

VOLUME 1 ISSUE 3, 2008

Veritas

A PUBLICATION OF THE TEXAS PUBLIC POLICY FOUNDATION

INSIDE THIS ISSUE:
**HIGHER EDUCATION,
FISCAL RESPONSIBILITY AND MORE**

Texas Public Policy
FOUNDATION



Features

4 Texas-Size Transparency

As government spending has ballooned from straight appropriations as well as earmarks, opinion leaders and the public have sought new ways to hold government accountable by lifting the veil on how taxpayer dollars are spent.

8 Texas Higher Education: Seven Steps to Success

Texas can be a leader in higher education reform by adopting a bold new vision for strengthening higher education across the state—putting students first is an important first step in delivering value to students through more choices, better quality, and lower costs.

12 Conservative Principles... the Next Generation

If we are to be successful messengers of sound, conservative principles in public policy, we must engage and invest in the next generation of policy leaders. To achieve this goal, the Texas Public Policy Foundation continues to expand its internship program—providing hands-on experience for tomorrow's conservative leaders.

Departments

President's Message	page 3
In the News	page 7
Donor's Corner	page 7
Policy Primer Recap	page 11
Foundation News	page 17

Veritas

Issue 3 ★ 2008

Board of Directors

Wendy Lee Gramm, Ph.D., Chairman
Founder, Regulatory Studies Program, Mercatus Center at
George Mason University

Brooke L. Rollins, President & CEO
Texas Public Policy Foundation
Fort Worth/Austin, TX

Tim Dunn, Vice Chairman
CEO, CrownQuest Operating, LLC
Midland, TX

Thomas Lyles, Secretary
President & Gen. Counsel, Mission City Management, Inc.
San Antonio, TX

Ernest Angelo Jr., Treasurer
Managing Partner, Discovery Exploration
Midland, TX

James R. Leininger, M.D., Chairman Emeritus
Founder, Former CEO & Chair, Kinetic Concepts, Inc.
San Antonio, TX

Phil D. Adams
Owner, Phil Adams Company
Bryan, TX

William A. "Bill" McMinn
Senior Advisor, The Sterling Group
Houston, TX

Vance C. Miller
Chairman, President & CEO, Henry S. Miller Companies
Dallas, TX

Brenda Pejovich
Founder & Former CEO, Pejovich & Assoc., Inc.
Dallas, TX

Jeff Sandefer
President, Sandefer Capital Partners
Austin, TX

George W. Strake Jr.
Chairman & CEO, Strake Energy, Inc.
Houston, TX

IN MEMORIAM
Michael S. Stevens
Houston, TX



Veritas is a quarterly publication of the Texas Public Policy Foundation, a 501(c)3 non-profit, non-partisan research institute guided by the core principles of individual liberty, personal responsibility, private property rights, free markets, and limited government.

Dear friends,

FROM THE PRESIDENT

The “winds of change” are blowing a bit harder these days—in our economic forecast and even here at the Foundation. Some feel threatened by change and the uncertainty it brings, while others take a more encouraging view that things can only get better. I see change as opportunity—the possibility to branch out and reach new and greater heights. Therefore, the Foundation is taking the latter approach to these changing times. While staying anchored in the principles that define our roots, we welcome new opportunities to grow in our mission to create a better Texas through the principles of free markets and individual liberty.



Brooke Rollins

One change sweeping across the state is the cry for a greater light to be shed on the way government operates—providing transparency and accountability to the hard-working Texans paying the high price of government. Under the guidance of Governor Rick Perry and the 80th Texas Legislature, the bipartisan effort to bring greater transparency to state and local government has been a phenomenal success. Spearheaded by the Governor’s Office, the Texas Comptroller, and a group of bipartisan legislators, we are setting the national standard for good governance, fiscal discipline, and accountability.

Now, the Foundation’s Center for Fiscal Policy has taken transparency reform to an even higher level with www.TexasBudgetSource.com—a one-stop source for information on Texas state and local government budgets and spending. With links to more than 150 school district check registers, city and county budgets, a searchable database of Texas state spending, and original budget analysis, this website brings together important information that helps you know where and how your tax dollars are being spent and is the first of its kind in the nation. I applaud Talmadge Heflin and James Quintero in our Center for Fiscal Policy for their hard work and continued dedication to this project and for keeping Texas as the national leader in this important issue.

One of the greatest parts of my job is to find, recruit, train, and constantly challenge members of my team to do more and be better than they ever thought possible. For this reason, I am happy and saddened to announce that Mary Katherine Stout, Vice President of Policy and Director of the Center for Health Care, has moved on to a great opportunity of her own. In July, Governor Rick Perry selected Mary Katherine to serve as his Director of Budget, Planning, and Policy. Kudos to the Governor for choosing someone with such impeccable principle and passionate belief in liberty and freedom. Kudos to Mary Katherine for her years of late nights and tireless work ethic in helping us build TPPF to what it is today. She is extremely deserving of this honor, and Governor Rick Perry and Texas will be well served by her talent and intellect. And kudos to our wonderful TPPF team—a team that works to lift each other up—constantly inspiring one another to rise to any challenge or opportunity put before us. Godspeed Mary Katherine! You will be greatly, greatly missed.

With this change brings the opportunity to welcome Justin Keener as our new Vice President of Policy and Communications. Justin’s background includes work in the Texas House, Texas Senate, non-profit community, and private sector. He served as an aide to Speaker Tom Craddick, Senator Florence Shapiro, and the Senate State Affairs Committee. His mixture of policy and communications experience will help us carry the message of free markets and limited government to our state’s policymakers and 23 million fellow Texans. But, these opportunities would never be put before us if it wasn’t for our very generous and dedicated supporters like you. With your continued support, we will ensure that the “wind of change” is always moving in the direction of greater freedom and liberty for all Texans.

Sincerely,

A handwritten signature in black ink that reads "Brooke Rollins".

Brooke Rollins
President

TEXAS-SIZE TRANSPARENCY

by The Honorable Talmadge Heflin &
James Quintero

In 2005, the Alaskan “Bridge to Nowhere” became the iconic symbol of waste and pork, setting in motion new frustration over earmarks which have continued to rankle the taxpaying public. In the months and years since, the public has become increasingly impatient with the proliferation of earmarks and any hint of corruption or sweetheart deals struck between government officials and well connected friends. Indeed, as government spending has ballooned from straight appropriations as well as earmarks, opinion leaders and the public have sought new ways to hold government accountable by lifting the veil on how taxpayer dollars are spent.

