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"We need to spend our way out of this recession."
--Rep. James Clyburn (D-S.C.)

"We have to go spend money to keep from going bankrupt."
--Vice President Joe Biden

"Say again?!!!" --Doug Thorburn

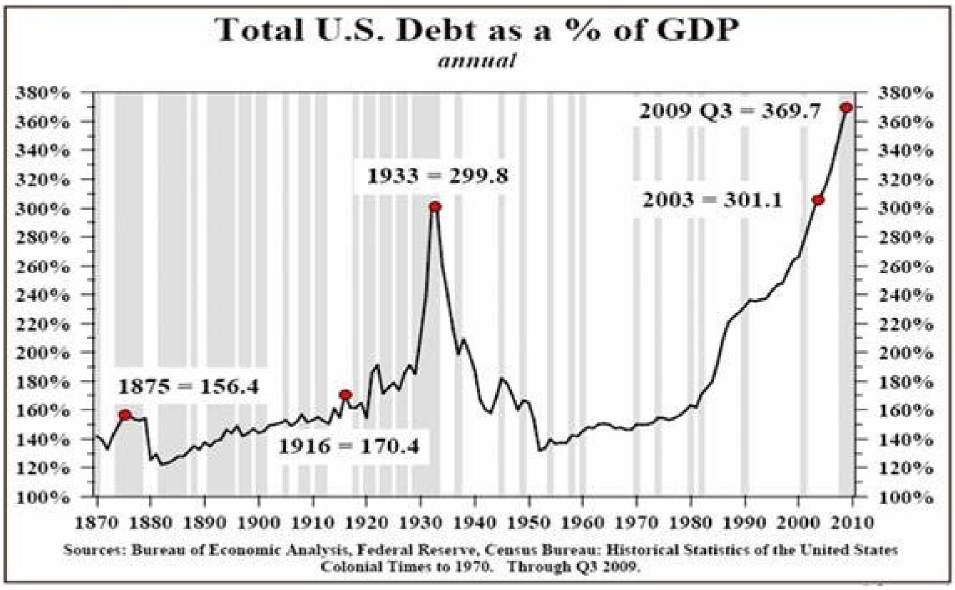
"The first rule of holes: when you are in one, stop digging."
--Holly Ivins, political commentator (1944-2007)

Tax and Financial Strategies

Issue #42 Fall 2010

WEALTH CREATION STRATEGIES

The Problem: Excessive Unproductive Debt



This chart shows the relationship of debt to Gross Domestic Product, which is a usually decent measure of a country's overall economic output. The problem is that, at some point, payments on debt become too large to be serviceable given available income. I believe we're at that point. We are using new debt to pay off old debt, which ultimately, like any Ponzi scheme, is a recipe for failure. Worse, the real numbers are far more ominous than the chart makes it appear. Not included are at least some $110 trillion in unfunded government obligations, including Social Security, Medicare and government employee pensions and retiree health care promises, all of which should properly be viewed as a liability, or debt. If these are counted, the debt to GDP ratio is nearly 900%. Few if any of these obligations even existed in 1929.

What has been done so far? Government legislators and regulators, arrogantly believing they know what's best, have made every effort to keep us spending, preventing the debt from being liquidated. They are pulling out all the stops in preventing debt from being paid down to sustainable levels via repayment, bankruptcy, and/or forcing creditors to accept less than face value. It's as if your family held a conversation:

"Hey, honey, our income has dropped. We need to cut expenses."

"No, sweetie, we have a credit line—let's use it to pay for things."

"But we're already deep in debt! We can't afford the payments as it is."

"Don't worry sweetie. We'll use new debt to make payments."

"How will we ever repay ***that*** debt?"

"Don't worry about it. We'll leave it for the kids to deal with."

The immorality of borrowing to consume or speculate, leaving the resulting debt to future generations to pay off, has escaped most commentators. There is only one kind of debt any reasonable, rational and caring moral system would allow us to leave: that incurred for productive investment, amortized over the number of years that such investment provides benefits. Yet massively expanding government debt is being incurred almost solely for current consumption which, aside from its immorality, can only delay the inevitable and necessary retrenchment and worsen the ultimate outcome.

