

A PUBLICATION OF THE TEXAS PUBLIC POLICY FOUNDATION

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Veritas

Issue 1 ★ 2008

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FROM THE PRESIDENT

Dear triends.

As we turned the calendar to 2008, the Foundation enters its 19th year as the leading voice for freedom and liberty in Texas. Already this year we held our 6th Annual Policy Orientation for the Texas Legislature, hosting a record crowd of lawmakers, legislative staff, and friends from in and around the state capitol and the state at large. We were also honored to announce two extraordinary additions to the Foundation's team in Kathleen Hartnett White as director of our Center for Natural Resources, and former State Representative Joe Nixon as a senior fellow in our Center for Economic Freedom, where he will spread the good news of tort reform in Texas. Of course, they join our talented staff already busy working on a new year of outstanding events and policy research in preparation for the legislative session beginning in 2009.



Brooke Rollins

In addition, the Foundation has some exciting news about an upcoming project aimed at providing you— Texas taxpayers—with a single source for useful, accessible information on state budget and spending issues. This website (www.texasbudgetsource.com) will aggregate existing state budget and spending information, as well as disseminate the Foundation's own research on these issues. So, stay tuned for more information on the launch of this important resource early this summer, as we continue to improve fiscal transparency and accountability in the Lone Star State.

You probably also noticed the new look for Veritas. While this remains a regular forum for updating the Foundation's loyal friends on the activities and work of the Foundation, we have put a priority on delivering Veritas readers new and unique content on timely policy issues. Each quarter, our analysts will offer a glimpse of an important policy issue facing Texas and our nation; what our research says about the issue; and how free market, limited government principles apply. We are working to upgrade the content and the quality of Veritas and we welcome your feedback.

Of course, we also want to focus on expanding the audience for our work and the champions for freedom and liberty across the state. If you don't already receive the Texas Public Policy News electronic newsletter, please go online to sign up or call us at (512) 472-2700. This year, each of our policy centers will also send regular updates to those of you who have expressed an interest in particular issues, so take an extra moment to tell us which issues you care most deeply about.

You can also help us build a network of the free market faithful by sharing this issue of Veritas with a friend or sending us their name and address and allowing us to drop a copy in the mail to them.

Inside this issue of Veritas you will read an excerpt from South Carolina Governor Mark Sanford's inspiring speech at the Policy Orientation, calling upon each of us to redouble our efforts in the cause of freedom and liberty. In his remarks he suggested encouraging a friend or two to join with us. We hope you will eagerly share the Foundation's message with your friends as we all work together for an even better Texas.

Sincerely,

President



Suddenly Socialized

by Mary Katherine Stout

Government control of health care has grown perhaps unnoticed before our own eyes. Can we reverse course now to ensure we don't lose freedom too?

POPULAR OPINION SUGGESTS THAT HEALTH CARE IS IN A STATE OF CRISIS DUE TO FREE MARKET FAILURES THAT CAN ONLY BE REPAIRED WITH GOVERNMENT INVOLVEMENT.

Time and again, proposals for a government-run health care system in the United States have been met with public disapproval. Accordingly, it is not surprising that people would believe that the government-run design is the alternative to what we have today.

Yet the reality is that the alternative solution for today's health care challenges is not more government, but instead less government and more competition. In fact, despite the resounding defeat of past efforts for a government takeover of health care, government's role in health care has expanded incrementally and quietly over the last five decades. Today, American medicine is largely financed and regulated by government, rather than the free market forces that many assume.

In 1960, the government paid for 25 percent of the nation's health care tab, but by 2006, the government's share increased to almost half of all health care expenditures in the United States. The creation and expansion of public programs like Medicaid and Medicare in 1965, followed later by the State Children's Health Insurance Program in 1997, bear primary responsibility for this shift. In Texas alone, the 2008-09 budget passed by the Texas Legislature appropriated almost \$40 billion for the Texas Medicaid program, representing 26 percent of the entire state budget for this one program alone.

As if that isn't enough, the expansion of Medicaid is bringing government dependence to new generations—literally. In 1985, 15 percent of the nation's births were covered by Medicaid, climbing to 32 percent in 1991, and to 40 percent in 2002. In Texas, more than half of the state's births are paid for by Medicaid.

In addition, federal tax policy distorts the way in which most Americans receive their health insurance. As an outgrowth of World War II-era wage and price controls, employers and individuals alike enjoy the tax benefits of employer-sponsored health insurance, the cost of which is excluded from income. Perhaps this arrangement worked well in a 1940s and 1950s labor market, but tethering insurance to employers has become increasingly unworkable in the modern labor market where people change jobs frequently, often work for themselves, or have periods of unemployment between jobs.

Data from the U.S. Bureau of Labor Statistics illustrates this changing labor market, showing that the median tenure with their current employer is roughly 10 years for people 55-64 years of age, while the median tenure is a mere three years for those ages 25-34. The lack of health insurance portability, along with uneven tax treatment, results in unnecessary periods without insurance and unequal tax treatment for those individuals looking to purchase coverage on their own.

Beyond paying the bills, both the federal and state governments have a heavy hand in regulating health insurance and health care providers. For instance, health insurance policies in Texas are required by law to include 55 different mandates for coverage and providers, including everything from in-vitro fertilization and alcoholism treatment to acupuncturists and massage therapists. Those 55 mandates necessarily increase the cost of health insurance and rank Texas among the five states with the most health insurance mandates on the books.

Although Texas has a "mandate-lite" plan available for certain people, the Texas Legislature (like all legislatures) entertains dozens of bills each legislative session that would add new mandates to insurance policies and drive up the cost, including legislation that would add these mandates to the "mandate-lite" plans as well.

The 2008 Presidential Debate

Among the Health Care Reforms Floated in the 2008 Presidential Campaigns:

- Regulating the profits and losses of health insurance companies by requiring insurers to pay out a fixed percentage of what it collects in premiums to cover claims.
- Garnishing wages to compel the purchase of health insurance to achieve universal coverage.
- Expanding existing public programs like Medicaid and the State Children's Health Insurance Program.

