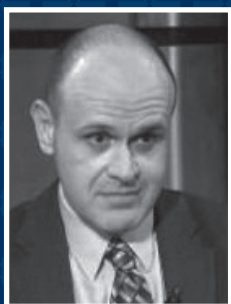
If Missourians hope to compete with other states and countries, we must improve our schools and raise academic achievement for students across the board. That process begins by empowering both parents and students with new educational choices, and forcing schools to compete for students and the funding they bring. The case against state monopoly supply and captive consumers is every bit as strong for education as it is for cell phones, computers, and other products.

At the Show-Me Institute, we will continue to show how greater competition and choice in education may be used to transform and improve the traditional public school model.



Bob Bowdon
(Director of *The Cartel*):

“The Show-Me Institute has been an absolutely invaluable resource in the effort to reform public education. Of course, I was grateful for SMI’s support of the education reform message in *The Cartel* movie. Their larger mission of public policy research, however, is a tremendous asset to Missourians. Because of SMI, legislators, journalists, taxpayers, and voters can better understand the many unintended consequences of sprawling government bureaucracies.”



Brian Hook
(Investigative Reporter,
Missouri Watchdog):

“The Show-Me Institute is an informative and helpful resource when I am looking for a free-market perspective on stories concerning public policy in Missouri.”



Missouri Watchdog reporter Brian Hook and Show-Me Institute Policy Analyst Audrey Spalding attended the Missouri Tax Credit Review Commission meeting in September.



CORPORATE WELFARE

It is easy to confuse support for free markets with support for business interests, but the two are not the same. Business owners often petition the government for special favors, in the form of subsidies or anticompetitive regulations. As Adam Smith observed, meetings of businessmen in the same industry often lead to attempts to raise prices and suppress competition. “Though the law cannot hinder people of the same trade from sometimes assembling together,” Smith wrote, “it ought to do nothing to facilitate such assemblies.” Unfortunately, Missouri has not heeded Smith’s advice. In 2010, Show-Me Institute scholars uncovered numerous government programs that benefit some businesses at the expense of their competitors — and of the general public.

Policy Analyst Audrey Spalding continued to shine a critical spotlight on a major redevelopment project in the north side of Saint Louis. NorthSide Regeneration LLC has lined up nearly \$400 million in state and local tax incentives, and wants to use the power of eminent domain to assemble land for a large multi-use commercial project. Spalding found that the company’s tax credit application was riddled with

errors that increased the size of the requested tax credit. Incredibly, the Department of Economic Development (DED) admitted to correcting some of these mistakes on the company’s behalf in order to speed along the award of nearly \$20 million in state tax credits. On June 24, Spalding discussed these issues with Charlie Brennan on KMOX-AM in Saint Louis. On July 3, a city judge ruled that NorthSide’s redevelopment plan did not meet the requirements set by city law. As a result, the company must either resubmit its application or appeal the judge’s decision in order to qualify for state and local tax incentives.

On Sept. 21, in testimony before the Missouri Tax Credit Review Commission, Research Analyst Christine Harbin argued against targeted tax credits as a method for economic development. Harbin showed that the benefits of tax credit programs are typically overestimated, and the costs underestimated — to the tune of \$1.1 billion, in Missouri’s case, according to a recent auditor’s report. Furthermore, tax credits are frequently used as a method to protect noncompetitive businesses from the financial pressures they would face if they couldn’t rely on government handouts. The direct recipients of these narrow tax

The Show-Me Institute will continue to show that sweetheart deals and government favoritism do not benefit society overall. The public is best served by a free and competitive market.

credit programs receive substantial benefits, but all other Missourians would be better off without the programs, with a lower overall rate of taxation instead applied more uniformly across the populace.