Some argue that taxes should be increased to pay for "necessary" spending and to prevent further layoffs. Yet while private employers have reduced employment by an aggregate of 7% or so, government employment has barely budged. Private employers have largely switched from "Defined Benefit Pension Plans," which are pensions that promise a certain and usually inflation adjusted income in retirement, to 401k's, which make no such promises. Government employers continue to provide Defined Benefit Plans for 84% of their employees, compared with only 17% of private-sector employees. A non-government employee retiring at age 56 with a $600,000 yearly inflation-adjusted pension, as Bell's former City Manager Robert Rizzo did, would require an IRA of some $16,000,000. Thousands of public employees retire every year at similar ages and take home a yearly inflation-adjusted income of $100,000 for the rest of their lives, which would require an equivalent IRA containing close to $2,700,000. How many people do you know with an IRA exceeding even $1 million? It's as if your family had this conversation:

"Sweetie, our income has dropped. We'll need to ask our neighbors to pitch in."

"No, honey, we need to reduce our expenditures."

"Why should we? Because of our taxing powers, we can compel them to help."

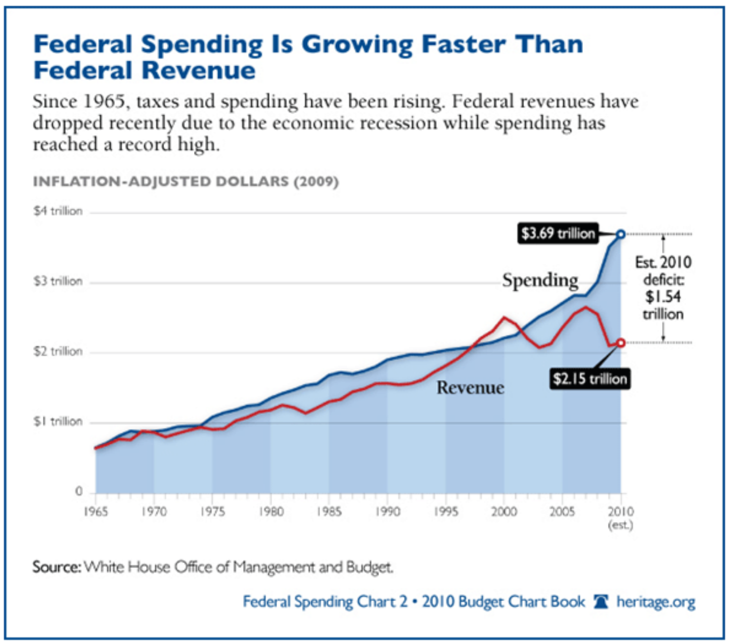
"Then our neighbors will have less money to spend on themselves."

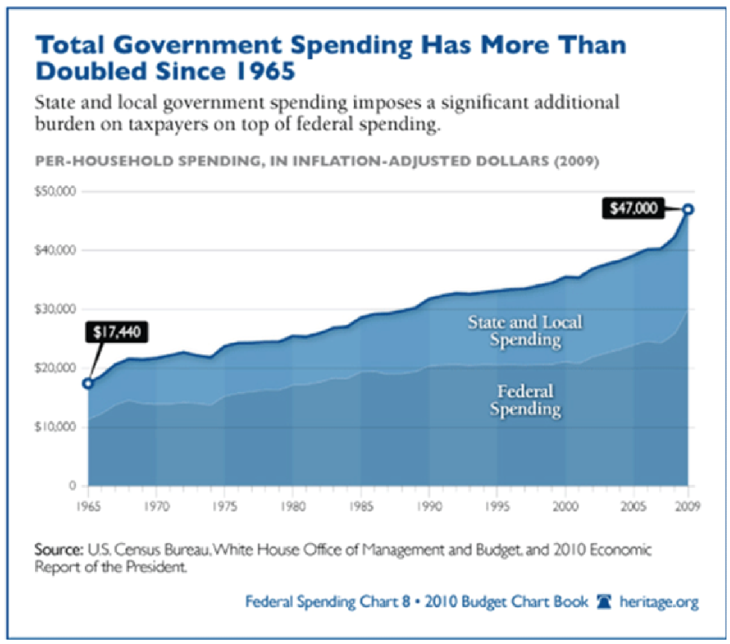
"Too bad; our needs are more important than theirs."

