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Globalization, Child Labour, and the Quebec Protesters

by Martin Pallard

"People before profits, fair trade, social justice." These are just a few of the feel-good slogans that were advocated by the anti-free trade lobby at the Summit of the Americas in Quebec City. I equate these catch phrases to a mirage. Both seem appealing at first, yet closer inspection routinely exposes a wasteland of empty deception. These slogans are not based on rational economic theory or historical evidence and, therefore, usually result in reactionary solutions (on the rare occasion a solution is provided) that hurt those they are trying to help. Given the many interests these protest groups represent, it is difficult to pinpoint what exactly they are trying to achieve, but I am sure they would agree that ending third world poverty, and, with it, child labour, should be the primary focus of international trade summits.

The anti-free trade lobby has been successful in the past and the results have been devastating. In 1993, in an attempt to stop the importation of goods produced with child labour, the Child Labor Deterrence Act was introduced in the United States. The goal was noble; unfortunately good intentions do not necessarily translate into good legislation. Although it was never passed, in the Bangladeshi garmet industry the mere introduction of this act resulted in an estimated 50,000 children losing their jobs.

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Welcome!

With the free trade talks in Quebec City just over, globalization and world trade are on many students' minds. It is indeed challenging to examine all arguments and think critically about the facts presented. In this issue, we discuss globalization with regard to child labour and the social responsibilities of business. We also include articles on other topics including private universities and capital markets.

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Inside...

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CANADIAN STUDENT REVIEW
1770 Burrard Street, 4th Floor
Vancouver, B.C., V6J 3G7
Tel.: (604) 688-0221, ext. 571 or
(416) 363-6575, ext. 571
Fax: (604) 688-8539 or
(416) 601-7322

Web site: *www.fraserinstitute.ca*

E-mail address:
info@fraserinstitute.ca

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About the authors

Charles Bergeron is a third-year student at the University of Waterloo, where he is working toward his Bachelor of Applied Science in Systems Design Engineering.

Matthew Curtis is a second-year Economics and Political Science student at the University of Toronto. He has participated in Fraser Institute student programs since secondary school, attending several seminars and the Student Leaders Colloquium in 1998.

Martin Pallard attends the University of Alberta in Edmonton, where he is completing his second year of a Bachelor of Commerce in Accounting.

Shahrokh Shahabi-Azad is a Research Analyst in the area of School Performance Studies at The Fraser Institute. He received his MA in Economics from Simon Fraser University in 2000, and wrote this article as part of his research on capital mobility and financial crises.

Adrian Viens is a third-year philosophy student at the University of Toronto. In addition to epistemology and metaethics, one of Adrian's research areas of interest focuses on the moral implications of free and competitive markets.

Feedback

On the February 2001 article, "Overpopulation Part I: Food Production and Famine."

Dear Editor:

The author missed a small but very significant opportunity on p. 3, in the article re: population. The most dramatic case in the world about "overpopulation" is the two Koreas, not Cuba. North Korea is literally starving, but South Korea, which is much more densely populated, has an ample, burgeoning food supply as well as all the other goodies (cars and the like) in relative abundance. Here are two countries, side by side; the same climate, the same soil. The difference is entirely in the political system. That's very dramatic testimony. Of course the rest of the world matters too, and the article is quite OK on that. (Also note that China, which was a mess under Mao, once it overthrew communist agriculture, has also become more than self-sustaining and exports food to Russia!)

Jan Narveson
Professor, Department of Philosophy, University of Waterloo
[Editor's note: see page 9 of this issue for Part II: Scarce Resources]

A Day at a Fraser Institute Student Seminar

by Charles Bergeron

6:00 a.m.

My alarm goes off. It's loud, but not enough to make me get up and shut it off. I want to remain immobile for the rest of the day. But I get up, cursing myself for not having *normal* interests, or, at the very least, interests that don't involve early Saturday morning wake-ups.

8:36 a.m.

I have only walked the eight blocks that separate the *Place des Arts* metro station to the *Renaissance Hotel du Parc* twice. Both times, by the time I made it to my destination, the cold wind had literally frozen my brain. This is my second appearance at a Fraser Institute/Montreal Economic Institute student seminar, and for the second time, I am not suitably dressed for the weather.

8:52 a.m.

I don't really like coffee, but I gladly drink several cups, if only to warm me up.

9:01 a.m.