The commission heard from a number of businessmen who stood to lose money if the credits were eliminated — but not from a single economist. Harbin was the only presenter at that commission hearing who criticized tax credits. Harbin was pleasantly surprised by the outcome when the commission recommended on Nov. 17 that the legislature should eliminate the film tax credit — a potential savings for Missouri of \$4.5 million annually. The program was something of a personal crusade for Harbin, who wrote a commentary and 21 blog posts about the subject. The commission also recommended abolishing the Distressed Areas Land Assemblage tax credit — a \$90 million program that has only been used by NorthSide Regeneration.

Of course, businessmen will always advance their interests in the halls of government, but the Show-Me Institute will continue to show that sweetheart deals and government favoritism do not benefit society overall. The public is best served by a free and competitive market.



The Show-Me Institute hosted its fourth annual event commemorating the life and ideas of Nobel laureate economist Milton Friedman with a huge turnout at Saint Louis University in July.



**Jeff Miron
(Director of
Undergraduate Studies,
Harvard University
Department of
Economics):**

“The Show-Me Institute performs important work demonstrating the benefits of free markets over government. I was thrilled to talk with Missourians about the need to grow the economic pie by letting private forces blossom, rather than just dividing it differently by intervening in economic decisions. The scholars at the Show-Me Institute understand this perspective and do a great job communicating it to the people of Missouri.”



**Tracie Sharp
(President, State Policy
Network):**

"The Show-Me Institute is the leading organization in Missouri supporting free-market reforms and a valuable member of our nationwide network. Missourians can rest a little easier at night knowing that they have a credible government watchdog as an ally like the Show-Me Institute. They are consistently battling to educate policy makers of solutions to limit government involvement, keep their taxes low, and keep government efficient."

HEALTH CARE

Health care was the most important public policy issue nationwide during 2010. In March, Congress passed and President Barack Obama signed into law a huge overhaul of the nation's health care system. It deepens the federal government's involvement in the industry, which was already heavily regulated and subsidized. In the August primary election, Missourians had the opportunity to register their opinion on one aspect of the new law — a mandate forcing all individuals to purchase health insurance — and they voted overwhelmingly against it. Throughout the controversy, Show-Me Institute staff provided both constitutional and economic analysis showing that not only does the federal government lack the authority to implement parts of the law, but also that free-market solutions in health care are superior to yet more government intervention.

Former Policy Analyst Dave Roland addressed the constitutionality of federal health care reform in his testimony before both the Missouri Senate Governmental Accountability and Fiscal Oversight Committee and the House Special Standing Committee on General Laws, arguing that the constitutionality of a federal health insurance mandate hinges on whether the U.S. solicitor general can convincingly show that certain powers still lie beyond the reach of the federal government. Although some scholars believe that a health insurance mandate falls within Congress' power to tax, Roland rejected this idea because the Constitution forbids capitation taxes, also known as head taxes — except in proportion to the Census. According to Roland, if federal courts deem the act constitutional,

amendments to state constitutions might still be able to provide protection against the individual health insurance mandate, given the mild trend away from federal power seen in recent Supreme Court decisions.

In a pair of commentaries, former Research Assistant Caitlin Hartsell showed how the free market can solve many health care woes, but that greater government involvement in the industry tends to raise prices without an appreciable increase in quality. On Feb. 2, the *Columbia Missourian* ran an editorial by Hartsell showing the value of a greater use of dental therapists in rural areas that are underserved by fully licensed dentists. Hartsell cited a study by Texas A&M University that found no difference in the quality of care given by dentists or dental therapists. However, dental therapists typically provide their services at a more affordable rate, because they are not subject to the same restrictive licensure rules as dentists.

