



# Inter Pares

BULLETIN

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## Rejecting the Cult of Austerity

We are told every day that the economy is in deep trouble, that deficits are soaring, and the only cure is to cut back on government expenditures. We must live within our means. Interestingly, the focus is predominantly on cutting expenditure, but rarely on increasing revenue. We are told that revenue, i.e. taxes, should decrease to provide an incentive for individuals and corporations to invest and create wealth. The services that taxes pay for are things we simply cannot afford. Austerity is the only solution, and it may hurt, but it is good for us.

Or is it?

For our Southern counterparts, a lot of this sounds very familiar. Under World Bank-imposed structural adjustment programs in the '80s and '90s, austerity measures were presented as “tough love” for Southern countries indebted by dictatorships and reckless lending. Countries had to cut back on social programs and privatize whatever they could. Could they really afford a public health care system? Education? Subsidies for basic foods? Not when taxes had to be lowered to encourage foreign investment to create wealth.

The trouble with such a prescription is that for a lot of people, what followed austerity was not prosperity, but more poverty and growing inequalities. As revenues from taxes were cut, so were

expenditures on social programs like health and education. Foreign corporations invested in export agriculture, mining, petroleum, and other sectors, and wealth was created – but for whom? Foreign investment often did not even greatly increase government revenues – the investment deals frequently came with lengthy tax holidays, and the profits were shifted offshore through completely legal tax avoidance measures to jurisdictions known as “tax havens.”

The experience in the South has strong parallels with the austerity measures we see now in Canada and other Northern countries. Canadians for Tax Fairness (CTF), a newly established organization, is part of a growing international network promoting tax justice as a means to fund public safety nets and to push back on the cult of austerity. In 2012, Inter Pares worked with CTF to plan and carry out the first Canadian tax summit in Ottawa. The event brought Canadians together to talk about tax: the importance of taxes in building a more equal society; how taxes are foundational in

***The Tax Justice Network UK calculates the amount of funds held offshore by individuals at \$11.5 trillion – with a subsequent annual loss of \$250 billion in tax revenues. This is five times the World Bank-estimated amounts needed to halve world poverty by 2015.***



Postcard from the Canadians for Tax Fairness tax haven campaign (taxfairness.ca).

creating and maintaining a healthy and educated workforce; and how increasingly our country's tax burden has been shifted away from the wealthy and from large corporations to rest disproportionately on the middle class and the poor.

The summit also highlighted the issue of tax havens, through which an astonishing quantity of money is hidden to avoid being taxed in the countries where corporations carry out their business. The Tax Justice Network UK

calculates the amount of funds held offshore by individuals at \$11.5 trillion – with a subsequent annual loss of \$250 billion in tax revenues. This is five times the World Bank-estimated amounts needed to halve world poverty by 2015. Developing countries alone miss out on up to \$124 billion annually. Enabling Southern governments to recoup this lost tax income would bring revenue that is orders of magnitude greater than the foreign aid they receive. Here in Canada, CTF is spearheading the Tackle Tax Havens campaign with clear calls for action by the Canadian government to address this problem.

This *Bulletin* examines the immense possibilities enabled by fair and just taxation policies, in Canada and in the South. We profile the work of counterparts and the issues they face in their fight against the cult of austerity and for equality. We all believe that countries need to live within their means, but what those means are, and how they are spent, is another matter. For Inter Pares, it's a matter of social justice. ✕

# Medicare: We Can Afford Compassion

The public health care system in Canada is among the most powerful and concrete manifestations of our country's social justice values. Through the tax system, we collectively pool our resources and redistribute them to tend to the sick, regardless of gender, socio-economic status, or age.

This system has room for improvement and innovation. But it works – and it works well. Ask those of us who have had healthy babies at home with a midwife or by caesarian in a hospital; whose fathers have recovered from surgery for prostate cancer, or whose friends have undergone successful treatments for breast cancer; whose children have been hospitalized for asthma and then released, vibrant and energetic once more. Medicare is a remarkable expression of our collectivity – one which has saved lives and raised our quality of life without bankrupting us individually.

Total health care expenditures in Canada have a public component, referred to as “Medicare” (including services provided in hospitals and by doctors) as well as a private component (including pharmaceuticals in most provinces and dental services). It is the market-driven private component that has increased the most in cost, not the publicly insured component. For example, private health insurance spending has increased 365% over the last 25 years. When it comes to health care, private does not mean more cost-efficient.

Myths abound about the fiscal unsustainability of Medicare. Over the last 35 years, the costs of Medicare have remained stable at 4% to 5% of Canada's Gross Domestic Product (GDP). Health care providers have found efficiencies in delivering care, particularly in the hospital sector, which comprises a huge proportion of the Medicare system.

