Canadian
STUDENT REVIEW

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# HOMEOWNERSHIP CRITICAL TO SOLVING INDIGENOUS HOUSING CRISIS

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The Realities of Socialism in Sweden: Economic Freedom

**Student Article**
Most Young Canadians Don't Think High-Income Earners Should Pay More Taxes

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Tax Burden on New Brunswickers—High and Rising

WINTER 2024

QUARTERLY STUDENT MAGAZINE


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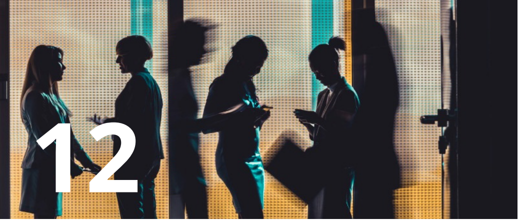




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Canadian STUDENT REVIEW

# WELCOME

Dear Readers:

Winter is here and it's time to enjoy this latest *Canadian Student Review* together with a warm cup of hot chocolate by a cozy fire (real or digital).

In this edition we showcase the work of two student contributors in partnership with Fraser Institute staff. Student Grady Munro and Jake Fuss explain why most younger Canadians disagree with the current government's stance that high-income earners don't pay their fair share of taxes. And student Evin Ryan teams up with Alex Whalen explain Tax Freedom Day in New Brunswick and what it means for the total burden of government taxation on the average family.

In addition to these contributions, you'll find an important article that addresses the housing crisis in Canadian Indigenous communities by focusing particularly on the Indigenous-led solution to promote homeownership and sustainability. This issue also showcases a recent study on the importance of increased transparency among central banks, a recent infographic, a thought-provoking quote from Jonathan Haidt, a simple but influential video, a video podcast on the ways in which markets and economic progress affect the lives of women, and two more recordings from the *Explore Public Policy Issues* webinar series.

If you or someone you know wishes to contribute content to the *Canadian Student Review*, please have them contact Ryan Hill directly at Ryan.Hill@fraserinstitute.org.

Best,

Ryan

# HOMEOWNERSHIP CRITICAL TO SOLVING INDIGENOUS HOUSING CRISIS

## DOMINIQUE COLLIN, LAWRENCE SCHEMBRI, AND JEAN VINCENT

Many Indigenous communities in Canada are in crisis because of a severe shortage of adequate housing. According to a forthcoming study by the Assembly of First Nations and Indigenous Services Canada, First Nations reserves require $135 billion to address this deficiency. And that doesn't include housing shortfalls in Métis settlements and Inuit communities, which could push the total need much higher.

The consequences of this mass housing shortage are devastating. Indigenous families must either live in crowded and dilapidated housing and cope with the resulting social problems or leave their communities to seek better living conditions and a better future elsewhere.

An underappreciated cause of this crisis is Indigenous families' inability to own their own homes, in part because reserve land, whose title belongs to the Crown or the First Nation, cannot be pledged as collateral for housing loans. But also because the housing subsidized by the federal government in these communities has primarily been social housing. In the rest of Canada, in contrast, the government promotes homeownership with government-subsidized mortgage insurance, home-buyer saving plans and other policies. Homeownership is generally viewed as good for community well-being and social stability. As a result, approximately 70 per cent of families in the rest of Canada own their homes. In most Indigenous communities, however, the rate of homeownership is effectively zero.

This paternalistic focus on social housing underscores a lack of understanding of the substantial adverse social and economic impacts these discriminatory policies have, not just on Indigenous people but also indirectly on all Canadians. Poor quality housing contributes to a myriad of problems in Indigenous communities, including family strife, substance abuse, unemployment and crime.

Moreover, social housing in these communities depreciates at a rate at least twice as fast as similar owner-occupied housing. Homeowners generally have a stronger incentive to maintain their residence than occupants, which means


**THE LACK OF ADEQUATE HOUSING ENCOURAGES YOUNG AND ENTERPRISING INDIVIDUALS TO LEAVE THEIR INDIGENOUS COMMUNITIES IN SEARCH OF BETTER HOUSING AND ECONOMIC OPPORTUNITY, INCLUDING THE POSSIBILITY OF BUYING THEIR OWN HOME**

[1] *As of June 5th, 2022.*

government support just to maintain the existing housing stock must be that much greater.