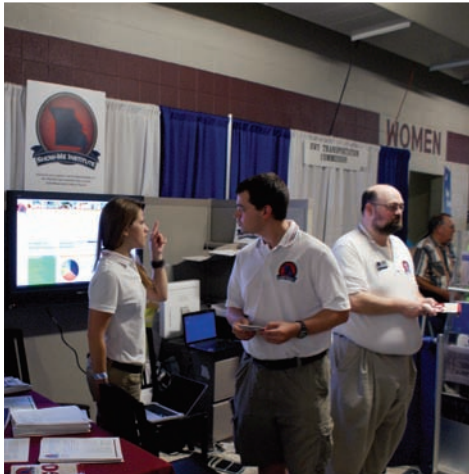
In June, both the *Springfield News-Leader* and the *Joplin Globe* published Hartsell's editorial opposing the mandatory inclusion of autism coverage in all health insurance plans. Hartsell pointed out that, although the bill was certainly well-intentioned, it would have the effect of raising insurance costs for everyone while helping only a relatively small number of families. Furthermore, the bill raises the price for autism therapy by increasing the licensure requirements for behavior analysts who treat autism spectrum disorders — leading to higher medical bills even for the families that the bill is designed to help.

At the beginning of 2011, we continued the fight that we began in 2010, pressing

Missouri's politicians to fight the federal health reform act's individual insurance mandate, in accordance with the wishes of Missouri voters. On Jan. 6, Executive Director Brenda Talent published an open letter to Missouri Attorney General Chris Koster, urging him to join 20 other states in a lawsuit against the U.S. Department of Health and Human Services that seeks to overturn the mandate, on the grounds that it exceeds Congress' authority under the Constitution's Commerce Clause. Accompanying the letter was an editorial by Policy Analyst Christine Harbin, published in the *Springfield News-Leader* on Jan. 7. Harbin pointed out that the law erodes state sovereignty by requiring states to pay for an expansion of Medicaid — which would be unnecessary if the government allowed more alternatives, like high-deductible insurance plans and health savings accounts (HSAs) in the health care market. Although Koster never joined the lawsuit, it met with success on Jan. 31 when U.S. District Judge Roger Vinson struck down the mandate and the entirety of the health care reform act. Vinson's ruling sets the stage for further action by the United States Supreme Court.

If left in place, the health care reform act will mark the most dramatic expansion of government's role in health care since Lyndon Johnson signed Medicare and Medicaid into law. The analysis of that bill provided by our scholars was heard both by state legislators and by a national audience.

The benefits of a free market in health care are clear even in the face of massive new government interventions.



In August, Show-Me Institute staff and interns spread their message of free markets and limited government to attendees of the Missouri State Fair in Sedalia.



**Martha King
(Saint Louis University
Ph.D. Candidate):**

"I have always been interested in classical liberalism from a philosophical perspective, but had not yet had the opportunity to put these ideas to work. My summer internship with the Show-Me Institute allowed me to witness up-close the effects of public policy decisions, which made me much more aware of the mechanics of how ideas really matter in the world. It was intellectually exciting and personally fulfilling to be a part of the great work that the Show-Me Institute is doing for Missouri."



**Rep. Tim Jones
(House Majority
Floor Leader):**

"The Show-Me Institute plays a vital role in Missouri by reminding those of us in the legislature of the potential benefits of privatizing certain government services. Not all public goods must be provided by the government. The Show-Me Institute's research has repeatedly shown the value of allowing private companies and entrepreneurs to meet public needs instead of having the government take on non-core functions."



Missouri Sen. Jim Lembke and Saint Louis Alderman Antonio French participated in a debate about red light cameras sponsored by the Show-Me Institute in June.



PRIVATIZATION

It is incumbent on government to provide some basic services that individuals cannot provide for themselves through the market, but when government strays from those functions, it assumes roles properly left to businesses and other private institutions.

By privatizing wasteful or inefficient government endeavors, we can save the taxpayers money and increase options for consumers.

In 2010, Policy Analyst David Stokes wrote a series of articles demonstrating the efficiency of privatizing government-owned businesses, utilities, and transportation systems.

