

# Ethan Allen Institute

Newsletter - September 2013 (Print Edition)

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## Top Stories: Free Round of Golf for EAI Donors!

A very generous EAI supporter has offered a free round of golf (18 holes) at the Country Club of Vermont in Waterbury for anyone who donates \$100 or more to the Ethan Allen Institute in September. The round may be played during the 2013 season. (Get some friends and make a foursome!)

The Waterbury course, according to the club website, "was designed and built by Graham Cooke & Associates, Inc. (GCA) of Montreal and Vancouver, Canada and Turin, Italy. Architect Graham Cooke calls the location "enormously powerful" and took an active role in developing the course. With lovely views in all directions, it truly is a remarkable setting for a remarkably executed course.... Golfers and non-golfers alike have described the site as a magnificent setting for a golf course."

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

We can really use the support because...

## EAI Hires Shayne Spence as Outreach & Development Coordinator

The Ethan Allen Institute is proud to announce that Shayne Spence will begin working with us as Outreach and Development Coordinator beginning September 1st. Shayne spent the summer interning with EAI and quickly proved himself to be an invaluable member of the team, contributing solid work on a number of projects. We are delighted to have the opportunity to keep him on.

"Shayne will help us bring the Ethan Allen Institute to the next level," said president Rob Roper. "In many ways we've been a one man band for a long time. Now we're building a team. This will allow us to do new things, to do more things, and have a greater reach and impact throughout Vermont. Shayne has a terrific skill set, and he's shown himself to be a fast learner. I can't wait to put him to work!"

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## Commentary: Shumlin's Unlikely Olive Branch to Entergy

*By John McClaughry*

Just over a year from now Vermont Yankee will go offline, putting an end to 42 years of safe, reliable, competitively priced baseload electricity delivered to the New England power market. The anti-nuclear forces that have ceaselessly agitated against Vermont Yankee for decades have jubilantly declared victory. And in truth, they are entitled to congratulate themselves for the plant's final closure, since it was they who created the poisonous anti-nuclear atmosphere in Montpelier that contributed in some measure to Entergy's decision to shutter the plant.

In his remarks about Entergy's announcement, Gov. Shumlin went out of his way to say that he would "use this opportunity to build better relations with Entergy." Anyone who has watched the Shumlin mode of operation should take this olive branch with a boulder of salt.

Peter Shumlin founded his political career on opposition to Vermont Yankee, and accelerated it when Vermont's utilities sold the plant to what he calls "Entergy Louisiana" in 2002. He ardently supported, though he did not initiate, the extortion of \$28 million from Entergy in return for allowing an unexceptional uprate of the plant's power output in 2003.

He supported the continued extortion of Entergy to extract another \$28 million in 2005 in return for allowing Entergy to store spent fuel rods in concrete casks at Entergy's expense on its own property.

He strongly supported the two judicially overturned acts of the legislature that put 180 politicians – the great majority of them anti-nuclear Shumlin supporters - in charge of whether Entergy could be allowed to continue operation of the plant beyond its scheduled closing date of March 22, 2012.

When Entergy applied for Public Service Board authority to extend the plant's operation, Shumlin notoriously tried to extort it again to sell power to Vermont utilities at below market prices. This is not rumor. This was found to be fact by the Federal District Court in its 2012 ruling against the state.

He rarely if ever passed up the opportunity to advise us that "Entergy can't be trusted" – when it was the legislature, not Entergy, that broke the 2002 Memorandum of Understanding. And of course he strongly supported attorney general William Sorrell's costly but futile efforts to persuade a court to allow the legislature to have total control – with no appeal – over Vermont Yankee's future.

With this long, outspoken, and unbroken record of opposition to the nuclear plant and its corporate owner, can we expect Peter Shumlin to now seek "better relations" with Entergy? It's far more likely that he, his regulators and lawyers, and his legislative friends will spend the rest of his time in the Governor's office extorting every last dime out of Entergy to fund their own pet projects, and when that is pushed as far as it can go, forcing Entergy to spend as much as possible through more of the "cumulative regulation" that Entergy says contributed to its decision to close the plant.

