

Editorial

On "Canadian Values"

The arrest of 17 young Muslim men in Toronto on charges of conspiracy to commit terrorist acts has prompted renewed calls for the incorporation of an oath of allegiance to "Canadian values" in Canada's Citizenship Act. An attempt in the mid-1990s to amend the Citizenship Act to include such an oath was dropped in the face of broad opposition.

Apart from the obvious racist overtones of these calls, there is an issue as to what precisely is meant by the phrase "Canadian values". All too often this is left extremely vague, as if it is something so familiar to all Canadians that it does not require defining. In those cases where some substance is added the issue is invariably muddled, as in the case of a columnist for the *Globe and Mail* who recently claimed that Canada is a secular constitutional democracy. If secular is understood in its common meaning of non-religious, then the Canadian state cannot claim to be secular, since not only does the Canadian constitution recognize the "supremacy of God" but it also recognizes special status for Catholic schools. The issue of whether or not Canada is a democracy is also debatable, since the vast majority of the people have no say whatsoever in how the country is governed.

When these individuals demand an oath of allegiance to "Canadian values" do they mean that immigrants must support the colonial status of Canada's Aboriginal peoples? Do they mean that new immigrants must defend Canada's territorial integrity against Quebec sovereigntists? Do they mean that immigrants must accept and submit to the capitalist *status quo* and to the neo-liberal policies of the federal and provincial governments? Do they mean that new immigrants must accept the slavish attitude of successive Canadian governments to the U.S. and the role of Canada in the service of U.S. imperialism? Or do they merely mean that new immigrants must accept their role as second-class citizens and the inherent superiority of Western European culture and religion? Depending on the commentator, it appears that they can mean any or all of these things.

Citizenship must be based solely on the desire of an immigrant to live in Canada and participate in Canadian society. To demand that citizens, whether new citizens of those born here, must swear allegiance to any set of ideas – ideological, political, religious or secular – is a violation of the right to conscience and cannot be tolerated in a genuinely democratic society.

U.S. Seeks to Overturn Palestinian Elections

Ever since Hamas won a strong majority in the Palestinian Authority (PA) elections this past January, the Bush administration has been in a difficult position. The Americans expected Hamas to either win a minority and then form a coalition with the ruling Fatah, or, to have Fatah, headed by the U.S.-backed Mahmoud Abbas, President of the PA, manage to scrape a minority and govern on the basis of an informal coalition. Faced with Hamas' majority, however, the Bush administration, which had already declared the elections were conducted in a free and fair manner, immediately tried to determine whether some form of accommodation with Hamas was possible.

Within days of the election results, U.S. Secretary of State Condoleezza Rice spelled out the conditions under which the U.S. would accept Hamas' rule: acceptance of the existence of the State of Israel, renunciation of violence and a commitment to abide by existing peace accords brokered between Israel and the Palestinians. The problem was that Hamas was not interested in seeking an accommodation, and their spokesperson responded to Rice's proposals quite directly, noting that Israel refused to recognize the sovereign right of the Palestinian people, end the occupation and abide by existing UN resolutions, so

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The Federal Budget - Part II

(This is the second of a series of articles analyzing the first budget of the Harper Conservative government.)

The New Approach

In its first budget the Conservative government of Stephen Harper has promised that “The government will restrain the rate of spending growth. The government will introduce a new approach to managing overall spending to ensure that government programs will focus on results and value for money, and are consistent with government priorities and responsibilities.” This approach is nothing new at all. It is a continuation of the anti-social offensive of the federal government against the working class and people of Canada on behalf of the financial oligarchy. It began in the late 1980s and early 1990s and was unleashed with a fury in the mid-1990s. Under the banner of eliminating the deficit and balancing the budget the federal government attacked the working class and broad sections of the people by cutting back on spending on social programs and by other means. Even though the deficits have been replaced with surpluses in the past few years the federal government has not changed its approach. The only change is that the mantra of eliminating the deficit has now been replaced with the mantra of reducing the tax burden.

Tax Relief

The government is forecasting that it will have revenue surpluses of \$17.8 billion and \$19.4 billion in 2006-07 and 2007-08 respectively - a total of \$37.2 billion over the two years. It is planning to disperse these surpluses through new tax initiatives, debt reduction and new spending initiatives. It is projecting that the remaining surpluses after these dispersals will be \$600 million and \$1.4 billion in 2006-07 and 2007-08 respectively.