On May 20, we released a case study by Stokes that compared public and private provision of water services in the city of Saint Louis. Stokes found that a private company could handle the job just as efficiently, with lower costs to city residents. If Saint Louis were to sell its water division, Stokes estimated that the city could receive as much as \$300 million in sales revenue. The study noted that Saint Louis County functions just fine without a government-provided utility. Privatizing the city's water division would generate a substantial amount of money for the city of Saint Louis,

and allow private operators to provide water in the city just as they have successfully done for years in the county. The study began generating media coverage even before it was officially released, with Stokes discussing it with McGraw Milhaven on KTRS-AM on the morning of May 17.

Stokes also discussed the potential savings from privatization in a pair of editorials near the end of the year. In an article that appeared in the *Kansas City Star* on Oct. 6, Stokes argued that Kansas City could save money by allowing a private company to manage the city's infrastructure. Stokes cited the example of Oklahoma City, which pays a private company to manage its sewer system for an annual savings of more than \$3 million. On Dec. 11, the *Columbia Missourian* ran a commentary by Stokes showing that if Columbia sold its water and electric utilities to private companies, it could raise a considerable amount of money that could be used to keep other programs running, and potentially decrease the costs of those utilities to consumers at the same time.

RED TAPE

Public officials always cite public safety concerns when setting regulatory or licensure requirements. All too often, however, the red tape serves an entirely different purpose — allowing existing businesses to write their own complex rules, with amazing minutiae, to limit competition and deny consumers greater freedom of choice. In a number of commentaries released during 2010, Show-Me Institute scholars demonstrated the negative consequences of excessive government red tape.

In June, Policy Analyst David Stokes argued against a proposed licensure law for heating and air conditioning (HVAC) workers in Saint Louis County. Stokes pointed out that the existing HVAC industry was the only group pushing for the new rule, a likely indication that it benefits their established market position at the public's expense. Stokes countered the safety argument for licensure, citing a study showing that stricter licensing rules for electricians led to more electrocutions because higher prices drove people to perform the work themselves. Stokes reiterated these points before the Saint Louis County Council on June 29.

Also that month, the *Joplin Globe* ran an editorial by Research Assistant John Payne arguing against a cap on interest rates for payday loans. Payne cited evidence showing that similar restrictions in other states led to higher rates of bounced checks and Chapter 7 bankruptcy filings. Consequently, restricting access to payday loans harms the very people that the regulation is designed to help.

In October, Policy Analyst Dave Roland gave a presentation in Columbia about the drawbacks of occupational licensing. Roland explained that a few decades ago, only 3 percent of the American workforce was required to obtain a license in order to work in a particular occupation, but today that figure has risen tenfold to 30 percent. The practice of many of these occupations poses no danger to public safety, but forcing practitioners to jump through a number of expensive licensing hoops lowers the supply and raises the profits of existing businesses. If these unnecessary regulations were repealed, both consumers and the government would save money, and more jobs would be created.

The threats from government red tape are widespread and can take almost any form. These regulations are often passed into law with little or no public scrutiny, because the only parties who scrutinize the process are those who stand to benefit from the proposed rule.

The work of scholars at the Show-Me Institute is vital, because it exposes these self-interested regulations as unnecessary and harmful to the general public.



Redditt Hudson
(Program Associate,
ACLU of Eastern
Missouri):

"The Show-Me Institute's forum on recording the police was timely and informative. Given the importance of the issue and its potential impact on communities nationwide, it is critical that we continue public discussion about policies and practices when it comes to creating objective records of police/citizen encounters by recording those encounters. Those objective records are good for both law enforcement professionals and the communities they serve."



Dr. Lawrence Okamura
(Associate Professor
and Director of
Undergraduate Studies,
University of Missouri–
Columbia Department
of History):

“Show-Me Institute book clubbers read authors like Milton Friedman, Thomas Sowell, and Amity Shlaes, sharing in passionate discussions their lives as students, parents, workers, business-builders, and civic activists. Insights from books and from daily life coalesce in a warning and an inspiration: The invasive government that robs Peter to pay Paul intends to dominate both; ordered liberty, not Leviathan, empowers free citizens.”

