Canadian STUDENT REVIEW

QUARTERLY STUDENT MAGAZINE

2018 ESSAY CONTEST WINNERS
INCREASING THE MINIMUM WAGE: GOOD INTENTIONS, BAD POLICY?

FALL 2018

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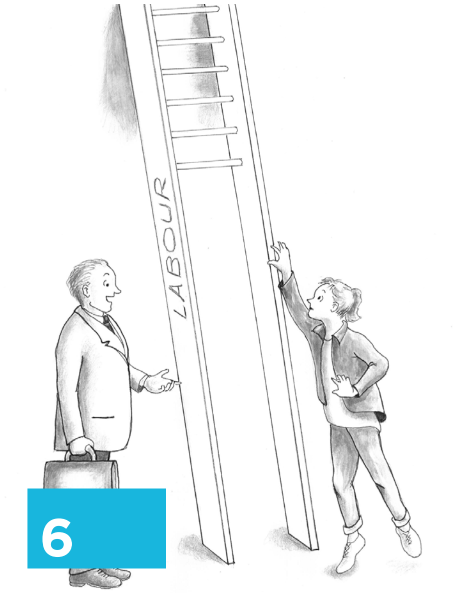

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WELCOME

Dear Readers,

School bells have begun to ring again after a long summer's break and universities and colleges have come back to life after a quiet summer on campuses across the country.

This edition of the *Canadian Student Review* focuses on our 2018 Essay Contest winners. From the over 500 submissions we received, these three essays represent the best of the best. In addition to these three, which tackle the minimum wage, the issue also highlights a recent infographic on Canada's capital gains tax and a recent Fraser Institute video on the Canadian consumer tax index.

Many of you will have heard people comparing the Canadian and American health care systems and arguing about the merits of each. In this edition of CSR, Bacchus Barua, Associate Director of Health Policy Studies, explains why Switzerland is a much more suitable country for Canada to compare itself to.

We hope that you enjoy this issue of CSR and that you can join us at one of our *Explore Public Policy* post-secondary seminars this fall. Make sure that you're connected with our Education Programs Facebook page (www.facebook.com/EducationPrograms) to stay up to date and find out when we are in a city near you!

Best,

Ryan

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INCREASING THE MINIMUM WAGE: A RAISE FOR THE WORKING POOR OR A "REVERSE ROBIN HOOD"

WILLIAM DUNSTAN

For several years, a series of cartoons satirizing proposals to raise the minimum wage have floated around the internet. They depict the manner in which these policies create barriers to employment. In one version, a beaming politician informs a young constituent he has raised his minimum wage. The young man looks up at a ladder whose top step now sits at "$9 per hour"; however, this revamped ladder has no bottom steps, putting employment itself out of reach. While political cartoons obviously cannot capture the complexity of serious public policy debates, this cartoon nonetheless encapsulates the fundamental flaw with minimum wage increases as a policy tool: they often hurt the very individuals they intend to help.

In 2017, the Bank of Canada analyzed the economic impact of forthcoming minimum wage increases throughout Canada – including hikes to $15 an hour in Ontario and Alberta – (Brouillette, Cheung, Gao, and Gervais, 2017). This analysis estimates that the forthcoming increases would cause employment losses equivalent to 60,000 workers, fail to boost consumption as higher wages would be offset by consumer price and interest rate increases, and reduce Canadian GDP by 0.1% by 2019. The Bank of Canada's projections regarding employment losses introduce the first of many unintended negative consequences that cause minimum wage increases to hurt the vulnerable individuals and families they aspire to help.

