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Production Editor: Emma Tarswell

Contributing Editors: Mark Rovere, Mike Thomas, and Joel Wood

CSR Staff Writers: Mark McGinley

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Website: fraserinstitute.org
E-mail address:

lindsay.mitchell@fraserinstitute.org

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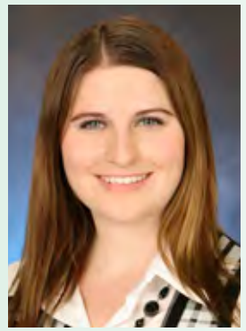
Canadian student review

Welcome!



Dear Readers,

With Occupy Wall Street dominating the headlines, and being criticized for not having a clear message, what are some pro-opportunity principles that protesters could fight for? Can a voucher based education system give parents the right to decide what values their children are taught in the classroom, without having to pay extra for private school? Is Canada's health care system living up to its revered status, or has it become too expensive for the quality of care that it provides? And finally, why is it so hard to find a good selection of microbrewed beers in Ontario?

The Winter 2012 issue of *CSR* addresses the above questions and many other topics. Also featured is a special Q&A segment with former Fraser Institute intern and now Executive Director of the Canadian Constitution Foundation, Chris Schafer, who discusses what it was like to work at the Institute, advice for students looking for a job, and what his current career entails.

I hope you enjoy reading all of the articles.

Best,

Lindsay Mitchell
Editor, *Canadian Student Review*

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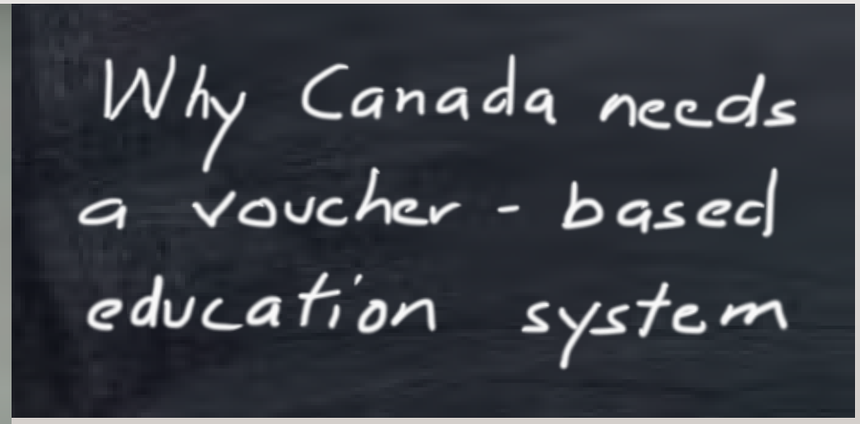

Amy Gabriel

During the recent Ontario provincial election campaign, disputes erupted regarding the Toronto District School Board's 2011 publication entitled *Challenging homophobia and heterosexism: A K-12 curriculum resource guide*. Numerous Ontarians were disturbed by the publication's statement that parents could not choose to exempt their children from "discussions of LGBTQ family issues as a religious accommodation" (Erickson et al., 2011).

This latest dispute reflects the ongoing argument over whose beliefs and values get

to shape schools. Being both "public" and government-funded, the Canadian education system is expected to uphold the principle of neutrality toward all belief systems.[1] Yet protecting "freedom of religion and liberty of conscience" (Rawls, 1999) not only means that individuals must be prohibited from imposing their beliefs on others; it also means that individuals have the right to direct "their social and political existence" (Wolterstorff, 1997) according to these beliefs. This extends to choices about education.

As it stands, our publicly funded education system is unable to accommodate the values and beliefs of all members of its community, yet lacks an appropriate means for adjudicating between them. As a result, parents' rights—namely the right to have input into their children's education—are abridged and certain belief systems imposed (as demonstrated through the Ontario Ministry of Education's Character Development Initiative and the British Columbia *Camberlain v. Surrey School District* court cases). By implementing a tuition voucher system, parental rights and non-discrimination can both be attained.

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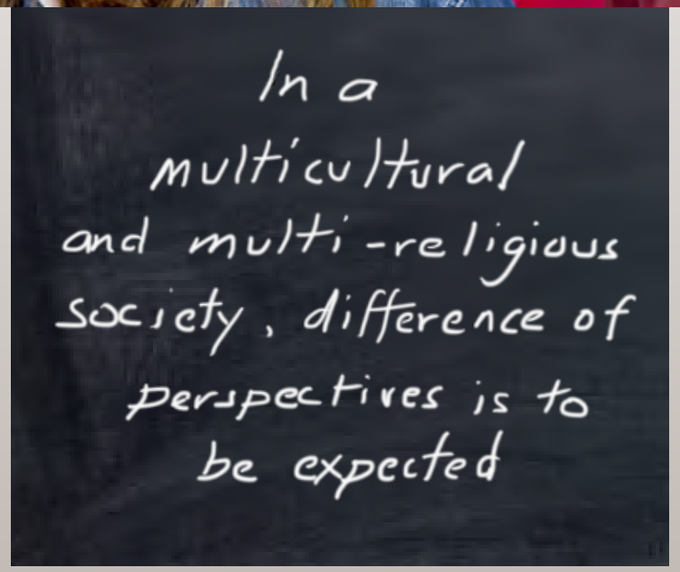

Ontario's Character Development Initiative

In October 2006, the Ontario provincial government announced the Ministry of Education's new Character Development Initiative. The Initiative aimed to teach students "to become caring and contributing citizens" who would "sustain the universal values that we espouse as a society" (Ontario Office of the Premier, 2006).

But what would such "universal" values be? Recognizing the diversity of Ontario's populace, the Initiative emphasized the "growing need to find common ground on the values we hold in common." The Initiative claimed to tap into "diverse communities" and "many faith traditions" while remaining neutral towards religions and promoting "inclusiveness, equity, and respect for diversity." It sought out "principles and attributes" that "are universal and transcend… demographic factors" such as race, gender, and beliefs (Toronto District School Board, 2008). In an attempt to find such universally accepted values, members of Ontario communities were asked about their values (Toronto District School Board). Schools were then to "promote the character attributes agreed upon by the community" (Glaze, 2008).

The values ultimately selected by the public school boards differed significantly from those selected by the Catholic school boards.[2] This discontinuity was not incidental. In 2008,

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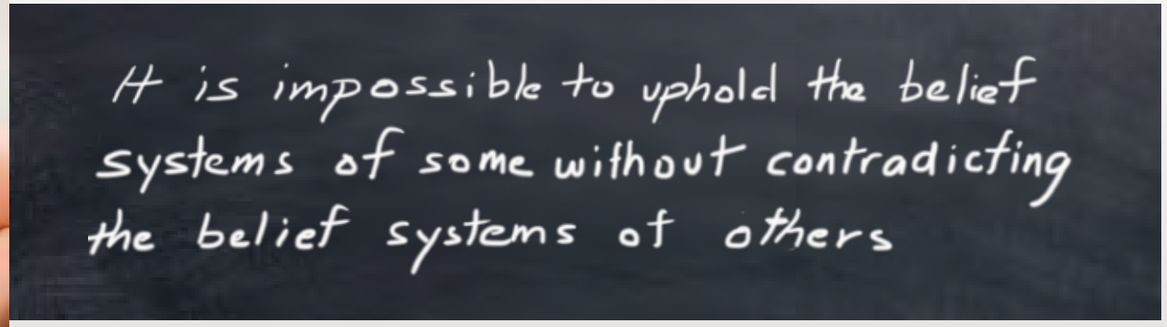


