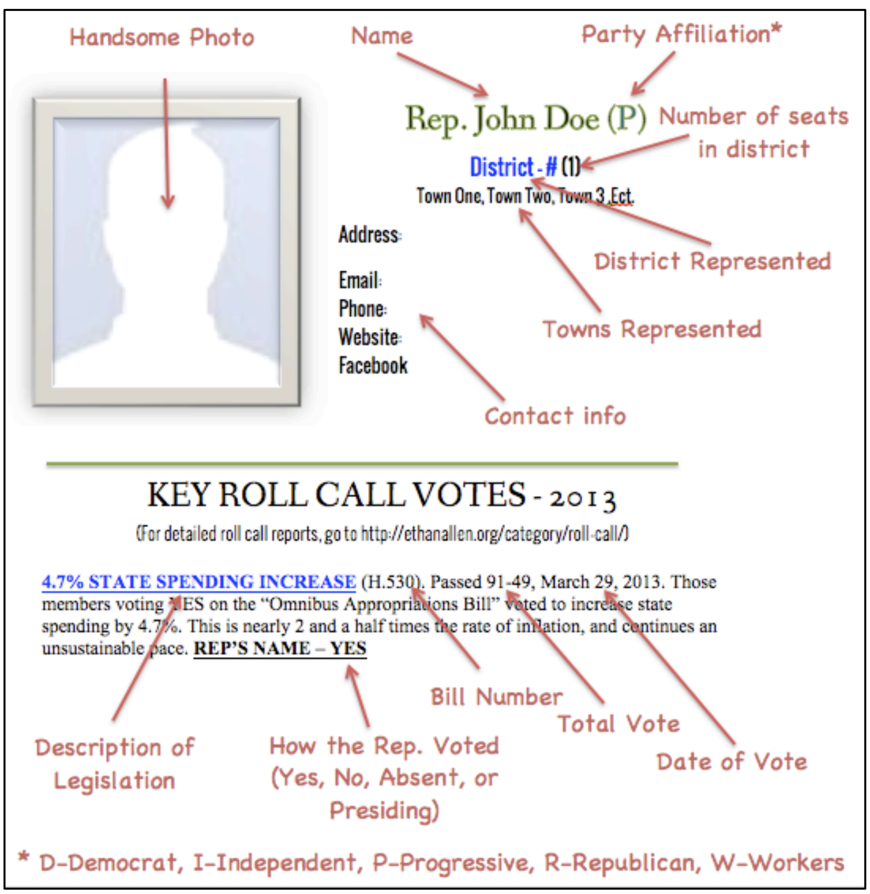
Ethan Allen Institute

Newsletter - December 2013 (Print Edition)

Top Story: EAI Releases Roll Call Legislator Roll Call Profiles

How is your Representative representing YOU in Montpelier?

The Ethan Allen Institute is proud to release our Complete Book of Legislator Roll Call Profiles, a detailed, individual look at how each of Vermont's 150 state representatives and 30 state senators voted on the most critical issues of the 2013 legislative session. The dozen votes chronicled for the house and half dozen for the senate cover taxes, spending, healthcare, energy, property rights, education, labor policy, campaign finance, land use. All were chosen because they fall within EAI’s free market, economic oriented mission as they pertain to individual liberty, limited government and the founding principles of our great nation, and because of their impact (or potential impact depending upon final passage) on the lives of citizens and the overall direction of the state.



These profiles provide a clear, transparent look at how legislators are representing their constituents on the issues that matter most. Go to http://ethanallen.org/roll-call-profile/ to see how your legislators are representing you!

Keep EAI Going Strong in 2014!
Please Renew Your Membership.

2013 has been a strong year for the Ethan Allen Institute. Some of the highlights: we upgraded our website, added Facebook, Twitter, and YouTube. We produced a major documentary, Turning Blue, about what's happening to our state and why. We created individual voter roll call profiles for every one of our 180 state legislators so Vermonters can easily understand how you're being represented in Montpelier. We are building an engaged community with our daily blog. And, we hired Shayne Spence, who I am eager to let loose on the State House come January.

All this sets the table for what we know will be a dynamic and exciting 2014. The issues facing Vermont – from healthcare, to education, to taxes, to Second Amendment rights – have never been hotter, and the stakes for our liberty have never been higher. We've built the barricades, rallied the troops, and forged the cannon. But, we need you to supply the gun powder.

