

# Ethan Allen Institute

Newsletter - August 2016 (Printer Edition)

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## Top Story: Help Us Warn Vermonters About the Carbon Tax

*We need to raise \$10,000 for a media campaign that will get the facts out about the Carbon Tax.*

You know that a costly Carbon Tax on gasoline, diesel, home heating oil, propane, and natural gas will hurt Vermont's families, businesses and our economy. When people find out that a Carbon Tax will add 88¢ to every gallon of gasoline and \$1.02 to every gallon of home heating fuel, they overwhelmingly oppose the idea.

Unfortunately, the left wing activist group VPIRG has sent over 50 "interns" door to door throughout the summer to mislead Vermonters into supporting what they call "Carbon Pricing" – no mention of how much the Carbon Tax will cost, or who will end up paying for it. Just the misleading claim that it will save the planet.

We need to counter that propaganda with facts. And, this means we need to launch a paid media campaign that will educate Vermonters about the true nature of a statewide Carbon Tax.

The Ethan Allen Institute has been a leading voice in Vermont warning our citizens about the proposed Carbon Tax and its inevitably harmful impacts on our state, if passed. Can we count on you to help us raise the \$10,000 we need to launch a statewide radio and social media campaign?

*The next \$5000 we receive for this effort will be matched, dollar for dollar, by a concerned contributor, so act now and double your impact!*

In January of 2015 The Ethan Allen Institute launched a statewide radio campaign alerting Vermonters to the fact that a Carbon Tax was on the table and what it meant for Vermont's economic future. We put out an online survey to which 1500 plus Vermonters like you responded loudly – over 90 percent opposed.

It's up to us to make sure Vermonters understand the details and true, destructive nature of this Carbon Tax, the serious impact it will have on our wallets, and the devastating impact it could have on our economy. And, we need help from Vermonters like you who know and care about the truth.

One sixty second radio spot costs between \$25 and \$35 to put on the air, so every penny counts. Together, we can stop the Carbon Tax.

Thank you for your support.

Ethan Allen Institute  
P.O. Box 543  
Montpelier, VT 05601

PS. The Ethan Allen Institute is a non-profit 501c3 educational organization serving Vermonters since 1993. All donations are TAX DEDUCTIBLE.

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## Commentary: The Intimidation Game

*By John McClaughry*

For decades – indeed, centuries – American politics has been a rough game. The Adams-Jefferson contest of 1800 was notably ugly, when the Federalists and their media constantly attacked Jefferson for being a pro-French revolutionary, a religious heretic, and the secret lover of “Dusky Sally”.

Abraham Lincoln was mocked as a “baboon”. In 1884 a prominent minister backing Republican James G. Blaine (“the continental liar from the State of Maine”) attacked the Democrats as the party of “Rum, Romanism and Rebellion”. (That backfired; Cleveland won.)

In 1971 Richard Nixon’s notorious “enemies list” came to light. As Nixon’s counsel later testified, “This memorandum addresses the matter of how we can maximize the fact of our incumbency in dealing with persons known to be active in their opposition to our Administration; stated a bit more bluntly—how we can use the available federal machinery to screw our political enemies.”

That revelation, coupled with the activities by the FBI, CIA, IRS and the White House itself, led to Nixon’s forced resignation in 1974, on the eve of certain (and well deserved) impeachment.

But Nixon’s misdeeds pale in comparison with what we are seeing in national politics today: the vast power of the national government itself mobilized to crush the voice of any opposition. This is “The Intimidation Game: How the Left is Silencing Free Speech”, the title of a new book by Kimberley Strassel of the Wall Street Journal.

The book is an exhaustively detailed 376 page indictment of the Left’s unrelenting campaign to hammer down free speech. Those forces are led, directly or indirectly, by President Barack Obama, and include his Democratic supporters in Congress and an astonishing range of well-coordinated Leftist organizations.

Strassel is conservative but even-handed. In fact, she begins her book with the “Bipartisan Campaign Reform Act” of 2002, also known as “McCain-Feingold”. BCRA was a sweeping measure to limit political spending and deny people freedom to speak out on issues and candidates. Eighty percent of Republicans in Congress opposed it on First Amendment grounds, but the Democrats had the votes, and John McCain’s bipartisan cover, to push it through.