Sound Bite » Then presidential candidate Senator John Edwards embraced preventive health care, declaring in 2007 that,

"As part of the universal health care system, we don't just cover preventive care, we mandate preventive care. In other words, if you're in this universal health care system, you have to go for regular, periodic checkups, you have to be monitored..."

Furthermore, federal law delegates regulatory authority of insurance to the states, through which Texas regulators limit Texans' choices for insurance to only those approved for sale in the Lone Star State. In practical terms, this prevents individuals from purchasing health insurance from another state where coverage might be cheaper—perhaps from a state with fewer mandates. Federal legislation to open up the marketplace to interstate purchase of insurance has been unsuccessful to date, but Texas could take this step on its own, given the state's authority to regulate health insurance.

With regard to health care providers, state regulations limit the scope of practice for providers of all kinds, including detailed requirements for physician oversight of nurses and the employment arrangements of certain professionals. Often these regulations, popularly embraced as consumer protections, merely default to the highest cost providers and insulate providers from appropriately competing to provide services.

During the 2007 legislative session, legislation that would have loosened the oversight requirements for nurse practitioners to practice in convenience clinics opening in drug stores and retail stores failed to pass the Texas Legislature. These clinics are designed to deliver an alternative and more convenient setting for care, with longer hours than traditional doctors' offices, and with a narrow range of services offered for which the prices are posted, but using nurse practitioners and other lower cost providers to deliver this care.

For years, policymakers have wondered what they could do to make health care more convenient and accessible between the doctor's hours of eight to five. Yet even as the market responded to consumer demand for these services with the emergence of retail clinics, the legislation encountered obstacles that slowed the bill's progress.

This is hardly an exhaustive list of the areas in which government's active role

has made health insurance and health care less affordable, less attractive, and less competitive, but it begins to expose the myth that we have yet to try government health care. In fact, we are struggling to right the health care marketplace amid government's strong (and growing) presence.

The real alternative to today's health care system is to peel back the layers of government regulation and encourage robust competition that will deliver tremendous choice in health care and insurance coverage with better quality care, as well as declining cost. To focus solely on the uninsured, as we are often led to believe necessary, is to ignore the larger question of how we can improve health care for everyone. It is hard to imagine that a centralized system housed in either Washington or Austin could effectively serve the needs of 300 million Americans, much less 23 million Texans.

continued >>

Suddenly Socialized continued

One of the state's larger newspapers recently editorialized that the uninsured are essentially the victims of callous people who unjustly blame them for being unwilling or unable to afford health

insurance. The editorial explained that too many people blame the victim, proposing that it is time for Texas to pursue universal health care. There is little doubt that "universal health care" relies on an expanded government presence. Given the disappointing state of affairs in health care and government's already heavy role, it would seem that the real problem is not that too many people

blame the victim, but instead that too few people blame the government.

With the presidential election in full swing, proposals floated by both Republicans and Democrats have seemingly waved the white flag on the issue of health care. Candidates from both parties rolled out health care plans with a significant government component, often only differing on just how much bigger the government's role should be. Yet the question for the presidential candidates—for any candidate—should be what they will do to protect freedom.

It is rare that this debate on health care is ever equated with freedom, but it is freedom that is truly at stake. From rationing care based on age, as permitted in Britain, to the well-documented long waits for care in Canada even for life-saving

treatments, it is easy to identify those big stories as threats to freedom, to say nothing of threats to life. But the threats to freedom can be even more pernicious when considering a variety of other

> health care ideas masquerading as responsible government, including an individual mandate to purchase coverage (appealing to a sense of fairness that everyone should be responsible for having some coverage), along with the noises about government's role in promoting healthier lifestyles. Indeed, government's interest in managing people's

personal lives will only become more fierce as government pays more of the bills

As P.J. O'Rourke has noted, "if you think health care is expensive now, wait until you see what it costs when it's free." The same might be said for health care freedom: if you think it is valuable now, just see how valuable this freedom is when it is gone.

Mary Katherine Stout is the Vice President of Policy and Director of the Center for Health Care Policy. She can be reached at mkstout@texaspolicy.com.

All of the Foundation's commentaries and publications on health care reform can be found at **www.texaspolicy.com**.

TPPF Experts in the News

Student failure shouldn't be accepted, Terry writes
- Dallas Morning News

Government—the real disease of the health care system, Stout writes

- Fort Worth Star-Telegram

Posting check registers online could save school districts money, Terry says

- Galveston County Daily News

The only promise transit brings is expense, Stout writes - Dallas Morning News

Congress should not shut private sector out of public assistance programs, Stout says - Austin American-Statesman

Computer models fail to predict climate, Thornley writes - Environment & Climate News

Clean air, affordable energy both possible, according to Peacock

- Tyler Morning Telegraph

Texas' school accountability system fails students, Terry writes

- Austin American-Statesman

School accountability system lacking, Terry writes

- San Antonio Express-News

Abbott chooses Policy Orientation to announce child health initiative

- Dallas Morning News

Foundation Profiles

by Rachel Yeates



Hammonds talks about her college experience as a leader in the Texas A&M student community, her experience as an education intern at the Texas Public Policy Foundation, and the challenges facing the health care system in the coming years.

Q: You majored in communications and received a minor in business. Did you always want to work in public policy?

I knew I wanted to do something where I could make a difference and impact society, but I wasn't interested in politics *per se.* I always wanted to initiate policy changes but didn't know what avenue to take to do that.

Q: You came to TPPF as an intern and worked your way through several positions. How did you first get involved with TPPF and interested in public policy?

When I was on the Muster Committee at Texas A&M as an undergraduate, Brooke Rollins was asked to be the speaker for the campus ceremony. I really got to know her through that and found out about the Foundation and the work it does.

