

**“Child Care Within an Economic Agenda that Works for Canadians”**  
**Speech to the Coalition of Child Care Advocates of BC**  
**By Seth Klein**  
**Friday, Feb 23, 2001**

Good evening. It is a pleasure to be with you tonight. I thank you for this invitation, and for this opportunity to strengthen the ties between your organizations and our Centre. You are doing fantastic and vital work, and I am honoured that you’ve asked me to join you. And you are starting to win in this struggle (although sometimes it may not feel that way), so you have something to teach other social justice groups.

You are a special, if perhaps odd kind of people, inviting me here to talk about the dismal topics of economics, budget surpluses, and taxes on a Friday night, after a hard week — but that’s OK, you’re my kind of people. I’m a little odd too. I wrote my thesis on the national debt debate – thrilling subject matter. These days, it’s easy to pack people into a seminar on how to avoid taxes (people attend such events without shame). But a talk on *why* we pay taxes, and how we should spend that money together—that’s a different matter entirely.

In truth though, these are great topics; they are, as the title of my talk suggests, about how to re-conceive of an economy that truly works for people. These topics are ultimately about our values and priorities as a society, and there is nothing more compelling.

I should start, however, for the benefit of those not familiar with our work, by saying a little bit about what the CCPA is.

The CCPA is a research institute, committed to social and economic justice. We produce and publish progressive public policy research.

When I’m asked to explain in a sentence what our Centre does, my answer is that we produce and promote research designed to challenge the TINA phenomenon—TINA being an acronym for the prevailing message, immortalized by Margaret Thatcher, that “there is no alternative” to the policy preference of big business. It is a claim we hear from government and corporate spokespeople, in one form or another, all the time: we wish we didn’t have to cut jobs and social programs, or that we could do more to fight poverty at home and abroad, but we must reduce the deficit or debt; we wish we could make all corporations pay their fair share of taxes, but we live in this globalized free market economy; we wish we didn’t have to focus tax cuts on the wealthy, but we must in order to stem the so-called brain drain of our “best and brightest”; we wish unemployment wasn’t stuck near 7%, but this seems to be the new “natural” rate of unemployment in the new economy; we wish we could pay workers more and do more to protect the environment, but this would undermine competitiveness and kill jobs, we wish we didn’t have to open-up our health care system to private corporations, but rising costs give us no alternative.

We believe that politics is still about choices—that there are, in fact, alternatives. Since 1980, the CCPA has been making this case. We produced much of the early research

warning of the dangers of free trade, and have argued since against those policies and agreements (such as the MAI and the WTO) that increase the mobility, and hence the power and influence, of transnational corporations. We have published many pieces that re-affirm the role and value of a strong public sector and public services.

The publication we have become best know for in recent years is the Alternative Federal Budget, which we have produced for six years now, and which each year has laid out a detailed and hopeful plan to balance the budget, while still enhancing our social programs, creating jobs, and making the tax system more fair. (More on the AFB in a few moments.)

I was hired to open the CCPA's BC Office in January 1997, in an effort to bring more balance back to public policy debates in this province. Since that time, we have been publishing regular research studies of particular interest to British Columbians, and have become a visible presence in policy debates here in BC. I work with an wonderful group of five other people in our BC office now (and 19 across the country), all of whom are committed to our project, and work very hard to produce research re-affirming that there is still another way -- that we can and should care better for one another, and we can defend and develop programs that allow us to meet important needs more equitably and efficiently by doing so collectively

Reading rants on child care from the like of Michael Campbell has got me re-thinking about the challenge we face – about what we are up against.

I've always said that we at the CCPA and our popular sector partners like you are confronting neo-conservatism—this set of policy prescriptions that privileges the corporate sector and free market solutions to everything. But really, following the reaction of some to the call for a national universal publicly-funded child care program, I've come to realize that what we are facing is more than neo-conservatism. It is perhaps more appropriate to dub the reaction “neo-Neanderthal.”

