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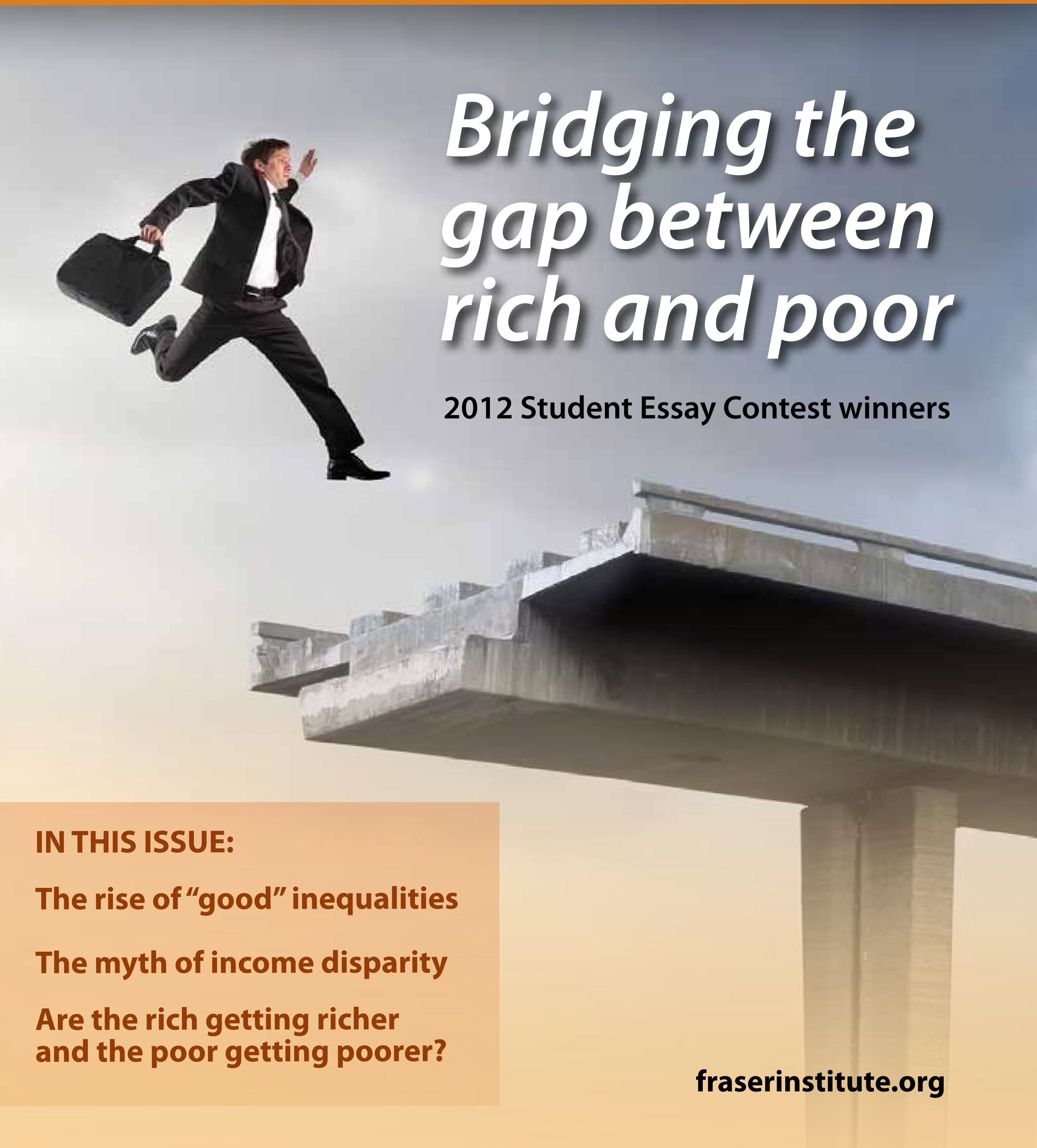

Bridging the gap between rich and poor

2012 Student Essay Contest winners

IN THIS ISSUE:

The rise of “good” inequalities

The myth of income disparity

Are the rich getting richer and the poor getting poorer?

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STUDENT ESSAY CONTEST

WINNERS!

Congratulations to the winners of the Fraser Institute's 2012 Student Essay Contest.

All three winners of this year's contest are found in this issue. For complete contest information visit:

studentessaycontest.org

This year's topic was: "Are the rich getting richer and poor getting poorer?"

1st Prize ($1,000)
The rise of "good" inequalities
By Vincent Geloso, Saint-Lambert, QC
London School of Economics and Political Science,
PhD Economic History, 2015

2nd Prize ($750)
Economic inequality and the myth of widening income disparity
By Joshua Benjamins, Brantford, ON
Hilldale College, BA (Honours history and classics), 2015

High School Category ($500)
Are the rich getting richer and the poor getting poorer?
By Daniel Smith, Lawrenceville, GA, USA
Mill Creek High School, 2012

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The Fraser Institute's vision is a free and prosperous world where individuals benefit from greater choice, competitive markets, and personal responsibility. Our mission is to measure, study, and communicate the impact of competitive markets and government interventions on the welfare of individuals. Founded in 1974, we are an independent research and educational organization with locations throughout North America, and international partners in over 80 countries. Our work is financed by tax-deductible contributions from thousands of individuals, organizations, and foundations. In order to protect its independence, the Institute does not accept grants from government or contracts for research.

