

Introduction

Budgets are intensely political documents, reflecting the values and priorities of the governments that produce them. They are fundamentally about choices. The budgetary priorities and choices put forward in this year's Alternative Federal Budget stand in stark contrast to the current minority Conservative government's priorities.

A F B 2008 works within the context of healthy fiscal surpluses and the looming threat of an economic downturn to deliver a budget that Canadians can count on — in good times and bad. It tackles pressing issues of sustainability by investing in meaningful action to reduce greenhouse gas emissions. It also strengthens vital public services that benefit rich, middle income, and vulnerable Canadians — many of whom are struggling with financial insecurity due to precarious work and wage stagnation.

A F B 2008 makes this the year of poverty reduction, in an era where Canada can well afford to lower intolerably stubborn poverty rates among our First Nations, women, visible minorities, new Canadians, young families raising children, and seniors. It reflects a growing body of evidence that Canada's income gap between the rich and the rest of us is unacceptably large

and puts forward solutions that will lessen inequality, restore fairness to our tax system, and provide needed public supports to Canadians of all income levels — because it's not just about income, it's about quality of life.

The A F B is the result of collaborative deliberations by representatives of a wide spectrum of civil society organizations. It puts Canadians' long-term interests ahead of short-term political gain, ensuring our national investments benefit the majority and strengthen our nation economically as well as socially.

The Conservative government's budgetary priorities and choices couldn't be more different: personal tax cuts whose individual impact has been trivial but whose overall effect has been to reduce our capacity to meet Canadians' public service needs; corporate tax cuts to put us ahead in a race to the bottom that nobody wins except for big corporations; dramatic increases in military spending; and funding cuts in most other areas.

The legacy of this minority government is one of neglect: the Conservative government has failed to address some of the most pressing issues of our time. Climate change is the most

pressing planetary issue in terms of its potentially catastrophic environmental, human and economic consequences, yet the Harper government's plan to reduce greenhouse gas emissions has been widely condemned as ineffectual. The government has been very active on the military front: its commitment to spend an estimated \$22 billion on military procurement not only deviates from Canada's internationally respected role as peacekeeper, it forecloses our nation's ability to meet urgent social needs. Canadians are working harder but they are struggling to afford the basics: housing, child care, post-secondary education. There has been nothing in the previous two Conservative budgets to address these issues. Canadians have not been able to count on their government to get them through shaky financial times.

Internationally, the minority Conservative government has tarnished Canada's reputation with its knee jerk support of U.S. military and environmental policies, its refusal to honour its international commitments and its goal to transform our military into a combat-oriented force integrated with American military machine. It has used the Afghanistan mission as an opportunity to advance this effort with the largest Canadian military build-up since the Second World War — a mission that has skewed Canada's international development priorities, has entailed huge human and financial cost, and despite its presence for more than five years, the political situation has deteriorated in that region.

We could do so much more. Canada is one of the most affluent nations in the world, with an economy — the eighth largest on the planet — that has literally doubled in size since 1981. The last decade has seen strong economic growth and, alone among the G-7 countries, an unbroken string of federal fiscal surpluses.

These are prosperous times, but not all Canadians have shared in this prosperity. The income gap between the rich and the rest of us has grown so rapidly that it has virtually wiped out

all of the gains made in the post-WWII period. Middle-income families are no better off than they were 30 years ago; the rich have grown into the super-rich. And although Canadians have continued to demonstrate increased productivity in the workplace, their work isn't paying off the way it used to. Canadian families are working, on average, 200 hours more a year compared to just 10 years ago, but average real wages have been stagnant for 30 years. A shocking 80% of Canadian families are taking home a smaller share of the economic pie today compared to a generation ago. Meanwhile, corporate profit shares are at a 40-year high. Simply put, corporations are not sharing the wealth.

The benefits of economic growth have not been felt equally across the country, from province to province and sector to sector. Disproportionate profits in the oil fields were offset by a steep decline in the manufacturing sector, resulting in hollowed-out communities in Eastern Canada as scores of displaced workers headed west to find employment. And, looming in the background, the American economy is showing some weakness, as international economists slowly begin to adjust their fiscal projections downwards.

