



The Ethan Allen Letter

IDEAS FOR VERMONT'S FUTURE

A Monthly Publication of The Ethan Allen Institute

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The Obama-Kennedy Health Care “Reform”

COMMENTARY

Health care “reform” is at the head of the national agenda right now. President Obama and his Democratic allies make this case for “change:

“Americans are spending far too much for health care. That is because of waste and inefficiency among our health care providers. At the same time there are 45 million Americans without health insurance. Your government needs to wring the waste and inefficiency out of the system, curb unnecessary procedures and expenditures, promote behavioral changes to prevent illness, and use the savings to insure and where necessary subsidize the presently uninsured to achieve universal coverage.”

The straightforward way to achieve this lofty goal is to install, as Great Britain and Canada have, a single payer system. Obama says this is what he would do if starting from scratch.

“Single payer” means that all payments to medical providers for covered health care services are made by one single payer: the government, or one or more administrators contracted by the government. Everyone is included in the system. The funds required by that entity to make payments for services come from taxes.

The government determines which medical services will be covered for which patients, how intensively they will be provided, and how much the providers will be reimbursed for providing those services. The government prohibits any private health insurance coverage for medical conditions covered by the single payer plan.

Single payer systems rely upon the government’s global budget to “control costs”. The global budget attempts to match expenditures and revenues by directing providers to ration health care through postponement and denial of services, and by reducing government reimbursement to the “private” providers.

Since 1965 the U.S. has had a mandatory single payer system for hospitalization and physician’s ser-

vices for over-65 seniors. It’s called Medicare, and it’s an inspiration for Obama and his allies. Participation is mandatory, because if you don’t agree to accept Medicare, you can’t collect your social security retirement checks.

Medicare is now insolvent. Its hospitalization insurance fund will not be able to pay for services after 2017 unless new financing is found. Its projected unfunded liabilities (payments above revenues) between now and 2082 total \$36 trillion.

Medicare underpays physicians and hospitals. (So do Vermont’s Catoomb Health, which pays at Medicare rates, and Medicaid, which pays even less.) Obama and his allies are planning to finance much of their “reform” by further cutting payments to providers.

But when Medicare payments are cut, providers contrive to do more billable services to keep up their revenue. So as underpayments increase, the government will have to force providers to ration care to hold down total payments, and penalize providers who earn too much.

See **The Obama-Kennedy**, Page 3

EAI Friedman Day Dinner Coming July 31 – see p. 3

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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PRESIDENT'S MESSAGE

The Threat to Your Liberty



As I write this, the “change” promised by President Obama and his liberal allies in Congress is in full-speed advance.

The Obama-forced settlements for General Motors and Chrysler have shown us how the United Auto Workers can get this administration to dictate a bankruptcy settlement that protects the UAW’s own interests, while essentially wiping out the property of bondholders.

Then on June 26 the House passed (219-212) the Waxman-Markey energy tax bill (HR 2454), a bill that will cripple the U.S. economy and drive up energy costs for every American. This was done, ostensibly, in the name of putting the brakes on human-caused global warming. (Welch [D-VT]: Yea.)

The effect on global climate of shutting down human greenhouse gas production will be undetectably tiny. That fact was not important to a bare majority of House members. Their sharply focused objective here is boosting government revenue. Said Sen. Ben Cardin (D-MD): The Obama cap and trade bill is “the most significant revenue generating proposal of our time.”

Of course the House Democrats gave away 85 percent of the early revenue to buy enough votes to pass the bill; but eventually (if the Senate passes a bill, which it may not), Cardin will be proven right.

Next comes the Obama-Kennedy health care “reform” (see commentary on page 1), another trillion-dollar big government horror. My recommendation: sign up for the Campaign for Liberty (page 5) while you still have some of it left.

P.S.: We’ll have a very important announcement about the Institute’s new leadership in mid-August. Stay tuned.

AN ETHAN ALLEN INSTITUTE DINNER INVITATION

Join Us for a Celebration of the Life and Ideas of **Dr. Milton Friedman**

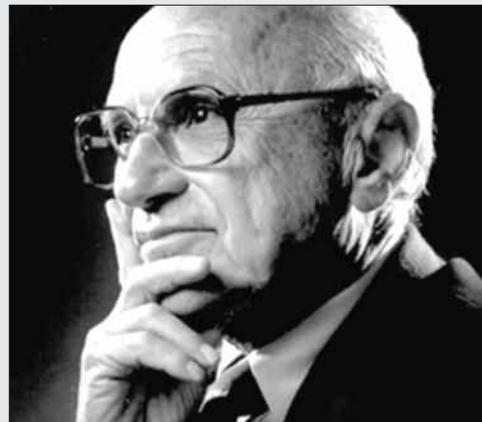
On the 97th Anniversary of His Birth

FRIDAY, JULY 31, 2009

Social Hour 6:00 p.m. – Dinner at 7:00 p.m.

