

Ethan Allen Institute

Newsletter - October 2013 (Print Edition)

Top Story: EAI Releases “Turning Blue,” a short documentary on Vermont’s political past, present and future.



Please watch this at <http://youtu.be/06xR1uxp5mI>, and SHARE with friends and family. This is the message that must get out.

Thank You!

We are extremely grateful to all who responded so generously to our request to help match the \$10,000 grant EAI received toward hiring Shayne Spence. For those who may have missed our call for help or forgot in amidst our perfect autumn weather, we are almost there. Please make a your donation today and put us over the line! Thank you.

Please make checks payable to Ethan Allen Institute P.O. Box 543, Montpelier, VT 05601

Commentary: Shumlin’s Peculiar Collection of “Facts”

By John McClaughry

On September 5 Gov. Peter Shumlin gave a televised interview to Steve Pappas, editor of the Times Argus. The bulk of it dealt with the new health insurance Exchange and its scheduled successor Green Mountain Care. As usual, the governor appeared articulate and well informed.

The problem is that the information Shumlin hands out often bears only a tenuous relationship to the truth.

Shumlin offered as an important reason for moving into single payer health care the inability of hospitals to share patient data and diagnostic results. A single payer system, he said, would solve this problem.

He cited a Fletcher Allen patient who subsequently went to Dartmouth Hitchcock, which proposed to run the tests all over again because they (allegedly) couldn't obtain the previous test results from Fletcher Allen.

But why do we need Green Mountain Care to solve this problem? In 2008, when Shumlin was Senate leader, the legislature passed a law (Act 192) that authorized a Health Information Technology (HIT) plan to create "an integrated electronic health information infrastructure for the sharing of electronic health information among health care facilities, health care professionals, public and private payers, and patients."

The legislature also levied a new tax of .199 of one percent of health insurance claims to pay for implementing the plan. Three years into this program the HIT plan required even more money, so in 2011 the legislature (many of whose members regularly intone that "health insurance is not affordable") quadrupled the tax rate on claims, which Shumlin signed into law.

But now, five years into this program, the governor says we need a new multibillion dollar single payer plan to somehow make the providers share medical information that Vermonters have already spent millions of dollars in higher premiums to make possible.

Shumlin again invoked his mantra of "health care is a right, not a privilege". He may believe that health care ought to be a right, but it simply is not. Even the Democratic legislature that approved Shumlin's landmark health care bill (Act 48 of 2011) stopped short of declaring health care to be a right, describing it only a "public good" (which it also is not).

Shumlin then stated that "Americans born today are projected to live less long than their parents." Unless somebody is projecting an asteroid impact, this is obviously false. According to the World Bank, using U.S. government data, American children born today can expect to live 78.64 years. Their parents in 1990 could expect 75.22 years; every cohort before that expected even fewer years of life.

Shumlin let loose this whopper: "American health care costs are three to four hundred times the spending of other developed countries." Let's assume Shumlin was referring to per person spending. According to the OECD, Americans (public and private) in 2009 spent \$7,960 per person, which is two and half times the OECD average of \$3,283 per person.

To get a fantastic multiplier like "three or four hundred", one would have to match America's total health care spending with that of with some very small developed

country – say Estonia, with a population four tenths of a percent of ours.

In the same interview, on another topic, Shumlin averred that Vermont Yankee would require three hundred employees for five or six years after shutting down in October 2014; thus there would be no catastrophic “jobs cliff” in the local economy.

According to experts in nuclear plant decommissioning, the real employment number will be around three hundred during the first year after Vermont Yankee’s shutdown, and less than 100 after two years. These will mostly be guards and plumbers, not high income executives and engineers.

It’s not uncommon for politicians to play fast and loose with facts. But few play so fast and loose, with such seeming sincerity, as Peter Shumlin. This could lead to a credibility problem.

- John McClaughry, formerly a nuclear reactor physicist, is vice president of the Ethan Allen Institute.

Commentary: When Location Rules the Grid

By Meredith Angwin

The Vermont Comprehensive Energy Plan calls for a great expansion of renewable electricity. Can we achieve it? Some of the difficulties the state may encounter came to light this summer in the Northeast Kingdom.

The biggest renewable project to come online recently is the Kingdom Community Wind Project — commonly known as Lowell Mountain — which is owned by Green Mountain Power. During the mid-July heat wave, the regional grid operator, ISO-NE, did not allow Lowell Mountain to put all of its power on the grid. The wind was blowing, but the transmission lines were running at full capacity, and the grid operator told Lowell Mountain that the grid could not accept all of its power. The wind farm had to back off and not generate as much electricity as it could. It was “curtailed” by the grid operator.