We should learn from the Japanese, whose stock markets and real estate markets are, respectively, 70% and 40% below the level of two decades ago:

"It was our job to declare bankruptcy. We should have forced banks and insurance companies to [take a hair-cut on their debt]. We should have destroyed the equity investments of millions of people and thousands of companies. We didn't. We are still waiting to do what we should have done. What appeared to be especially cruel then we know now would have been smart, courageous, and humane. We know our wealth today would be much greater. We know our debt today would be much less. If we had taken radical action in the early nineties, our economy would be leading the world right now. Instead we lied about the solution. We lied about mania. We failed to admit our failure."
—Michael David White, who fantasized reading the mind of a contrite Japanese treasury official (www.housingstory.net)

You'll read much more on debt below, in the yin-yang "What is a Libertarian?" under the sub-heading "tax and financial matters." The ramifications for each individual vary, but the overall idea is we need to pay down debt and live within our means. It will hurt for a while, but we'll be through it that much faster. Just as forest fires are part of the natural life cycle of forests, so is the cleansing process of economic depression. As I've been saying from the outset, all the authorities can do is prolong the agony.





What is a Libertarian? Part 2

Part 1 included a libertarian's basic philosophy and views on rights and boundaries. This installment includes a libertarian take on tax and financial matters with a focus on wealth and debt, and the proper (and limited) role of government. Part 3 in the next issue will suggest areas where both sides should be willing to compromise, which may be crucial to getting us through the GFC (Great Financial Cataclysm) without serious civil strife.

Tax and Financial Matters: Wealth and Debt

Wealth

Great wealth is most often created by individuals who spurn convention and rise unpredictably, frequently performing tasks that others are unwilling or unable to do.

The inflexibility of government planning stifles such strokes of creative genius.

Those who demonize the rich are generally those who have rarely if ever produced anything of value that consumers have voluntarily purchased.

Seizing and redistributing earned wealth guarantees a decrease in the creation of new wealth. It is, in fact, the root of poverty.

Progressive income tax systems punish "Henry's" (High Earners but Not Rich Yet).

Taxes should pay for the mission of government—and because that is so limited, a simple consumption tax should cover it.

If you earn your money by catering to or meeting the needs of consumers who voluntarily purchase your product, a trillion dollars is not too much for you to make—and keep.

If you get your money by taking from government that which it has taken from others, one dollar is too much.

Wealthy entrepreneurs-turned-philanthropists often feel the need to "give back" to society.

Just what did they take? They have enriched us in ways we would have never dreamt.

Giving money to the poor insures that many of the recipients will be complacent in their poverty.

When we reward people for inaction, we help guarantee that behaviors do not change. It's a great way to prevent people from becoming all they can become.

Often, the same folks who see that increasing taxes on cigarettes lowers the rate of smoking do not accept the idea that increasing taxes on incomes results in decreased incentive to work (provide value for others).

If you want less of something, tax it. Taxing incomes is a sure way to end up with fewer things to buy, decreased innovation and fewer services—in other words, a lower standard of living than we'd have without such taxation.

When a business model has failed and the taxpayer rescues the failed business, the playing field isn't level.

Such rescues of politically-favored businesses reduce the likelihood of entrepreneurs trying to compete, which prevents new and innovative solutions from ever appearing—hurting us all. The ultimate cost to the many is far greater than the provincial benefit to the few.

Government creates incentives to engage in excessive borrowing and spending. Borrowing and spending consume wealth and prosperity.

Individuals free from the mal-incentives of government save and produce in the aggregate more than they borrow and consume. Savings and production create wealth and prosperity.

The paradox of a safety net is that in some cases it results in high-risk behaviors and activities, leading to the occasional use of that costly net via bail-outs; in others it results in slovenly behaviors, leading to a continuous use of the net.

In either case, whether it's big business such as banks making high-risk loans and car companies paying workers more than the company can afford, or poor people purposely not working due to effective 100% tax rates on productive enterprise, society as a whole is poorer.

Socialism only appears to succeed for as long as capital, including infrastructure, equipment and buildings, survives the elements.

Capital deteriorates over time—and capital is rarely replaced under socialism (except, typically, military capital).

The trouble with socialism, as Margaret Thatcher put it, is you eventually run out of other people's money.

