Alberta NDP government asks ex-Bank of Canada head to draft budget plan

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Alberta's newly-elected New Democratic Party (NDP) government has appointed former Bank of Canada governor David Dodge to draft an infrastructure development proposal as part of its preparations for its first budget this fall.

Dodge, who led Canada's central bank between 2001 and 2008, will be tasked with identifying the priorities for capital spending projects in Alberta, as well as making suggestions on how these can be funded. This will include proposals on the balance between spending on public services and infrastructure investment and how government investment can be structured so as not to drive up labour and other costs for big business.

At a joint June 19 press conference with Dodge, Alberta Premier Rachel Notley hailed him as "one of the best financial minds" in the country and claimed his expertise will enable the NDP government to make the best decisions for Alberta.

Notley added that while Dodge has not been asked to look at using public-private sector partnerships or PPPs to finance and manage infrastructure, he is free to recommend their use. Notley also indicated that her government will make Dodge's advice public, even in cases where it chooses not to follow it. "We wouldn't be talking here about getting advice from Mr. Dodge if we weren't planning on letting people know what his advice was," said the premier.

The appointment of Dodge underscores the pro-big business character of the NDP government, which came to power in a landslide election in May, ending 44 years of rule by the right-wing Progressive Conservatives.

In a civil service career spanning four decades, Dodge played a leading role in drafting and implementing some of the most devastating attacks on the working class. When he first began working for the federal public service in the 1970s, he was responsible for implementing changes to the federal unemployment insurance system aimed at limiting eligibility. He also participated in preparations for Canada's entry into the G7 in 1976 and was an early advocate of a free trade agreement with the United States.

But Dodge's most significant role prior to assuming the governorship of the Bank of Canada was when he worked in the finance ministry of Jean Chretien's Liberal government in the 1990s. Under the leadership of Finance Minister Paul Martin, Dodge was intimately involved in implementing the biggest social spending cuts in Canadian history, including massive cuts to healthcare, education, unemployment insurance and other public and social services. The vast surpluses generated by the cost-cutting drive were subsequently handed out to big business and the wealthy by the Liberals through massive cuts in corporate, personal income and capital gains taxes.

A 2007 *Toronto Star* article published following the announcement of Dodge's intention to resign from the Bank of Canada summed up his role in the Chretien-Martin Liberal government well. According to the *Star*, Dodge was "relentless" in pushing for a "tough love budget that would put Canada on the road to surpluses."

"Whenever," continued the *Star*, "Martin balked at a particular austerity (measure) planned for the landmark 1995 budget–his father's social-justice impulses coming to the fore–Dodge would cut his boss down with one word, 'Horseshit!'"

The 1995 budget laid out public spending cuts of $25 billion over three years, slashed federal public sector jobs by 45,000, and dramatically cut transfers to the provinces.

Notley's appointment of Dodge confirms that in keeping with previous NDP provincial governments across the country, the Alberta NDP will lead a right-wing government no less committed to upholding the interests of big business than its Progressive Conservative predecessor.

A report issued by the neo-liberal Fraser Institute last month praised Roy Romanow's Saskatchewan NDP government of the 1990s for having slashed social spending to eliminate a large deficit and urged the Alberta NDP to follow suit. Pointing to the plunge in oil prices and the ensuing mass layoffs in Alberta's energy sector and drop in provincial government revenues, Ben Eisen, the co-author of the Fraser Institute report, noted that Romanow's government "quickly restrained spending, bringing it down by a total of 10 per cent over a three-year period, and it eliminated the budget deficit in three years."

Notley is well on the way to emulating Romanow. Not only has she repeatedly cited his government as a model for hers, she has named as her chief of staff, one of Romanow's protégés, Brian Topp. Long a senior figure within the NDP at the federal level, Topp cut his political teeth as a senior adviser to Romanow when he headed Saskatchewan's government.

Almost immediately after her victory, Notley began dampening expectations by claiming that the state of Alberta's finances is much worse than the Conservatives had let on.

In last month's Throne Speech, Notley announced a modest increase in the corporate tax rate, raising it from 10 percent, the country's lowest rate, to 12 percent, the Canadian norm. She also unveiled a small increase in income taxes for the wealthy.

Last Thursday the NDP announced a doubling of the carbon levy for companies that exceed carbon emission limits and on Tuesday it said the provincial minimum wage, hitherto Canada's lowest outside the poverty-ridden Atlantic provinces, will rise to $11.20 per hour in October.

The Progressive Conservatives tabled an austerity budget in March containing billions in social spending cuts, as well as increases in taxes and numerous government fees and a new health-care premium for all but those with the lowest incomes.

The new government has brought forward Bill 3, which provides for temporary funding of education, healthcare and human services until the fall budget, with a slight funding increase for education of $103 million to meet the costs of higher enrolment in the province's schools. But Notley's government accepts the same essential fiscal framework as the previous Tory government—above all the necessity to eliminate the $7 billion annual budget deficit over the next three years and to do so almost exclusively at the expense of working people through social spending cuts and tax and fees increases. And this in a province that is already the most socially unequal in Canada.

In an interview with the *Calgary Sun* last week, Notley focused on her party's commitment to fiscal responsibility. "We are not a let's just blow the bank, this is fun kind of party," said Notley. She then proceeded to attack the previous Conservative government led by Jim Prentice, a close ally of Prime Minister Stephen Harper, for having been too vague in its proposed spending cuts, declaring, "His plan was to take $1 billion out of health care but I'll tell you something. We got in here and we discovered they never had a plan for how to do that."

The Alberta NDP government's determination to prove its reliability to big business is also bound up with the federal NDP's attempts to convince the Canadian corporate elite that it can be trusted with power at the federal level, whether as part of a coalition with the Liberals or in an NDP -led government. (See: "NDP leader Mulcair makes pitch to Canadian big business")

In line with this, Notley and her ministers have been insisting that the NDP's review of Alberta's oil and natural gas royalties will be carried out in close consultation and collaboration with the province's major oil and energy firms.

Significantly, the review has won support from former Progressive Conservative premier Ed Stelmach, whose government conducted a like review in 2007 that proposed increasing royalties. In the face of vehement industry opposition, Stelmach was eventually forced to back down.

The pro-business character of the review has been made clear by the NDP's choice of David Mowat, chief executive of ATB Financial, to serve as chair. At the press conference announcing Mowat's appointment last Friday, Energy Minister Margaret McCuaig-Boyd emphasized, "We've said (all) along with industry and to Albertans that we're going to be clear in this process and transparent."

Mowat, for his part, stressed his determination not to undermine the province's pro-business environment, adding he would be aiming to establish a royalties system where "the province is successful, the companies are successful, and ultimately the communities of Alberta are successful."

The oil corporations greeted Mowat's selection with enthusiasm. Martin Pelletier, a portfolio manager at TriVest Wealth Counsel, told the *Financial Post*, "I think that's a great selection and certainly a positive message is being sent toward the industry." ATB is a major lender to the industry, he noted, adding that this means Mowat is familiar with its needs.

The Explorers and Producers Association of Canada also welcomed Mowat's appointment. "EPAC believes his appointment lends credibility to the royalty review process," said Gary Leach, the organization's president.