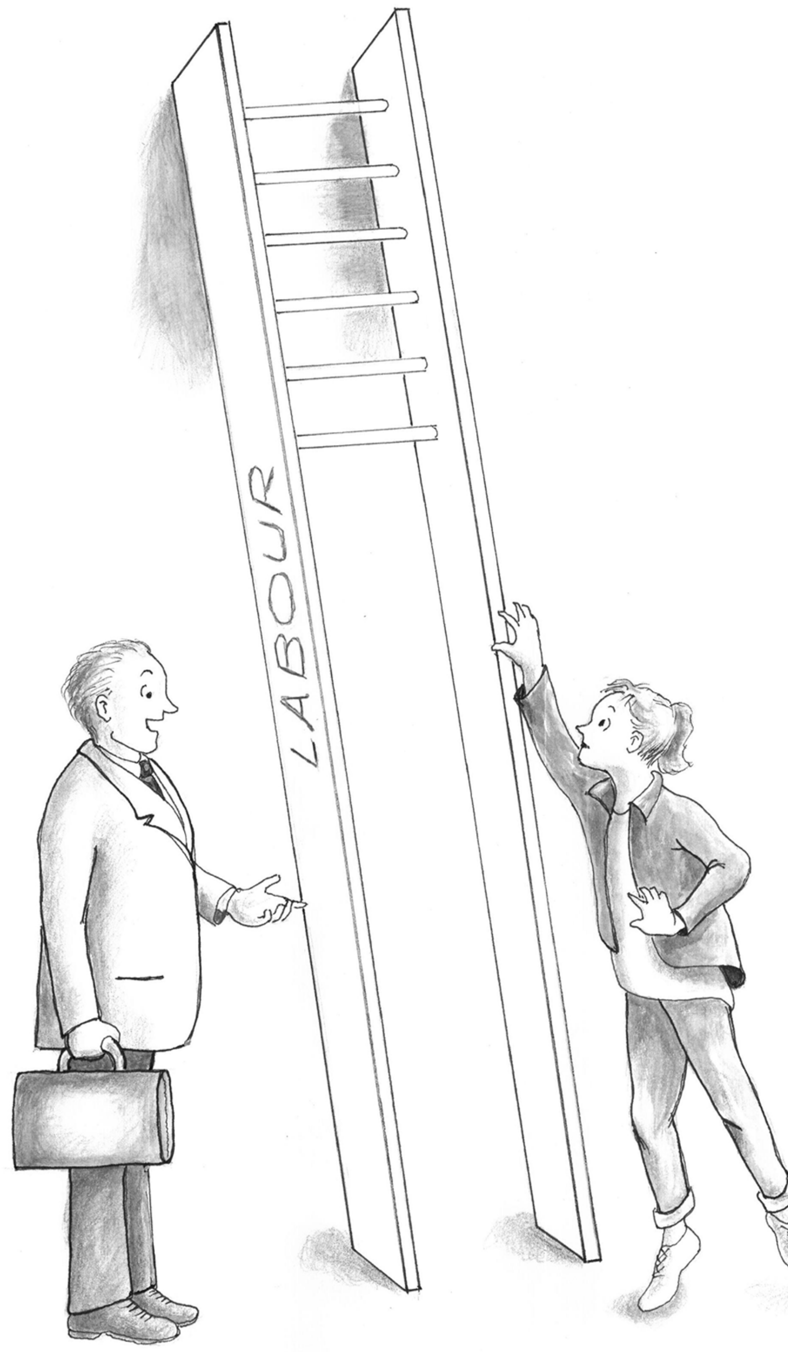
THE FORTHCOMING INCREASES WOULD CAUSE EMPLOYMENT LOSSES EQUIVALENT TO 60,000 WORKERS

Findings from the Financial Accountability Office of Ontario (FAO) regarding the province's planned $15 minimum wage highlight two of these unintended consequences in greater depth (Ngo, Rhodes, and West, 2017). First, the benefits of this increase would primarily go to wealthier Ontarians; the FAO expects just 27% of the total gain in labour income to go to low-income families while 40% of income gains will go to households with above-median incomes. In fact, the latest available data shows that only 9% of minimum wage workers in Ontario—and 11% nationwide—are from low-income families and that most are not the primary or sole income-earner in their family (Lammam and MacIntyre, 2018). Thus, as a poverty reduction tool, the minimum wage is remarkably imprecise. This imprecision is further illustrated by the impossibility of establishing a minimum wage that is suitable for an entire province. Dube (2014) found that as long as increases are moderate and gradual, the minimum wage can be raised to around 50% of the median wage without a significant impact on economic output. However, wage disparities between economic regions mean that provincial governments cannot adopt a minimum wage that is a "living wage" in wealthier regions without hurting less prosperous regions. For example, a $15 minimum wage would be 49% of the median wage in Toronto but 62% in Stratford-Bruce Peninsula; it would be 53% in Montreal but 69% in Gaspésie–Îles-de-la-Madeleine (Statistics Canada, 2017).

The second unintended consequence illuminated by the FAO is that this increase would cause a net job loss of 50,000, with the rate of job losses highest among the young. Albeit among the purported beneficiaries of such policies, the young are arguably the group hurt most by them. Young people who lose their jobs because of minimum wage increases not only lose out on current income; their reduced work experience depresses their future wages as well. Mroz and Savage (2003) linked spells of unemployment in a man's early twenties to substantially lower wage income in his thirties. Although minimum wage increases boost income for young workers who stay employed, these benefits rarely last as long as the aforementioned losses. While a minimum wage increase-induced job loss can depress one's earnings for decades, few workers earn the minimum wage for more than a few years. American research found that 67% of minimum wage earners who held hourly positions for two years received a pay increase, with these increases averaging 40% (Long, 1999). Gunderson (2007) found that 46.4% of minimum wage earners in Ontario had been in their job for under a year, while only 14.8% had been in their job more than five years. Moreover, as previously discussed, most minimum wage earners do not come from low-income households, so it is not as if many young people receiving a raise need the wage increase to support their families. However, those who lose their jobs miss out on valuable work experience and future earnings.

