

Canada: Martin and Chrétien testify in corruption scandal

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Canadian Prime Minister Paul Martin and Jean Chrétien, his predecessor as head of the Liberal government, testified under oath last week at a public inquiry investigating alleged government corruption. Only once previously did a sitting or past Canadian prime minister give public testimony in a like judicial proceeding. That was in 1873, when Canada's first prime minister, Sir John A. Macdonald, responded to charges his government had awarded a railway contract in return for massive election campaign contributions to his Conservative Party.

At Martin's request, Justice John Gomery is investigating a federal government program under which Ottawa paid out \$250 million between 1996 and 2002 to sponsor sporting and cultural events. Much of the money was funnelled through Liberal-friendly advertising firms. It is not uncommon for Canadian governments, whether federal or provincial, to steer government advertising and consultancy work to firms known to be friendly to the party in power. But in this case, internal government audits found the program improperly managed, with financial records either nonexistent or replete with errors and gaps.

A government study of contracts given to Le Groupe Polygone Editeurs, which received \$40 million in sponsorship money, said that there appeared to have been "systematic and egregious overcharging for what was delivered." A subsequent investigation by Canada's auditor-general found repeated instances of Groupe Polygone and other firms receiving large payments in return for little or no work. Criminal charges have been laid against several advertising company executives.

There is little doubt some people criminally profited from the sponsorship program. There are also good grounds to believe that the program—whose ostensible purpose was to raise the profile of the federal government in Quebec and thereby counter the Quebec *indépendantiste* movement—was used to finance the Quebec wing of the Liberal Party. According to Alfonso Gagliano, who for much of this period was both the minister responsible for the sponsorship program and the boss of the Quebec Liberal machine, the Liberal Party was "not rich." It, however, did receive substantial donations from many of the firms and executives of the firms that received sponsorship contracts from Gagliano's Public Works Ministry or to which sponsorship work was subcontracted.

That said, the sponsorship scandal—the blaring headlines and feigned outrage of opposition politicians notwithstanding—is pretty much small potatoes. As the doyen of Canadian political journalism Peter C. Newman conceded, patronage has always been integral to the functioning of Canada's major political parties. "Patronage," wrote Newman in a recent op-ed piece, "is the udder of Canadian democracy. It has fuelled Canadian politics since Sir John A. Macdonald, our Founding Father, accepted bribes from would-be builders of the CPR."

The enormous amount of air-time and ink the corporate media have devoted to the sponsorship scandal and the place it has taken in the official political debate stand in sharp contrast to the treatment accorded other cases of political corruption. Take, for example, the millions of dollars in questionable contracts that high-level operatives in the Ontario Tory

government and Ontario Conservative Party were given by the province's Crown-owned hydro companies between 1995 and 2003. As in the sponsorship scandal, many of the contracts called for little if any real work. Yet the press soon dropped the story.

And what of the revelation that Karlheinz Schreiber, a German-Canadian arms dealer whom the German government is seeking to extradite, paid former Progressive Conservative Prime Minister Brian Mulroney \$300,000—in cash, in hotel rooms—shortly after he left office? Although Mulroney's explanation—that the money was in return for the advice he gave Schreiber on a pasta-manufacturing scheme—is, to say the least, implausible, few newspapers reported on Schreiber's payments to Mulroney. None has pursued the story.

If the sponsorship scandal has become such a major political issue, it is because it has served as a mechanism through which Canada's corporate and political elite have fought out matters of leadership and policy direction.

The neo-conservative *National Post* and the official opposition Canadian Alliance—now merged with the Tories in the new Conservative Party—have long-trumpeted allegations of waste and corruption in government spending. They have done so in order to discredit their Liberal rivals and, more generally, with the aim of depicting government spending as out of control, so as to bolster their crusade for tax cuts and for "getting government off the back of Canadians" through privatization and deregulation. In this they have been inspired, if not directly advised, by the US Republicans who used a trumped-up financial scandal, Whitewater, and then the Monica Lewinsky affair to destabilize the Clinton administration and ultimately to try to unseat Clinton.

Paul Martin and his supporters in the Liberal Party and sections of the ruling class who still view the Liberals as the party best able to govern in their interests—because of residual popular illusions in the Liberals' being a party of the "people" and because of the Liberals' commitment to a strong federal state—also made use of the sponsorship scandal and other allegations of impropriety in pushing for Chrétien to retire.

