

FIGHT THE ATTACK ON PUBLIC SERVICES

**Prepared for the 2014
BC Federation of Labour Convention**

November 2014



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Executive Summary

Every Canadian uses an average of \$41,000 worth of public services annually, but the average income for an unattached person is about \$32,000. This figure demonstrates why any system that would see individuals pay for services directly is clearly flawed.

"You know there are two schools in economics on this. One is that there are some good taxes and the other is that no taxes are good taxes. I'm in the latter category. I don't believe that any taxes are good taxes." — Stephen Harper, 2013

"All taxes discourage something. Why not discourage bad things like pollution rather than good things like working or investment?" — Lawrence Summers, economist, worked in President Clinton and Obama administrations

Life in the 21st century, as we know it, would not be possible without public services. They form the backbone of a civilized and safe society. Every Canadian uses an average of \$41,000 worth of public services annually. (Mackenzie and Shillington 2009: 3). This figure demonstrates why any system that would see individuals pay for services directly (user fees) is clearly flawed. The average income in Canada for an unattached person is about \$32,000 (Statistics Canada 2012). Based on these numbers, the average Canadian would spend almost all their income on public services and not have enough money for food, clothing and shelter.

Public services are delivered by health care workers, teachers, maintenance workers, plumbers, electricians, painters, administrative personnel, childcare workers, employment assistance workers, meter readers, transit workers, linemen, researchers, policy analysts, regulatory and enforcement staff, biologists, health science technologists, forest technologists, social workers, sheriffs, firefighters, dietary aides, kitchen workers, information technology professionals, police officers, municipal workers, librarians, ambulance and paramedics, among others.

These workers also contribute to the government revenue base by paying taxes — federal, provincial and local.

We are in a climate where both the Harper and Clark governments have been relentless in their tax cuts and subsequent reduction in public services. What are the forces that have created the political and economic climate that enable them to do so?

Fast forward through the 1980s, 1990s to now — global recessions, stimulus spending, tax cuts, program cuts and lack of leadership from all parties, as opposition parties are reluctant to support tax increases for fear of sounding like they support "big" government.



Public services are delivered by health care workers, teachers, maintenance workers, plumbers, electricians, painters, administrative personnel, childcare workers, employment assistance workers, meter readers, transit workers, linemen, researchers, policy analysts, regulatory and enforcement staff, biologists, health science technologists, forest technologists, social workers, sheriffs, firefighters, dietary aides, kitchen workers, information technology professionals, police officers, municipal workers, librarians, ambulance and paramedics, among others.

There was a time not very long ago in Canadian history when it was unthinkable that mayors, premiers and prime ministers could coast to victory on the strength of a political agenda that sacrificed public service for the sake of a tax cut. That a political leader would feel good about putting a tax cut ahead of better supports for the unemployed, for children, for the vulnerable. That government might close a library or cancel a youth program instead of raising a tax (Hennessy 2013: 144).

THE CHARGE AGAINST TAXES

It is not just governments that have created the environment for tax cuts, nor led the charge. A number of organizations across the country claim to speak on your behalf: you, the taxpayer/citizen. In March 2014, the BCFED organized a “Public Sector Summit” to start strategic discussions and identify action to “fight the attack on public services.” The Summit discussed the depth and breadth of the forces that campaign for privatization, tax cuts and — in lockstep with the actions of the federal, provincial and local government — craft and deliver the message that taxes are bad. In their rhetoric, there is no connection between tax revenues and the services that are provided. This distorts decision-making.

The right-wing think tanks, of which there are many, engage in the battle of ideas to create a climate for some version of market fundamentalism, often called neo-liberalism. “Get government out of the way and let the market do its work” is their mantra. With sustained messages, research, allies in universities, corporations and the media, a well-oiled (and funded) propaganda system has been installed in Canada over the past 40 years. Very little connection is made about the tax revenue that supports social services, education, health, or infrastructure such as city streets, multi-lane highways, overpasses, bridges, sidewalks, street lights, ferries, sewage systems and on and on.

Neo-liberalism largely supports the Harper and Clark governments, but that’s not its main purpose. Its role is to change the climate of ideas to such an extent that it doesn’t matter who forms the government. Of course, its ultimate goal is to elect politicians who can use state power to accelerate the transition to a market state. There is basically a strong political consensus now for a smaller government and lower government revenues and expenditures. Both Liberals and New Democrats have indicated they also will not stray far from this economic consensus (Gutstein 2014: 76-77).

Let's talk about the value of public services.

Let's connect:
tax cuts = low revenues
= loss of services.

Let's plan what we can do.

Let's take action!

Business is benefiting. Just in the past decade, the Clark and Campbell governments have put an extra \$12 billion in after-tax profit in the accounts of corporations and small business through the elimination of the corporate capital tax and adjustments to the small business tax threshold rate. An additional \$17 billion (projected by 2015) will come from corporate income tax cuts.

The Harper government has also been generous. Its general corporate income tax rate had led to corporations having over \$500 billion in cash surpluses.

By 2016, the provincial government projects \$10 billion less spending on public services as a percentage of Gross Domestic Product (GDP), from 2001.

Tax cuts at the senior levels of government also affect local governments' ability to keep pace with demand. Federal and provincial transfers to local governments are \$4 billion less than they would have been had 1995 per capita transfers remained constant (Columbia Institute 2014).

And, as workers, what have we received? Yes, some personal income tax cuts and some "incentives"—but have you noticed the reduction or cuts in services? If you are a federal worker, 25,000 of your co-workers have gone, along with programs and services. If you are a provincial worker, over 9,000 of your co-workers have gone, and many services in the health sector, public education, community services and other areas affected by policy and tax changes. And, as a private-sector worker—reduction in services.

CALL TO ACTION

"For decades, the right has flooded the airwaves and taken over the political podiums with its anti-tax hysteria. But Canadians are waking up to the simple truth that taxes are the price we pay for civilization, and that scrimping on taxes means scrimping on civilization."
—Linda McQuaig, author and journalist

Strategic discussions to fight the attack on public services also took place at the BCFED Summit in March 2014. Many organizations are allies in this battle of ideas. They understand the connection between tax revenues and public services. They are left-leaning think tanks, some media, and organizations. We need to join forces with them.

Polls conducted in the past two years show that Canadians are concerned about the growing gap between the rich and everyone else (75 per cent) as a trend that undermines Canadian values. Almost 64 per cent are willing to pay higher taxes to protect social programs that help reduce income inequality. Over 75 per cent also support an increase in taxes on corporations and high income earners.

