

Crony Capitalism

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- Post-secondary essay contest winners on crony capitalism
- Go west, young adults
- Potential alternatives for urban development

Canadian student review

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The Fraser Institute's vision is a free and prosperous world where individuals benefit from greater choice, competitive markets, and personal responsibility. Our mission is to measure, study, and communicate the impact of competitive markets and government interventions on the welfare of individuals. Founded in 1974, we are an independent research and educational organization with locations throughout North America, and international partners in over 85 countries. Our work is financed by tax-deductible contributions from thousands of individuals, organizations, and foundations. In order to protect its independence, the Institute does not accept grants from government or contracts for research.



Canadian student review

Welcome!

Dear Readers,

In the winter 2015 edition of *Canadian Student Review* we are pleased to publish the winning post-secondary essays from our 2014 Student Essay Contest, which explored the topic: “The rise of crony capitalism: how government and business gain at the taxpayers’ expense.” This year’s contest was very competitive and we received hundreds of entries from around the world. We would like to thank the Lotte & John Hecht Memorial Foundation for generously sponsoring our Essay Contest.



If you’d like to enter our 2015 Essay Contest, the topic is “National Security and the Role of Government: Safety vs. Privacy in a Technological Age.” The submission deadline is June 1, 2015, and we have 3 different prize categories (Graduate, Undergraduate, and High School). Keep an eye on our website for further information: www.studentessaycontest.org.

This issue of *Canadian Student Review* also features a variety of stimulating articles on topics such as zoning and how it could affect future land use and urban development, the movement of young people across provinces, and a student’s view on taxation.

We are also including a recent podcast by Ravina Bains, Associate Director of the Fraser Institute Centre for Aboriginal Policy Studies, discussing the historic Supreme Court of Canada *Tsilhqot’in Nation v. British Columbia* decision, and an infographic we recently produced on the cost of crime in Canada.

Finally, you will find details of our student seminars which will take place across Canada this winter. These thought-provoking seminars provide a forum for discussion on a range of current issues, and are a great way to network with people from a variety of academic and political backgrounds.

We wish you all a happy holiday season, and we hope you enjoy reading these articles!

Best,

Claire Jones

Editor, *Canadian Student Review*

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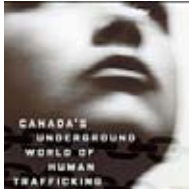
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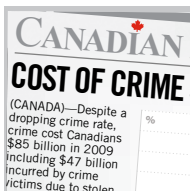


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Hot Topics

What's new from the Institute

Young adults moving west for economic opportunities; and police department staffing across Canadian cities.

The top portion of the cover features the flag of the People's Republic of China, with a red field and five golden-yellow stars in the canton.

The Effects of Crony Capitalism— Alias: Government Intervention

A row of seven black tires with a tread pattern, stacked horizontally across the middle of the cover. The tires are set against a background that transitions from the Chinese flag at the top to the American flag at the bottom.

**A review of the 2009 United States trade tariff
on Chinese tires**

Chance Fuller

Free market capitalism in its truest form is the freedom to allow market forces to shape the economic world we live in. Unfortunately, although freedom is a clear and simple ideal, true free market capitalism is often compromised and is quite hard to come by. Crony capitalism is a suboptimal version of capitalism because it is infected with restrictions put in place by the government and/or other biased parties. One example of crony capitalism is the 2009 United States (US) trade tariff on Chinese tires. This paper explores the negative impacts associated with the implementation of this tariff. Although the negative impacts were far reaching and numerous, the focus will be on lower domestic employment, decreased corporate profits, and increased cost of living.

The Chinese tire tariff

In 2008, China's supply of tires to the United States began to disrupt the domestic economy (Hill, 2013). In response to this disruption and the associated public outcry, the US government placed a substantial tariff on Chinese tires in September 2009 (Hufbauer, 2012). As with most crony capitalist situations, the US trade tariff on Chinese tires had good intentions and was originally put in place to protect US jobs. President Barack Obama is on the record as saying that the trade tariff on Chinese tires was meant to increase US jobs. In his State of the Union Address on January 24, 2012, President Obama stated "we've brought trade cases against China at nearly twice the rate as the last administration—and it's made a difference. Over a thousand Americans are working today because we stopped a surge in

Chinese tires” (Rapoza, 2012). Unfortunately, these benefits were not actually realized. In reality, substantial negative consequences ensued.

Employment statistics

One impact of the US tariff on Chinese tires was a decline in US tire industry jobs. The US tire industry has struggled with job growth for a number of years and despite expectations to the contrary, the 2009 tire tariff did not help. According to the US Bureau of Labor Statistics, in 2009 there were approximately 55,000 jobs in the US tire industry. As of 2011, that number declined to 51,700 jobs (Rapoza, 2012). It is possible that this decline could have been worse had the tariffs not been put in place, but the tariff most definitely did not create additional jobs. Clearly the government’s intervention, the crony capitalism, did not help taxpayers get jobs. Instead, it created an artificial supply and demand relationship causing uncertainty in the labour market.



One impact of the US tariff on Chinese tires was a decline in US tire industry jobs



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Corporate profits

Another negative component of the US tariff on Chinese tires was its inability to protect corporate profits for US tire manufacturers. One would expect the US tire companies to experience increased profits due to the tariffs. After all, the companies should have had lower employment costs due to a decreased number of jobs and an increased demand for their tires due to the decreased tire supply available from China. Unfortunately, this was also not the case.

