

Ethan Allen Institute

Newsletter - August 2018 (Printer Edition)

Top Stories

ESSEX Carbon Tax Profiles

What would the latest Carbon Tax proposal mean for people like me?

By David Flemming

This year, a coalition of Carbon Tax advocates has been pushing a Carbon Tax scheme dubbed The ESSEX Plan. What the ESSEX Carbon Tax would do is place an excise tax on fossil fuels (topping out at 32¢/gal. for gasoline, 40¢/gal. for home heating oil and diesel, and 24¢/gal. for propane and natural gas), and, after accounting for administrative costs, grant the revenue to electric utilities for the purposes of lowering electric rates. Back in April, The Ethan Allen Institute commissioned a big-picture analysis of what this would mean for our state and our economy. Now we are diving into what this could mean for individuals and household budgets.

Over the next several weeks, EAI will be releasing over a dozen profiles that reveal what Vermont households could end up paying if the ESSEX carbon tax becomes law. These profiles will feature a variety of households with various incomes, household sizes, age-ranges and locations within Vermont.

To create these profiles, EAI surveyed over over 60 Vermont households about their fossil fuels needs for heating and transportation. Some of the profiles will reflect one actual household, others will reflect composite data from similar households. Our goal is to give Vermonters the chance to compare their own households to households with similar characteristics, so that citizens can get an idea of what they would pay under the ESSEX Carbon Tax. All profiles use a pseudonym and stock photos to protect the identity and privacy of our respondents.

While advocates for the ESSEX Carbon Tax did not offer a step-by-step guide for calculating the net impact per household, we used notes in the ESSEX proposal to the legislature to piece together the tax amounts and rebates, and paired this with household survey responses on fossil fuel usage. One striking conclusion is that we did not find a single household, wealthy or low-income, that was able to fully recoup the tax increase by way of rebates, much less break even.

Commentary: A Course Change for Public Sector Unions

by John McClaughry

In his Virginia Statute of Religious Freedom (1785), Thomas Jefferson famously declared that “to compel a man to furnish contribution of money for the propagation of opinion which he disbelieves and abhors is sinful and tyrannical.”

In that spirit, the U.S. Supreme Court last month struck down “agency fees” taken by public sector unions from non-members’ paychecks. “The First Amendment,” Justice Alito wrote in the *Janus v. AFSCME* case, “does not permit the government to compel a person to pay for another party’s speech just because the government thinks that the speech furthers the interests of the person who does not want to pay.”

The case is not only held that requiring non-members to pay “agency fees” is coercing political speech, but also that “neither an agency fee nor other payment to the union may be deducted from a nonmember’s wages, nor any other attempt be made to collect such a payment, unless the employee affirmatively consents to pay.”

The ruling applies only to public sector unions, the most prominent of which are the Vermont State Employees Association and the Vermont-NEA teachers union. The reason it doesn’t apply to a unionized private employer like General Electric is important. Private sector unions have no way to influence the decision makers – management and stockholders – of their employers. A union’s ultimate bargaining asset is the right to withhold its members’ labor – to go on strike. But state employees and teachers unions are inherently political. Through their political activities they can elect and influence the governor, the legislature, and the school boards to give them greater gains in the bargaining process.

This leads public sector unions to join political coalitions with other like-minded organizations to elect liberal office holders who once in office will support the causes of all of the coalition members. These may include civil rights, social issues, union privileges, climate change measures, immigration laws, government-run health care, and “free” college tuition.

The public sector unions invariably support expanded government programs and taxpayer-financed spending increases, which lead to better pay and benefits for more dues-paying union members. In Illinois, where the *Janus* case originated, the state employee union (AFSCME) made tax increases to support higher pay and benefits a contract bargaining issue with the governor.

So what’s next? Vermont’s public sector unions are still entitled to organize and bargain with state government, school districts, and municipalities. The resulting contracts will still cover wages, benefits, working conditions and grievance procedures for all employees in the defined bargaining unit. But the unions can no longer automatically pocket “agency fees” (of as much as 85% of full union dues) from employees who want no part of the union’s political activities.

The *Janus* ruling inevitably means that more workers will decide not to pay money to a union advocating against their own political preferences. The National Education Association is projecting a 14% decline in membership.

