



# The Ethan Allen Letter

IDEAS FOR VERMONT'S FUTURE

*A Monthly Publication of The Ethan Allen Institute*

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## Universal Preschooling: The Liberal Grand Slam

### COMMENTARY

“Universal access to early education” has become a major liberal campaign promise this year. This goal, if achieved, will culminate a 10-year campaign by large businesses, child advocacy groups, the teachers union, and social service agencies to put the state in charge of the lives of all 3- and 4-year olds not already so favored.

Sen. Peter Shumlin states the case for universal early education thus: “It will provide our children with the tools they need to succeed in school and as adults. Children enrolled in early education score higher in math and reading and are more likely to get jobs and become successful, productive members of society. Universal access to pre-K education will go a long way towards erasing the achievement gap for low socioeconomic students and students who learn differently, and put all of our children on a more level playing field.

In fact, for every dollar spent on early childhood education, there is a 7 to 16 dollar return.”

Almost every part of this oft-repeated mantra is open to serious challenge, if not downright wrong.

The first sentence appears to say that the \$1.5 billion a year Vermont taxpayers are spending now on public education is failing to provide our children with the tools they need to succeed in school as adults: they are failing for want of universal preschools. Strangely, this assertion is repeated by people – the educrats – who in the same breath tell us how outstanding Vermont’s public schools are.

The second sentence declares that preschoolled 5 year olds exhibit higher cognitive skills than children not preschoolled, and are more likely to get jobs later in life. This is obviously based on the much-debated Perry Preschool study in Ypsilanti, Michigan between 1962 and 1965. But the Perry study “treatment group” dealt with only 58 (!) poor minority children, not randomly chosen, with IQs between 70 and 85.

Further, the Perry kids had to have parents at home during school hours

so the highly trained teacher-researchers could make regular home visits. And the reported \$7.16 in benefits from every \$1 invested (according to the president of the sponsoring foundation) was based on such facts as by age 19 only 33% had dropped out of high school, only 31% had been arrested, and only 17 of the 25 girls had gotten pregnant.

This tells us nothing about the value of spending millions of tax dollars in preschool programs for the full population of Vermont 3- and 4- year olds. A 2003 Georgia State University review of Georgia’s decade of universal preschooling (63,000 4-year olds, \$1.15 billion) regretfully concluded that it had made little or no difference in educational achievement.

Closing the disadvantaged achievement gap appeals to the generous liberal mind, but universal preschool spreads the available funds over the ten percent of the population that can benefit from more intensive early assistance, and the ninety percent for whom it won’t make any difference.

Amy Wilkins was a leader of the successful 2002 initiative campaign to

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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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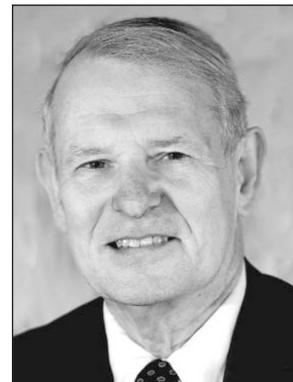
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# PRESIDENT'S MESSAGE

## Conscientious Voting



A couple of days after you get this newsletter, you'll be heading to the polls. The Institute, of course, cannot intervene in campaigns or endorse candidates, but I do have some advice for voters in the race for Governor.

Unless you're a hardcore partisan who always votes his or her party's ticket, there are a number of considerations you ought to review before casting a ballot.

First, always, is integrity. Is the candidate honest and trustworthy? Does he tell the truth even when it might appear to be to his disadvantage? Would you trust him to do the right thing in a pinch – or at least what he thought was the right thing?

Is his mind open to other views beside his own? Does he stay on solid ground, or does he run off into exaggeration and hyperbole? Will he treat Vermonters as intelligent citizens, or fools to be misled and manipulated?

It's one thing to point out that one's opponent voted one way and afterwards told a completely different story (see p. 8). That's fair game. But does the candidate also rush to attack his opponent's character and family?

