



It is time to spend...

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...but to spend wisely!

You cannot legislate effective economic policy easily (ask the communist regimes that tried and failed) yet you can very easily legislate bad economic policy.

Lessons that they did not teach in law school

Unfortunately lawyers are not too good with numbers...recently one lawyer we know (jokingly?) told us, 'if we were good with numbers we would have become accountants or engineers.'

Is that part of the problem, that our leaders are good with the law, but do not understand the marketplace? Lawyers promote potential laws and policies as lobbyists; pass laws as elected officials; advocate laws as their profession; judge laws or judges – which puts into place the common law framework that many of the worlds more successful economies live under – and yet there is a fundamental lack of understanding of how business is done. [CUT HERE]

Restrict trade; restrict a company's ability to hire people; impose rules, regulation, and various levels of government that keep churning out more rules. Make global statements that we must 'all know the law' yet pass toms that now pass for the tax act – with no regard for all the other laws and rules that owners are supposed to know – from trade to human resources to building codes to city by-laws and is it any wonder that you have to be a little crazy to be an entrepreneur?

"YOUNG people ought not to be idle. It is very bad for them," said Margaret Thatcher in 1984 a recent article in The Economist reminded us. It went on to explain that OECD figures suggest "that 26m 15- to 24-year-olds in developed countries are not in employment, education or training; the number of young people without a job has risen by 30% since 2007."

This is not a joke. Those are exactly the people that need to be working if the 'baby-boomers' want to collect pensions. Yet the baby-boomers have begun to retire and put more pressure on a system that cannot afford to pay them for very much longer.

So what does the government do? “We will cut spending” – that will make the bureaucrats in government and at the banks happy. (PS most of the people that work in banks are bureaucrats, not entrepreneurs – but that is a topic for another day).

So the governments are playing for the status quo – even though that is clearly not working with stubbornly high jobless rates in many countries – including the USA, Spain and Greece to name just a few.

It is time to change approach. It’s time to spend money – but not on a bloated and inefficient government bureaucracies that we have in all OECD countries.

It is time to:

1. Increase government revenues over time but having fairer ‘spending taxes’
2. Lower fees and income tax that are hard and expensive to administer and they create a disincentive
3. Shrink the size of government by letting people and markets do much of their work – sure government can establish some of the rules and how much they will spend on things, but then let creative people figure out how to make it work

Productive spending will be good as that will generate money for the government as well. Do not cut services and payments to the power sectors of the population, as this will just make a bad situation worse. Instead give them incentives – in the form of higher income that they have to earn before they lose benefits and before they have to pay any income tax. Remember the spending taxes will capture a fair share from all levels of society. The more you make and therefore can afford to spend, the more that you pay.

Also look at granting government backed loans to youth and economically challenged population to start businesses. A small investment and some good guidance can go a long way to giving them a shot at success and thus creating more paying tax members of society.

Governments should focus on infrastructure and policy. Simple enough and perhaps limit the number of lawyers elected too!

Just some thoughts!

From the desk of Andre M.

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