



To our next PM and Finance Minister

With a federal election few days away, there is no doubt that Canadians should want to see our government making economic recovery a key priority so that the Canadian economy can get back to growing. We also must work to preserve our standard of living and to start paying down the record debt we have accumulated before and after COVID-19. Regardless of political rivalries, here is a simplified recipe everybody should know. See if you agree with me:

I say government's number one job is to encourage people to work. It's that simple. Work could be full time, part time, permanent, temporary, white collar, blue collar, high paying, low paying, etc. Let's not get bogged down in details. All work is good and here is why:

When people work, the government get a percentage from both sides: the employer and the employee. For social security, each pay +/- 6% for a total of +/- 12%; for government covered healthcare, each pay +/- 1.5%; which means the combined tax rate is more or less 15% of the employees' wages. We all pay taxes, and the average is 23%. With the last two taxes, the total becomes +/- 30%.

People can do only one or both of two things with their left over 70% money: spend it or save it. Let's see what happens. If they **spend it**, they will pay 13% sales tax on the majority of purchases, and much more on specific items like gas, booze, cigarettes, etc. If they own their home, they will also pay property taxes that are adjusted not by inflation but conveniently by the value of their property. If people decide to **save** their money, they will pay tax on interest or dividends earned and on capital gains. Saving their money will also help us fund needed investment in our economy. By the way, if they decide to save money by keeping it under their mattress, they will indirectly pay an inflation tax. (Devaluation of their money through inflation! 3.7% as of last count)

Conclusion: Whether people spend or save their money, our 3 levels of government get a hefty piece of the action when everyone is working to some degree, and as a result, our economy works better. **BINGO! Is this too difficult to understand?**

On August 31st, Statistics Canada reported that Real Gross Domestic Product **GDP fell 0.3%**. It was an annualized drop of **1.1%** that took many experts by surprise. Our national **unemployment rate** is still stubbornly at **7.5%**. Our **inflation rate** has increased to **3.7%**. I am not going to comment more on our **record deficit** and/or **record debt load**.

There is no doubt that we need to get our economic direction right. Once we get the direction right, we can then work on our speed. **The health of our economy is an "enabler". A strong economy will protect our AAA rating and get us to work on our list of priorities like the environment, healthcare, education etc.**