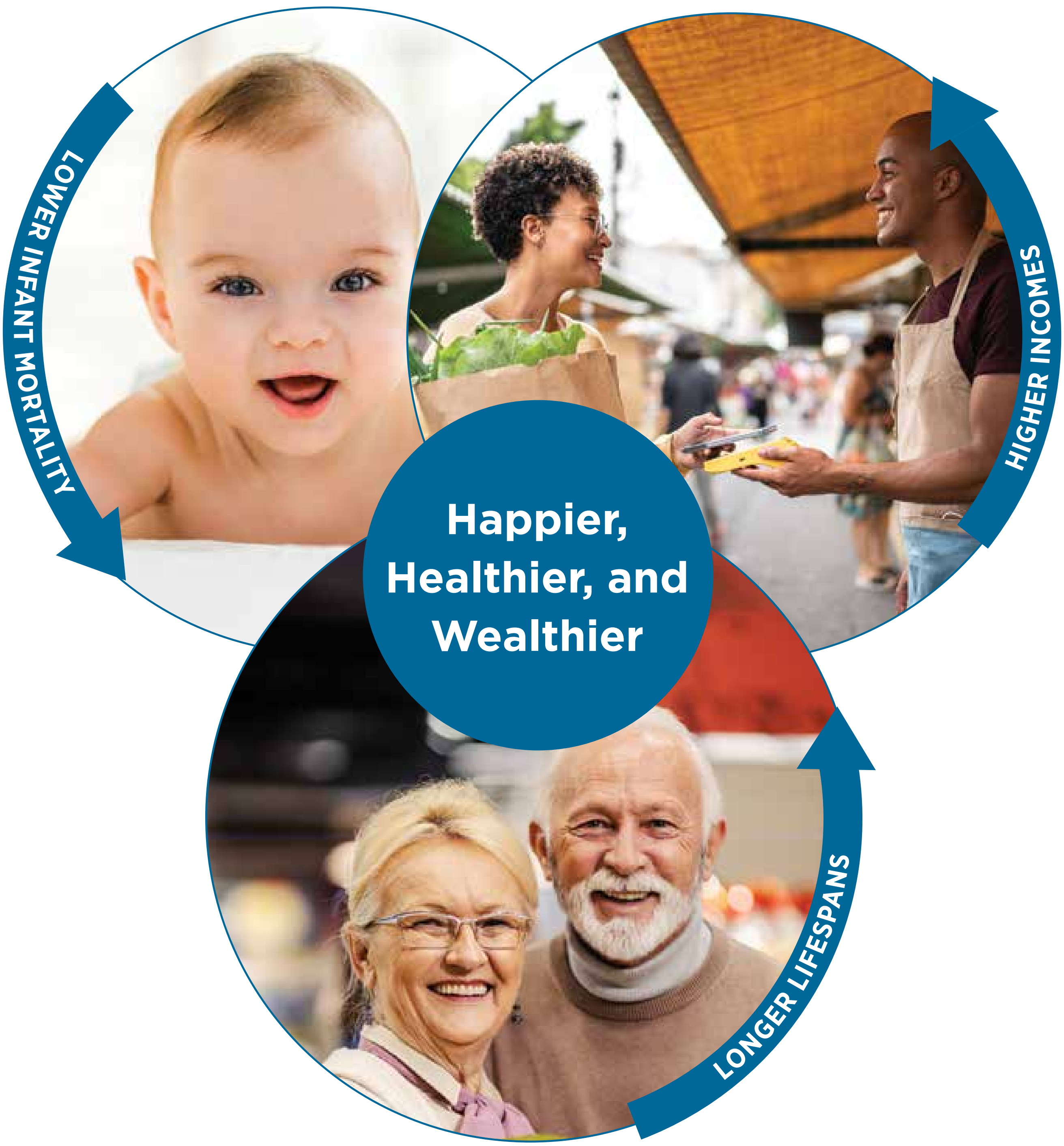
NEWS AND INFORMATION FOR SUPPORTERS AND FRIENDS OF THE FRASER INSTITUTE

FRASER INSTITUTE 50 YEARS

THE Quarterly

WINTER 2024

Greater Economic Freedom Makes People



FRASER INSTITUTE

MESSAGE FROM THE INSTITUTE'S PRESIDENT

Niels Veldhuis
President, Fraser Institute

Dear Fraser Institute Friends and Supporters,

As you read through this issue of *The Quarterly*, I encourage you to read two articles in particular: the update on our education programs on pages 34–35, and the summary of our new primer on economic freedom on page 6.

Unfortunately, Canada's education system (K-12 and post-secondary) is dominated by teachers and professors who favour socialism and often portray capitalism in a very negative light. Many believe that government best promotes prosperity rather than individuals through increased economic freedom.

Fraser Institute's education programs are often the only place students learn about the unfortunate realities of socialism and the powerful and positive impact of capitalism (i.e., economic freedom). I am delighted to report that our education programs have reached nearly 40,000 students this year, and we're working hard to reach even more.

And speaking of economic freedom, almost 30 years ago, the Fraser Institute embarked on a significant and rigorous journey to establish an empirical framework for measuring economic freedom. This journey began with a series of conferences involving preeminent economists from around the world, led by Fraser Institute founder Michael Walker and Nobel Prize-winning economist Milton Friedman. It culminated with the publication of our now annual *Economic Freedom of the World* index. The University of Pennsylvania ranked our index as one of the top five most influential reports in the world.

We recently published *Economic Freedom: What Is It? How Is It Measured? And How Does It Affect Our Lives* (see page 6) to help people, particularly students and teachers, understand the power of economic freedom. Written in an accessible style, this book explores economic freedom and why it improves lives by enabling prosperity, reducing conflict, and fostering trust. In short, people in countries with higher levels of economic freedom have longer, more prosperous lives and enjoy greater life satisfaction.

While we are on the topic of prosperity, I would encourage you to read and share our recent study, *Our Incomes Are Falling Behind*, which found that Canadian wages and salaries are lower than that in all 50 US states including Mississippi and Louisiana. Clearly, a U-turn is needed with respect to current government policy, especially at the federal level.

As always, this issue contains so much wonderful content that I can't highlight it all here.

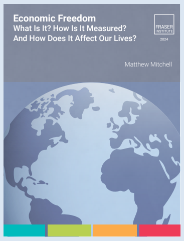
I hope you enjoy this edition of *The Quarterly* and that after you read it, you pass it on to your friends, family, and colleagues.

Best,

Niels

THE Quarterly

New Research



Recent Columns

Education Programs

Staff Profile

RETURN UNDELIVERABLE CANADIAN ADDRESSES TO: The Fraser Institute, 4th Floor, 1770 Burrard Street, Vancouver, British Columbia Canada V6J 3G7

Health-Care Costs for Typical Canadian Family Will Reach Almost $18,000 This Year

Bacchus Barua and Mackenzie Moir

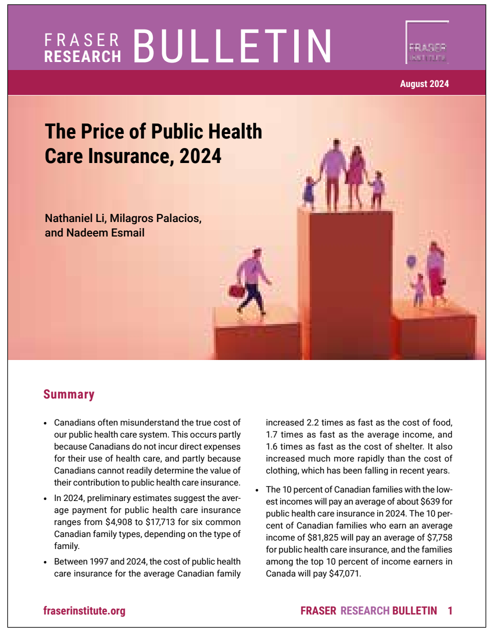
According to a recent survey by Statistics Canada, almost half of Canadians said that rising prices are affecting their ability to meet day-to-day expenses. At the same time, Canadians are increasingly aware of their significant tax burden, with 74 percent feeling the average family is overtaxed. This is not surprising given the average Canadian family spends more on taxes than food, clothing, and shelter combined.

However, one contributor to this growing tax burden remains hidden—the price we pay for public health care. You read that right. Public health care is not free—but it's very difficult to figure out exactly how much we pay for it on an individual or family basis.

This is primarily because our public health-care system is funded through general government revenues. In other words, there's no dedicated tax that fully funds the system. Our income taxes, sales taxes, business taxes and other taxes get poured into a fiscal vat, from which governments take a generous portion for health care.

While it's easy enough to gauge total health-care spending by governments ($225.1 billion) or how much was spent per Canadian ($5,614), it remains nearly impossible for Canadian families of different sizes and incomes to calculate how much they contribute towards that vast amount.

But a recent study helps us get a general idea. According to the study, an average family of four (two parents and two children) with an average income of $176,266 will pay an estimated $17,713 (in taxes) for public health care this year. Single Canadians, with an average income of $55,925, will pay $5,629. Of course, these amounts vary by income with the poorest 10 percent of income earners paying $639 while the top 10 percent pay $47,071.


FRASER RESEARCH BULLETIN

August 2024

The Price of Public Health Care Insurance, 2024

Nathaniel Li, Milagros Palacios, and Nadeem Esmail

Summary

- Canadians often misunderstand the true cost of our public health care system. This occurs partly because Canadians do not incur direct expenses for their use of health care, and partly because Canadians cannot readily determine the value of their contribution to public health care insurance.
- In 2024, preliminary estimates suggest the average payment for public health care insurance ranges from $4,908 to $17,713 for six common Canadian family types, depending on the type of family.
- Between 1997 and 2024, the cost of public health care insurance for the average Canadian family increased 2.2 times as fast as the cost of food, 1.7 times as fast as the average income, and 1.6 times as fast as the cost of shelter. It also increased much more rapidly than the cost of clothing, which has been falling in recent years.
- The 10 percent of Canadian families with the lowest incomes will pay an average of about $639 for public health care insurance in 2024. The 10 percent of Canadian families who earn an average income of $81,825 will pay an average of $7,758 for public health care insurance, and the families among the top 10 percent of income earners in Canada will pay $47,071.

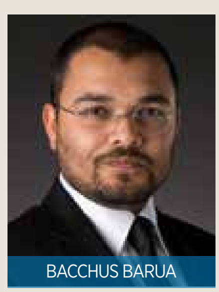
fraserinstitute.org FRASER RESEARCH BULLETIN 1

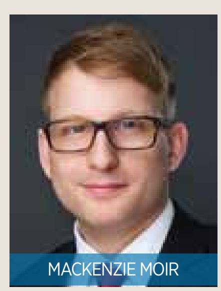
> *"[A]n average family of four (two parents and two children) with an average income of $176,266 will pay an estimated $17,713 (in taxes) for public health care."*

"[T]he amount paid by the average family has increased by 239.7 percent since 1997... This increase is 3.1 times greater than the rate of inflation, 2.2 times greater than food cost increases, and 1.6 times greater than housing costs increases."

Notably, the amount paid by the average family has increased by 239.7 percent since 1997 (the first year of available data). This increase is 3.1 times greater than the rate of inflation, 2.2 times greater than food cost increases, and 1.6 times greater than housing costs increases. And crucially, the cost of public health care for the average family has increased 1.7 times faster than their average incomes grew during the same period.

These figures are not only important for families who are interested in how their tax dollars are spent, they are one very important side of the equation when trying to understand whether we receive good value for our health-care dollars. Moreover, as politicians continue to promise ever increasing health-care spending to fix our crumbling system, it's crucial for Canadians to understand exactly how that spending impacts their wallets. One thing is clear. With nearly an $18,000 price tag for the average family of four, Canada's public health-care system is anything but free. FI





Bacchus Barua is director, Health Policy and Mackenzie Moir is a senior analyst at the Fraser Institute.

Median Wages and Salaries Lower in Every Canadian Province Than in Every US State

By Alex Whalen, Lawrence Schembri, and Joel Emes

There's a growing consensus among economists that the federal government and several provincial governments over the past decade have not enacted enough policies that encourage economic growth. Consequently, Canadians are getting poorer relative to residents of other countries including the United States. In particular, their ability to purchase essential goods and services such as housing and food—in other words, their standard of living—is declining relative to our neighbours to the south.

In fact, according to our new study, among the 10 provinces and 50 US states, median employment earnings—that is, wages and salaries—in 2022 (the latest year of available data) were lowest in the four Atlantic provinces, followed by Manitoba, Saskatchewan, Quebec, Ontario, British Columbia and Alberta. So, the median employment earnings of workers were lower in every Canadian province than in every US state.

Were Canadian provinces always in the basement? Pretty much. In 2010, while only 12 US states reported higher median employment earnings than Alberta, the other nine Canadian provinces ranked among the bottom 10 places. However, the important point is that from 2010 to 2022, Canadian provinces have fallen even further behind as many low-ranking US states substantially improved.

