

# Canada's Conservatives slash social spending, promise further tax cuts for the rich

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Canada's Conservative government has tabled another austerity budget—a budget that in the name of eliminating the annual deficit intensifies big business's drive to make working people pay for the capitalist crisis.

The budget extends and expands the program of spending cuts the Conservatives launched in 2010. According to the government, these cuts will reduce government spending by almost C\$9.1 billion in the 2013-2014 fiscal year and by close to C\$58 billion over the next five years.

Federal discretionary spending in the coming year will be C\$4 billion less than in the fiscal year ending March 31, a cut of 5 percent, and effectively flat-lined in the following four years. In nominal dollars—that is before accounting for inflation—Ottawa's discretionary spending in 2017-2018 will by almost C\$2.5 billion less than in 2012-2013.

At C\$252.9 billion, total federal program spending will increase by just 0.75 percent in the coming year. Due to inflation and population growth, this constitutes a substantial cut in real per capita spending.

Thousands of federal workers have already lost their jobs as the government slashes environmental oversight, meat inspection, help in accessing government programs, Parks Canada, and numerous other services. As of the middle of last month, 19,800 members of the Public Service Alliance of Canada, or more than 10 percent of the total membership of the principal union representing federal government workers, had received notices from management that their jobs could be terminated.

In presenting the budget, Finance Minister Jim Flaherty trumpeted the reactionary fiscal framework that has been created by the corporate, capital gains, and personal income tax cuts implemented by Liberal and Conservative federal governments alike since the turn of the century. "The federal tax burden," declared Flaherty, "is now the lowest it has been in 50 years." The lion's share of the tax savings, as the growth in real incomes, has been pocketed by the richest 10 percent and especially the top 1 percent.

Although government revenues have fallen significantly short of projections due to anemic economic growth during the past year, Flaherty reasserted the government's intention to balance the budget by the 2015-2016 fiscal year and do so without raising taxes.

So severe has been the fall-off in projected revenues, Flaherty suggested last fall that the Conservatives might push back their deficit-elimination target by a year. But Prime Minister Stephen Harper quickly intervened, declaring that his government would not waver from its commitment to balance the budget prior to the next election in May 2015. The Conservatives have repeatedly declared that no sooner is the budget balanced than they will introduce a raft of tax-cutting measures. The aim of these tax cuts will be to transfer an even larger share of the national wealth to the most privileged sections of society and to deprive the federal state of the revenues needed to sustain existing programs, so as to provide the pretext for further budget cuts.

While slashing public services and preparing a new round of tax cuts, the government is pressing forward with a massive military procurement program, including the purchase of new fighter aircraft and battleships. These procurements are viewed by the government and the Canadian elite as a whole as critical to maintaining their ability to deploy the Canadian Armed Forces in U.S.-led imperialist wars, as in Afghanistan and Libya, and advancing thereby their predatory economic and geo-political interests. The Conservatives also intend to use the procurements to boost Canada's armaments industry, which they hope to develop into one of the country's major exporters.

Sections of the corporate media have dismissed last week's budget as a "stand-pat" or even "do-nothing" budget. To be sure, the 2013 budget does not contain sweeping changes akin to those introduced in last year's, the Conservatives' first full budget since they secured a parliamentary majority. The 2012 budget raised the retirement age; reduced unemployment eligibility and benefits and introduced new measures to compel the jobless to accept low-wage work; enshrined a health care funding formula that will see the federal government's contribution to Medicare fall sharply over the next decade; and gutted environmental regulations and the regulatory review process for resource extraction and pipeline projects.

Nevertheless, last week's budget is chock-full of right-wing measures. Moreover, it need be noted the government continues to use duplicitous and fundamentally undemocratic means to push through its spending cuts and sweeping changes in government policy. Last year's two omnibus budget bills contained many measures, such as the changes to environmental oversight, that were only briefly and vaguely mentioned in the budget and that had little to do with the financial and economic matters that have traditionally been the purview of budget bills. The opposition parties, the outgoing parliamentary budget officer, and the unions representing federal workers have repeatedly protested over the government's refusal to provide parliament with detailed information about where spending has been cut and what jobs and services have been eliminated.

Last week's budget was entirely in keeping with this practice. The government has hidden its spending cuts, although their scale is suggested by its pledge to "introduce legislation as needed to consolidate operations and eliminate redundant organizations."

Regressive measures announced in the 2013-2014 budget include:

**\* A C\$1 billion cut in the money Ottawa will provide municipalities in the coming fiscal year for infrastructure projects.** The Conservative are touting their budget's announcement of a 10-year, C\$50 billion-plus federal infrastructure program, but this is largely smoke and mirrors, based on the repackaging of existing funding and postdated promises of new money. In the coming year, infrastructure spending is being slashed, and most of the promised spending will only take place in 2020 or after—and this at a time when numerous studies have documented the need for massive investment in water and sewage systems, bridges, roads,

public transit and other basic infrastructure.