Elks Club, Downtown Barre, Vermont

Strengthening Faith-based Education



The late Dr. Milton Friedman, a former resident of Ely, Vermont and a Nobel Laureate in Economics, was a great champion of human freedom. At this third annual celebration in his honor, the program will focus on the major cause of his final decade, advancing parental choice in education.

This subject is particularly relevant to the Barre-Montpelier area, with its tradition of strong independent schools.

The kickoff talk will be by **Bernier Mayo**, former headmaster of St. Johnsbury Academy, superintendent of a parochial school, and Vermont Senator. He'll discuss different ways of generating support and funding for faith-based schools.

Responding to Mr. Mayo's remarks are two well-known local education leaders:

David Bisson of Barre, until recently chair of the Vermont Catholic School Board, and

Rev. Al Collins of Websterville, founder and long time principal of Websterville Baptist School.

The Institute's Friedman Day Dinners in 2007 and 2008 filled the dining rooms in South Burlington and Rutland. Reservations (by July 28) are essential.

Please reserve your seat by calling or emailing the Ethan Allen Institute (802 695 1448, esai@ethanallen.org). The price is \$15, and may be paid either in advance or at the door.

The annual Friedman Dinner is co-sponsored by Vermonters for Better Education and the Lyceum Society of Vermont

The Obama-Kennedy Health Care "Reform"

Continued from Page 1

Underpayments by government health care programs are essentially a hidden tax on health care covered by private insurance. Because government underpays, providers overcharge private insurers to close the shortfall. This cost shift results in ever-higher insurance premiums, and struggling employers start thinking about simply dropping their employee coverage. This is not a workable model.

The Obama-Kennedy plan is not single payer, because it allows private insurance to continue (under federal regulation). But it contains a "public option" program designed like Medicare. This is supposed to provide competition with private insurers.

Since the ultimate goal of Obama, Kennedy and their allies is single

payer, it is perfectly clear that government benefits and favoritism enjoyed by the government-sponsored "public option" plan will allow that plan to underprice its private competitors. Eventually employers will have no choice but to dump their employees into the government plan – even if they are charged a penalty for doing so. This is single payer on the installment plan.

Obama recently remarked that "*no one will take away*" your current health plan, "no matter what". But a week later he amended that to say that *the government won't take away your current plan* – but you might lose your current plan because your employer, who owns your plan, might be forced to choose the cheaper "public option" plan.

Obama and his allies also aim to solve the uninsured problem by mandating that every American enroll in a "qualified" insurance plan. Under the Obama-Kennedy bill, if you don't submit proof of enrollment, you'll be tracked down and fined until you do.

The Obama-Kennedy plan would if enacted prove to have some annoying inconveniences, like rationing, waiting lines, maddening bureaucracies, penalties for non-enrollment, demoralized doctors and nurses, shabby facilities, obsolete technology, declining quality of care, and of course much higher taxation.

But don't worry. President Obama and Sen. Kennedy can surely work those things out.

EAI's New Vermont Government Transparency Site Goes Live!

NEWS

Vermonters interested in the workings of their state government now have a powerful new tool: www.vt-transparency.org. The new website, a joint venture of Ethan Allen Institute and Public Assets Institute, has a wealth of information about state revenues and spending, both current and historical.

It allows viewers to search state payments to vendors and compensation of state employees. It offers links to federal stimulus spending, economic development credits, rainy day funds, school district spending and outcomes, and municipal web pages.

While the focus of the website is primarily fiscal information, it also includes convenient links to other information about state and local government. There is a guide to tracking roll call votes of state legislators, for example, and users can find out how to track the progress of bills on the Legislature's web site. There is also a guide to Vermont's education finance laws (Act 60 and Act 68) and links to state statues, summaries of new legislation and the Vermont Constitution.

"Vermont Transparency is an excellent starting point for any citizen or group interested in the

working of government," said John McClaughry, president and founder of Ethan Allen Institute.

"The information on our website is all public data, but it is often difficult to find and not always easy to use," said Jack Hoffman, senior analyst of Public Assets Institute and the project director. "Our goal is to present information in ways that give average Vermonters a better understanding of how the state raises and spends money and the fiscal policies that guide those decisions."