EAI is a 501c(3) nonprofit, educational organization. Contributions are TAX DEDUCTIBLE. Member: $50 - $99 Supporter: $100-$499 Sustaining: $500-$999 Sponsor: $1000 and above.

Ethan Allen Institute
PO Box 543
Montpelier, VT 05601

Thank you!

Commentary: Paying $2 billion for "health care reform"

By Wendy Wilton

Last week Vermonters learned that the Avalere Health Group's independent report, financed by Vermont Partners for Health Care Reform, concluded that implementing Green Mountain Care in 2017 would likely require $2 billion or more in new taxes on Vermonters – far more than the $1.6 billion admitted to by the Shumlin

Administration.

According to media reports, this came as a huge surprise to the Shumlin administration and legislative leadership. It came as no surprise to me. For the past two years I have built, refined, and improved a model projecting GMC costs. Its 2013 update was completed after the Shumlin administration released the $300,000 UMass report. The Avalere report completely confirms my February 2013 projection.

An unforeseen – by the Shumlin administration - $400 million annual shortfall would be devastating for the finances of our small state and would do severe damage to our health care system. Unfortunately the legislature, by enacting Act 48 of 2011, has put in place all of the machinery needed to launch Green Mountain Care. The implementation of that government-run taxpayer-financed single payer system is now less than three years away.

Supporters of a single payer system, including the majority of the legislature and Governor Shumlin, largely dismissed my findings and calls for realism. In the fall of 2011 I mailed a letter to Governor Shumlin, Lt. Governor Scott and each legislator urging the general assembly to undertake an independent study that would prove or disprove my conclusions about the cost of single payer, and to explore the economic impact of the sweeping health care "reform" act they had just passed into law.

They weren't interested, because they did not want to give credibility to any analysis that punctured their unrealistic pipe dream of "health care is a human right, vast savings from administrative efficiency, better health outcomes for everybody, and sound financing (courtesy of the tooth fairy)". The findings of the Avalere Health report reinforce my earlier conclusions, and will hopefully make this administration finally get serious about the path they are so eagerly following.

Avalere Health concluded that the hoped-for administrative savings are unlikely to be realized. They concluded that planned reductions in reimbursement rates will have a deleterious effect on the health care system and put severe cost pressure on providers, including physicians and hospitals. I agree.

I also estimate that the federal subsidies slated to come into the single payer system from the Exchange will be lower than the Shumlin administration expects. Altogether, the real risk lies in the revenue sources—including the savings (if any), the available federal grants, and our own tax capacity. I remain convinced that implementation of single payer Green Mountain Care will put the state's finances at risk due to revenues falling far short of this mega-system's expenses.

At this magnitude, errors or wishful thinking regarding projected costs or revenues could quickly wipe out Vermont's fund balance. Without a substantial fund balance Vermont will be unable to provide the basic services of government, such as roads, education and social services. If the state borrows to cover its GMC deficit spending, our bond rating will plummet.

Governor Shumlin recently alluded to an 18% payroll tax as a possible way of funding Green Mountain Care. What he didn't say was that this tax is likely to be progressive, with high wage earners paying at a higher rate and low wage earners paying less.

The economic impact of this tax burden on employers and employees would be enormous. It represents flawed thinking about how to create economic vitality, and will reduce future tax revenues to the state by putting greater pressure on already tapped out taxpayers.

I would hope there might be other less costly and less disruptive options to solve our health care challenge to cover everyone in some way, and keep our state solvent while doing so.

- Wendy Wilton has served as Treasurer of the City of Rutland since 2007, and was a candidate for state Treasurer in 2012. Wilton is the recipient of the 2012 Vermont Municipal Clerks and Treasurers' Treasurer of the Year Award for her advocacy on issues relating to Vermont municipal government. She is a board member of the Ethan Allen Institute.

Commentary: Yankee's Closing Will Hurt Vermont

by Meredith Angwin

On Aug. 27, Entergy announced that Vermont Yankee would be shuttered in the fall or 2014, when its current fuel load is finished producing power.

Entergy's decision elicited a variety of reactions. Some regarded this as a great victory and were practically dancing in the streets. I was among those who were upset and depressed by the news. But I suspect that most people were somewhere in the middle. They thought, well, Vermont isn't using Vermont Yankee power anyway, so it shouldn't make much of a difference.