We need to aggressively challenge the constant and repeated right-wing propaganda about taxes. Labour has the strength, skills and resources along with advocates for public services to mount a long-term strategy. We need to have the debate about taxes and paying for the services we want for our children and ourselves. It is a serious conversation about the society we want. Unless we take a stand, we are in trouble.

Introduction

“A citizen is a rare thing these days in Canada. Citizens have been expunged from the political lexicon and replaced with taxpayers and as elections approach, voters.” — Daphne Bramham, Vancouver Sun columnist

It is easy to get worked up over paying taxes, and some groups like the Fraser Institute and the Canadian Taxpayers Federation are doing just that. It is easy to think of only self-interest and not social responsibility upon which Canada was built. Taxes enable us to pursue our aspirations collectively and thereby greatly enrich the quality of life for the average Canadian family.

Tax policy is not only about taxes. It’s about values, vision, and ultimately about politics.

No taxes — just think, no taxes equals no public education, no public health care, no city streets, no multi-lane highways, no bridges, no libraries, no social services, no environmental regulations, no enforcement of health and safety legislation, and the list goes on. Is this what we really want?

Over the past 30 years, and particularly since the early 1990s, public debate over broad fiscal issues has been dominated by tax cuts, without reference to the services for which taxes pay (Mackenzie and Shillington 2009: 5).

We need to shift the public debate. We need to take action to stop the stampede of tax cuts that have fundamentally changed Canada before it is too late. We are the visionaries for social responsibility and the need for public services.

This paper focuses on the value of public services, sheds light on the lack of connection between tax cuts, lower revenues and the loss of public services. It is a call to action.



PHOTO COURTESY NUPGE

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Public Services

“Taxation is not a technical matter. It is pre-eminently a political and philosophical issue, perhaps the most important of all political issues. Without taxes, society has no common destiny, and collective action is impossible.” — Thomas Piketty, French economist

VALUE OF PUBLIC SERVICES

Life in the 21st century, as we know it, would not be possible without public services. They form the backbone of a civilized and safe society. Every Canadian uses an average of \$41,000 worth of public services annually (Mackenzie and Shillington 2009: 3). This figure demonstrates why any system that would see individuals pay for services directly (user fees) is clearly flawed. It would result in a decline in the overall health and welfare of Canadians.

The average income in Canada for an unattached person is about \$32,000 (Statistics Canada 2012). Based on these numbers, the average Canadian could spend almost all their income on public services and not have enough money for food, shelter, and clothing.

Think of all the workers it takes to deliver public services, from health care to maintenance to teachers to transit workers to dietary aides, and many more. All these workers touch the lives of thousands of Canadians.

Governments have given up billions of dollars in public revenues to tax cuts while cutting back public transit service, threatening to close libraries, failing to significantly reduce health care wait times, abandoning rural highways to pot holes, and shutting down schools (Hennessey 2013: 139).

Any reasonable discussion on taxes must take into consideration the public goods and services they buy.

Consider an inventory of BC’s public sector assets in 2001 and the cost to build or acquire them (note the following are historical costs — the current dollar value is considerably higher)¹:

- More than 1,600 public schools (historical cost \$7.3 billion);
- Over two dozen universities, colleges and institutes (historical cost \$2.5 billion);
- In excess of 700 hospitals and health facilities, including acute care, continuing care, and mental health facilities (historical costs: \$3 billion);
- More than 23,000 km of paved highways, 18,000 km of unpaved roads, and 2,700 bridges (historical cost: \$9.5 billion);
- Public transit systems in 50 communities (historical cost \$2.3 billion);
- Extensive social housing (historical cost \$440 million);
- A power generation system with 30 hydro-electric facilities, and 15 thermal and non-integrated generating operations, providing up to 11,000 megawatts of power annually for homes, industry, and export, along 74,000+ km of transmission and distribution lines (historical cost \$14.7 billion); and

¹ “Provincial Capital Assets” in BC Budget 2001, 43-45.

The list of publicly-owned assets shows the tremendous commitment and investment British Columbians have made, collectively and deliberately, in our public sector. Why did we and our predecessors do so? The answer is to be found in looking at those who use our public assets, often on a daily basis.

- Collectively we own more than 2,000 office buildings with 1.3 million square metres of space in over 260 communities, and 2,300 km of mainline railway tracks with 19 railway tunnels, 191 railway bridges, 42 ferries, and 45 marine terminals servicing coastal BC.

In the fiscal period 2008/2009, the total value of BC's publicly owned assets was \$30.7 billion.

The foregoing list of publicly-owned assets shows the tremendous commitment and investment British Columbians have made, collectively and deliberately, in our public sector. Why did we and our predecessors do so?

The answer is to be found in looking at those who use our public assets, often on a daily basis:²

- Our public schools provide a free education to more than 548,000 young British Columbians annually;
- Our universities, colleges and institutes deliver an advanced education and specialized training to about 200,000 full-time BC students every year;
- Our hospitals and other health facilities provide care to approximately 3.6 million BC patients annually;
- Our transportation systems — roads and highways, tunnels, bridges and public transit — facilitate the movement of two million passenger vehicles and 670,000

commercial vehicles (and millions of commuters), plus the export of \$38 billion of goods internationally, and \$13.5 billion of goods inter-provincially; and

- Our hydro-electricity generation and transmission system each year provides power to 1.6 million residential homes, more than 192,000 commercial/industrial users in British Columbia, and earns \$1.5 billion in annual power exports.

It is evident the reason that our predecessors built and we acquired these myriad public assets (and many others) was to service the needs and ensure the well-being of British Columbians (McMartin and Ivanova 2009: 3-10).

Since 2001, it has been a constant process of acquiring and shedding capital assets. The sale of surplus properties provides revenue for the province. In the most recent BC Budget and Fiscal Plan, surplus properties are defined as those that are no longer in use, not required for future utilization, and those properties where there is no strategic benefit for the province to be the owner (Government of BC 2014, 44).

The Plan asserts that between 1991 and 2001, surplus properties were sold with a value in excess of \$500 million (excluding schools, hospitals, universities and colleges) or \$1.2 billion in today's market. In the 2000s an additional \$381 million worth of properties have been sold. In the fall of 2011, after undertaking a review, the province concluded it had about 2 per cent of its overall property holdings that could be sold, with an estimated gain of \$500 million, to the end of 2014/15.

2 BC Budget 2001, 43-45; Ministry of Education, Summary of Key Information, 2008/09, 2; MSP Information Resource Manual, 2007/08, 64; BC Stats, "Licenced Vehicles"; BC Stats, "BC International and Interprovincial Trade Flows"; BC Hydro, "Quick Facts."

