

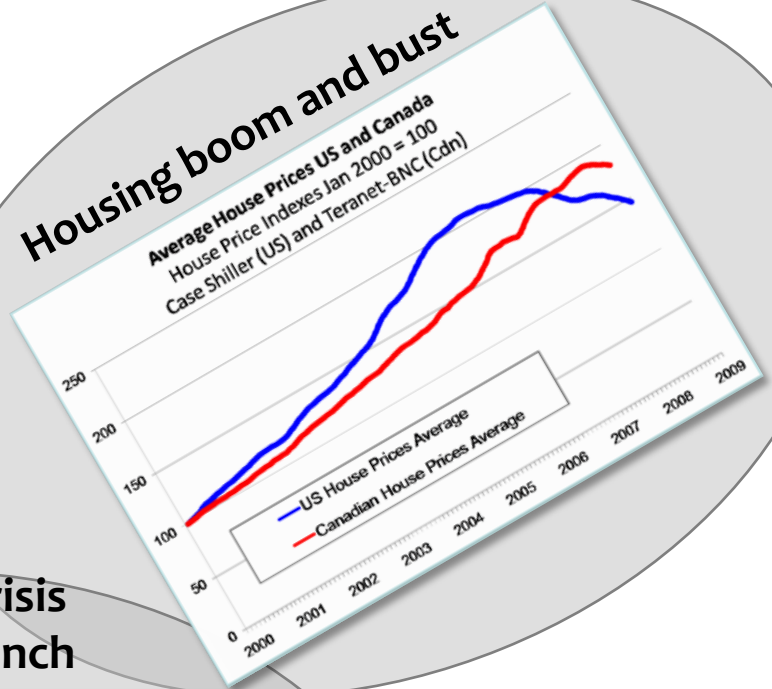
CUPE

The Economic Crisis and New Brunswick Moving Backwards or Forwards?

CUPE New Brunswick Convention
Fredericton, 16 April 2009

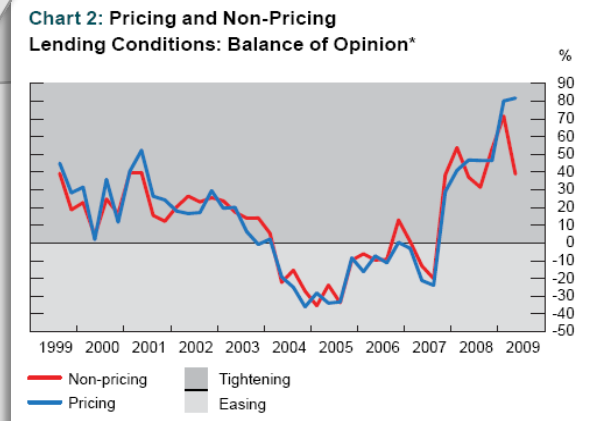
Toby Sanger
CUPE National

We're in a global triple economic bust...



Financial crisis
& credit crunch

***In Canada, combined
with on-going
manufacturing crisis
and resource sector
boom turned bust***



The Panic of 1873 and Long Depression

Railway and property boom led to speculation, stock manipulation, then bust, bank failures

- Wage cuts, rising unemployment, railway strikes
- Followed by another boom and stock panic in 1893 and 1907

Eventually led to “*Progressive Era*” early 1900s

- Regulation of business, finance, health & safety
- Democratic reforms
- Income taxes and expansion of public services
- First minimum wage legislation, labour rights

The Great Depression 1930S

Stock market and housing boom then crash followed by bank failures

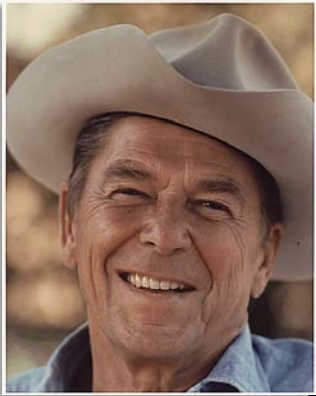
New Deal economic policies:

- Unemployment insurance, social security
- Deficit spending, public investment, job creation
- Regulation of business, finance, labour rights

Following WWII, “Golden Age” 1950s to early 1970s:

- International financial reform
- Expansion of public services
- Strong economic growth: average 4% a year
- Low unemployment, strong wage growth

The “Regressive Era” 1979 to 2009?



