



Canadian Student Review

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Debt Relief is Only the First Step

by Andrew Maloney

As long as significant portions of the world remain in abject poverty, the world will never be secure, no matter how much money is spent on national security or the war on terrorism. As his Holiness Pope John Paul II once said, "If you want peace, work for justice." Yet despite solid economic growth throughout the developed world over the past two decades, it is clear that not everyone is benefiting, especially in many low-income countries where per capita income remains below \$875 (US) (Gautam, 2003). Accord-

ing to the International Monetary Fund (IMF), total external debt in the developing world reached \$2 trillion in 2000; in the 42 most heavily indebted poor countries (HIPC) alone, external debt rose from \$60 billion in 1985 to \$200 billion in 2000, accounting for over 103 percent of GDP (IMF, 2000). With many of these countries paying only 40 percent of their debt service by the late 1990s, the situation reached a crisis point.

As the IMF and World Bank began to realize the extent of the prob-

lem, they focused their attention away from "debt rescheduling" towards "debt sustainability." The product of this new thinking is the HIPC Initiative, which seeks to achieve debt sustainability by reducing the ratio of debt-to-GDP in these nations below 50 percent, and debt-to-exports below

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Welcome!

Welcome to the summer issue of *Canadian Student Review*. Is there a debate on your campus regarding fair trade vs. free trade coffee? Read what student author Chris Schafer has to say about that topic. Also in this issue: the facts about job security in Canada, and student opinions on debt relief for third world nations, what is not seen, and education and organized labour.

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—Vanessa Schneider, Editor

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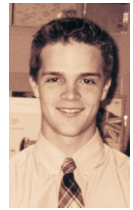
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150 percent (Gautam, 2003). As of last fall, \$31 billion in debt relief had already been committed to countries completing the HIPC Initiative program, on average lowering their debt-to-GDP ratios to 50 percent and debt-to-export from 274 to 214 percent (Geithner and Nankani, 2003). Clearly there has been significant progress made, with more debt relief still to come.

Yet is it enough? Many at the IMF and World Bank ascribe to the “debt overhang” hypothesis that high debt service impedes economic growth by crowding out vital public expenditures and precluding social reforms (Gautam, 2003). In this respect, the HIPC Initiative has succeeded in removing these obstacles. In the mid-1990s, debt service in these countries accounted for a greater share of public spending than health and education combined; today, these two sectors are four times greater than debt service payments (Geithner and Nankani, 2003).

The experiences of three HIPC nations, however, contradict the efficacy of these “savings.” In Honduras, spending by the Secretariat of Education has risen 36 percent since receiving interim debt relief without an appreciable change in quality of education, since the majority of the cash inflows were swallowed up by raises for teachers (Gautam, 2003). In Guyana and Senegal, each country has encountered severe difficulties implementing the privatization reforms mandated by the World Bank. Even Uganda, the first country to complete the HIPC program in May 2000, has seen its economy deteriorate in the four years since it has received aid and the World Bank no longer con-

siders it “debt sustainable” (Jubilee Research, 2003). Clearly, debt relief is not a panacea for the problems of the Third World.

While some may quibble about whether too much or too little relief has been committed to date, the fact remains that even with complete debt relief, several fundamental problems remain unaddressed. These problems include a reliance on volatile commodity markets, limited foreign and domestic investment, and an infrastructure debt that has not been taken into the overall debt calculation. Although HIPC nations were required to reinvest the savings from reduced debt service into social programs and economic reforms, the experiences in Honduras, Guyana, Senegal, and Uganda demonstrate that efficacy is not always guaranteed. There is little stopping these countries and many others from slipping back into unsustainable debt.

