

Inside Canada by Pierre Beaudry

New budget reinforces depression

Despite palliatives, economic events are bound to catch up with Trudeau's "slow-motion collapse" policy.

The conclusion to be drawn from the new federal budget submitted to Parliament June 28, the second that Finance Minister Allan MacEachen had to draft in eight months, is that under the pressure of economic collapse, Trudeau is scrambling for time. MacEachen returned to mandatory wage controls for the 500,000 federal civil servants, by freezing their salary increases to 6 percent over the next 12 months and to 5 percent for the following year, although the wage and price controls imposed by Trudeau from 1975 through 1978 proved to be a complete disaster. Considering that the maximum of 6 percent is half of the current annual inflation rate, the proposed budget is a provocation that will produce labor unrest.

This is "much more than a wage restraint program," said Treasury Board president Don Johnson, after he introduced the new bill to the Commons, "It is a crusade." Pointing to the fact that it "suspends the right to strike and the right to bargain effectively," he added that the government decided to restrain wages and not prices because "wages are the major problem in keeping the inflation rate high." This, he said, a lot of trade union leaders "simply do not understand."

Predicting a series of work-rule campaigns, disruptions of government services, and illegal strikes, the President of the Public Service

Alliance of Canada, Pierre Samson, called the bill a "War Measures Act for the federal public service." The President of the 2 million-member Canadian Labor Congress (CLC), Dennis McDermott, said he was getting the CLC unions ready to battle the "cancerous wage controls." At the recent national convention of the CLC in Winnipeg, McDermott made a call for "a general strike if controls are imposed by federal or provincial governments."

Trudeau held an emergency meeting on June 30 with the premiers of the 10 provinces and sold them his austerity package, now expected to be implemented at the provincial level as well. Although agreement was not reached on the 6 percent limit, there was no "fed-bashing," not even from Quebec Premier Levesque, as all favored public-sector "restraint." As to why Trudeau was seeking the agreement of the provinces Don McGillivray, financial columnist of the *Montreal Gazette*, commented: "Perhaps for some kind of inflation control that requires a surrender of provincial powers."

If the municipalities also back Trudeau, the measures would affect more than 1.2 million employees, or 10 percent of the total Canadian workforce. July 1, Trudeau made it clear in a nationally televised broadcast that if the measures proved ineffective, he would impose "emergency measures" on

both public and private sectors.

Meanwhile as a result of the budget, on June 29 the dollar took a dive and the Toronto Stock Exchange (TSE) dropped by 45 points, with paper losses amounting to C\$2.86 billion. The value of TSE equities listed has plunged by 40 percent in the last 12 months. The federal budget deficit is now reaching C\$20 billion, double the estimate for the previous budget (and, on a comparable basis, twice as large as the U.S. deficit).

The president of the Montreal Board of Trade, Bob Harrison, reported to the *Gazette* that he is alarmed by the fact that "at \$20 billion, it's running about 33 percent of the Ottawa government's revenues." The fundamental reality, however, is that Canada has so little industrial base to fall back on; one-third of its capacity has already been shut down.

The five major Canadian banks have run so dry, reported the London *Times* on July 6, that they are rapidly losing their ability to provide funds for any recovery.

Under the guise of stimulating investments and housing construction, MacEachen will bail out bankrupted construction firms and various small- and medium-sized enterprises. As another stopgap, farms and the fishing industry will also get token subsidies.

Thus, for the time being, Trudeau has avoided the sudden-death option of reflating and imposing exchange controls. But as high interest-rates continue to ravage the world economy, the drastic possibility that he will cut Canada's ties with the American economy is still much alive. Meanwhile, all MacEachen is doing is rearranging the deck chairs on the Titanic.