Ultimately, the lack of adequate housing encourages young and enterprising individuals to leave their Indigenous communities in search of better housing and economic opportunity, including the possibility of buying their own home. But people with (literal) get-up-and-go, who possess the seeds to future economic prosperity, are the very people these communities can least afford to lose.

So, what can be done to promote homeownership in Indigenous communities?

The first step is to recognize that the current approach to Indigenous homeownership, which relies on mortgage guarantees by the Indigenous community itself, has not worked. It's bureaucratic, costly and inequitable. Imagine, if you are not Indigenous, it would be like getting your entire city council to sign off on your mortgage.

The next step is to understand that Indigenous-led and -run financial institutions, such as the Aboriginal Savings Corporation of Canada (ABSCAN), where one of us is president, have successfully provided mortgages to their community members without the requirement of repossession in case of default. Thousands of mortgages have been issued by these institutions in recent decades with few, if any, defaults. These institutions don't simply rely on financial ratios to make housing loan decisions. They invest much more effort in assessing the creditworthiness of their clients, with whom they have developed close relationships. They are also using new methods of defining title, such as issuing long-term leases that, in case of default, can be sold to someone else on the reserve, so title always remains with the First Nation.

To significantly increase homeownership in Indigenous communities this innovative model of Indigenous-to-Indigenous housing finance should be scaled up to the national level. ABSCAN, in collaboration with the National Aboriginal Capital Corporations Association (NACCA), which one of us chairs, has developed such a proposal called "Yanonhchia" (the Huron-Wendat word for "home").

This proposal calls for an initial capital contribution of $150 million from the federal government — which is less than two per cent of the $8.3 billion pledged in the 2022 and 2023 budgets for Indigenous social housing. Indigenous financial institutions (IFIs) within NACCA would issue the mortgages, financed by this initial outlay. So far six IFIs have signed up. Eventually many of the 50 others who are members of NACCA could become involved. The number of homes built under this program would grow over time as mortgages are repaid and the capital base increased. The resulting pool of mortgages could be securitized and sold to investors to further expand the funding available.

Yanonhchia offers a sustainable long-term solution to the Indigenous housing crisis. It would be Indigenous-led and -run, scalable to demand and therefore better able to meet the needs of Indigenous families. Indigenous communities would benefit greatly because the resulting housing stock would be more durable and of much higher quality. In the end, making homeownership in Indigenous communities the same as it is in the rest of Canada is critical to solving the Indigenous housing crisis. ◆

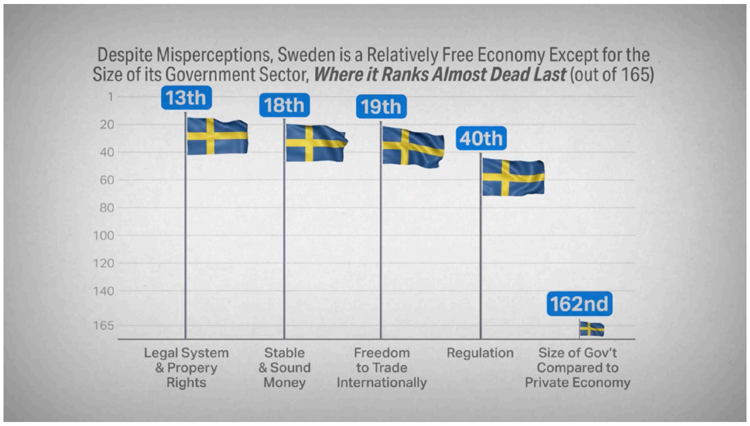
*Dominique Collin has more than 25 years of experience researching issues of Indigenous access to capital including micro-credit, business financing, community banking, risk capital, housing and infrastructure financing, and First Nations government taxation. His focus has been on assisting innovative financing solutions developed by Indigenous financial institutions that integrate sustainability, social justice, and financial viability. More recently his interests have focused on innovative housing finance solutions.*

