

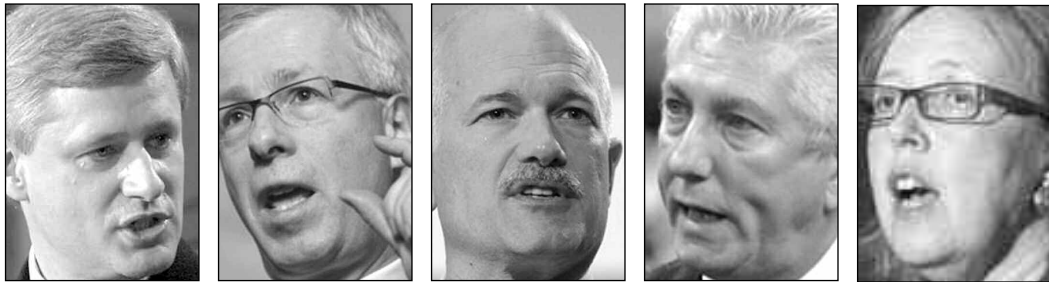
Election 2008: Five Parties and Few Options

By Bryan Evans

The Free Trade election of 1988 was the last election in which Canadians were confronted with at least a symbolically clear set of electoral alternatives. The two major parties of the time made support for or opposition to the Free Trade Agreement central to their campaigns. Tellingly, the New Democrats largely sidestepped an issue that had been central to Canadian history and economic policy since the founding of the Canadian federal state. Of course, as they say, the rest is history.

Today, twenty years and five federal elections later, Canada is a rather different country—economically, socially and politically. The postwar policies of welfare state building brought us an important degree of social and economic security. These policies included unemployment insurance, publicly financed health care and education, including at the post-secondary level, government investment in decent housing, a myriad of social services, and a willingness to use public power to promote economic and cultural projects as part of building a nation. Sadly, these public efforts to forge a nation among a sparsely populated geography are relics of our past. Yet such policies make as much sense now as they did then. The difference is that there are precious few advocates for progressive—let alone radical—change remaining on the Canadian political landscape.

All five major political parties today—the Conservatives, Liberals, and, yes, the New Democrats, Bloc Québécois and Greens—subscribe to varying degrees to the orthodoxy that there is no alternative to business-friendly public policy. Tax cuts, especially corporate tax cuts, have eviscerated the fiscal capacity of the federal state to intervene in social affairs, the North American Free Trade Agreement (NAFTA) constrains the use of public power—that is, the state—to regulate economic matters, and now the warning is raised that challenges to any form of public financing, including health care and education, are possible under existing terms of the Agreement. Some analysts have characterized this as the “constitutionalization” of increasingly deregulated market capitalism. Politically the result has been that all of our major parties now express simply variations within the dominant regime of neoliberalism. The Liberal Party’s controversial carbon tax seeks not to redistribute income and



Stephen Harper, Stéphan Dion, Jack Layton, Gilles Duceppe, and Elizabeth May.

opportunity, as did their forebears of the 1960s, but rather to redistribute the burden of environmental degradation to middle-income Canadians. All at the same time that Corporate Canada, the source of air, water and soil contamination, enjoys rapidly declining taxes. The Canadian Greens are among the most market-oriented and friendly Green parties on the planet. And the New Democrats are but pale shadows of their former selves and consequently are finding it very difficult to distinguish themselves from the other opposition parties.

The Harper Conservatives have, despite only slightly more than two years in government and their minority status, been very able in deepening Canada’s trajectory of dismantling a nation. Now, it must be said, the social policy gutting which took place under the Chretien-Martin Liberals had already reshaped Canadian politics and the dominant political values of our society. For Harper, this translated into having a rather easy go of it, as corporate taxes were slashed to where they are now—the lowest within the G8 group of nations and well on their way to becoming among the lowest among other Western capitalist economies. A penetrating study of business taxes in 2008 conducted by the consulting firm KPMG found that Canada provided a much more “friendly” tax regime for business, so friendly in fact that it outperformed such giants of commerce as the United States, the United Kingdom, Japan, and Germany, among others. Only Mexico and the Netherlands did better.

Harper and his Common Sense Revolutionary finance minister, Jim Flaherty, have not asked Corporate Canada for anything in exchange. No conditions to invest in research and development, to invest in training employees so that productivity may be enhanced, and, of course, no mention of preserving employment in Canada. Clearly, if we are to compete successfully, we must compete at the level of the lowest common denominator. So indeed, there is money for nothing.

Since Flaherty’s economic statement of October 2007, the Conservatives have committed to \$60 billion in tax cuts through to the year 2012. In policy and political terms, the objective is to preclude any future government from initiating new programs such as

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BRYAN EVANS is a professor of public administration at Ryerson University in Toronto, and an active member of the Socialist Project and frequent contributor to Relay: A Socialist Project Review. Prior to joining Ryerson in 2003, he was a senior policy advisor and manager with the Ontario government.

child care, pharmacare, a national housing strategy, or a national urban transit strategy. We can already see how this works in the case of Ontario, where the provincial Liberal government maintains the tax cuts of the Harris Common Sense Revolution, as it is unwilling to challenge the politics established by its predecessor. The same will be true at the federal level.