It does. Vermont Yankee's closing will affect everyone in Vermont. It will make our electricity more expensive, more fossil-fuel based and less reliable.

Vermont utilities are using Vermont Yankee power now. They're not officially buying Vermont Yankee power, but "using" power and "buying" power are different. Power use has to do with physical structure — where power plants, transmission lines and users are located. "Buying" power is about power contracts. A utility can choose to "buy" power from far away, but it will continue to use the power from the local generators. For example, when Green Mountain Power bought power from Seabrook instead of from Vermont Yankee, no power lines needed to be constructed. When a major supplier of regional power is lost, it must be replaced, regardless of who's buying it.

So when Vermont Yankee closes, people in Vermont will have to get actual power from other sources. Can they get this power? The short answer is yes. Vermont Electric Power Co. (VELCO) manages the state transmission systems. VELCO was concerned that Vermont Yankee might close. Between 2010 and 2013, it invested $30 million in new lines and substations to bring replacement electricity to Vermont.

What will the new power sources be? Despite the Vermont Comprehensive Plan, very little will come from renewable sources. Building renewables is a slow, expensive, land-intensive job. Vermont Yankee generates 620 megawatts of power and is well-connected to the grid. In contrast, the Lowell Mountain wind project produces 64 MW and has difficulty getting on the grid. Rep. Tony Klein, a strong advocate of wind energy, said recently that he expects no more wind farms to be built in Vermont for another 10 to 15 years.

When Vermont Yankee goes off-line, Vermont will get its power from outside Vermont: either power supplied by the regional grid, ISO-NE, or hydro-power from Canada. With Yankee closing, much of the power on the grid, especially the spot market power, will be gas-fired and its price is due to go up. Power supplied under contract by HydroQuebec follows that spot price. Before, when gas prices went up, Vermont Yankee could underbid the gas prices, and supply many megawatt-hours at a lower price than gas. But without Vermont Yankee, gas prices will determine the price of almost everything on the grid.

Our local grid power is already overdependent on natural gas. Right now, 52 percent of the power on the grid is produced from natural gas, and it will be a higher percentage when Vermont Yankee closes. ISO-NE considers gas dependence a “key strategic risk” for New England. The area is vulnerable to supply disruptions and price changes for this commodity.

Let’s start with supply disruptions. We had a natural gas supply crisis during the January 2013 cold snap. Although many in New England heat their homes with natural gas, the limited gas lines serving the region make for an inadequate supply. In cold weather, when domestic demand for gas spikes, those customers receive priority, and the power plants can’t get enough gas. During that cold snap, the grid would attempt to summon the help of a gas-burning power plant, and the plant would answer: “Sorry. Can’t go online. No gas.”

This year, ISO-NE started a “Winter Reliability Program” to address this problem — by using oil. ISO-NE has set aside $75 million to keep (mostly) oil-burning plants at the ready. That’s right, the grid is paying $75 million to have oil-burning plants keep oil onsite. (This is a “capacity” payment; the plants will be paid separately when they actual make power.) ISO-NE is ensuring reliability, but at a high dollar cost and a high cost in fossil-fuel use.

Without Vermont Yankee, more power will come from gas plants, but they will still be supplied by the same set of pipelines. Unless new pipelines are built quickly, an unlikely event, it will take less of a cold snap to activate the “we can’t get gas for our power plant” situation. In that case, more oil will be needed for back-up.

Price also matters, and once again, the problem is a lack of pipelines. Fracking has made a lot of gas available, but New England’s access to it is limited. The Federal Energy Regulatory Commission, which tracks national supply and demand, published a market assessment in October that reported that gas prices are relatively stable in most of the country, except in New England. In other regions, gas prices charged last winter and for futures contracts written on the coming winter are around $4 per MMBTU (1 million BTUs). In New England, natural gas prices last year were $6.60 MMBTU, but the futures price for the winter of 2014 is soaring to $11.75. Electricity prices in this area are also expected to rise, since electricity prices customarily track gas prices.

What about getting more power from hydro plants in Canada? This will work … partially. Depending on how much electricity we import, new transmission lines may well be needed. Some of these lines are already being planned. We should also note that Canadian power is unlikely to shield us from price rises on the grid. Under the new HydroQuebec contracts signed around 2012, the price HydroQuebec charges will fluctuate; it will move according to the market price on the grid, which itself follows natural gas prices.