An article by Alana Samuels in *The Atlantic* (6/27/18) describes how some unions are reconceptualizing their relation to prospective members. The United Domestic Workers of America represents Medicaid-funded home health care workers in California in a contrived “pseudo-union” it lobbied into existence. (The Vermont legislature succumbed to the same pressure in 2014.)

An earlier Supreme Court ruling struck down agency fees payable to this pseudo-union. So, according to its executive director, UDW “had to prove it was providing a

valuable service to members and their clients that went above and beyond bargaining over pay.” It launched a home-care registry that matched workers with potential employers, and started offering free CPR and dietary classes to discuss with workers how to feed clients with special dietary needs. It did all this and more on a budget that was 30 percent lower than what it had been before the [Court] decision.

Not surprisingly, VSEA and VT-NEA are moaning about the impact of the Janus case. But that case doesn’t restrain the unions from conducting their core functions—representing the interests of workers to their employers.

The ruling will push those unions, like UDW, to better market their services to attract members who see an advantage in belonging. It will likely reduce the union’s temptation to use union funds to support coalitions to advance unrelated causes that a significant number of prospective union members disapprove of. That’s a lot healthier for the unions than collaborating with government to coerce non-members to pay fees to finance political activities that they find offensive. Thomas Jefferson would have understood.

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

Commentary: If You’re Worried About Russian Hackers, Tighten Election Rules.

By Rob Roper

Over just the past handful of election cycles we’ve seen a number of rule changes that have radically altered the way we cast our ballots and, as a result, changed the way politicians campaign. We now have things like “same day (or “election day”) registration,” “automatic registration,” “early voting” as much as forty-five days out, and an explosion in the number of people voting absentee. These and other reforms were sold to us as conveniences, and in some ways they are, but they come with some unpleasant and even dangerous side effects.

Take, for example, early voting. It’s no longer “election day,” it’s election-month-and-a-half. Now, politicians have to sustain a get-out-the-vote effort over six weeks rather than just one day. This takes a lot more resources. Campaigns need to run more political advertisements to cover the longer period of time, send more direct mail, get their lawn signs up much earlier, etc. To do all this, they need to raise more money.

So, if you’re one of the people who thinks our elections take a ridiculous and agonizingly long time, that politicians spend too much time chasing cash and are too beholden to those who give it to them, and, please, for the love of God, stop with the weeks and weeks of robo-calls... thank early voting. This “reform” is making all these aspects of elections worse.

There is another disturbing consequence to early voting as well. It is an incumbent protection measure. With voters able to cast ballots forty-five days before the official election day, politicians are incentivized to encourage their voters to do so. Especially incumbents, who know that if they can get you to vote early, you won’t be spending that six weeks of prime campaign season getting to know their challenger. Once they’ve got your vote, you can’t take it back.

If you vote early because you're excited about the presidential or gubernatorial race, but haven't had time to learn about the down ticket candidates, you're more likely to just vote for the name you know, which is more often than not the incumbent. There are lots of unfair advantages incumbents have in election. Early voting is just one more.

But, the most dangerous consequence of early voting is how we're doing it: absentee.

It used to be that voting by absentee ballot was rare and required a legitimate, officially approved excuse. There was a reason for this. When we vote at a proper polling location we confirm that we are who we say we are when we check in, and when we go into that private booth election monitors are there to ensure we cast our vote in secret, free of any outside coercion. It is a secure system.

In other words, the physical polling place is the mechanism by which we guarantee and sustain two key principals of our democracy: the secret ballot and one-person, one-vote. But, we are thoughtlessly and with the encouragement of our politicians, throwing this away.

Roughly one third of all ballots cast in Vermont during the last election (over 95,000) were early/absentee, and the percentage seems to go up every election. Election officials honestly have no idea who filled out these ballots or under what circumstances. Did the voter's abusive spouse fill out the ballot? Was a partisan campaign worker looking over the voter's shoulder telling them who to vote for? Did somebody steal the ballot and fill it out in someone else's name? Nobody knows for sure.

In actual polling places it is against the law to electioneer. No one can pass out literature or even wear a button or a t-shirt supporting a candidate to influence a voter filling out a ballot. Again, there's a good reason for this, but these rules don't apply and cannot be enforced at one's mailbox/kitchen table.

