

## Post-crisis development strategy: “business as usual”



The Canadian Government has studiously ignored the lessons of the recent global economic crisis and adopted a “business as usual” approach. Committed to a quick return to the dominant ideology of the past two decades – more market, less government – it has refused to undertake the structural reforms necessary to stabilize the economy and promote human development within Canada and its economic partners. Deficit reduction is being achieved by further cuts to social spending. While stock markets and Gross Domestic Product (GDP) are recovering, further backsliding is expected in equality and development levels at home and abroad.

### Women in Informal Employment: Globalizing and Organizing (WIEGO)

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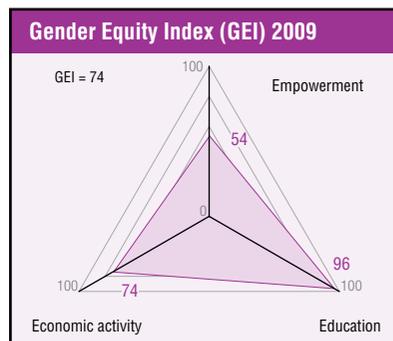
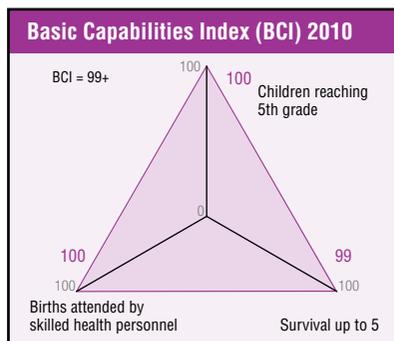
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The recent crisis of confidence in the Washington Consensus development paradigm has not deterred the Canadian Government from getting back to business as usual. For 20 years, the country has pursued economic policies that entrench it among the world’s “plutonomies,” where a small minority – the top 1 to 5% – increasingly dominates governance and economic growth policy. Canada’s coordination with like-minded governments has exacerbated global macroeconomic and domestic imbalances through trade and investment integration policies, intellectual property protections, financial deregulation, development of ever-more-complex financial instruments, and elite-friendly taxation measures. Redistributive policies, such as unemployment insurance, employment creation, and poverty eradication have taken a back seat in Canadian policy priorities. Despite a global crisis of a force unseen in generations, the Government does not seem to have considered which policies would best offset the acceleration of economic and financial instability at home and abroad. Rather, there is a reckless determination to return as soon as possible to the dominant ideology of the past two decades: more market, less government.

During the crisis “bailouts” to the financial sector in Canada were prioritized over the investments of ordinary citizens. Prime Minister Stephen Harper’s February 2009 stimulus package amounted to CAD 18 billion (about USD 17 billion) for 2009-2010, and its core features included tax cuts for the wealthy and profitable corporations. In contrast, USD 186 billion was made available to support the financial sector with almost no conditions.<sup>1</sup> In addition, the Government has failed to advocate for greater regulation of the international financial sector; rather it has opposed proposals for new international taxes on the sector, such as those advanced by the United Kingdom and other European governments. Canada’s



bias toward the “invitation only clubs” of the G-8 and G-20 led it to spend 2008 and much of 2009 in UN debates on financing for development opposing initiatives to move toward a Global Economic Coordination Council and other comprehensive and inclusive responses to the global crisis. Under cover of an urgent need for deficit reduction, the country is quickly returning to a failed “business as usual” model of capitalism. Disastrously, this outdated stance is undermining Canada’s capacity to live up to its domestic and international development commitments.

### Canada’s domestic development record

At home, the fight to reduce poverty, unemployment, and inequality has been severely hampered by cuts to government spending over the last 25 years. The share of federal Government spending in the economy was halved between the early 1980s and the late 1990s (see Chart 1). In the short term, the recession has reversed this trend, but federal fiscal strategies shaped by short-term stimulus spending are now giving way to trimmed-down budgets that have deficit management at their core. The contribution of the federal level of Government – which sets the tone for economic strategy and allows subsidiary levels of government to offer roughly equivalent levels of service – is already near historically low levels. Post-crisis budgets will be marked by a further gutting of social spending, renewed attacks on organized labour and real wages, and continued zeal for privatization.

An obsession with small government has starved Canada’s social infrastructure in areas such as health, education, social work, housing, childcare, pay equity, employment insurance, anti-poverty measures, and support for Aboriginal communities.

Since the mid-1990s, inequality in Canada has grown faster than in most other Organisation for Economic Co-operation and Development (OECD) countries.<sup>2</sup> In 1976, median earnings among the richest 10% of working-age Canadian households were 14 times that of the poorest 10%. By 2007, they were earning 223 times as much, and after-tax inequality has grown by almost 50% since 1976.<sup>3</sup> Although, Canada experienced a period of rapid economic expansion from the mid-1990s to the mid-2000s, the past decade has also witnessed the accelerated erosion of its manufacturing sector, a critical source of well-paying, unionized jobs.