Because fundamentally, the reaction you get to public child care defies all reason. The reaction essentially is saying: “I don't care what all the research says — I can't be bothered to lift my knuckles off the floor long enough to read your stupid studies! Who cares that economists estimate that for every dollar spent on child care, there is \$2 saved down the road. Who cares about the research showing clearly that an investment in early childhood development means young people will do better in school later and are more likely to live as healthy and productive citizens. I don't want to pay for it. I think women should stay home.”

Which brings me to another troubling double-standard that is exposed by the struggle for child care, and that has to do with the how the Right talks about the value of child care *differently* depending on the income – the social *class* (if you will permit me the use of that five-letter word)– of the women in question. Specifically, when referring to middle and upper-income women, the Right says, “if these women *choose* to work [read, if they frivolously and self-absorbedly insist on working and refuse to stay home], then they should pay for their own private child care.” However, when the public policy debate turns to poor women, little sympathy is offered for those who choose to raise their

children at home, and instead the clear message is that these women should get out and “get a job.” So much for public policies supporting true choice.

So you see, your struggle has a lot to teach the broader social justice movement, because it exposes a number of the neo-conservative project’s underlying contradictions.

Let me take that a little further.

First, as I’ve mentioned, your campaign highlights the fact that the neo-con project isn’t really about spending public money smartly or wisely — it is merely about downsizing government and flatly rejecting the notion that, sometimes, it makes sense to meet our needs together, rather than privately (even if it may be cost-effective to provide a service collectively).

Second, your struggle highlights the double-standard with regard to the role of women, as I’ve just mentioned.

Third, the child care issue calls on us to reject the conservative notion that defines us merely in terms of our disposable incomes. The child care issue forces us to re-affirm ourselves as fully public citizens. What do I mean by that?

Too often, the business press measures a society’s progress simply by whether average disposable income is increasing. But as you well know, healthy families are more than our after-tax incomes.

True, we need jobs that pay decently. But we also, rightly, seek to combine our resources to meet many important needs and societal goals, and we frequently do this through our governments. None of us can go it alone. We need help providing our children with quality care and education (from early childhood right through to post-secondary) and time to spend with our families. We need help looking after our parents in their old age. We need help finding work when the market fails to provide adequate employment at a decent wage, and help finding homes when the market fails to provide sufficient, affordable and decent housing.

Frequently, the debate over these issues gets falsely cast as a question of affordability. You know what I’m talking about, right? As child care advocates, you encounter the TINA wall I was referring to earlier all the time. You encounter it every time someone says: “Well yes, universal publicly-funded child care would be great, but we can’t afford it. It would send us back into debt.”

We at the CCPA encountered the same thing when we released a major new study in November called *Without Foundation*, which outlined the need for public home and long-term care. Our study showed how these community care services are being increasingly privatized, and as a result, quality is suffering, and accessibility is being undermined. Yet we encountered the same TINA line: “yes, public home care would be great, but we can’t afford it.”

But as you well know, that kind of reaction fundamentally misunderstands the issue of affordability. “Can we afford it?” is the wrong question. Most of us will need child care, and virtually all of us will need home or long-term care services, either for ourselves or our parents. The more appropriate question is: **How** do we want to pay for it? Specifically, do we want to pay for these services privately out-of-pocket, or collectively through our taxes?

As your research clearly shows, publicly-funded child care can save young families a bundle. The measures BC has already recently put into place are saving families up to \$1,100 a year. And if we can get the BC government to move forward implementing the next faze — infant and toddler care — families will save a further \$800 to \$1,000 a month — *way more* than most of these families will ever hope to gain from federal or provincial tax cuts.

Paying collectively doesn’t show up as positive with respect to our disposable income – in fact it shows as a drain; it increases our taxes. Yet many people would like to be much less dependent on private child care, private elder care, private health care, private transportation, private recreation and entertainment, etc. Many would be happy to live more *public* lives. We would welcome everyday lives that are a more shared experience: in ways that we move around, and look after children, and learn, and spend leisure time. We are talking about public services that take us out of our insular homes and cars--and allow us to be more fully social beings.

A key lesson of the Canadian experience, with respect to medicare, public education and public pensions, is that we can frequently pay for these services more efficiently and more equitably (two great outcomes), by paying for them collectively.

