

Canada's Financial Bailouts: A Whole New Round of Attacks on the Working-Class

By [Steve da Silva](#)

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It's in the time of economic crisis that it becomes most apparent whom capitalism (and the governments that manage it) really works for.

For the last four months politicians and mainstream economists have incessantly uttered two lies to the people regarding the current economic crisis: (1) that it was completely unpredictable; and (2) that we should not worry because economic recovery is on the near horizon, perhaps in a quarter or two. Nothing could be further from the truth, and most of these "experts know it.

The truth is that this crisis was completely expected, and that our society will not emerge from this crisis looking like what it did going into it. Anyone familiar with the economic forecasts of popular and independent economic institutes like [MonthlyReview.org](#) or [GlobalResearch.ca](#), would have seen the current economic crisis coming years, if not decades, ago.

The Root of the Crisis: Stagnation

The root of everything wrong with the economy today is inherent to capitalism. Capitalism must constantly expand because capital itself must constantly expand - i.e. it must be invested in the production of new commodities and the exploitation of more workers so as to attain a rate of profit as high as or more than the average.

When capital is unable to find profitable outlets for investment, this is what is called stagnation, and stagnation from the perspective of capital equals crisis! It's important to recognize that this "crisis" is characterized by an abundance of productive capacity, and an abundance of resources, human and otherwise. This is what distinguishes capitalism from every other mode of production that preceded it: crisis means too much - too much productive capacity and too much capital in the context of too little profitable investment opportunities for the kings of the economy. Another way to understand stagnation is that the capitalists are unable to sell all that they can produce. In an economy where the means of production (factories, banks, communications, transportation, etc.) are collectively owned, the notion that abundance means crisis is an absurdity.

When we begin to recognize that the current crisis is one of stagnation in the real economy, we begin to see whose crisis the current one really belongs to.

To make short a very long story, suffice it to say that stagnation has been endemic to the economies of Western countries since the 1930s. What's staved off the current crisis from

surfacing for over seventy years now has been the opening up of massive areas for new investment, such as the military spending for World War II, and every war after that; the mass consumption of the automobile and how that paved the way for suburbanization of North America; the creation of the welfare state which led to massive expenditures in public infrastructure from the 1940s onward, thus providing another major outlet for capital; and then the period of “neoliberalism” from the 1970s onwards where much of this public infrastructure was placed on the market for privatization; massive consumerism made possible by the rise of household and consumer debt; and of course we cannot forget the violent exploitation and plunder of the “Third World” which worsens daily.

The reason that the real wage (the wage a worker receives once we factor in the eroding effect of inflation) has itself stagnated over the last few decades is because of the need for capitalists to exploit more profits from workers.

From the 1970s onwards, with stagnation beginning to rear its ugly head once again and capitalists finding it increasingly difficult to make a buck (or a billion) in the old way – by exploiting labour – the ruling class began to come up with financial schemes to generate profits.

There’s a reason that the realm of production is referred to as the “real economy”: it’s in the “real economy” where the most profits are generated. When a worker takes out a loan to cover his living expenses, and when the bank seizes part of his income in the form of interest, no new profits have been created. Finance has only found a new way to redistribute income in the economy, not a new way to produce it.

Since the 1970s, in order to hold back stagnation, capital has massively redirected its investments toward financial markets. The problem with financial markets is the speculative nature of the investment. What does this mean? To put things in the simplest of terms (at the expense of somewhat glossing over some important qualifications), the problem with financial investments is how an investment is essentially betting on the future ability of that investment to pay off, be it the rise of a commodity’s price or the ability of a debtor to pay of his debts.

How fragile this system actually was revealed itself to all of us this past Fall of 2008 (pun intended) when America’s largest financial institutions began to collapse, triggered by the “sub-prime mortgage crisis” . Americans began to go bankrupt at record levels when they found themselves unable to service the unrealistically high mortgages and consumer debts pushed down their throats by financiers eager to lend out money with interest rates being so low. Millions of Americans lost everything they owned – or what they thought they owned.

The greatest lie circulated in the wake of the sub-prime mortgage crisis and the current Depression that it triggered was that this crisis was unforeseeable. This lie has become the basis for the kings of capital screaming that the sky was falling and pleading with governments that they were “too big to fail”.

