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Editorial

The Soaring Canadian Dollar – A Reflection of Growing Contradictions Within the Capitalist Class

Over the past two years the Canadian dollar has risen in value from less than US$0.66 to over US$1.05 today. Canada's economy has always been export-oriented and successive Canadian governments have actively pursued low exchange rates in relation to the U.S. dollar in order to encourage exports. A low Canadian dollar has played a key role in the relative strength of the Canadian economy during the past 15 years or so.

However, now the Harper Conservatives have not only abandoned the cheap dollar policies of past governments, they are also bragging that the Canadian dollar is now a "petro-dollar" and are hailing the current high exchange rate as a sign of the strength of the Canadian economy. In fact, the high exchange rate is wreaking havoc on the manufacturing sector and is largely responsible for the disappearance of over 100,000 manufacturing jobs per year in Ontario alone during the past few years. If this trend continues, Canada could join most of the other "petro-dollar" countries that are largely de-industrialized and socially polarized.

Two factors are contributing to the sharp rise in the Canadian dollar. The first is the almost equally sharp drop in the U.S. dollar. This is a reflection of the

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More Collective Punishment in Gaza

Israel continues to violate international laws and treaties as well as numerous UN resolutions by implementing the collective punishment of over one and a half million Palestinians living in the Gaza Strip.

On October 28, the Israeli Defence Ministry ordered cutbacks in the shipment of fuel into Gaza. According to the Ministry, fuel shipments would be cut by around 10 percent in retaliation for rocket attacks launched against Israel from within the Gaza Strip. However, within 24 hours of the announcement, Palestinian officials reported a cutback of 30 percent in fuel supplies. This resulted in increased intermittent power blackouts, further deepening the humanitarian crisis the area.

In addition, Israeli Defence Minister Ehud Barak said he would also authorize cutting electricity to Gaza for increasing periods, although the government has yet to implement this. Deputy Defence Minister Matan Vilnai warned that after the next rocket attack Israel will cut electricity by 15 minutes, increasing the duration if the attacks persist. He said that Israel will "dramatically reduce" the power it supplies to Gaza over the next few weeks unless the attacks stop.

Gaza buys 60 percent of its electricity from Israel, with the rest coming from the area's sole operating power plant. However, that plant was damaged extensively in June 2006 when it was struck by six Israeli missiles. Since then, electricity has only been available for a few hours a day.

On the same day that the fuel cuts were announced, a group of 10 Palestinian and Israeli human rights group petitioned Israel's Supreme Court asking for an immediate injunction against the cuts.

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increasing parasitism and militarization of the American economy. The U.S. has the world's largest trade deficit, which results in the devaluation of its currency. The U.S. government is also running huge budgetary deficits in order to finance its wars in Iraq and Afghanistan, which puts even more downward pressure on its currency. As a result, all of the world's main currencies have been rising relative to the U.S. dollar over that past several years.

The second factor contributing to the rise of the Canadian dollar is the increasing demand for mineral and energy resources. This has been coming primarily from China and India, both of which have booming manufacturing economies. The demand, especially for metals, outstrips the supply by such a large margin that there is a continuing market for Canadian resources despite the rise in the dollar's value.

While the demand for energy resources, especially oil, is being driven partly by the economic booms in China and India, the price of oil is also being significantly affected by the U.S. imperialist adventures in the Middle East. Not only has the U.S. occupation of Iraq greatly reduced the flow of oil from the world's second biggest oil exporting country, but the American military itself consumes more petroleum product than many entire countries. Furthermore, that consumption of energy contributes nothing of economic value. It neither sustains human life nor helps to reproduce capital; in fact it is being used to destroy both.

However, the U.S. military's insatiable appetite for energy, the increased demand from China and India and the dropping value of the U.S. dollar have driven oil prices above U.S.$90 per barrel. Since Canada is the leading exporter of energy to the U.S., the high price of oil and other sources of energy have exacerbated the U.S. trade deficit with Canada and further strengthened the value of the Canadian dollar relative to the American dollar.

