# Ethan Allen Institute

Newsletter - September 2016 (Printer Edition)

## **Top Story: EAI Is Spreading the Word on Tax Proposals**



There are a number of tax and spending proposals on the table for which the upcoming November election will have tremendous consequences. EAI has put together a quick but comprehensive presentation outlining what new tax and spending proposals are and what they would cost if implemented.

Over Peter Shumlin's six years on office, there have been roughly \$300 million in new tax increases on property, income, gasoline and diesel, etc. That amount has caused considerable pain and more than a few howls from the citizenry. Now consider that the two top tax and spending programs we're looking at for 2017, the Carbon Tax, and Dr. Dynasaur 2.0, together would cost taxpayers nearly \$1 billion (\$500 million and \$400 million respectively).

EAI has been presenting this PowerPoint to Rotary Clubs and other interested groups (along with another presentation specifically dedicated to the Carbon Tax) around Vermont this summer, and will continue to do so in the fall.

If you are interested in bringing either of these presentations to your neighborhood, please contact Rob Roper at <u>rob@ethanallen.org</u>. If you can't organize such a meeting, or can't attend, please view and share the video!

#### **Carbon Tax Campaign Update**

Thanks to all who have donated to our campaign fund, dedicated to educating Vermonters about the details and implications of the proposed Carbon Tax for Vermont. There is still time to make an impact before we go up on air. One sixty second radio spot costs between \$25 and \$35 to put on the air, so every penny counts.

Donate online now, or send a check to: Ethan Allen Institute P.O. Box 543 Montpelier, VT 05601

EAI is a 501c(3) nonprofit, educational organization that neither solicits nor accepts government funding. Contributions are TAX DEDUCTIBLE for businesses and individuals.

**LOOKING FOR SOME RADIO VOICE TALENT!** Ever done any acting? We're looking for some volunteers would like to read parts in our Carbon Tax Radio Campaign. If you're interested, contact Rob Roper at rob@ethanallen.org.

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

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

# **Commentary: Economic and Personal Freedom in Vermont**

By John McClaughry

Most of us believe that "freedom" is a good thing - that we deserve to pursue our ends without unjust interference from others, so long as we don't use our freedom to diminish that of others. We believe the state we live in ought to conscientiously protect the freedom of its citizens, limiting their individual freedom only when it is clear that its exercise would result in greater harm to society as a whole.

But governments today regularly, sometimes aggressively, interfere with our freedoms. Two scholars at the libertarian Cato Institute have put together a Freedom Index of the fifty states using some 150 variables. It identifies those states most, and least, protective of three dimensions of freedom: fiscal, regulatory, and personal.

Any such exercise involves weighting a large number of factors. The Cato scholars readily admit that others could select different factors and different data to measure them, and that relative value of each data set necessarily depends on subjective weighting choices. What illustrates "freedom" for libertarians will not resemble the "freedom" conceived by socialists.

The Cato report, published at http://freedominthe50states.org, thoughtfully provides the spread sheets whereby a reader can select his or her own data and weightings. "Our index of freedom," the authors write, "should be understood to represent each state's relative respect for freedom, as reflected in the value enjoyed by the 'average' person who would otherwise be deprived of the freedoms we measure...However, each individual will value different policies differently, and for that

reason, again, we encourage readers to apply their own weights and personalize the freedom index."

Having said all that, let's look at how Vermont ranks, and how it compares with our neighbor New Hampshire. The Cato scholars derive their overall rankings by weighting fiscal freedom at 29.8%, regulatory freedom at 38.7%, and personal freedom at 27.4%. Overall, New Hampshire ranks first; Vermont ranks 40th.

In the fiscal policy category (taxation, debt, government employment), New Hampshire is a rousing first in the nation; Vermont is 47th. Curiously, Vermont ranks 50th – dead last – for its high level of state taxation, and 1st for its low level of local taxation. Why? Because since the passage of Act 60 in 1997, all public pre-K-12 education spending has become state spending. New Hampshire is 2nd lowest in state spending and 39th in local spending.

In regulatory policy (land use, environment, labor market, licensing, etc.), Vermont ranks 32nd, and New Hampshire only slightly more free at 29th.

In personal rights (incarceration, marriage equality, cannabis, alcohol, tobacco, gun rights, etc.) Vermont and New Hampshire are neck and neck at 10th and 9th respectively. Vermont's 14th ranking for "educational freedom" is based on its school choice history, although New Hampshire (8th) comes out slightly better because of its easier regulation of independent and home schooling.