YOUTH OUTREACH

Those who favor free markets and limited government are overly optimistic in one way: Too often, they think it is enough to win key battles in the legislative arena. However, those who support big government and economic intervention know better. Through our schools and universities, they have worked hard and successfully to inculcate the message that more intrusive government is needed to resolve a variety of issues: job creation, the alleviation of poverty, raising educational standards, preventing environmental degradation, and much more.

That is why we at the Show-Me Institute have made educating and inspiring youth an integral part of our mission. We reach many young people through our biweekly book clubs: one hosted at our office in Saint Louis, and the other led by Columbia radio host and Show-Me Institute supporter Steve Spellman.

The Saint Louis club started off the year with around 20 regular participants, and later set an attendance record of 27 at a single meeting. In January, several club members hit upon the idea of having the book club sponsor a table at Visioncon, an annual science fiction convention held in Springfield. Members of the club asked for donations of books about liberty that others were no longer likely to use, and ended up with quite a selection. They wanted to share the ideas these books contain, so instead of simply taking up space on somebody's shelf, the books would now have the chance to enlighten others. Book club members took turns manning the table for the convention's duration, engaging curious attendees in many conversations about the principles of freedom and providing them with

information about the Show-Me Institute in the process. About 90 percent of the books found new homes that weekend, spreading the ideas of liberty to people who might not have encountered them otherwise.

Spellman and Show-Me Institute intern Abhi Sivasailam founded the Columbia book club in February, and it has attracted between 15 and 20 attendees to each meeting. Members are a mix of students, activists, and even some professors. They have read some of the classic works of free-market economics, such as Friedrich Hayek's *The Road to Serfdom* and *Economics in One Lesson* by Henry Hazlitt. They have also covered more recent books about limited government, including *Nullification* by historian Thomas Woods. According to Spellman, the club has “armed [members] with the ideas and confidence that we're not alone in the battle for economic freedom in our community, and at the state capitol.” After the club completes a book, Spellman frequently interviews its author, or an authority on the subject, as part of his local radio show. This helps spread the message of liberty and promote the book club to the large student population of Columbia.

For students seeking an even deeper understanding of the free market and the world of public policy, we offer a summer internship program. This past year, we had the largest group of interns yet. Our summer intern group included several undergraduates, such as Vincent Smith, who is studying economics at the University of Missouri–Columbia, Rachel Miller, who is studying nonprofit administration at Lindenwood University, and Joseph Steelman, who is studying economics at the University of Chicago. But our group also

Members of the Show-Me Institute's book club brought the ideas of liberty to Springfield by hosting a table at Visioncon. The annual science fiction and fantasy convention draws a crowd of costumed youth who are excited about exploring new ideas.



included a graduate student, Martha King, pursuing a doctorate in philosophy from Saint Louis University. Finally, Thomas Duda, a graduate of Carlton College, continued his internship through the beginning of 2011 in order to continue his research on property tax abatement. The summer interns assisted our staff with their projects, wrote numerous blog posts about issues of public policy, and took part in a "free-market field trip" to Busch Stadium. On a sweltering evening in late July, the interns divided into four teams to buy and sell Saint Louis Cardinals tickets, in the hopes of finishing either with more cash or with a ticket of higher value. Three of the four teams met that goal, demonstrating that trade is a positive-sum enterprise.

Educating the youth of Missouri about the virtues of free markets is an essential part of winning the battle of ideas. We plan to continue reaching out to young Missourians and expanding our efforts in the field. Nothing short of a revolution in people's understanding of markets and government will do.

We at the Show-Me Institute have made educating and inspiring youth an integral part of our mission.



Join us to explore a broad spectrum of the ideas of liberty.