Ethan Allen Institute and the Public Assets Institute often take opposing positions on matter of public policy. However, they both agree that good data and solid information are the foundation of sound public policy.

"Democracy depends on an informed citizenry that understands how its state and local governments work," McClaughry said.

Vermont Transparency is a work in progress. More than 20 years of state budget information is available, which includes total appropriations as well as appropriations by individual state fund. Historical revenue data also are available. More information and links will be added as users make suggestions, and as state government makes more useful data available.

The Ethan Allen Institute, founded in 1993, is a nonprofit

educational organization that advocates for individual liberty, private property, competitive free enterprise, and frugal, responsible and limited government.

The Public Assets Institute, founded in 2003, supports democracy by helping Vermonters understand the role public policies and public structures play in providing prosperity for all.

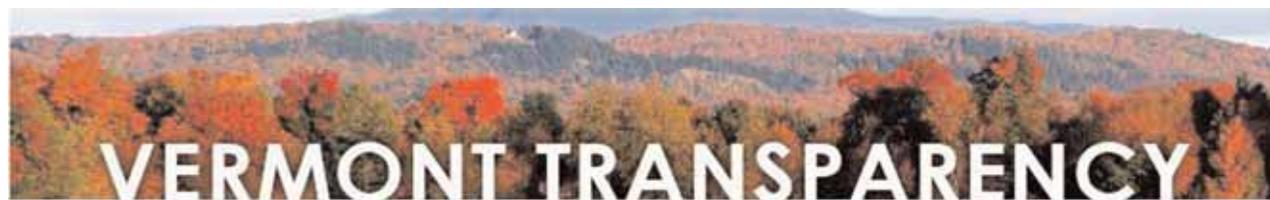
Our transparency project has been quietly in the works for over a year. We looked at a dozen similar web sites in other states, and believe that ours is as good as any – and was probably developed with far less design funding than most. Please make a visit, and share your ideas and suggestions via the Suggestion Box feature.

Despite our differences on public policy – we support limited and frugal government, they favor expanded and active government – EAI and PAI have never had a disagreement about how this project can bring information about our state and local governments to citizens of the state.

This project has received the support and encouragement especially from Auditor of Accounts Tom Salmon, who was the first state official to take a guided tour. Speaker Shap Smith and Secretary of State Deb Markowitz have also expressed support for improving transparency in state government.

– JMc

Vermont Transparency Web Site: www.vttransparency.org



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Making Government Transparent to Citizens

As citizens, we need to know . . .

- Where and how government spends our tax dollars
- Where and how government raises those tax dollars
- How your legislators voted on important legislation
- How Vermonters finance public K-12 education
- How the state's budget process works
- How to access state employee salaries and union contracts
- The state's long run fiscal prospects
- How to use the state Open Records Law
- How to read Vermont Supreme Court decisions

And much more.

This Vermont Transparency Project site will help you find out this important information. If you don't find what you need, please use the 'suggestion box' feature. For more information about this site, click the "About this Site" tab.

This site is a joint project of the Ethan Allen Institute and the Public Assets Institute. Please direct questions and comments to them using the suggestion box.



"We might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress and every man of any mind in the Union should be able to comprehend them to investigate abuses, and consequently to control them."

- President Jefferson to Treasury Secretary Albert Gallatin, April 1, 1802.

Home | Suggestion Box

This site is a joint project of the Public Assets Institute and the Ethan Allen Institute. Please direct questions and comments to the suggestion box.
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Vermont Campaign For Liberty

The Vermont Campaign For Liberty is a non-partisan citizens' group whose mission is to promote and defend the great American principles of individual liberty, constitutional government, sound money, free markets, and a noninterventionist foreign policy, by means of educational and political activity. Please visit www.campaignforliberty.com for more information.

For more information on the Campaign for Liberty in Vermont, contact Steven Howard by phone at 802-779-4447 or email vtgadfly@comcast.net, or Jessica Bernier at 802-279-1261 or capitolteaparty@gmail.com.

The Anti-business Scorecard

COMMENTARY

Suppose you – or your brother or your neighbor – owns or works for a small business – plumber, convenience store, homebuilder, auto repair shop, restaurant. How did the owners and employees of those independent businesses fare at the hands of the 2009 legislature?

The cost of motor fuel will increase for everybody – gasoline by 2 percent, diesel at 3 cents per gallon. Since the motor fuel tax rates haven't been raised since 1997, while the backlog and costs of highway and bridge maintenance have steadily increased, most business owners probably grudgingly agree with the increase – although a much better solution would have been to restore the third of the 6 percent vehicle purchase and use tax rate to the Transportation Fund from which it was diverted in 2003.

