



Infomail

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It Can Be Done!

As Euro woes dominate the headlines, and the US economy continues to take its time to get rolling, there seems to be a growing feeling that maybe it's too late, that things are "too far gone".

We've mentioned in prior correspondence about a country that not long ago, was in just as bad if not worse shape than some of the nations dominating negative headlines today. That country's currency was undesirable, productivity was negative, government social programs were running amok, and the debt levels were equal to some of the PIIGS nations. That country was Canada in the 1990's.

The "Maple Leaf Miracle" only happened after serious political commitments by the Finance Minister Paul Martin. Many of you will remember our dollar's collapse, becoming known as the "Northern Peso." It wasn't a great period for Canada. Most businesses were leaving Canada and start ups were scarce.

The Canadian economy saw the worst GDP per capita performance from 1989 to 1996, and our capital productivity was the worst of all industrialized nations...even behind Japan who had a lost decade.

Icy Economic Period in Canada	GDP Per Capita		Capital Productivity
	1989	1996	1979-1996
United States	100	100	-0.2
Canada	81.7	76.7	-2.4
Germany	79.4	81.7	-0.5
Norway	78.9	90.8	-1.5
Japan	76.5	81.9	-2.1
Belgium	75.3	77.6	-0.9
Denmark	74.8	79.1	-0.8
France	74.6	74.8	-0.6
Austria	73.3	76.3	-1.6
Sweden	72.3	68.0	-1.0
Italy	69.8	71.6	-0.6
UK	69.7	69.4	0.6
Netherlands	67.7	72.4	0.3

In April 1993, Standard & Poor downgraded Canada's coveted AAA rating as we seemed to be unable to deal with our debt crisis. (Sound familiar today?)

In 1995, a landmark Canadian budget was passed; it was prudent, downsized government, reduced business subsidies, protected seniors and eliminated certain tax on business income:

- 3 years savings of \$29.0 Billion, \$25 Billion from spending cuts
- Cutting spending 7 to 1 to tax increases
- Dramatic cuts (up to 50%) in departmental budgets
- Cutting civil service by 25% (45,000 jobs)
- Reforming pension programs
- Business subsidies cut 60%

It took Canada just 2-3 years to get back on track.

Today, Canada's corporate tax rates are the lowest in the G7. Our workforce is skilled (highest post-secondary grads in OECD), high R&D grants, and of course universal healthcare funded 70% by the government (versus 50% in the USA).

Government spending as a % of GDP peaked in Canada at 53% in 1992 and dropped to 40% in 2008 (USA @ 43% in 2009).

In 2002, Standard & Poor reinstated our AAA rating. Four other nations (Denmark, Australia, Finland & Sweden) all got their AAA status back as well, all in different ways.

So when I hear the world's current problems are insurmountable, I have to disagree. Right now they can still be solved. It won't take a miracle, just some discipline and some tough choices.

What the world needs is the political will to get it done. We need a Reagan/Thatcher moment right now.

The clock is ticking.

Stay Tuned,

Vito Finucci
Vice President & Director
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