

Experience

The Steel Industry

In 1980, Gensler held a summer internship in the Economics Department of the World Headquarters of Bank of America (B of A). Gensler was asked to analyze the U.S. steel industry. Japan had been killing American steel companies for about ten years, and the financial community had reached the end of its patience. The word was out. Steel was not going to turn around, and the banks weren't willing to float the cash flow any longer.

Gensler found that the steel companies' losses were large, but they were only one percent of revenues. The assets held by these companies were enormous. The steel companies also owned iron ore mines, coal mines, coke mines, forests, and railroads. The asset base for each company was ten to a hundred times greater than their revenues, and of course a thousand to ten thousand times their annual losses. Gensler also noted that the demand for capital goods was expected to increase substantially in five years, thereby increasing the demand for steel. Gensler argued that there was absolutely no risk of loss to the bank. With such large assets, the loans were safe. B of A should continue to finance their cash flow problems.

Gensler not only prevailed in keeping B of A in steel, but Gensler's findings and recommendations served as the basis for the lead article of the Bank's Annual World Economic Report, which convinced the nation's financial system to continue to support the American steel industry.

Gensler saved American steel for five more years. Unfortunately, it was the policy of the American government to over-build Japan's industrial base so that in the event of a war with the Soviet Union, Japan could produce ships and tanks and guns and bombs and bullets AND still have enough manufacturing capacity to continue to meet Japan's domestic needs as well. Washington had no intention of saving Pittsburgh. Japan continued to illegally dump steel in the U.S., the steel companies weren't allowed to make a profit, and America lost a strategic industry.

The State Assembly Race

Upon graduation from Berkeley, Gensler returned to Southern California and taught law and tax at Northrop University and worked in the administration. He also ran for State Assembly. Gensler campaigned on a platform of tax reform.

California had passed Proposition 13 in 1978 which limited the property tax rate to 1% and froze assessed values at their purchase price. Since the property tax is a deduction for federal income tax purposes, about 30% of the tax savings was lost to higher federal income taxes. Since commercial property rarely turns over, and residential property turns over in seven years on average, the frozen assessment resulted in only a

four-year average reduction for residents, but a virtually permanent reduction (dating to 1975) for commercial property. Commercial property is owned by both in-state and out-of-state entities, so California was exporting the tax break out-of-state in large measure. Finally, young people did not have the chance to buy property at low values, so parents (and grandparents) have designed a system to concentrate taxes on their children. Needless to say, this was not a well-thought out tax system. The Supreme Court called it stupid, but said there was no Constitutional protection against stupidity.

Prop 13 had devastated California's educational system. California fell from the top of the rankings in funding for schools to 49th, consistently beating out Mississippi.

Gensler recommended that the tax roll be split and that commercial property be assessed currently. Commercial property owners made money off the use of their property and could better afford the tax. This would restore some equity to the system, raise badly needed money for schools, and not jeopardize the sacrosanct (but misunderstood and ill-advised) residential tax relief.

Gensler garnered more votes than any other candidate who didn't get elected to the Assembly that year. Later, Governor Pete Wilson would propose the exact same idea to the voters through an initiative, which also failed. Directly after the election, Gensler was appointed Dean of the School of Law at Northrop University, making him the youngest dean of an accredited law school in the nation.

Northrop University

Gensler spent four years at Northrop University. He doubled the law library, greatly increased the size of the entering class, raised the academic standards, eliminated grade inflation, increased the bar pass rate, improved the standard of the law journal and hired a new faculty – with one of the highest ratios of advanced degrees in the nation. He published ten articles in the areas of tax policy and legal education. He also wrote an epic poem. Gensler decided to move to Washington and work in his area of professional and academic interest, tax policy, specifically tax simplification.

Gensler took the President to lunch as an expression of gratitude. They had a pleasant lunch, and at the end of it, the President turned to Gensler and said that Gensler was the best administrator that they had ever had, and he didn't want to lose him. The President offered him any job he wanted. Gensler said "provost." Gensler would be the chief internal operating officer. The President would handle external affairs: fund raising, the Board, international contacts and recruiting, etc. The President agreed.

Over the next couple of weeks, the President disagreed and re-agreed five times. Having been appointed and then dis-appointed to the position five times, Gensler finally just left. At one point, the President had commented that Gensler did not have a Ph.D. At the time, J.D.'s and Ed.D.'s were the heads of the University of California, Harvard, and several other major universities. Oh well.

