

Ethan Allen Institute

Newsletter – July 2018 (Printer Edition)

Top Stories

EAI Legislator Profiles Updated and Out for 2018!

EAI's Legislator "Roll Call Profiles," have been updated to reflect the key votes from the 2018 legislative session. (We will further update them for the Special Session as warranted.) This year's featured votes include the initial votes on the state budget, gun control measures, the \$15 minimum wage, paid family leave, an individual mandate to purchase health insurance, taxes for lake clean up, marijuana legalization, "gender free" bathrooms, and more.

Go to: ethanallen.org/vt-legislator-roll-call-profiles/ to see how your legislators voted!

Beyond providing a picture of how your elected officials voted, each legislator's page includes detailed contact information, including email addresses, links to social media accounts such as Facebook and Twitter when available, and websites, as well email links to the editors of the local papers serving their districts.

These Profiles provide a true a "one stop" platform for you to learn about, interact with, and hold your legislator accountable for what they are doing in your name. Please put them to good use, and share them with your friends and neighbors.

SCOTUS: Vermont Public Sector Union Members Can Now Opt Out

By Rob Roper

The U.S. Supreme Court's decision to abolish the practice of public-sector labor unions collect "fair share" or "agency fees" from non-members was long overdue. What the Janus decision said, in a nutshell, is that these practices are compelled speech, an abridgment of citizens' right to freely associate, and, therefore, a violation of First Amendment rights.

Vermont was one of twenty-two states that sanctioned agency-fees that can amount to 75 percent of full union dues. The Vermont Teachers' Union says that it charged annual agency fees of \$454 to 1100 people, compared to the full union dues of \$629 (BFP, 6/27/18). The Vermont State Employees' Association (VSEA) charged 1,513 people \$14.73 per pay period as opposed to \$17.75 for full membership.

Before Janus, union members or potential members had to decide whether or not keep or spend the extra 25 percent (or \$175 for the teachers' union) was worth it to get full voting rights in the union. Now they have the power to decide if they would rather keep the full \$629.

Union advocates argue that the work they do collectively bargaining on behalf of their members benefits all workers, regardless of union status. As such, they feel entitled to take by force money from those they deem to be “free riders” – the workers who don’t want to, for whatever reason, voluntarily join the union. But this is not an accurate description of what was happening.

Unions are not forced to bargain on behalf of non-members, they demand the right to do so. This creates for them a monopoly, which they covet. As such, you will not see pro-union legislators in the next session offering up counter-Janus measures kicking the free riders out from under the collective bargaining umbrella if they still refuse to join up.

Bernie Sanders and other pro-union advocates are decrying this as a blow to working people, but it takes some pretty twisted logic to believe leaving more money in the pockets of the people who worked to earn it is somehow bad for workers. If the product unions are providing for their members is really worth over \$600 a year, people will pay for it. If it’s not, they won’t.

EAI Recognizes John Cueman’s Thirteen Years of Service

The Ethan Allen Institute [deeply appreciates](#) John Cueman’s thirteen years of service on our Board of Directors.

In 1970, John started in the accounting department of Bromley Mountain and became president of the ski resort in 1984. He served in that position until 2008, when he switched roles to become Vice President of Real Estate Planning. [His firsthand](#) knowledge of business and economic issues has been a major contribution to the Institute’s program over his years on the Board.

John also served as Director of The Vermont Ski Areas Association from 1996 till 2007, and as a director and treasurer of the Manchester and the Mountains Regional Chamber of Commerce from 1984 to 2005.

These days John is spending more time helping out with the business end of his wife Lisa’s growing art venture. Her stunning photography of wild horses from the Outer Banks of North Carolina has been featured in a number of photography magazines and galleries. Lisa was recently recognized by Art Business News as one of their top 50 Emerging Artists. Check out her work at lisacuemanphotography.com.

“Though we we’ll miss having John’s good humor and eternal optimism in our board meetings,” said EAI president, Rob Roper, “we look forward to his continued involvement with the organization in other capacities, and especially [his](#) enduring friendship.”

Commentary: The Great Tax and Spending Deadlock Ends

By John McClaughry

The great tax and spending deadlock of 2018 is now over. Governor Scott, after a hectic month of thrust and counterthrust with the Democratic House and Senate, got most of what he wanted.

The battle was triggered by the discovery of unexpected revenues resulting mainly – though the Democrats are loath to admit it – from the economy spurred by the tax bill enacted by Republican Congress last December.

