NEWS AND INFORMATION FOR SUPPORTERS AND FRIENDS OF THE FRASER INSTITUTE

FRASER INSTITUTE

THE Quarterly

SPRING 2023

Despite High Spending, Canada's Health Care System is Failing Badly

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MESSAGE FROM THE INSTITUTE'S PRESIDENT

Niels Veldhuis
President, Fraser Institute

Dear Fraser Institute Friends and Supporters,

As Canadians, we all deeply care about our health care which is why the Fraser Institute measures the performance of our health care system and explores improvements using solutions from around the world.

So, just how good is Canadian health care? Unfortunately, it's not great.

Our recently released study, *Comparing Performance of Universal Health Care Countries* (see page 8) compares Canada with 30 other developed countries with universal health care systems. The study finds that Canada spends the most of any of those countries. Despite the high spending, Canada's health care system is failing badly. We rank near the bottom on availability of resources including:

- 28th (out of 30) for the number of doctors
- 23rd (out of 28) for the number of hospital beds
- 26th (out of 29) for the number of MRI machines
- 27th (out of 30) for CT scanners

And we have the longest waiting lists for treatment among countries that measure wait times.

Speaking of waiting lists, we also recently released our annual study, *Waiting Your Turn: Wait Times for Health Care in Canada* (see page 14). It found that Canada's health care wait times reached 27.4 weeks in 2022—the longest ever recorded and nearly 200 percent higher than the 9.3 weeks Canadians waited in 1993 when the Fraser Institute began tracking medical wait times. Unfortunately, long waiting times remain a defining characteristic of Canadas's health care system and unnecessarily increase suffering for patients.

We're working hard to educate Canadians about these facts—and that proven solutions are available from other countries with successful universal health care systems.

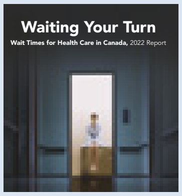
More positively, I wanted highlight senior fellow Ross McKitrick's recent commentary "Parliamentary Budget Officer Just Demolished Climate Alarmism" which, in my opinion, is a must-read (see page 24). As professor McKitrick notes: "One of the annoying bits of jargon that goes around climate policy circles is the phrase 'the cost of inaction.' As in, 'we have to do something, doing nothing is not an option, the cost of inaction is too large.' The cost of inaction is the foregone benefit of the action, and according to the PBO, it's not large at all. In fact, it's tiny."

Unfortunately, I cannot highlight all of the important work contained in this issue, but I do encourage you to read it all. After you are finished doing so, please pass this issue on to your friends, family, and colleagues.

Best,
Niels

THE Quarterly

New Research



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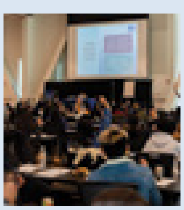

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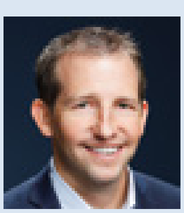

Matt Mitchell **32**

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Canada's Combined Federal-Provincial Debt will Exceed $2 Trillion in 2022/23; Ontario Has the Highest Provincial Debt as a Share of Economy

Jake Fuss

In recent months, several provincial governments across the country have announced they recorded budget surpluses in 2021. While this represents a step in the right direction, governments cannot afford to be satisfied with just one year of balanced budgets. Debt has been increasing for over a decade and the current environment of rising interest rates will now make it more expensive to borrow money than what we've been accustomed to lately.

A new study, *The Growing Debt Burden for Canadians: 2023 Edition*, calculated that federal and provincial government debt has nearly doubled (on an inflation-adjusted basis) from $1.1 trillion in 2007/08 to $2.1 trillion in 2022/23. Part of this increase can be attributed to the large budget deficits governments ran during the pandemic. However, nearly 60 percent of the run-up in debt occurred before COVID—indicating that this is not by any means a new problem.

Debt accumulation is also not unique to just a few provinces. Every provincial government in Canada oversaw rising debt levels over the last decade-and-a-half and the federal government in Ottawa has followed suit.

But not all provinces are the same. In fact, Canadians face different government debt burdens depending on where they live. For instance, Newfoundlanders & Labradorians currently hold the highest combined (federal and provincial) debt among their provincial counterparts at $64,579 per person. Ontarians are not far behind at $59,773 per person. These numbers offer a stark contrast to Albertans who have the lowest combined government debt per person in Canada ($42,915).