The IRS

Gensler then moved to Washington, DC in the Summer of 1987, shortly after the passage of the Tax Reform Act of 1986. Gensler was an advocate of tax simplification. Ronald Reagan had started the tax reform movement with a plan to simplify taxes. Howard Baker, Secretary of the Treasury, immediately hijacked that initiative and substituted his own plan for reform. There was plenty of reform in the bill, but no simplification. An already horrendously complex body of law was made vastly more complicated. 1986 saw more retirements from the tax field than any year on record.

Gensler was intent on working on real tax reform. Gensler knew that one of the complicating factors of the bill, the Alternative Minimum Tax (AMT), was systematically unstable. By deferring depreciation deductions, the AMT would only raise taxes for about ten years. Then the deferred depreciation would kick in and the AMT would fail to increase tax burdens – its job. The tax code was, in effect, front-loaded, and would flip over like the Titanic. Once the AMT wasn't bringing in extra revenue, Washington would start to call for a new reform – one that would always screw taxpayers. Gensler hoped to push the next reform movement in the direction of helping taxpayers for a change.

Gensler showed up on the doorstep of the IRS and received three job offers within 24 hours in the middle of a hiring freeze. Gensler took a position with the Legislation and Regulations Division (“L & R”), the people who actually write the tax regulations. Gensler was assured by the Director that this division was the main tax policy division and that Gensler would have an opportunity to discuss his ideas with those who mattered.

Gensler was handed the State and Local Tax Exempt Bond Arbitrage project, the most difficult task the IRS had ever faced. The project had burned out three of the finest attorneys that the IRS had in five years. Hundreds of billions of dollars of bonds were affected by the regulations, leaving New York brokerages at enormous risk. These regulations had to get out, and they had to get out fast. New York was freaking out over the delay.

The Chief Technical Adviser of the IRS (“John”) was personally over-seeing the project. The IRS is “owned” by the Treasury Department. Even though the IRS does all of the work, the regulations are known as “Treasury Regulations,” not “tax regulations,” and certainly NOT “IRS Regulations.” If the Commissioner of the IRS signs off on a regulation, the lowest attorney at Treasury could veto the regulation. Like I said, Treasury “owns” the IRS. The Treasury attorneys are very aloof. And by very, I mean VERY. One Treasury attorney hadn't returned a call from an IRS attorney for two years. The IRS attorney retired, never having received a return call.

That particular attorney (“Mitch”) was, like other Treasury attorneys, very well-educated, very intelligent, very experienced, and very accomplished. He was also a national authority in the field of tax exempt bonds. There was one more distinguishing feature about Mitch. He was also something of a legend in Washington. Apparently, he

had succeeded in pissing off Congress. Not just “a congressman,” mind you, but “Congress.” All 535 of them.

Apparently, when YOU want tax advice, you call the IRS, and they might give you the right answer. Or not. You better get a name and record the date when you talk to the dweebs at the IRS.

However, when someone in Congress wants to know something about taxes, they call the Treasury Department. They’re not total idiots, after all (unlike you, the American taxpayer). Not surprisingly, the tax law – being vast – is divided into sections. Everybody gets a different section. If a Senator has a question in your area, you get the call. Unless you’re Mitch.

Apparently Mitch calls people stupid. Now, everyone in Washington calls everyone else stupid. (Surprisingly, they are all right.) However, Mitch is apparently the only person in Washington who does it to their face. Mitch pissed off Congress. No one in Congress will call Mitch.

Now, you are probably thinking, why don’t they fire Mitch? Frankly, I just don’t know. Mitch was an authority in a very technical area which – in private practice – earned jillions of dollars a year. They may not have fired Mitch because he would have been impossible to replace. I’m going with that theory.

Congress was not the only group to feel the brunt of Mitch’s ire. Apparently he hated the IRS. Not all 5,000 IRS attorneys working at 1111 Constitution Avenue, NW. Just every single one he ever met – except John. He seemed to get along with John. So, the rule at the IRS was, anyone (besides John) who met with Mitch had to bring someone along with them -- I assume to either act as a witness or to carry away the dead body. Mitch was known to be harsh. Mitch yelled at people. People crumbled.

None of this was explained to Gensler when he had his first meeting with Mitch and John – on his second day on the job. Some IRS attorneys go years without meeting with anyone from Treasury. Meeting with someone from Treasury was a momentous occasion for anyone at the IRS. No one at the IRS had ever met with a Treasury attorney on their second day at the IRS. Ever.