Vermont's only unique first is in a category called "gun rights". New Hampshire comes in at 5th. Vermont, says the report, "is one of the lowest states for alcohol freedom, with a state monopoly over wine and spirits retail and beer wholesaling. It is one of the better non-initiative states for cannabis, with decriminalization and a reasonably broad medical law. However, maximum penalties are rather high, [and] high-level possession is a felony." (The index deliberately omits abortion and death penalty.)

Readers may, and certainly will, take issue with some of the data selected to illustrate the various components of freedom. Nonetheless, the Cato report is useful for refocusing our attention on the moral value of freedom and the opportunities for expanding it at the state level.

A key conclusion of the report is that "Americans cannot expect personal freedom to endure without high levels of economic freedom... all three types of freedoms discussed in this index support one another."

The 18th century pioneers who founded this little republic intensely believed in freedom. We would do well to recapture their passion for it.

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

# **Commentary: Fossil Fuel Divestment Loses at Ballot Box**

by Rob Roper

Over the past legislative session, the issue of divesting state pension funds of fossil fuel investments received considerable debate both in the State House and around Vermont. This debate spilled over into the August 9 primary election where incumbent Treasurer Beth Pearce, a vocal opponent of divestment was challenged by Richard Dunne, who ran a pro-divestment campaign. Divestment lost in a landslide.

Pearce, has been a long-time opponent of divestment since the issue first surfaced in 2013, and throughout her thirteen years at the Office of the Treasurer she has consistently championed fiduciary responsibility and a practical yet principled approach to pension management. The role of investing state pension monies is to generate the best return for pensioners and taxpayers and should not be influenced by politics.

Where other government officials have flip-flopped on their stance on divestment over the years following activist pressure, Pearce has repeatedly called the divestment a "bad practice" and explained to legislators that selling off stocks achieves nothing more than putting assets back into the market where they will be absorbed almost immediately. The pure economic and environmental rational of divestment led her to note: "I'm a person, as a fiduciary guided by the facts of the situation and frankly not the politics of it."

In contrast, Pearce's primary challenger Richard Dunne claims he was motivated to join the race because of Pearce's stance on divestment, saying, "When I get in there, one of the first things I want to do is divest pensions from oil." With an entire platform built on one issue with narrow voter interest, it came as no surprise that Dunne's largely symbolic political concern failed to win votes over Pearce and her pensioners-first approach.

Pearce has made a concerted effort to hold a balanced and transparent process for hearing arguments for and against divestment, and the numbers ultimately speak for themselves: Calculations by the Vermont Treasury found that divestment would cost the state pension funds \$10 million per year in lost returns and \$8.5 million to implement alone. Tom Golonka, chair of Vermont Pension Investment Committee (VPIC), also concurred that divestment is an expensive and complicated process that goes beyond selling a stock or two. In fact, a recent study by Arizona State University Professor Hendrik Bessembinder shows that the hidden costs, i.e., transactional and management costs, that accompany divestment have the potential to rob a large university endowment of 12% of its value over a 20 year period.

Aside from being a costly choice, divestment also does little in the way of actually lowering emissions aside from stigmatizing targeted energy companies. But finance experts and experts are not the only voices pushing back on divestment. The individuals who undoubtedly stand to lose the most from divestment—the pension beneficiaries themselves—have made it clear in Vermont and across the country that this is an unwanted policy. According to a recent survey of 800 individual pensioners in the United States, nearly two thirds of respondents said they could not support divestment if doing so would lower returns.

In Vermont, the reaction from pensioners was no different with no less than five different groups representing state employees and Vermont retirees strongly opposing pension divestment. These groups include the Vermont Pension Investment Committee (VPIC), Vermont Troopers' Association, Vermont Retired State Employees Association (VRSEA), Vermont League of Cities and Towns and Vermont State Employees Association (VSEA).

If the empirical evidence was not enough to deter Pearce's challenger Richard Dunne from running a single issue campaign for divestment, the outright opposition from the pensioners themselves should have been enough to make the candidate rethink his position. Fortunately, when this issue was left to voters at the ballot box, pragmatism and good governance triumphed – Pearce won 56%-29%.

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

### **Events**

**October 12**. Rob Roper will present "The Carbon Tax: A Bad Idea for Vermont" to the Jericho/Underhill Republican committee. If you would like to have this or another EAI presentation put on for your organization, please contact <a href="mailto:rob@ethanallen.org">rob@ethanallen.org</a>.

#### **News & Views**

Another State Revenue Shortfall. Vermont's General fund revenue came in \$16.1 million (1.2 percent) below expectations The transportation fund was \$1 million (4.8 percent), below, and the education fund came in \$650,000, or 4.1 percent, short of its target. Important to note that all of these funds collected MORE money than they did one year ago. We have a SPENDING problem, not a revenue problem. Vermont taxpayers are doing more than their fair share.