The more insidious trouble with socialism is government not only can't determine the "right" amount of capital to replace; political constituents (often unions) demand a higher-than-market wage and pension for current work. This leaves relatively less for capital replacement than occurs in the absence of government—in other words, in the long run a shortage of capital results. (Google "Cuban cars" to get a good visual of the results of a shortage of capital; extrapolate the idea to investment capital.)

Debt

If we prevent little forest fires we get really big forest fires, or conflagrations. It's nature's way.

If we prevent little recessions we get really big ones, or Depressions. It's nature's way.

Economic stability is not necessarily a good thing: consider how "stable" the former Soviet Union's economy was for seven decades.

Booms and busts are a natural human condition even without excess government-induced credit creation: do nothing to prevent busts, since they provide a necessary cleansing of the system (government intervention only prolongs the agony and makes the cleansing more painful).

Government-issued money intensifies booms and busts because governments tend to keep the price of money (interest rates) too low for extended periods, encouraging the excess creation of debt.

Better to suffer numerous little busts with private coinage than enormous Depressions made worse by a monetary system that encourages a build-up of debt so massive that it can never be paid.

Government-created expansion of credit distorts price signals, resulting in a greater propensity to incur debt used to finance questionable projects (such as excessive housing) and to make promises that can't be kept (such as excessive government pension obligations).

When the debt becomes too great to pay, the system goes in reverse—credit contracts—which is the key economic factor to understanding Depressions.

Government-created inflation distorts price signals (such as the "correct" price of money, or interest rates), resulting in a misallocation of resources (such as too much credit driving up housing prices, creating a bubble).

One of the gravest misallocations is a lower aggregate level of savings (due to artificially low real interest rates), which decreases capital and consequential investment—resulting in a lower standard of living than we would have absent inflation.

One of the great and classic instances of government-created expansions of credit was admitted to by Federal Reserve Governor Donald Kohn, who stated flat-out that the monetary accommodation occurring in the early-to-mid 2000s was deliberate:

"We have attempted to lower interest rates below long-term equilibrium rates and to boost asset prices…."

In a classic instance of the arrogance of central planners, the real estate bubble, then, was clearly fueled—intentionally—by the Federal Reserve. The monetary system, like most everything else, does not belong in the hands of government.

"We averted another Great Depression via massive increases in government spending."

If such policies worked, we would have avoided the Great Depression when government spending skyrocketed and we would have collapsed into a Great Depression after WW2, when government spending plummeted.

Artificially cheap credit, which is found far more often in fiat money systems than in those based on gold, increases the dependence on debt, ultimately enabling people, businesses and government to borrow more than they are able to repay.

Debt is to the financial system what drugs are to the addict, who always needs more to keep him going—until he crashes.

Keynes said that government should borrow to get us out of recession. Congressman Pete Stark says to the extent government borrows, we are wealthier.

This is true for today only, since such debt shifts tax obligations to future generations. Keynes and Stark are really saying, "Make our children and grandchildren pay for our profligacy."

If you cure a hangover by getting drunk you haven't solved the problem.

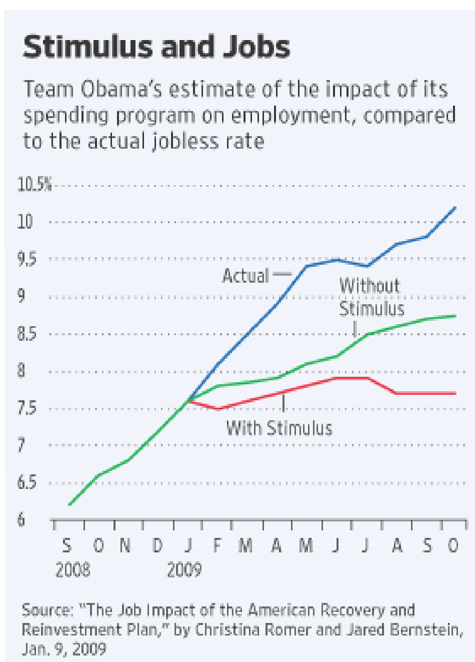
If you cure a spending hangover by going deeper into debt you haven't solved that problem, either.

Much of what we read and hear about political economics is incorrect.

There's often a financial or political incentive for someone or a group to deceive. (One tiny example: "Clinton's tax increase raised revenues and created a surplus." Clinton raised taxes in '93 and then cut them in '97. The surpluses occurred in '98-'00.)

