Canada: Conservative budget launches new assault on public and social services

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In drafting the federal budget tabled Tuesday, Canada's three month-old minority Conservative government had three interconnected objectives.

First, to consolidate its support among Canada's corporate elite by demonstrating that the Conservatives are determined to implement big business' "global competitiveness agenda" of tax and social spending cuts, privatization, and deregulation.

Second, to provide grist for the Conservatives' campaign to market themselves as a party concerned with the needs of "working families"—a campaign aimed at mustering enough votes in a coming election to secure the Conservatives a parliamentary majority.

And third, to lay the groundwork for a frontal assault on what remains of the public and social services conceded to the working class in the three decades following the Second World War.

The Canadian Council of Chief Executives (CCCE), the country's most powerful business lobby group, was quick to endorse the budget. "This budget delivers on all fronts," declared CCCE Chief Executive and President Thomas d'Aquino. The CCCE hailed the new government for cutting taxes, limiting new spending initiatives to transportation, border infrastructure, national security, and other priorities that "contribute to competitiveness," and for pledging that the tax system will be designed to ensure corporations in Canada pay lower taxes than their US rivals. "The single most important policy shift signaled in this budget," said d'Aquino, "is the recognition that Canada needs to establish meaningful over-all corporate tax advantage over the United States."

In presenting the budget, Finance Minster Jim Flaherty boasted the Conservatives have slashed taxes by $26 billion over the next three years—more than did the Liberals in the four preceding budgets combined—and vowed that the Conservatives would continue to reduce taxes in future budgets.

The tax cuts—above all the 1 percentage point rollback in the unpopular Goods and Services Tax (GST)—are a key element in the Conservatives' attempts to broaden their electoral support on the basis of right-wing populist appeals. With their tax cuts, the Conservatives are seeking to exploit popular frustration and anger over stagnant or falling real incomes and the diminishing quality of public services.

Flaherty touted various small tax-credits, such as a new $1,000 tax credit for uniforms, home computers and other work-related expenses and a tools deduction for tradesmen, as proof that the Conservatives have the interests of working families at heart.

This is a sham and a ruse. And not only because the Conservatives hope that these cuts will help them cobble together an electoral majority and legitimize a future drive to gut social spending in the name of giving Canadians greater "choice over how their own money is spent."

For low and middle-income Canadians, the net impact of Flaherty's 28 tax cuts and of his partial rollback of a cut the Liberals made last November in the taxation rate on the first $36,378 of personal income will be small, even miniscule tax savings. According to the government's own figures, families with incomes of $15,000 to $30,000 will save less than $300 over the next year.

The well-to-do and the rich on the other hand stand to derive significant benefit, especially from the cut in the rate at which stock dividend income is taxed.

As for the cuts the Conservatives made in corporate taxes, they are substantial: a lowering of the general corporate income-tax rate to 19 percent from 21 percent by 2010; the immediate elimination of the federal capital tax; the elimination of the corporate surtax for large, as well as small and medium-sized, companies starting January 2008; and the elimination of money paid out in dividends from the calculation of taxes on corporate profits.

Some sections of the corporate media—most significantly the *Globe and Mail*—have criticized the Conservatives for failing to deliver on their promises to significantly cut government spending and dramatically boost the Canadian Armed Forces' budget.

These criticisms demonstrate the impatience of big business to see its right-wing agenda implemented.

The budget is in fact chock-full of social spending cuts and with the promise of much more to come in future budgets.

Especially important is the Conservatives' cancellation of the previous government's agreement with the provinces to fund an expanded number of public daycare spaces. In place of the Liberal daycare program, the Conservatives will provide parents with a taxable $100 per month benefit for each child under the age of 6. While the Conservatives call this measure a childcare benefit, it is in fact a tax cut and one skewed to a right-wing social agenda as is revealed by the fact that middle-income families with two working-parents will see much more of the Conservatives' childcare benefit taxed back than will families with six-figure incomes, but only one person in the workforce.

The Conservatives and the right vehemently objected to the Liberal daycare scheme, although it was far from providing universal coverage and inadequately funded, because they feared it could lay the basis for the future development of a new, national public service program. Gloated a Canwest columnist, "Gone are the days of Liberal social engineering. So long federal programs designed by bureaucrats."

The budget also cancelled an agreement that Ottawa, the provincial and territorial governments, and native groups had reached last November to increase funding on various aboriginal programs by $800 million in the coming fiscal year and by $5.1 billion over the next five years. Instead the Conservatives have allotted just $150 million in 2006-7 and $300 million in 2007-8 in additional monies to improve housing and water-quality on reserves and expand educational opportunities and socio-economic support for aboriginals—Canada's most impoverished group.

The Conservatives have also ceased funding a large number of programs related to Canada's Kyoto Accord commitment to reduce carbon gas emissions. The Conservatives have not formally renounced Canada's participation in the Kyoto Accord, but have repudiated it in all but name with their vow to develop a "made-in Canada" plan to limit greenhouse

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gas emissions.

