

Ontario NDP enables savage austerity budget

By Carl Bronski
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This past Tuesday, the social democrats of the Ontario New Democratic Party (ONDP) sat passively in their parliamentary seats and abstained from voting on one of the most vicious, anti-worker budgets ever tabled in the provincial legislature. Holding the balance of power in a minority parliament, the ONDP had the option of defeating what party leader Andrea Horwath herself described as a “profoundly flawed” budget. Instead, Horwath and her NDP provided new life to the big-business Liberal government of Premier Dalton McGuinty and allowed it to enact a brutal austerity budget that attacks public services, jobs, worker living standards and pensions.

This was the entirely predictable end to a month of maneuvering, during which the NDP, with the full support of its union allies, sought to extract a handful of minor concessions from the Liberals in exchange for their support for the budget.

The negotiations concluded with two one-on-one meetings between Horwath and McGuinty on the Sunday and Monday before the budget vote.

But from the beginning of the budget debate, Horwath had made clear that she wasn’t “drawing any lines in the sand” and that the social democrats’ task is to “make parliament work” and to collaborate with big business in fostering a prosperous Ontario.

Despite all their bluster about defending “ordinary Ontarians”, the NDP and the Ontario Federation of Labour have been culpable in facilitating the passage of a package of cuts that are almost four times larger than those implemented by the hated Conservative government of Premier Mike Harris during its first term in office in the late 1990s. Those cuts sparked an unprecedented outpouring of opposition from the working class that only subsided when the labour bureaucracy, fearing that a series of protest strikes was escaping their control and could bring down the government, scuttled the anti-Harris movement.

The ONDP’s readiness to allow passage of the 2012 Liberal budget is not a matter of abiding by the “wishes” of the population to avoid another election, as Horwath and the union bureaucrats have claimed. In so far as those “wishes” exist they are, on the one hand, rooted in working people’s recognition that elections have become largely meaningless given the rightwing consensus shared by all the establishment parties and a reflection, on the other, of the influence of the corporate

media. From ~~the~~ *National Post* neoconservative “liberal” *Toronto Star*, the corporate media unanimously endorsed the Liberal budget and opposed a return to the polls little more than half a year after the last election.

Significantly, during last fall’s election campaign none of the parties made mention of the large budget deficit and the preparations already underway—through the appointment of the Drummond Commission on the “Reform of Ontario’s Public Services”—for brutal social spending cuts.

All along, the NDP and the unions have had, at most, minor tactical differences with the Liberal austerity measures. They agree with the Liberals that the budget must be balanced by 2017-18 and that this must be done principally through spending cuts.

The now ratified budget makes \$15 billion in cuts to provincial expenditures over the next three years. It is predicted that 105,000 workers will lose their jobs as a result. Health care will be starved of funds, escalating the pace of the disintegration of quality public health care. Up to 8,000 more hospital beds will be cut. Seniors will be means-tested for pharmaceutical prescription charges. Municipal fees for water and sewage will increase. Services will be privatized. Schools will be closed and school bus service slashed. Hundreds of millions will be cut from programs promoting child welfare, early learning, mental health and disabled development.

The entire budget is predicated on the imposition of a two-year wage freeze on 1.2 million provincial public sector workers, including civil servants, teachers, nurses, hospital workers and municipal employees.

Although the Liberal government has pledged to use all the administrative and legislative means at its disposal to impose the wage freeze, the NDP facilitated the budget’s passage, even while claiming—albeit only when pressed by reporters—to oppose the wage freeze and the threatened suspension of workers’ collective bargaining rights.

While maintaining a cowardly and complicit silence on the wage freeze, Horwath explained her party’s decision not to vote for the budget on the basis of the Liberals’ failure to accept her proposal to reward companies that hire additional workers with a tax break. In pressing for this measure, the NDP emphasized that it was cribbed from the policy prescriptions of the pro-Wall Street Obama administration.

The budget also sets the stage for the government to meet

public sector pension plan shortfalls at workers' expense. Those receiving welfare, after inflation is taken into account, will see their paltry purchasing power weakened even further. (Under the budget, single able-bodied welfare recipients are to receive just \$603 per month.) And a freeze in the minimum wage will force tens of thousands of other workers to continue to survive on \$21,320 per year.