Another group disproportionately hurt by minimum wage increases is immigrants. Immigrants often receive scant attention in minimum wage debates. However, recent research suggests these policies can significantly hinder the ability of new Canadians to find work and become productive members of society. Rybczynski and Sen (2017) analyzed more than 100 changes to the minimum wage in various Canadian provinces over 30 years and found that although these policies have little impact on job prospects for the prime-aged (25 to 54) population as a whole, minimum wage increases are strongly correlated with decreases in employment rates of immigrants in the same age group.

Another unintended consequence of minimum wage increases—one that achieves the very opposite of these policies' objectives—are shifts in economic activity. A major source of job losses is employers automating positions that become more expensive to fill with human workers. Neumark and Lordan (2018) analyzed 30 years of data and found minimum wage increases resulted in an increasing proportion of low-skilled jobs being replaced by automation. Interestingly, they found this same automation created some high-skilled jobs—largely filled by educated individuals—while the reduction in low-skilled jobs was particularly acute among the vulnerable groups that minimum wages increases intend to help, such as the young,



You're welcome. We raised the minimum wage to help you out.

the elderly, and racial minorities. Consistent with Neumark and Lordan, Sabia (2015) analyzed minimum wage increases in Europe and the United States and linked such policies with shifts in economic activity from lower-skilled industries towards higher-skilled industries.

Provincial governments should not increase the minimum wage. First, intraprovincial economic differences prevent provincial governments from adopting a minimum wage that is suitable for all regions. Second, the majority of wage benefits will actually go to middle or high-income households rather than their intended targets. Most important, however, is the minimum wage's "Reverse Robin Hood Effect"; by shifting economic activity from low- to high-skilled industries, these policies amount to taking from the poor and giving to the rich. Ultimately, rather than helping low-income families make ends meet, the primary outcome of minimum wage increases seems to be to decrease the employability of the most vulnerable members of society—young people searching for work experience, low-skilled workers unable to find higher-paying jobs, and immigrants seeking to establish themselves in their new home—while creating additional wealth for those who do not need it.

An oft-cited alternative to minimum wage increases that will more precisely target low-income Canadians is to expand the Canada Workers Benefit (CWB), a refundable tax credit that supplements work earnings and reduces work disincentives for low-income Canadians. The CWB is inspired by the American Earned Income Tax Credit (EITC), a similar tax credit scheme in the United States that has been shown to reduce poverty rates, encourage single parents to work by minimizing the effect of lost welfare benefits, and improve health and education outcomes for children in households that receive the credit (Marr, Huang, Sherman, and DeBot, 2015). Despite recent enhancements, maximum benefits from the CWB are only about one-third of the EITC's (Department of Finance, 2017). As the EITC remains effective at its current size, there is no reason to believe the CWB could not be expanded to such levels in place of minimum wage increases.

Perhaps directly increasing workers' incomes is not the best way to assist vulnerable Canadians. There is ample evidence that an effective way to help these individuals and their families would be to decrease the cost of living and increasing employment opportunities for low-skilled workers through deregulation. Further, policymakers would save Canada's poorest households $339 or 2.3% of their income each year in grocery expenses if they abolished supply management (Cardwell, Lawley, and Xiang, 2015), a system of marketing boards that couple production quotas with import tariffs to regulate the price of some agricultural products, most notably dairy and poultry. Housing is another area where policymakers can improve affordability. Stringent regulations, many of which have few benefits, account for a high portion of housing costs in Canadian cities, the most extreme example being Vancouver where the regulatory burden accounts for 50% of housing costs (Dachis and Thivierge, 2018). In addition to deregulation, policymakers could assist vulnerable Canadians by copying another American policy, the Low-Income Housing Tax Credit, to incentivize private investment in affordable housing (Steele and Des Rosiers, 2009). Such housing policy changes would also create employment opportunities for some low-skilled workers by sparking a construction boom. A third form of deregulation available to policymakers is to reduce occupational licensing requirements. Numerous studies around the world link occupational licensing with higher prices for consumers (Plesca, 2015). Analysts often argue that these higher prices compensate for the improved quality of services engendered by stricter licensing. However, empirical research shows that even in industries requiring as much skill as dentistry, stricter occupational licensing often fails to improve the quality of services while nonetheless raising prices (Kleiner and Kudrle, 1997). Even when licensing increases quality, price increases often render these services unaffordable for low-income individuals (Kleiner and Wheelan, 2010). Occupational licensing also reduces employment opportunities in affected industries,

HOUSING IS ANOTHER AREA WHERE POLICYMAKERS CAN IMPROVE AFFORDABILITY

particularly for low-income individuals who cannot afford extensive training programs. For example, Canadian provinces with the tightest apprenticeship restrictions had 44% fewer people employed in the affected trades than provinces with no restrictions (Brydon and Dachis, 2013). Policymakers wishing to assist vulnerable Canadians should consider removing certain occupational licencing restrictions, such as the burdensome requirement in many provinces that prospective hairstylists complete over 1,000 hours of formal training (Heinrichs, 2015). Policymakers who pursue economic deregulation would create employment opportunities and reduce the cost of living for all, but particularly for low-income Canadians.

