

Myths of Times Gone By

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It is surprising how many people get carried away by a lack of knowledge or understanding of the fundamentals. As a result, many hold firm beliefs which are off the mark. Getting their heads and minds facing in the right direction is never easy. Here are a few myths of times gone by that are worthy of reconsideration.

THE NATURAL RULING PARTY HAS FALLEN FROM GRACE

If you have not already noticed, the shouting matches – once an almost daily occurrence across our great country – have quieted down ever since Stephen Harper and the Conservatives won a minority victory in the January 2006 federal election. The challenging task of correcting the wrongs of past governments has only just begun. This will be a slow and tedious process; one that will inevitably have its ups and downs. Nothing worthwhile is ever achieved without careful planning and stick-to-itiveness. While some, including the media, may take exception from time to time, the big picture is improving rapidly, as seen in better relations with our neighbour and biggest customer, the United States, and the realization that the federal government can no longer afford to be pushed about by the provincial premiers. Proof that times are changing can also be found in the fact that, from January to March 2006, the Conservative party received \$5.37 million from 37,391 keen supporters; the Liberals but \$1.32 million from 6,493 party faithful; the New Democratic \$1.1 million from 12,650 leftists; the Bloc Québécois but \$147,855 from just 1,902 dreamers; and the Green Party got \$125,782 from 1,621 environmentalists.

Or, in other words, the Grits and the BQ have fallen from grace, the Tories and NDPers now the most populous parties as far as the donors are concerned. All of which suggests that whomever wins the race to become the next leader of the federal Liberal Party will have their work cut out for them, and very little money in the till to make much of a showing come the next federal election. While you contemplate upcoming political events you may be amused to know that the Conservatives have recently uncovered heretofore unrecorded expenses of the hapless national gun registry which their predecessors had tried to hide in spent ammunition casings. Where else! It is a mistake to think the once almost infallible natural ruling party has any chance whatsoever of being elected to power in the next two, and possibly three, federal elections. Its members have a lot of deep thinking to do before that ever happens again and, by the time it does, the political centre of the Canadian electorate will have shifted well to the right, as is the case with most other

democracies about the globe. Pushing an old left-of-centre agenda is likely to get them absolutely nowhere. It is but a myth of times gone by!

WHY BOTHER TO LEARN A SECOND LANGUAGE?

I was fortunate to have been raised in a primarily French-speaking community in the province of Quebec. Almost everyone in town could get by in either of Canada's two official languages. It was years later before I came to know that about a third of Torontonians are of Italian decent. There are large Ukrainian communities on the Prairies, and significant Chinese ones in Calgary and Vancouver. Now comes word that but one or two of the many candidates running to become the next head of the federal Liberal Party is fluently bilingual. So what? Is it not more important to have leadership qualities, than language skills? After all, only 25 percent of us are French Canadians. Should not the majority rule?

While our forefathers never intended to create a fully bilingual nation, there was an understanding that high-level public servants should be conversant in both French and English. As to the rest of us, we must accept that learning another language is the first step to comprehending what the rest of the world may be up to. In doing so, future generations of Canadians will be better equipped to play leading roles in Canada and on the international stage. Rather than protect the rights of our unilingual citizens, we must broaden our horizons. In the most recent census of 2001, only 17.7 percent of us professed to being bilingual, up just 5.5 percent from 12.2 percent in 1961. Remove Quebecers from the equation and the rate drops to a paltry 10.3 percent. Obviously, we need to place greater emphasis on teaching and learning a second language, be it French, English, German, Spanish, Dutch, Mandarin, or even Cree for that matter!

The reason why the Liberals need a bilingual leader is because the party has dropped to 27 percent in the national polls. Amongst francophones it is less than that. In addition to which, not one of the many would-be party leaders seems to be barking up the right tree!

In contrast, Stephen Harper seems able to walk on water. He is responding to Quebecers' thirst for a new age in politics. The concept of open federalism and a promise to address the fiscal imbalance has captured the imagination of the electorate. A stronger Quebec within a better Canada is what the new Conservative government has promised. Were a federal election called today, intuition tells me the Tories would likely sweep the province. Meanwhile, it is critical that the prime minister continue to improve his ability to speak french, even say a few words in patois. As to the beleaguered separatists, a dose of realism is in order. They do not have the moral assurance of victory, and must stop ignoring the full reach of the Supreme Court's ruling. Wasting time struggling with chimeras, mad illusions, wrong tracks, phantasmagorical deadlines, and the inability to speak a second language will not result in an independent country called Quebec. Quite the contrary. Such is but another myth of times gone by.

FISCAL POLICY VERSUS POSTURING

In the world of Canadian politics, it used to be practically impossible to separate fact from rhetoric, policy from posturing. The good news is that Stephen Harper is a man of principle. He will not pursue or endorse a programme which is opposed to his core beliefs.

Ottawa has more money than it needs to discharge the functions for which it is responsible, while the provinces have insufficient resources to accomplish tasks for which

they are constitutionally accountable. The level of predictability, stability, and financial autonomy which the provinces seek can only be achieved through an overhaul of the existing financial arrangements between both levels of government, including equalization, transfer payments, and tax-point adjustments. They must mobilize the economy by freeing it from restrictions that discourage capital investment and job creation, and become more fiscally responsible. Fortunately, regional inequality has been declining in recent years. The only rich province at the moment is Alberta, whose per capita GDP is 145 percent that of the national average. Nonetheless, the formula to determine equalization is a dog's breakfast. Not only are the amounts out of sync, they do not, for example, take into account underpricing by provincial Crown corporations, which keep profits low, as is the case with Quebec's and Manitoba's power systems. A better approach would be to use a formula that minimizes distortions and is less subject to manipulation.

