

Canada's new prime minister delivers more austerity

Keith Jones
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Last week's federal budget—the first the Liberal government has tabled under Prime Minister Paul Martin—received generally favorable reviews from the corporate media and business spokesmen. Echoing a line from Finance Minister Ralph Goodale's budget speech, many commentators praised the government for eschewing a “pre-election spending spree” and emphasizing instead the need to constrain public spending and “rejuvenate” government through a continual review of the scale and efficacy of all federal programs.

Martin is no newcomer to budget-writing. Jean Chrétien's finance minister from 1993 to the spring of 2002, Martin presided over the biggest public spending cuts in Canadian history, then in the fall of 2000 unveiled a five-year, \$100 billion program of personal and corporate income tax cuts heavily skewed in favor of the well-to-do. In the coming fiscal year (2004-05) and every year thereafter, Martin's tax cuts will constitute more than \$30 billion in foregone federal tax revenues, little of which will find its way into the pockets of working people.

Thomas d'Aquino, the head of the Canadian Council of Chief Executives (CCCE), praised last week's budget, saying it would “help to maintain Canada's fiscal leadership and economic competitiveness at a time of considerable global risk and uncertainty.” Like d'Aquino, the *Globe and Mail*, the traditional voice of Toronto's financial houses, lauded the government for increasing its annual contingency fund—which if not drawn down goes directly to paying down the national debt—to \$4 billion and for setting a 10-year target to reduce the debt as a proportion of Canada's GDP from 42 to 25 percent. In an editorial titled “The Goodale Budget Gets the Basics Right,” the *Globe* proclaimed the budget “in the main sensible and competent,” although it warned that the Liberals would likely have to do more to “catapult” themselves “back into majority-government territory.”

The *National Post*, the house organ of the official opposition Conservatives, flailed the government for not announcing a further round of personal income tax cuts and more than minor reductions in corporate taxes. Nevertheless, the *Post* conceded that even from its right-wing perspective it was “hard to find many new spending commitments to take issue with.”

Both the *Post*'s Don Martin and Chantal Hebert of the *Toronto Star* described the budget as a conservative budget in all but name. The Liberals were themselves eager to contrast this year's budget from the last Chrétien budget, which was sharply criticized by big business for providing for a significant increase in federal program

spending after years of deep cuts and spending freezes. “This budget is the polar opposite of last year's,” trumpeted one Martin adviser.

The budget recycled several government announcements, including a one-time \$2 billion grant from Ottawa to the provinces to help deal with the emergency-room overcrowding and lengthy hospital waiting-lists that have resulted from years of health care spending cuts and a scheme to assist the country's cities by waiving the federal sales tax on municipal purchases.

In response to last year's SARS crisis, the budget allocated money to establish a new Canada Public Health Agency, modelled after the US Centre for Disease Control. But much of the funding for the new agency is to come out of the existing Health Canada budget, raising fears that this initiative will actually result in the scaling back of some public health programs.

Defence spending is being increased by a further \$300 million to cover the cost of Canadian troop deployments in Afghanistan and Haiti, where Canadian Armed Forces (CAF) personnel are propping up regimes installed by the US. Total defence spending in fiscal 2004-05 will be \$13.6 billion, or almost one-tenth of all federal spending if interest payments on the national debt are subtracted. In his budget speech, Goodale reiterated Martin's pledge that military spending will be boosted sharply and on an ongoing basis once a special review of Canada's foreign and defence policy is completed next year.

The budget increases national security spending by \$115 million in each of the next five years. This increase will bring the total in additional spending Ottawa has allocated to national security—including the Canadian Security Intelligence Agency, customs and immigration, and the Royal Canadian Mounted Police—to well over \$8 billion for the five-year period beginning in the fall of 2001.

The budget also announced that the government will sell off its remaining 18 percent share of Petro-Canada, an oil company that the Trudeau Liberal government founded in 1975. The final phase in the privatization of Petro-Canada will net the government an estimated \$2.2 billion. But its inclusion in the budget also has a political purpose: to signal to Alberta's oil barons, who vigorously opposed the federal government's “made-in Canada” energy policy as a prop for eastern-based manufacturers, that they have the Martin government's ear.

