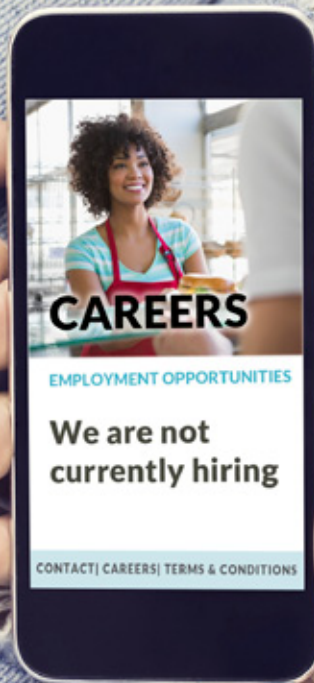


RAISING THE MINIMUM WAGE

MINIMUM
WAGES



MINIMUM
WAGE
PAYING
JOBS

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Canada's
Opposition to
Unpaid Internships
Hurts the Unskilled

The Myth of
Food Miles

Charter Schools, Largely
Ignored in Canada, Offer Good
Results for Disadvantaged
Students in the U.S.



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Our mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship and choice on their well-being.

WELCOME!



Dear Readers,

Whether the snow is starting to melt in Toronto or the cherry blossoms are beginning to bloom in Vancouver, spring is finally here after another long winter. This spring issue of the *Canadian Student Review* highlights a key issue that has recently been covered in both the Canadian and American news—minimum wage increases.

Which population demographic contains the most minimum wage earners? Will heads of households who make the minimum wage benefit from such increases?

These questions are answered in this issue's Hot Topics section.

Other articles include an analysis of the benefits of unpaid internships, an education alternative for struggling high school students, and how Ontario's increasing debt compares to the debt loads in other provinces. In addition, this issue also contains our infographic ranking Canada's premiers from our annual Premier's Report Card, as well as our video on the Canadian Consumer Tax Index.

We wish you the best of luck on your upcoming exams and hope you enjoy this issue!

Enjoy!

Lisa-Diane Fortier

Editor, *Canadian Student Review*



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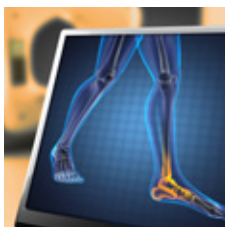


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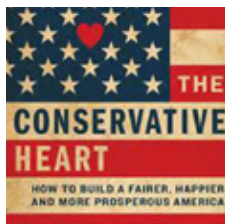
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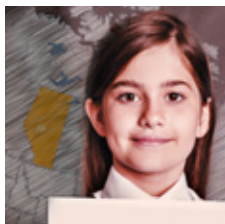
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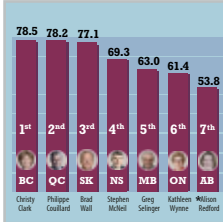
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**SOAKING THE RICH
WILL DAMPEN THE
ECONOMY**

Matthew Lau

Noting the rise of the Alberta NDP in the polls, Terence Corcoran of the *Financial Post* wrote on May 4, 2015, that “it may be time to declare that Canada is slipping into the hands of a National Soak-the-Rich Movement and all the ideological baggage that comes with it.” The NDP was swept to power the next day, capturing 54 of the 87 seats in the Legislative Assembly of Alberta.

Alberta’s new tax rates.... are unlikely to generate the revenues politicians expect them to because they impede economic growth.

The landslide victory allowed the NDP to implement their agenda unimpeded by the opposition parties. A key component of their plan was the elimination of the single 10 percent personal income tax rate. They hiked marginal income tax rates on Albertans earning over \$125,000 per year, and the top marginal rate in Alberta’s new five-bracket income tax system is 15 percent. The tax hike was implemented in hopes of generating large sums of revenue for the government. But a recent Fraser Institute report suggests that Alberta’s new tax rates—and higher marginal rates on top earners in general—are unlikely to generate the revenues politicians expect them to because they impede economic growth (Lafleur, Palacios, and Emes, 2015).

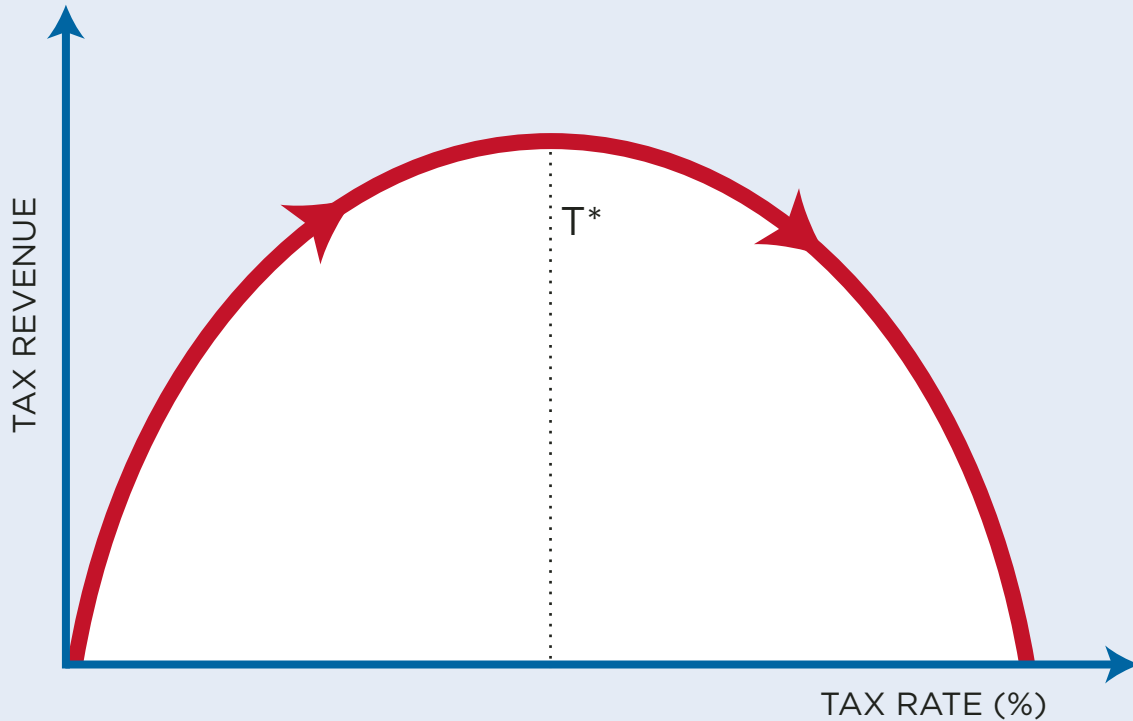
It’s not only Alberta’s high income earners facing higher marginal rates; as noted by Terence Corcoran, the “Soak-the-Rich Movement” is a national one. Five months after the NDP took over in Alberta, the Liberals won a majority government in the federal election. Included in the Liberal platform was a promise to implement a new 33 percent marginal tax rate on incomes over \$200,000, a hike of four percentage points. The top combined federal and provincial marginal tax rate is now over 50 percent in six provinces (Milligan, 2016)—a tax rate that federal NDP leader Thomas Mulcair called “confiscation” (McLeod, 2013)—and is within a few points of this threshold in the other four.