Before I describe this first meeting between the tax world’s equivalent of Abraham and the Burning Bush, let me explain a little bit about the project. The problem was that state and local governments could issue federal tax-free bonds. Accordingly, those bonds paid less interest. The locals could then reinvest the principal in taxable bonds, which paid more interest. They could then keep the difference, in effect ripping off the federal government. This took the private bar about five minutes to figure out. Locals have been doing it ever since. It took the federal government over seventy years to notice this. Like I said, they were right about the candle power of everyone in Washington. Our regulation project was going to close this loophole. Locals could

continue to issue tax-free bonds, but they couldn't do it just to rip off the feds. They had to use the money to actually build something.

The project, it turns out, is a killer. It apparently is really rather complicated to figure out exactly how much interest to refund. There are a lot of moving parts to these transactions. Gensler had been reading up on the topic non-stop. Mitch and John got together and explained that they would use future values instead of present discounting in order to determine the amount of arbitrage to refund. Now, Gensler had been reading dry, technical bond books for about twenty hours straight preparing for this meeting. Gensler, in other words, was a zombie by now. However, even in this diminished state, Gensler knew that present discounted value and future values were algebraically equivalent. They were tautologically identical. If present discounting didn't work, neither would future valuing. If future valuing worked, so would present discounting. Gensler immediately knew that he was in the presence of two morons. This was the best that Washington had to offer. Gensler immediately realized that, as a country, we were doomed.

The really big problem was that Mitch and John actually took an hour to describe this idiotic plan and then to congratulate themselves over the brilliance of it. Gensler was completely over it in the first minute and a half. Gensler had to politely sit through this mutual admiration club and repetition of banalities for an additional 58.5 minutes – while being completely fried. Gensler is unaware of the exact number of times he passed out at this meeting. However, Gensler was confident that whatever the number was, it was not a good number, and that upon the return to his office, he would be fired. Gensler was looking forward to it.

Mitch and John agreed that Mitch would draft the definitions of the regulation, and John would draft the computation part. They would meet in one week. Gensler, being brand new, did not realize that something was seriously wrong in the state of Denmark.

Apparently, it was Gensler's job to draft the regulation. The Chief Technical Adviser of the IRS did not draft, he advised. Treasury did not draft. They reviewed and approved, but they did not draft. This agreement, had it been known by anyone back at the IRS, would have hit like a truck bomb. It was conceding jurisdiction, and that is a cardinal sin in DC. Fortunately, no one knew, and Gensler didn't realize that it was earth-shatteringly worthy of comment. Gensler just kept on doing his job, which was to read.

The week passed, and Mitch, Gensler and John met in John's office, which was next door to Gensler's. Mitch produced his draft of the definitions and asked for John's section. John looked Mitch in the eye and said, "I don't have it."

I don't know if you have ever seen a grizzly bear and Labrador square off for battle. Now, a grizzly bear is a mean son of a bitch and he knows he's going to win. A Labrador has way more guts than brains and he doesn't realize that he is going to get the

holy hell kicked out of him. This was Mitch and John. John did not know that he was not the grizzly.

Gensler, however, did know that John was not the grizzly. Gensler knew that right there and then, Mitch was going to kill Gensler's boss. Gensler wasn't emotionally attached to John. Gensler didn't owe John anything. This certainly wasn't worth dying over – which seemed to be a substantial risk. But Gensler ignored common sense and the prime directive of Washington (save yourself first), and butted in with three words that no one has ever said in Washington: “It's my fault.”

Well, that certainly got their attention. The two immanent combatants turned to Gensler and said, “What?!” Gensler explained, “I was supposed to draft the formula for the interest rebate and I just haven't finished it yet. John can't do his part until he gets my part. It's my fault.” “Oh,” said Mitch, “Well, OK. I can understand that.”

Gensler had done it. He had thrown his body onto the railroad tracks with two on-rushing trains coming and had not only lived, but had saved the trains. Mitch had bought it. It wasn't true, of course. Gensler hadn't been asked to do anything, but the lie had saved a man's life. It was worth it.

Then John did it. John looked at Gensler, then he looked Mitch in the eye, and he said, “That's not true. The truth is that I am not a drafting attorney anymore. I've done my time, and I'm just not going to do it anymore. I'm not going to draft this reg.” They immediately turned back into the grizzly and the Labrador.

“Then why the hell did you AGREE to draft the reg, you idiot!” Gensler thought that. He knew enough not to say it. Instead of stating the obvious, and dooming John to an instant and well-deserved death, Gensler took one last look at the two of them, rose, and said, “Well, I guess you two have something to talk about, and you don't need me to do it.” With that, Gensler exited, went to his office, and shut the door.

