

THE Quarterly

WINTER 2023

Canada's Affordability Crisis





Niels Veldhuis
President, Fraser Institute

Dear Fraser Institute Friends,

With price increases on everything from food to gas, housing, and many other necessities, it's become much harder for Canadian families to make ends meet. As the cover of this edition of *The Quarterly* depicts, Canadians are facing an affordability crisis.

While household budgets across Canada are being squeezed, no bill has increased more for the average Canadian family than the tax bill. We recently released our annual *Canadian Consumer Tax Index* (see page 6), which helps educate Canadians on how much tax they pay in total. Most are shocked to find out that the average Canadian family spends more on taxes than on housing, food and clothing combined!

This year, 45 percent of income will go to taxes for the average Canadian family, compared to 36 percent for housing, food, and clothing. And while the average family spent \$1,452 more on housing and \$996 more on food in 2022 than in 2021, governments extracted an extra \$4,566 from the average family in taxes.

In addition to being overburdened by taxes, Canadian families are also facing food prices that have increased dramatically. As my colleagues Jason Clemens and Milagros Palacios highlight in their commentary on page 30, our Prime Minister's solution of more government and higher taxes is not the answer.

And then there's the issue of housing. Our new study *Wrong Move at the Wrong Time: Economic Impacts of the New Federal Building Energy Efficiency Mandates* (see page 8), finds that the cost of a newly constructed home in Canada will increase by \$55,000, on average, by 2030 as a result of the federal government's stricter energy efficiency regulations for buildings.

Rather than increasing the costs of new homes, what governments should be doing is to help close the gap between supply and demand. As our recent study, *Canada's Growing Housing Gap* found, housing completions have not kept pace with population growth in Canada. From 2018 to 2022, the population grew by an average of more than 550,000 people per year compared to only 200,000 new homes built across Canada. The solution lies in large part in reducing red tape and regulation (not increasing it!) to allow the private sector to build significantly more homes.

These are just a few examples of the Institute's important work on affordability issues.

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

Best,

Niels

A handwritten signature in blue ink, appearing to read 'Niels Veldhuis', located at the bottom of the page.

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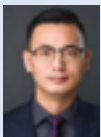
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One in Six Government-funded Surgeries in Quebec Now Take Place in Private Clinics

Yanick Labrie

In the aftermath of the COVID-19 pandemic, a number of provinces turned to private clinics to help address their significant surgical backlogs. Despite their valuable contributions during this time, such partnerships have subsequently come under attack because defenders of the status-quo have deemed them a risk to the universal nature of Canada's healthcare system.

Nothing could be further from the truth.

In fact, a new study, *Lessons from the Public-Private Partnerships in Surgical Care in Quebec*, documents how private clinics have played an important—and expanding—role in the delivery of medically necessary care to patients in Quebec for more than 15 years. During that period, Quebecers have found that private clinics are a complement to, rather than a substitute for, the public healthcare system.

To understand how Quebec has managed this careful balance without upending the fundamental universal nature of our healthcare system, it's worth delving into a bit of history that starts with the 2005 Supreme Court of Canada judgment known commonly as the *Chaoulli* decision. Faced with considerable wait times for publicly funded care, the Supreme Court of Canada ruled that provincial laws prohibiting the purchase of private insurance for medical care violated the *Quebec Charter of Human Rights and Freedoms*.

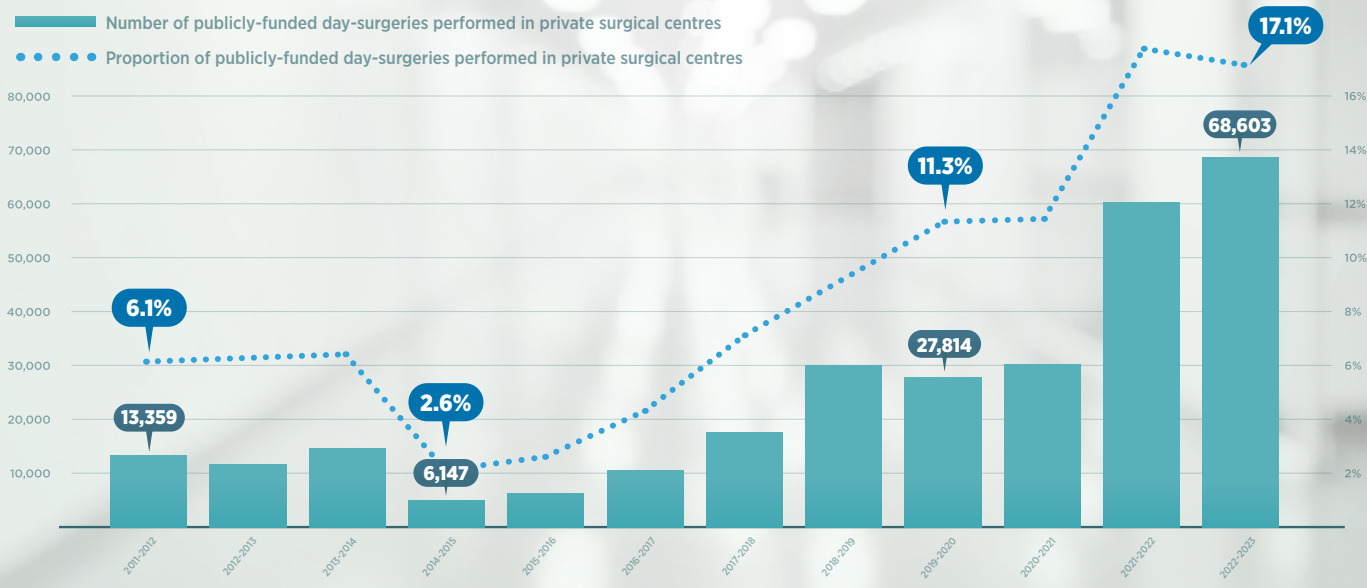
In response, the Quebec government tabled Bill 33 in December 2006 with two key provisions. First, Quebecers would henceforth be allowed to purchase duplicate private insurance for a small number of treatments for which wait times were considered abnormally long.



Second, private clinics—from then on called Specialized Medical Centres (SMCs)—were authorized to provide a limited number of medically necessary procedures. Initially limited to just three procedures, the list now includes over 50 procedures covered in Quebec's public system that can also be performed in private clinics.

There are, however, some notable restrictions on how these clinics function and are funded. SMCs must be majority-owned by Quebec physicians, apply for and receive government accreditation, and be subject to routine inspections for safety and quality. Due to continued prohibitions on physicians working in both the public and private healthcare systems, known as dual-practice, physicians offering services in these private clinics must either be exclusively participants (opted-in) or exclusively non-participants (opted-out) in the Quebec public health insurance plan. In other words, these private clinics must offer services exclusively funded by the provincial

Publicly-funded Day Surgeries Performed in Private Clinics in Quebec 2011-12 to 2022-23



government, or directly out of the patient’s pocket—not both.

Despite these restrictions, the growth in the number of private clinics—and the volume of services they offer—has been substantial. In 2014, there were 45 private clinics in Quebec, that number grew to 73 by 2023. Importantly, the vast majority (50) of these clinics are fully funded by the government. Alternatively, patients can choose to pay out-of-pocket for services offered by opted-out physicians in the other 23 clinics.

“If wait times in hospital exceed provincial targets, public hospitals are allowed to outsource surgeries to (private) clinics.”

Moreover, if wait times in hospital exceed provincial targets, public hospitals are allowed to outsource surgeries to these clinics. In the years preceding the pandemic, such partnerships significantly increased the number of non-emergency surgeries (referred to as elective) performed each year and considerably reduced waiting times in the hospitals concerned, putting their wait times

well below the Quebec average. Subsequently, these partnerships were also relied upon to help deal with surgical backlogs. Over the last decade, the percentage of government-funded day surgeries performed in those private clinics jumped from 6.1 percent (2011/12) to 17.1 percent (2023/24).

In other words, one in six government-funded surgeries in the province now take place in private clinics.

The experience of Quebec serves as a clear example of how private clinics can deliver care within a universal framework. As Canada continues to struggle with record-high wait times and continued surgical backlogs, policy-makers in other provinces should consider emulating Quebec’s approach by embracing the potential benefits of collaborating with the private sector to deliver the care that patients desperately need. [FI](#)



YANICK LABRIE

Yanick Labrie is a senior fellow at the Fraser Institute. He is the author of *Lessons from Public-Private Partnerships in Surgical Care in Quebec*.

Government-sector Job Growth Outpaced Private-sector Growth in All 10 Provinces Since the Onset of COVID

Ben Eisen, Evin Ryan, and
Milagros Palacios

Across Canada, headlines suggest the labour market has recovered from the COVID recession. However, a closer look at the numbers complicates the story. According to a new study, *Public and Private Sector Job Growth in the Provinces during the COVID-19 Era*, the rate of net job growth in the government sector has exceeded that in the private sector in all 10 provinces since the onset of the pandemic and the associated recession.

Let's start by looking at the national numbers. Between the onset of the COVID recession in February 2020 and June 2023, the number of government jobs across the country increased by 11.8 percent compared to only 3.3 percent in the private sector (including the self-employed).

In other words, recent job creation in Canada is due to a growing government rather than a thriving private sector. In fact, the private-sector rate of net job growth looks even weaker when we consider that Canada's working age population has grown quickly during this timeframe.

These statistics raise an important question about the sustainability of recent labour market trends in Canada. A nearly stagnant private sector can't finance rapid growth in the size of government over the long term. Remember, taxpayers ultimately pay for all new government spending including spending on wages and salaries. This can take the form of either higher taxes or new debt that must be either repaid or financed indefinitely by future taxpayers.

The fact that the rate of net job growth in the government has been faster than in the private sector



Summary

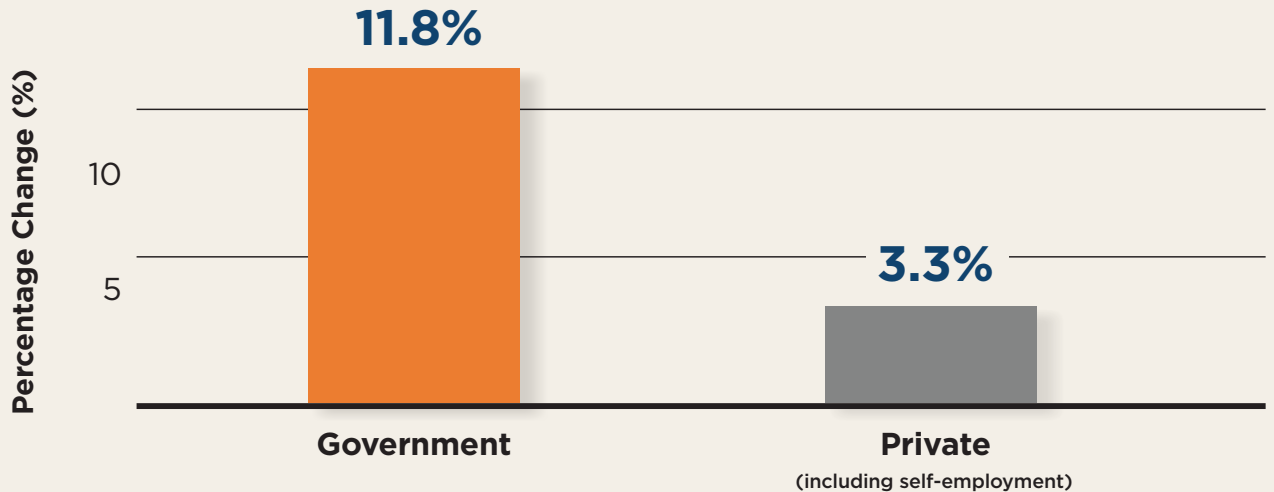
- An analysis published by the Fraser Institute in 2022 broke down job-creation data from recent years to compare net job creation in the public and private sectors. That study found that nearly all net job creation from pre-pandemic levels had occurred in the public sector and that there had been minimal private sector job growth.
- This bulletin updates and extends that analysis by examining job market developments at the provincial level to June 2023, comparing the rate of job creation in the public and private sectors in each province.
- Net job growth in the public sector between February 2020 and June 2023 was 11.8 percent in the public sector and just 3.3 percent in the private sector (including self-employment).
- In all ten provinces, the rate of job growth was faster in the public sector than in the private sector, including self-employment. In four provinces, private sector net job creation expressed in this way was negative.
- The provinces vary widely in the extent of public and private sector job growth. Of the four largest provinces, British Columbia had the fastest rate of public sector job creation (22.6 percent) and the slowest rate of private sector job creation (0.3 percent), while Alberta had the lowest rate of government sector job growth (8.9 percent) and the fastest rate of private sector job growth (6.2 percent).