The Citizens United case brought BCRA before the Supreme Court in January 2010. At issue was the airing of a documentary critical of Hillary Clinton. The five conservative justices held that BCRA’s “prohibition on corporate independent expenditures is an outright ban on speech, backed by criminal sanctions. The government may not suppress political speech based on the speaker’s corporate identity.”

The Left went crazy. In Vermont, Senators Leahy and Sanders, Rep. Welch, and Gov. Shumlin all called for a constitutional amendment to overturn Citizens United

and restrict the First Amendment's freedom of political speech. A Democratic Senate mustered 54 votes to advance it in 2014, but fell far short of the required 67 votes.

Strassel documents the astonishing range of attacks from the Left on their opponents' freedom of speech. These include the Obama IRS targeting and stalling Tea Party applications for exempt classification, punitive IRS auditing of known opponents of Obama and the Left, and an effort by the staff of the Federal Election Commission to force issues advocacy groups to register as political action committees. There were shocking threats and personal attacks by Leftist groups on business and trade organizations, and especially on the conservative American Legislative Exchange Council, which the Left fantastically claimed was responsible for the death of Trayvon Martin.

There were the partisan "John Doe" prosecutions, including SWAT team assaults of the homes of aides to Gov. Scott Walker, to repay Walker for ending most public sector union bargaining in Wisconsin. (Finally the courts threw out the cases.)

There were orchestrated personal attacks, including vandalism and death threats, on persons who supported California's Proposition 8, that affirmed traditional marriage, and similar attacks on scientists and others who didn't buy into Al Gore's version of atmospheric physics ("climate deniers"). And of course the Left, led by Bernie Sanders, almost daily pillories billionaires Charles and David Koch for supporting libertarian causes.

The key to this strategy, Strassel says, is forcing disclosure of names of the supporters and donors to causes the Left opposes, so they can be attacked by the Obama agencies, Democratic politicians, and a host of organizations with little commitment to the truth, to the Bill of Rights, and to basic decency. She sees the Left's demands for disclosure as equivalent to the (unsuccessful) attempt by the Alabama attorney general, in 1957, to force disclosure of the names of NAACP members, so white segregationists could intimidate them, or worse.

Yes, money in politics is a legitimate concern in a democracy. But so is the corruption of the national government and the destruction of free speech by the President and his allies on the Left. Strassel convincingly argues that forced disclosure to allow vicious retaliation by the Left is the essential ingredient of The Intimidation Game. If it succeeds, the First Amendment will become an empty shell.

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

## **Commentary: Potential Tax Increases Coming After the Election**

*by Rob Roper*

Before Peter Shumlin became governor, he famously said that there was no more tax capacity left in Vermont. We were "tapped out." Since then, Shumlin and majorities in the legislature have passed hundreds of millions of dollars worth of new taxes and fees. Despite this, the state still deals with a consistent structural budget deficit and revenue shortfalls.

Many of our politicians, like Shumlin, pay lip service to hearing Vermonter's pain when it comes to our tax burdens and overspending by the state, but their records tell a

different story. And, these particular zebras aren't going to change their stripes. Just look at the tax and spending proposals that are on the table for tapped out Vermonters to contemplate for 2017.

**The Carbon Tax.** This is ultimately a \$500 million dollar per year excise tax on fossil fuels. This translates into adding 88¢ to each gallon of gasoline, \$1.02 per gallon of diesel and home heating oil, and similar increases for propane, natural gas, kerosene, butane and aviation fuel. Proponents say that 90% of the revenue collected would be returned via a variety redistribution schemes (keep in mind that households making over 200% of poverty level, or about \$25,000, will not qualify for rebates and will get stuck with the bill), but hedge that promise by admitting the state is always free to find other uses for the money.

In 2014, Rep. Tony Klein (D-East Montpelier), chair of the House Energy & Natural Resources gave an interview stating about the Carbon Tax that “it’s at least a three-year process,” and that “you don’t [pass a massive tax increase] in an election year.” This means 2017 – after this November’s election – is the target for passage.

