

# Big business blasts Canada's Liberal government

## Demands "radical" shift to right

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The Business Council on National Issues (BCNI), Canada's most powerful business lobby group, has stepped up its campaign for radical, regressive changes to federal government taxation, regulatory and social policy. According to the BCNI, which represents the country's 150 largest corporations, Canada will rapidly be reduced to a bit player in the global economy, unless the Liberal government of Prime Minister Jean Chretien matches US personal income and corporate tax rates, drastically reduces regulation of business activity, and stops supporting "economic losers."

On April 4, BCNI President Thomas d'Aquino and six corporate bosses (including the chairman of the Royal Bank and the CEOs of Canadian Pacific, Alcan Aluminum, and telecommunications giant BCE) issued a manifesto calling for "urgent and fundamental reforms" in government policy. Titled *Global Champion or Falling Star: the choice Canada must make*, the manifesto claims Canada runs a grave risk of losing out in the global competition for investment and markets. Citing a survey that indicated 40 percent of BCNI-affiliated CEOs estimate there is more than a 50/50 chance their jobs will be moved outside of Canada over the next 10 years, the manifesto argues many Canadian firms will either succumb to their competitors or be forced to locate their operations elsewhere if its call for a major policy shift is ignored.

The corporate manifesto angrily dismisses the minimum, five-year, \$65 billion program of personal income, corporate and capital gains tax cuts announced by the Liberals in their February 28 budget, as too little too late. "Canada's plan to bring its rates five years from now down to where its competitors are today demonstrates breathtaking shortsightedness and timidity.... Canada's tax rates on all fronts—salaries, capital gains and corporate

profits—remain uncompetitive." The corporate bosses are particularly angered with the Liberals' tax cuts for "high achievers and entrepreneurs": "If anything the timid and grudging tax breaks for higher income earners could be seen as more insult than enticement."

Recent shifts in government policy, say the BCNI leaders, "suggest resistance rather than acceptance" of the so-called imperatives of the market. "Government has moved too slowly in supporting its new economy rhetoric.... What remains unchanged is the unspoken sentiment that rich people are to be envied, that big corporations cannot be trusted, that profit is at best a necessary evil."

The day after the manifesto's release, a high-level BCNI conference heard one CEO after another claim government policy was tilted anti-business. Izzy Asper, CEO and principal proprietor of CanWest Global, one of the country's biggest television broadcasters, called the tax system "anti-business, anti-private sector and anti-entrepreneurial." As for Canada's public education system, it is "tilted against the ideas of innovation and profit. In other places," continued Asper, "notably the United States, these ideas are revered." As proof of Canada's economic decline, Nortel Chairman John Roth pointed to the relatively small incomes of the richest one percent of Canadian taxpayers. "The top one percent in Canada starts at \$250,000. You wouldn't touch the top one percent in the United States with that money."

During their first mandate (1993-97), the Liberals enjoyed enthusiastic backing from big business. After all, the Chretien Liberal government made the business mantra of "eliminating the deficit" its policy axis and imposed sweeping public spending cuts—cuts far greater than those imposed by any of Canada's G-7 rivals.

In the past year, the Liberals have moved still further

right. They have made tax cutting their new number one priority, although opinion polls have repeatedly shown that Canadians prefer reinvesting public funds in health care and public services to tax cuts.

Yet the most powerful sections of Canadian business are dissatisfied. In their view, the Liberals should be moving far more aggressively to realign socioeconomic policy in accordance with capital's requirements. "Relaxing even momentarily," declares the business leaders' manifesto, "can be dangerous."

Feeding these sentiments are both greed and fear. Canadian capital is envious of the success its US rivals have enjoyed in appropriating an ever larger share of America's wealth. More fundamentally, the US stock market boom and the depreciation of the Canadian dollar have made Canadian companies more susceptible to takeover by their US rivals and undermined their capacity to match their competitors' capital investments. Similarly, the rapid expansion of the global capital market threatens even the largest Canadian financial institutions, the big banks and the Toronto Stock exchange, with marginalization. As the BCNI manifesto notes, "A major-league player in Canada is often a peewee on the global rink."

The struggle among rival firms and countries for market dominance finds its most concentrated expression in capital's global offensive against workers' jobs, rights and living standards. The policy demands of the BCNI leaders constitute a call for a dramatic intensification of the class war. According to the most powerful sections of Canadian business:

\* Personal income, corporate and capitals gains taxes—but not consumption taxes, whose burden falls most heavily on working people—should immediately be reduced to levels equal or below those of Canada's competitors. Such massive tax reductions could only be accomplished, the claims of the BCNI leaders to support cost-efficient public services notwithstanding, by further massive spending cuts. The inevitable result would be the collapse of Medicare and other basic public and social services

\* Labor standards and environmental and other government regulations that impede business operations should be sharply curtailed. Among the BCNI's principal targets are regulations designed to prevent excessive corporate concentration—"we have to come to terms with our traditional suspicion of corporate size." Government must foster a "flexible labor market," in which companies can redeploy and rid themselves of workers at will. "It is

no coincidence," claim the BCNI leaders, that the US economy has boomed while recording "a record number of layoffs." Left unsaid is that the US "boom" has meant falling or stagnating incomes for most working people, and that much of the drop in unemployment has been caused by a proliferation of low-paid, part-time and temporary jobs.

\* The government should reduce its support to "losers," to inefficient individuals, industries and regions. Instead social policy must be geared to the needs of the market, to moving labor into regions and industries where capital can profit from it. In other words, unemployment insurance, welfare and other income-support programs should be further cut back—no matter that the cuts of the past decades have led to increased poverty and homelessness.

The BCNI leaders' attack on the Liberal government has been well-received by Canada's Official Opposition, which recently remodeled itself as the Canadian Alliance in the hopes of convincing the most powerful section of big business that it constitutes a viable and pliable right-wing alternative to the Liberals. Canadian Alliance leadership candidate Stockwell Day, who attended the BCNI conference as an observer, was quick to point to his own record as Alberta Treasurer in introducing an 11 percent "flat" income tax.

Federal Industry Minister John Manley, who attended the conference on behalf of the Chretien government, also said he shared the business leaders' diagnoses of the challenges facing Canadian capital. But he pleaded with the conference participants to recognize that their demands lacked popular support. This occasioned a savage rebuttal from the editorial board of the *Globe and Mail*, the traditional voice of Canada's financial elite, which proclaimed it the "duty" of political leaders "to generate public support for whatever changes are required."



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