In short, the minimum wage is an imprecise poverty reduction tool with numerous negative side-effects. A further enhanced Canada Workers Benefit is a better option than minimum wage increases to help low-income Canadians. However, directly raising income is not the only option to assist vulnerable Canadians; policymakers should also use economic deregulation to make life more affordable and low-skilled employment more accessible ◆

William Dunstan is a recent graduate of St. Matthew High School. He is currently a first year Public Affairs and Policy Management student at Carleton University.

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WHEN ALL YOU HAVE IS A HAMMER...

TYLER LUND

Poverty is an issue around the world, and the goal of eliminating it seems to be an eternal struggle. An oft-mentioned solution is raising the minimum wage. Indeed, to many it seems to be the only answer, but this approach will inexorably run into problems. Raising the minimum wage would seem to be a great way to lift the poorest in our society out of poverty, and thus it is unpopular to disagree. Many (especially those in public positions) support measures such as this simply to avoid being sentenced in the court of public opinion. Logic tells us, however, that there must be problems from taking such measures as otherwise the minimum wage would be set to an exorbitant level without any real drawbacks. In fact, raising the minimum wage can not only be detrimental to the Canadian economy, but it is not an especially effective way to help vulnerable Canadians. There are a few options that better allow low-income families in our society to improve their quality of life without having a significant impact on the Canadian economy.

THE MINIMUM WAGE INCREASES CURRENTLY PLANNED BY CANADIAN PROVINCES WILL CAUSE THE LOSS OF ABOUT 60 000 JOBS

The minimum wage and the economy

An increase in the minimum wage would inarguably affect the Canadian economy. A direct result of the increase would be reduced employment. This follows directly from the law of demand: when the price increases, the quantity demanded decreases (presuming all else remains the same). As the price of labour increases, then the businesses would undoubtedly reduce their job offerings (among other measures taken to avoid lowering profits). A report published by the Bank of Canada predicts that the minimum wage increases currently planned by Canadian provinces will cause the loss of about 60 000 jobs (Brouillette et al.,2017). The same report estimates this will increase Consumer Price Index inflation by 0.1%. Inflation erodes purchasing power, reducing the quantity of any specified good that can be purchased by a given amount of currency and immediately neutralizing many of the positive effects of increased wages.

Additionally, an increase in labour costs will have a future impact on employment. Beyond job cuts, employers will need to put in place various measures to counteract the extra expenses incurred due to higher labour costs. This is obvious because few, if any, businesses will ever voluntarily reduce their profit. Companies may very well reduce the hours their employees work, choosing to have a skeleton crew in their businesses instead of bearing the extra cost. Alternatively, they could slash the few benefits that minimum wage workers have, possibly having a greater negative impact on their lives than the positive effects of the wage increase, meaning that they see the minimum wage increase as a net negative for their income. Even further, increased labour costs will spur employers to automate and computerize labour as fully as possible. The University of Oxford published a report stating that up to 47% of American employment can be characterized as "high risk" for being replaced by computers in the coming decades (Frey and Osborne, 2013). The likelihood of being replaced tends to be inversely proportional to both wages and education, indicating that minimum wage jobs will be among the first to be eliminated when that time comes.

The minimum wage and poverty

Beyond the decidedly negative impact on the Canadian economy, raising the minimum wage does not effectively aid those in need. First, consider that the majority of minimum wage earners are not impoverished parents or the breadwinner of a household. A 2013 report cited that in 2012, nearly 90% of minimum wage employees lived in a household whose income was too high to qualify as low-income, indicating that a large part of the gains acquired by increasing the minimum wage would go not to the most vulnerable, but to whomever has the minimum wage jobs (Murphy, Lammam, and MacIntyre, 2013). Additionally, due to their lack of flexibility with spending, households in poverty would be among the most severely affected by the loss of jobs and increases in prices of everyday items, both likely effects of an increased minimum wage.

A better approach

Does it make sense to raise the minimum wage in order to alleviate poverty in Canada? It seems, based on the evidence, that the answer is a resounding no. The policy may be well intended, but this proposition would have a negative impact on the Canadian economy without bringing the purported benefits to Canadian households living in poverty.