In return for agreeing to allow Entergy to operate one more year, look for

Shumlin's Public Service Department to side with the anti-nuclear advocates to insist that the site be "greenfielded" by digging down forty feet to remove ordinary (non-radioactive) concrete foundations, instead of just covering them over with a few feet of dirt. This pointless digging, trucking and burying would require millions more in decommissioning dollars and possibly, along with other cost-inflating demands, force Energy to contribute tens of millions of dollars more into the Decommissioning Fund.

Look for the Department to push for Entergy to begin decommissioning immediately, instead of the more sensible practice of "Safstoring" the plant for twenty years, when it will be a lot easier and safer to dismantle. (Shumlin has emphatically but wrongly denied that the state ever agreed to allow Entergy to choose to Safstor.)

The only reason for such a foolish demand is to pander to the anti-nukies' desire to return the defiled Vernon site to the way it was when the Abenakis roamed it, so that aging demonstrators can assemble each year to celebrate the triumph of their glorious crusade. (Let's hope they aren't unnerved by the concrete spent fuel cask farm, which will remain until the Federal government provides a permanent storage facility.)

There are many more issues that will be raised in the coming year, not the least of which is Shumlin's extraordinary claim that "decommissioning is a job creator". That is the governor's desperate effort to convert into some kind of "jobs program" his now-successful decades-long campaign to shut down Vermont Yankee, lay off most of its 630 well-paid employees, and kiss off their income tax payments. Stay tuned.

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

## **Commentary: Freedom, Unity, and Organic Food**

*By Rob Roper*

Joel Salatin rocked the crowd as the keynote speaker at the Vermont "Freedom & Unity" Festival at Magic Mountain on August 17. The organizers, Vermonters for Liberty, couldn't have picked a more perfect fit for the theme of the event as Salatin, a cult figure for both libertarians and typically liberal organic farmers/foodies, has a unique ability to unite and inspire progressives and conservatives around the idea of liberty.

Most people discover Joel Salatin (if they have had the pleasure of discovering him) through Michal Pollan's blockbuster book, "The Omnivore's Dilemma," in which the author devotes the entire section on small-scale organic agriculture to the Virginia farmer and his innovative, highly successful practices.

Salatin's Polyface Farm is all about reclaiming the land, bio-diversity, and sustainability. He is so committed to the "local" ethos that he enforces "buy local" by only "selling local." In fact, Pollan notes that Salatin refused to mail any products to Pollan even for purposes of researching the book. If the author wanted any of Salatin's famous grass fed beef, he'd had to travel Virginia to get it.

The leftward leaning folks in the audience love it, as well as the results Salatin gets, such as better food, healthier land, and stronger local communities. But it is important to understand the guiding principles and personal governing philosophy that deliver these results. Joel Salatin is a pro-family, home-schooling, Christian, libertarian to

the core. He and his family have achieved what many perceive as a liberal, organic ideal in spite of, not because of, government. And Salatin has no problem saying so.

“Every time we have a problem, when we ask for a remedy from the government, we’re showing an incredibly uncreative mindset,” says Salatin. He describes the damage government interference has on the marketplace – any marketplace, not just food -- as a “tragedy and evil.” The world government meddling gives us is one in which, for example, “It is now officially safe to feed your kids Cocoa Puffs, Count Chocula, Mountain Dew, and Twizzlers, but it is criminal and hazardous and unsafe to feed them raw milk, aunt Matilda’s homemade pickles, and grandma’s compost grown tomatoes!”

The progressives in the audience cheered right along side the Tea Partiers.

Though he didn’t say it in the same words, Salatin’s speech embodied Ronald Reagan’s famous line about government not being the solution to our problem; government is the problem. “Look at what happened when government decided to tell us what to eat with the food pyramid,” Salatin said. “1979, right? The food pyramid comes out, carbohydrates on the bottom. Twinkies, Cocoa Puffs and Mountain Dew on the bottom, that’s all the grains. And suddenly we’ve got type 2 diabetes, and obesity, and these are epidemic in our culture, and you can trace it directly to the USDA telling us what to eat. . . . And now,” pointing out the supreme irony here, “we’re telling [the same government] that we want you to be responsible for our health!”