"Government prediction" is an oxymoron. For example, in 2000 the Congressional Budget Office (CBO) predicted gradually increasing budget ***surpluses*** in every year of the decade, accumulating to $2.6 trillion. Instead, accumulated ***deficits*** totaled nearly $3.2 trillion, for a $5.8 trillion mistake, NOT counting the increase in off-balance-sheet unfunded liabilities that now total something like $107 trillion for old age pension and medical schemes. It also claimed unemployment would peak at 8% if they passed the much-vaunted "stimulus" program and 9% if they didn't. See the chart below for the amazing (no-surprise-to-those-of-us-who-understand-the-nature-of-government) results.

Why should we believe the government when it claims its purported health care scheme will run "only" $1 trillion, or that the U.S. will accumulate (only) an additional $7.4 trillion in deficits for the eleven years beginning in 2010?



The Wall Street Journal, "Washington and the Jobs Market," p. A16 November 7-8, 2009

The Proper Role and Limits of Government

Government regulation tends to create unintended consequences that reduce value for at least one side in a transaction.

Markets, absent fraud, tend to increase value for all sides in a transaction. After all, free trade requires in the first place that all sides agree to the terms of the exchange.

When referring to the private market, Sam Walton, the founder of Wal-Mart, said: "There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

This does not apply to government, where employees get to boss the customer.

Government produces nothing of value that cannot be produced or provided at lower cost and with higher quality by the private sector.

Most anything government does costs twice the amount private producers and providers would charge—and with lower quality.

Big business can act badly, especially when using government to stifle its competition.

Government is the biggest of awful big businesses (with thanks to Dennis Miller).

Free markets are self-correcting, because if businesses don't please their customers, they lose revenue—and ultimately go bankrupt.

Government is not self-correcting because they generally take their revenue without the consent of the customer—and can never go bankrupt.

Government does not produce wealth; it only transfers it and, when it's sticking to its proper function, protects it, thereby incentivizing its creation.

Savings, protection of property and the enforcement of contracts set the stage for the creation of wealth.

Command and control by central planners and other government regulatory bodies works in health care as well as anywhere else. (Need I elaborate?)

Compare and contrast with the decentralization of millions of consumers and millions of businesses voluntarily interacting, with relatively no control mechanism: somehow we get our eggs, our milk, our furnishings, our construction materials, our Ipods, our pencils—and it all works, usually really well.

If government can control health care, it can decide to make medical licensure a condition of physician participation in government health programs (as has been proposed by an architect of Massachusetts' failing health plan).

Which means doctors will become de facto government employees. (We will be treated accordingly.)

Government is influenced by special interests, including drug companies, to our detriment.

We need drug companies: make it so they can't buy favors from government by limiting the powers of government. (Apply idea to all businesses.)

Underwriters' Laboratories does a good job protecting us from unsafe electrical items.

The FDA prevents many good drugs from coming to market; let the medical equivalent of a U.L. take over the job, let private regulators compete and let customers decide who they want to trust.

It is arrogant for government to claim it can efficiently control health care costs.

Government has never efficiently controlled any cost. This is because non-owners never spend money as efficiently as the rightful owner.

It is arrogant for government to claim it can do anything efficiently other than protect property.

Government couldn't even protect investors against Bernie Madoff and hundreds of other swindlers in the GB (Great Bubble). It should focus on getting its one job right.

Government is incompetent at determining the "right" price for medical services, food or anything else.

Free-floating prices determined by producers and consumers freely interacting are the only mechanism by which the "right" price can ever be determined. (Prices are the communication mechanism whereby producers are incentivized to meet the demands of consumers and consumers are incentivized to limit their demands upon producers.)

Government should no more be in the business of supplying and managing money than in managing and supplying food.

The "right" price of money, which is the rate of interest, cannot be determined by government managing money via a central bank any more than a government, absent market competition, can properly set the price of a hamburger.

The person who consumes more than he produces over a lifetime is a parasite.

The person who produces more than he consumes over a lifetime is a creator of prosperity for others which, when government reallocates his production, includes the parasite.

The consumer-king should choose winners and losers among product and service providers.

When government chooses, it rewards friends for political favors, not for pleasing consumers with higher quality and lower prices. Therefore, government choices guarantee lower quality and higher real costs, even if that cost is hidden in the form of subsidies.