The longest fifteen minutes of Gensler's life then passed. Then there was a knock at the door. The door opened, and in walked Mitch, who calmly explained, “Look, I know it's your job to draft this reg, but this reg is five years overdue. I am a national authority on this area of law. Now, I don't know you. You might be very bright. But it's just a fact that if you were a genius, it would take you two solid years to learn this area of law. It would then take you a year just to get out a first draft. I'm not waiting three more years for a first draft. I'm drafting this reg myself, and I'm going to get it done in six months. There's absolutely no way anyone on this planet is going to beat me in getting this reg drafted. I'm THE expert on this subject. So, it's just you and me kid. You can stay on this project or not. I don't care. If you want to call me up and talk about the project, I don't care. I'm just letting you know that you really are wasting your time, though, because I am going to draft this reg. So, see you 'round, kid.” And with that, he closed the door quietly and walked out of the building.

Holy crap. What did he mean, “It’s you and me, kid.” Gensler got up, dazed, and walked into John’s office. John wasn’t there. Gensler walked out into the secretarial area, which was the only way out, and asked the two secretaries, “Did you see John leave?” They hadn’t. No one saw John leave. This is the fourth floor. There is no other way out. It wasn’t possible to get past both secretaries unnoticed. John wasn’t in his office. John wasn’t in any other office. And he hadn’t left the building. Then it hit Gensler: Mitch had eaten John. Apparently, John should have followed that rule about having a witness.

The next day, Gensler was called into the Director’s office. The government is very hierarchical. It’s just like the military. Privates don’t associate with sergeants. If a sergeant wants to see you, you are going to get your butt kicked. Period. A private would never see a captain. Captains talk to lieutenants, who talk to sergeants, and so on. Well, Gensler was a drafting attorney, the equivalent of a private. The branch had a chief, the equivalent of a sergeant. The Director was calling Gensler in, and he was the equivalent of a captain. This would be bad.

The Director told Gensler that, in fact, John was gone and wasn’t coming back. (Of course not. He’d been eaten.) The Director also explained that he had been informed that Mitch was drafting the reg. “This isn’t good, Gensler. It’s the IRS’s job to draft. We can’t let a precedent be set here.” Then he looked at Gensler, like, “And what are you going to do about it?” Gensler replied, “So what do you want me to do? Go over to Treasury and order Mitch not to draft the reg?” The Director squirmed uncomfortably as the implications of such a plan played through his head. “Well, no, we can’t exactly do that.” Translation: “There would be blood on the walls.” So then he came up with a competing, completely ludicrous, impossible plan: “Can you beat him?”

He meant, can Gensler not only complete a regulation project that the three brightest attorneys at the IRS couldn’t do, and do it NOT in three to four years as expected, but in UNDER six months in order to beat a national expert who has twenty years of practice in this area? Gensler smiled, looked the Director in the eye, and replied, “No problem.”

The Director beamed a huge smile, said “Great,” shook Gensler’s hand, and dismissed him. “Wow,” Gensler thought, “that was easy.”

Gensler plowed ahead, making decent progress. About once a week, Gensler would happen to cross paths with the Director in the hall. The Director would always ask, “How’s it going?” Gensler would reply, “No problem.” The Director would smile, and say, “That’s my man.” Every couple of weeks, Gensler stumbled upon some issue which either wasn’t clear or as a matter of policy might be handled in two different ways. Gensler would call Mitch up and ask to come over. Mitch always agreed. Gensler would walk over to Treasury, consult with Mitch for less than five minutes, resolve the issue, and leave.

One day, somebody found out where Gensler had been going. On returning to the building, Gensler was surrounded by three IRS attorneys, colleagues of Gensler's. "Are you alright?" they asked, wide-eyed and concerned. "Sure, why not?" "We heard you went over to Treasury." "Yeah, so?" "And you met with Mitch!" "Yeah, so?" Then they explained the Mitch Rule (have to have a witness), and why there was a Mitch Rule (he destroys people). "Are you sure you are OK?" they demanded. "Yeah. I'm fine. I go over there all the time. We get along great."

Then one of the three exploded. Apparently, he was the attorney who hadn't received a return call in two years. Gensler was on a first-name, come-on-over-anytime-you-want basis with Mitch. The other attorney stormed off in an apoplectic rage. Oh well.