What has increased is the proportion of provincial budgets dedicated to Medicare. Provincial governments today spend a larger percentage of their budgets on health care than ever before. This phenomenon is not due to the rising cost of

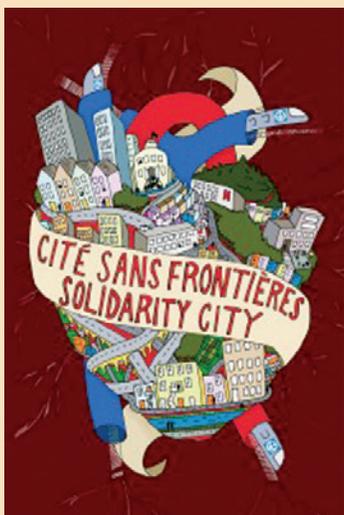


Mary Boyd, long time social justice activist and Chair of the Prince Edward Island Health Coalition in Ottawa during National Medicare Week 2012.

publicly funded health care. It is a result of shrinking government revenues due to tax cuts. Those of us who are wealthy now pay less tax than 30 years ago. Corporate taxes are lower than ever before. As a society we are able to pay for public health care. However, as a society, we are electing to reduce this ability when we pool fewer resources through taxation.

Inter Pares supports the Canadian Health Coalition (CHC) because health care is a critical social justice issue. The CHC advocates for the five pillars of the *Canadian Health Act* – comprehensiveness, portability, accessibility, public administration, and universality. It also provides research, analysis, and information on important health care issues to the public and to those working to improve the system.

According to the Canadian Centre for Policy Alternatives, we live in a richer country now than we have in decades. We can afford our public health care system. However, we must collectively choose to do so. ☞



## Building Cities of Solidarity

“One of the nurses came and she said: you know, if you stay overnight you have to pay \$1500. [...] I left] the same day. ... I went home in all that snow with the baby. Because I couldn't ... pay another \$1500.”<sup>1</sup> This childbirth story of a Montreal woman without immigration status (known as “non-status”) was mirrored in countless other stories shared during the conference “Building a Solidarity City” in October 2012. Organized by Solidarity Across Borders (SAB), an Inter Pares-supported, Montreal-based migrant justice network, the day was an important moment to bring together non-status people, community organizations, and their allies.

For thousands of undocumented immigrants across the country, cities such as Montreal, Toronto, and Vancouver are their hopeful new homes, but also places where they are mistreated. The hovering threat of forced removal, generated by their lack of legal

<sup>1</sup>Quote taken from a presentation to the National Metropolis Conference of 2011: <http://ow.ly/eUAmu>

## Public Financing for Women's Rights

There are parts of Metro Manila where the poverty is crushing. Not all children go to school. Illiteracy is high and jobs are hard to come by. Maternal and child mortality are at shocking levels. Women have children, not always because they want to, but often because they have no other choice. In the Philippines, public funding for women's health is a matter of life and death.

The health care system in the Philippines is comprised of a labyrinth of government departments, and competing public and private systems. The national government is supposed to set policy direction, and local government units are responsible for providing the bulk of direct services. In this highly decentralized setting, both the quality and type of health care residents can access are inconsistent. In 2000, for example, the mayor of the city of Manila passed an Executive Order effectively banning any government funding for artificial contraception. The effect of the ban was devastating for women.

This is the context in which Inter Pares' counterpart Likhaan works. Likhaan is a women's health organization. Along with numerous other programs, it operates five clinics in Metro Manila staffed by community health workers, who deliver comprehensive primary health care with an emphasis on reproductive and sexual health. Likhaan views these clinics as a patient-centred and cost-effective health care delivery model that the government could replicate. The community health workers serve women with a variety of needs, including pre- and post-natal care, information and access to contraception, and referrals for those with maternal complications. Demand from the community is very high.

The Philippines does have a national insurance plan, called PhilHealth. However, services often require co-payments, limiting poor people from using the system. As well, its scope is narrow and most hospitalizations, for example, are not covered. Even as Likhaan advocates for universal coverage through PhilHealth, it helps community members navigate the existing insurance system.



One of the five Likhaan clinics in Metro Manila.

Likhaan has also worked tirelessly to address the national patchwork of services for women's health through raising public support for a Reproductive Health (RH) Bill. Provisions in the RH Bill mandate national and local support for safe and legal modern methods of family planning, access to emergency obstetric care for women as well as pre- and post-natal care, access to non-judgemental care for post-abortion complications (despite the illegality of abortion in the Philippines), and health and sexuality education for youth. The bill's proponents believe that as a package, these reforms would promote equity for women, and significantly reduce maternal and child mortality by lowering the number of unintended pregnancies. It has been estimated that the RH Bill could reduce an astonishing number of 2,000 maternal deaths annually. The RH Bill is currently being debated by politicians, and is hopefully on its way to being passed into law.

Inter Pares shares Likhaan's belief that women's health needs are a matter of human rights, and that national governments have an obligation to uphold these rights – not just on paper, but concretely through financing, policy, and service delivery. We are honoured to support Likhaan as they work towards high quality, universal health care in the Philippines. ❧

status, allows employers to exploit their labour. Non-status people's only "crime" is to have migrated in the search for a better life for themselves and their family, yet they are penalized for it.

