



## Ticking Time Bomb

"Everything that government touches turns to crap."

Beatles Drummer Ringo Starr

There is a real scramble in North America to keep hard-earned money. In Canada, it seems most municipalities are poorly run. The two largest provinces (in terms of populations) Ontario and Quebec, are disasters in waiting. In the USA, many counties are in serious trouble, as are many cities (ala Detroit), and many states (California, Illinois, New York, to name a few).

While the media points out that President Obama was elected with an agenda of high taxes and slow growth, real earners who pay the freight are seeking newer places to live, not spending or simply putting dollars under the mattress. Not long ago, California passed a law introducing four new tax brackets, with \$1million earners paying an extra 3% plus 1% for mental health spending. In addition, sales tax increased from 7.25% to 7.50%. So top earners, who already pay 43% to Uncle Sam, will have another 13% or so of income snatched.

And while by the numbers California's population may seem to grow each year, it's very deceptive as there has been a massive migration of the state's mostly educated and motivated people to other states.

California Population

Year	Population	Birth	Death	Foreign	Migration
2001	34.5	529,000	232,000	282,800	(67,900)
2002	34.9	526,000	233,000	291,200	(158,000)
2003	35.4	537,000	233,000	176,400	(29,700)
2004	35.8	540,000	239,000	251,900	(190,100)
2005	36	547,000	231,000	232,000	(315,200)
2006	36.2	553,000	239,000	264,700	(317,400)

2007	36.6	565,000	235,000	228,900	(253,200)
2008	36.9	566,000	237,000	238,400	(316,900)
2009	37.3	516,000	228,000	208,400	(255,700)
2010	37.6	505,000	234,000	164,400	(174,400)

Source: California Census Bureau

California isn't the only state that has seen a massive move of able bodied adults seeking not only jobs, to earn money, but actually keep it. It has resulted in massive income expansion in states like Florida, Texas, the Carolinas and Nevada (That's right, all lower tax states). In the meantime New York, New Jersey and Illinois (that's right, strong Democrat high tax states) should put up border fences to keep citizens inside.

I broached this subject when basketball superstar Lebron James left Cleveland for sunny Miami (And Chris Bosh left Ontario). On contracts that size, it would have been millions per year out of their pocket. Golf Star Tiger Woods? Also moved to Florida. Wonder why many celebrity and entertainment stars have set up in Las Vegas? It ain't the sunshine or the casinos. It's Nevada's low taxes.

Even the little state of Maryland, after the governor (yep, a Democrat) raised taxes and fees 24 times in a three year period, saw an exodus of 31,000 folks. Their skills, income and tax dollars.....gone! In a state with a population of only 5.9 million, that's a lot of bodies.

People (ie. voters) will soon learn that the magic elixir of high taxes promised by politicians dying to get elected, actually makes things worse whether on a local or national level.

We've heard and read about Detroit's woes. They declared bankruptcy due to no small part the \$3 billion in unfunded public employee pensions, owed to a sprawling city workforce that kept growing even as the cities population went from 2 million people to 700,000. But when calculated out, by a Washington Examiner analysis, there are 19 major American cities that have even bigger ratios of public workers to residents.

In San Francisco, the ratio is 1 city worker for every 28 residents (wow!) versus San Diego, where it's 1 for every 137 (and respectively San Fran's 800,000 residents versus San Diego's 1.3 million). What's more, seven of the 19 cities with larger relative workforces than Detroit paid workers more than twice as much as the Motor City paid employees.

Who ranked # 1? Washington, D.C.....no surprise. But one can argue that being the nation's capital burdens the city with extras that places like Baton Rouge (1/39), Cleveland/St. Louis (1/50) and Philadelphia/Atlanta (1/51) don't have. Recently Philadelphia tried to push a plan to increase sales taxes by 1% to pay for city worker pensions, which are significantly underfunded.