At Brooke's suggestion, I ended up following Jamie (Story) around for a day and thought, "This is what I want to do for the rest of my life!" I asked Brooke how I could get involved and she told me about the TPPF internship program. I wasn't aware that organizations like TPPF existed until I met Brooke.

Q: You were an intern in the Center for Education Policy for two months. How did that experience shape your views on public policy?

I have always had conservative leanings, but I think interning with Brooke (Dollens Terry) and Jamie really helped me understand the economic, free market side of conservative thinking. Before, I agreed with the ideas, but I didn't know exactly how it worked. I think that experience really gave me a better understanding of the rationale behind the idea that less government is better.

Q: What led you to work in health care policy?

After my internship, I filled in as the Interim Donor Relations Manager and during that time I discussed with Mary Katherine (Stout, Director of Health Care Policy) the possibility of my helping her in Health Care once they filled the position in Development. The more I talked with Mary Katherine about the health care policies being addressed in Texas—and the nation—the more I understood the importance of incorporating free market reforms into health care.

Q: What was most surprising to you when you first started in health care?

What was most shocking—or disturbing—to me was how *dependent* people have become on the government and how much they rely on it and expect it to provide for them. This is true in a lot of policy areas, but I think it is most evident and most alarming in health care.

Q: What do you see as the greatest challenges in health care policy today?

I think a lot of people have a hard time seeing health care as a business and not a social service. Many people find the idea of someone making a profit in the health care industry very disturbing but they don't realize that if there's no potential to benefit, there's no motivation to provide quality health care.

Q: What do you enjoy most about working in health care policy?

Like I said earlier, I really want to be in a position where I feel like I'm making a difference. I've really learned how well free market thinking and conservative ideals apply to the health care industry.

continued>>

Foundation Profiles continued

In doing radio interviews and speaking to groups, it is obvious this is such a different way of thinking about health care, but it is so important that we talk about these free market solutions. Without our free market perspective, all we would have is the push for more government control—along the lines of what

we're hearing during this presidential election.

This is a huge challenge, but so important.



Kalese Hammonds moderates a panel at the 6th Annual Policy Orientation.

Q: On what projects are you currently focusing your efforts?

We are doing a lot of work on state and federal regulations in health care. Most people don't realize how harmful these regulations are to the health care industry ... they suppress innovation and contribute to the expense of health insurance and health care services. We recently released a paper on state regulations of small group insurance and Health Reimbursement Arrangements.

Q: Which reforms are you most excited about seeing in the near future?

Any reform that will help us build a more robust health care environment in Texas is exciting, but there are a couple of reforms that have the potential to make a big difference in the accessibility of health insurance and health care.

For example, reforming the tax code so that it affords the same benefit to individuals as it does employers and lifting regulations so that consumers have the option of purchasing health insurance in other states are both opportunities to create a more competitive market and make health insurance more affordable.

Creating a competitive environment among health care providers is equally important and allowing innovative alternatives to traditional health care by reducing provider regulations would encourage more competition among providers resulting in lower costs and better care.

In Texas, we are in a great position to make these changes happen and lead the way in revolutionizing the health care environment.

Rachel Yeates is a policy intern with the Texas Public Policy Foundation. Yeates is an English Honors major at the University of Texas at Austin.



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Join the more than 6,700 Texans who stay abreast of policy issues with the Foundation's electronic newsletter, the Texas Public Policy News (TPPN). This biweekly electronic newsletter delivers the latest reports, interviews, news commentaries, and event happenings from the Foundation, right to your inbox.

Stay in touch with the policy issues that are framing the debate in Texas and the nation. Don't miss out! Sign up today at www.TexasPolicy.com.

COMMENTARY: Texas' School Accountability System Fails Students

by Brooke Dollens Terry

A S Texas homeowners feel the pinch on their wallets from high property taxes, most assume that the local public schools they fund are doing a good job educating students.

After all, parents looking to the state accountability system for answers on the quality of their local school find that only 3.4 percent of public schools were rated "Unacceptable" last year.

What parents and taxpayers don't realize is that the academic standards used to rate schools are ridiculously low.

In 2007, a school could be rated "Academically Acceptable" with only 40 percent of students passing science and 45 percent of students passing math. Surely, parents and taxpayers would not consider more than half of Texas school children failing core subjects like math and science as "acceptable."

Yet, more than half of Texas public schools and three fourths of Texas school districts were rated "Academically Acceptable," according to the Texas Education Agency.

Residents across the state might be shocked to discover that many of their local schools are not doing a good job teaching the basics, especially in math and science. For example, in Dallas ISD, only 46 percent of students passed science and only 49 percent of students passed math at Thomas Jefferson High School. Students at Umphrey Elementary school did not fare much better with a scant 42 percent passing science and a mere 55 percent passing math.

In Arlington, a mere 53 percent of Morton Elementary School students passed science; 45 percent of Roquemore Elementary students passed science while 56 percent passed math; and only 49 percent of Sam Houston High School students passed science while 57 percent passed math.

Even suburbs are not immune to low student performance. In the Dallas suburb of Duncanville, only 54 percent of high school students passed science and 56 percent of students passed math. In Garland, only 53 percent of students passed science at Hickman Elementary, while only 57 percent of students passed science and only 59 percent of students passed math at Garland High School. Residents of Mesquite might be surprised to learn that only 57 percent of students passed math and only 61 percent of students passed math and only 61 percent of students passed science at West Mesquite High School.

Astonishingly, the state deemed all of these schools "Academically Acceptable."

Texas cannot afford to have large numbers of students ignorant in core subject areas, and taxpayers should not tolerate it. State lawmakers must make significant changes to the state accountability system, including raising the rigor and academic expectations for both schools and students.

The conventional grading scale for students sets a score of 70 percent as the bottom end of the acceptable range. Schools should be held to a similar standard, with at least 70 percent of students passing reading, writing, history, math and science to be rated as "Acceptable."



