

THE Quarterly

SPRING 2022

Canada ranked 6th most “Miserable” Country





Niels Veldhuis
President, Fraser Institute

Dear Fraser Institute Friends and Supporters,

As the old saying goes, “everything old is new again.” In the 1970s when Canada, the United States, and much of the developed world was suffering from both high inflation and high unemployment, American economist Arthur Okun created the “Misery Index.” The index combined inflation and unemployment rates into a single measure and since both impose serious costs on families, “misery” summed up the index nicely.

Since the 1990s, the once popular Misery Index has pretty much disappeared from public discussion as inflation was tamed and unemployment in the United States (and Canada) trended downwards.

Well, guess what’s making a return?

To start 2022, we released an important new study: *The Misery Index Returns* (see page 8). My colleagues found that Canada’s high inflation rate coupled with our high unemployment rate make us the 6th most miserable country among 35 advanced economies worldwide.

I am pleased to report that this study garnered significant media attention across Canada, online, on radio stations, and in print, including in the *Financial Post*, Sun Media Chain (Toronto, Ottawa, Winnipeg, Vancouver), *Ottawa Citizen*, *Montreal Gazette*, *Windsor Star*, and dozens of other regional outlets.

However, inflation is not the only thing taking a bite out of Canadian wallets. As my colleagues found in their recent study (see page 10), *Measuring the Impact of Federal Personal Income Tax Changes on Middle Income Canadian Families since 2015*, 86 percent of middle-class families have also experienced an increase in their federal personal income tax burden since 2015—to the tune of \$800 annually on average! And yet, despite this empirical evidence, the federal government continues to assert it has actually *lowered* personal income taxes for the middle class!

While I can’t highlight all of the important work contained in this issue of *The Quarterly*, I do encourage you to read about an important Leger poll that the Fraser Institute commissioned (see page 12). The poll found that 84 percent of parents of school-aged children in Canada support standardized testing to understand how their child and their child’s school are performing in reading, writing, and mathematics. This is a critically important finding given the efforts by teachers’ unions across Canada to diminish or even eliminate testing.

I hope you enjoy this edition of *The Quarterly* and that after you are finished reading it, you will pass it on to your friends, family, and colleagues.

Stay safe!

A handwritten signature in blue ink, appearing to read "Niels Veldhuis". The signature is fluid and cursive, written over a light blue circular stamp or watermark.

Best,
Niels

New Research



Comparing Performance of Universal Health Care Countries **2**

Canada's Aging Population Leads to Persistent Deficits and Increased Health Care Spending **4**

Job Growth in GTA and Ottawa Exceeds National Average While the Rest of the Province Lags **6**

Higher Inflation and Higher Unemployment Make Canada 6th Most "Miserable" Country Among 35 Advanced Economies **8**

Eighty-six Percent of Middle-class Families Face Higher Federal Personal Income Tax Burden **10**

More than 80 Percent of Canadian Parents of Kids in K-12 Schools Support Standardized Testing **12**

Recent Columns



Benefits of Ontario Climate Policy— Basically Zero **14**

Most Ontario Parents Feel Pandemic Policies Have Hurt Their Child's Education **16**

Trudeau Emissions Plan Impossible Without Huge Energy Costs and/or Imports **18**

Ottawa's Spending Spree Comes with Huge Costs **20**

Forced Transition to Wind and Solar Will Impose Real Costs on Canadians **22**

COVID Exacerbates—Not Creates—Canada's Long Health Care Wait Times **24**

Low Levels of Economic Freedom Chasing Young People Away from Atlantic Canada **26**

Single-Rate Personal Income Tax Critical to Restoring Alberta Advantage **28**

Education Programs



Student Policy Webinars are back!
Hundreds of teachers have registered for our programs this semester! **30**

Staff Spotlight



Elizabeth Pratt **32**

Of 28 Countries with Universal Health Care, Canada among Highest Spenders, but Ranks Near the Bottom for Number of Doctors, Hospital Beds, MRIs, and Has the Longest Wait Times

Mackenzie Moir and Bacchus Barua

Comparing the performance of different countries' health-care systems provides an opportunity for policymakers and the general public to determine how well Canada's health care system is performing relative to its international peers. Overall, the data examined suggest that, although Canada has one of the most expensive universal-access health care systems in the OECD, its performance is modest to poor.

Our study, *Comparing Performance of Universal Health Care Countries, 2021*, uses a "value for money approach" to compare the cost and performance of 28 universal health care systems in high-income countries. The level of health care expenditure is measured using two indicators, while the performance of each country's health care system is measured using 40 indicators, representing the four broad categories:

1. availability of resources
2. use of resources
3. access to resources
4. quality and clinical performance

Five measures of the overall health status of the population are also included. However, these indicators can be influenced to a large degree by non-medical determinants of health that lie outside the purview of a country's health care system and policies.

Expenditure on health care

Canada spends more on health care than the majority of high-income OECD countries with universal health care systems. After adjusting for age, i.e., the percentage of the population over age 65, Canada ranks second high-



est for expenditure on health care as a percentage of GDP and eighth highest for health care expenditures per capita.

Availability of resources

The availability of medical resources is perhaps one of the most basic requirements for a properly functioning health-care system. Data suggest that Canada has substantially fewer human and capital medical resources than many peer jurisdictions that spend comparable amounts of money on health care. After adjusting for age, it has significantly fewer physicians, acute-care beds, and psychiatric beds per capita than the average of OECD countries included in the study. It ranks close to the average for nurses and ranks eighth for the number of long-term care beds (per 1,000 over the age of 65). While Canada has the third most Gamma cameras (per million population, age-adjusted), it has fewer other

Canada, one of the highest spenders among universal health-care systems, ranks modest to poor on performance

	Canada	Australia	Germany	Switzerland
Health-care Spending (% of GDP)	2nd /28	9th /28	4th /28	1st /28
Doctors (per thousand)	26th /28	10th /28	13th /28	7th /28
Hospital Beds (per thousand)	25th /26	n/a /26	3rd /26	10th /26
Specialist Wait (<4 weeks)	10th /10	5th /10	3rd /10	2nd /10

Note: Data for spending, doctors and beds are adjusted for age

medical technologies than the average high-income OECD country with universal health care for which comparable inventory data are available.

Use of resources

Medical resources are of little use if their services are not being consumed by those with health care demands. Data suggest that Canada’s performance is mixed in its use of resources, performing at higher rates than the average OECD country on under half the indicators examined (for example, cataract surgery and knee replacement), and average to lower rates on the rest. Canada reports the least degree of hospital activity (as measured by rates for curative-care discharges) in the group of countries studied.

Access to resources

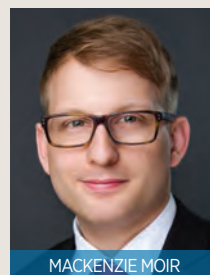
While both the level of medical resources available and their use can provide insight into accessibility, it is also beneficial to measure accessibility more directly by examining measures of timeliness of care and cost-related barriers to access. Canada ranked last (or close to last) on all four indicators of timeliness of care and ranked seventh (out of ten) on the indicator measuring the percentage of patients who reported that cost was a barrier to access.

Quality and clinical performance

When assessing indicators of availability of, access to, and use of resources, it is critically important to include some measure of quality and clinical performance in the areas of primary care, acute care, mental health care,

cancer care, and patient safety. While Canada does well on five indicators of clinical performance and quality (such as rates of survival for breast, colon, and rectal cancers), its performance on the seven other indicators examined in this study are either no different from the average or in some cases—particularly obstetric traumas and diabetes-related amputations—worse.

The data examined in this report suggest that there is an imbalance between the value Canadians receive and the relatively high amount of money they spend on their health care system. Although Canada ranks among the most expensive universal-access health care systems in the OECD, its performance on availability and access to resources is generally below that of the average OECD country, while its performance on use of resources and quality and clinical performance is mixed. [FI](#)



MACKENZIE MOIR



BACCHUS BARUA

Mackenzie Moir is a policy analyst and Bacchus Barua is director of Health Policy Studies at the Fraser Institute. They are co-authors of *Comparing Performance of Universal Health Care Countries, 2021*.

Canada's Aging Population Leads to Persistent Deficits and Increased Health Care Spending

Jake Fuss and Nathaniel Li

While COVID delivered a serious blow to government finances, the fiscal challenges facing provincial governments across Canada will not stop when the pandemic ends. For example, the country's population is aging quickly, with significant negative implications.

Indeed, Canadians are having fewer children than they did decades ago and all indications point towards this continuing for the foreseeable future. The consequence is slower population growth than we experienced in the past. At the same time, Canadians are living longer and this trend of increasing life expectancy is also projected to continue.

Increasing life expectancy coupled with slower population growth means seniors will comprise a greater share of Canada's population in the future. While Canadians aged 65 or older currently account for 18.5 percent of the population, projections indicate that that proportion will reach nearly 24 percent by 2040. The proportion of working-age Canadians will also decline as baby boomers retire.

The growing senior population will increase pressure on provincial health care budgets. Seniors use more health care resources than other age groups as they're more vulnerable to illness and chronic disease.

For example, Ontarians aged 65 or older accounted for 44.2 percent of the province's health care spending in 2018 despite comprising less than one-fifth of the population. In contrast, Ontarians under age 25 accounted for only 15.1 percent of all provincial health care spending while constituting a much larger share (28.8 percent) of the population. Simply put, a rising share of seniors in Canada will cause health care costs to grow substantially.