FRASER INSTITUTE

Canadian student review

Welcome!

Dear Readers,

Since 1998, the Fraser Institute has held an annual essay contest for post-secondary and high school students. We receive entries from around the world, with each student writing on the same topical subject.

This year we asked, "Are the rich getting richer and the poor getting poorer?" We received over 500 entries, more than ever before. Vincent Geloso of the London School of Economics took first place and Hilldale College's Joshua Benjamins took second. Our high school category winner was Daniel Smith from Mill Creek High School. Their winning entries can be found in this issue.

We also have an article from Mark Milke, director of the Fraser Institute's Alberta office and the Alberta Prosperity Project, who discusses Canadian business laws that have had a negative effect on the average consumer. We also catch up with one of our former interns, Tim Mak, to find out what he has been doing since leaving the Institute.

We hope you enjoy the issue and have a great fall term!

Best,

Lindsay Mitchell
Editor, *Canadian Student Review*

Contents

Interview with TIM MAK

Marcello Vasquez, 2009, courtesy of CanadasHistory.ca.

Since its inception in the late 1980s, the Fraser Institute intern program has hosted a plethora of students who have gone on to do some very impressive things. Our former interns can be found reporting the news, creating public policies, and even leading political parties. Periodically, we like to catch up with our interns and in this interview we talk with Tim Mak, a *Politico* reporter currently covering the US presidential election.

"Work hard at work worth doing"

CSR: As a former intern at the Fraser Institute, can you explain what you did while you were here?

Tim Mak: I was formerly a Donner Canadian Award intern at the Fraser Institute's Vancouver office, helping with the organization's annual ranking of charities and non-profits.

CSR: Where are you currently working?

TM: I am currently working in Washington, DC, as a reporter for *Politico*. I work on the breaking news desk, which means that I'm a general assignment reporter who covers the changing news cycles without any particular beat or specialty.

CSR: How did your time with the Fraser Institute affect your current work?

TM: The Fraser Institute is where I developed a lot of my policy interests, and learned about how to work in an office environment. Institute founder Michael Walker once saw me eating a sandwich in the kitchen and lectured me (in his jocular way) for taking time away from my desk—I haven't eaten lunch since!

"Sitting down for a cup of coffee with campaign strategists, lobbyists, or politicians can be an invaluable use of your time"

CSR: Do you have any tips for students?

TM: One quote comes to mind: Teddy Roosevelt said that "The best prize life has to offer is the chance to work hard at work worth doing." I'd suggest spending as much time as you need trying to find that work for yourself—and then hustling hard at it.

CSR: How have you been gearing up for coverage of the US election?

TM: Interviews! Reporting involves a lot of socializing and gossip-swapping, even though this may sometimes be uncomfortable. Sitting down for a cup of coffee with campaign strategists, lobbyists, or politicians can be an invaluable use of your time.

CSR: Have you had any particularly memorable interviews?

TM: In 2009, I had an interview with a no-name state senator from Massachusetts who did an interview while simultaneously nailing lawn signs and walking his dog. He was assiduous, to be sure, but he was campaigning for United States Senate, which was basically impossible for a Republican in Massachusetts to win. But with a few lucky bounces, and despite most predictions, he got elected soon thereafter and became Senator Scott Brown, now one of the best known senators around.

To read some of Tim Mak's Politico work, visit **politico.com***. You can also read some of the articles he wrote for the Fraser Institute by visiting* **fraserinstitute.org***.* ■

1st prize essay contest winner

The rise of "good" inequalities

Vincent Geloso

A commonly held view asserts that it is impossible for free markets to foster a greater amount of equality amongst men. To the general public, it seems hard to fathom that profiteering bred by free markets might lead to anything less than a growing gap between the rich and poor. The empirical evidence seems to support the view that the gap between rich and poor has grown in the past decades. For example, the share of total income that comes from the richest 0.1% of the Canadian population rose from below 2% in 1980 to above 5% in 2000 (Saez and Veall, 2005). A similar but more pronounced trend has been observed in the United States where that share rose from slightly above 2% to over 7% in 2000 (Saez and Veall, 2005). The gap between rich and poor has indeed widened and the blame is laid on the supposed selfishness unleashed by free markets.

However, we should not assume that a growing gap is a problem in itself. The real questions that we should ask ourselves are whether or not workers stay in the same income group and how choices made by individuals affect their incomes.

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Poor from cradle to grave?

If we wish to know if an economic status (income and/or consumption relative to others) is permanent, the best tool economists can use is longitudinal data—tracking the same individuals over time. Using such data, it is estimated that somewhere between 42.3% and 57.6% of Americans in the poorest quintile (i.e., the bottom 20%) of the population in 1996 rose to a higher quintile by 2005 (Auten and Gee, 2009). A similar upward mobility was observed over the period from 1987 to 1996 (Auten and Gee, 2009). Over the 16 year period lasting from 1975 to 1991, over 80% of those who were in the poorest quintile in 1975 rose by more than one quintile in 1991 (Cox and Alm, 1999). In Canada, it is estimated that 43% of those in the poorest quintile in 2005 had moved up to a higher quintile by 2010 (Labrie, 2012). Overall, this indicates a high level of upward mobility and this is confirmed over a broad set of measures of standards of living (Bartlett, 2005).