Attacks on unions, labour rights, wages
Privatization, deregulation
Cuts to social spending
Cuts to income taxes, increases to sales taxes

Countries around the world put in place similar economic policies

Reaganomics, Thatcherism, supply-side, neo-conservative, neo-liberal, trickle-down economics...

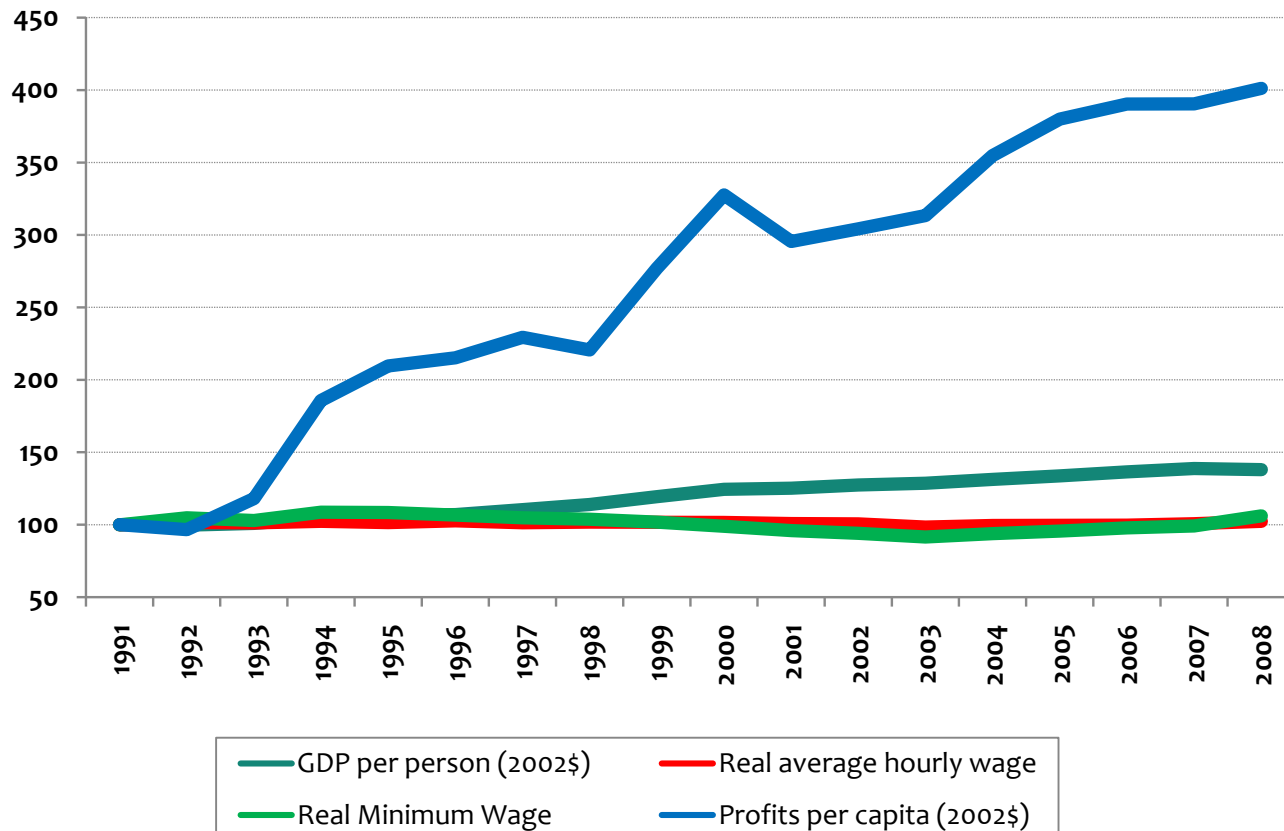
The Washington Consensus

- Cut public spending and reduce deficits
- Reduce inflation
- Privatize public services and government enterprises
- Cut taxes for high income and business
- Free trade, investment & globalization
- Deregulate industry, economy and society