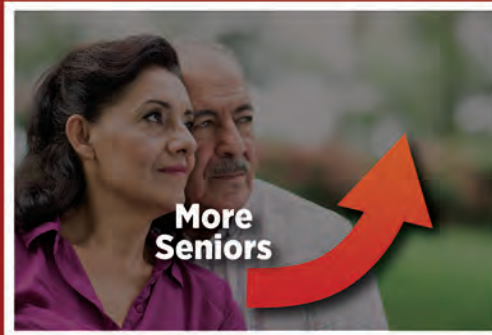


Consider that health care expenditures are estimated to increase by a minimum of 4.0 percent annually from now until 2040/41 in all provinces. Atlantic Canada, the region with the highest proportion of seniors, will likely experience the largest spending spike. For example, Newfoundland & Labrador's health care spending is projected to increase from 9.2 percent of GDP in 2019/20 to 15.0 percent by 2040/41.

Moreover, health care spending will surge upwards at a time when all provincial governments are already running budget deficits. Based on government projections, none of the 10 provinces will return to budget balance until at least 2024/25 (although this timeline will likely be longer).

In fact, in a series of new studies, *The Implications of an Aging Population for Government Finances*, we show that none of the provinces are on track to balance their bud-

IMPLICATIONS OF CANADA'S AGING POPULATION



gets before 2040/41 as they deal with increased health care spending and relatively modest revenue growth. Primary deficits (deficits excluding interest costs) are esti-

thus making it increasingly difficult to balance budgets. Future recessions or other unexpected events would increase deficits and prolong the periods before budget balance.

“ *health care spending will surge upwards at a time when all provincial governments are already running budget deficits. Based on government projections, none of the 10 provinces will return to budget balance until at least 2024/25”*

Fortunately, these projections are not set in stone. Provincial governments can change course. Reviewing and evaluating areas of spending is one place to start. A failure to take concrete action will likely lead to decades of deficits and surges in debt, which younger generations of Canadians will have to handle. **FI**

mated to be highest in Newfoundland & Labrador (5.3 percent of GDP by 2040), Saskatchewan (2.8 percent of GDP by 2040) and Prince Edward Island (2.3 percent of GDP by 2040). The challenges become starker when we factor in government debt interest costs.

Indeed, the risk of rising debt interest will further compound these challenges by consuming more revenue,



Jake Fuss is a senior economist and Nathaniel Li is an economist at the Fraser Institute. They are coauthors of a series of studies focusing on the implications of an aging population for government finances for various provinces.

Job Growth in GTA and Ottawa Exceeds National Average While the Rest of the Province Lags

Ben Eisen and Steve Lafleur

In our recent report, *Uneven Job Creation in Ontario's Urban Centres from 2008 to 2019*, we examined rates of job creation in large cities across Ontario between 2008 and 2019. We found that Toronto and the surrounding urban areas all experienced substantial job growth during this period. We also found that job growth in Ottawa was significantly above the national average.

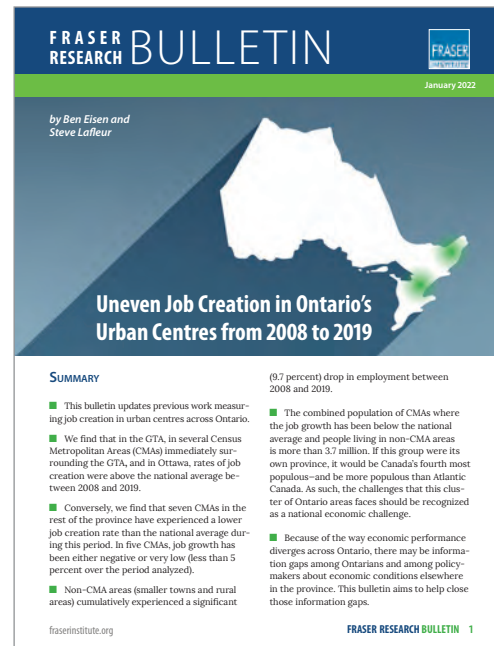
Meanwhile, job creation was weaker in most of the rest of Ontario's large cities. Windsor, Kingston, Sudbury, London, St. Catharines-Niagara, Thunder Bay, and Peterborough all experienced rates of job creation below the national average.

Given Ontario's size, the number of people living in smaller towns and rural areas is also substantial. Taken together, this "non-CMA" population – those living outside of the province's big cities – totals 3.7 million people. For context, if this group were its own province, it would be the fifth largest in Canada. This "non-CMA" population saw substantial net job losses – a total of 9.7 percent over the analysis period.

The accompanying infographic shows total job creation during the period of analysis for several Ontario cities as well as its smaller towns and rural areas grouped together for the "non-CMA" data point.

The different rates of job creation are correlated with several important economic metrics. One indicator of economic strength that has been particularly closely correlated with job creation rates across the province is the rate of population growth or decline. In other words, cities that have experienced significant job creation growth have also seen significant population growth, whereas the cities with weak job creation have not.

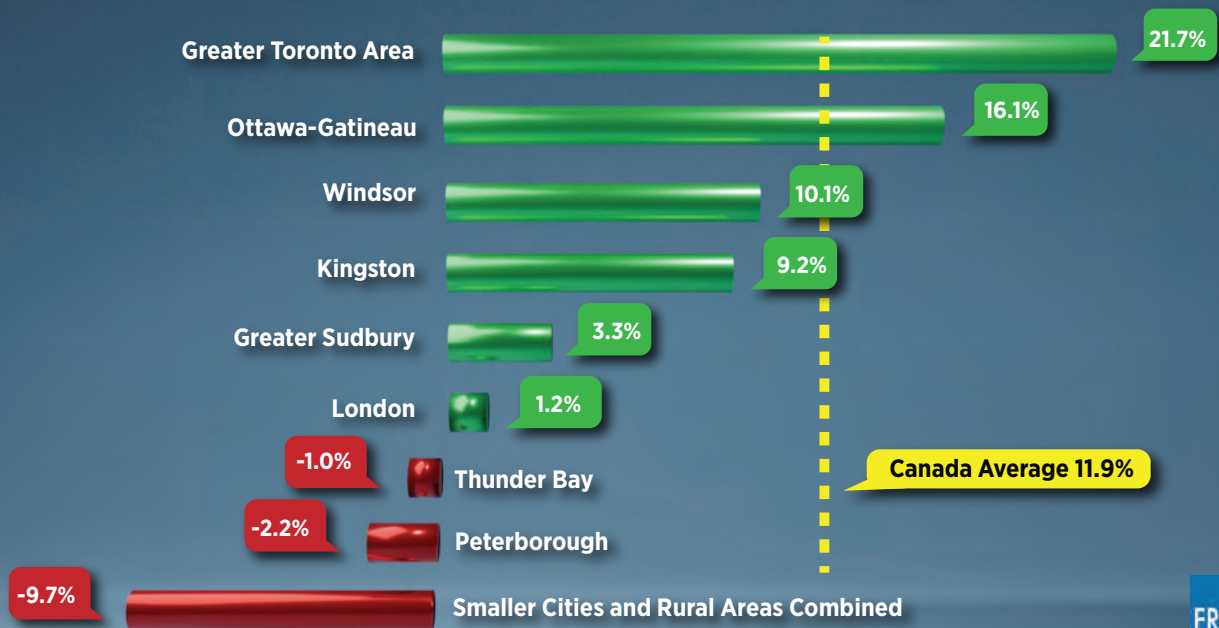
Considering the close connection between employment growth and population change helps us to



understand how Ontario's economy has performed and developed over the past decade. More specifically, it helps show that Ontario's large cities can for the most part be grouped into two large clusters.

“Toronto and the surrounding urban areas all experienced substantial job growth from 2008 to 2019. Job growth in Ottawa was also significantly above the national average. Meanwhile, job creation was weaker in most of the rest of Ontario's large cities. Windsor, Kingston, Sudbury, London, St. Catharines-Niagara, Thunder Bay, and Peterborough all experienced rates of job creation below the national average.”

Employment growth in Ontario cities varied considerably, 2008 to 2019



FRASER
INSTITUTE

On the one hand, Ontarians living in or near the provincial and federal capitals have seen a decade of relatively high job creation rates and high population growth. Meanwhile, cities elsewhere in the province and most of the province's towns and rural areas have seen much less dynamic economic activity characterized by near or complete stagnation in population and job growth.

Ontario contains many of Canada's largest cities. The province's "secondary cities" are as populous as provincial or even regional anchor cities elsewhere. London, for instance, is about as populous as Halifax. Southwestern Ontario has approximately as large a population as the Maritime region.

The economic stagnation that has occurred in much of Ontario outside its two biggest cities should therefore be viewed as a national economic problem, not just a provincial one.

Despite the severe economic challenges in many large Ontario cities, the economic challenges facing Ontarians living in them are sometimes overlooked. Toronto's commanding size means that it is easy to miss the economic challenges in "secondary" but still large CMAs and in smaller towns and rural communities. This can give rise to misconceptions about the different economic cir-

cumstances facing large numbers of Ontarians. Regional economic analysis in Ontario can help reduce these information gaps. [FI](#)

“ Toronto's commanding size means that it is *easy to miss the economic challenges in "secondary" but still large CMAs and in smaller towns and rural communities.* **”**



Ben Eisen is a Fraser Institute senior fellow and Steve Lafleur is a senior policy analyst at the Fraser Institute. They are co-authors of *Uneven Job Creation in Ontario's Urban Centres from 2008 to 2019*.

Higher Inflation and Higher Unemployment Make Canada 6th Most “Miserable” Country Among 35 Advanced Economies

Jason Clemens, Milagros Palacios,
and Nathaniel Li

Noted American economist Arthur Okun coined the phrase and created the “Misery Index” at a time when both inflation and unemployment were high. Okun’s aim was to synthesize these two measures, inflation and unemployment, both of which impose serious costs on citizens, into one easily understood measure. Throughout the 1960s, ’70s and ’80s, as both inflation and unemployment remained high in many western countries, the Misery Index was often discussed as a measure of the state of the economy.

Thankfully, the Misery Index all but disappeared starting in the early 1990s as inflation was tamed and remained low, and unemployment in most countries trended downwards. Indeed, after 1992 inflation remained low and stable, and the unemployment rate in Canada generally trended slightly downwards. There are now real worries about the rise of inflation and unemployment in Canada and other industrialized countries such that the Misery Index is once again being discussed.