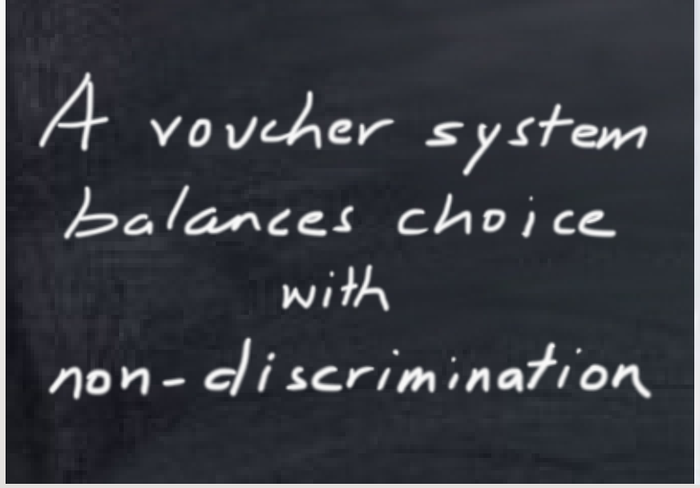
the Ontario Conference of Catholic Bishops (OCCB)[3] published *Character development and the virtuous life: a position paper* in response to the Character Development Initiative. The paper affirmed that Catholics "must seek to integrate this Initiative in a way that is faithful to [their] own tradition and identity." The bishops critiqued the notion of "value" found in the Initiative as being relative and secular. (Education Commission of the OCCB, 2008). Ultimately, the Eastern Ontario Catholic Curriculum Cooperative produced a resource entitled *Our language, our story*, which sought to fulfill the Character Development Initiative in a distinctly Catholic manner (Eastern Ontario Catholic Curriculum Cooperative, 2009).

The OCCB response to the Character Development Initiative demonstrates that, in a multicultural and multi-religious society, differences of perspectives is to be expected and that it is impossible for a public education system to accommodate all values and beliefs. The Catholic understanding of virtue is based upon a specific philosophical and theological tradition and is, therefore, not fully "neutral" or "universal." But neither is the Initiative. In insisting on universality, on full *inclusiveness*, the Initiative at least theoretically *excludes* objective belief systems such as the Catholic tradition. It allows religious voices to shape the public curriculum only to the extent that they tap into a shared basis. But what happens when teachers or school boards must deal with clashing perspectives?

British Columbia's *Chamberlain v. Surrey School District* case

James Chamberlain, a teacher at a school in Surrey, British Columbia, requested permission for three books to be used in the kindergarten and first grade classrooms. Taken from a list provided by Gay and Lesbian Educators of BC, these books presented homosexuality as a legitimate moral and relational choice (Benson and Miller, 2000b). The elected School Board voted four to two to deny Chamberlain's request, noting, among other things, that "parents [had] voiced their concern over the use of Gay and Lesbian Educators of British Columbia… resources in the classroom" (*Chamberlain v. Surrey School District*, 1998).

Chamberlain appealed to the BC Supreme Court, alleging that the Board's decision was "discriminatory." The Board, however, argued that "the School Act incorporates parent participation into education decisions" and that there was "evidence that many in the community hold strong religious and moral views against homosexuality." The School Board cited affidavits from parents and religious leaders (including Protestants, Catholics, Muslims, Sikhs, and Hindus), as well as from non-religious persons, requesting



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that these books not be taught in the classroom. Therefore, the Board claimed that the "introduction of the three books would both infringe the parents' rights to give moral guidance to their children and abridge the parents' freedom of religion." However, Justice Saunders claimed that the School Act required schools to "be conducted on strictly secular and non-sectarian principles," "preclud[ing] a decision significantly influenced by religious considerations." Therefore, Saunders overturned the Board's prohibition against using the books (*Chamberlain v. Surrey School District*, 1998).

The BC Court of Appeals reversed Saunders' ruling and upheld the Board's decision to disallow the books. The Court affirmed that the exclusion of "religiously informed" reasons from the public sphere rendered "religious unbelief a condition of participation in the setting of the moral agenda." This infringed on both freedom of religion and "the right of all citizens to participate democratically in the education of their children" (Benson and Miller, 2000a).

Finally, Chamberlain appealed to the Supreme Court of Canada, which argued that "parents' freedom of religion" must be balanced with "the right of same-sex couples and their children to equality." It affirmed that, in the BC school system, "no one doctrine (religious or otherwise) can be imposed so as to condemn a lifestyle that does not fit with its values" (*Chamberlain v. Surrey School District*, 2002). Therefore, the Supreme Court ruled that the School Board must reevaluate the books on non-discriminative terms. The School Board ultimately disallowed the use of the books for reasons that were not religiously or morally charged, such as poor grammar (Schneiderman, 2005).

The *Chamberlain v. Surrey School District* case demonstrates the impossibility of upholding the belief systems of some without contradicting the belief systems of others. Thus, parental rights were sacrificed to "neutrality," and "neutrality" was reduced to something like the belief system of secularism, which was subsequently imposed on all parents and students. The education system contained no mechanism for allowing parents' choice in education while still upholding nondiscrimination.

The solution: A voucher system

The cases discussed above demonstrate the impossibility of basing the education system on neutral and non-discriminatory principles—as must be done in a public school system—while still allowing parents' choice and input regarding their children's education. By restructuring the school system, however, these two goals can both be fulfilled. Recall how the Catholic school boards reworked the Character Development Initiative to fulfill its requirements in line with their own tradition. What if other belief systems could do the same?

The current education system is discriminatory.

In the words of a United Nations ruling, the Canadian school system is guilty of "discrimination on the basis of religion in the distribution of subsidies to schools" (United Nations Human Rights Committee, 2006). While public and Catholic[4] schools receive government funding, parents who want their children to be educated in another tradition (e.g. Jewish or Protestant) are forced to foot the bill themselves. The same is true for parents who, upset by public schools' curriculum or quality of education, opt to send their children to private school. Even more unjustly, these parents—as well as many other taxpayers who do not even have children in school—are still taxed to fund the public school system.

Under a voucher system, the provincial governments would no longer exclusively fund public and Catholic schools. Instead, the governments would provide Canadian parents with a certain amount of tuition money per child, which the parents could then use to send their children to whichever educational institution best reflected their values. Such an arrangement would have manifold benefits. It would introduce competition into the educational marketplace, forcing schools and teachers to maintain high standards; it would counter the current discriminatory funding arrangement; and it would relieve parents who wish to send their children to private schools of the unfair burden of paying taxes to fund the public system. And a voucher system would do what the public school system has proved incapable of doing: balance choice with non-discrimination.

The voucher system would circumvent the impossible task of trying to satisfy the values of some parents without discriminating against others; it would do so by providing parents with the financial freedom to send their children to the schools most aligned with their values. While all schools would have to follow certain guidelines and requirements (e.g. prohibitions against hate speech),[5] institutions would be able to accommodate parental preferences (e.g. regarding when and in what form sex-ed should be introduced). Schools could shape curriculum according to their own specifications, as Ontario Catholic schools did with the Character Development Initiative. This would be a positive alternative to the negative, complicated, and—in the case of Ontario's new sex-ed curriculum—impossible quest to have children "opted out" of certain classes.

In sum, the voucher system would replace discrimination—whether in the form of favouring one belief system over another or of selectively funding certain schools—with parental choice. Surely this is an exchange worth pursuing.

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Notes

1 I use this expression broadly to include both religious and non-religious worldviews, subsuming elements such as ethics, theology, political theory, etc.

2 I drew this conclusion after examining the public and Catholic school boards of Toronto, Ottawa, and the Durham Region. Admittedly, the sampling is small, but the differences were obvious and explainable in light of the OCCB paper, discussed below.

3 The OCCB is now called the Assembly of Catholic Bishops of Ontario.

4 Or Protestant, in the case of Quebec. This applies also to the following mention of Catholic schools.

5 Great care would have to be used in establishing minimum standards (for example, regarding government certified teachers or provincial curriculum); too much interference by the government would reduce the system to little more than the previous homogenous public system. ■

Amy Gabriel completed her MA in Political Science at the University of Toronto. With broad academic interests, she has held research positions in organizations ranging from Canada's Department of National Defence to the Shalem Center in Jerusalem.