Will he bring into his office and cabinet men and women of character and ability, or use the positions at his disposal to reward unqualified political activists?

Will he tackle the state's tough problems – such as the looming \$110 million deficit, the current \$1.9 billion in unfunded retirement and post employment benefits, and the numerous tax and regulatory barriers to economic prosperity – or sweep them under the rug for some successor to tackle?

Those are some of the questions conscientious voters ought to be asking. I hope they vote for the man who rates the highest.

PRESIDENT (acting)

P.S. *Don't miss Tom Palmer!*



*Ethan Allen Institute*  
Ideas for Vermont's Future

## **Special Event**

### **Tom Palmer, Ph.D.**

*General Director, Atlas Global Initiative for Free Trade,  
Peace and Prosperity*

*Senior Fellow & Vice President Center for Promotion of  
Human Rights, CATO Institute*

*Vice President for International Programs, Atlas Economic  
Research Foundation*

Topic:

### ***“Greatest Myths About Free Markets”***

***“I’d walk across a bed of hot coals to hear Tom Palmer speak.”***

JOHN McCLAUGHRY, PRESIDENT EAI

***“I heard Tom a few years ago. He is extremely knowledgeable. Exceptional.”***

DR. ART WOOLF, UVM ECONOMICS DEPT.

***“Author, scholar, speaker, advocate; Palmer is a crusader for liberty.”***

DR. ROBERT LETOVSKY, CHAIR, BUSINESS DEPT, SMC

Tom Palmer, Oxford University PhD, is an internationally known advocate for the advancement of liberty and free markets throughout the world. Seen on national television programs, read in prestigious journals, and sought after around the world as a speaker, Palmer is among the most knowledgeable experts on classical liberal/libertarian thought, Constitutional history, globalization, and economic studies. He was also a plaintiff in *District of Columbia v. Heller* in which the Supreme Court recently overturned the D.C. ban on handguns. Much of Tom’s time is spent meeting with and supporting groups and individuals in countries where individual and economic liberty are threatened or non-existent. Within the past few years, Tom has traveled to China, Malaysia, Afghanistan, Viet Nam, Kyrgyzstan, Indonesia, India, Russia and The Philippines to work with lovers of freedom. He will come to Vermont in December shortly after returning from a planned five-day visit to North Korea.

For Tom Palmer’s full bio and Curriculum Vitae go to: [http://en.wikipedia.org/wiki/Tom\\_G.\\_Palmer](http://en.wikipedia.org/wiki/Tom_G._Palmer).

**MARK YOUR CALENDARS NOW!**

**Wednesday, December 1, 2010 • 7:00 P.M.**

**McCarthy Arts Center**

**Saint Michael’s College – Colchester**

(Book signing after talk.)

This presentation is free and open to the public.

# The Liquid Metal Health Care Plan

Arnold Schwarzenegger's nemesis in *Terminator II: Judgment Day* is a humanoid robot called T-1000, sent back from the future to destroy the human destined to overthrow robot rule. Every time Arnold knocks the stuffing out of T-1000, it reassembles from a pool of shiny liquid metal into the original menace.

The T-1000 of Vermont politics is single payer health care. From 1990 to the present, liberal legislators have voted millions of dollars for study and design projects to bring the wonders of single payer health care to the people of Vermont.

Under a single payer system, health insurers and premiums become history. The government rationally organizes all of the fragmented, uncoordinated health care providers and invites all Vermonters to partake of their services at little or no cost.

Of course, not everyone can partake of everything he or she desires, since after all money is not unlimited. Thus the government's global budget provides only such medical care as the government decides people need, in quantities the government can afford to pay for. This is, however, not arbitrary. A board of appointed and unaccountable experts decides what sorts of patients will get what care and for how long. That's reassuring.

Employers and individuals are relieved of the expense of premiums or deductibles. That's a big plus.

