US Stock Market Fluctuations a Warning to Canada Amid a Decade of Competitive Decline

By Conrad Black

The fluctuating U.S. stock market, and particularly the Dow Jones Industrial Average descending by [over 1,000 points] in one day on Aug. 5, have naturally raised some curiosity for what this means for Canadians, accustomed as we are to a relatively buoyant stock market.

Traders work on the floor at the New York Stock Exchange (NYSE) in New York City, on Jan. 9, 2024. (Brendan McDermid/Reuters

The most frequently expressed opinion in the United States as the reason for this worst stock market day since 2022 has been tied to the November U.S. presidential outcome. The election, now less than three months away, also takes place against a backdrop of increasing concern about rising debt levels both in the public sector and among individuals and families in the United

States. If the U.S. economy was to follow anything like the trajectory of the past few years it would be bad news for Canada, for approximately half of our GDP is tied up with our southern neighbour. But in addition to that, Canada too has mismanaged its affairs badly.

We are on the verge of losing our status as a prosperous and successful country. The Organization for Economic Cooperation and Development (OECD) now predicts that Canada will be the poorest-performing advanced economy in the world for the next 35 years if it continues on its present path. In recent years, Canada's per capita average income has increased by 3 percent, from $54,154 in 2016 to $55,863 in 2022. Over the same time, the average per capita income in the United States rose by 12 percent from $65,792 to $73,565.

In approximately this same period, cash generated in Canada and invested outside Canada exceeded incoming investments by nearly $300 billion. From the onset of COVID in February 2020 to June 2023, the number of private-sector jobs in Canada increased by 3.3 percent while public-sector jobs increased by 11.8 percent, and public-sector employees are paid 31 percent more on average than those in the private sector. Canada now has 4.1 million public-sector employees, more than 10 percent of our entire population. The corresponding percentage in the United States is slightly over 6 percent, despite that country's very large military establishment.

Capitalism is by far the best economic system because it is the only one that is aligned with the almost universal human ambition to have more: more security and more access to desirable things, which generally means more money. For the last 90 years, our only answer to economic recessions has been to expand the money supply to massage financial relief around society, which debrs the currency. However, this devaluation of the currency is somewhat disguised by the fact that for more than 50 years, our currencies have been valued only in other currencies, and if they are all being devalued at once, the relationship between them is not too much altered.

Everyone with any interest in Canada's economy knows the country needs capital, and almost everyone knows that the gradual flight of capital is the chief yardstick of the world's analysis of our prospects, and the determining factor in the rate of growth in Canada's per capita prosperity. The determination of China, and more recently India, representing nearly a third of the world's population, to build their economies rapidly has raised them up from a chronically under-developed status to be the second- and fifth-largest economies in the world. In this process that has in some cases reduced poverty, much of the cyclicality of resource pricing has also been reduced.

But Canada's ability to exploit this has been compromised by a seriously misplaced focus on climate concerns, and a completely unjustifiable war has been waged against our greatest industry, oil and gas. This increases our own energy costs and makes us appear like chumps in the world, having to import petroleum products in Eastern Canada because of irrational aversions to pipelines that should be delivering Canadian oil from Western to Eastern Canada.

The softness in the U.S. stock markets is a response to a fear that the United States is already vulnerable because of historically high debt levels in the public and private sectors, and concerns about the fiscal policies that may emerge or remain depending on the outcome of the November election. In Canada our vulnerability is much greater, and we have been in competitive decline for the last decade. The fluctuations in U.S. equity markets should remind us of how extremely vulnerable we are economically, not only to American developments, but because we are already bleeding capital and have been for a decade.

The warning from the American stock market resounds much more loudly for Canada than for the United States itself.

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