In 2010, the per-worker earnings gap (in 2017 Canadian dollars) between Louisiana, a middle-ranking state, and the nine lowest-ranked Canadian provinces varied from $4,650 (in Saskatchewan) to $15,661 (Prince Edward Island). By 2022, a typical mid-ranking state such as Tennessee was out-earning all provinces by a range of $6,770 (in Alberta) to $16,955 (PEI). In other words, by 2022, not only were workers in all US states out-earning workers in all Canadian provinces, the gap had grown.

Our Incomes Are Falling Behind
Earnings in the Canadian Provinces and US States, 2010–2022

FRASER INSTITUTE
2024

Alex Whalen, Lawrence Schembri, and Joel Emes

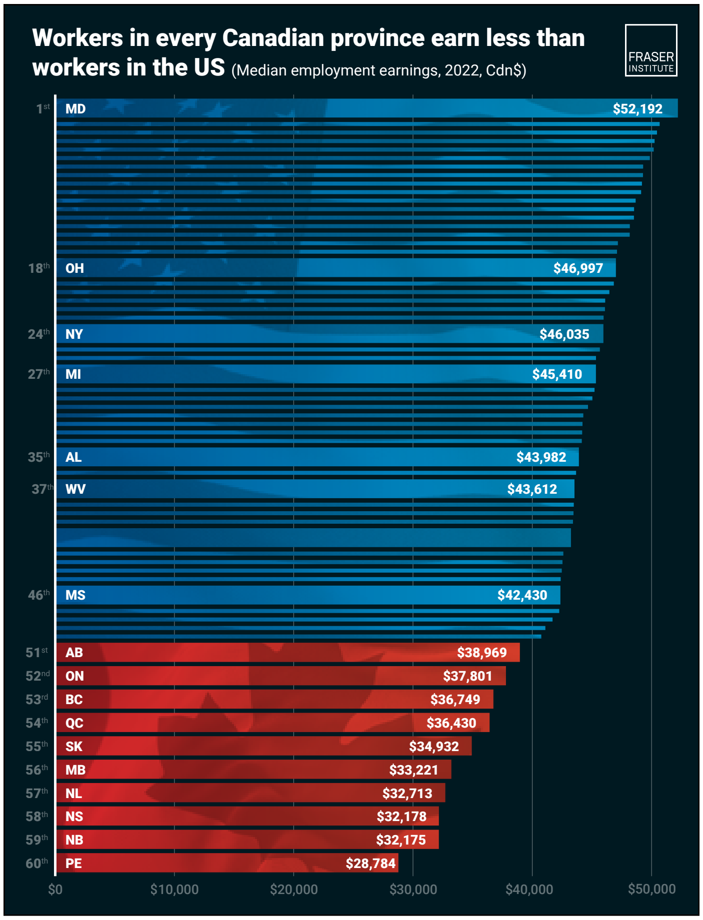
ECONOMIC POLICY

MAIN CONCLUSIONS

- Canadians are concerned about their income and their ability to purchase essential goods and services. Real (that is, inflation-adjusted) income determines their purchasing power, and directly affects their standard of living.
- This research bulletin compares incomes in Canada's 10 provinces to those in the 50 US states. It finds that, in general, Canadian provinces are getting poorer relative to their US peers.
- Between 2010 and 2022, only one Canadian jurisdiction was in the top half of growth in earnings: British Columbia led Canadian provinces with a $7,732 increase in earnings per person yet it ranked 19th overall for the value of the increase. Following is Prince Edward Island with a $5,824 increase (38th) and Quebec, with a $5,611 increase (41st). While earnings increased in Prince Edward Island, it was by a large margin the lowest-earning jurisdiction in 2010, and again in 2022.
- Seven Canadian provinces rank near the bottom of all jurisdictions for earnings growth between 2010 and 2022. Newfoundland & Labrador ranked 47th of the 60 provinces and states, with growth of $4,850; New Brunswick followed at 52nd with $4,399, Ontario at 56th with $3,278, Nova Scotia at 57th with $3,089, Manitoba at 58th with $1,193, and Saskatchewan at 59th at $961. Alberta was last with a decline in earnings growth of $1,555, the only jurisdiction to experience a decline.
- Nova Scotia, New Brunswick, and Newfoundland & Labrador started the period with comparatively low levels of median earnings and also recorded comparatively low levels of growth in their median earnings over the period from 2010 to 2022.
- By 2022, all ten Canadian provinces ranked in the bottom ten positions for earnings per person. The four Atlantic Provinces remain in the bottom four positions; Manitoba (5th lowest) and Quebec (7th lowest) also had relatively low ranks. British Columbia improved from 5th lowest in 2010 to 9th lowest in 2022. Alberta remains the highest-earning Canadian jurisdiction, but as of 2022 was surpassed by all US states—in 2010, only 12 US states reported earnings higher than Alberta.

fraserinstitute.org FRASER RESEARCH BULLETIN 1

"[F]rom 2010 to 2022, Canadian provinces have fallen even further behind as many low-ranking US states substantially improved."



Another example—Alberta and Texas are the two largest oil-producing jurisdictions in their respective countries, yet Albertans, who out-earned Texans in 2010, saw their lead of $3,423 per worker become a deficit of $5,254 by 2022.

It's a similar story for BC and Washington, which are geographically proximate and have similar-sized populations. While BC experienced strong growth in median employment earnings per worker over this period, it still lost ground relative to Washington—the gap grew from $10,879 in 2010 to $11,311 by 2022.

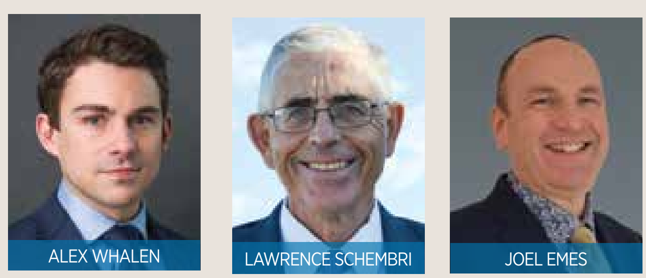
The change between Ontario and Michigan is even more striking. Again, they are geographic neighbours, have similar-sized populations, and share a large auto sector, with Michigan's lead over Ontario growing from $2,955 per worker in 2010 to $8,661 by 2022. The trends are similar when comparing Saskatchewan to North Dakota or the Atlantic provinces to the New England states; the gaps have only grown larger.

So, why should Canadians care?

Of course, everybody wants to make more money, so Canadians should want to know why workers in Mississippi and Louisiana make more than workers here at home. But there's also a broader problem—people and capital can move relatively freely across the Canada-US border, meaning this growing divergence in employment earnings has significant ramifications for the Canadian economy.

It could spur the ongoing migration of highly productive individuals, including high-skilled immigrants, who choose to move south. And encourage domestic and foreign firms to invest in the US rather than in Canada. If these trends continue, they will exacerbate the earnings gaps between the two countries and potentially make Canada an economic backwater relative to the US. There's also a significant risk these trends could worsen if the next US administration increases tariffs on Canadian exports to the US, effectively abrogating the North American free trade agreement.

Clearly, to mitigate this risk and reverse the ongoing divergence in employment earnings—which largely determine living standards—between Canada and the US, the federal and provincial governments should implement bold and sweeping growth-oriented policies to make the Canadian economy more competitive. When Canada is more attractive to business investment, high-skilled workers and entrepreneurs, all workers will reap the rewards. FI



Alex Whalen is director, Atlantic Canada at the Fraser Institute. Lawrence Schembri is a Fraser Institute senior fellow and jointly holds the Institute's Peter M. Brown Chair in Canadian Competitiveness. Joel Emes is a senior analyst at the Fraser Institute. They are co-authors of *Our Incomes Are Falling Behind: Earnings in the Canadian Provinces and US States, 2010–2022.*

People Living in the Most Economically-Free Countries Live Happier, Healthier, and Wealthier Lives

By Matthew Mitchell

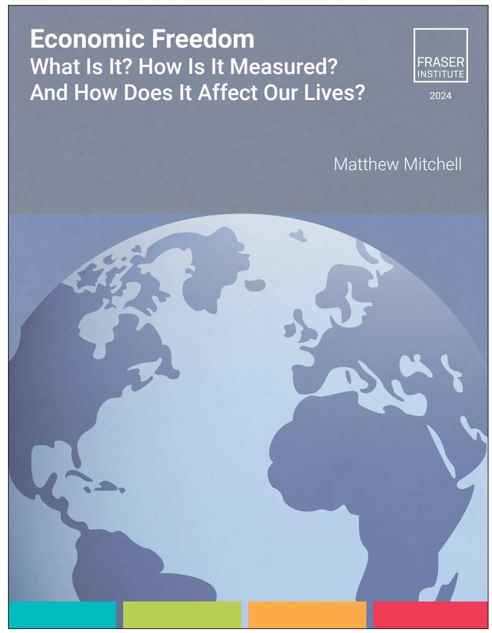
Why does Zimbabwe, with its abundant natural resources, rich culture, and unparalleled beauty, have one sixth the average income of neighbouring Botswana?

Why do twice as many children die in infancy in Azerbaijan than across the border in Georgia? Why do Hungarians work 20 percent longer than their Austrian neighbours but earn 45 percent less? Why is extreme poverty 200 times more common in Laos than it is across the Mekong River in Thailand? And why were more than a quarter of Estonians exposed to dangerous levels of air pollution when the country was socialist while all Estonians now breath clean air in what is ranked the cleanest country in the world?

Politicians, pundits, and philosophers have offered plenty of theories for why some nations flourish while others flounder. Marx thought it was capitalist exploitation. Hitler thought it was racial superiority.

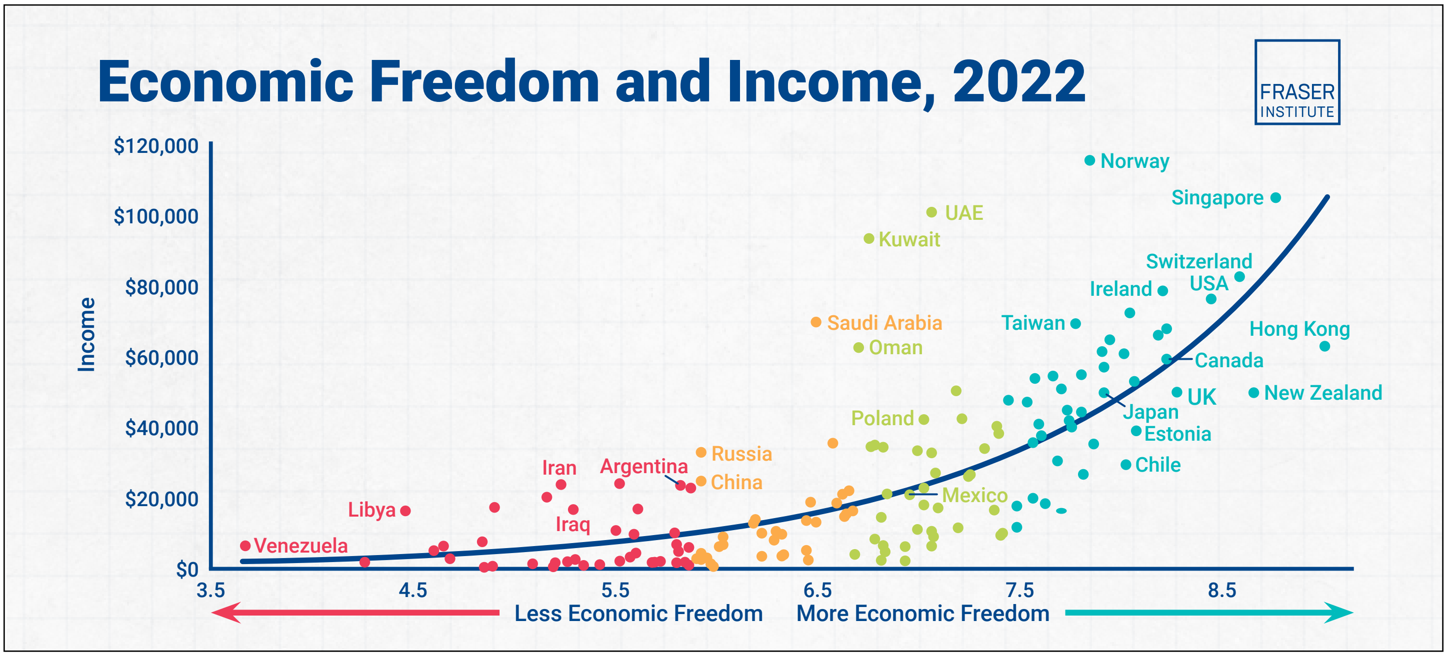
But Adam Smith, the father of modern economics, credited economic freedom. What is economic freedom? How can we measure it? And what does it say about the differences outlined above? I tackle these questions and more in my most recent study, *Economic Freedom: What Is It? How Is It Measured? And How Does It Affect Our Lives?*

Here, I explain that economic freedoms are a subset of human freedoms. And when people have more economic freedom, they are allowed to make more of their own economic choices—choices about work, about buying and selling goods and services, about acquiring and using property, and about forming contracts with others.



For nearly 30 years, the Fraser Institute has been measuring economic freedom across countries. On one hand, governments can stop people from making their own economic choices through taxes, regulations, barriers to trade, and manipulation of the value of money. On the other hand, governments can enable individual economic choice by protecting people and their property. The index published in our annual *Economic Freedom of the World* report incorporates 45 indicators of government policy to measure the degree to which governments either prevent or enable individual economic choice.