A considerable part of the planned surplus for these two years is allocated towards tax relief. A total of \$10.3 billion will go towards the reduction of personal income tax; \$8.6-billion towards the reduction of sales and excise tax; and \$1.7 billion towards reduction of business tax. Regarding the tax reduction for individuals the budget states that “As a result of these personal income tax and GST reductions, families earning between \$15,000 and \$30,000 a year will be better off by almost \$300 in 2007. Families earning between \$45,000 and \$60,000

will save almost \$650.” These savings however will not come close to even offsetting the rising cost of living. At the current inflation rate of 2.9 percent the loss of real earnings is far greater than the tax relief. Therefore, these tax cuts will not improve the lot of the vast majority of the people, especially the working poor, the unemployed and underemployed, the recipients of social assistance, or people living on small pensions. So much for the generosity of the new government.

The GST

The reduction of the Goods and Services Tax (GST) from 7 percent to 6 percent is the largest of all the tax cuts. The government estimates that this measure would give back \$8.69 billion to consumers over a two year planning period. It is ironic that the Harper government criticized the Liberal government for accumulating huge surpluses through the GST since it was a Progressive Conservative government, namely the government of Prime Minister Brian Mulroney and Finance Minister Michael Wilson, that introduced this tax on January 1, 1991. The new tax was a contributing factor to the biggest defeat of a federal governing party in Canadian history in 1993. The vast majority of Canadians wanted it abolished. The Chretien government promised to get rid of it, but never did.

The 7 percent GST replaced the 13.5 percent Manufacturers’ Sales Tax (MST) which was a hidden sales tax applied to the manufacturer’s sale price on goods produced in Canada, and to the customs value of imported goods. The exclusion of virtually all services and the exclusion of the markup applied by most wholesalers and retailers to the manufacturer’s sale price, significantly narrowed the tax base of the MST. The MST base was further reduced by exemptions granted to a wide range of consumer goods, such as food products, books, magazines, health products, heating fuels and clothing, as well as most machinery and equipment.

Because the MST applied to some of the inputs purchased by manufacturers some finished products already contained some MST. Exported goods, although exempt from MST, thereby contained some of the tax. The manufacturers therefore argued that the MST hurt their international competitiveness and wanted it removed. This was one of the reasons for

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changing the MST to the GST. The other reason was to broaden the federal government's tax base in order to pay the interest on the money borrowed by the federal government from various financial institutions. The new revenues from the GST, as well as revenues diverted from social programs, were used to service this debt. In 1996-97 the federal government spent 31.6 cents out of every dollar of revenue on interest payment to the financiers.

Debt Servicing

The public debt is a tremendous burden on the Canadian working class and people and a huge source of profit for finance capital. Between 1961-62 and 2004-05 the federal government made interests payments to the financiers to the tune of approximately \$950 billion. This does not include any repayment of the principal. After all of these years of paying interest and some principal, the federal government still had a net debt of \$555 billion and a gross debt of \$706 billion in 2004-05. Even though each successive government over the past twenty years has made it a priority to reduce the debt by cutting social spending, there is no light at the end of the tunnel. The approach of the Harper government towards this problem is the same as his predecessors. The government is planning to spend \$34.8 billion on interest payments in 2006-07 out of a total projected revenue of \$227.1 billion and an equal amount in 2007-08 out of a total projected revenue of \$235.8. The government is also planning to pay down \$8.0 billion on the principal this year, and \$3.0 billion in each of the successive years.

The budget states that: "For many Canadian families, right now the bottom line is that they still have to struggle to make ends meet." This concern is a sham, otherwise the government would change its priorities to serving the needs of the working class and people ahead of those of the finance capitalists. The finance capitalists are a tiny minority and as a whole they have doubled their return on investment over the past 35 years. There is an immediate need to stop this bleeding of the economy and to eliminate the stranglehold of finance capital over the lives of the people. International finance capital can afford a temporary interruption to their interest payments while many Canadians cannot wait for an improvement to their conditions of life. A moratorium on debt servicing for even two years would free up projected revenues

of \$69.8-billion. It would stop some of the bleeding of the economy and provide a source of funding for an increase in spending on social programs. This would provide a significant relief to the working class and people.