As you can imagine, this incident led to quite an outcry. First off, it didn’t look good for the future of renewables. While Lowell Mountain has been controversial, it has also been a showcase for major new renewables being built in Vermont. If Lowell can’t send all of its power to the grid, it doesn’t bode well for the future growth of renewables. In response, Vermont Gov. Peter Shumlin wrote a letter to ISO-NE, asking why the grid operator had called upon the generating capacity of fossil-fuel plants but not that of Vermont renewables, pointing out that Vermont is very committed to renewables, etc., etc. Shumlin was clearly grandstanding. On a hot day, ISO-NE did what it is supposed to do: keep the grid functioning. To understand why that overriding concern led ISO-NE to shun power from Lowell Mountain, it’s helpful to realize that, in one regard, the grid is like the real estate market: It’s all about location, location, location.

ISO-NE’s first responsibility is to keep the grid meeting its physical and reliability requirements. It matches power generation with power use and avoids overloading lines. ISO-NE’s secondary responsibility is to dispatch power from generators according to various economic and contractual priority rules. These rules tend toward priority dispatch for renewables. (Though the grid operator is strictly fuel-

agnostic, the rules tend to favor renewables.) However, such priority rules come second, after the grid's physical constraints are met.

Those physical constraints are often about location, location, location.

Wind farms are usually located in rural areas, which generally do not have transmission lines capable of handling large amounts of power. In the case of Lowell Mountain, the nearest high-voltage lines also carry Hydro-Quebec and power from other sources. On a high-electricity-use day, these power sources fill the transmission capacity.

Transmission capacity in that area would have to be upgraded significantly to accommodate all the power generated by the wind turbines on a high-use day. At the time the Lowell turbines were built, it apparently was known that the turbine power sometimes would have to be "curtailed." However, "curtailment" has happened more often than some expected. (That's the simple version; it's always more complicated on the grid.) There are other factors. Depending on the type of generator, its location and the transmission lines, additional equipment may be needed to match a generator to the grid. Lowell Mountain needs something called a synchronous condenser to "tune up" its output and match it to the grid. The Lowell Mountain developers persuaded the Public Service Board to let them connect to the grid without this expensive piece of equipment, but now the grid operator says that it will have to be installed. The condenser is now being built, and it will cost \$10 million. With it, Lowell will be able to put power on the grid more often.

However, without additional upgrades of local transmission lines, Lowell may still be kept off the grid when power use is high. So, two upgrades would be needed for Lowell Mountain to have reliable access to the grid. Electricity consumers ultimately will pay for the work, but which consumers?

Green Mountain Power consumers will pay for the synchronous condenser, because GMP owns the plant. Determining payment for transmission line upgrades is more complicated because transmission lines are shared across states. If a transmission upgrade makes the entire New England system more reliable, Vermont ratepayers will pay about 4 percent of its cost. If an upgrade is considered to be only of local benefit, local ratepayers pay its entire cost. ISO-NE decides whether transmission lines are needed for grid reliability as part of its reliability planning process. At this point, it is unclear which group of ratepayers would pay.

Another question: Why is the system dealing with these problems now? Why did the Public Service Board authorize turbines without also requiring an adequate connection? For whatever it is worth, many other wind farms in other parts of the world have the same problem.

Which gets us back to location, location, location. Wind farms face some unique transmission challenges. Throughout the world, wind turbines are located in rural areas, often far from large transmission lines or large-scale users of electricity. Wind turbines also have highly variable outputs. If you build a transmission line in a rural area and build a line that is capable of taking a considerable amount of wind energy on a day when the grid is almost full, you are going to have to build an expensive line.

Building a transmission line that can always accept wind energy can be like building a freeway that is big enough to avoid congestion if a football game lets out at rush hour. We don't do that. It would just be too expensive to build all roads big enough to avoid congestion for the infrequent occasions of abnormally high use. As a partial

solution to this problem, the grid has location-dependent congestion fees.

Meanwhile, ISO-NE officials responded to Shumlin's accusation with their own strongly worded letter. They said that Green Mountain Power knew full well that the Kingdom Community Wind Project did not meet all of ISO-NE criteria for full grid connection.

I am sure that Green Mountain Power (and others, such as the Public Service Board) must have known that the new wind farm wasn't meeting ISO-NE connection criteria. Though such grid issues as congestion fees and synchronous condensers are arcane to most of us, there are many competent electrical system engineers who could have foreseen these problems. They almost certainly did foresee them.