Filip Palda, professor of economics at l'École nationale d'administration publique, gets the show on the road. Says he: "I really like these seminars because they attract students who are prepared to get out of bed early to discuss public policy ideas." "Didn't he say the same thing last year?" I ask in my head, chuckling out loud ...

9:06 a.m.

Palda starts his talk. The topic is "Direct Democracy: A How-To Guide." Two questions are asked about our elected representatives: "Do they know what I want?" and "Will they give it to me, and at a fair price?" My answer is in the negative to both, because government is a monopoly, and thus can't be terribly good at what it does.

9:18 a.m.

Being a Quebecker, the thought of more, not fewer, referenda scares me. Still, I like the concept of more direct democracy, although I wonder if too much of a good thing is a bad thing.

9:39 a.m.

It's time for Q&A, but no one moves. Perhaps it's the early hour, or a general fear of public speaking. I decide to break the ice, and then realize perhaps everyone's brain is still frozen from being outside. I leap from my chair to the microphone, and ask: "Should the process by which Ted Rogers can obtain a cable rate hike be by directly asking for it through a citizens' initiative, and would that process be fairer that the current backroom lobbying?" Palda's short answer is "no" and "no." His long answer is that some issues are better suited for citizen involvement than others. He expands on this.

10:03 a.m.

In discussion groups, the topic of limiting electoral spending becomes one of equality of opportunity versus equality of result. Must there be rich and poor people?

10:13 a.m.

All this talk about direct democracy reminds me of the fact that I live in a province that deems the population competent to vote in a referendum on separation, but not on the matter of imposed municipal mergers.

10:23 a.m.

I pour myself a glass of water, as all that talking has dehydrated me. The ice cubes in the pitchers remind me of an earlier state of my grey cells.

10:45 a.m.

The topic is "The Case for School Choice," and the speaker is Claudia Hepburn, a Fraser Institute Education Policy Analyst. She suggests that charter schools and vouchers are the best way to make sure the Canadian education system is constantly improving and innovating. I buy her case without much difficulty since I have read about these reforms in the past, and think they're great.

12:45 p.m.
Over a free buffet lunch, Paul Wells, *National Post* columnist, speaks about the latest newspaper revolution and the quality of reporting in Quebec. After his presentation, a Bloc Québécois advisor I met last year comes up to me, and we chat.

1:30 p.m.
Donald Boudreaux, the president of the Foundation for Economic Education, gives a lecture entitled "Cleaned by Capitalism," in which he argues that clean societies come with capitalism. Today's automobiles emit dioxide gases, but that's a lot cleaner than streets covered with horse-generated waste! I'm not too sure that it's capitalism that brought me soap, but his arguments are well thought out and presented, giving him some authority.

2:00 p.m.
Not surprisingly, a huge line forms behind the microphone to challenge Boudreaux's premise. Some controversy has been generated–the fun begins… We're no longer debating whether banks deserve their profits; we are challenging people's core beliefs about whether capitalism is good.

2:15 p.m.
We proceed to discussion groups. I attend the one moderated by Boudreaux. Three students in particular dominate the opposition, and throw great arguments at him, but he knows his topic, and addresses every one of their concerns. At one point, I jump in, trying to convince myself that capitalism causes cleanliness.

3:11 p.m.
During the break, I ask Paul Wells whether the problem with Quebec journalists is that they are as polarized on the sovereignty question as the political parties.

3:15 p.m.
Ejan Mackaay, the Director of the Public Law Research Centre at l'Université de Montréal, gives on talk on Internet privacy entitled "Virtually Naked." "Is it up to the private or the private sector to regulate the electronic medium?"

4:24 p.m.
During the last break, I approach Palda with a question about his latest book, direct democracy, the need for municipal competition, and the impeding creation of megacities in La Belle Province. I get a quick answer, and a web site to look up.

4:48 p.m.
A dozen books are drawn. For the first time in years, I actually win a door prize.

5:02 p.m.
I'm back out in the frigid cold, but happy that I'm one of those freaks who would get up at 6:00 a.m. to attend a public policy seminar.

The Social Responsibility of Business

by Adrian M. Viens

In a 1970 *New York Times Magazine* article, renowned free-market economist Milton Friedman presented a persuasive argument that private enterprise should have a sole responsibility–to increase its profits. By debunking the notion of the "social responsibilities" of business, Friedman hoped to elucidate the dangerous political and economic implications associated with such a view. I agree with Friedman's position, but believe it may be too narrow with respect to broader ethical considerations.

