



Canadian Student Review

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Thanks to Bill C-24, Do We Have a Canadian Political Cartel?

by Daniel Mol

While Canada's media dwell on the Martin coronation and the Canadian Alliance/Progressive Conservative merger, another important political event of the New Year is likely to go unnoticed. On January 1, 2004, Bill C-24's amendments to the campaign finance sections of the *Canada Elections Act* and the *Income Tax Act* came into force.

The effect of the bill is to cap donations by private individuals and corporations at insignificant levels (\$5,000 and \$1,000 respectively),

while increasing the state subsidy of parties to unprecedented heights (\$1.75 per vote). Unlike previous legislative attempts to reform private sector political financing, C-24 will all but end it. The result is a party system that looks more and more like a cartel (Katz and Mair, 1995) than a free market. After January 1, our new system will perpetually entrench the status quo—making it more difficult for existing parties to gain or lose power, and making it next to impossible for upstart politi-

cal movements to enter the party system at all. In short, Bill C-24 will protect the political "in crowd" against outsiders.

Money is the lifeblood of politics and the more money a party has, the more likely it is to connect with voters in a campaign. Under C-24's money-

continued on page 3

Welcome!

Spring is here, as well as a new issue of Canadian Student Review! We are pleased to bring you some interesting reading that will provide a little diversion during exam season. Articles in this issue discuss campaign finance, judicial activism, educational choice, and poverty in Canada.

The Fraser Institute would like to acknowledge the generous support of the Lotte & John Hecht Memorial Foundation, which enables us to print this newsletter, and distribute it free of charge on campuses across Canada.

—Vanessa Schneider, Editor

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The Fraser Institute is an independent Canadian economic and social research and educational organization. It has as its objective the redirection of public attention to the role of competitive markets in providing for the well-being of Canadians. Where markets work, the Institute's interest lies in trying to discover prospects for improvement. Where markets do not work, its interest lies in finding the reasons. Where competitive markets have been replaced by government control, the interest of the Institute lies in documenting objectively the nature of the improvement or deterioration resulting from government intervention. The Fraser Institute is a national, federally chartered non-profit organization financed by the sale of its publications and the contributions of its members, foundations, and other supporters.

About the authors

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Letters to the Editor

Send your feedback on this issue of *Canadian Student Review* to the Editor at:
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We will print the best letters in future editions of *CSR*.

for-votes scheme, an opposition party will only have more finances than the ruling party if it wins more votes—a near impossibility given the governing party’s larger starting subsidy. Such a system flies in the face of centuries of liberal tradition. As vehicles for citizens’ democratic expression, political parties need to receive the bulk of their financing from the private sector lest the state become the principal patron of the party, and the party an arm of the establishment.

Besides entrenching the status quo in relative party strength, Bill C-24’s amendments form a considerable barrier to entry into the party system. To qualify for the \$1.75 per vote subsidy, a party must win at least 10 percent of the total votes cast in the last federal election. Add to this the new restrictions on private sector donors, along with a first-past-the-post electoral system where seat distribution is lopsided, and that barrier becomes insurmountable. The Reform Party or the New Democratic Party, for example, could not have survived under the new system of conditional state subventions. In fiscal 1993, the year of Reform’s breakthrough election, the party’s 10 largest donors (2 individuals and 8 corporations) gave a total of \$301,150 to the fledgling party (see www.elections.ca). Under the new rules those donations would

be capped at \$20,000—just 6.6 percent of the original donation. Moreover, at that stage, the Reform Party had barely won 2 percent of the national vote in the previous federal election (1988) and would not have qualified for C-24’s \$1.75 subsidy. Reform’s national campaign in 1993—and probably their 52-seat

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breakthrough—would have been all but impossible under the new rules. Likewise, the NDP, with only 7 percent of the vote in 1993, might have been squeezed out of the party system altogether, with no state subsidy under the new rules and donations from corporations (and trade unions) capped at \$1,000. Clearly, C-24’s

amendments squeeze minor parties while protecting the big one(s) from grassroots challenges. In this regard, the legislation’s effect on democracy in Canada is lamentable.

C-24 is proof that the cartel party system, once just a straw man for political theorists, is alive and kicking in Canada today. In restricting the abilities of smaller parties to fundraise and predicating state subsidies on prior electoral performance, Canada’s governing party will have succeeded in building a fort around the status quo that only the most determined swing in voter intentions can crack. And a swing is just what Canada needs.

