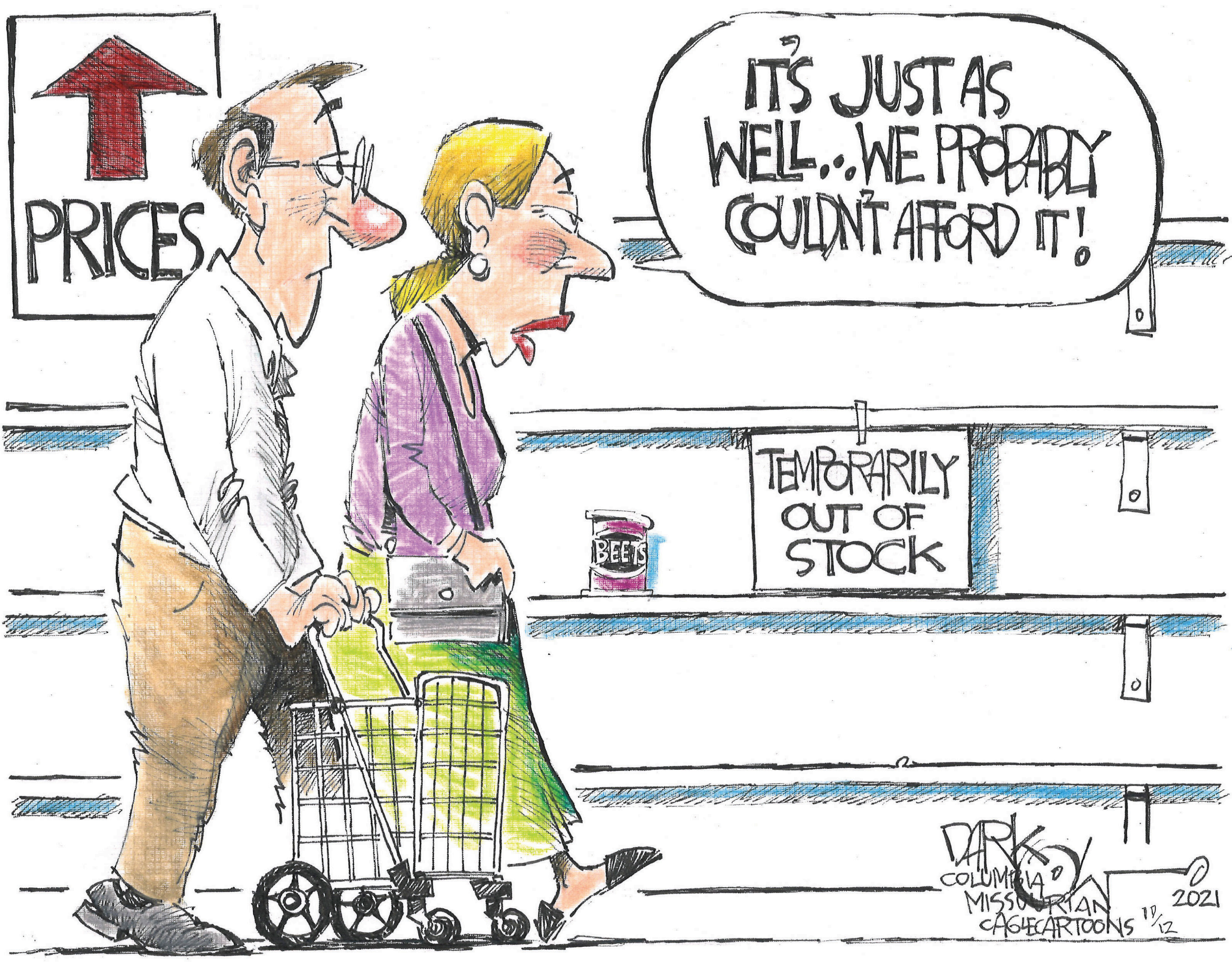
SHOW-ME INSTITUTE
ANNUAL REPORT



MAKING DO IN A TIME OF HIGH-FLYING INFLATION

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LOOKING FORWARD:

JOE FORSHAW
Chairman

REX SINQUEFIELD
President

Joe Forshaw and Rex Sinquefield speak out on issues of the day (with questions posed by Show-Me Institute Senior Fellow Andrew Wilson shown in bold italics).

Let's begin with two big threats to future growth and prosperity—for Missouri and all 50 states. One is runaway U.S. inflation; the other is the Russian invasion of Ukraine and greatly intensified global conflict and instability. Your thoughts, first, about inflation? Why does it matter?

Rex: Inflation adds a huge element of uncertainty that causes businesses and people to postpone important plans and investment decisions. Activity slows, shortages arise, and rising prices for most things outpace slower increases in wages and business revenues and income. With the loss of purchasing power for consumers and producers alike comes further contraction. For progressives, that problem, like any other, becomes another call to action—government action. They see more spending and more government as the solution for everything. Relying on trillions of dollars in newly borrowed or freshly created money, they pass out new baggies of treats to everyone they can think of, but not so much to middle- and upper-income taxpayers, who are expected to pick up the bill for what the government gives to everyone else. More spending fuels more inflation and bigger government, which only leads to deeper stagnation and all-around discontent. We now have soaring prices of food, fuel, rents, and housing, plus inexplicable shortages of other things such as baby formula.

Under the Biden administration, all we've seen for the last 18 months is the unrelenting desire *by* government *for* government. But the reality is that more government is the problem and not the solution.

REFLECTIONS FROM THE CHAIRMAN AND PRESIDENT

Joe: While spraying money at every real or imagined problem, the Biden administration has also been strangling production—through increased regulation, wildly misguided energy and climate policies, and a vast expansion of the welfare state, coupled with relaxation of work requirements for many recipients of government assistance. The end result of all this is a malfunctioning, sputtering economy—the worst inflation in four decades and a 1.4 percent decline in U.S. GDP in the first quarter of 2022. If the output of goods and services continues to fall in the second quarter, the country will enter the first non-COVID-induced recession since the Great Recession in 2008.

President Biden and other members of his administration are blaming inflation on price gouging, profiteering, and Vladimir Putin—everything, it seems, except their own mistakes. Inflation was only 1.0 percent at the end of Trump's presidency. It was already at 7.9 percent when Putin invaded Ukraine and is now at 8.6 percent.[1]

Rex: In another pivot to the far left, the Biden administration has also embraced a new wealth tax that would treat unrealized capital gains as ordinary income. This is coming at a time when our country can least afford it. The administration is trying to do something that is most damaging—the seizing of income and, through the wealth tax, the seizure of personal property. They would punish people for risk-taking and, in many cases, for successful investment. If you put a raft of new taxes on income and investment, you will get less of each. Do that in a big way, as they want, and we will become a poorer state and poorer country.

About Ukraine—why should anyone in Missouri care about what's happening in a far-away country they know little or nothing about? And why is this any business of the Show-Me Institute?

Joe: Ultimately, our own freedom and security are at stake. Things we all take for granted, like personal safety, food, shelter, and basic medical care, have come under brutal attack by a foreign totalitarian government bent on absolute control at any cost. In addition to being a horrible and tragic event in its own right, the invasion of Ukraine has been a real wake-up call for all of our closest allies in Europe and Asia. They know that if it could happen to Ukraine and Taiwan—which is living today under the heavy-handed threat of an invasion from communist China—it could happen to them.

The Ukrainian people are fighting and dying for something that we at the Show-Me Institute regard as a foundational belief of our own organization. We believe that nothing is more important than individual liberty—the freedom of people to say what they want to say and lead lives of their own choosing—in enabling people to achieve their aspirations and live full and productive lives.

Rex: The greatest advantage that the United States and other democratic countries have over the autocratic regimes is, in fact, personal freedom. If people know that they can do what they want to do and enjoy the fruits of their own labor, it's only natural that they will work harder and smarter than people who have the great misfortune of living in a state of tyranny. Judging by the early successes that the resolute and resourceful Ukrainians have displayed in confronting the massive Russian army, it seems that a free people will fight harder and smarter as well.

I think that Putin is making the same mistake that Stalin made in the early stages of World War II when he invaded Finland—a country with an 830-mile land border with Russia. That was an immensely costly undertaking for the Russian army, and this is too, for Putin, with the loss of over a dozen Russian generals and the Russian oligarchs suddenly being chased out of Europe and other favorite places.

In the past decade, autocrats have been given plenty of reasons to think NATO and the West have been weakened to the breaking point, including the abrupt abandonment of Afghanistan to the Taliban last summer. But things clearly have not worked out the way that Putin and Chinese President Xi Jinping expected when they announced their pact of "unlimited friendship" on February. 6, just over two weeks before Putin launched his invasion of Ukraine.

[1] As reported in June 2022 for May 2022.

Now Sweden and Finland have asked to be admitted to the NATO alliance as quickly as possible. Throwing down the gauntlet, the Finnish president told Putin, "You caused this. Look in the mirror."

If we look at ourselves in the mirror, how well are we doing in defending and expanding freedom inside our own society?

Joe: We need to do much better. In Ukraine, freedom is an existential challenge. For them it is: "Can we stop this tank from blowing up our community and destroying our families?" We have become too insulated or too far removed from understanding the building blocks of our own prosperity and well-being. Free speech is one of those building blocks, and we have seen a shocking decline in the commitment of leading universities across the country, including some in Missouri, to free speech and freedom of assembly.

Rule of law is another building block. Over the past two years, it has been greatly undermined by the movements to "defund police" and to "decriminalize" our system of justice—with prosecutors who are contemptuous of the law and more concerned about criminal defendants than crime victims and the need to preserve public safety. It is not just petty crimes that have soared in many large cities, including the City of St. Louis and Kansas City, but also murders and other violent crimes. Are criminals the only people who should be free to move about in our urban centers without fearing for their lives?

Economic freedom is also under attack. The Biden administration has directed massive investment into two politically favored causes—alternative energy and the environment. It offers big, private-sector corporations a deal it thinks they cannot refuse: if they agree to do its bidding, they will cut them in on the action at little or no financial risk. That is not free-market capitalism. It is what we at the Show-Me Institute call crony capitalism, which is capitalism in name only. Making matters worse, many of our schools have become conduits for left-wing propaganda, including the false idea that capitalism is now, and has always been, based on greed and exploitation.

What do Missouri lawmakers need to do for the Show-Me State to join Florida, Texas, Tennessee, and other states that are growing the fastest and attracting the most people and business enterprises from other states?

Rex: What works is doing a better job than other states in creating the underlying conditions, such as a favorable tax regime, a well-educated workforce, public safety, and freedom from excessive regulation, that are most conducive to both business and personal success.

All three of the growth states you mention have no state income tax—which is a big plus both for companies and their employees. In addition, the growth states consistently outperform the non-growth states in the provision of public order and safety. They have not allowed or encouraged the sudden establishment of homeless encampments for drug-addicted and/or mentally ill people in their city centers.

And finally, you see the same kind of dichotomy between growth states and non-growth states in the area of K–12 public education. Owing to the influence of powerful teachers unions, schools in big cities in non-growth California and Illinois remained in a state of lockdown long after schools in growth states like Florida, Texas, and Tennessee had reopened. In addition, governors and other elected officials in the growth states have been far more ready to support the creation of a choice-rich environment for parents and students than their counterparts in non-growth states.

I wish we were moving a lot faster, but Missouri has been moving in the right direction on the state tax on personal income. From 6.0 percent in 2017, it will fall to 5.3 percent in 2022 and from there to as low as 4.8 percent in five years.

The Missouri Legislature did one thing in its just-ended session that I thought was very good. Like other states, Missouri's coffers were overflowing with cash—and Missouri lawmakers wisely chose to return $500 million of that surplus cash (made available by trillion-dollar spending bills in Washington, D.C.) directly to Missouri taxpayers, who were supposed to get tax rebates of up to

$500 for individuals and up to $1,000 for couples filing jointly. Such rebate checks would have compensated them for some or all of the purchasing power they lost as a result of inflation. The Governor vetoed the bill because of an error in its passage and has indicated that he would like to see major tax revisions that benefit all Missourians. If that is the case, the legislature should come back in the fall and reduce tax rates for everyone.

What do you think of "woke" capitalism as practiced by big-name CEOs from companies like Coca-Cola and Disney, who feel compelled to weigh in on current political or social issues—often acting arm-in-arm with left-wing activists? It happened last summer when the CEOs of "woke Coke" and Delta Airlines petitioned Major League Baseball to take the All-Star Game away from Atlanta as an act of protest against changes in voting laws adopted by the Georgia Legislature. They took the All-Star Game away from their home city!

Joe: As the former chief executive of a small, family-owned company, I hate it. It's more of the same cancel-culture, groupthink, anti–free speech mentality. No philosophy is more contrary to the true driving force of capitalism, which is the freedom to think and act on your own initiative, and to reap the benefits or suffer the consequences of your actions.

I liked the opening line of an article in City Journal ("Why Woke Organizations All Sound the Same," Autumn 2021 issue, by Gabriel Rossman, an associate professor of sociology at UCLA). As he put it, "America's major institutions have gone woke in the same way that someone goes bankrupt: slowly, then all at once." It's like a gathering snowball of me-tooism that spreads across all kinds of elite institutions. To pick an example cited in the same article: "If college admissions reward essays that express anguish over social justice and privilege in their students, prep schools will cultivate anguish over social justice and privilege in their students."

Rex: Didn't Reagan say what he fears most is what executives think they know, but it's wrong? It'll be interesting to see how quickly they [the woke CEOs] change the moment it becomes unfashionable.

Is that about to happen? Are we on the cusp of a second "Reagan Revolution"?

Rex: Couldn't be too soon, if it does happen. With all the challenges at home and abroad, we desperately need to arrest the reckless and truly unsustainable growth of the public sector and unleash the proven power of free-market capitalism. Right now, we have a president who doesn't understand how capitalism works and who may not even believe that it does work.

As a state-based, free-market think, we will be doing everything we can at the Show-Me Institute to bring that message home to people across Missouri.

Joe Forshaw

Chairman

Rex Sinquefield

President

July 1, 2022

IT'S NOT ABOUT THE MONEY

By David Stokes

To paraphrase the noted rapper and political commentator Jay-Z, cities in Missouri have 99 problems but money isn't one of them.

According to an analysis of 2020 crime data released last year, Missouri has the ignoble distinction of having three cities in the last top-10 list anyone wants to be a part of. St. Louis, Kansas City, and (somehow) Springfield all ranked in the top 10 U.S. cities for highest crime rates. Furthermore, cities are supposed to be engines of economic growth, but Missouri's economy over the past two decades has been stagnant. Our schools—in both urban and rural areas—are consistently below national averages.

Crime, poverty, population loss, poor schools, business relocations, potholes large enough to swallow an aircraft carrier—the state of our cities is anything but strong. Such large-city struggles are neither unique nor new to St. Louis and Kansas City. For decades, urban leaders from Fiorello LaGuardia to Richard Daley to Coleman Young have been claiming that cities need more money. More money from the federal government, more money from taxpayers, more money any way they can get it. So, it is worth shouting from the rooftops to remind people that the current, poor state of Missouri cities comes at a time when our large cities have more money than they know what to do with. For all the complex problems that our cities have, we can once and for all dispense with the notion that lack of revenue was, or is, holding cities back.

On March 12, 2021, President Biden signed the American Rescue Plan Act (ARPA). In his remarks that day, he stated the bill "directly addressed the emergency in this country," referring to the pandemic and economic devastation of 2020. How has that federal stimulus spending been used to address that "emergency" by the mayors and other politicians who were entrusted with it?

Well, some "emergency" that was, because much of the ARPA money still has not been spent as we approach the summer of 2022. Local governments around the nation, including in St. Louis and Kansas City, are still deciding how to spend much of the stimulus funding. The pandemic has significantly diminished, the economy has recovered from its (partly self-inflicted) collapse, and politicians in Missouri and elsewhere are sitting on the money and slowly but surely finding ways to spend it in traditional, big-government ways. Perhaps their caution is understandable, but the next time someone on cable news tells you that Congress needs to pass an emergency bill before people can even read it, you can discount that statement as the political hackery it is.

Of course, ARPA was far from the only gigantic spending bill passed in response to the pandemic. We've had the CARES Act, the Paycheck Protection Act, the 2022 infrastructure bill (don't get me wrong, some of this legislation, especially the CARES Act, was truly needed), and several other bills that if stacked on the floor would be taller than Robert Wadlow. Our local Missouri leaders must feel like Spanish conquistadors stumbling upon the Inca capital.

St. Louis is the clearest example of this embarrassment of riches. ARPA, which, again, was passed in early 2021 as an "emergency" measure, directed $498 million to the City of St. Louis alone. As of the end of March, 2022, the City of St. Louis has spent $6.3 million of the ARPA money. The City of St. Louis and St. Louis County also received a substantial amount of money from the settlement with the Rams football team. The locks in the jails don't work and traffic laws are enforced less than in Mel Gibson's post-apocalyptic Australia, and yet the city sits on hundreds of millions of dollars.

It is perfectly fine with me if the city never spends that money and returns it to the federal government, as a small number of local governments have done. You don't treat a cocaine addict by giving him more cocaine than he can snort, smoke, or sneeze away.

I would be delighted to read in 2024 about how crime is down, the economy is up, and civil society and a sense of community in St. Louis and Kansas City have been renewed by the combined billions in stimulus, infrastructure, and stadium funds the cities received. But I doubt that is going to happen. Some of this money will be spent effectively. Most of it won't. But never again will we have to even pretend to believe that more money will solve the problems of our cities. The all-too-real problems of St. Louis and Kansas City involve many factors. Some of those are common to all industrial Midwestern cities. Others are the fault of people electing the same big-government-advancing politicians and parties into power for generations and expecting "change" from the very people who benefit from the status quo. But the problem is not a lack of money. We know that now, and if that is the only lesson Missourians take from the pandemic-inspired bacchanalia of federal spending, it may all be worth it.


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TODAY'S INFLATION: CAUSES AND CURES

By Aaron Hedlund and Andrew Wilson

Suppose a helicopter flies over a small, remote village and drops $1,000 in bills from the sky. Villagers happily scoop it all up and go out looking for ways to spend big fistfuls of cash. Do their lives change for the better?

No, said Milton Friedman. He first used "helicopter money" as a parable in 1969 to illustrate the inflationary and illusory effect of "free" money. As long as the provision and supply of goods and services in the village remained unchanged, the additional money would only push up prices.

Surely, the Nobel Prize–winning economist would be astounded to see how a distorted version of his cautionary tale has sprung to life some 50 years later in Washington, D.C. Since the spring of 2021, the federal government has operated a giant fiscal and monetary helicopter operation dropping trillions of dollars of new money into an economy no longer even in crisis. Meanwhile, inflation has surged to a 40-year high.

The federal government also spent trillions of dollars in 2020, yet inflation remained low. So what gives?

In 2020, there were no helicopter drops intended to encourage people to spend. Rather, because of the awful specter of a new and deadly pandemic, combined with government stay-at-home orders, people elected *not* to go out and spend, and were physically prevented from going to work. As a result, the economy fell into a semi-comatose state. Federal aid packages were designed to preserve the health of family and small business finances and strengthen the connection of workers to their employers. When the time came for a full recovery, it was hoped that the economy would roar back to life as quickly as possible and with the least long-term damage. And awaken it did. After the steepest GDP drop in modern history in the second quarter of 2020, when the economy contracted at an annualized rate of more than 30 percent, the third quarter brought the sharpest GDP rebound in modern memory. By early 2021, GDP was essentially back on track, and the economy was mostly open for business.

So what caused inflation to suddenly start shooting up in the spring of 2021?

It began when the helicopter ceased to be on a rescue mission but continued the air drop as if it were a goodwill mission in the absence of any real emergency. At that point the mission came to resemble Friedman's idea of a seemingly "generous" cash bombardment that accomplishes exactly nothing. But it's worse than that. Because of its size and scope, today's mission-without-any-clear-purpose has already caused a lot of damage and represents a considerable threat to the long-term best interests of the "village," or, truly, our state and nation.

The Fiscal and Monetary Roots of Inflation

When President Biden signed the $1.9 trillion American Rescue Plan bill into law in March 2021, the economy was well into a robust recovery. The last thing it needed was a massive money drop. Demand was strong, and consumers were flush with cash and eager to get out and resume normal lives. Nevertheless, the administration chose this moment to throw any notion of fiscal discipline to the wind. It abandoned the implicit pact between the executive branch, the Federal Reserve, and Congress regarding their joint responsibility to pursue sound monetary and fiscal policies.

In the normal course of affairs, the Federal Reserve determines the inflation target, while the White House and Congress are supposed to scale their ambitions to keep a lid on spending and public debt. Where that breaks down, however, is when the federal government's appetite for spending runs amok. Then inflation becomes both a fiscal and a monetary problem. In particular, if investors perceive that newly issued public debt to finance the government's spending plan will not be offset by future budget surpluses, it leads to the expectation that government will rely on chronic, high-flying inflation to take care of the repayment problem in the simplest and most brutal way: by destroying the value of money. Of course, destroying the value of the currency will also destroy everyone's pensions and savings and the value of paychecks.

Bear in mind that U.S. federal debt as a share of GDP now totals more than 100 percent, up from 35 percent 12 years ago. That makes using higher interest rates to fight inflation much more expensive.

Making matters still worse, the American Rescue Plan was part of an anti-work and anti-energy agenda that has severely curtailed supply, inflamed labor shortages, and put artificial clamps on production and output.

The Cure

There is no one easy cure, but just as in the early 1980s, when inflation was last this high, the solution should include a closely related trio of monetary, fiscal, and economic reforms. That means:

- Not waiting passively for inflation to fall on its own. The Federal Reserve must do everything necessary to bring inflation back under control, regardless of the short-term pain involved in raising interest rates.
- Top federal officials should stop pointing the finger of blame at "price gouging" and "corporate greed," which is complete nonsense. Instead, they need to get serious about changing their own thinking and behavior. They have to cut back unsustainable entitlement programs, stop engaging in large-scale corporate welfare, and curtail their own power, influence, and desire to meddle in markets best left to the wisdom of free citizens operating in their capacity as workers, consumers, and entrepreneurs.
- Lastly, legislators must embrace a pro-growth agenda that reduces the debt-to-GDP ratio by increasing the denominator, achieved through supply-side reforms that encourage work, energy production, and innovation.

FACING UP TO REALITY IN MISSOURI EDUCATION

By Susan Pendergrass

Some things are hard to face—the scale in the morning, your checking account balance after a great vacation, or a bad report card any time during a school year. But problems don't disappear just because they're ignored. Usually, they only get worse.

In the latest ranking of states (based on data from 2019) in the National Assessment of Educational Progress (NAEP, also known as the Nation's Report Card), Missouri public schools from kindergarten through 12th grade did better than those in just 15 other states in 8th-grade reading and 16 other states in 8th-grade math. Sadly, our 8th-grade scores in 2019 were the same as our scores in 1998. Looked at as an individual student in a classroom of 50 states, Missouri is a C– student at best and going nowhere fast.

And yet, DESE—the Missouri Department of Elementary and Secondary Education—hasn't heard or isn't heeding the message. DESE would have us believe that all is well in schools across the state. As the state agency responsible for monitoring and reporting to parents and others on the condition of our schools, it has given its Good Housekeeping Seal of Approval—which is to say, full accreditation—to all but six of the state's 520 districts. That's 98.8 percent of all districts.

Among the ranks of the fully accredited is the St. Louis City Public School District, even though a large majority of students there are effectively flunking both reading and math. For the district as a whole, only 18 percent of students score Proficient or higher in reading and 10 percent do so in math. In the 2020–21 school year, St. Louis Public Schools were ranked toward the very bottom of all districts—511th out of 520 districts.

Also receiving full accreditation is the Kansas City Public School District, even though only 25 percent of students scored Proficient or higher in reading and 12 percent in math. Again, a large majority of students are flunking reading and math. What's more, we find the same situation in a number of suburban communities.

Nor is everything right as rain in smaller cities, towns, or rural communities. If we use ACT scores as a measure of college preparedness, we find rural students among the least prepared for the next educational level. Over the past two decades, we have experienced a system-wide decline across all four demographic subgroups (Rural, City, Suburb, and Town).

In 2021, the Show-Me Institute launched a new website that assigns letter grades from A to F to every school and district in our state. It allows parents to see for the first time how their children's schools are doing compared with other schools both inside and outside their school district. The Show-Me Institute has made all of this information freely available at **MoSchoolRankings.org.**

That is something that DESE could have done, and should have done, a long time ago. Following our lead, in late 2021 DESE created a difficult-to-follow "Data Dashboard" with its own version of report cards for districts and schools. However, DESE's version doesn't give grades and doesn't give parents an easy means of comparing schools with one another.

Not everyone is going to love seeing the grades displayed on our website. Some will say that we're kicking low-performing schools when they're already down from COVID. Some will claim that it's mean-spirited. We welcome any discussion of what a better report card format for Missouri schools might be. We do not, however, support pretending that all is well.

A NEW DAY DAWNING IN PUBLIC EDUCATION

By Susan Pendergrass

Like it or not, greater competition and choice are coming to public education in places all across the country—thanks in no small part to the abysmal performance of teachers union leaders and other members of the educational establishment in responding to the challenges posed by the pandemic. Parents have learned the hard way that they cannot always count on school administrators and teachers union leaders to do the right thing and put students and their parents ahead of themselves.

The 2022 legislative session in Missouri included several small but significant wins for greater competition and choice in the Show-Me State. The legislature finally "fixed the glitch" regarding charter school funding. State funding for charter schools has until now essentially been capped—stopping after too many students in an area choose to attend a charter school rather than a traditional public school operating under the direct supervision of the local district. A bill passed in the most recent legislative session requires the state to continue funding additional students. It also ensures that charter students have access to the same sources of local funding as students who choose their neighborhood school.

There was also a win for accountability in Missouri schools. DESE will now be required to rank each district and school based on the state accountability system scores. The lowest 5 percent of schools and districts must notify parents of that status and put it clearly on their websites.

Finally, the state has allocated $50 million in stimulus funds to Close the Gap Scholarships for low-income students who have fallen behind academically. Students can receive up to $1,500 directly to pay for tutoring, summer programs, or other academic services. The school choice movement now has real momentum in Missouri.

These wins come on top of the Missouri Empowerment Scholarship Accounts Program enacted by the legislature in 2021 and described on page 17 of this report.

We are celebrating these wins and looking forward to pushing for more school choice next year.

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LESSONS LEARNED FROM TODAY'S INFLATIONARY WAKE-UP CALL

By Brenda Talent

The cartoon on the cover of this annual report captures the consternation of an ordinary couple trying to make ends meet in a time of high inflation. But it is not just in grocery stores that people have been confronted with the combination of rapidly rising prices and product shortages. The same phenomenon is seen in markets for other products and services, including housing, automobiles, labor, aluminum and other metals, fertilizer, paper goods, plastics, glass, and fuel.

> **"We are learning the cost of a government that is too big, too reckless with its credit and our money, and too willing to subsidize sloth, excuse crime, and constrain the liberties of those who want to work and live as good neighbors and citizens."**

Take gasoline. A year ago, it took about \$30 to \$45 to fill up the tank of a medium-sized car. Today it takes about \$75 to \$105. What does that mean to the average working person in Missouri? According to ZipRecruiter, the average salary in Missouri is \$57,598. After payroll and Social Security taxes, and after federal and state income taxes, the average person makes just under \$24 an hour. Every week he fills his tank, it costs him almost half a day's pay—more than double the cost of a year ago. Through no fault of his own, this person has been hit with a significant reduction in his purchasing power.

But the damage only starts there. Higher energy and transportation costs, plus related shortages of vitally needed goods and services, are rippling through the entire economy. They affect everything from utility bills to the cost of food and clothing. In the hot summer months, things could get a lot worse, with experts predicting severe shortages of diesel fuel that would greatly impede the movement of trucks and commerce in some states, along with blackouts and brownouts that would leave residents of other states without electricity to light their homes and power their air conditioners, appliances, and, for that matter, electric vehicles.

How did we did dig ourselves into such a deep hole? The U.S. inflation rate stood at 1 percent when the current administration took office in January 2021. This spring it topped 8 percent, the highest in more than four decades.

Here's the short answer.

As the economist John H. Cochrane at the Hoover Institution put it, a big part of the reason we got into this mess is "stupendously counterproductive energy and climate policies." In tandem with European governments, our current government has pursued "a dangerously myopic strategy of shutting down fossil-fuel development before alternatives are available at scale, strangling nuclear energy, and subsidizing grossly inefficient (and often carbon-intensive) projects such California's high-speed train to nowhere."

On top of that, the Biden administration continues to believe that it can safely ignore economic reality and go on borrowing, printing, and spending money as though the time to pay the piper will never come. Moreover, the government continues to push for a vast enlargement of the welfare state, which disincentivizes people from working, and has resumed the Obama-era policy of heaping new regulations on the economy.

Inflation is at its core too much money chasing too few goods. And guess what? When the government injects huge amounts of spending into the economy while at the same time restraining work, investment, and productivity, what you get is . . . too much money chasing too few goods.

For me, this is déjà vu all over again, as Yogi Berra once said. I'm old enough to have lived through the double-digit inflation of the Carter years. I saw what it did to people. And if our government calculated inflation today using the same metrics it used then, we would have double-digit inflation again.

My fear is that it will all get worse unless we rediscover the value of freedom and wake up to the dangers of excessive government.

Here's why freedom matters.

First, it is important in and of itself. Every person has inherent value and inalienable rights, and therefore is entitled to be free from government oppression.

Second, freedom works. Freedom produces better lives for those who have it, and better societies in those places that cherish it.

We are relearning the second truth today. We are learning the cost of a government that is too big, too reckless with its credit and our money, and too willing to subsidize sloth, excuse crime, and constrain the liberties of those who want to work and live as good neighbors and citizens.

At the Institute we love to talk about ideas, and of course we get a kick out of fighting (and especially winning!) the battle for policies we support. But we do what we do for reasons bigger than just intellectual stimulation. We want all Missourians to be able to work at their trade or profession, educate their kids, and move safely in their neighborhoods—and we want them to be able to buy food and energy for their families at an affordable cost.

