



# The Ethan Allen Letter

IDEAS FOR VERMONT'S FUTURE

*A Monthly Publication of The Ethan Allen Institute*

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## The Renewable Industrial Complex

### COMMENTARY

In the past month Vermont newspapers have published several banner headline stories that lifted the veil on the activities of the Clean Energy Development Board. Here's some useful background.

For years Sen. Peter Shumlin's main political cause has been banishing the Vermont Yankee nuclear plant from the state. In 2006 the legislature gave itself the power to prevent the Public Service Board from considering an extension of the plant's "certificate of public good" to operate beyond 2012. Under that act, Senate President Shumlin engineered a Senate vote last February to in effect shut down Vermont Yankee.

It's politically awkward to clamor for the shutdown of a clean, safe, reliable low-cost nuclear plant without explaining how to fill the hole caused by the loss of its 600 Megawatts of base load power. The first answer is conservation: persuade people to consume less electricity. Beginning in 1999 all ratepayers have been explicitly taxed on their electric bills to fi-

nance a state "energy efficiency utility" to subsidize selected ratepayers (for instance, Green Mountain Coffee Roasters) to get them to conserve electricity.

But that's not enough. This strategy requires lots – some would say a staggering amount – of renewable electricity from wind, solar, hydro, and methane produced by cattle and landfills. This electricity costs much more to produce than power from Vermont Yankee or the New England power grid, which includes coal and gas fired plants. How to make people enthusiastic about paying lots more for electricity? Not a problem. Make their competition more expensive.

Senator Shumlin and his allies at VPIRG raised the Menace of Global Warming, to justify raising the costs of fossil fuel energy. They determined to get rid of the nuclear plant altogether (even though it emits almost none of the feared greenhouse gases.) Until that can happen, in 2012, they imposed all sorts of new taxes on the owner of the plant. The \$28 million thus extorted was assigned to a new Clean Energy Development Fund. It would then distribute grants and tax credits to renewable energy producers, without which nobody would buy their high priced and unreliable electricity.

Shumlin named to the board David Blittersdorf, founder of NRG Systems and a leading advocate for renewable electricity produced by his company's customers. The board hired the executive director of the renewable energy business association to manage the distributions to producers. Any notion that the funds distributed by the board should benefit ordinary ratepayers was explicitly repealed in 2009.

But just subsidizing renewable energy producers isn't enough. The electrical utilities must be required to buy the high-priced electricity they generate. Thus Shumlin twice pushed through strengthening amendments to the SPEED program, that essentially requires the electric utilities to meet their demand growth by buying renewable energy. On top of that, the Shumlin-backed "feed in tariff" provision instructs the Public Service Board to tell the utilities how much they must pay for this power that they would otherwise not buy: 20¢/kwhr for wind and 30¢/kwhr for solar photovoltaic.

A crowning step would be enactment of a cap-and-trade system to tax fossil fuel users and use the proceeds to subsidize the producers and purchasers of renewable electricity. This, however, came up short in the 2009

See **The Renewable**, Page 5

# 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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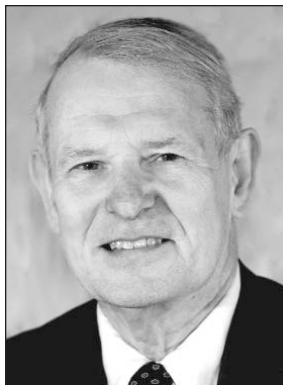
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## ETHAN ALLEN INSTITUTE

4836 Kirby Mountain Road  
Concord, VT 05824  
Phone: 802-695-1448 Fax: 802-695-1436  
E-mail: [eai@ethanallen.org](mailto:eai@ethanallen.org)  
Web page: <http://www.ethanallen.org>

# PRESIDENT'S MESSAGE



## Crunch Time

By the time this *Letter* reaches you, about 30 days will remain in the 2010 Election season.

That's plenty of time to take our "Put Their Feet to the Fire" commentary (on the facing page), make lots of copies, give them to your like-minded friends, and set out to extract answers from those seeking your vote.

