

## ***J. L. Boyle International***

39111 West Six Mile Road • Livonia, Michigan 48152 • Fax: 734.665.0392 • Phone: 734.665.9514  
Mailing Address: P.O. Box 1008, Ann Arbor, Michigan 48106-1008

March 3, 2008

Dr. Larry P. Arnn, President  
Hillsdale College  
33 College Street  
Hillsdale, MI 49242

Dear Dr. Arnn :

While the purpose of this letter is to take issue with certain statements in Mark Steyn's speech delivered at Hillsdale on September 29, 2007 and printed in the January 2008 *Imprimis* (copy attached), I would be remiss if I did not first thank you and the all of the folks at Hillsdale – including your students -- for being a beacon of common sense and bravery at a time when most Americans readily accept the abuses and the never-ending encroachment of our Federal, state, and local governments.

In the way of background , I am a strategy consultant working with both the private and the public sectors. My education includes a Masters degree in Actuarial Science (Georgia State University) and a Masters Degree in Statistics and Operations Research (The Wharton School, University of Pennsylvania). Over the last twenty years, I have written over 100 articles, essays, letters to editors, and speeches on the subject of fiscal malfeasance at all levels of American government.

My primary concern centers around Mr. Steyn's comment that "... *The Canadian economy is more heavily taxed [than the U.S. economy] :Total revenue for every level of government in the U.S. is approximately 27 percent of GDP, while in Canada it's 37 %. And yes, that 37% includes health care – but you would have to be having an awful lot of terminal illnesses each year to be getting your money's worth from what you are giving to the treasury for that.*" I cannot comment on Mr. Steyn's numbers for Canada (although I did research Canada's cost for medical care), but I am eminently qualified to comment on his numbers for the U.S – and my comments are as follows :

1. Using tax "revenue" can be very misleading. More and more in America, additions to government coffers come in the form of fines, fees, forfeitures, and unfunded liabilities (debts incurred and sent to future generations of taxpayers – debts such as Social Security and Medicare) – and Federal, state, and local governments, in an increasing effort to be less transparent, prefer to not include these vast sums of money under "taxes". Accordingly, it is far more accurate to focus on government "spending."
2. For 2005, The Organization for Economic Cooperation and Development (OECD) estimated Canada's healthcare tab at 9.9% of Canada's GDP and the U.S. healthcare tab at 15.2% of U.S. GDP. Of the eight countries included in the OECD study, the U.S. was the highest -- 6.2 percentage points higher than the average, 5.1 percentage points higher than the next highest – Germany, and 5.3 percentage points higher than Canada. Since Canada's healthcare costs about 1/3 less than America's (as a percentage of GDP) and since Canada has both a lower infant mortality rate (4.8 per 1,000 live births vs 7.1 per 1,000 live births for the U.S.) and a higher life expectancy (80.7 years vs 77.9 years for the U.S.), I can find nothing compelling to suggest the superiority of America's healthcare "system".
3. The 2008 Statistical Abstract of the U.S. shows the U.S. healthcare tab at 14.3% of GDP -- so, for purposes of further analysis and in the name of conservatism, I will use this figure (instead of the 15.2% from the OECD's 2005 study). To get to a government "take" for the U.S. that compares to the government "take" for Canada, we must determine the percentage amount of GDP that is medical care NOT covered by government expenditures – and that is 10.9% of GDP. (My firm's research shows that Federal, state, and local governments pay for 24% of medical care in America – leaving 76% of expenditures to be covered by the private sector.) Now, if we add 10.9% to the Mr. Steyn's estimate of the U.S. tax take of 27%, we get 37.9% of GDP -- which is 0.9 points **higher** than Mr. Steyn's estimate of the Canadian tax take of 37%.

4. In addition, I do not agree with Mr. Steyn's estimate of 27% of GDP as the "Total revenue for every level of government in the U.S." As I document in detail in a speech I gave at the annual dinner of the Libertarian Party in November 2006 (copy attached – see page 4), the total "spending" by all levels of government in America in 2006 was 31.2% of GDP. So, based upon this percentage, if we add 10.9% for healthcare, we get to a cost of government plus healthcare of 42.1% of GDP – which is 5.1 points higher than the Canadian tax take of 37%.
5. However, this 42.1% does not yet accurately reflect the "true" cost of government in America (including health care) – this is the "cash" cost of government. It does not include the cost to amortize the \$50.2 trillion in debt to pay for already-earned **taxpayer-provided** retirement benefits (pension and healthcare). This is the \$50.2 trillion in unfunded liabilities (\$6.8 trillion for Social Security, \$34.2 trillion for Medicare, \$4.8 trillion for Federal Employees, and \$4.4 trillion for state and local employees – as of 2007) that David Walker (Comptroller General of the U.S.), in recent cross-country tours, says will destroy America. If this debt is amortized over 75 years, the payments will consume an additional 22.1% of GDP – raising the total cost of government in America to a whopping 64.2% of GDP (including the current cost levels for healthcare).
6. The word about America's unsustainable debt load appears to be getting out. The ever increasing burden of American government and the need at the Federal level to "print" money is accelerating the declining value and the declining integrity of the dollar. In fact, the relative weakness of the American dollar can be seen by comparing the exchange rates for the U.S. dollar vs. the Canadian dollar over the last six years. In March 2002, \$1.00 U.S. would purchase \$1.59 Canadian. Currently, \$1.00 U.S. purchases \$0.98 Canadian – a 38% drop in the relative purchasing power of the American dollar.

Mr. Steyn's flawed statistics do not make the case that the American "economic" model is superior to that of Canada. If his Canadian numbers are even remotely accurate, nothing could be further from the truth. As the data in my Liberty Fest speech clearly documents, America is a beggar nation living off debt and sending its bills to future generations of taxpayers who did not vote on the outrageous and self-destructive intergenerational transfer of \$50.2 trillion of debt.


The profligate spending by America's government and the disgraceful accumulation of \$50.2 trillion in debt is, by far, the greatest threat to America's survival. It is a threat that cannot be explained with sound bites and it is a threat that cannot be addressed without offending powerful lobbying groups (the American Association of Retired People, the public-employee unions, large Wall Street firms that deal in public debt, etc.). As a result, none of the three leading candidates for President is addressing this issue and none of the candidates has any mandate to address this issue in the future. H. L. Mencken's definition of an election as "an advance auction of stolen goods" has never been more true than today as politicians from both major parties plunder trillions of dollars from future generations of taxpayers. Absent a groundswell from educated Americans who will grapple with this complex and deadly issue – e.g., the readers of *Imprimis* – America will continue its slide into the economic abyss and will ultimately become an economic pariah.

Dr. Arnn, I hope you will take the necessary steps to correct the record for *Imprimis*' 1.5 million readers – and give them insight into this most important and most dangerous of issues facing America.

Of course, I welcome the scrutiny of my assertions and any inquiries into sources or methodology. I also would be happy to address any other questions you may have on this most important of subjects.

Thank you.

Yours very truly,



John Boyle

Attachments

Cc : Mr. Douglas Jeffries, Editor  
Imprimis