What about absolute living standards?

Measuring income adjusted for living costs is a nuanced and complex exercise. However, many economists have observed that when they compute prices for goods and services bought at discount outlets where poorer individuals tend to shop, real incomes (adjusted for the cost of living)

> The real poverty figure for the US is half that of the official figures.

of the poor are more accurately measured and a large part of the real income gap between rich and poor disappears (Gordon, 2009). The use of such data has also allowed economists to realize that the poverty figure for the US is half that of the official figures (Broda et al., 2009). Moreover, the average real wages of the poorest continue to rise and poorer households now possess amenities like dishwashers, televisions, and the internet in similar proportions to richer households—all of which improves their standard of living (Labrie, 2012).

The observation made by economists that the share of the earnings gap in the US is explained by factors beyond one's control—being born in a particular family or area—stood at only 18% in 2001, a figure that has declined since 1968 (Pistolesi, 2009). The remaining share is explained by factors that each individual can control, namely schooling and labour supply decisions. In other words, effort and personal choices are the dominant factors in determining income and wages.

Choices matter

How can we reconcile these observations with the growing gap in static measures of income? Economist Finis Welch proposed that, as long as it is not the result of government policy, income inequality could be welcomed (Welch, 1999). The disparities between wages and earnings of different individuals lead to “increased opportunities for specialization and increased opportunities to mesh skills and activities” (Welch, 1999). Wages convey information about which skills, goods, and services are needed by consumers and businesses. In other words, they inform individuals about the possibilities for self-accomplishment.

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Effort and personal choices can bridge the income gap between rich and poor.

It is with such a viewpoint in mind that we should look at the rise of the demand for knowledge and skills that occurred in the 1980s. This rise in demand led to higher returns from schooling which benefitted those who had *already* acquired their education and widened the gap between those who acquired more schooling and those who acquired less (Becker and Murphy, 2007).

However, the prospect of greater earnings from schooling pushed young individuals to opt in greater numbers to pursue a college degree or technical degree (Becker and Murphy, 2007). Since wages and earnings respond to investments made to enhance future prospects, the longer time spent in school could provide observers with the illusion that the earnings gap is growing. In fact, it is estimated that once we account for changes in returns to schooling and in university participation, an important part

Many workers believe their free time is worth more than extra income.

of the earnings gap disappears (Lemieux, 2006). Were it not for the gap that emerged in the 1980s because of higher returns from education, fewer individuals would now be interested in pursuing higher education.

The earnings gap is also the reflection of labour supply decisions. All workers face a trade-off between leisure and work. Many workers will establish an income target for themselves to sustain their living standards and they will not work after they have reached that target. Once they have reached that target, they believe that the value of their free time is worth more than the extra income they would gain. In other words, most individuals work in order to live, not the other way around.

On the other hand, some individuals prefer to work longer hours. Many of them can be found in the richest amongst us: business executives, attorneys, and bankers—to name just a few. These individuals understand that long hours are a condition for the higher incomes they covet. Hence, they will put in longer hours at the office and accept more responsibilities in their quests for personal achievement. Considering the accelerating trend towards performance

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pay that has been observed in recent decades, financially ambitious workers would have tended to head towards jobs that were more likely to allow them to reach their goals (Lemieux, 2009). The gap in earnings reflects how workers chose to use the opportunities presented to them given each worker's individual preferences.

Conclusion

The existence of a growing gap between rich and poor does not mean that workers are left worse off. In fact, it is the reflection of different choices in schooling and labour supply according to individual preferences. We should be rejoicing at the fact that many workers feel that they do not need to work too long before fully enjoying the fruits of their labour. We should also encourage those who wish to labour longer and harder. Rather than bemoaning the rise in earnings gap, we should remove all barriers to the acquisition of skills and education for workers who see openings in the market. As long as workers are left free and are not hindered in their abilities to make decisions regarding which paths best advance their desire for individual self-accomplishment, there is no need to worry about a growing earnings gap. All that matters is that those who born amongst the poorest have the chance to reach the standard of living they desire.

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Vincent Geloso holds a BA in political economy from Montreal University and a MA in economic history from the London School of Economics, where he is currently pursuing a doctorate in economic history.