The system also needs to be simplified. Schools and districts must track and report performance on as many as 36 measures. Today's accountability system focuses too much on inputs and not enough on outcomes and results. To move in this direction, state lawmakers should ensure that the accountability system measures are meaningful.

Schools also need to be measured and rewarded for student improvement and growth over the school year for every student. Changing the way schools and students are measured in this regard would allow schools to focus on the needs of every child and not encourage them to focus on struggling students at the expense of gifted students.

The purpose of a state accountability system is to evaluate school performance and provide that information to parents and the public so they can determine the quality of a particular school or district. The current accountability system fails in this regard and needs to be redesigned.

With tens of billions of dollars spent on public schools, Texas taxpayers deserve a better and more accurate accountability system; one that is easy to understand, transparent to parents and the community, and drives higher student achievement.

Brooke Dollens Terry is an education policy analyst at the Texas Public Policy Foundation. This commentary was published in The Dallas Morning News. Other versions ran in the Austin American-Statesman and San Antonio Express-News. All of the Foundation's commentaries can be found at www.texaspolicy.com.

Oth Annual
Policy Orientation
for the Texas Legislature

n January 9 and 10, 2008, the Foundation hosted the 6th Annual Policy Orientation for the Texas Legislature, featuring three keynote speeches, a special presentation from a political cartoonist, and 15 panels talking about issues from the business tax to immigration. It was another record-setting year, registering more than 800 people for the two-day event, with a full house at each meal for the keynote speeches and panel discussions throughout the two days.



"Congratulations to the Texas Public Policy Foundation for another successful Policy Orientation. As an annual sponsor, I was as impressed with the well-rounded policy discussions as with the standing-room-only crowds. Kudos to your team for another great event." ~Jeff Bonham, CenterPoint Energy

Because the Policy Orientation has become well known as the place for creating a forum for the exchange of new ideas, Texas Attorney General Greg Abbott chose the event as the place to unveil a new health care initiative for children in the child support system during his kickoff keynote. A standing-room-only crowd heard General Abbott discuss the importance of health care reform for a key constituency his office works to serve.

The first night's dinner keynote was delivered by Governor Mark Sanford of South Carolina. Governor Sanford has a well-earned reputation as a principled leader with a commitment to protecting the taxpayer during his distinguished service as both a U.S. Congressman from South Carolina and as only the third two-term governor in the state's history.

In his speech (see page 12 for excerpts), Governor Sanford told the audience that we sit at a crucial time in history, requiring everyone to redouble their efforts in support of causes and candidates with a role in the conservative movement.

The second day of the Policy Orientation opened with an exclusive VIP breakfast for legislators and event sponsors

and their guests. Dr. Arthur Laffer, one of this era's greatest economic minds and noted as both the father of supply side economics and for the Laffer Curve, delivered brief remarks to those gathered, retelling the story of Robin Hood in economic terms. Dr. Laffer pointed out that people would soon stop going through Sherwood Forrest if they lost money to Robin Hood's capture and redistributionist ideas, just as businesses will stop doing business in places that have an unfriendly tax climate.

At lunch, Steve Moore of *The Wall Street Journal* introduced Dr. Laffer as keynote speaker, noting that "Reaganomics" had become the operating standard of economies across the globe, signifying a great achievement for Dr. Laffer's work. Moore followed that observation with a list of European countries all decreasing taxes in an effort to be more competitive globally, noting that there is only one country in the developed world looking at raising taxes—the United States.

As a part of Dr. Laffer's appearance at the 6th Annual Policy Orientation for the Texas Legislature, the Foundation released the first in a series of papers authored by Dr. Laffer for the Foundation, called "Thinking Economically." These papers



each offer a different lesson in economics, providing a refresher on economic concepts perhaps long forgotten, but important in considering the intersection of public policy and economics.

Closing the event, Governor Rick Perry offered the dinner address on the final day of the Policy Orientation, following his introduction by former U.S. Senator Phil Gramm. In his presentation, Governor Perry focused on his efforts to make Texas more competitive in the effort to ensure Texas as a state of opportunity. Governor Perry spoke about the Governor's Competitiveness Council, a group convened by the Governor and tasked with identifying the regulations and policies that stand in the way of a competitive Texas. As part of that effort, Governor Perry announced that as part of the next legislative session, bills will carry a "Competitiveness Note" indicating whether the proposed policy would be good or bad for keeping Texas competitive.

In addition to those outstanding keynote speeches, 15 panels addressed some of the

most important issues facing the state, featuring experts from Texas and around the country. Each of the panels, along with panelist PowerPoint presentations, and all of the keynote speeches are available as audio files on the Foundation's website.

After more than 20 years in this business, my philosophy of life, leadership, and governance has pretty much boiled down to one word: competitiveness.

~ Gov. Rick Perry

The Annual Policy Orientation for the Texas Legislature has become the premier policy event of the year, this year drawing more than 70 lawmakers to the program and several hundred legislative staff coming to hear both sides of these important issues. Also joining us were friends from several of the nation's free market think tanks observing the program for possible replication in each of their home states.

Planning for the 7th Annual Policy Orientation for the Texas Legislature has already begun. The 2009 Policy Orientation will move to the Four Seasons in Austin, to be held January 22 & 23, 2009. Sponsorship opportunities are now available.

Make plans now to join us for this event that grows bigger and better each year.

Read excerpts from South Carolina Governor Mark Sanford's energizing keynote speech and view photo highlights on the next four pages.

Audio from all Policy Orientation keynotes and panel discussions is now available on the Foundation's website at www.texaspolicy.com.



