



The Ethan Allen Letter

IDEAS FOR VERMONT'S FUTURE

A Monthly Publication of The Ethan Allen Institute

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Crossing the State's Fiscal Chasm: the Public Strategies Report

COMMENTARY

Last week Gov. Jim Douglas gave his final state of the state address, to a general assembly controlled by the opposite party – the party that produced the budget he vetoed last June, only to have his veto overridden and its budget imposed on him.

In his address the Governor confronted the state's yawning fiscal chasm: a \$150 million general fund shortfall in the coming fiscal year, and \$350 million more in the three years to follow. The Governor faced up to the gloomy prospects, saying "if we want to spring out of this recession we must have the heart to reform, the wisdom to act, and the courage to stand against those who will say it cannot be done."

But his lead-off example of coming reform was claiming the \$38 million that he and the legislative leadership have agreed to believe can be

saved by implementing a report submitted by the Public Strategies Group. This is a Minnesota consulting organization that the legislature selected to produce ways of finding the savings and – as the Governor declared – "breaking from business-as-usual".

Based on the PSG's 32-page report (net of padding), explained at a January 6 news conference in the Governor's office, one would do well to harbor considerable skepticism about the prospects of the purported savings.

The report, entitled "Challenges for Change", is premised on the notion that, given more administrative flexibility, government departments will be able to produce their current results for their current beneficiaries with less money.

The Governor, Secretary of Administration, or an unspecified Challenge Czar would challenge all departments of state government to voluntarily enter into a "Charter Agreement". Departments that volunteered would then devise new pro-

cedures, rules, and the like. Both the volunteers and the holdbacks would however face arbitrary percentage reductions in their budgets. As the report says, "the savings are taken" in the budget process.

There is much to be said for giving departments flexibility in finding ways to accomplish their missions. But as one reads on through the report, skepticism begins to grow.

The largest savings item in the PSG list is "purchasing [human services] results, not units of service." Assuming the Agency of Human Services volunteers for the project, the state would "invest" a million dollars to permit AHS management and staff to undertake a number of management improvement tasks.

After a year of analyzing, designing, renegotiating, streamlining, and strategizing, the Agency would achieve savings of 5 percent (\$18 million). Add up the savings for all of the programs included in the report, and the magic \$38 million in savings appears!

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The Ethan Allen Letter

The Ethan Allen Institute is an independent, non-profit, nonpartisan public policy research and educational organization, incorporated in 1993 under Vermont law.

The Institute sponsors and conducts research on important public policy questions facing the people of Vermont, and makes its findings and recommendations known through various channels to the general public, the news media, and civic leaders at all levels.

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CHAIRMAN'S MESSAGE



Defending Our Free Society

On December 31, 2009 Rick Bornemann, our new President and CEO, resigned his position, due to a number of personal issues that he felt would hinder his efforts to advance the Institute's agenda. We regret that circumstances forced this decision and wish him well in his future endeavors.

We have, for years, been sounding the alarm about the growing fiscal irresponsibility of state government, and the combination of a serious recession, and runaway spending is about to push the state over a fiscal cliff.

As we observed in the December newsletter, "any realistic analysis must begin with the stark realization that 40 years of Vermont's liberal politics has created a government spending machine that is now far outstripping the capacity of already overburdened Vermont taxpayers to keep it running." Even liberal legislators recognize that significant change – not just trimming around the edges – must come to state government very soon.

For our part, we will continue to try to develop workable plans for bringing government back into line with what taxpayers can afford and reviving a sluggish economy in order to create new wealth, jobs, and tax revenues.

Please do your part to support our efforts to defend and expand a free society. If you have not yet renewed your membership for 2010, please do so. If you have, please consider increasing your contribution or, better still, making a gift of one or more memberships to friends and family. This is a critical year for the state, and for EAI. We need your support and the support of many more Vermonters.