Past presentations:

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Associate Director, Centre for Tax and Budgetary Policy, Centre for Economic Prosperity

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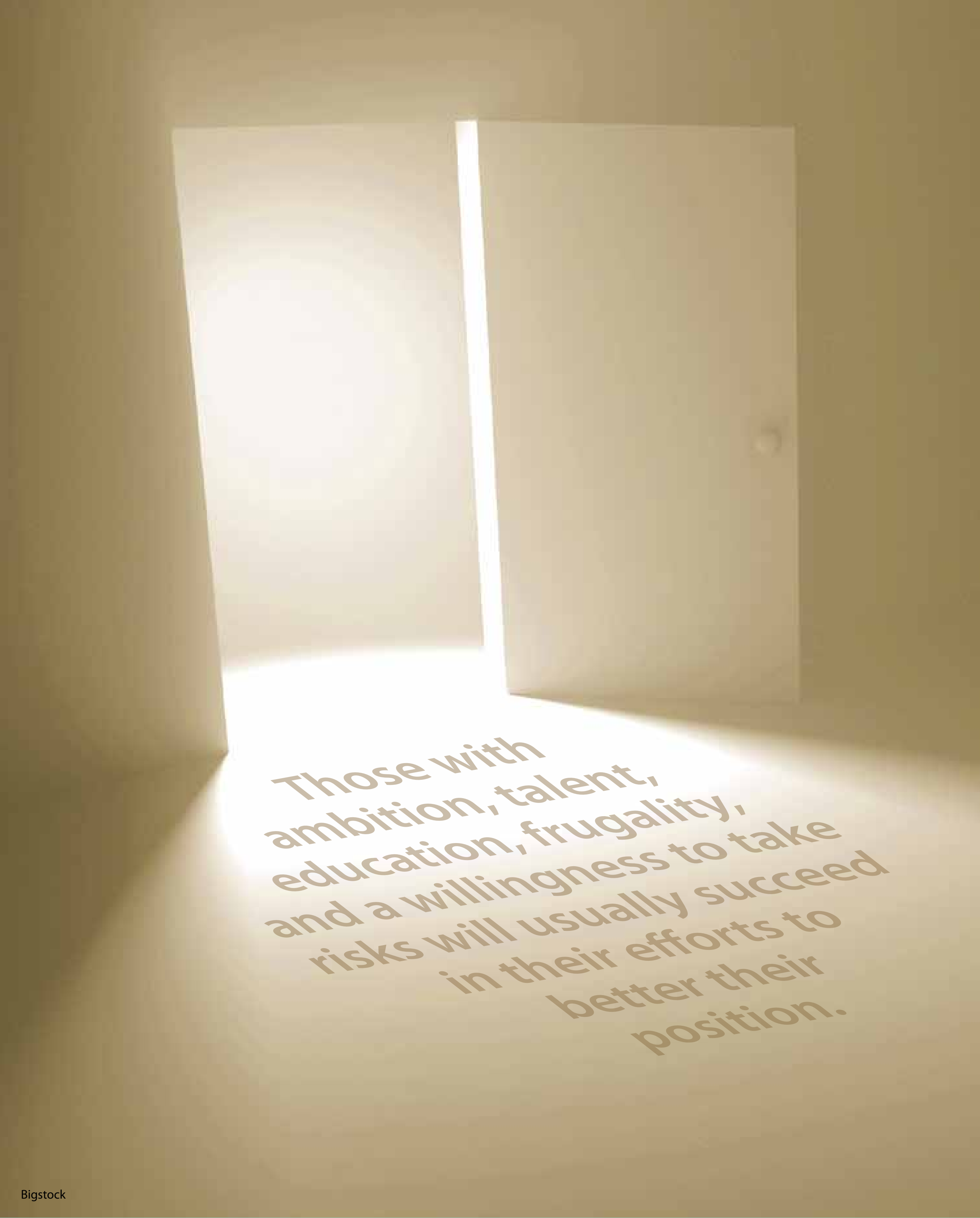
Those with ambition, talent, education, frugality, and a willingness to take risks will usually succeed in their efforts to better their position.

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2nd prize essay contest winner

Economic inequality and the myth of widening income disparity

Joshua Benjamins

The oft-repeated claim that "the rich are getting richer and the poor are getting poorer" has become a well-known cliché. While the recent occupy movements have drawn more attention to the issue of income disparity, the idea of an ever-increasing gap between rich and poor is far from new. Not merely a subject of scholarly attention, it has become so entrenched in popular thought as to be considered a truism. However, the facts tell a different story. Historical evidence, empirical data, and economic analysis all show that both the rich and the poor are getting richer in industrialized societies. As we shall see, the misguided notion of an ever-increasing divide between the "haves" and the "have-nots" stems from an irresponsible use of statistical evidence, together with a misunderstanding of concepts such as real income and economic mobility. Further, the widespread assumption that economic inequality is unjust and harmful proves, on close examination, to be unfounded.

In recent years, many studies have claimed to uncover a widening income gap in Western countries. Piketty and Saez (2006), for example, found a rapid and pronounced increase in the income share of the top decile (i.e., the highest 10% of the income distribution) between 1985 and 2003 in the US and elsewhere. Another study claimed to discover growing income inequality in both the top 10% and the bottom 90% of the income distribution (Gordon and Dew-Becker, 2007). Yalnizyan (2007), looking specifically at Canadian households, presented evidence for a vast disparity between the top decile and the lowest decile of income earners. These findings have helped to perpetuate the common belief that the richest segment of the population is dramatically increasing its share of national income, while the income shares of the middle class and poor are unchanged at best. Studies such as those cited above generally take snapshots of the after-tax income of different groups of individuals or households at

The misguided notion of an ever-increasing divide between the "haves" and the "have-nots" stems from an irresponsible use of statistical evidence

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two different points in time and, by comparing the changes in their respective shares of national income, conclude that the gap between rich and poor is widening.

