

THE RAND REPORT #183

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No Capital Gains Taxes! Please, No!

On Capital Gains: "The tax on capital gains directly affects investment decisions, the mobility and flow of capital, the ease or difficulty experienced to new ventures in obtaining capital, and thereby the strength and potential for economic growth." President John F. Kennedy

"The major impact of a capital gains tax, as best I can judge, is to impede entrepreneurial activity and capital formation....I have argued that the appropriate capital gains tax is zero." Alan Greenspan

Democrats want to raise capital gains taxes and Republicans want to eliminate them. 52 % of Americans own securities in some form and 8.5 million of these investors paid capital gains taxes in 2007. (There are 116 million taxpayers in the USA) The value of those assets will always decline if capital gains taxes go up because financial markets instantly capitalize higher taxes on stock profits into lower stock prices. That means capital gains taxes cause the stock market to go down as a matter of pure mathematics not supply and demand.

Let's face it; world religions, economics, and politics are all about oil, maybe not capital gains. I believe capital gains will affect your future as much as the price of oil. 60% of the world fuel consumption comes from oil! (1). Gasoline prices alone are the major concern of all world economies because consumers need fuel to earn a living, they need fuel to travel, and they need fuel to warm and cool themselves. We are all dependent upon the cost of fuel. Oil prices are the primary motivation for news media propaganda. The combined news media of TV and printed news needs fuel problems to get you to see their advertising. The consumer confidence index and the levels of investor confidence are directly affected not so much by the cost of fuel, but by how the news media creates the alarm. The US oil industry does not control prices. Many of our major oil companies accumulate cash to purchase oil on the open market because when doing so it allows us to "dollar cost average" the cost of oil and store reserves in the rapidly growing storage facilities being built in the USA. It may be cheaper to buy oil than explore for it. Supply and demand are the usual basics, but do not forget that Arab/Islamic nations and their Theocracies control fuel prices. Their profits support their religious goals, which are deeply ensconced in terrorism. Every dollar you spend on fuel supports terrorism to some degree.

Investors must also be aware of the increasing global competition for petroleum. China, Russia, and India are increasing their demand for fuel at an alarming rate. (By the way, India has a Muslim population greater than 250 million, so don't assume India is free from future terrorist problems). The most unusual increase in our society that grows faster than the demand for oil is the use of the Internet. The Internet is a USA technological wonder. Millions of messages are transmitted



"I know—what if I promise them change?"
every hour, more E-Mails than telephone calls. Wireless communications is rapidly replacing "hard lines." (That includes cell phones) Almost all information is available on the Internet. I attended a seminar on February 4th this year and heard a retired FBI senior agent, talk about terrorism and the Internet. **Yes, it was shocking.** Islam has over 1000 websites with hundreds of thousands of transmissions daily, and as difficult as it is to monitor those communications, there are as many restrictions disallowing FBI surveillance. Also, our "left wing" **Democrats have imposed strict limitations on Homeland Security's ability to monitor terrorist Internet transmission.** I believe the ACLU has designated these security protections as violations of free speech on the unfounded basis that the Patriotic Act is illegally monitoring surveillance of private citizens for all communications within the USA. The abuse of this surveillance is false and without evidence. It is political propaganda of the worst kind because it endangers our lives and country. Most Islamic communications are anti-American, anti Christian, anti capitalism, revolutionary and treasonous.

Probably the best example of news media bias regarding the threat of terrorism began with the very first US attack made by al Qaeda. **Can you name that first attack?** It was the attack on the World Trade Center in 1993. Six people were killed and about a thousand wounded or hurt to varying degrees. Al Qaeda actually failed in that attack. They and underestimated the strength of the trade center construction. The US TV and printed news coverage has been measured in retrospect as featuring this terrorist news using only 1% of the featured news, and I'm talking about the term "leading" news. Do you recall what event was most prominently featured, and I mean the other unbelievable 99% news coverage? **It was the O.J. Simpson trial!** That type of "overkill" is what I call a form of bias. There are many such examples, too many to report. We waste more time following the spoilage of Paris Hilton, Brittany Spears and other Hollywood elites as they suffer the problems of the pseudo elite icons overdosing on drugs and their other boring attempts at publicity. Today, as I write this I see congressional heads pontificating on TV about drug abuse by baseball players instead of serving the needs of our citizens. **What a waste of taxpayer money.** Why don't they solve some serious problems? My theme is that this obvious bias blocks investments. The news media is ruling our lives, and allowing terrorists activity to be relegated to "second class" news coverage. This is dangerous. **Investor beware!**

It is interesting that Muslim oil interests are expanding. It is estimated that the new petroleum reserves to be developed under and around the Caspian Sea cannot be defined and the estimated cost to develop this new field is \$137 Billion. (1). That means that the cost of developing new reserves is outlandish, yet such new development is seriously being considered. Compare such development costs to what it would cost the USA to develop Alaska. US off shore drilling costs about \$2 Billion to \$4 Billion per project. (1). The reason we have a cost advantage is our technology. Why is this significant? Because it is an indication that the future of petroleum is growing rather than declining. And here we are participating in a \$14 Trillion economy and ignoring the "oil wars" for political reasons. Our government is so obsessed with political party power and control that reality is being ignored and ignored again by the news media with a left wing "minority" bias and obvious agendas that makes no sense.