The governor was eager to use the new revenue to freeze school property tax rates at current levels for the next two years, and spend more on universal preschool and state colleges. Commendably, the Democrats objected to using a likely non-recurring revenue windfall to artificially depress school property tax rates for one or two years, after which, absent some structural reforms, the state would face annual \$35+ million holes and no revenues to fill them. They insisted (eventually) on using \$15 million to strengthen the Vermont State Teachers Retirement System, which has an unfunded pension liability of \$1.225 billion.

The final act, which the governor didn't agree to but didn't veto, used \$20 million to freeze the homestead school property tax rate at \$1.50 per \$100 FMV for the coming school year, but let the non-residential rate crawl back up by 4.5 cents, to \$1.58. The act also slightly reduced income tax bracket rates, created a credit for charitable deductions to stimulate giving by taxpayers who will no longer itemize their Federal deductions, and exempted lower income beneficiaries from taxation of their social security payments.

The act also repealed the once-sacred Act 60 General Fund transfer to the Education Fund. In its place, all of the revenues from the sales and use tax plus 25% from the rooms and meals tax will go to the Education Fund, starting with an estimated \$403.9 million in the coming fiscal year. This is a fiscal gamble that depends on steady increases in taxable sales, and may result in shortfalls in future years.

The governor scored a victory in his demand for a statewide teacher health insurance program. This was made possible when the Vermont-NEA teachers union surprisingly reversed its frantic opposition to a statewide benefit (example: “the governor wants to take power away from working women!”). The benefits will now be negotiated, not by the State, as the governor had unwisely proposed, but by a ten-member Commission, five from school boards and five from the unions.

The unions can't strike, the districts can't impose contracts, and school districts will collectively vote on ratification of the Commission's recommendation. If the Commission can't agree, the terms will be determined by arbitration.

The legislature wouldn't buy the governor's highly speculative plan to keep school property tax rates flat for five years, during which the State would instruct school boards how they must reduce spending. A Student to Staff Ratio Task Force will thrash over this sensitive subject over the next year.

A major initiative that both sides agreed upon is the creation of a Vermont Tax Structure Commission, composed of five experts and similar to the Blue Ribbon Tax Commission of 2011. If the Commission can summon the imagination to seriously consider, and sell, a consumed income alternative to income and retail sales taxation, it would stimulate economic growth and attract national attention.

Another useful study will focus on Universal Pre-K. It will unfortunately stop short of addressing the important question of whether UPreK has any lasting educational benefit beyond custodial care for four year olds (minimal at best). It will however seek “to identify ways that the prekindergarten education system may create undesirable outcomes for prekindergarten students, their parents or guardians, or providers of prekindergarten education services or child care services and steps to mitigate them.”

The special session's final days saw possibly the most chaotic finale ever. The House leadership's erratic behavior caused a great deal of partisan bitterness, and certain regrettable remarks from the governor's office made the end game less congenial.

The buydown of the homestead property tax rate will create a \$35 million Education Fund hole to fill next year, and that much or more for years to follow. That's not a paragon of fiscal responsibility, but sometimes that's the best that divided government can do.

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

Commentary: \$10,000 Bribe Undercuts Vermont's Brand

By Rob Roper

If I held up a cookie and said, "I'll give you five bucks to eat this," what would your initial reaction be? More than likely, either "what's wrong with it," or "what's the catch?" If it were a perfectly good cookie, why would I have to pay you to eat it? If it were really good, you should be eager to pay me. This is a fundamental flaw in the Remote Worker Grant Program that offers to pay people \$10,000 to move to Vermont and telecommute to jobs out of state. It actually devalues Vermont's brand.

What's more, the \$500,000 budgeted for this over three years would, if entirely successful, only add fifty people to the workforce over that period. According to Governor Scott, we need to add one thousand new workers every year to replace the 16,000 workers we've lost since 2009. So, what do you say to the 15,950 workers who don't get a check? And, more importantly, what do you think they'll say back?

This gimmick may get a lot of people to look at Vermont. Do a search and you'll see stories by the Wall Street Journal, CNN, ABC, CNBC, Fortune, Forbes, and many other sites you may or may not have heard of. But, as 1960's advertising guru Bill Bernbach said, "A great ad campaign will make a bad product fail faster. It will get more people to know it's bad." So far that wisdom seems to be playing out as the stories mentioned above tend to focus on the negative aspects of why Vermont feels it needs to resort to such measures, our high taxes playing the lead role.

Vermont's first priority needs to focus on making our underlying product genuinely valuable to the customer, without the gimmicks.