The Social Responsibility of What?

Responsibility, kindness, and compassion are often presented as prescriptions for what businesses should be like. However, Friedman quite accurately points out that these are human characteristics erroneously applied to corporate enterprise. Although corporations consist of individuals who may possess these characteristics, business as a whole cannot have *responsibilities* (in the sense that these terms are being used). In common parlance, we often ascribe human characteristics to institutions–we label particular cultures as "compassionate" or particular governments as "unwise." However, what we are doing is in fact describing the ends that employees of these institutions are pursuing. As a result, in the context of private enterprise, we confuse the phenomenology of business practice. Thus, when we speak of the responsibilities of business, we must recognize that we should be referring to the ends pursued by corporate executives or boards of directors, and not the business itself.

In Friedman's view, as contracted employees, executives have the responsibility to their employers to:

> conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom.

However, that is not to say that business mandates unsympathetic automatons with only their employer's bottom-line in mind. Friedman freely acknowledges that most individuals have personal commitments to family, religion, and country, etc. However, these social responsibilities should be carried out "as a principal, not as an agent." Thus, when an executive devotes money or time to a social cause, she does so with her own money and time, and not with the resources of her employer who has contracted her to fulfil their purposes.

No taxation without representation

Assuming that employers do not explicitly mandate particular kinds of "socially responsible" ends in exchange for profit, executives who divert a business's money or time to anything but the increase of profits are acting against the interests of their employers and are misappropriating funds.

Friedman uses the examples of reducing pollution beyond governmental requirements and hiring the chronically unemployed instead of the better-qualified in an attempt to reduce poverty as instances where, although business would be helping society at large, the executive's decision results in spending somebody else's money without their consent. In the case of pollution, the executive is unnecessarily increasing the price of the product to cover optional pollution reduction costs, thus spending the customer's money. In the case of hiring the under-qualified, the executive is reducing profit and efficiency, thus spending the employer's money. It amounts to an unelected and unaccountable individual imposing taxes on individuals and corporations and deciding where to distribute that tax revenue. To maintain such a view of business with respect to social responsibility entails "the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses."

The morality of freedom

It is often charged that democratic capitalism, or worse, free-market libertarianism, can be cold and uncaring for the least advantaged in society. They are systems for the greedy that only care about profit. This is simply not the case. Business owners should not feel guilty or immoral about making a profit; for many, if it was not for business, they could not provide for themselves, their family, or for others. It is precisely the freedom that is accorded to us in a free market that allows individuals to pursue their own *chosen* ends (including moral ends). Again, Friedman puts the point nicely when he states that:

> the political principle that underlies the market mechanism is unanimity. In an ideal free market resting on private property, no individual can coerce any other, all co-operation is voluntary, all parties to such co-operation benefit or they need not participate.

If we are truly interested in maintaining a society in which choice, freedom, and accountability are the cornerstones of our public institutions, then the co-opting of private enterprise to do the public's bidding should be wholly rejected. Building on the premise that an individual's life is better governed internally, we should be wary of coercive practices that attempt to solicit altruistic donations to charities or other social causes in the name of business. Such functions are better handled through public organizations.

Concluding remarks: global markets

I am inclined to believe that Friedman's view will need to be modified to take the global market into account. Globalization has created new business relationships between developed nations and countries with considerably less regulation, rule of law, or property rights, that are often in dire need of capital and consumer goods. This presents an enormous challenge to business considerations of ethics and standards.

Reference

Milton Friedman, "The Social Responsibility of Business is to Increase its Profits," *New York Times Magazine*, September 13, 1970, pp. 32-33, pp. 122-126.