National Activists Want Vermont to Be Carbon Tax Guinea Pig. "Look for states to take the lead in using carbon taxes to reduce emissions. Mass. and Vt. are likely to move first.... A federal tax isn't in the cards for now. House Republicans can block it... Even if Democrats win the White House and control of the Senate in fall elections. But, the political climate will change as more states start moving to the tax. - The Kiplinger Letter, Vol. 93, No. 31

Any Color You Want So Long As It's Black. The Vermont State Board of Education" is drafting <u>rules</u> for obtaining an "alternative structure" to the 900 student, k-12 model preferred under Act 46. According to a <u>Vermont Digger summary</u>, "Act 46 directs the state board to approve alternative structures only if it believes it is the best way for the proposed area to meet the goals of the entire region. It places the burden for proving this in the hands of the school districts making the case for an alternative structure." This is a completely subjective and nearly impossible hurdle to overcome. So much for local control.

**Oh, The Irony!** The Vermont State Board of Education is decrying regulations associated with the Every Student Succeeds Act, or ESSA, which is replacing No Child Left Behind. Wrote the VSBE to the Secretary of Education, "Regarding the draft regulations, we think they go well beyond the role of the federal government as specified in ESSA," in a letter arguing that the regulations need to conform with the intent of the law. LOL!! This from the same VSBE that is interpreting Act 46 far beyond the bounds of the legislative intent in order to eliminate local control and put the squeeze on school choice towns. Couldn't happen to a nicer bunch of apparatchiks. (Source: VT Digger)

**Vernon Votes to Preserve School Choice.** The town of Vernon voted to leave the Brattleboro Union High School District in order to preserve school choice for its middle and high school students. The vote was 374-124. The other towns in the district have to approve Vernon's departure. As school districts are being forced to look at forming mergers with other "like" districts under Act 46, the legislature should remove the requirement that other towns approve such departures.

**Gov. Hopefuls on School Choice.** "[Phil] Scott said he would expand public school choice. "Act 46 was sold to many lawmakers as including school choice, to the surprise of many they found out that was not the case," Scott said. "I think competition is good. I believe that within reason parents should have a choice as to where they send their children. I would like to see some expansion of that."

"[Sue] Minter supports the existing system of school choice in Vermont. "I certainly am not looking to expand it," she said. "I would worry greatly that this would undermine the incredible strong schools who need our help." - Vermont Digger report of August 23 Rutland gubernatorial debate.

**Our New Hero.** "Our commitment to academic freedom means that we do not support so called 'trigger warnings,' we do not cancel invited speakers because their topics might prove controversial, and we do not condone the creation of intellectual 'safe spaces' where individuals can retreat from ideas and perspectives at odds with their own." - John Ellison, Dean of Students, University of Chicago. So want my kids to go here!

**The State Will Decide!** "While host communities should absolutely have a voice in the decision making process, to give them veto power, would be the end of renewable energy generation in Vermont." – Rep. Tony Klein. If Vermonters do not support Klein and company's renewable energy policies, perhaps they should be ended.

**Global Warming Explained.** Our friends at the Texas Public Policy Institute have published a 12 page explanatory booklet "A Guide to Understanding Global Temperature Data" by Dr. Roy Spencer, who co-directed NASA's microwave satellite program at UAH. Download at http://www.texaspolicy.com/library/doclib/FFP-Global-Temperature-booklet-July-2016-PDF.pdf. Highly recommended.

**Global Government Fail.** "The "administrative state" hasn't been a phrase known to drive people into the street. Until now. What we are witnessing is a global government fail—across Europe, the Middle East, in Beijing, Delhi, Tokyo and Washington, D.C."-Daniel Henninger, (WSJ 6/30/16).

"The central goal of modern (post-1912) Progressivism is put everything possible under the centralized control of enlightened experts, order ignorant and selfish citizens and their local governments to do their bidding, and extract the needed funds from taxpayers helpless to resist the power of the Great Administrative State. And if the disgruntled citizens are restive, restrict their political rights to make sure they cannot effectively resist. The Great Administrative State leads to citizen powerlessness. It will ultimately crush citizen initiative, restrict liberty, and reduce its citizens to subjects." – John McClaughry (EAI commentary, 11/25/14)

Socialism Breaks Out. "The fight for food has begun in Venezuela ... Exhausted by

government-imposed power blackouts, spiraling crime, endless food lines, and waves of looting and protest, citizens are mobilizing against their leaders. And now, what has been a slow-motion crisis in Venezuela seems to be careening into a new, more dangerous phase. 'This is savagery,' said salesman Pedro Zaraza. 'The authorities are losing their grip.'" (Washington Post 202, 6/30/216). Two months after this report, things are far, far worse for the Sanderistas in charge.