The index tells us the degree of economic freedom in 165 countries and territories around the world with data going back to 1970. According to the latest report, comparatively wealthy Botswanans rank 84 places ahead of Zimbabweans in terms of the economic freedom their governments allow them.



Georgians rank 107 places ahead of Azerbaijanis, Thais rank 60 places ahead of Laotians, and Austrians are 32 places ahead of Hungarians. Estonia was once one of the least economically-free places in the world and now it is among the freest.

But the benefits of economic freedom go far beyond anecdote. Economists and other social scientists have now conducted nearly 1,000 studies using the index to assess the effect of economic freedom on human wellbeing. Their statistical comparisons include hundreds and sometimes thousands of data points and carefully control for other factors like geography, natural resources, and disease environment.

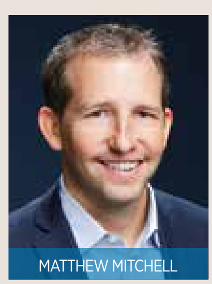
> *"Economists and other social scientists have now conducted nearly 1,000 studies using the index to assess the effect of economic freedom on human wellbeing."*

Their results overwhelmingly support the idea that when people are permitted more economic freedom, they prosper. Those who live in economically freer places enjoy higher and faster growing incomes, better health, longer life, cleaner environments, more tolerance, less violence, lower infant mortality, and less poverty.

> *"[R]esults overwhelmingly support the idea that when people are permitted more economic freedom, they prosper."*

Economic freedom isn't the only thing that matters for prosperity. Research suggests that culture and geography matter as well. But while policy makers can't always change attitudes or move mountains, they can permit their citizens more economic freedom.

And if more did so, more people would enjoy the living standards of Botswana or Estonia and fewer people would be stuck in poverty. FI



Matthew Mitchell is a senior fellow at the Centre of Economic Freedom at the Fraser Institute and author of *Economic Freedom: What Is It? How Is It Measured? And How Does It Affect Our Lives?*

96% of Television News Coverage of Ottawa's Child Care, Dental Care, and Pharma Care Programs Failed to Report on Costs

Parliament is back in session, with fireworks on the House floor over whether the government will survive another day. But rather than spotlight the political drama, the media would better serve Canadians if it critically evaluated government policy, with a keen eye on government finances and taxpayer money.

Unfortunately, the media prefers to delve deeply into palace intrigue rather than ask tough questions about the government's fiscal policy, which includes unprecedented levels of spending and massive deficits and debt. When reporters do focus on the substance of policy proposals, they often lean on the government's talking points rather than on any critical evaluation of how to pay for new programs.

Indeed, in my new study I analyze Trudeau government press releases about three new major social programs—child care, dental care, and pharma care—and the subsequent coverage by the CBC and CTV from Feb. 1, 2021 to May 30, 2024.

Not surprisingly, the government press releases talked about how these programs would help Canadians, but downplayed any information on the budget or fiscal implications, and crucially, how the government would fund these programs. In fact, less than one percent of the government's press releases about these three programs mentioned their costs. And none of the releases explained how the government would fund the programs, either through new taxes and/or new debt.

And yet, when CBC and CTV television reporters covered the government announcements about these programs, they emphasized the political implications—including the NDP's now-defunct deal with the Trudeau government—without examining whether Canadian taxpayers could afford the programs. In fact, the cost of the three programs comprised a mere 4.1 percent of CTV's coverage and 3.7 percent of CBC's coverage. In other words, on two of

Media Coverage of Federal Spending Announcements on Child Care, Pharma Care, and Dental Care

FRASER INSTITUTE

2024

Lydia Miljan

DEMOCRACY & GOVERNANCE

Executive Summary

- The federal government has introduced three new social programs since 2021, increasing permanent spending.
- This analysis investigates if the media questioned whether the government's new programs observed its own fiscal principles.
- A machine content analysis of CBC and CTV network television and cable public affairs programs was conducted to assess media coverage of the new social programs.
- A separate machine content analysis of government press releases and announcements of the programs was also conducted.
- The cost of the programs was mentioned in only 0.6% of the government press releases and 4% of the television coverage (CTV 4.1% and CBC 3.7%).
- Budget and fiscal issues more broadly were covered in 3.5% of the press releases, and in 15.3% of CTV's and 9.4% of CBC's news coverage.
- There were only five mentions on CBC and two on CTV that talked about how the programs created new permanent spending. This was a significant lack of criticism of a key component of the Finance Minister's mandate letter, which instructs her to "avoid creating new permanent spending."
- The most common theme in the press releases was the programs themselves, which accounted for 53.9% of the content. This was discussed in 14.8% of CTV's coverage and 7.2% of CBC's coverage.
- Features of the program that purported to provide benefits to Canadians represented 17.9% of the press releases, but only 6.4% of CTV's and 10.2% of CBC's coverage.
- Critical questions regarding how programs might be funded were ignored in favour of the politicians' political strategies and process questions on how the minority government would remain in power.

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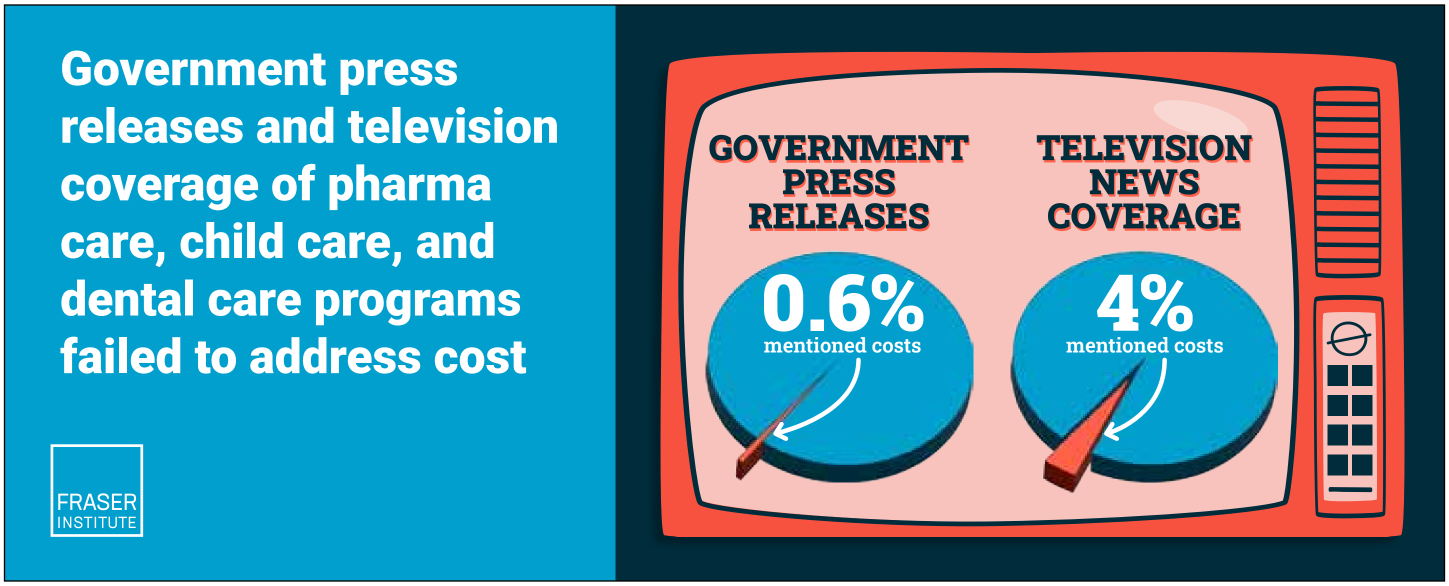
> *"When CBC and CTV television reporters covered the government announcements about these programs, they emphasized the political implications... without examining whether Canadian taxpayers could afford the programs."*



the largest news broadcast organizations in Canada, more than 95 percent of the combined coverage of these three major new government programs made no reference about how the government plans to pay for these programs.

This is no small omission.

When Justin Trudeau became prime minister in 2015, he promised the government would be "open by default." To underline that commitment, he publicly released the mandate letters of his entire cabinet, drawing applause from media members who said this would allow them to better hold the government to account.

Fast-forward to 2019, Trudeau's mandate letter to his finance minister (at that time, Bill Morneau) made reducing the government's debt the first of his key principles. When Trudeau replaced Morneau with Chrystia Freeland in 2021, he said she was to keep the original priorities and be "guided by values of sustainability and prudence."

Clearly, despite the media's initial excitement over Trudeau's public release of his mandate letters, the CBC and CTV failed to ask how the government's new permanent spending for these three major programs—again, child care, dental care, and pharma care—was consistent with the government's commitment to "sustainability and prudence."

Given the massive spending commitments associated with these programs—and the potential for much greater costs in the future—it's not unreasonable for the public to expect Canadian journalists to critically evaluate these programs, particularly with respect to costs. Unfortunately, many in the media have a lot of catching up to do. FI

> *CBC and CTV failed to ask how the government's new permanent spending for these three major programs—again, child care, dental care, and pharma care—was consistent with the government's commitment to "sustainability and prudence."*

Lydia Miljan is a professor of Poltical Science at the University of Windsor, and a senior fellow at the Fraser Institute. She is the author of *Media Coverage of Federal Spending Announcements on Child Care, Pharma Care and Dental Care.*

Job Growth in Government Exceeded the Private Sector in 8 out of 10 Provinces from 2019 to 2023

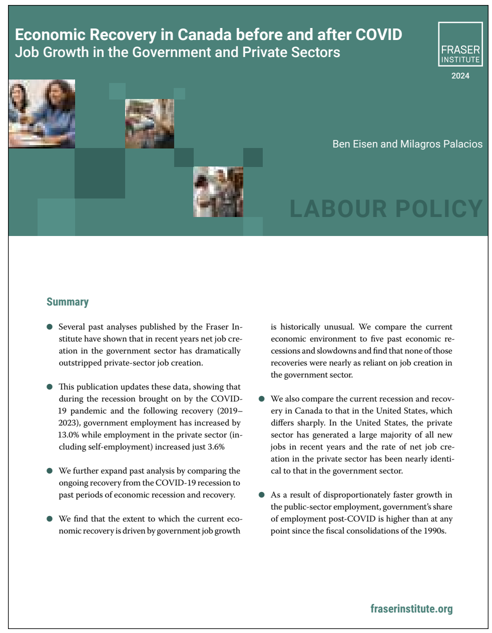
By Ben Eisen and Milagros Palacios

Across Canada, government employment has exploded, dwarfing job-growth numbers in the private sector and raising serious questions about the affordability of this government hiring spree.

Specifically, according to our new study, from 2019 to 2023 employment in the government sector (which includes federal, provincial, and local governments nationwide) increased by 13.3 percent compared to just 3.6 percent in the private sector (including self-employment).

Among the provinces, during the same four-year period, the number of government jobs in British Columbia grew by 22 percent (the highest percentage in the country) compared to just 0.5 percent in the private sector. In Ontario, the number of government jobs grew by 14.6 percent compared to 4.8 percent in the private sector. Eight out of the 10 provinces experienced a faster rate of job growth in the government sector than in the private sector over the four-year period. Alberta was the only large province where the private sector had a faster rate of job growth (7.2 percent) than the government sector (4.4 percent).

> *"Eight out of the 10 provinces experienced a faster rate of job growth in the government sector than in the private sector over the four-year period [2019–2023]"*


Economic Recovery in Canada before and after COVID
Job Growth in the Government and Private Sectors
FRASER INSTITUTE
2024
Ben Eisen and Milagros Palacios
LABOUR POLICY

Summary

- Several past analyses published by the Fraser Institute have shown that in recent years net job creation in the government sector has dramatically outstripped private-sector job creation.
- This publication updates these data, showing that during the recession brought on by the COVID-19 pandemic and the following recovery (2019–2023), government employment has increased by 13.0% while employment in the private sector (including self-employment) increased just 3.6%
- We further expand past analysis by comparing the ongoing recovery from the COVID-19 recession to past periods of economic recession and recovery.
- We find that the extent to which the current economic recovery is driven by government job growth is historically unusual. We compare the current economic environment to five past economic recessions and slowdowns and find that none of those recoveries were nearly as reliant on job creation in the government sector.
- We also compare the current recession and recovery in Canada to that in the United States, which differs sharply. In the United States, the private sector has generated a large majority of all new jobs in recent years and the rate of net job creation in the private sector has been nearly identical to that in the government sector.
- As a result of disproportionately faster growth in the public-sector employment, government's share of employment post-COVID is higher than at any point since the fiscal consolidations of the 1990s.

