Carney's second budget offers huge tax breaks for big business, tens of billions more for war and austerity for workers

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The budget tabled last Thursday by Canada's Liberal government advances the ruling elite's class war on workers by directing tens of billions to investors and oligarchs, and Canadian imperialism's war machine. It underscored how Prime Minister Mark Carney's boast at the Davos World Economic Forum that Canada will be "at the table" of imperialist world politics to avoid being "on the menu" of others demands an unprecedented onslaught on workers' democratic and social rights.

The largest sums were set aside for militarism and war. To implement Carney's pledge to spend 5 percent of Canada's GDP on the military and related infrastructure by 2035—the NATO target—the budget presented a plan to increase spending to over $157 billion per year by the 2030-31 financial year, more than 4 percent of GDP. This would include about $99 billion annually for the military and $58 billion for relevant infrastructure. Among the specific items listed for purchase are up to 12 submarines from German producer TKMS, airborne early warning aircraft, and drones. To facilitate the deployment of military resources to the far north, the 800-mile Mackenzie Valley Highway running through the Northwest Territories will be constructed.

These vast expenditures are invariably presented in media coverage and political discourse as "defence" investments, but this is an inversion of reality. Canadian imperialism is one of the aggressive protagonists in a rapidly intensifying third world war among the major powers to redivide the world's raw materials, markets, trade routes, cheap labour, and strategic territories. Some $7.6 billion was earmarked in the budget to expand Operation Reassurance, Canada's leadership of a NATO battalion in Latvia that is part of the aggressive military alliance's encirclement of Russia. Ottawa has been a major force in the war against Russia in Ukraine, providing Kiev with over $10 billion in military and financial aid and billions more in loans.

The budget was titled "Masters of our destiny" in English, while in French the government used a slogan that was originally popularized by the Quebec nationalists—Maître chez-nous (Masters in our own house or territory.) Carney has repeatedly used both phrases in recent weeks alongside pledges to boost Canadian "sovereignty." A key element of this agenda is to reduce Canada's economic and military dependence on the US by strengthening ties with the European imperialist powers on the basis of their common agreement to escalate the war on Russia and expand their respective military-industrial bases independent of the US.

The budget added $61 million over four years and $109 million annually thereafter to join the European powers' Ukraine Loan Support facility, which gives Canadian contractors the opportunity to bid on contracts worth €60 billion (C$94.5 billion) to arm the far-right Zelensky regime. The Carney government also hopes to gain access to contracts arising from the more than €1 trillion the European powers are spending on rearmament. The budget declared that "diversification will take time, given the scale and depth of Canada's economic relationship with the United States. But the shift is underway."

Just one week prior to the budget, the government published Canada's first national security strategy in over 20 years. Carney asserted in his foreword, "Canada stands at a hinge moment in history.

"The world is increasingly defined by contested borders, authoritarian aggression, and acute global threats. The long-held belief that the combination of our geography, interconnectedness, and a rules-based international order could substitute for Canadian sovereign capacity to protect ourselves is no longer tenable."

Outlining the scale of the ruling elite's plans, the document continued, "In the 21st century, the requirements for greater strategic autonomy extend far beyond food, conventional energy, and defence, as important as these are ... To withstand the challenges from great power rivalries, authoritarian aggression, frontier AI, climate change, and pandemics Canada must have access to reliable intelligence, space-based communications, secure telecommunications, and data storage. National resilience requires reliable access to vaccines, semiconductors, payment systems, capital, and more."

As it arms for war to pursue these interests around the globe, Canadian imperialism is deregulating operations, privatizing public infrastructure and services, and cutting taxes for big business at home to attract global investment and intensify the exploitation of the working class. The budget set aside $36 billion over five years for Carney's "productivity Mega deduction," a measure allowing businesses to write off investments in Canadian operations for tax purposes that reduces Canada's effective corporate tax rate to just 6.3 percent. This is less than half the rate in the US and the lowest in the G7. A change to capital gains tax rules would allow entrepreneurs to avoid paying capital gains tax on up to $15 million if it is invested in Canada. The change was widely reported to be aimed at preventing tech start-ups from moving to the US.

Well aware of the deep unpopularity of imperialist war and government subsidies to the super-rich under conditions of a crippling affordability crisis for the majority of workers, the government unveiled billions in new spending commitments for its intelligence agencies. The Canada Security Intelligence Service (CSIS), the country's main domestic spy agency, will receive an additional $6

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billion over the next 10 years and an extra $579.5 million on an ongoing basis to “expand its presence and capabilities.”

