

# Canadian election campaign kicks off: Liberals offer tax cuts to the rich and populist demagoguery to working people

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Canada's governing Liberals tabled a "mini-budget" October 18 that they touted as providing the largest tax cuts in history and which the press almost uniformly said was cribbed from the platform of the right-wing Canadian Alliance. Then, four days later, Prime Minister Jean Chretien kicked off the Liberal campaign for the November 27 federal election with populist denunciations of the Alliance.

In his maiden campaign speech, Chretien attacked the Alliance for caring "only [about] market forces" and for opposing the Liberals' mini-budget because it didn't provide sufficient tax relief for millionaires. Meantime, Finance Minister Paul Martin, himself a former corporate boss, painted the Alliance as a party of dangerous extremists whose flat tax proposal would benefit the "privileged few" at the expense of the middle class. The Alliance's budget proposals, said Martin, are "not only outside the mainstream of Canadian society," they run counter to "the way that democratic society has evolved.... The middle class is the backbone in any country."

The Liberals' mini-budget accelerates the implementation of, and greatly enriches, the five-year \$58 billion program of personal income, capital gains, and corporate tax cuts announced in last February's budget. Taxes are to be slashed by a further \$42 billion, almost doubling the total value of the Liberals' program of tax cuts to \$100 billion, and many of the most important cuts have been moved forward to take effect by next January 1.

Chretien and Martin rail against the Alliance plan to replace the progressive tax system with a flat tax. Yet their own tax cuts are skewed in favor of the well-to-do, providing by far the greatest real dollar increases in after-tax income to the rich and super-rich—the very social layers that over the past decade have appropriated the lion's share of real income gains. While the Liberals are lowering the rate of taxation on the first \$31,000 of personal income by just 1 percent, they are slashing the tax rate on earnings between \$61,000 and \$100,000 by triple that, or 3 percentage points.

Moreover, the Liberals are abolishing the surtax on income in excess of \$85,000 and increasing the tax exemption on capital gains—two-thirds of which accrues to the wealthiest 2 percent of taxpayers—to 50 percent. As of January 1, Canada's CEOs and capitalists will pay an effective tax rate of 14.5 percent on income derived from the sale of stocks, real estate and other investments, while minimum-wage workers will be taxed at the rate of 16 percent on their employment earnings. (For a more detailed examination see "Canada's "mini-budget" lets rich appropriate still greater share of national income".)

In 1997 the Liberals campaigned for reelection on a pledge to allocate half of any future budget surpluses toward reinvesting in social and public services, and the other half to tax cuts and deficit reduction. But under pressure from big business, the Liberals have devoted the bulk of the "fiscal dividend" to tax cuts and reducing the national debt. Alone, the

Liberals' program of tax cuts will account for \$100 billion of the \$120 billion in federal surpluses that have been projected for the next five years.

Last week's mini-budget contained a handful of token tax changes specifically targeted to assist lower income families, but no new funds whatsoever for social or public services. The homeless crisis, rising poverty rates and the Liberals' own past promises to provide funding for in-home health care, drug insurance and child care were completely ignored.

The Liberals, however, did find an additional \$10 billion to allot this year to paying down the \$564 billion national debt. This will mean that in just the last two fiscal years the Chretien Liberal government will have spent \$22.3 billion in debt reduction (and more than \$40 billion per year in interest payments). By contrast, the Liberals, after years of draconian cuts, have agreed to raise the transfer payments that the federal government makes to the provinces to help pay for health care and other social and public services by a total of \$23.3 billion over a full five years.

So closely did the Liberals' mini-budget correspond with the fiscal policy demands of corporate Canada and the political right, their spokesmen were caught off guard. "Liberals deliver Alliance budget," proclaimed Conrad Black's *National Post*, the daily that above all others has championed "tax rage" and the Canadian Alliance.

