Canada: Liberals to support Conservative budget

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29 January 2009

Michael Ignatieff, the newly minted leader of Canada's official opposition Liberals, announced yesterday that his party will vote for the federal budget presented by Stephen Harper's minority Conservative government to parliament Tuesday.

The Conservative budget purports to be an "economic action plan" to stimulate the economy and "protect Canadians during the global recession." In reality, it is a thoroughly right-wing economic blueprint aimed at bolstering big business, especially the banks, under conditions of the deepest capitalist crisis since the Great Depression.

The government says that it will spend C$40 billion over the next two years to stimulate economic activity, most of it in the form of infrastructure projects, support for the housing sector and home renovation, aid to industry, and personal-income tax cuts. By contrast, in 2007, the government announced a scheme to reduce the corporate tax rate to 15 percent that will swell big business's coffers by more than C$50 billion in its first five years.

According to the government's own projections, the new infrastructure spending and other stimulus measures outlined in the budget will create 189,000 jobs by April 2011. Yet, in just November and December of last year, more than 140,000 full-time jobs were eliminated.

The budget extends by five weeks—albeit only for the next two years—the maximum number of weeks eligible jobless workers can receive Employment Insurance (EI) benefits. Otherwise, the government demonstrably spurned calls for more relief for the unemployed. It has left intact the punitive changes Liberal and Conservative governments made to unemployment benefits in the 1990s. These changes have resulted in more than 60 percent of jobless workers having no access to EI and discriminate against workers in southern Ontario and other "high-employment" regions by limiting the number of weeks they can draw benefits.

Ignatieff's announcement that his Liberals will "swallow hard" and sustain the Conservatives in power surprised no one. It nevertheless was much anticipated since it laid to rest any possibility that the three opposition parties might join forces to vote non-confidence in the government and bring to power a coalition of the Liberals and the social-democratic NDP supported, from the "outside," by the Bloc Québécois.

Last December 1, in response to a government economic statement that proposed to slash public spending, the three opposition parties announced they had agreed to use their parliamentary majority to replace the Conservative government with a Liberal-led coalition.

The Conservative economic statement was condemned by large sections of big business for failing to throw them a lifeline in the form of a stimulus package. Canada's manufacturers were particularly incensed. Not only were their balance sheets hemorrhaging, the Canadian state was sitting on its hands while their foreign rivals were being reinforced by government stimulus packages.

But if there was anger and dismay at the Conservative's economic statement, there was an even stronger ruling class reaction against the trade union-supported NDP and the pro-Quebec independence BQ gaining influence, via a coalition, over government policy.

Big business, as attested by the editorial pronouncements of the corporate press, quickly rallied round the embattled Conservative government and supported it in carrying out a constitutional coup through the office of the unelected Governor-General. In a flagrant attack on democratic rights and in violation of the precepts of Canada's parliamentary democracy, the Conservatives prevailed on the Governor-General to shut down parliament for eight weeks so as to prevent the opposition parties from defeating the government in a December 8 non-confidence vote.

The Liberals, the Canadian elite's traditional party of government, got the message. Within a few days of the proroguing of parliament, they expedited the exit of Stéphane Dion, who was to step down as party leader next May, replacing him with Ignatieff.

An internationally prominent liberal advocate of the US invasion of Iraq and apologist for Bush's war on terror, Ignatieff had quickly emerged as the leader of the Liberal Party's right wing after returning to Canada in 2005. In the midst of last month's political crisis, he let it be known he had serious reservations about the proposed coalition.

Big business, meanwhile, used the government's near-death experience to press the Conservatives to abandon their ideological opposition to deficit spending and to formulate a pro-business stimulus package capable of securing Liberal support—that is, to forge a de facto Conservative-Liberal coalition. Some editorialists recalled that in the "national interest," the two parties had last year come together to force through a 34-month extension of the Canadian Armed Force's leading role in the Afghan War.

The Conservatives' "conversion" was assisted by the ever-deepening economic crisis. Two months ago, the government was insisting that Canada faced no more than a "technical recession." Last week, the Bank of Canada forecast the Canadian economy will contract 1.2 per cent in 2009 and 4.8 per cent in the current quarter. All sections of the economy have been battered, including Alberta's oil industry, which only a few months ago was riding the wave of record-high oil prices and an anticipated C$150 billion in investments in the oil-tar sands.

A chastened Finance Minister Jim Flaherty conceded, "Since last fall, the global economic situation has deteriorated further, and faster, than anyone predicted."