During the federal election campaign, Mulcair opposed the income tax hike by explaining that tax rates affect people’s decisions about where to work, and whether to increase their work effort. By ignoring or underestimating the effects of taxes on people’s decision-making, proponents of income tax hikes on top earners tend to overestimate the amount of government revenues the taxes will generate.

That ever-increasing taxes will not necessarily fill government coffers is demonstrated by the Laffer Curve, which graphs tax revenues against tax rates.

Tax revenues are not a linear function of tax rates because taxpayers react to changes in tax rates by adjusting their behaviour. The impact of income tax hikes on government revenue

The Laffer Curve



T^* = the point at which government revenues will begin to diminish if tax rates increase any further.

can be calculated by subtracting the behavioural effect from the mechanical effect.

The mechanical effect refers to the additional revenues a tax hike would generate if taxpayers did not change their behaviour in response to the tax hikes. The behavioural effect, as its name suggests, refers to the revenues lost when taxpayers do react to the tax hike by adjusting their behaviour.

For example, when confronted by an increase the marginal income tax rate, some taxpayers choose to work less and take more leisure.

The higher the marginal tax rate, the greater is the behavioural effect.

Others substitute “away from taxable income to more tax-favourable forms of compensation,” “reduce their tax liability by channeling income through small businesses that are subject to a comparably lower income tax rate,” “take advantage of a variety of legal tax planning mechanisms available in the tax code to reduce their taxable income,” or “shift revenue to other jurisdictions

with lower tax rates” (Lafleur, Palacios, and Emes, 2015).

The higher the marginal tax rate, the greater is the behavioural effect. This is demonstrated by the declining slope of the Laffer Curve. The Laffer Curve peaks at the tax rate at which, at the margin, the tax revenues generated by the mechanical effect are offset exactly by the revenue losses resulting from the behavioural

effect. At tax rates beyond the Laffer Curve peak, further increasing tax rates actually decrease tax revenues as the behavioural effect overpowers the mechanical effect.

There is strong evidence that recent income tax hikes on high-income earners have already pushed the top marginal rate past the Laffer Curve peak. For example, the CD Howe Institute estimates that the federal





income tax hike on top earners would generate \$1.0 billion for the federal government, but would likely cost provincial governments \$1.4 billion by eroding the personal income tax base (Laurin, 2015), for a net loss in government revenues of \$0.4 billion.

Days after the release of the CD Howe report, the Liberal government

conceded that their own calculations—they had estimated \$3.0 billion in revenues from the tax hike on top earners—did not add up (Leblanc, 2015).

Despite the mounting body of evidence showing that income tax hikes on top earners is a losing strategy, it is a policy that is being increasingly considered by

Canada's political leaders. In March 2015, Manitoba Premier Greg Selinger proposed a new 20.9 percent tax bracket on incomes over \$170,000, which would take effect if the NDP is re-elected in April (Pursaga, 2016). This represents a 3.5 percentage point hike on roughly the top two percent of earners.


But just as increasing federal income tax rates shrink provincial tax bases, increasing provincial tax rates will mean less revenue for the federal government.

The research shows that such a tax hike may not generate much revenue. In a recent publication, economists Kevin Milligan and Michael Smart (2015) considered the effects of a hypothetical marginal income tax rate increase of five percentage points applied to the top one percent of earners in each province. In the case of Manitoba, the mechanical effect of this tax increase is \$63.7 million; in other words, the tax increase would generate \$63.7 million in government revenues if there was no reaction to it from taxpayers. Once the behavioural effect is included, the revenues generated from the tax hike would drop to only \$25.6 million (Milligan and Smart, 2015).

But just as increasing federal income tax rates shrink provincial tax bases, increasing provincial tax rates will mean less revenue for the federal government. The hypothetical tax increase

considered by Milligan and Smart (2015) would reduce federal income tax revenues by as much as \$49.3 million if the reduction in income in Manitoba is not shifted to other provinces, meaning that the hypothetical tax increase on top earners in Manitoba could actually reduce total government revenues by as much as \$23.7 million.

To make matters worse, the behavioural effect that Milligan and Smart calculated is likely to be an underestimate since they used tax rates from 2011, which does not account for the federal income tax increase.

The evidence clearly shows that income tax hikes (particularly on top earners) are highly distortionary, and that increases to marginal income tax rates are likely to be quite destructive. Though the tax hikes might be popular with some Canadians, it is a policy approach that governments across the country would be wise to avoid. 



Matthew Lau is a finance and economics student at the University of Toronto.

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“

QUOTE
WALL”

“If you could swap out your body parts like you can swap out old car parts, how long do you think you could live?”

Sonia Arrison

“If you could swap out your body parts like you can swap out old car parts, how long do you think you could live? In the very near future fresh organs for transplants will be grown in laboratories, cloned stem cells will bring previously unstoppable diseases to their knees, and living past 100 will be the rule, not the

exception. Humanity is on the cusp of an exciting longevity revolution. This first person to live to 150 years has probably already been born.”

Sonia Arrison, founder of Singularity University, presenter at Calgary student seminar, March 5, 2016, and bestselling author of *100+: How the Coming Age of Longevity Will Change Everything, From Careers and Relationships to Family and Faith*.



