THE HIDDEN MOVES BEHIND “WAR” ON POV

By MICHAEL MILOFF
(CUP Feature)

The Canadian state has worked hard to make democracy safe for capitalism. Its many bureaucratic organs (the executive and legislative branches, the judiciary, the military, crown corporations and regulatory commissions) faithfully co-ordinate the exploitation strategies of corporate wealth.

In both Keynsian and Marxist economic theory, the increased intervention of the state in the economic life of the nation has become the means by which capitalism rescues itself from collapse.

The relationship between the economic institutions of capitalism and the legal fictions of the state was revealed by recent events in Chile. When the state's activities threatened the accumulation of private capital, a right-wing recapturing of the state apparatus was organized. Liberal fantasies to the contrary, the state has rarely served to lessen the injustices of the capitalist economic system.

The many activities of the state not only reinforce the essential features of monopoly capitalism, but propogate the image of the state as an instrument of social reform. This essay attempts to debunk the more repugnant of these liberal myths.

The state is now big business. Over one-third of the gross national product passes under the control of the various levels of Canadian government. The vast majority of these funds are spent on providing a secure and profitable environment for corporate investment. Canadian governments have subsidized the development of the massive transportation and hydro-electric systems (infrastructure) and have heavily financed those supporting services which are too risky or yield too little profit for corporate investment.

In order for capitalist economies to function at optimum levels, the consumer and labour markets must be linked to the extractive and productive regions. Although the enormous costs of railroads, highways and airlines (which are either crown corporations or heavily subsidized) have benefitted those middle-class consumers who can afford them, the main advantages accrue to big business.

Over 75 per cent of all airline travel is by businessmen and 85 per cent of all rail service is for private enterprise. Highways, promoted by both the automobile and construction lobbies, have consumed hundreds of millions of tax dollars in connecting highly profitable but isolated resource-extraction industries to US markets. The net result —

“The tremendous sums spent developing the transportation grid have permitted a systematic, rationalized exploitation of the natural resource sector of the Canadian economy.. The state by underwriting the expense of the transportation grid and “Socializing” the costs, has intensified the crisis in one instance and has been responsible for reinforcing the dependence of the Canadian hinterland upon the industrial metropolis to the south on the other.” (R. Deaton, Our Generation vol. 8, no. 4).

The development of hydro-electric power has been a similar boon to the private sector. While corporations use some 70 per cent of the energy they contribute only six per cent of the cost. Naturally, the citizen gains from the lower prices but in all cases there is what Rick Deaton, a researcher for the Canadian Union of Employees has aptly called, *“A private benefit at a public cost.”*

But private enterprise has wangled even more direct favors from the state through tax concessions and grants. Although corporate profits have grown more rapidly than personal income over the last twenty years, their contribution to federal tax revenues has declined from 28 to 12 per cent.

The resource-extraction industry, mostly foreign owned, is having quite an affair with the government.

Imperial Oil, which earned a profit of 1.5 billion dollars between 1965-71, paid taxes of only 290 million dollars—a rate of 19 per cent.

Shell Oil, which made a profit of 500 million dollars between 1964 and 1969, won their “shell game” with the government. They paid no income tax whatsoever.

Over one-half of Canada's 200,000 corporations paid absolutely no income tax in 1971. And most of 4.7 billion dollars of legally deferred income tax and 677 million dollars of legally allowed excessive depreciation claims were breaks given to the large US multinationals.

It is hardly reassuring to be offered the rationalization that benefits to corporations will ultimately work their way down to Jane-worker. This “trickle-down” defence of capitalism has as many holes as does the taxation system—and curiously the same defenders who plug them. The actual monstrous failure of these programs has been accidentally illustrated by the Liberal Party's p.e.t. project, the Department of Regional Economic Expansion (DREE).

TO DREE OR NOT TO DREE

The Department of Regional Economic Expansion was established to gain votes and diminish regional disparities by increasing employment in in the underdeveloped areas — particularly the Atlantic region and Eastern Quebec. The previous corporate welfare programs had been relatively haphazard, although from 1965 onwards, the Regional Development Incentives Act and the Area Development Incentives Act had succeeded in wasting so much money, that Jean Marchant, now head of DREE, was prompted to comment about the grants,

“We would be providing some companies with more incentive than they really need and the difference would be a windfall profit at a public expense”.

Marchand was obviously possessed with a prophetic irony. Since 1969 DREE has given away approximately half-a-billion dollars in corporation grants. Although certain groups have raised their status in Canadian business notably the 95 corporations which traditionally support the Liberal Party and the corporations represented by the various businessmen, who, in a non-conflict of interest, sit on the Advisory Board to Dree, the Canadian economy as a whole has probably suffered.

Through an unco-ordinated pursuit of incompetent policies DREE has actually increased the unemployment rolls in many areas. To cite some examples:

In 1971 DREE gave 15 million dollars to the “needy” firm of Proctor and Gamble in order to build a mill that produced Kraft bleached paper. In 1972, they gave 13 million dollars to the much maligned ITT in order to build a pulp mill in Quebec.

The result of this subsidized competition in a shaky industry was that 875 workers in an existing company in Temiscaminque, Quebec were thrown out of work.

The story of Celanese Canada is equally amazing. Celanese received a government grant of 500,000 dollars which they used to consolidate their weaving operations. So, they laid off 450 workers in one plant and added 15 jobs in the other two plants. They then sold the shut-down plant to another corporate group which re-opened it and rapidly received a 2.5 million dollar grant from the red-faced DREE officials. This created jobs for 436 workers. Altogether then, 3 million dollars was spent in the creation of one job in the weaving industry, and it must be assumed, a few more in the Ottawa bureaucracy.

DREE has a special affection for large corporations. Northern Electric, a subsidiary of Bell, which has earned a mere profit of 1 billion dollars in the last ten years, received a ten million dollar grant in 1969 and laid off 5,000 workers in the following year. DREE has made more than friendly overtures to other independently wealthy corporations: B.F. Goodrich (1.1 million dollars), Union Carbide (2 million dollars), and IBM (6 million dollars).

The Quebec Federation of Labour states that DREE has perpetuated outside control of Quebec's economy, has neglected the poorer areas of the province, and has given most of their grants to the large corporations who treat them as gifts.

The Canadian Science Council has suggested that it would be more profitable to subsidize small-scale manufacturing since the effect of DREE so far has been limited to the subsidization of inefficiency.

But the main dissatisfactions have been registered by the Atlantic Provinces Economic Council and the Atlantic Development Council.

They complain that with the increasing bureaucracy and “politics” of DREE, their share has dropped from a much needed 33 per cent to an insignificant 12 per cent of grant money. They point out that the large corporations supported by the government are capital-intensive rather than labor intensive. Therefore, government grants encourage private profits from technological advancement rather than employment and regional development.

The only externally commissioned examination of DREE confirms this as a pattern. The report concludes,

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