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The Growing Debt Burden for Canadians: 2023 Edition

by Jake Fuss

Summary

- Budget deficits and increasing debt have become serious fiscal challenges facing the federal and many provincial governments recently. Since 2007/08, combined federal and provincial net debt (inflation-adjusted) has roughly doubled from $1.1 trillion to a projected $2.1 trillion in 2022/23.
- Between 2019/20 (the last year before COVID) and 2022/23, the combined federal-provincial debt-to-GDP ratio is expected to grow from 65.7% to 74.6%. Moreover, the federal and provincial governments are on track to have collectively accumulated $395.9 billion (inflation-adjusted) in total net debt between 2019/20 and 2022/23, an increase of 23.4%.
- Among the provinces, Nova Scotia has the highest combined federal-provincial debt-to-GDP ratio (92.6%), while Alberta has the lowest (43.5%). Newfoundland & Labrador has the highest combined debt per person ($64,579), closely followed by Ontario ($59,773). In contrast, Alberta has the lowest debt per person in the country at $42,915.
- Interest payments are a major consequence of debt accumulation. Governments must make interest payments on their debt similar to households that must pay interest on borrowing related to mortgages, vehicles, or credit card spending. Revenues directed towards interest payments mean that in the future there will be less money available for tax cuts or government programs such as health care, education, and social services.
- The federal and provincial governments must develop long-term plans to meaningfully address the growing debt problem in Canada.

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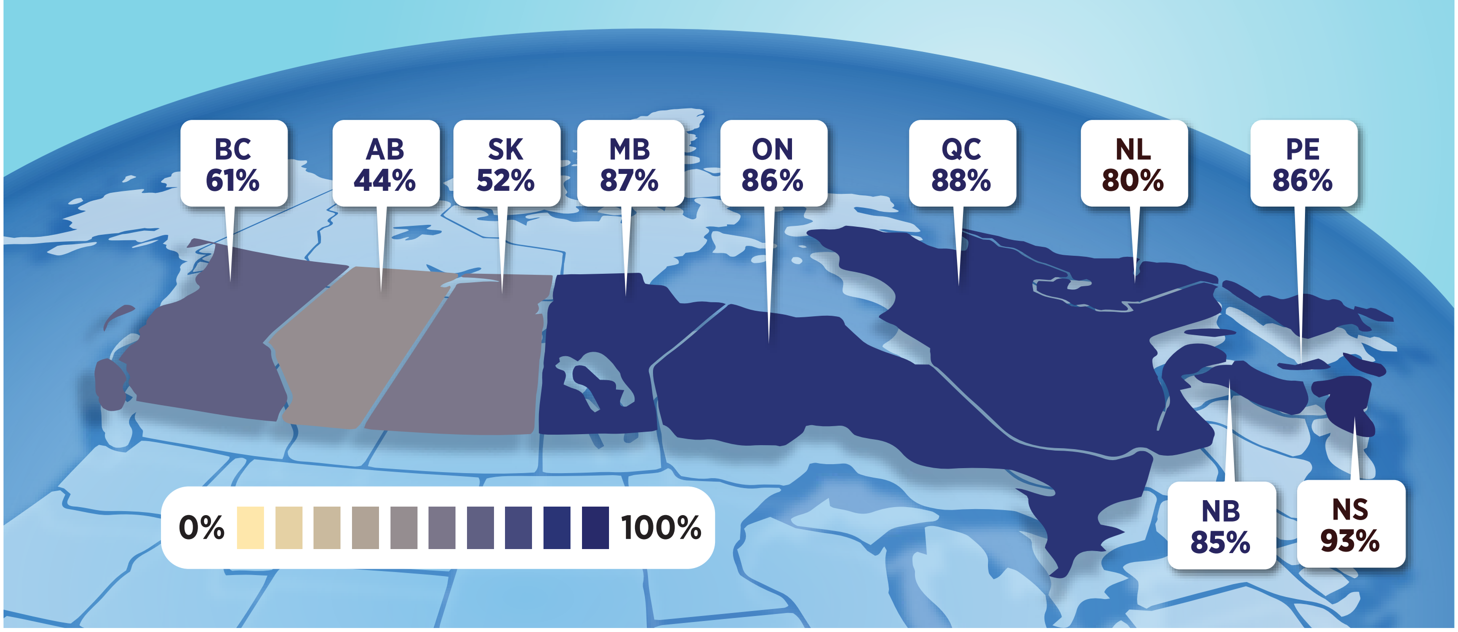
The debt-to-GDP ratio (a measure that compares debt to the size of the overall economy) is another way to compare government debt between provinces and evaluate the sustainability of debt accumulation. Notably, all four Atlantic provinces have combined debt-to-GDP ratios above 80 percent in 2022/23. These numbers mean that it would take at least four out of every five dollars in the respective provincial economies in one year to pay off their combined federal and provincial debt.