The lesson from this is that debt relief is not the only step to easing poverty. Any program aimed at achieving poverty reduction “needs to focus on trade and aid, not just debt relief” (Birdsall and Williamson, 2002). This is especially true since the IMF and World Bank optimistically projected export growth in the HIPC nations to reach 9.3 percent from 2000 to 2002, when in fact it was only 5.1 percent (Jubilee Research, 2003). Since the debt sustainability targets set by the IMF and World Bank require significant economic growth to accompany debt relief, creating institutional capacities in these countries to facilitate this growth is vital. Yet, according to Madhur Gautam of the World Bank,

the lack of institutional capacity in many of these countries that helped create the crisis in the first place has not been addressed and “remain[s] a design shortcoming” (Gautam, 2003).

Many social activists have called for complete forgiveness of Third World debt and less multilateral interference. Quite apart from the enormous financial outlay that would be required for “complete” forgiveness (not to mention the dangerous precedent of a multilateral bank allowing countries to default on loans), many of the fundamental problems facing these economies would still remain unaddressed. Clearly, debt relief is a necessary component of a thorough poverty reduction strategy, but without addressing the structural challenges facing each of these countries, debt relief alone solves nothing. In this regard, the progress made by the HIPC Initiative is only the first step.

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Cup o' Injustice: Fair Trade Coffee Not as Fair as You Think

by *Chris Schafer*

A trial concerning fair trade coffee is currently percolating in the cafeteria at Osgoode Hall Law School.¹ According to Susan Berry, a member of the Osgoode Legal Activists Association, if the results of the fair trade coffee trial continue to be favourable, the cafeteria will make a full switch to such coffee. As someone who prefers his coffee supplied on a free trade basis rather than on a supposedly "fair trade" basis, I urge you to avoid consuming the Mountainview Estates Coffee Company product. Let me explain why. Advocates of fair trade coffee often argue that globalization and free trade are responsible for many of the world's ills, including poverty, environmental degradation, and low wages, to name just a few. Although such advocates are idealistic and motivated by good intentions, they are also uninformed and misguided. To the extent that such advocates are able to restrain trade through their activism, they will indirectly harm the hope of millions of people, which rests on the extension of economic freedom.

Free trade enables people to produce more as a result of specialization and division of labour. Trade also promotes the transfer of technological improvements in production that drive productivity gains and economic progress. All this enables citizens of each country to focus their efforts in areas where they have a comparative advantage, and as a re-

sult, produce and consume at higher levels. Moreover, the indirect benefit of free trade is the "Golden Straitjacket" it places on governments. This constraint reduces their ability to maintain costly regulations, corrupt government practices, and counterproductive economic policies, since capital flows towards countries that offer more attractive institutional environments for wealth creation.

If that is not reason enough to champion free trade and consume free trade coffees, then the strong relationship between trade openness and different indicators of economic well-being should be. When a country pursues a more open economy, including freer trade, higher incomes and standards of living result. But don't take my word for it, check out the Economic Freedom of the World information at www.freetheworld.com.

The Legal Activists Association at Osgoode will undoubtedly continue to complain about the plight of the poor, even though living standards for all income groups are rising in trading nations and falling in nations that restrict trade. Free trade is not the cause of economic problems. It is an absolutely essential part of the opportunity to end problems around the world. So, please do your part and continue to drink free trade coffees at Osgoode and elsewhere.

Note

¹This article was originally published in *The Obiter*, Osgoode Hall Law School, January 19, 2004. ☺

Free Trade versus Fair Trade

"Free traders believe the best way to alleviate poverty in the long run is to permit freer trade while fair traders think that opening trade even further would entrench trends of rich nations becoming richer and poor nations becoming poorer. Fair traders think global prosperity cannot forget to include the immediate needs of those in the least well off group, while free traders regard such targeting as potentially dangerous."

—Jeffrey Eisenberg, from "Free Trade Versus Fair Trade" at <http://www.aworldconnected.org/article.php/560.html>.