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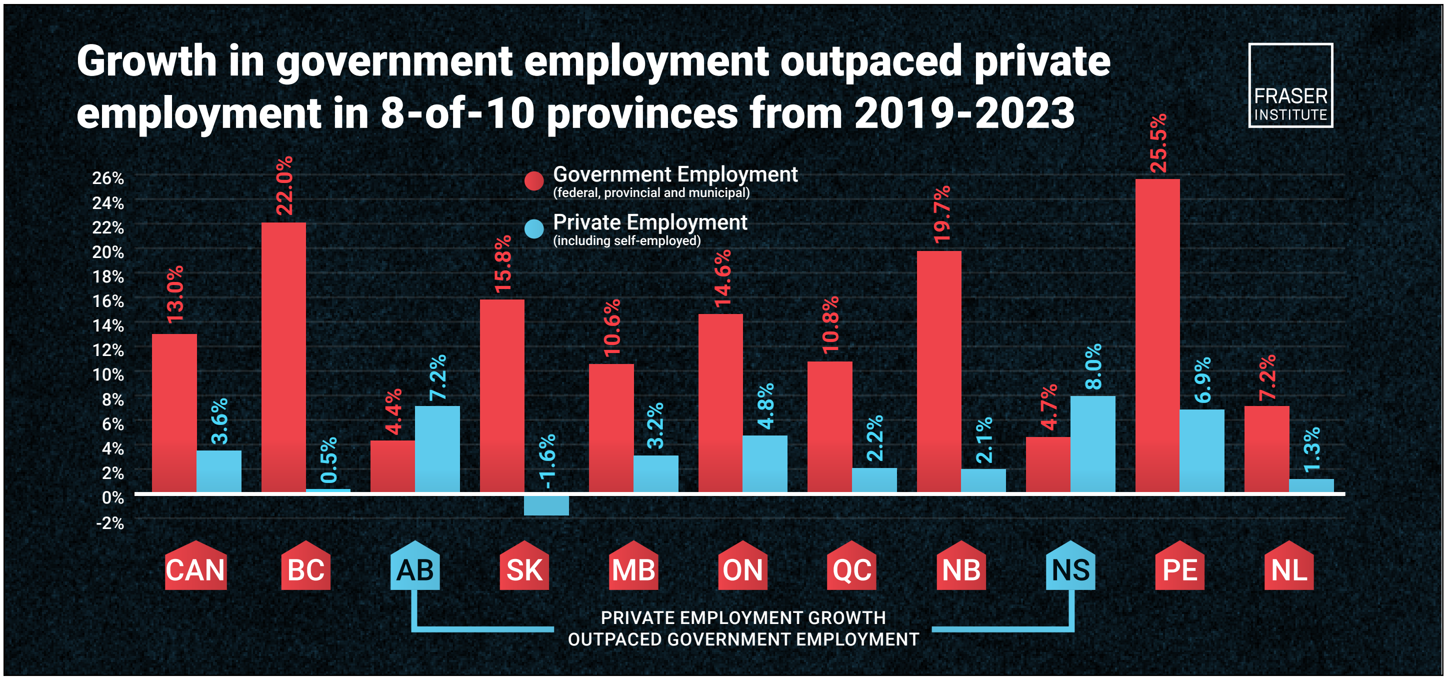
Moreover, during the four-year period, almost half of the total job growth in the Canadian economy took place in the government sector. As a result, the number of government jobs (as a share of total employment) increased by 21.1 percent. In case you're wondering, you can reasonably attribute this growth in government to the pandemic as most of the growth occurred post-COVID. As a result, government employment (again, as a share of total employment) in 2022 and 2023 was higher than at any point since the start of the fiscal reforms of the early 1990s.

So, why is this a problem?

Because the private sector pays for the public sector including the wages and salaries of government employees. And when you increase the size of the government-sector workforce, you increase the strain on government finances. If the share of workers

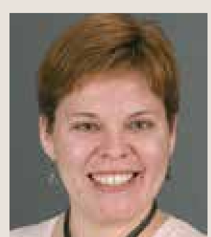


employed by government continues to grow, the government must extract more money from the private sector to pay for a growing government wage bill—either in the form of higher taxes today or new debt that must be either repaid or financed indefinitely by future taxpayers. That's the last thing taxpayers need, considering the state of government finances across the country. The federal government, for example, expects to run budget deficits of at least $20 billion for the next five years.

> *"If the share of workers employed by government continues to grow, the government must extract more money from the private sector to pay for a growing government wage bill—either in the form of higher taxes today or new debt that must be either repaid or financed indefinitely by future taxpayers."*

Taken together, these job growth numbers tell us an important story about the state of Canada's labour market and economy. While there was substantial variation between provinces, almost all of them experienced a faster rate of job growth in the government sector than in the private sector over four years. This raises serious questions about the health of the private sector in Canada and the effect of an increasingly expensive government wage bill on taxpayers who must ultimately foot the bill. Policymakers should consider these questions before making any future decisions about budgets and government-sector job growth. FI


BEN EISEN


MILAGROS PALACIOS

Ben Eisen is a senior fellow and Milagros Palacios is director at the Addington Centre of Measurement at the Fraser Institute. They are co-authors of *Economic Recovery in Canada before and after COVID: Job Growth in the Government and Private Sectors.*

More Than 50% of Parents in Canada Say New 'Descriptive' Grading Terms Are Difficult to Understand

By Paige MacPherson

According to a new poll, the vast majority of parents in Canada easily understand letter grades on report cards but are confused by the new "descriptive" grading recently adopted in British Columbia. This should serve as a warning to any province or school board thinking about adopting this type of convoluted descriptive grading.

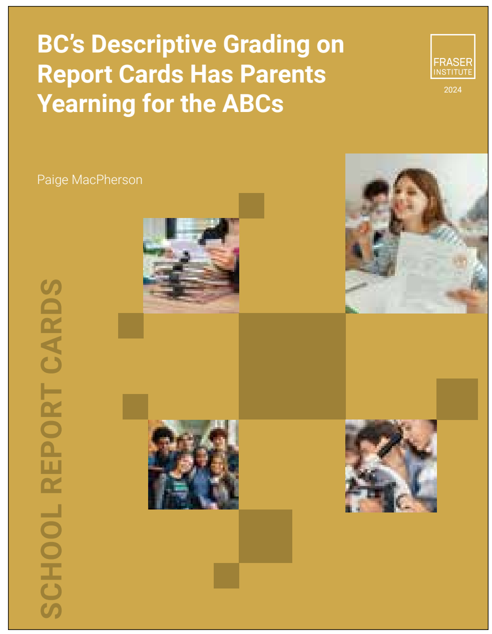
In September 2023, despite overwhelming opposition from British Columbians, the BC government replaced letter grades—such as A, B, C, D, etc.—on K-9 report cards with a "proficiency scale," which includes the descriptive terms "emerging," "developing," "proficient," and "extending." If these four terms seem confusing to you, you're not alone.

According to the new poll (conducted by Leger and commissioned by the Fraser Institute), 93 percent of Canadian parents from coast-to-coast said the letter grade "A" was "clear and easy" to understand while 83 percent said the letter grade "C" was "clear and easy" to understand. (For the sake of brevity, the poll only asked respondents about these two letter grades.)

By contrast, 58 percent of Canadian parents said the descriptive grade "extending" was "unclear and difficult" to understand and only 26 percent could correctly identify what "extending" means on a report card.

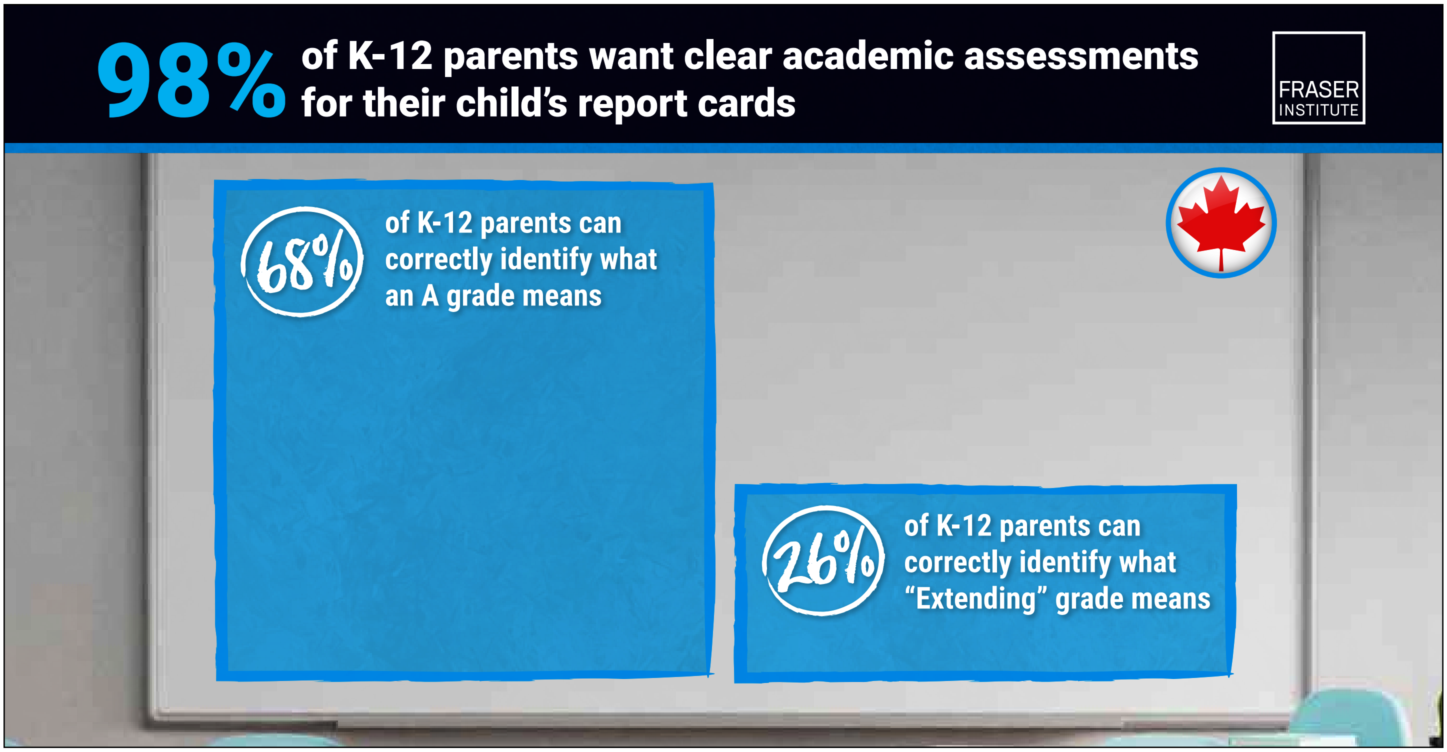
It was a similar story for the descriptive grade "emerging," as 57 percent of Canadian parents said the term was "unclear and difficult" to understand and only 28 percent could correctly identify what "emerging" means on a report card.

It's also worth noting that the poll simplified the definitions of the four "descriptive" grading terms.



"According to the new poll ... 93% of Canadian parents... said the letter grade "A" was "clear and easy" to understand.... By contrast, 58% of Canadian parents said the descriptive grade "extending" was "unclear and difficult" to understand and only 26% could correctly identify what "extending" means on a report card."

The BC government's official definitions, which can be found on the government's website, speak for themselves. For example: "Extending is not synonymous with perfection. A student is Extending when they demonstrate learning, in relation to learning



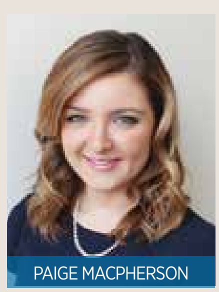
standards, with increasing depth and complexity. Extending is not a bonus or a reward and does not necessarily require that students do a greater volume of work or work at a higher grade level. Extending is not the goal for all students; Proficient is. Therefore, if a student turns in all their work and demonstrates evidence of learning in all learning standards for an area of learning, they are not automatically assigned Extending."

So, what are the consequences of this confusing gobbledygook? Well, we already have some anecdotes.

Before the BC government made the changes provincewide, the Surrey School District participated in a pilot program to gauge the effectiveness of descriptive grading. According to Elenore Sturko, a Conservative MLA in Surrey and mother of three, for three years her daughter's report cards said she was "emerging" rather than clearly stating she was failing. Sturko was unaware there was a problem until the child's Third Grade teacher called to tell Sturko that her daughter was reading at a Kindergarten level.

BC Education Minister Rachna Singh has justified the change saying descriptive grading will help students become "better prepared for the outside world" where you "don't get feedback in letters." But parents in BC clearly aren't happy.