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CANADA'S OPPOSITION TO UNPAID INTERNSHIPS HURTS THE UNSKILLED

Fergus Hodgson

There is a striking yet ignored contrast in the battle over Canada's prohibitions on unpaid internships, with the ban on federally regulated employers set to expire this year. It tells of the pressing need to rid ourselves of this barrier to vocational development, and for everyone, not just industries that account for six percent of the workforce.

On the one hand, thousands upon thousands of students graduate from universities each year with a truckload of debt and limited work experience. Prime Minister Justin Trudeau even announced recently a more than doubling of the number of fully and partially funded summer jobs, exclusively for full-time students seeking experience, for a total cost of more than \$200 million per year.

On the other hand, those who offer targeted job training in the form of an internship, with no entry fee and often no study requirement, have been demonized and hit with legal

penalties. For giving people a chance to learn and prove themselves, a *Toronto Star* columnist basically compared the non-paying organizations—which include the federal government and the White House—to slave owners, and the Canadian Intern Association says it is exploitation.

These voluntary relationships clearly benefit the participants, and perhaps that is why the strident opponents resort to hyperbole and fear-mongering.

When people seek an unpaid internship, they do so for two key reasons: either they cannot generate enough value to find paid employment above the minimum wage, or they are willing to forgo monetary compensation in exchange for experience. In both cases, the intern entering the relationship does so to gain valuable skills, garner contacts and references, and raise his long-term earning potential.



The person recruiting the intern also stands to benefit. Although she may struggle with a short-term, untrained worker, she may also end up hiring the individual later for a full-time, sustainable position.

If forced to pay the minimum wage, however, the manager will have cause to rethink and may forgo the process altogether. That is precisely what three magazines and Rogers Publishing did in 2014. Since more than four out of five employers see the completion of an internship as a marker of success in their companies, the prospective interns lost out from the curtailment.

In fact, students with internship experience both find employment more easily and are more likely to be satisfied with their new roles. As two academics affirmed in the *Chronicle of Higher Education*, "Internships have value, whether or not students are paid."

The irony is that the Canadian Intern Association, perhaps the most vocal

opponent of unpaid internships, is all for them when they are a bureaucratized part of a degree program, and thus limited to a select few. The last time I checked, that also cost both students and taxpayers in the form of tuition.

They might like to consider the damage inflicted on the less fortunate, who do not fit in or cannot afford the standardized university line. Those students also want to compete and have access to work experience, and even fellow students want to try their hands in unconventional fields. Unpaid internships do not magically become beneficial with a university's stamp of approval, and what's good for the goose is good for the gander. ©

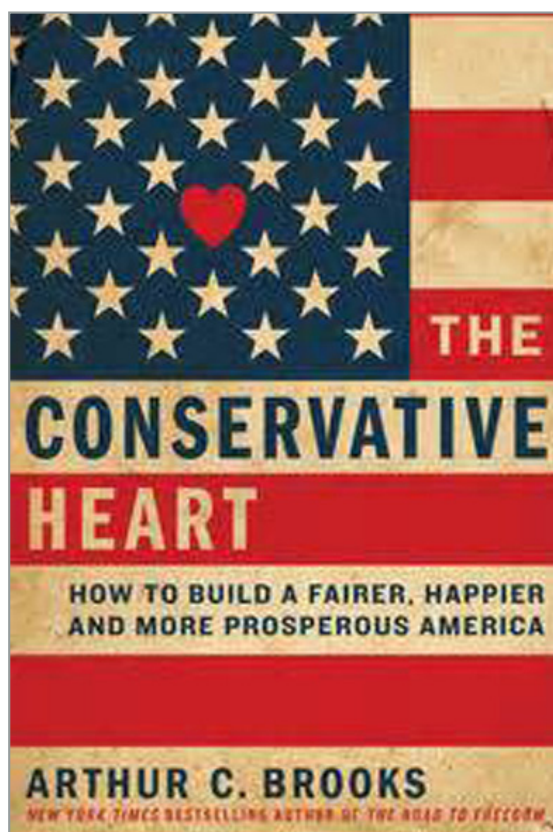
Read the blog post here [»»](#)



Fergus Hodgson is an independent economic consultant and the director of fiscal policy studies with the John Locke Foundation.