[Editor's note: A nation's wealth affects what is considered ethical and safe. As poorer countries develop and become more affluent, they will be able to consider these issues, and afford higher environmental, labour, and other standards. For more information on this topic, see "Risk Aversion: The Rise of an Ideology" by Mark Neal, in ***Safe Enough? Managing Risk and Regulation*** *(The Fraser Institute, 2000).]*

Let's Talk Turkey!

by Shahrokh Shahabi-Azad

In Asia, the rapid deregulation of a relatively primitive banking sector rife with corruption in the 1980s is what many observers believe significantly contributed to the collapse of the financial markets. Therefore, after the crisis, when analysts and commentators developed 20/20 hindsight, the buzz about the ills of too quick a deregulation in the capital market in developing countries took on some life. There is no good way of knowing what the growth rate in the Asian economies would have been had there not been a massive capital inflow to the region in the 1980s and '90s. However, it has been suggested that despite the collapse of 1997, Asian economies are still much better off as they recover (quite well, I might add) from the crisis, than if they had trodden with caution and maintained regulations that stifled capital flows. This remains a subject for debate. Now, thanks to the mini-crisis in Turkey, we seem to have another reason why regulations of one kind or another might be useful. Unbeknown to most, large egos left unchecked can be just as detrimental to an economy as bad monetary and fiscal policy.

Since the crisis in Asia, the world capital markets had remained relatively stable (leaving out Russia, for which the word "crisis" is no longer strong enough to describe their economy). However, in mid-February, the Prime Minister and President of Turkey treated us to a delightful case of "who has a bigger ego?" Their antics led to a mini-crisis in the Turkish economy and, of course, added some excitement to the lives of analysts and commentators. As a general rule, developing countries intent on attracting foreign capital and investment should strictly avoid doing anything that might signal instability. In Turkey's case, with the application for admittance to the EU still pending (seemingly the tiny issue of human rights has become a bit of a concern for other members), the last thing the nation needed to further hinder its chances of being accepted was political and economic turmoil. Unfortunately, turmoil is exactly what the country got, courtesy of the nation's top two officials not seeing eye to eye.

In a closed-door cabinet meeting, the President let the Prime Minister, Mr. Ecevit, know exactly how he felt about the way Ecevit was handling the anti-corruption campaign. Apparently, the President used some non-verbal communication in the form of a book (Turkey's constitution) thrown in Mr. Ecevit's direction. Mr. Ecevit, not quite understanding the concept of a closed-door meeting, rushed out to the closest media representative to let the country know what had just happened and demand an apology from the President.

Although Mr. Ecevit acted hastily, without considering the implications of his conduct, I'm sure that in the following two days he became acutely aware of the damage his behaviour caused the Turkish economy. The central bank lost approximately $5 billion overnight (which would have been much more had not Turkey abandoned the "crawling peg," much to the disappointment of the IMF) and the lira lost 30 percent of its value. Even worse was the strong signal this turmoil sent to the European Union, emphasizing Turkey's unreadiness to become a member. As willing as the EU might be to turn a blind eye to that little human rights issue, the union will not risk having a weak link join their ranks. As for Turkey's disinflation program, which was being touted as a success, a 30 percent currency depreciation has, for the time being, washed all that away. And what about reforms to privatize and attract foreign capital? Well, an auction for stakes in Turkey's Telecom industry did not draw a single foreign bidder, and the same fate is likely for stakes in Turkey's national air carrier (*The Economist,* Feb. 24, 2001, p. 25).

When Mr. Ecevit claimed he would not *allow* the disinflation program to suffer simply because of his differences with the President, it became apparent that he honestly had no idea what the effects his actions would be when he first went before the cameras. The power to control inflation under such circumstances is almost like the power to give life–it is god-like! Would it not have been wiser for the two combatants to

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Fraser Institute New Releases

Fiscal Performance Index
by Joel Emes
March 2001 *Fraser Forum*: $6.37
Published every two years, the Institute's Fiscal Performance Index measures the performance of the Canadian provinces and the US states, using 15 variables that reflect changes in spending, government revenue, and the structure of taxation.

Report Card on British Columbia's Secondary Schools: 2001 edition
by Peter Cowley
School Report Card: $23.54
This annual report is the only one of its kind to analyze relevant, publicly available data to rate 281 of the province's public and independent secondary schools. The Report Card provides an objective benchmark against which schools can improve.

Returning British Columbia to Prosperity
by Jason Clemens and Joel Emes
Public Policy Sources: $7.49
This study explains that the underlying cause of much of the economic malaise currently facing British Columbia is bad public policy, and offers recommendations for economic recovery.