Having determined that an increased minimum wage is an ineffective way to improve the living conditions of the poorest in our society, it should be noted that better options exist. One such solution is an expanded version of the Canadian government's Working Income Tax Benefit (WITB). This program allows low-income individuals and families to pay less in taxes. The gist of WITB is that individuals who live in households earning less than the threshold set by the government are entitled to receive a tax benefit that is proportional to how much they have earned, offering very apparent advantages to those earning little money by giving them an incentive to earn more money without increasing their tax burden (Canada Revenue Agency, 2018). This approach is better than increasing the minimum wage because it more effectively targets those in low-

income situations as well as reducing the impact these measures have on businesses (Burkhauser and Sabia, 2007). Programs like the WITB are more effective because they rely not on hourly wages, but on the household income, meaning that only households that earn below the threshold will benefit from this program. Additionally, the WITB allows individuals who earn above minimum wage to benefit if they still qualify as low-income. Overall, this allows the WITB and similar programs (like the Earner's Income Tax Credit in the United States) to more accurately provide support for low-income households. These programs also avoid the issues related to employment as the businesses themselves do not have any increased cost, and thus their demand for labour (specifically unskilled labour) will not decrease.

Another factor to consider is job loss due to automation, as previously discussed. As automation becomes more predominant, it is important to realize that those who lack a solid education will struggle to find employment, causing a likely cycle of poverty. There should be programs in place to ensure that those who are willing to gain a useful education are able to get it, whether through increased scholarships or by expanding the student loan system. Student loans should not be targeted only at recent high school graduates, but towards anyone who feels that a better education can give them a better life. In the current climate, if someone cannot feed their family it is tremendously difficult for them to attend classes: classes that in a few years' time could dramatically increase their income. Education is an investment that is, generally, worth the money spent to get it. Less academically inclined people should be encouraged to pursue trades so that they can gain a higher and more assured income, and so become better able to support themselves and their families.

Raising the minimum wage is a celebrated idea, but it doesn't hold up to scrutiny. As a society, we should help those in need, but we should do it in such a way that it effectively delivers aid, rather than putting up a façade to demonstrate our commitment yet hide the lack of results. It is said that when all you have is a hammer, everything looks like a nail. The same can be said about raising the minimum wage, but in this case, we have much more than just a hammer. The hammer may be the obvious choice, but other tools at our disposal are far more effective. Let's use the strategies we have painstakingly crafted to yield the desired results instead of wasting our time and energy on fruitless endeavours ◆

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INCREASING THE MINIMUM WAGE: A POOR CHOICE FOR AN ANTI-POVERTY POLICY

KEYLI KOSIOREK

While some groups support increasing the minimum wage, many economists, politicians, citizens, and business owners have heavily criticized the negative effects that doing so can have. Despite being very popular among some policymakers, increasing the minimum wage is an ineffective tool for reducing poverty. There are many reasons for this: First, the minimum wage does not target those who need support and the increase can have negative impacts on employment and labour market flows. Second, there are adverse effects for low-income families and businesses. Finally, there are alternative policy options available that do not cause these negative effects and can actually encourage labour force participation. Because of its many negative impacts, increasing the minimum wage should not be considered a viable anti-poverty tool.

Increasing the minimum wage does not target those who need support. Governments who argue the opposite assume that all those who earn the minimum wage are living in poverty, and this is simply not true: 88.8% of Canadians earning the minimum wage live in a household that is above the Low-Income Cut Off (Murphy, Lammam, and MacIntyre, 2018: 12). Using data from the Canadian Labour Force Survey (LFS), a recent Fraser Institute study showed that 57.8% of minimum wage earners are between 15 and 24 years of age (Murphy, Lammam, and MacIntyre, 2018: 12). This group is mostly students who work part-time, attend school, and are supported by their families. These youths do not need extra support, and thus, increasing the minimum wage puts money in the pockets of those who are not in need. Additionally, 19.3% of those earning minimum wage live in a dual-income household and only 1.4% have a spouse who also earns the minimum wage or less (Murphy, Lamman, and MacIntyre, 2018: 12). Those living in multiple-income households are supported by their partner's income and therefore do not require additional wage support. In many poor households, few members are employed. Therefore, an increase in the minimum wage will not greatly reduce poverty because the incremental increase is going to people who are prosperous. The LFS also showed that only 2% of Canadian minimum wage earners are single parents and only 12% are unattached individuals (Murphy, Lammam, and MacIntyre, 2018: 12). Anti-poverty policies must support these in-need people rather than targeting on mass those who do not necessarily need increased wages.

Some policymakers are under the impression that increasing the minimum wage will have little impact on labour markets. However, several studies have shown that a minimum wage increase is likely to adversely affect employment and slow labour market flows. This should come as little surprise considering basic economic theory suggests that as the minimum wage increases in a competitive labour market, people are more willing to supply their labour, but firms are less willing to pay at the new higher wage. This ultimately results in unemployment. This theory has been tested and negative employment effects of varying magnitudes have been found. One study compared minimum wage effects across state borders and found an adverse, though statistically insignificant, effect on employment (Dube, Lester, and Reich, 2010: 961). Neumark and Wascher, however, surveyed a collection of 100 minimum wage studies, determined that 85% of them were sound, and found that on average a 10% increase in the minimum wage leads to a 1–3% reduction in employment (Neumark and Wascher, 2007). They found this to be especially true for low-skilled workers like teenagers (Neumark and Wascher, 2007). Another Canadian study noted that teen employment would fall 3–5% with a 10% increase in the minimum wage (Sen, Rybczynski, and Van De Waal, 2011: 40). There is general consensus among Canadian researchers that an increase in the minimum wage always has a negative impact on employment, especially for young workers (Murphy, Lammam, and MacIntyre, 2018: 9). In addition to these negative impacts on employment, policymakers should be wary of the effects of the minimum wage on labour market flows.