What has followed in every “First World” country has been an orderly and well-managed unfolding of the crisis whereby government after government has come to the rescue of private banks and corporations, while leaving regular people out in the cold.

The Canadian Government’s Response to the Crisis

The U.S. government's bailouts of private capital over the last few months – which now runs into the trillions and what has been correctly identified as being the largest transfer of wealth in world history – at least generated a certain degree of public debate in the U.S. – even if to no avail. The Canadian government has followed suit with its own guarantees, loans, and bailouts to the big capitalists, and we in Canada haven't had anywhere near as much public debate. Instead of honest debate about the economy, what Canadians got was a distracting political theatre in November 2008 when two pro-big capitalist parties – the Liberals and the NDP – were trying to take the reigns of government from the third one, the Conservatives – the most shamelessly pro-big capitalist party of the three.

While hundreds of thousands of full-time jobs were disappearing from the Canadian economy in 2008 – 140,000 in November and December alone, with Ontario being hit the hardest – the government was bailing out the rich.

In November 2008, the Canadian government announced that it would “guarantee” \$200 billion in loans for the banks, and that it would buy, through the Canada Mortgage and Housing Corporation, \$75 billion in mortgage loans from Canadian banks. Then came the U.S. and Canadian governments emergency loans to the “Big Three” automakers, totaling \$17 billion in the U.S. and \$4 billion in Canada. While some argue that these loans were necessary to prevent further job losses, the loans cannot address the fact that workers are less and less able to purchase cars, especially in a time of recession, and also that what is needed is massive public transportation investment, not propping up private industry which has proved so environmentally destructive and unsustainable.

While the Canadian government says that these measures – the guarantees, the loans, the bailouts – were necessary in order to inject “liquidity” into the economy and get banks lending again, what's in essence happening is that the public is being made to take over debts from private corporations at a time when those debts are becoming insolvent (i.e. becoming more likely to default).

And so we see that we do not and have not lived in a free market, at least not for the last century. Socializing the losses and privatizing the profits has become the modus operandi of monopoly capitalism in its current stage.

Meanwhile, politicians, mainstream economists, and capitalists deny that they saw it coming. Of course they do. When the big capitalists were wrecklessly lending out money to people who would never be able to pay it back, it's not they didn't see the collapse coming, it's that they knew that they would be able to use the collapse they engineered as a pretext for a new round of attacks on the working class.

Aside from the massive job losses, in what other ways are regular people coming under attack? In late October 2008, the Conservative government announced cuts to the corporate tax rates from the then 22 percent to 15 percent by 2012, which in the current fiscal year alone would amount to \$10 billion more in the pockets of corporations. And let's not forget the \$490 billion for new military spending over the next twenty years, which the Conservatives announced in June 2008. Military spending, now more than ever before, is being used as a way to prop up profits for the rich at a time when they are trying to protect their fortunes and control over the economy.

According to a report published on January 8, 2009, the pension plans of Canadians are experiencing historic losses. With Canadian pension plans being invested in financial

markets, these plans have experienced massive losses in their investments, ranging from 10% to 20% depending on the particular pension fund.

While the Federal Conservative government assures Canadians that help is on the way with the January 27th budget, and that Canadians should brace themselves for massive deficits not seen in decades, nothing that the Canadian government has done so far suggests that this “help” is for regular Canadians. The \$20-\$30 billion more in “stimulus” spending being promised by the Canadian government, we can be almost completely certain, is going to line the pockets of the already filthy rich. And all this money has to come from somewhere...

In this moment of the greatest economic crisis since the 1930s, regular Canadians need to start organizing themselves in their communities and in their workplaces to defend themselves against the ruling class’s new round of attacks.

Anything above and beyond merely defending what we currently have under this system is going to take a far broader struggle than the Canadian working class is prepared for. This is the struggle for a socialist society. While Canadians are clearly not ready for this struggle, subjectively or objectively, nothing less than a fully socialist alternative can resolve the contradictions of monopoly capitalism that we’re currently experiencing.

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Articles by: [Steve da Silva](#)

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