*Jean Vincent is a member of the Huron-Wendat Nation and has made significant contributions to the social and economic development of First Nations throughout the country. A graduate of Laval University (Québec), Mr. Vincent has an accounting degree (L. Sc. compt.) as well as a bachelor's in business administration (BAA) with a major in accounting. Trained as a chartered professional accountant, he has been granted fellowships (FCPA, FCA) by the Ordre des CPA du Québec. He also holds the designation of Certified Aboriginal Financial Manager (CAFM). In addition, he has been awarded the Governor General's Meritorious Service Cross in recognition for his work with the First Nations.*

*Lawrence Schembri served as the deputy governor of the Bank of Canada from 2013 until his retirement in June 2022. In this capacity, he was one of two deputy governors responsible for overseeing the Bank's analysis and activities, and thereby promoting a stable and efficient financial system. He currently serves on the board of the Tulo Centre of Indigenous Economics, which is based in Kamloops, BC. Mr. Schembri received a bachelor's of commerce degree from the University of Toronto, an MSc in economics from the London School of Economics and Political Science, and a PhD in economics from the Massachusetts Institute of Technology. Prior to joining the Bank of Canada, Mr. Schembri was an assistant professor and, later, associate professor of economics at Carleton University.*

# THE REALITIES OF SOCIALISM IN SWEDEN: ECONOMIC FREEDOM



INFOGRAPHIC

# MAKING ROOM FOR GROWTH HOUSING INTENSIFICATION IN CANADA'S CITIES, 2016–2021

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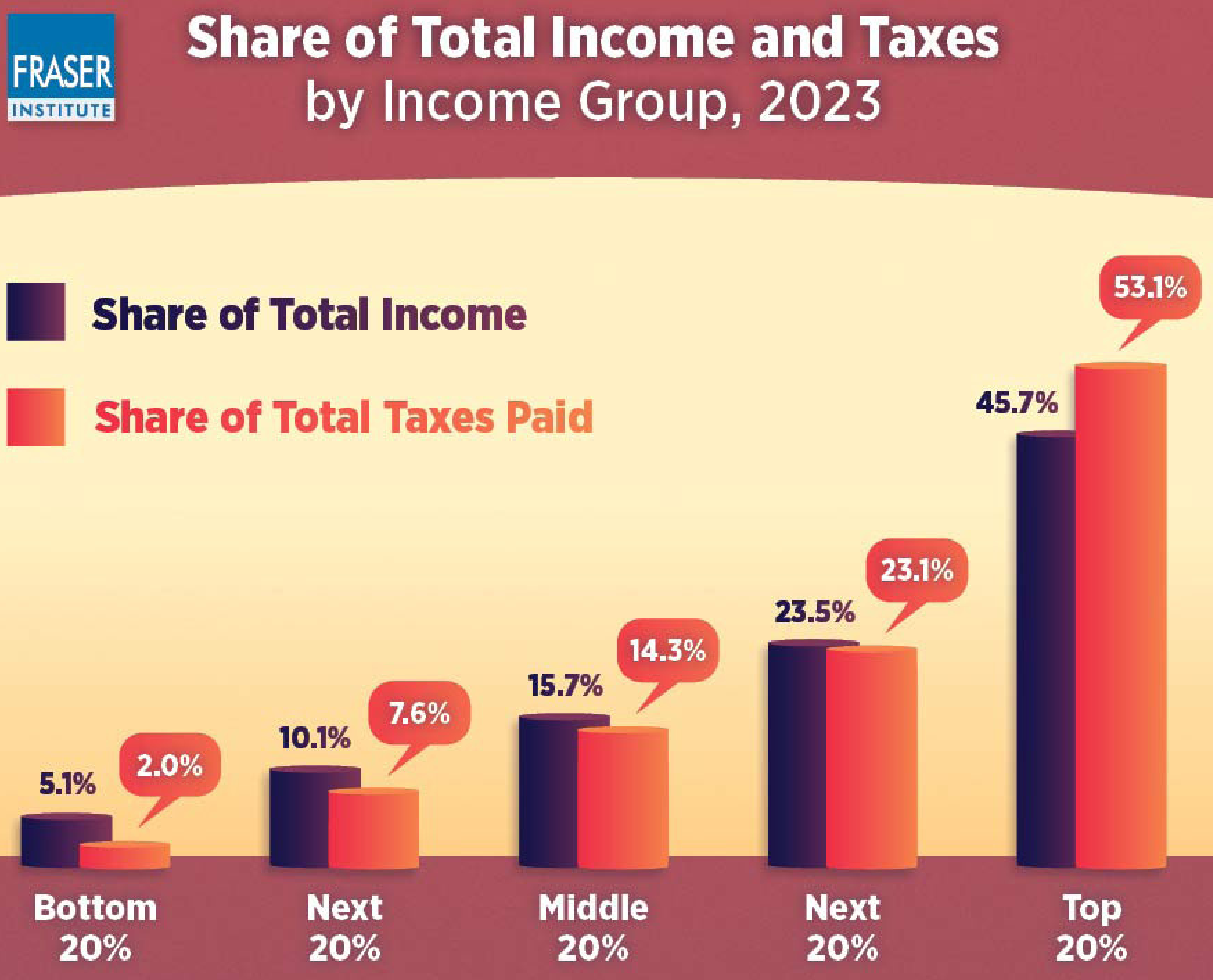