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Call for Submissions

We are looking for well-written, interesting articles on Canadian public policy, written by students like you!

Send your 500- to 700-word article to

The Editor, CANADIAN STUDENT REVIEW, 4th Floor, 1770 Burrard Street, Vancouver, B.C., V6J 3G7

It's Time for Conservatives to Use the Charter

by *Chris Schafer*

Since the introduction of the Canadian Charter of Rights and Freedoms in 1982, the judiciary, especially the Supreme Court of Canada, has been active on a broad range of contentious public issues, nullifying a growing number of government laws, conduct, and decisions. Even the most cursory glance at litigation from the past two decades will reveal that this nation's courtrooms have come to supplement, if not replace, legislatures as the arena where important public policy decisions are made. As a result, during this period, left-wing interest groups have become frequent players in the Supreme Court's work.

In many ways, the growth in judicial activism and interest group litigation are linked. The work of interest groups has legitimized judicial activism, while judicial activism has legitimized the Court's willingness to accept interest group involvement in its work. Given that judges now exercise almost complete control over constitutional interpretation, which increasingly applies well beyond the confines of any particular case before the Court, interest groups seek to establish constitutional rules that will produce favourable policy outcomes for them today and in the future. The result has been organized and systematic interest group-driven litigation campaigns in the courts and a constitution that more and more re-

flects the political inclination of its custodians. In Canada, this means not only the Supreme Court justices, but also the array of other "Court Party" members, including human rights commissions, law professors, clerks, rights advocacy groups, and interest groups, many of whom share a similar left-wing ideology involving an expansion of government and an entrenchment of social welfare programs in the name of "equality" (see Morton and Knopff, 2000).

Putting aside concerns regarding state funding (which plays a major part in the formation and maintenance of numerous left-wing interest groups, including language groups, women's groups, and ethnic groups), judicial activism and left-wing interest group litigation is today likely not overly disconcerting to most students at law schools across Canada, including much of the faculty. However, the absence of a national conservative litigation group in Canada along the lines of the women's Legal Education and Action Fund (LEAF)¹, minus its state funding and ideological position, of course, should keep most conservatives awake at night.

According to recently retired Supreme Court Justice L'Heureux-Dube, "Equality will be the battle of the millennium" (L'Heureux-Dubé, 2003). Legal left-wing activists have wasted little time in taking up arms. In the area of social assistance alone,

the decision in *Gosselin v. Quebec (Attorney General)* (2002), which was heavily intervened in by left-wing interests, could lay the foundation for a future judicial ruling that section 7 of the Charter imposes positive financial obligations on the government. Furthermore, in November 2004, for the first time since the section 15 equality claim in *Gosselin* was narrowly defeated, the Supreme Court will revisit the question of a constitutional right to welfare. The Court will hear the appeal of *Falkiner v. Ontario* (2000), in which Ontario's "spouse-in-the-house" rule was struck down because it violated the equality rights of welfare recipients, who were deemed by judicial decree to be a disadvantaged group analogous to those enumerated under section 15 of the Charter.

Undoubtedly, litigation in this area as well as others has and will continue to see continued unchallenged intervention by left-wing interests, possibly resulting in significant decisions with hefty compliance costs. In the end, Canadian conservatives have sat on the sidelines of the courtroom battle described above for far too long, wrapped up in concerns—albeit legitimate ones—about the effects of interest group litigation on democracy and electoral politics. Despite the attempt in the early 1990s by the now defunct Canadian Rights Coalition

1 LEAF is a Canadian, left-leaning feminist litigation group founded at the onset of the Charter to advance "test cases" (i.e., change policy through the courts).

(and unlike their conservative American allies), Canadian conservatives have not yet formed a national litigation group with the sole purpose of facilitating the sponsoring of “test cases,” interventions at the Supreme Court and other appellate courts, academic advocacy through journal article publications, and the development of future legal talent via *pro*

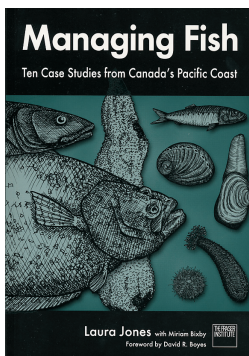
bono positions and articling opportunities. Canadian conservatives must now choose to wage battle along side their adversaries, or reap the barren harvest that non-participation on this level has brought and is sure to bring in the future.