The conclusion of these studies is misleading for several reasons. Although it is true that, in the US and Canada, the top quintile (the highest 20% of the income distribution) of income earners have a larger share of national income than they had in the past, this fact does not in itself indicate an ever-widening gap between rich and poor. For starters, many studies of economic inequality fail to distinguish between nominal income (income in units of currency) and real income (the amount of goods and services which each dollar can purchase). While popular studies tend to focus on nominal income statistics, real income more accurately reflects individuals' cost of living, and real income inequality tends to be considerably smaller than nominal income inequality (Ram, 1995; Ginn, 2012).

More importantly, these studies often fail to take account of the rapid turnover in the low-income sector of the population. Because they analyze inequality by comparing snapshots of the income distribution at different points in time, they tend to ignore the reality of upward mobility in individuals and households (US Department of the Treasury, 2007). Collin and Jensen (2009) found that in Canada, low-income rates have generally fallen over the previous decade—largely because fewer people have entered into low-income circumstances while more have managed to exit. Between 2006 and 2007, 2.2% of Canadians entered low-income brackets while 3.5% exited. This points to considerable year-to-year turnover in Canada's low-income population. Of the individuals who had a low income[1] in 2006, 40% were no longer in this situation the following year (Collin and Jensen, 2009). Other studies have found similar mobility across a range of middle- and high-income groups (e.g., Ginn, 2012). The wealthy of one year are not the wealthy of the next, and individuals and households that comprise the lower income groups change on a constant basis (Field, 2007). For instance, young people generally enter the workforce in a low-income group due to their lack of skill and experience, but over time they move into middle-income and then high-income brackets (Cox and Alm, 1999). The same pattern applies to immigrants and other workers. Income mobility implies that the poor are actually becoming richer even if the overall income distribution remains relatively unchanged.

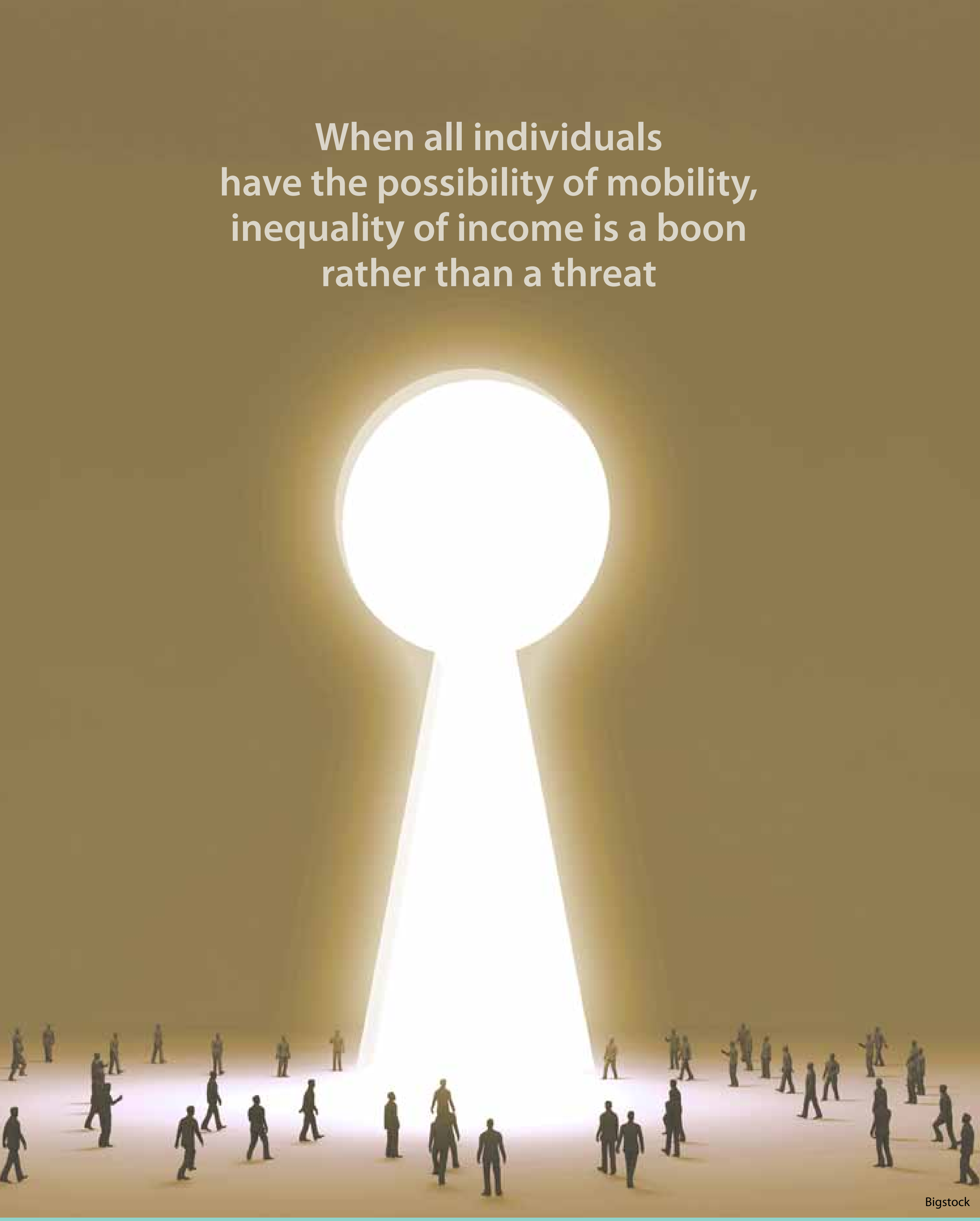
The angst over income equality often conceals a false assumption that individuals are unable to improve their economic condition by hard work and wise investment. Many people today presume that their position in life is determined almost exclusively by circumstances outside of their control. However, in Canada, economic mobility is possible through diligent application. The market does not categorize people into rigid castes (Coyne, 2006). (Individuals can generally improve their lot if they are willing to undertake the often difficult task of finding a sphere in which they can put their particular talents and abilities to good use). Those with ambition, talent, education, frugality, and a willingness to take risks will usually succeed in their efforts to better their position (Cox and Alm, 1999; Azerrad and Hederman, 2012).