WHO DELIVERS PUBLIC SERVICES?

“My taxes keep cities clean, safe and full of life. They provide generally good government by mostly decent, hard-working public servants and politicians.”
— Stephen Hume, *Vancouver Sun* columnist

Canada’s three distinct levels of government — federal, provincial and local — as well as numerous government-owned entities such as Crown Corporations, together comprise our nation’s public sector.

Approximately 3.2 million Canadians work in the public sector with the vast majority (+2.9 million) working for one of the three levels of government. Public sector workers represent 17.4 per cent of the country’s total number of employees.³

These workers contribute to the revenue base by paying taxes — federal, provincial and local.

NUMBER OF PEOPLE EMPLOYED IN THE PUBLIC SECTOR

The people working in BC’s public sector provide a wide range of services, including administrative, environmental, scientific and technical, justice, education, health care, and social services. The BC public sector employs nearly 386,000 people throughout the province.

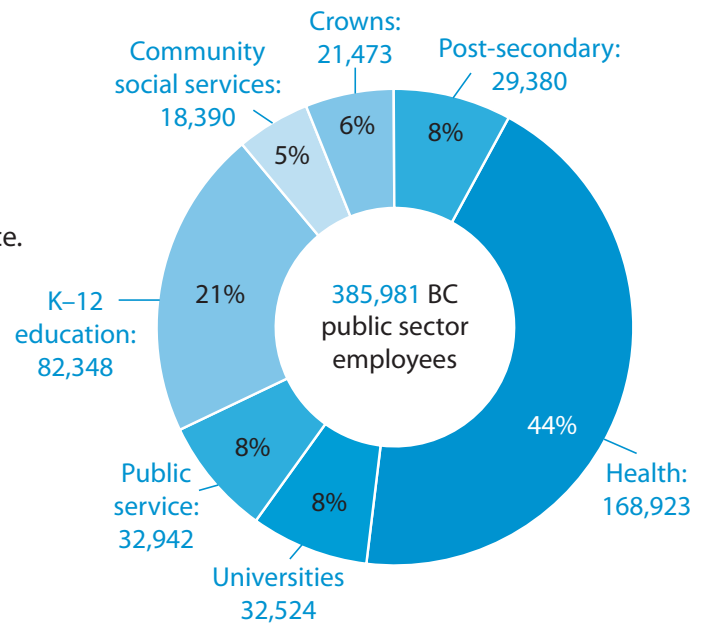
More than 311,000 are unionized employees working in the direct public service (e.g., ministries), at Crown corporations and agencies, and in the K–12, post-secondary, health and community social services sectors. The health and K–12 sector alone represents 65 per cent of public sector employees.

³ Data in this section, except where noted, from Statistics Canada, Public Sector Statistics, Financial Management System, 2007/2008.

Today, total public sector compensation is about \$25.4 billion annually — equivalent to more than 57 per cent of provincial spending (Government of BC 2014, 53).

BC already has the leanest public sector in Canada (Ivanova 2013). In direct government, the current budget plans to further shrink the province’s public service by another 300 full time jobs by the end of 2016 (Government of BC 2014b). Repeated rounds of spending cuts and staff reductions have meant important programs have been strained, scaled back, or dismantled. Since 2001, there are now almost 9,000 fewer frontline workers delivering services.

Cuts in programs and staff have great impacts on the most vulnerable people in BC. Cuts also greatly impact on the critical work of monitoring and reporting on industries’ activities on the land base, protecting the public, and enforcing regulations. As a result, BC’s reputation for high environmental standards is at risk, and failing to demonstrate responsible stewardship of resources could have serious implications for the economy (BCGEU 2014).



Source: Public Sector Employers’ Council, Quarterly Report, February 18, 2014

How Did We Get Here?

“...Neo-liberalism has managed to convince many of us that taxes are an ailment, and tax cuts a remedy. We are told that tax cuts will generate economic growth, but there is no substantiated correlation.” — Rhonda Barron, health promoter, in the Fort Erie Times

We are in a climate where both the Harper and Clark governments have continued their tax cuts and subsequent reduction in public services. What are the forces that created the political and economic climate that enable governments to do so?

Sayings like “Taxes, the bane of our existence” or “No tax is a good tax,” or commonly used terms like “the tax burden” and “tax relief” are all too familiar in the narrative about taxes.

The late 1970s are a good place to start in understanding the motivation behind the sayings noted above. Then and throughout the 1980s, free market ideology fully bloomed, first in the US and later more subtly in Canada in the aftermath of serious economic stagnation and inflation. The economic problems were real and serious, and the times were ripe for an alternative to the progressive (or liberal) policies that had for decades been building the social safety net and progressive state. Some version of market fundamentalism, variously called neo-liberalism or neo-conservatism, reshaped politics in much of the developed world and particularly in the Anglo democracies (Himelfarb and Himelfarb 2013: 2-3).

The solution was to let the market do its work and get government out of the way. There was a political challenge; people had become quite wedded to the public goods and services their taxes bought. So how to sell the low-tax,

small-government agenda? The sales pitch was simple, and it was perfect politics: tax cuts would be beneficial to economic growth and pay for themselves. Tax cuts were free—the last free lunch (Himelfarb and Himelfarb 2013: 3). In fact, two generations of politicians ran campaigns claiming they could cut taxes and actually *improve* public services.

Fast forward through the 1980s, 1990s to now — global recessions, stimulus spending, tax cuts, program cuts and lack of leadership from all parties, as opposition parties are reluctant to support tax increases for fear of sounding like they support “big” government.

Taxes are increasingly portrayed as evil. We, the citizens, are called “taxpayers.” The message is about the individual — what do taxes do for me? The message is about government waste and inefficiency that after many years has led to mistrust of government and politicians. It is also the convenient and relentless rhetoric of right-wing messaging attacking public sector workers, such as “they are on the gravy train,” that has penetrated the psyche of many Canadians. It has created the climate in which cuts can thrive. Reality, of course, is different: massive layoffs, increased workloads; stress illnesses; concessionary bargaining; constant restructuring; privatization and other attacks.

Charge Against Taxes

*“The fact that civil servants enjoy vastly more generous retirement benefits than the taxpayers who pay for them is already fomenting rising resentment. Such pension provisions are a legacy of monopolistic public-sector unions extracting ever-more extravagant benefits from strike-fearing governments.” — Gwyn Morgan, business leader, in *The Globe and Mail*, 2014*

It is not just governments that have created the environment for tax cuts, nor led the charge. A number of organizations across the country claim to speak on your behalf: you, the taxpayer/citizen.