Even before the recession over 3 million Canadians were living below the poverty line.<sup>4</sup> Stagnant wages and rising costs depleted savings and led to the ballooning of personal debt as a way for many to maintain their standard of living. Canada has lost over 485,000 full-time jobs since October 2008,<sup>5</sup> many of them permanently. Imminent cuts to the public sector will eliminate more well-paying jobs. The ranks of the self-employed, part-time, and temporarily employed have grown since the crisis hit, accelerating the longer-term shift towards lower paid, less secure work. Government income sup-

1 Bruce Campbell, “The Global Economic Crisis and its Canadian Dimension,” *The Monitor*, 1 July 2009. Available from: <[www.policyalternatives.ca/publications/monitor/global-economic-crisis-and-its-canadian-dimension](http://www.policyalternatives.ca/publications/monitor/global-economic-crisis-and-its-canadian-dimension)>.

2 Organisation for Economic Co-operation and Development (OECD), “Country Note: Canada,” in *Growing Unequal?: Income Distribution and Poverty in OECD Countries*, October 2008. Available from: <[www.oecd.org/dataoecd/44/48/41525292.pdf](http://www.oecd.org/dataoecd/44/48/41525292.pdf)>.

3 Armine Yalnizyan, calculated from Statistics Canada data from the *Survey of Labour and Income Dynamics*.

4 Statistics Canada, *Income in Canada, 2007* (Ottawa: Ministry of Industry, May 2009).

5 Ken Lewenza, “The Precarious Economy,” *The Mark*, 6 October 2009. Available from: <[www.themarknews.com/articles/542](http://www.themarknews.com/articles/542)>.

ports, that were scaled back fiercely in the 1990s, were never restored. Consequently of the 1.5 million Canadians unemployed today, less than half receive jobless benefits. Household debt has risen to record highs – by the third quarter of 2009 households on average owed CAD 1.45 for every dollar of disposable income.<sup>6</sup>

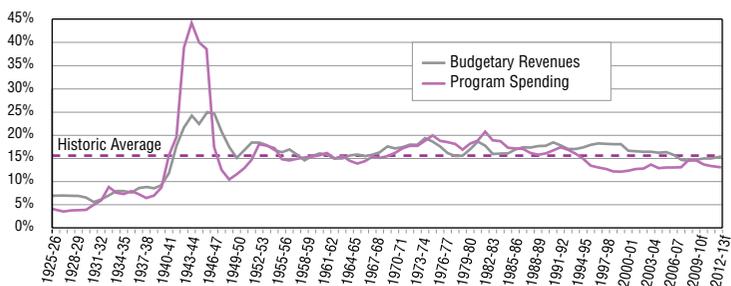
Canadian women, as a group, were already poorer and less economically secure than their male counterparts before the crisis. Women account for 60% of minimum wage workers, and about 40% of employed women work in precarious jobs that are generally poorly paid with little or no job security or benefits such as pensions. Women also continue to have decreasing and unequal access to employment insurance benefits; in 2008, 39% of unemployed women and 45% of unemployed men were receiving benefits, down from 83% of unemployed women and 85% of unemployed men in the late 1980s.<sup>7</sup> In 2009, the federal Government introduced permanent personal and corporate income tax cuts worth CAD 20 billion (USD 19.6 billion) over the next five years. Meanwhile, the Government has ended statutory pay equity provisions, and cuts in public service provision – including education and health – will likely increase the burden of unpaid and invisible work done mainly by women.

On the international stage Prime Minister Harper stated that he would “champion” the issue of maternal health at the G-8 summit hosted by Canada in June 2010. Yet, abortion and contraception, two fundamental rights for women, are not included in the plan. Nor has there been movement to improve access to childcare at home, though Canadian women have one of the highest employment rates in the world. Currently, UNICEF and the OECD rank Canada last among industrialized countries in providing support to families.<sup>8</sup> The country has also been declining in international rankings of gender parity over the past few years according to the World Economic Forum. In 2006 it placed 14th out of 115 countries in the Forum’s “gender-gap index”; by 2009, it was in 25th place.<sup>9</sup>

### Canada’s development record abroad

The Canadian Government has expressed antipathy towards structural reform of global economic governance such as strengthened regulations, taxation on currency and other financial transactions, and greater accountability to democratic institutions. The most recent budget reinforced trade liberalization and Foreign Direct Investment (FDI) as core tenets of Canada’s development agenda. Over the past decade, it has become a net direct investor abroad, with out-

**CHART 1. Federal Spending and Revenues as Share of Economy (1925-2013)**



Source: Department of Finance Canada, Fiscal Reference Tables (Revenue figures for 2009-2010 and 2012-2013 are estimates).

bound FDI more than doubling from USD 270 billion to USD 591 billion.<sup>10</sup> This phenomenon has been driven in large part by financial services and natural resources firms. The finance and insurance industry accounted for 65% of the outbound funds, with most of the money flowing to existing foreign subsidiaries in the US. The natural resources sector received 16% of the funds, but because of the exploitative nature of the sector these investments have had little development impact; rather they have led to conflicts with local populations in several countries including Ecuador, Guatemala and Mexico.