In this case, we will be actually moving more electricity from Canada, not just writing contracts. Electricity carried long distances is also liable to disruptions. In 1998, an ice storm devastated HydroQuebec’s power lines, causing widespread, lengthy power outages. This could happen again, but let’s look at a more recent and more mundane supply disruption.

During that same cold snap last January, HydroQuebec exported only about half of the usual amount of electricity to the U.S. Why did it cut back just when the power was most needed?

Quebec law requires HydroQuebec to supply inexpensive electricity to “legacy” customers within the province. The needs of those customers must be met, and at a retail price of around 3 cents per kWh. Therefore, many people in Quebec heat with electricity. In a cold snap, the Quebec heaters go on, and HydroQuebec has less power to send to us. HydroQuebec hates this, but has no choice.

Even with Vermont Yankee running, Vermont and New England were overly dependent on natural gas. Without Vermont Yankee, the problems will get worse,. Our dependence on natural gas and on Canada sets us up for a perfect storm of increased power prices — and it won’t take a monster storm to trigger it. Cold weather itself will do a fine job.

- Meredith Angwin is a physical chemist who worked for electric utilities for more than 25 years and now heads the Energy Education Project of the Ethan Allen Institute. This piece originally appeared in the Valley News

Commentary: Progressive Policies Are Creating a Permanent Underclass

By Rob Roper

A business owner in Lamoille County told me a story about an employee who recently came to him to resign from his job. The job was a good paying, blue-collar position. The employee was, according to his boss, “one of my best workers.” The reason for quitting: a welfare officer explained to the employee’s wife that their family could collect more benefits if he earned less money. It paid more to work and earn less.

A friend who owns a business in Chittenden County is hearing from his employees that they don’t want to work any overtime because, if they do, the extra income will disqualify them for healthcare subsidies under Obamacare. Again, it pays more to work and earn less.

A recent article in The Atlantic by Garance Franke-Ruta got a lot of attention highlighting the story of Nona and Aaron Cassara, a married couple actually considering divorce because they could more easily remain under the poverty thresholds and draw down more healthcare subsides if they were single.

What do all of these people have in common? They are making conscious, economic decisions to remain poor for the rest of their lives. When whole swaths of the population are prodded into making these same choices, the result is tragic -- a permanent underclass in American society.

How so? Because, if it doesn't make sense to earn more money now – to take the promotion, or gain the extra experience, or create the extra opportunity to move “up the ladder” – it never will. If you’ve made the decision to live below the poverty thresholds with a keen eye on not violating them for fear of losing benefits, at what point will it ever make sense to break out? You’re trapped. The safety net has become a spider’s web.

This is why it is so upsetting, but not at all surprising, to see recent statistics from the Pew Research Center finding that 43% of Americans born into bottom quintile of household income ($28,900 or less) are still stuck there a generation later. This is exactly the opposite of what our country is supposed to symbolize.

This dynamic also explains a lot about the much-discussed growing gap between the richest and poorest. Of course those on the bottom are earning less. We're rewarding them to earn less through the progressive social welfare systems, punishing them if they earn more through the progressive tax system, and they are responding predictably to these perverse incentives.

Government has created so many "carrots" not to generate income, and so many "sticks" for those who do, for many it just doesn't make any short-term economic sense to move solidly into the middle class. The Pennsylvania Department of Public Welfare recently calculated that a single mother is better off earning a gross income of $29,000 with $57,327 in net income and benefits than to earn a gross income of $69,000 with a net income and benefits, after taxes, of $57,045. There's a significant incentive not to take the raise from $29,000 a year to $30,000. There's also a significant incentive, if you're earning $30,000 to somehow get your wages down below $29,000. And, we wonder why the wages of the poorest Americans are stagnating?

This is why here in Vermont, where we have the most "progressive" tax system in the nation and, by some measures, the most generous public benefits, we shouldn't be surprised when we learn that "From 2002 to 2012, Vermont's wages at the high end (80th percentile) rose 6.3 percent after adjusting for inflation. Wages at the low end (20th percentile) shrank 6.2 percent. And those in the middle (50th percentile) saw their wages grow just 2 percent over the decade." (Public Assets Institute, 11/21/13)

At the beginning of the last legislative session (January, 2013), Governor Shumlin described the welfare system we have created as being "cruel and unusual." It's an apt description. A truly moral and compassionate social welfare policy is one designed to break the cycle of poverty, not perpetuate it.

