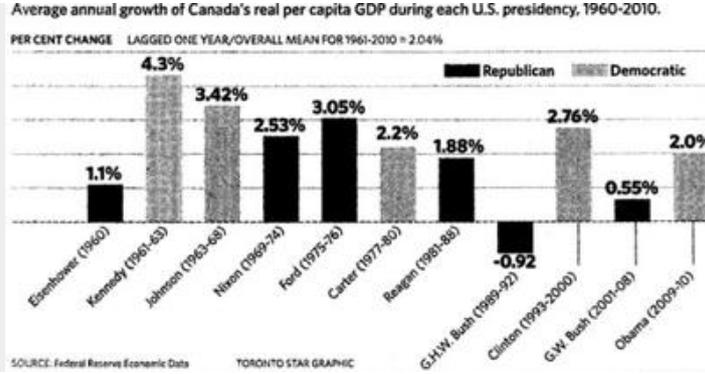


VALUES & INTERESTS ALIGNED WITH OBAMA

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Pierre Martin, [The Toronto Star](#), 26 March 2012

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Because our two countries are so closely integrated and American policies have a real impact on Canada, Canadians have genuine preferences when it comes to U.S. politics and, for at least the past two decades, they have preferred Democrats.

This is not surprising. Mainstream Canadians tend to be centrists in economic and social policies, they favour open immigration and multiculturalism, and their views on religion, foreign policy, health care, the environment and foreign policy are more closely aligned with the Democrats than with the Republicans.

If the past is any guide, if Canadians were given ballots this November, a solid majority would cast them for Barack Obama.

And yet we will again be reminded all year by experts in Canada-U.S. relations, or right-wing ideologues (or both), that this preference is irrational. Obviously, the experts will say, the Republicans, who purport to be the champions of free trade and fiscal discipline, are much better for Canada's economy. After all, why would the party that gave us free trade not be the best bet for our exporters?

At a recent conference, I asked a roomful of economists whether a Republican or Democratic president was preferable for Canada's economy. Three out of four confidently answered: a Republican. Indeed, the perception that Republicans are preferable for Canada's economy is so common that few ever bother to look at decades of evidence.

The test is simple. Assuming that a presidential administration's policies can realistically have an effect on measures of Canada's economic performance (with a lag of one year), we can compare available indicators during Republican and Democratic administrations.

The results are striking.

On average, since 1961, annual real GDP growth per capita has been 3.0 per cent when a Democrat occupied the White House and 1.3 per cent when a Republican did (see chart). Unemployment follows the same trend. Canada's jobless rate was on average 1.1 percentage point lower during Democratic administrations.

Yes, but what about trade? Are the Democrats not supposed to be the protectionist villains? Democrats are bad news for Canadian manufacturers, aren't they?

Trade flows vary widely from year to year and comparisons are tricky, but Canadian exports to the U.S. have grown more, on average, during Democratic administrations. Annual growth in real manufacturing output is more readily comparable. Since the 1950s, Canada's manufacturing output grew on average by 5.7 per cent annually during Democratic presidencies, and by 1.7 per cent when Republicans were in charge.

Yes, but what about Congress? Party control of Congress is the key, isn't it?

Not really. On these four indicators, party control of Congress makes no significant difference.

I'm not arguing that Democratic presidents are uniformly better under all circumstances for the Canadian economy, but the data clearly show that the notion that Republican presidents and their policies are generally preferable for Canada's economy is a myth.

But, one could argue, growth, jobs, exports, and manufacturing don't really matter. Profits do. Clearly, the stock market should do much better under the free-market, low-regulation policies of the Republicans rather than under the heavy hand of the interventionist Democrats, shouldn't it?

Let's see. Assume two investors placed \$1,000 in a Toronto Stock Exchange index fund on Jan. 20, 1953, but their respective fund could only grow when their favoured U.S. party was in power. Having been active for 36 of the past 59 years, the Republican fund would now be worth about \$2,200. With only 23 years of activity, however, the Democratic fund today would approach \$17,000. No big GOP advantage here.

For years, the Canadian public has expressed a clear preference for Democratic candidates in U.S. presidential elections. Clearly, this preference stems from the fact that the Democrats' values are closer to mainstream Canadian values, but maybe this isn't such an irrational choice, after all.

That being said, the real reason this election is important for us, north of the border, has little to do with our narrowly defined economic interest.

Two starkly different visions of society, the economy, the environment and foreign policy are at stake in this year's U.S. election. The choice Americans make will inevitably affect the world we live in and the shape of our country's future. That's why it really matters.

Pierre Martin is a professor of political science at the Université de Montréal, where he holds the chair in American political and economic studies. For details on analysis reported here, see the author's blog:

