



5 Minutes for Business

Election 2015: The Battle for the Canadian Economy

October 14, 2015

Normally at election time, us nerdy economists can go off to sleep, secure in the knowledge that nobody cares much about fiscal policy or whether GDP is up or down. The stuff about the leaders' personalities, hair styles or body language is usually more interesting.

But this is not a normal election. Instead, it has been wracked throughout by a series of economic shocks that have sent political strategists scrambling. Who would have believed that economics could be so exciting?

The Prime Minister dropped the election writ on August 2, confident that his economic management credentials were untouchable. Just three weeks later, Statistics Canada announced that the country had fallen into recession in the first half of 2015. The parties all scrambled to confront Issue #1.

What to do about an economy in "crisis"? [Is it really a recession](#) if it's just the energy sector and a few provinces that are suffering? And what if our problems are entirely caused by external forces?

The slow-down in China and the technological advancements of America's oil industry are obviously not the fault of Stephen Harper. But if Canada's domestic economy is softer than a poached egg, perhaps the government should do something.

This brought us to Issue #2 on August 26 when Mr. Trudeau promised to run deficits. He said that traditional economic orthodoxy can only take us so far. Free markets may succeed when taxes fall and governments get out of the way, but it's not enough. Rising income inequality and a hypercompetitive globalized economy require government to intervene and invest to create opportunities.

The third "surprise" came on September 14, when the government announced a \$1.9-billion budgetary surplus and opened up Issue #3. A little extra cash on the bottom line is great news, but a surplus just means that taxes are higher than spending. This pulls money out of the economy, which may be unwise in the midst of a recession. So is it better to save for a rainy day or invest in infrastructure to build the economy?

Then with two weeks until the election, just when you thought it couldn't get any more exciting, Canada and 11 countries of the Pacific Rim signed the [Trans-Pacific Partnership](#), the most momentous trade agreement in the past 20 years. Issue #4 was huge!

Not since the Canada-U.S. free trade agreement in the 1980s has there been such a political explosion over trade policy. The NDP promised to "rip up" the "secret" agreement. The conservatives are delighted by the controversy, saying that being part of the world's largest free trade area will create great jobs and prosperity. The Liberals are stuck in the middle ground pledging support for trade but promising to look closely at the agreement.

It has been amazing that throughout this campaign Canadians have been asked to ponder all the hard questions of economics: GDP growth and the benefits of trade, austerity vs. stimulus, and the fundamental role of government.

These are hard questions, but the debates have given us a clear idea of what the parties stand for and what they will do. It is now up to Canadians to decide what their economic priorities are on October 19.

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