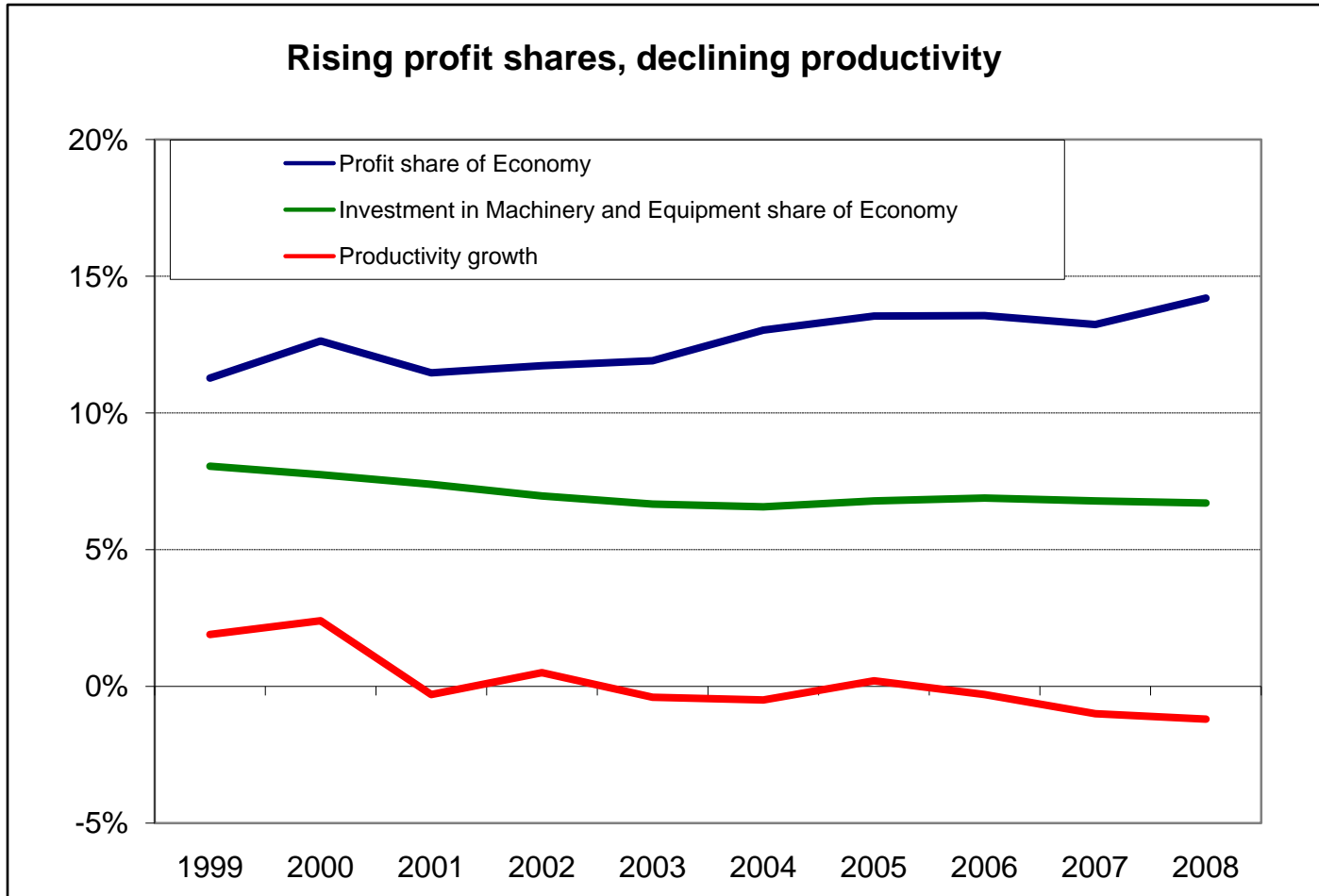
Economic growth, but for whom?

Who benefited from the boom?