And since the release of the auditor-general's damning report on the sponsorship program last February, Martin and the Conservatives, to say nothing of the pro-independence Bloc Québécois, have all found it in their interest at various times to focus public attention on the sponsorship scandal, so as to avoid discussion of their own records, programs and intentions.

This choice of means is, of course, not without significance. There is great popular dissatisfaction with, and disaffection from, all the establishment parties, from the avowedly pro-big business Conservatives through the social democrats of the New Democratic Party, because they have all been party to the assault on public and social services and trade union and democratic rights. Because there is no popular constituency for big business's program of razing what remains of the welfare state, gutting all regulatory restraints on capital, and bringing Canada into a closer economic and geo-political partnership with Wall Street and

Washington, big business and its political representatives have increasingly resorted to the politics of scandal and subterfuge and to nationalist and other noxious appeals in moulding and manipulating public opinion.

Jean Chrétien, in a lengthy opening statement before Justice Gomery's inquiry, made an impassioned defence of his government's record, arguing explicitly that his government had strengthened Canada and implicitly that he had well served the interests of Canadian big business. The *Wall Street Journal*, he observed, had warned shortly after he came to office that Canada was being reduced to the status of a Third World country. But his government had taken decisive action to put federal finances in order. Boasted Chrétien, "We had 10 great years when we turned it around, we took deficit to surplus, we paid the national debt."

Indeed, in terms of socioeconomic and fiscal policy, the Chrétien Liberal government was far and away the most right-wing federal government since the Great Depression. It slashed tens of billions from health care and other public services, rewrote the rules governing Canada's unemployment insurance program to deny benefits to the majority of the jobless, and, once the annual budget deficit was eliminated, announced a five-year, \$100 billion program of corporate and personal income tax cuts skewed to benefit the rich and designed to ensure that the state lacked the resources to reinvest in public services.

Nevertheless, big business became increasingly dissatisfied with Chrétien, especially after the coming to power of the Bush administration in 2001. Chrétien's Trudeau-era Canadian nationalism, with its streak of anti-Americanism, his reluctance to give a massive, multibillion-dollar permanent boost to the military budget, and his failure to publicly promote privatization and deregulation, were all seen as inimical to big business's interests.

Under conditions where the bourgeoisie's traditional alternate party of government, the Progressive Conservatives, had been reduced to a rump, the most powerful sections of Canadian business fixed on Martin—himself a multimillionaire businessman and Chrétien's finance minister—as the best means of unseating Chrétien and shifting the government further right.

Martin was thus egged on in his campaign to seize the leadership of the Liberal Party and prime ministership, the first time a sitting prime minister was felled from within his own party. Although Martin did not directly raise the sponsorship issue during his campaign for the prime ministership, he certainly benefited by press suggestions that financial improprieties had taken place under Chrétien's watch and alluded to the scandal with his promises of doing politics differently.

What brought the sponsorship scandal to centre-stage was Martin's decision to fan public outrage over the auditor-general's report castigating the program. Rather than downplaying the report's significance, Martin declared himself mad as hell. He hailed the report's author, Sheila Fraser, as a national hero, asserted that there must have been "political direction" behind the failure to follow normal government procedures in the awarding and administering of contracts, fired Gagliano from his post as Canada's ambassador to Denmark, and sacked several long-time Liberals from their posts as heads of various Crown Corporations.

Invariably newspaper columnists have presented Martin's response to the auditor-general's report as a settling of accounts with Chrétien and his faction of the Liberal Party. Undoubtedly, personal rivalries and power struggles were involved. But Martin's decision to champion the sponsorship scandal was also rooted in his anxiousness to demonstrate to big business that his government was a new regime, not a continuation of the Chrétien Liberal government.

Martin's first actions on taking office all signalled a shift to the right. He announced an immediate review of all government spending and a freeze on recently announced expenditures. He stressed his intention to mend fences with the Bush administration and, after an initial get-

acquainted meeting with Bush, declared that any differences between the US and Canadian governments over the Iraq war were now history.

The need to seek a popular mandate constrained Martin, however, from fully satisfying business's demand for a sharp shift to the right, especially in the form of a new round of tax cuts, the gutting of Canada's Kyoto Accord commitments, and a closer partnership with the US. He and his aides decided instead to amplify the sponsorship scandal, so as to demonstrate, pending a spring election, that a new team with different ideas was in power.

The ruse failed. Martin apparently believed the media hype about his being Canada's most popular political leader and his unique bond with Canadians. But his trumpeting of the sponsorship scandal sent Liberal polling numbers into freefall.

