

Ethan Allen Institute

Newsletter - September 2015 (Printer Edition)

Commentary: School Governance Mega-Muddle

By John McClaughry

Vermont is now well into the throes of coping with a new education governance law (Act 46). The law's stated goal is to move the State "toward sustainable models of education governance." That is, the State wants to encourage local school districts to merge into a "preferred education governance structure" built around fewer but larger supervisory districts with unified tax bases.

The State's carrot is reduced residential school property tax rates, which disappears in two years for districts that fail to act. The State's stick is that the State Board of Education will impose a mandatory consolidation plan in 2018 if a district fails to respond to the carrots.

Underlying Act 46 is the long-standing desire of state education leaders, now headed by the Governor, to reduce the welter of school governance models into a small number of varieties of mega-districts. That's what "sustainable" means, as viewed from Montpelier.

If or when this march toward "one big school system" concludes, there will remain at least three important questions.

With new, larger districts replacing town districts, where will the locus of political control of public schools lie? Most likely, it will lie with the education bureaucracy and the teachers union, both of which are organized throughout the mega-district. The citizens of the component towns, ill-equipped to form political coalitions throughout the mega-district, will soon become largely irrelevant. This is the "waste management district" model.

Will the preferred education governance plans, once fully installed, be likely to at least retard the steady rise of school property taxes? The advocates for district consolidation claim efficiencies of scale, but have been careful not to promise significant net savings to taxpayers. As the new districts close underpopulated or outmoded schools, any savings are likely to be offset by increased transportation costs. The probable result: some initial efficiencies, dwindling over time as the mega-district bureaucracy increases and the teachers' union gains more power to increase their members' compensation at the expense of poorly-organized taxpayers.

Finally, what will become of the school choice now enjoyed by the people of ninety towns, once they are pulled or pushed into large districts with operating public schools? Agency of Education lawyer Gregory Glennon, in a four page memo that found its way to Vermont Public Radio, said of the choice issue "This appears to be a case of the legislature having spoken, but we aren't sure what they have said."

Rep. David Sharpe, the architect of Act 46, states emphatically that "choice districts can't be forced to give up choice." He can point to Sec. 4(c), which reads in part

“Nothing in this act shall be construed to restrict or repeal... the ability of a school district that [now] provides for the education of all resident students in one or more grades by paying tuition on the students’ behalf, to continue to provide education by paying tuition on behalf of all students in the grade or grades...”

Sharpe’s reading may turn out to be true, but the temptation of the State’s financial incentives to merge into the “preferred governance structures”, plus pressure from the Agency of Education, might persuade local voters to give up choice, at least of independent schools.

The state’s public education establishment tends to be skeptical of parents’ ability to make the correct choices for their children. They are aghast at the thought of government schools having to compete for student tuitions.

Instead of pushing forward with the complex and often murky provisions of Act 46, the legislature and education bureaucrats should give up on the waste management model.

They should empower parents to choose the schooling best suited to their children, from among a wide assortment of diverse public and independent providers.

They should tell public schools that they, like independent schools, have to pay their way by attracting student tuitions, instead of hitting up the taxpayers for their annual budgets.

They should offer special education vouchers to supplement tuition amounts.

They should repeal the universal preschool mandate, and limit “free” preschool programs to the 15% of children who really need them, instead of spreading the money over the remaining 85% as “free” day care.

Does that sound radical? Yes, it does. But as none other than President Obama has emphatically said (speaking of health care), “My guiding principle is, and always has been, that consumers do better when there is choice and competition.” Let’s give it a try.

- John McClaughry is vice president of the Ethan Allen Institute (www.ethanallen.org).

Commentary: In Age of Uber, “Right to Work” Makes More Sense Than Ever

By Rob Roper

Vermont is a tougher than average place to make a living. No secret there. One of the first questions you get from folks you meet is, “You live here full time? How do you make it work?” Some of the answers are necessarily creative.

Vermont is a great place to live, but it comes with sacrifices. There are fewer career paths, a lack of high paying jobs overall, and lower pay here for doing the same job in another state. So, lots of people telecommute. Many work multiple jobs. Some rent out their homes over the holidays to generate extra income (or, more likely, to pay their exorbitantly high property taxes).