Chinese tire imports to the US did decrease by 30% from 2009 to 2011. But there was an

unexpected consequence: the decrease in Chinese supply was not filled by tires from US manufacturers. Instead, the supply gap was filled with tires from other foreign competitors. Tire imports from other countries increased dramatically. For instance, imports from Canada increased by 30%, imports from South Korea increased by 110%, and imports from Indonesia increased by 152% (Rapoza, 2012). Thinking through this chain of events, one can see how altering the freedom associated with free market capitalism once again failed to help everyone involved. Workers in the US lost jobs, jobs were artificially created in other countries, and Chinese corporations and employees lost profits that would have rightfully been theirs in a truly free global market system.



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Cost of living

In addition to the unfortunate impacts noted above, the US tariff on Chinese tires also resulted in a cost of living increase for US citizens. This increase came in the form of both direct costs through higher priced tires and indirect costs as a result of China's retaliatory implementation of a chicken tariff.

Direct cost— increasing tire prices

The tire tariff increased the cost of living for US consumers because lower cost tires were not available. Taxpayers were forced to buy more expensive tires from producers that were not hampered by the Chinese tire tariff. According to Gary Hufbauer and Sean Lowry of the Peterson Institute of International Economics, the cost to taxpayers as a result of the US trade tariffs on Chinese tires was in excess of \$1 billion. Clearly this is not a win for the US consumer. In addition to hurting the US consumer, there were likely lost wages and lost profits in China, and potentially in other countries, as a result of the distorted supply-and-demand relationship that was created. Thus the US

The tire tariff increased the cost of living for US consumers

government's crony capitalism caused a \$1 billion ripple effect that cascaded throughout the world.

Retaliatory cost—loss of domestic exports

Finally, the US economy lost another estimated \$1 billion as China reacted to the tire tariff with a retaliatory tariff on chickens. On February 5, 2010, China's Ministry of Commerce placed a trade tariff on chicken products imported from the US and other countries (Hufbauer, 2012). US chicken producers were forced to reduce chicken exports to China by 90%. Once again, the US economy was hurt by the government's choice to intervene and restrict the global free market system.

Summary

Crony capitalism is a disease. Its symptoms are a loss of freedom and a restriction of free market forces. Often the restrictions and actions of crony capitalism are put in place with well meaning goals, but invariably they fail to fulfill those goals. In the case of the trade tariff on Chinese tires, corporations lost revenue and taxpayers lost both jobs and money. Perhaps most interesting in this particular case is the fact that global freedom was restricted by the ruling authority in the "land of the free." The US government communicated that its actions would save US jobs and would therefore serve the nation well. Unfortunately, this was not the case and hopefully the experience will serve as a

reminder that, as Larry Kudlow has said, “free market capitalism is the best path to prosperity.”

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The Fraser Institute Essay Contest is generously sponsored by the Lotte & John Hecht Memorial Foundation.

The VIDEO Gallery



A Real Game Changer:

**An analysis of the recent Supreme Court of Canada
Tsilhqot'n Nation v. British Columbia decision**

***Ravina Bains, Associate Director, Fraser Institute
Centre for Aboriginal Studies, leads an online
discussion about this landmark legal decision.***

See the video [HERE](#)

Crony Capitalism Lurks in Renewable Energy Subsidies Programs



Matthew Lau


Crony capitalism occurs when the government interferes with the economy, creating advantages for some businesses at the expense of others. When government colludes with businesses to distort the free market, inefficiencies are introduced into the economy. A popular form of crony capitalism is subsidies to renewable energy companies. Government policies that favour renewable energy companies are common because politicians believe such policies will help fight climate change, reduce dependency on oil, and protect the environment for future generations—all while creating “green jobs.” However, critics argue that these subsidies do little or nothing to protect the environment. Furthermore, subsidies to renewable energy companies damage the economy because



Hakan Dahlstroem

they result in higher taxes, higher government debt, and higher energy prices for individuals and businesses.

The Spanish experience with renewable energy subsidies is worth examining because it is pointed to by many world leaders as an example to follow. As *The Wall Street Journal* reported, “Boosters of clean energy, including President Barack Obama, have pointed to Spain as a success story showing how government policies jump-started renewable energy, created new industries, and helped the environment” (Gonzalez and Johnson, 2009). Speaking in Ohio in January 2009, newly elected US President Barack Obama proclaimed that the renewable energy economy “can create millions of additional jobs and entire new industries if we act right now. The need for this action has never been more urgent.” He