The hippies and the Republicans laughed out loud together.

Salatin detailed how it is intrusive, oppressive and downright foolish government regulation that keeps the cost of healthy food like his so high, when it should be cheaper than processed food. He illustrated how government food safety regulations aren’t about safety at all, but rather about providing a protective shield for the less healthy practices of large, politically connected companies. He gave examples of how government mandates kill small, upstart entrepreneurs and prevent better products and solutions from coming to market. He demonstrated how the web of agencies and regulations hurt the poor and actually create “food deserts” by making it illegal for poor, urban folks to grow food on vacant lots, prepare it, and sell it to neighbors. “So what we have is all the liberals running around trying to figure out how to food bank these people into food security when the food security is right under their nose, but their own regulations deny people the freedom to access the abundance that the earth wants them to have!”

We so often hear people on both sides of the political aisle bemoan the fact that the two sides won’t come together, they can’t anything done, and, even if they did, neither side is offering any real ideas worth doing. Joel Salatin is showing us a way out of that quagmire, and his message and methods are particularly suitable to Vermont. This is a place where practically everybody, regardless of political affiliation, values small and local. This is the vision that unifies us. Salatin shows us how to get there. If you want small farms, small schools, small businesses, small communities, with strong local economies, local decision-making and local culture, big government centralized in far away Washington or Montpelier is not the answer. It’s the problem.

*- Rob Roper is President of the Ethan Allen Institute*

## **Commentary: Minimum Wage Laws Hurt Young Workers**

*By Shayne Spence*

The “living wage” movement is back, folks, and it has some serious support. Low-wage workers in NYC, Chicago, Milwaukee, and Detroit, among others, started a strike in late July calling for an increase in the minimum wage to at least \$15/hour, from \$7.25 currently. Proponents of the increase cite a lack of economic mobility and increasing cost of living as reasons to raise the wages. In his 2013 State of the Union address, President Obama said, “This single step would raise the incomes of millions of working families.” The problem is that it will also reduce the incomes of many – particularly young people -- to nothing.

The real minimum wage is not set by the government. The real minimum wage is \$0.00, because that’s what you get when it is not worth it for an employer to hire you.

Here’s a prime example. The Washington, D.C. city council recently passed a measure that would have required Wal-Mart to pay its employees \$12.50/hour, a higher rate than most city employees receive. The result is that Walmart will now not be opening any stores in D.C., and hundreds of city residents will not be working at Walmart. Their wage: \$0.00.

Those fighting for the “living wage” too often forget that employers pay what employees are worth. And, I’m sad to say it, most high school and many college students aren’t worth much at that early point in their careers. When I applied for my first job as 15-year-old working as a cashier for the local McDonald’s, I didn’t have any experience. I was lucky, and very happy, to get the job. If McDonald’s was forced to pay \$12 or \$15 or, as some argue for, \$22 an hour for my services, there’s no way I would have been hired.

Minimum wage laws effectively remove the lowest rungs on the economic ladder. With the increasing costs of hiring new people, compounded by an increasing tax burden and uncertain economic future (not to mention mandates in ObamaCare), many businesses are simply deciding it isn’t worth it to hire new people at all. This disproportionately harms the poor, the uneducated, and particularly young people. Today, as reported by the Wall Street Journal, the unemployment rate for people 16 to 19 years old is 23.7%. That’s well over three times the rate for the rest of the population.

Low-wage, low-skill jobs provide the vital work experience and training people need to succeed throughout their lives: discipline, punctuality, respect and a strong work ethic. Working at McDonald’s taught me more of that in six months than I had ever learned in school – things that made me worth more to future employers. Some discount this kind of job experience as unimportant; after all, isn’t McDonald’s just flipping burgers?

Anyone who has worked in fast food, or in the service industry in general, knows it is not easy. The conditions are hot and chaotic. There are always those coworkers who hide in the bathroom instead of helping clean up the Shamrock Shake a child just barfed up. Don’t even get me started on the customers who can detect traces of unwanted pickle with the efficiency of a shark sniffing out blood. But the amount that can be learned from these jobs is significant.