Labour market flows describe the movement of individuals into and out of the labour force. One Canadian study done by Brochu and Green found that increasing minimum wages leads to lower hiring rates and lower job separation rates (2013: 1218, 1231). Accounting for inflation, they found that for every 10% increase in the minimum wage there is a 4.3% decrease in the separation rate and a 2.7% decrease in the hiring rate. These results suggest that when the minimum wage is higher, layoff rates and hiring rates are lower, making it more difficult for people to get a job (Brochu and Green, 2013: 1218, 1231). Long periods of unemployment can have adverse psychological effects on workers and their families. One study done in the US revealed that increasing the minimum wage has a significant negative effect on employment flows, especially for low-skilled workers, such as teenagers and restaurant workers (Dube, Lester, and Reich, 2014: 21). The study found that a 10% increase in minimum wage results in a 2.2% reduction in turnover rates for teenagers (Dube, Lester, and Reich, 2014: 2). While decreased flows may be good for workplace productivity, it limits new entrants' employment opportunities and can hurt their success in the future. Long periods of unemployment can have both short and long-term consequences; a six-month unemployment spell for teens can result in 2.9% reduction in wages throughout life because of the lost human capital (Mroz and Savage, 2006: 279v). Those who experience this are constantly trying to "catch up" to where they should be had they not faced unemployment in their early earns. Thus, by increasing the minimum wage, poverty can be exacerbated for low-skilled workers. Ultimately, the reduced labour flows defeat the purpose of minimum wage increases.

Proponents of the minimum wage believe it will reduce poverty and improve quality of life for vulnerable populations by putting more money in their pockets (Alberta, undated a). Is this really the case? Thomas MaCurdy from Stanford University examined the effectiveness of the minimum wage in supporting the poor. He found that increased wages create upward pressure on consumer prices, what MaCurdy calls a "value-added tax effect" (2015: 523). These price increases undo the benefits of the incremental increases in wages. Furthermore, poor families spend a higher proportion of their income on everyday needs, which means price increases on these items are especially harmful to them (MaCurdy, 2015: 523). Increases in the minimum wage do not alleviate poverty and can actually make things worse for low-income families.

We must also consider who pays for increases to the minimum wage. When governments decide to increase the minimum wage, it is the responsibility of businesses to supply the extra wages. While this may not be problematic for large companies, it can be detrimental for small businesses.[1] 29% of business owners earn less than $15 per hour and 40% of them work 50 or more hours each week (CFIB, 2018). Two-thirds of small business owners earn less than $73,000 per year. When governments increase the minimum wage, business owners can respond by laying off employees or taking pay cuts themselves. Canadian small businesses contribute about 30% to the GDP and thus it is very important that the government implements policies that will not harm their operations, owners, or employees (Canada, 2016). Increasing the minimum wage can put a strain on small businesses, the opposite goal of an anti-poverty policy.

INCREASING THE MINIMUM WAGE CAN PUT A STRAIN ON SMALL BUSINESSES, THE OPPOSITE GOAL OF AN ANTI-POVERTY POLICY

While minimum wage increases may be an ineffective policy, the goal of poverty reduction is still important. Governments must consider alternative policy options that target and support those in need. The Canada Workers Benefit (CWB) and Alberta's Child Benefit (ACB) are such policies; they are designed for those in need. The CWB is a tax credit that reduces the burden of federal taxes on low-income citizens.[2] Canadians are only eligible to receive the CWB if they are employed, so it encourages people to enter (or remain in) the workforce. This program thereby helps increase the supply of labour. One Canadian study showed this to be particularly true for low- and medium-skilled families who contributed to an 0.15–0.21% increase in the supply of labour after receiving the CWB (Annabi, Boudribila, and Harvey, 2013: 13). While these results are modest, they show that there are policies available that both reduce poverty and encourage labour force participation. Furthermore, the CWB is refundable, meaning that even those with a negative tax burden will benefit from the program. The CWB is a more effective policy option than increasing the minimum wage because it provides support to those in need and creates the incentives for more people to work. The ACB is a program that offers financial assistance to low-income

[1] A small business has 1–99 employees.

[2] The Canada Workers Benefit was previously called the Working Income Tax Benefit from its introduction in 2007. The name was changed to the Canada Workers Benefit in 2018, while the program remained much the same.