MP3s replaced CDs replaced Cassettes replaced 8-track tapes replaced albums because consumers chose, not government.

If government chose, we'd still be using albums—oh, and buggy whips. (If you haven't already done so, Google "Cuban cars" to get a good visual of how government, given enough power, stops progress in its tracks.)

The fewer the people doing a particular job, the better off society is overall, because it frees workers up to do other jobs we haven't even yet thought of.

If government had been able to protect the jobs of agricultural workers in the 1800s, 70% of the population would still be growing food, rather than the 3% or so who now do so. (Most of the other 67% are employed doing other things, with a substantial fraction unemployed or underemployed due to government mismanagement of the economy.)

A "Ponzi" scheme is defined as an investment fraud involving the payment of purported returns to existing investors from funds provided by new investors.

There is no "trust fund" for Social Security contributions as there is for annuitants who purchase annuities from insurers. Social Security, then, fits the definition of a Ponzi scheme.

Publicly-owned infrastructure such as roads and bridges are often badly neglected. 30,000 bridges in the U.S. need replacing.

Can you imagine Disneyland failing to repair or replace even one inch of a ride that needs it?

In government systems, infrastructure (capital) suffers at the hands of current payrolls and promised benefits such as pensions.

In private systems, a delicate balance between repairs, replacements, profits and payment for services, including pensions, develops with the voluntary assent of all participants.

The Costs and Benefits of an LLC

A Limited Liability Company (LLC) can provide corporate liability protection while providing the income tax simplicity of sole proprietorships or partnerships. The problem is they are being aggressively marketed to people who don't need the liability protection corporations afford. Most people who form LLCs, especially California residents, would be better off operating as sole proprietorships or partnerships.

If you have a business or rental property you are at risk of succumbing to the hoopla over LLCs. It took almost three decades watching a slowly incoming tide of clients purchasing new timeshares before finally dissecting their true costs (see the fall 2009 issue of ***Wealth Creation Strategies*** at http://www.dougthorburn.com/cmsAdmin/uploads/38-ThorburnFall09.pdf). I figured I shouldn't wait so long to address the subject of LLCs, albeit briefly because circumstances vary too much from client to client to be able to analyze specific pros and cons for a general audience.

Most clients who have formed LLCs have increased the size of my pocketbook with little or no benefit to themselves. Those who achieve net benefits are far fewer than Internet chat-rooms and radio ads would have you believe. Generally, LLCs are over-hyped and over-sold, not dissimilar to the hype favoring the use of trusts for estate planning.

Specific costs of forming and maintaining a California LLC

	Costs*	Costs	Costs	Benefits **
	Via LegalZoom	Via local attorney	With our help	
Legal document	$349 boiler-plate	About $1000 customized	Not available	
CA filing fee	$89	$85	$85	
Registered Agent Fee	$149	$0	$0	
Statement of Information	$55	$25	$0	
Obtain tax ID	$49	$0	$0	
Business license package	$74.99	$0	$0	
Tax preparation	N/A	$250***	$200-250***	
Yearly state fee	$800 minimum, plus $900 to $11,790, depending on gross income	$800 minimum, plus $900 to $11,790, depending on gross income	$800 minimum, plus $900 to $11,790, depending on gross income	The privilege of trying to conduct business in the business-unfriendly state of California
Registered Agent Fee renewal	$159 (or $288 for two years)	$0	$0	

* The price one client paid. An economy package runs as low as $99. It's the "other" costs that run a tad high.
** It's not that there are none, but they are so rare and client specific I can't identify any for a general audience.
*** Single-member LLC treated as a sole proprietor, LLC tax return only. Form 1040 Schedule C is also required.

The initial cost of forming an LLC doesn't seem like much at first blush. Those using a web site like Legal Zoom can go with their "economy package" for as little as $99. However, their regular price for a "legal document" is $349 and they tack on absurdly high fees for obtaining a tax ID number ($49), a "registered agent fee" ($149) and a "statement of information" ($55) for which little or nothing would be more appropriate fees. And they don't mention the various yearly state fees, which begin at $800 in California whether you make any money or not, or the tax preparation costs, which vary depending upon the type of LLC. Compare these costs with the price of an umbrella insurance policy covering liability of up to $3 million at about $400 per year.