Excerpts from Governor Mark Sanford's Speech, January 2008 6th Annual Policy Orientation for the Texas Legislature

... HERE'S WHERE I THINK WE ARE. I THINK THAT WE LIVE AT THE INTER-SECTION OF HURRICANE KATRINA AND THOMAS FREIDMAN'S The World *Is Flat.* And it's my belief that that intersection puts us at the most pivotal point of America's history. And here's where I'm coming from on this. Katrina, I believe, was a real wake-up call with regard to where we are as a society. Because if you followed the media coverage, the bulk of media coverage kept going on and on and on about what we have seen unearthed with Katrina is poverty in America. And I'm sitting there thinkin', "Where've y'all been?" If you took any kind of serious trip around the United States of America at any point over the last 20 years, you have seen poverty. I mean, tragically, it seems to be a part of the human condition; it's been with us; I suspect it always will be with us.

It did not unearth poverty. What I saw in the images that I saw when you looked at newsprint or magazine or television coverage, I saw something much more unsettling—particularly if you're a conservative—and that is actual dependency. And I say unsettling because if that's true, it's very relevant based on the quote of a little known Scottish historian

who studies history for the whole of his life, he gets to the end of his life, and the quote attributed to him—his name is Sir Alexander Fraser Tytler —the quote attributed to him was that:

A democracy cannot exist as a permanent form of government, it can only exist 'til the voters discover that they can vote for themselves largesse from the public treasury, with the result that a democracy always fails under loose fiscal policy and is generally followed by dictatorship. The average age of the world's great civilizations has been 200 years, these nations have progressed through this sequence: from bondage to spiritual faith, spiritual faith to great courage, great courage to liberty, liberty to abundance, abundance to selfishness, selfishness to complacency, complacency to apathy, apathy to dependency, and from dependency back again into bondage.

And if that wasn't scary enough, what was really scary was the reaction of the American public in the wake of Katrina. Because if you look at the *Newsweek* or the *TIME* polls after Katrina, the majority of Americans believed that what had gone wrong in Katrina was George Bush's fault. That George Bush, not to

South Carolina Governor Mark Sanford delivers a stirring keynote address to the sold-out Policy Orientation audience in Austin.

pick on Texas, not to mess with Texas, or whatever the saying is, but I mean he's human, he's got plenty of faults—we all have faults—but to lay that one completely on his lap is to ignore this larger notion of federalism. Which is to say, well yea there's a federal government—it has some responsibilities, but there's also a state and a local government—they've got responsibilities too. It's to ignore this notion of civil society, of a neighbor helping out a neighbor with a chainsaw. It's to ignore this notion of even individual responsibility. Because in this case, you had folks that were six feet under, I mean not as in dead, but livin' six feet under the sea level. I mean you can go back 2,000 years in the Bible and look at very clear descriptions of where you build a house—do you build it on the rocky foundation or on the sandy soil ...? I mean, it ain't new stuff. (laughter)

And what I think is so interesting about that, is that it all falls in such contrast to where we started this thing 200 years ago—I mean, think about where we started the thing 200 years ago. You have a band of brothers who come together of their own free will, their own volition, and without a formal federal government, without a formalized federal constitution, they go off and they beat no, they don't beat—they whip the most powerful military force in the world at that time. And then they go and they codify this revolutionary thought that all men are created equal and endowed by their creator with certain unalienable rights—life and liberty and the pursuit of happiness. But the big kicker is that the individual is to be the sole repository of power in our political system and that any government, whether it's federal, state, local, you name it, has legitimacy only in as much as there is consent by the governed. And so you take that snapshot of where we started 200 years ago and you take a snapshot after Katrina and

people's reaction to Katrina and you can only say, wow! Has there been a lot of either presumed consent, outright consent, or some combination thereof over these last 200 years? And you know the only way we change it in our political system is by redoubling our efforts, by digging in, as so many of y'all have been doing for so long. But now what we're talking about is how do you get your friend and neighbor to do to the same? How do you get two or three friends and neighbors to do the same, because that is the significance I think of where we are right now. I mean it ain't a "I'll just help out another 10 percent," it is how do you redouble your efforts based on that one intersection alone.

But think about the other intersection that we're on. The other intersection is Thomas Friedman's *The World Is Flat*.



Texas Attorney General Greg Abbott greets a Policy Orientation attendee prior to his event-opening keynote.



Standing-room-only crowds packed the rooms to hear keynote addresses and panel discussions on topics including taxes and spending, education, health care, deregulation, private property rights, and criminal justice.

Thomas Friedman makes this fairly simplistic argument and basically says look you've got six and a half billion people livin' on planet earth and you're in a newfound competition for jobs, capital, and way of life—the likes of which we've never seen before. Literally, some kid here in Austin, Texas is directly competing with a kid in Shanghai and New Delhi and Dublin. Literally work your way around the world in ways that have never before been the case. And what's interesting is he isn't the only one saying that we live in a really transformative time, based on the internet, based on globalization. Man, I think it's telling that David McCullough, who wrote the book 1776 when asked what was the most pivotal point in American history, you'd think the guy that wrote the book 1776 would answer "1776." His answer was "from 2000-2005."

And for me, probably the scariest part of the Friedman book, at least *The World Is Flat*, he has a couple different iterations, but *The World Is Flat* is this little African parable of the lion and the gazelle and his little parable is that every morning there on the plains of the Serengeti, a

lion gets up and knows—if I can't outrun the slowest gazelle, today I'll die; and the gazelle gets up knowing—if I can't outrun the fastest lion, today I'll die. And so we talk about this notion of rugged independence and individualism, and all hallmarks of the Texas way, all hallmarks of the American way, but I would ask you, when you looked at the print and television images that you saw in the wake of Katrina, did you see people who saw themselves as lions or gazelles? Now certainly there were some hero stories in all of that, but when you think about the mass of images, what did you see? And if you don't hold our world view in terms of the proper and limited place of government, where do people turn when they feel threatened by a force much bigger than they are? Such as globalization what's India going to do next? Or what's China going to do next? Where do they turn? Often times, they turn to govern-