THE CONSERVATIVE HEART

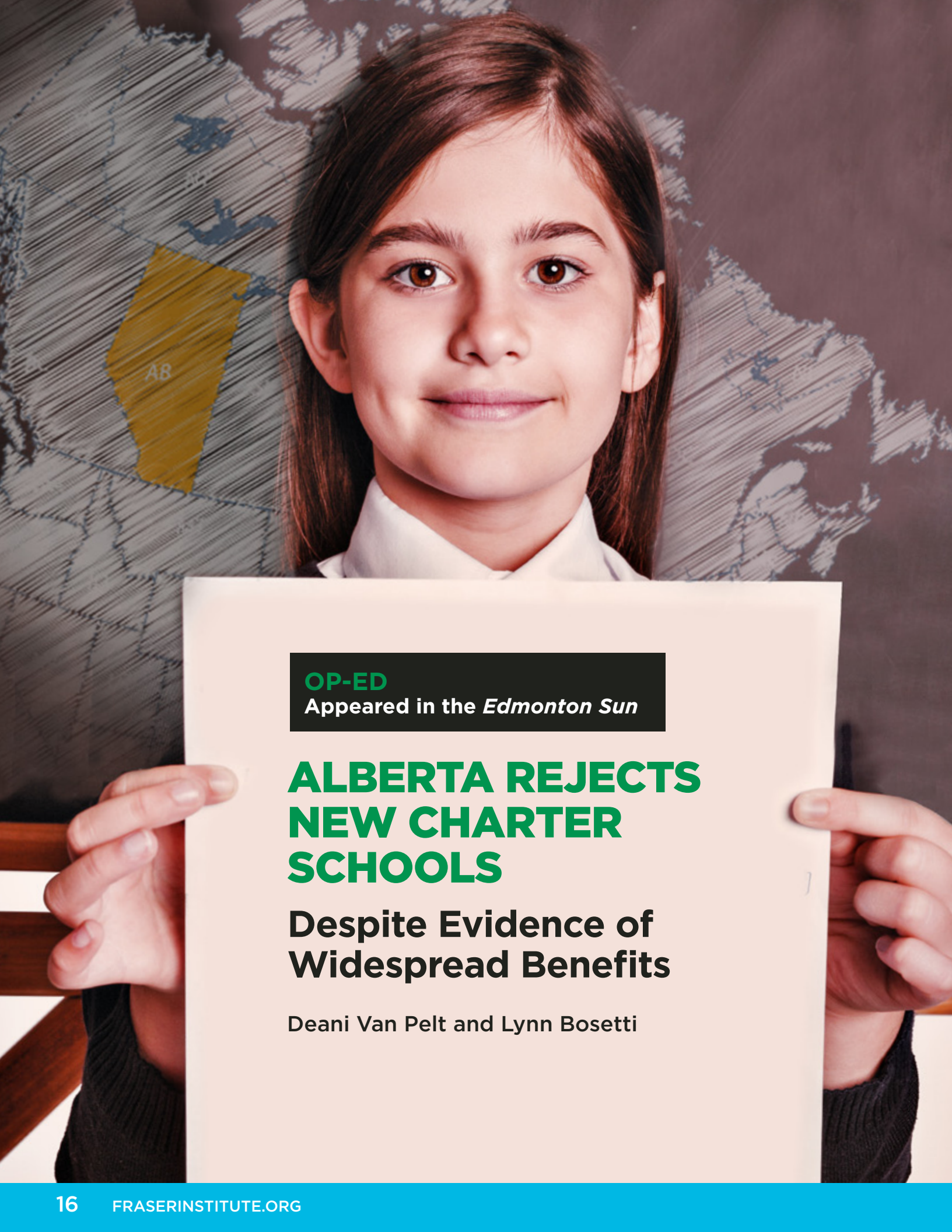
Arthur C. Brooks



American Enterprise Institute President Arthur Brooks stopped by the Fraser Institute's Vancouver office on February 18th to discuss his new book *The Conservative Heart: How to Build a Fairer, Happier, and More Prosperous America*. In his book, Mr. Brooks highlights how conservatism can increase happiness and fight poverty better than many of the progressive policies that have been implemented in the past. By researching sources of happiness and prosperity, Mr. Brooks advocates for a new type of conservatism that fights poverty and promotes equal opportunity. Passionate and clearly argued, *The Conservative Heart* presents an alternative approach to fighting poverty that can be enjoyed and appreciated regardless of political affiliation. [C](#)

Arthur Brooks is the President of the American Enterprise Institute.

Read more about *The Conservative Heart* here [»»](#)



OP-ED

Appeared in the *Edmonton Sun*

ALBERTA REJECTS NEW CHARTER SCHOOLS

Despite Evidence of Widespread Benefits

Deani Van Pelt and Lynn Bosetti

Alberta Education Minister David Eggen recently rejected two applications for new charter schools—a school for special needs students and a Spanish-language school with an emphasis on science. That is unfortunate.

There is room and demand for more charter schools in Alberta, the only province in Canada to allow such schools, and the research is clear about the achievement gaps charter schools fill. In light of Eggen’s own ministry’s finding that “overall, charter schools appear to have provided enhanced student learning outcomes as compared to similar schools and similar students enrolled in other jurisdiction types,” these two rejections should raise eyebrows among parents and taxpayers.

The percentage of Alberta students enrolled in charter schools has more than tripled to 1.4 percent since 1999.

The idea of public schools being independently operated and held accountable for meeting particular goals is relatively new and perhaps even more successful than anticipated. Since being proposed in 1988 by the then president of the American Federation of Teachers, charter schools have been introduced in 42 US states and Washington DC, enrolling roughly 4.5 percent of students in those jurisdictions.

Charter schools have become increasingly popular with parents in Alberta since their introduction

in 1994. The percentage of Alberta students enrolled in charter schools has more than tripled to 1.4 percent since 1999. Yet, despite long wait lists, only 15 charter schools are allowed in Alberta at any one time (13 currently operate in the province).

Because charter schools operate outside of the local school district and are governed by their own board of trustees, it might appear that they are not public schools. But unlike private schools, the province will shut them down if they don’t achieve the goals of their charter.

Charter school funding is also unique. Unlike private schools, they may not charge tuition. They typically receive provincial funding for their operating expenses but not for their capital (building, etc.) expenses as they often lease unused space from the local school district. This means enterprising educators and community members collaborate to deliver innovative education programs without direct cost to parents and with lower cost to the taxpayer.

Charter schools cost less on a per pupil basis and are closed down if they aren’t effective at meeting student achievement goals. Low performing schools don’t continue as drains on the system. Just what exactly is lost by granting a charter, especially when all the legal provisions for their existence are in place?

The question becomes even more mindboggling when you stack the cost efficiencies alongside the research on the outcomes of charter schools.



Charter schools are particularly well-equipped and effective at serving the needs of students of disadvantaged populations. While many studies show strong positive effects of charter schools on student achievement in general, the literature is very clear that charter school gains are particularly large for disadvantaged groups such as students with special needs, second-language learners, and at-risk youth.

If the presence of charter schools exerts pressure on surrounding schools and school districts to improve.... they benefit not only those who attend charter schools but also students who do not.

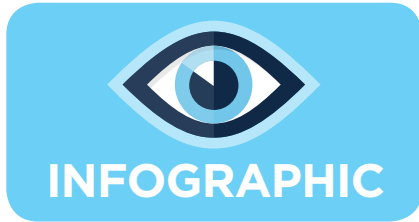
Charter schools serve families and students who are not well-served by the traditional public schools, and are effective and efficient in serving educational preferences not met elsewhere.

Moreover, if the presence of charter schools exerts pressure on surrounding schools and school districts to improve, as literature on school choice demonstrates, they benefit not only those who attend charter schools but also students who do not.

