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Quarterly
Student Magazine
Summer 2008

Canadian student review

Wrapped in **RED TAPE**

Trend in government
failure continues

How to write an OP/ED

Wrapped in red tape . . .

by David Karp

The case for capitalist
health care

by Ty Mills

Things folks know that
just ain't so

by Angevine and Thomson

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(2) FILM AND POST YOUR VIDEO ON YOUTUBE

Film, edit and post your health care video on YouTube by midnight on October 31, 2008.

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Tell your friends to vote for their favorite video from November 3rd to 16th, 2008.

CASH PRIZES & ELECTRONICS TO BE WON:

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3rd Place:	\$750	3rd Place:	\$750
Viewer's Choice:	\$750	Viewer's Choice:	\$750

A viewer's choice prize will be awarded in each category for the video with the highest rating on YouTube. Runners-up in both age categories will receive handheld camcorders (\$500 value).

Sponsored by The Lotte and John Hecht Memorial Foundation

For complete contest information, visit www.fraserinstitute.org.

Canadian student review

Welcome!

This summer issue of *CSR* features great articles written by students like you, including one of our 2008 Essay Contest winners! Read on for great perspectives on government failure, oil and gas investment, and the role of prices and profits in the economy.



We are also thrilled to announce the launch of our first ever YouTube Video contest. The deadline to submit your *concept paper* is September 30th 2008, so it's time to get creative and put your great ideas to paper! See inside for contest details.

We would like to thank the Lotte & John Hecht Memorial Foundation for their generous support, which enables us to distribute Canadian Student Review at no cost to campuses across Canada.

Best Wishes,

Vanessa Schneider,
Director of Student Programs

Canadian student review

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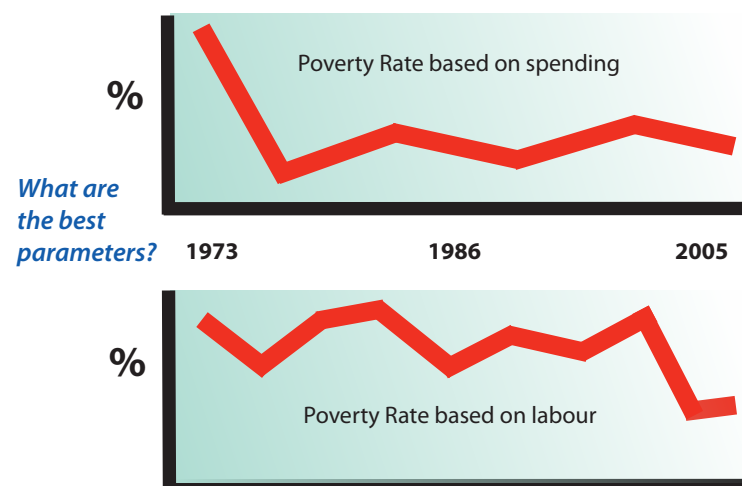
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HOT TOPICS!

NEW STUDY

What is poverty? Providing clarity for Canada



In *What is Poverty? Providing Clarity for Canada*, Professor Chris Sarlo of Nipissing University finds that poverty, whether measured by income or consumption, has remained in the four to six per cent range since 1996. His numbers stand in stark contrast to media reports that claimed census data showed increased levels of poverty and a growing gap between rich and poor.

"... Statistics Canada described 'relative poverty,' which is really an estimate of the proportion of Canadians who are less well off than average; it's a measure of inequality and tells us nothing about the state of deprivation in Canada," Sarlo said.

"Media commentators and politicians then take those numbers and describe poverty in absolute terms, using graphic images and over-the-top language that brings to mind hunger and misery usually associated with third-world countries. This problem of definition "switching" confuses people and impedes intelligent public discussion of this important issue."