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Interview

Chris Schafer

In late October, Chris Schafer, a former Fraser Institute intern, gave a presentation entitled "Why hate speech ought to be free speech" at the Victoria and Vancouver Explore Public Policy Issues student seminars. Schafer sat down with the *Canadian Student Review* to discuss his point of view on hate speech and what he has been up to since leaving the Institute. Schafer can be followed on Twitter (@chrisschafer).

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

CS: I worked with former Fraser Institute staff Jason Clemens and Joel Emes to produce several full-length studies and articles advocating for welfare reform in provinces across Canada.

CSR: Where are you currently working? What is your primary focus?

CS: I am currently the Executive Director and lawyer with the Canadian Constitution

Interview *Chris Schafer*

Foundation (www.theCCF.ca). The Canadian Constitution Foundation is a registered charity, independent and non-partisan, which defends the constitutional freedoms of Canadians through education, communication, and litigation. We are currently litigating a range of issues in courts across Canada including health care, the Nisga'a Treaty, and freedom of speech.

CSR: How did the internship affect your future work?

CS: The Fraser Institute internship program fed my desire for making public policy change. Now, as Executive Director of the Canadian Constitution Foundation, I have an opportunity to make public policy change through the courts in order to enhance the freedom of all Canadians.

CSR: Do you have any tips for students?

CS: Get involved! Join a political party, support a think tank, and advocate on issues you support. Your involvement at a young age will expand your pool of friends and contacts, open doors to new employment opportunities, and enhance your life.

CSR: Your presentation was on hate speech and why you believe it should be free speech; could you please explain why you think that hate speech should be allowed and give your top six reasons as to why the government should not be censoring it.

CS: Hate speech should be allowed for the reasons I outline below:

1. Censorship laws far too often penalize people who have done nothing wrong.

Consider the human rights complaint in British Columbia and Ontario against *Macleans* magazine over the publication of eighteen "Islamophobic" articles between January 2005 and July 2007. The articles in question included a column by Mark Steyn titled, "The Future Belongs to Islam." Even though the verdict in that case was that *Macleans* had not violated the BC Human Rights Code, the magazine was punished by having to go through the expense and the ordeal of a trial, simply because the law permits censorship.

2. The existence of censorship chills legitimate debate.

Once people have seen what *Macleans* magazine had to go through, they start to

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There are at least six good reasons not to censor hate speech

What happens when the levers of power fall into the wrong hands?

self-censor because they want to avoid being prosecuted.

3. If you reward any behaviour, more of it will be produced.

If you make it pay, as we do at so-called "human rights" tribunals, then more and more people will claim to be offended and seek their reward.

4. Prosecutions backfire.

Whenever we prosecute someone like Ernst Zundel, a holocaust denier, or David Ahenakew for anti-semitic comments, the trial always brings more publicity to their offensive comments than they would have gotten otherwise.

5. Who will guard the guardians?

If it's really true that people can be persuaded into bigotry, then the censors themselves, who have to read it over and over again, should become the biggest bigots. And if it's not true that reading racist or bigoted material over and over again converts you into a bigot, then why do we need to censor it?

6. The good guys don't always stay in power.

You may think censorship is okay so long as we only censor the "bad people", the ones who "deserve" to be censored, like the Ernst Zundels or the David Ahenakews. But once the mechanism is in place that permits censorship, what will happen if those levers of power ever get into the wrong hands? ■

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How about a useful Occupy protest—for opportunity

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Mark Milke

When you look at Occupy Wall Street and the cascading imitations now in play across North America, it would be a mistake to write the protesters off as merely misinformed. In some cases, they are, so, any self-flattering comparison with the Arab Spring where citizens faced off against murderous dictators is absurd. Still, some protesters are also well-intentioned.

The Occupy protesters have a plethora of complaints including how profit is private but financial losses are socialized, the existence of pollution, stagnating wages, and home foreclosures among others.

Admittedly, some complaints are more salient among Americans than Canadians—foreclosures, for example.

Also, some protester demands can be contradictory. For example, more jobs and a better environment should not always be placed in opposition to each other. Entrepreneurs who invent more ecologically-friendly technology are a good example of business and environmental interests in concert.

But on a more specific and recent issue, some disruption of land will occur if an oil pipeline from Canada to the United States is to be built. With

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now out-of-work Americans to be employed by this project, protesters who want more jobs but also oppose any disturbance to the Prairie landscape are not being realistic.

I sympathize with the protesters' concerns but for those sincerely interested in creating a better world, slogans, demands, and a snap of the finger won't do it. Thus, to make poverty scarce, to foment prosperity, and to avoid political favouritism, here are a few general principles Occupy protesters should grasp and promote:

Principle one:
Subsidize only people in need, never the wealthy or corporations

People occasionally need help and the exact parameter of that is a constant source of debate as is who should do the helping. Nonetheless, let's be clear about who doesn't need a subsidy: the wealthy and corporations.

The rationale here is not difficult to understand. Obviously, the wealthy don't need income transfers from taxpayers. As for companies, they are artificial entities which will rise and fall, so let them.

Real people work in companies but that's rather the point: when flesh-and-blood human beings are down on their luck, help them, not corporations who come and go. After all, trying to "save" corporations through taxpayer money only sets governments up to intervene between competitors and to pick winners and losers.

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Wall Street protesters are right to oppose the socialization of losses on Wall Street; the same goes for Detroit automakers and anywhere else where private losses are paid for by taxpayers. So as a general principle, end all corporate welfare and means-test all social programs.

Principle two:
Be neutral in tax policy

Whether in Canada or the US, the personal and business tax codes are riddled with loopholes disguised as "tax credits," "deductions," and "exemptions." Regardless of where one thinks the overall tax levels should be, job creation

(except for accountants) could be helped by broadening the tax base and simplifying collection. Lower, flatter, and simpler taxes are always preferable to higher, convoluted, and confusing taxes.

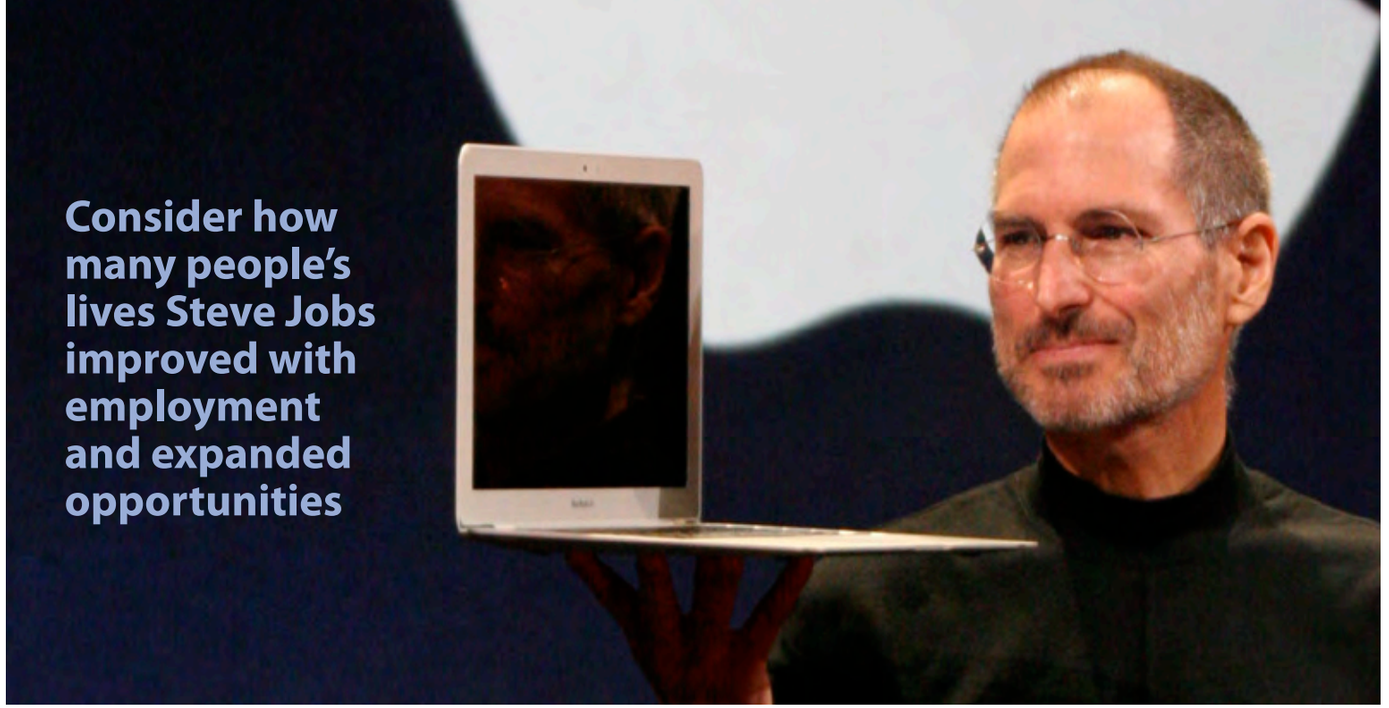
Principle three:
Always favour consumers over producers