In these circumstances the soaring Canadian dollar is clearly not a reflection of the fundamental strength of the Canadian economy, but rather of the fundamental weakness of the American economy. Since Canada has an export-oriented economy and the vast majority of its exports are to the U.S. market, the Canadian economy is really no healthier than the American economy. Furthermore, the distortions of the Canadian economy resulting from the high price of oil and the rising Canadian dollar are actually undermining the long-term economic and political stability of the country.

Historically Canada's economy has been based on resource extraction, with manufacturing being concentrated in Southern Ontario and parts of Quebec. Canadian finance capital emerged primarily on the basis of the merger of the banking and manufacturing sectors; and that manufacturing base allowed the finance capitalists to extract tribute from every other sector of the economy, especially agriculture and resource extraction.

However, the discovery of oil in Alberta after the Second World War and the subsequent flood of American capital into the province created another pole of finance capital in the West. Until recently that section of finance capital has been much weaker than the section based in Toronto and Montreal. Trudeau's 1980 National Energy Policy was designed to perpetuate that situation. While that program was eventually scrapped, the cheap dollar policies of subsequent federal governments sought to increase the profits of the Ontario finance capitalists at the expense of other sections of finance capital.

Politically, the growing economic power of the oil capitalists, primarily in Alberta, was the main factor in the rise of the Reform Party and the ushering in of a period of political disequilibrium in Canada. An arrangement between the oil monopolies and a section of Ontario finance capital, in turn, led to the takeover of the Progressive Conservative Party by the Reform Party and the reinvention of the Conservative Party under the leadership of Stephen Harper.

Thus, it should come as no surprise that Harper's government has abandoned the cheap dollar policies of previous governments and appears unconcerned about the hemorrhaging of the manufacturing sector in Southern Ontario. He was elected to facilitate the domination of the entire Canadian economy by the section of finance capital is based on oil and that is precisely what he is doing. In that sense, the soaring Canadian dollar is a weapon in the hands of the oil monopolies to weaken their rivals in the East and to

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Israel Fails to Dismantle Illegal Settler Outposts

On November 1, Israeli Defence Minister Ehud Barak asked the Israeli High Court of Justice to grant the government a two-month extension to develop a plan to remove illegal West Bank settler outposts. Ministry officials submitted the request during a hearing by the Israeli group Peace Now arguing for the removal of the illegal Migron outpost.

According to reports from different human rights and peace groups, there are hundreds of illegal settler outposts throughout the West Bank. These are small groupings, sometimes just a few tents or trailers, set up close to Palestinian towns and villages. The settlers who live in these outposts are armed and many also receive protection from Israeli soldiers. They have been involved in frequent, violent attacks on Palestinian civilians and have also engaged in theft of water, destruction of agricultural land and crops and other acts of terrorism. Many of the outposts are financed by extreme right-wing Zionists based in the United States.

This is not the first extension that has been requested and granted in the deadline for removing the outposts. In December 2006, the state prosecutor asked for (and received) a four to five month extension on the deadline to remove the Migron outpost as well as planning for the removal of several others. At the end of this period, the prosecution was to have provided the High Court with a progress report. Prosecutors testified that they had been instructed by then defence minister Amir Peretz to “negotiate with settler leaders, in order to reach an agreement to evacuate the outposts voluntarily at a near date.” Without a voluntary agreement, the Migron outpost was slated for evacuation within six months – that is by June 2007. It still remains in place to this day.

Furthermore, Israel has reneged on several international commitments it has made to remove illegal outposts. Under an agreement brokered by the United States in 1998, Israel promised to evacuate all outposts by March 2001.

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Their petition was denied. The groups have since requested an urgent hearing before the court to argue that the measure violates Israeli law. That hearing still has not taken place.