Although Canada is on track to fulfil its 2005 G-8 pledge at Gleneagles to double aid to Africa this year, it is currently among the least generous donors (16<sup>th</sup> among 22 nations), with only 0.33% of Gross National Income (GNI) going to aid. Budget 2010 has “capped” Canada’s Official Development Assistance (ODA) at 2010-2011 levels, which will reduce its percentage contribution to an estimated 0.28% in 2014-2015. That will make it 18<sup>th</sup> out of 22. The current Government has also shifted its aid focus from Africa to middle-income countries in Latin America, where the country has a stronger trade and investment agenda. This leaves it with an even weaker platform for the urgently needed efforts to reach the Millennium Development Goals (MDGs) by 2015.<sup>11</sup>

Budget 2010 also underscored a shifting approach to foreign policy. In 2005-2006 the Government spent roughly USD 3.48 on the Department of Defence for every dollar spent on ODA; by 2019-2020 it envisions spending USD 4.3 on defence for every dollar spent on ODA. Canada has also moved away from its longstanding approach to policy regarding Palestine and Israel, refusing to oppose Israel’s wars in Lebanon and Gaza and regularly voting against UN resolutions critical of Israel. This new policy thrust jeopardizes its reputation as a fair and balanced player in international development.

The Government has also actively adopted policies that contravene the human rights of citizens of foreign nations as well as Canadians. In the name

of security it has adopted counter-terrorism laws and practices that fuel discrimination, encourage torture, or allow unlawful detention and unfair trials. The decision to end the current session of Parliament just in time to halt an investigation into the torture of detainees in Afghanistan has also fuelled anger and frustration.

Parliament passed the Better Aid bill in 2008 with the aim of promoting transparency and accountability in aid practices. Yet, the Government has recently been accused of undermining several development and aid organizations that do not follow its new policy direction, most notably with regard to the Middle East.<sup>12</sup> For example, the well-regarded ecumenical agency KAIROS had its federal funding slashed without notice after 30 years, while ardently pro-Israel Conservative party faithful were appointed to lead the Board of the Government-mandated agency Rights and Democracy. The most recent budget makes clear that this is the new norm, stating “funding provided to organizations is tied to furthering government priorities.”<sup>13</sup>

### Conclusion

The Government has studiously ignored the lessons of the recent global economic crisis and refused to undertake the structural reforms necessary to stabilize the economy and promote human development among Canadians and the citizens of the world. In spite of pledges to provide help for those most economically vulnerable during the crisis, both stimulus spending and core budgetary measures have failed to provide the necessary supports to achieve this. Deficit reduction is being used as a cover to further reduce social spending. While stock markets, corporate profits, and GDP rebound from the massive global financial meltdown, it is expected that full recovery for the privileged will be accompanied by further backsliding in equality and development levels at home and abroad. ■

6 Roger Sauvé, “The Current State of Canadian Family Finances: 2009 Report” (Ottawa: Vanier Institute of the Family, 2010), 13. Available from: <[www.vifamily.ca/library/cft/famfin09.pdf](http://www.vifamily.ca/library/cft/famfin09.pdf)>.

7 Monica Townson, *Women’s Poverty and the Recession* (Ottawa: Canadian Centre for Policy Alternatives, 2009), 16.

8 UNICEF, “The Childcare Transition: Innocenti Report Card 8” (Florence: UNICEF Innocenti Research Centre, 2008). Available from: <[www.unicef.ca/portal/SmartDefault.aspx?at=2250](http://www.unicef.ca/portal/SmartDefault.aspx?at=2250)>.

9 Ricardo Hausman, Laura D. Tyson, and Saadia Zahidi, *Global Gender Gap Report* (Geneva: World Economic Forum, 2009). Available from: <[www.weforum.org/pdf/gendergap/report2009.pdf](http://www.weforum.org/pdf/gendergap/report2009.pdf)>.

10 Statistics Canada, “Canada’s International Investment Position – Third Quarter 2009” (Ottawa: Ministry of Industry, 2009), Table 10. Available from: <[www.statcan.gc.ca/pub/67-202-x/67-202-x2009003-eng.pdf](http://www.statcan.gc.ca/pub/67-202-x/67-202-x2009003-eng.pdf)>.

11 For more information, see the End Poverty 2015 Millennium Campaign. Available from: <[www.endpoverty2015.org/countries/canada](http://www.endpoverty2015.org/countries/canada)>.

12 James Clancy and Larry Brown, “Stephen Harper’s record of denying democracy,” National Union of Public and General Employees, 24 February 2010. Available from: <[www.nupge.ca/content/stephen-harper-s-record-denying-democracy](http://www.nupge.ca/content/stephen-harper-s-record-denying-democracy)>.

13 Department of Finance Canada, *Budget Plan 2010*, 163. Available from: <[www.budget.gc.ca/2010/plan/chap4a-eng.html](http://www.budget.gc.ca/2010/plan/chap4a-eng.html)>.