Spain's renewable energy subsidies have been an economic disaster

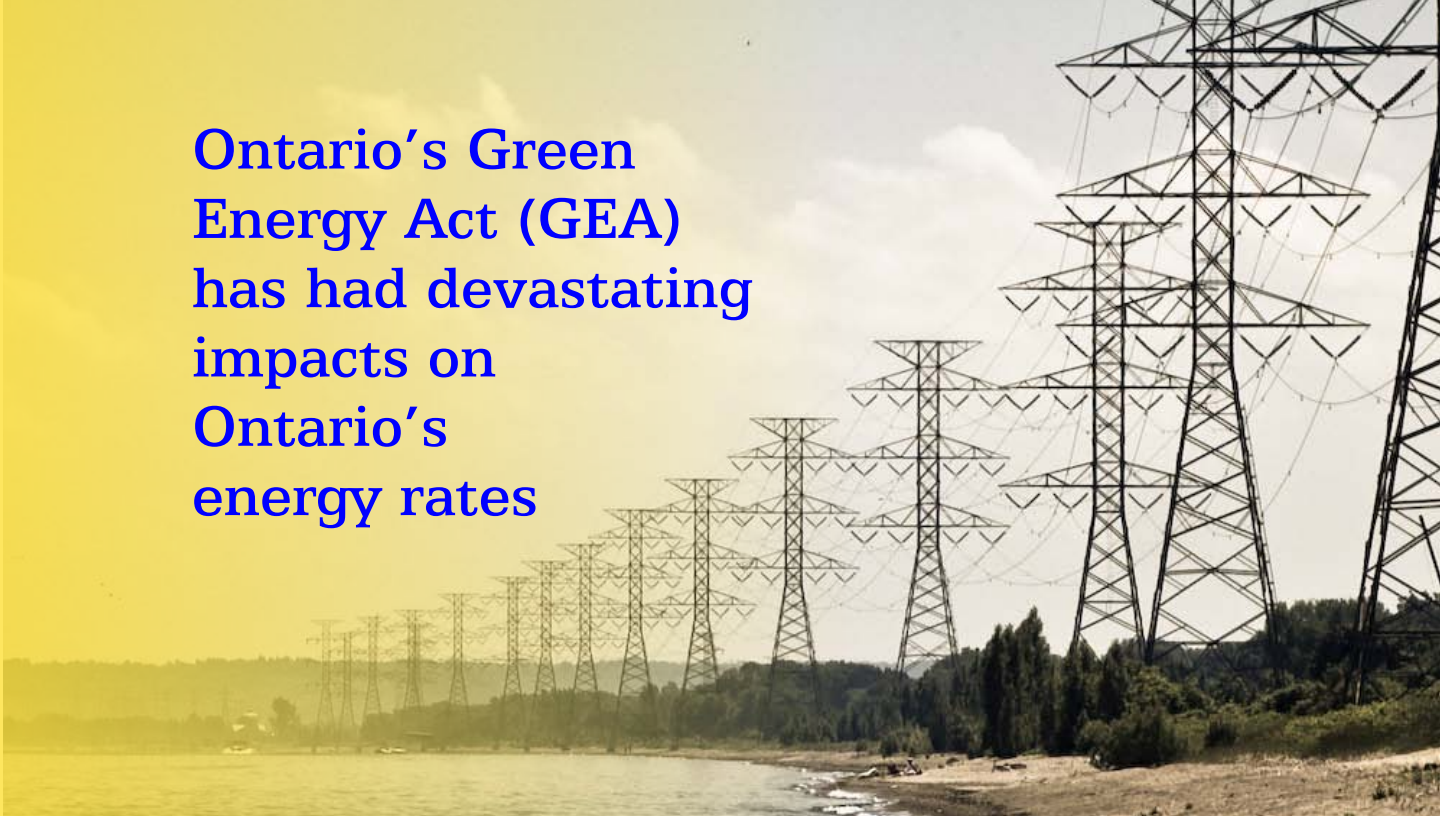
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continued, “think of what’s happening in countries like Spain, Germany and Japan, where they’re making real investments in renewable energy. They’re surging ahead of us, poised to take the lead in these new industries” (Obama, 2009).

The truth is that the Spanish experience with renewable energy subsidies has been an economic disaster. A paper published by researchers from the King Juan Carlos University in Spain found that “for every renewable energy job that the State manages to finance, Spain’s experience cited by President Obama as a model

reveals with high confidence, by two different methods, that the US should expect a loss of at least 2.2 jobs on average, or about 9 jobs lost for every 4 created, to which we have to add those jobs that non-subsidized investments with the same resources would have created” (Alvarez et al., 2009). The study also found that every green energy job created by Spain since 2000 cost the government €571,138 on average—including subsidies of over €1,000,000, on average, for each job in the wind industry. Even worse, only one of ten jobs created was permanent (Alvarez et al., 2009). *The Wall Street Journal* observed that once the government subsidies dried up, Spain’s solar power industry collapsed (Gonzalez and Johnson, 2009). The King Juan Carols University paper also reports that “each ‘green’ megawatt installed destroys 5.28 jobs on average elsewhere in the economy” (Alvarez et al., 2009).

The final cost of the Spanish experience with renewable energy subsidies is massive. From 2000 to 2008, “the total over-



Ontario's Green Energy Act (GEA) has had devastating impacts on Ontario's energy rates

Kenneth Moyle

cost—the amount paid over the cost that would result from buying electricity generated by the renewable power plants at the market price” was €7.92 billion (Alvarez et al, 2009). The total subsidies spent over this time came to €28.67 billion—a staggering sum to pay for higher electricity prices and lost jobs. The researchers also found that “the costs do not appear to be unique to Spain’s approach but instead are largely inherent in schemes to promote renewable energy sources” (Alvarez et al., 2009).