Gensler got called into the Director's office. Again. "I hear you've been going over to the Treasury Department." "Yes sir, that's right." "Well, Howard, we work for the Treasury Department. There's a protocol involved in going over to Treasury. We just don't waltz over to Treasury anytime we feel like it. Some people here at the IRS have never even been to Treasury." "Look," Gensler replied, "I am working on the hardest regulation project ever to hit the IRS. The Chief Technical Adviser has gone missing. No one in the building knows the first thing about this area of law. And you want me to beat a national expert on this subject in a drafting race. Who do you want me to consult with?" The Director apparently wasn't expecting any back-talk. He looked uncomfortably at Gensler, probably feeling like he had been painted into a corner. He couldn't very well tell Gensler to do the impossible and to do it with absolutely no help. "Well, how about if you inform my office when you are going over to Treasury?" "Sure, no problem."

Gensler got a new Branch Chief ("Ann"). Ann turned out to be a man-hater, and did everything she could to make Gensler hate his job. She spent most of her time in her office with other female attorneys whining about men. Ann had made Branch Chief in just five years, which was probably a record. It was hard to see how all this sex-discrimination from men that she complained about incessantly had hurt her career. Anyway, Ann decided that she wanted to meet Mitch.

This was a bad idea. Mitch tolerated Gensler because Gensler raised interesting points, never asked an obvious question, and kept their meetings very short. No small talk. No wasted time. This woman wanted a tea party. Mitch didn't do tea parties.

Gensler called Mitch and explained his problem. He had a new boss, and the new boss wanted to meet him. Gensler apologized, and asked if he would mind meeting with her for a few minutes. Mitch very courteously agreed to cooperate. Aside from having eaten John, Gensler thought Mitch was a great guy.

On the way to the meeting, Ann explained that the IRS hired anything with a pulse, but that Treasury attorneys were top-notch, no exceptions. Very few IRS attorneys ever made it over to Treasury.

At the meeting, Mitch was polite, and explained that the delay in this reg project was imposing an unacceptable amount of risk on the issuance of hundreds of billions of dollars of bonds, and this issue had to get resolved, and fast. He was going to do it. Mitch agreed that Gensler was really getting on top of the problem, but it would be impossible for anyone to get a draft out in under two years, and Mitch would be done in a few months.

Gensler chimed in, "I'm not saying that you're not right, but I'd like to take a moment to talk about the interest rate. When we calculate the refund, should we use the tax-free issue rate or the market rate?" Mitch chose the issue rate. Gensler came back, "Well, since we are using a future value calculation, there won't be a difference between what they earned and what they were allowed to earn." Mitch thought for a second and agreed, "You're right. We have to use the market rate that they have reinvested the funds in." Game over. IRS 1. Treasury 0. On the way back to the IRS, Ann begrudgingly admitted to Gensler, "You could make it to Treasury." However, she still continued to grind Gensler miserably.

Gensler had been at the IRS about four months and was almost done with a draft when a ghost walked in the door: John. Gensler greeted John incredulously, "I thought you were dead." "No, just had a bit of a nervous breakdown. Took some time off."

John was "back" now. John had been asking for three years to get off the tax-exempt bond arbitrage project. It had been killing him. The IRS refused to let him off. He was the only one who had a chance of doing it, and they needed it done. His breakdown had convinced them that his request had been sincere and that they should let him go. He didn't know what we wanted to do instead, so he was back on the clock. His job: to think about where he might want to work. That's right. He was being paid to sit in his office and to walk the halls and to think about what aspect of the tax law he might want to go work on. It only took him a couple of weeks to decide.

Gensler was dangerously close to finishing the project. John got caught up in the excitement. He made his decision. John wanted to be reassigned back on to the tax-exempt bond arbitrage project. Management was dumb-founded. "You want to go back?!" They let him. Unfortunately.

John, to date, had written the reg for the technically most difficult project. It concerned the rules for determining whether certain corporate instruments would be deemed debt or equity. The reg was so sophisticated and written in the typically impervious IRS style that no one could understand it. It was considered a masterpiece of drafting. However, the IRS attorneys couldn't understand it. The taxpayers couldn't understand it. Private attorneys couldn't understand it. And the judges especially couldn't understand it. The result? A lot of people spent a lot of money arguing over what it meant. A lot of taxpayers were wrongfully prosecuted for tax evasion that they didn't commit. The private attorneys tended to be smoother in their presentation to the court and won a lot of cases over the less-experienced IRS attorneys, depriving the

government of tax revenue to which it was entitled. In other words, it was an unmitigated disaster when evaluated by any rational criteria, but a masterpiece from the warped point of view of the Mandarins at L & R.