La gauche et l'éducation : une parfaite symbiose!

par Paul Beaudry

Over the past few months in Quebec there have been many protests against Jean Charest's "right-wing" Liberal government. Because the Charest government has wanted to institute modest reforms that would slightly diminish the power of Quebec's labour unions, the unions have reacted loudly by organizing major protests across the province. To hear a union leader speak about politics is to be left with the impression that Quebec's workers are starving and living in miserable conditions because of laissez-faire capitalism and a lack of regulation in the labour market. **CSR** readers will probably react by saying: "How could he say that? Quebec is paralyzed by labour unions; it is the most taxed jurisdiction in North America and the province where government wastes hundreds of millions of dollars per year in corporate welfare!" And you would be right! Unfortunately, the labour union intelligentsia seems to be completely disconnected from reality, lacking any knowledge of basic economics.

Why do so many people in Quebec believe all the nonsense that labour unions promote? Responsibility lies with Quebec's education system. Regrettably, the vast majority of intellectuals in Quebec colleges and universities are promoting not social change, but the status quo, which is defined by heavy state intervention in the economy and by omnipotent labour unions. It is tougher to find a pro-market professor in a Quebec university than to find WMDs in Iraq! Nowadays, every political science or sociology student has read Noam Chomsky or Karl Marx, but do not have a clue who Ludwig von Mises and Hayek (Friedrich, not Salma) are.

The only way to foster economic and political progress in Quebec is to get government out of education. Government has an incentive to promote the status quo and what better way to do it than to control education! If Quebec really wants to become a free society, i.e., a society where free enterprise flourishes, where union leaders are not cuddling up to politicians, and where workers can lift a finger without being taxed, it will have to reform its education system.

Le premier dimanche de mars, je me dirigeais vers l'hôtel Delta au centre-ville de Montréal pour assister au débat entre les candidats au leadership du Parti conservateur. Étant légèrement en retard, je fus fort incommodé par l'apparition d'une lumière rouge au coin du boulevard René Lévesque. Je n'étais pas au bout de mes peines... voilà qu'une horde de femmes brandissant des affiches de la CSN, du Parti québécois, de la FTQ et d'autres groupes d'intérêt envahirent la voie en traversant la rue, limitant du même coup le droit des automobilistes de profiter du feu vert. Le soir, en revenant à la maison, j'appris que ces femmes étaient

présentes pour participer à une manifestation féministe/syndicaliste contre la pauvreté, la violence faite aux femmes, la hausse des frais de garderie, le manque d'équité salariale, Jean Charest, le patronat et probablement George W. Bush... Comme d'habitude, les médias ont pris d'assaut l'événement et nous ont fait croire que « les femmes du Québec » étaient en colère et que le gouvernement du Québec ignorait les besoins des mères monoparentales, des enseignantes, des infirmières, ...

C'est toujours la même ritournelle... quand un groupe d'énergés (ou d'énergées) syndiqués décide de bloquer une artère du centre-ville de Montréal pour faire une fête champêtre avec de belles affiches et des costumes dénotant un manque de goût certain, les médias québécois n'hésitent pas à affirmer que les énergumènes rassemblés expriment la volonté populaire. À en croire les chefs syndicaux, il semble que le Québec soit une terre où règne le capitalisme sauvage, où l'intervention de l'État est quasiment inexistante et où les ouvriers meurent de faim. « Pardon? », me direz vous, « le Québec est la province la plus paralysée par les

Letters to the Editor

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We will print the best letters in future editions of *CSR*.

syndicats, la province la plus taxée en Amérique du Nord, la province où le gouvernement investit régulièrement des centaines de millions de dollars dans des compagnies en faillite afin d'avoir l'appui des syndicats aux prochaines élections ». Et vous serez dans le vrai! Malheureusement, votre voix ne sera pas entendue du gouvernement parce que vous n'avez pas les moyens de bloquer une rue montréalaise et de gaspiller une journée de votre vie à faire le bouffon en scandant « So-So-So, Solidarité! » à tue-tête.

