Caswell **CORPORATE COACHING** Company

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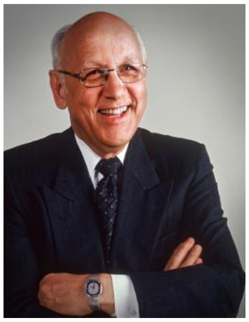

William E. Caswell

Bill Caswell is an experienced coach of CEOs and senior executives around the globe. The author of 14 books, Bill has penned the 12-book series *The Respect Revolution* written, by a CEO for CEOs, as a guide to getting your company to *Excellence* and keeping it there.

Do you know what's going on in your company?

Sadly, most CEO's that I meet, claim to know but when I ask questions about key indicators, I get confusing answers, to say the least. Some defer to their accountants and others drag out the latest reams of financial statement to show me. But the question to them is, "Do you really know how well (or how poorly) you are doing right now?"

Understanding this tendency towards obfuscation, we at CCCC work hard to get the CEO to reach a point where he or she always knows what is going on by simple calculations that we like to say, fit on the back of an envelope. This newsletter is not intended to boast about the great powers of CCCC but rather to bring home the idea that many responsible people do not push themselves to keep a clear picture of key issues in front of them. Failure to stay alerted, can end up with a surprise down the road that the company may be unable to recover from.

CEOs must be aware, not only what is going on in their company but in the world around them. Let me ask the Canadian reader: How large is Canada's deficit? What if Canada was on the path to bankruptcy, would you know? Would you care? I hope, at least, you would care. The news is full of countries on the threshold of financial collapse at this very moment, Iceland and Greece, for example. Greece cannot survive unless it is bailed out by others.

The Canadian Situation

The Liberal government in its recently published budget prided itself on Canada's fine financial standing on the world stage. That justified it taking the irresponsible step of posting a huge $35 billion deficit in its very first budget. It is irresponsible because in effect, it is saying: "I am going to spend $35 billion I do not have and pass on the responsibility for cleaning up the $35 billion mess to the next set of politicians. Meeting a budget is not an achievement. It's a necessity. No one in business is praised for meeting the budget; they are deemed poor managers if they cannot at least stay within budget. In politics, staying in budget is treated as an accomplishment. Paying back a debt is normal in most people's lives, yet in the governmental world, countries, provinces, states, and cities go year after year without a surplus – the only mechanism available for paying off debt.

Now to answer the question posed earlier. The Canadian deficit is around $600 billion (and growing). Every year our government spends $35 billion just on interest for that debt. Income for Canada comes from only one source, taxpayers – namely you and me. For every taxpayer in Canada, that $600 billion translates into about $40,000 each that taxpayers owe – on top of their city's debt and on top of their provincial debt. Did you know that you could have nearly $100,000 obligation on your shoulders (not to mention whatever your personal debt may be)? The point about debt is that it is OK to have it as long as you have a clear means to pay it off. Have you the clear means to pay off the governmental $100,000 that you owe? If not, the government will have to default on the debt (i.e. not pay it) and stiff all the lenders. Then most banks and pension funds would collapse.

Here is the irritating part. Canada justifies its tender position by comparing itself with even more horrible countries. For example, Canada looks at our terrible Debt to GDP ratio of about 35%. The GDP is not government income; it is the income of every enterprise in the country. This rationale starts off by saying others will bail us out. That is like saying that while I have debt of $100,000, instead of relating it to my income, I relate it to my children's and my siblings' combined incomes[1]. As well, Canada conveniently looks at the Debt to GDP of our neighbor, the U.S. at 75% (another disaster in the wings) and Japan at 120% - already showing its first hints of an economic collapse.

[1] *If the Canadian government looked at its own annual income, that 35% of GDP would swell to a few hundred percent. Would you run your own household with a debt 3 or 4 time larger than your own annual income?*

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1. Read about the CCCC management methodology for **$40** electronically or **$400** with a set of 12 books (2,700 pages) in a hardboard case.

2. Learn about the CCCC management methodology by attending the week-long ***Management Refresher***, September 6-13, 2016 **$7,500**

3. Act on the first step of resolving your key issues with a tactical planning session by CCCC at approximately **$10,000**.

4. Engage fully in the *Climb to Excellence* right from the start (3-year step-by-step program) guiding you to *Excellence*, **$150,000** ($4,200/mo.)

Canada proudly says its boiled-down tax rate is 17% compared with the U.S. and the G7 average at 27% and 37% respectively. As I have repeated in earlier newsletters, businesses globally produce a profit of 5%, yet government officials think that their 17% take (in a tax rate) is laudable.

The Global Situation

We started above with Greece and Iceland so let's look at them a bit more closely. The IMF and the European Central Bank lent Greece $145 billion dollars to tide it through its recent crisis, a crisis that includes a total debt of $400 billion dollars and an unfunded pension owing of $800 billion – all of this in a country of 11 million people. Iceland peaked out with a national debt of $330,000 for every man, woman and child in the country. Why? Because no one was watching. Countries justified their indebtedness as a current 'necessity' just as Canada is doing now. War expenditures are a necessity. I do not think we are at war. If we, as business leaders, don't watch, Canada too can escalate to an untenable position.

The U.S. dollar is highly overvalued because the world has great faith in the U.S. But a look at its underpinnings is nothing less than frightening. The city of Vallejo California of 300,000 souls had to declare bankruptcy. The city hall now is run by 2 people – the mayor and an assistant. There are no police. One in 16 homes in Vallejo are in foreclosure. How did it get that bad? 80% of the city's annual budget is dedicated to union negotiated pension and health benefits to retired police and fire fighters. San Jose CA, with the second highest per capita income in the U.S., is teetering on the brink. Their police and firefighters will earn more in their pensions than while working. Now the bigger picture is the 40 million population state of California where similar situations are happening throughout. California spent $6 billion on prisons while at the same time investing $4 billion on education. Is not something amiss? There are 49 other states to consider and a good number of them are worrisome. The U.S. federal government, up to its ears in debt itself, is not able to bail them out even if it wanted to.

The other global weaknesses are Spain, Portugal, Italy and now the former bastions of stability, France and Switzerland. The bad news from some of these will probably roll out within the next 12 months.

Conclusion

This newsletter is not so much about predicting a world collapse as it is about advising our readers, and especially our CEOs, to keep an eye on the big picture – their own, their nation's and the world's. It is about not allowing yourself to be lulled to sleep because everyone else is sleeping, not accepting the justification of a bad situation because other companies and nations are worse. Keep aware and revert to the common-sense position. Everyone's future depends on it.

Good luck,

Bill

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