Canadian government’s bailout increases banks’ control over economy and state

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Canada’s Liberal government is funnelling hundreds of billions of dollars in financial support to the country’s big banks and major corporations so as to guarantee the wealth and investments of the country’s billionaires and multi-millionaires amid the spread of the coronavirus pandemic. Meanwhile, the millions of workers who have or will soon lose their jobs are receiving utterly inadequate assistance through makeshift temporary programs.

Heath care—the global pandemic notwithstanding—is also being given short shrift. On Wednesday, federal Health Minister Patty Hadju admitted that years of austerity have left the country’s hospitals, which are overstretched at the best of times, without crucial equipment to fight the pandemic. Yet the Liberal government is injecting no more than a pittance in emergency funding into Canada’s beleaguered health-care system.

The corporate-controlled media, Prime Minister Justin Trudeau and his Liberal government, the New Democrats, and the trade unions have created a public perception that with parliament’s adoption of Bill C-13 on March 24 generous support, totalling $107 billion, has been secured for working people adversely impacted by the pandemic. This is all lies. The lion’s share of this oft-repeated sum is eaten up by tax deferrals that will overwhelmingly benefit big business and the rich.

By contrast, the government is giving laid-off workers a taxable $2,000 Canada Emergency Response Benefit (CERB) and this for a maximum of four months. Workers eligible for Employment Insurance, who would have been entitled to a maximum of $2,292 per month, can no longer obtain the additional $292 per month because the government has transferred all EI claims made after March 15 to the CERB system.

To date, federal funding for Canada’s resource-starved healthcare sector has been restricted to a mere $3 billion. Only on March 10 did the federal Liberal government even write the provinces, which are responsible for running the healthcare system, to determine their supply needs, even though the threat of a pandemic had been clear since January.

In contrast, the sums being made available to the corporate elite are literally unlimited. They include:

• A $150 billion program to buy up bank mortgages.

• A Bank of Canada asset-purchasing program under which it will buy at least $5 billion of financial assets each week, with no upper limit. Conservative estimates say the initiative, commonly referred to as “quantitative easing,” will add $200 billion to the central bank’s balance sheet by the end of the year.

• A decision by the Office of the Superintendent of Financial Institutions to cut the capital buffer requirements for the big banks from 2.25 percent to 1 percent, thereby providing Canada’s principal financial institutions with a $300 billion liquidity injection.

• A myriad of new buy-back initiatives, such as the Banker’s Acceptance Purchase Facility, under which various arms of the Canadian state will purchase arcane financial instruments used by financial institutions and businesses to provide credit and spread risk, but whose value has crashed along with the financial markets.

Taken together, these measures amount to more than $650 billion in public funds being poured into the coffers of the corporate and financial elite.

The mechanisms being put in place to facilitate this vast transfer of wealth are designed to ensure not only that that banks can make good their losses, but that they can further enrich themselves by acting as the conduits and middlemen for much of the emergency loans and aid the government is extending to business, big and small alike, and to homeowners.

Take the Canadian Mortgage and Housing Corporation’s $150 billion Insured Mortgage Purchasing Program. In so far as the politicians and media talk about it, they present this scheme as a means of injecting funds into the banks that they will in turn use to “aid” troubled clients, including working people, who can’t pay their mortgages.

But, as has already been exposed in a number of media reports, the banks are adding any mortgage-payment deferrals to the total money owed, meaning homeowners end up owing them still more money. Moreover, the banks have balked at “passing through” the Bank of Canada’s recent cuts to its prime lending rate by reducing the cost of new mortgages.

The banks will also rake in millions in interest payments and other fees from any loans or other investments extended by the government to corporations. These include $12.5 billion of government guarantees for banks to provide loans to exporters, and a program for $40,000 loans to small and medium-sized businesses. Planned but not yet publicly announced multi-billion-dollar bailouts for specific industries, like oil and air travel, will also likely be funnelled through the banks.

