



THE GOVERNMENT SOVEREIGN DIMWIT CRISIS

If it was an avalanche of avarice that triggered the first great global recession since grampy was knee-high to a T-bill, it will be a surfeit of stupidity that sparks the second.

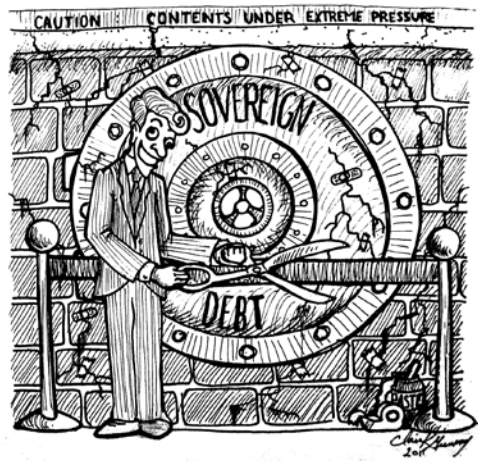
For the former, we can properly blame the largely self-regulated, international financial system and its slathering pursuit of short-term gain. Kiting the prices of essentially worthless mortgage-backed securities whilst skimming hefty profits from their brokered sales was a perfectly legal fraud until the money ran out.

But for this new calamity – not yet fully realized, only just unfolding – we must censure an entirely different culprit: governments who, given the crucial role they played in pulling the world back from the brink three years ago, ought to know better, but evidently, inexplicably, do not.

We speak of debt – mountains of it, oceans of it; so high and so deep, it can be measured only through fanciful journeys to the limits of the imagination. How many billions of dollar bills, piled one atop another, would build a bridge from the banks of Fundy National Park to the outer rings of Saturn? Hint: We've borrowed more for less promising terrestrial pursuits.

Debt incurred by paying for two absurdly costly, and utterly unnecessary, wars has driven a partisan spike into the American political system. As the nation's bond rating – a measure of its credit worthiness – slips, right-wing hawks in Congress threaten to shut down government until Barack Obama repudiates his plan to raise marginal tax rates on the wealthy as one means to fill the black hole previous right-wing administrations actually dug.

Meanwhile, debt manufactured by forcing the marriage of productive and unproductive countries (Germany's shotgun hitching to Greece) has compromised, perhaps fatally, the European monetary system and shredded its capacity to support legitimate development. As the largest economic zone on Earth lurches from one sovereign calamity to another, it threatens to topple upon itself, also crushing comparatively healthy jurisdictions half-a-world away.



If avarice triggered the first great global recession, a surfeit of stupidity will spark the second.

Even Canada, which the rest of the developed planet now perceives as a rare oasis of sanity, is not immune to moments of fiscal imbecility. Indeed, the government of Stephen Harper is so serious about putting citizens back to work, it's fishing into its shallow pockets to pay a major consulting firm \$90,000 a day for one year to tell it how to stop spending money. The deal with Deloitte Inc. was necessary, explained Finance Minister Jim Flaherty in a refreshing moment of candour, because, though the federal government already pays its civil-service accountants, administrators and economists \$100 million a year in wages and benefits, "it isn't good, quite frankly, for a government to just look at itself."

In this context, 20 million bucks for a bunch of private-sector suits, who possess, at least on paper, virtually identical educational backgrounds and skills as their Treasury Board and Department of Finance counterparts, is a bargain at twice the price. For, surely, the first piece of winsome advice these efficiency experts will proffer is: "Dump the numbskulls whose jobs you're getting us to do."

Still, for sheer cock-eyed lunacy, nothing beats the C.D. Howe Institute's recent conclusion that "Ottawa, Ontario and New Brunswick set the standard for transparency and comprehensiveness in helping readers understand the relationship of results to budget plans..."

The key figures are easy to find, comparisons of results to budgets are clearly presented using the same accounting, and the relevant auditors expressed no major reservations."

These findings must have come as happy, if wholly unexpected, news to New Brunswick Finance Minister Blaine Higgs, who recently likened his task of acquiring accurate, monthly financial reports from his government's various departments to getting blood from a stone. "The information isn't available," he said publicly. "It's as simple as that. I haven't said I'm giving up on it. I've just said I haven't gotten it yet. I don't intend to give up on any of this."

First avarice, then stupidity. Now we know what they mean when they call it a "double-dip" recession. | ABM

The views expressed in this column are those of the author and not necessarily those of Atlantic Business Magazine. Feedback: dchafe@atlanticbusinessmagazine.com

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