Of course, other provinces also use terms in their grading systems (meeting expectations, exceeding expectations, satisfactory, needs improvement, etc.) in addition to letter grades. But based on this polling data, the descriptive grading now used in BC—which again, has completely replaced letter grades—makes it much harder for BC parents to understand how their children are doing in school. The BC government should take a red pen to this confusing new policy before it does any more damage. And parents across the country should keep a watchful eye on their local school boards for any plans to replace the ABCs with vague terminology open to interpretation. FI

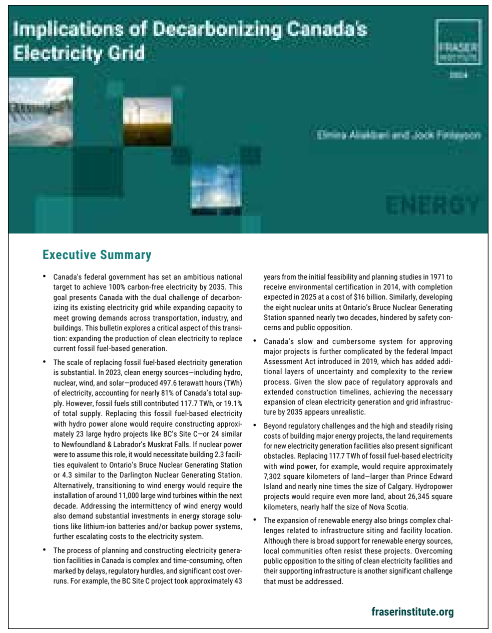

PAIGE MACPHERSON

Paige MacPherson is associate director of Education Policy at the Fraser Institute and author of *BC's Descriptive Grading on Report Cards Has Parents Yearning for the ABCs.*

Ottawa's Plan to Decarbonize Canada's Electricity by 2035 Not Feasible and Would Require Equivalent of 23 Site C Hydroelectric Dams

By Elmira Aliakbari and Jock Finlayson

The federal government has set an ambitious national target to achieve 100% carbon-free electricity by 2035—just over a decade from now—and to reach net-zero greenhouse gas emissions economy-wide by 2050.


Implications of Decarbonizing Canada's Electricity Grid

FRASER INSTITUTE

2024

Elmira Aliakbari and Jock Finlayson

ENERGY

Executive Summary

- Canada's federal government has set an ambitious national target to achieve 100% carbon-free electricity by 2035. This goal presents Canada with the dual challenge of decarbonizing its existing electricity grid while expanding capacity to meet growing demands across transportation, industry, and buildings. This bulletin explores a critical aspect of this transition: expanding the production of clean electricity to replace current fossil fuel-based generation.
- The scale of replacing fossil fuel-based electricity generation is substantial. In 2023, clean energy sources—including hydro, nuclear, wind, and solar—produced 497.6 terawatt hours (TWh) of electricity, accounting for nearly 81% of Canada's total supply. However, fossil fuels still contributed 117.7 TWh, or 19.1% of total supply. Replacing this fossil fuel-based electricity with hydro power alone would require constructing approximately 23 large hydro projects like BC's Site C—or 24 similar to Newfoundland & Labrador's Muskrat Falls. If nuclear power were to assume this role, it would necessitate building 2.3 facilities equivalent to Ontario's Bruce Nuclear Generating Station or 4.3 similar to the Darlington Nuclear Generating Station. Alternatively, transitioning to wind energy would require the installation of around 11,000 large wind turbines within the next decade. Addressing the intermittency of wind energy would also demand substantial investments in energy storage solutions like lithium-ion batteries and/or backup power systems, further escalating costs to the electricity system.
- The process of planning and constructing electricity generation facilities in Canada is complex and time-consuming, often marked by delays, regulatory hurdles, and significant cost overruns. For example, the BC Site C project took approximately 43 years from the initial feasibility and planning studies in 1971 to receive environmental certification in 2014, with completion expected in 2025 at a cost of $16 billion. Similarly, developing the eight nuclear units at Ontario's Bruce Nuclear Generating Station spanned nearly two decades, hindered by safety concerns and public opposition.
- Canada's slow and cumbersome system for approving major projects is further complicated by the federal Impact Assessment Act introduced in 2019, which has added additional layers of uncertainty and complexity to the review process. Given the slow pace of regulatory approvals and extended construction timelines, achieving the necessary expansion of clean electricity generation and grid infrastructure by 2035 appears unrealistic.
- Beyond regulatory challenges and the high and steadily rising costs of building major energy projects, the land requirements for new electricity generation facilities also present significant obstacles. Replacing 117.7 TWh of fossil fuel-based electricity with wind power, for example, would require approximately 7,302 square kilometers of land—larger than Prince Edward Island and nearly nine times the size of Calgary. Hydropower projects would require even more land, about 26,345 square kilometers, nearly half the size of Nova Scotia.
- The expansion of renewable energy also brings complex challenges related to infrastructure siting and facility location. Although there is broad support for renewable energy sources, local communities often resist these projects. Overcoming public opposition to the siting of clean electricity facilities and their supporting infrastructure is another significant challenge that must be addressed.

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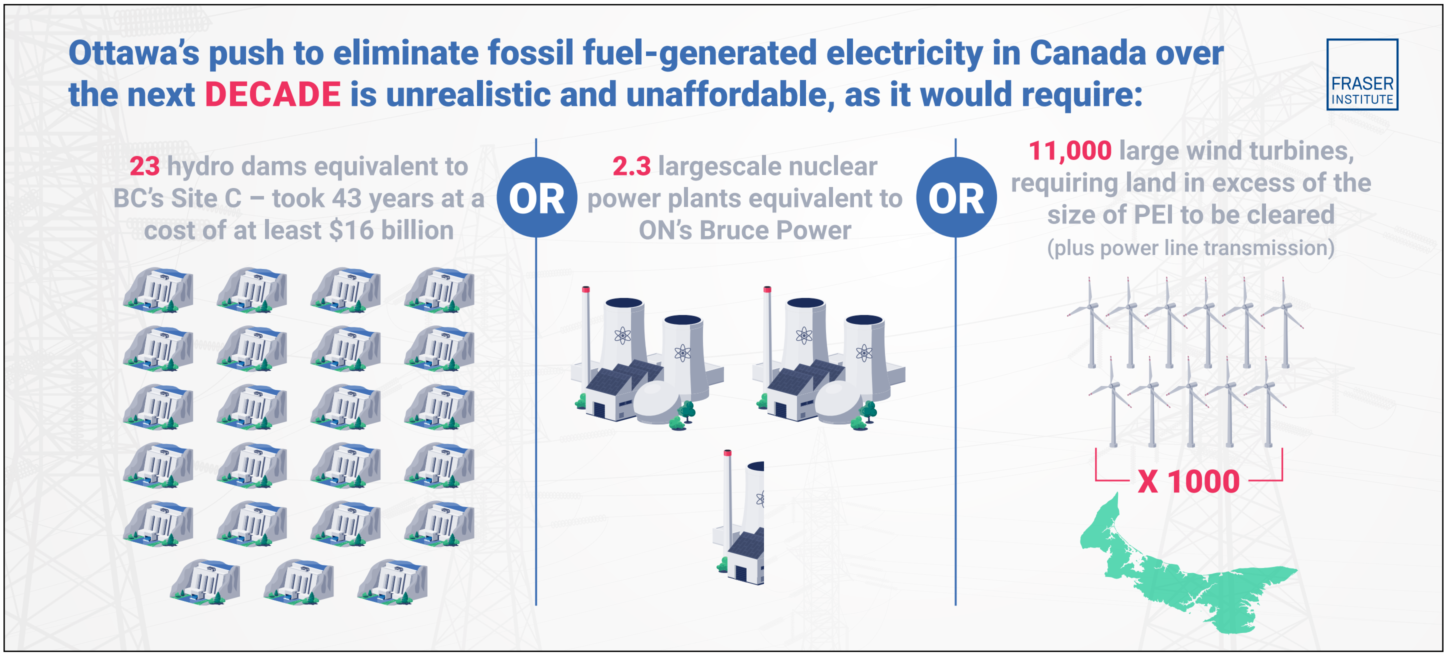
The proposed federal Clean Electricity Regulations, the final version of which will be released in 2024, are intended to steer and enforce the transition to a net-zero electricity system by 2035. This transition involves not only replacing existing fossil fuel-based electricity generation but also expanding capacity to meet the expected dramatic rise in electricity demand in the coming years and decades.

According to the federal government's 2024 budget, Canada's electricity demand is expected to double from 2022 to 2050. Factors driving this increase include the expected widespread adoption of electric vehicles, population growth, the electrification of industrial processes, and the use of building heating pumps—all designed to reduce the use of fossil fuels as an energy source and an input into industrial production. To meet this increased demand for electricity, the federal government estimates that electricity system generation capacity across the country must increase by up to 2.2 times from current levels. Some forecasts envisage that generation capacity must expand more than 3 times by 2050. Such targets mean doubling or tripling the electricity output developed in Canada over the past century—and doing so in just a quarter of the time.

A new study by the Fraser Institute investigates one part of the broader challenge of decarbonizing the Canadian economy: namely, expanding the production of clean electricity to replace the existing electricity generated from fossil fuel sources.

Not surprisingly, the challenge of replacing fossil fuel-based electricity generation will be substantial. In 2023, clean energy sources—including hydro, nuclear, wind, and solar—produced 497.6 terawatt hours (TWh) of electricity, accounting for nearly 81 percent of Canada's total supply. However, fossil fuels still contributed 117.7 TWh, or 19.1 percent of total supply. Replacing this fossil fuel-based electricity with hydro power alone would require constructing additional generation capacity equivalent to approximately 23 large hydro projects like BC's Site C—or 24 similar to Newfoundland & Labrador's Muskrat Falls. If nuclear power were to assume this role, it would necessitate building 2.3 facilities equivalent to Ontario's Bruce Nuclear Generating Station or 4.3 similar to the



Darlington Nuclear Generating Station. Alternatively, transitioning to wind energy would require the installation of around 11,000 large wind turbines within the next decade. Addressing the intermittency of wind energy would also demand substantial investments in energy storage solutions like lithium-ion batteries and/or backup power systems, further escalating costs to the electricity system.

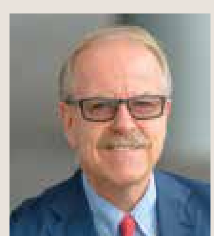
> *"The process of planning and constructing electricity generation facilities in Canada is complex and time-consuming, often marked by long delays, regulatory hurdles, and significant cost overruns."*

What's more, the process of planning and constructing electricity generation facilities in Canada is complex and time-consuming, often marked by long delays, regulatory hurdles, and significant cost overruns. For example, BC Hydro's Site C project took approximately 43 years from the initial feasibility and planning studies in 1971 to receive environmental certification in 2014, with completion expected in 2025 at a cost of $16 billion.

Similarly, developing the eight nuclear power units at Ontario's Bruce Nuclear Generating Station spanned nearly two decades, hindered by safety concerns and public opposition.

Canada's slow and cumbersome system for approving and permitting major projects is further complicated by the federal Impact Assessment Act introduced in 2019, which has added additional layers of uncertainty and complexity to the review process. Given the slow pace of regulatory approvals and extended construction timelines, achieving the necessary expansion of clean electricity generation and grid infrastructure by 2035 appears unrealistic. FI

ELMIRA ALIAKBARI



JOCK FINLAYSON

Elmira Aliakbari is director of the Centre for Natural Resource Studies at the Fraser Institute. Jock Finlayson is a Fraser Institute senior fellow and jointly holds the Institute's Peter M. Brown Chair in Canadian Competitiveness. They are authors of *The Implications of Decarbonizing Canada's Electricity Grid.*

Reducing Business Tax Rate to 8% Across Atlantic Provinces Would Benefit Workers; Encourage Growth and Competitiveness in Region

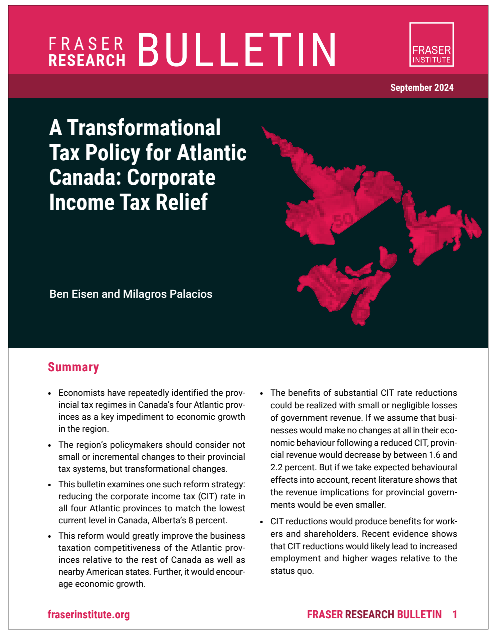
By Ben Eisen and Milagros Palacios

A substantial body of research has shown that the Atlantic Province's tax rates are largely uncompetitive with their neighbouring provinces and states across different types of taxation. One aspect of this larger tax problem is the region's high business income tax rates, which present a key opportunity for reform.

Currently, the four Atlantic Provinces have the four highest provincial business income tax rates in Canada. Prince Edward Island's rate is 16 percent, followed by 15 percent in Newfoundland & Labrador, and 14 percent in both New Brunswick and Nova Scotia. By comparison, the next highest rate in Canada is 12 percent, while the lowest rate in Canada is eight percent. Looking south, corporate income tax rates are generally higher in the Atlantic Provinces than the six nearby New England States.

In order to understand the opportunity inherent in lowering business income tax rates, we must first understand the costs of business income taxes. Maintaining high business taxes puts Atlantic Canada at a competitive disadvantage. Economic analyses of the cost of different types of taxation have shown that corporate taxes are among the costliest forms, causing more economic damage than personal income taxes or sales taxes, for example.

This should not be surprising. Taxing businesses at relatively high rates discourages investment, job creation, and economic activity. Further, businesses are generally mobile and seek to generate the highest possible returns, meaning that all else equal, they will direct investment and economic activity to the jurisdictions with the most competitive tax environments.


