



Focus On Socialism

The Political Journal of Canadians for Peace and Socialism

SPECIAL BULLETIN 5

A DANGEROUS DEMAGOGUE STATEMENT BY CANADIANS FOR PEACE & SOCIALISM

**ON THE PRE-ELECTION HARPER-FLAHERTY
CORPORATE BUDGET**

AND THE

**CANADIAN CENTRE FOR POLICY ALTERNATIVES
ALTERNATE FEDERAL BUDGET (AFB 2007)**

**A DEMOCRATIC PEOPLE'S CHALLENGE TO THE ANTI-
DEMOCRATIC HARPER CORPORATE BIAS**



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FOS is the political journal of Canadians For Peace and Socialism (CPS). In it we address current national and international issues. We strive to bring a Marxist-Leninist viewpoint to the struggle of Canadians for peace, progress and socialism.

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A DANGEROUS DEMAGOGUE – THE HARPER-FLAHERTY CORPORATE BUDGET

STATEMENT OF CPS, MARCH 20, 2007

THE FEDERAL BUDGET - THE HUNDRED BUCK BRIBE

For a few hundred bucks worth of income tax cuts, PM Harper believes he can con Canadian workers and farmers to overlook the drain on the federal treasury to fund the costly illegal war in Afghanistan and to continue to accept without protest, the current massive transfer of wealth created by wage earners and farm income to corporate and investor coffers.

Speaking to 3000 Conservative election workers on the weekend prior to the budget, PM Harper expressed once again his contempt for organized labour and people's movements by characterizing them as "small groups" of complainers who attend "rallies" while the "quiet majority" that he claims to represent, were content to "work hard", and no doubt keep quiet. Harper's notion of democracy is to refuse to meet with Buzz Hargrove representing 250,000 auto workers confronting layoffs, but to never miss a schmooze with big business. Finance Minister Jim Flaherty continued the Conservative "tradition" of shunning the people by completely ignoring all



of the proposals in the CCPA Alternative Federal Budget (AFB 2007). (www.policyalternatives.ca).

AFB 2007 A PEOPLE'S ALTERNATIVE TO "CORPORATE WELFARE BUMS"

The AFB 2007 embodied far reaching reform demands on behalf of organized labour, first nations, women's and child advocate and anti-poverty groups, housing associations, farm unions, social workers, environmental and urban planning groups and peace advocates, in fact the broad cross section of working Canadians. Carefully documenting every proposal and demonstrating how each program can be funded and contribute to an expanding economy, the AFB is based on the premise that the economy can thrive if people's needs are considered before corporate profits. A vital principle flowing through the document is to strengthen the federal government and reverse the devolution of federal responsibility to the provinces for standards and funding of health, education, senior's needs and low cost housing.

AFB 2007 also outlines proposals to scrap big ticket military spending and to withdraw Canadian forces from combat in Afghanistan and its deep integration with the US military and to shift Canadian armed forces to peace keeping and coastal patrols. The AFB redirects funding to overcome regional underdevelopment and to stimulate the manufacturing sector. AFB advocates increased spending on programs for First Nations and a restoration of the principles of the Kelowna Accord. The sections of AFB dealing with funding for women's programs and child care would restore and expand programs cut by the Harper Conservatives. The AFB addresses issues of urban blight, public housing, public transit and rural poverty. It makes proposals to halt falling farm income and defends the Canadian Wheat Board. The section in AFB on the environment is somewhat muddled and needs more work but the overall strength of the AFB 2007 flows from the breadth of participation and support of the organizations of the people in its development.

AFB 2007 is a democratic people's challenge to the anti-democratic corporate bias that resonates in all federal budgets. AFB 2007 is objectively a political statement by working people's organizations that challenges their exclusion from determining the planning of the economy. AFB 2007 has the potential to become a movement of working people for an alternative to the corporate profit system and a new way of viewing economic



development. AFB 2007 if campaigned for by organized labour and the movements of the people could form the basis for a people's electoral program around which the left and progressive forces could work for unity in the next federal election to defeat Harper.

CHILD CARE NEGLECTED. HARPER'S "SPARE THE CASH AND SPOIL THE CHILD" PLAN

PM Harper's simmering irritation with the fact that 65% of all women with children under the age of three are employed and 70% with children three to five work and that 54% of all children are in some type of daycare boiled over in the 2006 budget when he ordered the Liberal government's \$1.213 billion national child care program scrapped and replaced with a \$100 per month per child handout. Harper's rebuke to women who insist on their right to work and demand access to affordable child care spaces staffed with well paid child care workers backfired. Harper strategists saw the women's vote begin to evaporate as families discovered that \$100 gift was taxable and didn't come close to paying for day care. Code Blue, the labour movement and child care advocates all across the country fought back and continued to demand a national child care program.

