



Written by [Ralph R. Reiland](#) on June 12, 2012

Jobs and “the Rich”

SEA ISLE, N.J. — How many pretzels does it take to build a castle in the sand? How many cans of jalapeno dip does it take to build a \$30 million mansion on the ocean so huge that it makes the neighboring \$10 million beach houses look somewhat run-of-the-mill, even puny?

Well, the lawsuits are over and the 14,000-square-foot beachfront mansion built by Utz potato chip and pretzel magnate Michael Rice and his wife Jane is up and running on top of the dunes in Avalon, the tony beach town to the south of us in South Jersey.



The anti-mansion demonstrators are gone — some way gone, having moved out of town in disgust after failing to stop the building of a mansion on top of Avalon’s High Dunes, a unique two-mile stretch of undeveloped maritime forests and sandy grasslands along the ocean, one of the few such pristine areas remaining along the East Coast.

Last June, I interviewed one the organizers of the lawsuits and protests against Rice. “No one needs a house that big,” she said. “He already has a vacation house here that’s big enough.”

She was right about Rice’s former home in Avalon being “big.” A snazzy beachfront manor with a library, elevator, spa, seven baths, and seven bedrooms, it was on the market last year for \$12 million.

The new house reportedly has 10 master bedrooms, 13 bathrooms, a pool, and a maid’s quarters. And a better view — from the top of the dunes, you can see both the ocean and the bay.

On the “needs” part of her comment, however, the anti-mansion community organizer sounded too much like Obama when he said we shouldn’t be reducing federal deficits by cutting programs while simultaneously allowing others to keep money that they’ve earned but “don’t need.”

Who will be the judge of who needs what? Which agency or bureaucrat will decide if anyone needs a \$1 million Ferrari Enzo or a \$10 million yacht? Who will decide that the workers building the new mansions, yachts, and Ferraris should be out of work?

As France’s new Socialist president, Francois Hollande, famously said, “I don’t like the rich.” His idea of “fairness” is to raise the top tax rate in France to a confiscatory 75 percent on incomes over 1 million euros (\$1.27 million), and that’s on top of France’s real estate taxes, a value added tax on consumption that tops out at 19.6 percent, a gasoline tax of \$4.50 a gallon, and other assorted levies.

Also on the agenda of the French redistributionists are new and higher taxes on wealth, second homes, and inheritances.

On February 27, two months prior to his election victory, Hollande declared, “What I don’t accept is indecent wealth, compensation that has no relation to talent, intelligence or effort.”

It’s not clear which members of France’s newly empowered Socialist Party or committee of levelers will be authorized to determine what is an “indecent” amount of compensation for the innumerable types



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Two weeks after Hollande’s election, Bloomberg News reported on the initial and predictable response of “the rich” in France: “It’s open hunting season on wealthy people in France,’ said Francois Micheloud, a partner at Lausanne, Switzerland-based Micheloud & Cie., which helps foreigners relocate to the Alpine nation. ‘The number of French asking for assistance has tripled in the last 18 months.’”

A headline in Der Spiegel tells the same story: “Wealthy French Take Their Assets To London.” In 1990, employing the same rhetoric we’re now hearing in France and from the White House about getting “the rich” to pay their “fair share,” Congress passed a 10 percent “luxury tax” on high-end jewelry, aircraft, and yachts.

“Within eight months after the change in the law took effect, Viking Yachts, the largest U.S. yacht manufacturer, laid off 1,140 of its 1,400 employees,” reports George Mason University economics professor Walter E. Williams.

By the time the law was rescinded in 1993, Viking Yachts was down to 68 employees.

Not far from where we are in Sea Isle, Egg Harbor Yacht, one of the oldest boatyards in South Jersey, filed for bankruptcy and laid off its 250 workers in 1991, a year after the yacht tax was enacted.

“When it was all over, 25,000 workers had lost their jobs building yachts, and 75,000 more jobs were lost in companies that supplied yacht parts and materials,” states Williams. “The Joint Economic Committee concluded that the value of jobs lost in just the first six months of the luxury tax was \$159.6 million.”

And the impact of the luxury tax hike on deficit reduction? Instead of adding the projected \$31 million to federal coffers in 1991, the net effect of the luxury tax was \$7.6 million more in federal red ink in fiscal 1991.

The impact of the luxury tax on “fairness” and equality? Workers lost their jobs and “the rich” still had their preexisting yachts. The redistributionists aimed at the wealthy and hit the middle class.

That’s not unlike the scenario at the Utz house. If the protesters had been successful in stopping the construction, the Rices would still have their preexisting \$12 million beach house and the carpenters, roofers, landscapers, etc., would have paid the price with higher levels of joblessness.

Rather than judging what the Rice family “needs” and carping about the home’s number of master bedrooms, the picketers should have been counting the number of contractors’ trucks lined up in front of the house during the three years of construction.

In addition to those on-site jobs, add the number of jobs in manufacturing, marketing, and shipping for all the sinks, beds, tables, cabinets, chairs, roofing, stone, appliances, doors, windows, landscaping, etc., and new home was a one-man stimulus package.

The protesters may sneer at “the rich” and “unfair” advantages but Utz Foods began as a family business in 1921 when William and Salie Utz began making potato chips in their home in Hanover, Pa., producing 50 pounds of potato chips per hour in their kitchen.

Now in its third generation as a family business and still in Hanover, not China, Utz currently employs 2,200 people and is the largest independent privately held snack brand in the United States, producing a million pounds of potato chips and 900,000 pounds of pretzels per week.

That’s not unlike the Heinz story in my hometown of Pittsburgh. Now a Fortune 500 company, Heinz



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got its start when eight-year-old Henry John Heinz began selling vegetables to neighbors from his family's garden. At the age of 12, Heinz was growing horseradish root on several acres and selling his homemade horseradish door-to-door in a wagon.

It is precisely that spirit of entrepreneurship, new ideas, risk taking, investing, productivity, and ambition that we have to commend and incentivize, not demonize, if we want a society with more growth, more employment, less joblessness, and less poverty.

As Milton Friedman put it, succinctly and accurately, "So that the record is absolutely crystal clear, that there is no alternative way so far discovered of improving the lot of the ordinary people that can hold a candle to the productive activities that are unleashed by a free enterprise system."

Ralph R. Reiland is an associate professor of economics and the B. Kenneth Simon professor of free enterprise at Robert Morris University in Pittsburgh.



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