What should we do now to put wind on the grid? Since Kingdom Community Wind is built, I think Green Mountain Power should take the steps necessary to be sure its energy gets on the grid more reliably. It will be expensive, but that is the only option. However, the costs and whatever environmental impact those upgrades entail should be ascribed to the wind project. More important, these costs should be considered when other projects are proposed. That does not mean that other projects should not be built. However, Vermont now has experience with a large wind farm, and it should learn from this experience.

- Meredith Angwin has worked in many sectors of the utility industry for more than 20 years. She is the director of the Energy Education Project of the Ethan Allen Institute. She and her husband, George Angwin, are developing a report for the Ethan Allen Institute that will analyze the land use implications of the Vermont Energy Plan.

Commentary: A Premium and a Tax Are Not the Same Thing

By Rob Roper

<http://ethanallen.org/commentary-a-premium-and-a-tax-are-not-the-same-thing/>

In an interview with Times Argus editor, Steve Papas, Governor Peter Shumlin revealed that he intends to pay for his single payer healthcare plan largely with a payroll tax. This isn't really a surprise, despite the fact that proponents of single payer in Montpelier have been at great pains to maintain the impression that no decision had been made on how to pay for the \$5 billion plus program.

In reality, there never were a whole lot of options. Vermont already has some of the highest marginal income tax rates in the country. Our property taxes are equally high. Our sales tax at 6 percent has to compete with New Hampshire's rate of 0 percent. So, Dr. William Hsiao, in his 2010 report on single payer for Vermont recommended a payroll tax of 14.5 percent (11 percent on the employer and 3.5 percent on the employee) to cover the bill. Now, Shumlin hinted to Papas that a payroll tax of as much as 18 percent would be acceptable. The rate is already going up!

The governor shrugged off what he admitted would be the “largest tax increase in state history,” as it would be coupled with “the largest premium reduction.” He said, “You can call it a tax or a premium, but it’s coming out of our [employers’] bottom line.”

But, a tax and a premium are not the same thing. Between the two, the payroll tax is a far worse deal for Vermont employers.

Perhaps the biggest and most obvious difference between a payroll tax and a premium is that if you don’t pay a tax you are a criminal. If you fail to pay in full, liens can be placed upon you, your business can be seized, you can go to jail. You have no choice about whether or not to pay a tax. You cannot negotiate the terms of a tax. You cannot switch to a more competitive government. You cannot decide to drop a tax if the burden becomes fatally high for your business.

One of the great benefits of a single payer healthcare system was supposed to be that it would take the burden of paying for employees’ health insurance off of the shoulders of employers. Doing so would give Vermont a real competitive edge in drawing new jobs to our state, and it would help our economy grow. Great idea! But how is replacing the burden of a somewhat flexible premium with the burden of an inflexible tax removing any burden from the employer? It doesn’t. Moreover, many if not most Vermont businesses will have an even larger burden to bear.

Small businesses that cannot currently afford to offer health insurance, and therefore pay nothing, will have a new – perhaps unbearable – financial burden with the new payroll tax. Employers who insure under federal ERISA laws will be saddled with a payroll tax on top of their current health insurance bills. If they like the insurance they have, the law will essentially make them pay twice to keep it. (If Vermont ERISA employers are exempt from the payroll tax the rate on those remaining the system would rise to an estimate of over 25 percent.) For the non-ERISA employers who do provide health insurance, it will be a mixed bag of benefit or punishment. Some may do okay, at least in the short term, particularly low-wage employers. Some will be punished, perhaps to the point of destruction.

What all employers will have in common is the fact that they will have traded a somewhat flexible cost over which they have some control for a tax over which they have no control, and face severe liabilities if they can’t pay. Who in their right mind would sign up for this?

More concerning is the likelihood that the payroll tax rate will rise even faster than current premiums are rising. The hope is that politicians will have the competence to run a more efficient system and the spine to reign in spending. (Honestly, who isn’t laughing out loud after reading that last sentence?)

All factors under single payer point toward rapidly growing tax rates. Fundamentally, single payer will immediately increase the number of people in the system by 7 percent, raising costs. By virtue of providing “free” care to the consumer, single payer will

increase demand, again raising costs. The political pressure to expand benefits will be tremendous, and there are no mechanisms, apart from economic collapse, to put on the breaks.

Yes, we need to reform our healthcare system. We need to remove the burden of providing insurance from employers and create transportability for individuals. We need to find ways to provide those who can't afford care with the services they need. But, all of these problems require solutions involving more choices, more flexibility, and economic growth. Creating a government monopoly funded by a payroll tax on job creators – criminalizing them if they can't keep up with Montpelier's demand for tax dollars – is not the way to go.