Texans should be proud that when it comes to increased transparency in the way government spends tax dollars, the Lone Star State has been a true leader. Almost two years ago, Governor Rick

Perry and Comptroller Susan Combs took the lead by making their office’s spending transparent to the public, followed by the passage of House Bill 3430 which directed a record of all spending to be made available online in a searchable database. Since then, other states have either adopted or proposed transparency legislation of their own and a national transparency movement has taken shape.

Today, the eyes of many governors and state legislatures are fixed upon Texas, looking to follow the state’s lead and taking step-by-step notes on how transparency can be achieved in their state also. In Texas, as in states around the country, transparency has proven to be a solidly bipartisan issue. The Texas proposal was simple: make all state expenditures, including spending on contracts and grants, accessible to the public in a

searchable online database. The legislation authored by State Representative Mark Strama (D-Austin) and a bipartisan list of coauthors passed the Texas Legislature unanimously, and received important support from Comptroller Combs whose office estimated that the online database could be done at no significant cost to the state. Comptroller Combs’ posture on this issue was not only critical to this effort in Texas, but has also proved important in other states where elected leaders cannot plausibly claim such an exercise would be cost prohibitive in their state.

In Texas, as in states around the country, transparency has proven to be a solidly bipartisan issue.

For instance, this fiscal year, Texas taxpayers supported the Texas Cowboy Poetry Gathering to the tune of \$1,426. Sure, it’s something akin to pocket change in a budget exceeding \$150 billion, but taxpayers can decide whether supporting an event celebrating the “oral tradition of the American West”—that those attending daytime sessions enjoy free of charge (and pay only a nominal fee for the evening events)—is an appropriate use of taxpayer dollars. This grant from the Texas Commission on the Arts is just one of the more than \$4 million in “public assistance payments” made to date during fiscal year 2008. Other grants include everything from \$2,500 to the National Windmill Project—a Lubbock-area collection on windmills—



to \$22,592 for the Dallas Opera, whose own website celebrates more than \$1 million in tickets sold and lures corporate donors by noting that one-third of their audience has an income of more than \$100,000.

The Texas Department of Criminal Justice spent \$1.6 million on plants, if you are curious, you can see the names of the vendors and the transaction dates.

Browse other state agency spending and you'll find everything from office supplies to dining out at restaurants, grants to individuals and community programs, rental payments for office equipment, and even the payments to keep the office lights on.

Some of the transparency movement's supporters suggest that greater transparency will prove to taxpayers just how important and stretched their tax dollars are in funding important projects that benefit Texans. Others believe transparency will help make a better case for limiting government growth. Whatever the case, transparency not only equips the public with more information on how the government spends the people's money, but also acts as a safeguard against waste and corruption. Think of it as a 1980s-style Grace Commission, with potentially more than 23 million Texans as members looking to eliminate waste and inefficiency using this online database as an important tool to access records of government spending.

Increasing Transparency

The Foundation has long supported efforts to make government spending more transparent, and we continue to identify and suggest new ways to provide taxpayers this important information. For instance, as early as October 2006, a Foundation publication on the Governor's budget reform plan recommended that transparency requirements extend to counties, cities, school districts, special taxing

districts, and other quasi-governmental entities. As part of this effort, the Foundation's education policy analysts worked with a lawmaker on legislation that would have required school districts to post their check registers online. Although the Governor's and Comptroller's offices found that the transparency effort for all state agencies could be achieved at no significant cost to the state, Texas school districts maintained that posting their check registers online would prove to be a financial and administrative hardship. The legislation to require school district transparency died in the Texas Senate in 2007.

From more information on contracts to ensuring that online databases are friendly and accessible to the public, Texas has been a leader in transparency and must continue to remain at the forefront of this effort.

In addition, the Foundation has also recommended that any transparency requirement should extend to local governments, where explosive growth in government has been largely shielded from taxpayer view. A handful of the state's local leaders are considering transparency measures in their area and



the Foundation looks forward to working with them and highlighting their leadership once local transparency takes hold.

From more information on contracts to ensuring that online databases are friendly and accessible to the public, Texas has been a leader in transparency and must continue to remain at the forefront of this effort.

In a day when many voters have voiced frustration with broken political promises to control government spending, transparency allows the public an important and empowering tool for accountability. Ultimately, Texas taxpayers are paying the tab and deserve to know how their elected leaders are spending the people's money. ★

The Honorable Talmadge Heflin is Director of the Center for Fiscal Policy. He can be reached at theflin@texaspolicy.com. Fiscal policy analyst James Quintero can be reached at jquintero@texaspolicy.com.

All of the Foundation's commentaries and publications on fiscal policy can be found at www.texaspolicy.com.

Log on TODAY... www.TexasBudgetSource.com!



On July 8, the Foundation launched www.TexasBudgetSource.com with the goal of providing a one-stop shop with links to important information on government budgets and spending, as well as easy-to-understand unique content and analysis produced by the Foundation's fiscal policy team.

Called the "Brightest Idea of the Week" by the *Washington Examiner*, noted in newspapers and blogs around the state of Texas, and recommended by *National Review Online* which said, "every state should have a project like this," www.TexasBudgetSource.com had more than 8,000 page views from around the nation in its first day alone.

While Texas makes much of the state's budget information available online, navigating the labyrinth of state agencies and their websites, as well as sifting through jargon-filled documents, makes much of the information impenetrable to many taxpayers. For instance, the 2008-09 budget passed by the Texas Legislature is more than 900 pages in length and written for government "insiders." What's more, the budget appropriates money for the 2008-09 year, but doesn't put how much or where the money is spent into perspective for the layperson to follow.

Texas taxpayers interested in knowing how much the state spends per pupil on public education, or how much the state spends on health and welfare programs, can go to www.TexasBudgetSource.com for both current appropriation levels and a comparison to the last 10 years or more, as well as source documents for our data. More importantly, the information is presented with the public in mind.

In addition to this analysis, the Foundation provides links to contact information and local budgets and check registers of Texas' 254 counties, the 25 largest cities in the state, and every school district. Visitors to www.TexasBudgetSource.com may search for budget and spending information according to county, with expanding options to contact their local leaders to request more transparency as appropriate. Our goal is to increase the amount of information available to the public, and we will rely on Texans to share information we might have missed, as well as contact their leaders to request support to make local and school district budgets and spending more transparent to the public.

In the coming weeks, visitors to www.TexasBudgetSource.com will find new and updated content, as well as new opportunities to weigh in on local government transparency initiatives. Visitors can also hear from Comptroller Susan Combs on the importance of transparency, which has been featured on the front page of the site since its launch, as well as other faces in the state and national transparency movement in the future.