Albertan families with at least one child who earn less than $41,746 per year (Alberta, undated b). The more a family earns, the more benefit it receives, which also encourages people to work. Policies like the CWB and the ACB should be considered over the minimum wage as anti-poverty tools because they effectively target those who in need while also encouraging labour force participation.

Those who claim that increasing the minimum wage is a good anti-poverty policy are either misguided or misinformed. Increasing the minimum wage does not effectively target those in real need. It also has substantial negative effects on employment and labour market flows. Governments believe that this policy will put money in the pockets of the poor when it actually has the opposite effect. Furthermore, businesses are burdened with the responsibility of paying for the increase, resulting in negative outcomes for the owners and employees. Because poverty reduction is important, governments should focus on alternative policies like the CWB or ACB that both target those in need and encourage labour force participation. Policymakers must avoid using increases to the minimum wage as an anti-poverty tool as it comes with many negative effects ◆

Keyli Kosiorek is currently a master's student at the University of Calgary School of Public Policy with undergraduate degrees in economics and natural science. She has a particular interest in trade and fiscal policy and hopes to continue gaining experience in policy and research related positions.

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NOR DURING THE AGE OF INNOVATION HAVE THE POOR GOTTEN POORER, AS PEOPLE ARE ALWAYS SAYING. ON THE CONTRARY, THE POOR HAVE BEEN THE CHIEF BENEFICIARIES OF MODERN CAPITALISM. IT IS AN IRREFUTABLE HISTORICAL FINDING, OBSCURED BY THE LOGICAL TRUTH THAT THE PROFITS FROM INNOVATION GO IN THE FIRST ACT MOSTLY TO THE BOURGEOIS RICH. BUT IN THE SECOND ACT, AND IN MASSIVELY DOCUMENTED HISTORICAL FACT, OTHER BOURGEOIS RUSH FORWARD AT THE SMELL OF PROFIT. PRICES FALL RELATIVE TO WAGES, WHICH IS TO SAY THAT GOODS AND SERVICES EXPAND PER PERSON—THEY HAVE AGAIN AND AGAIN AND AGAIN—AND THE POOR GET BETTER OFF IN REAL TERMS.

— DEIDRE MCCLOSKEY

TWITTER TIFF SPARKS HEALTH CARE DEBATE FREE OF APT COMPARISONS

BACCHUS BARUA

A recent tweet prompted what one journalist dubbed a "Canadian love-in for public health care." Nathan Rubin, the founder of "a podcast aimed at young American progressives," tweeted that "[m]illennials don't hear socialism and think about the USSR or the Cold War. We hear socialism and think about Canada, Switzerland, health care, social security, affordable college, and affordable housing. Big generational difference."

Twitterati from all sides of the spectrum chimed in to either criticize Nathan for his desire for socialized medicine, or vaunt its benefits. Predictably, the discussion soon descended into base comparisons between Canadian and American approaches to health care—both of which are widely considered to be expensive and inefficient.

Lost was the fact that the original tweet contained a far more appropriate comparison—Canada vs. Switzerland.

Both countries share the goal of universal access. However, they take drastically different approaches toward that goal. Unlike Canada's government monopoly over the funding and delivery of health care, residents in Switzerland must purchase health insurance packages from one of a number of public and private insurers who compete in a regulated (yet competitive) market.

In Canada, most hospitals are technically private not-for-profit institutions. However, they are governed largely by a political process, given wage schedules, and beholden to prospective global budgets, which limit the number of operations they can perform—often resulting in rationed care.

By contrast, hospitals in Switzerland, whether public or private, compete with one another for patients under the universal money-follows-the-patient funding model where there's little difference between the two types of hospitals from the insurer or patient perspective.

Another stark difference between the two countries—their attitudes towards cost-sharing. Canada is among a minority of universal health care systems in not expecting patients to share directly in the cost of medically necessary treatment. On the other hand, patients in Switzerland can expect to pay the first 300 francs (equal to roughly C$400) of their medical bills before insurance kicks in, and 10 percent of the cost of their treatment up to a maximum of 700 francs (roughly C$930) per year.

SWITZERLAND SPENT 11.9 PERCENT OF ITS GDP ON HEALTH CARE IN 2015 COMPARED 10.6 PERCENT IN CANADA

OK. So that's a lot of differences in terms of policy. But what about results?

A recent study by the Fraser Institute, *Comparing Performance of Universal Health Care Countries*, compares the costs and performance of each system. After adjusting for age, Switzerland spent 11.9 percent of its GDP on health care in 2015 compared 10.6 percent in Canada. However, it also outperformed Canada on several important indicators. For example, on an age-adjusted basis, Switzerland had 4.1 physicians per thousand population, compared to Canada's 2.7. It also had more beds (3.7 vs. 2.1 per thousand), MRI scanners (20.5 vs. 9.8 per million), and

reported a lower (better) rate of mortality amenable to health care (52.8 vs. 74.0 per hundred thousand).