In March 2014, the BCFED organized a “Public Sector Summit” to engage in strategic discussions and identify action to “fight the attack on public services.” The Summit discussed the depth and breadth of the forces that campaign for privatization, tax cuts and — in lockstep with the actions of the federal, provincial and local government — craft and deliver the message that taxes are bad. In their rhetoric, there is no connection between tax revenues and the services provided. This distorts decision-making.

The Summit participants examined organizations such as:

- Canadian Taxpayers Federation;
- Fraser Institute;
- Independent Contractors of BC;
- Coalition of BC Businesses;
- Business Council of BC;
- Labour Watch;
- BC Chamber of Commerce; and
- Canadian Federation of Independent Business.

Most of these opponents are structured as not-for-profit organizations, have independent spokespersons (or perceived as independent), are well-funded, and for the most part have focused messages. Some are more successful than others, but the debate about taxes continues to be defined by them. The Fraser Institute and the Canadian Taxpayers Federation, in particular, have been successful at attacking alleged government waste and inefficiency. However, what they actually accomplish is to fuel mistrust of politicians and government officials, which in turn provides them a modicum of credibility to deliver their message.

Since the 1940s, think tanks have engaged the battle of ideas and created a climate for neo-liberalism. Economist Friedrich Hayek counselled others not to waste their time going into politics to battle socialism, but rather to create “a scholarly research organization to supply intellectuals in universities, schools, journalism, and broadcasting with authoritative studies of economic theory of markets and its application to practical affairs” (Gutstein 2014: 49).

By providing research reports accompanied with news releases, op-ed, and tailored news stories, think tanks subsidize news. They make the work of news media easier, reducing the time and resources journalists must commit



PHOTO COURTESY RICHARD ERIKSSON/Flickr CREATIVE COMMONS

In the climate of mistrust that makes it easier to convince a “taxpayer” that you are being made to pay for waste, very little is mentioned about the tax revenue that supports social services, education, health, or infrastructure such as city streets, multi-lane highways, overpasses, bridges, sidewalks, street lights, ferries, sewage systems, and on and on.

to a story for research and comment (Gutstein 2014: 66).

By 2014, a tightly knit, smoothly operating neo-liberal propaganda system has been installed in Canada. The Fraser Institute, for example, is 40 years old. That means that two generations of Canadians have been exposed to their effective neo-liberal ideas. The foundations of wealthy businessmen, corporations, and individuals are investing more than \$26 million a year in neo-liberal think tanks and single-issue advocacy organizations (Gutstein 2014: 73-74).

This climate of mistrust makes it easier to convince a citizen that as a taxpayer you are being duped, being made to pay for waste, for an over regulated society and for issues that may not reflect your personal situation. Very

little is mentioned about the tax revenue that supports social services, education, health or infrastructure such as city streets, multi-lane highways, overpasses, bridges, sidewalks, street lights, ferries, sewage systems, and on and on.

Neo-liberalism largely supports the Harper and Clark governments, but that’s not its main purpose. Its role is to change the climate of ideas to such an extent that it doesn’t matter who forms the government. Of course, its ultimate goal is to elect politicians who can use state power to accelerate the transition to a market state. There is basically a strong political consensus now for a smaller government and lower government revenues and expenditures. Both Liberals and New Democrats have indicated they will also not stray far from the economic consensus (Gutstein 2014: 76-77).

Tax and Spending Cuts

“Canada needs to do more to curb tax havens and tax evasion, especially when deficit-cutting threatens to gut our social programs and undermine the ability of government to ensure food safety and environmental protection. A new study by the Tax Justice Network estimates that Canada is losing over \$80 billion a year. That is more than half of all our health care spending.” — Dennis Howlett, Coordinator of Canadians for Tax Fairness, 2014

Tax cuts have clearly redistributed money from public services back to the population, with most of the tax cuts favouring the wealthy and the corporate sector.⁴ This shift can be measured most accurately by comparing public spending as a percentage of Gross Domestic Product (GDP).

In 1995, total government revenue in Canada was 36 per cent; in 2008 it was 33 per cent. A drop of three per cent may not seem like a lot, but it represents a loss of about \$50 billion per year in revenue for governments in Canada. That is \$50 billion that could be invested in public services (NUPGE 2014).

In a 2012 Globe and Mail article, Neil Reynolds wrote:

...the relative size of ‘all governments’ spending (federal, provincial, municipal) is falling – from 50 per cent of GDP in 2001 to 35 per cent in 2011. Based on current federal-provincial spending projections, this tally can be expected to fall in the near term to 30 per cent or less. A downsizing of this magnitude would take ‘all government’ back almost 50 years, too. In 1960, federal-provincial

spending took 28 per cent of GDP; in 1937 it took 25 per cent. (Reynolds 2012)

FEDERAL TAX CUTS

“Recent years have seen about 2,500 jobs lost at the Canada Revenue Agency — the most of any single part of the government — with more to come, including budget cuts totalling \$259 million. Yet somehow, this is not going to have an impact on its ability to collect revenue...

CRA officials are taking the easy way out, rejecting risky cases of large-scale overseas tax evasion in favour of more certain, smaller victories — contractors, waitresses and other ordinary Canadians who represent the low-hanging fruit that is easier for the Agency to pick, rather than the wealthy Canadians who have the resources to hide their money overseas.” — Senator Percy Downe, Chair of Senate Liberal Caucus, 2014

Successive tax cuts, largely for the benefit of corporations and the affluent, have reduced the Harper government’s tax revenues to the lowest share of the economy in 70 years (CCPA 2014: 27). As a result, Canada has an increasingly regressive tax system and shrinking revenues that are being used to justify spending cuts, wage suppression, and inadequate support for public services.

⁴ Information in this section, except where noted, from BCFED reports noted in the references.

The federal government slashed the general corporate income tax rate from 29.1 per cent in 2000 to 15 per cent in 2011. This has led to corporations having over \$500 billion in cash surpluses (CCPA 2014: 29).

Finance Canada calculated that the federal government would lose \$6.1 billion in annual revenues when the federal government announced it was cutting the corporate income tax rate from a planned 18.5 per cent to 15 per cent — or \$1.75 billion per percentage point (CCPA 2014: 29).

