

Freedom, Our Key to Success

By James P. Gray

A few weeks ago I joined about 2,000 other people at a convention called "Freedom Fest" in Las Vegas. In many ways it was intensely discouraging, and in many other even more important ways, it was encouraging and quite exhilarating. The discouraging part dealt with our present economy and forecasts for the immediate future. Many seemingly knowledgeable people stated forcibly that we cannot have a sustainable economic recovery with such large government spending and deficits with no gain in job creation. At the moment, our government spending is at the rate

of about 39 percent of the gross national product. In addition, this year we are running a deficit of about \$1.35 trillion, with estimates for next year at three to four times that number. Simply stated, this government spending could easily put our economy and probably the world into another "Great Depression."

Afterwards, I returned home and sold all of my mutual funds as unwise investments. Our government underscores this fact by making it increasingly difficult to move assets out of the country. For decades, we scoffed with disapproval at governments of third world countries that adopted regulations punishing people for moving their assets abroad — now our government is doing the very same thing. That is most discouraging! Furthermore, the government is trying to convert our nation's financial advisors and securities brokers into police officers. Under the so-called Patriot Act, which has been heartily embraced by the Obama administration, it is a crime for financial counselors to see something in our financial patterns that "even appears suspicious" without reporting it to the federal authorities. And, according to many of the counselors, this has little to do with terrorism or crime. Instead, it is intended to focus on attempts to avoid tax payments. This is the depth to which our government now has fallen.

So in the face of all of this reality, how could I emerge optimistic? Because it was reaffirmed, again and again, that freedom works! The free enterprise system, buttressed by private property rights, a fair and just judicial system for all, and a smaller, less intrusive, and less expensive government can and will bring us out of these problems. These are what have made our country strong and great throughout history, and they will do it again.

Canada is a magnificent example of this fact. Most of us think of Canada as being socialist, and it certainly still is in its health care system. Canada richly deserved that label in its entirety until the late 1990s. Between 1976 and 1995, the percentage of Canada's deficits went up from 35 percent to a full 78 percent of its GNP, government spending reached up to 53 percent of the nation's GNP, and welfare payments increased from 5 percent of the budget in 1980 to 10 percent in 1991. And on Jan. 12, 1995, the *Wall Street Journal* called Canada an honorary member of the third world because of the weakness of (what the newspaper called) the Canadian peso.

This article triggered enormous reforms in Canada. With one-third of every dollar paid in taxes spent on interest payments on the national deficit, concerned citizens and the media went over the heads of politicians and sent their message directly to the people — that the deficits must be strongly reduced. And the best way to accomplish this was to reduce government spending and reduce taxes to stimulate the economy. People listened and responded.

As a result of pressure for these basic changes from the voters, within a few years all of the political parties in Canada were in favor of reducing the deficit — even the Liberal Party and the Socialist Party! The only debates were what spending and which taxes to reduce — and how much. Thus, since 1997 the federal workforce has been reduced by 14 percent, and all taxes have been reduced as well, including income, sales, capital gains, and estate taxes. This combination of actions has

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reduced the spending of the Canadian government from 53 percent back down to about 39.7 percent in 2008. Our level is now about 39 percent. By the next two years, estimates indicate that our spending will increase and Canada's will continue to drop.

Contrary to the warnings of the critics, even though government spending and taxes were materially reduced, government revenues remained the same. As a result, Canada now has one of the strongest economies in the world. Granted, Canada's recession was appreciably milder and shorter, its job market remained strong and its real estate held its value. Canada's fiscal deficit for this year is projected to be about \$33 billion, which, at less than 3 percent of its gross domestic product, is considered manageable. On the other hand, our estimated federal deficit is \$1.35 trillion, or about 9.2 percent of our GDP. We can learn from our mistakes and from Canada's example, and we can turn things around by returning to our roots.

James P. Gray is a retired judge of the Orange County Superior Court and the author of "A Voter's Handbook: Effective Solutions to America's Problems" (The Forum Press, 2010). He will hold a book signing on August 10, 7:30 p.m., at Barnes and Noble at Fashion Island in Newport Beach. He currently is a private mediator and arbitrator with ADR Services in Irvine, and can be reached at jimgray@sbxglobal.net or through www.JudgeJimGray.com.