Teenagers learn to keep a schedule, arrive on time, clean-shaven and neatly dressed, and how work in a high-paced, high-pressure environment. Having participated in a few group interviews in my life, I know this is experience that many in my generation lack,

and minimum wage laws unfairly prevent more young people from getting.

While some may say my wages at McDonald's were too low, they forget – or fail to understand – that I was also being compensated with invaluable experience, which cannot be measured in dollars and cents. The experience I gained at McDonald's opened the door to my getting jobs that pay better than minimum wage. By the end of my three years at McDonald's, I rose to the position of Crew Leader, which paid more money. As Crew Leader I gained more valuable skills, such as leadership managing people and how to effectively delegate responsibilities. I used this experience to find an even better job as Field Director on a political campaign. This is how young people build careers.

By increasing the minimum wage government would be adding another barrier to entry to young people. This is patently unjust. My generation has been sold high-priced education and accrued over \$1 trillion in student loan debt doing it, but many of us still can't find jobs. By kicking the first rung of the ladder out of our hands, government is costing millions of young people who need to work the ability to pay for college, put food on the table, and just start their independent lives.

While based on a noble sentiment, the “living wage” would drive more young people out of the job market at a time when we need more job opportunities, not less. I think it's about time the politicians in Washington consider the unintended consequences of their actions. Young people don't need your help. We need jobs.

*- Shayne Spence is the outreach coordinator at the Ethan Allen Institute.*

## Commentary: Vermont's Welfare Cornucopia

*By John McClaughry*

Eighteen years ago, as Congress was passing its landmark Welfare to Work statute, the libertarian Cato Institute published an influential economic analysis of welfare benefits versus work. This month, it published an updated version of that study, “The Work versus Welfare Tradeoff 2013” (available at [www.cato.org](http://www.cato.org)). Vermont didn't come off very well.

Before looking at the findings, it's appropriate to recall that it's difficult to make exact cross-state comparisons of “welfare benefits”. That's because there are dozens of means-tested Federal and state welfare benefit programs, and there is no unequivocal way to compare all the combinations. Nonetheless, Cato made reasonable assumptions about the “welfare package” available to households in the fifty states, and it's not likely that any other methodology would produce significantly different results.

The welfare benefit package for the profiled family includes Temporary Assistance for Needy Families (TANF, welfare), Supplemental Nutrition Assistance Program (SNAP, food stamps), Medicaid, Housing Assistance, Woman Infant and Children (WIC, nutrition), TEFAP (nutrition), and Utility Assistance (LIHEAP).

Here are the basic findings, drawn from government data sources.

Vermont ranks eighth in the country for the model benefit package: \$28,338 in 1995, increased by dollar depreciation to \$37,705 in 2013. This increase of \$9,367 was

the largest among the fifty states. Vermont's current benefits carry a value equal to 193% of the Federal Poverty Level.

Vermont ranks eighth in pretax wage equivalent of the welfare benefit package, at \$42,350. This number, representing what the household would have to earn to pay for the benefits after taxes, has increased by \$10,770 since 1995, by far the largest increase of any state.

Vermont ranks eighth in the hourly wage a full time worker would have to earn to receive the after tax benefits: \$20.36.

If only TANF, SNAP and Medicaid are computed, a full time worker would have to earn \$8.13 an hour just to cover the value of those benefits. (The Vermont minimum wage is \$8.60).

Vermont ranks twelfth in the level of Medicaid benefits provided. A private insurance policy offering equivalent coverage would cost \$14,436 in Vermont (where state government has made health insurance premiums among the most expensive in the country.)

Vermont ranks second in the ratio of the pretax wage equivalent to the state median salary (\$42,350 vs. \$34,019): 124.5%.

Vermont's food stamp benefit level of \$5,004 is, surprisingly, 49th in the country. This is because the Federal SNAP program takes into account Vermont's high TANF payments and adjusts its SNAP benefits downwards.

