

Liberal “austerity and investment” budget plan unveils agenda for a massive assault on the Canadian working class

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Canadian Prime Minister Mark Carney’s unveiling of a ruthless austerity drive that will animate the coming budget has laid bare the reactionary character of his big-business Liberal government. Standing before reporters last Wednesday, Carney boasted that Canada would have “a budget of austerity and investment at the same time,” insisting this could be achieved “if we’re disciplined.”

Behind this technocratic formulation from a lifelong servant of the financial oligarchy lies a ruthless plan: deep austerity for the working class while Ottawa shovels tens of billions into building up the military, expanding resource extraction, and shoring up corporate profits. The framework laid out by Carney is not a balancing act, as he portrays it, but sets the basis for a frontal assault on public services, social supports and workers’ living standards.

The attacks that lie in store for workers were illustrated by the government’s aggressive intervention against last month’s Air Canada flight attendants’ strike. The low-paid workers, many of whom work up to 35 hours a month without pay, were ordered back to work under the draconian powers of the Canada Labour Code by Jobs Minister Patty Hajdu. When the workers resisted, they were stabbed in the back by the union bureaucracy, with the Canadian Union of Public Employees’ top brass announcing a sellout deal—subsequently rejected by 99 percent of the rank and file—and ordering workers to immediately return to work.

In a July letter to cabinet ministers, Finance Minister François-Philippe Champagne confirmed the initial details of the social spending cuts, outlining staged cuts of 7.5 percent of discretionary program spending beginning in fiscal year 2026-27, deepening to 10 percent the next year and then going up to 15 percent in the third year. This will affect department budgets—resulting in direct layoffs of civil service workers and contractors—as well as grants provided by the government to universities, cultural institutions and non-profits.

Scientists and researchers have already sounded the alarm that the proposed 15 percent cuts to discretionary spending will devastate university research and basic science, undermining the capacity of society to meet the challenges of climate change, health crises, and technological development.

The Liberals have previously stressed that transfers to the provinces and individuals would be shielded, but this is a sleight of hand. As many commentators have observed, the lion’s share of federal expenditures is tied up in these transfers which fund the country’s healthcare system, old age pension plan, employment insurance and other social programs; to carve out the savings demanded by Carney and the financial elite, far deeper cuts will have to be inflicted on

social programs, public sector employment, and the very infrastructure of public life.

While the population is told to tighten its belt, Carney has doubled down on Canada’s commitments to NATO’s rearmament drive. The government will not only reach the alliance’s 2 percent of GDP military spending target this fiscal year thanks to the 17 percent leap in defence spending the prime minister announced in June. Carney has signaled that his government is committed to NATO’s new 5 percent target, declaring it plans to reach it by no later than 2035, although this will require quadrupling the military budget from the government’s last spending estimates issued in 2024. This means hundreds of billions of dollars will be poured into fighter jets, warships, submarines, drones, and dual-use infrastructure in the far north Arctic, all justified in the name of confronting Russia and China.

Carney has touted rearmament as a major economic boon, claiming massive military procurement and the development of “dual-use” critical minerals and transportation infrastructure will strengthen Canada’s military-industrial base and lead to jobs and economic growth. Thus, the “investment” side of his formula is nothing but a euphemism for militarization and corporate enrichment, to be paid for by slashing what remains of social spending.

Editorials in the corporate press have made clear that the ruling class expects the former central banker and Goldman Sachs executive to go much further. The *Globe and Mail* warned on August 22 that words and intentions are no longer enough. “The Prime Minister will have a lot to answer for if his first budget, which he says will come this fall, proves to lack the ambition and scale, and somehow also the fiscal restraint, required of the moment,” the paper declared.

The C.D. Howe Institute, a right-wing think tank, is urging the government to increase the GST, a regressive tax that falls most heavily on the working population, and to make deep inroads into social transfers. The demands for “discipline” are not for symbolic gestures, but for sweeping structural changes that will radically redistribute wealth upward.

The ideological inspiration for Carney’s austerity program was underlined by the extraordinary spectacle that surrounded the second day of the Liberals’ Fall Cabinet Planning Forum, held in Toronto last Wednesday and Thursday.

The government had invited Kevin Roberts, president of the far-right Heritage Foundation and the chief architect of the notorious Project 2025, which has served as a blueprint for US President Donald Trump’s fascistic second term, to address ministers. Roberts was

forced to withdraw at the last moment after news of the invitation provoked widespread outrage, but the Prime Minister's Office quickly reassured reporters that "further engagement and discussions" with Roberts and other leading US policy figures will continue.

Roberts has repeatedly declared that the United States is in the midst of a "second American Revolution" that will remain bloodless only "if the left allows it." His plans for authoritarian rule, dismantling of federal agencies, and destruction of social rights in the US has become a point of emulation for Carney's Liberals. The brief embarrassment over his withdrawal changes nothing about the affinity between Carney's Liberals and Trump's far-right administration when it comes to the assault on the working class.