James Gatti

Chairman of the Board

Three Prescriptions for Vermont Education

COMMENTARY

In the past six weeks, three major reports have appeared on the future of Vermont education. One, by far the least valuable, was produced by a legislative committee created by politicians. The second came from a commission created by education professionals assembled by the State Board of Education. The third and far most interesting came from a private sector commission that, unlike the first two, actually discovered a way to bend down the education spending curve for the benefit both of students and taxpayers.

The 15-member legislative committee – 12 of them legislators or appointed by legislators – met six times over six months to “examine potential improvements to the structure and funding of the Vermont educational system in light of the state’s limited financial resources.” It produced a five-page report recommending a handful of intricate supervisory changes, but totally ignoring the funding question. File this one under “tax dollars wasted”.

The State Board of Education’s 15-member “Transformation Policy Commission” was quite a bit more prolific. Its 114-page report focuses on educational practice, governance structure, standards, and the educational challenges of the 21st Century.

It avers that “academic knowledge and skills must be fewer, higher, and deeper”, whatever, that may mean, and opposes “high stakes testing” (trouble!) in favor of “performance assessments over time” (a favorite theme of the teachers union). It supports more flexibility, partnerships, teacher quality, and accountability, and more dual enrollment in high school and college. It proposes that the Department man-

date the rapid installation in all Vermont schools of “multi-age learning communities” presided over by “small interdisciplinary groups of teachers” in place of classes based on age.

The Commission report criticizes imposing “mandatory school inputs with little attention paid to practices and outcomes”. This point has been made since 1970, but generations of state boards and commissioners have rarely relaxed their grip on public school prescribed inputs and practices.

The Commission explicitly avoided any consideration of taxpayer costs, other than offering the rather disturbing maxim that “education policy should drive funding mechanisms rather than funding mechanisms driving education policy.” This appears to mean that the educational insiders will impose what they think is best for other people’s children, and the taxpayers should be grateful to pay the bill.

The Commission’s most controversial command and control proposal is its urgent appeal to allow the commissioner, with the advice of one of the many new commissions the report would create, to establish by decree 13 to 20 “regional education districts”. The report observes that this “might not greatly reduce costs or administrative positions” (surely true), but it’s necessary to expose pupils to “larger learning opportunities”. This argument was a key point of Commissioner Scribner’s ill-fated “Vermont Design for Education” in 1969. The disruptive ideas of choice and competition are notably absent.

It’s clear that the Commission, composed of education “stakeholders”, believes that the educational establishment knows better than anybody else what children ought to learn, how their education should be delivered, and how their behemoth of a “system” should be structured. The report is an affirmation of the proposition that the

best and brightest deserve to be firmly in command at the top of the pyramid, presiding over commissions, experts, and commissars, and in the last exigency wielding the Big Stick.

In dramatic contrast, the Ethan Allen Institute-sponsored Commission on Rebalancing Education Cost and Value says that we should simply scrap the ever-enlarging, ever-centralizing, bureaucrat-intensive, overpriced, underperforming, government monopoly school “system”.

The report’s policy recommendations are “based on the idea that the great majority of parents and children have the capacity to identify the kind of education most suitable to their children’s needs and preferences, and that public financial support should flow not through overgrown and non-productive bureaucracies, but directly through the consumers to a wide range of educational providers, some public, some private, that attract revenues by offering a product that their customers want.”

This Commission believes that empowered parents, consumer choice, and provider competition is the only recipe that holds any promise of bending down the education spending curve, now cresting over \$15,000 per pupil.

And that’s exactly what parents and children want. A 2009 Friedman Foundation poll of over a thousand Vermonters found that “89 percent prefer choosing a school for their child among options that include private schools, charter schools, virtual schools and homeschooling.”

There’s also an economic bonus: If only twenty percent of this year’s public school pupils opted to depart for the type of education they prefer, at a cost of roughly half of public school costs, taxpayers would save \$81 million.

At least one of the three reports got it right.

Health Care a Human Right? Useful Information

For years the collectivist Left has been shouting “health care is a human right”, although it’s not at all clear where they get that notion. Occasionally cited is the language of the UN’s 1966 International Covenant on Economic, Social and Cultural Rights. This document was signed by the Carter Administration in 1979 but no U.S. President has ever submitted it to the Senate for ratification. (It also contains the “right” to *compulsory* elementary education, which is certainly a peculiar sort of “right”.)

