

Liberals owe Alberta a big kiss

How ironic the flush economy Martin is touting is all due to us Liberal-loathers

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Before Friday's announcement that job creation fell in December and unemployment edged up from 6.4 per cent to 6.5, the economic news in the campaign had been almost entirely positive. And voters are economic creatures.

Since late November, it has been announced that inflation is down, incomes are up, exports are strong and so is the dollar, the stock market is at record-high levels and the federal government expects huge surpluses for years to come.

A strong dollar is not necessarily good for manufacturers in central Canada.

Canadian labour and productivity costs tend to be higher than American. A weak Canadian dollar compensates for this. It keeps Canadians' standard of living down, but makes our exports more competitive with American goods, which keeps more Canadians working in export industries.

Economists and market analysts tend to see a strong dollar as bad news. But to voters, news that our dollar has strengthened against the U.S. dollar is psychologically positive.

We're jingoists about the Canuck buck.

















So before it was revealed Friday that our economy had lost 2,000 jobs in December, voters had seen nothing but good economic news since the pre-writ period two months ago.

Even net farm income -- one of the most stubbornly negative indicators this decade -- rose in 2005, the first time in four years. According to Statistics Canada back in November, "farm cash receipts rose 6.3 per cent, driven by higher revenues for crops and livestock." Not even rising fuel prices managed to dampen the rise -- much. Farm operating expenses rose by just 1.6 per cent.

While many individual producers continued to be hard hit by rising costs and flat prices, farmers came ahead 4.7 per cent last year overall. After adjusting for inflation, farm income is still below where it was before the back-to-back droughts of 2002 and 2003, and before the mad cow crisis, but it is moving strongly upward.

And Friday's job numbers were not entirely bad, either. For one thing, they apply only to

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a single month -- December. For the whole of 2005, the Canadian economy created 233,000 new jobs, an increase of 1.4 per cent over 2004. And while the December stats were driven by the 38,000 part-time jobs shed, 36,000 full-time jobs were added last month.

Besides, in an economy with 16.3 million jobs, a loss of 2,000 could just be a statistical aberration.

The point is, the national economy is doing all right. While not roaring ahead like Alberta's, the national economy is making steady gains, and a steady economy is usually good news for the incumbent party in an election.

Brian Mulroney succeeded in bringing in free trade with the Americans, but failed to win approval for his Charlottetown constitutional accord, in part because the Canadian economy was booming in 1988, when he was selling the FTA, but was in the midst of its biggest recession in 60 years by the time of the Charlottetown referendum in 1992.

Pierre Trudeau went from landslide majority in 1968 to bare minority in 1972, not because he had introduced official bilingualism, liberalized divorce and legalized homosexuality. At the time, most of those were popular initiatives. His fortunes sank largely because the economy soured and unemployment rose between his first election and his second.

Voters vote with their pocketbooks, which is one of the reasons the Conservatives are not racing ahead of the scandal-plagued Liberals. When times are reasonably good, voters -- particularly in Central Canada -- are reluctant to toss the current skippers over the rail.

The irony is, Liberal-loathing Alberta is behind almost all of the good economic news that is keeping the Liberals as relatively popular as they are in Ontario.

Incomes in the rest of the country inched ahead in 2005, but because they soared in Alberta, the national average looks strong.

Where was full-time job growth strongest? Alberta, which buoyed the national numbers. Export growth rode on the back of Alberta's energy sales to the U.S. The loonie strengthened because international customers wanted our oil and gas, more so than Ontario's and Quebec's cars and machinery.

Even the stock market's performance -- it has now exceeded the heady days of the 2000 technology bubble -- is largely thanks to the performance of energy stocks. Eighteen months ago, energy stocks were 17 per cent of the TSX composite index. Today, they are almost 28 per cent. Most of the one-fifth gain in stock values this year comes from Alberta companies' performance.

Even Ottawa's budget surplus is driven as much as anything by federal tax revenues on Alberta energy.

The very thing that might still save the Liberals -- their reputation as fine economic and fiscal managers -- rests mostly on the economic strength of the one province that likes them least.

Ain't politics funny.

On Friday in this space, I confused the polling firm SES Research with another pollster with a long history of close ties to the federal government. I then implied SES's polling in the current election may be tainted by its association with the Liberal government. But SES has no connection with the Liberals and since 1993 has accepted no contracts from

Ottawa. I apologize to SES and to readers for this error.

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