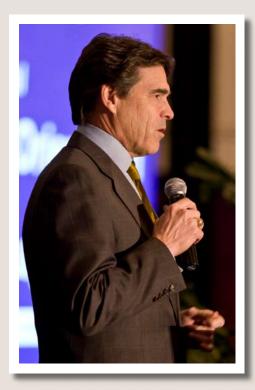
So you have David Walker, Comptroller General of the United States of America right now, travellin' the country on what he calls a "fiscal wake up tour" arguing

continued>>

Dr. Art Laffer, known as the "Father of Supply Side Economics" enjoys a laugh at lunch prior to delivering his keynote.

for basically—not for it—but there will be tremendous growth in government based on Medicare, Medicaid, and Social Security, the entitlement programs, and a ticking time bomb with regard to demographics. And what I'd say is just toss what David Walker is talking about out the window. Because even without that, based on the psychology of where people are today as a part of—you know or a piece of—a six and a half billion person pool, there're going to be tremendous biases to grow government here in the short term, the intermediate term, and over the rest of our lives. And so I think that leads us to a decision point, which is again why I came here tonight.

You don't have to go out and pledge your life, your fortune, your sacred honor, but you really do have to look at some way of getting another two or three friends involved in this effort of which we're a part.



Gov. Rick Perry delivers his keynote address on the closing night of the event.



... And so I would say, you know, as you think about little things in this battle line we're all engaged in, whether as a representative of Texas, or as a governor in South Carolina, or whether as a businessperson who cares about policy, think about those little things. I'd say one, if you're a representative—or for those of you who're in the business sector—for those you support, or for the causes that you support—be willing to lose. I can't tell you the number of conversations that I have there in the governor's office with some guy telling me, "You know the name of the game is stayin' in the game." And I'm like, "No. The name of the game is not staying in the game. The name of the game is staying true to the principles that got you involved in politics in the first place, and stayin' true to the promises that you made to get elected, and that's about it."

I think we have a real problem in the battle that we're in, given the number of people who just want to play safe. I mean imagine, there's some patrol tonight in Afghanistan or Iraq, and can you imagine the members of a platoon, they look around and say, "Look, it looks really dangerous out there. The name of the game is staying in the game, and I ain't leaving." Well that won't work. Think about D-Day. Can you imagine some of the landing craft headed into the beaches and everybody turns around

and says, "Look, it looks really dangerous in at those beaches; let's turn this baby around!" I mean in real wars, there are casualties. And so I think it's incredibly important that those of us who are part of the conservative movement be willing to lose on causes, be willing to lose in terms of candidacies, be willing to lose on a range of different fronts.

You know, I spend a lot of time losing, I get terribly discouraged and about the time I'm whining to my wife, I'll pick up some article and it'll be about Tom Coburn. And it'll be magnificent because it'll talk about him going down on the floor of the United States Senate and losing, and losing again, then losing again. And the irony is, if more Republicans were willing to go down there with Tom and lose, we'd win more as conservatives. I don't know, maybe "losing" isn't the right word to use. Maybe, you know, Churchill had a great line. Churchill's line was that, "courage was going from failure to failure without losing enthusiasm." Which is kind of a cool way to put it. I mean think about the beating that they took in the Battle of Britain and the bombing raids on London, and yet his quote was, "courage is going from failure to failure without losing enthusiasm." And because they didn't, they ultimately won. So, what I'm maybe really asking is would you be of good courage in this larger cause of which we're a part?



Former U.S. Senator Phil Gramm introduces Gov. Rick Perry at the closing dinner.

I would secondly say, don't leave the vision thing out. I mean it's so easy to get trapped up in governance that you miss the bigger vision of what got you involved. I remember when I was a freshman, Newt—and I'm not pickin' on Newt 'leadership'—some folks would come to us and they'd say, "Look, that sounded great on the campaign trail and everything, but we have to govern now." At that point we knew—cover the wallet, run for the hills—because we knew whatever was coming next was generally not gonna be good for the taxpayers. And you know the Bible says if you have the faith of a child, some remarkably good things can come your way; that it isn't all that complicated, and at times I think we make this whole notion of governance a lot more complicated than it needs to be. I'd beg of you not to leave the vision thing out.

I would say for those of you who are business folks, there's an inherent impatience with business people that is wonderful, that's why y'all get things done; but I would ask you to view it as a movement, not a transaction. I talk to a lot of business friends back home in South Carolina, and they say "look, we worked on this thing, we put a good, solid two weeks on it, nothing happened, and it's time to move on!" And I'm like, well, this one's gonna take a little more than two weeks. I go back to what I said with Jefferson

sayin' that eternal vigilance is the price of liberty. I mean this stuff just takes a long time. It takes awhile. We gotta keep on chewin', we gotta keep on pushin' it. It's incredibly important that we view it as a movement.

... I would lastly say ... I'd ask you to be a happy warrior. That was Ronald Reagan's line. And there's a tendency given the importance of the issues, given the weightiness of the issues, and particularly as conservatives, we find ourselves stopping a lot of things, to be anything but a happy warrior. ... And so I think it's important that we go out and we swing the bat as hard as we possibly can, but then know beyond that it is literally in the Good Lord's hands; that we don't control the outcome, we do control the input. And in that process of giving it our all, it's incredibly important that we be happy warriors in selling the conservative message that again I think is so important in shaping the future of what comes next in this country.

... And it's my contention that if we dig just a little bit harder, a little bit deeper, get a few more friends involved as conservatives, we can have very far reaching impacts on what comes next here in America.

This speech was given without notes and transcribed as best as possible without losing the integrity and flavor of the remarks. The entire audio of Gov. Sanford's speech can be found on the Foundation's website at

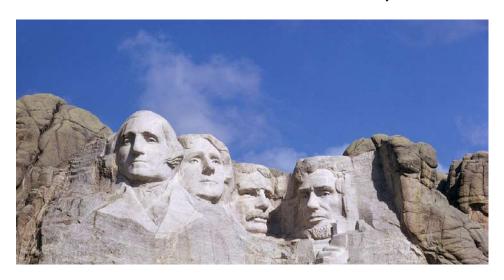
www.texaspolicy.com.