# MOST YOUNG CANADIANS DON'T THINK HIGH-INCOME EARNERS SHOULD PAY MORE TAXES

## GRADY MUNRO AND JAKE FUSS

New polling data suggests that most younger Canadians disagree with the Trudeau government narrative that high-income Canadians don't pay their "fair share" of taxes.

This narrative has guided federal tax policy since the Trudeau government was first elected. In 2016 the government raised the top federal income tax rate from 29 per cent to 33 per cent, claiming it's "only fair" that top earners pay more so others can pay less. In 2022 it targeted high-income earners again by introducing a luxury tax on automobiles priced at more than $100,000.

Most recently, the Trudeau government raised the minimum income tax rate that higher-income Canadians must pay annually,  it will "ensure the wealthiest Canadians pay their fair share of tax." And the government may also be considering a wealth tax.

With this in mind, the poll (conducted by Leger and published by the Fraser Institute) found that many Canadians reject the narrative that the "rich" don't pay their "fair share" of taxes. Interestingly, younger Canadians seemed the least convinced of this narrative.

When asked if there are some Canadians who don't pay their "fair share" of taxes, less than half (49 per cent) of Canadians aged 18 to 24 agreed compared to more than 50 per cent in all other age groups. Out of those groups, the oldest Canadians expressed the most support. Almost nine out of 10 (86 per cent) Canadians aged 65 and over agreed that some Canadians don't pay their "fair share" of taxes.

And yet, few Canadians young or old expressed much support for raising taxes on the top 20 per cent of income earners. Only 32 per cent of Canadians aged 18 to 24, and 33 per cent aged 65 and over (and no more than 40 per cent of Canadians in any age group) said that high-income earners should pay more in taxes.

These attitudes may not be surprising given how much the top 20 per cent of earners already pay. According to a new study published by the Fraser Institute, top income-earning families pay roughly

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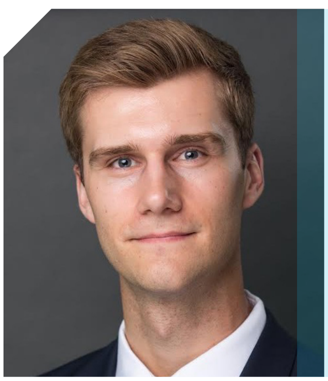
62 per cent of the country's personal income taxes and more than half (53 per cent) of total taxes.