A free PDF version of *What is Poverty? Providing Clarity for Canada* is available at: www.fraserinstitute.org

NEW BOOK

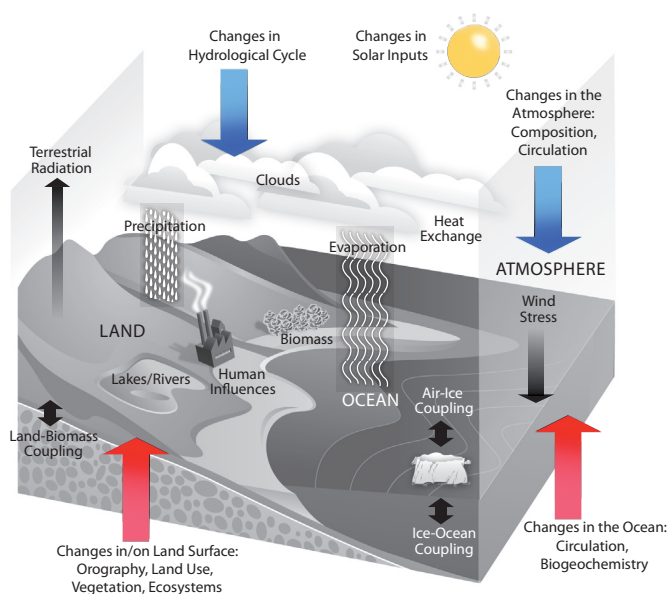
Understanding climate change

Understanding Climate Change is a comprehensive but easily readable explanation of what makes up the climate, how it is measured, and what science predicts is happening to the climate. The book is a summary of issues examined by other peer-reviewed scientific papers. It provides an overview of the many climate change issues that are known as well as a discussion of the many aspects of the science that remain uncertain. It is organized to largely follow the sequence of topics in the most recent IPCC (Intergovernmental Panel on Climate Change) report.

"This book doesn't debate whether or not the world is warming or how much of that warming is caused by human activity. Instead it provides readers with a basic understanding of how scientists measure and study the climate, along with an outline of what climate scientists know for certain and what remains relatively unknown," said Vanessa Schneider, Fraser Institute Director of Student Programs.

"By giving people an overview of the current state of climate science, they have more knowledge to better decide for themselves what kinds of policies are needed to deal with climate-related issues."

A free PDF version of *Understanding Climate Change* is available at: www.fraserinstitute.org



Global climate system components

How to write an op/ed

What is an op/ed?

Look at the opinion pages, near the back of the first section of your local or national newspaper. First, you will find **editorials**, usually placed on the left hand side of the page. These opinion articles are written by the editorial staff of the newspaper. They are not news articles, but rather are opinions reflecting the newspaper's response to issues in the news.

You will also find **columns**, articles written by writers who appear regularly in the same spot, usually under the same heading.

The opinion pages are also the place for **letters to the editor**, short letters about recent news or opinions that have appeared in the newspaper. They are submitted by members of the public.

Finally, **op/eds** (literally, opposite the editorials) are opinion articles written by outside authors, usually experts in their field. They provide an informed view on a newsworthy topic, and give the reader additional facts or anecdotes about the issue. They may reflect or counterbalance the newspaper's own editorial slant.

How do I write a good op/ed?

A few basic guidelines will help you to write an effective op/ed. There is also a wealth of information available on the internet.

- Your topic should be timely and relevant, often triggered by front page news. Make only one clear point in your article.
- Have a clear viewpoint. This is an opinion piece, not an academic essay that must explore all sides. Don't be wishy-washy.
- Know the newspaper that you are writing for, and their readership. Adjust your scope and focus accordingly, especially with regard to regional or national issues.
- Keep it brief. 500-800 words is just enough space to state your opinion, back it up with facts, and conclude. Make every word count.
- Use clear, powerful, direct language that is easy to understand. The tone should be conversational and entertaining. Do not use technical language, jargon, and clichés. Appeal to the layperson. Reading an op/ed should not be hard work.
- Humor can be a useful device, provided that it is appropriate to the topic.
- Begin your op/ed with a powerful, eye-catching sentence that makes the reader want more. A careful turn of phrase or clever use of words can be very effective here. Use this opening sentence to clearly state your opinion on the topic – essentially you state your conclusion first and then fill in the facts.
- Unlike an academic essay, you do not need to use the first paragraph to map out the structure of your article.
- Follow up with solid information to support your opinion. Include facts, statistics, numbers, or anecdotes. Provide insight on the topic for the reader, but don't be preachy.
- Conclude by re-stating your opinion and issuing a call to action. End with a "bang." Finally, include a one-sentence byline that describes who you are.