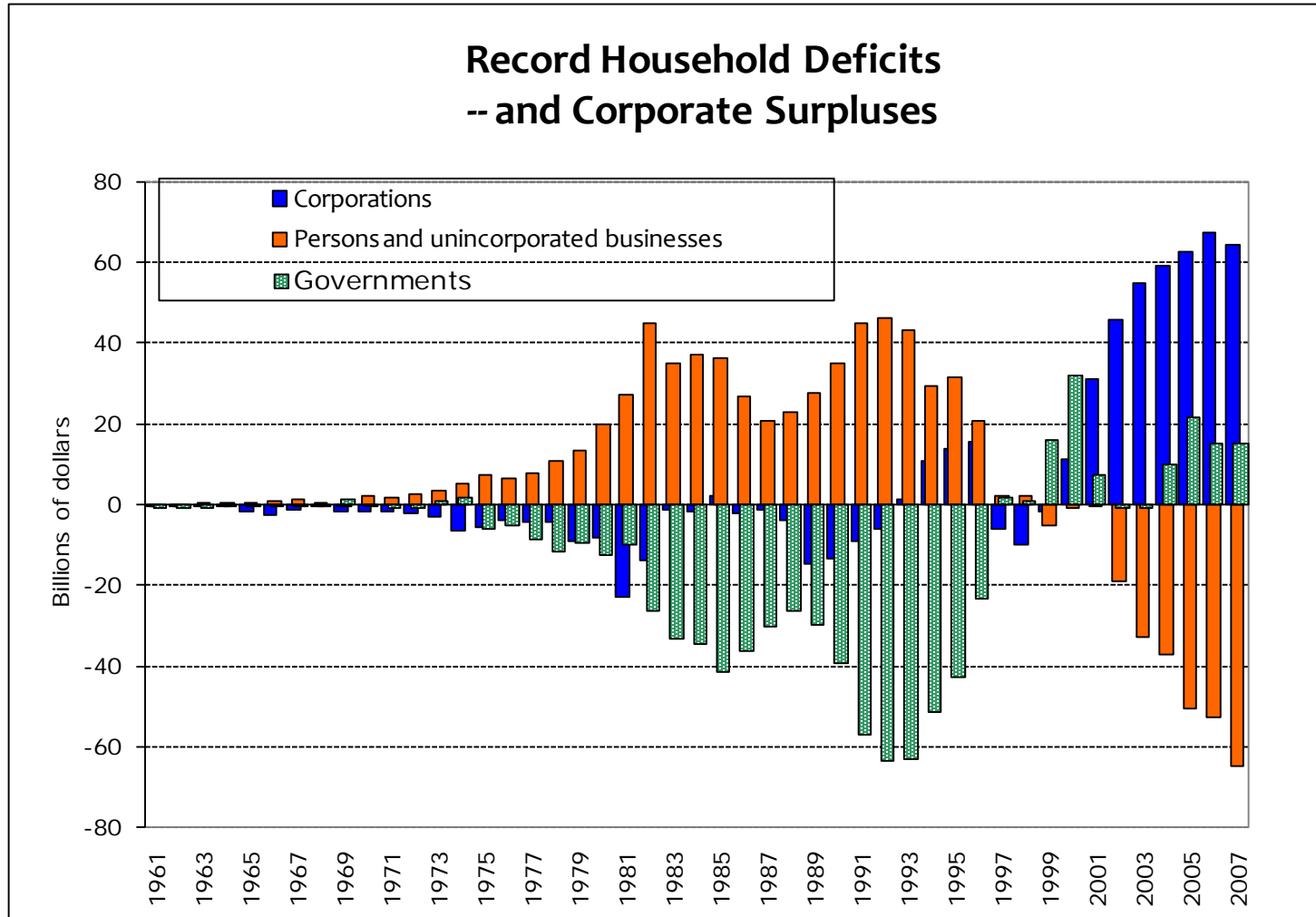
Wages and profits since the last recession (1991=100)



Record corporate profits but stagnant productivity growth



Record household deficits and corporate surpluses...



True confessions ...

“There’s no question the Washington Consensus is dead.”

Senior World Bank official, 10 October 2008

“I found a flaw.”

*Alan Greenspan, former head of U.S. Federal Reserve
(central bank) 23 octobre 2008*

“We are facing a systemic failure. This global crisis ... was created by the system itself; by the system which we created; and by a toxic combination of unethical behavior by companies and a faulty regulation and supervision of their activities.”

OECD Secretary General Angel Gurría, 22 January 2009

“This sucker could go down...”

Former President George W. Bush, 28 September 2008

Mainstream economists now talking sense

IMF call for countries to introduce economic stimulus measures equivalent to 2% of GDP with emphasis on public spending.

Oliver Blanchard IMF chief economist, 29 December 2008

Fiscal stimulus needs to focus on social protection.