- Rob Roper is President of the Ethan Allen Institute

Commentary: The GMO Debate in Vermont

By Bruce Shields

“Attack of the Killer Tomatoes” was a 1975 classic spoof film. But the killer tomatoes are back. During the 2013 session of the Vermont legislature, a bill was introduced requiring special labeling for foods made of or containing Genetically Modified Organisms (GMOs). As rewritten in the Agriculture Committee, H.112 passed the House at the end of April, and awaits Senate action in the 2014 session.

This is not the first, or even the second, time that genetically modified food has been debated in Vermont. In 2001 a blanket ban on all GMO foods in Vermont failed because of Constitutional issues related to the Contract and Commerce Clauses. A decade earlier, a ban was debated on the use of Bovine Somatotropin or BST, a synthetic allomer of a hormone normally found in lactating cows.

When an outright ban foundered in the Vermont Senate, opponents settled on strict labeling. Processors fleeing the expense of parallel distribution of BST Free and conventional milk soon terminated purchases from the minority of dairies using BST hormone. BST opponents thus deftly eliminated their competition from the market place.

The present GMO bill exploits the earlier BST strategy. The findings section of H.112 (the committee rewrite had a temporary caption of H.722) as it emerged from the House Agriculture Committee lays out in four dense pages 30 headings summarizing legal, economic, or constitutional points to justify strict labeling in Vermont. H.112 draws language from statutes proposed in several states -- notably Maine -- and partly replicates the pending Federal H.R. 3553, “GMO Right To Know Law.” GMOs are expressly defined as a potentially dangerous contaminant.

Scientific evidence for restriction of GMOs is very scant, relying on assertions rather than evidence of causation. The US Centers for Disease Control, which compiles data on illness or death from foods, has no reports of illness caused by consumption of GMOs. The European Union banned GMO crops about 2005; seven years ago the EU Scientific Advisory Commission delegates established a massive statistical and medical research project to report in 2013. Previews indicate that the panel has found no instance of human health problems from GMO foods, and may request that the ban be lifted.

Opposition to GMOs displays a blend of self-serving arguments with objections drawn from folklore, religion, and alternative medicine. Economic objections are the most obviously self-serving. Specialty and niche food suppliers condemn GMOs as causing economic changes in agriculture favorable to large corporate entities, which sell machinery, seeds, and other inputs -- the Luddite argument. For instance, H.112: Sec. 5, "Purposes," argues that blocking GMOs will generate great economic advantage to small farms, to local Vermont processors, and to such ventures as Community Supported Agriculture.

Belief-based opposition to GMOs holds that human intervention in selecting the genetic composition of species is strange, unnatural, and results in humans playing God by distorting a naturally evolved genome. For example H.112, "Definitions," states that human induced mutations occur "where the donor cells/protoplasts do not fall within the same taxonomic group, in a way that does not occur by natural multiplication or natural recombination." A later section notes that some religions oppose GMOs, and that labeling is therefore obligatory to preserve freedom of conscience.

The definitions of genetic modification in H.112 are logical and syntactical muddles. Their confusion could make the retailing of food in Vermont very unattractive. Food crop breeders employ at least six genetic techniques, differing mainly in the equipment used. The law singles just one technique out for labeling.

Given the passionate intensity of opposition, why should Vermont farmers or consumers bother to adopt GMO crops? The benefits of modern genetic crop improvement flow to the world in general, and to the Vermont public specifically. The world food crisis first predicted by Paul Ehrlich in 1970 has failed to materialize largely because improved crop genetics have increased food production both in developed and developing countries. GMO crops have allowed great reduction across the US of persistent herbicides, and have curtailed the broadcast use of several insecticides. Genetic improvement has reversed the loss of important crops decimated by viruses and fungi. GMOs have improved the lives of millions of people.

Although Vermont's choice will impact less than 1% of US gross agricultural output, these principles are worth debating, because the GMO labeling requirements will have a significant economic impact inside Vermont. Cost to consumers of a basic market basket of food is likely to increase, and wholesale distribution costs are likely to rise.

The Vermont proposal require the labels "Contains GMO" if any ingredient present in greater than trace amounts cannot be documented as GMO free. Nor could a food product with any content of GMO above ½ of 1% could contain the word "Natural" in the label.

Though probably unenforceable in Interstate Commerce, a Vermont based cook would have to devise elaborate procurement arrangements to make sure that all the minor ingredients are also totally GMO free. Will the consuming public tolerate such increase in cost? Activists argue that Vermont consumers will be eager to shun the "Contains GMO" label. Many Vermonters may avoid the issue entirely by shopping in New Hampshire.