But \$5 billion has to come from somewhere, and the single payer folks have a ready answer: taxes. The most common choice is, curiously, the payroll tax, which liberals regularly denounce because it's not progressive. Four years ago a legislative study chose a payroll tax of 13.5 percent – 3.4 percent paid by employees, 10.1 percent by employers, and 13.5 percent by the self-employed.

Single payer advocates – notably Sen. Peter Shumlin – argue that the paperwork and profit savings from abolishing insurance companies would save 5 percent of health care costs, or \$260 million.

The government's global budget also determines what compensation all of the doctors, dentists, nurses, hospitals and nursing homes will receive. Rather than raise taxes, the megasystem continually cuts compensation to the medical providers, who are forced to reduce quality and increase waiting times in the hope that costly patients will go away.

Since doctors are dropping out of Medicare because it increasingly underpays them, the single payer system will necessarily require them to participate for what the government is willing to pay them. Of course, unlike hospitals facing the same problem, they can always move out of state.

There is vast experience with such megasystems, including Medicare in this country. What happens is that the government bureaucrats allocate the available tax dollars over less expensive services for as many people as possible, to keep political support for the system, but shortchange, sometimes fatally, a small number of high-cost patients.

Sen. Shumlin says that by installing a tax-financed single payer plan “we would unleash the largest economic development program in our state's history.” He says that businesses would find this “an enormous incentive to set up shop in a state that is truly and uniquely business-friendly.” If that's true, you have to wonder why the more business-friendly states – that is, almost all of them – haven't acted upon this brilliant – perhaps fantastic – insight.

Vermont's Hogan Commission of 2001 put its collective finger on the central problem of health care financing today: “There is a disconnect between the consumer receiving health care and the entity paying the bill... Third-party payment tends to shield consumers and provider from understanding the cost consequences of their behavior and of the health and medical choices they make.”

Add to that insight these three: people need to take personal responsibility for their own health instead of looking to a government megasystem to dispense benefits; health care would be much less of a problem if government hadn't spent a hundred years tampering with it; and as Barack Obama notably said, “consumers do better when there is choice and competition”.

That would define a very useful starting point for reshaping Vermont's health care policies. Unfortunately the majority of legislators in this state are intoxicated with the supposed wonders of a politically controlled megasystem, allocating, budgeting, regulating, mandating, prohibiting and not least, taxing. Let's hope the next crop in the state house has more sense.

# Meet VPIRG!

## REPORT

The Vermont Public Interest Research Group (VPIRG) has for years been the leading promoter of the Menace of Global Warming and the necessary remedies thereto (cap and trade, greenhouse gas inventories, gas guzzler taxes, thermal efficiency utility, prohibition of single-occupant vehicles from the highways, “Clean Energy Fund” subsidies, feed in tariff, and mandates, climate supergovernment, etc.). It is notable for continually declaring that “the science of climate change is settled!” and sponsoring the 2007 State House polar bear festival urging override of a Douglas veto of Sen. Peter Shumlin’s thermal efficiency utility bill. (The override failed.)

Its most enthusiastic current campaign is to get the next legislature to not allow Entergy’s Vermont Yankee nuclear plant to pursue a certificate of public good from the Public Service Board to allow the plant’s continued operation beyond March 2012. VPIRG promotes the peculiar idea that some combination of conservation, efficiency, wind, solar, and cow power can make up for the 285 Mw of baseload power Vermont currently gets (at a bargain rate) from Yankee.

VPIRG itself is a 501(c)(4) action organization. Contributions by businesses may be deductible as business expenses (think the renewable energy industry), but individual contributions are not tax deductible. VPIRG can and does advocate legislation, lobby, and support or oppose legislators, but it cannot intervene in election campaigns; that is, it cannot endorse candidates and urge people to vote for them. It can run ads saying “support Rep. Joe Smith and his fight to save the planet from greedy capitalists.”