Panelists discuss ways to minimize regulatory costs on energy production while maintaining a healthy environment in Texas. From left: Representative Dennis Bonnen; Sterling Burnett, National Center for Policy Analysis; Joel Schwartz, American Enterprise Institute; and Mike Sloan, Virtus Energy.

A Time for Choosing

by Bill Peacock



IT IS ONCE AGAIN A TIME FOR CHOOSING.

Of course, these days with government ever-present, we seem to be choosing something on a constant basis—bonds, constitutional amendments, positions on the school board, etc.

Yet there is something special about the process we go through for selecting the president of the United States. Despite the what-can-you-do-for-me attitude prevailing in presidential politics today, the process can still remind us of the principles which brought about the founding of our nation.

Our government was organized by we, the people, to secure the blessings of liberty and of the rights with which we have been endowed, including life, liberty and the pursuit of property. It took the place of a government that had become destructive to these ends.

So while we should gratefully submit ourselves to the government's legitimate authority over us, we should also strive to limit its scope, lest it become yet again an instrument to enslave us. As the Declaration of Independence reminds us, we were created equal and free. Yet we have also instituted government among ourselves. Therefore, government should reflect this focus on freedom under authority.

Of course, government in general is doing no such thing today. Instead, government seems to be an instrument for one group of people to impose its will upon another group. That has been the case throughout most of history, whether the government has been organized as a tribal caste, monarchy, dictatorship or democracy.

But since that magnificent moment in history of our nation's founding, there has been a wind of freedom blowing over us, seeking to steer us in the right direction. And it has largely done so, bringing prosperity and peace to hundreds of millions of people.

We look at the relative peace and freedom most of us experience in America today as the norm. But it is not the norm when judged by the standards of history—or even of much of the world around us today. More representative of the norm is the brutal violence of Rwanda, Serbia, and Cambodia. And, unfortunately, we still experience violence too often these days in our own country, especially in its urban cores.

So during this time for choosing, all of us should be looking to freedom as our guiding principle. Freedom informs us that government is a heavy, brutish instrument to be used cautiously to free people from violence and oppression so that they might use their creativity and abilities to advance prosperity and health in the world. But people can only pursue these ends if the market economy is unburdened by state regulation.

Earlier this year, the Foundation released two new papers that discuss the link between freedom, prosperity, and health.

One of the paper's authors, Joel Schwartz of the American Enterprise Institute, explains how over the last 25 years the market has paved the way for sharp declines in air pollution of all kinds while coal consumption increased more than 60 percent and driving nearly doubled. The story is phenomenal—and one that almost nobody knows.

Lead and ozone exceedance days are down more than 90 percent from 1980. Carbon monoxide and sulfur dioxide are down more than 50 percent. All because the market—despite heavy handed regulations—has provided the wealth and technology to achieve these astounding gains and essentially decouple the use of fossil-fuels from air pollution.

Yet the clamor to reduce or end the use of fossil fuels continues as we try to determine where we will get our electricity over the next 10 to 15 years. Many want

Bill Peacock, Director of the Center for Economic Freedom, moderates a panel on the economy and the environment with panelists Joel Schwartz, American Enterprise Institute; Myron Ebell, Competitive Enterprise Institute; and Kathleen Hartnett White, former Chair of the Texas Commission on Environmental Quality.



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to ban coal plants entirely, at a heavy cost to our economy.

Sterling Burnett of the National Center for Policy Analysis says that the impact of eliminating coal wouldn't be limited to the economy; indirectly, it would also negatively affect health. Harvey Brenner of Johns Hopkins University conducted the first major research on the impacts of unemployment on public health for the Joint Economic Committee of Congress in 1979 and 1984. Brenner found that a 1 percent increase in the unemployment rate was associated with a 2 percent increase in age-adjusted mortality.

In other words, every 1 percent increase in unemployment results in a 2 percent increase in premature deaths. Using these results, Brenner estimates that the impact of climate change legislation being proposed in Washington on the economy could result in 150,000 deaths annually.

We shouldn't be surprised by findings like this—but we usually are. How can a few regulations like this cost people lives? Isn't it factories and pollution that are so dangerous?

We think this way because no one today was around to experience firsthand how dirty the world was before the invention of the internal combustion engine, when horses—and horse manure—were prevalent on city streets. When fending off the cold was a dangerous and dirty endeavor. When limits on transportation and food storage made eating meals a risky business.

Freedom is also under attack from those who would "protect" us; not from invading armies, but from voluntarily purchasing products in the free market.

Ultimately, freedom will remind us that we still have the responsibility to go out and make the right choice. Because if we don't, someone will make our choices for us.

Nowhere is this more apparent than in the Texas insurance marketplace.

Last summer, the Texas Department of Insurance rejected or threatened to reject three rate filings by two different insurers. Despite the fact that Texas has a competitive marketplace for homeowners' insurance, department officials thought the rates were too high. Or, in other words, they thought consumers who voluntarily purchased insurance at that price would be making a mistake.

This approach to regulation turns on the notion that without government oversight, insurance companies will take advantage of consumers. They make this assumption based on the fact that a few insurers tend to serve the majority of the homeowners' market, and thus can exercise "market power" over consumers. If competition was working in the homeowners' market, critics contend, more people would have left the larger providers and chosen providers that offered lower prices. They claim the existence of consumers sticking with higher prices is proof that consumer choice is not readily available; thus consumers need protection from the larger companies who are profiting at their expense. Of course, no standard is ever offered for how much business the large firms should lose before competition is considered optimal.