The global pandemic of 2020 obviously affected unemployment rates as many countries, including Canada, shut down and restricted aspects of the economy. According to IMF data, Canada’s inflation rate ranked 12th of the 35 countries covered, but amounted to less than 1.0 percent (0.72 percent), making it a non-issue. On unemployment, however, Canada had the third highest rate in 2020 of the 35 countries.

The key now is assessing 2021 and looking forward. The federal government continues to rationalize inflation as a global phenomenon, inferring that there is limited action that Ottawa can take to reduce it. The International Mon-

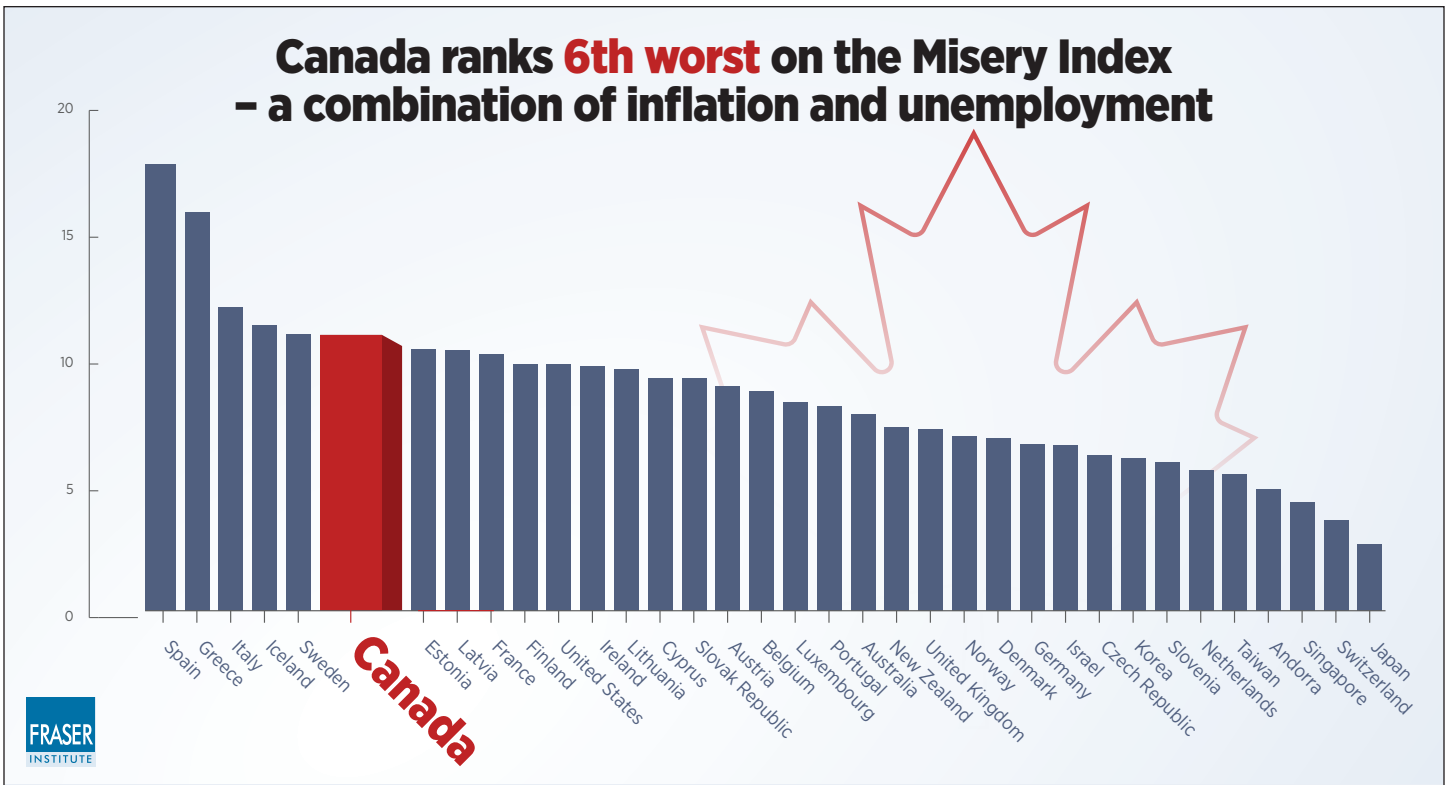


etary Fund (IMF) provides detailed historical, current, and projected data for both inflation and unemployment for a group of industrialized countries.

The IMF’s projected inflation rate (annual average) for Canada for 2021 of 3.2 percent ranks us 4th of the 35 countries, behind only the United States, Iceland, and Estonia. Put differently, while inflation may well be a

“While inflation may well be a global problem, Canada’s inflation rate is among the very highest of any industrialized country.”

Canada ranks **6th worst** on the Misery Index - a combination of inflation and unemployment



global problem, Canada’s inflation rate is among the very highest of any industrialized country.

While the IMF expects Canada’s unemployment rate to improve to 7.7 percent in 2021, it still ranks relatively high within the industrialized world. Specifically, the IMF expects Canada’s 2021 unemployment rate to be 8th highest among the 35 industrialized countries.

The combination of Canada’s higher expected inflation and higher unemployment rates for 2021 compared to

Contrary to much of the rhetoric, Canada’s inflation rate has increased and looks set to remain at an elevated level for the immediate future. Moreover, Canada’s inflation rate in 2020 and projected for 2021 remains comparatively high amongst industrialized countries. The combination of Canada’s high inflation rate with its relatively high unemployment rate mean that Canada—and more importantly Canadians—are suffering from a comparatively high Misery Index, which should be a focus of concern for government policy. [FI](#)

“ *The combination of Canada’s high inflation rate with its relatively high unemployment rate mean that Canada—and more importantly Canadians—are suffering from a comparatively high Misery Index, which should be a focus of concern for government policy.* **”**

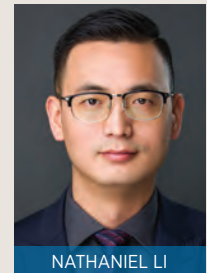
other industrialized countries ranks Canada 6th highest for its expected Misery Index at 10.9 percent.



JASON CLEMENS



MILAGROS PALACIOS



NATHANIEL LI

Jason Clemens is executive vice-president, Milagros Palacios is director of the Addington Centre for Measurement and Nathaniel Li is an economist at the Fraser Institute. They are co-authors of *The Misery Index Returns*.

86% of Middle-class Families Face Higher Federal Personal Income Tax Burden

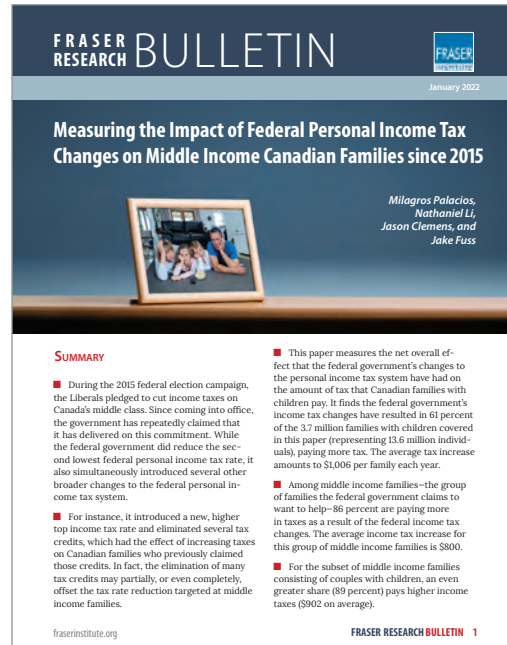
Milagros Palacios, Nathaniel Li, Jason Clemens, and Jake Fuss.

Since taking office in 2015, the Trudeau government has repeatedly claimed to have lowered personal income taxes for middle-class Canadians. However, recent data demonstrate that the government has not actually provided income tax relief to middle-class families and it continues to confuse government transfers with taxes.

First, some quick history. After the 2015 election, the Trudeau government reduced the second-lowest personal income tax rate from 22 percent to 20.5 percent, prompting former Finance Minister Bill Morneau to proclaim that the “government cut taxes for middle class Canadians everywhere.”

But crucially, the government simultaneously eliminated several tax credits including the children’s fitness tax credit, children’s arts tax credit, public transit tax credits, education and textbook tax credits, and the income-splitting tax credit for couples with young children. While eliminating these tax credits helps simplify the tax system, which is good, it also acts to increase personal income taxes for Canadian families.

A recent Fraser Institute study, *Measuring the Impact of Federal Personal Income Tax Changes on Middle Income Canadian Families since 2015*, compared the savings from the lower personal income tax rate against the loss of these tax credits based on a model provided by Statistics Canada. The primary finding was that the elimination of these tax credits resulted in higher personal income taxes for most Canadian families. In fact, when you compare the value of the government’s tax rate reduction with the loss of tax credits, between 2015 and 2019, 86 percent of middle-class families (with household incomes between \$84,625 and \$118,007) experienced an increase in their federal personal income tax burden. In other words, nearly nine in 10 middle-class families



now pay more—in fact, the average federal income tax increase for this group of middle-income families was \$800 annually.

“when you compare the value of the government’s tax rate reduction with the loss of tax credits, between 2015 and 2019, 86 percent of middle-class families (with household incomes between \$84,625 and \$118,007) experienced an increase in their federal personal income tax burden”

Ottawa's tax changes resulted in **HIGHER** personal income taxes for **86%** of middle-income families

TAX REDUCTION

- Reduced 2nd lowest income tax rate



TAX INCREASES

- Introduced new, higher income tax rate
- Eliminated income splitting
- Eliminated children's fitness and art tax credits
- Eliminated education and textbook tax credits
- Eliminated public transit tax credit



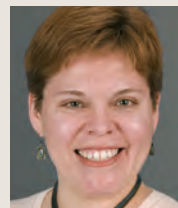
When confronted with these findings, the Trudeau government claims that such an analysis ignores the expansion of the Canada Child Benefit (CCB), which is an income transfer for families with children. However, by pointing to the CCB increase, the government conflates taxes with government transfers. In other words, the government now equates middle-income families keeping more of their own income with middle-income families receiving more transfers from government using other people's money.