Indeed, similarly to the Spanish experience, the Ontario government’s Green Energy Act (GEA) has been a failure. “The GEA has had disastrous impacts on Ontario’s energy rates and is going to seriously threaten economic competitiveness for the manufacturing and mining sectors,” according to the Fraser Institute, which estimates that the increasing energy prices will cause returns to investment to decline by 29% in manufacturing and 13% in mining (Green and McKittrick, 2013). The increased

Renewable energy subsidies distort the market and cost taxpayers money

Ell Brown

energy prices will take their toll on households as well. It is estimated that over a 20-year period, "Ontario energy users could be burdened with an extra cost of at least \$18 billion," with residential electricity customers paying \$285 million more per year on average (Angevine, Murillo, and Pencheva, 2012).

Even if the GEA had created 50,000 jobs in Ontario as had been promised, the subsidy would have been \$179,000 per job per year (Dachis and Carr, 2011). However, the jobs promised by the government did not materialize, and as in Spain, most of the jobs that were created were temporary. "The claim by the government of Ontario that 50,000 jobs will be created by the GEA was a guess without any basis in formal analysis, and the province has since admitted both that the vast majority of any GEA-related jobs will be temporary and that the figure of 50,000 does not account for offsetting permanent jobs losses caused by increases in the price of electricity under the GEA" (McKittrick, 2013). The C.D. Howe Institute predicted in 2011 that net job creation resulting from the GEA could be negative (Dachis and Carr, 2011), and the Fraser Institute found that the "Green Energy Act will not create jobs or improve economic growth in Ontario. Its overall effect will be to increase unit production costs, diminish competitiveness, cut the rate of return to capital in key sectors, reduce employment, and make households worse off" (McKittrick, 2013).

Subsidizing renewable energy is similar to subsidizing any other industry—the subsidies are intended to create jobs in the subsidized industry. However, renewable energy subsidies are doubly harmful. Not only do they unfairly distort the market and cost taxpayers money, but businesses and homeowners are forced to pay again in the form of higher electricity prices. Furthermore, since wind power production “peaks when it is least needed and falls off when it is most needed, surplus power is regularly exported at a considerable financial loss... The Auditor-General of Ontario estimates that the province has already lost close to \$2 billion on such exports” (McKittrick, 2013). Clearly, subsidizing the renewable energy industry is a wasteful and reckless course of action for any government. Unfortunately, as former Ottawa Mayor Larry O’Brien writes, “the differences between practical politics and ethical businesses are chilling” (O’Brien, 2013). A CEO’s objective is efficient management and sustainable profits. A politician’s objective is re-election. Sadly, subsidies for renewable energy will continue as long as they are politically expedient, no matter how badly these policies damage the economy.

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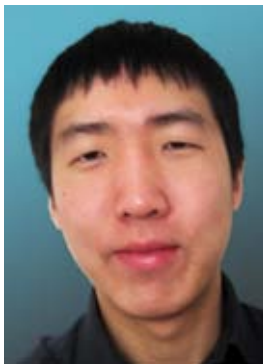
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Matthew Lau is studying Economics and Finance at the University of Toronto.

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THE QUOTE WALL

Be thankful we're
not getting all the
government we're
paying for.

—*Will Rogers*



Will Rogers Memorial Museum



The Book Corner

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Fraser Institute researcher-recommended books on free market policies and economics

INVISIBLE CHAINS

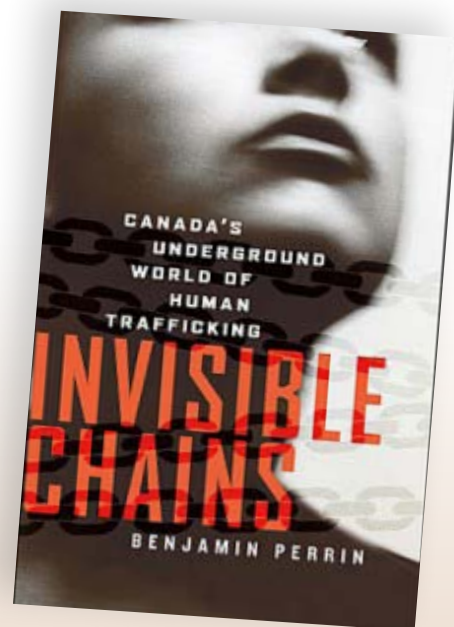
Benjamin Perrin

Benjamin Perrin, Associate Professor of Law at the University of British Columbia, assumed—like most of us—that human trafficking was something that happened far away from Canada. He had travelled to Cambodia to help victims of the sex trade there, and, as you would expect, was extremely moved by the tragedy that he witnessed. But when he heard of a case of commercial sex trafficking in his hometown of Calgary, not far from the burger joints he visited as a child, he could not ignore the exploitation occurring in his own country.


Invisible Chains is a review of his recent years of research and activism on this subject. Perrin filed over 40 Access-to-Information requests to reveal illuminating police and

government reports. Through the police and court files, and in-depth interviews with people on the front lines—police officers, social workers, and the victims themselves—he describes the shocking and distressing trafficking situation in Canada. He reveals the stories of a 14-year-old just outside Toronto who was auctioned on the internet for men to purchase by the hour, and young women taken by slave traders from an African war zone and trafficked to brothels and massage parlours in Edmonton.