Importantly, Switzerland performs significantly better than Canada for timely access to care. For example, data from the Canadian Institute for Health Information (CIHI) and the Commonwealth Fund reveal that only 7 percent of patients in Switzerland waited four hours or more in the emergency room compared with 29 percent in Canada. Only 22 percent waited four weeks or more for an appointment with a specialist compared to 56 percent in Canada. And only 6 percent of Swiss patients waited four months or more for elective surgery compared to 18 percent in Canada.

These comparisons do not prove that Switzerland is the best, or only, example of universal health care done right. In fact, Canada can learn valuable lessons from other universal care countries including Germany, the Netherlands, Sweden, France, Australia and Japan.

Instead of Twitter tiffs based on whichever anecdote fits best in 140 characters, let's look at the 28 other universal health care systems around the world, identify those that outperform us, and learn from them. Somewhat ironically, Switzerland—which had been grouped together with Canada in Nathan's original tweet—is a good place to start! ◆

Bacchus Barua is Associate Director of the Fraser Institute's Centre for Health Policy Studies. He completed his BA (Honours) in Economics at the University of Delhi (Ramjas College) and received an MA in Economics from Simon Fraser University. Bacchus has conducted research on a range of key health care topics including hospital performance, access to new pharmaceuticals, the impact of aging on health care expenditures, and international comparisons of health care systems. He also designed the Provincial Healthcare Index *(2013) and is the lead author of* The Effect of Wait Times on Mortality in Canada and Waiting Your Turn: Wait Times for Health Care in Canada *(2010–2014 editions).*

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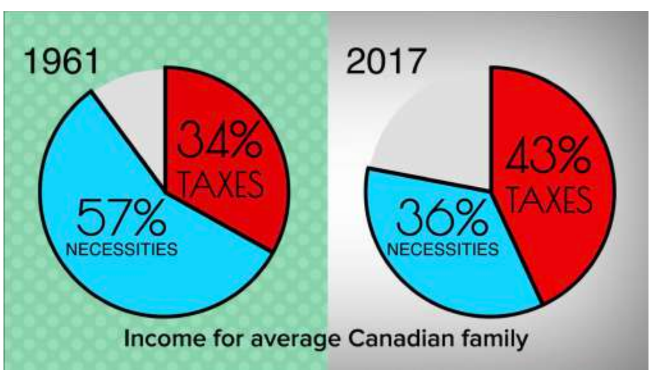

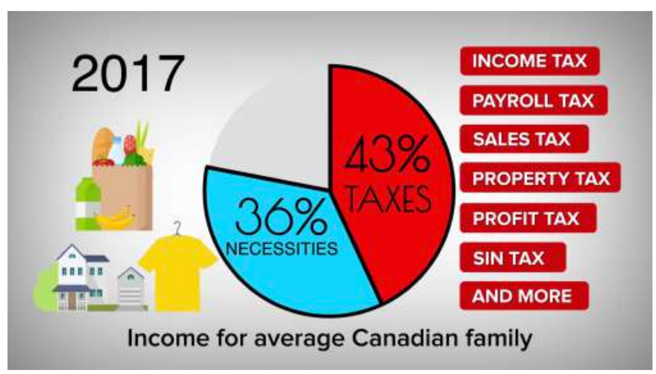

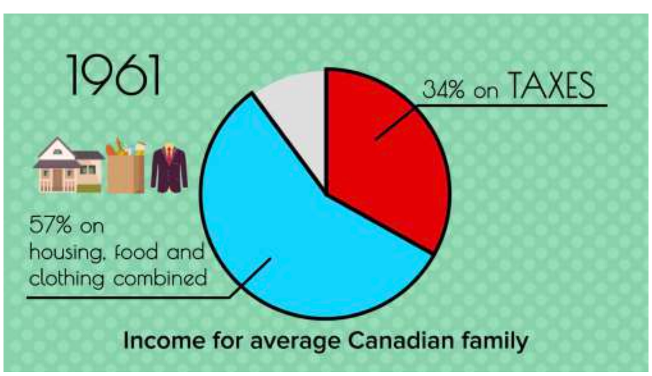

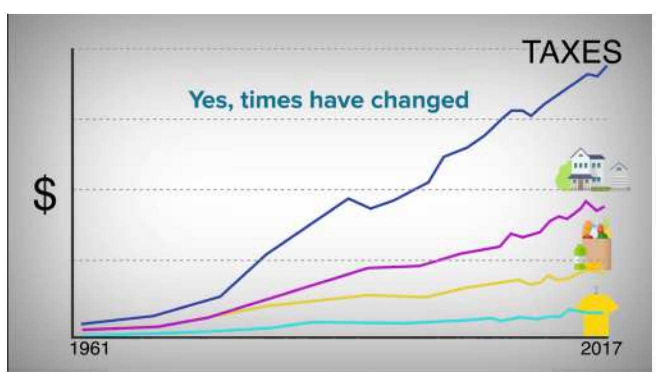

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