Remember, during the 2015 election campaign, the Liberals promised to cut taxes for the middle class. And that would have been wise policy. Tax cuts allow Canadians to keep more of their own income and strengthen the incentives for work, investment in training and education, and entrepreneurship. But simply increasing government transfers makes Canadians more dependent on government and other people's money for their well-being.

“ *the government now equates middle-income families keeping more of their own income with middle-income families receiving more transfers from government using other people's money.”*

Notably, the study did not account for recent changes to payroll taxes for the Canada Pension Plan (CPP). The Trudeau government (alongside the nine participating provinces) expanded the CPP in January 2019, which has resulted in higher mandatory CPP contributions for Canadian workers. This means even more middle-income families in Canada may now pay higher taxes beyond what the income tax changes alone indicate.

Despite claims to the contrary, Ottawa has increased personal income taxes on the overwhelming majority of middle-class Canadian families. [FI](#)



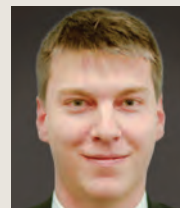
MILAGROS PALACIOS



NATHANIEL LI



JASON CLEMENS



JAKE FUSS

Milagros Palacios is director of the Addington Centre for Measurement, Nathaniel Li is an economist, Jason Clemens is executive vice-president, and Jake Fuss is a senior economist at the Fraser Institute. They are the co-authors of *Measuring the Impact of Federal Personal Income Tax Changes on Middle Income Canadian Families since 2015*.

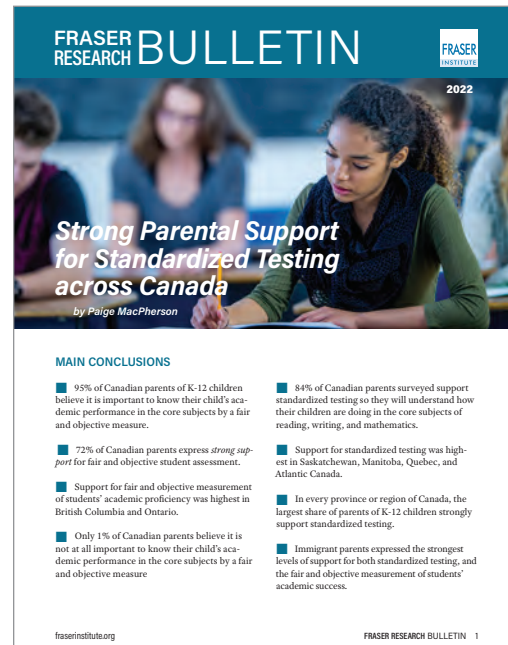
More than 80 Percent of Canadian Parents of Kids in K-12 Schools Support Standardized Testing

Paige MacPherson

Prior to the COVID-19 pandemic, the use in Canada of standardized tests to evaluate student performance at the provincial level was mixed. School closures eliminated or substantially curtailed the limited standardized testing that was being done in some provinces, notably Quebec, Ontario, Alberta, and British Columbia. It is not clear whether the provinces who used testing prior to COVID-19 will return to the earlier level or follow the lead of British Columbia and weaken their use of testing. Our new study, *Strong Parental Support for Standardized Testing across Canada*, examines parental support for standardized tests, and is part of a series looking at the state of standardized testing in Canada.

Standardized testing is a tool employed across the developed world to objectively measure students' academic proficiency. Having students at the same level take the same test and having the test grade assess students and teachers in a meaningful way provides a level playing field on which parents, teachers, and all education stakeholders can determine performance, best practices, areas of strength and weakness, and strategies for academic improvement.

In Canada, abolishing standardized testing is the target of several teachers' unions and, though this cause has been long adopted by this stakeholder group, the efforts to undermine and eliminate standardized testing in several provinces have intensified during the COVID pandemic. In some instances, standardized tests are being replaced by lower-stakes student assessments. In British Columbia's secondary schools, for example, the standardized testing of secondary students using higher-stakes course exams, which contributed to a portion of a student's course grade, was replaced with lower-stakes student assessments, which are mandatory

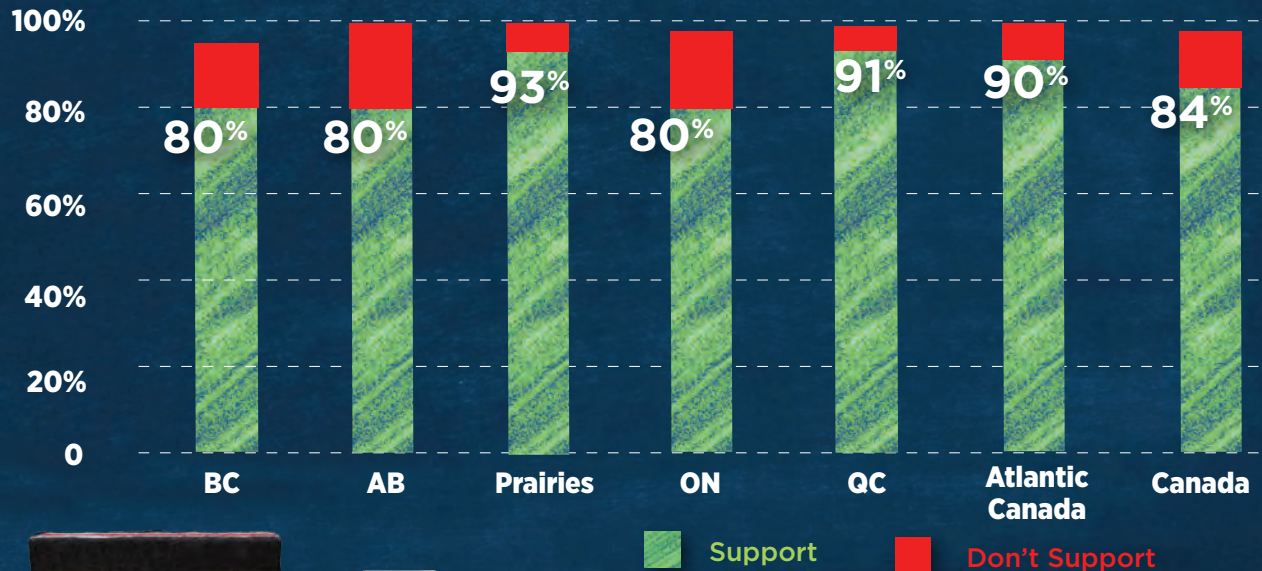


for graduation yet have poor participation rates and do not affect students' grades.

“Standardized testing is a tool employed across the developed world to objectively measure students' academic proficiency.”

The Fraser Institute recently commissioned a poll from Leger that surveyed a representative sampling of parents across Canada of school-aged children (ages 5 to 17) enrolled in public and independent schools. Almost all Canadian parents of children in K-12 schools believe it is important to know their children's academic performance in core subjects by a fair and objective measure.

Canadian parents of K-12 kids OVERWHELMINGLY support standardized testing



Immigrant parents most strongly support this (99 percent), as do parents in British Columbia (96 percent) and Ontario (98 percent). In every region of Canada, parental support was above 90 percent. Looking specifically at the strongest level of support, 72 percent of parents nationally believe that fair and objective measurement of students' academic success is very important, and only 1 percent of Canadian parents believe that it is not at all important.

“ Both nationally and in every province and region, the largest proportion of parents responding to this survey strongly support standardized testing.”

When it comes to specific support for standardized testing, 84 percent of Canadian parents surveyed support standardized testing so they will understand how their children are doing in the core subjects of reading, writing, and mathematics. Support was highest among

parents in Saskatchewan and Manitoba (93 percent), followed by 90 percent in Atlantic Canada and 91 percent in Quebec. Again, support amongst immigrant parents was strongest (92 percent).

Both nationally and in every province and region, the largest proportion of parents responding to this survey strongly support standardized testing. Parents are critical stakeholders in Canadian education. Policymakers across the country should be aware that standardized testing, and the fair and objective measurement of students' academic proficiency, is supported by a large majority of Canadian parents in every region of the country. **FI**



PAIGE MACPHERSON

Paige MacPherson is associate director of Education Policy at the Fraser Institute. She is the author of *Strong Parental Support for Standardized Testing across Canada*.



Benefits of Ontario Climate Policy— Basically Zero

Ross McKittrick

Ontario's Financial Accountability Office (FAO) recently released a report estimating that, on the assumption that climate change will bring more extreme weather, it could add between \$800 million and \$1.5 billion annually to the cost of maintaining public buildings. To which Green MPP Mike Schreiner responded that there's a "need to be honest with Ontarians about the costs of the climate crisis... the cost of inaction far exceeds the cost of climate action."

If only! We should be so lucky if climate policy cost less than \$800 million, or even \$1.5 billion, annually. Even when we add up all the projected costs of climate change across the rest of society (assuming we could even agree on reasonable estimates), as has been noted

many times, most climate policy is far costlier than the expected costs of climate change itself.

The contrast is even more stark when we do the comparison properly, by comparing the costs of policies, not to total damages but to the small subset of damages they would allegedly prevent. Which points to the flawed concept of "the costs of inaction." It embeds a serious but subtle economic fallacy that, if left unchecked, vastly overstates the benefits of climate action.

