

A Liberal minority can work with the opposition on affordability issues (if common sense prevails) ^[1]

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EXCERPTS

A minority Parliament shouldn't stand in the way of the new government pushing ahead on some key parts of the affordability agenda.

After all, the Liberals, Conservatives and the NDP all made meaty promises on reducing the costs of homes, on bolstering wages and on the continuity of COVID-19 benefits. They agreed, more or less, on how to define the problems at hand, and while their solutions varied, none of them were so ideological as to be considered completely obnoxious to other parties.

Despite the antagonism over the course of the campaign, common ground will abound as long as common sense prevails.

The sticky point is child care. There, the gulf is wide.

The Liberals campaigned heavily on spending \$30 billion to implement a national plan that doesn't just dramatically cut the costs for families; it would also increase the number of high-quality places and raise the wages of child care workers at the same time.

The Conservatives, on the other hand, campaigned on cancelling that marquee Liberal program and replacing it with a tax credit that would cost about a tenth of the Liberal price tag. Low-income families would benefit the most, but overall, the party decided that they'd attack the Liberal plan as paternalistic, costly and too limiting on families' choices on how to take care of their kids.

The NDP will make up the difference here, and they're squarely on-side with the Liberals — as are many of the provinces needed to partner with Ottawa on the grand plan. But that doesn't mean implementation will be smooth sailing, since the Conservatives oppose both the largesse and the aim of the Liberal plan.

Housing, on the other hand, should be an easier discussion — but probably with less dramatic results than child care.

Like in the 2019 election, the cost of housing for first-time buyers was central to the Conservative campaign and the Liberal campaign both. The dramatic and sustained rise in house prices during the pandemic, and the spread of the market heat to areas well beyond Toronto and Vancouver prompted every party to come up with a serious, wide-ranging package of measures to boost supply, help buyers come up with down payments and make it easier to qualify for a mortgage.

Both the Liberals and the Conservatives proposed a two-year ban on foreigners buying homes in Canada that they wouldn't be living in. And the NDP proposed a stiffer tax on foreign buyers.

But the commitments proposed in the 2019 campaign didn't do much to slow down the market over the past two years, and it's hard to see how the 2021 promises would be any more effective.

"No party offers much long-term relief on the housing front given limited levers at the federal level (though a slew of marginal measures could stoke housing markets further)," Scotiabank economist Rebekah Young says in a recent analysis.

In short, our population is growing faster than our housing supply. So we need more houses or greater density. Both parties proposed as much, but they also threw in many measures to help homebuyers, which will spur demand — possibly offsetting the effect of increasing supply.

The Liberals are proposing a tax on house-flipping within 12 months of a purchase, which the Conservatives claim is akin to a home equity tax — a spurious claim that has been a tempest in a teapot for years now.

Any sustainable progress on cooling off the housing market will have to come through negotiating with provincial and municipal governments who control the rules around zoning, density and building permits.

But possible collaboration on housing, child care and measures to boost wages is one thing, on inflation is quite another.

Rising inflation rates threw a wrench into the election campaign, as dysfunctional supply chains and giddy post-lockdown consumers drove up prices — not just in Canada but around the world. Annual inflation in Canada was 4.1 per cent in August, the highest in 18 years.

Economists are debating how much of that surge is just temporary and how much would require a crackdown from the central bank, but the Conservatives have argued that it's the fault of the Liberals and their big-spending ways.

That's an argument that will no doubt persist, with all sides talking past each other until inflation either abates or the central bank steps in to cool it down with higher interest rates.

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