



OCTOBER 2016

SHOW-ME newsletter

WILL RIDESHARING FIRMS SET UP SHOP IN SPRINGFIELD?

By Graham Renz

When statewide ridesharing legislation failed during the last legislative session, firms like Uber and Lyft decided not to launch their services in Springfield. Now the city is considering changes to its vehicle-for-hire regulations in hopes of persuading Uber and Lyft to operate there.

These changes won't solve regulatory issues at the state level, but some of them would liberalize the vehicle-for-hire market in southwest Missouri. Some notable changes include:

- *Applicants seeking ridesharing permits will no longer need to submit demographic information and personal medical records to the city.* Dropping these requirements protects the privacy of drivers and blocks avenues for discrimination.
- *Name-only background checks from city-approved vendors will be accepted with applications, rather than city-administered fingerprint-based background checks.* Ridesharing companies have singled out fingerprint-based background checks as a reason for not entering the Springfield market. Allowing the name-only checks addresses the

concerns of ridesharing companies and still protects rider safety.

- *Permits issued to ridesharing drivers by the city will require renewal only every three years,* reducing costs and inconvenience for drivers.

Unfortunately, the ordinance leaves permitting costs unknown, so no one knows what it would cost to start driving for a ridesharing company. Officials would be wise to set a reasonable fee now.

Overall, these changes are positive, but ridesharing firms continue to face uphill battles across the state. Lyft still does not operate in Missouri, and in Saint Louis, the Metropolitan Taxi Commission and Uber are battling in court over charges of illegal operations and violations of antitrust laws. In Kansas City, officials are pushing for regulations that could force Uber to shut down operations completely.

Although Uber has not committed to launching its services if the proposed ordinance is codified, Springfield may soon be more hospitable for ridesharing companies. Hopefully, more policymakers across the state will work to open transportation markets to new and innovative services.

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

A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Why is recess being squeezed out of the school day? For the answer, look at regulation and the law of unintended consequences.

Think of a lone child wearing a guilty expression and staring out a classroom window. Outside, her classmates are spending recess on the playground.

This image—denying recess as a form of discipline—is familiar to adults. But it is disappearing now, because recess is disappearing for all students. A *Washington Post* article from 2015 notes that the average amount of recess time for elementary school students in the United States has dwindled to a mere 27 minutes per day. Across the country, schools are sacrificing recess time in order to devote more time to classroom instruction. Missouri requires that

elementary school students have at least one recess period of 20 minutes per day—hardly excessive compared to what most adults remember from childhood—and many states have no minimum amount of mandatory recess time. Some schools, including nearly two dozen elementary schools in Orange County, Florida, have eliminated recess altogether.

In a recent op-ed, the Show-Me Institute's James Shuls examined the decline in recess time and wondered how an institution so popular could be withering away. If recess were an animal, we would say that it has no natural enemies in the wild. Children obviously love it. Teachers

appreciate the chance to prepare for the classwork ahead or just take a restroom break. And parents find the evenings much more pleasant when their kids don't bring a full day's worth of pent-up energy home from school with them.

James found, not surprisingly, that the people who have daily contact with schoolchildren—parents, teachers, and principals—weren't behind the reduction in recess time. Instead, we can trace the rusting playground equipment and stir-crazy children to regulations imposed on schools from above. James cites two problems in particular:

First, states severely micromanage the calendar of schools. Some states stipulate the start and end dates and the required number of minutes in the school year. . . . With these regulations in mind, most school funding systems ensure that schools will not go above and beyond the minimum requirements, because they will not get additional dollars to support their efforts. In effect, the state has defined the length of the school year down to the minute.

Second, government agencies have placed an inordinate amount of



Brenda Talent
Chief Executive Officer



pressure on schools and students to perform in tested subject areas. Following the infamous A Nation at Risk report of 1983, states began developing accountability systems based on academic learning standards, and schools were assessed via standardized tests. . . . Tests give us valuable information, but they simply cannot capture everything we care about in education. Moreover, we don't (and wouldn't want to) test students in every subject. As a result, things like art, music, and recess become "less important" in accountability systems.



In other words, state funding policies limit the number of school days; federal education policy calls for the evaluation of schools according to standardized-test results; local leaders feel pressure to limit the time devoted to anything not directly related to test results; and recess begins to disappear.

The regulatory state has an inexorable logic of its own. It sets in motion a series of decisions, each one a rational response to incentives dictated from above—and the end product is a result that no one foresaw and that few people want.

“The answer is to return power to the people who actually know and love the children and deal with them every day.”

Common sense tells us that young kids can't sit and concentrate for six hours straight. As a mother of three grown children, I can only shake my head.