It's more important to provide equality of opportunity, not equality of results

The popular misunderstanding of income inequality often goes hand-in-hand with a demand for forcible redistribution of wealth to equalize incomes. This urge for redistribution conceals an assumption that inequality of wealth is in itself an undesirable and even harmful reality. But, as Cox and Alm (1999) correctly observe, "Opportunity, not equality of income, is what made the US economy grow and prosper. It's more important to provide equality of opportunity, not equality of results." As Ludwig von Mises pointed out (1927/2002), inequality of income is the basis for wealth and productivity in the social order:

> Only because inequality of wealth is possible in the social order, only because it stimulates everyone to produce as much as he can and at the lowest cost, does mankind today have at its disposal the total

When all individuals have the possibility of mobility, inequality of income is a boon rather than a threat



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> annual wealth now available for consumption. Were this incentive to be destroyed, productivity would be so greatly reduced that the portion that an equal distribution would allot to each individual would be far less than what even the poorest receives today.

Equality of opportunity is essential for a just and prosperous society, but it does not necessarily lead to equal living standards. F. A. Hayek, in his book, *The Constitution of Liberty* (1960/2011), acutely observed that "to increase opportunities for all is likely to favour those better able to take advantage of them and may often at first increase inequalities. Where the demand for 'equality of opportunity' leads to attempts to eliminate such 'unfair advantages,' it is only likely to do harm." Differences in education, experience, and even demographics suggest that a free society may be characterized by inequality of income, but such inequality is a necessary foundation of progress (Coyne, 2006).

The myth of ever-widening economic inequality is largely an artifact of misleading statistics; further, the demand for equality of income shows a misunderstanding of the basic requisites of human progress. When we take account of concepts such as real income and economic mobility, we find that "both rich and poor are becoming better off" (Cox and Alm, 1999). Canada is not irreversibly subdivided into rigid classes of rich and poor. Rather, our country—as well as other nations—is characterized by a fluid and dynamic society where individuals are economically mobile, able to improve their lot in life through hard work and dedication. While economic inequality may continue to be a reality, the gap between rich and poor is neither poisonous to the social order nor a barrier to economic growth. So long as equality of opportunity allows all individuals the possibility of mobility, inequality of income is a boon rather than a threat.

Note

1 Low-income is defined in this study according to Statistics Canada's Low Income Cut-off, as the threshold below which a family spends at least 20% more of its income on food, clothing, and shelter than does the average family.

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Joshua Benjamins is currently pursuing an honours BA in history and classics at Hillsdale College in Michigan. His interests include economics and philosophy and he has participated in several public speaking contests, addressing a range of current social and philosophical issues.

CHALLENGE YOURSELF

Are the rich getting richer while the poor are getting poorer?

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Daniel Smith

Income inequality has been a part of our lives for a long time. Indeed, it existed long before the father of capitalism, Adam Smith, penned his famous work *The Wealth of Nations*. Despite its continuity throughout time, many prominent politicians see income inequality as a major point of concern that needs to be addressed, and somehow "fixed". Their argument is that the rich are increasing their wealth at the expense of the poor, especially the top 1% of income earners. This Robin Hood rhetoric encouraged "Occupy" protests in most major North American cities, as well as in many smaller cities. People are demanding a tampering down of the free market system in favour of government-run redistribution programs to help reduce income inequality. These demands are bold and, if they are met with real government action, could cause substantial consequences. In light of this, it would be wise to examine the facts surrounding income inequality, and more importantly income mobility, before drastic action regarding policy change is taken.