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FRASER RESEARCH BULLETIN 1

“Taxpayers ultimately pay for all new government spending including spending on wages and salaries. This can take the form of either higher taxes or new debt...”

is a pan-Canadian trend. It's true in all 10 provinces, although the extent varies considerably by province. Consider British Columbia and Alberta. From February 2020 to June 2023, Alberta had the fastest private-sector net job growth in the country (6.2 percent), dwarfing BC's growth rate (0.3 percent). The situation is reversed if we look at government-sector employment, which includes all levels of govern-



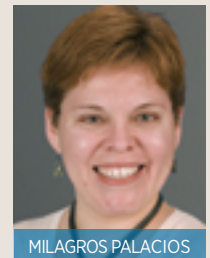
ment. Like all provinces, Alberta saw an increase in the number of government jobs during this period, but the rate was relatively aligned with the private-sector rate. But in BC, the number of government jobs exploded, increasing by 22.6 percent.

As a result, the government sector accounted for more than 90 percent of the job growth in BC compared to only 24 percent in Alberta.

Most of the other provinces are between these two extremes. In Quebec, for example, government-sector job growth (7.6 percent) was substantially higher than in the private sector (2.0 percent). The same story can be found in Ontario (11.7 percent compared to 4.7 percent).

“ *The faster rate of job growth in the government... raises important questions about the health of Canada's private-sector economy, the implications of a growing government payroll for the finances of governments across Canada, and the burden on taxpayers.* **”**

Taken together, these data illustrate the state of Canada's labour market. Although there's significant variation between provinces, all across Canada we've seen a faster rate of job growth in the government compared to the private sector. This raises important questions about the health of Canada's private-sector economy, the implications of a growing government payroll for the finances of governments across Canada, and the burden on taxpayers. [FI](#)



Ben Eisen is a senior fellow at the Fraser Institute, Evin Ryan was a Summer 2023 intern at the Fraser Institute, and Milagros Palacios is the director of the Addington Centre of Measurement. They are co-authors of *Public and Private Sector Job Growth in the Provinces during the COVID-19 Era*.

The Average Canadian Family Paid More in 2022 on Taxes Than it Did on Housing, Food, and Clothing Combined

Jake Fuss and Grady Munro

Across the country, families are struggling with the rising cost of living. Housing shortages in major cities are driving up rent and home prices, while disruptions to the global supply chain push food prices higher than they've been in 40 years. And federal climate policy (namely the carbon tax) continues to increase energy and fuel costs.

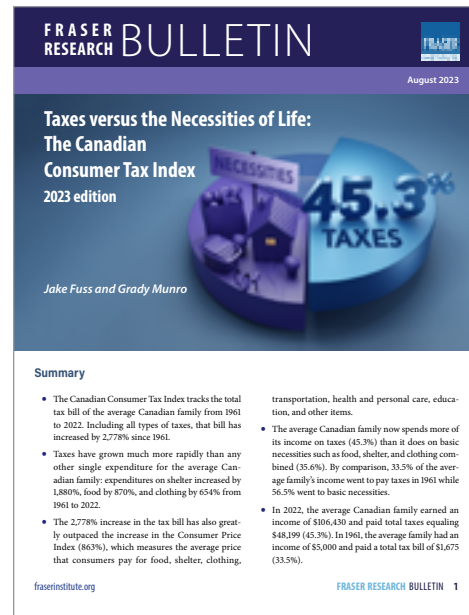
In response, the Trudeau government has made it a top policy goal to address affordability. However, with all the talk about “grocery rebates” or \$10-a-day day-care, the government appears to ignore the largest single expenditure Canadian families face—taxes.

Our study, *Taxes Vs the Necessities of Life: The Canadian Consumer Tax Index 2023*, calculates the total tax bill paid by Canadians—that is, all taxes Canadian families pay to federal, provincial and local governments. These include income taxes, sales taxes, property taxes and more.

According to our research, in 2022 the average Canadian family (household income of \$106,430) paid \$48,199 in total taxes (or 45.3 percent of its income) in 2022. For context, that same family spent \$37,827 (or 35.6 percent of its income) on food, shelter, and clothing. In other words, Canadian families paid more in taxes than they spent on the basic necessities.

Taxes are clearly the largest item in family budgets, and tax relief would put hard-earned money back into the pockets of Canadians and help families pay for the increased cost of living. Unfortunately, federal tax relief is unlikely anytime soon. In fact, the tax burden will likely grow heavier moving forward.

Why?



Summary

- The Canadian Consumer Tax Index tracks the total tax bill of the average Canadian family from 1961 to 2022. Including all types of taxes, that bill has increased by 2,778% since 1961.
- Taxes have grown much more rapidly than any other single expenditure for the average Canadian family: expenditures on shelter increased by 3,880%, food by 870%, and clothing by 654% from 1961 to 2022.
- The 2,778% increase in the tax bill has also greatly outpaced the increase in the Consumer Price Index (863%), which measures the average price that consumers pay for food, shelter, clothing, transportation, health and personal care, education, and other items.
- The average Canadian family now spends more of its income on taxes (45.3%) than it does on basic necessities such as food, shelter, and clothing combined (35.6%). By comparison, 33.5% of the average family's income went to pay taxes in 1961 while 55.5% went to basic necessities.
- In 2022, the average Canadian family earned an income of \$106,430 and paid total taxes equaling \$48,199 (45.3%). In 1961, the average family had an income of \$5,000 and paid a total tax bill of \$1,675 (33.5%).

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FRASER RESEARCH BULLETIN 1

“Tax relief would put hard-earned money back into the pockets of Canadians and help families pay for the increased cost of living.”

Because the Trudeau government has increased spending significantly in recent years. According to projections, from fiscal year 2019/20 to 2023/24, annual program spending will increase by more than \$100 billion (adjusted for inflation and population growth, this translates to an additional \$793 per person). To finance most of this spending, the government must borrow money. Consequently, over the same four-year period, the federal government will add more than \$520 billion in nominal

Average Canadian Family Pays 45.3% of its Income to Taxes— More Than the Necessities of Life

Clothing, Food
and Housing:
35.6%



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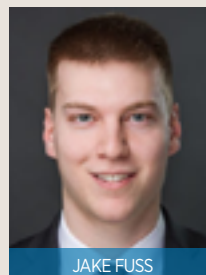
net debt (total debt minus financial assets), and forecasts show a string of budget deficits for the coming years, which means more debt accumulation.

As a result, the federal government has left itself with limited fiscal room for tax reductions. And because debt accumulated today must be repaid in the future, a burden that will likely fall on future taxpayers in the form of higher taxes.

“From fiscal year 2019/20 to 2023/24, annual program spending will increase by more than \$100 billion... this translates to \$793 per person.”

At a time when many Canadians are struggling to put food on the table, taxes remain the single largest expenditure families face. Unfortunately, due to the Trudeau government’s massive spending increases, deficits, and debt accumulation, tax increases—not tax reductions—are more likely in the coming years. [FI](#)

“Debt accumulated today must be repaid in the future, a burden that will likely fall on future taxpayers in the form of higher taxes.”



JAKE FUSS



GRADY MUNRO

Jake Fuss is director of Fiscal Studies and Grady Munro is a junior policy analyst at the Fraser Institute. They are the co-authors of *Taxes Versus the Necessities of Life: The Canadian Consumer Tax Index, 2023*.

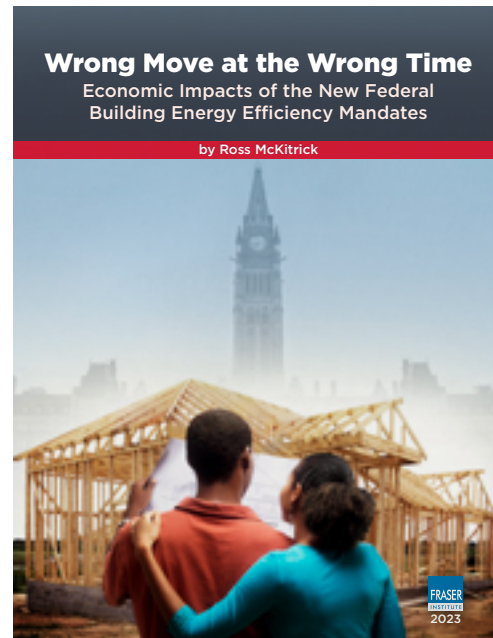
Ottawa's New Building Energy Efficiency Regulations Will Add \$55,000 to Cost of New Homes in Canada by 2030

Ross McKittrick

If you thought housing in Canada was already expensive, buried in the Trudeau government's Emissions Reduction Plan (ERP) is a little-noticed provision that's poised to hike the cost of building new homes even higher after 2025. On page 201 of the ERP, in the bottom of a table listing proposed building code revisions, lies an astonishing requirement: "Increase energy efficiency such that new [residential] buildings use 61% less energy by 2025 and 65% less energy by 2030 in comparison to 2019." Alongside this is a proposal to require commercial buildings to meet a 47 percent target by 2025 and 59 percent by 2030, compared to 2019.

A required 65 percent reduction in energy usage compared to 2019 represents an extraordinary hurdle to new home construction. It would be hard enough to make new Canadian homes 65 percent more efficient compared to ones built in 1919—new Canadian homes were already highly energy efficient by 2019—trying to force another 65 percent in efficiency gains will add considerably to the price.

How much? In the new study, *Wrong Move at the Wrong Time: Economic Impacts of the New Federal Building Energy Efficiency Mandates*, we turned to analysis from the Canadian Home Builders Association, which has published estimates of cost increments on new home construction for many types of energy efficiency gains. By compiling these, it is estimated that hitting the 65 percent target will raise building costs across the country by 8.3 percent (on average). New home construction costs vary across the country: the estimated increase will be in the \$22,000 to \$35,000 range in Atlantic Canada and on the Prairies, \$38,000 in Quebec, and more than \$70,000 in

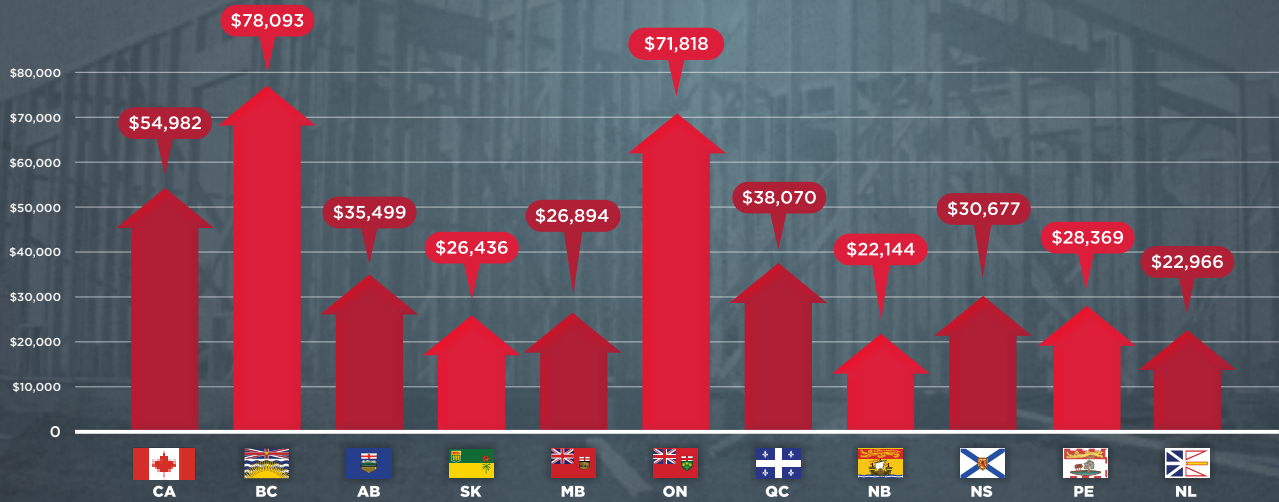


Ontario and British Columbia, yielding a national average of about \$55,000 per home.

Using a macro model of the Canadian economy, it is estimated further that these increases in residential (and commercial) construction costs will cause a slight drop in national GDP (1.8 percent as of 2030), and a 6.8 percent decline in construction activity as of 2030 compared to the no-policy base case. At a time when we need "all hands on deck" in the homebuilding sector, we could instead see more than 80,000 construction-related job losses and an exodus of capital from the sector.

But at least we will reduce greenhouse gases, right? Not really. There's ample evidence in the economics literature that energy efficiency mandates have little impact on emissions and come at a relatively high cost. Yes, they make it cheaper to, for example, heat or illuminate your home. However, people respond to these savings in

Ottawa's Proposed Regulations Will Hike the Cost of Building New Homes Significantly by 2030, But Will Only Reduce GHG Emissions by Less Than 1%



part by using more heat and light. This is the so-called rebound effect, where the evidence suggests that in the long run this effect negates virtually all the initial gains from tighter energy efficiency rules. Nevertheless, even if we were to assume a low rebound effect in the macro model, the emission reductions are only about one percent by 2030. Since the economy contracts by more than that, the emission intensity of Canada's economy actually increases. Any emission reductions we do get cost about 50 times more per tonne than the proposed carbon tax rate. Adding regulations like this on top of a carbon tax policy destroys the economic efficiency of the emission pricing instrument.

“ There’s ample evidence in the economics literature that energy efficiency mandates have little impact on emissions and come at a relatively high cost.”

But won't households benefit from mandated improvements in energy efficiency? No, this is a common misconception. People who own or are buying a home already have the option to invest in energy efficiency improvements—and they do, up to a point. But beyond that, the extra energy efficiency features are worth less to them than other things they can purchase. Some energy

analysts assume that households are too stupid to know how to spend their own money so regulations that force them to overinvest in efficiency improvements will make them better off. As discussed in the study, this view is rejected in the economics literature both in principle and on the basis of analysis of the payoffs from government energy efficiency programs.

Canada faces a housing crisis of historic proportions. Young people and newcomers, even those with decent jobs and substantial savings, have been priced out of the housing market and face a future with no realistic hope of homeownership. Our focus must be on how to fix this crisis, in part by cutting the cost of new home construction. The radical energy efficiency requirements in the federal Emission Reduction Plan will do the opposite, while yielding virtually no environmental benefit. It's the wrong move at the wrong time and it must be rescinded. [FI](#)



ROSS MCKITTRICK

Ross McKittrick is a professor of economics at University of Guelph, and a senior fellow at the Fraser Institute. He is the author of *Wrong Move at the Wrong Time: Economic Impacts of the New Federal Building Energy Efficiency Mandates*.

Hong Kong Drops From #1 Rank for the First Time in History; Singapore Takes Top Spot

James Gwartney, Robert Lawson,
and Ryan Murphy

The *Economic Freedom of the World (EFW)* index, published annually since 1996, provides economic freedom ratings for up to 165 countries and jurisdictions as far back as 1970. In each and every published edition of the EFW index, Hong Kong had been rated as the most economically free economy—that is, until now. The newly released EFW index has downgraded Hong Kong to second place with Singapore now taking top honours.

Hong Kong's five-decade reign as the most economically free jurisdiction in the EFW index was no surprise to those of us compiling the data. We remember watching Milton and Rose Friedman's *Free To Choose* series on PBS in the 1980s that celebrated the territory's economic freedoms, and the data we collected reflected what we saw on the show. Historically, the top personal income tax rate in Hong Kong has been about half the rate in the US and Canada. And relative to GDP, Hong Kong's welfare state spent just a fourth of what Canada spends, and a fifth of what the US spends. Aligned with the free-trade views of Adam Smith, Hong Kong's tariffs were literally zero percent.

After the Chinese takeover of the territory from the United Kingdom in 1997, little seemed to change in Hong Kong in terms of the EFW index. Taxes and regulations remained low and trade with the rest of the world remained free. Hong Kong's global-best EFW index score bounced around between 8.9 and 9.3 (out of 10) throughout the 1980s, 1990s, 2000s, and into the 2010s.

Still, many observers worried about China's longer-term commitment to the "one country, two systems" policy.

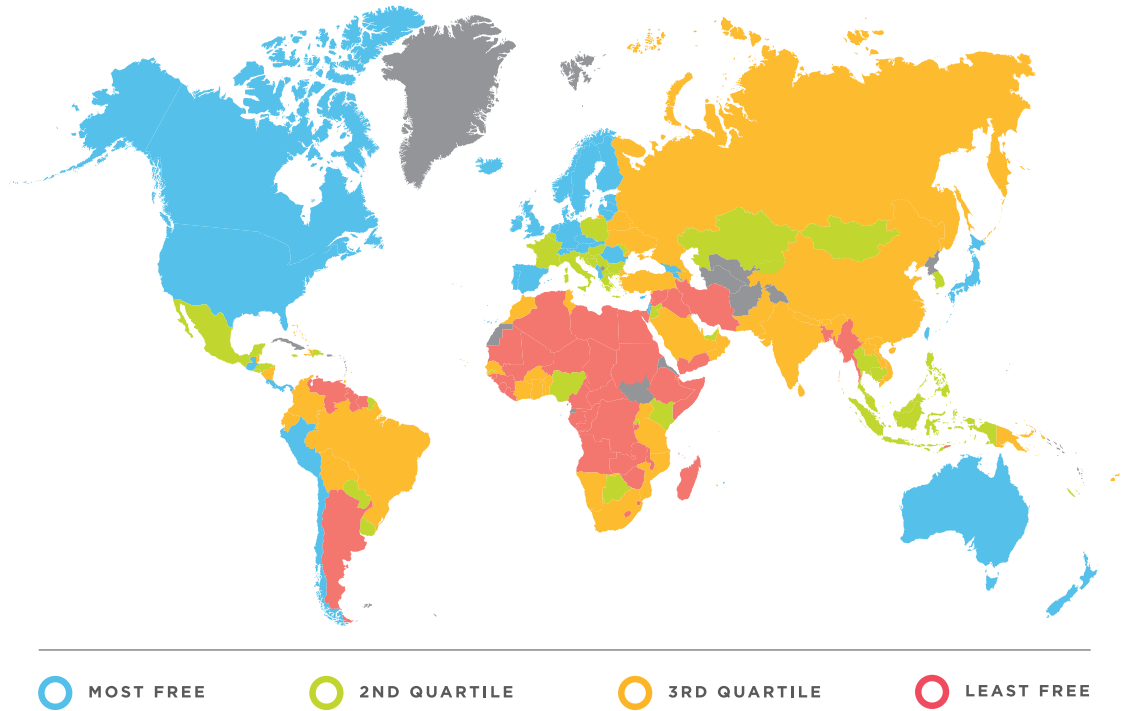


After Hong Kong businessman Jimmy Lai was forced to sell his Asian clothing business because of his criticisms of Chinese leader Li Peng, Mr. Lai created the *Apple Daily* media company to advocate for more political freedom in Hong Kong. He was first arrested in 2014 for leading pro-democracy demonstrations, and he began to receive threats and even physical attacks that the Chinese-controlled Hong Kong government appeared to ignore.

We first sounded the alarm in the 2020 edition of the EFW index as a result of the new security law imposed that year by the Chinese government without the consent of Hong Kong's elected legislative body. The new law features potential sentences of life imprisonment for an open-ended array of speech and thought crimes that the mainland doesn't like. Mr. Lai was promptly arrested under this law and after a brief show trial, he is now serving a 5-year sentence. *Apple Daily's* assets were frozen, and the company is now out of business.

Economic Freedom of the World, 2023

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Hong Kong's EFW index ratings eventually began to reflect the erosion of political and economic freedom. As recently as 2012, the EFW index scored Hong Kong's government size as the smallest in the world. Now it ranks only the 21st smallest. After having been rated as high as 13th in the world, the security of property rights scores fell to 21st best. Even the business regulation ratings for Hong Kong, which had been the best in the world since the 1980s, slipped to 3rd place. All of these declines were enough to drop Hong Kong's overall EFW index to 8.55 in the most recent report, allowing Singapore to take a slim overall lead.

“*Hong Kong's EFW index ratings eventually began to reflect the erosion of political and economic freedom.*”

Make no mistake, Hong Kong is still very economically free relative to most countries; it is just less economically free than it once was. The emerging risk is that China will

continue to use its growing control over economic matters such as the ability to freeze the assets of individuals and companies who dare to speak out against Beijing's undemocratic rule in Hong Kong.

Milton and Rose Friedman argued that it is only within a system of economic freedom that political freedoms can be maintained. Losing economic freedom in Hong Kong is bad for the future prosperity of the territory, but equally worrisome it means losing the last hope of keeping what remains of the political and civil liberties Hong Kongers have become accustomed to. [FI](#)



JAMES GWARTNEY



ROBERT LAWSON



RYAN MURPHY

James Gwartney, Robert Lawson and Ryan Murphy are senior fellows with the Fraser Institute. They are co-authors of *Economic Freedom of the World: 2023 Annual Report*.

Housing Completions Not Keeping Pace with Population

Josef Filipowicz

The high cost of housing is one of Canada's most pressing policy concerns. It affects economic, physical, and mental well-being, and jeopardizes Canada's status as a prosperous, upwardly mobile society.

At its heart, declining housing affordability is driven by a large and widening gap between the number of people wanting to rent or buy homes (demand) and the number of actual homes available (supply). The number of homebuyers and renters continues to increase at a pace well in excess of the number of homes available to buy or rent, which continues to drive up prices and rents.

According to a new study published by the Fraser Institute, *Canada's Growing Housing Gap*, between 1972 and 2022, the latest period of available data, Canada's population increased by 1.9 people (each year, on average) for every new home built (single-detached houses, townhouses, condos). More specifically, since 2016 the average number of people per home built increased every year (except for a dip in 2020) from 2.3 to a peak of 4.7 in 2022, the highest number on record. In other words, the gap between the number of homes produced and the number needed has never been so wide.

Of course, this gap could reflect changes in either homebuilding or population growth. Over the entire 50-year period, 189,137 housing units were completed on average each year, ranging from a low of 117,834 in 1991 to a high of 257,243 in 1974. Meanwhile, population growth averaged 342,623 people per year, ranging from a low of 222,386 in 1978 to a high of 1,050,110 in 2022.