You might want to have a copy of the *Vermont Voters Report Card* in your hand (see page 8). That will terrify the incumbents even further. There's nothing like well-informed voters to give candidates fainting spells.

This is the magic moment for us well-informed voters, the Campaign for Liberty folks, and Tea Party activists to really have an impact on the future of our state. Waving signs is fine, but in the end it is working effectively together to replace foolish (i.e. goofy liberal) or intractably wrong-headed elected officials that really makes a difference. Vive la différence!

PRESIDENT (acting)

## Email Appeal

Please be sure EAI has your current email address, so we can let you know about upcoming events (see page 7) and time-sensitive developments. Send us a message at [eai@ethanallen.org](mailto:eai@ethanallen.org), subject "email address", with the correct address. Many thanks!

# Put Their Feet to the Fire

The primaries are over and the winning candidates are now in their final run toward Election Day (November 2). Now is the time that citizens concerned about the state's future can pin down those candidates on their positions on key issues they'll face in the forthcoming legislative session.

Bear in mind that candidates do not want to be pinned down. Their natural tendency is to evade, sidestep, mislead, and obscure. The trick to pinning down candidates is to ask straightforward, informed questions that minimize the candidate's opportunity to squirm out of a commitment. (Getting answers in writing, or declared before witnesses, is also very valuable.) Here are twelve questions that may be useful.

1. The Vermont income tax now has a top bracket of 8.95 percent, applied on taxable incomes in excess of \$336,550. To what level, if any, would you vote to increase that rate to raise more revenues from the wealthy?
2. The 2011 legislature will vote on whether to allow the Public Service Board to issue a certificate of public good to allow the Vermont Yankee nuclear power plant to continue to operate after 2012. Will you vote to allow the PSB to make this determination? Or will you vote to prevent PSB consideration, and thus cause the shutdown of the plant, regardless of the cost and sources of the power needed to replace its 600Mw output?
3. For years some legislators have proposed that the government institute a single payer universal access health care system, where private health insurance and premiums are abolished, all Vermonters are entitled to the benefits of a government-designed taxpayer-financed health insurance plan, and the state compensates all health care providers out of such tax dollars as may be available for that purpose. Would you support creation of such a system? If so, which tax or taxes would you vote to raise to finance it?
4. To combat "climate change", the 2006 legislature committed to requiring Vermonters to reduce their emissions of carbon dioxide to 50% below the level prevailing in 1990, by the year 2028. Will you vote to authorize the regulations and energy taxes necessary to achieve this very large reduction? Or will you vote to repeal this Act (Act 168)?
5. One candidate for Governor has pledged to institute universal preschool programs at taxpayer expense. In the absence of any evidence that preschooling for 3- and 4-year-olds produces any measurable or lasting improvement in educational achievement, will you vote to establish universal preschools?
6. The outgoing Governor and others have proposed to rein in public education spending by having the state require higher pupil-teacher ratios and impose caps on increases in local school district spending. Will you support either or both of those proposals?
7. The 2009 legislature enacted a law (Act 45) to require Vermont utilities to buy wind and solar generated electricity at three to five times the market price, in order to make those renewable energy companies economically viable. Will you vote to repeal this "feed in tariff" requirement?
8. For five years wireless tower siting has been under the jurisdiction of the Public Service Board which, unlike the district environmental commissions can take into account economic benefits. That law sunsets in July 2011. Will you vote to make the law permanent?
9. Will you vote to introduce consideration of economic benefits into the Act 250 land use and development regulatory process, so that job and revenue creation can outweigh some allegedly adverse environmental effects?
10. If the "Challenge for Change" process created in 2010 fails to produce the expected \$38 million in state spending reductions in FY11, will you vote to make up the shortfall from the state's rainy day funds?
11. Will you vote to preserve existing parental choice in education, and extend it via any or all of public school choice, charter schools, virtual schools, or vouchers for use in any approved independent education program?
12. The legislature has given the Public Service Board the power to levy "efficiency assessments" on your electric bill. It has given the Milk Commission power to levy "assessments" on fluid milk sold in Vermont stores. Will you vote to require that only the legislature, accountable to the people, can raise taxes on the people?

Happy hunting! And if your candidate declines to respond, tell everyone you know, and by all means look for another candidate.