Which brings me to the fourth lesson of your struggle – and that is the importance of the principle of universality.

Perhaps I was a little unfair to Michael Campbell earlier. After all, he would say he is not opposed to child care; merely that he wants public child care to be targeted to those who really need it. This is the kind of argument that Linda McQuaig exposed in her wonderful book “The Wealthy Bankers’ Wife.”

Linda’s book examined how the right has sought to undermine universality, taking as its title a quote from a bank CEO who asked rhetorically back in the 1980s why his wealthy wife should get a family allowance cheque. The family allowance was, of course, one of our country’s first universal social programs — it gave women new freedom and choice, and helped defray the costs of raising a child, and it went to everyone, which meant it was very widely supported. Which is why, of course it had to go. It has been replaced by the targeted CTB, which is inadequate, but more importantly, does not build the kind of cross-class social solidarity the family allowance enjoyed. People complain that it is unfair. They ask: “why am I paying such high taxes and not getting the benefit?” So social solidarity is eroded, which was, according to McQuaig, the object of the exercise.

So, universality is valuable because it is equitable (it covers everyone, but disproportionately benefits lower-income people), it is frequently more efficient, and

offers opportunities to plan and coordinate services that the private sector does not, but perhaps most importantly universality is vital because it means *everyone* has a stake in the program. In the absence of that, people feel they are paying taxes and getting little for it, and they start to complain about their taxes, and they get tax cuts, and the services get underfunded, and we are left with a substandard service for low-income people, which is not what we want or need. Should the wealthy pay more? Of course. But through a progressive income tax system.

\*\*\*

So, let me switch gears, and put the child care debate into the broader context of our work on policy alternatives and an economic agenda that works for Canadians.

What then is the alternative? What do we really want and need?

Surely by now corporate policy prescriptions face a credibility gap. Having promised at various times over the past 15 years: free trade, then prosperity; kill inflation, then prosperity; eliminate the deficit, then prosperity. And yet, each time the promise of prosperity seems to materialize for only a few.

Now the goal-posts have once again been moved. Now the promise hangs on tax cuts. But surely we can do better than another leap of faith.

Many of our policy ideas are brought together in a publication we have been producing for six years now — the Alternative Federal Budget. The AFB represents a collection of more hopeful, exciting, humane, and perfectly do-able policy ideas that a progressive government could implement. The AFB shows that, even in the era of globalization, we do still have choices.

The AFB maps out a vision for an economy that refuses to consign over a million Canadians to unemployment, about 17 per cent to poverty, and our public institutions and programs to decay.

The goal of the 2000 AFB was to enhance the health of Canadian families and communities through major public reinvestment in housing, early childhood education, health care, environmental protection and income security.

With each AFB, we have committed to match Paul Martin's deficit and debt reduction targets. But we have *also* said that it is not enough to set targets for balancing the budget. A progressive government must also set clear targets for lowering unemployment, poverty and homelessness, and would go about meeting these social targets with as much determination as was shown in the campaign to eliminate the deficit.

The message of the AFB 2000 is that the federal government must put first things first. It must rebuild the public services that alone can ensure economic security and social equity. Now that the budget is in surplus, it must redress the social deficits that still plague our country. Simply put, there can be no moral justification for delivering tax cuts to Canada's upper-income families, when homelessness has become a national emergency, 1 in 5 children live below the poverty line, food banks proliferate, public health care is in crisis, our

educational system is starved for funds, the infrastructure necessary for this country's productivity is in decay, and our communities are desperate for new environmental infrastructure. We must put first things first.

The Alternative Federal Budget confidently allocates the *entire* budget surplus to restored and new public programs.

We reject the call for both across-the-board tax cuts and debt repayment.

The tax cuts we have seen act as Robin Hood in reverse. They are widening the growing income gap, they represent a terrible lost opportunity to fund new public services like child care, and they deliver fewer new jobs than would be created by the public re-investment called for by the AFB.