Consider the following facts that give a startling picture of what has been lost and could be gained through a robust tax system (Hennessy 2014: 1-2):

- 29 per cent is the top federal personal income tax rate for earners making \$136,270 or more — in 1981, the rate for anyone earning \$119,000 or more (1981 dollars) was 43 per cent;
- \$2.5 billion additional revenue in 2015 if a tax of 35 per cent was adopted for incomes over \$250,000;
- \$6 billion estimated annual loss in revenue if the Tax Free Savings Account is doubled to \$11,000 per year;
- \$6.1 billion estimated annual loss in revenue from the corporate tax rate being cut from 18.5 per cent (in 2011) to 15 per cent; and
- Every dollar spent on public services or invested in public infrastructure generates an average of five times more jobs and immediate economic activity as a dollar lost to corporate tax cuts.

As recent as October 13, 2014, with a federal election pending, Prime Minister Stephen Harper is announcing a smorgasbord of tax goodies for Canadians — improvement in tax credit for parents with children in fitness

or sports programs (\$35 million annually in foregone revenues) and income splitting (\$3 billion annually in foregone revenues) (Whittington 2014: 1-3).

Meanwhile, the federal debt (accumulation of annual budget deficits) now stands at \$618 billion, up more than \$150 billion since the 2008 recession. Government claims it is on track to meet its target of reducing the debt to 25 per cent of GDP by 2021 (Whittington 2014: 1-3).

FEDERAL SPENDING CUTS

In his 2012 Globe and Mail article, Neil Reynolds wrote:

Based on headlines alone, most people would probably assume that Canada has a bigger federal government than it had 50 years ago. But we don't — not, at any rate in relative terms. In fiscal 1962–1963, a half-century ago, the federal government spent 16.8 per cent of the country's gross domestic product, the same percentage it spent in 1920." (Reynolds 2012)

While the Harper government has realized huge surpluses, it has no intention to use these surpluses to restore services that have been reduced or eliminated, or reinstate any of the 25,000 public sector jobs that have been cut. Instead, it talks about continuing to diminish services, handcuffing future governments.

Some of the cuts include:⁵

- Front line services to Veterans – nine Veterans Affairs offices closed and 25 per cent of staff cut;
- Search and Rescue – marine traffic control and search and rescue stations closed in St. John's and Vancouver;

⁵ Data from PSAC British Columbia, 2014.

- Food safety – plans to cut 19 per cent of the Canadian Food Inspection Agency’s 2010 workforce by 2017;
- Employment Insurance services – legislative changes to EI eligibility and cuts to EI call and processing centres;
- Front line tax services – closed all Canada Revenue Agency service counters;
- Fish habitat research – cut habitat staff in BC by 50 per cent;
- Statistical research – due to deep cuts to Statistics Canada, we no longer have the data needed for evidence-led decision making — by 2017, a further 27 per cent of StatsCan’s 2010 workforce will be cut;
- Preservation of Canadian heritage – cuts at Library and Archives Canada;
- National parks conservation and maintenance – not funding crucial infrastructure such as waterways, nor meeting the needs for nature conservation;
- Border security – cuts to front line Canada Border Services Agency officers, intelligence officials, and sniffer dog teams; and
- Support for our military – cuts to Department of National Defense civilian staff, with less support for missions abroad and Canadian military and their families.

The federal government does not provide a comprehensive list showing all the programs that have been cut or eliminated, or naming the non-government organizations that have seen all or part of their funding eliminated. However, a Toronto Star analysis pulled together a detailed account of the full range of recent cuts, as of December 2013.⁶ It is a staggering list that clearly depicts the ideological drive to dismantle Canada’s social programs and supports (Appendix 1).

6 Les Whittington, *Toronto Star*, December 9, 2013.

BC TAX CUTS

“I expected something but I didn’t expect tax cuts on quite that scale. It’s going to pave the way to an investment renaissance in British Columbia. Within three or four years we should be one of the leaders in Canada in new business investment.” — Jock Finlayson, Business Council of BC, Vancouver Sun, 2001

“Campbell, Clark and Falcon, however, deliberately chose to starve the government of much-needed revenues, thereby crippling public services. And despite billions upon billions of dollars in tax cuts — as well as record-high corporate profits — the private sector refused to respond with increased investment or job creation.” — Will McMartin, The Tyee, 2012

Attracting new investment to British Columbia was the reason offered over a decade ago by the BC Liberals as they launched their onslaught against the taxes paid by corporations and wealthy individuals.

Today, all available empirical evidence proves that those tax-cutting policies have failed. Between 2001 and 2010, the cumulative cost of Clark and Campbell government cuts just to corporate income taxes cost between \$7.7 and \$8.5 billion. By 2015, this is projected to be about \$17 billion.

The BC Liberals have also abolished or drastically slashed a variety of other taxes paid by businesses — in the former category, the corporation capital tax; in the latter, fuel, luxury automobiles, sales, school-purpose, property, and other taxes. These additional measures pushed the cumulative cost of BC Liberal tax cuts for businesses over the period 2001 to 2010 to well above \$12 billion.

Meanwhile, the BC budget and fiscal plans for 2011–2014 reported that corporate profits recovered in 2010 to \$21.8 billion — or 10.8 per

BC companies have taken home an extra \$12 billion in after-tax profit in the last 10 years at the expense of average British Columbians and the public services they count on. At no time in modern BC history have corporations earned so much and contributed so little to public revenue.

cent of GDP. It also projected that the profits would continue growing to \$31.3 billion in 2015.

Measured as a proportion of the provincial economy, the budget and fiscal plan asserted that corporate profits should rise from 11.3 per cent of GDP in 2011 to 12.3 per cent in 2015.

If we include the additional savings due to the elimination of the corporate capital tax and adjustments to the small business tax threshold and rate, BC companies have taken home an extra \$12 billion in after-tax profit in the last 10 years at the expense of average British Columbians and the public services they count on like health care and education. At no time in modern BC history have corporations earned so much and contributed so little to public revenue.

In the government's fiscal years of 2009–2011, lost revenue resulted in the reduction of jobs and services, including:

- 1,500 direct public service jobs to be eliminated over three years;
- Library funding reduced by 22 per cent;
- \$110 million cut from school district budgets through the elimination of facilities grants;
- \$78 million cut to education programs;
- 30 per cent cut to BC School Sports;
- Cuts between 10 and 62 per cent for environmental protection, parks and climate action;

- \$29 million cut from highways maintenance and commercial vehicle inspection;
- \$440,000 cut from domestic violence programs;
- \$700,000 cut from funding for transition houses;
- 6 per cent increase in MSP premiums;
- \$360 million shortfall for provincial health authorities; and
- \$285 million shortfall for post-secondary institutions.

These 2009–2011 cuts are on top of almost a decade of cuts in the health sector, in public education, in government and community social services, and in other areas affected by policy and tax changes instituted by the Clark and Campbell governments.

