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A New World check-up [1]

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So it?s off to the New World for 2 ½ weeks with a visit to friends and family in Toronto and then on to Arizona and Utah to soak up some of nature?s majesty. Seen through the prism of the Old World?s media, times are just as bad over there as they seem to be over here.

Fundamentally, both worlds are grappling with the same problem ? societies that have been living well beyond their means for a generation. Rapidly ageing populations coupled with below-replacement birth rates are leading Europe and the Americas down a trail first blazed by Japan some 20 years ago. The debts for the good times are now due and the coffers are empty.

Even as this process ground on relentlessly, governments everywhere hobbled productivity with unrealistic minimum wages, working-time directives, market-distorting subsidies & taxes, pie-in-the-sky environmental objectives and regulation upon regulation.

An optimistic view would be that a general consensus in most countries of the nature of the problem has taken hold but each country?s response has been different. The first casualty, Iceland, immediately admitted the errors of its ways and just bit the bullet. The EU?s Mediterranean members seemed to be in denial for the longest time in hopes that something will turn up ? mostly German money. The EU?s masters ? Germany and France ? are putting their faith in yet another grand master plan for the European project.

Here in the UK, the consensus on deficit reduction is largely holding with the argument being mostly about speed and depth. The test will come as the modest cuts now in the works actually come into effect over the coming years.

Over in the U.S., the hangover from fighting two wars while spending at home like there?s no tomorrow hasn?t been cured yet. They haven?t even agreed on a course of treatment. In time-honoured American fashion, it?s taken the grass-roots Tea Party movement to grab the politicians by the scruff of the neck to force recognition of the real problem. America usually gets it right in the end but time is running out.

That leaves Canada. From afar, it seems like an oasis of sanity in a tempestuous world. The country went through its fiscal crisis back in the early 1990s and, amazingly, seems to have learned its lesson. The banks are solid and government debt mostly manageable. However, it?s extremely dependent on exports

of commodities to America and Asia and, ultimately, its economic fate will be determined in Washington and Beijing.

It?s been a good year for pessimists in the Old World. Let?s see if the New World offers any relief.

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