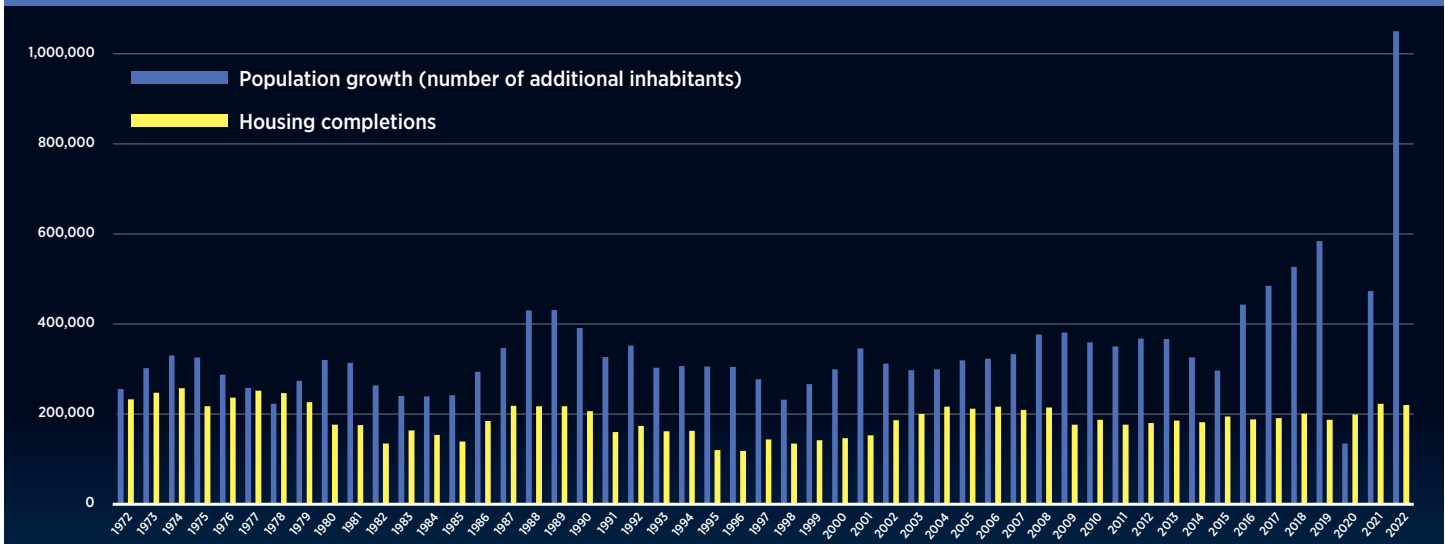
Again, we see relatively small variations in housing completions year to year, but far larger variations in population growth. Put simply, Canada has accelerated population



growth while homebuilding has stagnated. Hence the historic gap between supply and demand.

“Canada has accelerated population growth while homebuilding has stagnated. Hence the historic gap between supply and demand.”

Policymakers at all levels of government and of all political stripes are feeling pressure to respond to this housing crisis. But while more political attention to this longstanding problem is welcome, there's also a risk that policymakers look in the wrong places for quick wins.



For example, they may introduce new tax subsidies for first-time homebuyers, which would increase demand without increasing supply. Or implement restrictive rent controls, which would stunt the growth of purpose-built rental housing.

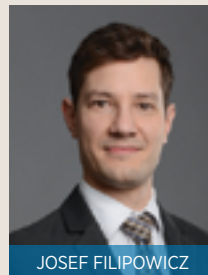
Instead, policymakers should concentrate primarily (if not solely) on the gap between supply and demand, and focus efforts on closing it. Of each policy proposal we should ask—does it stoke demand? Does it restrict supply? If the answer to either is “yes,” it will not solve Canada’s housing woes. In fact, it will likely make them worse.

Beyond new policies, there’s also the (arguably harder) task of identifying and removing existing policies that either stoke demand or restrict supply. As tempting as it may be to introduce fresh new ideas, it’s important to remember that policy choices led us to where we are today, and that rethinking some of these choices will be necessary to close the demand-supply gap. Many of these reforms will be difficult or politically sensitive, and reforms must be well-conceived and transparent (unlike recent attempts by the Ford government to increase the housing supply in Ontario). But Canadians elect their representatives to make difficult choices with the greater good in mind.

Canada faces a historic gap between the number of homes needed and the number being built. Until

meaningful efforts are made to close this gap, affordable housing will remain out of reach to an ever-greater share of our population, with predictably negative results for living standards across the country. [FI](#)

“Until meaningful efforts are made to close [the housing] gap, affordable housing will remain out of reach to an ever-greater share of our population, with predictably negative results for living standards across the country.”



JOSEF FILIPOWICZ

Josef Filipowicz is a Fraser Institute senior fellow and author of *Canada’s Growing Housing Gap: Comparing Population Growth and Housing Completions in Canada, 1972-2022*.

Median Employment Income for Halifax Workers Nearly \$24,000 Less than in Boston; New Brunswick cities More than \$12,000 Lower than in Portland, Maine

Ben Eisen and Joel Emes

Atlantic Canada and New England share many similarities. In addition to being geographically proximate, both regions have similarly structured economies, shared history and cultural ties. But despite these similarities, there's a large income gap between the two regions—typical residents of most of New England's large metropolitan areas enjoy substantially higher employment income than their counterparts in Atlantic Canada.

According to a new study, *Comparing Median Employment Incomes in Atlantic Canada and New England Metropolitan Areas*, most cities in New England reported higher median employment incomes than most cities in Atlantic Canada in 2019 (the latest year of comparable data not distorted by the pandemic). Among 20 jurisdictions measured, the five Atlantic Canadian cities occupied five of the bottom six places in the rankings. Median income is an important measure of labour market health because it relates to what people earn in the labour market while stripping out the effects of government transfers and passive income.

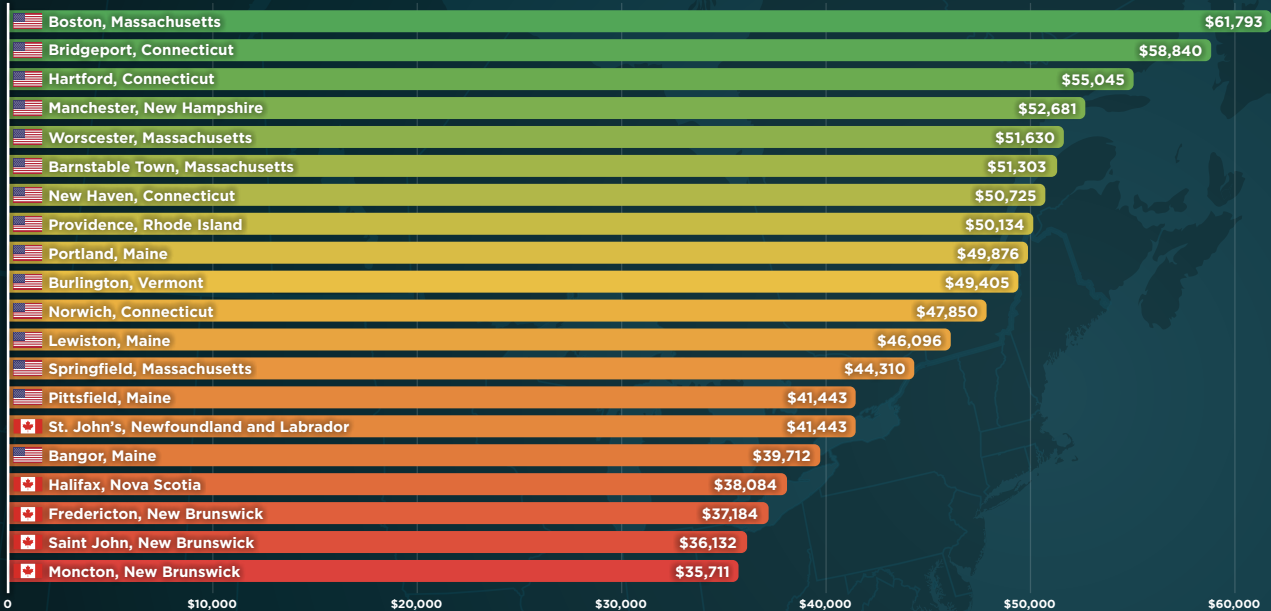
“The five Atlantic Canadian cities occupied five of the bottom six places in the rankings.”



Consider a comparison between New Brunswick's three largest cities of Moncton, Fredericton and Saint John and Maine's three largest cities of Bangor, Lewiston and Portland. All six cities have comparable population size and all are nearby to one another geographically. Yet all three cities in Maine have incomes substantially higher than the three New Brunswick cities. The lowest-earning New Brunswick city (Moncton) reported income \$14,165 lower than the highest-earning Maine city (Portland). And this gap generally grew over the course of the 2010s.

On a separate measure—median employment income growth—Atlantic Canada's cities have also trailed their New England counterparts in recent years. From 2010 to 2019, Halifax and Fredericton experienced

Atlantic Canadian Cities Trail Their Counterparts in New England on Median Employment



compounded income growth of just 0.2 percent per year while those in Saint John and Moncton fared only slightly better at 0.3 percent annually. This outperforms only three of the 15 New England cities, and is far less than the income growth observed in Lewiston (2.3 percent), Bangor (1.7 percent) and Boston (1.3 percent).

will continue to enjoy comparatively higher living standards. But Atlantic Canadians needn't accept this fate as permanent, and closing this gap through stronger public policies should be a top priority for governments in cities and provinces in the region. [FI](#)

“An income gap of thousands of dollars per year makes a big difference for living standards and quality of life.”

Obviously, an income gap of thousands of dollars per year makes a big difference for living standards and quality of life. As long as growth rates in Atlantic Canada's cities trail their New England counterparts, this gap will continue to grow and New Englanders



BEN EISEN



JOEL EMES

Ben Eisen is a senior fellow at the Fraser Institute. Joel Emes is a senior economist at the Fraser Institute. They are co-authors of *Comparing Median Employment Incomes in Atlantic Canada and New England Metropolitan Areas*.

Eight out of Ten Provinces Recorded Increases in Per-Student Spending (Inflation-Adjusted) in Public Schools

Michael Zwaagstra, Nathaniel Li, and Milagros Palacios

According to a common refrain from the teacher unions, government-run public schools in Canada are forced to do more with less year after year.

But in reality, per-student spending in public schools increased in eight provinces between 2012-13 and 2020-21. In fact, during that period, spending in public schools across Canada increased by \$7.8 billion more than was necessary to account for changes in enrolment and inflation. Public schools in most of Canada are definitely not doing more with less.

Nationally, per-student spending (inflation-adjusted) in public schools increased by 8.3 percent, but in some provinces the increase was far more significant with Quebec experiencing the largest increase (32.9 percent) followed by Nova Scotia (26.9 percent) and Prince Edward Island (19 percent).

Only two provinces (Alberta and Saskatchewan) experienced declines in per-student spending, due primarily to strong growth in student enrolment, with Alberta leading the country at 12.4 percent enrolment growth. (Although like every other province, total education spending in Alberta and Saskatchewan increased over the eight-year period.)