There has only been one time in modern history in which Vermont has attracted a large mass of people into the state on the scale Governor Scott is hoping to do so: the hippie migration in the late 1960s and 70s in which an estimated 40,000 mostly young people came here over a roughly decade long period. What brought them here? Certainly, the stunning rural beauty and all it has to offer played a big part, just as it still does today. But, more fundamentally, they came because Vermont was cheap, and they were, for the most part, left alone to pursue happiness as they saw fit.

Lesson: if you want to attract a lot of young workers to our state, make Vermont a cheap place to put down roots, and leave people alone to pursue their ventures and create wealth – and keep it -- free from a lot of official interference.

Vermont's problem is that it has become one of the most expensive and difficult places to live for upwardly mobile, economically successful workers – the kind of people

who pay taxes into the treasury, not draw them out -- and it is governed by a bunch of busybodies who want to micromanage every aspect of your life, from the appliances you're allowed to buy, to the types of electricity you're allowed to use, to how you can contract for the work you do.

The Remote Worker Grant Program is absolutely right in one respect: its target audience. Vermont has a big advantage that many other rural states facing similar demographic problems in that we are within spitting distance of New York, a financial and entertainment capital, and Boston, a biotech and research capital, filled with workers who can telecommute or relocate small businesses if they so choose.

Ask yourself, if you were a money manager, or a graphic designer, or a code writer, or use your imagination... who loves to ski, hike, bike, what would entice you to move your career from Stamford, Connecticut, to the mountains? Probably the same thing that motivated your big employer to move from Manhattan to Stamford in the 1990s – significantly lower taxes and cheaper, better, more abundant homes for your employees (in this case, you). So, here's an idea, lower taxes and reform regulations to make housing more plentiful and lower cost.

Another thing Vermont could do is make it easier to operate as an independent contractor, which is how many of these telecommuting jobs work. Unfortunately, reforming the regulations for independent contractors is something our legislature has been more than reluctant to do.

These aren't the only options, but lawmakers must to do something fundamental. When Massachusetts wanted to shed its "Taxachusetts" reputation to attract more wealth creators its legislature first passed a 5% flat income tax. Only then did they advertise they were "open for business." People took them seriously because they did something dramatic and relevant.

Vermont's has to figure out what our dramatic and relevant action will be. Make it real. To quote Bill Bernbach one more time, "The most powerful element in advertising is the truth."

- *Rob Roper is president of the Ethan Allen Institute.*

Events

July 11. Rob Roper will give a presentation recapping the 2018 legislative session and looking ahead to 2019 at the North Hero County Court House from 7-9 pm, sponsored by the Grand Isle Republican Committee. If you would like to arrange a similar presentation, email rob@ethanallen.org.

July 30-August 1. LIBERTY CAMP. Back for a second year, EAI will be hosting a three morning summer camp in the St. Albans area for kids in 6th - 8th grades. The program provides a balance of instruction, entertainment, and activities about the Colonies' breakaway from Great Britain, the ideological foundation of our country as laid out in the Declaration of Independence, and how the Constitution secures the inalienable rights of U.S. citizens. Space is limited! Contact Linda Kirker for more details and information. lkirker@myfairpoint.net

News & Views

VT's High Electric Rates Costing Jobs at Global Foundries. Global Foundries, which employs roughly 2600 people in the Essex Junction facility it acquired from IBM in 2015, announced it will be laying off 130 workers. According to an article in *Seven Days*, the company cites Vermont's high electrical costs as the driving reason. "... our hiring trajectory is increasingly constrained by external factors such as electrical costs — which remain over 84 percent higher than those in our sister site in Malta, N.Y. To support a long term future at this location, it is critical to secure a more competitive and predictable cost structure from local utilities." ([Seven Days, 6/21/18](#))

"I Love Capitalism" is the title of the autobiography of Ken Langone, who rose from hardscrabble origins to create Home Depot. Excerpt: "[Home Depot] has 400,000 people who work there, and we've never once paid anybody minimum wage." Three thousand employees "came to work for us fresh out of high school, didn't go to college, pushing carts in the parking lot. All 3,000 are multimillionaires. Salary, stock, a stock savings plan." Langone views Bernie Sanders as "The Antichrist".

The Magazine Ban. Brian Doherty notes in [Reason](#) magazine: "when it comes to public policy, no individual's right to armed self-defense should be up for grabs merely because a social scientist isn't convinced a satisfyingly large enough number of other Americans have defended themselves with a gun."