Misfire: Firearm Registration in Canada
by Gary Mauser
Public Policy Sources: $7.49
Canada's controversial firearms registry requires all gun owners to be licensed by January 2001, and all firearms to be registered by January 2003. However, the registry has experienced huge cost overruns and has a negative consequence for all Canadians' individual freedoms, says this study by Simon Fraser University professor Gary Mauser. Other study highlights include:

- The federal government claimed in parliament that it would cost no more than $85 million (CDN) over 5 years to implement firearm registration. To date, the cost of setting up the registration bureaucracy has already passed $600 million and the total is expected to reach $1 billion in 2001.
- The number of employees working on firearm registration grew from under 100 in 1995 to over 1,700 in the year 2000. At the same time, the total number of police officers in Canada has declined by over 10 percent since 1975 on a per capita basis. The ratio of police officers to population is at its lowest point since 1972.
- Polls find over 80 percent of Canadians support registering firearms. But public opinion begins to shift as soon as people realize that it will cost them, as taxpayers, a significant amount of money, or that it will divert government resources from more desirable programs. Support drops to 50 percent when respondents are told that it might cost $500 million to register firearms; it drops further to around 40 percent when the trade-off is a reduction in the number of police officers.

The history of gun control legislation in Canada demonstrates the "slippery slope" of accepting even the most seemingly benign gun control measures. At each stage, the government has either restricted access to firearms, or prohibited and confiscated arbitrary types of ordinary firearms. However, after several increasingly restrictive changes to the law, there is no evidence that these firearm laws have actually reduced violent crime.

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

"The World is Overpopulated"

As discussed in the last issue of *CSR,* overpopulation isn't a new idea. For centuries, doomsayers have been predicting the collapse of civilization as we know it under the weight of human population. There are three areas to examine when addressing the overpopulation issue: famine, resource scarcity, and population density. We addressed food production issues in the last issue. In this edition, we will examine the topic of resource scarcity.

Part II: Scarce Resources

One of the arguments that population theorists raise is that there are limited resources on earth and once humans use up those resources, we are doomed. This is an area where economists have an interest, for economics *is* the study of how to allocate scarce resources. Economists try to understand how goods and services are rationed, given that demand exceeds the limited supply. Economists argue that price of a good indicates how scarce it is. The famous economist Julian Simon spent much of his life explaining the allocation of scarce resources. Simon hypothesized that the world's population will never outstrip the Earth's limited resources because the Earth's resources are unlimited. Simon's 1980 book *The Ultimate Resource*, argued that long before a resource is depleted, its supply begins to dwindle and individuals find it more difficult to obtain. The increased difficulty in obtaining the good will increase its price. And as the price goes up, demand goes down, thereby helping to conserve the good that has become scarcer. The best indicator of increasing or decreasing scarcity is price.

According to Julian Simon's explanation of economic incentives, when a resource becomes scarce, its higher price encourages consumers to find cheaper substitutes. Those substitutes will drive down demand for the resource. That is why non-renewable resources seem to become more plentiful each year.

It is important to remember that human beings don't care about resources themselves, but rather, what they can accomplish with them. We value gasoline, for example, not because of its intrinsic properties, but because we can use it to generate energy, fuel transportation, and heat our homes. In fact, oil was once considered a nuisance because we had no means to refine it for human use. When the refining process was discovered, the demand for oil skyrocketed, and the previously useless deposits were highly valuable.

Many population theorists overlook one important factor when considering human population growth. That is, people behave rationally and respond to incentives. This rational response is what sets us apart from animals that may graze until they have depleted their food source, resulting in the herd dying off. Humans have the ability to change their behaviour based on circumstances. If one food source is depleted, then there is an incentive to develop a new, more robust food source.

Scarcity can be affected by the following factors:

- the known supply of a resource can increase with the discovery of previously unknown deposits
- supply can increase as new technologies allow resources to be tapped which previously were too expensive to use
- new technologies or changing conditions may reduce the demand for a resource, either by replacing it or reducing the amount needed
- new knowledge may create resources where previously none existed
- as a resource becomes scarcer, the price increases, which in turn encourages innovation by both consumers and producers.

Over time, doomsayers have repeatedly warned us of the scarcity of natural resources. After all, while we can grow food, we cannot grow coal, oil, or iron ore. In the late 1880s, for example, the US Geological Survey announced that there was "little or no chance" of oil being discovered in California, Kansas, or Texas! In 1865, economist Stanley Jevons predicted that England would soon run out of coal, while in the late 1990s, the government was forced to close coal mines because they were unable to sell the large amounts of coal that had accumulated. Throughout the

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These children needed to find new sources of employment–which they did in stone crushing, street hustling, and prostitution, all far more hazardous and exploitative than employment in garment production.