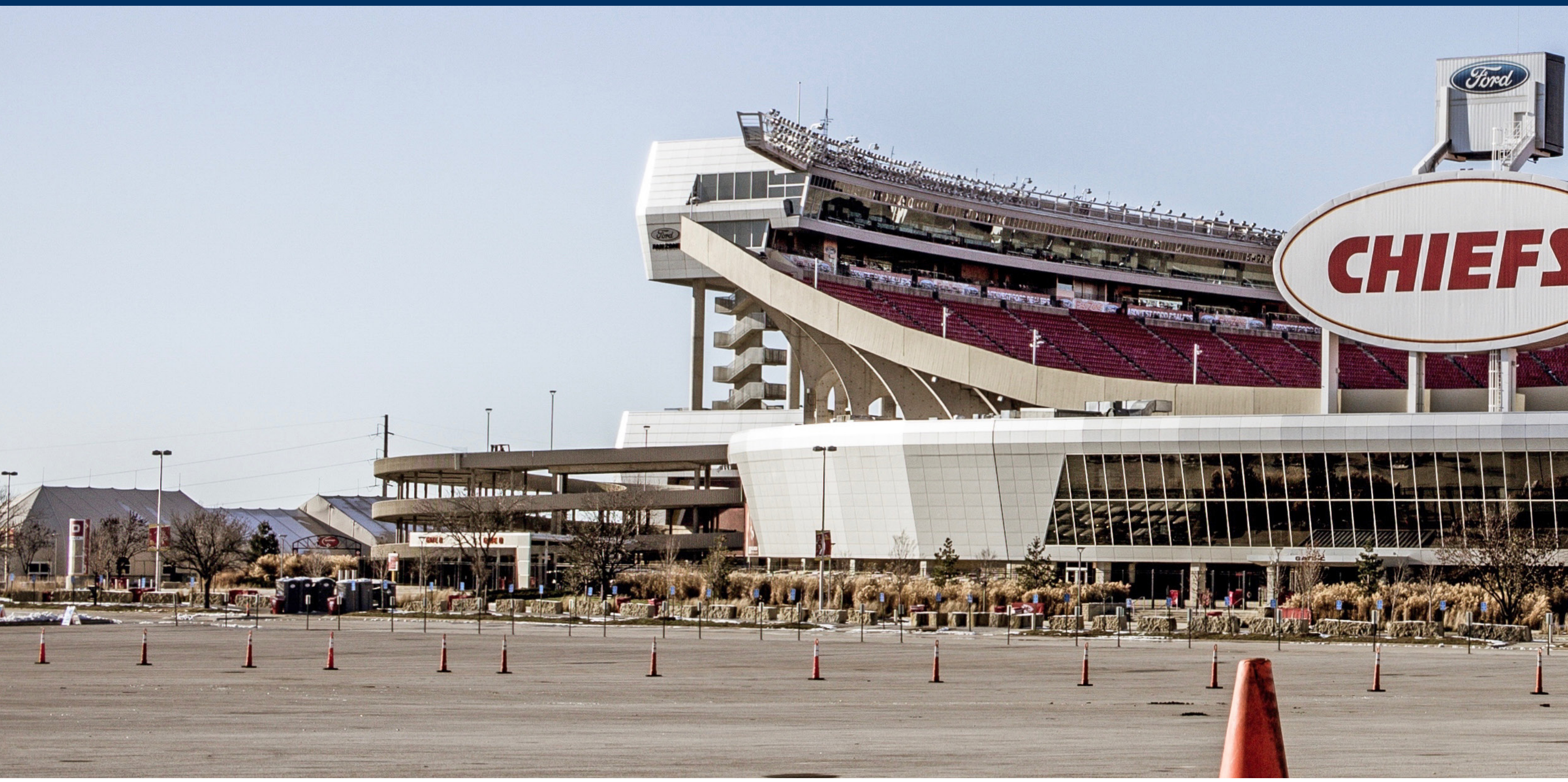
As Americans, we tend to take these things for granted, but we shouldn't. And that is why at the Show-Me Institute we fight so hard for freedom.

We know the consequences for us all if we lose it.

Andrew B. Wilson

MAYBE FREE LUNCHES DO EXIST

By Patrick Ishmael



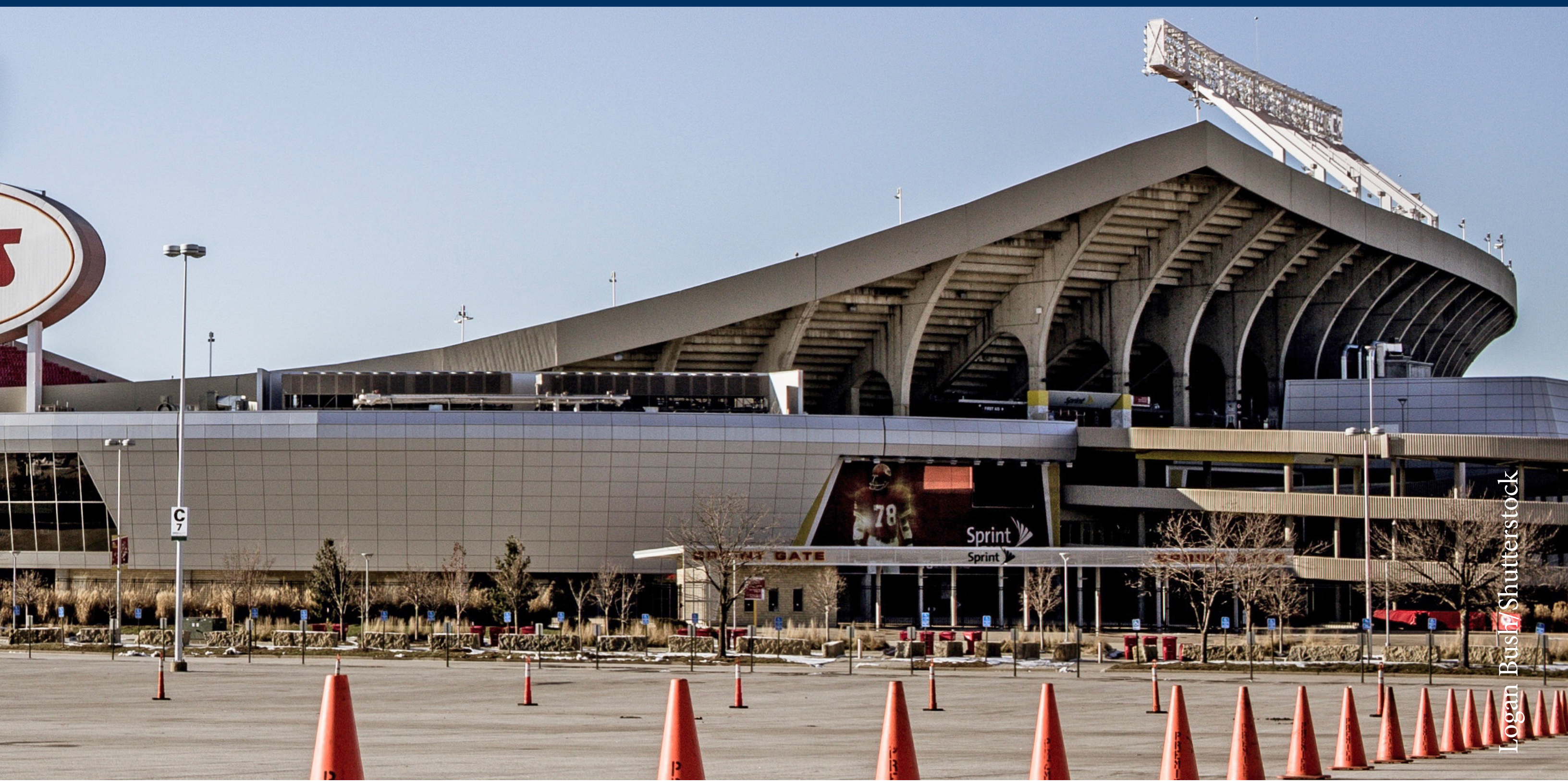
Earlier this year the Kansas City sports world was abuzz with news that the Chiefs might leave Arrowhead Stadium in Kansas City, Missouri, and head west to a new home on the Kansas side of the border. It wouldn't be the first cross-border major-league move in the region. A dozen years ago, the Kansas City Wizards, now Sporting KC, moved to a new purpose-built soccer stadium in Kansas City, Kansas. Nevertheless, it would be the biggest move by far for a city divided almost evenly between the two states, but whose major-league sports franchises reside mainly in Missouri.

