



District 3

Western Provinces and Territories

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Canada Distilled

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CANADA WITH HUGE TAX CUTS: NO JOBS, NO INVESTMENT, LOTS OF JAILS

By Kim Pollock

Are tax cuts making Canada a less healthy, more dangerous and less happy society? There seems to be a lot of evidence that they are, even though the Harper Conservatives seem determined to press on with *even more* tax cuts for corporations and the wealthy. Successive Liberal and Conservative governments told us cuts will create jobs and encourage investment.

That hasn't happened. In fact, from 1999 to 2009 investment in manufacturing has fallen by an average of 2.4 percent per year. Machinery and equipment investment in manufacturing fell by 1.6 percent per year. That helps to explain the fall in manufacturing productivity, which fell by 2.2 percent per year. A recent Conference Board report puts Canada 13th out of 16 advanced countries in terms of productivity.

The investment slump also helps explain our sluggish job-creation record. In November 2010, Canada had 374,000 more jobs than in November 2006, an annual increase of 74,800. That might sound impressive – but over the same period Canada's working-age population rose by 1.2 million or 253,000 per year. Meanwhile, lost 274,000 jobs in the goods-producing sectors and a devastating 438,000 *manufacturing jobs* over the past five years.

So, no investment, no job creation, no rise in productivity: what *did* we get from all those tax cuts? It seems the clearest answer is "more unequal". "Canada's richest 1 percent – the 246,000 privileged few whose average income is \$405,000 – took almost a third... of all growth in incomes... 1997 to 2007," according to Canadian Centre for Policy Alternatives economist Armine Yalnizyan.

Income is increasingly concentrated in the hands of the wealthy: "The richest 1 percent has seen its share of total income double, the richest 0.1 percent has seen its share almost triple and the richest 0.01 percent has seen its share *more than quintuple* since the late 1970s," the study says. Statistics Canada figures show that in 2008, the 20 percent of people with the highest family income after taxes had on average 5.4 *times* the family after-tax income claimed by those in the lowest 20 percent. Between 1989 and 2004, average after-tax family income for the top 10 percent of families rose by 24 percent. But it fell by 8 percent for the 10 percent at the bottom.

This matters in more than just economic terms. Richard Wilkinson, a British epidemiologist and co-author of the book *The Spirit Level*, notes that Canada is rapidly becoming more unequal. And he warns that might be bad for your health. Citizens of countries with *less* income inequality enjoy longer life and better physical and mental well-being; these societies have fewer social problems such as high infant mortality rates, teenage births, alcohol and drug addiction, homicides and high rates of imprisonment.

And that brings us to one area where investment is in fact *increasing*! The recent federal budget provides lots of money to build new prisons and to hire police officers – spending there in 2012 will rise to nearly \$8.7 billion, a boost of about 10 percent or \$797 million, compared to 2010-11. That's the single largest rise in the spending plan by sector. Public safety and security programs will account for about 3.5 percent of all government spending next year. That means more people in jail, driving up Canada's already high level of imprisonment. The incarceration rate rose from 132.9 per 100,000 in 2004 to 138.3 percent in 2008. The biggest gains were among working-class men and aboriginal peoples.

Is this really the kind of Canada we want? One in which a few rich people huddle in their mansions counting their money while millions slave and thousands rot in jail? I don't think so.

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