[This article was originally published in: *Obiter Dicta*, Osgoode Hall Law School, September 8, 2003, p. 3.]

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RECENT *Releases*



MANAGING FISH: TEN CASE STUDIES FROM CANADA’S PACIFIC COAST

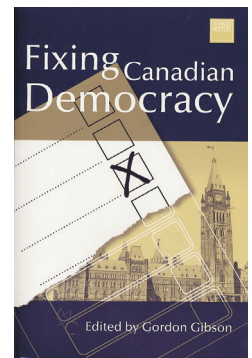
By *Laura Jones with Miriam Bixby*; \$19.95, paperback; ISBN 0-88975-207-9; © 2003

Headlines about fisheries fiascos in Canada are nothing new. What have not made the headlines, however, are management changes that have saved many of Canada’s smaller fisheries such as halibut, sablefish, and sea cucumber. These fisheries have changed to a system of individual quotas, in which shares of the catch are granted to the fishermen before they go out in their boats. This allocation system has transformed these fisheries, many of which are now considered models of sustainability, profitability, and safety. This book details the use, and evaluates the effectiveness, of individual quotas in ten fisheries on Canada’s Pacific coast.

FIXING CANADIAN DEMOCRACY

Edited by *Gordon Gibson*; \$19.95, paperback; ISBN 0-88975-201-X; © 2003

Fixing Canadian Democracy points to a variety of ways to improve our governance system. The book is the result of a major Fraser Institute conference on democratic reform during which some of the finest practitioners and thinkers from British Columbia and Ottawa were brought together for presentations on selecting and empowering representatives, the place and limits of direct democracy, constitutional constraints, and how to make the significant reforms that are necessary to restore voter confidence in our public institutions.



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For Richer and Poorer: The Truth about Independent Schools in Ontario

by *Emily Chung*

Private schools. What comes first to mind? For the majority of us, it's those "elite" preparatory schools with large stone buildings and lush green campuses: exclusive schools where the wealthy pay outrageous tuition fees to have the school name branded all over their children's uniforms and university applications. It's a terrible stereotype and far from reality.

Independent schools, also known as private schools, are privately operated and are not funded by the government. True, a few independent schools are elite, but opponents of school choice lump all independent schools into this select category. In doing so, they have successfully cultivated a myth that independent schools are restricted to the wealthy. This tactic is silly, and is as false as trying to present all Canadians as high-income earners simply because a small part of our society belongs to this specific category.

Public education advocates would have you believe that independent schools are highly exclusive institutions for the wealthy. Consider the following quote in an Elementary Teachers' Federation of Ontario (ETFO) paper:

Barbara Miner, managing editor of *Rethinking Schools*, has stated "Private schools, like private roads, private beaches and

private country clubs, don't have to be accountable to the public. They also get to keep out those they don't want." (Elementary Teachers' Federation of Ontario, 2001)

Though the government does not regulate the curriculum of elementary independent schools, the schools must meet basic standards for public and health safety, and abide by Canada's Charter of Rights and Freedoms. Furthermore, the government monitors secondary independent schools that offer the Ontario Secondary School Diploma. True, independent schools are not directly accountable to the broader public. They are, however, accountable to their families who are also members of the public. Miner relates private schools to private country clubs in an attempt to cloud the debate by insinuating that this is a matter of the elite versus those of modest means. Adding to this ludicrous suggestion, Sarah Schmidt of the *National Post* portrays private schools as being "...awash in cash, raised through hefty tuition fees" (Schmidt, 2003).

There are over 800 independent schools in Ontario and roughly 5 percent of these are the "elite" schools described by public education advocates. The remaining 95 percent of independent schools are composed of, but not limited to, reli-

gious schools, Montessori or Waldorf schools, small community schools, and schools that serve students with special needs. These independent schools do not charge exorbitant tuition fees. In fact, the average tuition at an independent school in the province is approximately \$7,000. The average tuition of Children First's² grant recipients is \$6,333—well below the provincial

*No public service,
education included,
is free.*

government's funding projections at \$7,832 per public school pupil (Ontario Ministry of Education, 2003). Many of these independent schools depend on volunteers, usually parents, to support the school's administration and fundraising activities. This paints quite a different picture from the public education advocates' image of exclusive, cash-flooded, elite schools.