The Foundation has applauded Governor Rick Perry and Comptroller Combs for their vision and leadership in making Texas a leader in transparency, and www.TexasBudgetSource.com enhances the state's efforts in this regard by putting all of this important information in one easy-to-find place.

From www.TexasBudgetSource.com, visitors can use the "Where the Money Goes" searchable database on the Comptroller's site, research other facts and state budget documents, and share the site's images and information with friends via email.

If you haven't yet visited www.TexasBudgetSource.com, we invite you to look at the site and give us your feedback today! More importantly, share it with a friend and help the Foundation emphasize the importance of limiting government growth for the sake of greater freedom and liberty. ★



Donor's Corner

by Shari Hanrahan, Vice President of Outreach

It will come as no surprise that two true pioneers in Texas—the Caruth family of Dallas and the Texas Public Policy Foundation—have come together to protect a legacy of freedom and limited government in the Lone Star State.

As the Texas Public Policy Foundation looks toward its 20th year as a pioneer provider of independent research to policymakers from a state-based, free-market perspective, the Caruth family is celebrating 160 years of building a legacy of philanthropy in Texas.

The first of the Caruth clan landed in Texas from Kentucky in 1848 with a horse, \$100, a gold watch, a pistol, and a vision. Securing a relative fortune through generations of hard work in merchandising and land acquisition, the Caruth family has since benefited the state in countless ways—from building hospitals, schools, and camps for youth, to providing the land to establish Southern Methodist University. W.W. “Bill” Caruth III has been an ardent supporter of the Texas Public Policy Foundation since its establishment in 1989.

As a trustee of the Hillcrest Foundation, which was founded by his grandmother Earle Clark Caruth, Bill Caruth oversees that foundation's mission to provide financial support for the advancement of education, the promotion of health, and the relief of poverty. But as a former sheriff's deputy in Glen Rose, Texas—the hometown of Texas Public Policy Foundation President Brooke Rollins—one of Bill's greatest personal interests is the criminal justice system, while wife Minnie is a longtime volunteer and civic leader who has provided extensive assistance to victims of domestic violence.

Often riding shotgun in police cars throughout the night, Bill has tremendous expertise on law enforcement and crime control both from his own experience and extensive reading. He combines this knowledge with a deep commitment to improve the lives of people in Dallas and across the state. Highly involved in gang



Bill Caruth, Foundation Supporter

intervention, the Caruths are interested in seeing more dollars appropriated for keeping kids in school and more effective use of taxpayer dollars in the criminal justice system—very much in keeping with the research and recommendations of the Texas Public Policy Foundation's Center for Effective Justice under director Marc Levin. In fact, statistics show that keeping more kids in school is the best way to control long-term corrections costs. Bill and Minnie also agree with Marc that mental health issues in prisons are a significant problem, and applaud his Center's work which recommends treatment programs to return prisoners to gainful employment upon release.

The Texas Public Policy Foundation looks forward to continuing to partner with the Caruths to achieve our interest in maximizing public safety for every tax dollar spent, turning today's offenders into tomorrow's productive citizens, and giving victims a stronger voice in our criminal justice system.

With so many common interests, the Texas Public Policy Foundation and Bill and Minnie Caruth are sure to remain pioneers for the good of Texas for years to come. We sincerely thank the Caruth family for putting the Texas Public Policy Foundation at the top of their list for philanthropic giving. ★

TPPF Experts in the News

State efforts to regulate CO₂ emissions “pointless, at best, and counter-productive, at worst,” says Kathleen Hartnett White
- *Dallas Morning News*

Abhinav Kumar: TexasBudgetSource.com “sure to give people an edge over big government bureaucrats and politicians.”
- *The Daily Texan*

Wind turbines cannot be expected to consistently produce abundant energy, notes Drew Thornley
- *The Guardian (UK)*

Companies building wind farms should pick up more of new transmission line cost, according to Drew Thornley
- *Los Angeles Times (CA)*

“State has no authority to regulate Houston's leading source of ozone-forming pollution,” says Kathleen Hartnett White
- *Houston Chronicle*

Nonpartisan efforts for greater transparency and accountability in Texas government are gaining ground, writes Talmadge Heflin
- *Tyler Morning Telegraph*

TexasBudgetSource.com #1 “Brightest Idea of the Week”
- *Washington Examiner (DC)*

TexasBudgetSource.com puts Texas government spend-o-meter online
- *Austin American-Statesman*

TexasBudgetSource.com: “Every state should have a project like this.”
- *National Review Online*

TexasBudgetSource website lets citizens see how tax dollars are spent
- *Dallas Morning News*



Texas Higher Education: Seven Steps to Success

by Kalese Hammonds

WITH THE NEXT legislative session approaching, higher education figures prominently on the agenda. Driving much of the discussion are news stories about the increasing cost of higher education, in which students and parents protest higher education's grip on their pocketbooks, and the institutions themselves argue that financial support from the state has declined and left these institutions to struggle on their own.

These are compelling stories that will weigh heavily on lawmakers' minds when the 81st Texas Legislature gavel into session in January 2009. Unfortunately, these stories paint an incomplete picture of higher education in Texas and ignore the larger and more significant questions surrounding the cost and quality of higher education in Texas.

The Cost of Higher Education

Higher education's costs are climbing, outpacing inflation and even the increasing cost of health care. Paid for largely by third parties—especially financial aid and other loans—there are few market forces at work to encourage the kind of competition that would decrease cost and improve quality. The fact that students and their parents see mounting college costs and college debt building is a regrettable but predictable consequence of the lack of competition and a true free market in higher education. Tuition itself has increased significantly

from \$617 per student in 1976-77 to \$5,836 in 2006-07, but despite reports from colleges and universities that tuition increases are necessary due to reduced state funding, actual appropriations for higher education funding have increased each session, and have only remained relatively flat in inflation-adjusted terms. Thus, tuition increases hitting students and their parents in the pocketbook are not necessary to cover reductions in state funding, but to address overall increases in what public institutions of higher education need to cover their mounting costs.

Importantly, those costs are increasing much faster than inflation for reasons that regents and administrators can control. Again, lack of competition plays a role by reducing the imperative to operate with efficiency and by largely shielding institutions from what the customers—the students—would actually demand.