WIN \$250

op/ed contest

Try your hand at writing an op-ed, and win cash while doing so! Winning op/eds will also be published in *CSR*, which has a distribution of over 16,000 across Canada.

APPLICATION RULES:

Op/eds may be written on any public policy topic
Op/eds must be:

- 500-800 words
- Typed, double-spaced Word documents
- Op/eds must include a cover page that includes: Author name, mailing address, email address, phone number, and current school and program of study.
- A one-paragraph description of the context in which this article would be submitted to a newspaper, which newspaper(s) it would be sent to, and why. Please note that op/eds will not actually be submitted to commercial newspapers. This description will be considered in the judging of the contest.
- Received by **September 22, 2008**
- Sent as an attachment to: courtenay.vermeulen@fraserinstitute.org



Wrapped in RED TAPE

Trend in government failure continues

By David Karp

Though many people believe governments are better at delivering services than the free market, evidence shows that government failure is all too common.

The Auditor General reports twice a year to the House of Commons on the performance of government programs, and each report uncovers failures in a wide range of government activities. Auditor General Sheila Fraser's latest report, released in May of 2008, is no exception.

For instance, the government had trouble meeting deadlines. More than 90 percent of critical or essential items for the Canadian Forces were not received in Kandahar by their required delivery date.

The government does not always keep its information up to date. Fees for commercial fishing licenses are based on the price of seafood from the early 1990s, even though some seafood prices have increased more than 260 percent since then. And in Afghanistan, \$7 million worth of equipment was listed in the Canadian Forces inventory but could not be found, while another \$6.6 million worth of equipment was in Afghanistan but not listed in the mission's inventory.

There are problems maintaining government assets. Major work has not been done on 24 Sussex Drive (the Prime Minister's residence) since 1951 — the plumbing is deficient, electrical wiring needs to be replaced, toxic materials such as asbestos need to be removed and loose windows are causing extensive heating loss.



The government has trouble with human resources. Thirty percent of Transport Canada inspectors and engineers have not completed required training, which means this staff does not meet their job requirements. Meanwhile, Indian and Northern Affairs lacks the staff required to manage a program that funds children's welfare services.

The Auditor General found instances of two payments for the same item. For example, Indian and Northern Affairs made extra payments of \$17 million to First Nations child welfare agencies in 2007 because the Children's Special Allowance Act was also providing funding for the same children.

There are issues with oversight. For instance, one Indian and Northern Affairs program reimburses expense claims from provinces and First Nations agencies, but does not check to see if the expenses are reasonable. Officials told the Auditor General that when they did find expenses that were not allowed, they did not recover the money (\$100,000 in one case). The Canadian Border Services Agency, meanwhile, determined there are approximately 63,000 people who have enforceable removal orders or outstanding immigration warrants for removal, but the whereabouts of 41,000 of these people are unknown.

There are problems with communication within government. For example, both the Public Health Agency and Canadian Food Inspection Agency are supposed to monitor animal-based diseases that could be transferred to humans. However, the two agencies have not coordinated what each of their responsibilities is, which means the right diseases might not be getting tracked at the right time. In another case, Health Canada and Indian and Northern Affairs Canada could not agree on who was supposed to fund health expenses for certain First Nations children, resulting in one child having to wait nine months for an \$11,000 piece of equipment before Indian and Northern Affairs finally decided to pay for it.

While government errors may almost seem comedic, they should be of serious concern to taxpayers — failures identified by the Auditor General between 1992 and 2006 cost in excess of \$99 billion, according to the Fraser Institute's *Government Failure in Canada* (2007 ed.).

This is not a problem with a particular political party. Rather, widespread government failure can be expected with the current size and structure of government. While private companies have to respond to the wishes of consumers in order to keep

generating revenues, the incentives for governments do not encourage efficiency. Politicians have an incentive to support policies that will get them re-elected, rather than uphold the public interest. Public service managers are typically paid based on the extent of their responsibilities rather than their productivity, which creates an incentive for bureaucrats to increase their responsibilities rather than find ways to save taxpayers' money. It is difficult for voters to make their wishes heard at the ballot box because it is often unclear what their reasons are for choosing one candidate over another.

Still, there are steps governments can take to improve their performance. By clearly defining its role, government can eliminate activities that do not help it achieve its role. Tax revenues could be allocated more efficiently and Parliament could provide more effective oversight if government were performing fewer activities.