The primary Carbon Tax bill presented in the 2015-16 biennium has 28 sponsors, all Democrats and Progressives, including Democratic Lt. Gubernatorial candidate Keshia Ram. All three Democratic candidates for governor, Matt Dunne, Peter Galbraith, and Sue Minter, support some version of a Carbon Tax.

**Dr. Dynasaur 2.0.** This program would essentially expand children’s Medicaid benefits to adults 18-26 years old. It has a total price tag of \$400 million, and ignores the fact that Medicaid is already the primary reason for the state’s structural budget deficit. Additionally, removing these young, healthy Vermonters from the private insurance market would cause private insurance rates to skyrocket. Despite all this, a majority in the legislature voted last year to spend \$100,000 to study Dr. Dynasaur 2.0 in preparation for the 2017 legislative session.

**2% Payroll Tax.** This is a proposed \$240 million tax increase by Peter Galbraith that would be used to pay for “Universal Primary Care.” In a nutshell, the state would pay doctors a set rate per patient for full access to primary care services. Patients would still need insurance for non-basic or catastrophic health events, which account for 95% of healthcare spending.

All three Democratic gubernatorial candidates support moving forward with some version of Dr. Dynasaur 2.0, Universal Primary Care, or both, as a step toward a comprehensive single payer healthcare system – doubling down on Peter Shumlin’s greatest financial and political disaster.

**“Free” College.** All three Democrats running for governor have plans to subsidize college tuition that would cost taxpayers between \$45 million and \$12 million, depending upon the plan. Matt Dunne’s plan would rely on an increase in the capital gains tax, Sue Minter would increase the bank franchising fee and create new corporate taxes targeting banks, and Galbraith’s plan would rely on a number of tax increases, including a tax on cloud computing services and closing income tax loopholes. Pick your poison.

**Public Pre-K.** Since the mid-2000s, the legislature has been steadily increasing government’s (and property taxpayers’) role in daycare for three and four year olds. The goal is full day, publicly funded pre-k programs administered by the public school system, essentially adding two years to the K-12 system. This year, a major push is underway to expand the current programs and expand the scope of interest from three and four year olds to “birth to five.”

A coalition of special interest groups, Let's Grow Kids, Vermont Birth to Five, Building Bright Futures, are working with the Vermont Department of Children and Families on a statewide propaganda campaign to fund this expansion. "Ultimately, this will require increased investment in Vermont's early childhood system," writes advocate Robyn Freedner-Maguire in the group's latest Op-Ed. Though they don't specify the amounts they will ultimately be asking for, and the Joint Fiscal Office has yet to make an official estimate the cost, a rough estimate is between a \$50 million and \$100 million increase to the property tax burden.

These are just the big plans. None of this accounts for the existing revenue gap we'll need to close to continue paying for the government in place as it is. So, as the primary elections come to a close on August 9 and we know who our official candidates for state office will be, make a point of asking them about these issues. If they really care about lowering your tax burden, they won't support any of them.

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

## Carbon Tax "Quick Facts" Sheet (For the VPIRG Intern in Your Neighborhood)

The left wing lobbying and activist organization VPIRG is engaged in its annual summer ritual of sending college kids door to door to propagandize citizens. For the second year in a row, the issue d'jour is passage of a statewide Carbon Tax.

Readers who have experienced a VPIRG visit report that these young spokespeople are not revealing to their audience several facts, such as the tax will, among other things, raise the price of gasoline by 88¢ per gallon, home heating oil by \$1.02 per gallon, etc.

VPIRG does not have a sterling reputation for honesty when it comes to promoting its causes. (See: More Vermont residents say VPIRG canvassing drive used names fraudulently), so if you want to make sure your name is not misused or your position regarding the Carbon Tax misstated for political purposes, be prepared.