FRASER RESEARCH BULLETIN

September 2024

A Transformational Tax Policy for Atlantic Canada: Corporate Income Tax Relief

Ben Eisen and Milagros Palacios

Summary

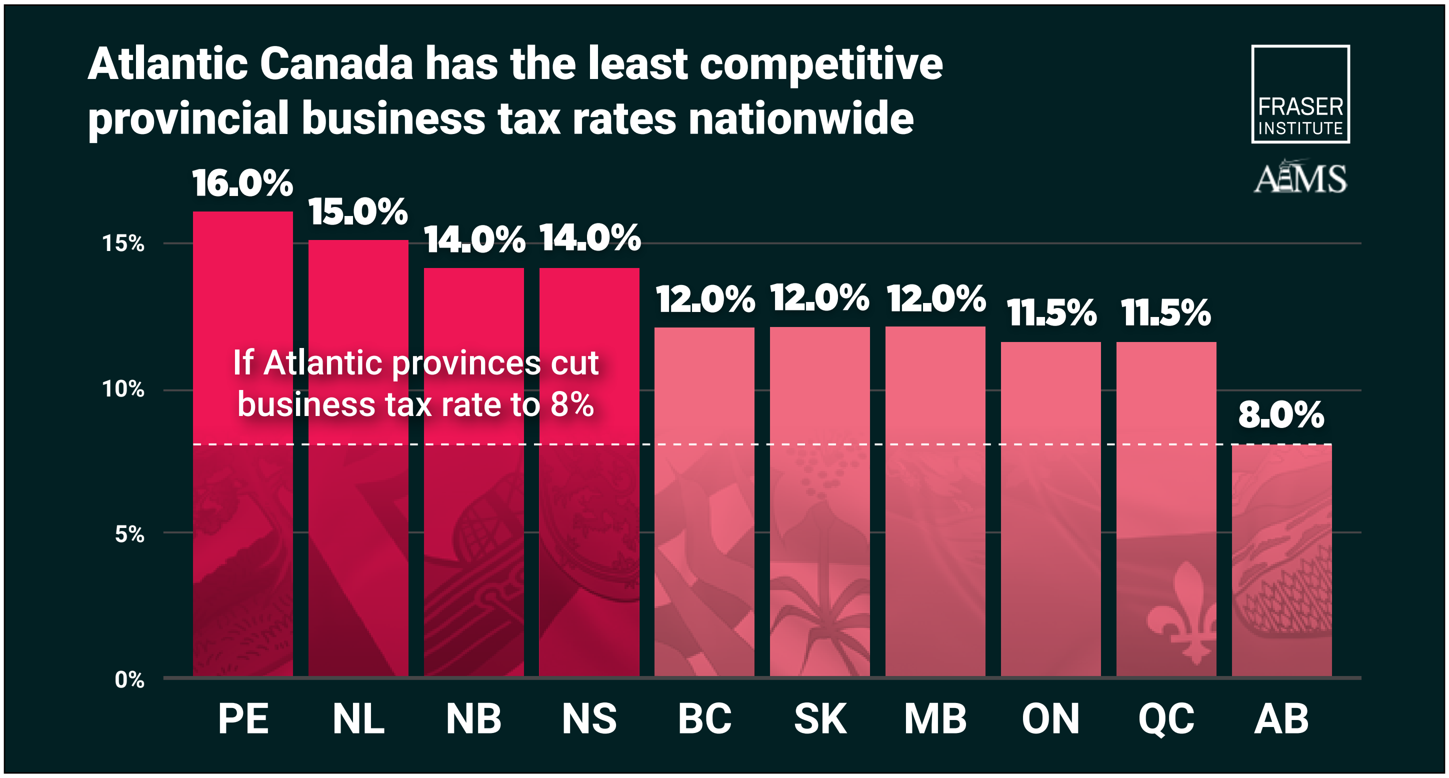
- Economists have repeatedly identified the provincial tax regimes in Canada's four Atlantic provinces as a key impediment to economic growth in the region.
- The region's policymakers should consider not small or incremental changes to their provincial tax systems, but transformational changes.
- This bulletin examines one such reform strategy: reducing the corporate income tax (CIT) rate in all four Atlantic provinces to match the lowest current level in Canada, Alberta's 8 percent.
- This reform would greatly improve the business taxation competitiveness of the Atlantic provinces relative to the rest of Canada as well as nearby American states. Further, it would encourage economic growth.
- The benefits of substantial CIT rate reductions could be realized with small or negligible losses of government revenue. If we assume that businesses would make no changes at all in their economic behaviour following a reduced CIT, provincial revenue would decrease by between 1.6 and 2.2 percent. But if we take expected behavioural effects into account, recent literature shows that the revenue implications for provincial governments would be even smaller.
- CIT reductions would produce benefits for workers and shareholders. Recent evidence shows that CIT reductions would likely lead to increased employment and higher wages relative to the status quo.

fraserinstitute.org FRASER RESEARCH BULLETIN 1

> *"Taxing businesses at relatively high rates discourages investment, job creation, and economic activity."*

For the average person, high business taxes mean fewer jobs, less economic growth, and ultimately lower living standards. In Atlantic Canada, incomes tend to trail the rest of the country and our neighbours to the south. One reason for this is the region's relatively weak business and investment climate, with high business taxes playing a key role.

The good news is that the Atlantic Provinces have an opportunity to reform business taxes, and this can be done without substantially reducing provincial

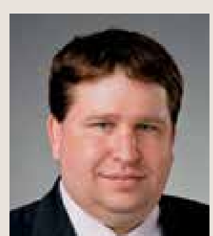


government revenue. One recent study showed that if the Atlantic Provinces were to adopt an eight percent business tax rate, they would not only have a tax advantage over most of the rest of Canada, but over all New England states as well.

Doing so would come at a cost of between 1.6 and 2.2 percent of provincial revenue, depending on the province (using 2023 as an example). However, this calculation does not factor in the positive economic impact from these tax cuts. Indeed, business tax reductions would spur investment and innovation, which fuels economic growth and ultimately government revenue. Correspondingly, the actual revenue losses from such a cut are likely to be much lower than described above. Therefore, such a cut would create a relatively small impact on provincial budgets, one that could easily be recovered through spending restraint.

A strong business environment is key to securing robust economic growth in Atlantic Canada in the future. While there are many areas of taxation in which the Atlantic Provinces are uncompetitive, few are more consequential than business taxes. To spur growth, policymakers in the region should implement business tax reductions. FI

> *"Business tax reductions would spur investment and innovation, which fuels economic growth and ultimately government revenue."*


BEN EISEN


MILAGROS PALACIOS

Ben Eisen is a senior fellow and Milagros Palacios is director at the Addington Centre of Measurement at the Fraser Institute. They are co-authors of *A Transformational Tax Policy for Atlantic Canada: Corporate Income Tax Relief.* This summary was written by Alex Whalen, director, Atlantic Canada at the Fraser Institute.

By Julio Mejía and Elmira Aliakbari

According to new data released this week, electric vehicle (EV) sales in Europe plummeted by 36 percent, including a 69 percent drop in Germany, the continent's largest auto market. And according to a recent survey by McKinsey & Company, nearly 30 percent of EV owners worldwide intend to switch back to internal combustion engine (ICE) vehicles. Clearly, in light of growing consumer hesitation and a global slowdown in EV sales, the ambitious timelines set by governments for the EV transition are increasingly at odds with market realities.

In Canada, the Trudeau government has mandated that all new passenger vehicles and light trucks must be zero-emission by 2035, with interim targets of 20 percent by 2026 and 60 percent by 2030. But only 8.1 percent (139,521) of the 1.7 million new vehicles sold in Canada in 2023 were electric, according to Statistics Canada. And it takes an average of 55 days to sell an EV in Canada—33 days longer than in 2023 and four days more than a gasoline-powered car. To achieve the Trudeau government's 2026 target, EV sales would need to more than double in just two years and increase more than sevenfold by 2030 (assuming no change in total vehicle sales). Such rapid growth within a short timeframe is questionable at best.

> *"Nearly 30 percent of EV owners worldwide intend to switch back to internal combustion engine (ICE) vehicles."*

It's a similar story in the United States where the Biden administration has mandated that nearly 60 percent of new vehicles sold must be electric by 2032 even though demand in 2024 has been lighter than expected and nearly half of American EV owners say they're likely to switch back to ICEs. In Europe, the

United Kingdom and the European Union plan to ban the sale of new ICE vehicles by 2035 yet, as previously noted, EV sales are plummeting.

Some automakers have already responded to the realities of the EV market. In April, Tesla laid off 10 percent of its global workforce. Ford announced it will cancel the production of an electric SUV, delay the production of an electric pickup truck, and postpone the start of EV production at its Oakville, Ontario plant by two years. General Motors abandoned its goal of producing 400,000 EVs by mid-2024 due to lower-than-expected sales and revealed in August it would delay the start of production at its battery plant in Indiana by about one year, pushing the timeline to 2027.

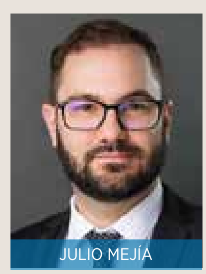
> *"The EV transition also faces another major hurdle—a shortage of minerals for EV batteries that can only be addressed by opening a massive number of new mines in record time."*

The EV transition also faces another major hurdle—a shortage of minerals for EV batteries that can only be addressed by opening a massive number of new mines in record time. According to a 2023 study, to meet international EV adoption mandates by 2030, the world would need 50 new lithium mines, 60 new nickel mines, 17 new cobalt mines, 50 new mines for cathode production, 40 new mines for anode materials, 90 new mines for minerals needed to produce battery cells, and 81 new mines for the body and motors of the EVs themselves, for a total of 388 new mines worldwide. For context, in 2021 there were only 340 metal mines operating in Canada and the US combined.

Identifying, planning and constructing a mine is a slow process. For instance, lithium production timelines range from six to nine years and for nickel 13 to 18 years—both of these elements remain critical for EV batteries. Clearly, today's aggressive government timelines for EV adoption clash with the realities of mineral mining.

The facts are undeniable. Governments can't dictate consumer choices via mandate. The fantastic EV adoption timelines of the Trudeau government and other governments in the Western world are increasingly out of touch with the realities of production and market demand. These governments have overestimated their ability to shape the auto industry, which is why EV mandates will fail. FI

> *"Governments can't dictate consumer choices via mandate. The fantastic EV adoption timelines of the Trudeau government and other governments in the Western world are increasingly out of touch with the realities of production and market demand."*



Elmira Aliakbari is director of the Centre for Natural Resource Studies, Julio Mejía is a policy analyst at the Fraser Institute.

Alberta Remains Largest Net Contributor to Ottawa's Coffers Despite Damaging Federal Policies

By Tegan Hill and Spencer Gudewill

According to a recent poll by the Angus Reid Institute, nearly half of Albertans believe they get a "raw deal"—that is, they give more than they get—being part of Canada. It's easy to see why Albertans are frustrated. Despite the province's crucial role in the federation, the federal government continues to inflict restrictive and damaging policies on the Albertan economy.

The Trudeau government's list of policies includes Bill C-69 (which imposes complex, uncertain and onerous review requirements on major energy projects), Bill C-48, (which bans large oil tankers off British Columbia's northern coast and limits access to Asian markets), the oil and gas emission cap, the "clean fuel standard," numerous "net-zero" targets that disproportionately impact Alberta, and so on.

Not surprisingly, the same poll found that 65 percent of Albertans believe federal government policies have hurt their province's economy.

What's less clear is why the federal government wants to thwart Alberta's economic engine, considering how much the province contributes to the federation financially. In our current system of federalism, Ottawa collects various taxes then redistributes money to Canadians in other provinces for federal programs including equalization, the Canada Pension Plan (CPP) and employment insurance.

According to a new study published by the Fraser Institute, from 2007 to 2022 (the latest period of available data), Albertans contributed $244.6 billion more in taxes and other payments to the federal government than they received in federal spending—more than five times as much as British Columbians or Ontarians. The other seven provinces received more federal dollars than they contributed to federal revenues. In other words, Alberta is by far the largest net contributor to Ottawa's coffers.

> ***"Albertans contributed $244.6 billion more in taxes and other payments to the federal government than they received in federal spending—more than five times as much as British Columbians or Ontarians."***

Alberta's large net contribution reflects its comparatively young population (fewer retirees), higher rates of employment, higher average incomes, and relatively strong economy. Alberta has a history of punching above its weight economically. For perspective, from 1981 to 2022, the province had the highest annual average economic growth rate in Canada. And despite dips in growth due to the 2014 oil-price collapse and COVID-19, in 2022 Alberta accounted for 17.9 percent of Canada's total economic growth despite being home to just 11.6 percent of the country's population.

It's a similar story for business investment per private-sector worker (in 2022, Alberta's level more than doubled the non-Alberta average among provinces) and private-sector job growth with Alberta contributing nearly one in every five private-sector jobs created in Canada in 2022.