Want cheaper food prices for the world's poor? Then stop favouring farmers or anyone else with subsidies, protective barriers, and "supply management" boards (which are essentially cartels). All that does is protect the market share and prices of producers at the expense of consumers. Instead, embrace open competition.

Principle four:
Oppose government-sponsored "Ponzi" schemes

Insofar as anyone thinks governments should throw another borrowed billion or trillion dollars at the economy, it's an attempt to generate political returns now at real costs to future generations. That cost includes more debt to be repaid in the future with higher taxes, slower economic growth, and fewer jobs—for the younger protesters on Wall Street.

That's almost akin to a Ponzi scheme. It's an inter-generational "borrowing" of wealth that forces the last people into the scheme to pay for not only their own government services but also those delivered to people who came before. There's a good example of where that leads: Greece.



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Principle five:
Favour opportunity, wherever it appears

Some Wall Street protesters decry so-called entry-level jobs, but that's an insult to those who hold them and who work hard to improve their lives. There is great dignity in all work, in any field. For most able-bodied people, work beats dependence on a government cheque.

So in general, embrace opportunity. Look at what it did for Steve Jobs. Consider how he improved the world with his inventions and entrepreneurial drive. Ponder how many people's lives he improved with employment and expanded opportunities. That's a smashing success story and one worthy of emulation.

This article appeared in the *Kelowna Daily Courier, Vernon Daily Courier, Penticton Herald, Victoria Times-Colonist, Calgary Herald, Toronto Sun, Ottawa Sun, Winnipeg Sun, Edmonton Sun, Montreal Gazette*, and *The Province.* ■

Mark Milke is the director of Alberta Policy Studies at the Fraser Institute. He also manages the Fraser Institute's Centre for the Study of Property Rights.

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Reforming Canada's health care system

Mark McGinley

At some point after its inception in 1966 (Health Canada, 2011), Canada's health care system, Medicare, stopped being viewed simply as a means of delivering health care to Canadians and started being viewed as something more. It became a part of our national identity, embodying all of the values that make this country great. Eschewing the more classist structure of the United States, our system represented fairness and equality, ensuring that all Canadians received health care regardless of their social status. While many Canadians are proud of our health care system—and rightfully so—we are now facing a problem caused by our elevation of the health care system to a national symbol: it has become sacrosanct. Our feathers bristle at even the slightest insinuation that our system is less than perfect, and any mention of privatization is liable to get you tossed out of respectable dinner parties.

In reality, the sustainability of Canada's health care system is eroding; by 2017, government health expenditures in six out of 10 provinces are projected to consume half of the total available provincial revenues, including federal transfers (Skinner and Rovere, 2011). Further, from 2000 to 2010, Canada's total expenditure on health care as a percentage of GDP rose from 8.8% to 11.3%. This figure is well above the Organization for Economic Co-operation and Development (OECD) 2010 average of 9.7%, making Canada the sixth most expensive health care system in the OECD (OECD, 2011). We also spend significantly more on health care on a per capita basis, spending $4,363 ($US PPP) per person annually as opposed to the OECD average of $3,361 (OECD, 2011).

These figures are not inherently problematic and could be acceptable if such above-average spending resulted in a superlative health care

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system; unfortunately, this is not the case. In 2007, Canada ranked below the majority of the 27 OECD countries for which comparable data were available for almost every indicator of medical resource available, as well as for the output of medical services (Skinner and Rovere, 2010).

The time has come to put our national ego aside. Cracks have begun to materialize in Medicare's foundation, and we need to take it off of the pedestal we have placed it on to make the necessary repairs. By doing so we can ensure that Medicare will be able to meet the needs of future generations. We need to look to the rest of the world for ideas on how to improve our system, but before we can begin to fix it we must have an understanding of how Canada's health care system works.

How Canada's health care system works

Canada's health care system is composed of a complex set of arrangements between the federal government, the provincial and territorial governments, regional health authorities, and health care providers. Think of it as a patchwork quilt: Each province or territory is a patch that has its own policies on subjects like physician contracts and private insurance. All patches are then stitched together by the federal government's *Canada Health Act* (CHA). The patchwork nature of Canada's health care system derives from our constitution, which places taxation authority largely with the federal government while placing the management and delivery of health care within the scope of the provincial governments (Detsky and Naylor, 2003). Recognizing that the Constitution gives the provinces authority over health care delivery, the federal government enacted the CHA in 1984 to ensure a standard level of health care across the country. The CHA accomplishes this goal by requiring provincial public insurance plans to be publicly administered on a non-profit basis, to provide comprehensive insurance, to be universal in nature, accessible, and portable between provinces (*Canada Health Act,* 1985, s. 7).

In addition to the criteria listed above, the CHA also prohibits extra-billing and the charging of user fees (*Canada Health Act,* 1985, ss. 18, 19). Extra-billing is defined in the CHA as the practice of billing an insured person an amount for a rendered insured health service that is in excess of the amount paid by that person's provincial health care insurance plan (*Canada Health Act,* 1985, s. 2). The CHA defines a user fee as a fee charged to a patient for a medical service that is covered by a province's public health insurance plan (*Canada Health Act,* 1985, s. 2).