The Israeli measures clearly violate international law, which prohibits any government with control over a territory from withholding objects or services essential to the survival of a civilian population. Israel also has obligations under international law as an occupying power to safeguard the health and welfare of the population living under occupation. Although Israel ostensibly withdrew from the Gaza Strip in August of 2005, it still controls Gaza’s airspace, sea and land borders as well as its electricity, water, sewage, telecommunications and population registry. As such, it is still considered to be and is effectively functioning as an occupying power.

Israel rejects this argument. Perhaps inspired by the American claim that declaring detainees being held at Guantanamo Bay as “enemy combatants” means that the prisoner-of-war provisions of the Geneva Convention do not apply, Israeli officials have said that their September declaration that Gaza is “hostile territory” means they are no longer obliged to supply utilities to the civilian population.

This is not the case according to Sarah Leah Whitson, the Middle East Director of the U.S.-based group Human Rights Watch. She recently told reporters: “A mere declaration does not change the facts on the ground that impose on Israel the status and obligations of an occupying power”. She continued, “Because Israel remains an occupying power, in light of its continuing restrictions on Gaza, Israel must not take measures that harm the civilian population – yet that is precisely what cutting fuel or electricity for even short periods will do.”

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ensure their domination of the Canadian economy.

If the high dollar persists for a lengthy period of time, it is possible that a new political equilibrium will emerge in Canada based on the Alberta finance capitalists exacting tribute from the greatly weakened Eastern capitalists. A Conservative majority in the next federal election would be a signal that political power has shifted to the oil monopolies and that the section of finance capital based in Quebec has shifted its allegiance away from Bay Street and towards the oil monopolies. However, it is too early to tell which section of finance capital will come out on top. A drop in the price of oil or the value of the Canadian dollar could tilt the equation back in favour of the Ontario finance capitalists.

For their part, the Ontario-based finance capitalists are attempting to line up the entire working class behind their self-preservation. They are doing this in two main ways. First, in order to line up progressive sentiment behind their aims they are warning Canadians that a majority Conservative government will bring in social policies based on narrow religious precepts and anti-social, anti-worker values. Second, they are forging strong relationships with various trade unions in order to ensure that the working class remains passive and meekly accepts concessions designed to maximize the profits of the manufacturing capitalists. Greater profits will translate into greater political power.

But the oil monopolies are also courting the Canadian working class, promising jobs and prosperity for workers willing to pull up roots and move to Alberta. However, these promises ring hollow when workers see their high wages eaten up by even higher costs for housing, food and various user fees. There is also the constant fear that a drop in oil prices will leave them stuck with mortgages they cannot afford, as has happened in Alberta in the past.

In these circumstances maximum confusion is being created, both in terms of the causes and effects of the rising Canadian dollar and in terms of what constitutes the alternative for the Canadian working class. By divorcing politics from the economy, an illusion is created that one or another party of the finance capitalists is more “progressive” and “pro-worker” than another. However, history proves that regardless of which political party forms the government in Canada it is the interests of the finance capitalists to maximize their profits that are served while the workers are forced to tighten their belts.

Regardless of how often the working class is cajoled to “Stop Harper” by electing the Liberals, the fact remains that if present economic trends of high oil prices and a high dollar continue the Conservatives will eventually form a majority government. If economic trends reverse, then the Liberals, under Dion or Ignatieff or someone else, may form a majority government and all of the Conservatives’ anti-social, anti-worker policies will be implemented by the Liberals. In particular, the process of deepening integration with the U.S., a process pursued by every federal and provincial government for the past 20 years, will continue unabated.

Lining up behind the Liberals and the section of finance capital that they represent against the Conservatives and the section of finance capital that they represent will not solve any of the problems facing the Canadian working class and people. This kind of politics paralyzes the working class and blocks the path for any solutions. The first step in solving the economic, social and environmental problems confronting Canada is to reject all of the bourgeois political parties and the capitalists who control them. Only the working class can save Canada and it can do so only if it takes up its own political agenda and builds its own, independent political institutions.

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