This government has missed an historic opportunity to reduce the growing gap between the rich and the rest of us; to fulfill the unanimous Parliamentary promise pledged in 1989 to eliminate child poverty; to provide displaced and laid-off workers with economic and social security when they fall on hard times; to begin to redress the historic injustices to Aboriginal peoples; to restore and expand funding for post-secondary education and training, public health care and pensions; to establish and fund a universal child care system so that our children have access to the best early childhood education and our working parents get the support they need to balance family and work. Instead of investing Canada's fiscal surplus in these vital initiatives, which Canadians want, the Conservative government announced it would be directing the

entire surplus to tax cuts and accelerated payments on the national debt.

Ten billion dollars was applied immediately to the national debt, with \$3 billion allocated each subsequent year, pushing the 25% debt-to-GDP ratio “goal” up to 2011–12. Money “saved” through reduced interest payments on the debt would be translated into tax cuts, further draining our national fiscal capacity by another \$2.5 billion in lost revenues.

This, for a minority government, is shocking. Its tax cut agenda to date reduces Canada’s fiscal capacity by close to \$190 billion over the next six years. That \$190 billion could, and should, fund programs and services that all Canadians can count on but within a matter of years — the blink of an eye — it will have disappeared with no lasting investment in this and future generations of Canadians.

In its Economic and Fiscal Update the Conservative government claimed that the best way to counter economic uncertainty was to take advantage of our unprecedented strong fiscal situation and “put in place historic tax reductions that will bolster confidence and encourage investment, while at the same time remaining in a surplus position.”

When the reality of a potential economic slowdown finally entered the public debate, the Conservative minority government demonstrated an appalling lack of leadership, warning Canadians that the 2008 federal budget will not include any major new tax or spending initiatives in order to avoid a deficit.

Moreover, the Conservative government has made it clear that Canadians should expect little from the 2008 federal budget. Cities, too, should look elsewhere for help with crumbling infrastructure: the federal government is “not in the pothole business,” Flaherty told mayors. Apparently, after the tax cuts announced in the 2007 fiscal update, government creativity, and its sense of responsibility to Canadians, had been exhausted.

In doing so, the Conservatives are turning their backs on the vast majority of Canadians — particularly the most vulnerable — during economic times that are growing increasingly uncertain.

AFB 2008 recognizes that it is neither socially nor fiscally prudent to allow the gap between the rich and the rest of us to grow unabated. The test for every affluent nation is not how big it can grow its economy or how rich it can make its wealthy. Rather, the test of public policy is: has it bettered the lives of its citizens, especially its most vulnerable? AFB 2008 examines the evidence and finds that both our labour market and our governments are failing this test. And our budget comes up with do-able, lasting solutions — it’s a budget Canadians can count on. The AFB believes that not only *can* Canadians expect more from their governments, they *should*. For the AFB, it’s not only that government can and should take action on these issues, but that inaction is not an option.

Gender budgeting

Canada’s budgetary deficit was eliminated about a decade ago. That budget was balanced on the backs of the poor, and on the backs of women. Women disproportionately carried the burden of the 1995 drastic funding cuts to social programs. In the face of those service cuts, it was women who took on more unpaid work in the care of the aged, young and infirm. It was women who faced greater economic insecurity when unemployed, less assurance that Employment Insurance would be there for them when they need it. It was women who lived with greater personal insecurity as housing and legal aid programs were gutted.

Women represent over half of the population. The minimal test of good, democratic government is that budgets are at *least* gender neutral, but Canada has failed to meet this test. Ten years of federal surplus budgets have delivered hun-

dreds of billions in tax cuts and scant re-investment in social programs other than health care. Research shows that tax cuts disproportionately benefit men, while social program spending disproportionately benefits women.

