Ethan Allen Institute

Newsletter - April 2017 (Printer Edition)

Top Story: Join us April 20 for the Annual EAI Jefferson Day Dinner

President Jefferson Stares Down Islam

Every year the Ethan Allen Institute celebrates the life, legacy, wisdom and guiding principals of Thomas Jefferson. This year we will celebrate with a dinner and presentation by EAI founder, John McClaughry titled, “President Jefferson Stares Down Islam.” This will focus on our early history tangling with the Barbary Pirates. These under-reported events in our history led to the founding of our national navy, launched the heroic careers Stephen Decatur and the USS Constitution, and inspired the line “…To the shores of Tripoli” in the Marine’s Hymn.

Jefferson was in his day an outstanding advocate of religious tolerance. But as Congress’s Ambassador in England in 1786 he learned firsthand from the Algerine ambassador, what Muslim states along the North African coast had in mind for American shipping. Later on, when he was President, he took decisive action to protect American interests against Islamic-motivated assaults in the Mediterranean. Jefferson’s actions provide many lessons and insights into our world today.

Please join us, Thursday, April 20 at the Doubletree by Hilton hotel and conference center at 1117 Williston Road in South Burlington (a quarter mile east of I 89 Exit 14E.) The cash bar social hour begins at 6:15, and the dinner at 7:15.

Entrée choices are Bellissimo Grilled Sirloin or Maple Glazed Salmon, plus appetizer, dessert, and coffee or tea.

All friends of the Institute are welcome. The dinner is $35 per person, and reservations (indicating entrée choice) should be made before April 17 by email to annem@kingcon.com or john@ethanallen.org) or by phone to 802-695-1448. Pay by check to Ethan Allen Institute, 4836 Kirby Mtn. Rd., Concord VT 05824) or online HERE (Please note "Jefferson Dinner" where it says "Add special instructions to the seller".)

Don’t miss this chance to enjoy great company and to hear one of the most exciting and interesting stories in our nation’s history, as well as a brief presentation by EAI president Rob Roper about what the future holds for the Ethan Allen Institute.

We look forward to seeing you!

If You Haven’t Already, Please Renew Your Support for 2017!

The Ethan Allen Institute is your voice for limited, common sense government in Vermont. Help us continue our efforts in 2017 to educate our fellow citizens about what's happening in Montpelier with Roll Call Profiles, Videos from the Statehouse, Weekly Op Eds in Local Papers, Common Sense Radio, and EAI Presentations in Your Community.

If you value these services, please contribute today. Thank you!

Ethan Allen Institute, PO Box 543, Montpelier, VT 05601

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Commentary: The Benefits of "Grotesque Inequality"

By John McClaughry

In a recent talk before students at St. Johnsbury Academy, Sen. Bernie Sanders declared that although we are living in the wealthiest country in the history of the world, "the nation's wealth is in the hands of a privileged few", producing what he called an "unfair and grotesque level of income inequality."

This is a familiar theme for Sanders, who has attacked the unworthy rich in every campaign he has run since 1972. His socialist playbook has always called for a sharp focus on perceived injustices that can motivate people to vote for redistribution of income and wealth from rich to poor. Its strategy is to make the uncontestable fact that some people are rich, or just well to do, a source of resentment and envy among voters who have little or nothing. Then urge them to put socialists into power to redress this "unfair and grotesque" injustice, at the expense of unworthy others.

The premise, of course, is that "the rich(er)" got that way by stealing the "surplus value" created by the labor of the working class.

As an example of the unworthy rich, Sanders told the students that "the family who owns WalMart alone possesses more wealth than the bottom 42 percent of all Americans combined." The company's stock has been publicly traded since 1970, but it's certainly true that the heirs of WalMart founder Sam Walton (died 1992) have a greater collective net worth than the bottom 42 percent of all Americans combined, only part of which is WalMart stock.