There are legitimate and illegitimate ways to take advantage of this lack of security, but none of them are particularly savory.

In a three part investigation into voter fraud by the [Christian Science Monitor](#), CSM makes the argument that if Russia, or some other entity foreign or domestic, is going to successfully rig one of our elections, absentee ballots and early voting is how they are likely to do it. They won't hack the voting machines directly, they will infiltrate the voter rolls, identify and/or create large pools of registered non-voters who either won't know or won't care that their votes are being stolen, and they will collect and cast absentee ballots under these "voters" names.

While there is no evidence of this kind of operation happening on a large scale yet, CSM cites a number of examples of how this kind voter roll manipulation coupled with the use absentee ballots has influenced elections on a smaller scale. One example (not mentioned by CSM) is from Victory, Vermont, where the Town Clerk and justices of the peace allowed ineligible non-residents to vote absentee.

Our politicians tell us that they are implementing these election reforms for our convenience. But, Thomas Jefferson did not warn that the price of liberty is eternal convenience; it is eternal vigilance. Loose registration requirements, easy access to absentee ballots, extended voting periods, and zero supervision give bad actors the tools, opportunities, and time necessary to commit meaningful election fraud. People are already taking advantage of this on the small scale. It's only a matter of time before someone exploits these vulnerabilities on a large scale.

- Rob Roper is president of the Ethan Allen Institute.

Events

August 6-8. LIBERTY CAMP, 9:00 am – 11:30 am. Back for a second year, EAI will be hosting a three morning summer camp in Rutland at the Mt. St Joseph and Christ the King School 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. We have space for a two or three more kids! Contact Terry Burke for more details and information. 802-282-2762

News & Views

WalletHub Ranks VT 4th Worst State to Start a Business. The personal finance website, WalletHub, just published an analysis of the best and worst states to start business. Vermont, they conclude, ranks 47th out of 50 when deciding where to set up shop. Not good. WalletHub looked at twenty-five metrics under three umbrella categories — Business Environment, Access to Resources, and Cost. Overall, Vermont scored 46, 49, and 27 respectively. In the subcategories, Vermont stood out in Lowest Average Growth in Number of Small Businesses (49th), Shortest Average work week (45th), and Highest Total Spending on Incentives as % of GDP (3rd) – which would indicate the incentives our government is providing aren't working!

A Sad But Too Familiar Theme. “Hello to all our Facebook friends. Just wanted you all to know we have moved out of Vermont. Unfortunately like for so many other Vermonters, Vermont is becoming more and more unaffordable. Yes we love Vermont but moving saves us about 20% just in taxes never mind the other high costs of living in Vermont.” Rep. Mike Hebert (R-Vernon), 7/14/18. So long, Mike. We will miss you.

Where's TABOR When You Need It? Vermont finished up the month of June having collected \$65 million more in revenue than they expected to. In other words, the legislators overcharged the taxpayers. Will we taxpayers get our surplus money back? Ha! No, our representatives will keep and spend it. This is why we need a Taxpayers' Bill of Rights (TABOR). Under TABOR, surplus tax dollars like these are – by law – returned to the taxpayers.

Howard Dean Commits Candor. Tax Increases for All! Former Vermont Governor Howard Dean admitted in a recent interview on MSNBC that in order to pay for the Democrat/Progressive agenda, everyone will have to pay more taxes. “This is going to seem like heresy from a Progressive,” said Dean, “The truth is, everybody needs to pay more taxes, not just the rich.” Everybody. That means you.

9th Circuit/2nd Amendment. The notoriously left leaning 9th Circuit Court issued two powerfully pro-Second Amendment rulings in the past few weeks. They affirmed the right to carry a firearm in public, and ruled unconstitutional a ban on large capacity magazines. Vermont lawmakers just banned so-called “high-capacity” magazines, and a local lawsuit has been filed to challenge that law. The 9th’s decision should have positive ramifications here in the Green Mountain State.

Bernie’s \$32 TRILLION Healthcare Tab. The Mercatus Center at George Mason University has released its study on the overall cost of Bernie Sanders's single-payer legislation, the "Medicare for All Act (M4A)." It found that the "M4A would place unprecedented strain on the federal budget" — to the tune of \$32.6 trillion in added cost over the first 10 years of its implementation. The Associated Press noted that "after taking into account current government health care financing, the study estimated that doubling all federal individual and corporate income taxes would not fully cover the additional costs."