Jean Charest, the former Quebec premier who came a distant second to Pierre Poilievre in the Conservatives' 2022 leadership race and now serves as a member of Carney's Council on Canada-US Relations, was perhaps the most explicit about what the ruling class sees as the utility of Trump's rampage against democratic rights south of the border and his threats to annex Canada as the "51st state" while imposing punishing tariffs.

Speaking in Quebec City this week, Charest declared, "I'm from the school of thought that we'll thank Donald Trump in 20 years for shaking us up in Canada and bringing us out of our lethargy. It's high time we rethink our economy." Here the mask is dropped: Canada's political elite is openly grateful to Trump for creating the conditions to impose the austerity and militarist agenda that they have long desired but hesitated to implement for fear of massive popular opposition. Threats from Washington—whether threats to annex the country or tariff blackmail—are being seized upon as political cover to push through sweeping attacks on social spending and workers' rights under the guise of defending Canadian sovereignty.

The responsibility for Carney's right-wing program rests not only with the Liberals and Conservatives, but above all with the social-democratic New Democrats (NDP) and their sponsors in the trade union bureaucracy.

The NDP provided Trudeau's minority governments with the votes necessary to survive through the 2022 "confidence and supply" agreement, justifying their pro-corporate and pro-war measures as the "lesser evil" to a Conservative government. The unions, from the Canadian Labour Congress and Unifor on down, played their part by smothering strikes and imposing concessionary contracts, enforcing a spate of back to work orders, and preaching "partnership" with management and government while workers faced wage cuts, speed-ups, and eroding conditions. Together, they ensured the survival of Liberal governments that seized on the COVID-19 pandemic to orchestrate massive hand outs to the rich, slashed key public health supports, expanded military budgets, and criminalized strikes.

This record of betrayals was extended in the 2025 election, when the unions and NDP presented Carney as the only bulwark against the far-right Poilievre's Conservatives. In doing so, they funneled workers hostile to years of Liberal austerity and strikebreaking back behind this right-wing party and even as it was being refashioned, with the selection of Carney as its new leader, to intensify the assault on the working class. Their claim that workers had to vote Liberal to stop the Conservatives was a political trap, ensuring that whichever party formed government the ruling class's agenda of austerity, militarism, and corporate handouts would go forward. Far from protecting workers, the NDP and union bureaucracy have functioned as political enforcers of the Liberals, lending "progressive" cover to a capitalist program that Carney is now implementing with a vengeance.

World Socialist Web Site has consistently explained Carney's government expresses the interests of Canadian imperialism, which is determined to preserve its decades-long military-security partnership with American imperialism to secure its position in the rapidly developing third world war for a redivision of the world's raw materials, markets, and pools of labour.

In May we explained that Carney's campaign promises to rein in spending while cutting taxes and boosting military budgets were always incompatible, and that the inevitable outcome would be austerity for the working class alongside enrichment of the ruling elite. We warned that his invocation of threats from Trump and American protectionism were being seized on as an opportunity for the Canadian bourgeoisie to accelerate its shift to the right. That perspective has been vindicated in the first months of his premiership.

Carney's budget strategy exposes the fraud of his carefully cultivated image as a sober technocrat, a "serious" politician for "serious times." His discipline is demanded not of the billionaires and corporations who plunder Canadian resources and dodge taxes, but of workers, students, and the poor. His investments are not in healthcare, education, or scientific research, but in tanks, missiles, and liquefied natural gas terminals. His vision of the future is one in which the population is told there is no money for hospitals or housing while hundreds of billions are made available for war and corporate subsidies.

The working class must draw the necessary conclusions. Carney's austerity and investment budget is not a personal aberration or a miscalculation, but the distilled expression of the needs of Canadian and international capitalism. Across Europe, figures like Germany's Friedrich Merz declare the welfare state "unaffordable" while adding billions more in funding to their military budgets. In the United States, Trump is carrying out a coup against the Constitution to implement authoritarian rule and destroy social rights in the interests of finance capital. All sections of the ruling class are united on the essentials: social programs must be gutted, workers must be disciplined, and the state must be retooled for war abroad and repression at home.

The defense of jobs, wages, and social rights cannot be entrusted to any faction of the capitalist political establishment. The Carney government's embrace of austerity and militarism is a declaration of war on the working class. It must be answered with the mobilization of the working class in Canada and internationally, independent of the pro-capitalist parties and unions, against both the austerity drive and the war preparations. Only through a socialist program that redirects society's resources away from militarism and corporate handouts and toward the needs of the vast majority can workers secure their rights and build a future free from poverty, exploitation, and war.



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