- Rob Roper is President of the Ethan Allen Institute

Commentary: School District Consolidation-The Supreme Managed Benefit State

By John McClaughry

The front page of the Rutland Herald of June 18, 1975, featured the headline "State Education Plans: Eight School Districts". The story and accompanying map described the plan discussed at the State Board of Education meeting the previous day. The mega-district school consolidation plan actually dated to 1964, when Gov. Phil Hoff proposed consolidating to 24 school districts, a proposal that went nowhere in the Republican-controlled legislature.

In 1987 a school governance commission, created by Gov. Madeleine Kunin and co-chaired by the same Phil Hoff, proposed 65 unified school districts. The proposal aroused such an outcry that Gov. Kunin was forced to disavow it a week before it was to be made public. The fact that the report was ridiculously titled "Strengthening Local

Control" didn't improve its reception.

In 2009 the state Board of Education produced a 112-page "Transformation Policy" report that made another run at the consolidation objective. It recommended that "By July 2012, Vermont's PK-12 public education system is constituted into 12 to 24 education districts. Each education district shall be governed by a single district board." Then-Commissioner (now Secretary) Armando Vilaseca was an active cheerleader for the report's recommendations.

The 2010 legislature wrangled at some length over consolidation proposals. Unwilling to supply the Commissioner with the hammer to force consolidation, it finally produced Act 153, providing modest incentives for "voluntary school district mergers". To date, only one "regional education district" has been formed – Mountain Towns RED (Londonderry, Peru, Landgrove, Weston, Flood Brook).

In a final appearance before the House Education Committee a month ago (he is departing next month), Vilaseca said that pooling resources in newly merged districts (REDs) would give "the biggest bang for the buck" in education spending: "We don't need 272 school districts. Do we need 63 superintendents in the state of Vermont? Can 24 be the number? Can 22 be the number? That's where I think we should start."

A committee member inquired whether Vilaseca thought regionalization ought to legislatively mandated. Vilaseca replied that school board members and superintendents tell him "we'll never do this ourselves. There has to be some sort of hammer." After the session Vilaseca told Alicia Freese of Vtdigger that "After seven or eight years, if the districts haven't joined together, then the state will come in."

From the context, and from his long support of forceful control from Montpelier, it's clear that when Vilaseca says "the state will come in", it does not mean that the State will hand out incentives and hope for the best. It means the Agency of Education will work its will, parents, students, teachers, and school board members will be told to sit down and shut up, and taxpayers will be told to pay.

In a political climate always favorable to more centralization, more (supposed) administrative efficiency, and far greater power for gubernatorial appointees, the legislature is likely to face increasing pressure to comply.

In former days this would have been recognized as the Soviet command-and-control model, a model also currently favored by Gov. Shumlin for his single payer health care system. Such a model can, admittedly, construct the Pyramids, build an atomic bomb, and put a man on the moon. What it can't do is acceptably direct students, parents, teachers, administrators, and school board members to carry out the Leader's orders, without crushing Vermont's tradition of local self-government.

There is an attractive alternative to "One Big School System". It's based on parental choice and provider competition, among locally-governed public schools, charter schools, independent schools, and alternative educational programs.

Vermonters in 90 tuition towns have made that alternative work since 1869. There was never a better time to expand it to the others. If we don't, we'll get the Supreme Managed Benefit State where, to borrow from the Green Mountain Care law, the Ministry of Education will mandate for all children "the appropriate education at the appropriate time in the appropriate setting."

- John McClaughry is vice president of the Ethan Allen Institute

Events

The Ethan Allen Institute is excited to announce that we won a competitive grant to put on a series of three debates with our counterparts at the Public Assets Institute on the question of "What is the Proper Role of Government In Education." EAI will be making the case that Vermont's tuitioning town system, in which government supplies parents with the resources to choose their child's school is a better, more successful model than the more wide spread, government school monopoly system.

December 13. The Ethan Allen Institute will debate the Public Assets Institute on the subject of "The Proper Roll of Government in Education." Lyndon State College, Burke Mountain Room, 5:30-7:00 pm.

January 10. The 2014 Vermont Economic Outlook Conference will be held Friday, from 9-2 at the Sheraton Burlington. For details and reservations: rheaps@vertmonteconomy.com (802 879 7774)

January 14. The Ethan Allen Institute will debate the Public Assets Institute on the subject of "The Proper Roll of Government in Education." Manchester, VT.

