

Canada's Harper May Prefer Election to Wooing Rivals (Update2)

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By Theophilos Argitis and Greg Quinn



Sept. 2 (Bloomberg) -- Canadian Prime Minister **Stephen Harper**, who yesterday lost the backing of the main opposition Liberal Party, will need to choose between accepting early elections or partnering with lawmakers he's called socialists and separatists.

Liberal Leader **Michael Ignatieff**, criticizing Harper's economic management, said his party will seek to bring down

Harper when Parliament returns this month. The move forces the Conservatives to seek support from either the pro-labor New Democratic Party or a Quebec regional party, the Bloc Quebecois, to stay in power.

Harper said today he prefers that lawmakers work to pass measures to revive economic growth, such as a proposed home- renovation tax credit. The government will consider "effective and affordable" opposition proposals, he said, adding that the NDP has shown "no indication" they will negotiate to avoid an election.

"It makes sense for all of us to work on the economy, not to focus on trying to create some big national fight," Harper, 50, told reporters today in Sault Ste. Marie, Ontario.

Canadians believe the country is going in the right direction, and many may blame the Liberals for an election few voters are asking for, **John Wright** of the Ipsos Reid polling company said in a telephone interview yesterday.

"Harper won't fear going to elections if the poll numbers are anything to go by," Wright said. A poll by Ipsos Reid last week gave the Conservatives an 11-point lead over the Liberals.

Emerge From Recession

Canada is poised to emerge from a recession this quarter and recent surveys show the economy has become less of a concern.

Harper may think that reaching out to the other two parties soon after the Liberal snub would be seen as a "sign of weakness," even if his "instinct" is to remain in power, according to **Nikita Nanos**, an Ottawa-based pollster.

"An election is the most likely outcome," said Nanos, whose last poll had the two parties in a statistical tie.

Elections would be the country's fourth in five years.

Harper's Conservative Party lacks a majority of seats in the House of Commons and needs the support of at least one opposition group to win so-called confidence votes and stay in office.

Harper may designate a vote on the home-renovation tax credit as a confidence matter, CTV News reported today, meaning his government would fall if it lost the vote. Spending measures are considered confidence votes under the Canada's constitutional traditions.

Adding Uncertainty

"This situation certainly adds another level of uncertainty to financial markets and should weigh on the Canadian dollar while pushing up Canada yields in the short run," said **Meny Grauman**, a senior economist at Canadian Imperial Bank of Commerce in Toronto in a telephone interview.

The Canadian dollar traded for C\$1.1047 per U.S. dollar at 4:31 p.m. in Toronto, near a two week low, compared with C\$1.1042 yesterday.

The House of Commons is scheduled to return from a recess on Sept. 14, and the Liberals said yesterday they would seek a vote to bring down the government by early October. The Conservatives have **143 of 308** Commons seats. The Liberals hold 77 seats, the Bloc Quebecois 48 and the New Democrats 36. There is one independent and three vacancies.

Hope for Survival

NDP Leader **Jack Layton** said Aug. 25 his party is least likely to back the government, and he has scheduled a press conference for tomorrow to elaborate on his party's stand. New Democrat deputy leader **Thomas Mulcair** yesterday held out some hope for the government's survival.

"If Harper comes in and shows a willingness to work on key issues, then we might be able to spare Canadians their fourth general election in five years," Mulcair said in an interview.

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