**\* A new drive to promote PPPs (public-private partnerships) under which private corporations are able to lock in government-guaranteed profits, while shouldering little if any risk.** The government has extended a dedicated fund for PPP infrastructure projects and, even more significantly, imposed a new obligation to give priority to using the PPP model in all infrastructure projects over C\$100 million that are partially financed by its Building Canada Fund.

**\* A workfare program for aboriginal young people.** The government is establishing a so-called First Nations Job Fund to finance job training on reservations. But only band councils that force all young people receiving social assistance to participate in government-supervised job training will be eligible to draw from the fund.

The budget provides no additional funding for education for native youth living on reservations, although the funding that Ottawa provides for reservation schools is far less per capita than what the provincial governments provide their elementary and secondary schools. (Under Canada's constitution, education is a provincial responsibility, with the exception of the education of on-reserve native youth, for which Ottawa is responsible.)

**\* A sweeping attack on federal workers' benefits and pensions.** The budget announces that the government will "propose changes" to federal employees' "compensation and pensioner benefits" and "disability and sick leave." From a government that has repeatedly complained that it is "unfair" that federal workers—after years of concessions contracts in industry—have "richer entitlements" than their counterparts in the private sector, these are code words for sweeping rollbacks, including increasing workers' pension contributions and replacing defined pension benefits with a defined contribution scheme in which workers bear much if not all of the risk.

The attack on federal workers' benefits is aimed not just at cutting government spending at workers' expense; it is meant to bolster the drive of big business to gut what remains of the benefits workers won through the establishment of the industrial unions in the 1930s and 1940s and the convulsive strike struggles of the 1960s and 1970s.

In a pre-budget statement, Public Service Alliance of Canada national president John Gordon vowed to resist the government's attack, saying the union won't "trade," "swap," "sell," or "give away" public sector workers sick leave benefits.

The reality is that the unions, public and private, have systematically suppressed the class struggle over the past three decades and accepted massive contract concessions. Moreover, the government has repeatedly demonstrated that it is ready to run roughshod over collective bargaining rights, so as to break strikes and assist employers, including Air Canada, Canada Posts and CP Rail, impose concessions, including cuts to pensions. And in every case, the unions have meekly submitted.

**\* The tying of Canada's foreign development aid even more completely to the Canadian elite's profit drive and geo-political ambitions.**

The 45 year-old Canadian International Development Agency (CIDA) and its almost C\$4 billion budget are to be absorbed by the Foreign Affairs Ministry. The CIDA was always an arm of Canada's imperialist foreign policy and its aid tied to purchases of Canadian products. But in recent years the Conservatives have tied the CIDA's operations even more tightly with big business, coordinating its aid with Canadian mining companies' investments in Africa and Latin America, and stipulating that part of the CIDA's core mission is to work with governments to "build free markets"—i.e., push for privatization and the removal of all barriers to Canadian investment.

**\* Tariff increases that will raise the prices working people have to pay for electronics, clothes and numerous other products.** The budget raises tariffs on goods from 72 countries—including India, China, South

Korea, Indonesia and Thailand—by eliminating their entitlement to the 3 percent lower tariff Canada accords exports from "developing countries."

The *Globe and Mail*, the traditional voice of Canada's financial elite, hailed the Conservative budget. In an editorial titled "Stephen Harper in full flight," it lavished praise on the government for "challenging the old ways of thinking and doing things" and "without an infusion of money." The neoconservative *National Post* said the budget should have gone further in slashing public services: "All we can say to our fellow deficit hawks is that it could be worse—and has been before."

The opposition parties issued ritualistic condemnations of the budget. They noted for example that while the Conservatives claimed to be focused on providing young people with the skills they need to find work, the budget provided only tiny increases in funding for job training and did nothing to help students deal with rising university and college tuition fees.

The political sparring is a fraud aimed at containing the mounting popular anger. The entire political elite is united in insisting that working people bear the burden of the greatest crisis of world capitalism since the Great Depression.

The trade union-supported NDP is propping up a Liberal government in Ontario that has cut billions from social spending and imposed by legislative fiat contracts on more than 100,000 teachers that slash their real wages and sick-leave benefits. In a trip to Washington and New York earlier this month, NDP leader Thomas Mulcair reassured U.S. business and political leaders that the Canada's social democrats are anxious to work with them, are as committed as the Conservatives to balancing the budget by 2015, and will not raise personal income taxes should they form the next government (see "Head of Canada's NDP auditions before US elite").

Quebec's Parti Quebecois (PQ) government has imposed its own program of steep social spending cuts, delivering an emergency austerity budget last November that was warmly praised by big business. Having been able, thanks to the assistance of the unions and Quebec Solidaire, to politically suppress last year's militant student strike, the PQ announced last month that university tuition fees will henceforth increase annually.

To oppose the big business offensive on jobs, wages, and public services, workers must break free of the political and organizational stranglehold of the pro-capitalist unions and NDP and combine militant industrial action, including strikes and plant occupations, with the development of an independent political movement of the working class aimed at bringing to power workers' governments. Then economic life could be radically reorganized to make social needs, not the profits of a tiny elite, its animating principle.



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