Milton and Rose Friedman, *Free to Choose*

Ludwig von Mises, *Human Action*

Peter McWilliams, *Ain't Nobody's Business if You Do*

Randal O'Toole, *The Best-Laid Plans*

Robert Nisbet, *Twilight of Authority*

Julian Simon, *The Ultimate Resource 2*

David Friedman, *Hidden Order*

Gordon Tullock, Arthur Seldon, and Gordon L. Brady, *Government Failure*

Bryan Caplan, *The Myth of the Rational Voter*

Thomas E. Woods Jr., *Meltdown*

Arnold Kling, *Unchecked and Unbalanced*

Johan Norberg, *Financial Fiasco*

F.A. Hayek, *The Fatal Conceit*

**For more information, visit:
tinyurl.com/showmebooks**





Patrick Tuohey
(Editor, *Missouri Record*):

"The Show-Me Institute's contribution to the public policy debate in Missouri is necessary to defend and promote free-market principles in governing. The institute's blog, Show-Me Daily, plays a further role in breaking that mandate into smaller bites relevant to everyday life so that it can better be digested by the traditional news media and by bloggers, and circulated throughout the body politic."

MEDIA

The Show-Me Institute made major gains in media coverage all throughout Missouri in 2010. The work of the institute's scholars and the policy staff produced work that resulted in 217 major media "hits," compared to 112 during the prior year. This represents a percentage gain of 93 percent.

Op-eds written by the policy staff received placements in a variety of newspapers offering well-balanced and regional coverage in the most populous cities in Missouri. These newspapers include the *St. Louis Post-Dispatch*, the *Columbia Daily Tribune*, the *Columbia Missourian*, the *Sedalia Democrat*, the *Springfield News-Leader*, the *St. Louis Business Journal*, the *Saint Louis Beacon*, the *Schuyler County Times*, the *St. Joseph News-Press*, the *Southeast Missourian*, the *Joplin Globe* and the *St. Louis Globe-Democrat*.

Policy analysts and staff members are often quoted in Missouri newspapers both in print and online. The Associated Press ran two stories during 2010, which were republished in a number of print and online articles. Numerous other mentions of the Show-Me Institute's policy work appeared regularly in publications such as: the *Kansas City Star*, *Ingram's* magazine, the *Columbia Daily Tribune*, the *Riverfront Times*, the *Columbia Missourian*, the *Sedalia Democrat*, the *Springfield News-Leader*, the *Kansas City Examiner*, the *St. Louis Business Journal*, the *Warrensburg Daily Star-Journal*, the *Missouri Record*, the *Missouri Lawyers Weekly*, the *Maneater*, the *Springfield Business Journal*, the *Saint Louis Beacon*, the *St. Louis American*, the *St. Joseph News-Press*, the *Southeast Missourian*, and the *Joplin Globe*.

Policy Analyst Audrey Spalding's policy study "Actual Pay: A Survey of Missouri

Public School Superintendent Salary and Benefit Packages" has received significant media attention, the most attention any Show-Me Institute policy study has received to date. This study was featured in eight print articles, three radio shows, and one television show. It was also listed on the Heritage Foundation's website. The *Springfield News-Leader* published several articles, including their own editorial, that positively cited Spalding's study of superintendent pay. The newspaper also created an online database of the contracts she collected. The *Warrensburg Daily Star-Journal* ran a front-page, above-the-fold article about superintendent pay in the Warrensburg area, based on Spalding's data and an interview with Spalding. The paper also created an information graphic using Spalding's data.

Radio and television continued to be an important element in our media strategy. Show-Me Institute scholars and staff were interviewed on the following television stations in 2010: KMOV Channel 4, KTVI Fox 2 News, KMBC 9 News, WDAF Fox 4 KC, and KETC Channel 9.

Several radio stations around the state interviewed the institute's policy scholars. The list includes multiple appearances. The shows and stations include: "The Shanin & Parks Show" on KMBZ AM 980, "The Mark Reardon Show," "Total Information AM," 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, *Missourinet*, "The Bernie Hayes Show" and "Kuumba's Call" on WGNU 920 AM, "News at 5:00" with Steve Spellman on KOPN FM 89.5, "The Randy Tobler Show" on Fox News Radio 97.1 FM, "The McGraw

Hundreds of people turn out to hear Garry Kasparov, chess grand master and Russian democracy advocate, speak about the importance of liberty at this lecture cosponsored by the Show-Me Institute, the Sinquefeld Charitable Foundation, and Saint Louis University's John Cook School of Business.