The VPIRG Education Fund is a companion 501(c)(3) sharing the same offices and controlled by the same individuals. As such, it can receive foundation grants and tax-deductible individual contributions.

The two organizations combined had receipts of over \$1 million in 2008, and in 2009 employed nine persons, eight of them registered lobbyists.

	VPIRG Revenues 2006-2008		
	2006	2007	2008
VPIRG	\$352,226	382,452	511,917
VPIRG Ed Fund	507,908	612,319	577,997
<b>Total</b>	<b>\$860,134</b>	<b>\$994,771</b>	<b>\$1,089,914</b>

VPIRG itself is not required to disclose its donors. The VPIRG Education Fund receives grants from numerous foundations. Among them are –

- \* John Merck Fund (Boston): \$460,000 over nine years, mainly to combat global climate change and get an enforceable cap on greenhouse gas emissions
- \* Public Welfare Foundation (Washington): \$210,000 since 2000
- \* Merck Family Fund (Milton MA): \$80,000 in 2005-06 for the “Fair Tax Coalition”
- \* Blue Moon Fund (Charlottesville VA): \$80,000 for single payer health care
- \* Nathan Cummings Foundation (New York): \$50,000 in 2004 for the single payer health care campaign.
- \* Beldon Fund (New York): \$50,000 in 2004 for environmental health
- \* Rockefeller Family Fund (New York): \$50,000 in 2003-04.

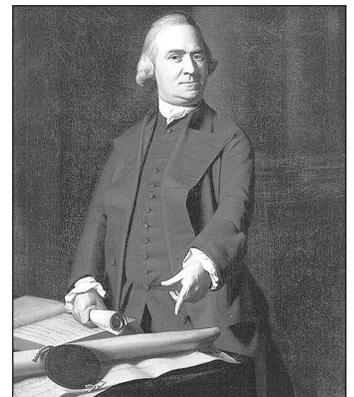
VPIRG’s current Board includes such well-known names as Duane Peterson (chair) (ex-Ben & Jerry’s); Ed Flanagan (Senator, ex-Auditor); Mark Sinclair (ex-Conservation Law Foundation); Richard Watts (ex-Howard Dean campaign manager); Matthew Rubin (East Haven Windfarm); Dan Brush (Vermont AFL CIO); and Drew Hudson (ex-moveon.org).

The free-market, low-tax, pro-liberty counterpart to VPIRG has yet to be created.

## Liberty & Servitude

“If ye love wealth better than liberty, the tranquility of servitude better than the animating contest of freedom – go from us in peace. We ask not your counsels or arms. Crouch down and lick the hands which feed you. May your chains sit lightly upon you, and may posterity forget that ye were our countrymen.”

*(Sam Adams to the Continental Congress, 8/1/1776)*



## Shumlin on Death

**Leaks:** “The radioactive leaks at Vermont Yankee could be the largest man-made environmental crisis that Vermont has ever seen.” (AP 10/11/10.)

Meredith Angwin (yesvy.blogspot.com): “A sample from this [VY discontinued] well now shows 1,300 picocuries per liter of tritium. The [safe] drinking water standard is 20,000 picocuries of tritium per liter. Since two liters at 20,000 picocuries per liter is about 1/20 of a banana’s worth of radiation [from potassium 40], then 2 liters at 1,000 picocuries per liter is 1/20th of 1/20th of a banana.”

**The Teacher Crisis:** With the advent of the recession, we were told that laying off teachers would wreak havoc with America’s future. Not to worry. In the school year 2008-09 the number of teachers increased 2.2 percent nationally over the previous non-recession year. In Vermont the

# NEWS & VIEWS

number increased from 19,181 to 19,336 – despite declining enrollment, in a recession (NCES, U.S. Dept of Ed).

