

Canada's political elite wages phony war over corporate taxes

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With Canada's minority Conservative government preparing to introduce an austerity budget, Ottawa is once again abuzz with speculation that the government could fall, precipitating a spring election.

Mind you, the official opposition Liberals, who have repeatedly helped sustain Stephen Harper's Conservatives in power, do not disagree with the government's claim that the slump is over and that its principal task now must be to cut public expenditure so that the budget can be rapidly balanced.

Indeed, the Liberals have frequently attacked the government from the right, contrasting the record of the Chretien-Martin Liberal government—which in the mid-1990s made brutal cuts to jobless benefits and the provincial transfers that fund health care, post-secondary education, and welfare—with that of the current government, which has incurred record budget deficits during the past two years.

However, in a volte-face Liberal leader Michael Ignatieff has declared that his MPs will vote against the coming federal budget unless the Conservatives drop or at least postpone a plan to cut the corporate tax rate by one-sixth this year and next. Under the plan, adopted with Liberal support in 2007, the federal corporate tax rate will be reduced from 18 percent to 16.5 percent in 2011 and by a further 1.5 percentage points to 15 percent in 2012.

Over the course of the past decade, Liberal and Conservative governments have combined to slash corporate, capital gains, and personal income taxes, by several hundreds of billions of dollars. This policy has been a major factor in the swelling incomes of the richest 10 percent and especially the richest 1 percent of the population. A recent study, based on Revenue Canada tax data, found that by 2007 the richest 1 percent earned 13.8 percent of all Canadians' market income and were being taxed at a rate *lower* than the bottom 10 percent of taxpayers. The richest one percent of Canadians now grab a greater share of national income than they did on the eve of the Great Depression, that is, before governments were compelled by mass social struggles to provide working people with certain elementary social protections—income security programs funded in part through taxes on the well-to-do (see “Canada's richest 1 percent grabbed one-third of all income growth since 1987”).

The tax cuts of the past decade have also been aimed at depriving the federal government of tens of billions of dollars so that demands for increased social spending or even the maintenance of existing levels of spending can be rejected with the claim that the cupboard is bare.

The Chretien-Martin Liberal government slashed the corporate tax rate from 28 percent in 2000 to 22.1 percent in 2005.

The Conservatives have been quick to point out that the Liberals

also voted in favor of their government's five-year plan to cut corporate taxes by more than \$50 billion when it was introduced in the 2007 federal budget. And the Liberals made implementation of the Liberal-Conservative corporate-tax reduction plan a key condition of their December 2008 pact with the NDP to form a Liberal-led coalition government.

But now Ignatieff and the Liberals have made an about-face. They are opposing the last two phases of the government's tax-cut, arguing that it is irresponsible to cut corporate taxes by a further \$6 billion per year under conditions where the foregone revenue will only make the federal deficit larger.

They are coupling their opposition to further tax cuts with a call for a very modest sum (about a billion dollars) to be invested in a plan to help families cope with aging parents and grandparents.

This policy shift is a patent political maneuver. It is aimed at making a muted appeal to popular anger with the Harper government's unabashed promotion of corporate Canada. Opinion polls show that a significant majority of Canadians are opposed to further corporate tax cuts and that only one in five support them.

Just as importantly, the Liberals' sudden resolve to oppose the Conservatives is aimed at putting some distance between them and a government with which they have repeatedly joined forces over the past 5 years, whether to slash corporate taxes or wage war in Afghanistan.

During the fall session of parliament, the Liberals and Conservatives struck a deal to extend the Canadian Armed Forces intervention in Afghanistan for a further three years to 2014 and defeated a bill that would have increased jobless workers' eligibility for Employment Insurance.

The Liberals have a long history of posturing as opponents of the big business-scripted policies of the country's other major and avowedly rightwing party, only to subsequently implement them. In 1974 Trudeau won election opposing a Tory plan to freeze wages and prices for 90 days, then imposed a three-year wage-freeze. In the 1993 federal election, the Liberals denounced the outgoing Progressive Conservative government for its “fixation” on the deficit, then imposed the greatest social spending cuts in Canadian history.

But Ignatieff's shift on corporate taxes has been widely denounced by big business and much of the corporate media. Alain Dubuc, the former editor of Montreal's *La presse*, accused Ignatieff this week of “playing the card of base anti-capitalism.”

The intensity of the opposition to Ignatieff's tax reversal underscores that the response of the ruling elite in Canada, as around the world, to the capitalist crisis is to press for a dramatic intensification of the drive to transfer wealth from working people to

the owners of capital, through the dismantling of what remains of the welfare state and the rigging of the taxation system even more in favor of the privileged.