The cost of inaction, by definition, is the difference between the costs incurred without the action and the costs incurred if the action is taken. If your mechanic says you need a \$500 repair now to prevent a coming engine malfunction that will do \$5,000 in damage, then the meaning is clear. The cost of inaction is \$5,000, which is

far higher than the cost of the action. But if the mechanic adds that the proposed repair won't prevent the engine malfunction or mitigate the cost of the damage, the story suddenly changes. You face \$5,000 in costs either way. Your choice is whether to pay an additional \$500 in futile repair expenses. In this case, inaction is cheaper.

“Canada is responsible for about 1.9 percent of global carbon dioxide emissions, and Ontario is responsible for about 22 percent of Canada's, making Ontario responsible for about four-tenths of one percent of global emissions.”

Same with climate. The problem with climate policy—specifically emission reductions rather than adaptation—is that the actions being talked about won't change the outcome. The FAO used a set of global emission scenarios, not Ontario-specific emissions, because only the global total matters. Canada is responsible for about 1.9 percent of global carbon dioxide emissions, and Ontario is responsible for about 22 percent of Canada's, making Ontario responsible for about four-tenths of one percent of global emissions. People might have gotten the impression that emission reductions in Ontario would somehow prevent future Ontario extreme weather events. Nonsense. Even if we eliminated all Ontario emissions it wouldn't make a difference, since what matters is the global total.

What makes the situation even more futile is that emission reductions in Ontario typically don't result in global reductions. When climate policy raises the cost of doing business here (for instance, by our ill-fated green energy fiasco) the industrial activity doesn't disappear, most of it just moves elsewhere, especially to Asia. We lose the investment and jobs but global emissions stay the same.

Even if they do go down a bit, it has long been known in climate policy circles that emission reduction treaties hardly affect the long-term outcome. In a 1998 study,

climate modeller Tom Wigley showed that even full implementation of the Kyoto Protocol would have only slightly slowed down the accumulation of carbon dioxide in the atmosphere, delaying the date of carbon doubling after a century by a few years at most. Scaling down to Ontario's 0.4 percent share proves that our policy decisions are even more irrelevant. In a 2015 study, Bjorn Lomborg repeated the analysis for the Paris Treaty and found the same thing, for the same reasons. Despite the prohibitive costs of Kyoto and Paris, even full global compliance would barely change the global outcome, and Ontario-specific policies by implication have essentially zero effect.

“When climate policy raises the cost of doing business here (for instance, by our ill-fated green energy fiasco) the industrial activity doesn't disappear, most of it just moves elsewhere, especially to Asia. We lose the investment and jobs but global emissions stay the same.”

Climate change may turn out to be costly, but that doesn't mean the cost of inaction, properly measured, is more than zero. The benefits of climate policy are not given by the entire climate damage estimate, but by the reduction in expected damages attributable to the policy. This is basically zero regardless of how you do the measuring. And policymakers should start being honest with Ontarians about the cost of continually getting this concept wrong. **FI**



ROSS MCKITRICK

Ross McKittrick is a Fraser Institute senior fellow and professor of economics at the University of Guelph. He is the co-author, with Robert P. Murphy, of *Off Target: The Economics Literature Does Not Support the 1.5°C Climate Ceiling*.



Most Ontario Parents Feel Pandemic Policies Have Hurt Their Child's Education

Paige MacPherson

The Ford government's decision to close Ontario schools during the pandemic has raised serious concerns among parents about their children's education—or lack thereof—over the last 20 months. A recent Leger poll commissioned by the Fraser Institute conducted 1,000 interviews with parents in Ontario and across Canada who have kids in K-12 schools.

The results? Seventy-eight percent of Ontario parents (and nearly 70 percent nationally) say their child has fallen behind in school due to the pandemic and the government's response to it. In addition, one in five (or 20 percent) Ontario parents feel their child's school has no plan to catch them up.

Think for a moment about a class of 25 kids. Consider the impact on classrooms in Ontario where, according to this poll, nearly 20 out of 25 parents believe their child has fallen behind.

“One in five Ontario parents feel their child's school has no plan to catch them up.”

In response to the pandemic, the Ontario government closed schools for longer than any other province. Specifically, between March 14, 2020, and May 15, 2021, the province closed K-12 schools for a total of 20 weeks (this total does not include closures mandated by individual schools or school districts). Indeed, regional school closures in Ontario have continued, with 16 schools closing in November, moving students to online learning.

What about the rest of Canada?

In the Prairies, the poll found a similarly high level of concern, with 72 percent of parents saying their child has fallen behind in school due to the pandemic and government response, and among that 72 percent, 21 percent feel their school has no plan to catch them up. In fact, in every province except British Columbia close to one in five parents polled feel this way.

“Eighty-two percent of parents with children in independent schools across the country say their child’s education was “minimally impacted” or that their child is “behind a little” due to the pandemic and related policies, compared to 64 percent of parents with children in public schools.”

But in BC, the number is just over one in 10. Incidentally, unlike Ontario (and Atlantic Canada), the BC government allows parents’ tax dollars to follow their children to independent schools on a per-student basis (BC has the highest rate of independent school attendance in Canada with more than one in every eight students in the province attending such a school). The poll also shows that parents of children in independent schools are significantly less worried about their children having fallen behind and about their school’s plans to catch them up. In fact, 82 percent of parents with children in independent schools across the country say their child’s education was “minimally impacted” or that their child is “behind a little” due to the pandemic and related pol-

icies, compared to 64 percent of parents with children in public schools.

In Ontario, due to a lack of government support, options outside of the public school system are less affordable, so many Ontario parents simply can’t send their kids to independent schools.

The vast majority of Ontario parents, and indeed parents across Canada, feel their child has fallen behind since the pandemic began. A significant portion of these parents feel their child’s school has no plan to make up for this learning loss. If the Ford government wants to help prevent further learning loss, it should consider reforming the province’s education system to better serve the needs of Ontario families. [FI](#)



PAIGE MACPHERSON

Paige MacPherson is associate director of Education Policy at the Fraser Institute. She is the author of *Strong Parental Support for Standardized Testing across Canada*.

Trudeau Emissions Plan Impossible Without Huge Energy Costs and/or Imports



Elmira Aliakbari, Milagros Palacios, and Jason Clemens

In November Prime Minister Trudeau announced hard caps on emissions of greenhouse gases (GHGs) for Canada's oil and gas sector, which will decline over time to help achieve Ottawa's goal of net-zero emissions by 2050. As is so often the case with the current government, there are serious questions that have not been asked—let alone answered—about this new policy and its consequences for Canadians.

It's first important to understand that the design of the cap on emissions, at least given current information, is to restrain current levels of production and gradually reduce them over time. In other words, they're designed to limit increased production and expansion of the oil and gas sector in Canada.

Based on the latest data from Statistics Canada, the oil and gas sector represents 26.2 percent of Canada's total GHG emissions. The remaining emission sources are exempt from the cap. It's not clear why the production of GHGs in the oil and gas sector are more harmful or damaging to the environment or the economy than GHGs produced in other sectors.

Moreover, given population growth and increases in income, the demand for goods and services that generate GHGs across all sectors, including oil and gas, will increase. So unless there are breakthrough technologies, which the government is counting on, emissions will also increase. In other words, it's not clear how constraining one-quarter of GHG sources (the oil and gas sector) can help achieve net-zero emissions by 2050 if

emission levels from the other three-quarters are growing.

This leads to one interesting but unanswered question regarding home energy consumption, which includes heating and cooling homes, preparing meals, and providing energy for the comforts of life. According to the latest available data from Statistics Canada, in 2015, 51.0 percent of home energy consumption was provided by natural gas, 45.2 percent by electricity, and 3.8 percent by heating oil. If the government constrains oil and gas production and the population continues to grow, a marked shift to electricity must occur, particularly with respect to heating homes.

“ There’s a real possibility that Canadian families will have to pay to remove natural gas and oil-fired furnaces and replace them with electric heating systems, and that the cost of electricity will increase.”

Once again, the government has provided no information about who will pay these enormous costs or where all the new electricity will be produced. There’s a real possibility that Canadian families will have to pay to remove natural gas and oil-fired furnaces and replace them with electric heating systems, and that the cost of electricity will increase. Indeed, Canadians will likely bear these significant costs in the near future, but there’s been no disclosures or information. Ottawa continues to present these decisions as if they’re costless.

This brings us to the question of GHG reductions in the transport sector, which is the second-largest source of GHGs in Canada at 25.4 percent (2019). The Liberal campaign platform in 2021 called for half of all “passenger” vehicles sold in Canada to be zero-emissions by 2030 and all must be zero by 2035. According to Statistics Canada, in 2020, there were 1.5 million new vehicle registrations and 39,036 (or 2.5 percent of the total) were electric-battery vehicles (the percentage increases if

hybrids are included but they’re potentially emitting vehicles). As McGill economist William Watson has noted, when the analysis only includes “passenger” vehicles, the numbers drop to 498,031 total registrations and 28,007 electric-battery vehicles (or 5.6 percent of the total).

It’s not clear how Canada moves from 1-in-20 vehicles being zero-emissions in 2020 to 1-in-2 within 10 years and 1-in-1 in 15 years. And again, it’s entirely unclear how all the new electricity to power these vehicles will be generated.

Recall that there’s likely a transition in how we heat our homes, cook our meals, and basically live our lives that will require significantly more electricity. Is it the government’s plan to build new nuclear plants and/or more dams, both of which are zero-emitting sources of electricity? Or perhaps the plan is to build significantly more wind and solar capacity, and if so, what will be the backup energy source, given that it’s not always windy or sunny?

Or perhaps the government assumes it will import electricity from the United States. If so, it must be specific about how such imports will be net-zero, particularly given that Canada would likely move from being an exporter of energy to an importer, which would have broad economic implications for the country.