The draconian cuts have failed, however, to satisfy the money markets. The day after the budget's passage, Standard and Poor's reduced Ontario's outlook from "stable" to "negative" and warned that there was a one in three chance of an actual credit rating downgrade if the "challenging" targets set by the government could not be met—i.e. if workers mobilized to successfully resist the attacks. The S&P warning was made primarily to provide the provincial labour unions with additional ammunition to justify their upcoming climb-down from rhetoric opposing the wage freeze. On Thursday, Moody's Investor Services went one step further and downgraded the province's credit rating to AA2 from AA1.

In the run-up to last week's budget vote much was made in the press about Horwath's push for the McGuinty Liberals to increase by two percentage points the taxation rate on the 23,000 Ontarians who earn more than half a million dollars per year. If the ONDP were going to guarantee the survival of the Liberal government and ensure the implementation of its anti-worker economic plan, the social democrats wanted a modicum of political cover. Cover for themselves, but also for the austerity program, which would be rendered "fairer" if the richest Ontarians had to "contribute" as well.

Horwath, who had already backed down on several other NDP demands, including for a lifting of the tax on home heating costs, claimed that the money raised through the modest increase in the taxation of the rich would enable the government to somewhat reduce the scale of the coming social spending cuts.

McGuinty, cognizant of the popular anger over mounting social inequality and in particular the huge gains in income and wealth that have accrued to the top 1 percent of the population, ultimately agreed to a temporary tax (to be lifted once the deficit is eliminated or tamed) on Ontario's highest income earners. But he insisted any monies gleaned from the new surtax must be given to the banks and bondholders to pay down debt. Horwath soon relented and announced that the NDP would ensure the austerity budget was implemented.

Union bureaucrats and "progressive" columnists in the provincial and national press have been quick to laud the political acumen of the ONDP. Wayne Fraser, District Director of the United Steelworkers union, expressed his pride in Horwath and the NDP caucus for "insisting on a better budget for everyday Ontarians." *Toronto Star* writer Linda McQuaig, anticipating the deal's ratification, gushed that the surtax was "a bold unlacing of the political bodice that has confined mainstream Canadian politicians for the past several decades".

But what is the actual content of this "tax on the rich"? It will reportedly cost someone with an annual income of \$600,000 just \$3,120 per year. Whether even this modest sum will be raised is far from certain. A similar tax introduced by Prime Minister Gordon Brown in Britain actually resulted in a slight decrease in funds paid to the Treasury as wealthy taxpayers took shelter in a myriad of tax avoidance schemes. In Canada, there is no shortage of such opportunities for the rich, from income splitting, holding company investments and flow-through share schemes. When questioned on this, ONDP spokeswoman Marion Meade admitted, "the estimates of how much money this tax will generate vary and ultimately we won't know how much revenue will be raised until the year has passed."

Not since the 1920s have the richest 1 and .1 percent of Canadians so monopolized wealth and income in their hands, or paid proportionately so little in taxes. In 1943, the richest 0.01 percent of the Canadian population was taxed at a rate of 71 percent, if all forms and levels of taxation are considered. By the first decade of this century, the rate had slipped by more than half to 33 percent, about the same as the rate of taxation on the poorest 10 percent of income taxpayers. It is expected that the next round of tax data will show a further decline in the tax rates on the rich. Meanwhile, governments at all levels have slashed corporate taxes. The growth of government deficits and the ensuing slashing of the living standards of the working class can be directly attributed to policies that have been designed to funnel wealth into the bank accounts of the ruling class.

For decades provincial NDP governments have been part and parcel of this redistribution of wealth to the richest segments of society. In the name of "balanced budgets" and "fiscal responsibility," provincial NDP governments have slashed social spending, while reducing income and corporate taxes.

Last month the NDP chose former Quebec Liberal cabinet minister Thomas Mulcair as its new national leader. Although successive federal Liberal and Conservative government have lavished income and capital gains tax cuts on the rich and super-rich, Mulcair has said that the NDP will not even consider proposing increased taxation of the wealthiest Canadians until there is a better sense of what the economy will look like after the 2015 federal election.

The author also recommends:

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