The Conservatives and Bloc Québécois, meanwhile, fastened onto the sponsorship scandal. Both parties made the purported fight against corruption in government the centrepiece of their campaigns for the June 30 federal election. For the Conservatives, the denunciations of Liberal corruption served as means of deflecting popular attention from their right-wing program and party leader Stephen Harper's record as a neo-conservative ideologue.

The election left the Liberals clinging to power, more than 20 seats short of a majority of in the House of Commons. Moreover, Martin's room for maneuver was further reduced by the large increase in votes for parties that portray themselves as left-wing opponents of the two major parties, the New Democratic Party, Bloc Québécois and Greens.

Chrétien was the first of the two Liberal Party leaders to appear before the Gomery Commission. He ceded nothing to his critics, insisting that the sponsorship program had been an essential part of the federal government's strategy to fight Quebec separatism, and made his disdain for the commission clear to all.

Earlier Chrétien's lawyers had pressed for Judge Gomery to step down as inquiry head, arguing that comments Gomery made to the press in December that were critical of Chrétien showed that he had prejudged the case and that his appointment of Bernard Roy, one of the closest associates of Brian Mulroney, as the commission's lead lawyer indicated bias. (Roy was best man at Mulroney's wedding, later served as his chief of staff, and currently works for the same law firm as Mulroney.)

Chrétien concluded his testimony with a farcical piece of courtroom drama meant to underline his contempt for the proceedings. He answered Gomery's quip that the government's purchase of golf balls with his signature imprinted on them was "small-town cheap" by pulling from his pocket golf balls he had received from Presidents Bush and Clinton bearing their imprinted signatures, as well as one produced for the law firm at which Mulroney and Bernard Roy now work.

While Chrétien and the commission had their daggers drawn, Justice Gomery and the commission's lawyers gave Martin every opportunity to get out his message that he knew nothing of the details of the sponsorship program, because he was preoccupied with his duties as finance minister, and because Chrétien and his aides made sure that he had no role in managing the Quebec Liberal machine. Observing that it was "rather rare" for a prime minister to testify before a public inquiry, government lawyer Sylvain Lussier concluded his questioning of Martin by asking, "Is this an indication of how seriously you take the commission?"

The press reaction to Chrétien's and Martin's testimony is more significant than the scripted lines they delivered during their respective appearances. While many newspaper columnists and editorial writers insisted that Chrétien has much to answer for, there was a grudging admiration for his grit and political smarts.

The press was all but unanimous that Martin should be taken at his word. But even as it exonerated the prime minister of all blame for the sponsorship program, the press chastised him for his earnest, long-winded answers and tied this to sharp criticisms of his failure to "show

leadership.” By this, they mean his reluctance to court unpopularity by taking decisions, like signing Canada on to the US missile defence program, strongly supported by the corporate and political elite.

Only a short time ago, the corporate elite was fixated on the need to replace Chrétien. Now, his successor Martin is being derided as indecisive. According to the *Economist*, Martin’s “faltering leadership has earned him the sobriquet of ‘Mr. Dithers’.”

Yet the most powerful sections of the bourgeoisie have little confidence in the Conservatives under Harper as an alternative. They remain concerned about Harper’s strong identification with the demands of Western-based business and political interests for a greater share of political power and are aghast over his crude appeals to religious conservatism—he has said gay marriage could be the first step toward the Liberals sanctioning polygamy—and over his failure to vigorously promote business’s neo-liberal agenda or offer Martin the Conservatives’ support on missile defence.

Even the *National Post* dismissed Harper’s claim that Martin wasn’t ready to stand behind the Gomery inquiry, when Chrétien sought to force the judge to step down, as “posturing,” adding that Harper’s “Conservative Party remains very much a work in progress.”

Canada’s corporate and political elite perceives itself to be falling behind in the global struggle for markets and profits and geo-political advantage and is increasingly frustrated at its inability to sideline public opposition to its drive for more tax cuts, the gutting of Medicare and other public services, the building up of the Canadian armed forces, and full Canadian participation in a Fortress America. This malaise has found expression in the hullabaloo over the sponsorship scandal.

The bourgeoisie, however, has numerous mechanisms, economic and political, to spur its political representatives rightward, manipulate public opinion and deflect and smother opposition—not least the trade unions and the NDP.

The opposition of working people remains inchoate and largely latent. It will only find coherent, progressive political expression through the struggle for a new political orientation—the mobilization of the working class as an independent and international class against the profit system.



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