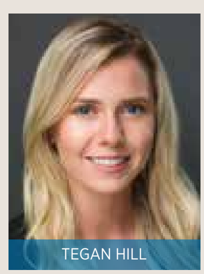
> ***"Despite dips in growth due to the 2014 oil-price collapse and COVID-19, in 2022 Alberta accounted for 17.9 percent of Canada's total economic growth despite being home to just 11.6 percent of the country's population."***

Alberta's prosperity, which helps fuel the federation, may help explain why in 2022 56,245 more Canadian residents moved to Alberta than left it—a much higher net inflow than in any other province. For decades, Alberta has provided economic opportunities for Canadians from other provinces willing to relocate.

Finally, without Alberta's large net contribution to the federal government's bottom line, Ottawa would have significantly larger budget deficits. In 2022, for instance, without Alberta the Trudeau government's $25.7 billion budget deficit would have ballooned to $39.9 billion. The larger the deficit (all else equal) the greater the debt accumulation, which Canadians must ultimately finance through their taxes.

> ***"Without Alberta's large net contribution to the federal government's bottom line, Ottawa would have significantly larger budget deficits."***

When Alberta's economy is strong and prosperous, it benefits all of Canada. And due to Alberta's economic success, Albertans continue to contribute relatively more to the federation than Canadians in other provinces. That's something the federal government should encourage, not discourage. FI



Tegan Hill is director, Alberta Policy and Spencer Gudewill was a 2024 research intern at the Fraser Institute.

Honest Discussion about Taxes Must Include Bills Canadian Families Pay

By Jake Fuss

Every year at the Fraser Institute, we calculate the total tax bill—which includes income taxes, property taxes, sales taxes, fuel taxes, etc.—for the average Canadian family. This year we found the average family paid 43.0 percent of its annual income in taxes in 2023—more than it spent on basic necessities such as food, clothing and housing combined, and significantly higher than the 33.5 percent it paid in 1961.

Put differently, the average family's tax bill has increased 2,705 percent since 1961—or 180.3 percent after adjusting for inflation.

And yet, in a recent column, Star contributing columnist Linda McQuaig said we're "distorting the public debate over taxes" by publishing these facts while stating that the effective tax rate the average family pays has only "increased by 28 percent since 1961." Presumably, she arrived at her 28 percent figure by calculating the change in the share of income going to taxes from 33.5 percent (in 1961) to 43.0 percent (in 2023). And yes, that's one way to measure tax increases. But again, the inflation-adjusted dollar value—what the average family actually pays—of the tax bill has increased by 180.3 percent. That's not distortion, that's explaining the increase in terms everyone can understand.

Of course, these aren't simply academic points. Taxes, particularly at a time when families are struggling with the cost of living, have real-world effects. According to a recent poll, 74 percent of respondents feel the average family is overtaxed, and 80 percent believe the average family should pay 40 percent or less of its income in total taxes.

Another important question is whether families get value for the taxes they pay. Polling shows nearly half (44 percent) of Canadians feel they receive "poor" or "very poor" value from government services while only 16 percent believe they receive "good" or "great" value. This should be no surprise. Healthcare wait times are at record highs. Student test scores are

> ***"Polling shows nearly half (44 percent) of Canadians feel they receive "poor" or "very poor" value from government services while only 16 percent believe they receive "good" or "great" value."***

declining. And Canada routinely fails to meet our NATO defence spending commitments.

Meanwhile, governments waste taxpayer dollars on pet projects such as a federal infrastructure bank, which, despite a budget of at least $13.2 billion, has delivered only two relatively minor projects in seven years. Or handouts to new electric vehicle (EV) owners that cost taxpayers—including Canadians unable to afford EVs—more than $587 million annually.

Can we really say governments are using our money wisely?

Unfortunately, many governments are doubling down. Municipalities such as Vancouver and Toronto raised property taxes by at least 7.5 percent this year. Toronto city council has even floated the idea of a municipal sales tax. It's hard to argue that you want to make life more affordable for families by leaving less money in their pockets.

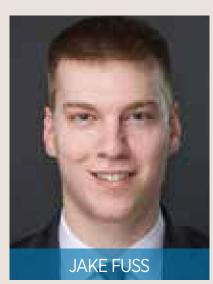
> ***"Unfortunately, many governments are doubling down. Municipalities such as Vancouver and Toronto raised property taxes by at least 7.5 percent this year."***

And of course, the Trudeau government recently raised taxes on capital gains. But despite claims to the contrary, this tax hike won't only affect wealthy investors. According to an analysis by economist Jack Mintz, 50 percent of taxpayers who claim more than $250,000 of capital gains in a year earned less than $117,592 in normal annual income from 2011 to 2021. These include Canadians with modest annual incomes who own businesses, second homes or stocks, and who may choose to sell those assets once or infrequently in their lifetimes (when they retire, for example).

Finally, more tax hikes are likely on the horizon. The federal government and eight provinces are currently running budget deficits, meaning they're not taxing enough to keep up with spending. Deficits produce debt, which will be passed on to future generations of Canadians in the form of higher taxes.

> ***"More tax hikes are likely on the horizon. The federal government and eight provinces are currently running budget deficits, meaning they're not taxing enough to keep up with spending."***

If governments across Canada want to leave more money in the pockets of Canadians, they should reduce taxes. And everyone should want an honest discussion about taxes in Canada, based on facts, not distortions.



Jake Fuss is director, Fiscal Policy at the Fraser Institute.

Ontario Government Falls Woefully Short of Balanced Budget Promises

By Ben Eisen

The Ford government recently published Ontario's official public accounts for the 2023/24 fiscal year, which show that the province wound up with a deficit of $647 million. According to Caroline Mulroney, the government's Treasury Board president, this is very good news. "After 15 years of a Liberal government," she said, "I don't think people can even imagine getting this close to a balanced budget."

But in reality, the Ford government has yet again moved the goalposts it uses to measure fiscal success.

Let's first address the suggestion that, when Kathleen Wynne's Liberal government left office in 2018, it was difficult to "imagine" getting close to a balanced budget in 2023/24. While releasing the Ford government's first fiscal update in November 2018, then Finance Minister Vic Fedeli spoke passionately about the need to eliminate the deficit and reduce provincial debt. "This government believes balancing the budget and reducing Ontario's debt burden is not only a fiscal imperative," he said, "it is a moral one." That update didn't include a clear path to balance but it—along with campaign rhetoric—gave a clear impression the government sought a quick return to balance.

However, by the spring of 2019—before the pandemic—the Ford government's urgency had already started to cool and the 2019 budget included a five-year fiscal plan that balanced the budget in 2023/24. So, contrary to Mulroney's claim, a relatively small deficit in 2023/24 doesn't represent a fiscal achievement that would have been hard to "imagine" when the Liberals left office. Rather it's a failure, as the Ford government has failed to achieve budget balance despite the leisurely five-year path laid out in the 2019 budget.

> ***"[T]he Ford government has failed to achieve budget balance despite the leisurely five-year path laid out in the 2019 budget."***

The Ford government now says it will balance the budget by 2026/27, but given past experience it's reasonable to be skeptical, especially if the government encounters any unexpected bumps in the road such as an economic slowdown. And to be clear, the government can't blame COVID because annual provincial revenues have by now recovered from that shock.

And crucially, we're only talking about the government's "operating" deficits, driven by annual expenditures on day-to-day items such as employee salaries and debt interest. When you look at the bigger picture, which includes spending on long-term capital projects, Mulroney's claim grows more dubious. The government's net debt burden this year will reach a projected $408 billion—or 37.4 percent relative to the size of the provincial economy, down slightly from 39.2 percent in 2017/18, the Liberal government's final full year in office.

> ***"The government's net debt burden this year will reach a projected $408 billion—or 37.4 percent relative to the size of the provincial economy..."***

This slight improvement since the Wynne years does not seem to reflect a government that believes debt reduction is a "moral" imperative. To be sure, it's good news that the deficit for 2023/24 is a little smaller than the government previously thought. However, contrary to claims from Mulroney and others in the Ford government, it's nothing to celebrate. Far from exceeding expectations or simply delivering on its promises, the Ford government has fallen well short of its deficit-reduction pledges. Will they break their new promises and move the goal posts once again? That's not hard to imagine. FI

> ***"Far from exceeding expectations or simply delivering on its promises, the Ford government has fallen well short of its deficit-reduction pledges."***


BEN EISEN

Ben Eisen is a senior fellow at the Fraser Institute.

Numbers Don't Lie—BC Government's Debt Has Exploded

By Ben Eisen and Tegan Hill

In recent years, the British Columbia government has run large budget deficits and racked up massive amounts of debt. However, British Columbians may not be fully aware of the sheer scale of the damage and the speed at which the province is careening towards fiscal disaster. According to two recent reports, BC is on track to become one of the biggest debtor provinces in Canada.

> *"The government's current approach to spending is unsustainable without future tax hikes or service cuts."*

Let's start with this year's annual report from the Parliamentary Budget Office (PBO), a budget watchdog that delivers annual updates on the sustainability of government finances across Canada. Not that long ago, in the mid-2010s, BC was in the PBO's top half of provinces in terms of long-term fiscal health.

This year's report (published August 28) tells a very different story. BC has the least sustainable government finances among all provinces. Which means that unless the provincial government raises taxes, it must reduce spending substantially to avoid increasing the province's debt burden relative to the size of its economy. Simply put, the government's current approach to spending is unsustainable without future tax hikes or service cuts.

Meanwhile, British Columbians continue to pay a lot to merely finance the existing debt load. This fiscal year (2024/25), debt interest costs are more than $700 per person, and projected to rise to nearly $1,000 per person by 2026/27.

A new report published by the Fraser Institute tells a similar story. Even though BC was recently one of the least indebted provinces in Canada, it's on track to become one of the highest debt provinces in Canada by 2029/30.

Five years ago, the BC government's net debt was $9,175 per person. But if it continues on its current trajectory, five years from now that number could reach $36,909, which would be either the highest or near the highest in Canada.

> ***"Five years ago, the BC government's net debt was $9,175 per person. But if it continues on its current trajectory, five years from now that number could reach $36,909, which would be either the highest or near the highest in Canada."***

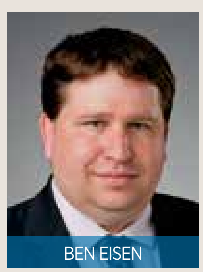
This is a stunning reversal. Five years ago the notion that BC could approach the debt levels of Ontario, Quebec and the Maritime provinces would have seemed very unlikely. But today, the BC government's per person debt has already caught up to New Brunswick and will like surpass Prince Edward Island and Nova Scotia in a year or two. And by the end of the decade, BC is on track to surpass Ontario and Quebec, provinces that have been famous for high debt loads for decades.

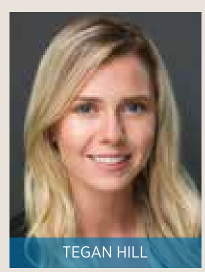
How did this happen?

Two words—spending growth. BC's former status as a low-debt province was due to 15 years of spending restraint that produced mostly balanced budgets (outside of recessions) and minimal debt growth.

Since the change of government in 2017, however, the rate of spending growth has exploded and, no surprise, so have budget deficits. It didn't have to be this way. If the Horgan and Eby governments had simply maintained spending close to the rate of inflation plus population growth, as their predecessors did for many years, BC would be in a much different situation today.

It's much harder to build a sandcastle than it is to kick it over. Similarly, it took more than a decade of prudent management and hard decisions to establish BC as one of the most fiscally sound provinces in Canada. But it's taken less than a decade of free spending to drive the province into large deficits, rack up mountains of debt, and earn the unfortunate distinction of having the least sustainable finances in Canada. FI





Ben Eisen is a senior fellow and Tegan Hill is director, Alberta Policy at the Fraser Institute.

Time to Finally Privatize Canada Post

By Vincent Geloso

Canada Post wants to increase the price of a stamp by 25 cents to $1.24 to keep up with inflation and rising costs. But Canada Post has often relied on this reasoning for previous price increases since it stopped being a government department and became a Crown corporation in 1981. Since then, it's jacked up prices every time it's had "financial difficulties."

The source of these difficulties has changed over time. It used to be the modernization of infrastructure, then the problems of pensions, then the rise of the internet. The answer is, however, always the same. Prices must increase. Indeed, since 1981 stamp prices have increased 98 percent (after adjusting for inflation). In other words, the price for stamps have increased far beyond the rate of inflation.

Why does Canada Post keep getting away with this?

Because it has a monopoly over most of the letter market in Canada. And while it competes with private companies (UPS, for example) in the parcel market, Canada Post can borrow money at much lower costs than its rivals because it is a Crown corporation ultimately backed by taxpayers. That's a huge advantage.

Normally, a company facing losses and declining demand would innovate and reduce costs. Otherwise, it would likely be bought out by competitors or go bankrupt. However, due to its monopoly over most of the letter market, Canada Post lacks this incentive. It can simply pass the burden onto consumers by raising prices, which is exactly what it has done since the 1980s. And as a Crown corporation, it cannot be purchased by another company without express approval from Ottawa.

> ***"Normally, a company facing losses and declining demand would innovate and reduce costs... However, due to its monopoly over most of the letter market, Canada Post lacks this incentive."***

So, what's the solution?

