Top Story

The Morality of Free Market Capitalism

EAI president Rob Roper gave the following presentation to the Castleton Republican Committee on January 26th, 2019. It provides a general overview of the moral principles underlying free market capitalism and contrasts them with those of collectivist societies.

Go To https://www.youtube.com/watch?v=lZr_d4gBeCk&feature=youtu.be to watch the presentation.

If you would like this presentation to come to your organization or community, please contact rob@ethanallen.org.

Job Tate Joins EAI Board of Directors

The Ethan Allen Institute is proud to announce that Job Tate has joined our Board of Directors. Job, 38, is a veteran of the U.S. Navy Seabees, where he currently serves as a heavy equipment operator and explosives expert with Naval Mobile Construction Battalion Two-Seven. He twice won election to the Vermont State House of Representatives, representing Mendon, Chittenden, Killington and Bridgewater. In the
State House, Job was the ranking member of the General, Housing and Military Affairs Committee where he was a fierce advocate for Vermont’s veterans, taxpayers and business community. He resigned from the House in 2017 when he was deployed overseas in support of the Global War on Terrorism. He holds an 85% life time rating from the American Conservative Union.

Job is a graduate of Houghton College with a BA in Communications and Business, and is currently an MBA candidate with the Jack Welch Management Institute. Job and his wife Lisa currently reside in Benson, and are the proud parents of Mendon (5) and Everett (3).

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Commentary: Stamping Out Carbon Dioxide Emissions

By John McClaughry

Last September the Legislature underwrote a $120,000 contract to a Washington DC firm named Resources for the Future, that specializes in analyzing the economic impact of various policies aimed at reducing greenhouse gas emissions caused by consumption of fossil fuels. The 114-page “Decarbonization Study” has now been delivered.

Before summarizing its findings, let’s recall why certain organizations are so intent on driving Vermonters away from using gasoline, diesel fuel, natural gas, heating oil, and propane.

They believe that Planet Earth is approaching a climate catastrophe caused by the humans burning these energy-rich fuels. By far the most dominant greenhouse gas is water vapor, but that can’t be controlled by driving up the price of water. So the climate alarmists – for want of a better description – are determined to defeat the menace of climate change by making humans stop burning fossil fuels.

A flat out prohibition of these sources of energy has no prospect of happening any time soon, especially when most (though not all) climate alarmists are also dead set against nuclear electricity as the carbon-free solution that will maintain our energy-intensive 21st century civilization. They have defined their target as “GHG emissions”. Their means of reducing those emissions is to have the government drive the price of carbon-based fuels steadily higher, until most people can’t afford them anymore and will switch to something else (or move away).
Their ideal for Vermont, with one fifth of one percent of the U.S. population, is to become the perfect little climate-conscious state. Thanks to more building insulation, clustered dwellings, public transit, bicycles, heat pumps, biomass heat, and efficiency improvements, existing hydro plants, and much more wind and solar PV electricity, Vermont’s population will consume far less energy, and eventually zero fossil fuel energy.


The result was his Executive Order 07-05 of 2005, declaring Vermont’s goals to be to reduce GHG emissions to 25% below the 1990 emissions level by 2012, 50% below by 2028, and 75% below (“if practicable”) by 2050. These goals were enshrined in Act 168 of 2006. The leading advocacy group, the Center for Climate Strategies, lauded Vermont for having “the nation’s most aggressive GHG reduction goals.”

By 2015, Vermont was not emitting less than the 1990 level, but 10 Mt, 16% above and climbing. This was embarrassing.

What followed were gubernatorial amendments to Act 168, none of which were ever voted on by elected legislators. Gov. Peter Shumlin, an ardent climate warrior, declared that, regardless of state law, the new goals would be 40% below 1990 levels by 2030 and 80% below by 2050.

In June 2017 Gov. Phil Scott announced Vermont was joining the U.S. Climate Alliance, whose governor-members promise to reduce emissions by 26-28% below 2005 levels by 2025. Clearly all the renewable energy subsidies weren’t getting the job done, although they certainly produced affluence for the renewable industrial complex.

After the heavily Democratic legislature declined to consider the ESSEX carbon tax plan, the increasingly frustrated climate change warriors asked and got the $120,000 RFF Decarbonization Study.