The ETFO states that "[t]he public education system was established to ensure all children were provided with quality education free of charge" (Elementary Teachers' Federation of Ontario, 2001). Free for whom? There is an ongoing market-

2 Children First: School Choice Trust, is a program of The Fraser Institute. For more information, visit www.childrenfirstgrants.ca.

ing strategy that public service advocates use to their advantage. The further removed a cost is from the end user, the more “free” it is perceived to be. No public service, education included, is free. Everyone pays for education through property tax, yet public education advocates love to have you forget that you’ve paid for this service.

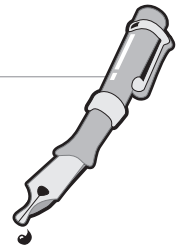
Many parents send their children to independent schools, paying both property tax and tuition

fees, even if it means tolerating an additional financial commitment. Children First’s grant recipients have an average income of \$25,375 per household. Parents are willing to make financial sacrifices to send their child to the school of their choice. It’s time to shake off that vision of elite independent schools in Ontario and recognize that the other 95 percent of independent schools are the more representative ones.

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Letter



The “Free” Money Myth: A Reply to Jordan Bell

Dear Editor:

It was with disbelief that I read Jordan Bell’s (2003) recent criticism of government subsidies for post-secondary students. The crux of Bell’s argument is this: students who receive government grants and bursaries are a) less likely to be committed to their education and less likely to enjoy it, and b) more likely to pursue academic interests that lack clear, well-paying job prospects. Unfortunately, his critique favours ideological dogma at the expense of reality; it is long on assumption but short on fact.

What is most problematic about Bell’s argument is that it is economically reductive, using a simplistic expense-benefit analysis to predict complex student behaviours. Hence the belief that, “When someone pays for something, they tend to have a greater commitment to using it fully,” that is, they “balance its expense with its benefit” (Bell, 2003, p. 4). To Bell, the dedication and satisfaction of subsidized students is less than that of non-subsidized students. Yet it is short-sighted to identify the prime determinant of educational commitment and enjoyment as one’s own economic input.

As a small nation embedded in a competitive, knowledge-based global economy that demands an ever-broadening array of skills, Canada’s future prospects are contingent on maximizing the intellectual development of *all* of its citizens. Thus, subsidies should not be seen as “donations of private citizens’ tax dollars” but, rather, prudent investments offering significant returns.

Sean Best, University of Western Ontario

[Editor’s note: Much public policy research has demonstrated that outcomes are indeed affected when individuals bear the true costs of activities. In health care policy, for example, numerous studies have shown that when individuals share the cost of their health care with their insurer, they use health services more wisely. The RAND Corporation Health Insurance Experiment, the leading economic analysis of health insurance and usage, showed that increasing the share paid out-of-pocket by consumers from 0 percent to 25 percent reduced overall health care expenditures by 19 percent (see Esmail and Walker, 2002).

As Emily Chung clearly points out in this issue, critics often forget that “free programs” are anything but free. They are funded with taxpayer dollars. In Canadian universities, for example, students pay about \$1 in tuition fees for every \$3 that is contributed by Canadian taxpayers (Hepburn, 2004). While student choices may indeed be complex, they are not immune to basic economic decision-making principles.

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Fifteen Years of Educating Students

by *Vanessa Schneider*

The 15th anniversary of the Fraser Institute's student seminars on public policy issues took place in 2003. Since 1988, these programs have expanded from one seminar in Vancouver, to nation-wide seminars and a variety of spin-off programs.

These programs have continued to be successful. Success is measured in several ways. Students flock to the seminars and actively participate in discussions, and many return year after year. The post-seminar evaluations are overwhelmingly positive. Generous donors come forward to sponsor these programs. Speakers enjoy their participation and are keen to return. What makes these programs so successful?

The Fraser Institute student seminars have always been designed to stimulate open discussion. While we remind students at each seminar to be respectful of others and to conduct themselves in a civil manner, we also encourage them to challenge the viewpoints that the speakers put forth. Each program is designed to

allow ample time for a lively discussion following each presentation. If you have attended these seminars in the past, I am sure that you will agree that the discussion groups are the highlight of the day.

Do some students change their opinions throughout the day? Possibly. Does every participant learn at least one new thing? Likely. Do all participants leave with a better understanding of someone else's viewpoint? Absolutely.

Student participants are sometimes surprised to see the wide range of opinions at each seminar. Indeed, if we were to poll the participants at each seminar, we would likely find that students would place themselves at nearly every spot on the political spectrum. Students come from every imaginable educational background, from art history to zoology. Every individual contributes a unique viewpoint, knowledge base, and personal bias that when mixed with the others in a discussion session is simply a lot of fun.