According to an analysis by the Small Business Administration, in 2011 small businesses represented 96.3% of all employers in Vermont, and of them 76.3% had no

employees (other than the owner). We have a lot of entrepreneurial people working for themselves.

Given these characteristics embodied by our citizens and our employment environment, state law should do more to reflect, accommodate, and build on the dynamic aspects of this reality. How can we make it easier for the person who is a sole proprietor of a landscaping business, doing odd jobs on the side through TaskRabbit, and renting out a spare room through Airbnb in order to get ahead?

One way is for Vermont to make it easier for individuals to classify themselves as independent contractors. Right now it is difficult, as the state prefers to pigeonhole someone as an employee who work for an employer. This makes it easier for bureaucrats to enforce mandates like employer-provided health insurance and workers' compensation, but this no longer reflects the reality of how people live, either as workers and consumers.

This was (and is) a big issue with Uber in Burlington. Uber drivers consider themselves to be independent contractors, and, as such, have a great deal of flexibility as far as work hours and schedules. They drive when they want to drive, and don't when they don't. Uber contends that they do not employ these drivers, but merely provide a service platform that allows the sharing of information between customers and drivers. The city, however, would rather the drivers be considered employees of Uber -- as would Uber's competitors, who are stuck dealing with the city and its old-economy, costly mandates.

The solution, of course, is to unburden the traditional taxi service model, not saddle the new, innovated, effective and highly popular sharing platform.

Another way is for Vermont to join the twenty-five other "Right to Work" states. Passing a Right to Work law would guarantee that no Vermonter could be compelled, as a condition of employment, to join or not to join, nor to pay dues to a labor union. Now, Vermonters who choose not to join a union can be compelled to pay 85% of union dues as a so-called "agency fee."

This is an incredibly unfair policy. Unions argue that non-union workers still benefit from the collective bargaining rights of the union and legal representation under certain circumstances, calling them derisively "free riders." The fair solution would be to make workers who choose not to join the union responsible for negotiating their own wages and benefits separately from the union, and to release the union from any obligations it currently has in regard to non-unionized employees.

In addition to common sense justice of Right to Work laws, the overall outcomes in states that have them are compelling: faster economic growth, more jobs, a growing working population, and greater purchasing power per dollar.

The way the economy functions is changing, and with it the way we live our lives, both as workers and as consumers. The new sharing economy, driven by dynamic and innovative companies like Uber, TaskRabbit, Airbnb and many others offers compelling opportunities for hardworking people, or folks with assets that are otherwise not being efficiently utilized.

Vermont is in a unique position to take advantage of this information technology revolution for a couple of reasons. One is that we should. The idea of a "sharing" economy that more efficiently uses resources is one that fits neatly with Vermont's small, tightly-knit communities and culture. The other is that we must. In a state where jobs are hard to come by, incomes are lower, and costs of living high, we owe it to ourselves to open as many doors to opportunity as possible and to remove as many barriers to

employment and entrepreneurialism as possible.

- Rob Roper is president of the Ethan Allen Institute (www.ethanallen.org). He lives in Stowe.

Commentary: A Skeptic's View of Health Care "Reformers"

By Paul Slobodian

In the midst of sluggish economic growth, finding a sector of the economy growing from 15 percent of the economy up to 19 percent would normally be a cause of celebration, except that this is health care. The lack of good cheer about this growth is an indirect acknowledgment of a stark reality: We are not realizing much increased value as we spend more on health care because too much of our health dollars are going to ineffective (and often harmful) procedures.

Estimates of the waste from this overconsumption of health care range from 30 percent to 50 percent. While all of the experts talk about reducing this waste (the phrase of the day is "bending the cost curve"), the reality is that hospital administrators, pharmaceutical companies, device manufacturers, insurers, consultants, think tanks and government bureaucrats all are seeing their power, control and financial remuneration increase due to this medical-care consumption growth.