Justin Lin, World Bank chief economist, 14 January 2009

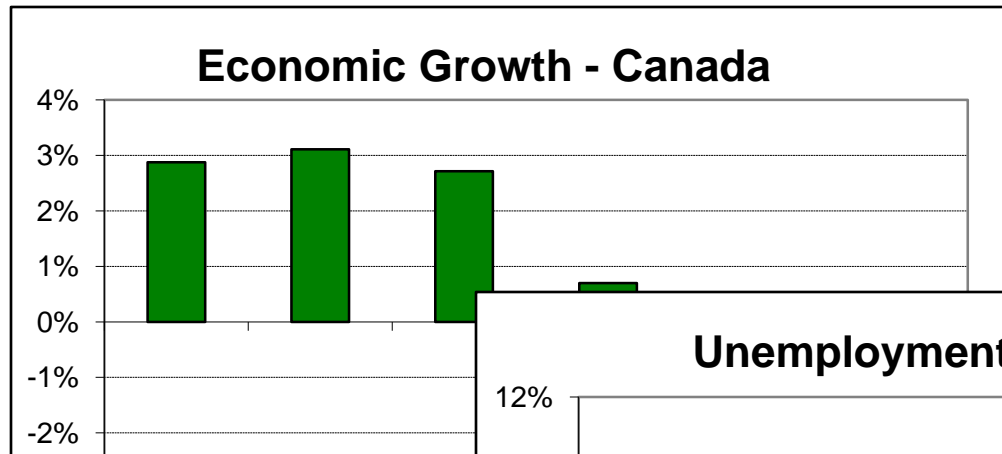
“The recipe has to be trickle-up economics... cuts in the corporate tax rate can’t help much...”

Avery Shenfeld, CIBC economist, 23 January 2009

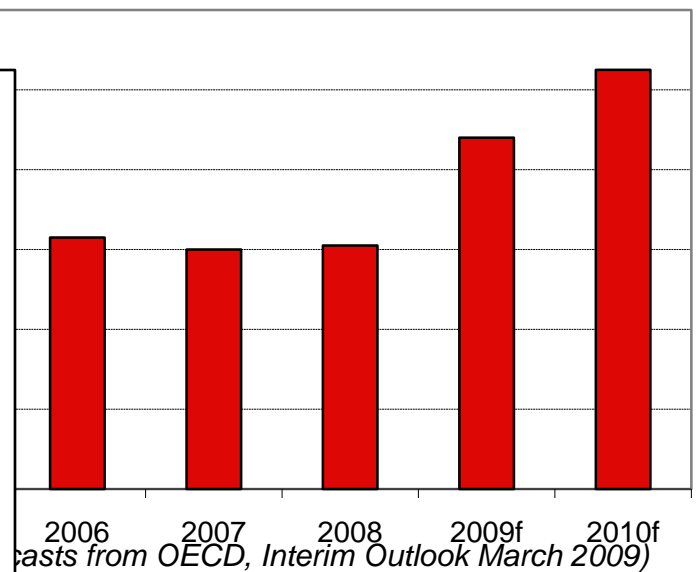
“Cuts in hourly wages and salaries (and).. salary freezes (can lead to a) wage price deflationary spiral (that) is very difficult to stop...”

Sherry Cooper, BMO chief economist 23 January 2009

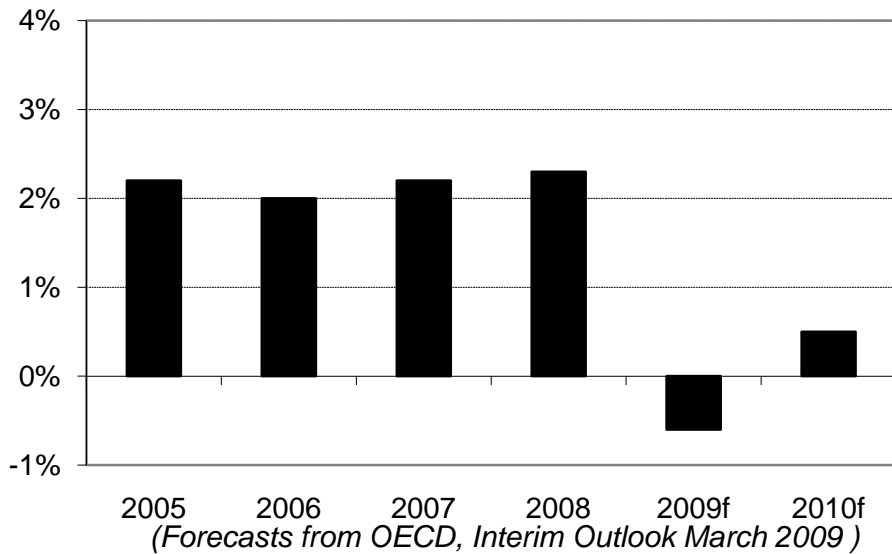
No quick recovery...



