

# Huge wasteful subsidies to corporations deplete funds for social programs <sup>[1]</sup>

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## AVAILABILITY

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## EXCERPTS

*Governments exist to protect the rights of minorities. The rich need no protection.* — Wendell Phillips

When it comes to listing countries on the basis of the social services they provide to citizens compared to the subsidies they heap on corporations, Canada doesn't fare well.

A study from the University of Calgary's School of Public Policy <sup>[3]</sup> published in January reports that our federal government and the four largest provinces spend \$29 billion a year subsidizing business firms.

The study's author, John Lester, says that half of these huge subsidies fail to improve economic performance and therefore constitute a colossal waste of government revenue.

"And because nearly one-third of all such subsidies just go generally to support specific industries or regions rather than to enhance economic development," he added, "the proportion of questionable spending rises to 60 per cent of the total."

Of the \$29 billion in government handouts that corporations receive annually, \$14 billion comes from the federal government and \$14.6 billion from the provinces of Ontario, Quebec, Alberta and British Columbia. On a per-capita basis, Alberta provides the largest financial bonus to its companies, amounting to \$640 for every resident of the province.

The most extravagant and harmful subsidy, by far, is the \$3.3 billion a year that our federal and provincial governments bestow on the large oil and gas producers. This is an enormous financial boost to the worst polluters of the environment. In effect, it pays them to keep spewing the carbon dioxide emissions that are causing global warming.

Canada was one of the G-20 nations that attended the historic 2015 Paris climate agreement and pledged to do its part to keep the world's temperature from rising above a catastrophe 2C. Prime Minister Justin Trudeau is finally getting around to imposing a national price of \$10 a tonne on carbon dioxide emissions, but this meager levy is not even a token step toward a serious climate change policy. And in any case, its effect is nullified by the governments' ongoing massive subsidies to the climate polluters.

## Social services suffer

While Ottawa and the provinces maintain and even increase the amounts of their tax revenue expended on business subsidies, they have proportionately limited their spending on social services.

The latest OECD report on the social expenditures of its 34 member countries ranks Canada 24th for the relatively low 17.2 per cent of GDP it spent on social services in 2016. Most of the 23 countries that surpass Canada have social spending rates of 23 per cent of GDP or more. Some, including Denmark, Sweden, Norway, Finland, France, Belgium, Italy and Ireland, have rates higher than 28 per cent. Incredibly, even the United States ranks above Canada with a social spending rate of 19.3 per cent of GDP.

The preference of Canadian governments to serve the interests of big business and the rich elite rather than the broader public interest has had appalling consequences. They include our ailing health care system, our lackluster performance on the environment, our mistreatment of indigenous peoples, and, most of all, our disgracefully steep rate of child poverty and our abysmally low level of child care.

The last Canadian census found that 1.2 million Canadian children in low-income households are living in poverty. Statistics Canada defines "low income" as after-tax household income that is less than the median of \$22,133 for a single-person household, or less than \$44,266 for a four-person household.

UNICEF, in its latest report, also sharply rebuked Canada for having so many impoverished children. It ranked Canada in 37th place among its 41 member states for the number of its children suffering from malnutrition.

In an earlier report, UNICEF put Canada in last place for its inadequate early child-care services. Canada failed to meet nine of the agency's 10 child care benchmarks, which included parental leave of one year with at least 50 per cent of salary; a national child care plan with

priority for the poor and disadvantaged; minimum staff-to-children ratio of 1:15 in pre-school education; 1 per cent of GDP spent on early childhood services; and a national child poverty rate of less than 10 per cent.

The only benchmark Canada met was that at least 50 per cent of staff in accredited early education services had post-secondary education with relevant qualifications.

### **European children get better care**

Unlike Canada, most countries in Europe have committed to providing an ECEC (Early Childhood Education and Care) place for all their children, either by legislating a legal entitlement or by making attendance available and compulsory. Eight of these countries -- Denmark, Sweden, Norway, Finland, Germany, Slovenia, Estonia, and Malta -- guarantee a legal right to ECEC for all children soon after their birth.

In berating Canada for falling so far below these countries in caring for its youngest and most vulnerable citizens, UNICEF also cited other somber statistics. "Nearly 25 per cent of Canadian children are obese, 22 per cent of adolescents display mental health problems, and Canada ranks 31st in its rate of teen suicides."

"It's a myth," the UNICEF report stated bluntly, "that Canada is the best country in the world in which to grow up."

### **The connection**

There's an obvious connection between the massive subsidies our governments shower on the country's corporations and the corresponding shortage of financial support they provide for children and others in need. If the national income were more equitably allocated -- as it is in truly progressive countries -- much of the prevailing social distress in Canada could be alleviated. The lives of the millions of Canadians now forced to live in wretched, unhappy, debilitating conditions could be enhanced.

Unfortunately, we live in a country where neoliberalism, free-market capitalism, and the virtually unfettered corporate pillaging of natural resources are the dominant socioeconomic precepts. In such a system, the most ruthless, avaricious, powerful and unprincipled individuals and organizations inevitably seize and amass the most wealth. Especially when they have compliant and complicit neoliberal governments at their beck and call.

In such a country, there is always abundance for the privileged few and scarcity for the underprivileged many. So, it's not surprising that Canada's federal and most provincial governments, instead of conserving and tapping into their tax revenue to help those in need, instead drain their treasuries with huge and unnecessary subsidies and tax cuts for corporations and the affluent elite.

This depletion of governments' financial capacity through profligate business bounties is a cunningly devised strategy. It gives ruling political leaders the contrived excuse that they simply can't afford to spend any more on social services. It's a devious deception that has been successfully deployed for a long time in Canada, by both Conservative and Liberal regimes.

Regrettably, few Canadians make the connection between the bounteous business subsidies and tax breaks lavished on the rich and the consequent deterioration of social services. For example, I've heard people bemoaning the current federal government deficit of \$17.8 billion, apparently unaware that three-quarters of that deficit was incurred because the feds spent \$14 billion last year in business handouts.

### **Here are the harmful effects of this political coddling of corporations:**

- Most of the \$29 billion of federal and provincial subsidies lavished on business firms comes from the taxes paid by middle- and low-income earners.
- In effect, Canadian taxpayers are being forced to subsidize the country's corporations, including the big oil and gas companies.
- The \$29 billion bestowed (and largely wasted) on the country's corporations could have been spent instead on reducing poverty and inequality and bringing Canada's social services up to European levels. That huge amount could have vastly improved our child care and health care systems, our public pensions, our protection of the environment, and our crumbling infrastructure.
- The diversion of such vast amounts of tax revenue from social services that benefit everyone to subsidies that benefit only the rich and powerful minority not only demeans Canada's record at home, but also besmirches its international image. It also perpetuates levels of poverty and inequality that make a mockery of the claim that Canada is the best country in the world.

### **Brighter news**

On the less gloomy side, however, it must be agreed that Canada is also far from being the worst country in the world. Most of us live in peace and harmony. We are not disrupted by armed conflict. We have public hospital and physician care. We do our best to help the poor and disadvantaged who suffer from the inequities of political and corporate dereliction.

In this sense, it can be said that we do live in a relatively good country. But it obviously needs to become a much better one, and that process has to start first by recognizing that our prevailing social, economic, political, and environmental policies, as well as the allocation of our national GDP, are badly flawed.

Fortunately, we have many progressive activists among us who are striving for the necessary reforms. Their campaigns, their protests,

their marches, their lobbying, and their aspirations are vitally imperative. They should be supported by all Canadians who would prefer to live in a country that really will be one the world's best.

-reprinted from Rabble

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