British Columbians have been living with the effects of these cuts and the province continues to compound their effect by making further reductions in services — despite the need for these services and despite public support for maintaining these services.

The past 12 years have also seen significant privatization of Crown corporations, including BC Ferries, BC Rail, parts of BC Hydro, and BC Gas.

One area that is not often thought about with the loss of public sector jobs is the economic impact this has on communities, dependent on government as the main employer, as well as the future economic impact with the reduction of the pensions these workers

would have earned. In 2013, the Conference Board of Canada released “Economic Impact of British Columbia’s Public Sector Pension Plans,” a study that shows that the plans raise savings in BC, which has the effect that plan members are better prepared for retirement and the economy has more investment capital (Conference Board of Canada 2013: 19-22).

BC SPENDING CUTS

Since the election of the Campbell and Clark Liberals in 2001, the total amount spent on public services as a percentage of GDP has been declining. In 2001/02, public spending totalled 22.3 per cent of GDP. By 2014/2015, public services spending dropped to 19 per cent of GDP.

This results in \$7.7 billion less in spending on public services. The provincial budget predicts this will fall to 18.3 per cent by 2016/2017, resulting in a total \$10.2 billion shortfall in revenue (Government of BC 2014).

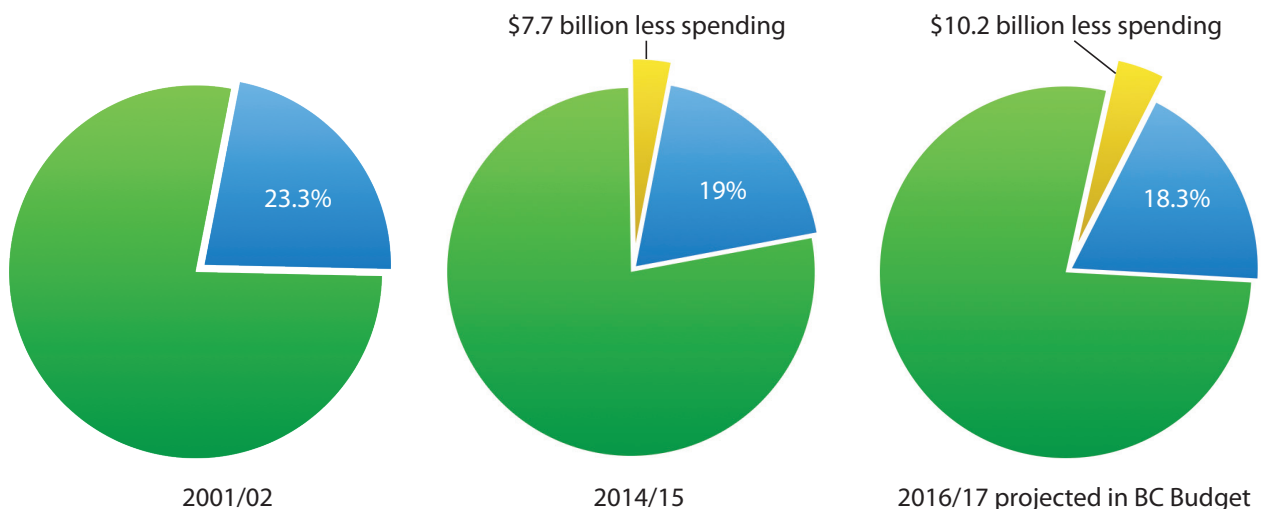
The reduction in spending can be seen dramatically in the case of provincial public

education spending, which has dropped from 5.5 per cent of GDP in 2001 to 4.6 per cent by 2016, a drop of more than 18 per cent in dollar terms. If the Clark government spent the same amount of the GDP in 2016, there would be \$2.9 billion more in spending for education. Compared to the average spending on education by other provinces in Canada, the BC government is spending nearly \$1,000 less per student.

Despite politicians crying wolf over “out of control” health care spending, the percentage of GDP spent on health care will begin to drop in 2016, resulting in \$764 million less being spent to take care of the health of British Columbians.

Government and community social services — including services for children, families and people with disabilities and benefit programs (like income assistance) that help alleviate poverty and lessen inequality — occupy a significantly smaller share of total spending. In 2000/01, social services represented 12.5 per cent of the budget, but in 2014/15, these programs are forecast to amount to just 8.3 per cent of total

BC Government Spending as a Percentage of BC GDP

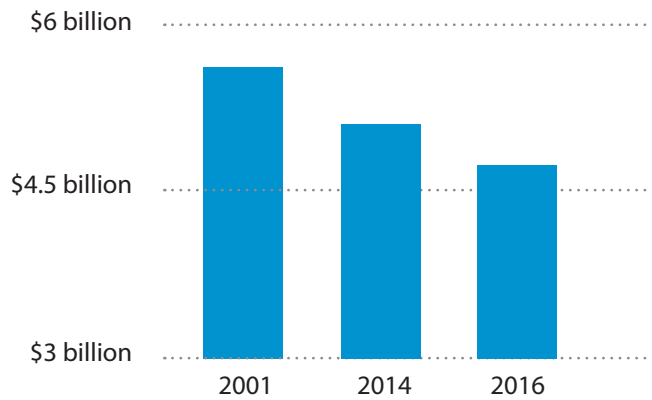




provincial expenses, a reduction by one third. Put differently, if today's government allocated to social services the same proportion of its total spending that it did just over a decade

ago, an additional \$1.8 billion would be available for the programs that support the most vulnerable British Columbians (BCGEU 2014: 6-7).

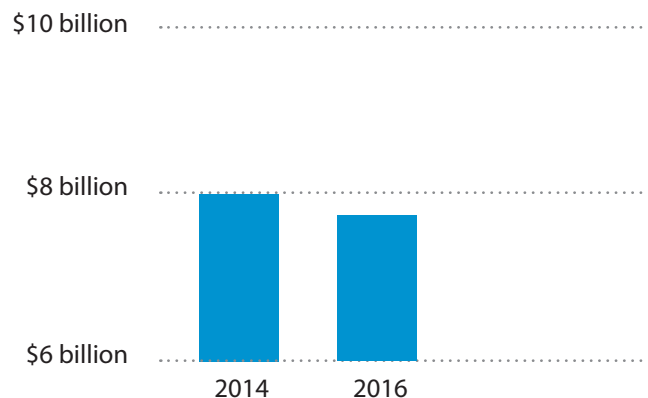
Education Spending as a Portion of BC GDP



In 2014, BC spent \$1.17 billion less in education spending than in 2001.

By 2016, BC projects to spend \$2.29 billion less in education spending.