Representative conclusions from the Study include a finding that “emissions in Vermont have been increasing since 2011, and the state is currently well above a pathway that would meet any of its GHG emissions targets. … Vermont is unlikely to meet its emissions targets with a carbon-pricing-only strategy unless the carbon price is substantially higher than the prices modeled in this study ($19 to $77 per metric ton of CO2 equivalent in 2025).”

“A carbon pricing policy could generate $74.7–$433.8 million in annual revenue in 2025, depending on the carbon price amount and number of sectors covered… Carbon revenue is an appealing feature of carbon pricing and can allow the state to address the negative consequences of carbon pricing, especially for low-income and rural households.”

Overall, the Study found, there is a combination of carbon pricing [which it carefully avoids characterizing as a tax] and non-price policies that can lead to positive outcomes, if environmental benefits from reducing carbon combustion are added in.

The Study candidly observes that “the success of Vermont’s decarbonization strategy will depend on the extent to which it drives action in other states or other countries…if Vermont’s policy leadership were to inspire increased leadership and policy innovation in other states or nations—it would indeed amount to a significant impact.”

There is much, much more in this capably produced Study. The ultimate question legislators need to wrestle with now is, how much expense, disruption and grief are
As a result of the November 2018 elections, Vermont Democrats and Progressives achieved veto-proof majorities in both chambers of the legislature. Their first priority flexing this new muscle is to pass a mandatory, government-run Paid Family Leave program that will require a new payroll tax. This proposal demonstrates exactly why Vermont is an unaffordable, unfriendly place to live and do business.

The proposal, a version of which Governor Scott successfully vetoed last session, would mandate all Vermont workers begin paying a new 0.93 percent payroll tax, which would fund a government-run insurance program providing twelve weeks of paid leave at 100 percent of salary for new parents or those dealing with a family illness. Why mandatory? Because, according to news reports, “they [Speaker Mitzy Johnson (D-Grand Isle) and Sen. Tim Ashe (D-Chittenden)] said that a paid family leave program shouldn’t be voluntary, because it wouldn’t be able to attract the participation required to make it affordable.”

So, basically, the majority party leaders want to impose a new payroll tax on Vermont workers and create a new financial and bureaucratic burden for Vermont businesses to implement a new government program that people, by their own admission, don’t want. This is why Vermont is unaffordable for working people and has a national reputation as a terrible place to do business.

The median annual household income in Vermont is $74,426, which means the new tax will cost that household budget $692 a year for a benefit most wouldn’t sign up for and don’t need.

Not mentioned in any of the media coverage, it will create an uncalculated new cost of doing businesses for Vermont employers, who will now have to spend time and resources tracking and reporting employee data to the state in compliance with the law. It’s worth noting that many Vermont businesses already offer some form of paid leave, either formally or informally. Those that don’t tend to be small, struggling businesses that genuinely can’t afford to do so. Forcing them to do so will be a major hardship.

The program will also increase state bureaucracy necessary to run the new government program. In 2017 the Joint Fiscal Office scored the original Paid Family Leave bill, H.196, estimating that the administrative costs of running the program would consume 7.5 percent of benefits, and will require a new $2.5 million IT system, and we all know how well the state does with new IT systems!

Governor Scott proposed an alternative Paid Family Leave program in partnership with New Hampshire that would be both voluntary for private businesses and run through a private insurance company rather than the state. This is a far better — and much fairer — alternative.

Critics of the Governor’s plan say that his proposal will be more expensive for participants. Yes and no. Yes, it would be slightly more expensive for those who
volunteer to participate. But, for the majority of Vermonters who choose not to participate in the program it will be much cheaper – as in zero. This is fair. Those who want the program will pay to support it and benefit from it. Those who feel their scarce resources would be put to better use elsewhere would be free to invest as they see fit. But, again fairly, they won’t benefit from the Leave program.

The fact that the Governor’s proposal would utilize an existing, private insurance provider that is expert in managing programs like this means that the state would not have to incur the unnecessary and inefficient expense of “reinventing the wheel” within an expanded state bureaucracy that is, frankly, not expert in running insurance programs. The total cost of this system would undoubtedly be less than the mandatory tax scheme.