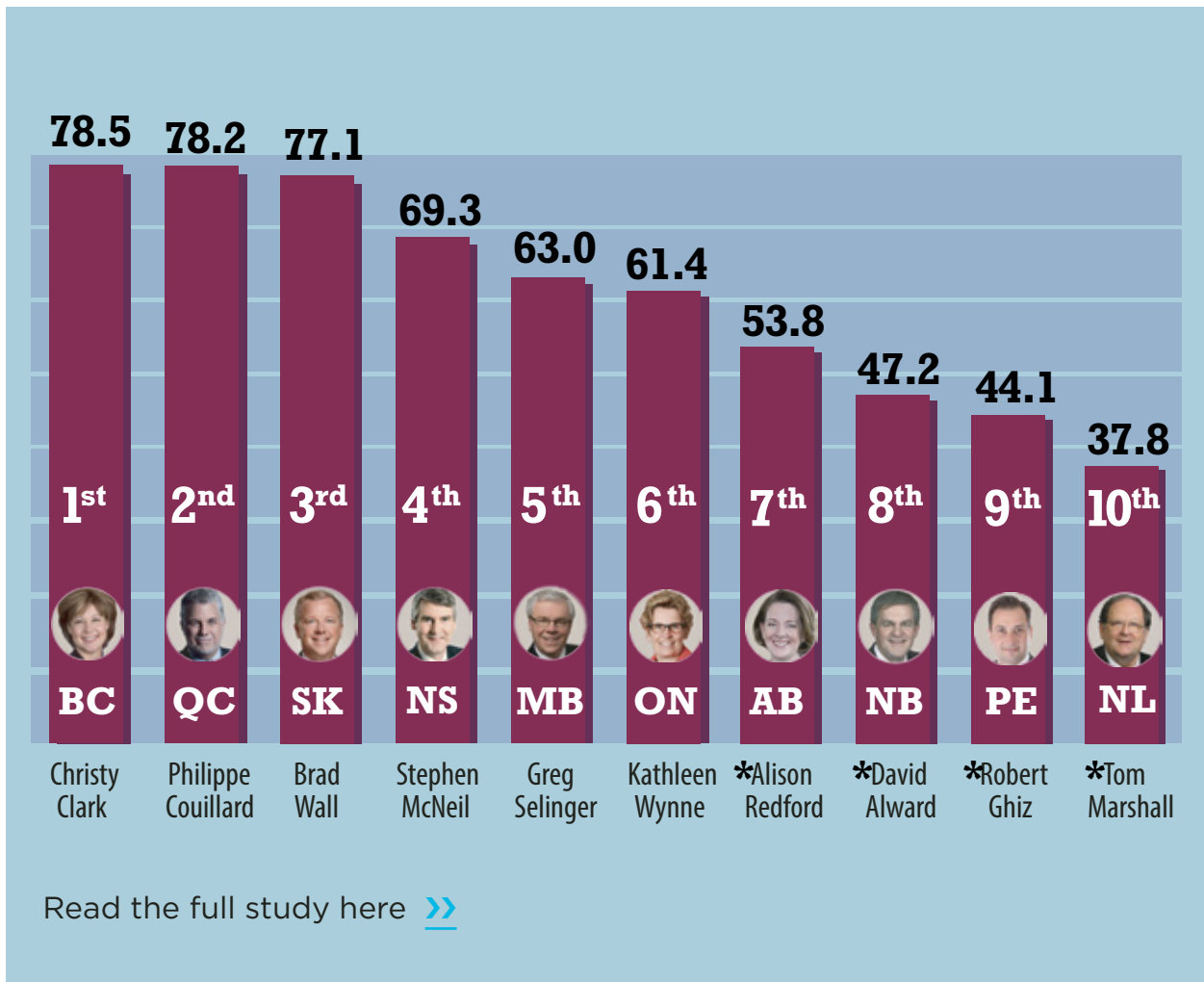
For the sake of all students and taxpayers, Minister Eggen should be cautious about thwarting innovative and enterprising approaches to designing and delivering education in Alberta. **C**



Deani Van Pelt is Director of the Barbara Mitchell Centre for Improvement in Education at the Fraser Institute. and Lynn Bosetti is Professor of Education at UBC, Kelowna.



PREMIER'S REPORT CARD FROM "MEASURING THE FISCAL PERFORMANCE OF CANADA'S PREMIERS, 2016"





THE MYTH OF FOOD MILES

Diane Katz





THIS ARTICLE APPEARED IN THE
FRASER FORUM IN APRIL 2010

Consumers are increasingly being told that “local” foods—typically regarded as those grown within 100 miles of the point of purchase—are environmentally superior to foods that are grown farther away. But research suggests that this is not the case (Shimizu and Desrochers, 2008). The transport of agricultural products actually accounts for a relatively small proportion of the total energy-related emissions generated in food production (Weber and Matthews, 2008).