With a few reforms, the trend of government failure could be reversed. ■

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David Karp is an intern in the Fraser Institute's Fiscal Studies Department. He is an honours economics student at the University of Victoria, where he was also editor-in-chief of the Martlet, the weekly student newspaper.



The case for capitalist health care

An analysis of the solutions to the problems with contemporary Canadian health care

By Ty Mills

Canada faces a serious crisis. Universal health care is of such low quality that it leads to morbidly high levels of suffering and death, and such accelerated costs that it threatens to devour ever greater portions of the provincial treasuries. What are the solutions being offered to the public? Those on the left of the political spectrum and some conservatives advocate maintaining the status quo and fixing it through more government regulation and increased monetary expenditures. Most right-wing conservatives call for some sort of third way or two-tiered plan where government would still be obligated to provide health services to the poor but would reform the system to allow private clinics to practice. Unfortunately neither of those proposed solutions would alleviate the problems facing the health care system today. What Canada's health care system needs is progressive change; reform that is both moral and practical. The answer is a laissez-faire approach where all decisions about health care are made by private individuals and organizations with absolutely no government ownership, service, regulation or any other such trampling of individual rights.

The main objective of the Canada Health Act is "to facilitate reasonable access to health services without financial or other barriers." This has been a complete failure. Canadians are in no sense given "reasonable" access to care despite having so called "free" health care. Many innocent people on wait lists have died needlessly from ailments that could

"There is no such thing as free health care"

have easily been alleviated. For example, "A Canadian woman who discovers a lump in her breast might wait several months before she receives the surgery and chemotherapy she needs, with the cancer cells multiplying rapidly all the while" (Saint-Jaques et al., 2007). Another frightening statistic is that "24% of Canadians waited 4 hours or more in the emergency room" (Davis et al., 2007). The results of socialist health care do not change from nation to nation. Britain's National Health Service was extremely deteriorated as early as the 1970s. British physicians were leaving to practice in other countries resulting in a "brain drain," the number of hospital beds shrunk despite an increase in patients, and medical equipment was outdated (Friedman and Friedman, 1979).

Financial barriers have not been removed. Health care is of value, and therefore must be paid for somehow, either by consenting doctors and clients transacting freely with each other; or by taxation, forced premiums or printed money, all three of which violate the principles of individual rights. There is no such thing as free health care if "free" means that it is *valueless*. Socialized health care has resulted in far greater nominal taxation for Canadians than a voluntary insurance premium would be. The costs of health care have swamped the budgets of many provinces; in Alberta the budget will allocate 36% of expenditures to health this fiscal year (Alberta, 2008), and this number is expected to sharply increase over the next ten years. Throughout Canada as a whole, aggregate provincial health care spending is expected to reach \$103.1 billion and this does not include federal expenditures which would increase the overall spending to an enormous \$160.1 billion this year.



"The costs of health care have swamped the budgets of many provinces"

So what are the solutions? Certainly there are those that advocate the status quo: more money, more government. But would spending more provide a solution? Canada has been doing that since 1947, the results have since been dismal. Another option? Costs may go down if citizens are forced to adopt healthier lifestyles, and thus from smoking to trans-fats, the state has been making ever more decisions about how individuals live. Just as the parent that pays the bills makes the rules, so does the government – health care thus becomes an effective tool for power-lusting politicians. The people who continue to advocate a failing system do not acknowledge the economic facts for they believe they hold an infallible moral high ground – that all people have a moral *right* to health care.

The option that has been argued for, by less cowardly conservatives, is a mixed economy approach; very few politicians have made moves to support it. Stephen Harper's Conservative government has not endorsed

it. In Alberta, Ralph Klein tried to introduce a third way model for health but it failed. There has been some success in Quebec with the Supreme Court's ruling on *Chaoulli v. Quebec*, where private health insurance in certain cases will now be legal. In Ontario private clinics are currently operating. But in all of these cases the conservatives accept the left's premise that health care is a *right*; this in turn raises no objection to increased expenditures, regulations and interventions. The argument made by conservatives is that private clinics should be allowed to operate, and that everyone still has a moral claim which allows them to walk in and demand treatment.

