

Economic logjam starts, ends with taxes

Consumer confidence has improved a tad according to the latest from the Conference Board of Canada, but that report doesn't include the financial sector. In places like Manitoba, Saskatchewan and Alberta, they've got the new U.S. tariffs on wheat as punishment for Ottawa's non-support for the American-led war on Iraq.

The higher value of the Canadian dollar, coupled with the decline in the value of the Yankee greenback, is already having a negative impact on pension fund money invested in markets south of the line. One or two more whacks at the side of the heads of investors as fear remains the dominant organizational function of the day.

Corporations are not investing in equipment and technology, and too many regular folks are choosing to sit on their money. Stateside, senior financial analysts feel many negative things are still happening as the economy has only grown 1.5 per cent a year since the spring of 2000, versus four per cent in some previous years.

They're into a period of stagnation and while declining oil prices and energy costs may help a bit, the unvarnished bottom line reflects people feeling very insecure about their jobs as unemployment numbers rise. They

don't feel like buying and without lots of shoppers there's no economy which represents about 60 per cent of the gross domestic product. We export to them, but with the higher loonie we'll export less, resulting in lower revenue. It's a period of total uncertainty and non-direction, not unlike a rudderless ship on the high seas.

We have no political leadership, which is bad enough, but we have no fiscal leadership setting out the important things that have to be done. Sheila Copps, John Manley and Paul Martin continue to bicker over the Liberal leadership while ignoring ideas and solid strategies to give confidence to consumers and investors.

Writer Gary Holland in *Business Futures* says much of the financial services industry has all but hidden under a rock. It's the reverse of the 1990s when consumers were told markets only go up, but since March 2000, they don't know who or what to believe. Mutual fund companies and others have all cut their marketing and media budgets to the bone. People are getting meaningless clichés, but certainly no leadership or direction.

There's another reason for our profuse economic nose bleed — consider that 40 per cent of our economy is exports and 85 per cent of those are to the States. Yes, fruits and vegetables from California may cost less these days because of our higher dollar, but the fact remains our economy is highly impacted by what's happening down there, and as business

analyst Jerry White stated this week, "what's happening down there is that nothing's happening!"

In the U.S. Congress, so long as the Democrats continue to oppose needed tax reforms proposed by the Republicans "nothing's happening" may last a long time. The Federal Reserve is not apt to lower interest rates for another month. The same goes for Europe.

In Canada, with the huge interest rate spread we have with the U.S., which is driving the loonie up, some forecasters say the Bank of Canada will probably re-think its position, and either lower our rate or leave it alone as inflation wanes.

What's it going to take to break this log jam in North America? In the States, tax reform would help, including tax-free dividends and more tax free retirement accounts where you put in after tax dollars today and take out tax-free dollars tomorrow. Those sort of things would further stimulate consumer confidence and investment activity, but Nav Rheingold of Investor Watch is quick to point out that too many States have gone on a spending spree running up huge debt, then whining that the federal government isn't bailing them out.

There is the battle of battles going on in New York right now about that very issue, where there's a move to raise all state taxes to offset proposed federal tax reductions, which are needed to help in the economic recovery.

We need that on the American side and some honesty for a change on the Canadian

side, together with leadership and some incentive for people to do things. We could start with one simple and lower, national sales tax, not the current and higher federal/provincial version. Excessive levels of personal taxation could be reduced.

White claims the C.D. Howe Institute now agrees with what he's said for years, that registered retirement savings plans (RRSPs) and registered income funds (RIFs) are "nonsense for lower income Canadians" and are "one of the most punitive things you do for yourself" because of all the claw backs imposed by Ottawa.

For middle-income earners, RRSPs and RIFs will not provide adequate growth. For high income types, why bother when you have tax-free structures like insurance products available.

We need honesty from our leaders about RRSPs and RIFs. Not about increasing contribution room, but allowing us to put in after tax dollars at the outset. We wouldn't get an income tax deduction now, but we'd be allowed to take all the money out, tax free, at retirement.

Not the total answer by any stretch of the imagination, but a great way to launch a renewal for many Canadians and give real equity to the investment and retirement market. Are you listening Copps, Manley and Martin?

Listen to Joe Easingwood on C-FAX 1070, where he hosts *Newsline* weekdays from 8:22 to 11 a.m.



JOE EASINGWOOD

LETTERS

Making cents of gas prices

Re: May "Mainland price war adds fuel to Victoria gas gripes," May 15.

