

Canada's Liberal government rocked by financial scandal

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Less than three months after Paul Martin became prime minister, his “new” Liberal government is embroiled in a major financial scandal. At a press conference Wednesday, Martin said that the civil servants who authorized paying advertising companies with close Liberal Party ties some \$100 million in return for little or no work must have done so under “political direction.” “All I know,” affirmed Martin, “is that there had to be political direction I don’t know who it was but that’s one of the things we have to find out.”

There have long been allegations of financial improprieties involving the federal government’s “sponsorship program”—a program established to raise the federal government’s profile in Quebec by providing funding for sports and cultural events. In 2002, Jean Chrétien, Martin’s predecessor as prime minister and Liberal Party leader, ordered the auditor-general, Sheila Fraser, to examine the sponsorship program in its entirety after she found serious problems with three contracts awarded to the Groupaction ad agency.

Martin and his advisors were thus already in full damage control mode when Fraser reported on her investigation into the sponsorship program as part of her annual report to parliament.

No sooner had Fraser outlined her findings—that up to \$100 million had been funnelled to Liberal-friendly ad agencies in Quebec, often using intermediaries so as to hide the source, and with little or no services provided—than the government announced a series of measures meant to put the scandal behind it. These included the establishment of a judicial or public inquiry, legal steps to force repayment of any monies stolen, and the firing of Canada’s ambassador to Denmark, Alfonso Gagliano. Prior to his appointment

as ambassador, Gagliano doubled as the public works minister, whose responsibilities included overseeing the sponsorship program, and as the “political minister” for Quebec. In Canadian political parlance, the “political minister” for a given province is the minister responsible for patronage and otherwise tending to the party machine.

The steps announced Tuesday failed, however, to stem the tide of opposition, press and public criticism. Many noted that by creating a public inquiry, Martin was effectively shunting the issue off until after an anticipated spring election and accused him of suggesting that the scandal was the work of little more than a small cabal of Public Works Department bureaucrats.

On Thursday, Martin felt compelled to convene his second press conference in three days to try to limit the fallout. With his statement about “political direction,” description of the bureaucrats involved in the affair as mere “mechanics,” and pledge to do “everything possible” to root out corruption, Martin sought to convince the public that he is ready to see heads roll even within the highest echelons of his government and the Liberal Party.

Specifically, Martin wanted to rebut suggestions that as Chrétien’s finance minister and a senior minister from Quebec he must have got whiff of the fact that the sponsorship program had become a scam. Martin, who effectively forced Chrétien to resign after a lengthy internal party struggle, argued that because of his personal and political differences with the former prime minister he was out of the loop on many matters and that at most a “few” Quebec ministers knew much about the sponsorship program. “It is no secret,” declared Martin, “that I did not have an easy relationship with those around the former prime

minister.... My advice was not routinely sought on issues related to Quebec.”

While Martin proclaimed his predecessor a man of integrity, his aides and advisors have been feeding the media with claims that the former prime minister presided over a flawed political “culture.” According to the *Globe and Mail*’s Daniel Leblanc, “Behind the scenes ...” Martin aides “have been tying the scandal to Mr. Chrétien’s strategy and reliance on old-style politics.” CanWest New’s chief political correspondent cites Liberal insiders as saying that following the 1995 Quebec referendum, which almost resulted in a pro-independence majority, Chrétien and his aides were not overly concerned with proper conduct. As evidence, they cite Chrétien’s May 2002 defence of the sponsorship program, when he famously said that even “if a few million dollars might have been stolen” that was a small price to pay for preserving Canada’s national unity.

The evidence of criminal wrongdoing in the sponsorship affair is substantial. To give but one example, Auditor-General Fraser has documented repeated instances of ad agencies being paid tens and even hundreds of thousands of dollars for doing nothing more than transfer money from the federal government to the recipient of a sponsorship grant. Moreover, the improprieties were not limited to the Public Works Department.. As Martin himself has conceded, in some cases it involved “accomplices” at crown or government-owned corporations—two of them, incidentally, headed by long-time Liberal insiders.

The opposition has alleged the sponsorship scheme was not only a source of individual enrichment but also of illicit funds for the Liberal Party. Investigating these charges was well beyond the auditor-general’s mandate or powers, but they will no doubt figure in the judicial inquiry and various police investigations.

The stench emanating from the Liberal government is strong, but working people should not allow the smell to overwhelm their critical faculties. Big business, through the corporate media, is seeking to manipulate this scandal to serve its own ends.

The *National Post* has led a press posse seeking to use the sponsorship scandal to portray virtually all government programs as wasteful and inefficient if not outright corrupt. The *Globe and Mail* is more circumspect, at least in part because, given the

longstanding crisis of Canadian capital’s traditional second party—the Conservatives—it fears there is no real alternative to the current Liberal regime. But there is every indication it and the rest of the corporate media intend to use the sponsorship scandal as a mechanism with which to flail the government—the emphasis to be given the scandal rising or falling depending on the extent to which the Liberals press forward with big business’s agenda of dismantling and marketizing public services, gutting environmental and labor standards, and expanding and re-arming Canada’s military.

On becoming prime minister last December, Martin was quick to signal to the corporate elite that he intends to move the Liberals sharply to the right, including pursuing much closer relations with the Bush administration. But the press sharply criticized him when the government’s February 2 Throne Speech focused on social policy rather than making Canada more competitive and projecting Canada’s power abroad—no matter that the speech announced only a modest increase in public spending and many of the social policy pronouncements, such as promoting “lifelong education,” are directed at making social policy conform more closely with the needs of business. Anxious to appease, Martin aides responded by leaking to the press their plans to privatize many if not most public services.



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