Forbes magazine's latest "Top Four Hundred" wealth ranking includes seven WalMart heirs, who together have a net worth of $134 billion. (There may be others below Forbes' $4 billion cutoff.)

By comparison, the bottom 40% of U.S. households have a total net worth on the order of… zero. The Bernie Sanders household alone has a greater net worth than all of their fellow Americans in those two lower quintiles.

What's so unfair about this? Let's do a quick trip through Wal-Mart history.

Sam Walton earned his way through college, served in WWII, and worked and saved to buy a Ben Franklin "five and dime" store in Newport, Arkansas (1950 pop. 6,000). After seventeen years opening small stores in small towns, Sam hit on the idea of

WalMart. He opened the first one in Rogers, Arkansas in 1962.

As it developed over the years, WalMart prospered by offering a wide range of products at prices attractive to rural, small town , and often lower income customers. Sam's innovations included an almost fanatic attention to squeezing out waste, driving hard bargains with suppliers on price, quantity and delivery, and installing a pioneering computerized inventory management system that brought goods to the shelves just before they were purchased by consumers.

Sam created his own trucking fleet and regional distribution centers. Over time the company expanded with Sam's Club, aimed at small business customers, Super Centers that include groceries, and online marketing. WalMart's motto is "everyday low prices", and it operates almost entirely without advertising.

WalMart early adopted a profit sharing plan. According to business historians Richard Vedder and Wendell Cox, "while profit sharing was offered partly to help keep out unions, Walton believed that the carrot of building an ownership interest in the company (financed by company contributions) did more to increase loyalty, stimulate innovation, and reduce employee turnover (and therefore training costs) than anything else he did."

WalMart pays competitive retail industry wages in the localities it serves. The company also offers its employees contributions to 401(k) investment plans, tuition assistance, disability insurance, and a health plan that pays on average 75% of eligible employee premiums, 100% of preventive care costs, and employee-owned Health Savings Accounts funded with $600 company contributions.

As a result, Sam Walton's heirs, and many of their long time employees, became very wealthy, and make enormous charitable contributions. Last year the Walton Family Foundation announced it would grant $2 billion over the coming five years (in addition to corporate grants) to support environmental, education and community improvement projects.

There is a lesson here that the Academy students surely will never hear from Bernie Sanders.

Sam Walton's strong principles, honesty, hard work, risk taking, innovation, and concern for his co-workers built an astonishingly successful enterprise that has served the needs of millions of consumers, especially those on tight family budgets. And yes, the result was great inequality.

Would a monopoly chain of taxpayer-capitalized, government-owned bureaucratically- managed retail stores, created to put an end to "grotesque inequality", be likely to achieve as much? Students, let's have a vote: SandersMarts, or WalMarts?

- *John McClaughry is the founder and vice president of the Ethan Allen Institute*

Commentary: Examining Equity In Our Public Schools

By Rob Roper

Equity and access to educational resources has been a hot topic surrounding the rules (or changes thereto) governing independent schools that accept tax dollars through

Vermont's tuitioning system. Some argue that if a school takes state money it should accept any and all comers. But what about public schools?

There is a tremendous amount of inequity in what Vermont public schools offer from one district to the next. Some offer lots of AP courses, some offer none. Some offer a variety of foreign languages, others don't. Some have football teams, marching bands, and drama clubs, but certainly not all.

It's a myth that public schools have to accept everyone. They can and do refuse students with severe disabilities or behavioral issues who's needs they determine they cannot meet. (In such cases the districts, ironically quite often, pay to send these students to independent schools).

Nor do students within a given public schools have equal access to resources. Public school students are not "lotteried" into honors courses, varsity sports, or, for example, an elite musical band. Faculty and administration make decisions about who is most likely to succeed in such programs and discriminate accordingly.

As Rep. David Sharpe (D-Bristol), who chairs the House Education Committee, recently said, "We have [public school] districts that spend $20,000 [per pupil] and districts that spend $10,000. It's hard to argue that you have equity when you have that kind of variation throughout the state." That's very true.