This is exactly what is happening in the United States. The accepted premise is that everyone has a right to health care, thus despite being privately operated, "... law requires that hospitals that accept Medicare patients diagnose and treat anyone who comes within two hundred feet of an emergency room, regardless of whether the person can pay for

“Government involvement has caused a disaster: high premiums, unneeded services, closed emergency rooms, burned out doctors . . .”

the treatment” (Zinser and Hsieh, 2007/2008). The result has been ERs closing down en masse in the U.S., with 425 closing down between 1993 and 2003 (National Center for Health Statistics, 2005). This government meddling doesn’t stop in the emergency room; Medicare and Medicaid have caused a severe shortage of doctors, because the state pays them far below market equilibrium levels (which has caused many doctors to leave their careers). ERs are overrun by Medicare and Medicaid patients because family doctors aren’t available and ERs are the only places they can get treatment. The government has also interfered by offering tax exemptions to companies that provide health insurance, an initiative that has also failed. The U.S. government will not tax insurance benefits which include routine maintenance (physical examinations, x-rays and so on) thus making health insurance seem especially cheap (the price is in pre-taxed dollars) and this bolsters demand, thereby increasing prices. Another reason for an increase in cost is that insurance covers routine maintenance and emergencies. If routine maintenance were paid for without insurance (easily done as no one really needs insurance to pay for a \$60 physical) premiums would be remarkably lower. The worst example of

intervention is the state mandate. Mandates force insurance programs to cover certain services and special interest groups have since flocked to be included. Policies are then forced to cover even the most obscure services such as massage therapy and alcohol rehabilitation even when a customer has absolutely no desire to be covered for those items. Guaranteed community rating also requires that no one be refused insurance and that no one pay more than the next customer even if they live high risk lifestyles, causing premiums to rise across the board.

Government involvement within a market has caused a disaster: high premiums, unneeded services, closed emergency rooms, burned out doctors, not to mention the bankrupting of some State treasuries. Governments that allow for private health care but act on the premise that all citizens have a right to it are just as doomed to failure as those governments that have a monopoly on health care.

What is needed is an intellectual and moral assault on the premise of health care as a *right*. Universal health care is actually a violation of the only rights there are: life, liberty, property, and the pursuit of happiness. When something like health care is called a right, the government is obligated to pay for it and the only way the government can pay for it is through taxation – forcibly taking property from individuals. This is both a violation of liberty and property. A right means that you are free to do anything without violating the rights of others; it is not a claim to enslave doctors, insurance companies, or taxpayers. Unless we reject them – these “moral” principles and the system that enshrines them – health care will continue to be an industry in perdition.

How would a policy of *laissez-faire* work practically? Look at the evidence. The United States had a purely capitalist approach to health care up until World War II. Almost everyone was able to get the care



“This is both a violation of liberty and property . . . health care will continue to be an industry in perdition”

they needed and there were none of the problems of today. Some people will not be able to afford medical care, just as some people are not able to afford plasma televisions, but under a capitalist system there is no reason to believe that prices would not decrease like all other products after time and innovation. But for that extremely small group that wouldn’t be able to pay, they would have to resort to charity. This is exactly what happened before. The advocates of Medicaid and Medicare under U.S. president Lyndon B. Johnson did not claim that the poor or old in the 60’s received bad care, they claimed that it was an affront for anyone to have to depend on charity (Peikoff, 2006). Despite small but destructive interventions, industries that are firmly private such as publishing, advertising, and telecommunications allow even homeless people to buy books, read signs, and own cell phones. So the record of history is crystal clear, the only system that is going to provide a high quality product at an affordable price is *laissez-faire* capitalism. ■

Ty Mills is a recent graduate of the International Baccalaureate program and is enrolled to study economics at the University of Calgary in the fall. Ty has volunteered much of his time to Junior Achievement of Southern Alberta. His interests include economics, politics and philosophy. This essay was one of the high school category winners for the Fraser Institute’s 2008 Student Essay Contest.