On January 16 I was one of four panelists on health care for the Snelling Center’s Vermont Leadership Institute. One of the questions put to the panel was, “Is health care a human right?” Of course, I replied that such a right – “a

right to receive as many health services as we believe we need and deserve, at somebody else’s expense” – was nowhere affirmed in any of the documents that define our rights.

Also on the panel was Deb Richter MD, the leader of Vermont Health Care for All and the champion of the single payer forces. Surprisingly, she conceded that there was no legally enforceable “right to health care”, but expressed her belief that such a right ought to be an aspiration of our society.

Hopefully the Vermont Workers Center activists will reprint their red T-shirts to read “We believe that health care ought to be a human right, that the government allocates until the available tax dollars are gone.”

Why Weren’t They Listening?

“The real task [for our political leadership] is to think through what our overgrown and unaffordable state government has become. Then they must create a process for reinventing it as a government that one way or another produces the results a majority of Vermonters expect from government, at a cost that their tax revenues can cover, without at the same time demoralizing state employees, throwing costly burdens off on property-tax funded local governments, and dragging down the productive private sector with flight-inducing taxes, costs, and mandates.”

Commentary from the Ethan Allen Institute, August 15, 1995

Crossing the State’s Fiscal Chasm

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How are these magic percentages arrived at? There isn’t a hint.

Which administrative and statutory burdens will be relaxed? Again, not a hint.

Can this approach be validated by experience in other states? The consultants say yes, but nowhere in the report is any example identified. One unnamed state is said to have reduced the time for air quality construction permits from 62 to 6 days using the “Kaizen continuous improvement approach,” but the report offers no explanation of whatever that is.

The report also steers clear of any proposal that would alarm various interest groups whose constituencies are dependent on state spending. The closest it dares to come to suggesting

that too many people are consuming too many benefits is a guarded observation that the state might want to “reconsider its expectations about whom it can afford to serve.”

One featured idea is a “federal super-waiver” to create a giant pot of program money with minimum rules. This was the centerpiece of President Nixon’s “New Federalism” in 1969. It was tried from 1972 to 1980, and then abandoned.

Paul Cillo of the liberal Public Assets Institute, a veteran of legislative policy making, rightly noted this week that the “Challenges for Change” report serves as a useful fig leaf for all parties in the budget debate. They can all embrace the highly speculative \$38 million in savings, and thus show they are

moving forward toward solving a crisis. (Only \$112 million to go!)

The report contains some useful – though very general – ideas for improving program efficiency, that should have been put in place years ago. But balancing the general fund budget over the coming three years will also require serious rethinking of the core functions of government, asking how those functions can most efficiently be performed, confining public subsidies to the needy poor and indigent, and recognizing the danger point at which government’s insatiable search for more tax revenues threatens to shrink the wealth producing private sector that pulls the state’s fiscal train.

Some think that that point has already been passed.



Ethan Allen Institute

January 20, 2010

To: Reps. Davis, Burke, Edwards, Haas, and Zuckerman

Re: H.491, "Ethan Allen Health"

I am not shocked to learn that you have introduced a House bill to establish a single payer government health care scheme. I have been at this quite a while, and such dangerous foolishness, like a bad penny, keeps on reappearing.

But I am shocked to learn that you have entitled this monstrosity "Ethan Allen Health". Apparently you are so bereft of historical knowledge that you believe your legislative creation would somehow find favor with Vermont's 18th Century hero, Col. Ethan Allen.

Know this: Ethan, that brawling, boozing, blaspheming giant who boldly extracted the freehold settlers of the Hampshire Grants from the grip of the corrupt, land-jobbing feudal barons of the Albany Junto, was a outspoken champion of liberty and property. Beginning his celebrated *Narrative*, he wrote "Ever since I arrived at a state of manhood, and acquainted myself with the general history of mankind, I have felt a sincere passion for liberty."