Many students have their belief system pretty well figured out. They may already be active in politics or other organized groups. Other students are only beginning to discover an interest in current events, public policy, and economics, and are gathering information to form their own opinions. Students think critically about what is presented, and thoughtfully present their views on each subject; discussion forces us to articulate our viewpoints, whether they have been carefully thought out in advance, or are literally forming as the day goes on.

Being forced to articulate our viewpoints also means that we must listen to others. While you may vehemently disagree with your peer's point of view, having him explain it can help you to understand it better. Perhaps this understanding will help you to better explain your viewpoint the next time you are at an event such as this. After all, as Aristotle is credited with saying, "It is the mark of an educated mind to be able to entertain a thought without accepting it."

And who knows, after attending the seminar, maybe you will change your mind on some issues. As author James Russell Lowell said: "the foolish and the dead alone never change their opinions." ☞



Students listen to a presentation at the Vancouver student seminar, October 18, 2003.

Things Folks Know that Just Ain't So ...

by Niels Veldhuis and Keith M. Godin

What they know ...

Economic growth, while beneficial to average and upper-income Canadians, does little to improve the lives of those with the lowest incomes.

Why it ain't so ...

From 1998 to 2002, the Canadian economy experienced relatively high growth rates. In fact, Canada's rate of economic growth was higher than the US rate in four of those five years. A strong Canadian economy translated into higher personal incomes, more jobs, and improved living standards. A critical question, however, is whether or not strong growth helps all segments of the population, including those with the lowest incomes? Recent data from Statistics Canada shows it most certainly does.

Let's start with how Statistics Canada (2003) measures "low income." A family is considered to experience "low-income" if it spends a significantly larger portion of its income on food, shelter, and clothing than the average Canadian family. In 2001, the percentage of income an average Canadian family spent on these three necessities was estimated at 44 percent of after-tax income. The low income cut-off, or LICO, is calculated by adding 20 percentage points to the average, which means that if a family spends 64 percent of its after-tax income on food, shelter, and

clothing, it is considered to experience "low income." In 2001, the low income cut-off for a family of four living in a city was \$29,900 after tax.³ Low income cut-offs are designed to measure the proportion of Canadians that are relatively less well off than others.

In 1996, 14.0 percent of all Canadians fell below Statistics Canada's low income cut-offs (see table 1). By 2001, the proportion had decreased to 10.4 percent, a reduction of over 25 percent.

Among the provinces, Prince Edward Island and Ontario had the

lowest rates of low income at 7.3 percent and 8.5 percent, respectively, in 2001. On the other end of the spectrum, Quebec ranked last among the provinces in the prevalence of low income of all persons.

Which provinces were most successful at reducing the prevalence of low income from 1996 to 2001? Alberta and Ontario. Specifically, Alberta experienced a 32.4 percent reduction in the percentage of people experiencing low income while Ontario saw its low-income rate decrease by 30.9 percent. Not surprisingly, Ontario and Alberta had the

Table 1: Proportion of People Below Statistics Canada's Low-Income Cut-Offs

	1996	2001	% Change	Average Growth in Real GDP (%), 1996-2001
Canada	14.0	10.4	-25.7	3.9
Newfoundland	14.3	10.7	-25.2	3.9
Prince Edward Island	8.5	7.3	-14.1	2.6
Nova Scotia	13.1	10.7	-18.3	3.5
New Brunswick	10.4	8.7	-16.3	2.7
Quebec	17.4	13.0	-25.3	3.6
Ontario	12.3	8.5	-30.9	4.6
Manitoba	15.1	11.1	-26.5	2.8
Saskatchewan	11.4	9.5	-16.7	1.9
Alberta	14.2	9.6	-32.4	4.2
British Columbia	14.1	12.1	-14.2	2.3

3 Different low income cut-offs exist for seven family sizes and five community sizes.

highest average rates of inflation-adjusted economic growth at 4.6 percent and 4.2 percent respectively. Those jurisdictions that had relatively low rates of inflation-adjusted economic growth, British Columbia and Saskatchewan for example, did poorly in reducing the prevalence of low income from 1996 to 2001.