Show" on KTRS AM 550, "The Mike Ferguson Show" on the Eagle 93.9 FM, "The Dr. Gina Show" on KJSL 560 AM, KRZG FM 102.9, and KWTO AM 560.

INTERACTIVE

Our blog, Show-Me Daily, has gained tremendous attention around the state, as well. It is frequently featured and linked to by Prime Buzz, The Midwest Democracy Project's website, which was created by the *Kansas City Star*. On average, the institute's blog content is featured at Prime Buzz approximately four days out of every five, a rate that has been consistent since July 2010. A sentence or two describing each featured blog post is featured on the *Kansas City Star*'s site, along with a link to that post. This has brought a significant number of the site's daily hits. ShowMeDaily.org is regularly featured along with other Missouri blog sites, including Show Me Progress, the *Missouri Record*, the Turner Report, the *St. Louis Post-Dispatch* Political Fix, the Source and Fired Up! Missouri.

The Show-Me Institute represented a 93-percent gain in media coverage throughout Missouri in 2010.



Garry Kasparov:

"Americans are fortunate to live in a country where their basic rights are respected. Most people in the world are not so lucky. That is why I am dedicating my life to fight for freedom. It has never been an easy battle, but living under the Russian autocratic regimes, one comes to realize the fundamental importance of a free and open dialogue. The Show-Me Institute is helping Missourians to protect and expand their individual liberties. Their work highlighting the importance of keeping government limited and impartial is invaluable."

PUBLICATIONS

COMMENTARIES PUBLISHED IN 2010

January 25	"Missourians Can Combat the Political Influence of Moneyed Interests"
January 26	"Businesses Should Be Allowed to Keep a Percentage of Tax Collections"
February 1	"Filling the Cavities in Missouri's Dental Care"
February 3	"How a Sales Tax System Could Replace the State Income Tax"
February 16	"Adding New MetroLink Lines Too Costly, Inefficient"
March 8	"The Economic Case for Citizen Oversight of the Board of Police Commissioners"
March 10	"Taxes and Government Spending Undermine Economic Growth"
March 29	"Counties, Not Municipalities, Should Determine TIFs"
April 7	"Health Care Reform Another Step in Decline of Our Economic Freedom"
April 8	"Scholarship Cuts for Private University Students Favor Institutions, not Students"
April 20	"Lesson From the Election: Examine Claims on Both Sides of Tax Issues"
April 21	"Missouri's Green Tax Rebates a Wasteful Use of State Funds"
May 17	"The City of Saint Louis Should Implement Water Meters"
May 20	"Police Should Limit SWAT Raids to Violent Situations"
June 11	"Well-Intentioned Autism Bill Also Carries Negative Consequences"
June 11	"SLU Economics Professors Misstate Findings of Earnings Tax Paper"
June 22	"Restrictions on Payday Lending Result in Worse Financial Outcomes"
June 24	"Proposed HVAC Licensing Expansion Benefits Practitioners at Public's Expense"
July 9	"Missouri's Development Tax Credits Cost Too Much, Deliver Too Little"
July 15	"Assessing Legal Prospects for Lawsuit Over Federal Health Care Reform"
July 30	"Compensation for School Superintendents Needs Greater Transparency, Accountability"
September 30	"Tax Credits: A Poor Strategy for Economic Development in Missouri"
October 5	"Missouri's Licensing Boards: Killing Jobs Every Day"
October 6	"Private Sector Can Help Kansas City Manage Its Public Infrastructure, Likely for Less"
October 12	"Blighting and Taking Private Property Not the Right Fix for Vacancies"
October 25	"Proposals for New Hotel Taxes in Suburban Saint Louis Misguided"
November 24	"Commission Recommends Positive Changes to Missouri's Tax Credit Programs"
December 10	"Columbia Could Benefit From Privatizing City's Water and Electric Utilities"
December 20	"Income Taxes Decrease Economic Growth, Prosperity"
December 23	"Missouri's Public Pension Plans Need to Be Reformed to Maintain Solvency"
December 24	"Implementing Pro-Growth Tax Policy Requires Rigorous Analysis"