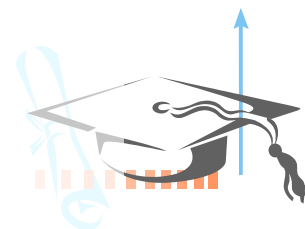
Consider that while appropriations have remained relatively flat, the total cost per full-time student at the University of Texas-Austin increased from \$21,151 in 1980 to \$36,769 when held constant in today's dollars. These increases are not unique to Texas, and neither are the driving factors that fuel much of the increase in total cost such as a ballooning 35 percent growth in non-instructional staff at universities around the nation, all while almost half the faculty at research institutions teach

well less than 10 hours a week (generally between four and six depending on the calculation).

By comparison, four-year for-profit institutions of higher education are roughly one-third of the cost of their state-controlled partners. That is an average total cost of \$10,818 at a for-profit university, while the cost of the University of Texas-Austin is roughly \$37,000.

Quality of Higher Education

Ask a college student what more they are getting in return for the tuition hikes and the likely answer is “not much.” In fact, with fewer faculty hours spent in the classroom, many institutions leave undergraduate teaching to graduate students and adjunct faculty members who address enormous lecture halls. Whether any of this is a problem is one the marketplace should decide, but these institutions ought to be more transparent about what students can expect. For instance, based on a similar students' performance, how likely is it that they will graduate? How likely is it that they can find a job? What can they expect to earn once they graduate? What can they expect in terms of classes and teachers?



Strengthening Higher Education in Texas

The Foundation's seven solutions for strengthening higher education center around several important themes.

First, effective teachers should be identified, publicly celebrated, and financially rewarded with bonuses.

Second, teaching and research budgets should be separate so institutions can balance these competing interests and ensure a focus on quality teaching. Researchers would be compensated for the external research dollars they bring to a university, while teachers would be compensated according to students taught and student satisfaction.

Third, with a renewed emphasis on teaching, the tenure system should be restructured to also reward the best teachers. Today tenure emphasizes research and publication, often to the exclusion of teaching, but teaching is what these institutions are intended to do. In addition to separating research and teaching budgets, institutions of higher education should also award the major-

ity of its tenured positions to outstanding teachers.

Fourth, customer feedback and competition should drive innovation and improvements in higher education. To ac-

complish this, colleges and universities should use learning contracts to disclose important information to consumers about who is teaching, how satisfied other customers have been, whether students can expect to graduate based on their SAT scores, what kind of jobs and salaries they can expect, as well as important class size and grade distribution factors. These learning contracts allow parents and students to hold these institutions accountable for their promises.

In addition, the state should put state funding in the hands of students and parents, empowering students to consider their educational options in a marketplace that will create important incentives for competition. Importantly, giving the funds to students makes higher education student-centered and consumer-driven, rather than politically driven, and encourages universities to focus on enrolling, retaining and graduating their students.



Foundation board member Jeff Sandefer discusses higher education in Texas with special guest and speaker, former Majority Leader Dick Armey, at the Higher Education Summit in May.



Governor Rick Perry addresses Regents of the state's major university systems to discuss higher education challenges and proposed solutions at the Higher Education Summit, hosted by the Texas Public Policy Foundation.

continued >> page 10

Finally, in order to generate more competition, the state must lower barriers to innovation. Already, the Texas Higher Education Coordinating Board has taken important steps to make certification easier for new entrants, which will afford Texas students more choices. To further lower these barriers to innovation, a new accrediting agency with a results-based focus should emerge and be allowed to compete in Texas. Right now regional accreditors have a monopoly as Texas is part of the Southern Association of Colleges and Schools. More accrediting bodies competing in Texas would open the marketplace to more competition.

While many have viewed these recommendations as controversial and even as an “assault on tenure,” the truth is that these recommendations are entirely about putting students first. The state’s growing population will require a stronger higher education marketplace with public institutions and for-profit institutions each playing an important role in a competitive environment that serves students, and there is no question that the status quo cannot meet the demand and expectations of either today’s or tomorrow’s students.

Texas can be a leader in higher education reform, but the state needs to

adopt a bold new vision for strengthening higher education in Texas. This new vision includes making Texas the national leader in higher education by attracting the best students and faculty from around the nation. More importantly, putting students first is an important first step in ensuring a world-class higher education system that delivers value to students through more choices, better quality, and lower cost. ★

Kalese Hammonds is a policy analyst with the Texas Public Policy Foundation. She can be reached at khammonds@texaspolicy.com.

www.TexasHigherEd.com... An Online Resource for Higher Education Reform in Texas

This spring, the Foundation hosted the Regents of the state’s major university systems to discuss higher education challenges and the Foundation’s proposed solutions. The event included more than half a dozen experts from around the nation who participated in the discussion, as well as remarks from special guests former Majority Leader Dick Armey and Texas Governor Rick Perry.

Built around the “Gone to Texas” theme inspired by the signs posted on doors as people moved West to find new opportunity in Texas, the event provided regents with important information and data on higher education in general and the performance of Texas public colleges and universities in particular. Foundation board member and founder of the Acton MBA program, Jeff Sandefer, moderated the event and made the case that “Gone to Texas” is

exactly what Texas higher education should strive for: to be a magnet for the best and brightest students, researchers, and teachers around Texas and the nation.

To follow up on the summit, the Foundation launched www.TexasHigherEd.com, a website devoted to providing important research and recommendations on higher education reform. The website includes all of the Foundation’s publications on higher education, along with important information on cost and quality of higher education in Texas.

Log on today!
www.TexasHigherEd.com



State Competitiveness: How Does Texas Measure Up?

by James Quintero



Panelists from left: Dick Lavine, Donna Arduin, and Scott Hodge discuss how Texas measures up to other states in terms of economic growth and spending.

In today's fiercely competitive global marketplace, government fiscal policy has a profound impact on the movement and expansion of the private sector. Forever gone are the days when government could aimlessly craft public policies without first considering the reaction of the private sector. Now, modern transportation, instant communication, and global interconnectivity mean that labor and capital have reached a level of mobility never before seen and they are always on the lookout for more impressive suitors.

In the biggest, most highly-prized economy in the world, the Texas economy shines above the rest. While most states are feeling the pinch of an economic slowdown, the vibrant Texas economy—known for its “business-friendly” environment—continues to prosper and attract capital investment and new jobs to the state.

Growing at nearly 4 percent a year, the Texas economy is soaring above the national economy by almost four times the growth rate. More than a million

new jobs have been added to the economy since 2004, as evidenced by an unemployment rate that is well below the national average and very near a historic 25-year low. As the nation's leading export state for the sixth year in a row, the Lone Star State is also well positioned in the global marketplace.