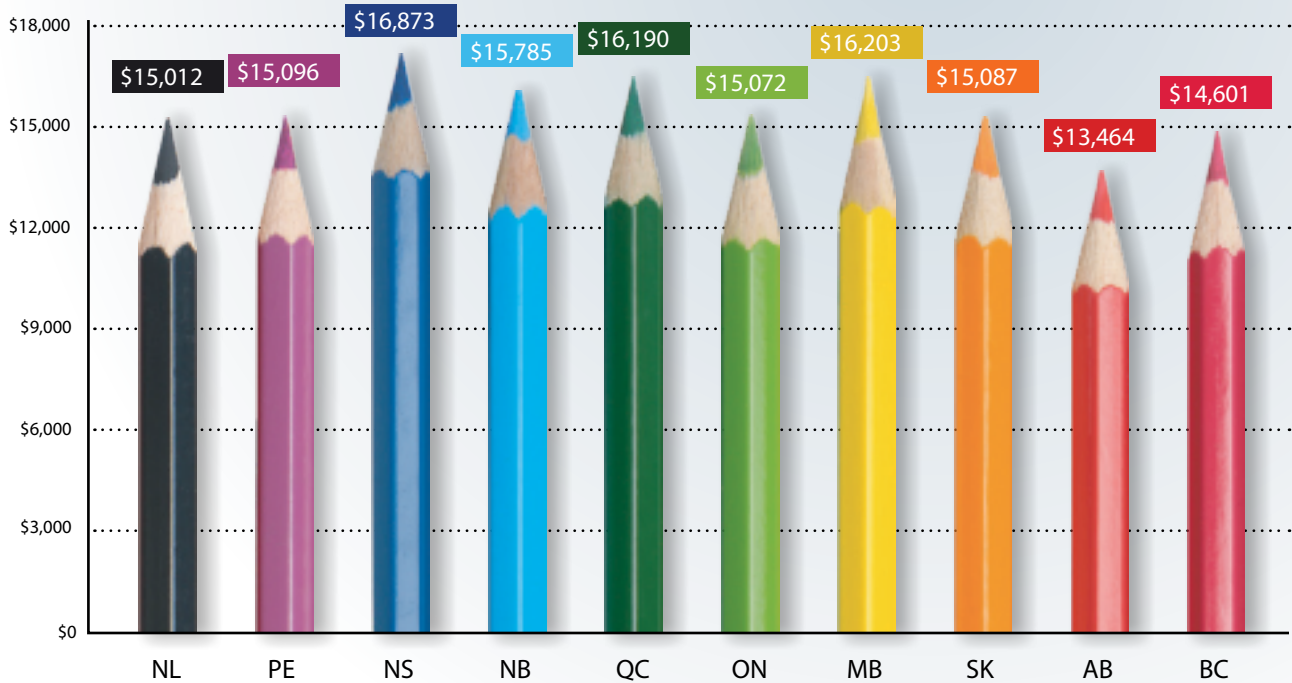
It's critical for Canadian parents and taxpayers to understand how much of their money is being spent on government-run public schools, but it also matters how that money is spent. So, where does most of the money go? Textbooks? Smart boards? Hot lunches for kids? Not quite.



While capital spending on infrastructure such as buildings or facility upgrades has increased over the years and grown as a share of overall spending, by far the largest and costliest aspect of education spending across Canada is compensation for employees including teachers, which grew from \$45.6 billion in 2012-13 to \$57.3 billion in 2020-21, an increase of \$11.7 billion or 25.6 percent.

“ Within the compensation envelope, salaries and wages comprised the largest share of the (spending) growth at 77.7 percent.”

Spending Per Student in Public Schools Adjusted for Price Changes, By Province (2020/2021)



Within the compensation envelope, salaries and wages comprised the largest share of the growth at 77.7 percent. Fringe benefits and pension costs increased as well.

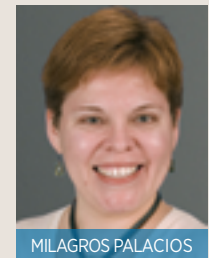
The cost of sending one child to government-run public school varies from province to province, but is highest in Nova Scotia where schools spend \$16,873 per student. Contrast that with Alberta where the per-student spending tab (\$13,464) is the lowest in Canada.

Which raises the most important question—in light of all this spending, how are the kids doing in school?

Unfortunately, according to the Programme for International Student Assessment (PISA), the world's leading standardized test, Canada's average scores have been declining over time, and the share of high-performing students in Canada, who do exceptionally well on the PISA tests, is declining as well. In science and math in particular, the academic achievement of Canadian students is tumbling.

Maximizing student success and well-being is the goal of any healthy education system. Canada's 10 provincial

education systems demonstrate that spending more does not automatically deliver better results—quite the contrary. But one thing is certain: spending on government-run public schools is going up and parents are right to ask how more money is helping to improve the education of their children—or if it's helping at all. [FI](#)



Michael Zwaagstra is a public high school teacher and a senior fellow at the Fraser Institute. Nathaniel Li is a senior economist at the Fraser Institute, and Milagros Palacios is the director of the Addington Centre for Measurement at the Fraser Institute. They are the co-authors of *Education Spending in Public Schools in Canada, 2023 Edition*.

Federal Government Misleading Canadians about Fair Share of Taxes



Grady Munro and Jake Fuss

While the Trudeau government continues to argue that many high-income Canadians pay very little income tax, in reality high-income families in Canada pay disproportionately more in taxes compared to other families.

Throughout its tenure, the Trudeau government has attempted to use tax increases on top earners to raise additional revenue and ensure the “wealthy” pay their “fair share.” In 2016, the government added a new top federal income tax bracket, raising the top federal tax rate from 29 to 33 percent. Recently, the government raised the minimum income tax rate that higher-income Canadians must pay annually, again to ensure high-income Canadians pay their “fair share.”

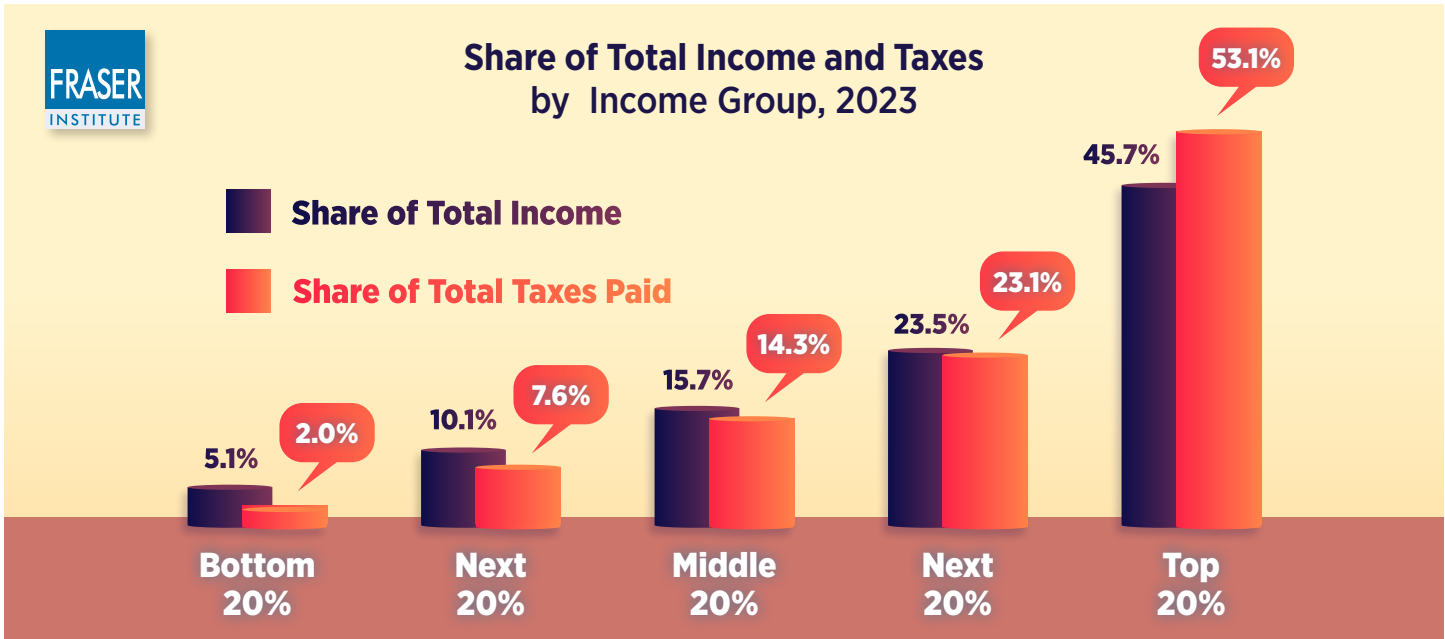
But in fact, Canada’s system of personal income tax (PIT) is progressive, which means individuals pay higher federal and provincial rates on income above certain thresholds. Because of this design, the top 20 percent of income-earning families already pay

disproportionately more in taxes than other families—a fact the Trudeau government continues to ignore.

“The top 20 percent of families pay 61.9 percent of personal income taxes while accounting for 45.7 percent of the country’s total income.”

According to our recent study, *Measuring Tax Progressivity in Canada’s Tax System*, the top 20 percent of families pay 61.9 percent of personal income taxes while accounting for 45.7 percent of the country’s total income. They are the only income group to pay a larger share of taxes than their share of income. Conversely, the bottom 20 percent of income-earning

Share of Total Income and Taxes by Income Group, 2023



families account for 5.1 percent of income and only pay 0.7 percent of all federal and provincial personal income taxes.

Of course, in addition to the PIT, Canadians also pay sales taxes, property taxes and more. Even taking all these taxes into account, top-earning families still pay disproportionately more with the top 20 percent of families paying 53.1 percent of total taxes (again, this is the only income group to pay more in taxes relative to its share of total income).

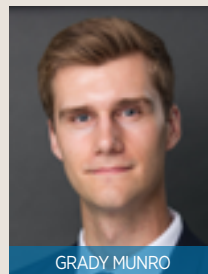
And yet, the Trudeau government still insists that high-income families should bear more of the tax burden. This approach, however, comes with economic consequences.

Raising tax rates elicits behavioural responses from taxpayers. These responses range anywhere from hiring an accountant to ensure you take advantage of any tax deductions or credits, to moving to a different jurisdiction with lower taxes (such as the United States). By engaging in these behaviours, Canadians reduce the total pool of taxable income. Top earners are typically better able to engage in these behaviours, so raising top taxes often doesn't raise as much revenue as expected.

Tax increases on top earners also reduce Canada's ability to attract and retain high-skilled people such as

doctors, scientists, managers and engineers that help fuel economic growth. Empirical research shows these kinds of people are very sensitive to taxes and more likely to migrate in the face of tax hikes. Migration out of Canada (or reduced immigration) by high-income workers represents a loss of productive economic activity and forgone income tax revenue since they no longer pay taxes in Canada.

Despite rhetoric from Ottawa, top income-earning families pay the majority of Canada's taxes. Given the economic consequences, policymakers would be wise to avoid further raising taxes on top earners. [FI](#)



Grady Munro is a junior policy analyst and Jake Fuss is director of Fiscal Studies at the Fraser Institute.

Rapid Transition to a Low-carbon World Simply Not Realistic



Jock Finlayson

We're living through a remarkable period in the evolution of international energy markets. Amid the turmoil and trade disruptions caused by Russia's invasion of Ukraine last year, concerns about energy reliability and security suddenly reappeared. For many months, the higher energy costs linked to the war hammered consumers and businesses across the globe. The situation has stabilized somewhat in 2023, but the war's impacts on energy markets remain.

Despite widespread concerns about climate change and a growing collective commitment to reduce greenhouse gas (GHG) emissions, in 2022 four-fifths of global energy demand was still met by a combination of coal, oil, and natural gas, according to the latest edition of BP's *Annual Statistical Review of World Energy*.

