TORIES' LABOUR LAW

from page 55

contracts out a government function to a private entrepreneur. This enhances the position of the private entrepreneur and harms that of the workers who had exercised their freedom of choice under laws that preceded the NDP's Bill 40.

If Bill 7 were a mere repeal of Bill 40, it would have been a mindless, but not very important, exercise. It would have left the understandings of Canada's matured capital-labour relations system intact. The truth is that the NDP did not change anything fundamental with its Bill 40. Under the guise of being merely a reaction to Bill 40, Bill 7 turns out to be a radical attack on 50 years of employer-employee relationships in Canada. The Tories' unstated belief that primitive domination by wealth owners over the rest of us is a good thing is thereby revealed. Their notion of democracy is an ugly one. Bill 7 shows they believe that formal equal treatment of the rich and powerful and the poor and vulnerable amounts to democracy. Even the Supreme Court of Canada, a none-too-radical body, has denounced this proposition. Under the guise of the pursuit of democracy for individuals, the attack on organized workers, by dint of Bill 7, is of the same order as the Tories' economic attack on welfare recipients. The idea is that individuals should be pushed back to rely on their own, non-existing resources to do battle with those who have massive resources. This is the Tories' vision of a just and democratic society.

Harry J. Glasbeek is a professor of law at Osgoode Hall Law School, York University.

I KNOW JACK KEMP AND, MR. HARRIS, YOU ARE NO JACK KEMP

BY ALAN S. ALEXANDROFF

With the Common Sense Revolution (CSR) as a compass, the Harris government sailed directly for the fiscal target set out in the CSR — a balanced budget in Ontario by the end of the 2000-01 budget year.

To do this, according to the Dominion Bond Rating Service (B. Miron, "Province of Ontario: An Analysis of the Fiscal and Economic Statement" in *A Report by DBRS*, December 1995, at 15), the Harris government will have to reduce Ontario's total expenditures (capital, program, and public debt interest) from \$56.094 billion to \$51.970 billion, and program spending from \$47.125 billion to \$41.410 billion in 2000-01.

We have already witnessed two installments of reductions by Minister of Finance Ernie Eves. Unfortunately, the first of these, a cut of \$1.9 billion on July 21, 1995, was occasioned by the largely discredited NDP government's continuing mismanagement, and was required merely to place the government in a position to commence the CSR at about the point originally indicated by the electoral plan. The second installment came on November 29, 1995, and represented something very close to a budget statement. The statement announced transfer payment cuts to municipalities, universities/colleges, and hospitals (MUSH) of about \$4.1 billion over the next two years, plus reductions of some \$1.4 billion to government operations. The government's determination is evident: further expenditure cuts appear to be on their way in the first Harris budget in April or May 1996, the kick-off of the CSR, and rumours are already out that the cuts to the Ontario Public Service (OPS), originally estimated in the CSR to total 13,300, could eliminate well over 20,000 positions. What, then, is the problem?

The CSR is not revolutionary, certainly not in conservative and supply-side terms. It neither attacks government in the radical way that supply-siders like Steve Forbes and Jack Kemp are proposing, nor does it focus sufficiently on a growth agenda.

CONTRADICTION: A BALANCED BUDGET AND A TAX CUT

One contradiction is obvious and has been noted by opposition parties, the media, and economic commentators: the tension generated by the CSR's effort to attract the fiscally prudent and conservative by simultaneously promising to balance Ontario's budget and to cut income taxes by some 30 percent. The second contradiction is less well understood and even less frequently commented on: the CSR is not revolutionary, certainly not in conservative and supply-side terms. It neither attacks government in the radical way that supply-siders such as Steve Forbes and Jack Kemp are proposing, nor does it focus sufficiently on a growth agenda.

It is unclear what was originally promised by the Conservatives — a 30 percent personal income tax cut, or a 30 percent reduction in income tax rates for Ontario taxpayers — but the tension between a balanced budget and a tax cut is apparent. In the first budget year (1996-97) of the CSR, after taking into account 50 percent of the total tax cut (or some \$2.2 billion in revenue reductions) as promised by the CSR, the government was projected to reduce Ontario's deficit by less than \$1 billion. And the CSR's target for a balanced budget beyond the turn of the century (and, not coincidentally, beyond Harris's first mandate), would lead to Ontario's debt rising from almost \$100 billion to nearly \$120 billion.

It is, therefore, not surprising that the more traditional Tory elements and the more fiscally minded business interests have sounded the alarm on the CSR. They have urged the Harris government either to forget the tax cut altogether until a balanced budget is achieved, or at least to postpone its initial implementation by commencing the cut on January 1, 1997, and subsequently reviewing the fiscal situation to determine if further cuts are possible.

