



Global
Business Leadership

SHAKING THE GLOBE NEWSLETTER

Courageous
Decision-making in
a Changing World



Shaking the Taxpayer

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When I was in college, my roommate asked me where I would live if I could live anywhere in the United States. Before answering, I provided some insight into my criteria. I said that I would choose Boston if it weren't for the taxes—even then people perceived the city's taxes as too high. My roommate laughed, knowing that despite my love for environments filled with bright people and for communities rich in history and character, Boston's ridiculously high tax rates would preclude me from choosing it as a home. Massachusetts was nick-named Tax-achusetts at the time, creating a perception of the state that would deter business-minded people. Looking into the future, I am concerned that there will be no escape from high taxes if even half of the stimulus spending and half of the current government—state and federal—plans become funded. Of course, the Federal government can print more money, but in the long run, that is inflationary and destructive to a healthy economy. So the taxpayer is shaking as the government is shaking down the taxpayer.

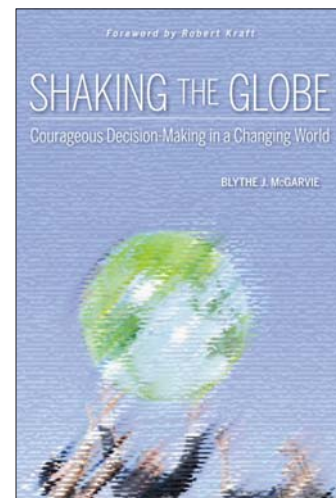
*The wages of sin are death,
but by the time taxes are taken out,
it's just sort of a tired feeling.*

— Paula Poundstone

My research indicates that one of the drivers of government spending is that government now provides many of the jobs in the U.S. The government does not produce revenue and can only fund its jobs through taxes or disguised taxes such as licenses, fees, or raising the price of consumer goods through excise taxes. Today, the civilian labor force in the United States is composed of about 155 million workers. According to the Bureau of Labor Statistics, there are 14.5 million unemployed people currently seeking work. Farm workers number 8.5 million and non-farm workers are 131.5 million. Government is the largest single employer with 22.6 million workers; but, that number excludes all military personnel and all of the people employed in public education and public health care. Education and health care employees are excluded because BLS employment records combine public and private sector employees in these industries instead of counting the public employees as government workers. A truer number of government workers is well over 30 million. If you consider the government workers and



College friends McGarvie and
Chris Brennan, *USA Today* sportswriter,
at a Chi Omega Reunion.



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the unemployed who are receiving government transfer payments, 108.9 million private sector employees are paying taxes to support at least 40 million people. This is a record high for the last forty years. Let's be aware that high public employment levels funded through government spending produces social and economic costs. In the process, our culture could change.

Other countries have experienced the seismic shift from private to public employment. For instance, since the end of World War II, the French culture has increasingly celebrated government service over entrepreneurship. As the French historian and economist Nicholas Baverez wrote: "Suffice it to say that France is the only developed country where the average remuneration of government workers exceeds that of private sector employees by 11 percent and where the average income of retirees exceeds that of active workers by 10 percent." It is no surprise that France's best and brightest eagerly seek government positions for high pay, low risk. Would-be French entrepreneurs flee the country in search of more capitalist-friendly environments such as the U.K., where an estimated 500,000 French men and women, most of them under the age of 35, have gone to seek their fortunes.

*Make the most of yourself,
for that is all there is of you.*
— Ralph Waldo Emerson

Many young Americans are currently working in Asia where burgeoning "cowboy capitalism" offers tremendous economic returns to bright aggressive people. Does America want this "brain drain"? The news media decries the compensation of CEOs and financial services companies' bonuses but says little about our loss of talent to places that offer greater rewards. Wealth in a free economy is a measure of success resulting from talent, hard work, intelligence, beauty, and dedication, created in the private sector. Let's make sure we don't turn the U.S. upside down and create a disincentive for talent in the private sector. ♦ ♦ ♦



Ellen Hancock, Board member and former CEO, with McGarvie at the Shanghai Stock Exchange.



Global Perspective: Items of Note

J.P. Donlon discusses the cost of government in "**An Entitlement Too Far,**" published in *Chief Executive*.

Laura Martin, CEO of **Capital Knowledge LLC** and LIF affiliate, publishes media research reports on **E-bay, Lamar Advertising, Time Warner, Time Warner Cable, Warner Music,** and **Yahoo.**