Health Spending as a Portion of BC GDP



By 2016, BC projects to spend \$764 million less in health spending.

DOWNLOADING ONTO LOCAL GOVERNMENTS

"In our last community survey, we heard that residents were not in favour of artificially low tax rates, if this meant cutting services or deferring necessary maintenance." — R.K. Wood, mayor of West Vancouver, *Vancouver Sun*, 2014

From public transit and recreation facilities, to drinking water treatment, sewage infrastructure, and policing and fire services, local government services are at the centre of our daily lives, our health and our economic prosperity. And, in Canada, sewer, water, garbage and recycling infrastructure and services come from our local government for less than the price of a home cable, Internet and television package (Columbia Institute 2014).

In 2014, the Columbia Institute published "Who's Picking up the Tab?" The report defines downloading (or offloading) as the range of ways that provincial and federal governments pass administrative costs, capital costs, service provision and other expenses and responsibilities to local levels of government without adequate funding or revenue streams.

Some of the most common forms of senior level government downloading noted in "Who's Picking up the Tab" include:

- Direct offloading of federal or provincial programs and/or responsibilities without adequate funding or revenue tools;
- Regulatory changes that require spending by municipalities;
- Enforcement of federal and provincial regulations;
- Cancellation of programs and services that are needed or expected by the public;
- Reduction or cancellation of senior government transfers or program funding; and
- Underinvestment by senior governments in infrastructure maintenance, renewal and replacement.

The shift in revenue is acutely apparent in capital investment. In 1955, the federal government accounted for 34 per cent of capital investment; by 2003 the federal share had declined to 12 per cent, while the local government share went from 27 to 48 per cent. The cumulative effect of under-investment was an infrastructure deficit of about \$145 billion by 2011.⁷

Local governments are hamstrung in their ability to respond to a number of their service pressures. In addition to transfers from senior levels of government, the main source of revenue is property taxes and user fees. Tax cuts at senior levels of government affect local governments' ability to keep pace with demand. Federal and provincial transfers to local governments are \$4 billion less than they would have been had 1995 per capita transfers remained constant (Columbia Institute 2014).

Tax cuts and the subsequent loss of revenue provide challenges to maintain adequate public transit, policing, fire, roads, parks, and social supports, among many other services.

Some local governments understand the connection of tax revenue and services. Recently in the *Vancouver Sun*, Larry Pynn wrote about the Fraser Institute's new report, "Comparing Municipal Government Finances in Metro Vancouver." In per capita spending, West Vancouver has the highest spending per capita.

⁷ Hugh Mackenzie, "Canada's Infrastructure Gap: Where it came from and why it will cost so much to close," Canadian Centre for Policy Alternatives, January 2013, referenced in Columbia Institute 2014: 39.

Downloading of costs from federal and provincial governments onto local governments is acutely apparent in capital investment. For example, in 1955, the federal government accounted for 34 per cent of capital investment; by 2003 the federal share had declined to 12 per cent, while the local government share went from 27 to 48 per cent.



The mayor of West Vancouver makes no apologies and is quoted as saying, "This is a very desirable residential community. And one of the reasons is because our residents desire

excellent services. They get very good value for services" (Pynn 2014: A1). The Mayor certainly understands the connection between adequate revenue and services.

Fighting Back

The BCFED Public Sector Summit in March 2014 included strategic discussions about how to fight the attack on public services. The participants not only examined opponents of well-resourced public services, but also the organizations that understand the connection between tax revenues and public services.

Some of the organizations, in addition to unions, that can be deemed “advocates” for public services through their commentary, research, and activities to champion progressive change include:

- Canadian Centre for Policy Alternatives;
- The Broadbent Institute;
- The Tyee;
- Metro Vancouver Alliance;
- Columbia Institute;
- Canadians for Tax Fairness;
- BC Acorn;
- Winch Institute; and
- Campaigns, projects and issue-based coalitions.⁸

Most of the organizations examined are structured as not-for-profits with charitable status. With this status, the federal government has increasingly linked the inability to have charitable status (affects fundraising) and undertaking advocacy or political action.

⁸ Other examples include Doctors for Fair Taxes, Lawyers for Fair Taxes, and The Uncut Movement.

Securing and keeping funding is an ongoing challenge for these organizations.

It appears that none of the spokespersons are able to capture the ongoing media attention that, for example, Jordan Bateman from the Canadian Taxpayers Federation does. The advocate spokesperson is often dismissed as being from “that left-leaning” organization — a way to discredit, or call to question the credibility of message as being “self-serving.”

Summit participants looked inward at the labour movement and concluded that there was work that we could do together. The BCFED, for example, could systemize its coordination of union staff working in research and communications. It could also build and link advocates with existing campaigns and resources.

Working sessions at the Summit resulted in the following feedback:

- Define a common message;
- Have an independent at-arms-length spokesperson;
- Establish an organization for rapid response;
- Provide members with more information about the tax cut messages;
- Re-engage members for a successful campaign;
- Access a stable of progressive professionals — economists, academics — who can be third party validators, do research;

Participants at the BCFED Public Sector Summit in March 2014 not only examined opponents of well-resourced public services, but also the organizations that understand the connection between tax revenues and public services.



- Share amongst each other, knock down silos;
- Work in the regions;
- Involve younger members and members of diversity;
- Work with labour councils;
- Talk to the organizations that labour currently supports;
- Look for common ground, share resources;
- Expand the scope beyond the public sector; and
- Have a vision/campaign for five years.

BUILDING ON PUBLIC SUPPORT

In April 2012, the Broadbent Institute conducted a poll asking Canadians whether the growing gap between the rich and everyone else is a problem. More than 75 per cent consider the growing gap to be a serious problem with long-term negative consequences for our society (Broadbent 2012: 1-2).

In this poll, the majority of Canadians (71 per cent) say this trend undermines Canadian values. Almost 64 per cent of Canadians are willing to pay higher taxes to protect social programs that they value and help reduce income inequality. Even high-income earners were as willing as the rest of Canadians to pay slightly more in taxes. It is only our governments that are offside.

The majority of Canadians also support the idea of returning corporate tax rates to 2008 levels (19.5 per cent). The Broadbent Institute research shows Canadians are prepared to do their part and that they expect wealthy, corporate Canada and their own governments to be part of the solution, not a part of the problem (Broadbent 2012: 1-2).