To compel the provinces to adhere to the requirements identified above, the federal government can withhold some, or all, of their cash contributions to the provinces (*Canada Health Act,* 1985, s. 15). In this sense, the CHA embodies both the carrot and the stick. If a province follows CHA rules, federal cash will flow. However, should a province fail to adhere

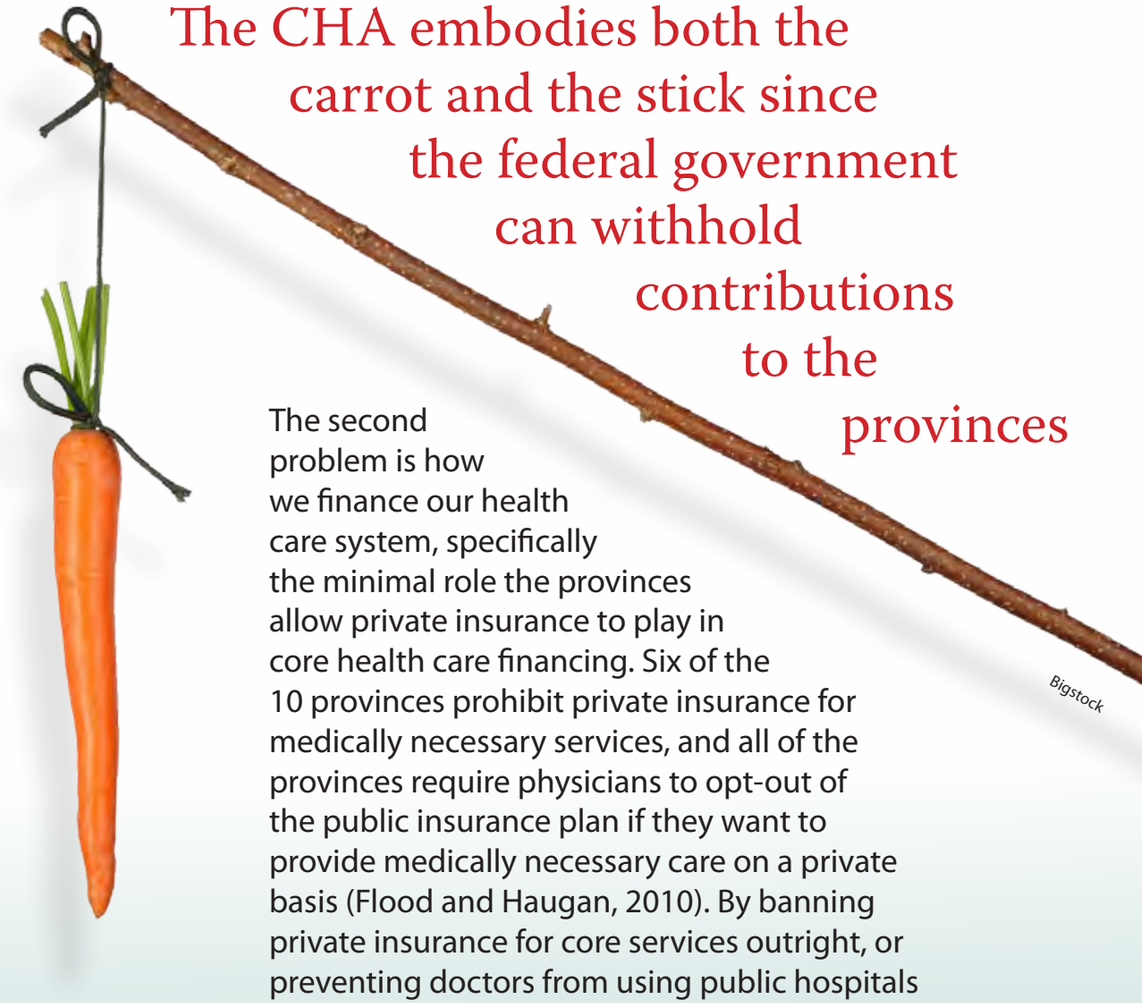
to the CHA's requirements, the federal funding river could dry up, leaving the offending province to fund its health care system without federal help.

To further complicate matters, the CHA does not define what health services a province must insure to satisfy the comprehensiveness requirement. The CHA merely stipulates that a province's health care insurance plan "must insure all insured health services provided by hospitals, medical practitioners, or dentists" (*Canada Health Act,* 1985, s. 9). In the CHA's definition section, the services required to be provided under public insurance by hospitals, medical practitioners, and dentists [1] are defined as those services which are "medically necessary" (*Canada Health Act,* 1985, s. 2). This definition has been interpreted by the courts as giving the provinces the discretion to determine which services are medically necessary, and thus which services are covered by public insurance as required by the CHA (*Cameron v. Nova Scotia*, 1999).

As a result, the services that are insured by the provinces can vary depending on the level of wealth present, with provinces like Alberta offering more comprehensive coverage than provinces with more limited financial means (Steinbrook, 2006). Once the provinces have received their funding, they allocate it to the proper authority (e.g. amongst the regional health authorities), which then in turn allocate it to health care providers (e.g. hospitals and clinics) set up as private non-profit corporations (Detsky and Naylor, 2003).

The main problems of Canada's health care system

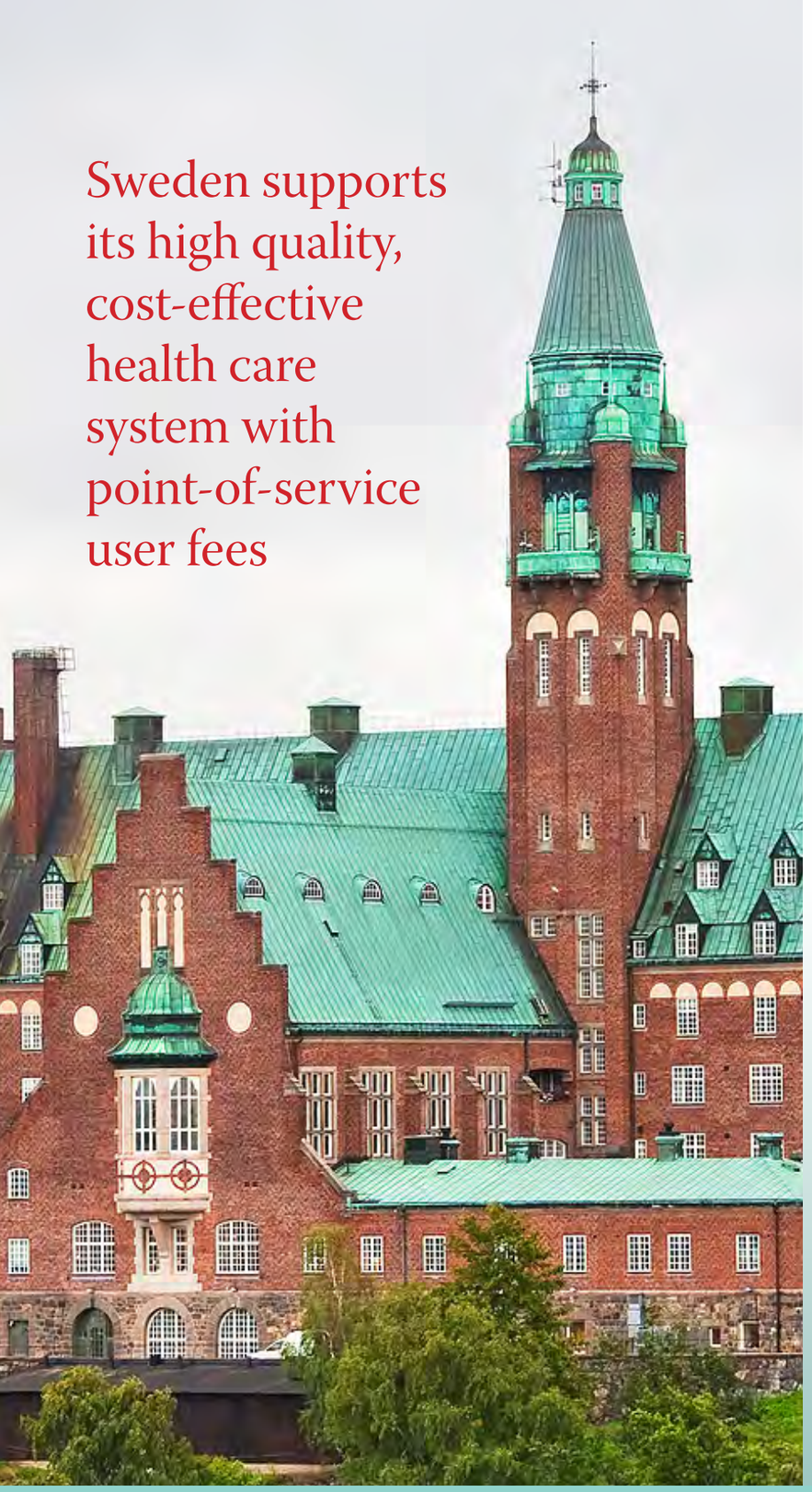
Canada's health care system has two primary problems that are particularly troubling. The first is the federal government's ability to withhold transfer payments for non-compliance with the CHA, which effectively shackles the provinces in their ability to experiment with innovative health care delivery models. Specifically, the provisions in the CHA prohibiting user-fees and extra billing prevent the provinces from experimenting with health care financing models similar to those currently being used in European countries like Sweden and the Netherlands. By prohibiting user fees and extra billing the CHA eliminates patients' price sensitivity, essentially divesting health care users of any incentive to pro-actively maintain their own health and make judicious use of the health care system. This approach resultsin over-use of the health care system.