The Unemployment Insurance fund, drained by the recession, will be short \$160 million by the end of this year. Business is resigned to paying a higher assessment to maintain the fund's solvency. But in return, business asked that the very generous UI benefit structure be reduced. If benefits in Vermont were proportional to the average of the other 49 states, in relation to our wage levels, our maximum would be \$355/month. Vermont's is at \$425 and was scheduled to rise to \$438.

Business asked that the benefit level be dropped back to the July 2008 level (\$409). The legislature refused. The most it would do was freeze the scheduled benefit increase for a year. It also jacked up penalties

for “misclassification” of employees as independent contractors, intimidating business from contracting with other small businesses.

One new hidden tax became law when Gov. Douglas chose not to risk a veto override. That was the renewable energy corporate welfare bill demanded by enviro lobbies. The bill requires utilities to pay up to six times the nuclear power rate for electricity generated by wind, solar, and landfill methane projects. The utilities will necessarily pass the higher cost on to all ratepayers, increasing everyone's electric bills by as much as 3 percent.

Initially the legislative leadership agreed to lower the top marginal income tax rate from 9.5 percent of taxable income – one of the highest in the nation – to 8.95 percent, and the lower bracket rates accordingly.

But, in a last-minute effort to persuade wavering House members to override the Douglas budget veto, the legislative leadership added two largely meaningless sales tax holidays and reinstated the research and development credit (that affects very few businesses). To pay for these plums, they had to jack up the income tax rates for all but the lowest bracket.

In another last-minute adjustment, special transitional capital gain benefits were provided for farms, timber sales, and over-70 seniors until 2011. Then the present 40 percent capital gains exemption from the Vermont income tax will be repealed, except for the first \$5,000.

The state expects to pocket \$3 million a year from reducing the estate tax exemption from \$3.5 million to \$2 million. This will have a major negative impact on small businesses whose owners die, leaving the business to heirs.

New taxes were levied on music, videos, books, and cell phone ring tones downloaded over the internet. Hard liquor and wines will pay a 6 percent retail sales tax, and tobacco product taxes will go up across the board (to \$2.24 per pack of cigarettes).

One non-tax bill that will have significant impact on landowners and businesses making use of land is the wetlands expansion act. It mandates stringent Class I wetland protection upon any real or imaginary wetland that the state envirocrats believe is “exceptional or irreplaceable in its contributions to Vermont's natural heritage and therefore merits the highest level of protection.”

As the Vermont Chamber of Commerce noted in its legislative wrap-up, “[This FY 2010 budget] sets the state up for a \$67 million shortfall for next year's budget and a further \$141 million in 2012. The budget does appropriate enough money to run the state for the year to come, but it does so only by raising more than \$26 million in new taxes.” And, it might have added, the temporary infusion of federal stimulus funds that are not likely to keep coming.

The legislative leaders can point to some tax rate decreases (income tax and business property tax) beneficial to business. But its liberal urge to constantly pile on taxes, mandates, regulations, and labor benefits while leaving a gaping hole in the state's fiscal future, will only further inflate Vermont's unhappy reputation as a notably poor place to try to make a decent business profit – unless the business is deemed sufficiently green to be eligible for subsidies, preferences, exemptions, cheap loans and tax credits.

Coming Event: The Lyceum Society of Vermont will feature Dr. Michael Platt discussing “The Intelligent Design of the Declaration of Independence” on Saturday, July 11 at 1:00 p.m., Tuttle Hall Theater, The College of St. Joseph, Rutland, Vermont.

Dr Platt is Professor of Political Science at George Wythe University. The seminar is co-sponsored by the Intercollegiate Studies Institute and the CSJ College Republicans. Free and open to the public. For more information please contact lyceumsociety@gmail.com.

Coming Event: The National Conservative Student Conference will be held this year from August 3-6 at George Washington University, Washington. For registration (\$325 tuition, meals, lodging) go to www.yaf.org.

Congressman Does Something Right! Back in May, some Vermonters concerned about the Federal Reserve pumping trillions of dollars (from where?) into the economy, besought Rep. Peter Welch to join in sponsoring Rep. Ron Paul’s bill (HR 1207) to have the GAO, for the first time ever, audit the Fed.

At first Congressman Welch’s office staff responded with lame excuses about the danger of overworking the GAO. But, on May 21 Welch added his name as a cosponsor. Bravo! Rep. Paul’s Fed audit bill now has 242 cosponsors.