A far less intrusive solution would enable producers of GMO-free crops to so label their produce. Objectors would thus have all the information needed for their choice, but anti-GMO growers would not be allowed to coerce their competitors into carrying advertising for GMO-free producers on the label.

- Bruce Shields is a past president of the Ethan Allen Institute.

Events

October 1: At Bellows Free Academy in St. Albans, 7:00 – 9:00 pm, a Senate special committee on Current Use will take public comment on Vermont’s Current Use program. They are inviting Vermont citizens with an interest or experience in the Current Use Program to attend.

October 8: At the Ferrisburgh Central School in Ferrisburgh, 7:00 – 9:00 pm, a Senate special committee on Current Use will take public comment on Vermont’s Current Use program. They are inviting Vermont citizens with an interest or experience in the Current Use Program to attend.

October 9: Rob Roper presents Triumph of Liberty to the Mad River Valley Rotary Club. If you’d like to schedule a presentation for your organization contact rob@ethanallen.org.

October 26: Property Rights Foundation of America holds its 17th annual National Conference at the Century House, Latham NY (near Albany). Topic: “Preserving Our Property Rights Against ‘Conservationists.’” More info: prfa@prfamerica.org

News & Views

Shut Down Yankee, Pay More for Electricity: “The New England power grid operator, ISO New England, expects greenhouse gas emissions and wholesale energy prices to rise as a result of the Vermont Yankee nuclear plant’s closing in late 2014... ISO’s projected increases are tied to its method for organizing energy bids, called “bid stack.” ISO organizes bids from power generators across New England in bid stack from low to high, or cheap to expensive. Lower energy bids sell first from the stack, and more expensive sources of power come online as they are needed. Removing Vermont Yankee from the stack means that the bids would shift down, and more expensive generators would fill the roughly 600-megawatt void left by Vermont Yankee. Stephen Rourke, vice president of system planning for ISO, said this movement would inflate the price of power in the market above what it would have been with Vermont Yankee in the mix.” (VtDigger, 9/25/13)

Shumlin Indicates Payroll Tax Will Fund Single Payer. In an interview with the Times Argus, Governor Peter Shumlin said that a payroll tax would be the major funding device for his single payer healthcare plan. Describing his own experience as a business

owner, Shumlin said, “We pay about 18 percent of payroll for health care premiums. You can call it a tax or a premium, but it’s coming out of our bottom line.” Well, no matter what you call it, the cost remains on the backs of employers, something Shumlin promised he would eliminate. The Hsiao Report recommended a 15.5% payroll tax, 11 percent on employers and 4.5 percent payroll tax on employees.

Randy Brock on Vermont Health Connect: “The fact of the matter is this: The system doesn’t work. It can’t reliably communicate error-free with the federal data hub. It can’t talk to Vermont’s only three insurers, Blue Cross, MVP and Northeast Delta Dental. It can’t talk to the Benaissance system that is supposed to send Vermonters the bills for the insurance products sold on the exchange. On the eve of the day when it is supposed to be on line, it cannot even be tested in real life because key software code has yet to be finalized. Like the Wizard [in the Wizard of Oz], it is smoke and mirrors, and behind the curtain there is no Wizard – there is only Peter Shumlin.” (Excerpt from Brock’s Op-Ed, the Wonderful Wizard of Healthcare Software.)

Health Care Reform Obama Style: “Peter Sterling, director of the Vermont Campaign for Health Care Security, said the thousands of people currently enrolled in state-subsidized health care programs — Catamount and Vermont Health Access Plan — are likely to see significantly higher health insurance expenses. “Everyone on Catamount and VHAP who’s going onto the exchange, their premium costs may not go up that much, but their out-of-pocket costs will,” he said. (Times Argus, 9/29/13)

Vermont’s Pension Overhang. “Vermont’s combined unfunded pension and retiree healthcare costs of \$3.2 billion (for state workers and teachers) is not sustainable. Each year the state underfunds more than \$80 million of required retiree health care contributions... The unfunded pension and retiree health care benefits for Detroit (\$3.5 billion) on a per capita basis is \$5,000. Vermont’s (\$3.2 billion) is \$5,100.” (David Coates, BFP 9/13/13)

69% of Vermont Public School 11th Graders are Falling Through the Cracks. The Vermont Department of Education released the NECAP science scores for 2012-2013. A heartbreaking 69% of all 11th graders scored below proficient on the test, along with 68% of 8th graders and 53% of 4th graders. For the 4th graders, that number represents a six point drop from 47% below proficiency in 2011-2012.