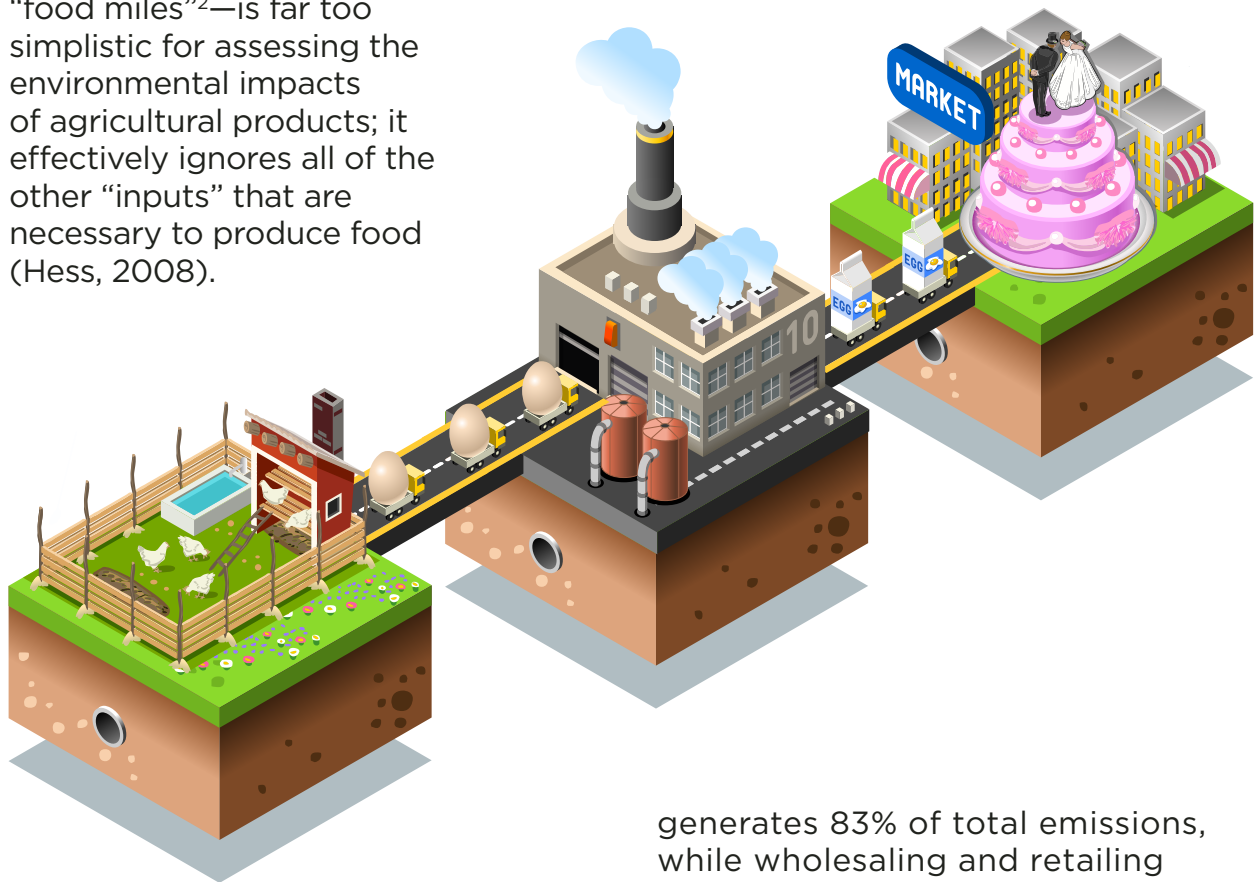
The transportation of food is responsible for only 11% of the greenhouse gas emissions related to the food supply of an average family.

In fact, in many instances, imports have a smaller environmental “footprint” than locally produced food.

In most cases, the emphasis on “eating local” stems from a concern that the global food chain is

generating excessive emissions of the “greenhouse gases,”¹ causing global warming (Bentley and Barker, 2005). However, there is no proof of any such link (McKittrick, 2007). Moreover, this odometer approach to calculating environmental impact—commonly referred to as counting “food miles”²—is far too simplistic for assessing the environmental impacts of agricultural products; it effectively ignores all of the other “inputs” that are necessary to produce food (Hess, 2008).

“life-cycle” analysis found that the transportation of food is responsible for only 11% of the greenhouse gas emissions related to the food supply of an average family (Weber and Matthews, 2008). In contrast, the actual production of the food



As with all commodities, energy is consumed at every stage of food production, from the gasoline that fuels tractors to the electricity required for packaging. Researchers at Carnegie Mellon University have quantified the greenhouse gas emissions for the various components of farming and food processing. This

generates 83% of total emissions, while wholesaling and retailing account for about 5%.

The results of life-cycle assessments for different products vary, of course, depending on a host of factors, including the environment in which the food is grown, the farming practices used to grow it, and the degree of processing it undergoes. Consequently, as a team of researchers commissioned by Britain’s Department of Environment, Food, and Rural Affairs concluded from their analysis of food’s energy intensity, “a single indicator

based on total food kilometres is an inadequate indicator of sustainability” (Smith et al., 2005).

Mile for mile, transatlantic shipping consumes less energy than rail or road transport.

A more thorough analysis involves comparing the total emissions generated by a domestic product and its imported counterpart, as was done by researchers at New Zealand’s Lincoln University. The study compared British imports of New Zealand lamb with lamb raised in Britain. The research found that raising lamb in the United Kingdom requires four times more energy than raising lamb in New Zealand (Saunders et al., 2006). A number of differences contributed to this disparity. For example, the pastures in New Zealand feature sufficient clover for lambs to graze, while UK farmers must use processed feed, which has relatively high energy intensity. New Zealand’s use of hydro-electricity also generates fewer emissions than Britain’s coal-fired power. And, mile for mile, transatlantic shipping consumes less energy than rail or road transport.

These results held true for other products, as well (Saunders et al., 2006).

Even when accounting only for food transport, there is evidence that “eating local” does not necessarily yield environmental benefits. The dominant system of food supply involves trucking products from

central distribution centers to suppliers and supermarkets across a metropolitan area. Moving groceries in volume reduces the environmental impacts per unit of food, since a single trip involves the transport of large quantities. Local farmers may travel fewer miles to deliver their goods to the market, but they do so in smaller vehicles that carry lighter loads. Thus, the lesser distance to market for locally grown products is offset by the smaller vehicles, lighter loads, and repeated trips (Smith et al., 2005).

The notion that ‘eating local’ produces environmental benefits is more a myth than a reality.

Canada imports about half of the food consumed in the country and exports about half of the food it produces (Statistics Canada, 2006). Consumers obviously take advantage of the tremendous product choices that food trade permits and make purchase decisions based on a range of legitimate factors, including price, variety, and convenience, rather than product origin alone. There may be a host of reasons why consumers buy locally grown products, but the notion that “eating local” produces environmental benefits is more a myth than a reality. 



When this article was written, author Diane Katz was the Director of Risk, Environment, and Energy Policy Studies at the Fraser Institute. She has an MA from the University of Michigan.