Instituting developed world employment standards on third world nations is similar to levying tariffs or quotas on their goods. Poor countries cannot afford rich countries' standards of labour regulation, and it is the third world worker who bears the cost of this denial.

When people try to develop solutions to these issues, they have a natural tendency to overestimate the importance of legislation and underestimate that of market forces. This is mainly because most of us equate appearance with reality. Although legislation is able to provide a benchmark for societal values and can ensure low levels of child labour in the future, more inclusive legislation by itself will not solve the problem. In the West, regulation was only partly responsible for the sharp decrease in child labour at the beginning of the twentieth century. The more important factors were the rise in family incomes and the technological improvements that made children's labour less profitable.

So how do we promote technological innovation and increased prosperity in the third world? We can achieve these goals by encouraging free trade and globalization–ironically, the exact opposite of the protesters' demands.

In a world where incomes depend on productivity, free trade enables third world workers to access the technology needed to be more productive, and thereby capable of producing higher-quality products. Additionally, if property rights are respected, more firms will take advantage of this situation by entering the marketplace, so the market for labour will become more competitive and workers will earn higher wages.

The Quebec protesters seem to support inward-oriented policies, i.e., policies designed to raise living standards within a country by avoiding interaction with the rest of the world. This has been tried before, again with disastrous, unintended consequences. Argentina pursued such policies for most of the twentieth century and living standards there dropped dramatically. In contrast, countries that have integrated themselves into the world market, such as Singapore, Taiwan, and South Korea, have enjoyed higher rates of economic growth and living standards. Free trade, i.e., globalization, benefits all countries because it allows each country to specialize in doing what it does best. While it may eliminate some jobs, it creates others at the same time. Although the transition may impose hardships in the short run, society as a whole enjoys a higher standard of living.

Unfortunately, the anti-free trade movement seems to be having a significant impact on the shape of world trade policy. Unaccountable, radical NGOs have met with cabinet ministers and senior level bureaucrats at the World Bank. Their militant behaviour has shut down negotiations in Seattle and threatened to do so in Quebec City. Although I disagree with the protesters on most issues, they are right when they say the tide of globalization can be turned back.

Admittedly, the protesters' goals are not entirely clear to me (I can only discern so much from feel-good slogans and illogical rants about evil corporations). However, if their aim is to eliminate poverty and child labour in the third world, I suggest an immediate policy revision. Although I cannot justify larger corporations allowing abhorrent working conditions to be used in their production processes, to focus on this aspect is to miss the point. No country has ever become prosperous by passing legislation or by restricting individual freedoms. Guaranteeing freedom, including the freedom to trade, will ensure global prosperity and stability as we enter the new millennium. If governments succumb to the demands of anti-trade protesters, the result will not be a victory for "social justice," but rather an unparalleled catastrophe for the planet's most desperate people.

Let's Talk Turkey!
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appear together, shake hands, and kiss (it is an accepted custom in Turkey for men to kiss on the cheek) and put all worries about a weak coalition and shaky government to rest? But of course that would bring up another problem: which of the two would get more air time?

The moral here (there is one with any good story), is that regulating egos might not be such a bad step, especially when they can get in the way and cause so large a headache. If only Mr. Ecevit had picked up the copy of the constitution and returned it to the shelf, this latest quagmire in Turkey's move towards economic and political openness would not have happened. Perhaps someone or something should have been in place to keep Mr. Ecevit's $5 billion dollar ego under control.

Things Folks Know That Just Ain't So…
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twentieth century and into the twenty-first, these predictions have repeatedly been made, and disproven.

Indeed, human inventiveness and adaptability will ensure that we never run out of needed resources. Human nature will ensure that we have enough resources to suit our needs. We will not wake up one morning and find that the world has run out of oil, for example, because long before that happens, someone will have discovered a way to use a fraction of the oil that we use today, or will have invented a technology that uses a different, more abundant fuel source, or will have found a way to extract oil from the Earth in a manner never before thought possible.