All of the reformers' trendy ideas have failed and will likely continue to fail in spite of the experts telling us they will soon figure it out. Electronic health records are a hugely expensive disaster. So far, they decrease doctor efficiency, reduce quality and increasingly make patients fearful of sharing sensitive information with their doctors for fear hackers or others will access their private data. Accountable Care Organizations turn doctors into rationers, introducing a conflict of interest between doctor and patient. Price controls by Congress or bureaucrats or oligarchic insurers only reduce access to care, demoralize doctors and introduce the risk of game playing by health systems by "upcoding" (labeling a doctor visit as more complex than it is).

Too often doctors are portrayed as the source of the problem, exploiting patients with unnecessary tests and procedures. But our doctors are buffeted by demands from patients who see more "free" treatments as evidence their doctor "cares," by administrators who like seeing health system revenues increase and by fear of malpractice lawsuits if an MRI is skipped and a 1 in a 1,000 malady appears later. Most prescriptions of health-system experts call for replacing private-practice physicians with doctors as employees in huge health care institutions where they can be monitored (using data mining) and controlled (using rewards and punishments based on metrics extracted from electronic health records). Too many doctors are fleeing independent practice to escape the onslaught of demands from the legions of bureaucrats from above.

The only way to reduce the waste of overtreatment is to free patients and doctors from the onslaughts of the "reformers" and allow patients and doctors to work together in a trusting relationship to improve the patient's health. This will happen only when we patients can directly reap financial benefit by reducing the billions being wasted via overconsumption of health care services.

All of the experts, however, seem to postulate that patients are too dumb or too unsophisticated to wisely consume health care. The reality is that these are fat times in

the health care sector, and the giddy insiders don't really want patients to bring about an end to the party. The next time you hear an "expert" talk about "bending the cost curve," your first instinct should be to check your purse or your hip pocket to make sure your wallet is still there.

- Paul Slobodian, Ed.D, has served as a mental health provider and administrator, corporate purchaser of health plans and board member of a nonprofit medical insurance company.

Events

September 22. EAI president Rob Roper will present *Triumph of Liberty: The Moral and Practical Superiority of Free Market Capitalism* at Castleton University at 7:00 pm in the 1787 Room.

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Thanks to all who have already made a donation to our 2015 campaign! For those who haven't yet, please help us fight all the potential taxes mentioned above and other encroachments on our liberty. Be generous. We're only as strong as you make us. Thanks!

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News & Views

Vermont Not Friendly to Young Graduates. Degree 360 did an analysis of the "[Worst States to Start Your Post-College Life](#)", and Vermont came in 3rd. (That's bad.) The rankings considered: Average Salary, Leftover Salary (How much money a degree holder can expect to have left over after mortgage payments on a median-priced home), Job Potential, and Cost of Living. Each category was allocated 10 possible points, and Vermont scored a total of 10.9/40. Here's what they had to say, "Vermont has a blend of low employment growth and a relatively expensive housing market. The size of the state means there are limited economic growth potential and fewer jobs. Although Vermont has a low unemployment rate (tied for fourth nationally), there isn't much excitement

around employment opportunities....”

Mandatory Paid Sick Leave Top of Agenda for 2016. Speaker of the House and gubernatorial candidate Shap Smith along with other legislative leaders announced at a press conference that passing mandatory paid sick leave will be a top priority when the legislature returns in January. It is ironic that Shumlin and Smith call for what is essentially a mandatory budget increase for hundreds of Vermont Small businesses on the same day Shumlin called for a level-funded state budget. If the state can't afford budget increases at this time, why do they think struggling small businesses can afford budget increases? If the state thinks employees should automatically receive compensation for days they do not work then the state should raise taxes (or cut other programs) and write the checks to those workers. Mandating hidden taxes like this is cowardly, as well as bad policy.

“Wilmington to Montpelier: Taxed to the limit.” So reads a recent [Bennington Banner headline](#). “Select Board Chairwoman Diane Chapman said at Wednesday's meeting. ‘It seems no matter how hard we try to keep our tax rate from going up minimally, the state comes down and clobbers us.’ Wilmington's local tax rate went up 2 percent. But with the state's education rate, residential rates were going up 14 percent and nonresidential rates 6 percent.” Lots of Vermonters share this sentiment, as well as the pain.