**Global Warming Defined.** "Global Warming" means the gradual increase, observed or projected, in Earth's global surface temperature, as one of the consequences of radiative forcing caused by anthropogenic emissions." (Massachusetts AG subpoena to Exxon, June 2016). (Italics added). Observed ... by whom? Projected by whom? And how?

**Hooray for Sweden!** Bernie Sanders has long pointed to Sweden as his model for a modern democratic socialist regime. In early June the Swedish government announced that it would be building up to ten new nuclear power stations in the next few years. So far Bernie has not commented.

Well Said! "Western Christian civilization, of which you're a part, is one of the great glories of mankind. These are the things we stand for. We stand for liberty, liberty of association, freedom of speech. We stand for the equality of everyone in our society before the law, men as well as women. We could make a list of all the things. But let's get back to respecting these things. These are the glories of our ancestors. These are what thousands of our ancestors died to protect and preserve. And if we allow those things to go because we are afraid of being politically incorrect, or of hurting somebody by suggesting that perhaps their value system may not be quite as nice as ours, then we are fools, and ultimately, scoundrels."-- John Rhys-Davies

**Socialism Fails.** "Socialism always fails because it doesn't have good incentive systems. It doesn't work well with the reality of people ever finding themselves. It sounds good in theory. People will take care of each other, and no one will suffer, and everyone will have health-care, everybody will have free education and it sounds very good. In theory. But in reality it never works. It never has worked. And I believe it never will work." – John Mackey, CEO of WholeFoods

### **Book of the Month**

#### The Evolution of Everything

How New Ideas Emerge By Matt Ridley Harper, 2015 (368 pages)

https://www.amazon.com/Evolution-Everything-How-Ideas-Emerge/dp/0062296000

The Evolution of Everything, How Ideas Emerge, by Matt Ridley – a book review

In a recent presentation, author Matt Ridley said, "The chapters on religion will anger my conservative friends, and the chapters on government will anger my liberal friends. So, I am an equal opportunity offender." In his latest book, Ridley, the New York Times bestselling author of The Rational Optimist and Genome, applies the Darwinian theory of evolution to everything. Bottom up versus top down. It's how Ridley believes the world actually works; he posits innovation changes everything through a natural selection of ideas and the trial-by-fire implementation of those ideas.

Ridley believes history is taught incorrectly, by placing too much emphasis on "design, direction, and planning, and far too little on evolution." He asserts most of the great moments in history revolve around the time being right for a new advancement, not any particular person's individual work, but a collection of humanity's move forward. "...we tend to give too much credit to whichever clever person is standing nearby at the right moment," he writes.

By way of proving this point, he corrects some poorly taught history. Did you know Thomas Edison was only one of twenty-three inventors who came up with the lightbulb? If Edison had not, someone would have. It was time. The world was ready for and needed the lightbulb. Governmental central planning would have slowed it down or prevented the process.

In the early 90's there were dozens of internet search engines. Now, "Google" is a verb. They simply won the natural selection process by becoming the best, or perhaps the luckiest. Speaking of the internet, Ridley describes how the true origin of the internet is comprised of ordinary people working together to solve small problems and connect in new ways, communicating organically outside of a central design or plan.

Spontaneous order is the name of the game. If the government put someone in charge of feeding everyone in New York City, they would fail miserably. But the cumulative effect of all the human effort and action on a daily basis delivers massive amounts of food to huge numbers of people every single day in New York, all without governmental design or planning.

His take of the origin of government is particularly interesting, especially given the fact that he himself is a member of the House of Lords in England, one of the oldest types of elite governmental groups in modern history. He writes government initially started as a "protection racket," the exclusive use of force to keep peace. He believes prison gangs are modern-day examples of early, primitive governments.

Ridley's book is meant to start conversations, not end them, and as such he does not offer solutions to our myriad problems, he merely wants us to understand the historical perspective of new ideas and solutions, which are just below the surface of top down control, waiting their turn to emerge once the central planning "skyhooks" are set aside and natural selection can take its course.

- Review by Matthew Strong, member of the Ethan Allen Institute

#### **The Final Word**

#### **September Survey**

Raise the minimum wage to \$15? - YES or NO
Make Vermont more affordable? - YES or NO
Gun control? - YES or NO
Education finance reform and lowering property taxes? - YES or NO
Lowering Vermont's Carbon Footprint? - YES or NO
Spurring private sector job growth? - YES or NO
Other?

### **August Survey Results**

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

Chris Erikson 0.76% (1) Peter Galbraith 0.76% (1) Bruce Lisman 45.04% (59) Sue Minter 0.0% (0) Brooke Paige 0.0% (0) Phil Scott 48.85% (64) Other 1.53% (2)