January 16. Rob Roper presents Triumph of Liberty to the St Johnsbury Republican Town Committee. If you'd like to schedule a presentation for your organization contact rob@ethanallen.org.

February 3: Rob Roper presents Triumph of Liberty to the Montpelier Rotary Club. If you'd like to schedule a presentation for your organization contact rob@ethanallen.org.

February. EAI vs. PAI debate. Details TBD.

News & Views

Property Taxes Set to Rise 3-7 Cents. Despite the continued decline in K-12 population, education spending is expected to increase by 3.8%, which, according to the Commissioner of Taxes, will require a property tax increase of 3-7 cents per $100 of assessed value. This follows a 5 cent increase just last year.

Vermont Spending Outpacing Revenue by $72 million. The Joint Fiscal Office highlighted the following statistics in a pre-session briefing to the legislature on November 20th. Total spending has grown from $4.1B in FY08 now to $5.2B in FY14. Average annual growth since FY09 has been 3.6%. The General Fund (GF) is now 26% of total spending, down from 30%. GF growth has averaged 3.4% since FY09. Federal funds now represent 35% of total spending, up from 30%. Gross State Product average growth 1.3% (projected to be 3% in '14).

Vermont's Workforce Declines by 4500 People In One Year. Vermont's labor force has fallen from 356,187 to 351,626 between October 2012 and October 2013 – a loss of 4.561 people.

Vermont Homelessness Up 22% Since Last Year – "Department of Housing and Urban Development (HUD) show that almost 1,500 Vermonters were homeless in 2013, up from 1,160 last year. In 2008, as the recession began to take hold, Vermont reported just over 950 people with no permanent place to live." – Public Assets Institute

Government Run Healthcare Bust. Feds put $168M toward Vermont's health care exchange — $3,928 per uninsured Vermonter — and it doesn't work.

Independent Study of Green Mountain Care Warns Higher Costs/No Savings/Fewer Doctors. A recent independent analysis of the financing of Green Mountain Care (GMC) done by the Avalere Health, LLC, a Washington-based analytical group, commissioned by Vermont Partners for Health Care Reform, a diverse collection of healthcare providers and local business groups, came to the conclusion that GMC would require between $1.9 and $2.2 billion in new taxes to implement. A study commissioned by the Administration a year ago and done by the University of Massachusetts calculated that the hypothetical savings in insurance premiums Vermont would enjoy as the result of adopting single payer would be approximately $1.8 billion in 2017. http://vphcr.org/

Time Out. At this point, we have to stop and ask,
"So, how's the most 'progressive' state in America working out for you?"

Power is Money. "When the Vermont Yankee nuclear power plant shuts down next year, it will not only stop producing electricity. The plant will also stop producing $11.7 million in state tax revenue." - Burlington Free Press, 11/1/13

Great Line! "We have to 'pass it, to find out what's in it'? That's the definition of a stool sample!" Anonymous Physician.

Promises, Promises…. "'If you have coverage you like, you can keep it.' – Sen. Bernie Sanders ("Sick And Wrong," Rolling Stone, April 5, 2010). "[I]f you like the insurance you now have, keep the insurance you have." – Sen. Patrick Leahy (CNN's "Newsroom," October 22, 2009)

Solar Power "Death Rays" Killing Birds. Recent reports from California show that solar plants are causing the death of birds in two ways. The first is that the birds mistake the large fields of solar panels for bodies of water. The result is "splat" instead of "splash" for the unlucky bird hoping for a dip. The second way is even more freaky. The solar panels are reflecting heat back into the sky and literally cooking the birds out of the air. "[D]ead birds are being found with 'singed wings' around several California solar energy facilities." Since these plants are located in the desert with temperatures much hotter than Vermont, hopefully reflected death rays won't be an issue here. Nevertheless, seas of solar panels are in Vermont's future if we are to achieve 90% renewable energy usage by 2050, and that's the state's goal. http://motherboard.vice.com/blog/solar-plants-are-burning-birds-wings

Windmills Slaughtering Bats. Researchers in Colorado say that wind turbines killed at least 600,000 -- and possibly as many as 900,000 -- bats in the United States in 2012. What? Bats aren't as cute as spotted owls?