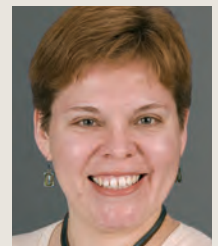
These are only a few of the many, many questions raised by Prime Minister Trudeau’s announcement in Glasgow, to which Canadians deserve answers before proceeding. [FI](#)



ELMIRA ALIAKBARI



JASON CLEMENS



MILAGROS PALACIOS

Elmira Aliakbari is director of Natural Resource Studies, Milagros Palacios is director of the Addington Centre for Measurement, and Jason Clemens is executive vice-president of the Fraser Institute.

Ottawa's Spending Spree Comes with Huge Costs



By Jason Clemens, Milagros Palacios, and Jake Fuss

The Trudeau government's November throne speech, which presents the government's main priorities, didn't mention the words "deficit" or "debt" once but included more than 30 references to different government initiatives and programs including national daycare and a mandated energy transition. This government continues to present its historical level of spending, largely financed by borrowing, as costless to Canadians, which is dishonest.

It's first important to recognize the enormity of spending and borrowing before COVID, since it set the stage for Ottawa's response to the pandemic. Prime Minister Harper's last budget in 2015 projected total spending (excluding interest costs) for fiscal years 2016-17 to 2019-20 of \$1.15 trillion. Actual spending under Prime Minister Trudeau was \$77.0 billion higher over the four-year

period. Again, these numbers were pre-COVID.

Another way to look at the spending is to compare the Trudeau Liberals' original plan (Budget 2016) versus what actually happened. Trudeau's first budget (2016) proposed to increase spending to \$314.2 billion by 2019-20, a nearly 4 percent increase over what the Tories had proposed less than a year earlier. The actual increase was substantially larger though, with spending reaching \$338.5 billion in 2019-20, some \$24.3 billion higher than the original plan.

The government's inability to control spending pre-COVID paved the way for the \$600 billion-plus spent in 2020-21. Of course some additional spending was required during the pandemic, but Ottawa showed almost no discretion (or even interest) in targeting assistance to limit the amount spent and thus borrowed. According to the OECD, Canada (including federal, provincial,

and local governments) had the third-largest deficit as a share of the economy in 2020 among the 26 industrialized countries with available data. Ottawa incurred most of that deficit. One conservative estimate concluded that up to \$22.3 billion—or more than one in four dollars of federal aid spending—was poorly targeted.

“ This government continues to present its historical level of spending, largely financed by borrowing, as costless to Canadians, which is dishonest.”

Another way to think about Ottawa’s spending spree is to examine per-person spending over time, adjusting for inflation. Non-COVID federal spending in 2020-21, the fiscal year that just ended, totalled \$11,165 per Canadian—22.0 percent higher than during the global financial crisis in 2008-09 and 41.2 per cent higher than peak spending during the Second World War. When COVID-related spending is added, per-person spending reached \$17,121 in 2020-21.

While Canadians wait for Budget 2022, significant spending is expected on a host of programs, which will all be financed by yet more borrowing and perhaps some targeted tax increases. The national debt is now expected to reach \$2 trillion by 2025-26, which could actually be an optimistic estimate given Canada’s aging population and poor government policies that continue to hinder recovery.

Meanwhile, Prime Minister Trudeau and Minister of Finance Chrystia Freeland continue to present all this spending as if it’s costless. When pressed on the marked increase in government debt, they almost always describe the spending as investments rather than just spending and point to historically low interest costs, which is somewhat convenient given that the Bank of Canada is financing almost all of the government’s borrowing. It’s not hard to imagine rates going up as Ottawa is eventually forced to finance its debt on the open market.

Moreover, the government seems to ignore the fact that debt has costs. Research has consistently shown that

as government debt increases, the real interest costs incurred also increase since the risk associated with such debt is increasing. A recent Fraser Institute analysis, *The Lifetime Tax Burden for Canadians from Federal Debt Accumulation*, concluded that even using fairly optimistic assumptions—such as there being no recession for the next 50 years—Canadians between the ages of 16 and 80 would incur \$10,498 in additional taxes (on average, over their lifetimes) from higher interest costs due to the projected debt accumulation between 2019 and 2025.

Current spending must be paid either by taxes today or tomorrow when financed by debt. Yet the Trudeau government continues to obfuscate the ultimate costs Canadians will bear in the form of higher taxes from today’s new spending and more spending planned for the future. The government should honestly engage Canadians about the tradeoff between higher spending and the need for higher taxes so Canadians can make a more informed assessment of this government’s policies. **FI**

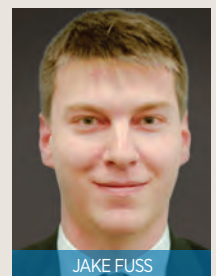
“ The national debt is now expected to reach \$2 trillion by 2025-26, which could actually be an optimistic estimate given Canada’s aging population and poor government policies that continue to hinder recovery.”



JASON CLEMENS



MILAGROS PALACIOS



JAKE FUSS

Jason Clemens is executive vice-president, Milagros Palacios is director of the Addington Centre for Measurement, and Jake Fuss is a senior economist at the Fraser Institute.

Forced Transition to Wind and Solar Will Impose Real Costs on Canadians



Cornelis van Kooten and Elmira Aliakbari

A key aspect of the federal government's pledge to reduce greenhouse gas emissions and achieve net-zero emissions by 2050 is the nationwide phase-out of coal-fired power by 2030. As with any decision, there are costs and benefits, but unfortunately advocates continue to tell Canadians that these decisions are costless when they will in reality impose costs—potentially significant costs.

Ottawa's plan is to completely eliminate coal-fired power and replace it with renewable energy, principally wind and solar. However, wind and solar are intermittent sources of power, meaning that they're not

always available. Simply put, we need another source of power when the sun doesn't shine and the wind doesn't blow. That means maintaining sufficient energy capacity in a parallel system usually run on natural gas.

This requirement—of building and maintaining a parallel source of energy, namely natural gas—causes overall energy costs to increase when jurisdictions transition from reliable fossil fuels to more renewables.

A new study published by the Fraser Institute, *Canadian Climate Policy and its Implications for Electricity Grids*, used the experiences of Alberta and Ontario to estimate the overall cost implications for Canada moving away from coal to renewables backed up by natural gas. The

annual estimate is between \$16.8 billion and \$37.7 billion, which represents between roughly 1 percent and 2 percent of the entire economy. In other words, Canadians will spend the equivalent of 1 to 2 percent of the economy every year in the form of higher energy costs. And these estimates are relatively conservative since they don't include the costs of building more transmission lines, land rentals, environmental costs related to bird and bat kills, and end-of-life disposal of wind turbines and solar panel wastes.

Of course, the transition to renewables and natural gas is not without benefits. The same study calculated that the transition would reduce national emissions by 7.4 percent (although that's less than one-fifth of the emission reductions required to meet Ottawa's 2030 target of reducing emissions by 40 to 45 percent from 2005 levels).

The shortfall in meeting the emissions reduction is important since it implies much more will be needed with additional costs. For instance, it's likely Canada will need to rely more on nuclear energy to meet its goal. If the entirety of the new goal were met with nuclear, it would mean building 30 new nuclear power plants before 2030 at substantial costs.

“ ... it's likely *Canada will need to rely more on nuclear energy to meet its goal. If the entirety of the new goal were met with nuclear, it would mean building 30 new nuclear power plants before 2030 at substantial costs.*”

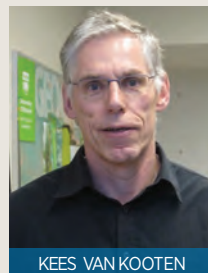
Critically, though, previous research on Ontario's experience in phasing-out coal-fired plants found only small improvements in air quality, and that comparable improvements could have been achieved at a much lower cost had new pollution control systems been used instead of shuttering plants.

The study's conclusions are supported by real world experiences in Texas and several European countries that made similar decisions as Canada—governments imposed a transition away from reliable, comparatively

“ In light of the experiences of Alberta and Ontario (and parts of the United States and Europe), Canadians should understand that at the very least the forced transition to renewables will impose real costs in the form of higher energy bills. Simply put, there's no free lunch when it comes to forced energy transitions.”

inexpensive energy sources such as coal to renewables backed by natural gas. In every case, the result has been a more expensive and less reliable electrical system.

In light of the experiences of Alberta and Ontario (and parts of the United States and Europe), Canadians should understand that at the very least the forced transition to renewables will impose real costs in the form of higher energy bills. Simply put, there's no free lunch when it comes to forced energy transitions. [FI](#)



KEES VAN KOOTEN



ELMIRA ALIAKBARI

Cornelis “Kees” van Kooten is a Fraser Institute senior fellow, professor of economics at the University of Victoria, and author of *Canadian Climate Policy and its Implications for Electricity Grids*. Elmira Aliakbari is director of Natural Resource Studies at the Fraser Institute.



COVID Exacerbates—Not Creates— Canada's Long Health Care Wait Times

Mackenzie Moir and Bacchus Barua

As we approach the two-year mark of the onset of COVID-19 in Canada, a parallel health care crisis has ensued—unacceptably long wait times. In 2021, Canadians could expect to wait an estimated 25.6 weeks (on average) between referral from a family physician and medically necessary treatment. While undoubtedly affected by COVID, these waits have far more to do with long-standing failures of domestic policy than with the global pandemic.

This year marks the 30th iteration of *Waiting Your Turn*, the Fraser Institute's annual survey of physicians. First designed and conducted in British Columbia with assistance from the province's medical association, by 1993 the survey had expanded to cover all 10 provinces across 12 core medical specialties. Unfortunately, data collected over the last three decades reveal a steady

deterioration in timely access to care. In fact, this year's total wait (again, 25.6 weeks) marks the longest in the survey's history and more than 2.5 times longer than the 9.3 weeks identified in the first national survey in 1993.