Too often non-status people and their families do not have access to essential services such as health care, education or social services. Or, they might never dare to enter a hospital, clinic, or food bank for fear that their status will be revealed to the authorities.

The aim of SAB's ongoing Solidarity City campaign is to make Montreal a city where essential services and quality of life are truly available to everyone, and where networks of mutual support are woven between neighbours, regardless of immigration status. SAB views the Solidarity City campaign as a response to austerity measures, which have cut back services for everyone, especially to refugees, immigrants, and those without status.

While working towards a long-term goal of status for all, SAB, non-status people, and their allies are building networks to support each other in the here-and-now. Together they are sharing experiences, exchanging strategies, and building movements so that Montreal can become a city of solidarity and not one of fear and isolation. ❧

# Mining and Development: Making policy as though nations, and people, mattered

**D**r. Yao Graham, Coordinator of Inter Pares' counterpart Third World Network Africa (TWN-Africa), recently spoke to a Pan-African governmental meeting on the *African Mining Vision*. Agreed by African nations themselves, the *Vision* sets out how mining can be used to support continental development.

"Growing foreign investment in African minerals has increased mineral production and exports," Yao affirmed. But he also sounded a warning that mining's contribution to social and economic development thus far has been doubtful.

Yao pointed to recent World Bank and United Nations reports that found that after the 2002-2007 commodities boom, over half of the population in resource-rich Southern countries were still living in extreme poverty. Worse, the number of extremely poor people living in the poorest countries actually increased by over 3 million per year during the boom period. In fact, poverty and inequality were being reduced more quickly in countries *without* natural resource wealth.

Why is this? There are many factors, but the wide-ranging effects of policies imposed by the World Bank on Southern countries during the debt crisis of the 1980s stand out. Southern governments were forced to drastically cut the public service, privatizing or destroying a broad range of state programs and regulations. Countries with rich mineral deposits were told to focus almost exclusively on mining to increase revenues.

At the same time, the World Bank prescribed investment laws and regulations explicitly favouring foreign investors. These included drastically lower mineral royalties and corporate taxes, and generous investment incentives, including confidential "stability" contracts to keep royalties and taxes at an artificially low rate – sometimes for decades – even when company profits began to skyrocket as global mineral prices shot up.

Because large-scale mining is capital-intensive, it contributes relatively little toward GDP, and less to employment. The main direct contribution to host countries' economies is the money mining companies pay through taxes and royalties for minerals they extract. But because the terms dictated to Southern governments by the World Bank were – it now belatedly recognizes – "overly generous" to mining companies, billions of dollars of profits were exported out of Africa, with virtually no real return to the people whose wealth was being mined.

Not only have most Southern countries not benefited sufficiently from mining, but their governments – with little capacity for monitoring and oversight – cannot adequately protect citizens from the very real negative effects of uncontrolled mining: contamination of water, long-term environmental damage and health problems, displacement of people from their homes and farmland, and divisions that

split communities and break down social trust. These impacts contribute to increasing inequality and poverty, not to reducing them.

This situation is exacerbated in the international arena, where Southern countries are facing powerful and well-resourced mining companies, and even more powerful and well-resourced industrialized countries. For instance, Canada and other countries negotiate investment agreements with unreasonable protection for their companies, including allowing companies to sue Southern governments for such measures as environmental protection if it affects their profits. Tax havens that allow the rich to pay less than a fair share of taxes create even further obstacles to development.

Yao tells us that TWN-Africa is supporting African governments to make the *African Mining Vision* a reality, so that mining can be undertaken in a way that contributes to development, including promotion of small businesses that supply the mines; local processing of ore; use of natural resource income to invest in other economic sectors; and creation of infrastructure that addresses the needs of non-mining businesses and communities, allowing them to thrive and grow as well.

To do this, Yao says, African governments must improve their planning capacities and regulatory infrastructure, and avoid investment agreements that favour foreign corporations over people. He also urges African governments to "work with African civil society, including trade unions, researchers and the private sector" to build a broad base of support and citizen engagement – and accountability.

To support these proposals Inter Pares is collaborating in a world-wide movement, which includes TWN-Africa, the Tax Justice Network, and the Canadian Network on Corporate Accountability. Our collective goals are to curtail tax havens and do away with investment treaties that give more rights to corporations than to people. For mining to contribute to real, equitable development, it will require governments in both the North and the South to make the promotion of development – rather than mining – the central goal. ☞

 **Inter Pares**

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221 Laurier Avenue East, Ottawa, Ontario, Canada K1N 6P1  
Phone 613 563-4801 or 1 866 563-4801 (toll free) | Fax 613 594-4704  
info@interpares.ca | www.interpares.ca

With the support of thousands of Canadians, Inter Pares works in Canada and around the world with social change organizations who share the analysis that poverty and injustice are caused by inequities within and among nations, and who are working to promote peace, and social and economic justice in their communities and societies.

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