Thomas D'Aquino, the head of the Business Council on National Issues, the mouthpiece of the country's 150 largest corporations, said that he had never been more positive about a Liberal budget. "We've been pressuring the Liberals and we've been taking a lot of flack for it.... Now they have responded and done what they deemed impossible only six months ago.... Now the [Liberal and Alliance] parties are very close to each other." Enthused right-wing ideologue Terrence Corcoran, "The ground rules of Canadian politics have shifted dramatically.... Tax cuts on a large scale are now respectable policy on a national basis, and there will be no going back."

By week's end, the corporate media had regained its composure. The emerging elite consensus can be summarized as follows: "Now that the Liberals have heeded our demands for radical tax cuts, the time has come to raise the bar." Suddenly, the editorial and op-ed pages are full of calls for Liberals to at least match the Alliance pledge to pay down the national debt by \$6 billion per year and stern warnings against their trying to improve their election prospects by announcing even modest increases in public spending. Typical was this comment from *Globe and Mail* columnist political Edward Greenspon, "Bad spending decisions in the next phase of the Liberal campaign could still drown out [the budget's] conservative message."

The Alliance, meanwhile, is being urged by the free market ideologues and the most rapacious sections of big business to prove its mettle by sticking to its demand for still steeper tax cuts, especially for the most affluent. "Whether [Alliance leader] Stockwell Day can muster the

political courage to stand up for the wealthy ... and throw the Liberals' class war tactics back at them," wrote a *National Post* columnist, "will be a major test of his leadership."

On the morrow of the mini-budget, the corporate media and other establishment voices were claiming that the Liberals had at long last been compelled to bend to popular sentiment. Balderdash. Outside the corporate boardrooms and some of the country's most affluent suburbs, "tax rage" has had limited appeal, notwithstanding the fact that over the past decade working people have seen their taxes rise, while the quality of public services has seriously deteriorated.

Even the media's own polls have repeatedly shown that the crisis in the public health care system is the uppermost concern of voters and that a majority of Canadians would prefer reinvesting funds in Medicare, education and other public services to tax cuts. And when workers, even if in a politically inarticulate and blunted fashion, have challenged the assault on public services, as in the 1997 Ontario teachers and 1999 Quebec nurses strikes, reputedly popular big business governments have proven to be politically isolated.

But because the working class has been betrayed and abandoned by its traditional organizations—the unions and the social-democratic New Democratic Party (NDP)—big business has had a free hand to press for the implementation of its ever-more right-wing agenda.

Elsewhere the *World Socialist Web Site* has analyzed the significance of the transformation of the Reform Party—a right-wing, Western-based populist party—into the Alliance and of the rallying of important sections of the bourgeoisie and the most-right wing faction of the Conservatives to the new party. ( *See the links below.* ) What needs emphasis here is that working people should beware of the media's soporific assurances that the Alliance is moving toward the political center and becoming a "traditional brokerage party."

True, the Alliance is no longer vowing to fully implement its 17 percent flat tax scheme during its first mandate. (The Alliance's election manifesto calls for employment income in excess of \$100,000 to be taxed, on an interim basis, at a rate of 25 percent.) And Alliance leader Stockwell Day, after having secured the party leadership by courting the religious right, has now all but censored references to abortion and restoring the death penalty from his speeches.

But the Alliance is running on a program far to the right of that ever advanced by a legitimate contender in a Canadian election. An Alliance government is pledged to implementing massive new cuts to public spending, privatizing key Crown Corporations, further reducing unemployment insurance and eliminating all jobs programs, slashing benefits to Canada's impoverished aboriginal population, dramatically boosting the budgets of the military, police and courts, promoting religious and other private schools, abolishing any federal powers to block the privatization of health care, and facilitating the drive of the religious right to recriminalize abortion.

If the Alliance—an untested and volatile amalgam of social conservatives, free-market ideologues, aggrieved sections of the petty bourgeoisie and big businessmen—can be depicted as something other than the embodiment of political reaction, it is only because the entire spectrum of official politics has moved so sharply to the right over the past two decades.

