



Federal Election 2004

PAUL MARTIN: CANADA'S CEO?

Paul Martin as CEO

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Paul Martin is a child of Canada's corporate elite. After graduating from law school, Paul Martin joined Power Corporation, based in Montreal. Three years later, he was made vice-president. For twelve years, he was an owner of one of Canada's largest shipping companies, Canada Steamship Lines (CSL). He has twenty years experience as a CEO. His own personal wealth is estimated to be worth \$70 million and his family continues to run the shipping business.¹ When he was president of CSL, he was a member of the Canadian Council of Chief Executives (the former Business Council on National Issues), the most influential business group in the country.

Canada Steamship Lines²

Paul Martin runs his shipping company using "flags of convenience", rather than the Canadian flag. This gives CSL overseas citizenship for about half its fleet. The flag determines whose laws prevail and allows ship owners to look for the cheapest and least regulated ways of running their ships. Recently, Australia's highest court ruled that Bahamas-registered ships of CSL must obey Australia's labour laws and wage rates while in its waters. CSL ships flying the Bahamas flag had recruited crews in the Ukraine and were paying them wages that were well below the Australian minimum-wage level.

Canadians should question a prime minister who refuses to fly the Canadian flag on the vessels his family owns.



Paul Martin's record as minister of finance

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From spending cuts to tax cuts³

As finance minister in the 1990s, Paul Martin imposed massive cuts to provincial transfer payments. Combining the cuts in his first two budgets, spending on health, education and social assistance was cut by \$10.6 billion over the period 1994-95 to 1997-98. Paul Martin's cutbacks were the direct cause of drastic cuts in health, education and social service spending by most provincial governments.

By 2002-03, federal spending was down to 11.5 per cent of GDP, the lowest rate since 1949-50. Paul Martin made these drastic cuts by downloading responsibility to the provinces, eliminating programs and privatizing services.

We know the cuts were not necessary. By the late 1990s, the budget would have been balanced ahead of Martin's schedule, without any cuts at all, because of economic growth and reduced interest rates.

By 1997, Martin had understated revenue by \$20 billion so that resumed spending growth could be kept off the agenda for an upcoming federal election. Surpluses destroyed Martin's argument that the cuts were necessary and that reinvestment was not possible. So, he kept the surpluses in contingency funds until the end of each year when it was too late to do anything with them. They were then used to pay down the debt.

In 2000, Paul Martin announced the largest tax cut in Canadian history – \$100 billion over five years. He then increased the cuts by eliminating the capital tax on corporations, and raised the tax-exempt threshold for RRSP contributions, which only benefits those earning more than \$75,000 per year. More than 30 per cent of the benefits from these tax cuts went to the highest income 5.3 per cent of taxpayers. Because of Martin's 2000 budget, corporations will enjoy a tax cut of 35 per cent by 2008-09.⁴

The debt

Debt as a proportion of the economy has declined drastically in recent years. Between 1995 and 2002, the ratio of federal debt to GDP fell from 70.9 per cent to 44.2 per cent. Was this decline due to the repayment of the debt? No. Over 80 per cent of this decline was due to the expansion of the economy. Economic expansion can be credited to low



interest rates and exports to a growing US economy. If the government had simply balanced its books since 1997, instead of repaying \$50 billion worth of debt, we would still have the second lowest debt ratio amongst all industrialized countries.⁵

The environment⁶

Before the Chrétien government was elected, Paul Martin said he wanted stricter environmental regulations, to increase the competitiveness of Canadian business. He said that if elected, the environment would define the Liberal Party the way social policy defined it in the 1940s and 50s.

In Martin's 1995 budget, however, cuts to Environment Canada were enormous. Parks Canada lost 40 per cent of its funding between 1994-95 and 1998-99. The Department of Fisheries and Oceans suffered a cut of one-third and a 40 per cent reduction in staff. All in all, Martin took \$2 billion out of resource-based programs. He also rejected a domestic emissions trading program to meet Kyoto targets. To add insult to injury, Canadian corporations can write off fines or penalties for tax purposes.

Economic growth for whom?⁷

While Martin was finance minister, the overall economy grew because of falling interest rates, a low Canadian dollar and a booming US economy. Working families, however, did not share in that growth. Incomes increased because families worked longer hours, not because wages increased, and corporate profits increased at a faster rate. In fact, public sector wages fell by 1.4 per cent on average, over the nine years Paul Martin was finance minister.

