

## Defending Mickelson

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Elass** – Economic Analyst

Top golfer Phil Mickelson became a social-media whipping boy last week for saying high taxes were forcing him to consider “drastic changes,” in his life. We suppose these could include moving away from California, or possibly quitting golf.

Liberal bloggers had a field day, with some sarcastically saying we should all chip in to help the poor guy out with his burdens. But this criticism masks the facts.

Even if Mickelson retired from playing golf, he would earn enough from ads, appearances, and maybe golf-course design to put him in the top tax bracket. He would pay 39.6% in federal income tax and 13.3% in state taxes to California. Factoring-in the deductibility of state income taxes (as well as the “Pease” phase-out of those deductions), his combined tax rate is 49%. Medicare taxes push his marginal rate to 52%. So, the government takes more than half of what he earns. If we add sales taxes on consumption, the total moves to 55%.

But it gets worse. Mickelson already has enough wealth to satisfy him and his wife for the rest of their lives. So, in effect, he's really just working for his kids. But his estate, which is grown using after-tax dollars (just 48% of income) will get taxed at a 40% rate when he dies. After this death tax, his

children will be able to consume only 29 cents for every \$1 their dad earned, 26 cents if we include California sales taxes.

No one is arguing his kids are headed for the poorhouse. But knowing how little extra spending he can generate from extra work, Mickelson and other high earners would be crazy not to consider “drastic changes.” When golfers, business executives, brain surgeons and many others retire early because of high tax rates, we all end up losing. We pay more for what they produce and the government gets less revenue.

Free citizens have choices, like where to live and whether to work. When the government breaks the basic link between how much government costs and the benefits it provides to taxpayers, it is the government that should come under scrutiny, not the citizens that consider making changes to avoid the cost.

French actor Gerard Depardieu recently fled France’s confiscatory tax hikes, taking up Russian citizenship and heading for Belgium, instead. The only way to stop this migration is for politicians to make “drastic changes” in the size, scope and cost of government. Until then, individuals, like Mickelson, will react to protect themselves.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
1-28 / 7:30 pm	Durable Goods – Dec	+2.0%	<b>+3.0%</b>	+4.6%	+0.8%
7:30 am	Durable Goods (Ex-Trans) – Dec	+0.8%	<b>+1.2%</b>	+1.3%	+1.6%
1-29 / 9:00 am	Consumer Confidence - Jan	64.0	<b>65.0</b>		65.1
1-30 / 7:30 am	Q4 GDP Advance Report	1.2%	<b>0.9%</b>		3.1%
7:30 am	Q4 GDP Chain Price Index	1.5%	<b>1.5%</b>		2.7%
1-31 / 7:30 am	Personal Income – Dec	+0.8%	<b>+1.0%</b>		+0.6%
7:30 am	Personal Spending – Dec	+0.3%	<b>+0.3%</b>		+0.4%
7:30 am	Initial Claims Jan 26	350K	<b>345K</b>		330K
8:45 am	Chicago PMI	50.5	<b>49.2</b>		48.9
2-1 / 7:30 am	Non-Farm Payrolls - Jan	160K	<b>145K</b>		155K
7:30 am	Private Payrolls – Jan	164K	<b>150K</b>		168K
7:30 am	Manufacturing Payrolls – Jan	10K	<b>25K</b>		25K
7:30 am	Unemployment Rate – Jan	7.8%	<b>7.7%</b>		7.8%
7:30 am	Average Hourly Earnings – Jan	+0.2%	<b>+0.2%</b>		+0.3%
7:30 am	Average Weekly Hours - Jan	34.5	<b>34.5</b>		34.5
9:00 am	ISM Index – Jan	50.5	<b>49.7</b>		50.7
9:00 am	Construction Spending – Dec	+0.6%	<b>+0.9%</b>		-0.3%
Afternoon	Total Car/Truck Sales – Jan	15.2 Mil	<b>15.4 Mil</b>		15.3 Mil
Afternoon	Domestic Car/Truck Sales - Jan	12.0 Mil	<b>12.0 Mil</b>		11.9 Mil