Those who argue in favour of income redistribution often cite statistics from institutions such as the US Department of the Treasury, which states that the share of income earned by the top 10 percent of the population increased from 31.7% in 1960 to 44.3% in 2005.[1] More frequently they focus solely on the top 1% of the population whose share of income has increased from 8.4% to 17.4% over the same period. Conversely, the share of national income earned by the bottom 20% of income earners has decreased from 4.2% to 3.4% over that time. Occupiers and politicians take these statistics and use them as evidence to support their claims that the rich are getting richer while the poor are getting poorer. However, these few statistics do not tell the whole story and they treat the economy as if it is a static element that does not grow or shrink. In their argument, the economy is a single sized pie that is divided up among the population every year. They think that the rich have been taking an ever increasing portion of that pie while the poor have been relegated to live on a smaller and smaller amount each year. That is not how the real economy works.

The real economy is not a stagnant element, but rather a dynamic and versatile system that has a tendency to grow over time. Indeed, the US GDP has increased several times over, and even with the 2007/08 recession it recently reached over $15 trillion (World Bank, 2012). The real facts about the economy render the static pie metaphor irrelevant. The poor may have a proportionally smaller share of the pie, but that pie has grown much larger. In other words, the rich are not getting richer while the poor are getting poorer, but instead the poor are simply getting richer at a slower pace than the rich. According to the US Census Bureau, from 1967 to 2011 the average household incomes for the lowest quintile of income earners have increased by 19.3%, while the incomes of the highest quintile have increased by 69.7%.

Another vitally important group of facts that are ignored by proponents of income redistribution are those related to income mobility. Income mobility, or the ability for an individual to move to higher or lower income classes, has been a central tenement of life in North America since the first colonists crossed the Atlantic in the early 17th century. The ability for a person to improve their standard of living is what gives people the drive to work harder and continue

In today's America, the rich are getting richer, but so are the poor

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on—even if they are currently in a lower income level. Between 1996 and 2005, more than half of all Americans moved to a different income level. This means that even the lowest 20% of income earners—who comprise only 3.4% of all income earned—are quite likely to eventually move into a higher income bracket. For example, in the period of 2004 to 2007, over 30% of US residents moved to a higher income quintile, and that is over just a three year period. Thus given another ten years, it is quite likely that one could move up again. This is where the fairness of the free market system comes into play, and it is what many income distribution statistics ignore. Those statistics simply look at different quintiles of income as if they are comprised of the same people over time. This is not the case though; the modern US economy is not comprised of a permanent class structure or Middle Age style aristocracy. In fact, the composition of the top 1% of income earners changes more dramatically than some of the lower income levels. Less than half—43%—of the top 1% of income earners in 1996 were still in the top 1% in 2005. The lowest 20% of income earners show even more surprising results when it comes to income mobility. In a 1992 study of income mobility the US Treasury found that from 1979 to 1988 86% of those who were in the lowest 20% of income earners had moved to a higher quintile. Even better, 15% of them had moved to the highest quintile, the top 20% of income earners, in that nine year period. These statistics remained virtually constant from 1996 to 2005.

Income inequality is always going to be a part of life in a free market society. This inequality though, for all of the negativity surrounding it, is what drives our society. The incentive of reaching a higher income level and increasing one's standard of living is what motivates people to work harder, to save and invest, and to innovate. Our modern society is not dealing with a problem involving the rich getting richer while the poor are getting poorer, but rather we are dealing with the problem of misinformation and misleading rhetoric. The reason that occupy protests are comprised mostly of young people is that they have not yet had a chance to work for long periods and experience the upwards economic mobility that so many of their older peers have achieved. In these economically challenging times, they are a young demographic that is easily influenced to believe that the only way they can get ahead is to take from those above, rather than by working hard and taking opportunities as they come. In today's America, the rich are getting richer, but so are the poor. As long as the United States remains a society with opportunities , its citizens will prosper and income mobility will thrive.

Note

1 Unless otherwise stated, all statistics are from the US Department of the Treasury.

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Getting past the labour-business tango:

Think about the consumers

Mark Milke

Around Labour Day, a plethora of news stories focus on the state of unions, and often, their interaction with business. Given the name of the holiday, the attention is understandable.

However, the focus on unions and corporations, especially where governments are involved to set policy and create legislation, often misses two other critical groups: consumers and taxpayers.

It is those two cohorts that are often overlooked and whose interests are damaged when governments assume, on purpose or by accident, that only the interests of organized labour and business matter.

Here's one example: In many provinces, governments own, distribute and retail beer, wine, and spirits. (Alberta is the lone exception with no government involvement beyond

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Consumers would benefit from a European-style open skies policy.

sensible regulation). Provincial governments also play favourites with the private businesses allowed to operate.

In Ontario, thanks to government policy, beer sales are mostly reserved to The Beer Store chain (owned by Labatt, Molson, and Sleeman). It garners 80 percent of the beer market in that province. That works well for the three beer companies.

Similarly, thanks to a government-granted ban on new private liquor stores, Ontario's government-owned LCBO stores capture 50.8 percent of that province's overall beverage alcohol market (i.e., when all beer, wine, and spirit sales are accounted for).

That works well for the 7,503 employees of the Ontario government stores. But it works less well for the 9.1 million Ontarians over the age of 18 who can legally consume such beverages.

They are subject to a *de facto* duopoly, where the market is mostly split between government stores on the one hand, and The Beer Store outlets on the other.

