

Taxes and Culture: Being a CPA and all, I often opine in these pages about things fiscal, financial and economic. Today, in the mainstream, establishment press, all you hear about is the "fiscal cliff" and taxes and such. I care a great deal about taxes and the deficit, as you regular readers well know. And, you will hear much from me about these issues in the coming months. But, the underlying issue before us right now with the so-called "fiscal cliff" is, in my opinion, not actually fiscal or financial. It is cultural.

As you may *not* be aware, I have always believed that the culture of an organization is the biggest single attribute that will determine the success or failure of said organization. In my 25 year business career, I was obsessed with the culture of our company and with that of companies we might acquire or with which we might do business. A business with a strong culture of customer service will empower people with service skills and will change or weed out those people who don't care how they treat others. If a company has a culture of dishonesty, even an honest person will cheat now and then because it's the way it's done there. And of course, the dishonest person will feel justified in whatever they do. Organizations of all sorts - companies, charities, churches, colleges, high schools, military services - all have a culture. The culture may have been established over time, or it may be created by the people in charge at the moment, or a combination of both. Anyone reading this who used to work in one of my companies (or my staff who work with me now), understand how much effort I put into establishing culture and how important this has and will continue to be to me. And, most will testify to the effect that a strong culture has on the behavior of those in that culture.

Countries have cultures too. America has a uniquely American culture. It is not British culture. It is not French culture. It is not Mexican culture. It is vastly superior to all of those. American culture has developed over the first one hundred years of this republic and cannot be ascribed to any one person or event. It has changed little since. Much of our prosperity and success can be attributed to the exceptional and superior nature of our culture. This culture is American Exceptionalism - a phenomenon which our president does not appreciate.

Our culture has a number of facets. But, one of them has always been that we are a culture of aspiration and opportunity. We don't envy those who are more talented than we are or who have achieved more success, we admire them. We don't strive to bring them down, but instead try to bring ourselves up. These feelings are rooted in the idea that those who succeed in a free society do so largely as a result of their own labors, be that through invention or hard work or good timing. Of course, this is not a cultural norm world-wide. Certainly, you can resent the peers of pre-20th century English society whose station was achieved by birth rather than achievement or the caste societies of India which limit the opportunities of those of a certain social status. In communist societies past and present, opportunity is handed out only as a favor

to those who submit and obey a ruling class. Therefore, it is understandable to resent those whose fortune was acquired in such a manner as these.

But, that is not what happens in this country. Oh, sure, some successes seem to be the result of luck more than skill, but that is the exception rather than the rule. We admire and respect those of accomplishment because, by and large in this country, they got theirs on their own. The wealthiest people in my district almost without exception started with little or nothing and a large percentage of them are first generation immigrants. Most famous actors or talented athletes got there through work and dedication and talent. I wish I could throw a football like Aaron Rodgers. I pretend to do so in my backyard, rather badly I might add and occasionally with the result of throwing out my shoulder. I would enjoy his salary. I don't resent him. I admire that ability, which I don't have. I'm thankful he has it, because it's entertaining to watch. And, I'm not even a Green Bay Packers fan! (Go Chiefs and Lions and Jets!)

But, President Obama and his minions want to change this perspective. He is promoting a new culture of envy and, in his own words, "revenge". He believes and wants you to believe that the success of Aaron Rodgers (or fill in any other person's name of achievement) has made you poorer. Success is only worthy of "revenge" if it was achieved wrongly or unfairly. Much of our nation's strength results from the fact that we do not have barriers to achievement. Therefore, our society respects and admires that achievement. We owe Steve Jobs a debt of gratitude for creating so much growth and prosperity and for enabling so much in our lives, not the other way around. Did Steve jobs not contribute his "fair share" to society?

So, how do the tax increases fit in here? The president does not even pretend that raising taxes on the much despised people who earn more than \$125,000 per year if you are single (the \$250,000 is only for married couples) will do much for the deficit. It won't. Not even close. It maybe addresses 2-3% of the problem. You can confiscate all income over these thresholds and have those people work at the point of a sword as slaves and it won't cure the deficit. He has said this is about fairness. No, it's about envy, it's about revenge. That would be a fundamental change in American culture, which would regress us to the failed cultures that the founders of this country abandoned. If this president has his way, talented people who have the ability to create new opportunities for the rest of us will be less likely to do so in order to avoid the resentment of society and because they will not be able to keep most of the fruits of their labors. We will be a less prosperous, more resentful, and much less happy society. Being more like France or Mexico is not something to which I subscribe.

In Britain a few years back, they raised the tax rates on incomes over 1 million pounds (about \$1.6 million) to 50%. They had 16,000 taxpayers in Britain at that level when the tax was

increased. Today, there are only 6,000. Some have left the country. Others have chosen to no longer work, invest and make money. Either way, a lot of middle class Britons lost their jobs and opportunities because of this new tax rate. In my home state of California, the top tax rate will be 56.7% on January 1st if the federal tax rates go up. You do the math.

The tax increases are bad. Millions of people will lose their jobs because of them. But, that's not the worst part. The worst part would be if this president and his minions interpret his 50-48% victory as a mandate to turn America back into a feudal society of envy, division, and revenge. That's why I vigorously oppose these tax increases, and I frankly don't care at what income level they draw the line. It's not about the taxes. It's not about the economy. It's about who we are as a people.