

Unfair and Absurd



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"It would be unfair and absurd" for businesses to pass on the cost of increased taxes to their customers. So said White House press secretary Jen Psaki in a press briefing on September 28, 2021.

The comment reflects at best, a child's understanding of business and the economy, at worst a demagogic appeal to resentment and jealousy for political purposes.

If a business does not pass on costs, its profits decline. That fact garners little sympathy among the uninformed. Psaki's comment shows that she doesn't care. People with that mindset see profit as synonymous with greed. Many of them think profit means fat cats smoking cigars and driving new cars. In their minds, profiteering businesses should be willing and able - or forced - to sacrifice profit to pay taxes.

Profit is NOT greed, and it is not optional. Profit is an absolute business necessity. No business can survive by simply swapping dollars between income and expense. Businesses that perpetually "break even" fail. Profit enables businesses to adapt to change. Profit enables businesses to finance customer accounts receivable, to retire debt, to buy inventory, to buy equipment and facilities, to grow, to innovate, to hire more people, to survive economic downturns, to recover from mistakes and losses, and, most importantly, to incentivize owners to accept the risks of creating the businesses that provide for all of us. Every one of those things must be purchased with profit.

Do not doubt that Ms. Psaki understands profit perfectly well when it comes to her personal finances. She understands that her salary must exceed the cost of living in Washington and preparing for and commuting to work. In other

words, she must earn a profit at her job. That profit is necessary to sustain her ability to live and to continue to work. If the cost of living in Washington rises, she would not consider it unfair or absurd to ask for a raise to pass through the increased cost to her employer. Her employer would not be compelled to grant her request, but neither are customers compelled to buy products at higher prices. In regard to finance, there is no difference between Psaki's personal finances and those of a business.

Unfortunately for us all, Psaki's thinking reflects that of many people of influence whose ignorance leads to dangerous arrogance. A glance at the news tells us that there are a great many unfair and absurd ideas in circulation today. The idea of a business passing on increased costs to customers is not one of them.

If you have any further questions, please don't hesitate to mail me at Martin@annealbc.com or visit www.annealbc.com



Martin Holland

Martin Holland is the son of a successful entrepreneur. He grew up hearing about margins and markets, R&D and sales, risk and return on investment. He learned to love the language and rigors of business and grew to believe that business is both the most human of all endeavors and the highest calling. After selling a company in 2011, Martin became a coach in order to help other owners build profitable businesses that do not require their day-to-day involvement.

A native of Norman, Martin earned a B.A. degree from Hastings College in Hastings, Nebraska and a Masters in Business Administration degree from the University of Oklahoma. Over the past 7 years he has written business plans that have raised over \$52.4 million in bank and investor financing. He has helped 157 (and counting) business owners reduce stress and increase performance through clarity of purpose, better marriages, more money, and more free time away from the business.