Nova Scotians have the highest combined federal and provincial debt burden in the country—it is equivalent to 93 percent of their provincial economy.

Nationally, the combined federal-provincial net debt-to-GDP ratio in Canada will reach a projected 75 percent this year, up from 66 percent prior to the pandemic. And this growth will likely continue in the future as Ottawa and some provincial governments plan to run budget deficits in the years ahead.

Combined Federal and Provincial Debt as a Share of the Economy



At the same time, provinces are currently dealing with challenges related to health care and inflation. The suggested remedy by governments thus far has been to increase spending in the near-term, which will either increase budget deficits or reduce surpluses.

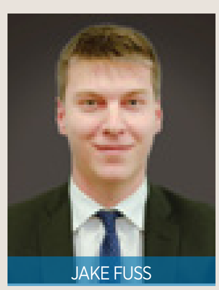
> ***"Federal and provincial government debt has nearly doubled (on an inflation-adjusted basis) from $1.1 trillion in 2007/08 to $2.1 trillion in 2022/23."***

But what are the consequences of the increase in government debt?

Simply put, the burden of government debt falls on Canadian families today and on future generations. Like households, governments must pay interest on their debt, which is ultimately paid by Canadians in the form of taxes. Higher debt and rising interest rates mean that the federal and provincial governments will collectively spend about $69 billion on annual debt interest payments this year, an increase of roughly $19 billion from what they spent two years ago.

Servicing the debt leaves fewer resources for tax cuts or government programs such as health care, education, and social services. Put differently, debt interest payments create a wedge between the taxes we pay and the services we receive. Moreover, government debt not only burdens current taxpayers, but future generations of Canadians who will finances the debts, potentially through higher taxes.

Growing government debt is not a new phenomenon in Canada. While COVID exacerbated the problem, debt had been on the rise during the decade prior to the pandemic. It's now up to both federal and provincial governments across the country to reverse this trend and return sustainability to finances over the long-term. FI


JAKE FUSS

Jake Fuss is the Associate Director of Fiscal Studies at the Fraser Institute. He is the author of *The Growing Debt Burden for Canadians: 2023 Edition.*

B.C. Government Had Fastest Provincial Spending Growth in Canada Before Pandemic

Ben Eisen and Joel Emes

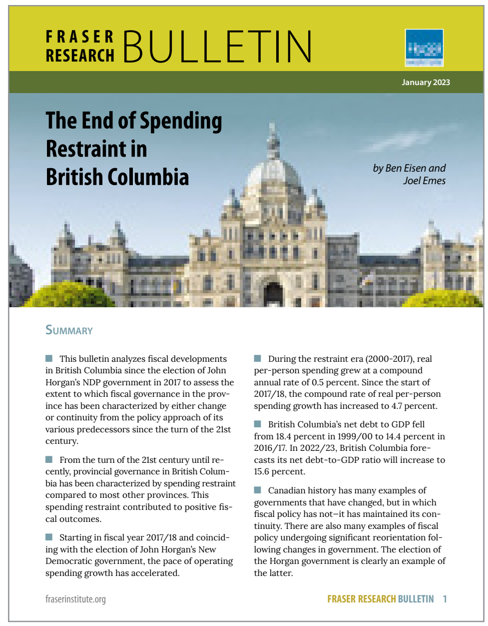
For more than the first decade and a half of the new century, British Columbia' government was one of the most disciplined spenders in Canada. Since 2017/18, however, and the election of a new government, fiscal policy in the province has taken a decided turn towards big spending.

Let's start with the period from 1999/2000 to 2016/17. During that time, BC held inflation-adjusted per-person spending growth to an average compound annual rate of just 0.5 percent. As a result, aggregate growth over the entire 17-year period was 8.4 percent. For comparison, during that same period the Alberta government increased spending by 66.1 percent.

BC wasn't just disciplined compared to Alberta, but also compared to the rest of the country. The rest of the provinces taken together, other than Alberta and BC, saw spending increase by 35.0 percent. That is not as high as Alberta, but still much more than the aggregate increase of 8.4 percent in BC.

But again, since the 2017 election we've have seen a major policy shift away from spending discipline. Remember that average annual per-person compound spending growth was 0.5 percent during the restraint era. Between 2016/17 and 2019/20 (the last year before data become complicated by COVID expenditures), annual spending growth increased to 4.7 percent. And that's after adjusting for changes in population and inflation.

Put differently, during the 17-year restraint period, inflation-adjusted per-person spending increased by $44 per year compared to $401 per year from 2016/17 to 2019/20. As a result, spending in BC has increased more in just three years than it did over the entire 17-year restraint era that preceded those three years.