Total world energy consumption and related GHG emissions fell in the early stages of the pandemic in 2020. However, as economic activity revived, so too did the need for all forms of energy. In 2021, as economies rebounded, energy consumption and GHG emissions rose, soon surpassing 2019 levels. Last year saw a further jump in energy demand. And while renewable energy is gaining market share in many jurisdictions, fossil fuels have supplied most of the added energy required to grease the wheels of the post-2020 worldwide recovery of industrial production, transport, trade and travel.

So how much energy does the world consume? The answer is roughly 600 exajoules (EJ) annually, equivalent to more than 100 billion barrels of oil. This is more than in 2019, before the pandemic hit. Since 2015, when the international Paris Agreement on climate

change was inked, global energy consumption has climbed by roughly 10 percent.

As for energy demand across different fuel types, the good news is that renewable energy has made headway. From 2015 to 2022, there was approximately a five percent shift towards non-nuclear and non-hydroelectric renewables within the global energy mix. However, these carbon-free energy sources still satisfy less than 10 percent of the world's total primary energy demand. And the march of renewables is happening mainly in the electricity sector, which itself accounts for only one-fifth of the energy used globally. The rest of energy is for transportation, the heating of buildings, agricultural production, and various industrial uses. In all of these areas, fossil fuels still dominate.

“The march of renewables is happening mainly in the electricity sector, which itself accounts for only one-fifth of the energy used globally.”

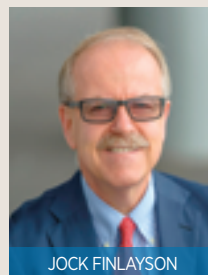
A realistic timetable for reducing fossil fuel use and GHG emissions should be aligned with the data and trends in energy production and use. That isn't the case today, certainly not in Canada. Here, the Trudeau government is fond of conjuring a quick, largely painless transition to a low-carbon future. But the evidence suggests that won't happen, even with the growing focus on the consequences of climate change.

When the data are tallied, global energy consumption in 2023 will be higher than the year before. Renewable energy sources continue to advance, but not at a pace that supports an expectation of a rapid low-carbon transition. To cite an example: recent news reports

“When the data are tallied, global energy consumption in 2023 will be higher than the year before. Renewable energy sources continue to advance, but not at a pace that supports an expectation of a rapid low-carbon transition.”

confirm that China—by the far largest emitter of GHG—is still boosting investments in coal-fired power both at home and abroad. And across most emerging markets we observe continued growth in the demand for fossil fuel energy.

One thing that both history and scholarship teach is that energy transitions are a long-term affair and largely depend on technology. This insight doesn't fit well with the timelines proposed by politicians in a hurry to solve the climate change problem. [FI](#)



Jock Finlayson is a Fraser Institute senior fellow and jointly holds the Institute's Peter M. Brown Chair in Canadian Competitiveness. He served for many years as executive vice president and chief policy officer for the Business Council of British Columbia.

Ontario Government Closed Schools Even After Reality of COVID Became Clear



Paige MacPherson

During the pandemic, the Ontario government closed schools for 135 days, longer than any other province. And that number doesn't include regional and individual school closures, or time lost when any child had the sniffles. Yet there was never any good evidence that school closures would stop transmission of COVID-19, which we knew early on posed almost no risk to children.

Were government officials well-intended, doing the best they could with no information? Perhaps, in the spring of 2020 when there was much uncertainty. But after the data rolled in showing the age distribution of COVID-19 impacts, it was very hard to make that argument. In fact, by December 2020, a large body of research showed that children represented two percent or less of diagnosed COVID cases, and that cases in children were overwhelmingly mild and fatalities were very rare (usually accompanied by other conditions contributing to death). Yet

provincewide, schools were closed on and off until January 2022.

But even if you thought COVID posed a risk to students, did school closures reduce COVID transmission? Most of the studies examining this question produced ambiguous results with low confidence in research quality. But pre-2020 research on influenza spread in schools offered no consensus on the expected benefits of school closures. More pertinent data based on SARS, MERS and early COVID suggested school closures were inappropriate. But again, the Ford government closed schools anyway.

One thing's for certain—we knew that missed classroom time results in learning loss with life-long impacts including a reduction in lifetime earnings. And according to research, school closures compound absenteeism and adversely affect student achievement and social progress. But the government closed schools anyway.

“ According to research, school closures compound absenteeism and adversely affect student achievement and social progress.”

It will take decades to fully understand the impact of COVID school closures on Ontario kids. But a preliminary look at student test scores shows notable declines. Comparing 2018-19 with 2021-22, Ontario average scores in all subjects declined in Grade 3, a crucial learning age. And across all grades, average math scores declined (notably from 75 percent to 52 percent in Grade 9). While there were other changes to math in Ontario around the same time (a new grades 1-8 math curriculum, the end of streaming in Grade 9, a shift to provincewide digitized tests), the province's Education Quality and Accountability Office says the pandemic significantly impacted student performance in math.

“ According to a Statistics Canada survey, for young Ontarians the top concern was not the virus, but isolation and loneliness.”

What's worse, some kids stopped attending school altogether. In 2022, the Ontario Science Table (a group of researchers that advised the government during COVID) reported a sixfold increase in severe absenteeism (when a child is away from school more than she's in school) during the pandemic. And compared to older Canadians, youth mental health was hit harder, and the impacts are lasting longer. According to a Statistics Canada survey, for young Ontarians

the top concern was not the virus, but isolation and loneliness. Both the Mental Health Commission of Canada and Toronto's Centre for Addiction and Mental Health (CAMH) found the youngest demographic experienced the highest levels of self-perceived poor mental health during the pandemic and the highest levels of moderate to severe anxiety, which peaked in January 2022.

And according to a CAMH survey of Ontario students in grades 7-12 in the spring of 2021, 59 percent said the pandemic made them feel depressed about the future. One in five reported intentional self-harm within the past year, and 18 percent had suicidal thoughts. One-quarter of students found virtual learning “very difficult” or “extremely difficult.”

The Ford government knew that missed classroom time has lifelong consequences. But during COVID, in the government's eyes, children were the forgotten demographic. Let's not make that mistake again. [FI](#)



Paige MacPherson is associate director of Education Policy at the Fraser Institute.

Ottawa's Plastic Ban Plan—Stunningly Poor and Deceptive Policy



Kenneth P. Green

Having banned some single-use plastics of convenience (straws, cutlery, etc.), the Trudeau government has turned its sights on plastics of necessity including plastic films to keep foods isolated from contamination, protect them from pests and destructive oxidation, and help keep them cold, which is critical to preventing microbial contamination and spoilage.

This is a major turning point in the Trudeau government's war on plastics, which incidentally fails on economic and environmental grounds. Even if its "Zero Plastic Waste by 2030" program were to work, it would prevent a paltry increase from 0.02-0.03 percent to 0.023-0.033 percent of global plastic pollution, an undetectable reduction of three thousandths of one percent by the government's own admission.

“Regulations are expected to actually increase the waste generated from substitutes by almost 300,000 tonnes in 2024 and by around 3.2 million tonnes over the life of the program (2023 to 2032).”

And even that small reduction in environmental harm would likely be offset by increased environmental harm from replacements for the banned plastic products. Again, per the government's own analysis, these regulations are expected to actually increase the waste generated from substitutes by almost 300,000 tonnes in 2024 and by around 3.2 million tonnes over the life

of the program (2023 to 2032). Paper substitutes will comprise most of that increase.

But this next stage in the war on plastics moves beyond issues of economics and environmental protection and into the realm of human health and safety. Not to be overly dramatic, but while the previous stages in the war on plastics might have inconvenienced people or wasted their money, this new phase may sicken and kill them.

According to government statistics, food poisoning causes 1.6 million illnesses and 105 deaths every year in Canada. About 90 percent of those sicknesses are caused by four foodborne pathogens—norovirus, clostridium perfringens, campylobacter and salmonella. Keeping foods sanitary and thermally controlled is critical to minimizing the spread of these parasites; they're easily spread to exposed foods through human contact or contact with contaminated surfaces.

“Currently, plastic wraps play an important role in food preservation and safe transportation, helping to keep our foods fresh and safe which in turn can help reduce food waste.”

As the Center for Research on Ingredient Safety at Michigan State University observes, “Currently, plastic wraps play an important role in food preservation and safe transportation, helping to keep our foods fresh and safe which in turn can help reduce food waste” and on “an industrial scale, plastic wraps protect food from potential contamination and spoilage during their journey from their origin to our plates.”

There are, of course, alternate materials that can be used for food packaging, but little is known about how they perform from a health-protection perspective. But we do know that most will fail from a consumer-choice perspective simply because they existed before plastic wrap and were rejected by consumers worldwide. And from prior studies on plastic grocery

bags (which are also in government crosshairs) we know that alternatives to plastics used to transport food can increase exposure to contaminants and increase risks to human health. Plastic wraps have the same potential.

“According to the government’s own calculations, the “Zero Plastic Waste by 2030” program will waste money, reduce global plastic waste by an insignificant amount, and actually increase the bulk of wastes in Canada.”

From the beginning, nothing about the Trudeau government’s crusade against plastics has made much sense. According to the government’s own calculations, the “Zero Plastic Waste by 2030” program will waste money, reduce global plastic waste by an insignificant amount, and actually increase the bulk of wastes in Canada. But now, by targeting plastic food packaging, we move from merely futile to potentially dangerous.

The government should put a hold on this newest phase in its war and undertake a comprehensive study of the health and safety trade-offs involved in banning plastic films and bags used in food packaging and transport. People’s lives are at stake. [FI](#)



Kenneth P. Green is a senior fellow at the Fraser Institute.

BC's Pending Debt Boom—Elections Matter



Ben Eisen

For many years, from 2000 and 2016, the British Columbia government prioritized spending restraint and debt reduction. But after the 2017 election, the government reversed course. Since then, BC's NDP government has increased spending quickly and is now on track to accumulate substantial new debt in the years ahead.

Students of Canadian fiscal policy history know that changes in government don't always produce major changes in fiscal policy. For example, when Doug Ford's Progressive Conservative government replaced the Liberal Wynne government in Ontario, the province remained on a similar spending trajectory. In fact, since Ford took office, spending has generally gone up.

Other times, however, changes in government lead to major changes in policy. This brings us back to BC where after a long run of spending restraint and debt avoidance, the 2017 election represented a major policy pivot.

Let's start by looking at spending. As noted in our new study, *Spending Growth Is the Cause of BC's Coming Debt Boom*, during the 2000 to 2016 era, spending increased by just 0.5 percent annually (after adjusting for population growth and inflation). In 2017, the restraint era came to an abrupt halt. Since then, spending has increased at an annual rate of 4.7 percent.

Of course, this sudden change in spending policy has had important implications for the province's current and projected fiscal situation. Over the course of the

Higher Provincial Spending and Borrowing Will Result in Much Higher Debt Accumulation Than Previous Periods



restraint era, despite a significant recession in 2008/09, BC’s government debt shrank (relative to the size of its economy) from 18.4 percent to 14.4 percent. In 2017, that shrinking basically stopped.

Now, according to the Eby government’s budget forecasts, by 2024/25 the province’s net debt will be 19.4 percent as large as the economy. If these projections bear out, all the progress with respect to debt reduction made in the restraint period will have been lost.

This run-up in debt was largely avoidable. If the government had maintained the restraint-era approach to spending, the debt burden would have continued to shrink, instead of growing as it’s now forecasted to do. Specifically, the Eby government forecasts that net debt will reach \$97.2 billion in 2024/25 (compared to just \$21.3 billion, if the government had stuck with the restraint-era approach).