The Trudeau government should listen to younger Canadians about their views on Canada's tax system. Empirical research has found that increasing taxes on high-income earners discourages entrepreneurship and innovation, and weakens Canada's ability to attract high-skilled workers. By committing to this "tax the rich" narrative, the federal government is stifling economic growth and holding back Canada's economy.

Younger Canadians are least convinced by the federal narrative that high-income earners don't pay their "fair share" of taxes. The Trudeau government would be wise to listen to them and stop raising taxes on Canadians. ◆



*Grady Munro is a research intern with the Centre for Fiscal Studies at the Fraser Institute. He holds a bachelor of arts in economics from Macalester College in Minnesota, and is currently completing a master's degree in public policy at the University of Calgary.*

*Jake Fuss is director of fiscal studies for the Fraser Institute. He holds a bachelor of commerce and a master's degree in public policy from the University of Calgary. Mr. Fuss has written commentaries appearing in major Canadian newspapers including the Globe and Mail, Toronto Sun, and National Post. His research covers a wide range of policy issues including government spending, debt, taxation, labour policy, and charitable giving.*

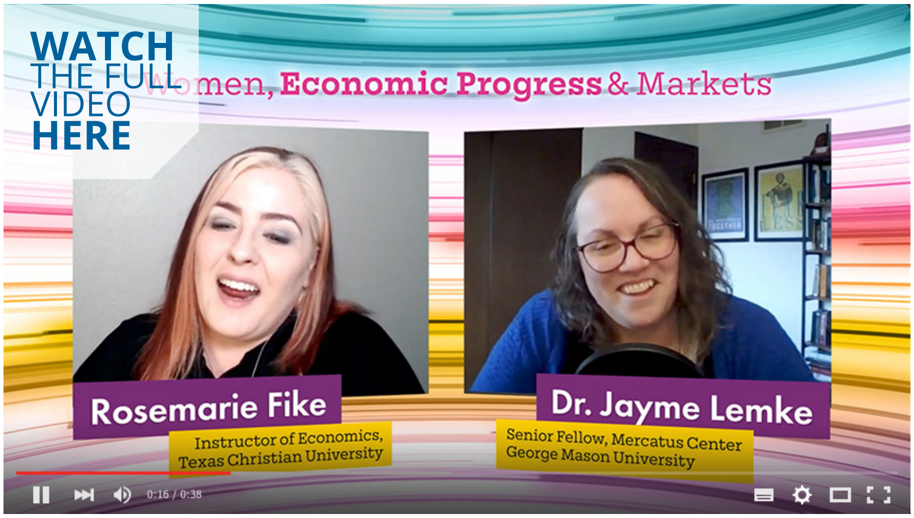
**PEOPLE BIND THEMSELVES INTO POLITICAL TEAMS THAT SHARE MORAL NARRATIVES. ONCE THEY ACCEPT A PARTICULAR NARRATIVE, THEY BECOME BLIND TO ALTERNATIVE MORAL WORLDS**

— JONATHAN HAIDT,
*THE RIGHTEOUS MIND: WHY GOOD PEOPLE ARE DIVIDED BY POLITICS AND RELIGION*

PODCAST

# WOMEN, ECONOMIC PROGRESS, AND MARKETS: ARTIFICIAL RESTRICTIONS AND HINDRANCES TO PROGRESS

**SENIOR RESEARCH FELLOW JAYME LEMKE JOINS HOST ROSEMARIE FIKE TO DISCUSS HOW MARKETS AND ECONOMIC PROGRESS HAVE AN IMPACT ON THE LIVES OF WOMEN. WATCH NOW.**




*Jayme Lemke is a senior research fellow and associate director of academic and student programs at the Mercatus Center at George Mason University and a senior fellow in the F.A. Hayek Program for Advanced Study in Philosophy, Politics, and Economics. She specializes in public choice economics, institutional analysis, and the political economy of women's rights.*