There is no excuse for governments to fail to provide the public with a gender-based assessment of the impacts of budgetary initiatives. Canada must adopt comprehensive, rigorous, and accountable gendered analyses in the federal budgetary process. Gender-responsive budgeting aims to address the persistent inequalities between women and men by integrating gender-based analyses into macro-economic and micro-economic policy development. To this end, AFB 2008 includes a gender-based analysis in all budget chapters.

Prosperity and the common wealth

AFB 2008 provides significant increases in public and social investments that will help to ensure that our nation's prosperity is shared by all. This includes affordable and accessible child care and early learning; affordable housing and post-secondary education; a national pharmacare program; and the expansion of public transit. These are programs that benefit all Canadians — rich, middle-income, and the most vulnerable. That is why they enjoy the support of the majority of Canadians, and it is why this year's AFB makes them a priority for investment.

The economic gap between First Nations communities and other Canadian communities, and between First Nations citizens and other Canadians, is the result of unequal treatment in law and in practice: a refusal to recognize and implement inherent Aboriginal and Treaty rights. AFB 2008 tackles this vital issue and begins to bring fairness to our First Nations.

Parliament can and must act on its long-standing promise to eliminate child poverty — family poverty — in this affluent nation. AFB 2008 shows us how to address poverty and income

inequality in a balanced, measured way by enhancing income supports that we know to be effective, such as the Canada Child Tax Benefit, and by improving programs that are supposed to be there for Canadians when they fall upon hard times, such as Canada's Employment Insurance program. All these goals can be achieved through a balanced budget process, using available surpluses and targeted revenue increases when necessary.

Environmental stewardship and an effective strategy to confront climate change

Climate change has gripped public attention in Canada and across the planet; rightfully so. It is already causing severe impacts on ecosystems worldwide, and on the millions of people who depend on them for survival. There is a scientific consensus that these effects will become more devastating without substantial reductions in greenhouse gas (GHG) emissions.

The good news is that the solutions to these severe environmental problems will also lead to important economic, social, human health and environmental benefits for Canadians. This is particularly significant at a time when our society is faced with unacceptably high levels of poverty and increased inequality. AFB 2008 presents initiatives that will address environmental challenges while supporting low-income households, workers and communities in the transition to socially and environmentally sustainable economy. To that end, AFB 2008 will implement a comprehensive environmental plan to address the environmental challenges Canada faces and to advance Canada towards being an international environmental leader.

Strengthening national identity, democracy and sovereignty

Our policies, laws, and institutions should reflect our unique social character and blend of indi-

vidual and collective rights; they should facilitate the management of our complex federation (trilateral and multicultural). AFB 2008 charts a course that enhances Canada's reputation as a good global citizen committed to peace, human rights, respect for international law, responsible environmental stewardship, and social and economic justice.

One of the most important factors affecting our national identity is the dominant cultural, economic, political and ideological influence of the United States. AFB 2008 ensures we have the policy teeth necessary to give expression to Canadian identity.

A strategy to address the changing nature of work and the economy

The growth of resource extraction and export, along with the startling erosion of our value-added manufacturing capabilities, has reversed Canada's previous progress toward becoming a more diversified and developed economy. Although deliberately fostering the development of value-added industries and reducing our national dependence on resource exports has been

a policy preoccupation of Canadian governments since before Confederation, governments in the current era have adopted a much more passive role in economic development decisions. The market-driven specialization of Canada as global resource supplier has once again predominated, and free trade agreements (especially NAFTA, which explicitly assigns Canada a role as energy storehouse for the U.S. economy) have been important in cementing this trend.

AFB 2008 believes that Canadians should take a long, hard look at the consequences of this resource-led restructuring of our entire economy, and what it implies for our national economic and social prospects. We should not automatically assume that just because overheated global commodity markets have driven prices for certain resources to extremely high levels (for now, anyway), we should therefore reorganize our entire national economy in response. AFB 2008 provides two sets of policies: the first is aimed at better managing the unfolding process and benefits of the resource boom, and the second attempts to foster and support value-added economic activity.