# Ed Crane: Prospects for Liberty

## REPORT

Ed Crane, founder and for 33 years President of the libertarian Cato Institute in Washington, sorted out the various strands of “conservative” thought at the Institute’s Sheraton Economic Series on September 22.

*Traditional conservatives*, in the mold of *National Review* editor

William F Buckley, emphasize tradition, stability, continuity, suspicion of change, and the importance of religious faith. They were at the forefront of the opposition to the spread of communism from World War II to the collapse of the Soviet Union in 1990.

The *neo-conservatives*, emerged in the 1980s, largely led by onetime socialists.

While anti-communist, they advocate the constant creation of great (and very expensive) national causes to promote national unity. They favor muscular government and are not much concerned about such a government crushing the liberties of people.

*Supply side conservatives* such as the late Jack Kemp are closet friends of big government, since they advocate cutting tax rates to generate more tax revenues for government to fund more programs.

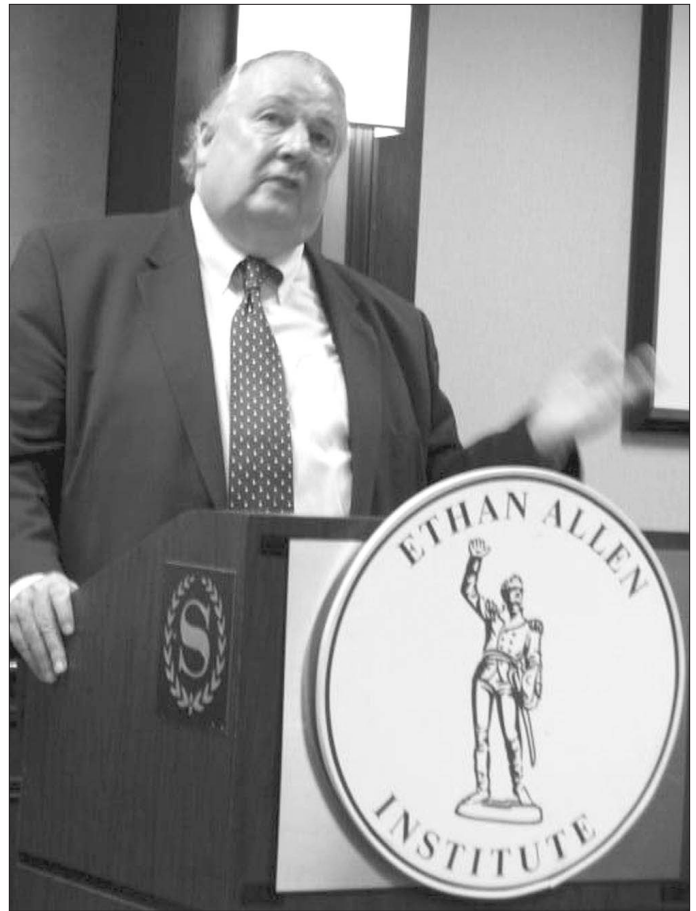
*Libertarians*, for whom the Cato Institute is the leading voice, are a different breed altogether. Their central goal is liberty, characterized by freedom from government intrusion, a spontaneous order instead of dictated behavior, a strong civil society, maximum opportunity for individual initia-

tive, strict constitutionalism, and broad ownership of private property. Their nemesis is Big Government, many of whose activities defeat some or all of the libertarian values.

To libertarians, the human mind is the ultimate resource, and the ideal state, while preserving basic order, ought to give our minds the fullest opportunity to create, build, invent and improve for the benefit of humanity and for profit. “We want people to be in charge of their own lives, not the government”, Crane said.

Crane was supportive of the Tea Party movement, because it is composed of ordinary American citizens who want to put the brakes on big government, end government bailouts to private companies, reduce taxes, and restore the fiscal soundness of the nation.

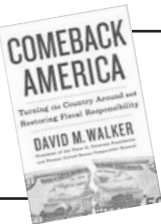
Crane was strongly critical, however, of the idea, common in the Obama administration, that there is nothing exceptional about America. America is and has always been exceptional among nations for its individualism, its devotion to personal liberty, its resistance to overgrown government, and its opposition to military



adventurism around the world.