The CHA embodies both the carrot and the stick since the federal government can withhold contributions to the provinces

The second problem is how we finance our health care system, specifically the minimal role the provinces allow private insurance to play in core health care financing. Six of the 10 provinces prohibit private insurance for medically necessary services, and all of the provinces require physicians to opt-out of the public insurance plan if they want to provide medically necessary care on a private basis (Flood and Haugan, 2010). By banning private insurance for core services outright, or preventing doctors from using public hospitals to perform medically necessary services provided on a private basis, or a combination of both, the provinces have given themselves a de facto monopoly on core health care insurance. The provinces' inflexible control of core health insurance deprives Canadians of the efficiencies and cost savings that could be created in a well regulated, competitive private health insurance market.

Sweden supports its high quality, cost-effective health care system with point-of-service user fees



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Lessons to take from the Swedish health care system: user fees and private sector financing

Sweden provides its citizens with a well-run and cost-effective health care system. In 2008, there were 60% more physicians per 1,000 people in Sweden than in Canada yet, in 2009, its total health care expenditures were more than $600 less per capita (OECD, 2011). One of the reasons that Sweden is able to deliver such high quality, cost-effective service stems from its imposition of point-of-service user fees, and the role private insurance plays in health care financing (Rae, 2005).

Unlike Canada, where health care providers are expressly prohibited from charging user fees under the CHA, Sweden requires its citizens to pay a fixed amount per visit for health care, dental work, and pharmaceuticals (Swedish Institute, 2009). The user fee for primary care varies from 100 to 200 Swedish krona (SEK) (roughly CA$15 to CA$30) depending on the provider, with an annual cap of 900 SEK (135 CA$) (Swedish Institute, 2009). Charging point-of-service user fees has made the Swedes sensitive to the price of medical services by connecting the consumption of medical care to the cost of providing such services. Charging at the point-of-service encourages patients to be more responsible when deciding whether they need to use their health care system. In this fashion, point-of-service user fees reduce the cost to the system by reducing the demand for unnecessary care, while also freeing up capacity for those that legitimately require medical attention. In fact, research shows that patient cost-sharing is effective for reducing the use of medical services without causing harmful health outcomes for patients (Newhouse et al., 1993).

Sweden also takes a different approach to Canada in the role the private sector plays in financing health care. In Sweden, private insurance is available, usually to cover supplementary elective procedures carried out in private hospitals (Rae, 2005). The primary value of such insurance is that it allows privately insured patients to "jump the queue" and receive treatment immediately (Flood and Haugan, 2010). The Swedes claim that the availability of private insurance ultimately benefits the system as a whole by shortening the wait times in the public queue and by expanding hospital capacity. Private hospitals then sell excess capacity to the local county council, further reducing waiting times at public hospitals (Rae, 2005).

It should be noted that only 2.5% of Swedish citizens are covered by private insurance (Flood, & Haugan, 2010). This figure is unsurprising given the fact that Swedish public insurance is very comprehensive and covers most prescription drugs and dental

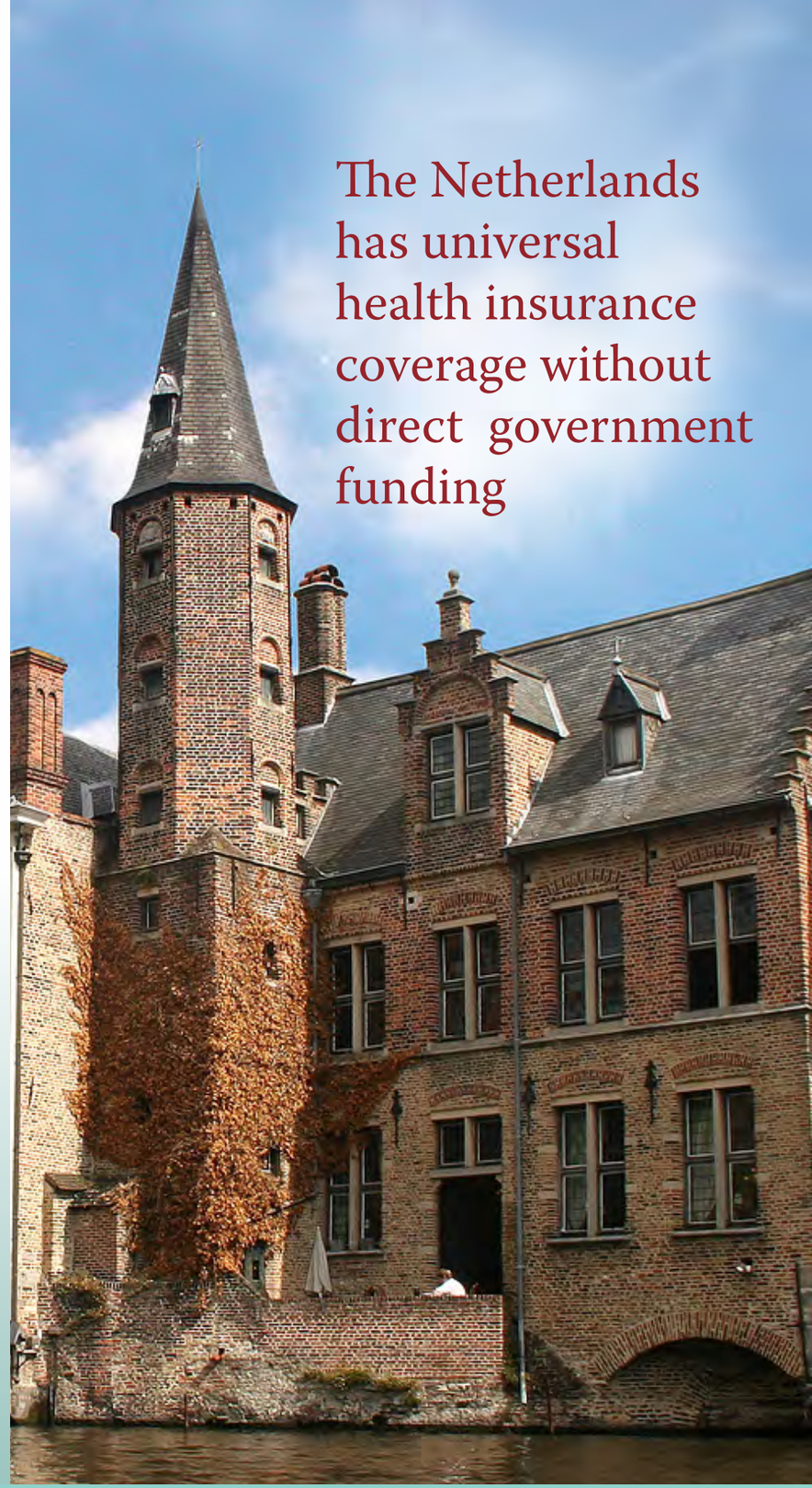
work (Rae, 2005). However, overall, the Swedes seem to have a positive view of private sector involvement in the financing and delivery of health care. Dr. Thomas Flodin, a board member of the Swedish Medical Association, has stated that he does not have any objection to increased use of the private sector, adding "what is important is not who provides the care, but that it remains available to everyone" (Triggle, 2005).