The Carney government is also attempting to ideologically camouflage its aggressive imperialist interests. The budget unveiled new funding for artistic and cultural projects intended to strengthen “Canadian identity” and tell the country’s “national story.” The government is determined to capitalize on the 110th anniversary of the Battle of Vimy Ridge in 2027, a bloody slaughter on the Western Front during World War I that the most right-wing sections of Canada’s ruling class has built up into the mythical origin of Canadian independence, and the 160th anniversary of Confederation to whip up reactionary Canadian nationalism.

Compared to the huge sums laid out for war and subsidizing corporations and the financial elite, the budget had little to offer the vast majority of the population. Even CBC reports were compelled to note that the $22 billion in measures generously categorized as dealing with “affordability” issues did not come close to the $36 billion set aside to fund the “productivity megadeduction” for big business, not to mention the other corporate tax breaks in the budget. The official “affordability” price tag is misleading, since much of the funds associated with “affordability” will go into the pockets of private developers and investors, such as with the $11 billion to combat homelessness by funding private companies to build “non-market housing.”

According to a pre-budget poll from Abacus Data, two-thirds of respondents said the affordability of everyday needs like groceries and housing was their top concern. The poll’s result came just days after another report revealed that a staggering one in three Canadians admitted to skipping meals to save money. Yet the Abacus poll showed that only 10 percent of respondents expected to receive any help to reduce costs from the budget.

Much of the government’s new spending to fund the war machine and tax breaks for the super-rich will initially be paid for with new debt—whose repayment will be squeezed out of the working class and public services in the coming years. Canada’s debt repayments will rise to $85 billion per year by the end of the decade, accounting for about 14 cents of every dollar of government spending. So rigorous has been the austerity imposed by successive governments and so sweeping the tax cuts to big business and the super-rich over recent decades that debt repayments will soon be the second-largest item of government spending. More money will be spent on debt financing than on the health transfers sent to the provinces by Ottawa to fund the country’s collapsing healthcare system and equalization payments designed to offset inequalities in public service provision between wealthier and poorer provinces.

The budget does not even include funding to retain the current level of health care funding, which for years has failed to keep pace with inflation and additional costs associated with Canada’s aging population.

The government boasted in its budget that its funding projections had been improved by higher oil prices, which are a direct result of US imperialism’s war on Iran. Government underspending also played a role, as well as the sweeping cuts to public service jobs unveiled by the Carney government. Around 40,000 public sector jobs are being axed by the Liberals. What this makes clear is that when oil prices decline, Ottawa will respond with stepped-up austerity measures directed against workers and public spending.

The Liberal government’s partners in the trade union bureaucracies gave tacit approval to the massive increase in military spending by simply remaining silent on it in their budget responses. This reaction was to be expected from these organizations, which have championed the “Team Canada” alliance with big business in the reactionary trade war with the United States. Militarism and the strengthening of “Canadian sovereignty” goes hand in hand with the unions’ suppression of the class struggle and flag-waving nationalism.

Unifor held out the prospect that the subsidies being showered on the oligarchs and corporate executives could improve conditions for workers, entitling their statement, “Big bets on business spending must benefit workers, link to industrial strategy.” The country’s largest private-sector union lauded “a renewed focus on made-in-Canada technology and secure sovereign supply chains.” Unifor President Lana Payne commented, “Budget 2026 bets heavily on the business sector, boosting profits to encourage growth. If this approach isn’t anchored by long-run industrial strategies, and a promise of good jobs, this experiment in economy-building will fail.”

The Canadian Labour Congress similarly sought to present the budget as an honest effort to improve economic conditions for workers that contained good and bad points. Canada’s main union federation stated that the budget “takes steps on affordability,” but complained of “major gaps in worker protections.” One of its biggest criticisms was the budget’s confirmation that the government is proceeding with Bill C-39, which will grant it new sweeping powers to prohibit strikes and intervene to dictate contract terms in the collective bargaining process. The union apparatuses have systematically suppressed workers’ struggles for over four decades and have no compunction about sabotaging strikes by workers whenever workers find themselves in a position of strength. However, the union leaders argue that their services as a labour police force are more effective in smothering worker opposition than direct bans imposed by the repressive state apparatus.

The budget’s measures make a further intensification of the class struggle in the period ahead inevitable. The decisive questions facing workers are the establishment of their political and organizational independence from the union bureaucracies and their “partners” in the Liberals and New Democrats, and the launching of an industrial and political counteroffensive against austerity and war across North America on the basis of a socialist and internationalist program.



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