

The Threshold Factor

Call it a tipping point, or the straw that broke the camel's back, or a threshold – but everyone's got one. That is, a point at which an outside force or situation drives you to do something you might not otherwise do. It is a concept the average person can understand, but which the typical politician – particularly liberal politicians – cannot grasp.

Liberals seem quite unaware of human nature. It is seen in regulations that require toilets to be “downsized” and flush with less water – without any appreciation of the fact that many people may simply need to flush twice, and end up using more water than with the old commode. It is seen in burdensome regulations that affect only those businesses with “50 or more employees” – which pretty much guarantees that the company with 49 employees won't do any hiring. It is seen in minimum wage increases – which prompt businesses to hire no one rather than pay unskilled labor more than it is worth. It is seen in unreasonably high taxes – which encourage consumers to drive to the next county to purchase gasoline, cigarettes, or automobiles. It is seen in anti-discrimination legislation - which makes it so difficult and expensive to fire members of minorities that it is in the best financial interests of companies not to hire them in the first place.

Enter Presidential candidate Barack Obama, who seems to have pretty much avoided difficult decisions throughout his entire 47 years. (Voting “present” 130 times in the Illinois State Senate is not a sign of decisiveness.) Nevertheless, despite an unwillingness to make sound decisions for himself (just look at the cast of unsavory characters with whom he has surrounded himself during his lifetime), he is more than willing to make decisions that will affect 300 million Americans.

Obama's polling people may find it easy to ask Americans if they want a national health care system, but they likely haven't asked any deeper questions; questions such as, “What would you *do differently* if you had guaranteed national health care?” A question like that reveals the “threshold issue,” which can best be explained through an example.

Imagine Joe, age 57, and his wife Jane, age 55. Their children have completed college and are off on their own. They have owned their home many years, and their mortgage is low. Jane no longer works, because she has emphysema from years of smoking. Joe isn't in the best of health either; he is overweight and diabetic. Fortunately, he has worked at the same company for many years and it provides good group health insurance. Joe would like to retire, and could get a decent retirement pension that would tide him over until he starts to collect Social Security benefits, but he must keep working because he needs the insurance. Considering his and his wife's age and his health, individual health insurance policies for the two of them would be expensive. So Joe keeps working, despite no longer enjoying his job, because he needs the insurance.

Along comes candidate Obama, who promises a national health plan. No one will be turned away because of pre-existing conditions. No one will be turned away because of an inability to pay. It's a no-brainer for Joe, isn't it? Joe's threshold has been reached. He

retires, collects his pension, stays home and watches Oprah with his wife, and the taxpayer foots the bill for their increasingly expensive medical care.

How many people like Joe are out there in America today?

My fear is that there are an awful lot of people like Joe in America. A bigger fear is that there are also an awful lot of them in Mexico and other countries as well, and when they find out a free medical meal ticket is waiting for them here where the streets are paved with gold, the rest of us will be selling off pavement bricks to fund Obama's national health care. (Yes, he's planning on covering illegal aliens too, or his repeated mentioning of the nation's "47 million uninsured" would use a much smaller number.)

Clearly, some Americans will look at the list of Obama hand-outs and say, "What the heck, I'm not going to bother going to work when I can get what I need for nothing. After all, Obama and the media commentators kept saying I have a right to all those things, didn't they?" Obama will have met the threshold of those people.

At the other end of the scale is the person who owns his own business, employs perhaps 25 or 30 people, and who enjoys going to his factory every day. Let's call him Mike, assume he is age 62, and makes about \$200,000 per year. His business is doing okay, but Mike is not inordinately wealthy – and he works 10-hour days, six days per week to earn his \$200,000 per year.

Mike's employees like working for him. He's fair and even-handed, and their paychecks aren't bad considering there are no other decent jobs in the small town where Mike's factory is located. Life isn't bad for them, but many of them vote for Obama because they're nervous about the economy.

Shortly after he gets in office, Obama signs a new law allowing labor unions to organize companies without the need for secret ballots. Union representatives target Mike's factory, where they hand out cards asking whether they may be interested in joining the union. Many are reluctant, but their more radical co-workers – and threatening-looking union reps - are looking over their shoulder as they are given the cards. They sign the cards, and the union gets 51 per cent of the vote; the union is now "in" at Mike's factory – even though it may not have won the "election" with secret ballots. (There is no secret ballot election – having been dispensed with in the "Employee Free Choice Act" Obama promised he'd support in exchange for union campaign contributions.)

The union negotiates tough with Mike, and he is forced to increase wages by 24 per cent over three years. To help pay for the increased labor costs, Mike has to raise prices on the company's products. As a result, sales go down and he lays off 10 per cent of the workforce. Mike is also forced to pay a new health care tax, to help fund Obama's new national health care plan.

Because Mike earns more than \$97,000, Mike has to pay a 16.4 per cent Social Security tax on his earnings over that amount, because the \$97,000 cap has been eliminated by

Obama – who has also placed a 4 per cent surcharge on the excess as well. Mike's income taxes also go up, because Obama has allowed the Bush tax cuts to expire.

Mike no longer enjoys going to work. Every day he must sit down with his accountant to try to come up with new ways of cutting costs to save his business. Mike could possibly cash in some stocks he has held for many years, and use the gains to help the business survive a while longer, but Obama's increase in the capital gains tax would leave him with nowhere near what he needs – and he had intended to leave those stocks to his grandchildren to fund their college educations.

Mike's job is increasingly difficult, his take-home pay is dramatically less, and his satisfaction with working has gone. He reluctantly decides to shut down the business – which has been in the family for three generations – and retire at age 62.

Mike's threshold has been reached.

How many people like Mike are out there in America today?

My fear is that there are a lot of people like Mike. But the calculations of politicians who come up with tax increases to fund their new proposals don't take into account the "threshold factor" They simply assume that if they are getting a certain amount of dollars from a given tax, and raise that tax by 10 per cent, they will get 10 per cent more revenue. That is not true. In some cases, they will get nothing. Multiply the number of Mikes in the country by zero to see how much in additional tax revenue Obama will get from them.

Remember that everyone who doesn't reach his own personal "Obama threshold" will be paying for those who did...

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