Minimum Wage Effects. "My colleagues and I find that minimum wages are counterproductive, leading to higher poverty and an increased reliance on public assistance in disadvantaged neighborhoods. The EITC, in contrast, reduces poverty and dependence on public assistance, with one caveat: It may be less effective in severely disadvantaged neighborhoods where there is insufficient labor demand to absorb more people looking for work." – Prof. David Neumark, a leading economist on employment and wages, U. of California-Irvine (WSJ 4/12/18).

Students Show Value of Competition. Vermont schools are adopting a policy called "proficiency based learning." This has been accompanied by a statewide drop in scores. Stowe has been leading the way in the new policy, and they asked the students about why it might be failing. An article in the *Stowe Reporter* explains, "Competition has been a major motivation for students who strive always for an A in class, and in some cases proficiency-based learning has dissolved the motivation students need to succeed.... 60.3 percent said they don't feel motivated to do their work under the new grading and learning system." (*Stowe Reporter*, 6/15/18) Time to scrap this thing.

Affordable Housing? Vermont recently received a government grant of \$37,000,000 build to build 136 "affordable housing" apartment units. That's \$272,058.82 per apartment. How is this "affordable." The solution to making housing more affordable in Vermont is not to spend more taxpayer money to subsidize expensive housing, it is to make it A) cheaper to build housing, b) make it easier to build more housing, and C) to revitalize the economy so wages rise and, therefore, people can better afford housing.

Cost of a Flu Swab Will Make You Sick. VPR recently ran a story about a patient who received a routine swab to test for flu and got a bill from UVM Medical Center for \$901.61 for performing the lab work. The story went on to report that the patient "...would likely have paid 10 times less if his doctor had sent his flu swab to — for example — a hospital in Albany, New York, instead of UVM Medical Center in Burlington." This is obscene. And, as UVM Medical Center increasingly becomes a monopoly, driving away or absorbing independent physicians, the problem is only going to get worse. ([VPR, 6/17/18](#))

The Best Social Program Is a Wedding Ring. "If Americans [are] serious about interrupting the cycle of intergenerational poverty, they had to find ways to build more, and better functioning, two-parent families." The U.S. Department of Health and Human Services recently released an evaluation of the Administration for Children and Families' Healthy Marriage and Responsible Fatherhood (HMRF) initiative. "HMRF gives \$150 million to community-based organizations providing marriage, relationship, and fatherhood education services to thousands of low-income Americans. And the program's positive outcomes should encourage additional investigation and continued investment.... Couples [who participated in the program] reported higher levels of commitment to their spouse, improved co-parenting behaviors, and higher levels of affection. Importantly, these programs also reduced levels of destructive behavior: Reports of domestic violence were one-third lower in treatment group versus those in the control group." ([American Enterprise Group, 6/15/18](#))

End of "Net Neutrality" Already Benefiting Vermonters. The 2015 "net neutrality" rules passed by the FCC in 2015 are now officially dead. In a recent op-ed by FCC chairman Ajit Pai noted the benefits of this and cited an example from the Green Mountain State: "I heard from a rural broadband provider in Vermont called VTel. VTel wrote to say that "regulating broadband like legacy telephone service would not create any incentives for VTel to invest in its network. In fact, it would have precisely the opposite effect." The company went on to say that it's now "quite optimistic about the future, and the current FCC is a significant reason for our optimism." Indeed, VTel just announced that it has committed \$4 million to upgrade its 4G LTE service and to begin rolling out faster mobile broadband that will start its transition to 5G, the next generation of wireless connectivity. (Ajit Pai, [Our job is to protect a free and open internet](#))

Canada Is Learning. "Green energy is a scam.' So said Doug Ford, many times, en route to winning a massive majority government in Ontario on June 7." (Source: [Canadian Energy Issues, June 8, 2018](#))

Raise A Glass to This! We've all seen outrageous stories over the years about entrepreneurial kids having their lemonade stands shut down by local law enforcement for not having proper permitting. In the UK last year a 5-year-old was slapped with a \$200 fine for not having an operator's license! Well, Country Time Lemonade has launched a new program called LegalAde, "in which they promise to help any entrepreneurial kid who runs into the law or is slapped with a fine. CountryTime has even promised to pay those fines and accurately calls out the laws for being 'arcane.'" ([RedState, June 8, 2018](#)) Not sure arcane is the word we'd use to describe these laws (too polite), but good for Country Time!