Lessons to take from the Netherland's health care system: cost reduction through competition

One of the biggest disadvantages in Canada's single payer, publicly financed health care system is the lack of incentives for health care providers to increase efficiency and/or reduce costs. At the end of the day, the patient's level of satisfaction with the public health care insurance system is largely irrelevant to the health care providers because they have no competition. This is a problem that the Netherlands has tried to solve with their private health insurance mandate.

The Netherlands has developed a system that achieves universal health insurance coverage without the direct use of government funding (Skinner and Rovere, 2010). In the Netherlands it is mandatory for everyone to purchase private health insurance that covers a standard benefits package as described in the Government's *Health Insurance Act* (Bevan and Van De Ven, 2010). At their discretion, citizens can buy supplemental insurance to cover costs falling outside of the standard package. To ensure that the system is fair and equitable to all citizens, the private insurance market is heavily regulated; every private insurer must offer a basic insurance package and coverage cannot be denied on the basis of a pre-existing medical condition (Flood and Haugan, 2010). Further, the government subsidizes the health insurance premiums for persons with low income, making the insurance affordable for everyone, thus achieving universal coverage (Bevan and Van De Ven, 2010). To ensure that the private insurers are fairly compensated (since they cannot deny basic insurance coverage to anyone), and that healthy competition in the market continues to exist, a risk equalization fund distributes cash to insurers based on the "risk profile" of their members.

Regulated competition among private insurers creates incentives for efficiency. In order to offer lower prices to their members, private health insurers seek efficiency through integrating or contracting with competing health care providers by negotiating for better prices, and experimenting with compensation structures such as bonus payments for general practitioners (Bevan and Van De Ven, 2010). Additionally, some insurers opt to compete on factors other than price by offering targeted,



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Medicare was not designed for the world of MRI's and high-cost prescription drugs

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high-quality niche services, such as diabetes care. This approach also gives incentives to providers to be efficient in the delivery of care, allowing them to offer lower prices to attract the business of private insurers (Bevan and Van De Ven, 2010). To further promote competition between insurers and openness in the market, an extensive online database of insurers and their plans is available to help consumers compare plans. Should a citizen want to switch providers, insurers are required to offer a window every year where consumers can leave their health insurance contracts penalty-free (Bevan and Van De Ven, 2010). This practice encourages consumers to be more price-sensitive by making it easy for them to shop around for the insurance package that best meets their personal needs, thus prompting private health insurers to compete more fiercely for their business on the basis of both quality and price.

Conclusion

According to the 2001 Mazankowski Report—commissioned by the Government of Alberta and developed by doctors and medical experts—Canada's health care system operates "as an unregulated monopoly where the province acts as insurer, provider, and evaluator of health services. There is little choice or competition" (Mazankowski, 2001). It is ironic, if not blatantly hypocritical, that we have established regulatory agencies specifically designed to prevent monopolies and yet we actively champion the provincial governments' monopoly on core health insurance.

Provinces should be free, and indeed encouraged, to experiment with different forms of health care delivery and financing. The federal government should facilitate such experimentation by allowing provinces to pursue alternative means of health care financing, such as allowing providers to charge user fees, without the threat of withholding federal funding. By encouraging price sensitivity, user fees can promote more judicious use of limited health care resources, and encourage Canadians to take a more active role in maintaining their personal health. Furthermore, private insurance for core services should be integrated into the provincial health care system to foster competition, which will drive down costs and increase efficiencies. Private regulated insurance markets have had this effect in the nations that have adopted them, notably the Netherlands and Switzerland (Schwartz, 2009). Charging user fees and allowing patients to purchase private health insurance for medically necessary services does not require Canada to give up its core value of universal health care.

Let's take Medicare down from its pedestal and start to experiment with different financing

systems that will allow us to meet the changing demands Medicare faces in a way that continues to conform to our national values. Times change, and the world of MRIs and high-cost prescription drugs is not the world that Medicare was designed for. If we make the right changes, our system will grow to become more efficient and more effective.

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Notes

1 The only dental procedures the CHA requires the provinces to insure are surgical-dental procedures, that is, procedures "performed by a dentist in a hospital, where a hospital is required for the proper performance of the procedures" (*Canada Health Act,* 1985, s. 2). ■

Mark McGinley holds a Bachelor of Commerce from the University of Calgary, and is currently in his second year of a combined JD/MBA program at Dalhousie University.

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The results of beer regulation in Ontario

Hugh MacIntyre

The beer beverage industry is one of the most regulated industries in Ontario. There are rules on where beer can be sold, when it can be sold, who can buy it, for what purpose it can be bought, how much it can be sold for, the quantity it can be sold in, where it can be consumed, and who can sell it. Of particular interest is the regulatory framework for beer retailing in Ontario, and how it has resulted in a market that gives an artificial advantage to one

set of breweries over another, i.e., limits competition in the beer beverage industry.

In Ontario there are only four types of beer retailers allowed by government regulation: The Beer Store (TBS), the Liquor Control Board of Ontario (LCBO), brewery stores, and TBS retail partners. Together they do not represent a truly competitive market for retailing beer. Also, because of the interests of major breweries within TBS, some breweries are disadvantaged and left with little to no recourse.[1]

The beer retail market in Ontario

The Beer Store is the most prominent retailer of beer in Ontario with an estimated 79.2% of the market share (LCBO Annual Report 2009-2010: 42). It is also a private organization that is owned by three major breweries: Labatt Brewing Company Ltd., Molson Coors Brewing Company Ltd., and Sleeman Brewery Ltd. Each of these companies is in turn owned by multinational conglomerates. TBS is technically meant to be a non-profit organization but owner breweries are able to use their position to improve their competitiveness at the cost of the non-owner breweries.

There are two fees that TBS charges breweries to have their products sold in its store. The first is a one time listing fee with a base charge of $2,650.14 plus $212.02 per store that the product is sold in. This amount is paid per product that the brewery would like to sell. For example, if a brewery had six distinct brands of beer and wanted to sell each brand in packages of 6, 12, and 24, they would need to pay a listing fee for 18 products. The second is what TBS refers to as a "handling fee." This fee is charged at between $43.40/hectolitres and $49.40/ hectolitres or between $3.65 and $4.15 for every case of 24 beers. Both of these fees only apply to non-owner breweries (Beer Store Operational Report, 2009: 34-35). In principle the fees are meant to recover an unspecified amount of cost, but critics have claimed that the fee exceeds the likely costs of TBS operations (Flavelle, 2008).

If a non-owner brewery wishes to sell a product en masse, then it has little choice but to pay a substantial fee to its competitor. There are alternatives, which will be discussed shortly, but they are limited in their usefulness. If a non-owner brewery wants to reach a large market and provide a variety of package sizes [2], TBS is the only option provided by government regulators and so they are compelled to pay the fees to the owner breweries.

Another way that owner breweries have an advantage over non-owners is the placement

In Ontario, the four types of beer retailers do not represent a truly competitive market for selling beer

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of the products within the store. Non-owners have long been critical of TBS saying that they are concerned about receiving inferior visibility for their products (Beverage Alcohol System Review, 2005). This practice can be defended by saying that the owner breweries supply the most popular brands, but the non-owners don't have a realistic alternative option. By government regulations, non-owners cannot open their own stores, besides an onsite store, where they could prominently display their products. The non-owners are therefore stuck with the competitive disadvantage of relatively poor shelf placement.