Vermont ranks third in the country for Utility Assistance (\$900/year). The fraction of Vermont TANF recipients who actually participate in "work activities" is 30.2%, compared to a national average of 41.6%. Vermont ranks 47th in "work activity" participation – and "work activity" includes numerous escape hatches from actually working, such as training, education, and "job readiness".

The Cato computation does not consider Federal disability programs such as SSDI and SSI, the most rapidly rising category of income transfer payments. The Cato study concludes that "it is undeniable that for many recipients – especially long-term dependents – welfare pays more than the type of entry level job that a typical welfare recipient can expect to find. As long as this is true, many recipients are likely to choose welfare over work."

"This is unfortunate for taxpayers who must foot the bill for such programs, but even more so for the recipients themselves. By making a rational short-term choice, recipients who forgo work for welfare may trap themselves and their families in long-term dependence."

In a civilized society taxpayers must help take care of those who are unable to provide for themselves – fair enough. Those who are able but not willing are another matter.

Vermont has become so generous with its means-tested public assistance programs that for thousands of people, there is a large temptation to game the system, draw all available benefits, and enjoy a life unburdened by gainful employment – other than occasional transactions, licit and otherwise, performed off the books.

Programmatically, the solution is to increase the economic incentives for recipients to start working and hopefully climb up the income ladder; assure that recipients can acquire the skills and habits to become productive; expect recipients to take greater responsibility for their own behavior; and, more broadly, strengthen the

institutions of civil society to include recipients within a cultural and social matrix that values work and respects everyone committed to pulling his or her own weight.

– *John McClaughry is vice president of the Ethan Allen Institute*

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## Events

**FATAL DIVE! Solving the WWII Mystery of the USS Grunion.** The Ethan Allen Institute and Champlain College are hosting a presentation by John Abele, co-founder of Boston Scientific about the quest to discover the final resting place of the WWII submarine, USS Grunion, its crew, and his father, Lt. Commander “Jim” Abele. Thursday, September 5, 6:00 pm social hour, 6:30-7:30 presentation. Champlain College, Perry Hall, 2nd Floor, at the intersection of Maple Street & South Willard, Burlington This event is FREE and open to the public. Please let us know if you plan to attend so we can provide an accurate head count. RSVP to [rob@ethanallen.org](mailto:rob@ethanallen.org). Thank you!

**The Constitution and its History by KrisAnne Hall.** Friday, September 13, at the Sheraton Conference Center in South Burlington, 7:00 pm. KrisAnne Hall is an attorney and former prosecutor, a mother, pastor’s wife, a disabled Army veteran, a Russian linguist, and a patriot. She is now traveling the country teaching about the Constitution and the history that gave us the founding documents. Admission is free and open to the public.

**Constitution Day Celebration** - Saturday, September 14th at Taylor Park, Main Street in St. Albans. American Patriots of all ages are invited and welcome to help celebrate our U.S. Constitution. For more information, contact Linda Kirker at American Conservative Women in Action (ACWA): [lkirker@myfairpoint.net](mailto:lkirker@myfairpoint.net) or 802-527-7220.

**Triumph of Liberty** – On October 2, Rob Roper will present *Triumph of Liberty: The moral and practical superiority of free market capitalism*, to the Mad River Valley Rotary Club. 7:15 am at the Sugarbush Inn.

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## News & Views

**Vermont Economist Art Woolf on Vermont Yankee closing.** "A lot of people up here don't realize how important it is for the southeastern Vermont economy. There's about 600 jobs there and the average salary is about \$100,000. So, probably in terms of large firms in Vermont, it's probably got the highest average salary of any business in the whole state," Woolf said. "Southern Vermont's economy is already not doing well; this is just going to be some more bad news for it. This is much worse proportionately for the

Brattleboro area than the recent layoffs at IBM were for the Chittenden County area." (WCAX, 8/27/13)

**Warning Shot:** "On October 1 Vermont opens its health care exchange, called Vermont Health Connect. On January 1, 2014 it will be the only place to buy health insurance for individuals and small businesses. If insurance costs do not come down almost immediately, the whole thing will rightly be called a bust. And Gov. Shumlin's dream of taking the next step toward a single payer system will remain just a dream." – Editorial, Vermont Business Magazine (August 2013)

**Vermont Unemployment up .2% to 4.6%.** This marks the third straight month of rising unemployment. Moreover, reports the Rutland Herald, "Between January 2012 and July of 2013, the number of Vermonters who reported being "employed" dropped by about 4,400, according to monthly household surveys conducted by the U.S. Bureau of Labor Statistics." (Rutland Herald, 8/22/13). News of Vermont Yankee's closing will not help this trend in the future.