But in a time of such economic uncertainty, how is Texas able to enjoy such a great economy?

To answer this question, the Texas Public Policy Foundation assembled a panel of experts from around the country whose unparalleled expertise in government tax and spending issues helped illuminate how the state's fiscal policies have been instrumental in its success.

Advocating the principles of limited government and fiscal responsibility, Donna Arduin of Arduin, Laffer, & Moore, LLC, and former Director of Finance to California's Governor Arnold Schwarzenegger, emphasized that the state's phenomenal economic growth, particularly at a time of national decline, was a result of the highly favorable tax structure in place. By encouraging innovation and promoting entrepreneurship, the state had strengthened the private sector and cushioned itself against any sort of economic slowdown.

Bolstering her argument was the President of the Tax Foundation, Scott Hodge. Throughout his compelling speech, Hodge repeatedly stressed the importance of Texas' tax structure to its global competitiveness. States who

ignore the impact of their tax structure and tax at higher rates, force businesses to flee, which in turn shrinks the tax base and causes government revenues to fall and makes everyone worse off.

To provide a well-rounded discussion, the Foundation invited Dick Lavine of the Center for Public Policy Priorities who argued in favor of higher taxes and bigger government. Income redistribution, it was argued, was the only way to keep the Texas economy moving along.

But, as evidenced by our strong economic growth rate, business-friendly environment, and highly-favorable tax structure—it appears that Texans are doing just fine! ★

James Quintero is a fiscal policy analyst in the Foundation's Center for Fiscal Policy. He can be reached at jquintero@texaspolicy.com.



James Quintero, policy analyst in the Center for Fiscal Policy moderates the panel discussion.

Sound Conservative Principles ... the Next Generation

by Nancy Druart



Foundation interns with Chairman Dr. Wendy Lee Gramm. From left: Andrew Wright, Mallory Sealy, Chairman Wendy Gramm, Ryan Roberts, Andrew Liu, Andrea Abrams, Mike Alexander, and Thomas Conner.

If the Foundation is to be a successful messenger of sound, conservative principles in public policy, we must engage and invest in the next generation of policy leaders. To achieve this goal, the Texas Public Policy Foundation continues to expand its internship program.

Sponsored this summer by the generous contribution of Foundation supporter Ms. Betty Wolfe, the internship program provides students the opportunity to enter the public policy arena and gain real-world experience at one of the nation's leading free-market think tanks. The program offers these future leaders the chance to engage in hands-on projects with the Foundation's professional and executive staff in various fields. Most importantly, it helps to move the next generation of rising policy leaders beyond internships and into their careers.

"The experience I gained researching and writing on important policy topics, as well as the contacts I made through the foundation, will help launch me to a successful career as a budget and policy analyst," said

Andrew Wright, a Texas Tech graduate student and one of seven 2008 summer interns.

This select group worked alongside Foundation staffers from the various policy centers ranging from fiscal policy to health care and education to effective justice or within the Foundation's development department. They also attended policy events, lectures, legislative hearings and testimony, and made frequent trips to the Capitol to deliver the latest Foundation research and get to know legislators and Capitol staff.



Andrea Abrams: Development & Events; Texas A&M University/Communications major, Business minor

"I learned about TPPF from President Brooke Rollins. I was in charge of the Speaker Dinner that honored Brooke when she was the 2007 Muster speaker at Texas A&M University. I worked very

closely with her throughout that time and was able to learn about the Foundation through our many conversations. I could tell how passionate and deeply committed she was to the principles and mission of their work and that contributed greatly to my interest in TPPF."

Michael Alexander: Center for Education Policy; George Bush School of Government and Public Service at Texas A&M University/ Master of Public Service and Administration

"The most important thing that I have learned about the free market in my time here at TPPF is the importance of competition. If there is no competition there is no incentive for improvement. Education is an excellent example. When parents have no choice in where their children attend school, there is no incentive for the schools providing the education to improve. There are many examples however where competition in schools, either through charter schools or voucher programs, has led to improvement in educational quality both at the non-traditional schools and the traditional public schools."

Thomas Conner: Center for Health Care Policy; Texas A&M University/ Industrial Distribution major, Business minor

"I have been interested in public policy since high school when I was on the high school debate team. I competed in an event that required me to discuss current events and public policy issues. It challenged me to stay informed and question governmental policy regarding what is best for our state and nation. The single most important thing I have learned at TPPF is that over the long-run, society improves not because of the mandates of government, but because of the aspirations and contributions of entrepreneurs in the free market."

Andrew Liu: Center for Economic Freedom; Williams College, Massachusetts/undeclared major

“I became interested in public policy my junior year of high school, when I did an internship teaching low-income middle schoolers. Working with those students made me realize that there is a great disparity between public schools in low income neighborhoods and higher income neighborhoods. I wanted to change things on a bigger scale, so I became interested in learning about policy options such as school choice that would promote competition among schools. This sort of thinking engaged me with other free-market ideas, so I applied to the Koch Summer Fellows program and requested to be placed at TPPF.”

Ryan Roberts: Center for Effective Justice; University of Texas School of Law, second year student

“I became interested in an internship with TPPF during my first year in law school. I thought that it might be beneficial to gain some perspective on the policy/creative side of the law, so I took on a position in the Center for Effective Justice



Thomas Conner presents his policy research on health care at the end of his internship in the Center for Health Care Policy.

at the Foundation. While here, I have been exposed to, among other things, some of the inefficiencies in our state government in and around the area of criminal law. This internship has been an experience unlike most had by first year law students, who take on positions in firms, with appellate courts, or for the state. I know that this unique opportunity has and will have an impact on my legal education.”

Mallory Sealy: Media & Communications; Southern Methodist University/ English and Art History major

“I first became interested in politics because of the times we are living in. It is hard to turn your back to what is going on politically at a time like this. From there, it seemed like policy work was more genuine and focused. It seemed like a field where the work you put in returned results. I am working in the media department. I think it is a great fit because I like focusing specifically on the ways that messages are delivered and especially with the Foundation, the issues are powerful enough that they just need to reach people.”

Andrew Wright: Center for Fiscal Policy; Texas Tech University/Joint Masters of Public Administration; Masters of Arts in Economics Program

“When I was doing my undergraduate work in economics I was introduced to the role of economics in public policy, and the importance of the economy to the future of our nation. From this I developed a desire to apply economic principles and theories to problems of public policy in order to develop new solutions. In gen-



Andrew Wright provides a summary presentation on the Foundation's new fiscal transparency website, www.TexasBudgetSource.com as part of his work with the Center for Fiscal Policy.

eral, I think America has become a nation that believes government exists to provide for our needs. Instead of doing for themselves, people want things done for them. What they don't realize is that when you become dependent on someone or something, you give up part of your freedom. This is one of the challenges of espousing free market principles; people have to be convinced that they can and should care for their own needs instead of going to the government.”