This was the same rationale that drove the debate on electric re-regulation during the last legislative session. Market opponents said the market share of TXU in conjunction with higher prices was proof of their anti-competitive behavior.

continued >>

A Time for Choosing continued

But it has only been recently that the attempts of a company to take market share from its competitors have been deemed anti-competitive. In more lucid times, companies increasing their market share were seen as being aggressive, and consumers who stuck with such companies were given credit for being sophisticated buyers.

The Florida insurance commissioner recently banned Allstate from selling new auto policies in the state because of a dispute over the amount of documents being produced during an investigation over prices. In announcing the ban, the commissioner said "We're going to hit [Allstate] where it hurts."

But, of course, who is really going to be hurt are the Florida consumers who would have purchased insurance from Allstate.

Consumers reign supreme in the marketplace. Nobody forces consumers to buy electricity or insurance from a particular provider—unless it's the government restricting availability via regulation, as it has done with telephone and electric service in recent times.

Using freedom as a barometer will help us keep a proper perspective on the public policy debates in this time of choosing. It will remind us of Ronald Reagan's statement almost 45 years ago that the "idea that government is beholden to

the people, that it has no other source of power except the sovereign people, is still the newest and the most unique idea in all the long history of man's relation to man."

Ultimately, freedom will remind us that we still have the responsibility to go out and make the right choice. Because if we don't, someone will make our choices for us.

Bill Peacock is the Vice President of Administration and Director of the Center for Economic Freedom. He can be reached at bpeacock@texaspolicy.com.

All of the Foundation's commentaries and publications on economic freedom can be found at **www.texaspolicy.com**.

Foundation News

White to Lead Newly Established Center for Natural Resources

Kathleen Hartnett White, the former chair of the Texas Commission on Environmental Quality (TCEQ), joined the Texas Public Policy Foundation's staff at the first of the year as the Director of its new Center for Natural Resources.

Foundation president Brooke Rollins made the announcement at the closing dinner of this year's Policy Orientation. "It is a rare opportunity when a state-level think tank can bring on board someone of Kathleen's caliber and experience," Rollins stated. "Her substantial policy knowledge will be a tremendous asset as we search for sound policy solutions to this series of intriguing yet perplexing challenges."



Kathleen Hartnett White

The Center's primary focus will be to illustrate why market mechanisms, performance based standards, property rights, and more rigorous scientific and risk-benefit analyses provide the most effective basis for environmental protection and are fundamental to sustaining the economic growth on which continual environmental improvement depends. The Center's core issues will include water, air quality, climate change, and energy.

Nixon Brings Experience and Expertise to Role as Senior Fellow

The Honorable Joseph M. Nixon has joined the Texas Public Policy Foundation as a Senior Fellow in its Center for Economic Freedom, where he will spread the good news of tort reform in Texas. Nixon was the architect behind the sweeping lawsuit and medical malpractice reforms in Texas that have become the gold standard for the rest of America. His practical expertise on legal issues will greatly enhance the Foundation's research capabilities.

Nixon represented Houston's District 133 for six terms in the Texas House. During his last two terms, Nixon chaired the House Civil Practices Committee. In 2003, Nixon authored a comprehensive tort reform bill (HB 4) and its companion constitutional amendment (HJR 3, Proposition 12). That legislation has reduced medical liability premiums in Texas by almost 40 percent and increased the number of physicians practicing in Texas by nearly 6,000.

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Making your contribution today will go a long way in preparing us for the 2009 Legislative Session. We have set ambitious goals for 2008, and with your continued support, we will work to champion marketbased stewardship of natural resources, and bring market principles to resolving environmental problems; continue to be an outspoken champion of competition in public schools; ensure tax dollars are not spent building more publicly financed prisons in lieu of real criminal justice reform; propose free-market solutions to the state's most difficult health care challenges; strengthen private property rights; limit growth of the state budget; and so much more!

The Texas Public Policy Foundation is the only state group capable of providing policymakers with sound research in support of individual liberty, personal responsibility, private property rights, free markets and

limited government on a state level.

The entire Foundation staff and Board are thankful for your consideration—we believe there is no better investment for the freedom of future generations! We look forward to hearing from you.

Student Patriot: \$25 Capitol Council: \$2,500-\$4,999 **Patriot:** \$100-\$499 **1876 Society:** \$5,000-\$24,999 Liberty Circle: \$500-\$999 Founder's Circle: \$25,000+

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Calendar

March 8

Dallas fundraiser with special guests former Senator Phil Gramm and U.S. Congressmen Jeb Hensarling and Mike Pence. *Dallas, TX*

March 25

Policy Primer: "Wind Energy—Power for the Future or a Lot of Hot Air?" Foundation Offices, Austin, TX

March 25

Mary Katherine Stout, Vice President of Policy and Director of the Center for Health Care Policy presents at Collin County's "Collin County Day." *Dallas, TX*

April 10

Drew Thornley, policy analyst, discusses global warming with the Waco Rotary Club. *Waco, TX*

April 12

Mary Katherine Stout, Vice President of Policy and Director of the Center for Health Care Policy and David Guenthner, Media Director present at the Young Conservatives of Texas Convention. *San Antonio, TX*



<u> April 17</u>

Brooke L. Rollins, President, addresses the Fort Worth Chapter of Financial Executives International. *Fort Worth, TX*

May 14

Bill Peacock, Vice President of Administration and Director of the Center for Economic Freedom, moderates a "Universal Service" panel at the 2008 Telecom, Cable & Wireless Conference. *Austin, TX*

May 16-18

The Texas Public Policy Foundation cosponsors the "8th Annual Preserving the American Dream Conference." The conference will include dozens of speakers and workshops on transportation and land-use issues. *Houston, TX*

January 22-23, 2009

The Texas Public Policy Foundation hosts the "7th Annual Policy Orientation for the Texas Legislature." Four Seasons Hotel, Austin, TX

To share Veritas with a friend, send their name and address to veritas@texaspolicy.com.



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