Sources

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[Editor's note: This is Part II of a three-part series on overpopulation. If you missed Part I: Food Production and Famine, it can be found on-line at www.fraserinstitute.ca. Look for Part III: Population Density in the next issue of ***CSR****].*

Economic Freedom of the World: 2001 Annual Report

by James Gwartney & Robert Lawson, with Walter Park & Charles Skipton. Book, $48.64 including S/H, and taxes. See http://www.fraserinstitute.ca/publications/books/efw_2001/

Hong Kong is the most economically free jurisdiction in the world, while Canada has dropped to 13th place, according to the *Economic Freedom of the World: 2001 Annual Report.* The report is published by The Fraser Institute in conjunction with the US-based Cato Institute, and 49 other independent institutes from around the world, and ranks 123 countries on their level of economic freedom. The core ingredients of economic freedom are personal choice, protection of private property, and freedom of exchange.

For the most part, Canada has enjoyed moderately high levels of economic freedom since 1970. During this period, Canada has consistently ranked as one of the 20 freest economies in the world. This has been due mainly to the quality of the legal structure and security of property rights, good monetary policy, the freedom to use alternative currencies, and the freedom of exchange in financial markets. Canada has also received high scores in the "freedom to engage in international trade" variable.

However, Canada's ranking has dropped from seventh place on the 2000 rankings, and our overall rank has been on the decline since 1980. This reflects the reality that many other nations have been improving their level of economic freedom at a greater pace than we have. For example, 15 years ago, Canada's per capita GDP was 2.5 times Ireland's, and we ranked higher than that nation in economic freedom. Today, Ireland's per capita GDP is 10 to 15 percent higher than Canada's. As Canada's economic freedom has declined, so has our rate of growth.

Top Ten Economically Freest Nations in the World

1. Hong Kong
2. Singapore
3. New Zealand
4. United Kingdom
5. United States
6. Australia
6. Ireland
6. Switzerland
9. Luxembourg
9. Netherlands
13. **Canada**

Private Universities coming to Ontario

by Matthew Curtis

Private universities are now a reality in Ontario. With the passage of Bill 132, Ontario becomes the third Canadian province to legalize private, degree-granting institutions. Even British Columbia has allowed private universities, such as the University of Phoenix, to offer post-secondary degrees.

Despite the inflammatory rhetoric from the left, private universities will not destroy the public university system. In Ontario we already allow private schools and private colleges to operate, so why should universities be any different? Have private schools such as the Toronto French School or even the University of Toronto School harmed the public education system?

What Bill 132 gives Ontario students is choice and flexibility. The bill forbids private universities from drawing on public funds and forces them to provide a certain number of scholarships and bursaries to low-income students. There will also be a Post-Secondary Education Quality Assessment Board which will be responsible for ensuring that private universities meet the strict education standards that are set out in the bill.[1]

Bill 132 is among one of the better actions for reversing the effects of the so-called brain drain. Already, thousands of talented Ontario students head south to the United States for education. In Buffalo, New York, D'Youville Teacher's College is planning to expand in order to meet the supply of Ontario undergraduates who are willing to pay about $20,000 for training. The students realize how marketable a teacher's diploma is in today's job market, so they can easily repay their student loans after graduation.[2]

Criticism from the usual opposition groups is not unexpected. The Canadian Federation of Students (CFS) has spent an enormous amount of money to fight the bill and decried that it would be the end of public universities. Unfortunately, the CFS has not outgrown its 1960s mindset. Its solution to almost any public policy is to call for more government involvement, not less. In the case of private universities, the CFS cannot stand the thought of allowing more competition into the education field.

Another opponent to the bill is CUPE, the largest public-sector union in Canada. CUPE must realize that in a private university, the union might not be capable of engaging in militant labour action such as the recent teaching assistant strike at York University which had a devastating effect on undergraduates. It will also become increasingly difficult for CUPE to justify the inflated salaries their members are paid in comparison to those in the private sector.[3]

With Bill 132, one can now envision Ontario experiencing an educational renaissance which will result in a brain gain from other jurisdictions. With healthy competition in the education sector and more choice for Ontario students, I am astounded that the common sense revolutionaries at Queen's Park did not introduce private universities sooner.

Notes

[1]Government of Ontario, Ministry of Colleges, Training and University (2000). *Backgrounder: Ontario's comprehensive plan for postsecondary education.* Internet at http://www.edu.gov.on.ca/eng/document/nr/00.10/excelbe.ht ml

[2]Schofield, John. "Voting with Their Feet." *Maclean's*, November 20, 2000.

[3]For a comparison between public versus private sector wages in hospitals, please see Cynthia Ramsay, "Labour Costs in the Hospital Sector," *Fraser Forum*, Nov. 1995. pp. 16-18.

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