The answer isn't a national policy on recess. It isn't another federal Excellence in Education or No Child Left Behind Act. The answer is freedom: freedom for schools, and freedom for parents to choose schools. The answer is to return power to the people who actually know and love the children and deal with them every day. That's what we are fighting for at the Show-Me Institute.

In the spirit of deferring to the expert on the topic, I'll close with James's description of the education system he envisions:

Rather than build a system of rules and compliance, where we must regulate everything—including recess—we could build a public education system of choice. A system that provides administrators with the power to lead their schools and offers parents the ability to choose would be much more conducive to good decision-making.

Fewer regulations, more choice, more recess—now that's sound policy.

AS THE 2016-2017 SCHOOL YEAR BEGINS, WHITHER MIZZOU?

By Michael McShane

Enrollment at Mizzou this fall is slated to be down by some 2,600 students. This means \$36.3 million less in tuition revenue and an overall budget shortfall of \$46 million. The university has already instituted across-the-board cuts and has shuttered entire dorms.

By all accounts, the lion's share of this decline is fallout from the protests that roiled the campus last school year. Those events were covered in short and long form in local and national press over the course of several weeks, and the charging and ultimate dismissal of professor Melissa Click continues to keep the narrative of Mizzou's troubles alive. Pair this narrative with stories of a \$1.1 million "diversity audit" and the downgrading of Mizzou's credit rating, and you have even more questions about the management of the University of Missouri system.

Interestingly, earlier this summer, researchers at Harvard Business School estimated the enrollment impacts of scandals at the nation's top 100 universities. While they narrowly defined "scandals" as sexual assaults, murders, cheating, and hazing incidents, it's easy to imagine a similar effect from large-scale protests of alleged racism and professors assaulting students.

The researchers found that, on average, a scandal that gets long-form news coverage will decrease university enrollment by about 10 percent in the following year, which they say is

roughly equivalent to losing 10 spots in the *US News & World Report* rankings. While schools that have experienced scandals are less likely to have another in the five years following one, the damage is done.

Attending—and completing—college can be vital for improving one's social and economic standing. Research by the Hamilton Project at the Brook-



ings Institution found that students from families in the bottom quintile of income in America, if they do not earn a college degree, have a 45 percent chance of staying in the bottom quintile and only a 5 percent chance of making it to the top income quintile. If those students are able to earn a college degree, they are actually more

likely to end up in the top income quintile (a 19% chance) than remain in the bottom (a 16% chance).

At the same time, the ominous number that lurks behind every story about college expanding opportunity is the increasing amount of debt that students in America have accumulated. According to the Federal Reserve, the total outstanding student debt in the United States is more than \$1.2 trillion. This is more than the total credit card debt in the nation (estimated at \$733 billion) and the total outstanding auto loan debt as well (estimated at \$1.06 trillion). As multiple researchers have shown, much of the "student debt crisis" centers on students who start college, accumulate debt, and forego earnings without obtaining their degree and the wage premium that degree offers.

The lesson here is that students need a quality college education. Simply letting more students into college is not going to help anything if they drop out before they've earned the benefit but after they've taken on the debt.

Are Mizzou and the state's other public higher-education institutions delivering that quality education? Over the course of the next several months Show-Me Institute scholars will be releasing a series of reports addressing this question. Stay tuned—the results might surprise you.

BORDERLINE CRAZY

By Patrick Ishmael

Imagine for a moment that the driver's licenses of Missouri's neighboring states weren't valid here, so that our friends from Kansas, Illinois, and elsewhere had to apply for a Missouri driver's license in order to drive in our state.

Would it be worth their trouble to visit? Would they see that show in Branson, or take a day trip to the Arch? Would they take their boat out to the Ozarks, or stay the weekend to see a Chiefs game? Some might, but many would make other plans. Because of a needless barrier, a trip to Missouri might not be worth their while. They might just stay in their home states and find something else to do—to their detriment and ours.

Happily, a driver's license issued in any state is accepted across the country, so we're free to move around the country in our cars. State-specific driving rules can differ, but we recognize that everyone who drives has ba-

sically the same training. One- and two-ton vehicles driven by residents of other states hurtle down our roadways daily, and we don't ever really worry about it. Nor, frankly, should we.

Unfortunately, much of the licensing we see today isn't of the interstate variety, and that's especially true of our health care system. Physicians are commonly prevented from easily crossing borders and delivering care to patients because of licensing rules, which can do real harm to patients and doctors alike. Patients' local treatment options are limited, and doctors are hindered from expanding their practices.

