Alberta NDP's maiden budget wins praise from big business

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To widespread applause from big business, Alberta's New Democratic Party (NDP) government brought down its first budget last week. The trade union-backed NDP won a surprise victory in last May's provincial election, ending 44 years of Progressive Conservative rule over Canada's principal oil-producing province.

Last Tuesday's budget projects a $6.1 billion deficit in the current (2015-16) fiscal year and total deficits of $18 billion over the next four years.

The principal cause of these deficits is the steep decline in oil and energy prices over the last 18 months, which has severely impacted the operations of the province's major oil and natural gas producers. Oil companies have shelved tens of billions of dollars' worth of planned investments, resulting in the elimination of tens of thousands of jobs and a 1.9 percentage point jump in provincial unemployment since September 2014 to 6.5 percent.

The same day the NDP government presented its budget, Shell announced the abandonment of a multi-billion dollar tar sands project that was close to completion and which the Dutch-based firm had previously described as central to its Alberta operations.

Premier Rachel Notley and Finance Minister Joe Ceci have responded to the economic crisis with a deficit-spending program that aims to boost infrastructure spending to somewhat mitigate the collapse in private investment and avoid immediate "slash and burn" cuts to public services.

Alberta confronts a major infrastructure shortfall due to the rapid rise in its population over the past two decades and the massive energy investments its abundant resources and low-tax, low-royalty fiscal regime have attracted.

Ceci claims the package of measures contained in the budget will result in between 8,000 and 10,000 new jobs during the 2016 construction season, and a boost to economic growth of 0.5 percent for the year. However, the NDP's fiscal framework is based on extremely optimistic projections for a wider economic recovery in the coming years, and a corresponding rise in oil prices from their current level of around US$45 per barrel to US$72 by early 2018. Oil futures prices for 2018 are currently at $55 per barrel, fully $17 below the NDP's estimate. This would equate to a $2.9 billion revenue shortfall in the 2018-19 budget.

Global economic trends point towards deepening crisis, with China and other so-called emerging economies suffering severe slowdowns in growth, Europe and the US achieving sluggish growth at best, and leading financial representatives making increasingly alarmed warnings about the danger of a 2008-style financial crash.

The measures presented by Alberta's NDP government are anything but radical. The budget rejected any increases in the personal income taxes of the rich and super-rich beyond the modest increases made by the outgoing Progressive Conservative (PC) government in its pre-election budget and the NDP in its June financial statement. Moreover, to reassure big business that it will soon return the province to balanced budgets, the NDP has pledged to pass "deficit brake" legislation. This will make it illegal for the province's total debt to surpass 15 percent of provincial GDP.

Overall, $34 billion is to be spent on infrastructure projects over the coming four years. This is a modest 15 percent more than the $29.5 billion proposed by the previous PC government.

The corporate elite, with the exception of the most right-wing sections around the Wildrose Party, have reacted favourably to the NDP budget. Several commentators have noted the similarity between Notley's investment program and that advocated by Justin Trudeau and his incoming Liberal government. Trudeau has pledged to use an infrastructure program, financed through three years of modest deficits, to "kick-start" the economy; then to balance the books in his fourth year in office by finding $6 billion in annual savings through public spending cuts.

The NDP is advancing a similar plan, with the deficit to fall to $5.4 billion in 2016-17, $4.4 billion in 2017-18, $2.1 billion in 2018-19 and to zero by 2019-20.

The generally favourable response from Alberta's oil interests and the ruling elite more broadly was summed up by a *Globe and Mail* editorial which noted that there was "nothing catastrophic about the NDP's first budget." It went on to describe the infrastructure investments as a "good idea" given current economic conditions.

Former Bank of Canada Governor David Dodge was the lead adviser to the Alberta NDP on its infrastructure plan. As a top aide to Paul Martin in the mid-1990s, Dodge played a leading role in the drafting of the Liberal government budgets that implemented the greatest social spending cuts in Canadian history. In a report submitted by the government along with its budget, Dodge fully endorsed the NDP's deficit-spending infrastructure program. "Attempting to maintain a balanced budget in each and every year," declared Dodge, "will exaggerate cyclical economic volatility and have a perverse impact on long-term growth."

The government's other main job creation measure is the provision of a $5,000 grant to private companies for every worker they hire. As even some bourgeois commentators have pointed out, this direct subsidy to big business will do little to nothing to expand employment opportunities. Instead, it amounts to a transfer of public funds into business coffers.

Meanwhile, funding for critical social services is being reduced. The government is not meeting its obligation to provide funding to municipalities to cover taxes on government-owned properties. "A decision like this means municipalities will have to reduce critical services or increase the taxes for other property owners," says Alberta Urban Municipalities Association President Lisa Holmes. Holmes estimates the tax change will cost Edmonton and Calgary between $5 and $6 million each and other municipalities a total of $4 million.

The budget also earmarks a miserly $10 million over five years for the rebuilding of two crumbling hospitals in Edmonton: the Royal Alexander and Misericordia. An estimate for rebuilding the Royal Alexander has placed the cost at $4.5 billion over 16 years.

While increases of around 2 percent to health and education budgets have been cited as evidence that the NDP is protecting public services, the truth is that such rises hardly keep pace with inflation. When population growth is taken into account, they amount to a substantial spending cut.

Notley's government chose to hike various regressive sales taxes, including on cigarettes and alcohol, while ruling out any increases in corporate taxes beyond last June's hike, which merely brought them closer to the Canadian average.

The NDP has further demonstrated its pro-big business agenda by making a series of gestures to the oil corporations aimed at reassuring them that the ongoing royalty review will not significantly impact their operations. This includes appointing a banker with close ties to the oil industry to head the review and vowing that no changes to the current royalty regime will be implemented before the end of 2016.

The NDP's "debt brake" means that if weaker economic performance results in its deficit targets being missed, the government will have to cut spending to much-needed public services. Big business is already laying the groundwork for an aggressive push for public service cuts, with the press claiming Alberta's public spending is inordinately high and Moody's saying the NDP has put Alberta's triple-A credit rating at risk.

Even in the event the NDP's optimistic forecast comes to pass, austerity measures targeting workers and social services will result. The budget provides no detail on how the deficit is to be reduced beyond 2018, when it will still be over $4 billion.

The trade unions and various "left" commentators have sought to tout the NDP's budget as "progressive." Andrew Jackson, a former Canadian Labour Congress official who is now a senior policy adviser with the NDP-aligned Broadbent Institute, enthused, "Progressives can be proud of the new government." It has tabled "a budget which rejects the siren call of the right for austerity" and "invest(s) in the future." This of a budget that has been endorsed and was partly co-authored by David Dodge.

In truth, nothing about the NDP budget excludes the government turning to savage austerity measures in the likely event that oil prices do not rebound.

Without any opposition from the trade unions, the federal NDP just mounted a "Harper-lite" election campaign in which it vowed to balance the books in every year of the incoming parliament, expand military spending and maintain the reactionary fiscal framework created by decades of Liberal and Conservative tax cuts for big business and the rich. Moreover, whenever the NDP has held office over the past quarter century, from Nova Scotia and Ontario, to Manitoba and Saskatchewan, it has implemented major social spending cuts at the behest of corporate Canada.