STUDIES PUBLISHED IN 2010

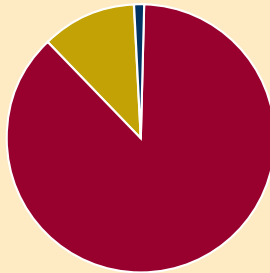
March 9	"Taxes and Growth: A Review of the Evidence"
May 17	"Privatization of the Saint Louis Water Utility"
July 29	"Actual Pay: A Survey of Missouri Public School Superintendent Salary and Benefit Packages"
October 11	"The Negative Effects of Targeted Development Tax Credits in Missouri"
October 21	"The Missouri Compromise"
December 1	"A Review of Cross-Country Evidence on Government Fiscal Policy and Economic Growth"
December 15	"Income Taxes vs. Sales Taxes: A Welfare Comparison"
December 22	"Defined Benefit and Defined Contribution Retirement Plans"

INCOME

Individual Donations	\$1,459,202	87.88%
Foundation Grants.....	\$191,000	11.50%
Other Income	\$10,218	0.62%

TOTAL \$1,660,420

- Individual Donations
- Foundation Grants
- Other Income

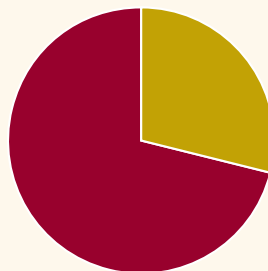


EXPENSES

Program.....	\$1,176,402	71.10%
Overhead	\$478,092	28.90%

TOTAL \$1,654,494

- Program
- Overhead



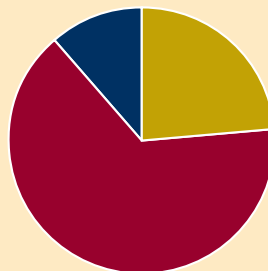
Note: The board of directors has made a commitment to cover the basic operational expenses of the institute. The board has also completely covered overhead expenses. Since 2006, donations from supporters have funded education and research exclusively.

STATEMENT OF FINANCIAL POSITION

Cash.....	\$111,152.....	23.68%
Fixed Assets	\$305,590.....	65.11%
Other	\$52,627.....	11.21%

TOTAL \$469,369

- Fixed Assets
- Cash
- Other



Paul Jacob
(President, Citizens in Charge):

"I've spent my career fighting for the rights of citizens who try to hold the political class in check. That's a tough job, because every state has its own set of politicians, many of whom recklessly spend taxpayer dollars and use the legislative process for self-serving ends. No single organization can keep up with all of them, though. That's why groups like the Show-Me Institute are so important. The Show-Me Institute is an invaluable resource for Missourians who want a better, more efficient, and – most important of all – more accountable government."

2010 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.



Joe Forshaw, *Treasurer*

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.



Rex Sinquefeld, *President*

Rex Sinquefeld 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.



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.



Kevin Short, *Vice Chairman*

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.



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.



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.



Louis Griesemer, *Director*

Louis Griesemer is president and CEO of Springfield Underground Inc. He holds a bachelor's degree in applied math and computer science from the Washington University School of Engineering. After graduating, Griesemer immediately went to work in the family business as a mine safety and quality control foreman.



Robert M. 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 chairman general counsel for the eastern division of American Water. Earlier, he served as assistant general counsel at Kansas City Power & Light Company and 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.



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