As you might imagine, the story seems to have gotten the Chiefs organization what it wanted, at least for now. Local government leaders reacted almost instantaneously, declaring their "commitment" (read as "billions in tax breaks and free stuff") to keeping the Chiefs in the Show-Me State. The Chiefs were publicly conciliatory shortly thereafter. With the team yoked to its Kansas City, Missouri, lease at Arrowhead until 2031, playing nice on a future new stadium or improvements was enough to keep both sides happy for now, but eventually the Kansas City and Missouri taxpayers will have to pay that piper.

Or will they?

Kansas City and Missouri policymakers should strongly consider the possibility that letting the Chiefs move their stadium to the Kansas side of State Line Road may be the most fiscally responsible thing to do. The lease for the Kansas City Royals also expires in 2031, and there is already talk of a "downtown stadium" that's subsidized by—you guessed it—Missouri taxpayers. Currently, the Missouri half of the region subsidizes both of the largest professional sports franchises in the region. Why should it carry that load alone? Why shouldn't Missouri let Kansas subsidize and offer professional football to its Missouri residents?

I hasten to remind our readers that government shouldn't subsidize sports franchises or stadiums for professional teams in any case, both on economic development and good-governance grounds. I also hasten to affirm that if and when stadium talks restart



Logan Bush/Shutterstock

for the Chiefs and Royals, I will oppose public money going to such projects, regardless of where the Chiefs ultimately decide to play their games. Forking over billions of dollars to sports teams would undermine legitimate government investments in education, public safety, and tax relief for regular Missourians; state and local policymakers shouldn't consider doing it.

Subsidization of stadiums and arenas is one of the rare areas in economics where there appears to be broad consensus. In a 2008 survey of economic research on the topic, authors Denis Coates and Brad R. Humphreys didn't mince words:

> No matter what cities or geographical areas are examined . . . and no matter what variables are used, articles published in peer reviewed economics journals contain almost no evidence that professional sports franchises and facilities have a measurable economic impact on the economy.

As far as Missouri public policy is concerned, there is something elegant about letting Kansas's bad choices benefit Missouri residents, especially those in the Kansas City region. Why not keep football in the region, but in Kansas—subsidized by Kansans, but enjoyed by Kansans and Missourians? As a policy analyst, I'd tell the government of Kansas that its plan to build a brand-new stadium for the Chiefs was a bad one, but as a Missouri partisan, I can see the benefits and savings of a Chiefs move to the Sunflower State. Missouri policymakers should see those benefits, too.

In the end, the odds that the Chiefs make the jump to Kansas are, at best, 50/50. Arrowhead Stadium is a near-legendary venue at this point, and as we all know, it can take a lot to motivate someone to move to someplace new. But generous tax incentives from elsewhere can certainly be a motivator, and Missouri policymakers should seriously consider the potentially enormous benefit of letting Kansas subsidize an entertainment amenity Missourians already enjoy, but currently pay for. Letting Kansas pick up the tab won't exactly be a "free lunch" in the economic sense—but for Missouri, it would be a lot cheaper than the alternative.

LEGISLATORS TWIDDLE THEIR THUMBS IN 2022 SESSION

Was it naïve to expect more from the legislature this year? Not necessarily. What could be more effective at spurring lawmakers into action than a pandemic that has now killed thousands of Missourians, cost thousands of people their livelihoods, and robbed thousands more children of a year of their education? The lessons we learned—about flaws in our health care and education policy in particular—came at a tremendous cost, which is why it is especially disappointing that so few of them translated into reforms that would have improved life in our state going forward. It has become painfully clear that Missourians need easier access to affordable health care and that our children need an adaptable and accountable education system. What we got from Jefferson City were months of bickering about redistricting, some anemic policymaking, and an early end to the session.

No issue was more emblematic of the 2022 legislative session than telemedicine—not because it had the highest profile (it didn't), but because it reveals the lack of ambition that characterized Jefferson City this year. Back in March 2020, just before the state entered lockdown, the governor temporarily removed various restrictions on telemedicine so that people who couldn't leave their homes would have access to health care providers through their phones or computers. The decision was an unqualified success. In April 2020, at the height of the pandemic and long before a vaccine was available, telehealth use peaked at 13 percent of outpatient visits nationwide. And while it did decline gradually as COVID restrictions were relaxed, even in 2021 telehealth accounted for 8 percent of outpatient visits (compared to less than 1 percent pre-pandemic).

Opening up access to telemedicine made sense in theory long before anyone had heard of COVID. Show-Me Institute's Patrick Ishmael has been urging greater access to telemedicine since 2016. Now the pandemic has shown us that telemedicine works in practice . . . but even that wasn't enough for our legislators, so the statutory and regulatory waivers that put remote health care within reach of thousands of Missourians, and which expired at the end of 2021, weren't made permanent in the recent session.

After seeing how the legislature ignored low-hanging fruit like telemedicine, it isn't surprising that other longstanding problems in the state went unaddressed. The initiative petition process continues to cloud and complicate the state's constitution, as nothing was done to reform it. Participation in the state's Show-Me Checkbook program remains voluntary for local governments, so municipalities that don't want to be forthcoming about how they're spending taxpayer money still don't have to.

In fairness, policymakers did deliver a few things, including a voter ID law and a one-time tax credit for Missouri taxpayers (the latter of which was vetoed by the governor). In addition, we got what the Institute's Director of Education Policy Susan Pendergrass describes elsewhere in this report as "small but significant wins" in other areas of education policy, including the correction of an imbalance in the funding of public charter schools. But much bigger reforms were on the table, and legislators walked away. For example, a bill that would have allowed families to choose a school for their kids in a district other than the one in which they live—which would have been a giant step forward for school choice in Missouri—failed. And somehow, even though it was perhaps the most talked-about education-related proposal in the months leading up to the session, several versions of a Parents' Bill of Rights withered on the vine.

Maybe the senators were trying to tell us something when they adjourned this year's session a day early with so much unaccomplished. Does it matter how much work there is for them to do in Jefferson City if they aren't inclined to do it? In four states (Montana, Nevada, North Dakota, and Texas) state legislatures meet only in odd-numbered years. Adopting such an approach in Missouri wouldn't guarantee better results, but at least in the even-numbered years we wouldn't have to worry about being disappointed or footing the bill for that disappointment.

THE MISSOURI EMPOWERMENT SCHOLARSHIP ACCOUNTS PROGRAM

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Enacted in 2021, The Missouri Empowerment Scholarship Accounts Program is a tax-credit education savings account (ESA) that allows eligible parents to receive funding to pay for tuition at the school of their choice, as well as other educational expenses such as tutoring, educational therapies, individual classes, and extracurricular programs. Individuals and businesses may now receive tax credits for donations to nonprofits classified as educational assistance organizations (EAOs), which administer ESAs.