Calling All Climate Skeptics: *The Skeptics Handbook*, published in Australia, is a well-done concise 16-page booklet with climate facts and especially pointed replies to the global warmers’ assertions. You can download a copy free at www.joannenova.com. Highly recommended.

If you are a knowledgeable student of climate issues and would like to have a get together with others of your breed in Vermont in August or September, please email us with your name and contact information and so indicate: eai@ethanallen.org.

NEWS & VIEWS

Read This With A Straight Face:

From the May Vermont Electric Coop newsletter, boosting residential solar electricity: “A sample 3 Kw system in the VEC territory would cost about \$28,000 before any rebates are applied. After taking the 30 percent Federal tax credit (\$8,400) and applying the Solar & Small Wind Incentive Program rebate of \$1.75 per watt (\$5,250), the cost of installation comes down to \$14,350. The system would pay for itself in 17-24 years.”

Wow! And you get all of 3,000 watts – if the solar cells and storage battery unit last that long.

VSEA’s Advice: The Vermont State Employees Association has been frantically battling against any layoffs of VSEA members. Here’s the text of a button stuck on VSEA members boarding a VSEA bus to Montpelier to lobby for more state taxing and spending: “SAVE OUR STATE! No More Budget Cuts! Federal Stimulus! Raise New Revenues! No More Budget Cuts.”

We presume they want to Save Our State! from solvency.

Obama Promises Change! “We need to simplify a monstrous tax code that is far too complicated for most Americans to understand but just complicated enough for the insiders who know how to game the system.” (4/15/09.)

The rumored Obama Plan: “Line 1: Enter your total income from all sources. Line 2: Deduct barely enough to live on. Line 3: Subtract Line 2 from Line 1. Send to the IRS.”

They’ve Heard of Us in Florida: “The fundamental issue of freedom is at stake ... If people want that kind of [big government picking winners and losers], then I suggest that they move to France or Venezuela or Vermont”. – Florida House Speaker Marco Rubio,

now running for U.S. Senate. (HE 4/20/09.)

This May Explain a Lot:

“Vermont ranked highest nationwide for marijuana use in a new survey released Thursday by the U.S. Substance Abuse and Mental Health Services Administration.” (RH 6/05/09.)

“Hey, man, let’s get up and go vote for some groovy liberals.”

News From Gallup: The [10 Gallup] surveys found that thus far in 2009, 40 percent of respondents describe their political views as conservative, 35 percent as moderate, and 21 percent as liberal. The rest said they have “no opinion.” (Gallup 6/15/09.)

Liberal Tax Policy: “I have debated Democrats and Progressives who glibly point folks unwilling to put up with this level of left wing abuse and taxation toward the door. That’s fine, but only if they’re also willing to give up the big government programs that the wealthy and successful pay for.” [Of course they aren’t.] – Republican State Chair Rob Roper (6/19/09).

George Will on the Climate Crusade: “I’ve never seen anything quite like this in my now 40 years in Washington. I’ve never seen anything like the enlistment of the mainstream media in a political crusade - and this is a political crusade, because it’s about how we should be governed and how we should live; those are the great questions of politics.

“It is clearly for some people a surrogate religion. It’s a spiritual quest. It offers redemption. But what it also always offers, whether it is global cooling or global warming, is a rationale for the government to radically increase its supervision of our life and our choices. Whether the globe is cooling, whether it’s warming, the government’s going to be the winner and the governing class will be the winner.” (Pittsburgh *Tribune Review*, 3/9/09.)



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EAI Earns Well Deserved Tribute From the Vermont-NEA!

In an editorial congratulating Angelo Dorta for his 14 years as president of the Vermont NEA teachers union, retiring president Angelo Dorta recites this noteworthy accomplishment: “We publicly exposed Vermont’s anti-public school network of ultra-conservative individuals and their media allies, as well as highly partisan policy think tanks and foundations, such as John McClaughry’s Ethan Allen Institute and Vermont Tiger.” (*VT-NEA Today*, June 2009.)

As an organization working hard to get its proposals for consumer choice and provider competition in education publicly exposed, we are grateful for Angelo’s

assistance. We would sure be happy to have a copy of his list of “ultra-conservative individuals” who put the education of Vermont’s kids and the concerns of Vermont taxpayers ahead of the teacher’s union’s relentless campaign for more pay and less work and also their “media allies”. We need their support!

Angelo’s retirement means that the VT-NEA will have to find a new champion to defeat every proposal to benefit Vermont’s school children, plus advancing destructive single payer health care for everybody except members of their union. We doubt that they’ll have much trouble doing so.