“Feather River” John McClaughry. In case you missed it, Seven Days recently ran a lengthy article on our own John McClaughry’s days riding the rails as a hobo back in the early 1960s. It’s a terrific piece filled with some fun stories of grand adventure, and certainly worth a look. [Riding the Rails With John McClaughry: Conservative Thought Leader, Politico, Hobo](#) by Dan Bolles

Just Desserts. “The controversial Southern Poverty Law Center has reached a settlement to anti-extremist organization Quilliam resulting in an apology and a \$3.375 million payment for wrongly naming the group and its founder as anti-Muslim extremists.” (True North 6/20/18)

Book of the Month

The Square and the Tower

From the Freemasons to Facebook

By Niall Ferguson

Penguin Press, 563 pp

This is a highly condensed version of the review that appeared in Reason, June 2018.

The imposing Torre del Mangia is a 289-foot tower rising over Siena’s city hall. Below, the Piazza del Campo serves as market square, civic meeting place, and entertainment venue. Together they form the metaphor in the title of *The Square and the Tower*, the British historian Niall Ferguson’s new book about networks, hierarchies, and how they have interacted throughout history.

How hierarchies operate is not a conceptual mystery. The emperors of Rome, the caliphs of Islam, the autocrats of the Kremlin, the armies of Napoleon and Eisenhower, the corporate managers of General Motors, the bosses of the Teamsters Union: In each case we see a Mr. Big at the top directing lieutenants, satraps, prefects, and legates, on down to the grunts at the bottom of the tower. Hierarchies arose at the beginning of human civilization, but the “zenith of hierarchically organized power,” Ferguson writes, “was in fact the mid-twentieth century—the era of totalitarian regimes and total war.”

Yet hierarchies do not rule perpetually without challenge. Ferguson argues that since 1446, three disruptive changes have made it increasingly easy for large numbers of people to interact and collaborate over time and space—that is, to network. The first was the printing press, volumes of whose output swept across 15th-century Europe and then beyond. The next was the 19th-century telegraph cable, which allowed messages to flow from London to Bombay in four minutes. (The telephone, the fiber optic cable, and the satellite download dramatically accelerated this revolution.) The third change is the instantaneous communication of the internet.

Networks are obscure, ephemeral, clandestine, acephalous, and potentially subversive, built around nodes connected by “edges” to other nodes in a manner that produces activity without centralized control. As in Ferguson’s “square” metaphor, they are flat, dispersed, and operate beneath or apart from a tower-like superstructure.

Moreover, networks can be part of other networks—and they can be created, manipulated, captured, and annihilated by hierarchies.

Ferguson is enthusiastic about criticizing hierarchical rule, or at least its authoritarian excesses, but he is also quick to finger the dark side of networks bent on hatred, plunder, violence, and, in our day, cyber-terrorism. At one point he writes: “The lesson of history is that trusting in networks to run the world is a recipe for anarchy: at best, power ends up in the hands of the Illuminati, but more likely it ends up in the hands of the Jacobins.” Ferguson, a disciple of Edmund Burke, is no admirer of Jacobins.

There is conflict in Ferguson’s own thinking about hierarchies and networks. “The near-autarkic, commanding and controlling states that emerged from the Depression, the Second World War, and the early Cold War exist today, if at all, only as pale shadows of their former selves. The bureaucracies and party machines that ran them are defunct or in decay. The administrative state is their final incarnation,” he writes. “Will the new networks liberate us from the shackles of the administrative state, as the revolutionary networks of the 16th, 17th, and 18th centuries freed our ancestors from the shackles of spiritual and temporal hierarchy? Or will the established hierarchies of our time succeed more quickly than their imperial predecessors in co-opting the networks, and enlist them in their ancient vice of waging war?”

Ferguson concludes that “unless one wishes to reap one revolutionary whirlwind after another,” the alternative to a world run by networks, some of them villainous, is “another pentarchy of the great powers” in which the members “recognize their common interest in resisting the spread of jihadism, criminality, and cyber-vandalism.”

But where is the assurance that these Platonic guardians will act in society’s best interest rather than their own? Ferguson argues that the multitude of available networks today plays an important role in checking and even bringing down culpable hierarchies. But if the hierarchies start banding together, what then?

Ferguson recognizes this dilemma, but he doesn’t have a reassuringly workable answer. Nonetheless, his book raising the question is well worth the reading.

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

The Final Word

July Survey: 2018 Special Session

Governor Scott called a “special session” in 2018 to iron out disagreements with legislative leadership over tax and education policy. How would you describe the additional month of lawmaking?

- a) Worth it. Something good came out of it.
- b) Not worth it. Waste of time and money.
- c) What special session?