**Here Comes Vermont Health Connect:** From a Vermont tax practitioner: "My family hit the "aggregate" deductible of \$5,000 on our MVP HSA qualified HDHP plan. Adding the premiums, our medical care has cost \$18,360 this year. Looking at the (roughly) equivalent 2014 Silver HDHP plan, if I had the same events in 2014 that occurred in 2013, our total costs including the new premium of \$1,204.31/month would be \$25,491. That is more than a 41% increase." (VHCF 8/16/13)

**State Loses \$55 Million:** On July 22, 2013 economists Jeff Carr and Tom Kavet briefed the Legislature's Joint Fiscal Committee on Vermont's sluggish economic recovery. One of their key points was that insurance taxes, a major source of general fund revenue (\$55m last year), are expected to decline dramatically, with the loss of taxable health care business. Kavet predicts a near elimination of this revenue stream, as the state moves toward a single payer system. So let's see: The young and the restless are not likely to sign up in the numbers needed to balance out the Exchange premiums. Families and older people are more likely to join, and they will have claims. In that scenario, premiums will not keep pace with claims, and premium rates will certainly escalate as a result. And concurrently, the state will lose \$55 million annually in general fund revenues, due to its own actions. (VHCF 8/2/13)

**Rich States, Poor States** is the name of the annual state economic competitiveness index published by the conservative American Legislative Exchange Council. Its "Economic Outlook" rankings are based on fifteen criteria, eight of which relating to tax levels. The methodology is controversial, but the rankings are intended to provide a forward-looking forecast of a state's economic prospects. For the previous four years Vermont has ranked 49th in the country. In 2012 it fell to the bottom, 50th (read the report at [www.alec.org](http://www.alec.org)).

**Liberal Tax Policy:** "But the part of [our income tax] proposal that's so appealing to me and all my colleagues is the fact that it's a tax cut for 70 percent of Vermont taxpayers ... and a relatively small number that would pay more." [House Ways and means Chair

Janet Ancel] adds, "When you can give a tax cut to 70 percent or more of Vermont filers or households, that seems like something that is good politics and good policy both." (Times Argus 8/25/13) Of course! If we just tax the top 5% at 100% rate and use the proceeds to cut rates for the bottom 95%, we'll get reelected! At least until we have to keep doing each year it to the new top 5%....

**Taxes kill business. No \$#!%.** Some Vermont farmers are upset that the compost they buy is subject to Vermont state sales tax. "Taxing compost while other agriculture inputs, including chemical fertilizers, are not taxed feels very much like conventional agriculture is being incentivized, while organic agriculture is being penalized," said Rachel Schattman, a customer of Hammer's and owner of an organic vegetable farm in Monkton. Rep. Will Stevens, an independent from Shoreham said the state needs to begin fostering pro-growth strategies for compost more generally, in light of legislation passed in 2012 that will prohibit the deposit of any organic material into Vermont landfills beginning in 2020." So, pro-growth strategies means cutting taxes. How about pro-growth strategies for a whole bunch of sectors in our economy?

**Internet taxes kill small businesses.** In an article printed in the Seattle Times, Peter Ollodart, president of Puget Sound Instrument Co, does the math on how a proposed internet sales tax would impact his small business. "Most states expect you to pay sales tax once a month. That's 45 returns a month. I received a quote of \$35 per return from one of the five Marketplace Fairness Act-anointed software providers to do this using QuickBooks version 9 or above. Do the math; it is nearly \$20,000 a year to electronically file the returns. This does not include the work of getting the returns ready and dealing with audits by revenue-starved governments from around the country."