So, if an independent school should be forced to accept any student who wants to attend from anywhere in the state (not just from within the district where the school is located, but from any tuitinoing town across Vermont), why shouldn't the same standard apply to our public schools?

Rep. Vicki Strong (R-Albany) put forward a bill this year that would allow any public school student to transfer to any other public school if that student's assigned school does not offer an academic course, sport, extracurricular activity, or service that the new school does.

For example, if a student is geographically assigned to Public School A, which does not offer AP calculus (or have a football team or a marching band, etc.), and that student wants the opportunity to participate in that program, he or she would have the right to transfer to Public School B, which does offer that program. School A would be obligated to let the student go, and School B would be obligated to accept the student unless it can demonstrate that it does not have the physical capacity to do so. The per-pupil dollar amount would follow the child.

Under this system every public school student in the state of Vermont would have the opportunity to access every publicly funded educational program in the state, regardless of the zip code in which they can afford to live. That's fair!

What's not fair is locking a child in an assigned public school that doesn't offer the courses that child needs to succeed in the pursuit his or her dreams and ambitions. That a Vermont kid can be stuck in a school without access to programs he or she aspires to take when those programs do exist just down the road – too often in underutilized classrooms – is a tragedy. It's also unnecessary.

Not all of our public schools need to – or even should – look and be the same. Not every student wants to take Mandarin Chinese, or play baseball, or star in a play. Those who don't don't need access t such programs. But those who do do! As such, all should have the opportunity to participate in all of the publicly funded educational opportunities that, in the end, we're all paying for through the statewide property tax.

Rep. Strong's legislation would allow for much greater equity and access to opportunity throughout our public school system, as well as for a much more efficient use of resources. It deserves to pass.

- Rob Roper is president of the Ethan Allen Institute. He lives in Stowe.

Events

April 4. Rob Roper will be a guest on the Sound Off show with Linda Kirker, 7:00-8:00 pm, Channel 15 (St. Albans).

April 20. EAI Annual Jefferson Day Dinner: Jefferson v. The Barbary Pirates. At the Doubletree Hotel in South Burlington, 6:15 pm social hour (cash bar), 7:15 pm dinner with remarks to follow. Admission is $35. To reserve your spot call 802-695-1448 o email annem@kingcon.com or john@ethanallen.org. See Top Story above for more details!

News & Views

New Payroll Tax: For Thee But Not For Me! The funding mechanism for the Paid Family Leave bill (H. 196) is a 0.93% payroll tax, which would raise about $80 million. The original language of the bill shared the burden equally between employers and employees. That was until someone remembered that the state and public schools are employers – at which point the bill was amended to force the employees to shoulder the entire burden. Note to legislators: if you can't afford it, neither can your constituents.

Hotel Tax, Part II. The Senate is considering a $2 per night surcharge on lodging (total tax: $7.2 million) as part of S.100, a bill related to affordable housing. This is a tax on top of the already high 10% Rooms & Meals Tax. As such, it is both unjust and foolish. Tourists bring $2.5 billion into Vermont each year. Our hospitality is a big part of the Vermont Brand, and hospitality is making people feel welcome. If you make people feel that you're are taking advantage of them – ripping them off -- they will not feel welcome.

They will feel annoyed. Often it is the smallest of details that shape our most formidable opinions and memories of our Vacations. This tax is bad business.

Burger Flipping Robot Works for Less Than $15/hr. "We can't stop progress or robots, but we can adopt wise policies that maximize both supply and demand for human capital, encouraging employers to pay the best price for high-quality labor. Right now, we're trying to force them to pay more than the labor is really worth because our government has not been able to establish a better set of labor, immigration and education policies. BurgerFlipBot is a symbol of that government failure — and a stark warning of what lies at the end of that road." - by John Hayward, 3/14/17

Bad News for VPIRG. "[Trump's executive order] also dumps the "social cost of carbon," which is a tool the Obama Administration employed to junk mandatory cost-benefit analyses for regulations. For example: An EPA power plant rule predicted net benefits from $26 billion to $46 billion, but as much as 65% of that derived from guesswork about the positives of reducing carbon… (WSJ editorial 3/29/17),

Fake News? What About Fake Education? "I worry that in too many instances, the groves of academe are better at pumping their denizens full of an easy, intoxicating fervor than at preparing them for constructive engagement in a society that won't echo their convictions the way their campuses do." - New York Times columnist Frank Bruni.