Among provinces this year, physicians in Nova Scotia reported the longest total wait (53.2 weeks) while those in Ontario reported the shortest (18.5 weeks). Across Canada, patients waited longest between referral and treatment for neurosurgery (49.2 weeks) and orthopedic surgery (46.1 weeks) while shorter waits were reported for cancer care radiation (3.7 weeks) and medical oncology (4.4 weeks). Importantly, when taking all 12 specialties into account, physicians report that patients waited six weeks longer than what they consider clinically reasonable for treatment after consultation with a specialist.

It's important to note that while these wait lists are largely for procedures technically considered “elec-

tive” (i.e., scheduled or planned treatment, in contrast to emergencies), they are all “medically necessary” and include treatments ranging from scheduled cataract removals to life-saving cardiac care. Excessive wait times can increase the stress and strain on patients and their loved ones, lead to poorer health outcomes for patients, and in the worst cases, death.

“ In 2021, Canadians could expect to wait an estimated 25.6 weeks (on average) between referral from a family physician and medically necessary treatment. While undoubtedly affected by COVID, these waits have far more to do with long-standing failures of domestic policy than with the global pandemic.”

Again, the pandemic has contributed to the long wait times over the last two years but it doesn’t account for almost three decades of documented wait-time increases. In fact, Canadians were already waiting 20.9 weeks (on average) for care in 2019, a year before the pandemic. COVID also created a more challenging research environment, which resulted in a 9 percent national response rate from physicians for our wait-times survey, lower than in previous years. However, this response rate remains in line with other population-based surveys such as the Canadian Medical Association’s Physician Workforce Survey with its response rate of 12.8 percent in 2019 pre-pandemic. It would be a mistake to ignore the experiences of the 1,178 physicians who responded to the Fraser Institute’s survey this year.

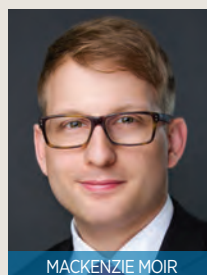
It’s also worth noting that other organizations reported similar findings. In 2020, the Commonwealth Fund ranked Canada at the bottom of 11 international health care systems for speedy specialist appointments (under four weeks) and elective surgeries (under four months). It found similar results back in 2016, long before the pandemic.

So where do we go from here?

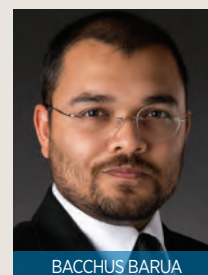
Of course, we must remain focused on combatting COVID and supporting our stellar health care workers, who’ve led us through this storm. However, we should also learn from other universal health care countries around the world who don’t subject patients to the long wait times Canadians regularly experience.

Countries such as Germany, Switzerland, and the Netherlands all approach universal health care in ways that differ from Canada. These countries form functional partnerships with their private sectors to provide timely, high-quality care, use cost-sharing to give incentives for responsible use of health care resources (with protections for vulnerable populations), and fund their hospitals based on activity to better expedite surgical care. While they face similar challenges to Canada from the pandemic, unlike Canada these countries—and every other high-income country with a universal health care system—will likely return to a much better “normal” once the pandemic has passed.

If Canadians hope to experience wait times that are more comparable to those in other countries with universal health care systems, policymakers must substantially reform Canada’s health care system so health care professionals can provide treatment in a much more timely manner. **FI**



MACKENZIE MOIR



BACCHUS BARUA

Mackenzie Moir is a policy analyst and Bacchus Barua is director of the Centre for Health Policy Studies at the Fraser Institute. They are co-authors of the publication *Waiting Your Turn: Wait Times for Health Care in Canada*.



Low Levels of Economic Freedom Chasing Young People Away from Atlantic Canada

Fred McMahon

Once again, for the third year running, all four Atlantic Provinces have scored below all other Canadian provinces and US states in economic freedom, according to a recent report from the Fraser Institute: *Economic Freedom of North America 2021*.

This is another warning sign for the future of Atlantic Canada. Globally and across North America comprehensive data show people moving in great numbers from places that lack economic freedom to places with greater economic freedom. This perfectly reflects—in fact predicts—one of the greatest threats to Atlantic Canada's future, an aging and declining (or stagnant) population.

Atlantic Canada has suffered significant “outmigration” over the last 20 years, particularly to economically freer Ontario and Alberta, but also to the United States. Over that period, 66,396 more people left Atlantic Canada

than moved into the region. Roughly speaking, this means that over the period, the region lost one in every 36 residents to net outmigration. While the COVID crisis has reversed that trend, the underlying conditions have not changed and the current uptick of in-migration is likely temporary.

Economic freedom—the ability of individuals to make their own economic decisions about what to buy, where to work, and whether to start a business—is fundamental to prosperity. Economic freedom requires openness to trade, sensible regulation, and reasonably-sized government.

According to *Economic Freedom of North America 2021*, out of all Canadian provinces and US states (a total of 60 jurisdictions), Prince Edward Island is the least economically free and ranks last at 60th followed by Newfoundland & Labrador (59th), Nova Scotia (58th) and

New Brunswick (57th). Alberta (33rd) is once again the top-ranking Canadian province.

“ *The Atlantic provinces have the largest share of seniors (as a portion of the population) among all provinces... The net outmigration of Atlantic Canada’s most productive demographic further threatens growth and government revenues, hurting the region’s already weak government fiscal position.”*

An immense body of research shows that economically free jurisdictions grow faster, create more jobs, and reduce poverty at much higher rates than non-economically free jurisdictions. So it’s hardly surprising that economically unfree places continually suffer outmigration to freer jurisdictions.

In Atlantic Canada, the key problem is oversized government, which replaces free exchange with government fiat. Consider this—across Canada, government spending equals 40 percent (on average) of the economy compared to 55 percent in Atlantic Canada (in 2019, pre-COVID). In Sweden, a country known for its large government sector and generous social programs, government spending equals about 50 percent of GDP.

“ *Economic freedom—the ability of individuals to make their own economic decisions about what to buy, where to work, and whether to start a business—is fundamental to prosperity.”*

Atlantic Canada also suffers from a much less business-friendly environment than Sweden. Although data are not available at the provincial level, Canada ranks 23rd in the world in the World Bank’s *Ease of Doing Business* report compared to Sweden’s 10th place rank; in Transparency International’s corruption measure, Canada ranks 12th compared to Sweden’s 4th. So Atlantic Canada has a larger government than Sweden and a less friendly business environment. This undermines economic growth and leads people to seek freedom and opportunity in other places.

Again, for Atlantic Canada, outmigration is greatest among the most-needed demographic for the region’s future. Six out of 10 of the net migration losses were people between 20 and 44 years of age, contributing to the aging of the region.

Consequently, the Atlantic provinces have the largest share of seniors (as a portion of the population) among all provinces, led by Newfoundland & Labrador at 21.4 percent of its population followed by New Brunswick (21.3 percent), Nova Scotia (20.8 percent, and Prince Edward Island (19.7 percent) compared to Canada’s provincial average of 16.7 percent.

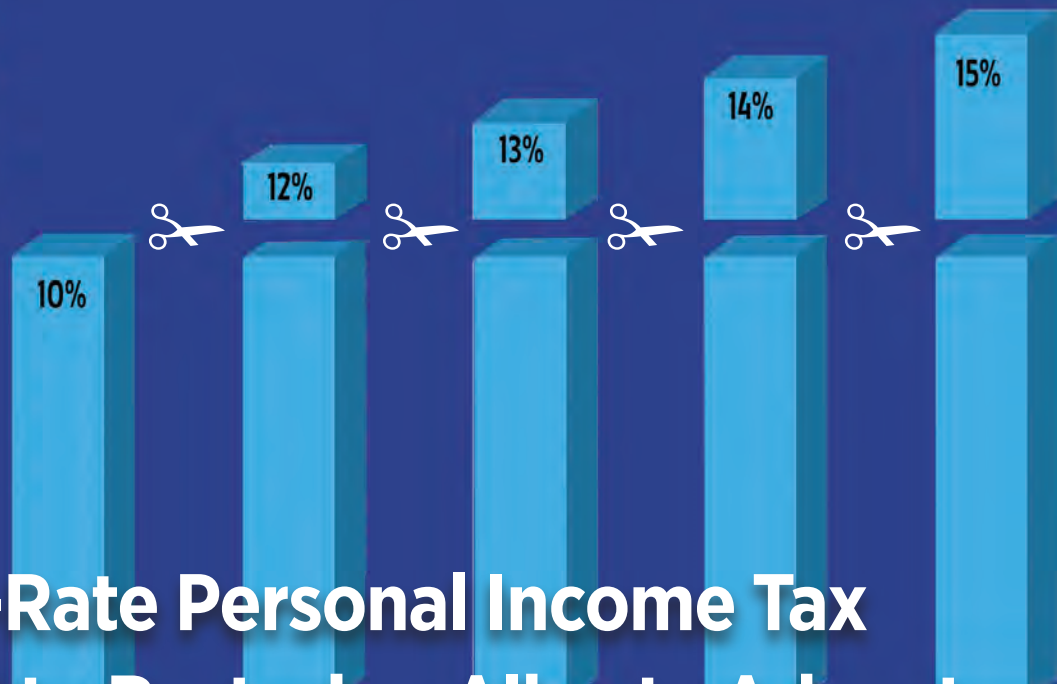
The net outmigration of Atlantic Canada’s most productive demographic further threatens growth and government revenues, hurting the region’s already weak government fiscal position. To illustrate, each Maritimer is on the hook for about \$50,000 in government debt; in Newfoundland & Labrador, that number jumps to \$65,200 per person.

For Atlantic Canada to regain its dynamism and ensure a future for its young people, governments in every provincial capital must empower Atlantic Canadians to produce the prosperity and growth that will keep people in the region and attract new people. [FI](#)



FRED McMAHON

Fred McMahon is a Fraser Institute Resident Fellow and holder of the Dr. Michael A. Walker Chair in Economic Freedom. He is the co-author with Dean Stansel and José Torra of *Economic Freedom of North America 2021*.