The Cato Institute has an annual budget of \$23 million, three quarters of which comes from individual contributions, and 120 employees. It produces books, studies, and policy papers, hosts influential lectures and debates, recruits interns to gain Washington experience, sponsors Students for Liberty on college campuses, and supports strategic litigation to advance liberty. Its web site is [www.cato.org](http://www.cato.org).

The final 2010 event in the Sheraton Series will feature Tom Palmer, also of the Cato Institute, on December 1 (see page 7).



Thanks to CCTV in Burlington, EAI can offer a lending library DVD of David Walker’s August 19 Sheraton presentation on “Shaping America’s Fiscal Future”. The tape includes the panel of Art Woolf, David Coates, Auditor Tom Salmon, and Mary Alice McKenzie. We’ll be glad to send it you – but please return within three weeks.

**New Organization:** Vermont Citizens for Economic Education has already held two meetings in Manchester to arm citizens with knowledge that will help them to differentiate between economic truths and fallacies.

“Attendees will learn the fundamentals of classical and Austrian School economics and will be introduced to the great free market thinkers of the 19th and 20th centuries.” For more information, contact Betty Goff at 362-0756.

**Vermont Manufacturing Costs:** Three UConn economists calculated the cost of producing a dollar of manufacturing output for each of the states. “Vermont has the dubious distinction of being the most costly manufacturing state in the nation: a dollar of manufactured goods costs 95.9 cents to produce in the land of good dairy and small profits.” (The U.S. average is 83.3 – 2007 Census data). (*CT Economy*, Fall 2010.) (See next item.)

**But Never Mind:** “There is no better place in the country to run a business than the great state of Vermont.” – Sen. Peter Shumlin, Tunbridge debate (WCAX, 9/19/10). Unless of course, you are hoping to earn profits...

# NEWS & VIEWS

**Great News!** The recession ended in June 2009, according to a September announcement by the Bureau of Labor Statistics. But why did the Obama Administration wait 14 months to let us know?

**So Forget Reform:** “Transforming Schools: How NEA members are taking charge of reform”. (Cover headline, NEAToday May 2010). The perennial NEA “reform” plan: “less work from us, more pay from you.”

**Vermont’s Public Sector** is 95th largest in the U.S., measured by FTE workers per 10,000 population. In public education, Vermont ranks third highest in the country, after WY and KS. VT employs one third more public education workers than the average state. (VEN 9/10.)

**Desafio para el Cambio:** “Cuba’s government will cut more than 500,000 state jobs by March as part of a plan to reduce inefficiencies, the country’s largest union said in a statement. The reductions are part of President Raul Castro’s goal of eliminating one million state jobs by 2015: “Our state budget cannot continue maintaining business and services with inflated payrolls, with losses that

weigh down the economy, or those that are counterproductive, generate bad habits and distort worker conduct,” the union said.

(Bloomberg, 9/13/10)

**Another Tea Party Book:** Pollsters Scott Rasmussen and Doug Schoen have just published *MAD AS HELL: How the Tea Party Movement is Fundamentally Remaking Our Two-Party System*. They explain how the movement is reshaping American politics – whether politicians and elite journalists like it or not. Available from Amazon and others.

**I Want Your Money** is the title of a dazzling independent political infomercial due in theatres October 15 (but alas, not Vermont theatres). A cartoon Reagan lecturing a cartoon Obama on economics is worth the price of admission. For a sampler, go to [www.iwantyourmoney.net](http://www.iwantyourmoney.net). (EAI would love to make a similar video for Vermont: donors invited.)

**Reagan on Economic Policy:** “It is time to put America back to work; to make our cities and towns resound with the confident voices of men and women of all races, nationalities and faiths bringing home to their families a decent paycheck they can cash for honest money.” (Acceptance speech, 7/17/80.)

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## The Renewable Industrial Complex

Continued from Page 1

session. Still to come, promised by candidate Shumlin, is the issuance of “renewable energy bonds” to further feed the industry.