If a portion of non-renewable resource revenues is to be included in the equalization equation, the poorer provinces stand to gain additional monies. Quebec – the largest recipient – would benefit the most from an enriched programme. If, however, la belle province had not shot itself in the foot with its separatist aspirations, driving 1,400 head offices away and discouraging at least an equal number from ever locating there, it would not be in the trying position it is today. So it is debatable as to whether or not the richer provinces have an obligation to make up the difference in its standard of living. If they did, the stupidity is bound to resurface. If they do not, its citizens will have no choice but to bite the bullet, pull up their socks, and try extra hard to get back into the race. I am for the latter scenario, as government subsidies are seldom the answer. They only delay the process of dealing with uncomfortable realities, and in so doing will make it even more difficult for Quebecers to eventually take the right steps leading to prosperity. As everyone should appreciate, one never learns all there is to know from history by skipping over troublesome chapters!

For my money and yours, I think the federal government must set expense reduction and debt repayment timetables. It should withdraw from the fruitless equalization game, leaving the provinces with extra tax points, and the directive to get on with running their jurisdictions in a more effective and efficient manner. Continuing along the current messy and cumbersome route will not get us to where we need to go.

Whatever the politics, it is wise to remember that the money in question comes from individual taxpayers living across the country, not from the federal government or provincial treasuries, as some misinformed critics annoyingly claim. Consulting with the premiers whenever changes in the equalization formula are contemplated is but a courtesy, and to avoid the political fallout of a revolt. However, their approval is not needed, nor may disgruntled provinces choose to opt out. Transfer and equalization payments currently account for 20 percent of federal programme spending, and if nothing changes the percentage will rise in the future. Better fiscal discipline needs to be the goal of everyone in government. To be successful, there must be great improvement in transparency and accountability; no sacred cows should be left standing. Whereas the wealthier provinces may prefer a straight transfer of federal funds on a per capita basis, leaving the smaller and poorer ones relatively less well off, a compromise based on a combination of an enhanced equalization formula, plus direct transfers, might best suit everyone's short-term interests. Longer term, the federal government ought to loosen its tight hold on tax measures.

Whatever, there must eventually come a day when the provinces stop knocking on the prime minister's door asking for more money, and all must stay out of each other's jurisdiction. Only then will everyone be on the hook for their own revenues and expenses. If not, by 2013, the provinces will be in deficit, and the shortfall will total \$63.5 billion a year by 2025. Ottawa, on the other hand, will have annual surpluses of more than \$23 billion, and that is quite unacceptable to all concerned.

In the federal fiscal year ended March 31, 2006, personal taxes climbed from \$155.2 billion to \$167.6 billion. The surplus was \$26 billion, fully \$12.3 billion higher than a year earlier. Provincial surpluses were \$6.6 billion, up from \$317 million. The combined deficit of municipalities more than doubled to \$2.9 billion. Wages and salaries increased by just 3 percent. For every 10 percent expansion of the tax base, overall personal income taxes rose 12 percent, as people drifted into higher tax brackets, increasing the governments' take. This explains why most of us are not benefiting as much from the strong growth in the economy as are the various levels of government. So it is little wonder Canadian families feel they are doing little more than treading water. They should be getting ahead by leaps and bounds, as families are in the U.S., where marginal income, capital gain and dividend tax rates have been reduced and are substantially lower. As such, we would all be better off if the myths of equalization were addressed head-on. The sooner they are done away with the better off we and Canada will be. As it now stands we are not realizing our potential and our lot in life is not what it could be!

SOCIAL POLICY DIRECTIVES

Cobwebbed conventional wisdom must be challenged. We can no longer afford to settle for arthritic statism. Postponing reforms will only make them more painful when finally put into action. We are at the beginning of the end of the social democratic state. We must take action toute suite!

In terms of health care, we have all heard mention of aging populations being a global phenomenon. While the statistics in the Anglosphere – Britain, Australia, Canada, and the United States – are not as pervasive as in Europe and Japan, they are nonetheless frightening for future generations. In 2000, seniors formed 16.3 percent of the U.S. population and 17.4 percent of Canada's. By 2040, they will be 26 and 33.3 percent, respectively. On average Canadians are getting older faster than Americans. In terms of the aged dependency ratio – the number of elderly receiving government benefits relative to working-age adults – there were 0.26 seniors per wage earner in 2000 in the U.S., Australia, and Canada. By 2040, those numbers will increase to 0.47, 0.56, and 0.63. At which time, the Canadian tally will amount to 22.9 percent of GDP, potentially catastrophic for the health care system and much else. What to do? We must find the answer and the sooner we do, the better.

Some offer that Canada's future rests with an open-door immigration policy. They forget that hard-working and talented young immigrants will be at a premium in the years ahead, and there are few compelling reasons for them to come here and pay exorbitant tax rates to fund expensive government programmes. As it now stands, family reunification seems to be the main thrust, and grandparents do little to alleviate the problems. No, the unsustainable commitments by politicians of the past threaten the social fabric of our country. It is high-time Canadians started talking openly about these issues before we get to the tipping point and all hell breaks loose!

On the economic front, we can no longer stand by and continue to refuse to do away with anachronistic barriers to interprovincial trade, investment, and labour mobility. While China has a long way to go before it can transform itself from a natural resources buying manufacturing powerhouse to a nation of innovators, that time will come. When it does, its reach will be far greater than it is today. Over the next five decades its share of world GDP will double. As its population expands and becomes more well-to-do, it will gobble up many more companies about the globe. Our saving grace will be new technologies and entrepreneurialism. Therefore, we must not delay in raising our education, job training, and immigration standards, and dramatically increase capital investment, if we are ever to pass the coming test with flying colours. Holding fast to the myths of times gone by will not be enough to carry the day.