Malheureusement, l'emprise des syndicats sur une grande partie de la population québécoise est encore forte : l'« establishment » universitaire québécois (ou l'on forme déjà la relève syndicale) s'assure de créer un renouvellement de la caste syndicale québécoise. Les professeurs de science politique, de relations industrielles, de management et de sociologie semblent apprendre à leurs étudiants que les syndicats constituent les seuls organismes capables de sauvegarder la justice sociale au Québec. À preuve, j'ai assisté, il y a quelques mois, à une « conférence » donnée par l'ancien président de la CSN, le très articulé Marc Laviolette. Avant d'entamer sa conférence, M. Laviolette demande s'il y a des étudiants en économie dans

l'amphithéâtre : silence dans la salle. « Bon, c'est mieux comme ça », dit-il. Son discours m'a révélé la raison d'être de sa question : une profonde incompréhension de notions économiques des plus élémentaires s'en dégageait. Ses dénonciations du libre-échange, de l'économie de marché, du patronat et du capitalisme trahissaient une profonde méconnaissance du fonctionnement de l'économie. Aucun étudiant en économie n'aurait pu écouter son discours sans être porté au fou rire par une ignorance si grotesque. À ma grande surprise, Laviolette fut longuement ovationné après son discours. J'ai cru un moment que je me trouvais à une réunion d'ATTAC-Québec... mais non, c'était bel et bien une conférence organisée par le département de relations industrielles.

Il est regrettable que la plupart des universités d'Amérique du Nord, et plus particulièrement leurs départements de sciences sociales, soient dominés par des gauchistes. La mainmise des sociaux-démocrates et des étatistes de toutes sortes sur les établissements d'éducation québécois explique le peu de changement dans la vie politique québécoise. Dans la plupart de nos institutions d'éducation, l'on apprend que l'intervention étatique est nécessaire pour remédier aux « lacunes du marché », aux « inégalités sociales »,

à la domination des riches dans la société, ainsi qu'à une multitude d'autres maux sociaux. Aussi étonnant que cela puisse paraître, l'université la plus favorable au libre marché et au capitalisme en Amérique n'est pas située au Canada, ni aux États-Unis : elle est située au Guatemala. L'Université Francisco Marroquin fut fondée en 1971 par des hommes d'affaires guatémaltèques qui voulaient offrir une alternative au monopole idéologique des socialistes des universités publiques. Francisco Marroquin est une université privée à but non-lucratif : elle ne reçoit aucun argent gouvernemental. Elle est donc mieux protégée des pressions politiques et idéologiques provenant des politiciens et des intellectuels étatistes. Tous les étudiants, peu importe leur discipline doivent obligatoirement prendre deux cours introductifs dès leur entrée à l'université, « Philosophie de Hayek » et « Philosophie de Mises », qui les introduisent aux principes économiques et philosophiques du libéralisme classique. En guise de parenthèse, Hayek et Mises sont deux des plus brillants économistes et philosophes politiques du 20^e siècle. Malheureusement, ils sont assez méconnus dans les départements de sciences sociales du Québec, les professeurs leur préférant Chomsky et Marx...

Si l'on veut contrer la propagation de l'étatisme dans les universités québécoises, il ne faut pas se fier au système d'éducation public qui, de par sa nature, a tout intérêt à ce que l'État demeure interventionniste et continue à s'immiscer dans la vie des citoyens. Les leaders québécois désirant soustraire leur société à

Correction

In our last issue, the article "Thanks to C-24, Do We Have a Canadian Political Cartel?" incorrectly stated that state subsidies of political parties require that they receive 10 percent of the national vote. In fact, according to s.435.01 (1) a of the updated Canada Elections Act, the requirement is only 2 percent.

l'état d'immobilisme politique qui y règne se doivent de créer des établissements d'éducation privés favorables au libre-marché, au capitalisme et à un État minimal. Les réformes du système d'éducation publique québécois ne changeront

nullement le climat politique de la province. Seule la privatisation se montrera à la hauteur de cette tâche. La multiplication d'universités privées, telles Francisco Marroquin, s'avère la seule voix de revalorisation de la liberté individuelle au Québec

et dans le monde. La seule chose que nous pouvons attendre du système d'éducation actuel est la perpétuation du statu quo social-démocrate qui paralyse le Québec depuis la Révolution tranquille. ☹



Student programs alumni and Calgary West MP Rob Anders (right) with University of Alberta student Kevin Kurtz, at the Calgary student seminar held in January.