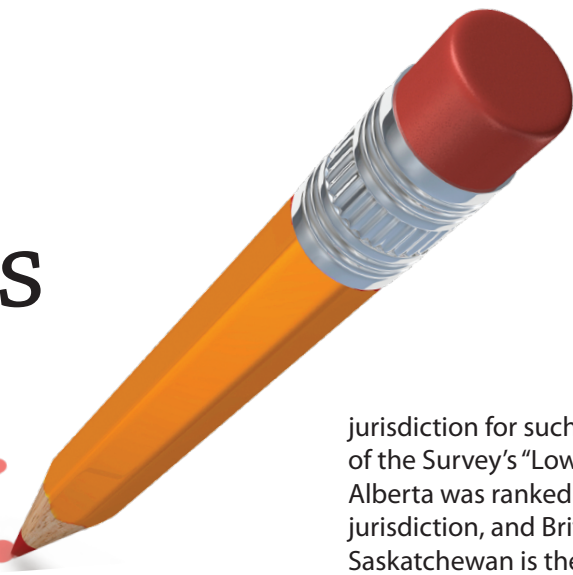


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Things folks ~~know~~ that just ain't so



jurisdiction for such investment out of 81 in terms of the Survey's "Lower Barriers Composite Index" Alberta was ranked the 29th most attractive jurisdiction, and British Columbia, the 19th. Saskatchewan is the only Canadian province ranked among the top 10 jurisdictions. "This year's survey results and the poor showing for Alberta can be traced directly to the Alberta government's decision to grab a larger share of oil and gas royalties," said Gerry Angevine, Fraser Institute senior economist and coordinator of the annual petroleum survey. "By comparison, Saskatchewan offers a model of stability and a skilled work force right next door to Alberta."

The 2008 survey shows an increasing gap between how Alberta and Saskatchewan are viewed by the petroleum industry. Last year, the survey ranked Saskatchewan as the 15th most attractive of 54 jurisdictions, and Alberta as 18th best in terms of lowest barriers to upstream oil and gas investment. Angevine said Alberta is facing a similar predicament as Newfoundland and Labrador did in last year's survey when that jurisdiction was ranked 48th out of 54 jurisdictions for petroleum investment.

Newfoundland's low ranking in 2007 can be attributed to an ongoing battle between petroleum companies and Premier Danny Williams who called for an equity position for the province in the Hebron oil project. Although Newfoundland and Labrador improved in this year's survey, it still ranked poorly compared to all other provinces. "Oil and gas projects require vast amounts of capital and long lead times. If governments are inclined to change the rules partway through the process, the risk for investors increases and they are more likely to seek a more stable jurisdiction for investment," Angevine said.



The survey questionnaire sought the opinions of senior executives and managers on a range of issues including royalties and licensing agreements, taxation, the cost of regulatory compliance, trade and labour regulations, and political stability among others. ■

The *Global Petroleum Survey 2008* can be downloaded from the Fraser Institute web site at www.fraserinstitute.org

Alberta is the #1 destination for oil investment in Canada

Why it ain't so...

by Gerry Angevine and Graham Thomson

Saskatchewan ranks higher than all other Canadian provinces as the preferred choice for upstream oil and gas investment according to a recently published report by the Fraser Institute.

The 2008 *Global Petroleum Survey* ranked Saskatchewan as the sixth most favourable

The Northwest Territories ranked as the lowest of all Canadian regions -- 61st overall -- out of 81 jurisdictions according to the lowest barriers composite index. (The Northwest Territories ranked 28th best of 54 jurisdictions in 2007.) Survey respondents cited regulatory costs and aboriginal land claims as significant barriers to investment.

In most cases, jurisdictions that have imposed heavier tax and regulatory burdens during the past year received worse rankings than in 2007.

Modeled after the popular *Fraser Institute Survey of Mining Companies*, the 2008 *Global Petroleum Survey* is designed to help measure and rank the investment climate of oil and gas producing regions worldwide. A total of 396 respondents participated in this year's survey. The companies represented in the survey account for more than one-third of the global spending on petroleum exploration and production worldwide.

Gerry Angevine is Senior Economist in the Fraser Institute's Centre for Energy Studies. He has A.M. and Ph.D. degrees in Economics from the University of Michigan, a M.A. Economics degree from Dalhousie University, and a B.Comm. from Mount Allison University.

Graham Thomson is a Policy Analyst in the Fraser Institute's Centre for Energy Policy Studies. He obtained his BA (Honours) in Economics from the University of Calgary, and an MA in Economics at the University of Calgary.