**Governors Report Card:** The Cato Institute has published its biennial “Fiscal Policy Report Card on America’s Governors” (at www.cato.org). The nation’s best: Sanford (SC), Pawlenty (MN), Jindal (LA), and Manchin (WV). Vermont’s Jim Douglas received a B rating.

**Best States for Business:** *Forbes* magazine has released its 2010 Best States for Business ranking. Here’s how Vermont fared: business costs, 42nd; labor supply, 16th; regulatory environment, 45th; economic climate 39th; growth prospects, 45th; quality of life, 15th. Overall ranking: 45th. (First: Utah.)

**Vermont South:** Testifying before the Florida Energy and Climate Commission, enviros argued that “high energy prices should be counted as consumer cost savings because they force consumers to forgo using electricity because it is too costly, and thus would satisfy the ‘least-cost’ legal requirement.” However, unlike Vermont, the Commission voted 6-2 that this argument was essentially ridiculous (E&CN).

**Charter School Redux:** On April 5, 1995, the Vermont Senate voted 18-7 for a weak charter school authorization bill. The measure (S.16) promptly perished in the House, and the proposal has never since come to a vote, largely due to the stout opposition of the Vermont NEA and Gov. Howard Dean (who never attended a public school a day in his life).

The still-serving Senators who voted in the affirmative: Doyle, Mazza, Bartlett. Opposed: Sears, Shumlin. Absent: McCormack.

## Universal Preschooling

Continued from Page 1

mandate universal pre-K in Florida. Three years later she wrote, ruefully, that subsequent developments “strongly suggest that a universal strategy may not be the most effective way to improve and expand pre-K services for youngsters who need them most.” To put it bluntly, the Florida programs wasted millions of tax dollars on low-value services for ordinary children, while shortchanging the poor and minority kids who could have used help.

Then there is the startling claim of the “7 to 16 dollar return” for each tax dollar “invested” in universal pre-K. The \$7 claim apparently comes from the sponsor of the Perry experiment. The \$16 claim comes from another analysis of the Perry experiment (Rolnick & Grunewald, 2003). What these authors actually said was that the real

internal rate of return at a three percent discount rate was 16% (not 16 for 1). Most of this figure derives from supposed benefits to society: the 58 Perry kids were “less disruptive in class later on, and went on to commit fewer crimes.”

There are idealistic Vermonters who really believe that universal preschool will produce these amazing returns, for the kids, for society, and for taxpayers. From a more hard nosed perspective, it seems clear that the primary motivating force behind the universal pre-K movement is the enthusiasm of the public education industry to get its hands on another two year’s supply of our children, and send yet another large bill to taxpayers.

This is in turn motivated by the fact that Vermont’s K-12 population is de-

clining. Residential property tax pressure is forcing school districts to reduce cost per pupil. Cost per pupil can be reduced either by reducing the numerator (fewer dues-paying union teachers teaching larger classes), or by increasing the denominator (pulling thousands of 3- and 4-year olds into universal preschools). Guess which one the union prefers.

The appearance of “free” public preschools will either slash the customer base of the 350 private child care businesses, or force those businesses into a master-slave contract with the school district. Add that fact, and the proposal becomes a political grand slam for liberals seeking public office.

Unless, of course, the taxpayers and parents catch on.



## EAI Project News

The **Energy Education Project** is ramping up. Project director Meredith Angwin set up a well-received information program at the Montshire Museum in Norwich on September 30. Meredith spoke on the effects of removing Vermont Yankee's 600 Mw from the New England power grid. Dr. Bob Hargraves of Dartmouth discussed renewable energy misstatements from anti-nuclear groups and briefly described the thorium molten salt reactor now in design phase. The program was televised for cable throughout the state.

Meredith also gave her first public talk to the St. Johnsbury Rotary Club on October 18. She noted that the illuminated EXIT sign over her head contained 7-14 curies of tritium weak beta radiation. The EPA safe drinking level is twenty *billionths* of a curie in a liter of water.