Eligibility Requirements

In order to participate, students:

- Must be from a charter county or a city with more than 30,000 residents.
- Must have been enrolled in a public school for at least one semester during the previous 12 months ***or*** be just starting kindergarten or first grade.
- Must have an Individualized Education Program (IEP) as a special-needs student ***or*** be from a family with an income that is no more than 100 percent of the National School Lunch Program eligibility level (as of July 2021, this means that a student from a family of four with an income of $51,388 or less would be eligible for an Empowerment Scholarship Account).

If there are funds still available after these students have been served, students in families with total household income up to 200 percent of the National School Lunch Program standard will be eligible.

Other Program Details

The tax-credit value for donors is 100 percent of the amount donated. The maximum amount eligible for the credit is equal to 50 percent of the donor's state tax liability. The maximum value of an individual scholarship account is the per-student state adequacy target (SAT), currently $6,375. There is no limit to the number of students who can participate in the program, but the maximum amount that can be awarded annually in state tax credits overall for the program is $25 million, adjusted annually for inflation up to $50 million.

Certified EAOs

- ACSI Children's Tuition Fund
- Agudath Israel of Missouri
- Bright Futures Fund
- Herzog Tomorrow Foundation
- The Missouri District of the Lutheran Church-Missouri Synod
- Today and Tomorrow Educational Foundation

Learn more about the Missouri Empowerment Scholarship Accounts at:

Treasurer.Mo.Gov/MoScholars/EAOS

A YEAR OF RENEWED LIBERTY

DOUGLAS MURRAY

Reflections on the Revolution in America

On November 10, 2021, best-selling author, award-winning political commentator, and senior fellow at the National Review Institute Douglas Murray joined the Show-Me Institute, Show-Me Opportunity, NewsTalkSTL, and National Review Institute at Vue 17 in St. Louis for a special presentation, "Reflections on the Revolution in America." During his talk, Murray discussed the recent shift in how Americans interact with each other, the media they consume, and how they feel about free speech.

Greg Kenkel

Greg Kenkel

> "There is now a global attempt, particularly in the West, for countries to cut themselves off from America—specifically, American culture.

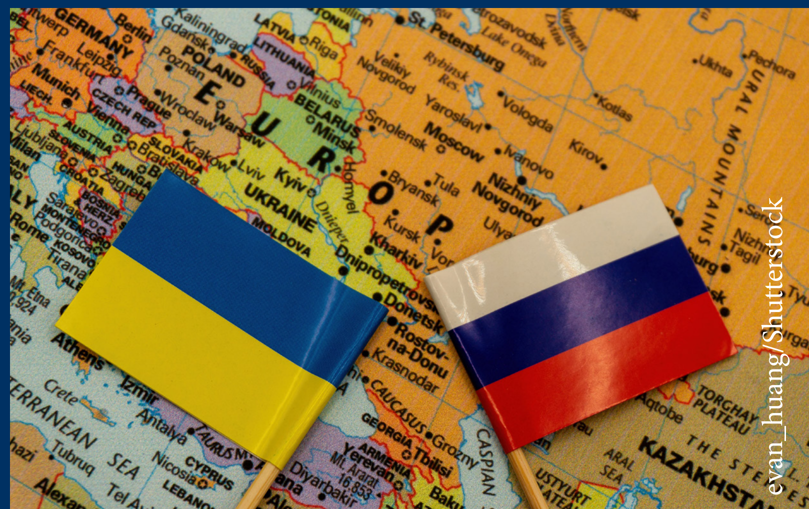
Greg Kenkel

Watch the full presentation at youtube.com/showmeinstitute

EVENTS, PODCASTS, AND VIRTUAL

RUSSIA, UKRAINE, AND THE IMPACT ON THE U.S.

On March 17, 2022, Senator Jim Talent and the Heritage Foundation's James Jay Carafano joined us for a virtual event to discuss the impact of the Russian invasion of Ukraine and what it means for the United States, China, and more. You can watch the entire event at: youtube.com/showmeinstitute.



INFLATION IN AMERICA

On May 10, 2022, Aaron Hedlund, chief economist at the Show-Me Institute, and Tyler Goodspeed, Kleinheinz Fellow at the Hoover Institution at Stanford University, discussed the impact of decades-high inflation on the economy, workers, and consumers, as well as the role of the Federal Reserve in solving the problem and the risk of a recession.

Listen to the full discussion on the Show-Me Institute podcast feed on Apple Podcasts, Spotify, Stitcher, and SoundCloud.

TO LEARN MORE ABOUT UPCOMING EVENTS:

- *VISIT US AT: SHOWMEINSTITUTE.ORG*
- *WATCH RECORDINGS OF THESE HIGHLIGHTED EVENTS AND MORE ON OUR YOUTUBE CHANNEL: YOUTUBE.COM/USER/SHOWMEINSTITUTE*
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- *FOLLOW US ON TWITTER: @SHOWME*
- *LISTEN TO OUR PODCASTS: SOUNDCLOUD.COM/SHOW-ME-INSTITUTE*

PUBLICATIONS

COMMENTARIES PUBLISHED IN 2021

"Five New Year's Resolutions for Missouri Lawmakers," by Andrew Wilson. Released January 11.

"A Crisis of Trust," by Susan Pendergrass. Released January 19.

"Local Gas Taxes Are the Secret Garden of Road-Funding Options," by David Stokes and Jakob Puckett. Released January 27.

"Tax Incentive Reforms Would Benefit Kansas City," by David Stokes. Released January 28.

"Earnings Taxes and St. Louis's 'Catch 1%,'" by David Stokes and Corianna Baier. Released February 19.

"Will Boonville Repeat the Mistakes of St. Louis and Kansas City?" by David Stokes and Elias Tsapelas. Released March 3.

"No, School Choice Does Not Defund Public Schools," by Michael McShane and James Shuls. Released March 8.

"Return of the Resource Curse," by Andrew Wilson. Released March 16.

"Here's a Crazy Idea: Tax Yourself," by David Stokes. Released April 16.

"How to Put Missouri on a Faster Path to Recovery," by Aaron Hedlund. Released May 11.

"Why Should the Early Bird Get the Worm?" by Corianna Baier. Released May 19.

"A Property Tax Tale of Two Cities," by David Stokes. Released June 24.

"Webster Groves Addresses Hard Issues with Zoning," by David Stokes. Released June 25.

"Plenty of Children Left Behind," by Susan Pendergrass. Released June 28.

"Kansas City Needs a Patron Saint of Tax Subsidy Reform," by David Stokes. Released August 2.

"Four False Assumptions Driving U.S. Policymaking Today," by Rex Sinquefield and Joe Forshaw. Released August 13.

"Progressive Government Run Amok," by Rex Sinquefield and Andrew Wilson. Released August 16.

"Silex Should Privatize Its Sewer and Water Utilities," by David Stokes. Released August 20.

"We've Hit Another Wall," by Susan Pendergrass. Released August 20.

"Lee's Summit Is Generous to a Fault," by David Stokes. Released August 27.

"St. Joseph Should Privatize Its Sewer System," by David Stokes. Released September 27.

"A Property Tax Increase for Ladue?" by David Stokes. Released September 30.

"It's Time for Missouri to Embrace Electric Competition," by Jakob Puckett. Released October 4.

"Sometimes the Truth Hurts," by Susan Pendergrass. Released October 18.

"Springfield Should Reject Subsidies for Sports Town," by David Stokes. Released November 15.

"A Tsunami of Bad Policy," by Aaron Hedlund and Andrew Wilson. Released November 22.

"EV Charging Stations Don't Need Mandates to Succeed," by Jakob Puckett. Released December 3.

"MetroLink Light Rail Is MetroWaste," by Randall O'Toole. Released December 3.

"When It Comes to the Land Bank, St. Joseph Should Get Out While It Still Can," by David Stokes. Released December 17.