Fraser Institute Executive Director Michael Walker visits with student Frédéric Rousseau from Laval University at the recent Student Leaders Colloquium in Vancouver.

Why Defend Bourgeois Values?

by Fazil Mihlar

With all the high-profile corporate scandals today, bourgeois or capitalist values have largely been reduced to a single slogan—greed. But there is much more to bourgeois values than just greed.

Professor Deirdre McCloskey of the University of Illinois in an article titled “Bourgeois Virtue,” argues that those in the middle class who believe in capitalist values shouldn’t allow themselves to be defined as amoral brutes. I cannot but agree.

She points out that Adam Smith, the father of modern capitalism, knew full well that capitalist societies “could not flourish without the virtues of trustworthiness or bourgeois pride.”

While Smith’s *The Wealth of Nations* is the book read widely by economists, McCloskey points out correctly that his other book, *The Theory of Moral Sentiments*, is more important if anyone really wants to understand the underpinnings of capitalism. In it, Smith talks about “love, not greed; esteem, not venality.”

Yet, in *The Wealth of Nations*, Smith talked about how capitalists are by nature greedy and selfish. An unintended side-effect of this pursuit of material wealth, he argued, provides food, clothing and shelter to most people.

In the 20th century, the most articulate and popular defender of this view of capitalism was Ayn Rand, the philosopher. In her book, *The Virtues of Selfishness: A Concept of Egoism*, Rand argued that selfishness is a virtue because selfish people inno-

vate and create things, allowing us to live good lives.

So naturally, many people see capitalism and, by extension, capitalists, as greedy and selfish creatures, intent on exploiting everybody they can, including their mothers. And now they simply point to the big corporate scandals to make their case.

But as Dinesh D’Souza, a fellow at the Hoover Institution at Stanford University correctly points out, “Capitalism civilizes greed, just as marriage civilizes lust.” Precisely because of that, I would argue that a vast majority of corporate executives behave ethically.

They do so because they take many of the bourgeois values to heart. So what are they? They include: enterprise, integrity, honesty, trustworthiness, respect, responsibility, prudence, thrift, charity, affection and humour to mention a few. And the growth of the market—where buyers and sellers meet to exchange wares for a price—promotes virtuous, not venal behaviour, argues McCloskey.

She illustrates this point by way of an example. In 1055, Abun ben Zedaka of Jerusalem was accused of embezzling money from a Mghribi trader. When the news reached other Mghribi merchants, businessmen in far-flung places such as Sicily didn’t trade with Abun ben Zedaka any more. How’s that for keeping businessmen honest?

Likewise, most tradesmen who do a lousy job in Vancouver can’t get away with it and thrive. So a plumber or roofer has to internalize

the bourgeois values of integrity and honesty. They have to because bourgeois society indulges in a lot of talk, and “talk defines business reputation.”

And even if a capitalist is greedy, he cannot use violence to get something; there has to be mutual agreement between a buyer and seller. Professor McCloskey offers the example of Donald Trump. She concedes that Trump is an offensive man, which is clear to anyone who has watched his program *The Apprentice*.

But the fact remains that Trump didn’t use force or steal his millions by raiding his neighbours with a gun in his hands. What he did was buy the Commodore Hotel in New York City at a relatively low price and sell it at a much higher price to a voluntary buyer. Then he built condos and hotels that people wanted to live in and made handsome profits. So Trump did well by doing good deeds.

And Trump and countless other capitalists have been very charitable. And charity, too, is a bourgeois value.

Bourgeois virtues—charity, enterprise, responsibility, respect, honesty and integrity among others—are what make communities in North America work.