Meredith will be available to speak on talk shows and luncheon groups. Contact her at [meredith@ethanallen.org](mailto:meredith@ethanallen.org), and check her blogsite at [www.yesvy.blogspot.com](http://www.yesvy.blogspot.com).

The **EAI transparency site** [www.vttransparency.org](http://www.vttransparency.org) will soon post the current year compensation of state employees. Also added is a description of the state's budget process, and (soon) a "meet up" feature where interested citizens can exchange views.

The remaining gap is posting vendor payments. The problem is redacting the data tables to remove certain small human service caregiver payments (foster children, development disability, etc.) that the state believes ought to be kept confidential. We hope to have this problem surmounted this coming month. —JMc

## Which Sanders Do You Believe?

June 9, 2005: New Apollo Energy Act (HR 2828).

Sec. 241: (a) In General – The Secretary [of Energy] shall carry out a program under this part of research, development, demonstration, and commercial application of **technologies for ultra-deepwater and extended reach drilling** and carbon sequestration.

(b) Program – The program under this part shall address the following areas, including improving safety and minimizing environmental impacts of activities within each area:

- (1) **Ultra-deepwater technology.**
- (2) **Ultra-deepwater architecture.**
- (3) **Extended reach drilling.**
- (4) Sequestration of carbon.

Sec. 242: (a) In General – The Secretary shall carry out the activities under section 241(b), to –

(1) **maximize the value of the ultra-deepwater natural gas and other petroleum resources of the United States** by increasing the supply of such re-

sources and by reducing the cost and increasing the efficiency of exploration for and production of such resources, while improving safety and minimizing environmental impacts;...

June 2, 2006: "In a letter to Speaker Dennis Hastert, [Rep.] Sanders called for a vote on the New Apollo Energy Act (HR 2828), a comprehensive clean energy proposal he has cosponsored..."

"Paul Burns, executive director of the Vermont Public Interest Research Group (VPIRG) ... joined Sanders at the press conference." (Sanders news release).

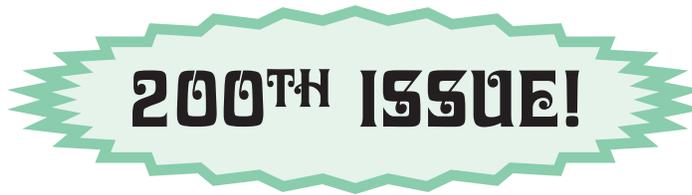
April 20, 2010: Fire on Deepwater Horizon oil rig in the Gulf of Mexico kills eleven workers; oil spews into Gulf from broken well pipe.

May 2, 2010: "The oil spill is a devastating reminder of the perils of relying on offshore drilling for fossil fuels to meet the nation's energy demands," Sanders said.... **Sanders reiterated his long-standing opposition to offshore drilling.** (Sanders news release).



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## November 2010

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## Tax History Revisionism

LETTER

In the September 27 Burlington *Free Press*, Sen. Peter Shumlin claimed: “I have a long record of reducing taxes in my career in the Legislature... First, historically, when we had a Democratic governor and I was Senate president for much of that time, we reduced the income tax from 32 to 25 percent, one of the biggest income tax cuts in the history of Vermont...”

In 1991 the Legislature increased the income tax from a base rate of 25 percent of federal tax to 28 percent, plus a 3 percent and a 6 percent surcharge for the highest income earners. The 1991 law provided that the income tax would revert

to 25 percent of federal tax, and the surcharges would end, on January 1, 1994.

On April 27, 1993, Senator Peter Shumlin voted to repeal the sunset of the income tax surcharges and to make the surcharges permanent. That proposal was defeated on a vote of 10 to 20. The higher income tax rates reverted to 25 percent in 1994, as provided in the 1991 law.

Peter Shumlin now claims credit for an income tax reduction that he voted against.

JOYCE ERRECART, Shelburne  
(former Commissioner of Taxes)