But why shouldn't doctors licensed in one state be allowed to practice anywhere in the country? We generally agree that a licensed doctor anywhere in the United States has training similar to that of a doctor in Missouri. If we traveled to New York or Texas, would we worry that we couldn't find a Missouri-licensed doctor? Of course not. We know that doctors across the country have similar competencies.

So if patients are confident in the treatment they receive from physicians practicing outside their home states, why couldn't those same physicians provide care regardless of where the patient might



be? Why should state lines prevent patients from receiving quality health care from qualified professionals, whether that care was rendered in person or through telemedicine?

The short answer: They shouldn't.

Three years ago, Show-Me Institute staff provided testimony and published commentaries supporting the passage of the Volunteer Health Services Act in Missouri, which allows out-of-state doctors to provide charity care to patients without undue licensing barriers. Now, Missouri has everything to gain by allowing licensed doctors from around the country to come to the state as a part of their regular practices. It would be good for doctors, good for patients, and good for the health care market to have such reform enacted.



IF YOU SUBSIDIZE IT, THEY WILL COME

By Michael Highsmith

In 2015, Centene Corporation found itself in fourth place on *Fortune's* list of the nation's fastest-growing companies. A revenue increase from \$15.7 billion in 2014 to \$21.3 billion and the addition of 4,800 jobs have given the company reason to expand its headquarters in Clayton. Over the past few months, the healthcare giant's \$772 million expansion proposal has received some pushback from the public, and for good reason. Given the company's success, Clayton's thriving downtown, and the proposal's details, it's hard to justify the developer's request for a \$78 million subsidy from the City of Clayton in addition to \$45 million from the state.

The proposed expansion would include office and retail space, a luxury hotel, residential units, an auditorium, and associated parking. In other words, Centene is looking to do a whole lot more than just build office space for its employees. An estimated 2,000 jobs would be brought into Clayton, about half of which would be coming from Centene operations elsewhere in the Saint Louis region.

Consolidation may be ideal for Centene, but before committing any taxpayer money to the cause, Clayton residents should take a long look at

the proposed expansion and its uses. The current headquarters in downtown Clayton uses half of its space to host roughly 1,000 Centene employees, while the other half is leased to other companies. The new office buildings would be operated along similar lines. Leasing office space allows Centene to diversify its revenue portfolio and turn a profit, but why should public dollars be spent to help Centene set itself up in the landlord

development in blighted or economically struggling areas, where investment might well not occur without government assistance. But Clayton, with a vacancy rate half that of Saint Louis City, is not a place that comes to mind at the mention of the word "blight." Clayton is hardly lacking for potential tenants, and is affectionately referred to as the Saint Louis region's "new downtown." Might there be better uses for public money than to give it to businesses that may invest there anyway?

When asked why incentives would be needed for the project, Clayco's CEO Bob Clark, the developer for the project, said "Centene has shareholders; they have a responsibility to be responsible with their dollars and with their investment." Fair enough; but the City

of Clayton has shareholders (taxpayers) as well, and has a duty to be responsible with their funds.

Developers in the region have become accustomed to subsidies, and it's hard to blame them when they are only asking for what others have received. Ultimately, it is up to the public to decide when tax incentives are appropriate, and when funds could be put to more effective uses.



business and give it a competitive advantage over others in the area? If Centene needs public assistance to construct its new headquarters, perhaps it should temper its ambitions and simply build office space for its own employees, lowering the construction bill in the process.

Regardless of the scale of the project, should Clayton be handing out subsidies in the first place? It's one thing to offer tax incentives for

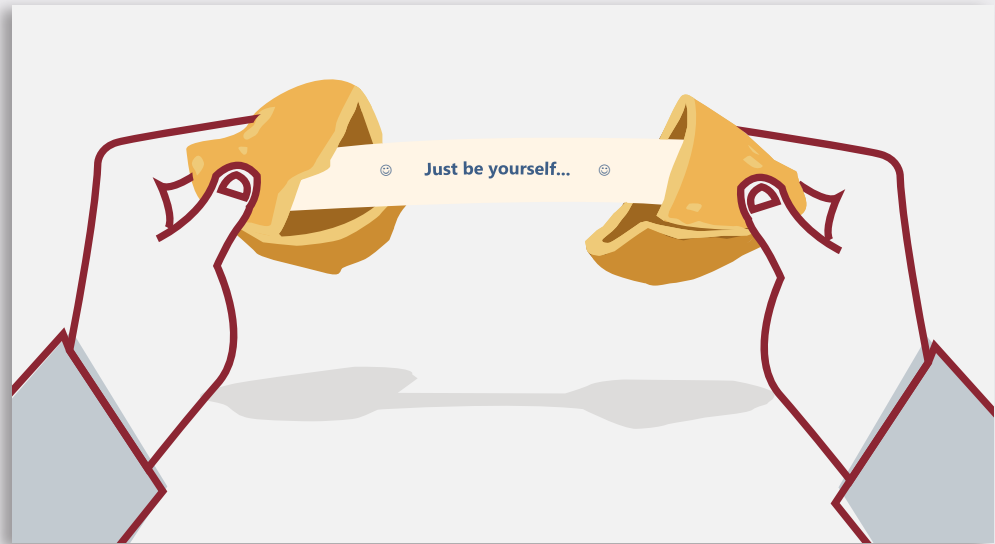
IT'S TIME TO STOP PLAYING FOLLOW-THE-LEADER