Paid family leave benefits are certainly a good thing. The employers that are able to offer such benefits create for themselves a competitive advantage in hiring and retaining the best employees. But, this comes at a cost that the employer and the employee, and they, not the legislature, are in the best position to determine if this benefit makes sense for them.

- Rob Roper is president of the Ethan Allen Institute.

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**News & Views**

**Wallet Hub Ranks Vermont 4th Worst State to Retire In.** We were ranked dead last (50th) for affordability, and 46th overall, despite being 6th for quality of life. Seriously, how bad must the affordability problem be if a top quality of life ranking like that doesn’t balance out the final score at least a little bit? ([Wallet Hub, 1/14/19](https://www.wallethub.com/press-release/wallet-hub-ranks-vermont-4th-worst-state-to-retire-in))

**Yup. A Carbon Tax Won’t Work.** “The $120,000 report prepared by D.C. consulting firm Resources for the Future (RFTF) reveals more than a few potholes and washouts on the road to decarbonization. RFTF concedes that a carbon tax alone won’t do much to reduce emissions from transportation and home heat…. Let that last sentence sink in. The Legislature’s paid consultant says the proposed carbon taxes won’t work.” Guy Page (State House Headliners, 1/24/19)

**Carbon Tax Advocate’s Insight:** Democrats who were once favorably disposed to carbon pricing are having second thoughts. In an interview with NBC News, Washington governor Jay Inslee, a Democrat who has long championed carbon pricing efforts and who championed cap-and-trade legislation while serving in the House, seems to back away from the idea, observing, correctly, that “to actually get carbon savings, you need to jack up the price so high that it becomes politically untenable.” – Reihan Salam, NR 1/14/19

**Vermont’s Contribution to Global CO2 Emissions:** “Vermont emits 8 million tons of CO2 annually, the globe emits 40 billion tons annually. Vermont = 8,000,000 tons, The globe = 4,000,000,000. Take away Vermont’s CO2 entirely and the Globe will now emit 3,999,200,000 tons or 99.98% the same. A local Vermont Carbon Tax is a bad idea.” – Robert Gifford (VTDigger comment, 1/23/19)

**In Case You Hadn’t Heard:** “I can’t support a carbon tax.” – Gov. Phil Scott, Budget Message, January 24, 2019.
Renewable Pricing Scam Falling Apart. “A boom in renewable energy around New England has led to higher rates for a small Vermont utility. The reason has to do with the declining value of an energy commodity known as ‘renewable energy credits.’ … [W]hen the renewable credit market crashed, REC revenue for the utility declined by about a million dollars from 2017 to 2018. That meant the co-op had to raise rates. Utility regulators just approved a 5.49 percent increase starting in January.” (VPR, 1/3/19) More expensive energy is the inevitable result of forcing people to buy more expensive energy. This shell game was going to unravel sooner or later. It appears to be sooner.

Good News: In a column supporting weatherization subsidy programs, Marion Mohri writes (VTDigger 1/22/19) “The good news is that these improvements typically pay for themselves in reducing homeowner energy costs.” If the improvements typically pay for themselves, why are the taxpayers financing the improvements and letting the homeowners pocket the savings? Just askin’.

Ready, Fire, Aim! “As part of a sweeping package of gun control measures that became law this year, legislators moved to expand background checks to private gun purchases, in addition to sales at gun shops, or through other licensed dealers… But in a memo sent to legislators last week, the department found that Vermont’s law enforcement agencies, unlike federally licensed firearm dealers, are not authorized to request the FBI to run checks through its National Instant Background Check System (NICS).” Oops. (Bearing Arms, 1/2/19)

Reminder: “(Venezuela’s socialist now ex-President Nicholas) Maduro still has the support of his military, as every dictator does. He installed loyalists to control the military while at the same time revoking citizens' right to bear arms so that he has control of all the guns. How long will [new President Juan] Guaido be able to stay out of Maduro's prisons?” – Tom Gallatin (PP, 1/24/19)