Using graphic case studies, his book also examines the many reasons that can push women into the sex trade, the psychological ploys and physical violence the traffickers use to keep them there, and the motivation behind the traffickers (the people who exploit these women pull in enormous profits with less risk of capture or serious jail time than other illegal activities, such as the drug trade). He cites a report from Canada's Criminal Intelligence Service that estimates domestic sex traffickers earn an average of \$280,000 annually from every victim under their control.



Perrin also looks at the current Canadian legislation prohibiting human trafficking, and explains how vulnerable women and children are paying the price for what he terms Canada's "disgraceful" response to trafficking, especially compared with other Western countries. For example: Belgium has reported more than 1,200 human-trafficking cases since 2007 and secured more than 200 convictions; it also has several thousand police specialists trained to handle the crime. In the U.S., there are tough federal laws on the books, co-ordinated anti-trafficking



The global problem of human trafficking is only now being recognized in Canada

task forces, and a special FBI squad that goes after pimps and has rescued more than 1,000 prostituted children. But in Canada, human trafficking was not even a criminal offence until 2005.

Perrin details how the United Nations recently asked Canada for statistics on arrests and convictions for human trafficking, and no one in Ottawa knew where to start looking. So he himself located the numbers, by canvassing police and justice officials across the country—and the results were alarming. From April 2007 to April 2009, only about 30 people were charged with human trafficking in Canada, and just five have been convicted to date. Their sentences amount to what Perrin calls little more than “a joke.” One man from Ontario who earned more than \$400,000 from marketing one girl for sex received three years in jail—which was harsh by Canadian standards. And in 2008, a Montreal man got a week in jail after his pretrial custody time was factored in.



Marc Falardeau, Bigstock, le Calmar

Invisible Chains ends with a passionate plea to build “a new underground railroad” so Canada becomes a haven for the victims, not the exploiters, of trafficking. The global problem of human trafficking is only now being recognized in Canada, and Perrin wants us to open our eyes to the modern-day slavery around us.

Invisible Chains was named one of the top books of the year by *The Globe and Mail* and has led to changes in Canada’s policies on human trafficking.



Benjamin Perrin

Benjamin Perrin is a frequent speaker at Fraser Institute post-secondary student seminars.

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Zoning

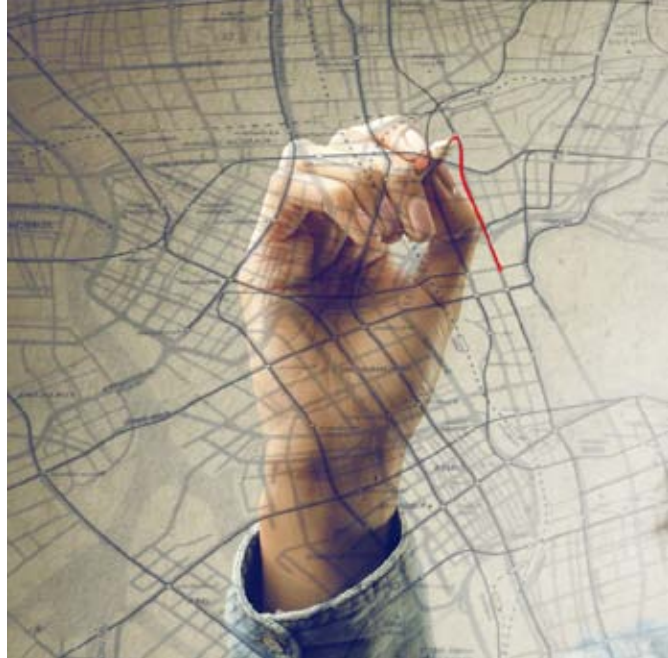
What's the Use?

Josef Filipowicz

In the summer of 1988, 9-year old Max Schilling of Wachtung, New Jersey, decided to earn some pocket money by doing what so many children had done before him: open a lemonade stand. He did so by building a seven-foot tall stand in front of his house and was soon averaging \$12.50 a day in sales. Shortly thereafter, local officials informed Max that he was in violation of the town's zoning code, as his stand was too tall and too close to the street. He had to shut down his operation as a result; otherwise a \$500 per day fine would have been imposed (Lammler, 2012).

There are more stories like Max's,¹ where various regulatory ordinances² prevent even the most innocent of entrepreneurial undertakings. Underlying his story in particular is the century-old practice referred to as zoning, which has shaped the development of cities across the globe. In general, zoning may be described as a series of bylaws that "[state] exactly: how land may be used; where buildings and other structures can be located; the types of buildings that are permitted and how they may be used; [and] the lot sizes and dimensions, parking requirements, building heights and setbacks from the street" (Ontario Ministry of Municipal Affairs and Housing, 2010). The

following article seeks to unpack the above anecdote first by tracing how and why zoning came about, as well as its various forms; second, by describing in more detail the disadvantages associated with this approach; and third, by exploring the existing and potential alternatives to zoning. It concludes that without a significant shift away from zoning as it currently exists, it will continue to impede innovation in land use, urban development, and entrepreneurship, as it did to Max.



Why Zoning?