By Patrick Tuohey

The phrase “keeping up with the Joneses” was made popular by a newspaper comic strip that made its debut in 1913, but long before that there was an actual Jones family that other families really did try to keep up with. The Joneses in question owned a large stake in New York’s Chemical Bank in the mid-19th century, and they fell into the habit of building extravagant homes in the Hudson River Valley. Other wealthy families, not wanting to be outdone, built mansions of their own, and “keeping up with the Joneses” was born.

The practice is, regrettably, alive and well in Missouri. Municipal leaders seem preoccupied with building or maintaining large projects in order to keep pace with other cities. Examples include entertainment districts, convention centers, airports, rail transit, stadiums, and other projects. Voters are told that public money must support such projects so that their city doesn’t “fall behind.” Sadly, the only rationale offered for many of these proposals is a belief that something similar seemed to work for another city, leading to economic development. Rather than see our cities for what they are and attempting to capitalize on our strengths, we measure ourselves by the standards of other cities.

But what works for one city often doesn’t work for another. Kansas City seems intent on learning this lesson the hard way as city leaders continue to pour public money into the 18th and Vine district. Looking with envy at



cities like Memphis and New Orleans, Kansas City’s leaders set out to create a vibrant jazz scene through sheer force of will (and public money). Unfortunately, while Kansas City has a proud jazz past, it doesn’t appear to have much of a jazz present. The district continues to struggle despite a steady supply of public funds. If policymakers had thought less about being like Memphis and more about exploiting Kansas City’s own strengths, millions of public dollars might have been put to more productive use.

In 2012, Wendell Cox published a paper for the Show-Me Institute in which he considered the competitive advantages Saint Louis has over other cities. The number one advantage is its low cost of living, driven chiefly by housing affordability. In a paper he is preparing currently with Kansas City as its subject, he found a similar advantage plus dramatically shorter commuting times due to an impressive transportation infrastructure. Kansas City also sits in the

middle of major east–west and north–south railway lines, a main reason for the announcement of a new Amazon fulfillment center in the region. Affordable housing, short commute times, and an advantageous location are valuable qualities that we should embrace. Obviously, “impressive transportation infrastructure” doesn’t look as good on a tourism brochure as a photo of Beale Street or the French Quarter, but we are who we are. Politicians can’t buy an identity for their city with taxpayer money. Worse, by misallocating resources, they discourage the *natural* emergence and development of the unique characteristics that make a city desirable to live in and visit.

As leaders in Saint Louis and Kansas City—and across the state—consider how to promote their cities, they should remember that competitive advantages spring from what makes us different. Trying to do what everyone else is doing will only lead to more lost opportunities.



5297 Washington Place
Saint Louis, MO 63108

3645 Troost Avenue
Kansas City, MO 64109

Visit Us at:
showmeinstitute.org

Find Us on Facebook:
facebook.com/showmeinstitute

Follow Us on Twitter:
twitter.com/showme

UPCOMING LECTURES

.....

In Saint Louis, Eva Moskowitz will deliver a lecture on the Success Academy Charter Schools, the largest and highest-performing charter school network in New York City, as part of the Speakers Series co-sponsored by the Show-Me Institute, the Saint Louis University John Cook School of Business, and the Sinquefeld Charitable Foundation.

In Kansas City, the Show-Me Institute and the Kansas City Public Library are co-sponsoring a lecture by urban policy expert Wendell Cox on Kansas City's competitive advantages.



Eva Moskowitz

***"The Success Academy
Experience and Lessons
Learned"***

Thursday, November 3

5:30 p.m. reception
6:00 p.m. lecture

Saint Louis University
John Cook School
of Business

3674 Lindell Boulevard
Saint Louis, MO 63108



Wendell Cox

***"Kansas City: Genuinely
World Class"***

Thursday, November 17

6:00 p.m. reception
6:30 p.m. lecture

Kansas City Public Library
Plaza Branch

4801 Main Street
Kansas City, MO 64112