Let’s Pay It, Says VT Delegation. The entire Vermont Congressional delegation (Leahy, Sanders and Welch) supports Bernie Sanders’ “Medicare for All” plan, according to a list prepared by the Library of Congress and reported in the Washington Examiner (7/30/18).

Charged Up. A report from the American Council for an Energy Efficient Economy finds that rural New England residents face the highest burden of energy bills on household incomes. “New England has long faced the nation’s highest electric rates.” (AP 7/23/18). So let’s hit them with a carbon tax and finish them off! (Not.)

Inequality Is More Equal Than We’re Told. “The statistics usually invoked to show inequality in the U.S. are misleading, since they exclude about \$1 trillion in annual transfer payments to lower income households and do not account for the effect of taxes. When these taxes and transfers are taken into account, income inequality in the U.S. is lower than that in many Western democracies.” (Cato Policy Analysis 838)

House Opposes Carbon Tax. “On July 19 the U.S. House of Representatives passed a resolution [229-180, H.Con.Res. 119] stating a tax on carbon dioxide would be detrimental to the U.S. economy. Only six out of 236 House Republicans voted against the resolution. Seven Democrats also voted to approve the resolution... The near-unanimous Republican support for the resolution obliterated the media’s narrative that Republicans quietly support such a tax.” (James Taylor, Heartland 7/20/18). Rep. Peter Welch (D-VT) voted NO, putting himself on the record as “not opposed” to the carbon tax.

Ban Plastic Straws? What About Lids? Christian Britschgi of Reason.com made this startling discovery: “by ditching plastic straws, Starbucks will actually be increasing its plastic use. As it turns out, the new nitro lids that Starbucks is leaning on to replace straws are made up of more plastic than the company's current lid/straw combination. Right now, Starbucks patrons are topping most of their cold drinks with either 3.23 grams or 3.55 grams of plastic product, depending on whether they pair their lid with a small or large straw. The new nitro lids meanwhile weigh either 3.55 or 4.11 grams, depending again on lid size. (7/13/18)

Public Sector Unions: The Janus decision took away the power to coerce fees from non-members, but the public sector unions are still in business. What if they weren't? In 2005 incoming Indiana Gov. Mitch Daniels terminated by executive order the state's public employees' union. By 2011 only seven percent of eligible workers were still paying dues. The other 93% chose an immediate 2% pay raise over union membership. By 2011 the union was almost nonexistent and most workers, in the new merit-oriented compensation system, didn't miss it. (Doug Erickson, Wisconsin State Journal, 3/10/11)

Abolish ICE. The latest cry among the Left is to abolish the Immigration and Customs Enforcement agency, ICE, because they seem to think that it is the agency separating illegal aliens from their children at the southern border. Actually, border access is controlled by the Customs and Border Protection agency (CBP). The cheerleader is Alexandria Ocasio-Cortez, the 28-year-old Democratic Socialist of America activist who became a sudden star of the Left by unseating Democratic leader Rep. Joe Crowley in the June New York Congressional primary. She ran on abolishing ICE and, writes Tammy Bruce in the Washington Times (7/4/18), "that makes sense considering the New York DSA's tweeted policy positions: 'Abolish ICE. Abolish prisons. Abolish cash bail. Abolish borders.'"

Roepke on Free Markets. "There is a profound ethical reason why an economy governed by free prices, free markets and free competition implies health and plenty, while the socialist economy means sickness, disorder, and lower productivity. The liberal economic system releases and utilizes the extraordinary forces inherent in individual self-assertion, whereas the socialist system suppresses them and wears itself out in opposing them. -Wilhelm Roepke, *A Humane Economy*, 1958.

Book of the Month

Overcharged

Why Americans Pay Too Much for Health Care

By Charles Silver and David A. Hyman

Harper, 2016 (435 pages)

"Overcharged: Why Americans Pay Too Much for Health Care" is a fast-paced 435-page trip through the underbelly of the health care industry, the policies that shape it, and their often undesirable and overly costly results. Its basic point is that "The health care sector will become more efficient and pro-consumer when and only when it is subjected to the same competitive forces that apply to the rest of the economy... To make American health care better and cheaper, customers should use their own money to purchase medical treatments directly, the same way they buy everything else."