FRASER RESEARCH BULLETIN

January 2023

The End of Spending Restraint in British Columbia

by Ben Eisen and Joel Emes

SUMMARY

- This bulletin analyzes fiscal developments in British Columbia since the election of John Horgan's NDP government in 2017 to assess the extent to which fiscal governance in the province has been characterized by either change or continuity from the policy approach of its various predecessors since the turn of the 21st century.
- From the turn of the 21st century until recently, provincial governance in British Columbia has been characterized by spending restraint compared to most other provinces. This spending restraint contributed to positive fiscal outcomes.
- Starting in fiscal year 2017/18 and coinciding with the election of John Horgan's New Democratic government, the pace of operating spending growth has accelerated.
- During the restraint era (2000-2017), real per-person spending grew at a compound annual rate of 0.5 percent. Since the start of 2017/18, the compound rate of real per-person spending growth has increased to 4.7 percent.
- British Columbia's net debt to GDP fell from 18.4 percent in 1999/00 to 14.4 percent in 2016/17. In 2022/23, British Columbia forecasts its net debt-to-GDP ratio will increase to 15.6 percent.
- Canadian history has many examples of governments that have changed, but in which fiscal policy has not—it has maintained its continuity. There are also many examples of fiscal policy undergoing significant reorientation following changes in government. The election of the Horgan government is clearly an example of the latter.

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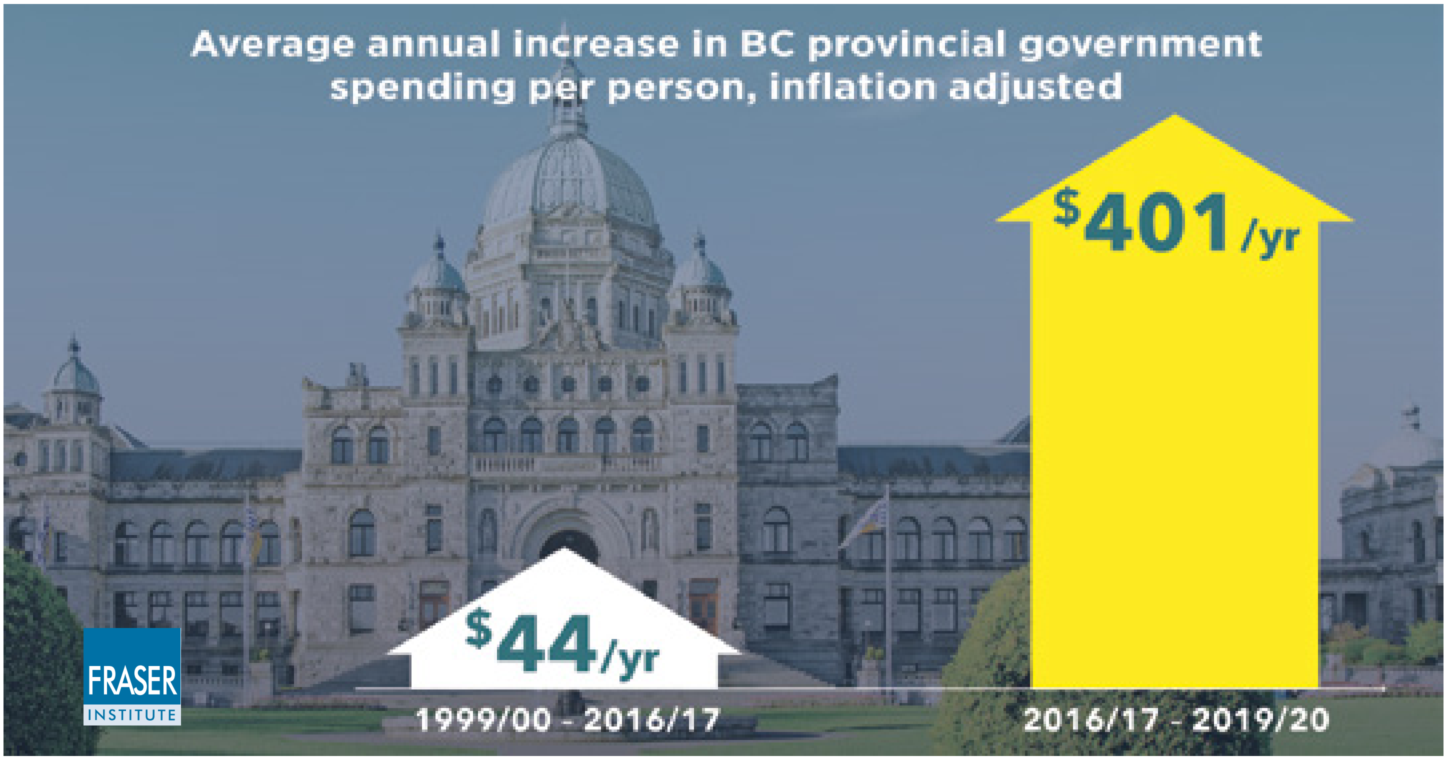
This seismic shift should concern British Columbians. By consistently preventing spending growth from meaningfully outpacing population growth and inflation during the restraint era, successive governments in Victoria helped avoid the substantial run-ups in debt that happened in other provinces, including Ontario and Alberta. This has, in turn, helped limit the amount of taxpayer money needed each year to pay interest on government debt.