The current difference of 12 plus cents in average gas prices between Vancouver and Victoria in my view, is atrocious. A recent CH TV news story indicated that the transit tax in Vancouver is actually three cents higher than Victoria.

OK, give the oil companies one cent-a-litre for shipping and handling costs. Why aren't Victoria gas prices two cents-per-litre less than Vancouver prices? Is it because Victorians are just too nice to put up a fuss, or because they don't believe they can make a difference?

Here are some suggestions:

1. Check out for yourself how Victoria gas prices compare to any other region of the country by logging on to www.mjervin.com and clicking on "Weekly pump price survey." Here you will find that Victorians are paying some of the highest gas prices in the country.

2. Start a consumer boycott of the company with the most gas stations — in this case Petro Canada.

3. Convince companies to stop buying Petro Canada gas.

4. Challenge your gas retailer. One gasoline retailer close to me drives a late model Jaguar.

5. Challenge local and provincial MPs. Ask them how they are going to help encourage competition amongst gasoline retailers on southern Vancouver Island.

6. Join in a class action lawsuit to recover excess monies that the oil companies have gouged from local gasoline users.

7. Keep up the pressure until local gasoline prices are two cents-per-litre lower than Vancouver prices.

Rodger Darbey,
Victoria.

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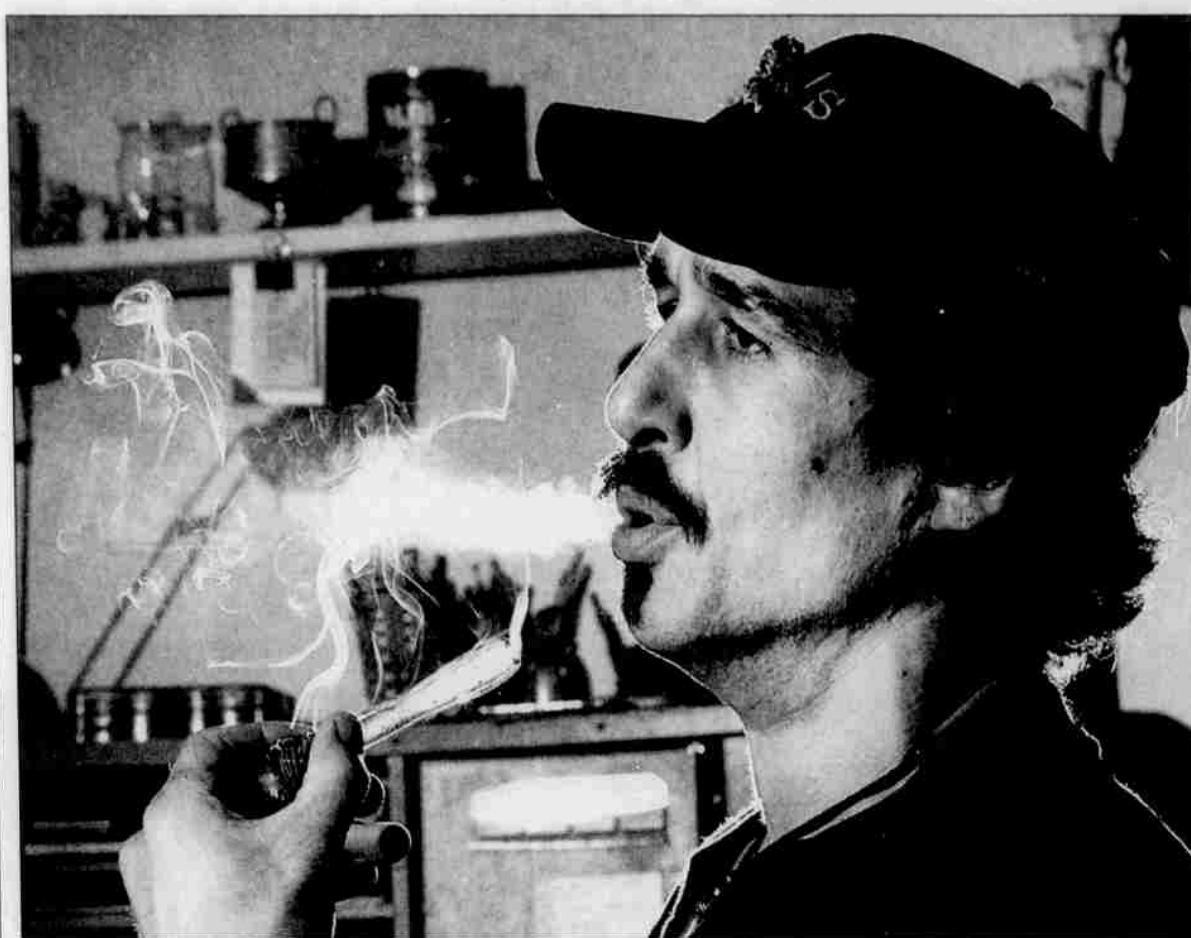
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LETTER OF THE DAY



Cannabis prohibition in the U.S. has caused a marked increase in the use of hard drugs, one writer says.