Though regulation of both the physical form and the use of land has manifested itself in various ways throughout history, the modern proliferation of zoning as it is now practised stems from the landmark 1926 US Supreme Court ruling in *Village of Euclid v. Ambler Realty Co.*, wherein a small residential suburb of Cleveland sought to prevent the expansion of the city's industry within its limits, leading to a legal challenge by an industrial real estate developer (who lost the case). The decision by local authorities to prevent the development of industrial uses on the land owned by the developer (Ambler Realty) caused the value of the property to drop by three quarters, as non-industrial land was less in demand (US Supreme Court, 1926). It also sent a strong signal of official approval towards the practice of dividing land uses and regulating built form.³ The result of this scenario



Do regulators really know
know the “highest and
best use” of land?

Bigstock

was replicated across
the US and other parts
of the industrialized
world, stemming from
the notion that uses or

density deemed undesirable by members of a community are to be kept apart, or prevented altogether.

Why Not Zoning?

Although the logic of keeping different uses apart is intuitive (e.g., that a factory expelling pollutants should be kept at a safe distance from where a population resides), the idea of zoning itself is founded (consciously or unconsciously) on the assumption that all possible uses of land are known and may be accounted for. Although an oil refinery or a heavy equipment manufacturer may obviously fall into the category of “industrial,” there are an incalculable and ever-evolving series of uses, densities, and forms that are not accounted for in traditional zoning codes. For example, a design company may wish to use a portion of its condominium to manufacture its designs (e.g., cell-phone covers) with a 3D printer—a use that arguably does not disturb surrounding units with undesired sounds, odours, or other negative externalities. Similarly, a retiree living in a single-detached home in a residential subdivision may



wish to supplement her income by selling wholesale goods to neighbours out of her garage, eventually transforming it into a shop with regular hours and a cashier. In these hypothetical scenarios, as with Max's lemonade stand, the natural (and productive) evolution of entrepreneurship is stunted due to the dated and subjective categorization of the complex patterns with which humanity occupies and uses space.

Beyond this fundamental assumption of uses, zoning also predicates itself on assumptions of demand. By designating swathes of towns, cities, and rural municipalities as residential, commercial, industrial, or other uses and forms, regulators are claiming to know how much of each is necessary, based on presumptions of "highest and best use"⁴ of land. The unfortunate result is that, unless zoning codes rapidly adapt



Ell Brown

Los Angeles, CA
is revising its
zoning code



Kumar Appa

Tom Haymes

Houston, TX
functions well
without a
zoning code

to real circumstances, certain uses less desired by prospective landowners and tenants are preserved, while other, more desirable uses are constrained, potentially leading to a supply (and, ultimately, price) mismatch. For example, commercially zoned lots in a city with a strong demand for residential and light-industrial space will likely be worth less per square foot than nearby housing or warehouses, in spite of their proximity. This is arguably the case in the greater Vancouver area, where real estate firm Avison Young reports early/mid-2014 vacancy rates for office, industrial, and multi-family housing property at approximately 9.7%, 3.7%, and 2.2% respectively, broadly exemplifying this mismatch in supply. Although zoning is not solely responsible for these distortions, the revision of it as it is practised would likely contribute to addressing them.



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Neighbourhood associations combined with certain regulations can substitute for zoning codes

Alternatives

As previously conceded, there is a strong case for curbing negative externalities generated by certain land uses, especially if these lower the land values of surrounding properties (Fischel, 2004). However the use of zoning as a mechanism for addressing these externalities contributes to a new set of arguably more severe consequences on the efficient and productive use of land. Some local governments are at least in part aware of this dilemma, and have developed strategies aimed at addressing it. The current comprehensive revision of the zoning code for the City of Los Angeles, dubbed *re:code LA*, is a good example

of the recognition of setbacks caused by “outdated” codes, with its March 2014 progress report recognizing that some zoning designations are obsolete, that small businesses often start from their owners’ homes (the revision specifically mentions garages), and that the notion of streamlining approvals for adaptive reuse of existing structures should be expanded to a wider array of uses. Similarly, the City of Vancouver designates some of its core industrial lands as “let go,” meaning a pragmatic loosening of zoning restrictions based on a variety of alternative uses (1995). For example, a brewery/restaurant may establish itself in an industrial zone that no longer suits the needs of many large-scale manufacturing or logistics companies. In permitting these changes, the City is recognizing the opportunities that stem from a more pragmatic approach to land-use regulation.

Beyond the adaptation of zoning to better reflect desired uses and densities, perhaps the best known example of a large city in the industrialized world that has developed without any zoning is Houston, Texas. Although the argument has been made that certain municipal regulations, combined with the influence of neighbourhood and homeowner associations, have a similar influence on land use as zoning, Houston provides an interesting case nonetheless (Qian, 2010). More generally, a 2012 study by Huang et al. furthers the case that US cities that have stronger land supply constraints (including residential land use regulations) are more vulnerable to boom-and-bust cycles in the real estate market. Advocates of Houston’s approach point to better housing affordability and a regulatory setting conducive to entrepreneurial innovation (O’Toole, 2014). Indeed, the average Houstonian household spent less on housing than the national average in 2011-2012 (United States

Department of Labor, 2013). Although it may not perform as highly on other indicators, Houston strengthens the case for the reconsideration of zoning as a widely accepted institution of municipal governance.