Gensler believed that simplicity was not merely a virtue, but a legal requirement when drafting laws. The citizens had to know what their government was requiring of them. Gensler not only finished the reg in under six months, but he had written it so clearly that anyone could understand it. Gensler had actually used complete sentences in drafting the reg.

If you ever look at the tax code or regulations, you will notice that every sentence refers to another section of the tax law. Those sentences refer to other sentences, and so on. Accordingly, it is technically impossible to ever actually completely read a sentence in the tax law. Gensler had simply begun with a definitions section and then just used those words thereafter without referring back to their definition. This made it much easier to understand the reg.

People at the IRS were shocked, especially John. Ann turned white and stammered, “But you can read this!” John’s reaction was more severe. He locked the reg in his desk. No one was ever going to see an intelligible reg while he was around. Gensler was given mind-numbingly stupid projects that were ill-defined to waste his time thereafter. Finally, over a month later, Mitch finished his draft (“winning” the race). Gensler was told to proofread Mitch’s draft. Gensler noticed that, despite clarifying the refund calculation issue for Mitch, Mitch had still gotten it wrong. Gensler had to fix Mitch’s draft so Mitch could beat Gensler in the race that Gensler had already won. That was fun.

Gensler submitted his resignation. At the IRS, the rule was that you had six months to decide if you wanted to work there, but if you were going to stay more than six months, you had to stay for at least two years. The IRS didn’t want to get used just for training purposes. Not that Gensler received any training there. Some abuse, yes, but no training.

Gensler had met the Associate Chief Counsel of the IRS (“Craig”) at the L & R Christmas Party. They had struck up a friendship. This was like a private socializing with a colonel. In other words, unheard of. They were both tennis players. Craig heard about the resignation – instantly – through official channels. Gensler got invited to lunch. (Gensler had lunch with Craig more than the Director did.)

They had barely sat down at the restaurant when Craig went nuts, “So what’s this nonsense about you quitting? You’ve been promoted faster than anyone at the IRS. We’re all expecting you to be the Director within five years. What are you doing?”

By “promoted,” Craig was referring to the fact that Gensler had been put on a “super-committee” at the IRS. The top ten people in the IRS served on the committee. The committee was supposed to be forward-thinking and tackle all the hardest issues in

tax. Out of the 5,000 attorneys at the National Headquarters, Gensler had risen to the top in under two months.

The IRS had decided to go on the offensive on abusive tax-sheltering financial instruments. They wanted to see what was going on in real time instead of just stumbling on to them in an audit, which could take many, many years, and involved a huge amount of luck. While the other attorneys were there to think about the problems that were found, they gave Gensler the job of also finding the problems. They decided that they needed to somehow get the quarterly corporate filings at the SEC that were unusual or otherwise “controversial” from a tax perspective. The problem was, they couldn’t get the Treasury Department to return a phone call. How were they going to get inter-agency cooperation from the SEC? No one even knew anyone at the SEC. So they decided to send Gensler.

Gensler understood that this was just another impossible assignment and asked how much time he had to accomplish it. “Do you think you can do it within six months?” “Yeah, sure. No problem.”

There was no way Gensler was going to go through channels, exchange letters, request meetings, coordinate with the Offices of the Commissioners of the IRS and the SEC, and propose formal liaison relationships. Instead, Gensler just walked down to the SEC after lunch and basically knocked on the front door. He told reception what he wanted. Gensler was escorted to the filings room. He explained what he wanted to the manager of that area. He was a bright guy who understood immediately what was going on and thought it was a great idea. Gensler gave him the contact information for the IRS, took down his information, and reported back. Job done in under two hours. No red tape. No protocol. No formal channels.

Needless to say, the smart people at the IRS were a little disappointed at the prospect of losing Gensler. Gensler explained his problems and opinions to Craig, “This place doesn’t work. You actually want to write impenetrable laws. No wonder the tax law is unintelligible. You guys are doing it on purpose. You don’t need my help to screw up the law. You guys are doing a great job all by yourself.” (Gensler wasn’t one to mince words.)

Craig had been there. He had seen it. He knew Gensler was right. “What can we do about it?” Gensler explained that the law needed to be simplified. Gensler explained that the Tax Reform Act of 1986 was a technical nightmare and that it had a revenue-collection problem with the AMT provisions. As Gensler had predicted almost six months before, there were already calls for reform and simplification coming from throughout the tax world. Craig agreed. “All right then. I’ll bring you into my office, and you can write a simplified Internal Revenue Code. It will be the IRS proposal for tax reform. Then, when Congress takes up the issue, we’ll be ready to go with a proposal.”