To put these large numbers into context, the change in spending policy means the government now forecasts \$15,000 more debt for every BC resident by 2024/25 than would have been the case if the restraint era continued. (These figures are adjusted to account for emergency COVID-related debt to ensure a fair apples-to-apples comparison.)

There’s an old adage in politics and policy that “elections matter.” But sometimes they matter more

than others. Sometimes changes in government are characterized by policy continuity while other times we see significant policy change. The election of the NDP government in BC in 2017 is clearly an example of the latter. Since 2017, the BC government has jettisoned the spending restraint of its predecessors and embraced a much more free-spending approach that is projected to produce substantial debt accumulation in the years ahead. [FI](#)

“The [BC] government now forecasts \$15,000 more debt for every BC resident by 2024/25 than would have been the case if the restraint era continued.”



BEN EISEN

Ben Eisen is a senior fellow at the Fraser Institute.

National Pharmacare Likely Won't Help Canadians Who Need it the Most



Bacchus Barua and Jake Fuss

Sometime this fall, the Trudeau government will likely table a bill outlining “significant steps” towards a national Pharmacare plan, a key requirement of the government’s agreement with the NDP. However, and perhaps to the chagrin of NDP Leader Jagmeet Singh, the Liberals may take a more cautious approach despite earlier talk of a universal single-payer plan. Moreover, details of an internal memo suggest the government knows that Canadians are “sensitive to cost considerations as government health-related expenses continue to grow.”

This roll-back in rhetoric suggests the Trudeau government may have finally come to terms with the economic reality and the inefficiency of a national one-size-fits-all pharmacare plan.

To understand why, consider that previous estimates suggest a universal single-payer pharmacare program

could cost anywhere between \$15.0 billion and \$32.7 billion annually (the difference between estimates stems in part from uncertainty regarding how successful the government would be at negotiating lower drug prices, and potential increases in the cost of new drugs more generally). Regardless, according to the government’s latest budget projections, the federal deficit will surpass \$40 billion in 2023—that number excludes any funding for pharmacare. Increasing spending by tens of billions of dollars more, without a plan to pay for it, will drive up government debt and result in higher taxes in the future to pay for today’s spending.

Moreover, national pharmacare is not popular when Canadians face a direct cost. For example, support for a national prescription drug plan drops from 79 percent to 40 percent when a two-percentage point increase in the GST (from 5 to 7 percent) is linked with the new program.

Beyond the crucial cost considerations, it remains unclear whether a national pharmacare program, which covers all Canadians—irrespective of income or existing coverage—will actually achieve what it intends. Two-thirds of Canadians already have private coverage for most outpatient drugs. And provincial plans already help low-income Canadians pay for prescription medications. In fact, all 10 provinces provide drug coverage for social assistance recipients at limited or no personal cost. Disabled individuals and Canadians with chronic conditions also receive provincial support to cover drug costs.

Some provinces even provide additional funding. British Columbia, for instance, covers 70 to 100 percent of the cost of eligible prescription medications for families through its Fair Pharmacare program. Alberta covers the majority of prescription drug costs for eligible residents below the age of 65 in the province's Non-Group Coverage plan. Under this plan, Alberta families pay a monthly premium and 30 percent of their prescription costs to a maximum of \$25. Seniors do not pay any premiums and lower-income families receive additional subsidies.

Quebec's universal pharmacare framework requires residents to have prescription drug insurance through the private or public system. If eligible, Quebecers must register for a private plan and incur associated costs. Otherwise, they must enroll in the Quebec government's drug insurance plan (RAMQ) while generally still paying premiums and sharing some of the cost.

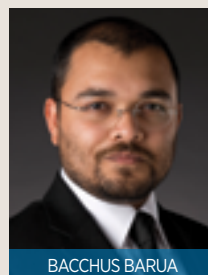
Despite the existence of these programs, however, many Canadians still struggle to pay for prescription drugs. But instead of introducing a new national program as a blunt instrument, the Trudeau government could specifically target the 8.2 to 23 percent of Canadians who struggle to pay for their medications. Expanding coverage through partnerships with the private sector is another option, like universal health-care countries such as Switzerland and the Netherlands.

Finally, because many Canadians are already covered with prescription drug plans by private organizations or through their provincial governments, national pharmacare would essentially shift the provider of

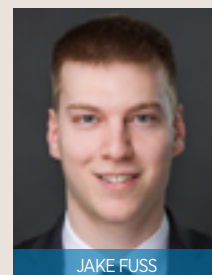
coverage to the federal government for the majority of Canadians who are already insured. And this will come with either an expensive bill or potentially fewer medicines covered, and longer delays to get access to them. Without careful targeting, a national pharmacare plan will likely fail to assist low-income Canadians and seniors who already struggle to pay for prescription medications.

“Without careful targeting, a national pharmacare plan will likely fail to assist low-income Canadians and seniors who already struggle to pay for prescription medications.”

Clearly, a national prescription drug plan would increase government spending and debt substantially to subsidize many Canadians who do not need the support. Instead, the Trudeau government should target assistance to Canadians most in need. [FI](#)



BACCHUS BARUA



JAKE FUSS

Bacchus Barua is director of Health Policy Studies and Jake Fuss is director of Fiscal Studies at the Fraser Institute.

Prime Minister's Threat to Grocery Chains Won't Solve the Food Price Problem



Jason Clemens and Milagros Palacios

It seems no matter what the policy issue or problem, the Trudeau government's approach is almost always the same—more government. Top-down planning by politicians and bureaucrats has replaced entrepreneurship, business investment, and economic dynamism as the drivers of our economy. More taxes and borrowing, more government spending, and more regulations are the solutions to everything in the Trudeau government's world. And this approach, which harkens back to the 1970s, has made most problems worse and helped produce a stagnating economy.

The magnitude of the increase in government since Trudeau's election is stark. Federal spending (excluding interest payments) has increased from \$256.2 billion in 2014-15 to an estimated \$453.0 billion this year (2023-24). Total federal debt is expected to surpass \$1.9 trillion, with interest payments reaching an estimated \$43.9 billion this year, which is almost as

much as Ottawa provides to the provinces for health care (\$49.4 billion).

Now, in the latest example of Trudeau's "more government" approach, the government has threatened to impose a new tax on grocery chains if food prices are not stabilized. As is so often the case with this government, it seems more interested in appearing to solve problems rather than actually doing the difficult work of solving them. The underlying premise of Trudeau's threat is that grocery chains are enjoying unprecedented profits at the expense of Canadians.

There's no doubt that food prices have increased dramatically and remain one of the main drivers of the country's inflation problem. However, Trudeau's threat flies in the face of a number of analyses including one by Statistics Canada in the fall of 2022. The study found food price increases are the result of bottlenecks in the supply chain (linked with the economy-wide shutdown during COVID), poor weather conditions in

certain agricultural regions, higher fuel and fertilizer prices, the Russian invasion of Ukraine, and higher operating costs for retailers. Notice what was absent in the analysis—grocery store profiting.

This finding generally aligned with the testimony of grocery store CEOs from a Parliamentary hearing in March when they explained that their margins (i.e. rate of profit) remained fairly stable but the volume of their business had increased. And this is buttressed by a recent report by the Bank of Canada, which also investigated potential sources of the country’s current inflation using a sample of firms including big-box retailers. It found “little evidence of rising markups amplifying the inflationary impact of rising costs.” In non-economic English, the increase in consumer prices was largely a result of firms passing along their increased costs to consumers rather than retail firms benefitting from higher prices.

“The increase in consumer prices was largely a result of firms passing along their increased costs to consumers rather than retail firms benefitting from higher prices.”

A serious approach to food inflation would focus on reducing costs to producers and encouraging greater supply, both of which would result in lower prices. For instance, the Trudeau government could have delayed the increase in the carbon tax, which increases costs throughout the agricultural supply chain and is one of the causes of food price increases.

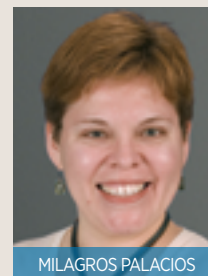
Or it could have changed regulations in protected agricultural markets to encourage new entrants, entrepreneurship, and ultimately higher production of goods such as milk, eggs, and chicken.

Or it could have reduced personal and/or business income tax rates to encourage entrepreneurship and investment, which are both essential to expanding the production of goods and services. Remember, inflation is always about too many dollars chasing too few goods, which means that one solution is to expand the amount of goods and services produced.

The Trudeau government’s solution, however, is all about government action, not the actions—and thus the solutions—of individual businesses, entrepreneurs, investors, and workers. The failures of government action are increasingly evident to Canadians as they suffer from both higher prices and a stagnating economy—problems that won’t be solved by more government. **FI**



JASON CLEMENS



MILAGROS PALACIOS

Jason Clemens is executive vice-president and Milagros Palacios is director of the Addington Centre for Measurement at the Fraser Institute.

GST “Rental Housing” Exemption Will Do Little if Municipalities Don’t Cut Fees and Red Tape



Josef Filopowicz

The Trudeau government recently announced plans to exempt construction of rental housing from the GST. This move, long demanded by homebuilders and provincial governments, should help make badly needed rental development more feasible across the country.

But will it bring better balance to Canada’s chronically undersupplied rental market? No, not on its own. And certainly not without municipalities doing more to get projects off the ground.

First off, why does this matter? Canada needs a lot more housing of all types right now, including rental housing. In fact, the nationwide rental vacancy rate (the percentage of rental units available) is at its lowest rate in two decades, despite average asking rents reaching a new record high of \$2,078 in July 2023.

“ Almost half of existing purpose-built rental stock in Canada was built between 1960 and 1979... [when] the federal GST didn’t exist...”

The development of purpose-built rental housing (i.e. single-owner apartment buildings that rent out units long-term) peaked in the 1970s, and almost half of existing purpose-built rental stock in Canada was built between 1960 and 1979. Back then, the federal GST didn’t exist, nor did several other taxes or construction-related costs that builders face today or expect to face in the future. So, assuming that the Trudeau government’s targeted GST exemption motivates more

builders to act, will Canada see another 1960s/1970s-style surge in rental construction? Again—no, not unless cities do their part.

Builders don't have a lot of wiggle room in their budgets, so removing the GST certainly helps the financial viability of some projects. But 50 years ago, while projects did not face the GST, they also did not face today's significant local fees, which come under many names and with varying degrees of complexity.

For example, Ontario municipalities may collect development charges, community benefits charges and Parkland dedication levies—which all share the broad goal of taxing homebuilding to fund a growing list of local infrastructure and amenities. These fees can amount to hundreds of thousands of dollars per unit, adding significant costs and ultimately deterring projects.

Beyond the direct fees on homebuilding, municipalities (and provinces) control how much building can happen, what kind of building, and where. They do this through local zoning codes, bylaws and land-use plans, which dictate the areas used for housing development, the dimensions of each structure, the number of requisite parking spaces, etc. Each stipulation adds costs or reduces revenue or both. Local policymakers can change zoning or land-use designations, but only after lengthy, often costly processes involving additional fees or extensive consultations with residents and city staff or council.

So, the Trudeau government's plan to exempt the GST from purpose-built rental projects is a good news story, with one major caveat. While it will likely spur some homebuilders to build more homes than would otherwise be the case, municipalities must let those builders build more homes. Every increase in local fees,

every restriction on building dimensions, every parking space required, and every consultation will add costs, time and uncertainty—and in every case, help deter homebuilding.

“ While [the GST exemption] will likely spur some homebuilders to build more homes than would otherwise be the case, municipalities must let those builders build more homes.”

Which is why you shouldn't celebrate any new federal housing policy until city hall does more to accelerate supply. [FI](#)



JOSEF FILIPOWICZ

Josef Filipowicz is a senior fellow at the Fraser Institute.