In the 1993 and 1997 federal elections, the Liberals benefited from a so-called "split in the right" between the newly-created Reform Party and the Conservatives, the Liberals' traditional big business political rival. Until recently, the prevailing wisdom has been that it is in the interests of the Liberals to perpetuate this state of affairs. But following the creation of the Alliance and the selection of Stockwell Day as Alliance leader, it became evident that powerful sections of Canada's corporate elite who had not been ready to support Preston Manning's Reform Party, because of its populist pretensions, anti-Quebec chauvinism and association with

Western sectional interests, had decided to bankroll the Alliance. The Liberals responded to this political realignment by switching tacks, and recasting the political debate as a choice between two purportedly stark alternatives—themselves and the Alliance.

The Liberals believe that by appealing to popular anxiety about the Alliance's right-wing socioeconomic program and its association to the religious right they will be able to rally popular support, including from traditional NDP and Tory voters. But their aim isn't just to garner votes. Or rather by winning votes through populist demagoguery, while delivering on the essentials of the Alliance's fiscal agenda with their mini-budget, the Liberals seek to demonstrate to big business and the corporate media that they remain the best vehicle for upholding their interests.

There is an old adage that Canada's Liberal Party campaigns in elections from the left and governs from the right. This speaks to the fact that the Liberals, Canada's governing party for most of the last century, have a long tradition of manipulating populist, anti-big business sentiments the better to uphold the long-term interests of capital. In effect, Chretien and Martin are arguing that an Alliance government could undermine bourgeois interests by pressing forward in too hasty and crude a fashion in implementing the demands of big business and by catering to the predilections of the religious right. The Liberals, they contend, can more efficiently uphold capital's interests by exploiting residual illusions in liberalism, using their long-standing ties to the labor bureaucracy, and employing the Alliance as a right-wing foil.

The Liberals are also appealing to ruling class concerns that the Alliance's plans to decentralize Confederation, so as to facilitate the gutting of social programs and give the bourgeoisie in the West greater power, could so weaken the federal state as to render it unable to effectively serve the interests of the most powerful sections of Canadian capital—i.e., uphold its "national interests" against foreign competitors and weaker, regional rivals.

The working class enters the elections for all intents and purposes politically disenfranchised.

In Quebec, the unions are stumping for the separatist Bloc Québécois. The BQ makes populist noises about the Liberals' cuts to social programs. But Quebec's Parti Québécois provincial government, which it fervently supports, has progressed, like the Chretien Liberals, from balancing the budget through savage social spending cuts to proclaiming tax reduction the pivot of its socioeconomic agenda.

The NDP is once again in survival mode. Its chief objective, as in the 1993 and 1997 elections, is to win enough seats to be a recognized political party in Parliament. For decades, the NDP was the perennial third party in Canadian politics. It served the union bureaucracy as an instrument for heading off any movement for true independent working class political action and for pressuring the parties of big business, particularly the Liberals, for reforms. In the late 1980s, as the bourgeoisie intensified its drive to roll back the concessions accorded the working class in the post-war period, there was an upsurge in NDP support. But no sooner had the NDP come to power in Canada's industrial heartland, Ontario, than it shredded its own modest reform program and came into open conflict with the working class.

Canadian Auto Workers President Buzz Hargrove, who is in the midst of a bureaucratic jurisdictional dispute with the Canadian Labor Congress, has accused the NDP of turning still further to the right and accommodating itself to corporate Canada's tax cutting agenda. "My sense is that the NDP is going to take a real beating in the election," he said shortly before Parliament was dissolved. "I think the greatest opportunity we've ever had in the history of our party is now. There is so much room on the left, ... so many people searching for answers, but what we are trying to do is be the same as the other guys, the other parties with a kinder, gentler face." Yet Hargrove himself has been a party to the bureaucracy's suppression of working class resistance to Ontario's Tory

government and in last year's Ontario election urged “strategic voting” for the Liberals.

The sharp swing to the right of the Canadian bourgeoisie, as manifested in the Liberal-Alliance program of tax cuts, and the collusion and impotence of the unions and NDP underscore the urgency of workers finding a new political axis—the struggle to build a mass workers party committed to the struggle for an internationalist socialist program.



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