Employment Tax Credit

The second largest tax initiative in the budget is the Employment Tax Credit and will cost \$2.7 billion over the next two years. It will provide a \$500 credit on taxable income for all employed individuals effective July 1, 2006. The amount will be increased to \$1,000 on January 1, 2007 which would save a working person up to \$155. This credit is only available to employed individuals. There is no comparable benefit offered to those receiving unemployment insurance benefits or other social assistance even though these people are among the most in need of relief. The omission of such a benefit is not an accident. It is also not due to a shortage in the Employment Insurance (EI) fund. The actual revenue from EI deductions was \$17.31 billion in 2004-05 and only \$14.75 billion were paid out in benefits in that year.

Over the past twenty years, the federal and provincial governments, and the representatives of big business, have stated time and again that unemployment insurance and other social assistance are disincentives to work. It is not the case that the governments or capitalists are able or willing to provide jobs and a decent living to everyone, as witnessed today by the "boom" in the economy that is still plagued with a 6.1 percent rate of unemployment. However, the capitalists always require a pool of cheap labour and therefore want to give "incentives" to the unemployed to work by reducing their support levels below the minimum to live. The "Ontario Works" programme introduced by former Ontario Premier Mike Harris was fashioned around this policy.

The politicians, governments, chief executive officers and economists who support this policy have created a terminology to put a positive spin on this inhuman practice. Some describe these measures as incentives to "work, save, invest and take risks", others describe it as encouraging investment, job creation and productivity, and yet others describe it as breaking down the "welfare wall". Mike Harris and Preston Manning consider it as one of their "foundational principles" and describe this policy as "challenging Canadians to accept greater personal responsibility".

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there was no room for compromise on the part of the Palestinian leadership.

The Americans reacted swiftly, cutting off all aid to the Palestinian Authority and turning a blind eye to Israel's campaign to entirely seal off Gaza from the rest of the world. A report published in the *New York Times* on February 14 claimed that U.S. and Israeli officials of the "highest level" met to discuss the possibility of destroying Hamas through "starving the PA".

Given that there is no real economy within the occupied territories, the PA is almost entirely dependent on a combination of aid and financial remissions from Palestinians living abroad. Without aid and with remunerations from the U.S. made extremely difficult by the Americans' position that American citizens or residents could not send money to the PA because it is controlled by a "terrorist organization", the PA and its new Hamas government have been virtually paralyzed. While Hamas representatives have been touring the Arab world and visiting Russia and countries in the EU pleading for aid, the PA still remains extremely weak. Public service salaries have not been paid in months, and Hamas, which rose to prominence in the occupied territories through the provision of social services, now in government has not been able to deliver.

In response Mahmoud Abbas, a President without a government, declared that a document drafted by Hamas and Fatah prisoners being held in Israeli jails, which calls for the creation of a Palestinian state alongside Israel within the 1967 borders, is what is needed to resolve the crisis facing the Palestinians.

On June 5, Abbas declared that Hamas either had to accept the document as drafted, or he would bypass them and hold a referendum for Palestinians on whether they accept the document or not. Then, three days later, ignoring the democratically elected PA, Abbas convened a meeting of the executive committee of the PLO (unelected), to authorize such a referendum.

The week before Abbas took this rather extraordinary move, the Israeli daily *Ha'aretz* reported Abbas asked Israel for permission to increase his "presidential guard" from 2,000 to

10,000. According to *Ha'aretz*, Israel agreed to this, as well as to the request that this expanded guard be armed by a third, unnamed country. Israel's goal in allowing the transfer of weapons, a senior defence official told *Ha'aretz*, is "to enable [Abbas] to deal with Hamas."

While it is still unclear if and when such a referendum will be held, there can be little doubt that a large majority of Palestinians would vote in favour of the creation of an independent state within 1967 borders. For over two decades now, the Palestinians have accepted the two-state solution as a means to achieving their sovereign rights as a people. For a few years after the signing of the Oslo Accords in 1993, the majority of Palestinians thought this was possible. However, after that first historic compromise, Palestinians have watched as Israel has expanded its illegal settlements, built a wall cutting deep into the West Bank and unilaterally redrawn the 1967 borders, all in the name of security. It is unlikely that, even with a 100 percent vote in favour of Abbas' document, the Israelis will suddenly declare the last ten years of their expansionism null and void and accept the national rights of the Palestinian people.

Far more likely is that a referendum victory will give Abbas and his U.S. and Israeli-allies the pretext they so desperately need to overthrow the democratically elected government of the Palestinian Authority. This is a very dangerous situation for the Palestinian people, one in which the likelihood of civil war looms large.

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