Student Programming Continues to Make Meaningful Impact

Our student programming initiatives remain steadfast in engaging and educating Canadian students. Through the collaborative efforts of the Institute's Centre for Education Programs and the Peter Munk Centre for Free Enterprise Education, we consistently reach thousands of students across the country.

Our offerings include webinars, contests, and academic opportunities, with notable speakers like Benjamin Perrin, Dr. Steven Koonin, and Dr. Lawrence Schembri enriching our fall webinars. We also expanded our reach, hosting four one-day field trips for high school students

in British Columbia and, for the first time, one in Calgary. These field trips immerse students in economic principles through lectures, games, and simulations.

Additionally, in-person post-secondary seminars were held in Vancouver, Calgary, and Toronto, covering topics such as the realities of socialism, artificial intelligence, and free market environmental solutions.

We continue to make a meaningful impact on the education of Canadian students, thanks to the generous support of our donors. [FI](#)

For a look at all our programs, webinar recordings, and student resources, please visit fraserinstitute.org/education-programs.



Above: Jake Fuss, director of Fiscal Studies discusses his presentation with a student at our *Explore Public Policy Issues* student seminar in Calgary.

Continuing to Provide Professional Development Opportunities for Teachers and Journalists

In addition to our primary focus on students, the Fraser Institute has been actively supporting educators and journalists. This fall, we organized five teacher workshops and webinars, providing engaging lesson plans that will benefit numerous students and enhance economic education in our classrooms.

Furthermore, we hosted two specialized journalism programs, namely “Economics for Journalists” and “Policy

for Journalists.” These programs saw participation from 50 journalists representing various media outlets from across the nation. They gained a deeper understanding of economics and public policy, which will enable them to better educate the Canadian public through their media channels.

These accomplishments have been made possible thanks to the generous support of our donors. [FI](#)

To find out more about our resources and programming for teachers and journalists, please visit fraserinstitute.org/education-programs.



Above: One of our teacher webinars hosted by Debbie Henney of the Foundation for Teaching Economics.



Nathaniel Li

What's your role at the Institute?

As a senior economist at the Addington Centre for Measurement, I assist my fellow researchers by managing data collection and analysis. My current role encompasses a wide range of topics, including fiscal, education, and labor market policies.

How did you arrive at the Institute?

Before joining the Fraser Institute, I worked as a post-doctoral fellow at the University of Toronto and as a research associate at the University of Guelph. When my previous contract was about to end, I received an email from my advisor about a job opportunity at the

Fraser Institute. Having read several research reports by the Institute, I was excited about the prospect of joining. So, I applied and was accepted.

Tell us something exciting you're working on now for the immediate future.

I am currently analyzing a survey that quantifies the costs of tax compliance in Canadian personal income tax filing. This study emphasizes the financial and time burdens that taxpayers face, aiming to provide data-driven insights into the challenges they encounter. These insights can contribute to shaping tax policies that are fairer, more accessible, and less burdensome for all Canadians.

What do you enjoy doing in your spare time that your colleagues may not be aware of?

When I'm not tied up with work, you'll find me hanging out with my family, going on spontaneous day trips, and soaking up the sun on lovely beaches. I really like swimming, watching educational videos on YouTube, and flying solo to new places with just my backpack. I enjoy experiencing local cultures when I travel, and my goal is to visit one or two new countries each year. [FI](#)



Max Shang

What's your role at the Institute?

I'm an economist at the Addington Centre for Measurement. I am currently in the process of taking over the responsibility for the school report cards from my colleague Joel Emes. The school ranking project offers Canadian parents invaluable information that is not readily available elsewhere, enabling them to assess how their child's school performs and how it compares to others.

How did you arrive at the Institute?

Before joining the Institute, I held positions as a statistician at the Food and Agriculture Organization of the United Nations and as a senior research

associate at the University of Guelph. One day, one of my favourite professors at the University of Guelph, Glenn Fox, forwarded me an email about a job opening at the Institute, mentioning that I would love working here. I applied, and he was absolutely right.

Tell us something exciting you're working on now for the immediate future.

I am currently engaged in writing R code to automate as much as possible the annual task of updating the school report cards. Every year, we update report cards for both elementary and secondary schools in several provinces. The ranking method is complex and sensitive, where even a small human error can have

a significant impact on the rankings. The R code I'm developing will ensure that we can generate the school report cards with precision and efficiency.

What do you enjoy doing in your spare time that your colleagues may not be aware of?

When I'm not immersed in codes and numbers, I enjoy playing badminton or venturing outdoors to savour the picturesque lakes and mountains of interior BC. During the summer, I relish camping and fishing with my wife and our 5-year-old son. This winter, I'll be learning to ski alongside my son. It's a bittersweet realization that he will soon become a much better skier than I will ever be. [FI](#)

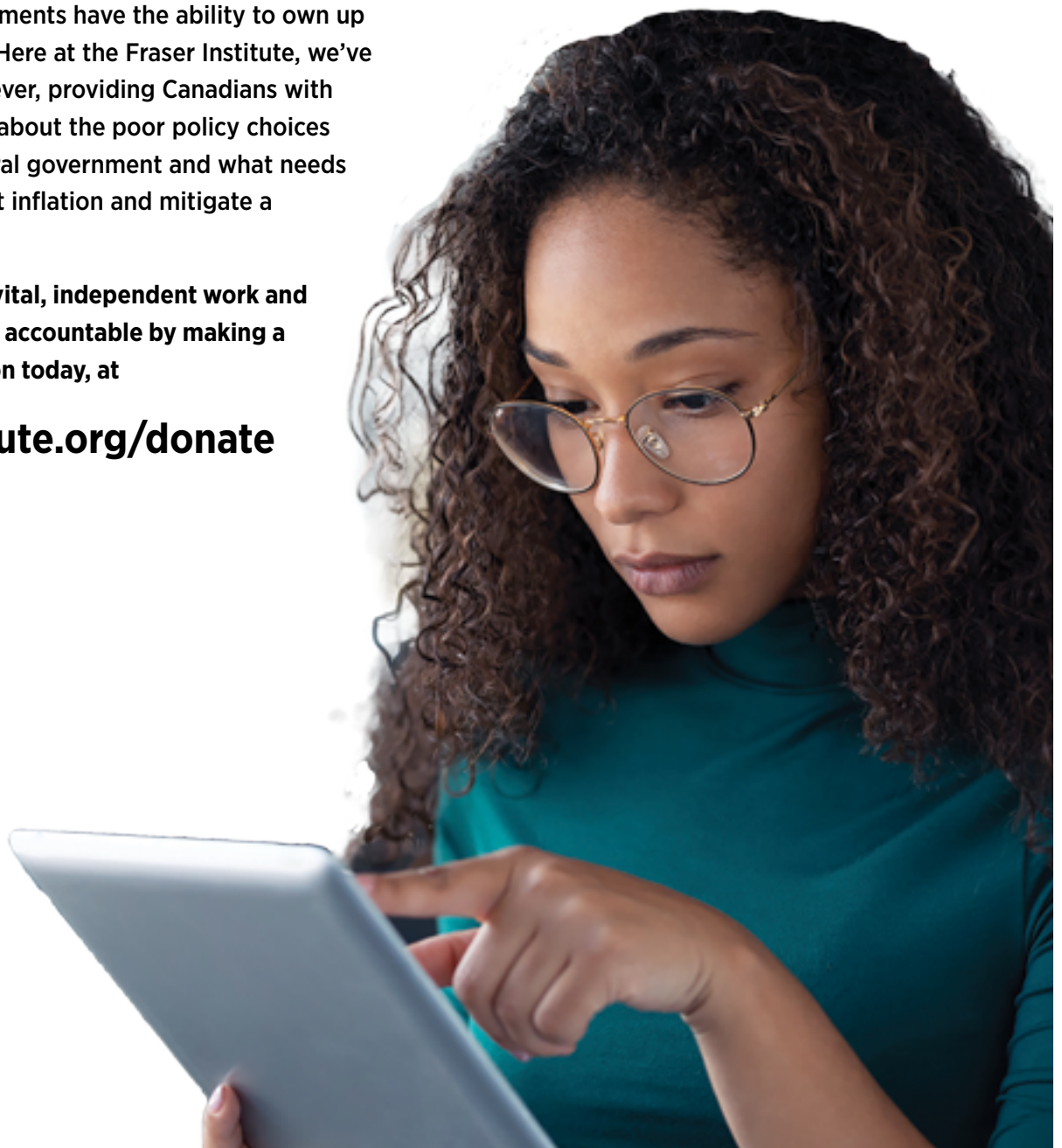
Help us keep Canadians informed

Canada is facing record inflation, and there are increasing signs that we are heading for a recession

But do our governments have the ability to own up to past mistakes? Here at the Fraser Institute, we've been busier than ever, providing Canadians with good information about the poor policy choices made by our federal government and what needs to be done to fight inflation and mitigate a recession.

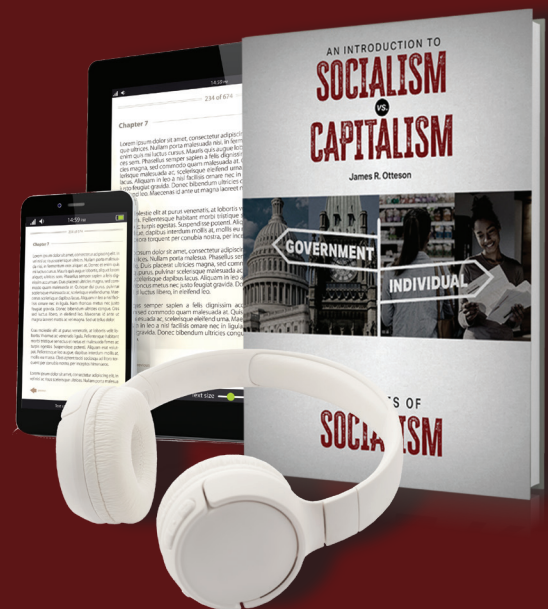
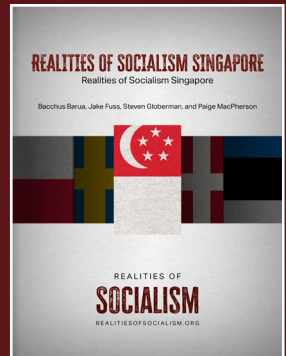
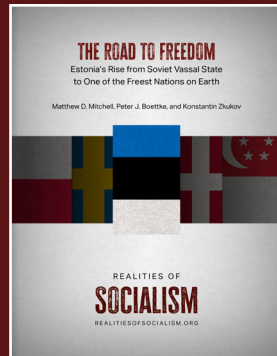
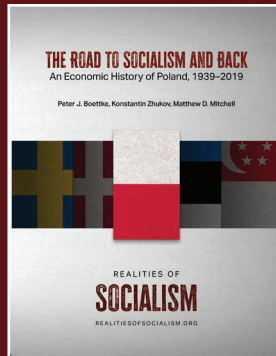
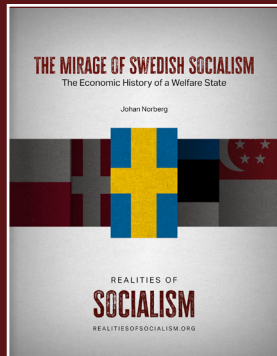
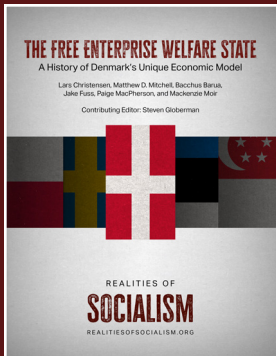
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