We are excited about the future of Texas because we have witnessed firsthand what these talented, bright leaders of tomorrow have to give in the quest for greater freedom and liberty throughout Texas and the nation.

The Texas Public Policy Foundation's internship program is only possible with your support. Help us train tomorrow's leaders by sponsoring a full semester with your generous investment today. Although individual interns can be sponsored, a full semester's commitment ensures we can attract the brightest talent and set them on their way to improving Texas' future. ★

To sponsor the Texas Public Policy Foundation's internship program and help prepare tomorrow's leaders, contact Shari Hanrahan at (512) 472-2700 or email shanrahan@texaspolicy.com today!

Capital Campus Texas on the Riverwalk

by Nancy Druart



Keynote speaker and author, Amity Shlaes, signs her most recent book, "The Forgotten Man" for a *Capital Campus Texas* attendee, as Foundation interns look on.

For the second year in a row, the Foundation joined with the Mercatus Center at George Mason University to cohost a special program focused on providing legislative staff with a greater understanding of the intersection of economics and public policy. *Capital Campus Texas* is patterned off of the Mercatus Center's successful Capitol Hill Campus program in Washington, DC, and similar state-focused programs in almost a dozen states around the nation.

Participants in the *Capital Campus Texas* program are selected from a competitive application process, and invitations were extended to more than 40 participants from state agencies, leadership offices, and legislative staff for Republicans and Democrats.

Against the backdrop of the San Antonio Riverwalk, the *Capital Campus Texas* 2008 class spent a full day and a half learning about and discussing

some of the most important public policy issues facing the state today, including regulatory policy, water policy, higher education, and transportation. Some of the nation's leading scholars and thought leaders led the discussion on these important issues.

Last year's *Capital Campus Texas* class was treated to a lesson in economics and economic policy of the last 45 years from Dr. Arthur Laffer. This year's class enjoyed a dinner keynote speech from best-selling author Amity Shlaes. Ms. Shlaes' most recent book, "The Forgotten Man," chronicles the economics and history of the Great Depression and the New Deal, while her speech focused on the campaign taking place in 1935 and 1936. Ms. Shlaes made the case, as she does in her book, that the growth of the federal government had a lasting impact on federalism and the role of states, noting that federal spending on projects around the country brought about greater dependence on



Capital Campus Texas attendees enjoy the dinner keynote as well as the hands-on, intensive policy sessions throughout the two-day program.

CAPITAL CAMPUS TEXAS continued

the federal government. Although popular history shows President Roosevelt as the hero that led the nation from the Great Depression, Ms. Shales' book highlights the regulatory and economic consequences of New Deal Policy that often made the depression worse and longer for many people.

"Americans just now need what Amity Shlaes has brilliantly supplied, a fresh appraisal of what the New Deal did and did not accomplish..."

-George F. Will, Columnist

Other scholars participating in this year's program included:

- Dr. Antony Davies of Duquesne University
- Dr. Jerry Ellig of the Mercatus Center at George Mason University
- The Honorable Maurice McTigue, former New Zealand Parliament member, Cabinet Minister, and Ambassador
- Dr. Richard Vedder of Ohio University and the Center for College Affordability and Productivity
- The Honorable Kathleen Hartnett White, Director of the Foundation's Center for Natural Resources and former chairwoman of the Texas Commission on Environmental Quality

For the second year in a row, *Capital Campus Texas* participants gave the program positive reviews, noting the interactive approach, in-depth presentations, discussion on important issues, all with a small group of focused participants. ★

Nancy Druart is the publications & marketing manager at the Texas Public Policy Foundation. She can be reached at ndruart@texaspolicy.com.



TOP PHOTO: Dr. Antony Davies of Duquesne University presents at one of the breakout sessions.

MIDDLE & BOTTOM PHOTOS: *Capital Campus Texas* participants enjoyed the hands-on, interactive approach to learning about complex policy issues.

An Interview with Amity Shlaes

by David Guenther, Director of Media and Government Relations

The following is an excerpt from a Texas PolicyCast interview by David Guenther, Director of Media and Government Relations, with author and "Capital Campus Texas" keynote speaker Amity Shlaes. The full audio of this interview, along with a complete archive of all Texas PolicyCast recordings, is available on the Foundation's website at www.TexasPolicy.com.

DG: Amity, what were some of the goals you hoped to accomplish telling the story through the lens of the forgotten man?

AS: Well, the phrase itself is important. Roosevelt spoke of the "forgotten man" at the bottom of the economic pyramid in his famous speech on the Lucky Strike Hour in the campaign of 1932. He was talking about the poor man, the homeless man, and that became iconic for his campaign. But people knew there was another "forgotten man" from the culture, identified by a philosopher named William Graham Sumner. His "forgotten man" was the taxpayer who pays for the progressive project for the poor man of whom Roosevelt spoke, and these guys were in opposition and people at the time knew it. And the people said, no, you have the wrong "forgotten man" here in the New Deal, you're helping the wrong person. So that seemed a good theme for the book. Who's more important? Who benefits? The homeless person in a dark period or the person whose subsidizing the progressive project?

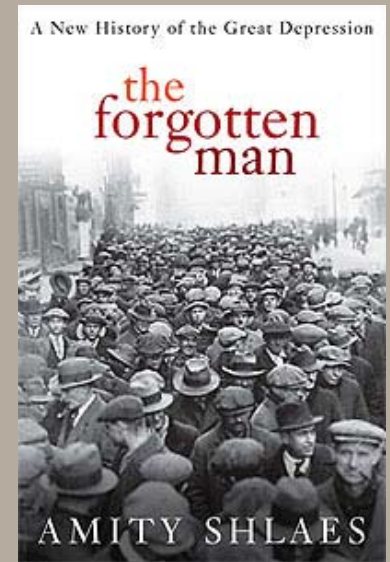
DG: The commonly accepted history of the Great Depression that we've all been brought up with is that it's Herbert Hoover's fault and Franklin Delano Roosevelt and his New Deal saved the country. But your premise is that Roosevelt's emphasis on government planning intensified and prolonged the crisis. How did you arrive at that conclusion?