The Conservatives, meanwhile, have mounted a full-throated defence of the corporate tax cuts. They calculate that this will further solidify their support in the country's corporate boardrooms. Harper and Finance Minister Jim Flaherty have insisted that slashing corporate taxes—Canada's combined federal-provincial corporate tax rate is already among the lowest, if not the lowest, among major OECD states—is key to ensuring the competitiveness—that is, the profitability—of Canadian business.

But with the Liberals vowing to vote against the budget if the government does not shelve the last two phases of its corporate tax cut plan, the Conservatives need to secure the support of one of the two other opposition parties, the regionalist-pro independence Bloc Quebecois or the social-democratic New Democratic Party (NDP), if they are to avoid defeat and a Spring election.

Harper has publicly stated that the country doesn't need an election. But were the opinion polls to show the Conservatives in striking distance of winning a parliamentary majority, they would engineer their own defeat by introducing a measure in the budget they know the other parties could support. The problem for the Conservatives is that despite strong backing from Canada's corporate elite they have not been able to rally the support of much more than a third of the electorate.

Both the BQ and NDP have in the past provided the Harper government with the parliamentary votes it needed to cling to power. But Harper is under some pressure from within his party, whose majority has its roots in the Anglo-chauvinist, western-based Reform Party, to stand up to the "separatists" and refuse the BQ's call for the federal government to make several special one-time payments to the Quebec government.

The NDP, for its part, has again signaled that it is ready to do a deal with Harper and his Conservatives, arguably the most rightwing federal government since the Great Depression.

Speaking last week at the conclusion of an NDP caucus meeting, federal party leader Jack Layton declared that his party was ready to work with the government, including, if certain conditions are met, endorsing its budget: "With a little cooperation from all parties, there are things we can work on right now—shoring up public pensions; making life more affordable; steps forward on health care."

The NDP is pressing for \$1.6 billion in additional government spending, including a \$700 million increase in the Guaranteed Income Supplement for low-income seniors and a cut in the federal tax on home-heating fuel. They also are urging the government to increase Canada Pension Plan (CPP) benefits through premium increases, that is in part through higher taxes on working people, and a longer-term commitment to increase funding for health care. The government had previously announced a plan to raise CPP premiums which won heady praise from the NDP's chief ally, the Canadian Labour Congress (CLC). But in December the Harper government reneged on this commitment. Instead it announced a new "voluntary" solution to the pension crisis—a mutual fund scheme that will add not a single cent in guaranteed pension benefits, while providing a new source of enrichment for the banks and financial services industry.

So anxious is Layton to offer the NDP's parliamentary support to the Conservatives that he demonstrably contradicted the party's deputy leader, Thomas Mulcair, who had said it was "highly unlikely" the NDP would support the budget if the government proceeds with

the next phase in the corporate tax cut plan. Asked about Mulcair's remarks, Layton said he wasn't going to prejudice the budget, adding, "You're into a world of probabilities, when you use words like 'unlikely'."

Layton has already rehearsed the argument the NDP will use if it cuts a deal with the government, noting that the corporate tax cut—which the NDP has long claimed to oppose—will not be formally part of the budget since it was adopted in 2007.

The reality is that in its December 2008 coalition deal with the big business Liberals the NDP already reneged on its ostensible opposition to both the corporate tax cuts and Canada's continued participation in the Afghan War. It pledged to serve in a government committed to both.

The media is attributing Layton's maneuvering to fears that the NDP will lose seats if an election is held in the coming months. To be sure, the NDP has little appeal for working people, as it has demonstrated time and again its subservience to big business and is identified with the union bureaucracy, which functions evermore completely as an arm of management in slashing jobs and wages and imposing speed-up.

But the NDP's maneuvering with the Conservatives is also meant to provide further proof to the ruling elite that the NDP can and should be trusted with a share of power. The overwhelming opposition of the establishment to the NDP's coalition deal with the Liberals—including support for Harper's shutting down of parliament so as to prevent its coming to power, although this constituted a clear breach with parliamentary practice—has only caused the social democrats and their allies in the union bureaucracy to lurch still further right.

The NDP leadership remains committed, public denials notwithstanding, to forging a coalition government with the Liberals. Indeed, last year NDP "elder statesmen," including former federal party leader Ed Broadbent and former Saskatchewan Premier Roy Romanow, discussed with leading Liberals the possibility of merging the two parties into a new party, the Liberal-Democrats.

Currently there is little if any enthusiasm in big business circles for an election, since it is deemed likely to return another minority government. By offering to keep the reactionary Conservative government in power even as it launches its austerity drive, Layton is demonstrating his fealty to the bourgeoisie and auditioning for the role of coalition cabinet minister, if not deputy prime minister.



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