Unemployment Rate- Canada



Inflation Rate - Canada



Impacts on public service workers

Rising unemployment, poverty

- Increased need for public services, esp. social services

Declining revenues: public, private, BPS, non-profits

- Cutbacks, job cuts, wage freezes, controls, benefit cuts
- Push for contracting-out, privatization, casual work, attacks on labour rights

Pension losses & need to fund deficits

- Could take a bite out of future wage increase

Limited increases to public spending and public investments

- Immediate focus on infrastructure “stimulus”, bail-outs

Progressive investment advice...

If you invested \$1,000 at start of 2008 in:

- Lear Corporation: now worth \$44.00
- AIG Insurance: now worth \$28.80
- Nortel Networks: now worth \$18.00

But if you had invested \$1,000 on:

- 25 cases of Moosehead beer
- Drank it all and turned in the empties, you'd have \$60.00 from the deposit refund

Labour economist investment advice:

- Put money into liquid investments and always recycle



Federal budget 2009



Short-term stimulus for two years...

- Infrastructure, housing, limited industry support and job creation
- Extend EI benefits, training
- Direct lending and loan guarantees for business



Same neo-con policies...

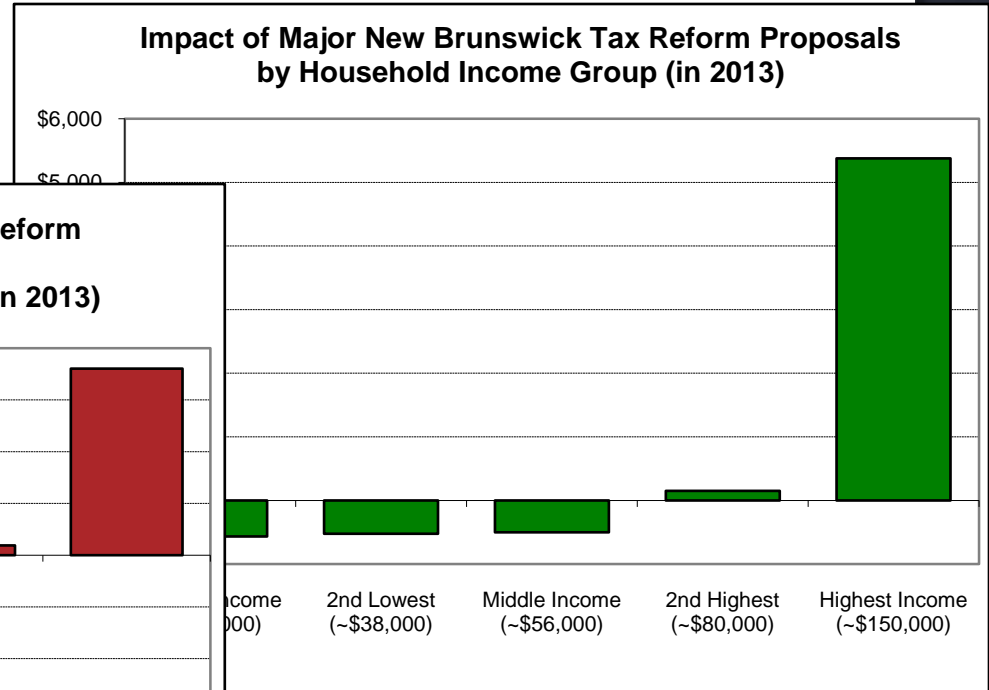
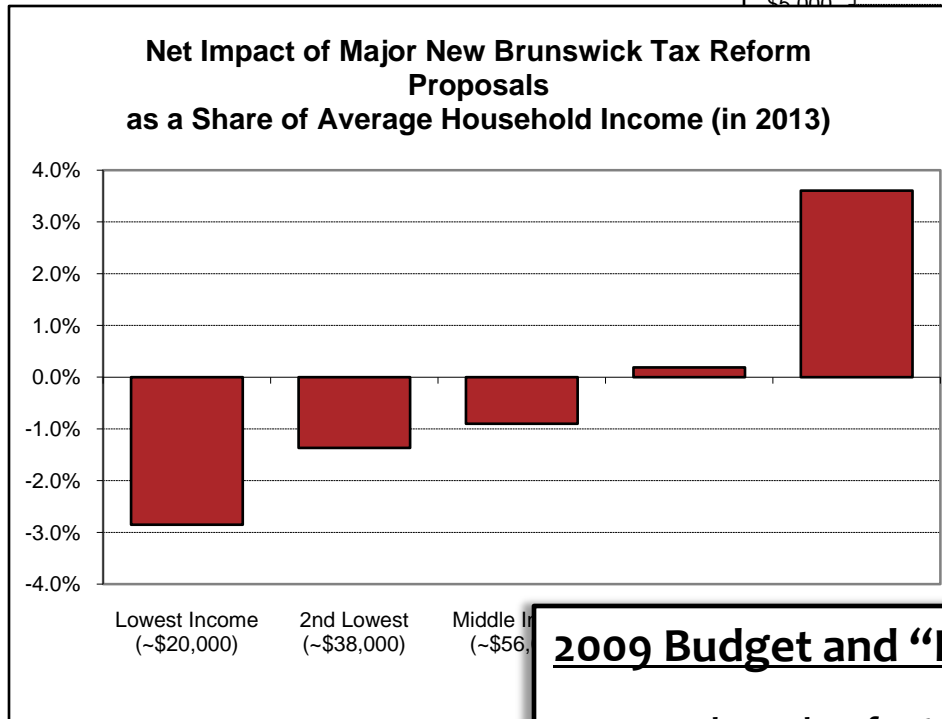
- Limited stimulus spending
- \$10 billion tax cuts; \$10 billion in privatization and spending cuts
- Attack on pay equity, public sector wage controls
- No increased access to EI
- Cuts to child care
- No other significant increases to social spending, pension security
- Push for “principles-based” self-regulation of financial industry
- Environmental deregulation