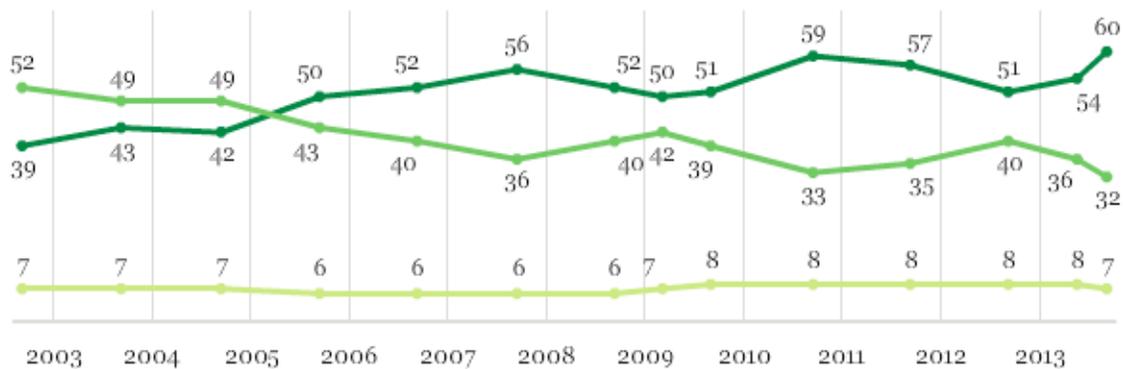
Tax Foundation Finds Vermont Has Some of the Highest Marginal Tax Rates on S-Corps and Sole Proprietorships. The Tax foundation put together two maps featuring the marginal tax rates for sole proprietorships and S-Corps. Vermont came in 6th highest (49.1%) and 5th highest (46.2%) respectively. This is a big blow to small, entrepreneurial businesses in a state particularly dependent on small, entrepreneurial businesses. According to the Tax Foundation, these rates reflect the sum of federal, state, and local income taxes (minus the state and local tax deduction); self-employment taxes; and the limitation on itemized deductions.

Record Level of Americans Believe Government Has Too Much Power. A Gallup poll revealed that six in ten Americans now believes that government has too much power. This is one percent higher than the previous record set in September 2010 – a few weeks before Republicans re-took the House and won an unprecedented number of state legislative offices in a landslide election.

Americans' Perceptions of Governmental Power

Do you think the federal government today -- [ROTATED: has too much power, has about the right amount of power, or has too little power]?

■ % Too much ■ % About the right amount ■ % Too little



GALLUP

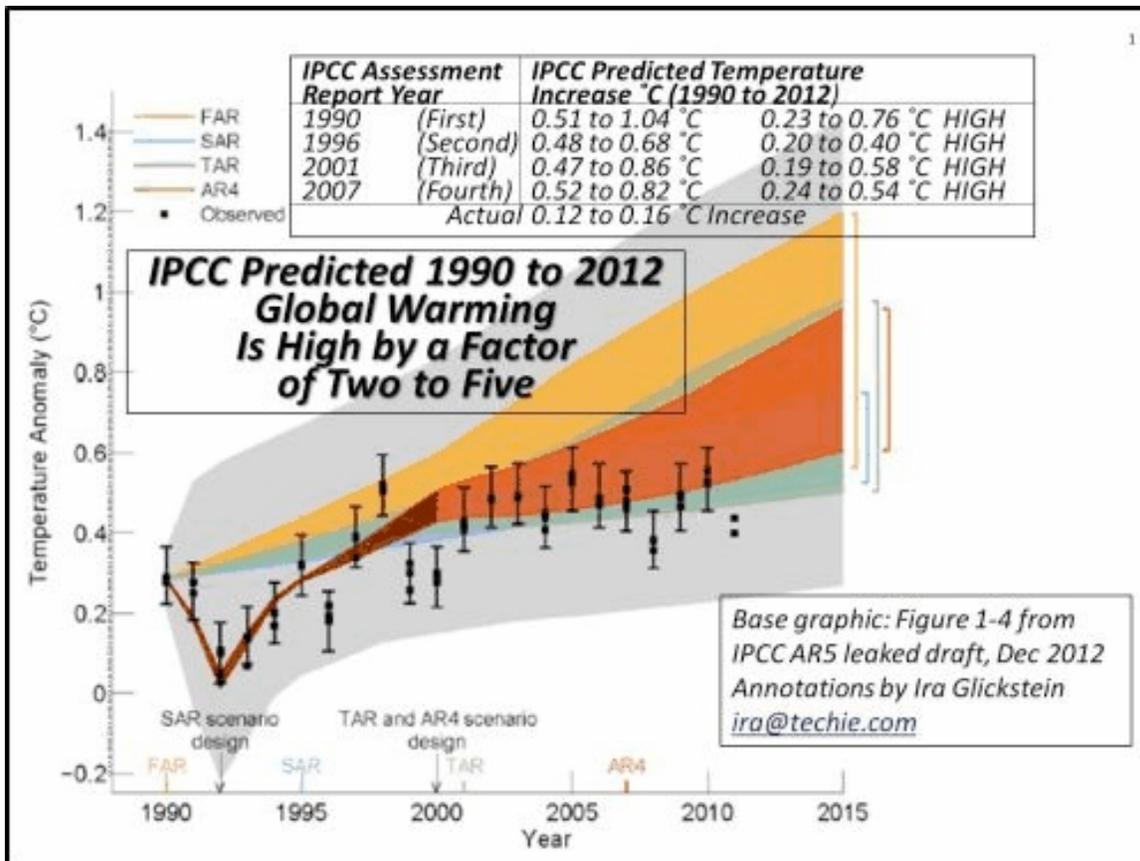
Bringing out the big guns to subvert the second Amendment. The newly formed anti-Second Amendment group GunSense Vermont has hired a high powered lobbying firm, Sirotkin & Necrason, to fight for their cause in Montpelier. Despite GunSense Vermont’s failures last legislative session, it’s pretty clear they have no intention of giving up.