The Flaherty 2007 budget is scrambling to undo some of the damage caused by Harper's ideological hostility to working women. What has Flaherty offered? The CBC estimated that the new child tax credit translates into total income tax savings for families with two children earning up to \$60,000 of \$620 or \$50 a month and for families up to \$30,000 with three children \$829 or \$70 a month. The budget allocates \$250 million for new child care spaces but the money will be sent to the provinces with no strings attached where it will dissolve into general revenues. NDP Premier Doer said Manitoba had already spent the Liberal funding before it was clawed back by Harper and after the dust settles from the new budget Manitoba will have a serious net loss in child care and health care funding. That will be the case in all provinces except Quebec where labour and women's struggles compelled the former PQ to enact legislation that provides working mothers with the most advanced day care program in Canada.

The Ontario Coalition for Better Child Care commented that working mothers are confronting long waiting lists to access day care and can't afford those that are available. The lack of funding is forcing day care



facilities to close. Ruby Dhalla Liberal Human Resources critic said the Harper \$100 dollar a month handout was taxable and the \$250 million set aside for child care spaces will be handed to the provinces and never result in new spaces. The Flaherty budget perpetuates Harper's gender bias and exposes once again the hollow ring to his constant reference to "family values."

The Harper budget could have raised the minimum wage to \$10 hour, implemented a public housing program and provided national child care all of which have a stimulating affect on the economy. Harper's income tax will do nothing to increase consumer spending as the Conservative mantra proclaims. The remainder of income tax cuts to wage earners will be eaten up by rises in gasoline prices, local property taxes and school fees. Even Sherry Cooper Chief Economist for BMO and no friend of labour said there was nothing in the Flaherty budget for poorer Canadians.

LAYTON AND DION REJECT HARPER'S VOTE BUYING BUDGET, DUCEPPE GIVES IT SUPPORT.

Instead of considering the democratic proposals in AFB 2007, Flaherty opted for a cynical Conservative pre-election budget designed to bribe Quebec and Ontario voters into handing Stephen Harper a majority in the next election. It was all too much for NDP Leader Jack Layton and Liberal Leader Stephane Dion who pledged to vote against the budget in Parliament. Layton branded the budget as a gift to corporate Canada and that big oil and gas continued to be subsidized at taxpayer's expense. He said the gap had widened between those who were doing well and working families and there was nothing in the budget for seniors or child care. After consulting with PQ leader Andre Boisclair, Bloc leader Gilles Duceppe accepted Flaherty's \$3.2 billion transfer to Quebec over three years and pledged to support the budget saying he would take the money and use it "when Quebec achieves sovereignty." There is no assurance that Duceppe's decision will not rebound on the PQ and result in Boisclair's defeat and the election on March 26th of right-wing Liberal leader Jean Charest. If Boisclair is elected it will not be the result of Harper's largesse but the decision of Quebec working class voters who may consider PQ the lesser of three evils. Fifty four Bloc and 125 Conservative MP's will ensure passage of the budget in the 308 member House.

HARPER FRONTS FOR BIG OIL – FRIENDS OF THE EARTH LOCKED OUT.

Harper and Flaherty demonstrated in the budget their loyalty to Alberta big oil and their betrayal of Newfoundland and Labrador and Saskatchewan. Harper promised Premiers Danny Williams and Lorne Calvert that he would continue full federal transfer payments to the two 'have not' provinces until their energy revenue streams redressed their 'have not' status. Harper reneged on his promise and Flaherty introduced caps on revenue earnings that will force Saskatchewan and Newfoundland Labrador to choose between oil revenues or federal transfers. While capping Saskatchewan and Newfoundland Labrador oil revenues to determine transfer payments Flaherty handed Alberta big oil a deferral until 2015 before ending the 100% accelerated tax write off on new capital investment. The deferral deprives the federal treasury of substantial tax revenues from the energy sector that all taxpayers across the country will now have to make up.

Flaherty further demonstrated his contempt for environmentalists by barring the environmental group Friends of the Earth from the budget lock up. In the budget Flaherty tinkered with environmental issues with a copy-cat plan a la BC Premier Campbell to discourage SUV sales but backed off any proposal for a carbon tax that would have immediately tackled green house gas emissions. Green Party leader Elizabeth May and Marlo Reynolds of the Pembina Institute branded the \$1.5 billion Eco Trust fund a Harper Government failure to seriously combat green house gases.