Survey of Meteorologists Destroys Global Warming Consensus Myth. Only 52 percent of American Meteorological Society members believe the globe is warming and humans are the primary cause, according to preliminary results of a survey published by the Bulletin of the American Meteorological Society. The study blows a gaping hole in the myth that scientists are nearly unanimous that humans are causing a global warming crisis. Notably, the 52 percent "consensus" merely applies to causation and does not address whether such warming is substantially negative or constitutes a present or imminent crisis. - Climate Etc. and Bulletin of the American Meteorological Society

Britain Joins Australia In Rejecting Climate Compensation. Britain sent a blunt message to developing countries yesterday that it would not give in to their demands for compensation for weather-related disasters, which, many scientists say, climate change has worsened. A group of 130 countries, including China, India and Brazil, are demanding that a new UN institution be created to measure "loss and damage" from storms, such as the typhoon in the Philippines that killed several thousand and destroyed or damaged more than 700,000 homes. --Ben Webster, The Times, 21 November 2013

Prosperity Through Renewables: "Gov. Peter Shumlin has announced that the state is teaming up with AllEarth Renewables to build up to five MW worth of solar trackers in connection with state buildings...Shumlin's longtime political ally and contributor David Blittersdorf is the founder and CEO of AllEarth Renewables, but the Shumlin Administration says politics had nothing to do with the decision." (VBM 10/13) PS: Nixon was innocent!

Hey, white suburban moms! You're kids are stupid. Get over it. Secretary of Education Arne Duncan caught an ear full for blaming dissatisfaction with Common Core on the irrational angst of 'white suburban moms.' Here's Duncan's quote, "It's fascinating to me that some of the pushback is coming from, sort of, white suburban moms who — all of a sudden — their child isn't as brilliant as they thought they were and their school isn't quite as good as they thought they were, and that's pretty scary."

Rob Roper and Shayne Spence interviewed Jim Stergios of the Pioneer Institute about Common Core on Common Sense Radio.

When teachers learn accountability. "After the Chicago teachers' union signed a 2004 contract allowing principals to bypass a cumbersome dismissal process and fire recently hired teachers for any reason, faculty absences fell by about 10% and the prevalence of educators with 15 or more annual absences declined by 25%, according to a study by Brian A. Jacob of the University of Michigan. The effect was driven by the voluntary departure of certain teachers after the new policy was announced, he says. Nevertheless, principals were reluctant to enforce the policy: 40% of schools, including many that were low-performing, didn’t dismiss any teachers.” - The Effect of Employment Protection on Teacher Effort

Shumlin Earns Thumbs Up on Local Control: “My feeling is that the best decisions about education are made locally. I won't agree with all the decisions that are made, but I want us to continue to make them the way we make them -- have a heated debate, everyone gets together, we duke it out, we vote, we make a difference, and then we make it work. I don't think this is particularly a model for education, but I want others to have the power to make decisions just like people in North Bennington did” - Gov. Shumlin (Bennington Banner 11/14/13).

Lesson Learned (Colorado): “The most significant result Tuesday [Nov. 4] may have been Colorado’s overwhelming rejection of Amendment 66, which would have blown up the state’s 4.63% flat income tax and opened the door to much bigger government.” “Colorado voters were smart enough to see that the measure’s most fervent backers were the teachers unions that oppose reform and simply want more money.” (WSJ 11/7/13)

Lesson Learned (Washington). Washington State voters rejected a statewide initiative that would have required the labeling of genetically modified foods by a vote of 45% - 55%. Food Labeling Proposal

The Authoritarian Nature of Progressivism. “The essence of modern Democratic progressivism is: ‘You will participate in what we have created for you, and you will comply with the law's demands.’" – Daniel Henninger, Wall Street Journal.

On the Morality of Capitalism. “There’s nothing moral about taking a government system, bankrupting it, and passing it on to the next generation.” – Arthur Brooks, November 14, 2013

Book of the Month

Local Dollars, Local Sense

How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity
by Michael Shuman
Chelsea Green Publishing, 288 p.

The Dow Jones Industrial Average has topped 16,000. Wall Street investors, who were hammered when the mortgage debt implosion drove the DJIA down to 7,608 just four and a half years ago, are exultant. So is almost everyone who owns exchange-traded investments, 401ks, IRAs, and pension funds.

But quite a few investors are concerned that too much of their financial security (or insecurity) rests on an exchange in a distant financial center, dealing in global corporate securities, and inhabited by people for whom stock exchanges are gambling casinos. These ordinary small scale investors would prefer to invest at least some of their nest eggs in local enterprises run by real local people, in the local economy where they live.