We have put together a list of quick facts for when the VPIRG representative knocks on your door. Use it, and five minutes of high quality entertainment guaranteed. Apparently, they don't stand up to questioning very well. (PDF Version: Carbon Tax Fact Sheet)

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**DO YOU WANT TO PAY AN EXTRA 88¢ PER GALLON OF GASOLINE?  
A LOT OF LEGISLATORS WANT TO PASS A CARBON TAX.**

**WHAT IS A CARBON TAX?** The proposal on the table is an excise tax on fossil fuels of \$100 per ton of carbon when fully implemented, which would amount to a total tax of \$500 million a year. For real folks, this translates into adding 88¢ to each gallon of gasoline, \$1.02 per gallon of diesel and home heating oil, and similar increases for propane, natural gas, kerosene, butane and aviation fuel. (Other names for the Carbon

Tax are “Carbon Pollution Tax” and “Carbon Pricing.”)

**WHO GETS HIT HARDEST?** Households earning more than roughly \$25,000 per year (the top four income quintiles) would shoulder the bulk of the burden. Businesses will pass the added costs onto consumers wherever possible, and these taxpayers would not qualify for proposed income based rebates.

Working Vermonters who commute to a job will be hit hard, as will farmers, tradespeople and others who depend upon trucks, vans and tractors to do their jobs. The massive discrepancy in fuel prices between Vermont and border states not subject to this radical level of taxation would provide yet another incentive to cross the border to shop, hurting many Vermont small businesses.

**WHO BENEFITS?** Wind and solar developers, weatherization programs, and other “green” energy outfits will receive 10% of the Carbon Tax revenue to subsidize their businesses and projects.

**WHERE DOES THIS STAND?** In 2014, Rep. Tony Klein (D-East Montpelier), chair of the House Energy & Natural Resources gave an interview stating that “it’s at least a three-year process,” and that “you don’t [pass a massive tax increase] in an election year.” This means 2017 – after this November’s election – is the target for passage.

**WHO IS PUSHING THIS?** A coalition of 15 special interest groups called Energy Independent Vermont, led by VPIRG. VPIRG pays seven state house lobbyists and army of summer “interns” going door-to-door to ensure passage of Carbon Tax on Vermonters. There were two Carbon Tax bills put forward in the 2015-16 legislative session (H.395 and H.412). These bills have a combined 28 sponsors (that’s a big number), all Democrats and Progressives.

**OVER 90% OPPOSED.** In January 2015, the Ethan Allen Institute ran a statewide online survey of Vermonters regarding support for or opposition to a Carbon Tax. 1546 people responded, over 90% opposed the tax.

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## Events

**August 9.** Rob Roper will present “Squeezing Blood from a Gilfeather Turnip: Tax and Spending Plans for After the Election” to the St. Albans Rotary Club. If you would like to have this or another EAI presentation put on for your organization, please contact [rob@ethanallen.org](mailto:rob@ethanallen.org).

**August 13.** Rob Roper will present “The Carbon Tax: A Bad Idea for Vermont” to the Andover VT, Republican committee. If you would like to have this or another EAI presentation put on for your organization, please contact [rob@ethanallen.org](mailto:rob@ethanallen.org).

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## News & Views

**Vermont's Sluggish Economy.** “The U.S. Bureau of Economic Analysis just released its state-level GDP numbers and they show that Vermont’s GDP, adjusted for inflation, rose by a scant 0.2 percent in 2015. That’s well below the U.S. growth rate of 2.4 percent and is fourth lowest in the nation.... Over the past five years Vermont’s GDP grew at an average rate of only 0.8 percent per year, the 11th slowest in the nation and a full percentage point below the nation.” – [Art Woolf](#), UVM professor of Economics

**VT: 3<sup>rd</sup> Highest Taxes Overall in the Nation.** The investment website Motley Fool published an article ranking the overall tax burdens in the 50 states. Vermont tied for third highest with our neighbor, Maine. The calculations considered the total amount of personal income paid to real estate, individual income, and gross receipts taxes. The top five states with the heaviest tax burdens were: New York (13.12%), Hawaii (11.86%), VERMONT (11.13%), Maine (11.13%), and Connecticut (10.91%). The least burdensome was Alaska at 5.18%