Conclusion

When traced from the desire by citizens to protect themselves from the negative effects of certain land uses, to the paid time of town officials being sent to prohibit a boy's lemonade stand, it becomes clear that the evolution of zoning has thrown the proverbial baby out with the bath water. Although its spread



Bruce Berrien

was grounded in the urban experiences of industrialization, zoning no longer resembles the contemporary entrepreneurial contexts of tech start-ups, online businesses, and other “clean” industries. Even if municipal zoning codes are comprehensively updated, these new codes will inevitably meet with the same issues of gradual obsolescence as current codes. The need

to address externalities without hindering entrepreneurial innovation is fundamentally incompatible with the assumptions underlying zoning; alternatives, though nascent, must be nurtured and accelerated by local decision-makers if they wish to position their jurisdictions to compete in the 21st century.

Notes

- 1 A map showing “The Government War On Kid-Run Concession Stands” was compiled by the Freedom Center of Missouri: <<http://www.mofreedom.org/2011/07/the-government-war-on-kid-run-concession-stands/>>.
- 2 Ordinances are the term commonly used in North American municipalities to represent bylaws or other local regulations.
- 3 The City of Regina defines built form as “the shape of buildings, not only individually, but as a collective. How buildings relate in terms of height, scale and character determines the extent to which they will define the public realm” (2009: 102).
- 4 This concept (also referred to as HBU) is often cited in the planning and real estate sectors.

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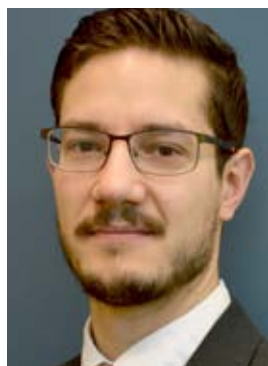
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A young man's view on taxation

Brennan Sorge

Some of you must be wondering why a 15-year-old is writing about taxation. After reading and listening to many news sources, I learned about the debt situation throughout the western world. This was a driving force in my investigation of fiscal policy, or generally, how government money is collected and used. Taxation is one of the most important parts of fiscal policy, and irresponsible fiscal policies are the causes of many of our current debt problems. My investigation into economically healthy and unhealthy policies brought me to the conclusion that we need responsible spending and responsible taxation.

A Brief Understanding of the Topic

I don't pay taxes. Unfortunately, that's because I don't have an income. The government obviously needs money to fund its various enterprises, activities, and programs. It gets this money by taking from the rich (us, the citizens) and giving to the poor (itself). This is called taxation. This is also why all money that a government receives belongs to the citizenry. Now, the question is, how much should the government take, and is the money well spent?



My Perspective

At the core of fiscal responsibility are two principles I consider to be especially important. First, a belief in limited government, and second, a right to free enterprise.

Would a government want to have an excessively high tax rate? If the goal is to limit the amount of control the government holds, their take of our income should be low. With that in mind, consider whether you'd prefer to have control over more of your own money, or allow the government to control it for you. I'd prefer to control as much of my own money as possible. My perspective is that the government must be restricted in its ability to control our money, and responsible in how it uses what it takes. This also means we must be responsible for ourselves, because the government won't be there to deal with our every problem.

We know many people prefer a lower tax rate. So, what would the ideal rate be? I suggest the ideal is to have a flat tax rate and one that is as low as is practical. There are many reasons for this, but the most illustrative would be the Laffer curve.*

Let's say that the government set the tax rate at 100 per cent. Ouch. Would you be willing to work if the government took all your money? I wouldn't. So, it turns out that as tax rates go

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up, they reach a point where government revenue begins to decrease—usually that rate is around 33 per cent. I understand this isn't exact, but it is an estimate that can help us to build successful tax policies. This 33 per cent represents the highest tax rate a government ought to impose on its citizens.

The Laffer curve adequately explains some of the basic reasons for my view of taxation, but it doesn't explain all of them.

Another important reason to keep tax rates low is related to economic growth. For example, the more a business is taxed, the more it would prefer to take its business elsewhere (i.e.:

Laffer Curve: Tax Revenue vs. Tax



** The Laffer curve claims to illustrate the concept of taxable income elasticity—i.e., taxable income will change in response to changes in the rate of taxation. The Laffer curve is typically represented as a graph which starts at 0% tax with zero revenue, rises to a maximum rate of revenue at an intermediate rate of taxation, and then falls again to zero revenue at a 100% tax rate. One potential result of the Laffer curve is that increasing tax rates beyond a certain point will be counter-productive for raising further tax revenue.*

relocate). The more it costs for a business to run, the less likely someone will wish to start a new business. These points are ignored by many who don't see the creation of jobs as important as the creation of economic equality (reducing income inequality, redistributing wealth, universalized institutions, etc.). The primary reason for low taxation is ensuring a high growth economy, and allowing for the most job opportunities for citizens, and thereby improving the quality of living. The more money that's left in the hands of Canadian citizens and businesses, the faster our economy will grow.

Finally, I believe people are able to spend their own money better than the government is, no matter who the leader is. Whether I lead (currently illegal), a socialist leads (inconceivable), or the most brilliant technocrat in the history of the world leads (improbable), they can never control everyone's money better than we can control our own money. For this reason, I feel that those who worked for the cash should keep it. This is how I have arrived at my position in favour of lower taxes, and a smaller, more responsible government.

