



Fast

FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES - MANITOBA

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A vote for austerity is a vote for more suffering

Loorrie Steeve's distasteful comments about Aboriginal panhandlers set off a series of responses that reflected badly on many Winnipeggers. The following week's big story was the murder of Tina Fontaine and the suicide of Faron Hall. There followed a seemingly unrelated *Free Press* op ed about climate change, and another breaking story about Manitoba's and Winnipeg's credit rating.

The *Free Press* presented all these stories, but failed to connect the dots. Doing so is revealing.

In an August 12 editorial, the *Free Press* did a good job responding to the blatant racism roused by Ms. Steeves' comments. It talked about the systemic racism that comes from a long history of settler colonialism, and identified the need to move "more unemployed adults into job training" and address other related issues. But what the *Free Press* did not mention is what logically ought to follow: the need for reliable, sustainable and adequate funding to do these things.

Scott Forbes' August 20th column, "*The fork in the road: Climate change is here to stay,*" talks about the need to prepare for increased flooding caused by climate change. The need to re-think flood control is nothing new to First Nations communities. The inadequate response of federal and provincial governments to the plight of communities

like Lake St. Martin has forced even more First Nations into precarious living conditions. Again, resources are required to help communities heal and to begin new lives.

Although the causes of climate change and racism are unrelated, how we deal with them is not. Both require a collective response from civil society and governments. And access to adequate resources to meet these tremendous challenges is paramount. The problem is that we are living in an age of austerity, referring to a movement that promotes small government, low taxes, diminishing government spending and balanced budgets. The austerity movement has many loyal members: business; the powerful financial sector; some influential economists; many politicians and mainstream media.

This brings us to the story that threads the others together: the credit-rating agency Moody's downgraded the outlook of Manitoba's Aa1 debt rating from stable to negative. Importantly, it was the outlook that was downgraded, not the actual rating. Based on its close relationship with the province, the City of Winnipeg was also hit with the same outlook downgrade. Should we care? Insofar as these reports affect how much it costs to borrow money, yes.

there is an alternative.

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But it's worth remembering that Moody's belongs to a group of bond-rating agencies that routinely get it wrong, making their judgment and motives questionable. These agencies blithely classified the collateralized debt obligations (CDOs) that made up much of the sub-prime loan heist with an A rating. These A-rated CDOs led to the global economic implosion in 2008. The bond agencies never saw it coming.

So, wielding far more power than it should, Moody's has released the austerity hounds – those who implausibly believe that our economic woes will be eradicated by lowering taxes, eliminating deficits and shrinking government. The result is increased pressure to cut spending, exactly the opposite of what we need to address the problems the Free Press described. Voters in both the upcoming municipal election, and further ahead in the federal and provincial elections, need to consider the potential impact of serious spending cuts. In a province facing a \$14 billion infrastructure deficit, and a capital city grappling with a \$7 billion infrastructure deficit, what will be cut? Infrastructure repair? Health care? Flood remediation? Support to First Nations? Education? The results of any of these are not hard to see.

To address the problems that face us all, we have to push back against the dogma of austerity. A review of key indicators helps us to see the weakness of the austerity theory. Despite the media's (and Moody's) obsession with the provincial deficit and debt, Manitoba's financial situation is strong. Our economy is one of the most robust in Canada. The Manitoba Bureau of Statistics 2013 Year-in-Review reported that Manitoba had a score stronger than or equal to the Canadian average in these key areas: total exports; GDP growth; total capital investment; public capital investment; youth unemployment rate; total unemployment rate; labour productivity; population growth; manufacturing shipment. Manitoba's debt/GDP ratio – forecast at 29 percent for 2014 – remains below the ten-provincial

average of 30.9 percent, and this average in itself is amongst the lowest in the OECD. To quote the Bureau: "Manitoba scores stronger than or at the national average for 20 (categories) over the previous year. Over the previous five years, Manitoba fares even more strongly, with 26 of 31 (categories) at or stronger than the national average. Manitoba is performing strongly, and the ingredients are in place for long-term, sustainable performance."

Such economic luminaries as Paul Krugman and Joseph Stiglitz, who have long been fighting the austerity proponents, argue for the need to take on responsible debt in order to invest in physical and social infrastructure. Manitoba's economic indicators are strong enough that we should be doing so. But the austerity movement wants to cut spending AND taxes, and Moody's is providing more justification to do just that.

And so we come full circle, and the picture is grim. We will all suffer the effects of climate change, but First Nations will pay a higher cost than most, adding to the series of inequities they are already subject to. More tragic stories will be the result. We all need to understand austerity and its implications before we decide who to vote for in the upcoming municipal election, and further ahead in the federal and provincial elections. We need to address the issues that face us in an intelligent fashion, and austerity makes that impossible.

Lynne Fernandez holds the Errol Black Chair in Labour Issues

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