"Karl Marx: The Strangely Idolized Dead White Man" by Andrew Wilson. Released December 22.

PAPERS PUBLISHED IN 2021

"Improving Missouri's Transportation System Through Tolling," by Jakob Puckett. Released May 2021.

"Making Missouri Resilient: State and Local Government Recession Preparedness," by Corianna Baier and Elias Tsapelas. Released June 2021.

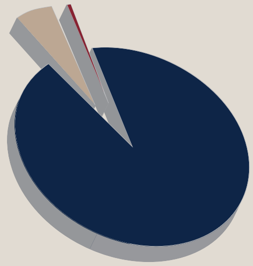
"An Updated Look at Tax-increment Financing," by Corianna Baier. Released December 2021.

"Competition in Electricity Markets," by Jakob Puckett. Released December 2021.

"Missouri's Budget: A Primer" (2021 Update), by Elias Tsapelas. Released December 2021.

FINANCIALS*

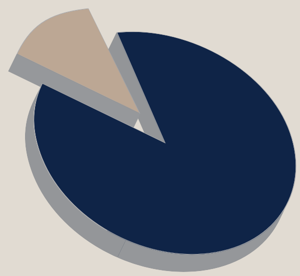
REVENUE



Individual Donations	$2,287,050	95.77%
Grants	$95,516	04.00%
Other Income	$5,495	00.23%

Total: $2,388,061

EXPENSES

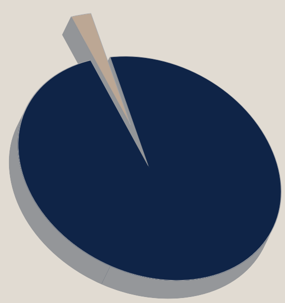


Program	$1,956,739	87.07%
Overhead	$290,695	12.93%

Total: $2,247,434

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

STATEMENT OF FINANCIAL POSITION



Current Assets	$3,016,999	96.95%
Fixed Assets	$94,897	03.05%

Total: $3,111,896

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

BOARD OF DIRECTORS

Joe Forshaw - *Chairman and Treasurer*

Joseph Forshaw is past president and CEO of Forshaw, a Saint Louis–based, family-owned business founded in 1871. He 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 Sinquefield - *President*

Rex Sinquefield is co-founder and former co-chairman of Dimensional Fund Advisors, Inc. He also is co-founder of the Show-Me Institute. In the 1970s, he co-authored (with Roger Ibbotson) a series of papers and books titled Stocks, Bonds, Bills & Inflation. These works provided the first seminal data on the performance of the financial market in the United States. At American National Bank of Chicago, he pioneered many of the nation's first index funds. He is a life trustee of St. Louis University and DePaul University and a trustee of the St. Vincent Home for Children in Saint Louis. He serves on the boards of the Saint Louis Symphony Orchestra, the Saint Louis Art Museum, the Missouri Botanical Garden, Opera Theatre of Saint Louis, and Saint Louis University. He previously served as a member of the editorial board of the Financial Analysts Journal and the investment committee of the Archdiocese of Saint Louis. He received a B.S. from Saint Louis University and his M.B.A. from the University of Chicago in 1972.

Megan Holekamp - *Vice Chairman*

Megan Holekamp is a real estate broker at Janet McAfee Inc., the largest independently owned luxury real estate broker in Saint Louis. She currently serves on the board of the Greenville Chapter of the National Charity League as well as the board of directors for Artisphere, a fine-arts festival in downtown Greenville, South Carolina. Over the years she has also volunteered with a number of organizations, including WINGs Pediatric Hospice, Ladue Chapel Presbyterian Church, and the Center of Creative Arts (COCA). She holds B.S. degrees in business administration and marketing from Washington University.

W. Bevis Schock - *Secretary*

Bevis Schock is an attorney in solo practice in Saint Louis. He handles many civil rights cases defending the right of free speech and the right of all citizens to be free of government misconduct. He received his J.D. from the University of Virginia and his B.A. from Yale University.

Jennifer Bukowsky - *Director*

Jennifer Bukowsky is a constitutional and criminal defense attorney in Columbia, Missouri. She serves on the Missouri Supreme Court's Task Force on Criminal Justice and is president of the Federalist Society–Jefferson City Lawyers Chapter. She was an adjunct professor of law at the University of Missouri and is a weekly guest on the Gary Nolan Show. She received a J.D. with highest honors from the University of Missouri School of Law in 2006 and earned master's and bachelor's degrees in accounting from the University of Missouri–Columbia in 2001.

James G. Forsyth III - *Director*

James Forsyth is president and CEO of Moto, Inc., which operates the MotoMart chain of gas stations and convenience stores. He is also president and CEO of two other family-owned businesses: Forsyth Carterville Coal Company and Missouri Real Estate. He serves on the boards of St. Luke's Hospital, YMCA of Southwestern Illinois, and Commerce Bank of Saint Louis. He has served on the boards of Webster University and Forsyth School. He holds a bachelor's degree in economics from the University of Virginia.

Louis Griesemer - *Director*

Louis Griesemer is chairman of the board of the Erlen Group, a mining, real estate development, and logistics company headquartered in Springfield Missouri. He is past president of Springfield Underground Inc., Parkville Stone Company, and Barnhart Limestone. From 2007 to 2008 he served as chairman of the National Stone, Sand, and Gravel Association (NSSGA) and served for ten years as the co-chair of the NSSGA – MSHA Alliance for mine safety. He currently serves on the advisory board for UMB Bank in Springfield and on the board of Burgers' Smokehouse in California, Missouri. He holds a bachelor's degree from Washington University in Saint Louis.

Hon. Robert M. Heller - *Director*

Robert Heller is a retired judge who served for 28 years on the Shannon County Circuit Court in Missouri, where he presided over a broad range of civil and criminal cases both locally and throughout the state. He has served as a member of several Missouri court-related committees and as a district chair for the Boy Scouts of America. He holds a J.D. from the University of Missouri–Columbia and a B.A. in philosophy from Northwestern University.

Gregg Keller - *Director*

Gregg Keller is the Principal of Atlas Strategy Group and is widely regarded as one of the preeminent public affairs professionals in the country. A former executive director of the American Conservative Union, the Conservative Political Action Conference (CPAC), and the Faith & Freedom Coalition, Keller has been an advocate for free-market public policy at the local, state, and national levels for 20 years.

John Lamping - *Director*

John Lamping is a former Republican member of the Missouri State Senate, representing District 24. During his time in office he served as Chair of the Families and Pensions Committee and the Joint Committee on Pensions. Lamping has also served on several nonprofit boards and was on the board of trustees for Saint Louis University High School. He holds a bachelor's degree in economics from Princeton University and an M.B.A. in finance from New York University.

Michael Podgursky - *Director*

Michael Podgursky is Chancellor's Professor of Economics at the University of Missouri–Columbia, where he served as department chair from 1995 to 2005, and Director of the Sinquefield Center for Applied Economic Research at Saint Louis University. He is a former fellow of the George W. Bush Institute at Southern Methodist University. He earned a bachelor's degree in economics from the University of Missouri–Columbia and a Ph.D. in economics from the University of Wisconsin–Madison.

Kevin Short - *Director*

Kevin Short is managing partner and CEO of Clayton Capital Partners. In addition to contributing to various national trade and business publications, he is the co-author of Cash Out Move On: Get Top Dollar and More Selling Your Business. He is chairman of the Today & Tomorrow Educational Foundation, past president of the Board of Education, and current chairman of the Finance Council for the Archdiocese of Saint Louis. In addition, he is a board member of the Children's Scholarship Fund, and past board member of the Chess Club and Scholastic Center of Saint Louis.

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

2021 ANNUAL REPORT

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