Air Canada

Or ponder the lack of airline competition in Canada. At present, so-called foreign carriers cannot pick up and also drop off passengers within Canada; only "domestic" air carriers can do that. That limits competition.

If Canada had a truly open skies policy like Europe, consumers would benefit from more competition on prices, service, and routes. Thus, the passengers who buy 109 million "seats" annually on airplanes (using 2010 data, the most recent available) would benefit. Instead, the federal government has resisted a consumer-friendly airfare policy, this to protect so-called domestic airlines and jobs, even though that shows little faith in their ability to compete.

Another example of undue government favouritism occurs when governments practice corporate welfare. That comes at the expense of taxpayers. They take a direct hit when governments give special subsidies to particular companies.

In the case of the Chrysler-GM bailout in 2009, and after accounting for partial repayments by those two corporations, Canada's taxpayers were still out $5.5 billion three years later. Governments colluded with two companies and their labour unions, even though across Canada, 259,000 jobs disappeared and 5,420 companies went bankrupt in 2009.

The federal and Ontario governments favoured two companies and their staff at the expense of other automotive companies, their employees, and, especially, taxpayers. (On income tax alone, 16.2 million people paid income tax that year). The two governments should have favoured no one.

Lastly, ponder the dairy and poultry aisles in your local grocery store: Canadian consumers are subject to "supply management" boards (also known as marketing boards), which limit the supply of eggs, chicken, turkey, and dairy products.

Efforts to establish such boards date back as far as 1872 when attempts were made to "improve" prices for farmers and other producers. That was an "improvement" from the producers' perspective, but not for consumers.

The first official marketing board was established in British Columbia in 1927. Ever since, and in various iterations, and especially since the 1970s, such anti-consumer boards have been given powers over supply, pricing, controls on imports, and subsidies to producers (which is where taxpayers get roped in).

So supply is restricted within Canada. Meanwhile, foreign products are kept out by high tariffs. Consider the tariffs on dairy products, which range from 202 percent (skim milk) to 298 percent (butter) with cheese, yogurt, ice cream, and regular milk within that range.

The interests of millions of consumers and taxpayers should come first.

All of that means this: 12,965 dairy farmers are favoured at the expense of most of the other 34,755,634 Canadians—i.e., the ones who consume such products and must pay higher prices as a result of the government-granted dairy and poultry cartels. That is anti-consumer and anti-poor, given that those on low-incomes spend most of their money on basic necessities such as groceries.

So next time you hear people debate whether labour or business should win in some dispute or in a proposed government policy, the correct answer is: "neither." The interests of millions of consumers and taxpayers should come first.

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HOT TOPICS!

Economic Freedom of the World: 2012 Annual Report

Each year, the Fraser Institute produces a report on the degree to which the policies and institutions of countries are supportive of economic freedom. Freedom of personal choice, voluntary exchange, freedom to compete, and security to private property are used to determine which countries have the most economic freedom.

The degree of economic freedom for each country is calculated using five broad areas—size of government: expenditures, taxes, and enterprises; legal structures and security of property rights; access to sound money; freedom to trade internationally; and regulation of credit, labour, and business.

Read the study HERE

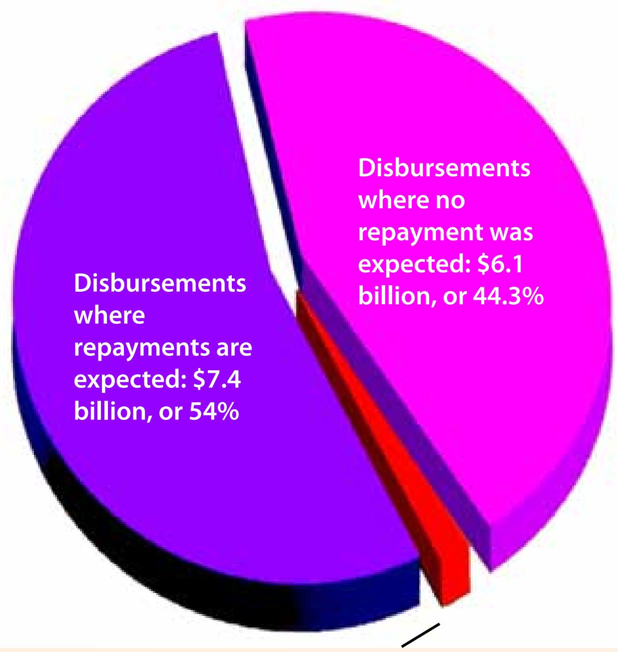
Industry Canada loses $5 billion; Access request finds $7.4 billion lent, just $2.1 billion repaid

In a recent access to information request to Industry Canada, Mark Milke discovered that between 1982 and 2012, the federal Department of Industry spent $13.7 billion on subsidies to business. Of this $13.7 billion, $6 billion was disbursed with no repayment expected.

This Fraser Alert reviews the payments made to businesses over the past 30 years and answers three important questions: how are taxpayer dollars specifically disbursed; how much is given with no expectation of repayment; and how much is disbursed with repayments expected?

Read the Alert HERE

Total expenditures on business: $13.7 billion



Loan guarantees that later resulted in a subsidy: $236 million, or 1.7%

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