Our Environmental Policy Is Totally Backwards. Blue-green algae blooms in Lake Champlain, the result of failing to maintain clean waterways, is devaluing people's property on the lake and lowering the quality of life. “An assessor recently decreased the value of 34 homes on the Georgia waterfront by a total of \$1.7 million to reflect dropping property values. ‘[A] \$50,000 devaluation of assessed value of across those properties across the board,’ Georgia town administrator Michael McCarthy said.” At the same time, subsidizing wind towers and industrial solar plants is devaluing Vermonters’ property values inland and lowering the quality of life. So, how ‘bout we stop subsidizing wind and solar, and use some of that money to clean up the lake? Win, win, win.

Legal Challenge to Act 46. Act 46 is the school district consolidation bill passed by the 2015 legislature. Campaign for Vermont is mounting a legal challenge, based on the requirements decreed by the Supreme Court in Brigham (1997). Says CfV: “This law is unconstitutional because it caps spending on well-managed school districts while allowing poorly managed school districts to spend even more, thus preventing towns from providing substantially equal access to educational resources. Plus, the equalized pupil system has created vastly different spending levels per pupil across towns.” For more information, see [campaignforvermont.org](#).

Oreos’ Move to Mexico Highlights How Politicians Think – Or Don’t Think. America’s favorite cookie is moving its manufacturing facilities and an accompanying 600 jobs to Mexico. Why? Policies passed by U.S. politicians. Due to a protectionist, anti-free trade tariff, the U.S. pays twice as much for sugar than the rest of the world. Politicians think, hey, we’ll pass a tariff and that’ll force folks like Oreo (Nabisco) to buy high priced sugar or corn syrup, which is made by our big donors! Meanwhile, in the real world, Oreo thinks, hey, let’s move to Mexico where we can buy sugar at the significantly lower market price. Don’t blame smart business people; blame stupid

politicians.

Dunk That Oreo In New Hampshire Liquor. A [story on WCAX](#) announced it was a record year for liquor sales in New Hampshire. New Hampshire has no tax on alcohol, while Vermont levies a \$0.27 per gallon excise tax on beer, a \$0.55 per gallon tax on wine, and a \$7.68 per gallon tax on liquor. Booze, being a largely non-perishable product, allows consumers to hop the boarder and stock up at a considerable savings. Everyone knows this goes on, but the numbers are staggering: “Alcohol sales contributed \$152 million in revenue to the Granite State’s General fund this year. That compares to \$23 million in Vermont.” New Hampshire has only about twice the population of Vermont, and state officials estimate that 50% of New Hampshire liquor sales are cross boarder sales.

US Freedom Ranking Slips. The Cato Institute’s just-released Index of Human Freedom 2012 ranks the US as 20th in the world based on a composite index of hundreds of measurements of personal, civil and economic freedom. The US ranked 17th in 2010. The top ten: Hong Kong, Switzerland, Finland, Denmark, New Zealand, Canada, Australia, Ireland, UK, and Sweden.

Fallout from Seattle Minimum Wage Hike. “Workers who demanded a \$15 per hour minimum wage are quickly discovering they might not like what they’re getting. After Seattle bowed to pressure and raised the minimum wage, some workers are asking their bosses for fewer hours because the increased wage puts them above the “poverty” threshold to receive food stamps and other government assistance.” [Downtrend, 7/25/15](#)

All Bucks, No Bang – President’s Climate Change Initiative Would Reduce Warming by .02 Degrees By 2100. “Using a simple, publically-available, climate model emulator called MAGICC that was in part developed through support of the EPA, we ran the numbers as to how much future temperature rise would be averted by a complete adoption and adherence to the EPA’s new carbon dioxide restrictions. The answer? Less than two one-hundredths of a degree Celsius by the year 2100. 0.018°C to be exact. We’re not even sure how to put such a small number into practical terms, because, basically, the number is so small as to be undetectable. Which, no doubt, is why it’s not included in the EPA Fact Sheet.” – [CATO](#)

They Know the Truth, But Does the Left Care? “When speaking about the higher energy prices caused by the administration’s climate regulations on power plants, Environmental Protection Agency Administrator Gina McCarthy said, ‘We know that low-income minority communities would be hardest hit.’” – [Daily Signal](#)