PC Lessons from DC. “To put it bluntly: They were 16-year-olds subjected to verbal racist assault by grown men; and then the kids were accused of being bigots. It just beggars belief that the same liberals who fret about “micro-aggressions” for 20-somethings were able to see 16-year-olds absorbing the worst racist garbage from religious bigots … and then express the desire to punch the kids in the face. How did this grotesque inversion of the truth become the central narrative for what seemed to be the entire class of elite journalists on Twitter? That’s the somewhat terrifying question.” – Andrew Sullivan

Remember this: "When the top tax rate was 70 percent in 1980, the richest 1 percent paid about 20 percent of all income taxes. In 2016, the most recent year we have good data, with a top tax rate of 39.6 percent, the top 1 percent paid almost 40 percent of income taxes." —Stephen Moore (PP 1/15/19)

Truths. “Socialism is an economic disease born of envy and ignorance. Unfortunately, both abound in our present politics.” Michael Knowles, 1/14/19
Book of the Month

The Prosperity Paradox
How Innovation Can Lift Nations Out of Poverty
By Clayton M Christensen, Efosa Ojomo, and Karen Dillon

The Prosperity Paradox opens by contrasting different visions for a better world. One vision is for alleviating poverty in Africa by building wells in communities that lack clean water. The other is to create prosperity in Africa by building a viable, affordable, and profitable market for cell phones.

In the first case, the wide-eyed activist sees that lack of access to clean drinking water is an issue in many African communities. He succeeded in raising enough money to build wells in a couple dozen villages. There were gratifying ribbon cuttings, and wonderful images of smiling kids splashing about in gushing, cascades of sparkling water. But, very quickly the project ran out of other people’s money. The wells broke down, and, with no infrastructure or incentives in place to maintain them, five years later only one well was still operating.

In the second case, entrepreneur Mo Ibrahim, saw that the lives of people in Africa would be greatly improved if they were able to communicate with each other efficiently. Instead of having to walk thirty miles to the next village to see how your sick mother is doing, wouldn’t life be better if you could make a phone call? He set out to create a continent-wide cell phone service in countries that had no infrastructure with customers who had very little money. There was obvious demand, but how could anyone meet that demand profitably? Ibrahim’s many innovations in regard to how cell phone companies operate resulted in Celtel, which now connects and improves the lives of a billion people.

But more than just creating a market for cell service, which provides livelihoods for thousands of Celtel employees, the new infrastructure and ability to communicate has opened up myriad opportunities for other entrepreneurs to start and build their own businesses. This is what is creating growing and lasting prosperity in Africa. This is what is lifting people out of poverty.

The difference between the wells and the cells is that the latter was a profitable venture that “pulled in” the resources that made it sustainable and allowed it to grow, where the former tried to “push” a solution that wasn’t economically self-sustaining.

This is at the heart of what the authors ask and explore? “What if, instead of trying to fix the visible signs of poverty, we focused on creating lasting prosperity?” When we seek to simply alleviate poverty through acts of charity, we treat poverty as a chronic disease: something that can’t be cured and is never truly solved. But, when we focus on creating prosperity, poverty can be cured.

The Prosperity Paradox explores a number of examples from history and current events that demonstrate how poor countries became prosperous, from South Korea, to Japan after World War II, to the United States around the Industrial Revolution. They also describe entrepreneurial endeavors that are solving real problems in healthcare, sanitation, and general quality of life in places like India, Mexico, Africa, and China. The authors make a compelling case that it is market innovation, not governmental or charitable intervention, that lifts standards of living whole societies. Markets should drive government investment, not the other way around.

This is good, inspiring read that our own legislators, who tend to adopt the failed “push” strategy and disdain market-based solutions, would do well to pick up.
The Final Word

February Survey: Carbon Tax

Should the Vermont Legislature enact a Carbon Tax on gasoline, diesel, heating oil, propane and natural gas in hopes that this measure helps to combat climate change?

Yes. Pass a Carbon Tax
No. Don’t pass a Carbon Tax.

January Survey Results

Are you optimistic or pessimistic about the 2019 Vermont legislative session?

1. Optimistic. Things will get better for Vermonters as a result. 6.62% (19)
2. Pessimistic. Things will get worse for Vermonters as a result. 88.5% (254)
3. Meh. Nothing will change as a result. 4.88% (14)