Earlier this week in Washington on a grander political scale, the White House gloated that 7.1 million people had signed on for Obamacare, which is not so great an accomplishment since it's supposed to be mandatory, and people get huge fines if not enrolled. Plus they extended the sign up period several times because targets had not yet been met. But in the same breath, the White House said they do not monitor how many people actually paid. They can't even provide an honest reply as to the number of Americans that did not have healthcare before the law passed, versus the number who are now blessed to be covered.

Huge premium hikes, large deductibles and fewer options that slowly erode the base will still prove Obamacare, which indirectly is the largest tax hike in US history, and is still resoundingly rejected in opinion polls, to be an unmitigated disaster. In California last week, United Health dropped out of offering individual healthcare insurance (following Aetna) citing administrative costs. Less competition is never a good thing. Remarkably, citizens are watching and accepting mounting disasters like healthcare law, exploding government debt, and uncontrollable spending because they seem to move so slowly. Anyone with basic budgeting skills know the risks are clear, and the hammer won't come down for some time, but the Euro economic implosion took decades of socialist decay, just like Detroit's downfall.

The time bomb is ticking.

But I do honestly believe there is still time to reverse or mitigate the worst damage, but maybe until 2020 or so. It's funny to me how the Commander-in-Chief tells Americans to forego money, power and it's place in the world, to head off (perhaps) a one-degree change in the temperature over the next 100 years. Recent news has it that the White House will skip over Congress to tax everyone's cell phones in order to raise money for Wi-Fi for schools, which underscores the new Obama 2.0 administration which challenges the boundaries of law and checks and balances established over 120 years. The new Obama seems to be:

- I will act outside the constitution (Executive Orders)
- Redistribution
- Public Wealth = Public Domain

It seems every time he now speaks, the President adds additional threats of “going it alone” via Executive Order and usurping the power of Congress. With a pending mid term election in November, should the Democrats lose the Senate, will that mean an even greater risk of that happening? This is serious stuff. In his own recent words, the President said:

“That means whatever executive authority I have to help the middle class, I’ll use it. Where I can’t act on my own and Congress isn’t cooperating, I’ll pick up the phone, I’ll call CEOs, I’ll call philanthropists, I’ll call college presidents, I’ll call labour leaders, I’ll call anybody who can help and enlist them in our efforts because the choices that we, the people, make right now will determine whether or not every American has a fighting chance in the 21<sup>st</sup> century.

So, yes, Congress is tough right now. But that’s not going to stop me. We’re going to do everything we can wherever we can, with or without Congress, to make things happen. We’re going to go on the road and talk to you. And you’ll have ideas, and we want to see which ones we can implement. But we’re going to focus on this thing that matter.”

President Barack Obama  
Knox College

Sounds like “what’s yours is mine.”

The key to socialism and big government is that redistribution of wealth which is central to the middle class utopia of bigger government looking after their interests. It also happens to be the political strategy to garner the most votes to stay in power.

So now if you own a cell phone, you owe it to America’s schoolchildren to share the wealth? Where is all the current trillions in tax revenue, lottery tickets and even bake sales going? Odds are personal pet projects and typical government waste. Besides, with making current tax receipts work more effectively, you can’t create class warfare and the guilt factor we now witness daily.

So now both dollars and responsibility will be redistributed by big government after they confiscate it all?

The real battle in America continues to be the effort to reach into the pockets of corporate America to fund a Utopian nation that offers handouts and rewards as a birthright, instead of being achieved via hard work, sacrifice, and determination.

With the US federal debt over \$17 trillion, and a growing pushback against government spending, the corporate balance sheet logically becomes the next target. The environment has become one of liberal economic policies focused on high taxes, regulation, and picking winners and deciding losers, which have failed miserably. It's no wonder GDP growth remains anemic and this remains the worst economic recovery in post WWII history.

So the left leaning media continues to offer the Obama administration cover. In Ontario, we have our own disaster brewing with our provincial government. It seems everywhere you look, the political will to do the right thing is lacking.

Like Mitt Romney said during the 2012 Presidential Election, it's hard to compete against all the "free stuff" being given away.

Stay tuned,

Vito Finucci  
Vice President and Director  
Investment Advisor

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