Without the advice of an attorney you cannot know for sure whether an LLC would be beneficial from a liability standpoint and if you do need one how it should be customized. We can recommend an attorney for this purpose and can begin preliminary discussions on tax and filing issues, which could save you costs you later find are unnecessary.

Taking Your Profits Now and Deferring Losses: the Strange Math of Capital Gains and Losses

You may have capital gains in stocks and stock equivalents (i.e., mutual funds), land or real estate left over from the BY (Bubble Years) or losses resulting from the GFC (Global Financial Crisis, or as I prefer Great Financial Cataclysm). While we have no idea how gains will be taxed next year, we need to think about whether to "recognize" (by selling) such gains or losses and whether to offset the two in 2010. In many if not most instances, from a purely tax point of view gains should be taken this year and losses next year. The chart presented in the November-December 2003 issue of ***Wealth Creation Strategies*** (http://www.dougthorburn.com/cmsAdmin/uploads/16-ThorburnNovDec03.pdf) illustrating this idea is updated below.

It's complicated because tax law is designed by Congress and interpreted by bureaucrats and judges (the same busy-bodies who are now designing your health care program). Here's what's crucial for 2010 for the few of you lucky enough to still have profits: long-term capital gains are not taxed at all to the extent a taxpayer's "normal" (ordinary income) tax rate is 15% or lower and are subject to a 15% rate to the extent a taxpayer's "normal" rate is 25% or higher. But wait! For those in the lower brackets these do not include a decrease or complete loss of the earned income tax credit and the low income savers retirement credit, an increase in the amount of Social Security subject to tax and any number of other changes to the real tax bracket resulting in the amazing phantom tax brackets mentioned from time to time in ***WCS***. For those in higher brackets these do not include the effect of the Alternative Minimum Tax, a reduction in the various education credits and any number of other changes to the real bracket resulting from the loss of various tax benefits as income increases. Nor do the scenarios below include the effect of state income taxes.

So, you're thinking "it's November and I've got $10,000 in long-term capital gains and $10,000 in capital losses. If I sell the gains, shouldn't I sell the losses too?" As the chart below shows, probably not—and due to various changes in the law (reflected below) the long-term tax cost of selling the losses may be substantially greater in many cases than it was when the original chart appeared in 2003. The results of selling now v. selling next year for taxpayers in three different situations are described in the chart: # 1, a taxpayer in the 25% bracket in all years; # 2, one in the 15% bracket in all years; and # 3, a taxpayer in the 15% bracket this year, but 25% in all future years. Keep in mind this is not a "do-it-yourself" strategy; you'll need us to calculate the cost of losing other "phantom" tax benefits, which could easily more than wipe out the tax savings conferred by using this strategy if you're not careful.

As I wrote in 2003: "Our natural inclination is to take deductions now rather than later. I've written numerous articles over the years describing why this can be foolhardy. Taking deductions when in the zero, 10% or 15% brackets is generally not the best idea if you will have the opportunity to take them when in a higher bracket anytime within the next several years [and arguably decades in an era of 2% interest rates]. The same is true for recognizing capital losses by selling losing stocks."

The Amazing Tax Savings that Can Result by Deferring Losses

	25% bracket all years		15% bracket all years		15% year 1 -- 25% years 2-4	
	Sell Losses	Delay Losses	Sell Losses	Delay Losses	Sell Losses	Delay Losses
Year 1:						
Gain	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Loss	$ 10,000	-	$ 10,000	-	$ 10,000	-
Tax (a)	-	$ 1,500	-	$ 0	-	$ 0
Year 2:						
Loss		$ 3,000		$ 3,000		$ 3,000
Tax Savings (b)		($ 750)		($ 450)		($ 750)
Year 3:						
Loss		$ 3,000		$ 3,000		$ 3,000
Tax Savings (b)		($ 750)		($ 450)		($ 750)
Year 4:						
Loss		$ 3,000		$ 3,000		$ 3,000
Tax Savings (b)		($ 750)		($ 450)		($ 750)
Year 5:						
Loss		$ 1,000		$ 1,000		$ 1,000
Tax Savings (b)		($ 250)		($ 150)		($ 250)
Net Tax Saved (a) minus (b) =		**($ 1,000)**		**($ 1,500)**		**($ 2,500)**

Selling gains now and losses later can return 67% on your "investment" (the tax paid now) for those in column one and an infinite return for those in columns two and three. Furthermore, there are two additional advantages to taking profits: you lock in gains rather than risk future losses, and if you still want to hold the stock, there's no 31-day waiting period to buy it back as there is for losses (the "wash-sale" rule does not apply to gains). For the cost of brokerage fees you can take your gain, get the tax benefit now and buy the stock back—increasing your cost basis to today's value for the purpose of a later sale. Anyone holding capital assets (such as stocks and land) with long-term gains in the zero tax bracket should consider selling this year.