Good news on the jobs front. Green Mountain Defense Industries is reportedly ready to bring 100 new jobs to the Royalton area. The company is looking to manufacture roughly 1000 AR-15s per month.

Free Food for Thought. Vermont’s mismanagement of the food stamp program has led to more than \$400,000 in federal fines over two years, reports the Vermont Press Bureau. “[T]he state got word that it had exceeded the federal government’s maximum allowable “payment error rate” for the second year running.... And hunger advocates say the state is on pace to suffer its highest payment error rate in history for the federal fiscal year set to conclude at the end of this month.” Moreover, “There really doesn’t seem to be a short-term strategy on the part of the state to address this...” Vermont’s payment error rate in federal fiscal year 2011 was 8.53 percent, second-highest in the nation, and the errors come most often in the form of overpayments to recipients of the program.

Climate Models Fail: “A commentary article in Nature Climate Change reveals that climate models have “Overestimated global warming over the past 20 years.”

“The authors of the commentary are all IPCC bigwigs: Francis Zwiers is Vice Chair of Working Group 1 (physical science) of the forthcoming Fifth Assessment Report (AR5); John Fyfe was a lead author for AR4; and Nathan Gillett is a lead author for AR5’s Chapter 10 on climate change detection and attribution.” “The authors find that over the past 20 years (1993-2012), the warming trend computed from 117 climate model simulations (0.3°C/decade) is more than twice the observed trend (0.14°C/decade); and over the past 15 years (1998-2012), the simulated trend (0.21°C/decade) is more than four times the observed trend (0.05°C/decade). They note that “such an inconsistency is only expected to occur by chance once in 500 years.” (CH Coalition 9/13/13)



Extreme Rhetoric Caused by Climate Change – Not extreme weather. “General statements about extremes are almost nowhere to be found in the literature but seem to abound in the popular media. It’s this popular perception that global warming means all extremes have to increase all the time, even though if anyone thinks about that for 10 seconds they realize that’s nonsense.” -- Climate scientist Gavin Schmidt of the NASA Goddard Institute for Space Studies.

Australia’s Conservative Anti-Climate Change Revolution. In the wake of a stunning, conservative election victory, the Australian Government of Tony Abbott is poised to fulfill it’s promise to repeal the country’s carbon tax – a real stick in the eye to the international climate change fear mongers. Abbott’s Environment Minister Greg Hunt

noted that both electricity prices and emissions rise under the carbon tax, and said, "It is the wrong policy approach and the sooner it is scrapped, the better." We say, good on 'ya mate!

California v. Ethanol: "On Thursday, the California Legislature unanimously passed AJR 21, a resolution urging Congress to 'to use all available authority, to expeditiously transition away from biofuel sources that compete with food production.' This year, almost 40% of the U.S. corn crop will be diverted into the production of ethanol in order to comply with the Renewable Fuel Standard, a Soviet-style, biofuel production quota established by Congress in 2007. As a result, farmland used to grow corn for fuel is displacing farmland given to growing other crops, which has caused the price of food to increase. By passing AJR 21, California lawmakers seek to support the state's livestock producers, who have suffered from higher feed costs caused by the ethanol mandate." (CH Coalition 9/13/13)

Milton Friedman on the Power of Free Markets: So that the record of history is absolutely crystal clear. That there is no alternative way, so far discovered, of improving the lot of the ordinary people that can hold a candle to the productive activities that are unleashed by a free enterprise system.

