Ethan Allen Institute

Newsletter - July 2017 (Printer Edition)

Have a Happy Fourth of July!

Top Story:
Study: $15 Minimum Wage Hurts Low Wage Employees

by Rob Roper

The National Bureau of Economic Research released its latest working paper on Seattle's $15 minimum wage policy. Vermont legislators, who are contemplating a push for this in 2018 legislative session, should pay close attention and rethink their ambitions. The paper concludes:

> *… that the second wage increase to $13 [the first increase raised the wage from $9.47 to $11] reduced hours worked in low-wage jobs by around 9 percent, while hourly wages in such jobs increased by around 3 percent. Consequently, total payroll fell for such jobs, implying that the minimum wage ordinance lowered low-wage employees' earnings by an average of $125 per month in 2016.*

Unlike other minimum wage studies that focus on specific industries, such as restaurants, or specific demographics, such as teenagers, this study examines the impact of impact of minimum wage increases "across all categories of low-wage employees, spanning all industries and worker demographics." It defines "low-wage" as people earning $13 to $19 an hour.

The study also found that the negative impacts of increases in the minimum wage are not linear, but rather exponential. The Seattle law takes a series of steps to go from $9.47 to $15 an hour. The first step from $9.47 to $11 did have negative impacts on low wage workers, but they were slight. The second step, from $11 to $13, representing a 37% increase from the base, inflicted significant damage. One expects that the final step from $13 to $15 will be even more severe. Time will tell.

The study challenges the notion that low wage employers have few or no options but to hire low skilled workers, regardless of the cost. The authors conclude:

> *The work of least-paid workers might be performed more efficiently by more skilled and experienced workers commanding a substantially higher wage. This work could, in some circumstances, be automated. In other circumstances,*

employers may conclude that the work of least-paid workers need not be done at all.

A last key point is that proponents of raising the minimum wage will often point to an alternative study showing that such policies have no negative impact on employment. These claims tend to trace back to a 1994 study of New Jersey's minimum wage increase on the restaurant industry by Card and Krueger. Two issues here. First, just looking at the restaurant industry does not create an accurate reflection of the diversity of low wage labor. And second, technology has changed dramatically since 1994. Think iPad menus.

Let's hope Vermont legislators learn from Seattle's mistake.

– Rob Roper is president of the Ethan Allen Institute

Commentary:
Governor and Legislature Agree on Tax Increase - Next Year

By John McClaughry

The smoke has cleared from the legislative battlefield of 2017, and it's a good time to review the outcome to see who got what – and what lies ahead.

In January Gov. Phil Scott strongly urged a budget with no tax rate increases. To their credit, the Democrats in the legislature obliged, ending six years of annual scrambling to find taxes to pay for the eternally ambitious agenda of Scott's predecessor. That's a big plus.

The big battle was over the use of "up to $26 million a year savings" from switching teachers health insurance plans from exorbitant "Cadillac" plans favored by the Vermont-NEA teachers' union to less expensive plans offered through the Vermont Educational Health Initiative (VEHI).

In April Scott's administration noticed that the ObamaCare-forced teachers' health insurance switchover would result in $75 million a year lower costs to the Education Fund. The problem he faced was twofold: how to get local school districts to use the insurance cost savings to reduce homestead property tax rates instead of spending the windfall , and how to pay off the Vermont-NEA by holding teachers harmless for the higher deductibles and copays of the less generous (but less expensive) VEHI Gold CDHP plan.

Scott's solution was a statewide teachers' health insurance benefit, negotiated with the union by him instead of the 60 school district bargaining units. Scott has been in Montpelier long enough to understand that "bargaining with the State" really means "pleading with the State."

With the power to impose a contract, the governor could inform the Vermont-NEA that there would be an 80/20 premium split, the same as state employees pay. In return he would assign $49 million in savings to individual teachers' Health Savings Accounts (HSAs) or Health Reimbursement Arrangements (HRAs) to allow them to come out even. Then he could redirect the remaining $26 million to property tax reductions and/or increased spending that he favored (higher education, preschool).

When this proposal arrived 25 school districts were well along, or finished, with their union negotiations, and the Senate was about to act on the House-passed appropriations bill. Naturally, the legislators were annoyed.