**Vermont Highest in Nation for Excise Taxes.** The Tax Foundation recently [released a study](#) of states and the per capita burden of excise taxes on their citizens. Vermont came in first (that’s bad) with an average Vermonters paying \$1,029 in state and local excise taxes per year. We blew away second place Nevada, which came in at \$878 and last place Wyoming at just \$285. The Tax Foundation explains, “excise taxes are collected on specific types of transactions, not a wide range of general goods. Some of the most common excise taxes include gas taxes, cigarette taxes, and taxes on the purchase of beer, wine, and liquor. Others include taxes on the purchase of amusements, insurance premiums, and pari-mutuels.” (MAP)

**\$28 Million Revenue Downgrade.** Vermont state economists are now estimating that the general fund will bring in \$21 million less than expected for FY17, the education fund \$3.4 million less than expected, and the transportation fund \$3.5 million less. This is despite the fact that the state raised nearly \$100 million in new taxes and fees in the 2016 legislative session alone. Montpelier is simply spending money faster than our anemic economy can generate it.

**Socialism Pays!** According to a special report by VT Digger, Vermont hospitals are raking in the cash since regulations were put in place to bend the cost curve. They did, but not in the direction Vermonters were led to expect. “The total operating surpluses — also known as profits — tripled from \$37.3 million in fiscal year 2006 to \$110.4 million in fiscal year 2015. The average operating surplus over that time period went from \$2.7 million to \$7.9 million, driven largely by increased profits at the UVM Medical Center. And while net revenue from patient care is down to about \$2.3 billion annually, the amount that hospitals charge insurance companies for services has been approaching \$5 billion.” <http://vtdigger.org/2016/07/17/special-report-despite-regulation-hospital-profits-up/>

**A Breakdown of Carbon Tax Costs.** Willem Post provided the following analysis of how a carbon tax would hit a typical Vermont household. “Two wage earners, two cars, in a free-standing house) would pay additional taxes in 2027 of about:

- Driving = \$0.89/gal x 2 x 12000 miles/y x 1/30 miles/gal = \$712/y

- Heating = \$1.02/gal x 800 gal/y = \$816/y
- Total carbon tax in 2027 = \$1528/y
- Sales tax reduction 5/6 x \$1400/y = \$233/y
- **Net tax increase = \$1295/y**

This analysis does not include the increased cost of businesses passing on their extra costs to customers, i.e., higher prices for goods and services affected by higher fuel prices.

**The True Cost of K-12 Education.** We often hear conflicting numbers regarding the per-pupil cost of education in Vermont. Some say it's \$14,677, other calculations show a much higher number. Tom Pelham of Campaign for Vermont provides a great, quick explanation of the math – and which numbers reflect reality. “According to Agency of Education data, in fiscal 2016 the average statewide spending per pupil was \$18,893, which is the total of school budgets divided by the number of students. The \$14,677 figure ... is ‘education spending’ divided by the number of ‘equalized pupils’ for fiscal 2017. For fiscal 2016 this value was \$14,421. The terms ‘education spending’ and ‘equalized pupil’ are products of language crafted by the legislature which results in underreporting of actual expenditures. ‘Education Spending’ includes only 78 percent of school district budgets and there are 2,205 more ‘equalized pupils’ than the number of students that actually attend schools (the so-called ghost students). Thus, the use of the average statewide value of ‘education spending’ per ‘equalized pupil’ results in a much lower amount as it does not reflect all the dollars spent in Vermont’s education system, nor the actual number of students.”

**GMO Fiasco.** As Vermont’s “historic” GMO labeling law went into effect, the result being 3000 products would no longer be sold in Vermont and the cost of food would rise either a lot or a little depending upon whom you ask, the Federal government is set to pass another law making the whole thing moot. The whole episode is an example of government for the highest bidder. Statewide, the anti-GMO special interests bought legislation that would harm their competitors, and at the federal level, to pro-GMO special interests bought the results they wanted. How about letting the free market decide. GMO: Government Move Out.

**Jamaica, Vermont, Wants School Choice.** Under act 46 obligations to discuss alternative governance structures, voters in Jamaica voted 78 to 75 to leave their five-town Leland & Gray Middle and High School union. This would allow the district to expand school choice options to its families. This is good news! However, it’s not clear if the other four town in the union will allow them to leave, or if the State Board of Education will approve of their merging with another district. If Act 46 isn’t outright repealed in January, the legislature should fix the law to make it easier for towns like Jamaica to make these moves. After all, the intent of the law was to allow for creative thinking and locally driven solutions, right?