The AFB also rejects the strategy of directly paying down the debt. As the Finance Minister has rightly argued, the figure that matters when judging our fiscal health is the debt-to-GDP ratio. This has already started to decline quickly, from over 70% mid-decade to 61% by the end of this fiscal year, almost entirely because of economic growth (not debt repayment). Under the AFB, the debt-to-GDP ratio will decline to 45% by 2005, mirroring Paul Martin's own projections, due to continued economic growth. Our debt service costs as a share of revenues will decline at a similar pace.

Overall, the AFB:

- maintains a balanced budget over the next five year;
- holds taxes relative to GDP at their current rate of 17%, but within that framework, initiates numerous tax reform measure to increase the fairness and equity of the tax system; and
- reduced poverty from 17.5% to 9% over five years;

## **Program Spending**

AFB significantly increases funding for housing, health care, education, social assistance, pensions, and child care. It establishes a National Social Investment Fund in each of these areas, and makes transfers to the provinces separate in each of this areas and tied to national standards

- child care fund of \$2 billion in year one, and a further half billion in each of the next 4 years
- In health, AFB not only increases core funding, but also designates:
  - \$2 billion for public home and community care;
  - \$500 million for the first phase of a national drug program;
  - restored funding for the Health Protection branch
  - increased funding for the national AIDS strategy
  - \$50 million to implement the health related recommendations of the Royal Commission on Aboriginal Peoples

The AFB also outlines a detailed program for public re-investment in infrastructure, with a special focus on environmental infrastructure, including new spending on water and sewage treatment, waste management, public transit, and public building retrofits.

## **TAXES**

All these spending and investment initiatives can be paid for out of the forecast surplus.

While we do not propose to increase taxes overall relative to GDP (overall the AFB is revenue neutral), we do propose a number of major changes to make the tax system fairer and more green.

Our tax changes are targeted in such a way that Canadians earning less than \$60,000 a year will have their tax payments lowered, not raised, so that the burden is eased on low- and middle-income taxpayers, while being increased on those who can most afford it.

The AFB is not just a wish-list of the programs we want funding for; it's a budget. It says what we want to fund, how much money we will spend, and how we intend to pay for it.

We offer the AFB as proof that it is possible to maintain a balanced budget, reduce the debt burden, and to do so while reinvesting in social programs and without consigning over a million Canadians to unemployment.

\*\*\*

Our Centre has made similar recommendations with respect to the provincial BC Budget, which is also now in a surplus position.

This week's report from the BC Ministry of Finance forecasts a whopping provincial surplus of more than \$1 billion. The result is a unique opportunity to improve the lives of British Columbians, particularly the poorest among us.

In just one year, the government's fiscal position has made a 180-degree turn. The \$1.3 billion deficit projected in the 2000 Budget is now forecast to be a \$1.2 billion surplus (including a very generous contingency reserve of \$450 million). And this comes after pumping \$510 million into health care, \$524 million into BC Hydro and ICBC rebates, and an additional \$225 million to be allocated in coming weeks.

This situation, however, may not be with us forever. There is no guarantee that energy prices or economic growth will be at the same levels next year. So what should BC do with this unexpected good fortune? There are three options.

Option one appears to be the government's preferred course. If all goes according to plan, BC will declare a surplus at the end of the fiscal year, and this money will pay down some of the province's debt. This option is ill-advised, and represents a terrible lost opportunity. It will not reduce total provincial debt enough to make a significant difference to the province's debt service costs. Furthermore, if the US economy is going into a recession, as many economists now believe, BC will go along for the ride. So this \$1.2 billion surplus is money that is being taken out of circulation just at the time when it is needed to stimulate the economy.

Option two is to reduce taxes, the preferred option of the opposition. This too would be a mistake. Given the booms and busts of the provincial economy, permanently reducing taxes could destabilize our fiscal situation down the road, and jeopardize funding for social programs, especially if the US has a recession. More on this in a moment.

A third and better option is to spend the surplus. This option would make a real difference in people's lives. At the top of the list, the government could declare "war on poverty" by creating a one-time investment fund for priority initiatives over the next five years.