Thoughts on Taxation, Savings & Debt

The Ant and the Grasshopper, original version:

The ant worked hard in the withering heat all summer long, building his house and laying up supplies for the winter.

The grasshopper thought the ant was a fool and laughed and danced and played the summer away.

Come winter, the ant was warm and well fed.

The grasshopper had no food or shelter, so he died out in the cold.

Moral of the story:
Be responsible for yourself!

The Ant and the Grasshopper, updated:

The ant worked hard in the withering heat all summer long, building his house and laying up supplies for the winter.

The grasshopper thought the ant was a fool and laughed and danced and played the summer away.

Come winter, the shivering grasshopper called a press conference and demanded to know why the ant should be allowed to be warm and well fed while others were cold and starving.

CBS, NBC , PBS, CNN, and ABC showed up to provide pictures of the shivering grasshopper next to a video of the ant in his comfortable home with a table filled with food.

America was stunned by the sharp contrast.

How could this be in a country of such wealth, this poor grasshopper was allowed to suffer so?

Kermit the Frog appeared on Oprah with the grasshopper and everybody cried when they sang, 'It's Not Easy Being Green.'

Acorn staged a demonstration in front of the ant's house where the news stations filmed the group singing, 'We shall overcome'.

Jeremiah Wright then had the group kneel down to pray to God for the grasshopper's sake.

Nancy Pelosi and Harry Reid exclaimed in an interview with Larry King the ant had got rich off the back of the grasshopper, and both called for an immediate tax hike on the ant to make him pay his fair share.

Finally, the EEOC drafted the Economic Equity and Anti - Grasshopper Act retroactive to the beginning of the summer.

The ant was fined for failing to hire a proportionate number of green bugs and, having nothing left to pay his retroactive taxes, his home was confiscated by the government Green Czar.

The story ends as we see the grasshopper finishing up the last bits of the ants food while the government house he was in, which just happened to be the ant's old house, crumbled around him because he did not maintain it.

The ant had disappeared in the snow.

The grasshopper was found dead in a drug related incident and the house, now abandoned, was taken over by a gang of spiders who terrorized the once peaceful neighborhood.

Moral of the story:
Be careful how you vote!

Fair warning…

"Next year when I start presenting some very difficult choices to the country I hope some of these folks who are hollering about deficits step up. Because I'm calling their bluff."
—President Barak Obama

"You don't need a Mensa IQ to figure this one out. Mr. Obama's plan has been to increase spending to new, and what he hopes will be permanent, heights. Then as the public and financial markets begin to fret about deficits and debt, he'll claim that the debt is 'unsustainable' and that the only 'responsible' policy is to raise taxes."
—Op-Ed, ***The Wall Street Journal***, "The Obama Tax Trap," Friday, July 2, 2010

"The difference between Las Vegas and Washington, DC is in Vegas the drunks gamble with their ***own*** money."
—Wayne Allan Root, 2008 Libertarian Party Vice-Presidential candidate

The wealthy who delay consumption benefit us all…

"All entrepreneurial activity and job creation is the result of delayed consumption increasing the capital necessary for businesses to grow and hire. The rich, by virtue of being rich, are the most able to save. To increase their tax rates now would be to reduce the base of capital, and in the process reduce company formation and the wages of the nonrich." —John Tamny, letter to the editor, ***The Wall Street Journal***, July 21, 2010

The economics of debt…

"If savings is such a poor idea for the economy [as so many economists on the political left seem to think], let us pass a law that everyone must draw down his savings accounts, sell his investments in stocks and bonds, and go on a spending spree. After the economy's sugar rush has subsided, what will we have left to use for production tomorrow? Our children learn at an early age that it may not feel good today to be an ant, but it is much better than feeling like a grasshopper tomorrow." —Rich Miller, letter to the editor, ***The Wall Street Journal***, July 21, 2010