Families that experienced low income in 1996 are not necessarily the same families as the ones that experienced low income in 2001. In other words, experiencing low income is usually coupled with other mitigating circumstances and is largely a period of transition. Many people, including students and young families, go through periods where they are considered to be in "low income." Given their initial lack of work experience, their incomes start out low but increase as they gain relevant skills. According to Statistics Canada, over a six-year period from 1996 to 2001, only 3.2 percent of Canadians lived

in a low-income state for all six years. Clearly, for most families, low income is transitory.

Governments can improve living standards of those who live in the low income group through policies that promote economic growth.

Conclusion

The data presented above reveals that Canada's recent economic growth did indeed improve the livelihood of those that were worst off. Provinces that had the highest rates

of economic growth experienced the largest improvements in the prevalence of low income. Governments can improve living standards of those who live in the low income group through policies that promote economic growth. Former United States President John F. Kennedy once stated in reference to the economy, "A rising tide lifts all boats." Evidence from Statistics Canada seems to prove him correct.

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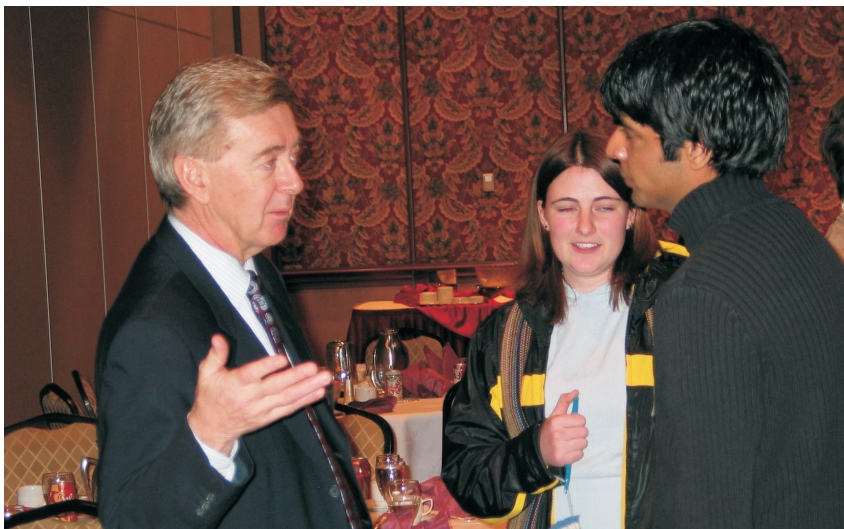
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Fraser Institute Events

The Fraser Institute has a busy events schedule for spring 2004, in Vancouver, Calgary, and Toronto. Topics include health reform in Canada, tax policy, senate reform, and home schooling. As always, students may qualify for special rates.

Check the website regularly for a complete listing of upcoming events in your area, and register on-line at <http://www.fraserinstitute.ca/events/> for additional discounts.

From time to time, Fraser Institute members choose to donate tickets so that students may attend events for free. If there is a topic that you are particularly interested in, it may be worthwhile to ask if we have had any student tickets donated. Contact Vanessa at student@fraserinstitute.ca, to enquire about sponsored tickets or other event bursaries.



Preston Manning, Senior Fellow at the Fraser Institute, speaks with students following his luncheon presentation at the Calgary student seminar, January 31, 2004.



National Post Editorials Editor Jonathan Kay speaks to the Toronto student seminar, November 6, 2003.

Mark your
Calendar!

Wednesday, May 12

**The Fraser Institute Annual Dr. Harold Walter Siebens Lecture
and Fraser Institute AGM**

**“A New Set of Rules: The Drivers Behind China’s Economics Success”
with**

**Dr. Fan Gang, Director,
National Economic Research Institute, China Reform Foundation**



The world still remembers when China couldn't support its population. But the evolution of market reforms are now creating wealth and reducing poverty. In fact, the World Bank has called China's move towards markets "the greatest poverty reduction program in human history."

China's current growth has already boosted consumer demand and raised the prices of natural resources, spurring investment and creating powerful new markets for Canadian products.

Dr. Fan is China's most famous and influential economist, and a driving force behind China's market reforms. A consultant to various departments of the Chinese central government as well as the World Bank, the OECD and others, Dr. Fan was invited by China's new prime minister, Wen Jiabao, to recommend further reforms. One of the outcomes? China amended its constitution to protect both human rights and property rights. In conjunction with The Fraser Institute, he has developed the Index of Marketization of China's Provinces—a key tool in developing greater pro-market competition between China's provinces and regions. Please join us to hear more about China's recent success and future development from this remarkable man!

The Hyatt Regency, Vancouver

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