However much critics would love to point to greed as the only bourgeois value, it’s up to capitalists to explain that there is a lot more to capitalism. The fate of capitalism rests on a robust defence. ☞

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

by Keith M. Godin

What they know...

Job security has decreased in Canada over the last two decades, particularly in large and often profitable firms.

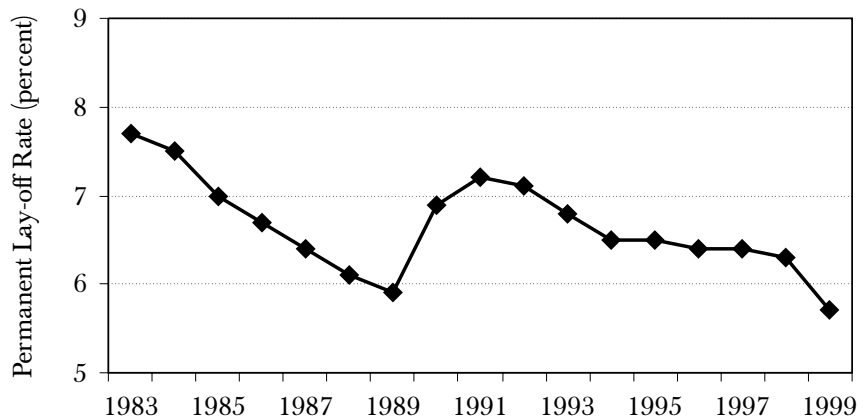
Why it ain't so...

Empirical evidence from Statistics Canada tells a much different story. Despite some high-profile media reports of corporate downsizing, permanent lay-off rates¹ in Canada did not increase from 1983 to 1999. In fact, since the latter half of the 1990s, permanent lay-off rates have continued to decline. What is more, larger firms have lower lay-off rates than small- or medium-sized firms.

Whether or not permanent lay-off rates increase over time has important implications for Canadians. In general, higher lay-off rates contribute to a family's financial uncertainty, which may generate instability and disrupt the pattern of consumption and savings. Higher lay-off rates may also increase the need for retraining—a cost that may be borne by the individual and/or government. Finally, higher lay-off rates may affect family retirement income, as some companies have defined-benefit registered pension plans whose benefits cannot be transferred to other plans elsewhere in the economy (Morissette, 2004).

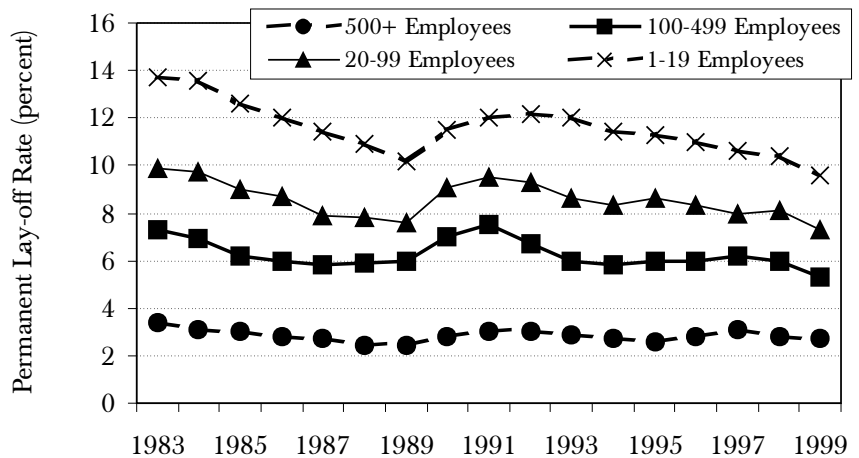
Figure 1 shows the permanent lay-off rate in Canada from 1983 to 1999. In spite of a slight increase from 1990 to 1992, the overall trend

Figure 1: Permanent Lay-off Rates in Canada, 1983-1999



Source: Morissette, 2004.