**Obamacare Collapsing:** Obamacare "will shatter not only our hard-earned health benefits, but destroy the foundation of the 40 hour work week that is the backbone of the American middle class. . . . We can no longer stand silent in the face of elements of the Affordable Care Act that will destroy the very health and wellbeing of our members along with millions of other hardworking Americans." – Teamsters Union Leader James Hoffa.

**The chefs won't eat their own stew.** Poll: Less than 3 percent of federal workers want to join Obamacare. The poll followed a proposed bill by Michigan Republican Rep. Dave Camp to force federal workers out of FEHBP and into Obamacare.

**Bono finally finds what he's looking for: Capitalism!** In a recent speech at Georgetown University, the U2 star said, 'Aid is just a stopgap. Commerce [and] entrepreneurial capitalism take more people out of poverty than aid. We need Africa to become an economic powerhouse.' Is he right? (If you need to see it to believe it, here's the link.

**Hollywood Hero: Ashton Kutcher.** Speaking at the Teen Choice Awards, Ashton Kutcher revealed his secrets to success to the young audience, "I believe that

opportunity looks a lot like hard work. "I've never had a job in my life that I was better than. I was always just lucky to have a job. And every job I had was a steppingstone to my next job, and I never quit my job until I had my next job."

**Hollywood Flop: Matt Damon.** Typical... Outspoken leftist and public school advocate Matt Damon, whose mom is a public school teacher, has decided to send his own four daughters to private school in his new home town of Los Angeles. In a twist of raw irony, Damon's current movie, *Elysium* (a flop), takes place in a future Los Angeles where the poor are left to struggle with survival while the rich live comfortably on a luxury space ship. In the movie, Damon is one of the poor folk. Life does not, apparently, imitate art.

**Liberalism's Future:** "Liberalism's agenda has been constant since long before liberals, having given their name a bad name, stopped calling themselves liberals and resumed calling themselves progressives, which they will call themselves until they finish giving that name a bad name." – George Will (Washington Post, 5/16/13)

**Ethan Allen on Liberty.** "Ever since I arrived to a state of manhood, I have felt a sincere passion for liberty. The history of nations doomed to perpetual slavery, in consequence of yielding up to tyrants their natural born liberties, I read with a sort of philosophical horror."

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## Book of the Month

### **Race Against The Machine:**

*How the Digital Revolution is Accelerating Innovation, Driving Productivity, and Irreversibly Transforming Employment and the Economy*

By Erik Brynjolfsson and Andrew McAfee  
Digital Frontier Press, October, 2011, 98 pages.

We are in the midst of the third technological revolution, argue the authors, and the irreversible effects on our economy are a mix of both good news and enormous challenges.

The good news is that 'The Machine' - digital technologies in all forms from communications and consumer goods to industrial robots and the dawning era of big data are creating huge productivity gains spawned by innovation. The result is magnified by the cheap, easy and exact replicability of anything 'digital,' accelerated by exponential growth and enhanced by a third factor, combinatorial (when one innovation builds upon another (think personalization and target marketing built on Google/Bing search or advances in genetic understanding built on 'big data.').

The productivity gains in the economy in the decade 2000-2009 (2.5%) are the largest since the decade of the '60's (2.7%). At the same time the dislocations driven by digital technology and information technologies have stifled growth in median income as seen in the Great Recession. Median income of working age households has actually

declined by 8%. The middle class is not fully benefiting from these advances because, as Brynjolfsson and McAfee demonstrate, median income has declined in the past decade while labor productivity has increased relentlessly.

The fundamental problem, as it has been in the two previous industrial/societal revolutions, is the lag between people and organizational skills and the technological advances.

“Digital progress, in fact, is so rapid and relentless that people and organizations are having a hard time keeping up” “Digital technologies change rapidly, but organizations and skills are not keeping up. As a result, millions of people are being left behind. Their incomes and jobs are being destroyed, leaving them worse off in absolute purchasing power than before the digital revolution.”

The data they present show that productivity has been decoupled from employment and wealth from work. They also argue that some of our traditional economic measurements, such as Gross Domestic Product, have become distorted because increasingly larger swaths of value (think Wikipedia, Google, Facebook, Skype and untold other value-added services) are free, thus their value is not captured in fundamental economic indicators.