Can you imagine what Ethan would say, if told that the Vermont General Assembly was considering passing a bill to impose upon free Vermonters a government-run, taxpayer-financed health care system? I dare say he would roar "By Jesus Christ, I wish I may be bound down with old Beelzebub a thousand years in the lowest pit in Hell, if I did not raise my strong arm against the backers of this wicked scheme so destructive of our liberties, and leave their state house as desolate as Sodom and Gomorrah, by God."

If you must label this legislative travesty in the name of an Allen, consider choosing Levi, the Tory. Levi died in a Burlington debtor's prison in 1801, which is what will likely happen to the whole state of Vermont if the General Assembly should, God forbid, enact your \$2 billion health care legislation.

JOHN McCLAUGHRY
Ethan Allen Institute

PS: If you persist in using Ethan's name, watch out for the white horse.

Coming Event: Free To Choose Network will host its third annual Winning Ideas Weekend June 24-26 at the Hyatt Regency, Burlingame (SF area), CA. The event will bring together kids, parents, grandparents and teachers to explore and celebrate liberty. To learn more or to register, visit www.winningideasweekend.org

See It Live! John McClaughry's invited testimony January 6 to the Ways and Means Committee has been published at <http://vtdigger.org/2010/01/07/mcclaughry-video-lawmakers-must-redefine-government/>. (Thanks to Vermont Digger.)

Excitement in Copenhagen: Vermont Environmental Conservation Commissioner Justin Johnson spent four days in Copenhagen at the ill-fated UN climate festival in December. He says his trip was paid for by the San Francisco-based Energy Foundation, not the taxpayers.

The Energy Foundation supports U.S. cap-and-trade legislation that it thinks will "reduce global warming by 20 percent below 2005 levels by 2020" (This is ridiculous on its face). It gave away \$80 million in 2008 to a wide variety of environmental groups, including the Conservation Law Foundation, Sierra Club, and the Union of Concerned Scientists (sic).

Union Dues at Work: The National Education Association board of directors approved a \$1 million donation from the union's contingency fund to the Edward M. Kennedy Institute for the United States Senate. Among other things, the institute will have a train-

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ing program for incoming U.S. Senators (presumably starting with Scott Brown (R-MA)). (EIA 1/20/10).

Human Rights Review: The single payer health care advocates sometimes cite the UN Universal Declaration of Human Rights (1948) as the source of the "human right to health care".

In that document one also finds Article 26 (3): "Parents have a prior right to choose the kind of education that shall be given to their children." Funny, we don't hear much about that right from the single payer folks.

More Energy News: "Wind farms produced 'practically no electricity' during Britain's cold snap." *Telegraph* (UK)(1/12/10).

US Weather Bureau Report: "The Arctic Ocean is warming up, icebergs are growing scarcer and in some places the seals are finding the water too hot, according to a report to the Commerce Department yesterday. Reports from fishermen, seal hunters and explorers all point to a radical change in climate conditions and hitherto unheard-of temperatures in the Arctic zone. Exploration expeditions report that scarcely any ice has been met with as far north as 81 degrees

29 minutes. Great masses of ice have been replaced by moraines of earth and stones, the report continued, while at many points well known glaciers have entirely disappeared." From the *Washington Post*, November 2, 1922.

Effects of Single Payer: "If Vermont adopted a single payer 'Green Mountain Health' plan, two or three

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New Book:

Personal Finance by EAI Advisory Council member LSC Prof. Rachel Siegel CFA has been published by FlatWorld Knowledge, Inc.

To order a copy or to browse online, go to www.flatworldknowledge.com then look under "Catalogue", then "Business", then "Finance".

Have You Renewed Yet?

Ethan Allen

Ideas for Vermont's Future

Institute

If there's a response envelope tucked into this newsletter, you haven't! But it's not too late (Whew!). Please use the envelope to send in your contribution for 2010 – and any ideas or suggestions you may have for issues to address, or bright "Ideas for Vermont's Future". Thanks for keeping the Institute in the action!