More Students Like This On College Campuses! "Wenhao Yu, a student who stayed until the end of the [Charles Murray speaking] event, said he doesn't agree with Murray's claims, but he hoped to listen to the author speak in order to get a better understanding of Murray's arguments.... 'Instead of allowing us to access this information though, many protesters tried to censor the talk and strong-arm other students to leave,' Yu said. 'Those who tried to shut down the event are not the heroes that they believe themselves to be. They're bullies, and my refusal to leave is my own act of defiance.'" – VT Digger, 3/3/17)

Scott Appoints School Choice Advocates to State Board. "… School choice is a good thing.… All monopolies ultimately put their own interests ahead of the consumer. However, tax dollars should be used with a high standard, and spent in a manner that is in complete compliance with public interest," -- John Carroll.
"As its stands, Rule 2200 would have a very significant impact on independent schools, and the overall educational system, statewide… .I support independent schools and school choice. It is one of the things that makes Vermont so special." – John O'Keefe (Source: VT Watchdog, 3/22/17)

News Flash. "The Elnu Abenaki and the Abenaki Nation of Missisquoi can serve as intervenors in the Public Service Board's review of the nuclear plant's proposed sale." (VTDigger 3/28/17) Flashback: From John McClaughry's commentary of 2/23/10: "In 2002 Entergy and the PSB agreed that after decommissioning the Yankee site would become a "greenfield", such as the Abenaki once roamed."

Politicians' Priorities (And Promises) Are Subject to Change. Carbon Tax advocates invariably point to British Columbia as an example of a successfully implemented program. A big part of B.C.'s alleged success is the notion that it is "revenue neutral" – new tax cuts fully offset the costs of the Carbon Tax increase. Although revenue neutrality was the case when B.C.'s Carbon Tax was originally enacted… now not so much! The Fraser Institute did a study of B.C.'s Carbon Tax and discovered that in 2013/14, the first full fiscal year in which the Carbon Tax reached its top rate of 30 per tonne, the tax was no longer neutral. The B.C. government was using some smoke and mirrors accounting gimmicks (applying existing tax credits that pre-dated the Carbon Tax to the offset calculations) to make the tax appear neutral. Without those gimmicks' the Fraser Institute reports the Carbon Tax increase for 2013/14 was really $226 million, and will continue to rise into the future. Vermonters should remember this the next time the Carbon Tax comes up for debate in our legislature.

Golden Oldie: "The production of new wealth in today's economy – as in yesterday's – cannot be engineered by an all-wise government manipulating incentives and penalties. The production of wealth requires a legal climate favorable to property and contract rights, a reasonable tax and regulatory climate, and a political culture that views economic growth as a good thing. Legislators can't engineer a preferred outcome. If they want wealth production, they'll have to take a chance on freedom." – John McClaughry, in Livin' magazine, May 2008.

The False Compassion of Liberalism. "The liberal creed seems to be: 'We care so much about poor people, climate change, income inequality and protecting the environment (or whatever the cause of the day) that there is no limit to how much money should be taken out of other people's wallets to solve these problems.'" – Stephen Moore, 3/28/17

Middlebury, Intersectionalism, and he Religion of Liberalism. "It is operating, in Orwell's words, as a 'smelly little orthodoxy,' and it manifests itself, it seems to me, almost as a religion. It posits a classic orthodoxy through which all of human experience is explained — and through which all speech must be filtered. Its version of original sin is the power of some identity groups over others. To overcome this sin, you need first to confess, i.e., "check your privilege," and subsequently live your life and order your thoughts in a way that keeps this sin at bay. The sin goes so deep into your psyche, especially if you are white or male or straight, that a profound conversion is required." – Andrew Sullivan, Is Intersectionality a Religion?