"In a world that works when 70 to 90% of the American people want something, they should get it. In the world that fails, if 70 to 90% of the people want something, the bureaucracy continues to do what's best for itself, not for the majority of the American people." (2).

To understand the "gap" between the "left" and the "right" in America, consider the following:

(An analysis of six major national surveys conducted in 2007.)

85% of Americans agree with the goal of defending America and its allies against terrorism.

93% agree that al Qaeda poses a serious threat.

85% believe Iran poses a serious threat.

79% would support the death penalty for someone convicted of carrying out a terrorist attack against the USA.

77% of Americans support closing down terrorist's websites using techniques of computer warfare.

85% of Americans believe in God.

65% of Americans favor abolishing the death tax.

70% of Americans favor a tax incentive for companies headquartered in the USA.

61% favor a flat 17% income tax rate

Only 43% of Americans think the wealthy should pay more in taxes. (That's because 57% of the people aspire to become wealthy)

89% of Americans believe religion and morality are important.

87% of Americans approve of the reference to the "Creator" in the Declaration of Independence and "one nation under God" in the Pledge of Allegiance. 6% strongly disapprove.

94% approve of moments of silent prayer in public schools; 3% strongly disagree.

"The reality is the American people are united on almost every important issue facing our country. The real division is about 85% of the people are "center/right" and 15% are considered left wing fanatics." "Not only have the news media perpetuated that myth that the country is equally divided, but the elites on the "left fringe" have also insisted that their positions hold moral superiority over the majority." "Neither is true." (2).

The Federal government is simply not responsive to the majority.

Another example; Fed-Ex and UPS can track millions of packages daily in real time as they move across the country, but the Federal government can't keep track of between 10

and 20 million illegal immigrants. Do you see the advantages of the private sector taking the place of the government in managing our lives? I'm telling you central planning and socialism will never work. Bureaucrats have no incentive to work. People must work to improve their skills and become competitive. That is what this country is all about; **Opportunity!**

Are you ready to have politics and political propaganda occupy your TV screens for the next 9 months? This election plays a most important role on your future retirements. The majority of Americans have their future invested in the US economy. It may be devastating to have your economic future now controlled by the political agenda of the news media.

To be a Democrat you have to be against capital punishment, but support abortion on demand.

To be a Democrat you have to believe that US businesses create oppression and governments create prosperity.

Democrats believe that guns in the hands of US citizens is a greater threat than nuclear weapons in the hands of communists or Islam.

Democrats believe there was no "art" before Federal funding.

Democrats believe that global temperatures are more affected by SUVs with catalytic converters than by documented cyclical changes in the Earth's atmosphere. It is seldom reported that about one third of all the costs of saving the environment or raising funds to prevent global warming is paid to attorneys.

Democrats believe that the AIDS virus is spread by a lack of Federal funding.

Democrats want change. The Bush tax cuts brought exceptional new revenues to the government. Change? Unemployment is at an all time low. Change? Interest rates at an all time low. Change? Keeping terrorist at bay. Change?

Democrats believe that it's OK to give Federal workers a Christmas holiday, but it is offensive to say, "Merry Christmas."

How about this gem? **Democrats** believe that self-esteem is more important than actually doing something to earn it.

Do I seem harsh? There is nothing that offends me more than the very idea that self appointed intellectual elitists can better run this country with central planning than the free enterprise system. Socialism has always failed, yet every new left wing liberal thinks they can better run the country for the betterment of all us hard working people. (My words)

I believe the news media has finally convinced the public that the stock market represents the economy. The media's agenda is moving forward pressing for political change and leaning to the "left." Terrorism is held in check by the US Military presence in the Middle East. If we withdraw our troops from the Middle East then Islam will dominate the Middle East oil supplies. These issues should be addressed by politicians rather than pretty speeches by **Democrats** that avoid issues. Do you think we will feel good about the USA going bankrupt as we strip society of free flowing capital?

Investor Beware!

Footnotes: (1). US Department of Commerce, December 4, 2007. (2) "Real Change," Newt Gingrich, 2008.