So here it is in a nutshell. Shut down the nuclear plant. Impose higher costs on fossil fuel electricity. Hand out grants and tax credits to subsidize producers to produce higher priced renewable energy. Require the utilities to buy that energy at prices up to six times that of nuclear electricity. If this isn’t enough, have the state borrow to keep the game going.

Since Shumlin is running for governor, the fact that Shumlin’s appointee Blittersdorf sat on a board that handed out subsidies that advanced Blittersdorf’s business interests put the story on page one. To his credit, Shumlin asked Blittersdorf to resign from the board. Blittersdorf eventually did so, after having approved a tax credit distribution policy that later handed out \$4.3 million in valuable tax credits to solar PV generators economically linked to his own businesses.

Shumlin, Blittersdorf, VPIRG and

their allies have promoted a remarkable combination of junk science, polar bear hysteria, nuclear phobia, business mandates, hidden taxes, price fixing, corporate welfare, government debt, and subsidy handouts to benefit – well, mainly themselves.

If you wonder why Vermont is so often viewed as a state afflicted with all sorts of government interventions to promote politically correct liberal enthusiasms – and thus unfriendly to the workings of a normal market economy – look no further.

# EAI Announces New Energy Education Project

## NEWS

The Ethan Allen Institute has launched its new Energy Education Project, designed to educate Vermonters reliably about their energy choices.

The Project will address current issues, such as relicensing Vermont Yankee and the federal legal challenge to Vermont's method of paying for renewables (Feed In Tariffs). The Project will provide education about the economics and environmental impacts of conventional and renewable energy generation, including new technology now on the horizon.

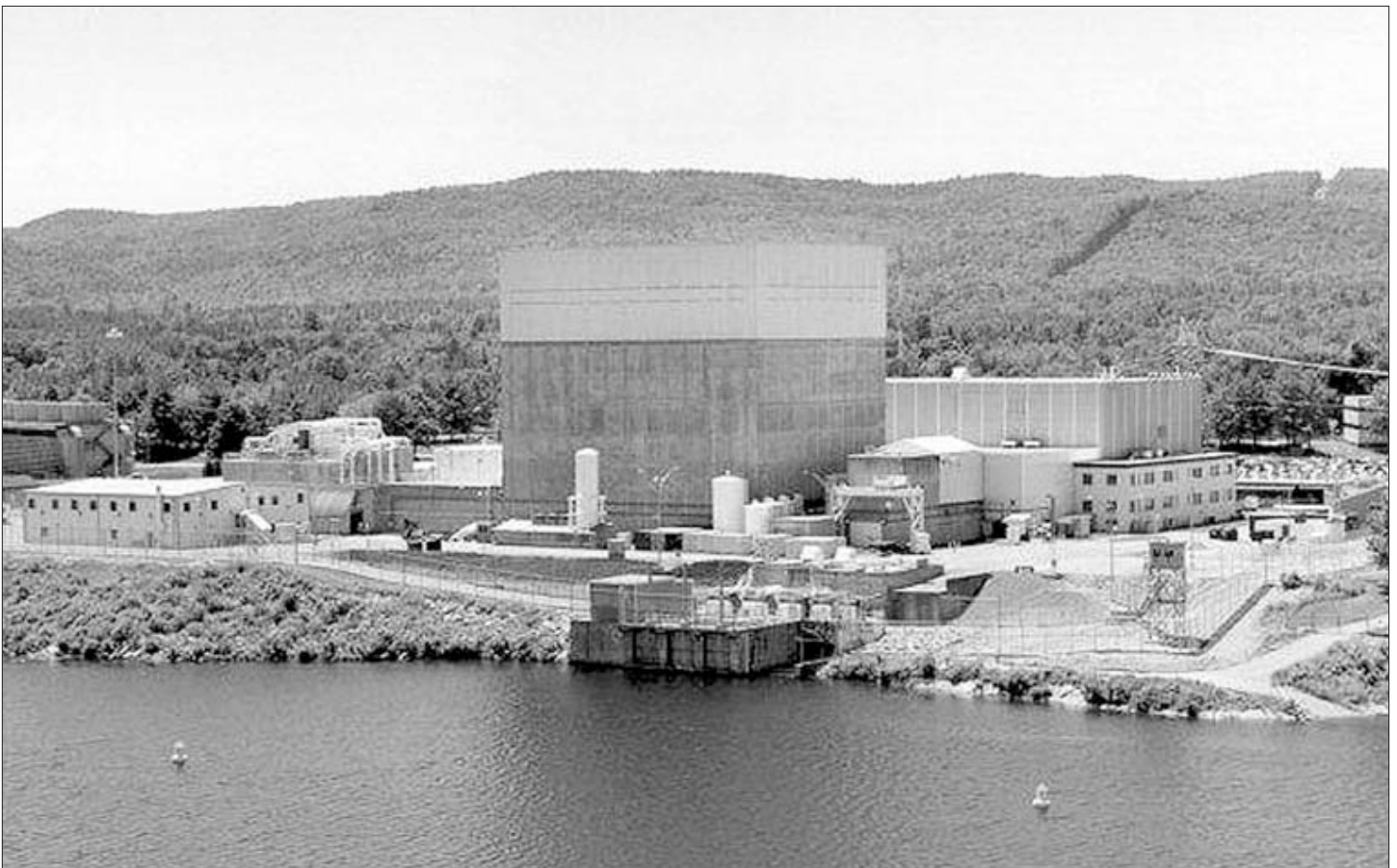
Meredith Angwin of Wilder, will head the Project. She is a physical chemist who worked for years at the Electric Power Research Institute and other technology companies. Now she is an energy educator. She is a member of the Coalition for Energy Solutions and teaches about coal pollution control at ILEAD.