File

Canada should defy U.S. on pot

It was with great sadness that I, and many other cannabis-consuming Americans, learned that decriminalization in Canada would come with some major strings attached.

As president and founder of the United States Marijuana Party I see every day the damage that cannabis prohibition has caused in my country. Every year more than 700,000 people are arrested and jailed for possession alone. Prohibition has given us the highest incarceration rate in the world, destroyed peoples lives who were

not criminals and turned our once free country into a police state.

Cannabis prohibition has also caused a sharp increase in hard-drug use. People who would normally use only cannabis resort to things like meth, crack and cocaine because they only stay in your system for 72 hours, thereby minimizing the risk of failing a urine test and losing your livelihood. The natural non-addictive herb cannabis can be detected for up to 45 days.

Surely the Canadian government can see what a complete and total failure the

U.S. War on Drugs has been and that it makes no sense to follow in our footsteps. Do not bow to the American government. You are a sovereign nation that many Americans look to as a beacon of freedom and hope.

You stuck to your guns about the war in Iraq because you disagreed with U.S. policy ... why shouldn't you do it for your own people?

Loretta Nall,
President, U.S. Marijuana Party,
Alexander City, Ala.

Rescuers impressed injured hiker

As the man in the May 10 article "Injured man rescued after cliff fall," I would like to express my gratitude to all concerned in my rescue.

I caught my boot when rock-hopping down near the sea at Cabin Point in East Sooke Park. I suffered a compound fracture, and could not stand up.

One of our party had a cellphone and

called for help immediately. Both a paramedic team from Sooke and a team from the East Sooke Volunteer Fire Department were there in about half an hour, a responsiveness that impressed me. They were able to provide excellent first aid and support, but quickly concluded that they would need the help of Sooke Search and Rescue, to move me safely across the hazardous terrain.

About an hour later the rope team arrived, as described in your article, established a rope support structure, and got

me onto a "clam shell" style stretcher and basket. This allowed them to move me to more consistent footing, and from there, with the other teams, into the ambulance — about three hours after the fall.

I am extremely appreciative of the fact that such committed, caring and competent people are available to respond to such emergencies locally in Sooke and East Sooke.

Charles Douglas,
Victoria.

Campbell's price is less than B.C. masses

I just had to laugh after reading the May 11 article ("Premier admits he's still troubled") on Premier Gordon Campbell's pangs of conscience and on how he now misses not drinking some of fabulous B.C.'s wines, saying this is the price he pays.

Campbell thinks he is paying a price? What about the price the rest of B.C. residents are now paying as a result of his "scorched earth" policy (as was described to me in a personal e-mail) of remedying all the supposed ills the previous government had caused?

He lives in a fantasy land if he still believes government downsizing and those humongous tax cuts will help the B.C. economy. There are the financially not-so-well-off B.C. masses who disagree with the premier's plunging a lot of less-fortunate people into quiet despair with his drastic cuts to health-care avenues of access which were needed.

Maybe Campbell's pangs of conscience stem more from the heartache his government "new era" ideals have caused for this province and, well, after two more years, his political future will be summed up in three words, "We shall see."

Chris Garrett-Petts,
Victoria.

Balloon idea full of hot air

Re: The May 12 article "Officers suggest airship for military role."

Two army officers propose the use of airships as an alternate to having our troops hitchhiking rides with foreign air forces or taking cut-rate civilian airlines. Our forces have faced enough embarrassment. What next? Riding into battle on balloons sans heavy rifles?

The airship subject has been batted about since the Hindenburg disaster. Yes, there have been many improvements in airship design, but to suggest that their lifting capacities are comparable to U.S. C-17 transport aircraft is ludicrous to say the least.

An airship operating near combat zones would be most exciting indeed. They would make a large slow target that could be brought down with a simple crossbow. Perhaps the army officers should confine their thinking to things like tanks and trucks, leaving the flying problems to the air force.

L.G. (Mac) McCaffrey,
(RCAF retired),
Courtenay.

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