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hospitals would soon close – most likely Southwestern Vermont, Rutland Regional, and Brattleboro. It would be impossible to float bonds for capital improvements, and nearly impossible to recruit physicians.” – Harvey Yorke, then CEO of SWVMC, Bennington (Feb. 2006).

Jefferson on Banking: “ I sincerely believe that banking establishments are more dangerous than standing armies; and that the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale.” (To John Taylor, 1816.)

New Argument Against School Choice: “What worries me at the moment are the unintended effects of this ‘choice’ agenda. The Government is keen to give parents choice over which school their children

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attend. So lots of people are no longer sending their children to local schools. That

has led to more and more children going by car instead of walking and we know that lower levels of physical activity can lead to obesity.” – Roger Mackett, University College, London. (*London Daily Telegraph*, 1/16/10.)

Relevant Oldie: “Senator Shumlin is offering yet another radical proposal. That is to substitute regional property tax sharing for the statewide property tax. The present 60 supervisory unions would become the regions. This would have the beneficial effect of evening out the rich and poor school districts, but it would have the seriously negative effect of turning public education over to sixty shadowy governmental bodies which do not belong to any identifiable group of voters, and which are under the tight control of the state.” (EAI Commentary, 5/3/94.)

REPORT

Campaign for Liberty Convention Draws Enthusiastic Crowd

On a cold Saturday morning, January 9, a crowd of liberty-minded people gathered in the Vermont State House to help the Vermont Campaign for Liberty celebrate their second annual convention. Over 80 people from around Vermont and New England came to support the Vermont Campaign’s core principles of individual liberty, economic freedom, limited constitutional government, fiscal responsibility and traditional non-interventionist foreign policy. In fact, this gathering showed that a growing voice for these ideas is alive and well here in the Green Mountain State.

Vermont speakers Audrey Pietrucha, Moe Kinney, Matt Cropp, Dennis Steele and Jessica Bernier provided an excellent example of the abilities and talents of the organization. Each speaker reinforced the Campaign’s core principles and commitment to “educating, empowering, and motivating” their fellow citizens. Transcripts of their speeches can be found on the Vermont Campaign site (www.vermontcampaignforliberty.org).

Also speaking that morning were several invited guests from around New England. The “Patriot Pastor” Garrett Lear opened the convention with a rousing call to action. Jim Hogue, radio personality, actor, and member of the 2nd Vermont Republic, did an interesting and informative vignette followed by a speech on state banking.

Tom Licata of Vermonters for Economic Health reviewed the state’s sorry economic situation. Pasha Roberts, CEO of LinePlot Productions, discussed his coming animated, pro-liberty movie and showed clips from the project. Chris Lawless of the New Hampshire Free State Project and David Kopacz from the Massachusetts Liberty Protection Alliance both spoke of the growing liberty movement throughout New England.

By the end of the three-hour open session, all in attendance left with the knowledge that the Vermont Campaign for Liberty was an up-and-coming force in Vermont.

– STEVEN J. HOWARD



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February 2010

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The Caledonian-Record

January 11, 2010

Sweeping Changes Needed in Vermont Education

MEDIA

There is an unavoidable collision coming in Vermont education, a collision between the irresistible force of cost unsustainability and the immovable object of the "Hell no! We won't change" education establishment. The elements of the collision are the hardened cultural set of status quo expectations that are breaking us: teacher salaries and benefits that increase every year, sometimes three times a year, with absolutely no indication that they will ever stop rising; a system that is utterly controlled top-down, from the Education Department down to the newest teacher, but slammed shut on customers' interests and influence; a radical hostility to other forms of schools and schooling that amount to a one-size-fits-all mandate;

and a rejection and prohibition of any and all competition among schools and methods of education.

The education "system" in Vermont is broken, both in its decades-long inability to accomplish its mission of educating all of our students, and in its out-of-control and completely unsustainable spiraling costs. Vermonters need to find a way to achieve comparable or better education for our children while flattening out the spending curve. That will certainly involve sweeping changes to the present "system" of publicly financed education.

(The Caledonian-Record published long excerpts from the Institute's report "Better Value, Fewer Tax Dollars" in its editions of January 11-13.)