Great idea. Craig offered to hire some Ph.D. economists to test the revenue neutrality of the proposed reforms. Gensler agreed to stay. Then it fell apart: “I just

have to get the OK from the Commissioner.” One thing Gensler had learned in bureaucracy. If you have to ask for it, you aren’t going to get it. Gensler was right. The Commissioner said no. Gensler’s resignation took effect as planned: on April 15.

A Ph.D. in Economics

Gensler returned to Southern California and hung out his shingle while working on a Ph.D. in Economics back at UC Irvine. The Ph.D. seemed to keep popping up in the conversation. Gensler thought it might be a good idea for long-term viability in the academic and government arenas to complete this degree. Gensler did his dissertation on welfare.

The nation had just spent over \$600 million and well over ten years studying welfare in the Negative Income Tax Experiments conducted by Orley Ashenfelter from Princeton University. The problem was, the experiments were temporary. Participants didn’t behave normally. They gamed the system. The results were not merely biased, but often opposite of expectations. Gensler used non-experimental data gathered from the Current Population Survey. Gensler’s results were of very high statistical precision and in the appropriate behavioral direction. However, the American economics establishment had just blown \$600 million of the taxpayers’ money and wasn’t keen on publishing better work that had been done by a graduate student for free over one summer. Gensler ended up publishing much of his work in English academic journals.

The Hong Kong University of Science and Technology

On graduation, Gensler accepted a position at the Hong Kong University of Science and Technology. Gensler had been told that the position was the Hong Kong equivalent to an American associate professor. Of course, they had lied. Gensler discovered shortly after arriving that he had the equivalent of an assistant professorship. The salary and benefits were more than what full professors were getting in the States, but Gensler was still pissed off.

Gensler had a three-bedroom, sixth-floor, on-campus apartment on the bay with a 180° view of the water. The Chair (who had lied to him) asked Gensler if he would allow the top accounting professor from mainland China, Jiliang Yang, to live with him. In China, Yang was paid \$200 a year as a full professor. At HKUST, he was being paid \$30,000 a year as a teaching assistant, but he didn’t get any housing, which was very, very, very expensive. Gensler agreed.

Gensler had visited the University of Hong Kong’s Law School. When asked what Gensler planned on doing research on, Gensler replied that he was interested in taxes and would like to see what mainland China was doing. “Wouldn’t we all,” came the reply. Apparently, no one could get any information out of China.

Shortly thereafter, China promulgated an entirely new Individual Income Tax Law. Gensler asked his new housemate, Yang, if he would like to do a translation.

Yang agreed. It took a few weeks, and a couple more weeks to translate it, but Yang finally finished. Gensler took the draft and edited it, changing several key provisions. Yang thought that Gensler's changes were a bit aggressive, but on checking with the original, found that Gensler's corrections were right. Yang knew Chinese. Gensler knew tax. Together they made a good team. Gensler got the translation published by *Tax Notes International*. Yang was impressed. Yang had done the project as a favor to Gensler since he was living in Gensler's apartment for free, but now he was sold on the collaboration. Yang told Gensler that the Chinese had also published a new Law of Certified Public Accountants and that he wanted to do a translation. While accounting is not Gensler's field, accounting and tax are so closely related that Gensler thought he could sell it. Again, Gensler got it published in *Tax Notes International*. Gensler also published both projects subsequently in the local paper, the *South China Morning Post*. Yang and Gensler were now famous. Yang was ecstatic. Yang wanted to do more. "How much more?" asked Gensler. Over sixty laws and regulations. "If there's that much material, we should do a book." Yang was stunned. He had written 40 articles but he hadn't done a book. He was overjoyed. Gensler sold the book idea to Longman Publishers, one of the oldest publishing houses in the world.

Longman got bought by Pearson and, as often happens during acquisitions, the project got held up. The publisher forgot to finalize the contract. After a year, the book came out. Meanwhile, Gensler had done another book on Chinese taxes with FT Law and Tax. Publishers have non-competition clauses, but since Gensler had a deal with Longman, FT Law and Tax readily waived that provision. When Longman came back, they were furious and cited the non-competition clause. Gensler replied, "In what contract?" They checked. No contract. Gensler had the clause stricken. Gensler ended up doing books on China law, tax, accounting, and auditing with Simon and Schuster, Prentice Hall, and Oxford University Press. If it was published in the 1990's and it had to do with Chinese business laws, odds are Gensler did it.