Figure 2: Permanent Lay-off Rates in Canada, by Firm Size, 1983-1999



Source: Morissette, 2004.

has been decreasing over time. The permanent lay-off rate was 7.7 percent in 1983, 5.9 percent in 1989, and 5.7 percent in 1999.

Permanent lay-off rates also decrease with firm size. Figure 2 shows

that despite the slight increase in lay-off rates during the economic downturn between 1990 and 1992, there still exists a consistent 2- to 3-percentage-point differential between each category of firm size. For

the last five years of the study (1995 to 1999), the average permanent lay-off rate in a small firm (1-19 employees) was 10.6 percent versus 2.8 percent in a large firm (500+ employees). The same pattern holds for small to medium firms (20-99 employees) and medium to large firms (100-499 employees). Their average permanent lay-off rates for the period 1995 to 1999 were 8.1 percent and 5.9 percent, respectively.

Another question that the Statistics Canada report addressed was related to specific population demographics. Did any group find that their permanent lay-offs increased? Morissette (2004) noted that only men aged 55 to 64 and women aged 35 to 44 experienced increases of half a percent or more between 1989 and 1999. No other group showed a sizeable increase. Men aged 15 to 24 actually experienced a decrease in the risk of job loss by about 1 percent.

Another important finding from the Morissette study is the difference in permanent lay-off rates across provinces. Newfoundland, Prince Edward Island, and New Brunswick have significantly higher rates than the rest of Canada. Average permanent lay-off rates for those three provinces from 1989 to 1999 were 16.2 percent, 13.2 percent, and 11.7 percent, respectively. In contrast, Ontario, with an average permanent

Table 1: Permanent Lay-off Rates By Province, 1983-1999

	1983	1985	1987	1989	1991	1993	1995	1997	1999
NF	16.1	17.2	16.9	15.8	17.0	17.2	14.0	14.8	18.0
PE	12.2	12.4	11.8	12.2	12.7	12.0	12.3	14.9	14.3
NS	8.7	9.1	8.4	8.2	8.7	8.7	8.9	8.4	8.7
NB	12.0	11.8	11.7	11.4	11.9	12.4	11.8	11.8	11.2
QC	8.5	8.3	7.6	7.3	8.3	7.7	7.5	8.0	6.5
ON	5.6	4.8	4.1	3.9	5.5	4.9	4.6	4.7	3.9
MB	5.4	5.1	5.0	4.4	5.2	5.3	4.7	4.5	4.4
SK	6.6	6.1	6.6	5.7	6.5	6.3	5.8	5.5	5.5
AB	9.9	7.5	7.2	6.1	7.1	7.3	6.9	5.6	5.9
BC	9.4	9.1	8.2	7.2	8.3	7.8	7.7	7.4	6.7

Source: Morissette, 2004.

lay-off rate of 4.7 percent from 1989 to 1999, had significantly lower lay-off rates than the rest of Canada (see table 1).

Conclusion

The good news in the midst of all the negative press regarding corporate downsizing and decreasing job security is that the empirical evidence shows otherwise. Permanent lay-off rates have continued to decline and job security in large firms is as safe as ever.

Notes

¹Permanent lay-offs are those where the separated worker does not return to the same employer in the same or following year. The permanent lay-off rate is calculated by dividing permanent lay-offs by total person-jobs in the year.

References

Morissette, René (2004). *Have Permanent Layoff Rates Increased in Canada?* Cat. No.: 11F0019MIE. No. 218. Ottawa: Statistics Canada. 📄

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What Is Not Seen

by Marc-André Brisson

During every election, all parties make many promises, many of which involve government spending on a variety of programs. Once a government is elected, some promises are kept and others are not. While the purpose of making promises is to win elections, we, as voters, should never forget that promises cost money and sometimes sacrifices have to be made to fulfil them. That is, sometimes the scope of promised programs has to be reduced for them to be affordable, and sometimes taxes have to be raised or other programs cut to pay for new programs.