*Rosemarie Fike is an instructor of economics at Texas Christian University and a Fraser Institute senior fellow. She received her MA in economics at George Mason University, and her PhD in economics at Florida State University. Her current research focuses on understanding the effects that different types of economic institutions have on the lives and status of women. She is the author of the Fraser Institute's Women and Progress report.*

# TAX BURDEN ON NEW BRUNSWICKERS IS HIGH AND RISING

EVIN RYAN AND ALEX WHALEN

Tax Freedom Day is a concept that measures the total burden of government taxation on the average family. Each year, New Brunswickers pay income taxes, sales taxes, health taxes, payroll taxes, property taxes, fuel taxes and many other types of taxes. And while some of these taxes are visible, many are hidden.

To help clarify the situation, each year the Fraser Institute calculates Tax Freedom Day by totalling all taxes paid by New Brunswickers (federal, provincial and local) and comparing it to their total income, then multiplying the result by the number of days in the year. In other words, it's the day each year when New Brunswickers can start working for themselves instead of the government.

This year Tax Freedom Day in New Brunswick fell on June 12—six days earlier than last year but still eight days later than the final pre-COVID Tax Freedom Day in 2019 (June 4). Even though the province maintained a strong fiscal policy through the pandemic by balancing the budget, slow income growth and high tax rates have kept the burden relatively high for New Brunswickers.

In 2023, we estimate the average family in New Brunswick (two or more people) earning $112,418 will pay $49,623 in total taxes—or 44.1 per cent of their income. So, in New Brunswick, if you paid all your taxes for 2023 up front, you would pay the government every dollar you earned until June 12. After working the first 162 days of the year for the government, you now get to work for yourself.

Adding to the challenge for New Brunswickers is slow income growth in comparison to the tax bill. Consider that since 2019 incomes have grown by 17 per cent while the tax bill has grown by 23 per cent (almost $10,000).

In its latest budget, the Higgs government indicated there would be a reduction to personal income taxes across all levels in 2023/24. These tax changes represent a step in the right direction, as New Brunswick's personal income tax rates have been among the highest in North America. However, this year's reductions aren't enough to fully address the province's high tax situation. Even with the reductions this year, tax rates on personal income remain high compared to other provinces and states. And business tax rates (14 per cent) are tied for the third-highest in Canada, a situation unchanged by this year's budget.

The Fraser Institute also calculates a "balanced budget" Tax Freedom Day for New Brunswick to help appreciate the size of the debt burden—that is, if the federal government and the provincial government had to raise taxes today to balance their budgets (instead of financing their spending by borrowing) Tax Freedom Day in New Brunswick would fall six days later on June 18.

Tax Freedom Day helps New Brunswickers better understand the tax burden placed on them by all levels of government. While New Brunswick's recent strong fiscal policy has helped the province make some progress on taxes, much more work remains. ◆

*Evin Ryan completed a Fraser Institute research internship in 2022. He is currently completing a bachelor of arts in economics at the University of Windsor.*

*Alex Whalen is associate director of Atlantic Canada Prosperity at the Fraser Institute and coordinator of the activities of the Institute's Atlantic Canada division. Prior to joining the Institute, Alex was vice-president of the Atlantic Institute for Market Studies (AIMS), which merged with the Fraser Institute in 2019. He is a graduate of the Schulich School of Law at Dalhousie University, and the School of Business at the University of Prince Edward Island.*

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### Housing Policy in Canada

*Josef Filipowicz*

Discussion around housing affordability in Canada has increased as many Canadians are struggling to afford rent or to buy their first home. This presentation dives into the topic of housing in Canada. ◆
Link to Josef Filipowicz Recording

### Do Markets Make Us Selfish?

*Rosemarie Fike*

Critics of markets often argue that market competition encourages people to engage in immoral behaviour that makes them more selfish, highly competitive, and materialistic. Proponents of markets have long argued that market participation has a civilizing effect and encourages people to practice virtuous behaviours like honesty and prudence. This presentation sheds light on this complex debate. ◆
Link to Rosemarie Fike Recording

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