Yang was very impressed with Gensler's ability to clean up translations, draft summaries and analyses, and secure publishing contracts. Yang decided that he wanted to do the definitive China Accounting book with his old boss, the head of China's accounting industry, Jiwan Yang.

Jiwan Yang had been the Chief Accountant for the Kuomintang. (See China.) When Mao Tse-Tung ran Chiang Kai-shek out of China in 1949, Jiwan Yang stayed behind and offered to set up the new accounting system for the communists. Mao agreed. Jiwan Yang wrote the accounting rules for a command economic system. The communists were so impressed that they put Jiwan Yang in the Legislature and made him the Director of Accounting. He was also the Head of the Certified Public Accountants Society, the Editor of the main Accounting Journal, and on the graduate committee for advanced accounting degrees at all major Chinese Universities. In other words, Jiwan Yang was Chinese Accounting. When China turned to the market system in 1979, Yang re-wrote all of the rules for a market economy. Yang wrote two accounting revolutions entirely by himself. Yang was a legend.

Gensler arranged a four-week visiting lectureship for Yang that probably paid him more than he earned in China in 50 years. Yang stayed in Gensler's apartment while he wrote the book. Gensler got a publishing contract with Oxford University Press. Gensler edited the book. Jiwan Yang was grateful to Gensler. When Yang learned that Gensler was going to publish all of the national tax materials on CD's on a monthly basis, Yang recommended that Gensler be the official translator for China and work directly with the Chinese government. Yang set up a meeting in Beijing with China's IRS.

While the idea was good, the Chinese weren't flexible. They wanted total control and most of the money, and probably would have slowed the release of the material from one month to six. Gensler passed on the opportunity and continued to work privately, independently and unencumbered by the communists, but unofficially.

The interesting thing about the translation project was that the Chinese have a character-based written language, not alphabet-based. You can't sound anything out in Chinese. Either you know the symbol or you don't. The problem was that there were no taxes under the communists. For thirty years, no one had had any use for the symbols associated with taxation, which was an arcane, technical area anyway. Jiliang Yang was old enough to remember the characters and was an accountant, so he was perfect for this translation project. However, virtually everyone else in China had a real problem with reading the original Chinese characters. Apparently, many would read Yang's translations in English which were printed next to the original Chinese in order to figure out what had been written in Chinese. While the translation service was very helpful to outsiders in understanding China's tax laws, the service was even more important to the Chinese government because the accountants of the Chinese businesses had real trouble in understanding the tax laws. In other words, the Chinese were able to pay their taxes thanks to Yang and Gensler's tax translation service.

After just over two years at the Hong Kong University, Gensler had published nine books and fifty articles while teaching a double course load and performing substantial committee work. Gensler was up for review. Generally, in six years, one is expected to publish six articles or one book in order to be promoted from Assistant Professor to Associate Professor. At a major university, publishing one book and receiving some international recognition pretty much guarantees promotion to full professor. (See Higher Education.) Gensler was the undisputed authority on Chinese taxes, as well as a major player in Chinese business law and accounting law. Gensler also had published widely in law and economics and the American welfare system. The Accounting Department had recommended a six-step increase because they didn't think they could sell a 12-step increase, which they thought Gensler deserved. The University offered not to fire Gensler. Gensler was offered a no-raise renewal of contract. Gensler completed his three year contract and returned to the U.S.

Irvine Valley College

Gensler was working on some real estate projects, teaching, and practicing law when he was appointed Dean of the School of Humanities and Languages and the School

of Library Services at Irvine Valley College. After a year, he was also assigned the School of Fine Arts. Gensler doubled the library circulation statistics, increased the library collection, improved enrollment, brought Chinese one of the languages offered (Chinese is the second most spoken language in Irvine after English), maintained order and independence for the journalism department, and reconfigured the theatre classroom building so that the theatre would operate more efficiently and safely. Gensler also got the theatre moved to the college's top priority for building projects. That theatre has been built. Gensler then elected to retreat to faculty at Saddleback College.

Saddleback College

Gensler resigned as Dean and retreated to a faculty position at the sister college, Saddleback College. Gensler teaches economics and political science. Gensler has tenure, and is one of the representatives from the Social and Behavioral Science Division to the Academic Senate. Gensler is also the faculty adviser to Alpha Gamma Sigma, the oldest honor society among California Community Colleges. Gensler reads history and is working on a microeconomics textbook.