Angwin explains that Vermonters need to be much better informed about the implications of their energy

choices. "Many Vermonters have been misled by upbeat rhetoric, and think that we can replace all fossil and nuclear plants with renewables within a few years. I began my career in renewables, and it isn't that easy. The projects are expensive, and they often encounter fierce local opposition."

Through the Energy Education Project, Angwin hopes to help Vermonters make choices based on "realistic assessments of our energy future, not wishful thinking and misleading comparisons." The Project plans educational outreach programs including community meetings, energy debates, and social media.

**An Invitation:** EAI members and others who would like to be a part of this Project should contact Meredith at [mjangwin@earthlink.net](mailto:mjangwin@earthlink.net) or via phone at 802 291-9172. You'll get invitations to all events, and lots of useful information. The Project now has a web site at <http://www.energyeai.org/>, and Meredith manages the blog at [yesvy.blogspot.com](http://yesvy.blogspot.com).



*Vermont Yankee Nuclear Station.*



*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 Ethan Allen Letter

ETHAN ALLEN INSTITUTE  
4836 Kirby Mountain Road  
Concord, VT 05824

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## October 2010

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## Citizen Resources for 2010

Here are some timely and valuable resources for citizens and activists:

**EAI Commentaries:** Over the past 21 months we have published 44 commentaries, most of them dealing with current Vermont public policy questions. The handy synopsis on the web page gives the gist of each commentary, in eleven categories. Naturally these become outdated at some point, but they offer useful background and argument. <http://www.ethan-allen.org/html/commentaries.html>

**Vermont Voters Report Cards** for the five biennial sessions beginning in 2001 are available on the EAI web site [http://www.ethanallen.org/html/report\\_cards.html](http://www.ethanallen.org/html/report_cards.html). While these only describe 8-12 key House and Senate votes over each two-year period, we believe they are the votes most indicative of a legislator’s stance on key issues.

**Questions for Candidates:** In September, EAI published a commentary including 12 pointed questions that citizens have a right to expect their candidates to respond to. It can be found on page 3 of this *Letter*. Feel free to extract the twelve questions, or some of them, and distribute to interested citizens.

**Transparency:** Our web site [www.vttransparency.org](http://www.vttransparency.org) is a gold mine of information about the workings of Vermont state government, with many useful resources and links.

**Give Us Liberty** is a new book by Dick Armey and Matt Kibbe of FreedomWorks. Not only does it give a useful account of issues and events leading up to the Tea Party rebellion of 2009, but it also contains a concise discussion of key principles and a 68-page “Activism Toolkit”. Highly recommended. – JMc