Their opportunities for doing this are severely limited by governments, state and federal. In fact, the federal government that borrowed $787 billion in 2008 to bail out big banks and insurance companies – whether they wanted to be bailed out or not! – has a longstanding policy of stopping you from investing in local enterprises that strengthen your local economy.

How governments do this is brilliantly explained in a new book by Michael Shuman, published in Vermont by Chelsea Green. It's titled Local Dollars, Local Sense: How to shift your money from Wall Street to Main Street and achieve real prosperity"

It's significant that Michael Shuman is not a Cato Institute libertarian, but a man of the Left. He's a lawyer and long-time fellow of the leftist Institute for Policy Studies in Washington. But unlike the common Bernie Sanders socialist, whose answer to every outrage is a full bore government takeover plus coercive redistribution of wealth, Shuman is sharp enough to see that government has become an enormous obstacle to people wanting to make investments to improve their local communities and economies.

Let Shuman speak for himself: "What stands in the way of [a huge shift of capital from Wall Street to Main Street] is obsolete institutions and laws that make local investment extremely difficult and expensive. Securities laws from the Great Depression effectively enacted a system of investment apartheid, with 'accredited investors' being able to invest in any business they wish and 'unaccredited investors' being essentially told to get lost."

"Before a business can make an investment 'offering' to even a single unaccredited investor, it must pay an attorney to produce a private placement memorandum and various regulatory filings and documents; legal, accounting and government fees could easily run $25,000 to $50,000. If a company wants many unaccredited investors, it must create a public offering that could cost another $50,000 or more, and it must make ongoing, exhaustive filings to the SEC."

"Besides ensuring full employment for attorneys, securities law can claim one stunning achievement. It has managed to keep small investors away from small businesses. Again, more than 98 percent of the American public cannot invest in more than half of the economy."

Local Dollars, Local Sense explains clearly, for lay people, how this roadblock can be circumvented. Shuman offers a lengthy menu of imaginative efforts to revive Main Street economies, including cooperatives, credit unions, community development corporations, BIDCOs, microlending, SHARE programs, employee stock ownership plans (ESOPs), community development financial institutions, local mutual funds, local investment exchanges, direct public offers, and internet-based investment accumulation (like Kickstarter). Foreign examples include Fjallbete (Sweden) and Mondragon (Spain).

He also describes several Vermont-based economy-building enterprises, such as the Vermont Sustainable Jobs Fund Flexible Capital Fund, the Burlington Community and Economic Development Office, and the Vermont Community Loan Fund.

One small caveat: There is an important difference between sweeping away foolish government barriers to allow a free people to solve their own problems, and finding a way to capture capital from taxpayers to redirect into government-favored enterprises. Shuman appears to favor both, including the idea of a state bank (as in North Dakota).

Vermont can show some benefits from economic development programs based on funding extracted from taxpayers, or in the case of Federal programs, largely financed by selling Treasury debt. But the really important policy goal ought to be knocking down the archaic government barriers that stifle the creative energies of a free people, who are willing to invest in viable enterprises in their own communities for mutual benefit if only their governments would let them.

Interested? Buy this book, assemble a dozen like-minded people from your community, and get moving.

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

Final Thought

Dirk Van Susteren wrote a wonderful profile of EAI founder John McClaughry for In This State. It stands as our final thought for the day.

A Thing or Two You Might Not Know About John McClaughry

Ask John McClaughry to define himself politically, and you'd expect a response like "Republican" or "conservative" or "libertarian."

But the founder of the Ethan Allen Institute, the Vermont think-tank that promotes free-market values, will just as likely give you the long answer, one leaving you guessing or begging for explanation.

"I am an old Whig, small 'r' Republican, Locofoco, Western progressive, Country Party, decentralist, Distributist, Jeffersonian, Reaganite," he says on a recent afternoon, sitting in a leather chair near the stone fireplace in his log cabin house in Kirby.

McClaughry, 76, has just arrived home after lunch and his noon pick-up game at St. Johnsbury Academy, where he won one game with an 18-foot jumper….

Read the rest on line at http://vtdigger.org/2013/11/24/thing-two-might-know-john-mcclaughry/

Merry Christmas! Happy Hanukkah!
Happy Holidays!