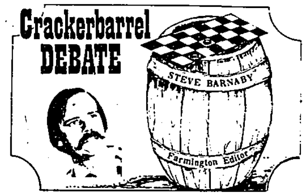
editorial opinion

Canada's election may be crystal ball for U.S.



Political afficianados look to the north on May 22 to get a hint of what could happen in next year's presidential sweepstakes.

At stake is the Canadian prime minister's seat held by the Liberal Party's Pierre Trudeau for the last 11 years. The main contender is one Joe Clark, leader of the Progressive-Conservative Party.

With the election just four days off, political pollsters are calling it a dead heat. Canadians are fed up with inflation, big government and high taxes (sound familiar?).

As in this country, a lot of soul-searching is going on among Canadians on what direction they want their country to take — a liberal or conservative road.

Basically, Trudeau is a big government man, believing in hoarding power in that nation's capital, Ottawa. Clark, on the other hand, believes in sharing power with provincial premiers. His party holds most of the provincial capitals which could have something to do with that belief. There are no Liberal premiers.

It's a classic case of two divergent political philosophies clashing head on, as if John Kennedy and Barry Goldwater had run against each other in 1964.

THE WESTERN world's attitudes have changeD immensely in the last 15 years. Conservative candidates are winning more and more elections.

Conservative presidential hopefuls such as Robert Dole and non-candidate Ronald Reagan should take heart in the recent victory of British Tory leader Margaret Thatcher, who recently became that country's first female prime minister.

Even more telling will be Canadian voter attitudes on May 22. Their vote could confirm a worldwide conservative trend.

But voters are in a quandary. They like the suave Trudeau far more than the ill-at-ease Clark.

Clark could be Richard Nixon's clone. His eyes dart back and forth, his jowls flap in the air, he hides behind a podium and he never seems to know just what to do with his hands.

NOW ENTERS moderate New Democratic Party (NDP) leader Ed Broadbent. He doesn't have a chance of becoming prime minister, but he does have strong leverage in determining the next government's fate.

If the election is a dead heat, Broadbent will be in the enviable position of bargaining with the two major parties for his support.

In parliamentary government, power is held by the party with the most seats in the lower house. If the election is close, Broadbent will determine whether it's Trudeau or Clark who will be prime minister for the next five years. In short, his party will join up with one or the other major parties.

But added to the equation is René Levesque, premier of Quebec and leader of the Parti Quebecois.

He would like to see his province dump the maple leaf and go its own way as a French-speaking country. That's akin to Michigan's withdrawing from the Union and William Milliken becoming president.

Originally, Trudeau called the election to dramatize this issue. Quebecois will be voting later this year on something called sovereignty association — a mild way of asking them if they wish to secede from the confederation.

But most Canadian voters seem rather unconcerned about Levesque and Quebec, opting rather to concentrate on economics — a telling attitude about voting trends considering the drama involved in secession.

Bread and butter is taking an upper hand to national unity in this year's Canadian election.

The Stroller:

By W. W. EDGAR

Bowling gave birth to COLA

When you throw a stone into the water, there is no telling just how far the ripples will go.

Well, every time The Stroller comes across the term cost of living factor in the public prints he is reminded of the day he tossed a stone in the pond of labor relations. The ripples are still going.

It happened one afternoon during his short sojourn from journalism when he took over the task of handling the affairs of the bowling proprietors of the state and had his office in the now defunct Fort Shelby Hotel.

Along with secretarial duties The Stroller also had to handle all labor relations. This involved negotiating contracts for the alley mechanics, as they were known in those days, and the pinsetters.

The employees in these categories were members of the Service Employees Union and were represented in all negotiations by a rugged individual named Ray Carroll, a long-time resident of Northville.

RAY WAS the type of union negotiator who liked nothing better than putting on a show for his members. He always left them with the impression that he was going all out for them.

So, when The Stroller took over the work for the proprietors the first thing they told him was, "Now you can deal with Ray Carroll."

This was fine — until it came time to negotiate a new contract.

To prepare himself for what he was told would be an ordeal The Stroller sought advice from older men in the labor field and was told to act just as tough as Carroll.

"When Carroll comes in to start negotiations, just tell him you are too busy and that he should come back later. That will take some steam out of him," an old-timer advised.

The Stroller never will forget the look on Carroll's face when he was turned away. But he paid the penalty for it. In all future meetings Carroll appeared in the hotel with his committee, which consisted of about a half dozen black persons.

In those days the black people used to cause a furor in the hotel. And while the hotel management never complained it was easily seen that the visitors were not welcome.

This went on for 16 weeks as Carroll put on a real show before he agreed to a contract.

THEN ONE afternoon The Stroller tried a new tactic.

He invited Carroll to the office and made a suggestion which called for an end to these meetings with his "committee" in the hotel.

The Stroller suggested that Carroll agree to what could be called par for a living wage. Then if the cost of living went up, his men would get a raise. If it fell their wages would be reduced.

"You must be crazy", Carroll countered, until The Stroller suggested that we use the labor figures as par.

The next day Carroll called and asked, "Are you serious about that cost of living thing?".

Assured that he was and that it would be a means of keeping labor negotiations on a sane basis, Carroll came over and the new contract was signed.

NOT TOO much was thought of it at the time. Then one evening when The Stroller was a guest speaker at the Country Club of Detroit, one of the General Motors lawyers who was in attendance remarked during the afterglow:

"That was a great contract you fellows made with the Service Employees Union. We never heard of a cost of living factor before, and now we have your contract on our negotiating table.

Practical patriotism

The pursuit of capital

Tim Richard

My liberal and conservative friends alike have been having conniptions of late whenever one mentions General Motors and Livonia in the same breath.