Scott's proposal galvanized the Vermont-NEA into frantic opposition (example: "the governor wants to take power away from working women!").
For years the union's highly paid Uniserv agents have whipsawed one district's contract settlement to get more favorable terms from another. Moving teachers' health insurance to the state level would give the union one less issue for the whipsaw – even though local bargaining would continue to include salary schedules, grievances, work rules and a host of other issues.

It's no secret that on any issue of central importance to the Vermont-NEA, it has an iron grip on Democratic legislators. The union thus required the Democrats to denounce Scott's proposed infringement of the union's peculiar definition of "local control". In its place, nineteen Senate Democrats offered a complicated scheme where the State reduced Education Fund payments to local districts by the amount the State calculated that they ought to not spend. That passed 20-9, but was ultimately dropped from the bill sent to the Governor.

Scott vetoed the two relevant bills, then announced he wouldn't shut the government down for want of an approved budget, and then ended up accepting pretty much the same union-backed scheme the Senate Democrats had offered to start with. That scheme will be in effect only for fiscal 2018, after which a nine-member commission will try to figure out what to do in future years.

The approved compromise plan for fiscal 2018 now has the regrettable downside of having the State instruct school boards how to apply their savings. Who will want to serve on school boards, if the State strips away more and more decision making power? (Answer: friends of the union).

Perhaps the most serious result of the compromise plan is the use of more than $40 million in one-time funding to slightly reduce homestead property tax rates for just one year. Gov. Scott denounced that provision as "unsustainable and irresponsible" – two weeks before he agreed to sign on to it.

My verdict: all parties did try hard to produce compromises that accepted the health insurance switchover, agreed to the 80/20 premium split, and produced a token homestead property tax rate reduction. But the union will almost certainly continue to get its way, and as Rep. Cynthia Browning of Arlington - probably the most level-headed Democrat in Montpelier – said, "this sets up an increase in taxes next year."

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

Commentary: Climate Resolution Is A Farce Upon A Farce

By Rob Roper

The last thing the Vermont House of Representatives did before leaving town was pass H.R. 15, a resolution “strongly opposing the U.S. withdrawal from the Paris Climate Agreement… and recognizing Governor Phil Scott’s enrolling Vermont in the U.S. Climate Alliance.” It passed 105-31. Hey, look at us! We love the environment unlike those knuckle draggers in D.C.! This is, of course, a total crock.

The U.S. Climate Alliance, to which Governor Scott pledged allegiance, is a group of states “committed to meeting the goals of the Paris Climate Agreement,” and accepting “… the full responsibility of climate action on states and cities throughout our nation.”

To be clear, this is a non-binding pledge to adhere to a non-binding agreement that, from the United States’ perspective, no longer exists. A farce upon a farce. But we Vermonters really mean it, right? Because we care.

Well, one of the responsibilities our legislators assumed, if they are serious, is a commitment of $3 billion dollars to the international “Green Climate Fund.” H.R. 15 references this specifically in its fifth “whereas” clause. Vermont’s share of this would be an estimated $20 million (about $32 per person or $128 for a family of four). So, how do the supporters of this resolution and the Governor intend to pay for this thing they have resolved to do?

Answer: They don’t.

Nobody’s going to make any payment to the Green Climate Fund. In fact, the one action our legislators took before passing the resolution was to remove the word “funding” from the resolved section. So, they are resolved to do everything the Paris Agreement set out to do… except those things we would have to pay for. Which is, pretty much, all of them. Breathe easy, taxpayers, you’re off the hook.

Beyond the financial commitment, our representatives resolved to reduce our carbon dioxide emissions by 26% to 28% below 2005 levels by 2025 (less than a decade away).

This is a similar challenge to Vermont’s Act 168 of 2006, which bound us to reduce our greenhouse gas emissions (principally carbon dioxide) to 25% below 1990 levels by January 1, 2012. Consider that Vermont — for all the weatherization projects, efficiency mandates, renewable energy subsidies, and developing our ridgelines with industrial windmills, etc. — did not come close to meeting this self-imposed 2012 milestone.