Gerry Angevine



Graham Thomson

Ask the Professor

This monthly column examines a new topic each month through the lens of economics, philosophy and history. Join us each month for a live online discussion with students across Canada.

Here's a taste of what you've been missing (taken from June's discussion on Prices and Profits with Steven Horwitz, Charles A. Dana Professor of Economics at St. Lawrence University in Canton, New York):

Running on Empty inquires:

Fascinating article Steven. What do you think of recent oil prices? Is it merely a reflection of supply and demand - or is there some sort of manipulation of the market by OPEC?

Steven Horwitz replies:

Well it's not OPEC because they are feeling the pinch too. With demand for gas levelling off or falling, OPEC is thinking about increasing production. I think the biggest factors in the price increase are:

1. Steadily growing demand from China and India. This is a good thing as it is the result of their economic growth and the improvement in millions and billions of people's lives.
2. The lower US dollar. International oil markets are denominated in dollars, so when the US dollar weakens, the price of oil rises as each dollar is worth less.
3. Political uncertainty in the Mideast combined with uncertainty about the next US president. Political uncertainty makes investments in oil more risky, running up the price.
4. Some degree of speculation. With prices climbing, there are always people, like with housing, who buy to make money by selling later. Eventually, the underlying supply will pull this back, and some analysts are predicting that we're near the top of the speculative run with oil prices.

Victoria Wells ponders:

Hi Steven, I am from Vancouver, and like many other big cities in North America - housing prices continue to soar.

I read an article a week ago that said that in Vancouver alone, there are approximately 30,000 units of housing left empty by foreign investors. So my question would be, is this a problem, or is it simply the market at work? And if you do see this as a problem, how can it be solved/alleviated? I look forward to hearing your response.

Steven Horwitz responds:

Well Victoria, I think it's a variety of factors at work. In the US, the ways in which the Federal Reserve has implicitly promised to bail out banks and other institutions after asset bubbles collapse has led many to extend loans they shouldn't have. But more generally, the rise in housing prices over the last decade or so started as a genuine market response to increasing wealth. But as those prices rose, lots of folks thought they'd never stop rising and you see the sort of speculative house buying like you describe, where people bought never intended to live there but as an investment. I'm not sure it's a problem, and to the extent it is, it will likely self-correct as prices level off or even fall. In the US, I should note, the housing crisis is largely confined to the major cities. I live in a small town and housing prices here are actually up from a year ago.

Raphael Mortiz asks:

You mention that with an increase in price, people will consider alternatives. Can you explain why industry has not made a more significant shift towards alternatives to the standard gasoline powered engine over the past decade?

Steven Horwitz answers:

Good question! There are two aspects to the answer.

"Here in the US, people are driving 3.3 billion fewer miles than this time last year."

First, governments tend to subsidize oil in a variety of ways, which gives energy companies and others a strong incentive to stick with oil. I think that's bad policy. Get rid of the subsidies and let's see what markets really think is better. Second, and more important, until the last year, gas and oil prices simply haven't been high enough to make enough of a dent to get people to really change their behaviour. We're seeing it now though. Here in the US, people are driving 3.3 billion fewer miles than this time last year and there's lots of anecdotal evidence about people looking for hybrids and electric cars, or trading in their gas-powered lawnmowers for alternatives. If the price of oil continues to stay high, and people start looking for alternatives, the profit to finding those alternatives will rise and we should see more investment in alternative forms of energy.

Jeffrey Resnick questions:

I agree with you in saying that losses are a clear signal to a firm to make changes. However, can this argument be made when a company is unable to make a profit due to outside factors such as a global recession?

Steven Horwitz comments:

Great question Jeffrey. Even in a recession, losses should signal to firms that they need to change their behaviour. If consumer spending slows down as a result of the recession, that spending likely changes its composition, perhaps as people buy more "necessities" and fewer big screen TVs. If so, firms who sell the latter need to adjust to the new situation.

It's important to remember that its losses don't mean the firm itself has done something wrong. Losses can happen through no action of the firm, but just because demand for its product changes, for whatever reason - including a recession. If so, then those firms have to adjust. You could have been the most "efficient" maker of horse-drawn buggies but once the automobile came into being, you were going to start making losses and would have to adjust.

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