NEITHER "COMMON SENSE" NOR A "REVOLUTION"

Yet the more intriguing and, perhaps, more significant aspect of the plan is its failure to live up to its "revolutionary" and "growth" character. Failure to fulfill the former aspect was evident in Harris's decision to exempt health from the plan. At \$17.4 billion, this exemption represents a significant barrier on the government's effort to end deficits. Indeed, in the first two expenditure-reduction initiatives, the health care budget has been cut, leaving the government in the awkward position of suggesting that it will increase expenditures in the future to maintain its promise of no health care reductions. In attacking the size of government in Ontario, it would have been more consistent to reduce expenditures generally and avoid this patchwork of exclusions. (I am not attempting here to address what was clearly an electoral strategy, but to assess the character of that strategy.)

A truly revolutionary approach must focus on enlarging opportunity and personal wealth creation. It is on these bases that we can deepen the commitment to a democratic society.

Borrowing the income tax strategy from New Jersey Governor Whitman was a fiscally simplistic effort. Little thought was given to assessing Ontario's real potential for growth, as opposed to some abstract model. Without much comment, the CSR suggested simply, if not simplistically, that an across-the-board income tax cut would create 725,000 jobs between 1996 and 2000, which translates to a job growth of some 145,000 per year. Yet the Harris government now predicts that unemployment is likely to increase in 1996, and slightly again in 1997. According to forecasts by Liberal finance critic Gerry Phillips — one not prone to exaggeration — the Harris government will have to create 180,000 jobs a year for its final three years in office if it hopes to achieve its job-growth targets (G. Phillips, *Treasury Watch*, vol. 2, no. 4, January 4, 1996, at 2). This outcome seems even more problematic in view of the anaemic job-growth figures for Ontario in 1995 and the fragile predictions for the immediate future.

A revolutionary approach, on the other hand, would have focused on capital formation, investment, and elimination of the job-killing aspects in Ontario's economic policy. Innovative private-sector financing and local economic development approaches should have merited a subsection in the CSR. Although radical flat-tax proposals would be hamstrung immediately by jurisdictional limitations, approaches aimed at energizing business and entrepreneurship were, nonetheless, well within the scope of the CSR. A truly revolutionary approach must focus on enlarging opportunity and personal wealth creation.

It is on these bases that we can deepen the commitment to a democratic society. The CSR, however, looks at only one part of the broader equation of "increasing the pie." Although it borrows some of its rhetoric from the growth strategists, there is little in the CSR that focuses on fundamentally energizing Ontario's economy. I would suggest that the CSR is neither common sense nor a revolution.

Alan S. Alexandroff is managing director at Strategic Policy Initiatives, Inc.

THE ECONOMIC STATEMENT AND ONTARIO UNIVERSITIES: IS THAT BLOOD OR RED INK?

BY DONALD C. WALLACE

Cuts in university grants are nothing new to Ontario. Even the NDP government cut provincial transfer payments in each of the last three years; before then, grants failed to keep pace with cost increases. And, for the most part, universities coped with the cuts quietly, if not easily. All that changed on November 29. Even though Finance Minister Ernie Eves devoted only a single page of his 40-page economic statement to Ontario's universities and colleges, he did signal the most significant changes to post-secondary education in Ontario in three decades and promised to alter fundamentally the character of Ontario's universities. Although it would be an exaggeration to label Ontario universities as private, they are now only "half-public." The economic statement puts many achievements in Ontario post-secondary education at risk, but it may take a year or two before the full impact on quality and accessibility can be felt.

The economic statement contained five provisions that directly affect universities:

1. Grants were reduced by $280 million, or 15 percent.

2. Universities were allowed to increase basic tuition fees by 10 percent and were given permission to increase discretionary fees (already set at 13 percent of the formula fee) by an additional 10 percent. If a university raises tuition fees to the maximum extent possible, a liberal arts student will see 1996 tuition fees increase from $2,451 to $2,935 (before ancillary charges, student-mandated levies, or residence costs).

3. Universities were required to set aside 10 percent of any new fee revenues for local student aid. Foreign student fees will be deregulated.

4. Foreign student fees will be deregulated.

5. The government pledged to release a discussion paper in 1996 on future goals for Ontario universities and colleges. In keeping with the deregulatory bent of the government, issues to be addressed by the paper included the appropriate share of post-secondary funding to come from tuition fees, differential fees for graduate and professional programs, accessibility, program rationalization, and university-community college collaboration. A six-month consultation process will follow the release of the paper to "assist in providing a new framework to guide government policy on post-secondary education."

CRIPPLING CUTS

Notwithstanding some dire predictions of even deeper cuts, the Harris government stuck to the Common Sense Revolution when it came to post-secondary education. Ontario universities could also claim some success in this outcome. Both the Council of Ontario Universities and many individual university presidents had pressed the government for significant fee deregulation to offset grant reductions. By tinkering with

continued on page 58