Press reports notwithstanding, the budget did significantly increase military spending, just not as much as had been predicted. The Conservatives have increased the Defence Department's budget by $400 million more than the Liberals had planned this year and by $725 million more in 2007-8, raising the base defence budget (before special outlays to support overseas missions like the deployment in Afghanistan) to $16.4 billion annually from the current $14.8 billion. Moreover, the budget reiterated the Conservative campaign pledge to boost the defence budget to just under $20 billion by 2010.

With the support of the corporate media, the Conservatives have been trying to whip up public support for the current CAF deployment in Afghanistan and more generally for the Canadian military shedding any pretense of being a peace-keeper and participating more actively in imperialist military interventions. But thus far, this effort has failed to significantly shift popular opinion.

A second reason the minority Conservative government may have chosen to put off reclaiming in full, or at least large measure, its promise to boost military spending is that there are major differences within the government and the military over what the money should be spent on and in what order. Also, military insiders claim that if the Conservatives' carry through on their pledge to assert Canadian sovereignty over the Arctic by buying three new icebreakers and establishing a new northern port, then the defence budget will have to be increased by substantially more than the $5.3 billion over 5 years that the Conservatives have promised.

Undoubtedly, for electoral reasons, the Conservatives did shy away from carrying out a radical downsizing of government in their first budget.

But the budget does set in place a series of mechanisms that lay the groundwork for a major, regressive reform of social policy and massive social spending cuts.

The government has charged Treasury Board President John Baird—like Flaherty a veteran of the right-wing Ontario Conservative government of Mike Harris—with making $1 billion in cuts in each of the next two and more importantly with conducting a review of how all government spending is managed with a view to achieving cost-savings and promoting contracting-out and privatization.

Second—the budget flatly stated that that Conservatives will provide no funding whatsoever to support their "health-care wait-time guarantee", a pledge that Canadians needing certain medical procedures will receive them within fixed time periods or the provincial governments (which are constitutionally responsible for health care) will pay for them to be done out-of-province.

The government's refusal to fund this pledge underscores that it is not aimed at resolving the crisis in Canada's universal public health care system that has been created by two decades of federal and provincial budget-cutting. Rather, it is to be used to legitimize and provide a mechanism for the increased involvement of private-for-profit companies in the provision of health care services and for the rich gaining access to quicker and better care than those with lower incomes.

Finally and most importantly, the budget vowed that the Conservatives will refocus the federal government on its "core" constitutional responsibilities and that this refocus will constitute one of the fundamental principles on which the government will work to fix the "fiscal imbalance" between Ottawa and the provincial governments.

Canada's founding constitution, the British North America Act of 1867, famously left social affairs to the provinces, because the railway promoters, bankers and nascent industrialists who led the drive for Confederation believed them to be of minor importance, best left to individuals, families, the church, and private charity.

The Conservatives see the withdrawal of the federal government from the social policy field and the transferring of responsibility to the provinces as a means to press forward with the dismantling of the welfare state, while simultaneously accommodating sections of the ruling elite in Quebec and the West who want greater autonomy and power for the provincial governments.

Globe and Mail columnist John Ibbitson, a Conservative supporter who came to prominence as a cheerleader for the Harris Ontario government, could hardly contain his enthusiasm: "One day, this will be known as the budget where everything changed. ... [A] new Conservative government is moving to fundamentally restrict Ottawa's power, giving back to the provinces responsibility for managing the day-to-day relations between the citizen and the state. ...Those who continue to adhere to belief in a strong central government, able to defend and expand national standards in social policy by using its pending power to compel provincial co-operation should be appalled."

Within minutes of Flaherty concluding his budget speech, Gilles Duceppe leader of the pro-Quebec independence Bloc Québécois (BQ) announced that his party would vote for the Conservative budget, thus ensuring not only its adoption, but the survival of the Conservative minority government.

Duceppe, whose party pretends to be a progressive, even pro-worker party, justified his party's support for the budget by saying that the BQ wants to give the Conservatives a chance to make good on their promises to cede more money and power to the provinces. In adopting this stance, the BQ is faithfully carrying out the wishes of both wings of the Quebec establishment, the federalist and the *indépendatiste*.

"The most important thing," said Duceppe, "is the commitment to settle the fiscal imbalance. The real budget will be next year. Meanwhile we don't want to bluff like the two other parties are doing."

Much of the Liberal attack on the Conservative budget was from the right. The Liberals' interim leader, Bill Graham and finance critic John McCallum accused the Conservatives of abandoning a "commitment to fiscal prudence," because they did not match their tax cuts with an equal amount of spending cuts.

The social-democratic New Democratic Party (NDP), which even the *Globe and Mail* concedes has "until now" been "only a mild critic" of the Conservative government, proclaimed its opposition to the budget. Party leader Jack Layton cited the corporate tax giveaways and the gutting of environmental programs as reasons his party would have to vote against the budget.

But Layton was at pains to demonstrate the NDP is a "responsible" party that is ready to work with the most right-wing federal government since the Great Depression: "We will vote against it, but we will propose amendments ...we're here to improve the budget, but we'll see."

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