Your Tax Dollars At Work: Subsidizing Elite Colleges That Produce Intolerant Bigots. "Researchers at the liberal-leaning Brookings Institution looked at 90 attempts by college students to disinvite speakers — who tend mostly to be conservative — since 2014. What they found was that these attempts to squelch free speech came almost exclusively from schools that catered to rich kids…. Normally, we wouldn't care about rich people flushing their own money down the drain to protect their delicate flowers from diverse viewpoints. But the fact is that a lot of taxpayer money — earned by hardworking families — is helping to pay these baby-sitting bills." (Full Article, IBD: 3/22/17)

Trenchant Insight from Mr. Jefferson: "I think we have more machinery of government than is necessary, too many parasites living on the labor of the industrious."

– Thomas Jefferson to William Ludlow, 1824.

Book of the Month

The Sharing Ecomomy

The End of Employment and the Rise of Crowd-Based Capitalism
By Arun Sundararajan
MIT Press, 2016 (256 pg.)

I picked up this book in hopes that it would give some insights as to how the sharing economy (Uber, AirBnB, TaskRabbit, ect.) is impacted by regulations like Vermont's rules for independent contractors, and how we can shape policies to unleash rather than hinder this exploding area of economic growth. "The Sharing Economy" certainly did (every legislator wrestling with this issue should read this book), but it is also inspiring in many other ways.

The industrial world of the late 19th and 20th centuries is evolving into something very different, but the industrial government that came along with it is not. At least not without a fight. Those fighting hardest are those on the Left with strong ties to labor unions and/or a general belief that government control and oversight is always both necessary and good. However, if you look closely at what the sharing economy is and how it is working in the real world, it has quite a few features that should bring the political Right and Left together.

As Sundararajan points out, it is the poor who benefit the most from these new sharing platforms, not just by finding new opportunities to earn money, but also by finding new ways to maximize return on their capital – capital being, for example, an empty room or an underutilized car.

A fascinating aspect of the new platform economy is how it breaks down barriers between people and builds trust. How many of us ten years ago would have considered getting in a stranger's car, or letting a stranger sleep in our spare bedroom? Now these things are commonplace and even celebrated.

This is possible because the online crowd is in many ways better able than government to enforce compliance with high standards for both suppliers and consumers. If you're an Uber driver who is late, rude, and has a dirty car everybody knows it, and it will hurt business. On the flip side, if you're a rude customer, the drivers will know it, and you won't get picked up. It's a powerful recipe for good manners and good service.

The use of these platforms fosters more efficient use of resources, which should be a Liberal as well as a Conservative virtue. If people are loaning out their cars, renting rooms, camping equipment, or dresses (a real sharing service I was unhappy to discover shortly after my daughter bought her prom dress), fewer cars, hotels, etc. need to be built.

This, of course, raises some of the challenges we will face with the new sharing economy. Fewer cars being built, fewer hotels being built and staffed, people trading old rather than buying new clothes means fewer jobs in traditional fields. Sundararajan also spends time addressing these challenges and potential trade offs.

This is a great read if you're a policy maker or if you're just curios about the many interesting and creative opportunities there are out there – and more every day – in the sharing economy. It may inspire you to become the next great on-line entrepreneur!

- Review by Rob Roper president of the Ethan Allen Institute

The Final Word

April Survey

Should the legislature enact a 0.93% payroll tax on employees to fund a "paid family leave" benefit?

No.
Yes.

March Survey Results

Should $50 million a year for Lake Champlain cleanup come from new/higher taxes or existing funds (aka cuts to existing programs)?

New/Higher taxes: 3.03%
Existing Funds: 96.97%