What’s to be done? They argue that we need to race with the machine, not against it. The authors are optimistic that public policy and leaders will rise to offset these dislocations caused by technology. Brynjolfsson and McAfee offer this action agenda:

- Education
- Invest, pay teachers more, eliminate tenure, focus schooling on verifiable outcomes, more K-12 hours in the classroom, encourage immigration and retention of skilled students and workers.
- Entrepreneurship
- Teach entrepreneurship as a skill, create ‘founders visas’ as in other countries, create databases to facilitate creation and distribution of templates for new businesses, aggressively lower the governmental barriers for creation of new businesses.
- Investment
- Invest to upgrade the country’s communications and transportation infrastructure, increase funding for basic research.
- Laws Regulation and Taxes
- Resist efforts to regulate hiring and firing, make it comparatively more attractive to hire people that to buy more technology, decouple benefits from jobs, don’t rush to regulate new network businesses, reduce the massive home mortgage subsidy, reduce implicit and explicit subsidies to financial services, reform the patent system, shorten rather than lengthen copyright periods and increase flexibility of fair use.

Brynjolfsson and McAfee present a persuasive case that technology and innovation will continue to accelerate and that public policy should be focused on enabling people to adapt so as to mitigate the present dislocations.

Society's goal should be to Race With the Machine, instead of against It.

*- Recommendation and review by David Usher, a member of the Ethan Allen Institute Advisory Committee*

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## Final Thought

The last word this month goes to Joel Salatin, who spoke at the Vermont Liberty & Unity Festival on August 17.

For highlights of his speech, go to the Ethan Allen Institute YouTube page at <http://www.youtube.com/channel/UCa8fX85VWVw-nTPEUyKfdhA>

Here are a few quotes to whet your appetite...

**On Freedom and big business:** “People are, well, boy, you know freedom is the problem that got us where we are. It’s because of a free market that Monsanto is as big as it is, or Ciba Geigy or Archer Daniels Midland. The reason that Kellogs and Dean Foods are so big is because of freedom. No, it’s not! The reason they’re so big is because the government has been manipulating the food and farming marketplace for so long. We haven’t had a free market in food ever since Abraham Lincoln decided to form the U.S. [Department of Agriculture].”

**On Regulations and the Poor:** “When it comes to helping the poor, and eliminating “food deserts.” You let one entrepreneur try to grow a garden in that [vacant, urban] lot, have some chickens in there, and use their kitchen for making pot pies, heavy stews and quiche for their neighbors, and by five o’clock, they’re gonna have five knocks on their doors from ten different government agencies saying, oh, this is a residential area, you can’t have a business here. Oh, if you’re going to use this space to sell, you’ve got to get commercial grade rafters in the roof. You’ve got to have commercial grade bathrooms with handicapped access. Is that pot licenceable? Where’s your HASAP plan? And this whole list of things.... So what we have is all the liberals running around trying to figure out how to food bank these people into food security when the food security is right under their nose, but their own regulations deny people the freedom to access the abundance that the earth wants them to have!”

**On the Evil of Government:** “The great tragedy and evil – EVIL! – of government manipulation of the marketplace is that it denies us the ability to interact with the greatest ideas of prototype thinkers, and it denies the greatest prototype thinkers the ability to bring their product in an embryonic prototype to market. And, so, what were left with is just soilent green, and whatever the bureaucracy thinks is okay, which has morphed into a

fact that it is now officially safe to feed your kids Cocoa Puffs, Count Chocula, Mountain Dew, and Twizzlers, but it is criminal and hazardous and unsafe to feed them raw milk, aunt Matilda's homemade pickles, and grandma's compost grown tomatoes!

**How Big Government is Incompatible with Small Business:** “And we now, trying to access markets, are trying to squeeze our little homemade pickles, and our backyard chickens, and our two raw-milk cows through a screen, through a protective hurdle, or regulatory infrastructure that is prejudiced against everything that is small scale, localized, transparent, and has integrity.