Of course, the twenty or more years in which Canadians have been down the road of neoliberal restructuring has resulted in a profound polarization in Canadian society. What most dramatically captures this is the paradox of economic growth and stagnant and declining incomes for the middle class and poor, but growing wealth for the top 10 to 20% of the Canadian population. In December 2007 Flaherty noted that “real income per capita has risen over 20% since the end of 2001.” Canada is ranked as the eighth largest economy in the world. But all this says nothing about distribution. Despite a 33-year-record low unemployment rate, real wages have been stagnant for 30 years while corporate profits have never been higher. The Canadian Centre for Policy Alternatives notes: “A decade of personal income tax cuts, such as reduced taxation of capital gains on income and stock options, have favoured high-income earners” (CCPA 2008 Alternative Budget).

The Conservative’s last Budget of 2008 was characterized in the business press as “disappointing,” “prudent,” and “modest.” Such reportage belied a series of politically significant initiatives proposed here. First, never believe free-market ideologues when they say government is the problem. In 2008, the Harper government proposed that the Canadian government be used to support market and capitalist interests. We are now confronting a paradox. The redistribution state is still with us, but now resources are redistributed upwards.

One such new state institution is the Canada Employment Insurance Financing Board (CEIFB). The purpose of this new crown corporation is to manage EI funds in such a way that the surpluses that have been generated by EI premiums are not used in calculating the overall budget surplus. But the question of where all these EI surpluses come from is never asked and never answered. That only 36% of Canadian workers are actually eligible to draw EI benefits is a large part of the answer. This is in sharp contrast to the 74% of workers who were eligible for benefits under the previous Unemployment Insurance (UI) program. More importantly, this new government corporation will use its authority to more effectively discipline the unemployed into relocation or job training schemes leading to dead-end jobs.

The second big new government corporation created by Harper is PPP Canada Inc.. This organization is mandated to expand the role of Corporate Canada in building infrastructure. Over the next twenty years, an estimated \$300 billion is to be invested in highways, water and sewage systems, bridges, and air and rail transportation. PPP Canada Inc. will be there to ensure that for-profit corporations, which will pay little tax, receive a significant share of that public money. It’s in effect risk-free capitalism. The contracts will be set with a great deal of space for “cost plus profit

margin” guarantees, and governments will be there to pick up the pieces if the corporations bail out (also a common feature of P3s, the so-called “moral hazard” dilemma). In the hospital sector, where a number of public-private partnerships have been introduced, the result has always been not private sector efficiency but dramatic cost overruns and delays.

A third example of state power actually being expanded relates to new spending on security and defence. Budget 2008 proposes a “Canada First Defence Strategy” which has two objectives. First, it establishes an automatic annual defence spending escalator set at 2 per cent. This is to say that the defence budget will increase by a guaranteed 2 per cent every year. It is estimated that this alone will, over 20 years, add an additional \$12 billion to the defence budget. The second objective is to link corporate Canada more closely to defence spending. A “new relationship with industry” is sought as a means to build a Canadian military-industrial complex and again transfer public dollars to private hands. Militarization is packaged as economic development, and soon a career in the armed forces will be more widely seen as a route to a stable, middle-class lifestyle. When we consider that defence spending today stands at \$18 billion, the highest it has been since the Second World War, it is obvious that this is now big business which will only become bigger.

This is but part of the Harper record as we launch into Election 2008. Clearly the Conservatives must be defeated. But how and by whom, and to what end? The Liberals are, as they have always been, a party of business. Their ties to Corporate Canada are every bit as strong as those of the Conservatives. Despite a more progressive and socially responsible rhetoric, the reality is that this is the same party which cut social program funding to a degree the Conservatives would only dream of. It is the same party which has placed the Canadian armed forces at the service of the United States. They speak of social justice but reject that what is needed is a return to redistributive policies. As for the New Democrats, they aren’t sure what they are anymore. The “real” Liberals maybe? Just as with social democratic parties throughout Europe, the NDP is suffering from an erosion of its electoral base. Middle/working class Canadians don’t hear much that resonates with them from the NDP. Instead the NDP tries to become an electoral machine like the other electoral machines. As a result, it is hardly seen as a party of protest. Instead that mantle has fallen to the Greens. And the Canadian Greens are hardly radical. Is it any wonder that key Greens are erstwhile libertarian Conservatives?

A choice will have to be made. The objective is to defeat the Conservatives. But then what? Should that come to pass, expect that Canada will continue, perhaps rather more carefully, along the path of economic and political integration with the United States. Nor will there be any return to redistributive policies to arrest the social and economic polarization. An alternative does not yet exist. However, the need for an anti-neoliberal electoral coalition is pressing. As of yet it does not exist. And the long process of constructing this alternative should begin with Election 2008. ♦