According to the state’s report, Vermont’s 1990 GHG emissions amounted to 8.11 million metric tons, was 9.03 mmt in 2006, and 8.27 mmt in 2012 -- nowhere near the 6.1 million metric ton target. We can conclude from this that meeting our obligations under the Paris Agreement and H.R. 15 will require significant measures and sacrifices far beyond what we have been doing and are doing as a state today.

What are those measures and sacrifices? A carbon tax? The governor (to his credit and good sense) has pledged to veto that. More industrial ridgeline wind development? Vermonters oppose it vehemently wherever it pops up. More tax or ratepayer subsidies for solar projects? That would require “funding.” So, what exactly is it that you resolved to do differently?

Be honest: nothing.

After all, the legislature just proudly passed a budget with no new taxes or fees. And they should be proud. It was a tremendous accomplishment on all sides and a good first step toward lowering the cost of living and doing business in Vermont. This was the

Governor’s theme, pledge, and goal for the legislative session. Mission accomplished! So, why in your next breath after passing that budget would you resolve to comply with an agreement that would require massive taxes, fees, and costly regulations?

Sadly, this vote will undoubtedly appear in 2018 campaign literature. Those who voted for this farce upon a farce will use it as a way to pat themselves on the back before their constituents. Those who were honest enough to vote against what is so obviously a steaming pile of insincere political theater will be attacked – unfairly - for “insufficient caring” about the planet. Don’t fall for it.

Before the next election there will be another legislative session, and time for those who voted for H.R.15 to put our money where their mouths are. Show us your real plan for meeting our obligations under the Paris Climate Agreement. Tell us what taxes you will raise and what regulations you will enforce, and put that to a vote. I’m betting that bill, should it ever be allowed to see the light of day, won’t find 105 supporters (in the state, let alone the legislature) or the governor’s endorsement, and it shouldn’t. In an honest world, neither should have H.R. 15.

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

Celebrate the Fourth With A Contribution To Liberty!

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

The Ethan Allen Institute is a 501c(3) nonprofit, educational organization. Contributions are TAX DEDUCTIBLE.

Events

July 5. A reading of Frederick Douglass’ famous speech “What to the Slave Is the Fourth of July?" will take place at 7:00 PM in the Dorothy Ailing Memorial Library in Williston, followed by discussion and reflection about how we can apply Douglass' vision to the threats facing freedom today. Can we learn from our past shortcomings and better live up to this vision? All are welcome!

News & Views

McClaughry Responds to Climate Alarmists. A few Sundays ago, readers of Rutland Herald and Times Argus were greeted with a hundred column inches of opinion from Bill McKibben, Deborah Markowitz and Alan Betts bemoaning President Donald Trump's decision to withdraw from the Paris climate agreement, thus "undercut(ting) our civilization's chances of surviving global warming." (McKibben). The following Sunday, John McClaughry supplied the rebuttal. You can read it in full HERE.

Vermont Second Worst At Keeping College Graduates. The career guidance site, Zippia, recently ran a study of states and how they faired at retaining college graduates. They sampled 127,403 resumes to determine the percentage of graduates that left states for their first jobs after college. Vermont had the second worst retention record, seeing nearly 70% of our students leave the state after graduation and as they enter the job market. Only Delaware fared worse, losing 70.69 percent. Neighbors New Hampshire and Maine, also in the bad "Top 10", lost 64 and 59 percent respectively. Texas has the best record, retaining over 80% of its graduates.

USA Today: Vermont 3rd Highest Tax Burden in U.S. The national paper reports that Vermont's tax burden of 10.75% of personal income (calculated as Property Tax, Individual Income Tax, and Total Sales & Excise Tax as a Share of Personal Income) is the third highest behind only Hawaii and Maine. That Vermont is repeatedly portrayed this way in national publications certainly does help our brand. (USA Today)

Thanks for the Car, Suckers! Green Mountain Power (GMP) announced in a press release on June 5 that it is teaming up with Freedom Nissan to proved their customers $10,000 off the manufacturer's suggested retail price of a 2017 Nissan Leaf, a fully electric vehicle that normally sells for $30,000. GMP customers who take advantage of this can also claim a $7500 tax credit. GMP customers who don't buy a new electric car (and us taxpayers in general) get to pay for this through higher electric bills and taxes. Great deal, huh!