For example, in Quebec's provincial election campaign, Jean Charest's Liberal party promised to reduce taxes and increase the budgets for education and health without going into deficit. In order to fulfil this promise, other budgets were frozen and some were cut.

During election campaigns, however, no politicians admit to the negative side of their promises. So it is our duty, as voters, to remember a phrase coined by French economist Frédéric Bastiat: "what is not seen." We should never forget that money doesn't grow on trees; everything has a cost, even if we don't see it.

One way to describe taxation and public policy is to paraphrase French chemist Lavoisier: "nothing is created, nothing is lost, everything is just transferred." When we tax workers and transfer the money to other

people who are in need, we are not creating wealth, we are just transferring the benefit of the work to others who choose not to work, or don't have the chance to do so. Lavoisier's theory does not correlate perfectly with economics, however, because if the transfers are high enough, the outcome is not limited just to a transfer of wealth. High transfers can actually limit economic growth in two ways.

While the purpose of making promises is to win elections, we, as voters, should never forget that promises cost money and sometimes sacrifices have to be made to fulfil them... everything has a cost, even if we don't see it.

First, high transfers discourage workers from earning more money, because they will be punished for those higher earnings by being obliged to pay more tax. When US President Reagan and British Prime Minister Thatcher were heads of their respective countries, they reduced the tax rate for higher salaried earners. As a result, the economic growth rate in each country increased. Even though the state was

collecting a smaller percentage of the highest incomes, it actually collected more money due to a growing tax base.

Second, high transfers don't encourage people in undesirable situations to modify their behaviour. For example, in 2002, a couple with two children living in Quebec would obtain more money and benefits from government transfers than they would earn if one of them were working at a job with an annual salary below \$16,000 (Kelly-Gagnon, 2004). This means that many couples with children are better off staying on social welfare than working at low-income jobs because working is not as lucrative for them as not working. Of course someone working—even at minimum wages—is more advantageous to society as a whole than if they are living on welfare because taxpayers are stuck financing the entire social welfare program, and receive no productive return for the money spent.

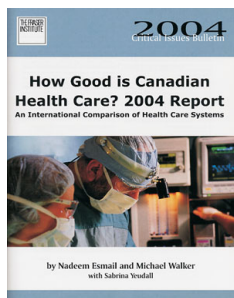
As voters, therefore, it is important to never forget that the choices we make have consequences and there is always scarcity. Any party in power must battle with the classic dilemma of economics: how can we allocate limited resources to satisfy our unlimited needs?

Reference

Kelly-Gagnon, Michel (2004). Le Piège de la Pauvreté. *Les Affaires*. (May 8): 14. Available digitally at http://www.iedm.org/chronique/gagnon81_fr.html. ☺

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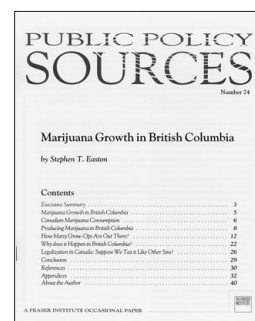
HOW GOOD IS CANADIAN HEALTH CARE? 2004 REPORT

By Nadeem Esmail and Michael Walker with Sabrina Yeudall. Critical Issues Bulletin; © 2004; \$12.95
This study compares Canada to other OECD countries that guarantee access to health care regardless of ability to pay. Twelve indicators of access to health care and outcomes from the health care process are examined including access to physicians, access to high-tech medical equipment, and key health outcomes. Many of the countries examined produce superior outcomes in health care and at a lower cost than Canada. Among industrialized countries, only Canada outlaws a private parallel health care system for its citizens.

MARIJUANA GROWTH IN BRITISH COLUMBIA

By Stephen T. Easton. Public Policy Sources, no. 74; © 2004; \$5.00

This paper raises several issues that have the cumulative effect of suggesting that in the long term, the prohibition on marijuana cannot be sustained with the present technology of production and enforcement. To anyone with even a passing acquaintance with modern history, it is apparent that we are reliving the experience of alcohol prohibition of the early years of the last century.



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