This may not strike readers as obvious, but law professors Charles Silver (Texas) and David A. Hyman (Georgetown) have accumulated a ton of evidence in support of that proposition.

America is now six decades into the Modern Era of Third Party Payment. As of 2016, 91% of families had some or all of their health care expenses paid by third parties, notably the government (Medicare, Medicaid) private insurers (Blue Cross, etc.) , and self-insured employers.

The consequence of this is that aside from modest copays and deductibles, third party payment causes people to engage in what the authors call “an epidemic of overuse”. The resulting overconsumption drives prices higher, and that stimulates all sorts of schemes where providers charge “fee for service” for too many procedures, overpriced drugs, unnecessary medical equipment, dubious mental health therapies, and needless ambulance trips.

Among the practices devised by providers eager to get rich from this spending are “upcoding”, “turbocharging”, “evergreening” and “rent-a-patient.” For many providers, excessive health care spending can become a cash flow dream come true.

Third party payers, especially the Federal government, simply cannot keep track of what services hundreds of millions of people are getting, whether they are “medically necessary”, or whether the billed services are actually provided.

The best that Medicare and Medicaid can do is sniff out as much outright fraud as possible, sensationally prosecute the perpetrators (often including doctors who make honest coding errors), and contrive more complex regulations to keep providers from gaming, as well as defrauding, the system.

The authors come down hard on the “old-time providers” who are ever alert to enlist (and finance) politicians to stamp out threatening competition. Licensed physicians and their employers (increasingly hospitals) are the gatekeepers for treatments and prescriptions, and they jealously protect those government-conferred privileges. (Strangely, the authors ignore one of the most potent tools used to shackle competitors, the Certificate of Need.)

The authors deride every proposed political solution. Obamacare? Pumped billions more dollars into a politicized and corrupt system. Repeal Obamacare? The Republicans could only come up with a feeble “Obamacare-lite”.

Socialized medicine? The authors devote six pages to explaining that Bernie Sanders’ “Medicare for All” – putting the government in charge of one fifth of the U.S. economy -aggravates the overcharging problem, promises to be fantastically expensive (\$518 billion the first year, according to the Urban Institute), and is a pathetic example of “magic thinking”.

Even free marketeers, who would agree with all of the foregoing criticisms, come in for their share. Silver and Hyman oppose any kind of tax incentives or benefits to influence health choices. They even oppose Health Savings Accounts, the tax-free contributions to which are restricted to paying for health care, though they grudgingly concede that HSAs “make a horrible tax policy less horrible.”

But later on, after approvingly describing Singapore’s (mandatory) Medisave accounts, they reverse course, and favor HSAs coupled with catastrophic insurance for rewarding people for saving responsibly for their health care needs later in life. What they underappreciate is that the HSA starts a movement away from the third party payment regime that they rightly detest.

The most hopeful solution they offer is an innovative health care retail sector. That includes astonishingly cost-effective medical tourism (to such remarkable medical complexes as Narayana Hrudayalaya in Bengaluru, India. It also includes CVS Health’s 1,135 Minute Clinics and the all-inclusive cash-price menu of 112 common surgeries

offered by the Surgery Center of Oklahoma. (They neglect to mention Winooski-based Marathon Health, which has built over 130 clinics in plants and offices in more than forty states, and integrated providers like Kaiser Permanente and Intermountain.)

Silver and Hyman conclude that “our politicized third party payment system creates bad incentives that attract the already corrupt, and also corrupt the virtuous.” The crucial reform is to move away from non-catastrophic third party insurance coverage, and dramatically expand the role of first party (consumer) payment in a competitive marketplace. Their argument, buttressed by a wealth of facts, cases, and examples, is a powerful one.

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

The Final Word

August Survey:

What is the number one trend Vermont must reverse if we want to enjoy a prosperous future?

- High Taxes/Cost of living.
- Demographics/Population Decline.
- Global Warming/Climate Change.
- Rising Cost of Healthcare.
- Opioids/Addiction.
- Other

July Survey Results: Special Session Results

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. 26.92% (7)
- b. Not worth it. Waste of time and money. 69.23% (18)
- c. What special session? 3.85% (1)