Unaffordable Vermont Housing. The National Low Income Housing Coalition's 'Out of Reach' report finds a modest, two-bedroom apartment ($1,139 a month) is unaffordable (more than 30% of income) to the average Vermonter. Additionally, FOX 44 reports, "Vermont has the fifth largest affordability gap for renters in the nation and nearly 75,000 renter households, the Vermont Affordable Housing Coalition reports." Sen. Leahy says, "I am proud that Vermont's affordable housing leaders are some of the best in the nation. For years they have built a system to help ensure that families do not fall through the cracks." Really, sounds like they're not doing a very good job at all. And Bernie blames, "an economy that is rigged for the benefit of the very rich." Thanks for admitting that Vermont's decades of Progressive policies have, in fact, rigged the economy for the rich. The rich like you with your three houses and $175,000 sports car. (Fox 44, 6/8/17)

Study Supports Marriage As Key To American Dream. The American Enterprise Institute has some advice for Millennials: if you want to get out of your parents' basement, get married. After you finish high school and before you have children. "For instance, 76% of African American and 81% of Hispanic young adults who married first are in the middle or upper third of the income distribution, as are 87% of whites. Likewise, 71% of Millennials who grew up in the bottom third of the income distribution and married before having a baby have moved up to the middle or upper third of the distribution as young adults. In general, Millennials who marry first are more likely to be on track to realizing the American Dream than those who put childbearing first." (Intellectual Take Out, 6/14/17)

Gun Lessons From Seattle. In 2016 Seattle began collecting a "gun violence tax" on the sale of all firearms and ammunition. This was described as a "thinly veiled attempt to shut down gun sales." It worked. Gun sales within the city have plummeted. But, oops, what else? "Comparing the first five months of 2017 with the same period before the gun tax went into effect, reports of shots fired are up 13 percent, the number of people injured in shootings climbed 37 percent and gun deaths doubled, according to crime statistics from the Seattle Police Department…" (Hotair.com)

Free Speech Victory. The U.S. Supreme Court struck down the federal government's attempt to bar trademarks that somebody finds offensive. "The government's arguments, Justice Alito observed, boiled down to this: "The Government has an interest in preventing speech expressing ideas that offend…. that idea strikes at the heart of the First Amendment. Speech that demeans on the basis of race, ethnicity, gender, religion, age, disability, or any other similar ground is hateful; but the proudest boast of our free speech jurisprudence is that we protect the freedom to express 'the thought that we hate.'" (Damon Root, Reason.com 6/18/17)

Medicare for All. "When Sen. Bernie Sanders (I-Vt.) proposed a "Medicare for All" health plan in his presidential campaign, the nonpartisan Urban Institute figured that it would raise government spending by $32 trillion over 10 years, requiring a tax increase so huge that even the democratic socialist Mr. Sanders did not propose anything close to it." (Washington Post editorial, June 18, 2017.)

Listen Up, Vermonters. "According to the [Connecticut state] fiscal analyst, income-tax collections declined this year for the first time since the recession due to lower earnings at the top. Many wealthy residents decamped for lower-tax states after Mr. Malloy and his Republican predecessor Jodi Rell raised the top individual rate on more than $500,000 of income to 6.99% from 5%." (WSJ 6/2/17)
Comparison: Vermont's top individual rate is 8.95% on income above $413,350

Where Your Subsidy Dollars Go. "Over the past six years, 2011 through 2016, renewable energy received more than three times as much help in federal incentives as oil, natural gas, coal, and nuclear combined, and 27 times as much as nuclear energy," says a new study on US energy subsidies from 1950 to 2016 by Management Information Services, Inc. (Sponsored by The Nuclear Energy Institute) The study examined whether or not subsidies for nuclear were damaging wind and solar electricity generation, and covered five different types of incentives: Tax Policy; Regulation; Research and Development; Market Activity; Government Services and Direct Disbursements; for seven different energy sources: Oil, Natural Gas, Coal, Hydro, Nuclear, Renewables (primarily wind, solar, and biomass), and Geothermal. (TWTW SEPP 6/18/17)

Climate Change Hypocrisy: When the VPIRG climate change resolution was taken up in the veto session, one alert Republican, Heidi Schueurmann of Stowe, suggested that maybe its recommendation that Gov. Scott seek "funding" to defeat carbon dioxide emissions looked like endorsing the use of tax dollars to fight climate change – wholly ineffectually, of course. The Democrats quickly agreed to drop "funding". Thank you, Heidi Schueurmann! Then they refused to allow their resolution to be considered by a committee, and pushed it through 105 to 31.