The City of Livonia recently granted a property tax break to GM to induce it to place a Cadillac operation in the city's golden mile. The operation had been in Detroit. The alternative, if Livonia failed to grant the tax break, was that the Cadillac activity would go to another state, with all its jobs and tax revenues.

To my liberal friends, it means big corporations are blackmailing local government, playing one city and state against another. To the conservatives, it's government mucking up business decisions at public expense.

Actually, government inducements to investors are as old as the Republic itself. Treasury Secretary Alexander Hamilton, in his *Report on the Manufactures* (1791), advocated both bounties and tax breaks to lure European capital to our shores. And he advocated a high wage policy to lure skilled labor.

THE UGLY TRUTH is that the United States has something of a capital shortage. No longer can the nation, states and cities take business for granted, kicking it around with regulations, taxes and general disrespect.

A lot of bewildering things are happening all at once to the American economy.

Women and ethnic minorities (bless them all) are no longer content with second class citizenship and want good jobs, which require more investment. Foreign manufacturers, in new factories, compete with our manufacturers.

The federal government, with its $30 billion deficits, eats up capital to fund those debts. The federal government competes against business and home-buying borrowers for that capital. Those government deficits cause inflation, which mean lenders want higher interest rates.

ANDREW BRIMMER, a member of the board of governors of the Federal Reserve Bank, lecturing at the University of Michigan, showed another way inflation disrupts business.

Suppose a printer buys a $100,000 piece of typesetting equipment. Figuring it will last 10 years, the printer charges off $10,000 depreciation a year as a cost of doing business, the aim being to recover his invested capital. Under federal tax law, he can recover only a total of $100,000 — the historic cost.

At the end of a decade, the printer has his $100,000 recovered and needs to buy a new piece of typesetting equipment. Because of inflation, the replacement machine costs $175,000 or $200,000. So our printer has to hustle another $75,000 or $100,000 in the capital market just to stay even.

More competition for capital.

WILLIAM S. BROOMFIELD, the veteran Republican congressman from Oakland County, put his finger on another capital problem in the American economy. Folks just aren't saving money the way they used to.

"The rate of personal savings has decreased from 7 percent of disposable income, which was the prevailing rate from 1966 to 1975, to 4.8 percent in the last quarter of 1978," he said in a recent newsletter.

"While savings have been decreasing, consumer installment debt for such things as cars and other credit purchases has been increasing from the 12.8 percent average of 1976 to nearly 15 percent."

There are other figures floating around the business magazines about the shrinking percentage of our national income that we're plowing back into new investment compared to Germany and Japan. If folks won't save, then capital is scarce.

And local government, along with state government, must hustle to offer tax breaks to business to get it to invest its capital here and not there. We have a capital shortage in the 1970s of the kind Hamilton dealt with in the 1790s, and the same kinds of inducements are called for, distasteful as they may be politically.

BROOMFIELD OFFERED long-term and short-term solutions to address the problem.

The long-term solution is to say no to spending programs and balance the bloody budget.

One short-term solution Broomfield offers is to exclude from income taxation the first $100 of interest from savings. I think $100 is too little, but clearly Broomfield is doing the patriotic thing by offering an inducement to capital.

Eccentricities

by HENRY M. HOGAN, JR.

Old oil wells get the shaft

For years I've had an interest in several oil wells in Oklahoma.

Up to about five years ago, I used to get a check every month. Then the Arab oil embargo occurred, the world price of oil shot up, and I started to get dividend checks quarterly instead of monthly.

It seemed very strange: As oil got scarcer and its world price rose, my oil wells started producing fewer barrels.

When Richard Nixon was president, we were importing 15 percent of our national requirements. Since then, oil has started to flow from the Alaskan oil fields, and we are now importing more than 50 percent of our national requirements.

Because of the Alaskan oil, California now has an oil glut, but it is the first state in the nation to restrict gasoline sales because of shortages.

WHY IS ALL this happening?

It's another example of governmental regulation.

In the case of my oil wells in Oklahoma, the government has classified them as "old" wells and has held the interstate price to $5.80 a barrel.

To encourage new exploration, the government has set the world price of $12 to $14 a barrel on new oil. "New" oil is defined as oil produced from a well drilled after a date they set up in the early 1970s.

On redone "stripper" production, the government allows a price of $18.10 a barrel.

Also in an attempt to close so-called "loopholes" in the federal tax laws, Congress has reduced the percentage of depletion which oil well producers can take as a tax deduction because it is a cost of doing business. That makes it less advantageous tax-wise to invest in oil wells.

When you are driving your car or heating your home, you can't tell the difference between old oil, new oil or stripper oil.

BUT THE PEOPLE who produce the oil are paid different prices. They know that if they leave the oil in the ground, they eventually will get a better price for it, so why should they produce it now, unless they can find a gimmick that could convert it from old oil to new oil or stripper oil?

The federal government has set the rules, and the oil people are living by them, yet trying to maximize their profits. The result: Less oil is available to the public.

In California's case, the environmentalists have fought both new refineries and cross-country pipelines. So California has plenty of crude oil but not enough facilities to refine it into gasoline.

The federal government has done little to cut through the red tape on the West Coast, pushing us into a dependence on the volatile Mideast oil.

PRESIDENT CARTER is upset because Congress won't pass his energy plan, yet his own administration is contributing to the shortage of oil in this country.

Is the administration playing a game to get its energy package through Congress? We all know that long lines at gasoline stations arouse the public to which Congress is very sensitive.

Isn't it about time the government served the needs of the people instead of using them to accomplish a political end?

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