Federal budget 2009

- Massive income tax cuts for highest incomes, to cost over \$300 million
 - Small increases to low income benefits
- Corporate income tax cut from 13% to 8%
- Limited increases for health, education
- Two-year wage freeze for all public employees and broader public sector workers
- Hiring freeze and elimination of 700 positions by 2009/10
- “Expenditure restraint”: cuts to many programs
- Many new charges and fee increases for public services: ambulances, home care, etc.



New Brunswick “Tax Reform”



2009 Budget and “Plan for Lower Taxes”

- Tax break of \$6,000 for those making \$150,000
- Tax cut of zero to \$321 for those making \$20,000
- Public service cuts and fee increases

Social spending has strongest stimulus

<i>\$1 billion spending or cut in:</i>	<i>Output (\$billion)</i>	<i>Jobs</i>
Early learning and child care		35,000
Health care and social services	2.0	18,000
Infrastructure	2.8	16,000
Education	1.9	12,000
EI Rate cut	1.8	8,000
Income tax cut	1.3	6,000

Moving Forwards

- Increase income taxes on high incomes
- Raise minimum wages to above poverty levels
- Provide adequate income support to the unemployed through social assistance and EI
- Develop public sector job creation programs
- Boost stimulus spending and include education, health care, energy retrofit, child care, libraries
- Decent real wage increases for public workers
- Expand public pensions and issue health care, education and green energy public bonds
- Strengthen health, safety, environmental and labour regulations

Arguments and responses

1. Must become more competitive
 - *Social investments needed for real competitiveness*
2. Private sector more efficient
 - *No evidence for this ideology, public bail-outs*
3. Can't afford it, we need to tighten our belts
 - *Public sector needs to lead recovery*
4. It's not fair for public employees to have decent wages, pensions and benefits
 - *Everyone deserves decent wages, pensions, services*
5. Not now for other reforms, need to focus on economy
 - *Focus on short-term economic growth got us into this mess. If not now, when?*