The Proper Response to Pulling Out of the Paris Climate Agreement. "If you can't tell me how many genders there are or when human life begins, I'll kindly pass on your theories about the weather next century." – Sean Davis

Did C.S. Lewis Visit Vermont? "Of all tyrannies, a tyranny sincerely exercised for the good of its victims may be the most oppressive. It would be better to live under robber barons than under omnipotent moral busybodies. The robber baron's cruelty may sometimes sleep, his cupidity may at some point be satiated; but those who torment us for our own good will torment us without end for they do so with the approval of their own conscience." - C.S. Lewis

Recognition: John McClaughry's June 20 column on "The Push for Single Payer Health Care" was selected for the national ObamaCare Watch web site (obamacarewatch.org) managed by the Galen Institute in Washington.

Book of the Month

Myth Busters
Why Health Reform Always Goes Awry
By Greg Scandlen
Amazon.com (2017), 156 pp.

Greg Scandlen, "Myth Busters: Why Health Reform Always Goes Awry" (2017) (pp 156, pb available through Amazon.com).

Greg Scandlen started out forty years ago as an activist with Maine PIRG. He went on to be a lobbyist for Blue Cross Blue Shield's national organization, founded the Council for Affordable Health Insurance, and has led health policy programs at Cato Institute, Galen Institute, and most recently, the Heartland Institute's Consumers for Health Care Choices program. He knows the American health policy scene like few others.

This 156 page memoir is a collection of what Greg learned over four decades from watching dumb, foolish, self-interested, and misguided efforts of various groups of policy geniuses to "reform" health policy.

Among the "myths" he dissects are national health planning, uncompensated care, mandated benefits, universal health care, Health Maintenance Organizations, and third party payment. He notes that even the enthusiasts for "universal health care" were dismayed at the abject failure of their great plans for Massachusetts, Oregon, Tennessee, Minnesota, and of course, Vermont under Howard Dean. He might have added, Vermont again under Peter Shumlin.

Scandlen doesn’t even begin to critique ObamaCare. He says simply, “[The authors of ObamaCare”] somehow thought it made sense to take dozens of failed ideas and put them all together in a single law. And then we were told we couldn’t know what as in the bill until after it became law and was implemented.”

Behind all these failed reform schemes, he says, is “the Progressive ideology, which has dominated American intellectualism for the past 100 years. This is the belief that the masses of people are incapable of running their own affairs, so must be managed by a meritocracy of the educated elite.”

What he does not offer is a ten point – or twenty point – plan for solving “the health care problem.” But it’s clear that such a plan would include tax equity, reduced third party payments, amplified consumer choice, expanded Health Savings Accounts, medical tourism, direct primary care, and repeal of Certificate of Need laws and other inhibitions to a genuine market place for health services.

This is probably not a book for a novice confronting health policy for the first time. Scandlen assumes that his readers have some knowledge of how health policy as developed since 1965. A more thorough treatment of all the “myths” he describes, plus a constructive program, would require perhaps three times as many pages. Just the same, he offers powerful critiques of the government market-meddling of the health policy elite, whose collectivist dreams have made a mess of an economic sector important to everyone’s well-being.

- *Reviewed by John McClaughry, vice president of the Ethan Allen Institute.*

The Final Word

July Survey

Are you optimistic about Vermont's future?

Yes, things will get better.
No, things will get worse
Things won't change at all.

June Survey Results

How would you rate the 2017 VT legislative session?

Successful. 0%
Pretty Good. 2.78%
Meh. 13.89%
Disappointing. 72.22%
Other. 11.11%