FIRST NATIONS LEFT OUT

Phil Fontaine Grand Chief of the First Nations condemned the budget declaring, "those that do well are those that will continue to do well under this budget." Fontaine reminded Flaherty that there are 190 First Nations communities on a boil order for drinking water. Federal government promises to provide funds for clean water, housing, jobs and action to overcome poverty were dropped when the Harper Conservatives killed the Kelowna Accord negotiated between First Nations and the Martin Liberals that would have provided \$5 billion over five years to address education, housing, health and economic development needs for First Nations, Metis and Inuit peoples. The Harper government tore up the agreement and replaced it with an allocation of \$410 million for Aboriginal needs. A British



Columbia BC First Nations leader quipped that the pine beetle infestation got more money than the Aboriginal file.

A DANGEROUS DEMAGOGUE AT THE HELM AS A MADE IN U.S.A. ECONOMIC CRISIS LOOMS

Flaherty's budget is based on the premise that federal budget surpluses will continue to increase even as new tax cuts kick in. In fact annual federal surpluses fell from \$14 billion in 2006 to \$10 billion in 2007. The AFB 2007 points out that the actual fiscal capacity for new spending is more like \$4.7 billion after the losses to the treasury from the one percent cut in GST and \$3 billion allocated to deficit reduction and the rising costs of the US-NATO-EU war in Afghanistan that costs the federal treasury about \$1 billion a year and continues to rise is taken into account.

After deducting the \$1.5 billion Eco Trust Fund, a sop to the public outcry to tackle green house gases, a \$1 billion Farm Income Support and \$1 billion to the Greater Toronto Transit Authority most of the fiscal capacity is gone. Flaherty may have a lot of explaining to do if the budget is passed, implemented and in practice government expenditures begin to exceed revenues.

THE GATHERING STORM SOUTH OF THE BORDER

More alarming is the total failure of Flaherty to consider the gathering economic storm south of the border. The federal budget like the Quebec budget counts on a rebound in the U.S. economy while ignoring the fact that the U.S. sub-prime mortgage market is collapsing and along with it the U.S. credit card economy. Mortgage debt in the U.S.A. is an astronomical \$9.5 trillion and an estimated 2.7 million U.S. foreclosures will have taken place by the end of this year. U.S. consumer spending will fall affecting Canadian manufacturing exports to the U.S. market. The U.S. Banks have cynically made a fortune by selling their mortgage debt to hedge funds and pension funds. Massive mortgage defaults will impact both mutual funds and pension funds and confront employed and retired workers with another Enron type debacle with the potential double whammy of rising mortgage interest rates and falling mutual and pension fund income. What



is happening in the U.S.A. will overtake Canada and the federal budget has done nothing to cushion the impact of a U.S. economic down turn on working Canadians and their savings.

HARPER'S PLAN TO DISMANTLE THE FEDERAL SYSTEM

The Harper budget perpetuates regional disparity and dispenses federal government transfers to reward right wing governments in British Columbia and Alberta for collaborating with the Harper plan to insert privatized health services wedges into public health care. Flaherty's boast that the fiscal imbalance has been solved is far fetched. The \$39 billion in transfers are politically targeted to Ontario and Quebec for vote getting purposes in the next federal election. The Maritimes, Saskatchewan, and the territories and Nunavut have been neglected. The Flaherty budget turns its back on Canadian workers who are losing their jobs in large numbers as the manufacturing sector shrinks due to rising energy costs, a rising Canadian dollar and a failure to diversify trade from its current NAFTA straight jacket. Flaherty has offered accelerated tax write-offs for the purchase of new equipment that will be a boon to large manufacturers but will do little for those teetering on the edge of bankruptcy. No obligation is attached to this tax write-off to keep these companies in Canada.

The \$1 billion farm support program is not new money and how it will translate into real help to farm families awaits analysis. The Harper plan to destroy the Canadian Wheat Board continues and all policies that shift farm income from the pockets of working farmers to the coffers of corporate agriculture remain intact. The Flaherty budget perpetuates the shift of the costs of public education, transportation, fire, police and ambulance services onto municipalities where urban taxpayers will confront higher taxes on homes and rising rents as municipal cost escalate. The budget abandons struggling rural communities facing a population flight and a loss of basic services.

The Harper Plan for Canada is to abandon the federal responsibility for setting, funding and enforcing national standards for health care, education, and people's needs. Harper is the enemy of cooperative federalism and is indifferent to regional underdevelopment. The budget perpetuates the capital gains sweetheart deal handed to wealthy investors in 2006 and hands out a few crumbs to small business in 2007.



The Harper Budget is a pre-election budget and thinking workers and farmers will not be fooled by its narrow political aims. Whenever the next federal election is called, labour and the left must have its own economic vision of Canada and Quebec that puts the needs of working people first.

Visit

**Canadian Centre for
Policy Alternatives**

www.policyalternatives.ca

To view the

***Alternative Federal Budget
AFB2007***

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