

# The reality behind Canada's "good news" budget

A reporter  
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Canada's governing Liberal Party and much of the media are touting Tuesday's federal budget as a return to normalcy after years of sweeping budget cuts and tax hikes. After all, Finance Minister Paul Martin predicts Ottawa will record a budgetary surplus for the third successive year and has unveiled modest social spending initiatives and tax cuts for the second year running.

In reality, Martin's sixth budget is entirely in keeping with the regressive social policy that all levels of government and the entire Canadian political establishment, from the avowedly right-wing Tories and Reform Party to the social-democratic NDP, have pursued during the 1990s. It continues the downsizing of public services, fosters social inequality, and maintains changes to Canada's tax and unemployment insurance systems designed to "reintegrate the jobless into the labor market"--a euphemism for forcing them to provide capital with cheap labor.

The centerpiece of the Liberal budget is a commitment to give the provinces, which under Canada's constitution have jurisdiction over most social policy, an additional \$11.5 billion (or on average \$2.3 billion per year) over the next five years to help finance the country's public healthcare system, Medicare. The Liberals are also boosting medical research, by spending an additional \$1.4 billion over the next three years on various health-related research programs and providing more money for healthcare programs for Canada's aboriginal people. These healthcare expenditures, boasted Martin in his budget speech, constitute the biggest and most expensive initiative undertaken by the five-year-old Chretien government.

The ballyhoo notwithstanding, five years hence, in the 2003-04 fiscal year, Ottawa will give the provinces significantly less money in nominal terms--let alone

when adjusted for inflation and population growth--to fund healthcare, post-secondary education and welfare, than did the Liberals in their first year in office, fiscal 1994-95!

Public healthcare advocates, healthcare workers and even hospital administrators have all but universally characterized the infusion of federal funds as a stopgap measure, "a band-aid," that will at most temporarily sustain a healthcare system hemorrhaging under the impact of more than a decade of successive rounds of budget cuts.

"Going back to 1995 [funding] levels is not much," said Dr. Hugh Scott, executive director of Montreal's five-hospital McGill University Health Center. "In terms of hospital funding it was not a very good year and in the meantime our costs have gone up significantly."

The president of the Canadian Health Care Association has warned that the healthcare funding crisis is so acute, provinces will be tempted to take up Ottawa's offer to boost their transfers over the next two years in return for reduced payments thereafter. "The emergency situation in terms of waiting lists and needs is so great now," declared Sharon Scholzberg-Gray, "[but] if all the money is taken on stream this year and next year, the year after there won't be enough to sustain care."

In recent weeks public anger over healthcare has mounted in the face of daily reports of chronically understaffed and overflowing emergency rooms in Montreal, Toronto and Vancouver, months-long wait listings for potentially lifesaving medical procedures, hospital bed shortages and the lack of government support for home care.

Such is the popular outcry the Reform Party and the right in general have thought it politic to join in the

condemnation of the Liberals for failing to use more of their budget surplus to alleviate the healthcare crisis. While feigning concern over the lack of access to quality healthcare, the right's real agenda is to build up a popular constituency for allowing the well-to-do access to a private healthcare system.

"The real results of this government's healthcare policy," Reform Party leader Preston Manning told Parliament Wednesday, "is a two-tiered healthcare system where ordinary Canadians get put on a list 200,000 names long and wealthy Canadians go to the United States" for treatment.

The *Globe and Mail*, Canada's premier business paper, said the Liberals' healthcare initiative "sounds like real money. But it's not. Governments spend about \$55 billion each year on healthcare ... the new spending will not even keep the system at its current level."

As for the tax changes announced by Martin in his budget, they promote social inequality, providing far greater tax relief in real dollar terms to those in upper-income brackets than those in middle- and most lower-income brackets.

Among the most important tax changes is the extension of the Canada Child Tax Credit to large numbers of low- and middle-income Canadians. Given that the average Canadian has seen his real after-tax income fall by 7 percent since 1989, no one would begrudge the extension of this credit to large numbers of middle-income Canadians. But it must be remembered that this credit, which was introduced last year, is not fully available to many of Canada's poorest people--the unemployed, those living on welfare and their children. Based on the reactionary Victorian notion of "deserving" and "undeserving" poor, the credit was designed to provide the unemployed with an "incentive" to accept cheap-labor jobs.

The Liberal budget was as significant for what it didn't do as for what it did. The Liberals boast that in terms of GNP, Canada's budget surplus is the largest among the G-7 countries. Yet, despite increasing poverty and homelessness, they gave not a penny to restoring access to unemployment benefits or social housing.

The Liberals came to power in October 1993 by appealing to popular discontent over Tory budget cuts, mass unemployment and declining incomes. But no sooner were they ensconced in the government benches

than they declared the federal budget deficit the principal obstacle to prosperity and made its elimination their governmental priority.

By the Liberals' third year in office, federal spending on programs and transfers to people and governments had been slashed from \$120 billion to some \$108 billion. The most significant of the Liberal cuts was the scrapping of the system of transfers whereby Ottawa helped finance provincial expenditures on healthcare, post-secondary education and welfare.

Under the new Canada Health and Social Transfer, the Liberals reduced federal support for the provinces by \$6.2 billion per year, or approximately one-third. Eligibility requirements for Unemployment Insurance, meanwhile, were so drastically tightened that less than 40 percent of Canada's jobless now qualify for benefits.

And the shrinking of government spending for social needs is to continue. The Liberal budget calls for per capita federal spending to continue to decline.

With their 1999-2000 budget the Liberals have made clear that the "war on the deficit" had less to do with resolving the government's fiscal crisis and more to do with realigning class relations, through a general assault on the past social conquests of working people.



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