The main alternative to TBS is the LCBO which has an estimated 20.8% share of the beer retail market (LCBO Annual Report 2009-2010: 42). Unlike TBS, the LCBO is a government owned and operated retailer and thus does not have the same incentive to favour owner breweries. In fact, many of the LCBO stores have a section that is set aside specifically for Ontario craft beers to make it easier for customers to discover new products and alternatives to the larger breweries. Partly as result of this treatment, craft beer sales have increased significantly (LCBO Annual Report 2009-2010: 3). The LCBO, however, is a limited alternative to TBS for two reasons: shelf space and package restrictions.

The Beer Store

The Beer Store's market share is 79.2% while LCBO claims a 20.8% share of the Ontario beer trade—what's left?

LCBO

The LCBO is mandated to sell a wide range of alcoholic beverages. Beer, from both owner and non-owner breweries, makes up slightly less than a quarter of the total net sales for the LCBO (LCBO Annual Report 2009-2010: 3). As a result, beer products must compete for shelf space, not just with each other, but with other alcoholic products. Once an appropriate amount of space has been given to the owner breweries, the non-owner breweries are actually competing over a very limited amount of shelf space to offer their products. This means that even if the LCBO offers a wide range of choice, individual stores may only be able to offer a limited selection. This hampers a smaller brewery's ability to mass retail its product.

The LCBO limits breweries to selling their products as singles or in packages of six. If non-owner breweries wish to compete by selling in larger packages, they are left with no option but to do so through The Beer Store. The LCBO is limited to breweries that make the strategic choice to restrict their products to smaller packages.

If a non-owner brewery wishes to avoid TBS, and thus avoid selling through its competitor's outlet, but finds the LCBO to be too limited of an option, the only remaining alternative that is permitted by regulations is an on-site brewery store. A licensed brewery may apply for a permit to sell its product directly to the public but only on the brewery's premises (*Liquor Licence Act* s.22.1). This has the obvious drawback that many breweries are not located in a retail friendly area and it severely limits the number of available outlets for customers

Smaller beer producers must compete for shelf space, and with each other

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to access the product. For a non-owner brewery that wishes to reach a wider customer base, selling from the brewery site is not a practical alternative to TBS.

The only remaining type of beer retail outlet is the TBS retail partner. This is a retailer that operates in partnership with the TBS but is not owned by the TBS. Usually they operate in low population density areas where it is financially prohibitive for TBS to establish its own store. The retail partners do not act as an alternative to TBS since breweries can only deal with them through the TBS.

Conclusion

The beer retail regulatory framework limits competition and is unfair to breweries that are not owners of The Beer Store. The system establishes the three largest breweries with a near monopoly over the storefront selling of beer in Ontario. If smaller breweries wish to retail their product, they are stuck with the choice of working within the limitations of the LCBO or paying their competitors for shelf space. Non-owner breweries have no option of finding other retailers that may offer a better deal nor are they allowed to attempt to open stores of their own other than on the site of their brewery. This puts the three major breweries into a position of power that is easily open to abuse to enhance their share of the market.

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Notes

1 The breweries that have an ownership share with TBS will be referred to throughout this aricle as owner breweries and breweries without ownership share will be referred to as non-owner breweries.

2 For example, packages of 6, 12, and 24. ■

Hugh MacIntyre holds an MSc in Multi-level and Regional Politics from the University of Edinburgh. His opinions have been published by a range of media outlets including National Post Full Comment, Western Standard, *and* The Volunteer.

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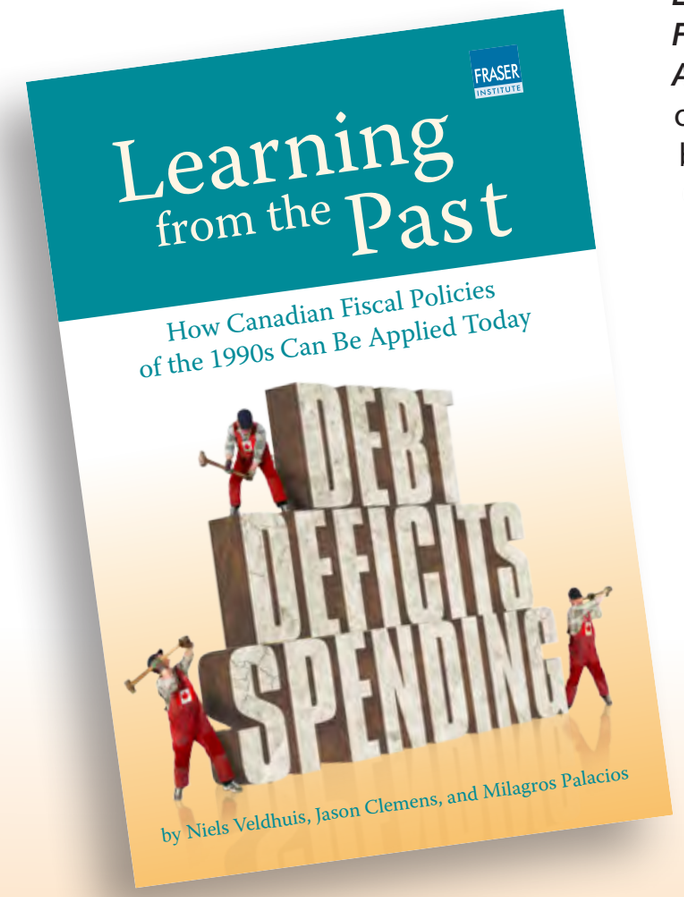

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Reach of the American "octopus" calls for stamina in Canada-US relations

Pierre Trudeau once compared Canada's relationship with the United States to sleeping with an elephant. No matter how friendly the elephant; one is affected by every twitch and grunt. But it seems today a more apt description of the American governmental system is that of an octopus, whose many arms are ready to suck the life out of Canadian interests at any time with little regard for the overall relationship between our two nations.

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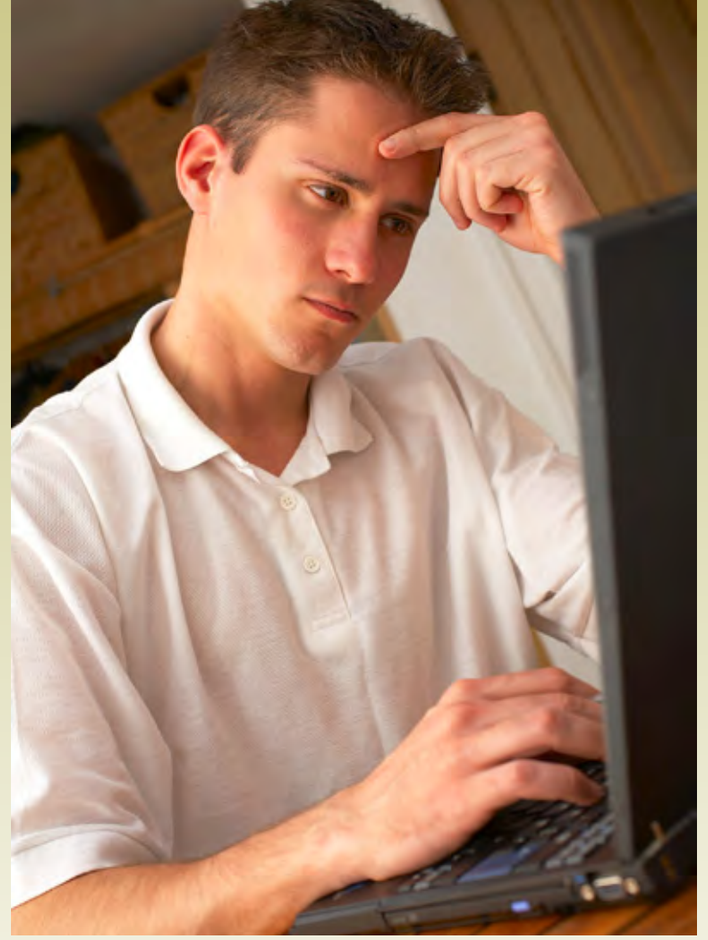

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