AS: I looked at the data. I think a lot of our history is told through history and not economics. Or, it's told through law and history and not through economics. And when you look at the period, you see that what we learned is correct about Hoover. He was a well-intentioned man, in many ways, a wonderful man, a paradigmatic businessman who thinks he can do anything—but he did misstep in a number of ways. And then Roosevelt intensified those missteps, and you'll see it in just the two numbers that we always look at when we think about markets through the 30s. One is unemployment, which was still at 20% many years into the New Deal in 1937-38, and employment just did not come back. And the other was the Dow which, of course, never came back throughout FDR's New Deal.

DG: Do you see similarities in the attitudes and expectations about the current state of the U.S. economy and those of the forgotten men from the 1930s?

AS: Well, in the concern about housing; they lost houses, we lost houses, but we want to be clear about where we are at. We have enormous potential for trouble in the United States, but the current situation is to the Great Depression as a little drizzle is to a Katrina. In the Great Depression, people lost their home when they owned 90% of that house and only 10% was their loan. Today, people lose their home when they own 5%. People lost their home when they were almost all paid up because of the serious deflation in the market, because of a lot of other factors, because of farm prices. It was several magnitudes worse.

DG: If the New Deal went too far, where should it have stopped? What's the optimal balance between power and liberty?



Amity Shlaes is a syndicated columnist for Bloomberg and a senior fellow at the Council on Foreign Relations. She is a contributor to "Marketplace," the public radio show and has appeared on numerous other radio and television shows over the years.

Ms. Shlaes was formerly a columnist for the Financial Times and, before that a member of the editorial board of *The Wall Street Journal*, specializing in economics. In the early 1990s she served as the *Journal's* features, or "oped" editor. Prior to that she followed the collapse of communism for *The Wall Street Journal/Europe*. Over the years she has published in the *National Review*, the *New Republic*, *Foreign Affairs* (on the German economy), the *American Spectator*, the *Suddeutsche Zeitung* and *Die Zeit*. In 2002 she contributed an article on the U.S. tax code to the 30th anniversary anthology of Tax Notes, the scholarly journal.

Ms. Shlaes has twice been a finalist for the Loeb Prize in commentary, her field's best known prize. In 2002 she was co-winner of the Frederic Bastiat Prize, an international prize for writing on political economy.

continued >> page 17

AS: It's one of the things we think about a lot today. The good things the New Deal did involved establishing certainty and transparency. The Securities and Exchange Commission was created. That made American markets the envy of the world: that you knew what the rules were in the stock market game. I see that as a positive. I even see deposit insurance as a positive. Like Milton Friedman, I think on balance it's a pretty good idea even though, of course, we extended too much as we just recently did in 2008. You create a problem, a so-called moral hazard, that people will count on government to bail them out. But those are the two good ones—deposit insurance and the Securities and Exchange Commission.

DG: What can we learn from the failures of the New Deal and that type of approach to economic social problems

that could be applied to the present and future policy?

AS: Well, FDR had a famous mantra: bold persistent experimentation, action for action's sake. And we learned growing up that that was good—somebody had to do something, that's the refrain that we heard. Well, we also know that action for action's sake and experimentation have a negative consequence—they generate uncertainty, the unknown unknown. And in fact, when you look at the 30s and you see the markets, you know, the Dow was at its most volatile in that decade. It went up and down, up and down. And you look at what businesses said, the uncertainty slowed things down. Businesses were afraid to invest when they didn't know the limit of what government would do, and that is extremely germane for today because we have, for example, these GSEs: Fan-

nieMae and FreddieMac—uncertainty about whether they are a part of government or in the private sector. And that's the scale of uncertainty that could cause a large problem in the U.S. So those go to that theme—uncertainty is bad. It sounds good; Keynesian economists think it's good; we learned it was good in the 30s. It wasn't.

Share *Veritas* with a friend and win a chance to receive a hard copy book by Amity Shlaes, "The Forgotten Man," signed by the author. Send in the names and addresses of your friends to veritas@texaspolicy.com by the November 15 deadline. Don't delay—share *Veritas* with your friends TODAY!

Foundation News

Keener Joins Foundation as Vice President of Policy and Communications

Justin Keener joined the Texas Public Policy Foundation in August as the new Vice President of Policy and Communications. His mixture of policy and communications experience will help the Foundation carry the message of free markets and limited government to the state's policymakers and 23 million Texans.

"The Texas Public Policy Foundation has a well-earned reputation for providing sound research," Keener said. "I am excited to work with its policy experts to educate Texans and their elected officials on how free markets and limited government provide the best solutions to our state's challenges."

Keener's legislative experience includes serving as an advisor to Texas Speaker Tom Craddick, and as communications director to Senator Florence Shapiro and the Senate State Affairs Committee. His extensive public affairs background started at the Greater Dallas Crime Commission, then as a lobbyist with a small firm in Dallas, and as a vice president in Austin with two of the nation's largest public affairs firms. He has also served as a consultant to Rep. Linda Harper-Brown of Irving, and Rep. Jerry Madden of Plano.

Justin's clients have included political candidates, advocacy associations, numerous Fortune 500 companies, and market leaders in the health care, infrastructure, information technology, aerospace, manufacturing, and retail sectors. Some of Justin's corporate clients have included Accenture, Nestle, the World Congress on Information Technology, Northrop Grumman, NRG, Vought Aircraft Industries, SigmaTel, the Methodist Hospital, the Pharmaceutical Research and Manufacturers Association (PhRMA), and Wal-Mart.

Keener fills a new position created after the departure of Mary Katherine Stout, the Foundation's former vice president of policy who was named director of the governor's budget, planning, and policy division. In addition to overseeing all public policy initiatives, Keener will direct the Foundation's communications initiatives in order to expand the organization's reach across Texas and within the Capitol.