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The government has been particularly rattled by the freezing up of the credit system. The budget contained a series of new measures aimed at boosting lending, an admission that previous steps including the purchase through the Canada Mortgage and Housing Corp. of C$75 billion of mortgages from the banks and pledges to guarantee inter-bank lending up to C$200 billion have failed to convince Canada's banks to increase their lending. As in the US and elsewhere, the banks have used the tens of billions placed at their disposal, essentially with no strings attached, to serve their shareholders, to bolster their balance sheets, and plot acquisitions of weaker rivals.

Meanwhile, aid to the auto sector—the much-criticized "bailout" of the Detroit Three—has been made contingent on auto workers accepting massive job cuts and wage and benefit concessions. Only last week, Conservative Industry Minister Tony Clement reiterated that Canadian government aid for GM and Chrysler is dependent on the Canadian Auto Workers imposing concessions on its members so as to reduce their compensation to that of workers at non-union assembly operations in the US South. Indeed, Clement even suggested that the wages of Canadian workers should be reduced not just in real terms but in nominal terms to those of workers in the US South, so as to ensure the Canadian industry remains "competitive" if the value of the Canadian dollar rises.

The Conservatives and the ruling class as a whole (the Ontario Liberal government is a co-sponsor of the bailout) are using the auto crisis to launch a frontal assault on the rights and working conditions of auto workers, historically one of the most powerful and militant sections of the working class, with a view to setting a new benchmark to drive down the wages of working people as a whole.

Lest there be any confusion, the Conservatives were at pains to make clear in yesterday's budget that they are not retreating from their right-wing agenda.

Numerous economists and other commentators observed that broad-based personal income tax cuts—as opposed to tax rebates and credits directed at those with lower incomes—is a poor way to stimulate economic activity, since the better-off are more likely to save or pay down debt. Yet, the government insisted on including a series of income tax cuts—such as increasing the personal exemption and the thresholds of the lowest tax brackets—much of whose benefit will flow to the more privileged.

By reducing personal income tax by a further C$20 billion over five years, the government was affirming its intention to continue placing tax-cutting at the center of its agenda. For the Conservatives, tax cuts serve a double function: to redistribute wealth to the rich and super-rich and to weaken the capacity of the state to support public and social services.

The Conservatives were also determined to signal that deficit spending is meant to be an emergency measure. The government has vowed that it will run a federal budget deficit only for five years and that any surpluses accrued thereafter will be used to pay down the national debt.

The Conservatives have also reiterated their intention to sell off more government assets, including at least partially privatizing Atomic Energy of Canada Limited, the Crown-owned nuclear energy company.

The spending on infrastructure and other stimulus measures is programmed to quickly disappear after two years. Moreover, the infrastructure spending is conditional on other levels of government, the province and municipalities, bearing much of the costs. Should they fail to partner with Ottawa, the money will not be spent, under a federal "use it or lose it" stipulation.

The *National Post*, the mouthpiece of the most rapacious sections of the Canadian bourgeoisie, has attacked the Conservatives for succumbing to pressure for a stimulus package. But in an editorial Monday, it says it holds out the hope that the government, having survived the political crisis, will ultimately find a way of quietly eliminating much of the promised spending.

New Democratic Party leader Jack Layton responded to the Conservative budget by denouncing the Conservative corporate tax cut scheme. This was a convenient case of political amnesia, since, at the Liberals' insistence, Layton had agreed that a Liberal-NDP coalition would implement the corporate tax cuts in their entirety.

On Wednesday, Layton donned the role of a spurned suitor, declaring the coalition dead, weeks after Ignatieff had signaled that he was eager to join hands with the Conservatives. "Today," said Layton, "we have learned that you can't trust Mr. Ignatieff to oppose Mr. Harper."

The reality is that in the name of protecting workers from the economic slump, the NDP, with the full support of the unions, was ready to participate in a Liberal-led government committed to waging war in Afghanistan and continuing the socially regressive policies of Ignatieff's predecessors, Jean Chrétien and Paul Martin.

While the Conservative government has survived and the coalition—at least in its current permutation is dead—it is crucial, in preparing for the class battles ahead, that workers ponder the lessons of the recent political crisis. In this light, this writer recommends:

Canada: Vital lessons from last month's political crisis

Canada: Liberal-NDP coalition would be a tool of big business

Canada's constitutional coup: A warning to the working class

Canada's "putsch": Oppose Conservative power-grab! No support to Liberal-NDP coalition!

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