Single-Rate Personal Income Tax Critical to Restoring Alberta Advantage

Tegan Hill and Niels Veldhuis

Premier Jason Kenney recently stated that Alberta may return to a single-rate personal income tax, which would help repair the province's lost tax advantage and attract entrepreneurs, businesses, and investment. Despite appearances, a single-rate tax is more fiscally feasible than one might think.

Less than a decade ago, Alberta had a powerful tax advantage in North America premised on the understanding that low taxes encourage entrepreneurs, business-owners, and workers. At that time, Alberta had a 10 percent single-rate personal income tax rate and a 10 percent business income tax rate. The province enjoyed the lowest top statutory combined (federal and provincial/state) personal income tax and business income tax rate of any Canadian province or US state as recently as 2014. This made Alberta a very attractive place in which to work and invest.

In 2015, however, the new provincial government dealt a crushing blow to Alberta's tax advantage with increases to both the province's personal and business taxes. The government raised the business income tax rate to 12 percent and replaced the single-rate personal income tax of 10 percent with five tiers that included a top rate of 15 percent (increasing the top rate by 50 percent).

Recognizing the importance of low tax rates for economic growth and job creation, and despite a provincial deficit, the Kenney government reduced the business income tax rate to 8 percent, regaining part of Alberta's lost advantage and undoing some of the damage caused by the previous government.

Returning to a single personal income tax rate is the next logical step to restoring a pro-economic growth tax environment in Alberta. Again, doing so would improve incentives for people to work, save, invest, and engage in entrepreneurial activities—all of which contribute to



stronger economic growth. Faster-growing economies yield higher tax revenues for the provincial government. As a result, a return to Alberta's single-rate personal income tax system is likely to be much less costly than one may think.


Indeed, according to a recent Fraser Institute study, *What Happens If Alberta Returns to the Flat Tax System?* the gradual return (over four years) to a 10 percent tax rate would lead to a revenue loss of only \$16 million in the first year (2022/23), which roughly represents a 0.1 percent decline in projected personal income tax revenue that year. The revenue loss would rise to \$1.36 billion by 2025/26 when the tax rate fully returned to 10 percent, representing a reduction of roughly 9 percent in projected personal income tax revenue that year.

Put simply, the revenue loss would likely be relatively modest in light of the positive economic benefits the tax reduction could bring.


And the Kenney government shouldn't be shy about pushing personal income tax rate reductions further. A different Fraser Institute study, *Alberta Prosperity: A Plan for Opportunity and Growth*, found that to truly restore Alberta's tax advantage given federal, provincial, and US tax policy changes, the province should adopt a 6 per-

cent personal and business income tax rate. At a minimum, setting the personal income tax rate to 8 percent to match the new business tax rate would allow for a more integrated system of personal and business taxes, reducing tax complexity, administration, and compliance costs for individuals and businesses.

The Kenney government has made progress in restoring Alberta's tax advantage by lowering the business income tax rate, but the job isn't done yet. Returning to a single personal income tax rate is the logical—and feasible—next step to support strong economic growth in Alberta during the COVID recovery and beyond. [FI](#)



TEGAN HILL



NIELS VELDHUIS

Tegan Hill is an economist and Niels Veldhuis is president of the Fraser Institute.

STUDENT POLICY WEBINARS ARE BACK!

The Institute's 2022 policy webinars for post-secondary students are back. Over the coming months students will be able to hear from 16 policy experts including Jason Riley, columnist for the *Wall Street Journal* and Manhattan Institute senior fellow speak on his influential book, *Maverick: A Biography of Thomas Sowell*.


Other speakers this semester include Michael Shellenberger, Jason Brennan, Danielle Smith, and Don Boudreaux, to name a few.

Here is what some students are saying about our webinars:

“These webinars are so relevant to my work and my research for my graduate degree. These webinars make me think of policy issues in another way, which is

especially helpful to my research papers so I can think of these issues in a rounded out way and [they] broaden my access to information.”

“Thank you for putting on these incredible webinars. As I complete my studies in Law, these webinars have provided an alternative view to what we are discussing in class. They have been incredibly refreshing and insightful.”

If you are interested in viewing a recording of past presentations including Bjorn Lomborg, Hernando de Soto, Deirdre McCloskey, and Matt Ridley, visit www.freestudentseminars.org. 

Matt Ridley discusses his latest book, *How Innovation Works: And Why it Flourishes in Freedom* for our student webinar series.



Interested in watching this recording? Scan the QR Code below



HUNDREDS OF TEACHERS HAVE REGISTERED FOR OUR PROGRAMS THIS SEMESTER!


In addition to our post-secondary programming, we have received an overwhelming response from Canadian teachers about the 11 teacher workshop webinars we are offering this semester. Within one week, hundreds of Canadian teachers had registered for our workshops and several are completely full!

This semester we will be hosting several of our most popular workshops including: *Understanding Poverty and Inequality*, *Beyond the Basics: Advanced Economic Topics*, *Economic Principles*, *Economics in Harry Potter Parts 1 and 2*, and *Economics in Canadian History*. At all of our webinars teachers receive lessons plans and teaching resources that support the integration of these lessons in their classrooms.

Here is what some teachers are saying about our webinars:

“Your instructors are incredible! They are truly a highlight in my week. I know that my students will enjoy this material as well!”

“I would like to thank you for these virtual webinars. I have recently used one of the Entrepreneur lesson plans with my grade 10 business class and the students had so much fun.”

“Keep offering these webinars! The choices have expanded so much since the first webinar I enrolled in. I have used different activities in my class and they have been very effective at helping students understand the concepts.” 

Please visit us at:
fraserinstitute.org/education-programs





E: Elizabeth.pratt@fraserinstitute.org
T: 403-216-7175 ext. 421

Elizabeth Pratt

What's your role at the Institute?

As Manager of Development, I have the pleasure of interacting with our generous supporters from across the country. From meetings and letters to phone calls, events, and emails, I help communicate the Institute's impact to our current supporters and help expand our network so we can continue to publish top quality, topical research and maintain our ranking as Canada's top think tank.

How did you arrive at the Institute?

My time at the Institute goes back to 2013. I had just graduated from UBC and was looking for a role that combined my interest in public policy with my fundraising experience. I had first heard of the Fraser Institute years earlier (through the BC High School Report Cards) and when I learned about the post-secondary Summer Internship program, it seemed like the perfect opportunity. After the internship ended, I joined our Calgary office, where I helped with development efforts until I moved east for graduate school. I knew I wanted to return to the Fraser Institute, so after a few years away, I'm very happy to be back at the Institute's Calgary office!

Tell us something exciting you're working on now for the immediate future.

One of my favourite traditions at the Institute is the Founders' Award Dinner that takes place annually in Vancouver, Calgary, Toronto, and Montreal. When we bring together the most influential business and community leaders to recognize the contributions of a prominent entrepreneur and philanthropist, the atmosphere in the room is inspirational—unlike any other event I've attended. While the dinners themselves are a few months away, the work starts now and I'm looking forward to seeing what excitement the 2022 Founders' Award Dinners have in store!

What do you enjoy doing in your spare time that your colleagues many not be aware of?

I'm a huge trivia buff, and when I'm not competing with my weekly pub trivia team, I'm watching re-runs of all the popular quiz game shows (because you never know when that will come in handy!). However, my biggest hobby is watching and re-watching my favourite musicals (so many great ones, but *Les Misérables* and *Hamilton* will always be at the top of the list!). I have a bucket list goal to see 100 live musicals in my lifetime.

The Essential Women of Liberty



THREE CHAPTERS HAVE NOW BEEN RELEASED!

FRASER INSTITUTE PRE-RELEASE CHAPTER

Elinor Ostrom (1933-2012)
By Jerome Lemke

I. Introduction
Elinor Ostrom is a scholar, citizen, and academic entrepreneur of exceptional insight and determination. Her research on democratic self-governance strongly influenced the emerging sub-fields of public choice and institutional economics, established an important new framework for the analysis of common pool resources and collective action problems, and helped to build bridges between otherwise unconnected bodies of research. For these

FRASER INSTITUTE PRE-RELEASE CHAPTER

Deirdre McCloskey (1942-)
By Lynn Kinsing

Economists are not generally known as iconoclasts. Ask most people to imagine an economist and they envision a nerdy white man in a blue suit talking about interest rates. Deirdre McCloskey breaks that stereotype in several dimensions, describing herself as a "literary, quantitative, postmodern, free-market, progressive-Episcopalian, ex-Marxist, Midwestern woman from Boston who was once a nun. Not conservative? I'm a Christian classical liberal." Born in 1942 as Donald, the son of a professor, McCloskey famously undertook gender reassignment at age 56, writing a beautiful and eloquent memoir about her decision and the process (McCloskey, 1999) and staking

FRASER INSTITUTE PRE-RELEASE CHAPTER

Jane Jacobs (1916 - 2006)
By Lydia Mihan

Jane Jacobs is best known for her books about cities. Since the Covid-19 pandemic, some people have speculated about the future of cities. With learning, working, and entertainment all being conducted in virtual spaces, are there still sufficient reasons to organize ourselves in places called cities?
A consideration of the work of Jane Jacobs is as good a place as any to answer that question. Jacobs was the author of nine books, ostensibly about cities, but also about economics, diversity, social theory, and democracy, infused with personal biography. Jane was born in Scranton Pennsylvania on May 4, 1916, to Bess Robinson Butzner, a former teacher and nurse, and Dr. John Butzner, her father. Jane was the third of the Butzners' four children.



Watch for the book March 8, International Women's Day

Please visit:
www.essentialscholars.org



**Danielle
Smith's**
**FRASER
FORUM**



A brand new podcast from the Fraser Institute

Danielle Smith is back in the saddle hosting Canada's premier public policy podcast, where she explores the economy, the environment, health care, government policy, and lots more with in-depth interviews with leading experts from around the world.

Watch / listen and subscribe at FraserForum.org