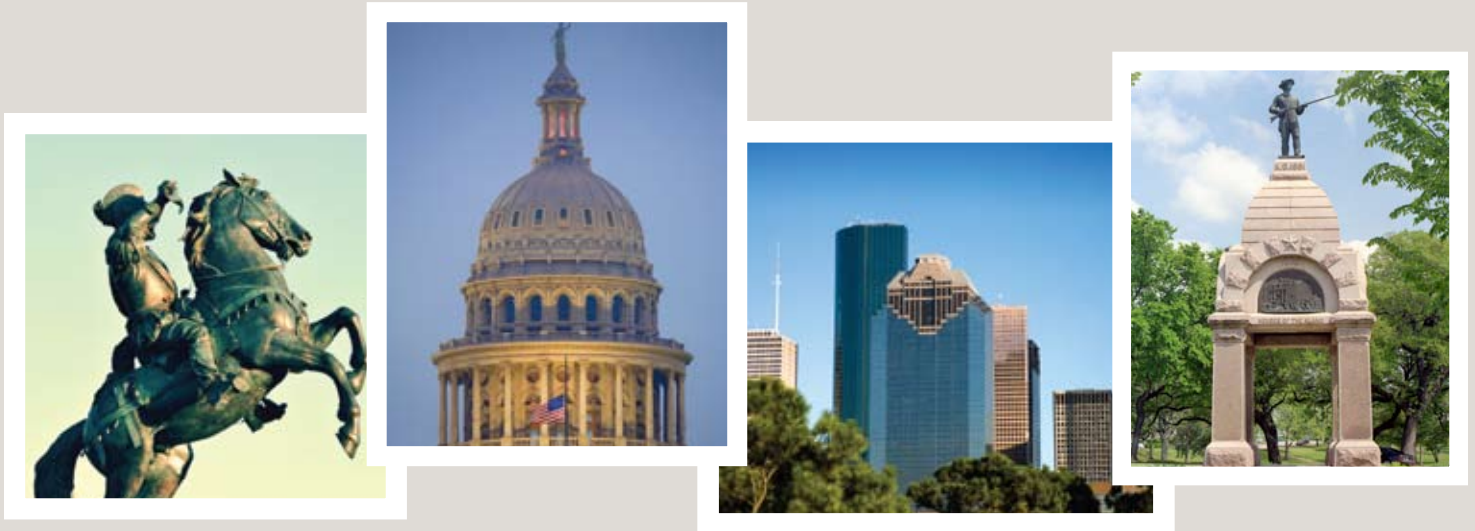
Justin is a sixth-generation Texan and lives in Austin with his wife Kristen, and sons David and Adam. ★



Justin Keener

Foundation Supporters

Join our Visionaries to Celebrate the Past while Preparing for the Future



Have you joined the Texas Public Policy Foundation's Leadership Council so that you can be an integral part of the Foundation's vision for 2009? Many Foundation benefactors have already committed to join us at this level, and we hope you will too!

Leadership Council members give at least \$1,000 per year or about \$83 per month. Our Leadership Council is pivotal to the success of the Foundation, as we rely heavily on this unique groups of individuals for their support. Leadership Council members receive notices of all our released publications, and invitations to conferences, workshops, and special events such as our *Visionaries Meeting!*

New to Leadership Council events (and our even more exclusive 1876 Society who give at the \$5,000+

level), is a unique opportunity to join Foundation board members and Chairman Dr. Wendy L. Gramm, Chairman Emeritus Dr. James Leininger, President Brooke Rollins, and special guest Barry Goldwater Jr. at our *Visionaries Meeting*, held January 23-24, in conjunction with the *7th Annual Policy Orientation for the Texas Legislature*. This is an incredible opportunity to celebrate our biggest wins and discuss the Foundation's 2009 strategy for the 31st Legislative Session while enjoying the fellowship of others dedicated to freedom in our capital city. In addition to the excellent policy panels and nationally-known keynote speakers, there will be a private reception at the Pease Mansion, built by the

same architect as the current Governor's Mansion.

With a budget of \$2.8 million—an increase of 25 percent over 2007—we rely on this group of freedom fighters to help provide what it takes to educate policymakers.

As one who loves liberty, please consider joining us as a Leadership Council or 1876 Society member, and help us plan for the future at the Texas Public Policy Foundation's *Visionaries Meeting*. We look forward to hearing from you today!

☞ Shari Hanrahan, Vice President of Outreach

Call or email Shari Hanrahan if you would like to join our Leadership Council and receive your invitation to our *Visionaries Meeting* at 512-472-2700 or shanrahan@texaspolicy.com.

Pease Mansion: A True Texas Treasure

Join the Leadership Council, Capitol Council, or our even more exclusive 1876 Society, for an unique opportunity to join Texas Public Policy Foundation board members and President Brooke Rollins at our 2009 *Visionaries Meeting*, held January 23-24, in conjunction with the *7th Annual Policy Orientation for the Texas Legislature*. The *Visionaries Meeting* will include a private reception at the beautiful, historic Pease Mansion.

- ☞ Built by Abner Cook and completed in 1853
- ☞ Sold to outgoing Texas Governor Allan Shivers and his wife
- ☞ Sold to University of Texas
- ☞ Sold to the State of Texas in 1997 because Texas Lieutenant Governor Bob Bullock dreamed of making it the new Texas Governor's Mansion—the dream died upon Bullock's death
- ☞ Saved and restored by Texas Public Policy Foundation board member Jeff Sandefer in May 2002



For more information on the *Visionaries Meeting* or how to become a member of the Leadership Council, Capitol Council, or 1876 Society, contact Shari Hanrahan at shanrahan@texaspolicy.com or (512) 472-2700.

Yes! I want to help Texas policy leaders by funding the development of comprehensive, critical research that addresses the state's most pressing issues. I would also like a free subscription to: *Veritas* *Texas Public Policy News (TPPN)*, electronic newsletter.

Name: _____ Company: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ E-mail: _____

Please accept my check: personal business

Please bill my: MC Visa Amex Card#: _____ Exp.: _____ Security Code: _____

Signature: _____

Your generous donation is tax-deductible under Section 501(c)3 of the Internal Revenue Code and helps ensure our continued work. Donations can be made online at www.TexasPolicy.com or mailed to **Texas Public Policy Foundation, 900 Congress Ave., Ste. 400, Austin, TX 78701.**

save the date

7th Annual Policy Orientation for the Texas Legislature

The Texas Public Policy Foundation is proud to announce its 7th Annual Policy Orientation—an annual event which brings together lawmakers, policy experts, and interested citizens from across the political spectrum to discuss the most critical issues facing the state.

Join us at this premier policy symposium for an exciting line up of state- and nationally-known keynote speakers and panel sessions covering a broad scope of policy issues. Some of our past keynote speakers have included Newt Gingrich, John Stossel, Texas Governor Rick Perry, South Carolina Governor Mark Sanford, Dr. Arthur Laffer, and many more.

January 22-23, 2009



Four Seasons Hotel
Austin, Texas

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



P.O. Box 1449
Austin, TX 78767-1449
www.texaspolicy.com

NON-PROFIT ORG.
U.S. POSTAGE PAID
PAID
PERMIT NO. 403
AUSTIN, TX