NOTES

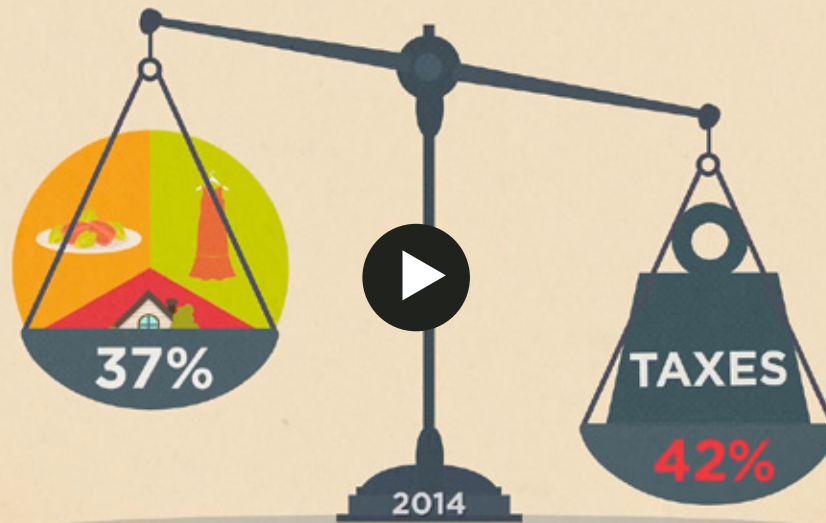
- 1 The term “greenhouse gas” is a misnomer. It implies that greenhouse gases trap heat like a glass greenhouse, but that is erroneous. In a greenhouse, sunlight warms the interior surfaces of the building. That heat is then transferred to the trapped air by conduction. In the atmosphere, the sun heats the Earth’s surface, which transfers heat (energy) to surface air via conduction. But the heat is also distributed throughout the atmosphere by convection, evaporation, and condensation.
- 2 The National Sustainable Agriculture Information Service (2008) defines “food miles” as the distance food travels from farm to plate.

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CANADIAN CONSUMER TAX INDEX 2015



SEE THE VIDEO HERE

CANADIAN CONSUMER TAX INDEX 2015

The Canadian Consumer Tax Index tracks the total tax bill of the average Canadian family from 1961 to 2014. Including all types of taxes, that bill has increased by 1,886% since 1961. Taxes have grown much more rapidly than any other single expenditure for the average Canadian family: expenditures on shelter increased by 1,366%, clothing by 819%, and food by 561% from 1961 to 2014. 

View the video and *Canadian Consumer Tax Index* here [»»](#)

FOSSIL FUEL-FREE ACTIVISTS SHOULD FOCUS FIRST ON SELF-SACRIFICE

John F. Chant

UBC students, faculty and staff groups have passed resolutions calling for the university to divest itself of fossil fuel investments. This effort has not convinced the university's board of governors. At its most recent meeting, it voted against selling off its \$85 million stake in fossil-fuel businesses.

Future researchers will face less generous support and future students will receive diminished financial aid.

The petitioners' efforts have been praised as being ethical and moral. Yet that praise may be excessive: the petitioners have only made a gesture of signing a petition. They have not had to bear any other costs.

The evidence about the impact of divestment is unclear. It may or

may not reduce the university's investment returns. If it does, the costs will not be borne by the petitioners but by future researchers and students. Future researchers will face less generous research support and future students will receive diminished financial aid.

However, the petitioners could demonstrate their support for their cause (of curtailing oil production) more fully in several ways. First, they could undertake to reduce their own carbon footprint by pledging not to use transportation based on carbon energy. Many of them already cycle to work. Second, they could also vow to avoid air travel for attending conferences, for their research purposes, and for their holidays. While carbon offsets may assuage their consciences, they, like medieval indulgences, cannot erase the act of greenhouse gas production.



Another significant step would be to commit to generally sourcing foods from beyond their immediate locale.

They could also pledge to switch away from eating carbon inefficient foods. A first step would be to forego the consumption of meat. The Suzuki Foundation argues that growing livestock for food is extremely inefficient and that the production of one kilogram of meat takes five to seven kilograms of grain. This grain in turn “takes considerable energy and water to produce, process and transport.”

Another significant step would be to commit to generally sourcing foods from beyond their immediate locale. They may have to sacrifice their enjoyment of fresher taste but this freshness comes at the cost of inefficient energy use and higher greenhouse gas production. A U.K.

government study, for example, has shown that locally grown tomatoes produced four times the carbon emissions of tomatoes grown in Spain and shipped to U.K.

Some sacrifice by the petitioners would make their commitment more credible. Actions speak louder than words. Think hunger strikes and Ghandi. Think bus boycotts and Montgomery, Alabama. Think helping the deprived and Jean Vanier.

These actions would demonstrate the petitioners’ belief in their cause far more effectively than any number of declarations, resolutions and petitions. [C](#)

Read the blog post here [>>](#)




John F. Chant is Professor Emeritus of Economics at Simon Fraser University. He is also a Senior Fellow and on the Editorial Board at the Fraser Institute.



RAISING THE MINIMUM WAGE: MISGUIDED POLICY, UNINTENDED CONSEQUENCES

Robert P. Murphy, Charles Lammam, Hugh MacIntyre

Raising the Minimum Wage: *Misguided Policy, Unintended Consequences* argues that raising the minimum wage as a way to boost wages for poor workers will not target workers in low-income households. Only 2.2 percent of minimum wage earners were unmarried heads of households with one minor child. Instead, the study found that 58.4 percent of minimum wage workers were youth aged 15-24, undercutting the idea that the

majority of minimum wage earners are single breadwinners supporting a family. Additionally, the vast majority of workers (83.4 percent) who did live below the Low Income Cut-Off were already earning above the minimum wage, suggesting that different policy options may be needed in order to improve the economic standing of low income households. 