The scale of potential government support for the private sector knows no bounds. A *Globe and Mail* article reported that Part 8 of Bill C-13 permits Finance Minister Bill Morneau to create a corporation or entity to purchase assets from financial institutions or private companies, including material assets. Morneau "would be permitted to hold all of the shares of this holding company on behalf of the [government]. The minister would have the power to set rules for running the corporation, give direction to it, and merge, sell, wind up or dissolve it, including selling any or all shares of the corporation," the newspaper noted.

Morneau, the former proprietor and chief executive at one of Canada's largest private pension funds, also has the power until September 30 to loan any amount of money to any company, provide it with a line of credit or loan insurance, or guarantee its debt. After that date, these steps can still be taken following consultation with cabinet.

Significantly, the *Globe* cited as an example of the measures being considered the $13.7 billion 2009 bailout of the Canadian operations of Chrysler and General Motors. This bailout, implemented amid the global financial crisis, secured the profitability of the automakers through massive wage cuts, the entrenchment of a multi-tier pay structure, the gutting of workplace benefits, and the destruction of thousands of auto jobs. Paul Booth, a senior civil servant involved in the auto bailout, remarked to the *Globe* that government support to companies should be provided on condition that they can "rebuild after the crisis." In other words, companies receiving government support should be restructured at workers' expense to guarantee the continued flow of multi-billion-dollar payouts to executives and shareholders.

While workers' living standards will be further undermined, the government's various bailout schemes make no demands, even of the most limited character, on the banks, such as reducing executive pay and bonuses or rolling back their usurious credit-card interest rates. On the contrary, a *Globe* article yesterday reported that Canada's big banks are boasting that unlike their international competitors, they will continue to pay out dividends to shareholders at pre-crisis rates.

The unprecedented scope of the wealth being transferred from public into private hands by means of the socialization of private corporate debt is producing a qualitative change in the relationship between the state and the financial elite. The government is not merely transferring resources into the hands of the super-rich, but hiring financial firms to assist the work being carried out by nominally public agencies and institutions.

This is underscored by the news that the Bank of Canada has hired BlackRock, the world's largest manager of private equity wealth, to help run its asset purchasing programs. While the Bank will continue to manage its purchases of government and municipal debt, BlackRock will advise it on the buying up of corporate debt under the its new Commercial Paper Purchase Program.

As the right-wing *National Post* approvingly noted, in opting to work with BlackRock, Bank of Canada Governor Stephen Poloz "put urgency ahead of dithering over potential traps such as conflict of interest, a rushed tendering process and bad optics." The business-friendly daily was even compelled to note that Black Rock has "become a symbol of the revolving door between government and finance," and pointed to the example of Jean Boivin, a former deputy governor of the Bank of Canada, who currently is the head of research at BlackRock and widely seen as a potential successor to Poloz.

Leading Canadian banks will also be directly involved in managing the Bank of Canada's newly acquired assets. TD Asset Management will oversee its portfolio, while CIBC Mellon will act as the custodian—services for which they will no doubt be handsomely compensated.

The direct and open integration of the financial elite into the institutions of the capitalist state on an unprecedented scale is incompatible with the retention of democratic forms of rule. Under conditions in which working people face the double-threat of an unprecedented economic collapse and the growing likelihood the country's chronically underfunded healthcare system will buckle under a surge of COVID-19 patients, the capitalist ruling elite is orchestrating the greatest public heist in the country's history.

In this regard, the news that over 24,000 military personnel are being readied to deploy across the country assumes a new and disturbing significance. While presented in the media as a necessary step to support overwhelmed civilian authorities with medical care and logistics, like transport, the reality is that the ruling elite is readying police state and military repression to defend its vast wealth from the eruption of social anger it knows will inevitably come. While hundreds of billions of dollars are being showered on the financial elite with virtually no strings attached, millions of Canadians are on the verge of economic ruin. As a survey carried out by accountancy firm MMP prior to the announcement of sweeping lockdowns by governments across Canada noted, 47 percent of the population is just $200 away from insolvency.