Book of the Month

The Great Deformation: The Corruption of Capitalism in America

By David Stockman
Public Affairs, 768 pages

David Stockman, by any standard, has to be one of the most brilliant public policy minds of the past forty years. After six years as a young Michigan Congressman, he burst upon the national scene as President Reagan's 34 year old Director of the Office of Management and Budget.

In that role he was the frenetic, workaholic force behind Reagan's economic plan, built around significant across the board income tax rate reductions for individuals, more rapid depreciation schedules for business investments, and cutting back on government spending and regulation.

Upon departing the White House in 1985, Stockman penned an incisive and somewhat bitter account of his OMB tenure, well received in no small part because of his somewhat unflattering portrayal of the President he had served. He moved into Wall Street finance, first with the Blackstone Group and later with his own asset management firm. There he labored with unexceptional results until (figuratively) hit by a thunderbolt on October 3, 2008.

On that date President George W. Bush's Treasury Secretary Henry Paulson, formerly Chairman of Wall Street titan Goldman Sachs, bullied Congress into approving the \$700 billion Troubled Assets Relief Program (TARP). This was a desperate effort to bail out Wall Street's panic-stricken high flyers, including notably Goldman Sachs, that had poured hundreds of billions into worthless subprime mortgages.

Stockman now writes, “I saw the light. The bailouts, the Fed’s frenzied money printing, [and] the embrace of primitive Keynesian tax stimulus by a Republican White House amounted to something terrible: a de facto coup d’etat by Wall Street, resulting in Washington’s embrace of any expedient necessary to keep the financial bubble going – and no matter how offensive it was to every historic principle of free markets, sound money, and fiscal rectitude.”

The result, five year later, is *The Great Deformation: The Corruption of Capitalism in America*. This massive work covers the history of the Federal Reserve, long since far removed from its sound beginnings in 1913; the destruction of the nation’s fiscal policy by Franklin Roosevelt; the fiscal tightening of Dwight Eisenhower; the enormous governmental expansion of Lyndon Johnson’s Second New Deal; the Richard Nixon-John Connally final destruction of sound money in 1971; the ultimately calamitous Reagan deficit spending balloon; and the Bush-Obama bailouts that have pushed the national debt to \$17 trillion, larger than the nation’s Gross Domestic Product.

Stockman zeroes in on the egregiously irresponsible acts of the Federal Reserve system. After years of sound management by chairmen William McChesney Martin and Paul Volcker, the Fed under Reagan’s Alan Greenspan and Bush’s Ben Bernanke “had come in complete thrall to Wall Street”.

“Free markets and prosperity are deeply imperiled because the state and its central banking branch have failed miserably” he writes, “due to overreaching, overloading, and outside capture. They have become the tools of a vicious form of crony capitalism and money politics. At the heart of the Great Deformation is a rogue central bank that has abandoned every vestige of sound money.”

“In the process”, he continues, “the vital nerve center of capitalism, its money and its capital markets, had been perverted and deformed. Wall Street has become a vast casino where leveraged speculation and rent seeking have displaced its vital function of price discovery and capital allocation.”

Even Dave Stockman’s brilliant mind finds it very hard to chart a path out of the abyss of debt and irresponsibility into which America’s economic and political fortunes are steadily descending. “The private economy has reached a state of utter dependence upon the central bank’s printing press, the bipartisan fiscal regimen of permanent deficits, and the military industrial complex that bolsters what remains of the manufacturing sector.”

In the book’s final six pages (of 727) Stockman offers thirteen sweeping policy recommendations, some valuable, some wholly impractical, and some downright wrong-headed. Among the best is to essentially abolish the Federal Reserve by limiting it to making collateralized loans to liquidity-short banks at penalty interest rates, thus ending its trillion dollar a year carnival of monetizing Treasury debt and its pegging of interest rates near zero as part of a grand scheme to manage prosperity on behalf of the most prosperous.

All in all, *The Great Deformation* does an exceptional job of incisively explaining – in detail and often very colorfully – how the Federal Reserve and the Federal government are destroying America’s future. For those not conversant with the basic workings of Wall Street and Washington, it can be a challenging read, but Stockman shines a lot of light into places where thoroughly contemptible people have captured government and used its power to make themselves richer at everyone else’s expense.

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

Final Thought

Rob Roper interviewed on Front Page with Andrew McKeever

Andrew McKeever, editor of the Manchester Journal, spoke with Rob Roper on September 19th on his cable news show Front Page. Go to the website to watch!
<http://vp.telvue.com/player?id=T01807&video=169041&mini=true>