In Europe, due to a directive from the European Commission, all letters regardless of weight have been open to competition since 2013. The directive does not mandate the privatization of state-owned postal companies; it simply ends postal monopolies. Combined with local liberalization efforts before 2013, this directive has forced state-owned postal service providers to better control costs because they cannot turn to taxpayers (for subsidies) or consumers (by raising prices) to bail them out.

> ***"In the 10 years following privatization, prices for stamps and other postal services fell by 11 percent in Austria, 15 percent in the Netherlands, and 17 percent in Germany (adjusted for inflation)."***

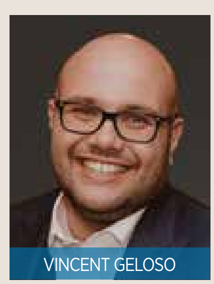
Some countries such as the Netherlands, Austria and Germany went further and privatized their postal operators. With privatization, the discipline of competition is combined with the discipline imposed by shareholders seeking to maximize profits and increase sales.

In the 10 years following privatization, prices for stamps and other postal services fell by 11 percent in Austria, 15 percent in the Netherlands and 17 percent in Germany (adjusted for inflation). All these countries now have lower postal prices than the European average.

Predictably, postal service providers in these countries found new methods of organizing their activities, tying multiple services together to generate economies of scale, and moved fast in adopting new information and logistical technologies. Due to the incentives of competition, providers focused their efforts on controlling costs—a focus Canada Post will never achieve as long as it's a Crown corporation with a monopoly.

> ***"Due to the incentives of competition, providers focused their efforts on controlling costs—a focus Canada Post will never achieve as long as it's a Crown corporation with a monopoly."***

If approved by federal regulators, Canada Post's latest price increase would go into effect in January. Policymakers in Ottawa should finally put postal liberalization and privatization on the table. Otherwise, it's only a matter of time before a new problem emerges, which Canada Post will use to justify another price increase. FI



Vincent Geloso is senior fellow at the Fraser Institute.

More Money Is Not the Answer for Schools—Just Look at Alberta

By Michael Zwaagstra

If you didn't already know, higher government spending on schools doesn't necessarily produce better results. Just look at what's happening in Alberta.

According to Statistics Canada, from 2012/13 to 2021/22 (the latest year of available data), per-student spending in Alberta increased by 2.1 percent from $13,146 to $13,421. After adjusting for inflation, this amounted to a 17.2 percent spending reduction.

This stands in sharp contrast to most other provinces. During the same 10-year period, inflation-adjusted per-student spending increased in Quebec (by 24.6 percent), British Columbia (5.1 percent) and Ontario (0.5 percent). By the raw numbers, Alberta now spends less per student than any other province.

The results?

According to the latest Programme for International Student Assessment (PISA) tests, Alberta students scored second only to Quebec on their math skills and almost half a grade level ahead of their peers in BC (even though BC spent $1,468 more per student in 2021/22). Even better, Alberta students scored highest in the country on their PISA reading and science

“Alberta students scored highest in the country on their PISA reading and science assessments. This is exactly the opposite of what we’d expect if less spending hurt student performance.”

assessments. This is exactly the opposite of what we’d expect if less spending hurt student performance.

Of course, this doesn’t mean that money is irrelevant. In countries that spend considerably less on education than Canada, more spending does correlate with better academic results. Excessive teacher turnover harms student learning and students must be in a stable learning environment to excel. If teachers aren’t paid enough to make a decent living, they will not remain in the profession, and students will suffer.

However, things are quite different in Canada where all provinces including Alberta already spend a significant amount on education. Governments should

“Governments should spend more wisely rather than simply pour more money into the education system.”

spend more wisely rather than simply pour more money into the education system.

Since Alberta is a top-performing province, it’s worth asking what makes this province different. Simply put, Albertans have more educational choice than any other province. Not only does Alberta have fully-funded public and separate school systems, accredited independent schools receive 70 percent of per-student grants available to public schools, which makes it easier for independent schools to keep tuition affordable for parents. And it’s the only province to allow charter schools, which are fully-funded public schools that operate independently from government school boards. This makes it easier for charter schools to offer specialized programming based on parental demand and creates an incentive for government school boards to diversify their programming options.

Alberta also has a rigorous standardized testing program. Grades 6 and 9 write provincial achievement tests in English language arts, math, science and social studies. Meanwhile, Grade 12 students write diploma exams in a variety of courses that are worth 30 percent of their final mark. These tests and exams play an important role in holding schools accountable.

However, before Alberta politicians get too comfortable, it’s important to note that Alberta, despite its relative success compared to other provinces, saw a significant decline in academic achievement over the last 20 years. The latest PISA tests show that Alberta students declined in their math skills by 45 points from 2003 to 2022. To put this in perspective, PISA equates 20 points with approximately one grade level. In other words, Alberta students are (on average) approximately two years behind in their math skills than they were in 2003.

Getting to the root cause of this decline will take considerable effort. But one thing we know for sure—despite any rhetoric to the contrary, simply spending more money will not solve this problem. As another school year begins, policymakers in Alberta and across the country should keep this in mind. FI


MICHAEL ZWAAGSTRA

Michael Zwaagstra is a senior fellow at the Fraser Institute.

Fossil Fuel Consumption Rising Despite 'Net-Zero' Plans Worldwide

By Julio Mejía and Elmira Aliakbari

During a recent speech in Brazil, US Treasury Secretary Janet Yellen said that "many sources"—including governments—must spend "no less than $3 trillion" each year for the world to achieve "net-zero" global carbon emissions by 2050. While Yellen was light on specifics, she said the money would pay for "clean energy technologies" and "pathways to sustainable and inclusive growth."

But to achieve net zero, which means either eliminating fossil fuel generation or offsetting the emissions generated through activities such as planting trees, countries must phase out the world's primary energy source (fossil fuels such as oil and gas), defying the global trend of increasing fossil fuel consumption.

> *"[Between 1997 and 2023] the actual use of fossil fuels has increased dramatically with global consumption of coal, gas and oil increasing by 56 percent."*

Indeed, between 1997 (when the original Kyoto Protocol was ratified) and 2023, the share of total global energy represented by fossil fuels declined slightly from 85.7 percent to 81.5 percent. However, during that same period the actual use of fossil fuels has increased dramatically with global consumption of coal, gas and oil increasing by 56 percent.

Here in Canada, despite billions spent and almost a decade of new taxes and regulations in the Trudeau government's pursuit of net zero by 2050, the share of fossil fuels in our total energy consumption increased from 64.6 percent in 2015 to 65.0 percent in 2023. Clearly, the Trudeau government's carbon tax, regulations and policies meant to phase out fossil fuels have not achieved this goal.

"Here in Canada, despite billions spent and almost a decade of new taxes and regulations in the Trudeau government's pursuit of net zero by 2050, the share of fossil fuels in our total energy consumption increased from 64.6 percent in 2015 to 65.0 percent in 2023."

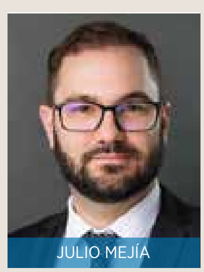
But this comes as no surprise. Massive energy transitions are slow and take centuries. Renowned scholar Vaclav Smil's recent study explained that the first global energy transition—from traditional biomass fuels (including wood and charcoal) to fossil fuels—started more than two centuries ago and unfolded gradually. In fact, the transition away from biomass fuels remains incomplete. Nearly three billion people in the developing world still depend on charcoal, straw and dried dung for cooking and heating, accounting for about 7 percent of the world's energy supply (as of 2020).

According to Smil, coal only surpassed wood as the main energy source worldwide around the year 1900. It took more than 150 years from its first commercial extraction for oil to reach 25 percent of all fossil fuels consumed worldwide, reaching this milestone in the 1950s. And natural gas reached this threshold at the end of the 20th century, after 130 years of the industry's development.

"For the world to reach net zero by 2050, the amount of energy humanity must replace with new sources (e.g. wind, solar) is 23 times greater than the amount of energy the world used when the previous transition started in the 19th century."

So, let's look at what net-zero advocates are proposing in a different way. For the world to reach net zero by 2050, the amount of energy humanity must replace with new sources (e.g. wind, solar) is 23 times greater than the amount of energy the world used when the previous transition started in the 19th century. And governments want to achieve this unprecedented transition in less than one-eighth of the time of the previous transition.

While politicians worldwide talk about a great energy transition, fossil fuel consumption has only grown. And it's the same story here at home. Clearly, achieving net zero by 2050 is neither realistic nor feasible. FI



Julio Mejía is a policy analyst and Elmira Aliakbari is director of the Centre for Natural Resource Studies at the Fraser Institute.

Inspiring the Next Generation of Canadian Leaders

Our Student Programming initiatives are going full steam ahead, continuing to inspire and educate students from coast to coast. Thanks to the work of the Institute's Centre for Education Programs, we've connected with thousands of young minds across Canada.

This fall, we delivered a packed lineup of seminars, webinars, contests, and other exciting academic opportunities. Students had the chance to engage with inspiring speakers like Benji Backer, author of *The Conservative Environmentalist*; Steven Landsburg, author of *The Armchair Economist*; and Yeonmi Park, author of *In Order to Live*. Their thought-provoking presentations made our in-person events and webinars unforgettable.

Building on our successful 2023 launch, we've expanded our high school programming in Calgary. In British Columbia, students participated in four immersive field trips, where they tackled economic concepts through interactive lectures, games, and simulations.

These transformative programs would not be possible without the ongoing generosity of our donors, whose support helps us empower the next generation of Canadian leaders.

> ***"This seminar changed the way I see the world. I came in knowing very little about economics, but I left with new ideas, new friends, and a deeper understanding of how I can make a difference." —Student, Ontario***

> ***"The speakers didn't just teach us about economics—they made us feel seen and capable of creating change. I'll carry their messages with me for a long time." —Student, Alberta***

> ***"It's rare to feel excited about learning, but this experience really sparked something in me. I felt like my voice mattered, and I can't wait to use what I learned to shape my future." —Student, British Columbia***

Explore our student programming and more at **fraserinstitute.org/education-programs**

Above: Post-secondary student asks Senior Fellow Steven Globerman a question during a post-secondary seminar in Vancouver.

Empowering Educators and Journalists to Shape Public Understanding

Beyond our commitment to students, the Fraser Institute has been making exciting strides in supporting both educators and journalists. This fall, we hosted eight dynamic teacher workshops and webinars, delivering engaging lesson plans that will impact countless students and elevate economic education in classrooms across the country.

We also rolled out two specialized journalism programs—*Economics for Journalists* and *Policy for Journalists*. Nearly 50 journalists from diverse media outlets nationwide participated, gaining valuable insights into economics and public policy. With this knowledge, they are better equipped to inform and engage Canadians through their platforms.

These achievements would not be possible without the generous support of our donors.

“The workshop reminded me why I became a teacher—to empower students with knowledge that shapes their future. The resources provided were thoughtful, practical, and will truly make a difference in my classroom.” —Teacher, Manitoba

“It’s refreshing to be part of a program that values the role teachers play in building understanding. I left feeling inspired, better equipped, and excited to see my students grow through what I’ve learned.” —Teacher, Ontario

“The Fraser Institute’s support for educators is invaluable. The workshops gave me new ideas and the confidence to explore economics with my students in ways I never thought possible.”—Teacher, Alberta

Discover more about our resources and programming for teachers and journalists at
fraserinstitute.org/education-programs

Above: Canadian journalists engage with Fraser Institute Executive Vice-President Jason Clemens at a session of our journalism program in Vancouver.

THANK YOU TO OUR TEAM

Staff at the 50th Anniversary Gala with Founder Michael Walker (front row, centre).

Typically, on this page of *The Quarterly*, we include a Staff Profile to introduce a dedicated team member. Rather than profile one member of our team in the last issue of our 50th year, we wanted to say THANK YOU to our entire team—our researchers, our senior fellows, our education programs team, our marketing and communications team, our development team, and the backbone of the Institute, our administration team (human resources, finance, IT).

Our team always challenges the status quo and fearlessly says what needs to be said based on empirical evidence. We are often the lone voice, willing to confront uncomfortable realities and challenge prevailing narratives. We want to take this opportunity to thank our entire team for being so courageous!

Staff and senior fellows at our staff retreat at Kananaskis Mountain Lodge in Alberta, June 6–9, 2024.

JOIN OUR 50 FOR 50 LEGACY CAMPAIGN!

Before our 50th year ends on May 30, 2025, it is our goal to confirm 50 new pledged legacy gifts.

By leaving a legacy gift to the Fraser Institute in your estate plans, you will be leaving a lasting testament to your devotion to a better Canada.

To learn more about leaving a gift to the Fraser Institute, please call (604) 688-0221 x421 or email Elizabeth.pratt@fraserinstitute.org.

FRASER INSTITUTE

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SINCE OUR FOUNDING IN 1974, WE HAVE BECOME CANADA'S MOST INFLUENTIAL THINK TANK REACHING TENS OF MILLIONS OF CANADIANS EVERY YEAR WITH OUR IMPORTANT RESEARCH.

THANK YOU FOR BEING A FRIEND AND SUPPORTER.