In post-budget appearances, Goodale described the budget as a “down payment.” He promised that in future budgets the

government will raise spending in areas that the Liberals have previously identified as priorities, such as the cities and aid to aboriginal Canadians, but only when the monies have been raised by cutting or eliminating other programs. “We will not,” vowed Goodale, “commit to these reinvestments unless and until we have found the money to pay for them.” To this end, the government’s new Committee on Expenditure Review has been charged with finding \$3 billion in annual savings over the next four years.

Like Chrétien before him, Martin intends to use the right-wing opposition, now united under the Conservative banner, as a foil, the better to pursue a big business agenda of scaling back and privatizing public and social services. In post-budget appearances, both Martin and Goodale sought to contrast the Liberals’ “balanced” approach to the Conservatives’ almost exclusive focus on tax cuts.

The budgetary and fiscal policies that Liberals have implemented have in fact been far to the right of any post-World War II government. Federal spending as a proportion of GNP has fallen to levels not seen since the early 1950s, a majority of the jobless have been stripped of any entitlement to unemployment benefits, social inequality has widened, and public infrastructure from health care to the country’s sewage systems has fallen into disrepair.

Typical of the Liberals’ approach to the social problems created by the dismantling of public and social services are the budget’s initiatives to assist post-secondary students. During the Liberals’ decade in government, tuition fees have more than doubled, in part because Ottawa significantly reduced the transfers it makes to the provinces to support post-secondary education. But rather than take measures to stem the spiralling cost of college and university education, the budget raised the limit on the amount of money that students are allowed to borrow from the federal government, set aside additional funds for debt-relief for graduates, and slightly broadened eligibility for a program that provides low-income students entering university with a one-time grant of up to \$3,000.

The government also introduced new incentives to encourage parents to save for their children’s education and established a program of education grants for low-income Canadians that only covers those born after 2003 and that will provide them, once they attain adulthood, with just a small fraction of what a single year’s university tuition will then cost.

Especially important was the Liberals’ response to the recent warning of the provincial premiers that Medicare—the country’s universal public health care system—may not survive the decade. The budget provided no significant new funding for health care.

Subsequently, Martin said that he is ready to negotiate a 10-year agreement with the provinces guaranteeing increased federal funding, but only in exchange for provincial commitments to change the way in which the health care system is managed to make it more efficient. Thus far, the Liberals have refused to specify exactly what changes they want. But they have allowed various provincial governments to experiment with private-public partnerships in the construction and managing of health facilities, raised trial balloons about amending the Canada Health Act which could open the door to user fees or even private health care accounts, and mused about de-listing some services as part of a plan to “broaden” coverage.

Much of the media commentary on the budget has linked its conservative thrust to the fallout from the federal sponsorship scandal. Goodale’s budget speech did make repeated references to the scandal, which saw tens of millions of dollars funnelled to Liberal-friendly advertising agencies for little or no work. But since the day they were sworn into office, Finance Minister Goodale and Prime Minister Martin have been issuing warnings about the strained state of federal finances and outlining initiatives to curtail government spending.

This is not to say the sponsorship scandal has had no impact. It has been seized on by various elements in Canada’s corporate and political elite to try to fan popular anger over the tax burden and deflect popular support for increased public spending.

Significantly, Martin has himself been in the forefront of this effort, actually stoking a scandal that tarnishes his own Liberal Party. By embracing the opposition’s rhetoric about the sponsorship scandal, Martin has not just been trying to settle scores with various Chrétien allies who sought to thwart his prime ministerial ambitions. He has been trying to demonstrate to big business that he shares their intense frustration with Chrétien—who, although he headed a government that in terms of social and fiscal policy was the most right-wing since the Great Depression, ultimately came to be seen by the corporate elite as too associated with the social reforms and anti-American Canadian nationalism of the early Trudeau years—and that a Martin government will more aggressively champion the interests of Canadian capital at home and abroad.

Meanwhile, the corporate media and big business have used the sponsorship scandal to breathe life into the project of uniting the right-wing populist Canadian Alliance with the remnants of the Progressive Conservatives in a new right-wing political vehicle—the Conservative Party. For a number of reasons, including its lack of support in Quebec and popular opposition to its neo-conservative and pro-Bush agenda, much of the elite continues to believe that the Liberals are the best-positioned to press forward with the marketization and privatization of public services. But they favor a revived Conservative opposition as a means of prodding Martin and the Liberals still further to the right and as a potential alternative government should the Liberals falter in their resolve or become the focus of popular opposition.



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