Such a fund could support harm reduction and drug rehabilitation programs in depressed areas like Vancouver's Downtown Eastside. Funding could also be committed for a rapid build-up of new social housing and child care facilities, along with operating funding to run them. Add new funding for long-term care facilities in the health care system, and we have an action plan that would directly help the poorest in our society.

This is not about pre-election goodies to win votes, it is about doing the right thing. We should be calling on the government to be big and bold about putting some real money into fighting poverty and inequality in BC. The line that we cannot afford it is no longer an excuse.

#### Trouble with the tax debate

Somehow, missing from this debate, is some sense of that taxes actually represent. Taxes, as you know, are the price we pay for a civilized society.

More often than not, the issue simply comes down to whether we want to pay for important services through our public tax dollars, or privately out-of-pocket. This point was made yet again in a study that was published in by Standard and Poor's, which found that total taxes relative to GDP were the *same* in Canada and the U.S., if one factors in what people spend privately for health care and post-secondary education.

This is really the crux of my argument: As Neil Brooks, one of this country's greatest tax law professors, puts it: When did we say as citizens that we wanted more Nintendo games and fewer libraries; more and bigger cars and less public transit and poorly maintained roads; more backyard pools for some and fewer public parks and pools for others; more personal and more lavish consumption by some and more homeless people on the streets? You get the point. But these are the choices we are making.

You may think I'm overstating this. I'm not: The last federal budget and mini-budget put the lion's share of the budget surplus over the next five years into tax cuts. They have pitched this as tax cuts for the poor and middle class. No way. 64% of the tax cuts will go to the richest 30%.; 42% to the richest 10%. Meanwhile, the UI fund continues to run a \$6 billion surplus, and the budget had nothing for social housing and nothing for the poorest of the poor- those on social assistance. \$2 billion, according to the recent Golden report, is all the money needed to wipe out homelessness, and the government couldn't come up with it. But they put \$100 billion over five years into tax cuts.

The Liberal's budget priorities take the priorities of Canadians and literally flip them on their head.

Here's the good news: The values and priorities of Canadians remain steadfastly collectivist. Indeed, every time the public is asked to *pick* between a private gain and the public good, the public good wins every time.

But over the last three years, the Liberals have put the lion's share of the surplus into tax cuts, then debt reduction, and then spending.

Over the next five the Liberals are taking the surplus, and putting 55% into tax cuts, 27% into spending (not 50%, as promised) and about 12% into debt reduction (again, a terrible lost opportunity). Of the proposed tax cuts, 4% will go to household making less than \$30,000, 19% will go to households making between \$30—65,000, and 77% will go to households making more than \$65,000.

Neil Brooks, in a speech he gave for our Centre, reminded us of the three basic functions of taxes:

First, taxes are the price we pay for services we have chosen to provide for one another collectively, such as education, health care, public transit, social housing, drug rehab, public parks and libraries, public safety, and environmental protection, just to name a few; second, they are an increasingly important and valuable means of economic redistribution, helping to mitigate the growing disparities in income and wealth that result from the market; and third, they are an important way in which we discharge a moral obligation to one another — to look after each other when facing unemployment, poverty, sickness and retirement.

Along with tax cuts come decisions to cut services, and a reduced capacity to care for one another and to pursue our aspirations collectively.

Our system, I submit to you, of state taxes and public programs, are the key institutions we have built by which we seek to make our values of social solidarity concrete among us—a shared belief that we are in fact responsible for and to one another.

\*\*\*\*\*

Finally, a plea and plug for our Centre:

Our job is to put progressive research into the hands of people like you, so that you can educate with it, and mobilize with it, and organize with it.

And we think we are, with limited resources, doing a pretty good job.

The CCPA is a non-partisan, non-profit research institute dedicated to producing and promoting progressive economic and social policy research of importance to Canadians and British Columbians.

The CCPA is one of Canada's leading sources of hard-hitting progressive policy research, analysis and alternatives. Much of our work is available for free. But of course it is not free. It costs money—a lot of money to produce this work and keep our Centre going. The bulk of our support comes from our 5000 individual and organizational members. People like you.

So if you value our work and are not a member, please join. Visit our web site for membership information or contact us. <http://www.policyalternatives.ca>