Political Correctness is Becoming A Mass-Mental Disorder. “[The] PC way of thinking is unhinged too. If someone feels slighted then no other arbitration is needed. Emotion is everything. If offence has been taken, an offence has been committed. But this is the thinking of paranoiacs and phobics. It’s to confuse reality with perception.... The young victims of Oxbridge and the Ivy League imagine they can outlaw the causes of fear instead, and so are consumed by them.” -- Mary Wakefield writing in the UK Spectator, [The Contagious Madness of the New PC](#). This article and its insights are particularly relevant in the wake of Vester Flanagan, a gay black man, murdering two

former TV journalism colleagues for making “racist” comments, like saying let’s “swing by” a location, and referring to fellow reporters as being “in the field.”

What’s Really Going On In the Free Speech Debate. “The media wants Citizens United strangled because they want to go back to the days where they enjoyed a monopoly on political speech. The media wants to go back to being the only for-profit corporations allowed to spend unlimited amounts of money to affect the outcomes of elections. Let’s face it: The New York Times, The Washington Post, NBC, MSNBC, ABC, CBS, PBS, CNN, NPR, etc., are all left-wing super PACs disguised as news outlets.” - John Nolte, Breitbart.Com

Hayek on Elections. “Perhaps the fact that we have seen millions voting themselves into complete dependence on a tyrant has made our generation understand that to choose one’s government is not necessarily to secure freedom.” - Friedrich August von Hayek

Book of the Month

The Conservative Heart

How to Build a Fairer, Happier and More Prosperous America.

By Arthur C. Brooks

New York: Harper Collins, 2015, 215 pgs.

Arthur Brooks, president of the American Enterprise Institute, is a concerned man. As a conservative, he understands the importance of what conservatives believe about values and public policies – but he wishes that they could express themselves in ways that will attract the support of “persuadable” middle of the roaders.

Brooks celebrates the astounding success of “five incredible innovations” in lifting billions of people out of abject poverty: globalization, free trade, property rights, the rule of law, and entrepreneurship. These are all fundamentals of modern conservative thought, but they have rarely been given credit for their profound beneficial effect on humanity. In fact, the more common belief is that “conservatives don’t care”.

The way forward for conservatives is to exhibit “heart”: empathy, compassion, fairness, opportunity, and the pursuit of happiness as a cherished goal. But, Brooks cautions, the role of conservatives is to help others rise upward – not by showering them with “free” attention and services that only make the more dependent, but by offering a tough-love helping hand based on sound values: faith, family, community, and earned success through productive and ennobling work.

Brooks spent some years with the Doe Foundation and its “Ready, Willing and Able” work service program for the homeless, ex-cons, druggies and other such persons. He offers some really interesting examples of down-and-outers who, with help, got their act together, became productive, regained their self respect, and came to believe in realistic hope for a brighter future through their own efforts.

He tellingly compares two foreign cities - Dharavi, India and Marienthal, Austria. In Dharavi, people are very poor – but they have hope, opportunity, work, and upward momentum. In Marienthal, where a large factory shut down leaving many families unemployed, the population is sinking into terminal decline, with no ambition, no hope,

and no energy.

Brooks says conservatives must advance their own brand of “social justice”, although the term has come to mean one or another form of redistributive socialism. He wants to preserve the safety net, but to reorganize government programs to promote work, not as payment for a handout, but as an activity that revives self-respect. He recognizes the evils of the minimum wage – it seriously harms the least productive who are priced out of the labor market. Instead he favors expanding the Earned Income Tax Credit, which rewards actual work.

In a final chapter Brooks tells conservatives “how to talk so Americans will listen.” His seven points are well taken and practical. “There are too many people everywhere who have been denied the happiness that comes with earned success. Those people need us. If we want the chance to help them, we’ve got to improve the way we make our case to the American people. We have to share what is written on the conservative heart.”

- Review by John McClaughry, founder and vice president of the Ethan Allen Institute.

The Final Word

September Survey: Who do you support for President?

Make Your Voice Heard! Take the survey at:

<https://www.surveymonkey.com/r/ZVBKVH5>

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