**Common Sense Energy Policy, Learned the Hard Way.** “The German parliament voted on July 8 to slow the growth of renewable energy, by ending lavish subsidies intended to develop as much wind, sun and biomass as quickly as possible. Instead, the government will pick and choose which energy projects make sense for the system based on reliability, cost, and other criteria.” - Matt Wald, senior director of policy analysis and

strategic planning at NEI.

**Not a High Capacity for Common Sense.** Los Angeles passed an ordinance barring the possession of “high capacity” magazines within city limits as of November, 2015. So far, according to a [report on Breitbart.com](#), “the ban has correlated with increases in violent crime rather than reductions. According to KPCC, LAPD reports a 20 percent increase in aggravated assaults and an approximate 16 percent jump in robberies.”

**Sad But True.** “That small government of limited powers that the Founders designed, hedged with checks and balances, hasn’t operated for a century. All its parts still have their old names and appear to be carrying out their old functions. But in fact, a new kind of government has grown up inside the old structure, like those parasites hatched in another organism that grow by eating up their host from within, until the adult creature bursts out of the host’s carcass. This transformation is not an evolution but a usurpation.”  
-- Myron Magnet, City Journal

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## Book of the Month

### **The Financial Crisis and the Free Market Cure**

*How Destructive Banking Reform is Killing the Economy*

By John A. Allison

McGraw Hill, 2012 (288 pages)

<https://www.amazon.com/Financial-Crisis-Free-Market-Cure/dp/0071806776?ie=UTF8&tag=catoinstitute-20>

John Allison served as chairman of BB&T (Branch Banking & Trust), the 10<sup>th</sup> largest financial services institution in the US from 1989 to 2009. As such, he had a ground zero view of the housing bubble and the financial crisis it led to in 2007 and beyond. Countering the political narrative that it was greedy bankers taking advantage of a deregulated industry, Allison lays out a detailed case indicting government for creating and exacerbating the crisis.

Allison points out that the banking industry has not been deregulated – it is one of the most heavily regulated industries in the world – but rather it has been mis-regulated by unaccountable, incompetent, politically motivated politicians and bureaucrats.

Allison admits that a certain amount of greed has always been present on Wall Street, just as it is present in many professions, but there was not a sudden increase in the amount of greed in the early 2000s. The cause of the crisis was something else. Or rather lots of somethings. The major culprits, Allison explains, were the Federal Reserve’s monetary policies, the Community Reinvestment Act which forced banks to make bad loans to people who couldn’t afford to pay them back, irrational lending by the government hybrid organizations Fannie Mae and Freddie Mac, and the federal government’s willingness to engage in “crony socialist” bail outs of big banks and thus incentivizing what would otherwise been unthinkable gambles.

At the heart of the financial crisis, and our general national crisis, is a movement away from the free market capitalism that made our country great. Allison spends the final third of the book with an impassioned defense of capitalism and the morality behind free markets.

After his retirement, Allison served as a distinguished professor at the Wake Forest University Schools of Business. He received a Lifetime Achievement Award from American Banker and was named one of the decade's 100 most successful CEOs by Harvard Business Review. He is now the president of the Cato Institute.

This book is a must read for anybody who loves liberty and has been forced to endure Bernie Sanders' and his followers' mindless bashing of "greedy corporate bankers" for what seems like an eternity.

*- Review by Rob Roper, president of the Ethan Allen Institute*

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## **The Final Word**

### **August Survey (Until Aug. 9 only!)**

*Who are you supporting in the Aug. 9 Gubernatorial Primary?*

Bruce Lisman  
Phil Scott  
Sue Minter  
Peter Galbraith  
Matt Dunne  
Brooke Paige  
Chris Erikson  
Other  
Not Voting

### **July Survey Results**

*Did your Vermont State Senator(s) vote the way you would have liked in 2016?*

Yes, always. 4.76%  
Yes, most of the time. 9.52%  
No, rarely. 42.86%  
No, never. 42.86%