An online survey of 1,000⁹ BC residents gauged public opinion about the then round of public sector bargaining and general perceptions of public sector workers. The majority of respondents (61 per cent) perceive that unions help improve working conditions and pay for all workers; unions create a strong middle class and that all workplaces are safer because of unions. Close to 70 per cent of those polled thought that public sector workers work hard and do a good job for British Columbia; have had to do more with less for 10 years, and are paid fairly for work they do. Over 75 per cent of



those polled supported an increase in taxes on corporations and high income earners.

In a telephone survey of 1,035 BC residents¹⁰, the majority of British Columbians opposed cuts to federal services, including:

- 68 per cent of respondents oppose reductions in staff at the Canadian Food Inspection Agency, responsible for food safety, including 48 per cent strongly opposed and just 16 per cent in favour, with 14 per cent undecided;

9 Poll conducted for the BC Federation of Labour, 2012

10 StratCom Strategic Communications, conducted for Public Service Alliance of Canada, BC July 12-16, 2012.

The labour movement needs to aggressively challenge the constant and repeated right-wing propaganda about taxes. Labour has the strength, skills and resources along with advocates for public services to mount a long-term strategy.

- 65 per cent are opposed the closure of the Kitsilano Coast Guard Station in Vancouver and Coast Guard marine communications centres in Tofino, Comox, and Vancouver, including 48 per cent strongly opposed, with just 15 per cent in favour and 18 per cent undecided;
- 63 per cent are opposed the closure of Fisheries Offices and salmon habitat protection programs in BC, with 39 per cent strongly opposed and just 20 per cent in favour, with 17 per cent undecided; and
- 57 per cent are opposed to reducing the camping season and visitor services at national parks in BC, with 33 per cent strongly opposed and just 24 per cent in favour, with 19 per cent undecided.

SHIFTING THE DEBATE

*“The left can learn from the right that it needs to expand its infrastructure in order to strengthen and unify itself; also, that it needs to develop a clear narrative capable for shifting the window for all political parties. Progressives need to galvanize more resources with the focus on media, think tanks, university campuses, lobbying and litigating” — Diana Gibson, *The Great Revenue Robbery*, 2013*

The Conservative agenda controls the message that taxes are bad. The labour movement needs to aggressively challenge the constant and repeated right-wing propaganda about taxes.

Labour has the strength, skills and resources along with advocates for public services to mount a long-term strategy. We need to have the debate about taxes and paying for the services we want for our children and for ourselves.

We know there are many solutions to shift this debate. We need to think big — we need to think like the right and systematically, over time, implement a long-term strategy to shift this debate around taxes and we need to hold politicians accountable. It’s a serious conversation about the society we want.

CALL TO ACTION

Now is the time. BCFED Officers, in principle, support a long-term strategy to shift the debate to equate tax cuts with reduced public services. With tax revenues at their lowest share of the economy in 70 years, the situation is desperate. With the Harper government about to head into an election in 2015 and the Clark government heading into an election in 2017, both wielding more tax cutting measures (either through cuts or goodies that reduce revenue), it will leave us with a Canada we barely recognize.

Unless political leaders take a stand on taxes that fund public services adequately, we are in trouble. Unless we take a stand, we are in trouble.

Appendix: Conservative dismantling social programs built over generations

Ottawa's cutbacks in recent years have affected programs, services and non-government agencies in nearly every aspect of Canadian life. No official list exists showing what programs and organizations have seen their funding reduced or eliminated altogether. The Toronto Star has compiled a detailed directory, "Cut By Canada" that lists more than 100 previous and planned cuts under the Harper government. See the interactive graphic at thestar.com/news/canada/2013/12/09/interactive_graphic_stephen_harper_governments_cutbacks.html

THE UNEMPLOYED

- Canadian Apprenticeship Forum
- Federal Youth Employment Program
- Stricter, more complex rules for receiving Employment Insurance benefits
- Proposed Canada Job Grant is meant to improve job training but provinces say it will divert money now used to training jobless workers most in need of employment skills

DEMOCRATIC DEVELOPMENT GROUPS/PROGRAMS

- Canadian Council for International cooperation
- Canadian Teachers' Federation International Program
- Democracy Council
- Kairos
- Rights & Democracy

- Canadian Catholic Organization for Development and Peace
- Mada al-carmel

VETERANS

- Nine veterans affairs offices being closed

ENVIRONMENTAL GROUPS/PROGRAMS

- Climate Action Network
- Global Environmental Monitoring System
- Sierra Club of BC
- National Round Table on the Environment and the Economy
- Experimental Lakes Area
- The Canadian Foundation for Climate and Atmospheric Sciences

LOW AND MIDDLE-INCOME CANADIANS

- Canadian Council of Social Development
- Canadian Labour and Business Centre
- Canada Policy Research Networks
- National Council of Welfare
- Canada Without Poverty
- Centre for Equality Rights in Accommodation

THE ARTS COMMUNITY

- Canadian Heritage Centre for Research and Information on Canada
- Canadian Conference of the Arts

- Canadian Heritages' Engagement and Community Participation program
- National Gallery of Canada
- Library and Archives Canada

ABORIGINALS

- Aboriginal Healing Foundation
- First Nations Child and Family Caring Society
- First Nations and Inuit Tobacco Control Program
- Kelowna Accord
- Native Women's Association of Canada
- Sisters in Spirit

COMMUNITY BUILDERS

- Canadian Volunteerism Initiative
- Community Access program for internet access in community centres
- Katimavik

STUDENTS

- Canadian Council on Learning
- Federal Adult learning and Literacy programs

WOMEN

- Action Travail des Femmes
- Alberta Network of Immigrant Women
- Association Féminine d'Éducation et d'Action Sociale
- Atlantic Centre of Excellence for Women's Health
- British Columbia Centre of Excellence for Women's Health

NEWCOMERS TO CANADA

- Afghan Association of Ontario Canada — Toronto
- Medical help for refugees reduced under changes to Interim Federal Health Program
- Alberta Network of Immigrant Women
- Bloor Information and Life Skills Centre
- Brampton Neighbourhood Services

PATIENTS

- Annual increase in health care transfers to the provinces reduced after 2016
- Health Council of Canada
- Drug Treatment Funding Program
- Canadian Institutes of Health Research

PARENTS

- National Early Learning and Child Care Program — a \$5 billion, 5-year plan — scrapped in favour of a \$1,200 a year (taxable) payment for families for each child under six (6) years of age
- Canadian Child Care Federation
- Child Care Advocacy Association of Canada

SENIORS

- Old age security — age of eligibility raised to 67 years from 65

RIGHTS ADVOCATES

- CIDA Office of Democratic Governance
- Court Challenges program (except language right cases)
- Law Commission of Canada
- Pride Toronto
- Canadian HIV/AIDS Legal Network



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