Not as crazy as CNN or the *New York Times* try to portray it to be, eh?



Brennan Sorge is a grade 10 student at the Discovery Centre for Balanced Education in Sun Peaks. Having taken an interest in politics, and economic policy, he hopes to earn a degree in economics as well as law, and then continue into the political arena.

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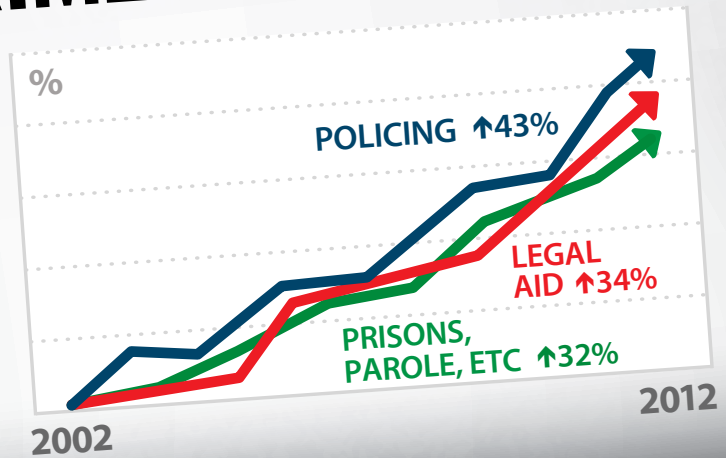
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THE CANADIAN NEWS

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COST OF CRIME SKYROCKETS

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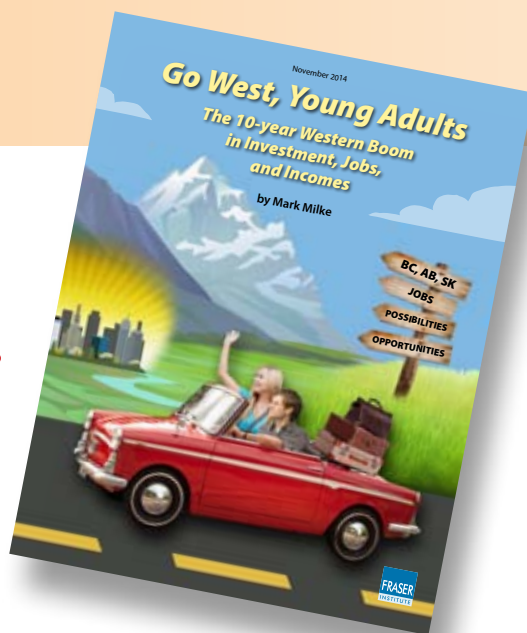


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HOT TOPICS!

Go West, Young Adults...

Alberta and Saskatchewan offer the most opportunity for young Canadians while Ontario and Quebec mimic the economic malaise of Atlantic Canada, finds a new study released by the Fraser Institute.



“Western Canada is the land of opportunity while Ontario and Quebec, the two most populous provinces, now resemble Atlantic Canada with its gloomy economic outlook and relatively poor prospects for young people,” said Mark Milke, study author and senior fellow at the Fraser Institute.

The study, *Go West, Young Adults: The 10-Year Western Boom in Investment, Jobs and Incomes*, compares all 10 provinces based on several economic indicators including employment rates, income levels, private sector investment and population patterns to determine the levels of opportunity (including employment and the prospects for at least a middle-class income) for young adults.

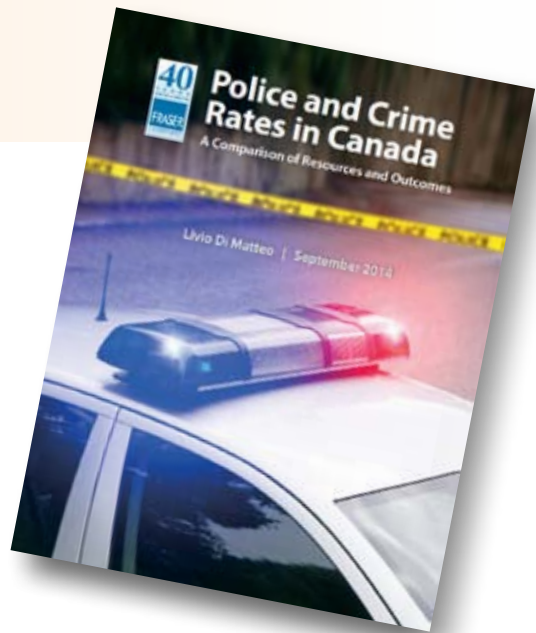
Read the study [HERE](#)

Police departments overstaffed in many Canadian cities

There is growing public concern over the rising cost and sustainability of police services given that crime rates continue to decline. Indeed, between 2001 and 2012, the number of police officers per 100,000 population in Canada rose 8.7% while the crime rate declined by 26.3%.

This study reviews the literature on the relationship between police resources and crime rates and then examines trends in crime rates and police resources in Canada. It also estimates the “efficiency” of police staffing across Canadian cities using a determinants approach that first estimates the relationship between the number of police officers per 100,000 in population and the crime rate, controlling for other factors. It then uses that relationship to estimate the predicted number of officers relative to the actual figure. The purpose is to assess whether the efficiency of municipal policing can be improved.

Read the study [HERE](#)



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