View the video and read the study here [»](#)



DEBT ACCUMULATION IN ONTARIO COMPARED TO OTHER PROVINCES

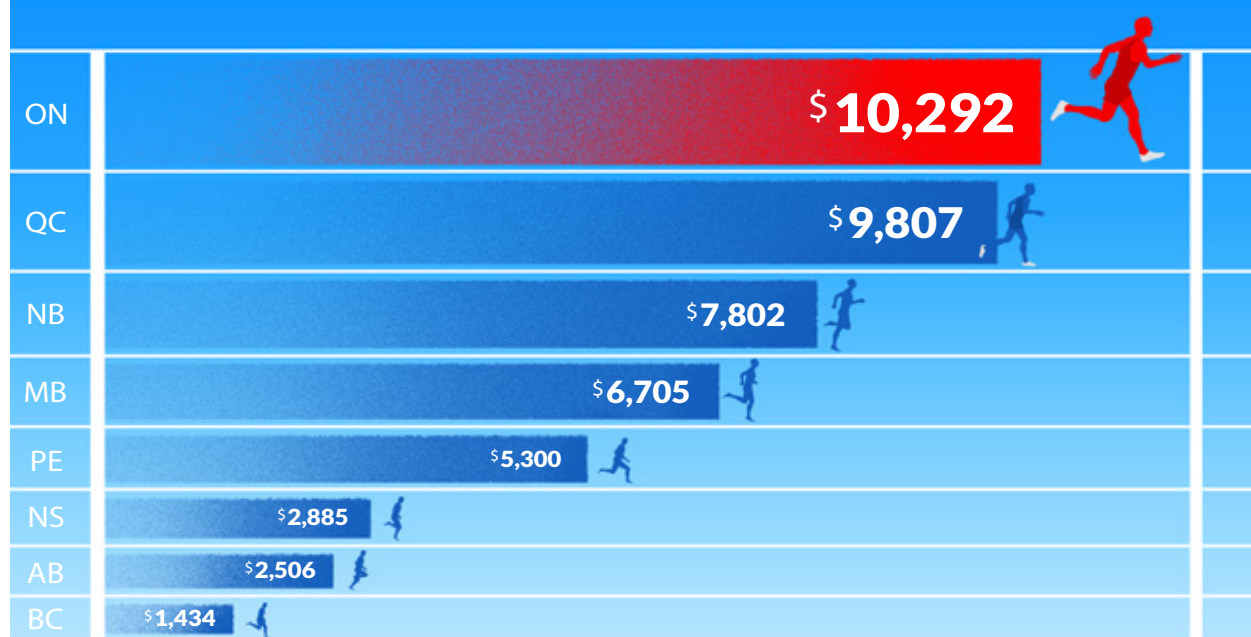
Ben Eisen, Charles Lammam, Milagros Palacios

The study *Debt Accumulation in Ontario Compared to Other Provinces* examines the rapid

increase in Ontario's debt since 2003/04. The study finds that almost half of the province's \$300 billion


RUNNING UP THE DEBT

ONTARIO HAS ADDED DEBT PER PERSON FASTER THAN ANY OTHER PROVINCE



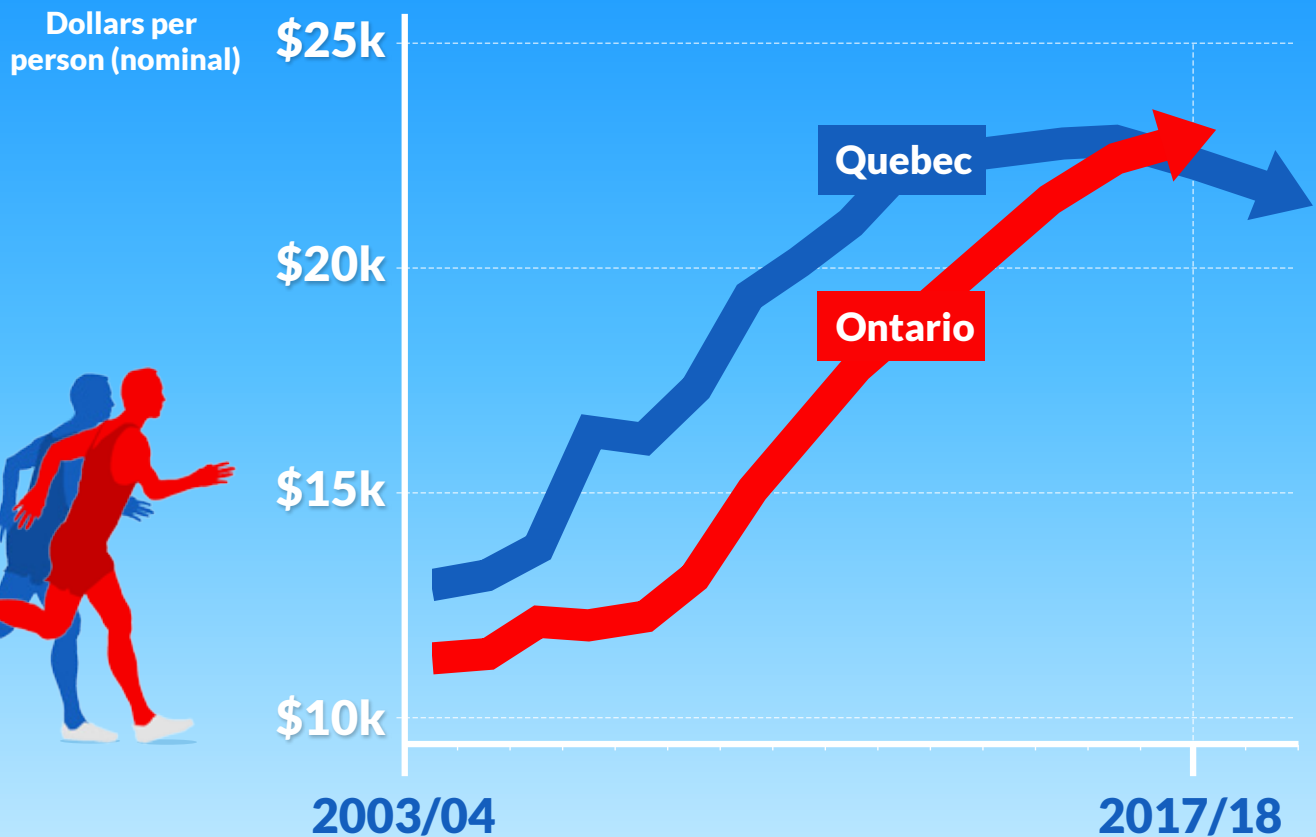
[2003/04 to 2015/16]

net debt was accumulated between 2003/04—2015/16, with the net debt increasing by \$10,292 dollars per person during this period. As a result, Ontario has accumulated debt faster than any other province with its share

of all provincial debt in the country rising from 45.1 percent in 2003/04 to 50.3 percent in 2015/16. 

Read the study here [»»](#)

ONTARIO TO OVERTAKE QUEBEC IN NET DEBT PER PERSON BY 2017/18



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