Paul Martin as prime minister

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Public private partnerships

Thanks to Paul Martin, right-wing provincial governments have used underfunding as an excuse to turn to the private sector to finance badly needed investments in our crumbling infrastructure.⁸



For the first time, Paul Martin created a new position of parliamentary secretary to the finance minister with special responsibility for public private partnerships (P3s), and named MP John McKay to the post. What does John McKay think of his new job? “The more I get into it, the more I realize that this is the buzz item, the big ticket. This is the way government is going to be done,” he told a reporter. McKay says all government funding should go through a “P3 analysis” to justify why it should not be done by the private sector.

Meanwhile, the Martin government has been tying scarce public infrastructure dollars to P3 projects from one end of the country to the other.

On April 30, 2004, Paul Martin introduced a program whereby municipalities can apply for federal money to fund their search for foreign investment in their local economies. The applications will be evaluated according to the feasibility of their proposals for developing public private partnerships. Paul Martin wants cities to sell off their assets to global corporations. Is this the kind of cities’ agenda we want for Canada?

Pushing P3s in the developing world

When Paul Martin became finance minister, he cut 15 per cent of the foreign aid program. Non-governmental organizations, including those organizations doing development education in Canada, were deeply affected.⁹

As prime-minister-in-waiting, Paul Martin co-chaired the United Nations Commission on the Private Sector and Development in 2003, recommending P3s as the priority. Paul Martin’s role on the global stage is to push public private partnerships in energy and water, just as he does at home.¹⁰

Deep integration and US National Missile Defence¹¹

As prime minister, Paul Martin supports George W. Bush’s missile defence proposals, which would mean reversing Canada’s 30-year opposition to the weaponization of space. He has the full support of Canada’s largest companies that fear being shut out of the multi-billion dollar defence contracts their US parents will rake in. In Paul Martin’s defence policy, civil rights in Canada take a back seat to surveillance, intelligence-gathering and policing.



Transparency in government¹²

In 1995-96, the provinces spent 42 per cent of the Canada Assistance Plan on health, 13 per cent on post-secondary education and 45 per cent on social assistance. As Martin delivered his devastating spending cuts, he permitted provinces to spend the remaining money however they wanted. Nobody could ever really know how the money was divided after Martin created the Canada Health and Social Transfer (CHST). Paul Martin now claims he wants to increase the level of transparency in government. But he is responsible for the fact that we do not know how much federal money is being spent on social services and post-secondary education in Canada, either under the old CHST or the new Canada Social Transfer (CST).

- 1 Murray Dobbin, *Paul Martin: CEO for Canada?* (Toronto: James Lorimer, 2003, pp.11-17
- 2 Duncam Cameron, *CCPA Monitor*, Canadian Centre for Policy Alternatives, October 2003, Vol.10 No.5 pp. 1, 6.
- 3 Armine Yalnizyan, "New PM wants to make Canadians content with smaller government" *CCPA Monitor*, 10:10 April 2004, 13-15.
- 4 Hugh Mackenzie, "Taxation: the Martin Record", in Todd Scarth ed. *Hell and High Water: An Assessment of Paul Martin's Record and Implications for the Future*. (Ottawa: Canadian Centre for Policy Alternatives, 2004), p.63
- 5 Jim Stanford, "Martin could have eliminated the deficit without program cuts". *CCPA Monitor*, 10:10, April 2004, 18-19.
- 6 Dale Marshall, "There's a big gap between Martin's "green" rhetoric and actions. *CCPA Monitor*, 10:10, April 2004, p. 31-33
- 7 Andrew Jackson, "Canada's strong economic record under Martin didn't help workers.", *CCPA Monitor*, 10:10 April 2004, 18-19.
- 8 Ellen Russell, "Rebuilding Canada's infrastructure must be a government priority". *CCPA Monitor*, 10:10, April 2004. pp. 16-17
- 9 Joe Gunn, "His many promises to help world's poor were seldom kept", *CCPA Monitor*, 10:10 April 2004, 22-23
- 10 Commission on the Private Sector and Development, *Unleashing Entrepreneurship: Making Business Work for the Poor*", Report to the Secretary-General of the United Nations, United Nations Development Programme, March 2004, 40
- 11 Bruce Campbell, "Martin likely to heed business friends' wishes for "deep integration" *CCPA Monitor*, 10:10 April 2004, 33-36
- 12 Todd Scarth, "Martin seeks provincial cooperation in undoing his Finance damage", *CCPA Monitor*, 10:10, April 2004, 26-28.