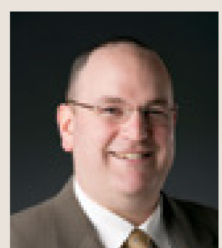
> *"... during the 17-year restraint period, inflation-adjusted per-person spending increased by $44 per year compared to $401 per year from 2016/17 to 2019/20."*



"If real per-person spending continues to grow as quickly as it did during the immediate post-restraint era, British Columbia will almost certainly return to significant budget deficits and debt accumulation."

If the new approach persists in the years ahead, it will almost certainly be impossible to avoid running up debt in BC for much longer. The province's last budget forecast a significant debt run-up over the next few years. This outcome was delayed by an unexpected revenue windfall in 2021, but it's not reasonable to expect similar revenue growth in future years. If real per-person spending continues to grow as quickly as it did during the immediate post-restraint era, the province will almost certainly return to significant budget deficits and debt accumulation. FI


BEN EISEN


JOEL EMES

Ben Eisen is a senior fellow and Joel Emes is a senior economist with the Addington Centre for Measurement at the Fraser Institute. They are co-authors of *The End of Spending Restraint in British Columbia.*

Ontario Continues Trend of Uncompetitively High Personal Income Tax Rates

Ben Eisen, Nathaniel Li, and Steve Lafleur

Over the past decade, Ontario's personal income tax competitiveness has degraded significantly. Doctors, engineers, entrepreneurs, and other individuals in the province's top tax bracket have seen a significant increase in the tax rate applied to the next dollar they earn. Such high taxes reduce incentives for productive economic activity while also making it harder for the province to attract skilled workers.

So how did we get here?

It would be one thing if Ontario's higher tax rates were the result of campaign promises voters chose to embrace. However, the opposite is true. As shown in a new study, *Broken Promises: The Persistence of Elevated Personal and Corporate Income Taxes in Ontario*, the story of Ontario's high tax rates is little more than a long string of broken promises.

Going all the way back to 2012, Premier Dalton McGuinty promised that, if re-elected, he would not raise taxes on Ontarians. When asked if taxes would rise, he replied with an unequivocal one-word answer—"Nope."

However, almost immediately following his re-election win, under pressure from the NDP, Premier McGuinty broke his promise and raised taxes on Ontarians. Specifically, he introduced new surtaxes that effectively increased the top tax rate on the next dollar earned by some Ontarians by 3.12 percentage points over the course of two years.

The broken promises didn't stop there. Premier McGuinty also promised that the new tax rates would be temporary and eliminated in 2017/18. His successor, Kathleen Wynne, failed to honour this commitment and left the


FRASER RESEARCH BULLETIN

January 2023

Broken Promises: The Persistence of Elevated Personal and Corporate Income Taxes in Ontario

by Ben Eisen, Nathaniel Li, and Steve Lafleur

SUMMARY

- Since 2012, Ontario's top marginal personal income tax rate (PIT) rate has increased by 7.12 percentage points, from 46.41 to 53.53 percent. As a result, Ontario now has the third highest top combined federal/provincial or federal/state top income tax rate in Canada or the United States.
- This increase has been the result of both federal and provincial tax increases.
- Despite repeated promises not to increase taxes, Dalton McGuinty's government (2003-2013) enacted provincial tax increases that raised the province's top PIT. Premier McGuinty also promised the increase was temporary and would later be reversed but neither he nor his successor Premier Wynne (2013-2018) made good on this commitment.
- The Ford government criticized its predecessors for maintaining an uncompetitively high PIT rate in Ontario while in opposition, but has also failed to take action to reduce the rate.
- When running for office in 2018, the Ford government promised to reduce Ontario's general corporate income tax (CIT) rate by one percentage point, but that promise has not been kept.
- High personal and corporate income tax rates reduce economic output over time. As such, the repeated broken promises from different premiers of different political stripes that have contributed to the persistence of high taxes in Ontario have harmed economic growth in the province.

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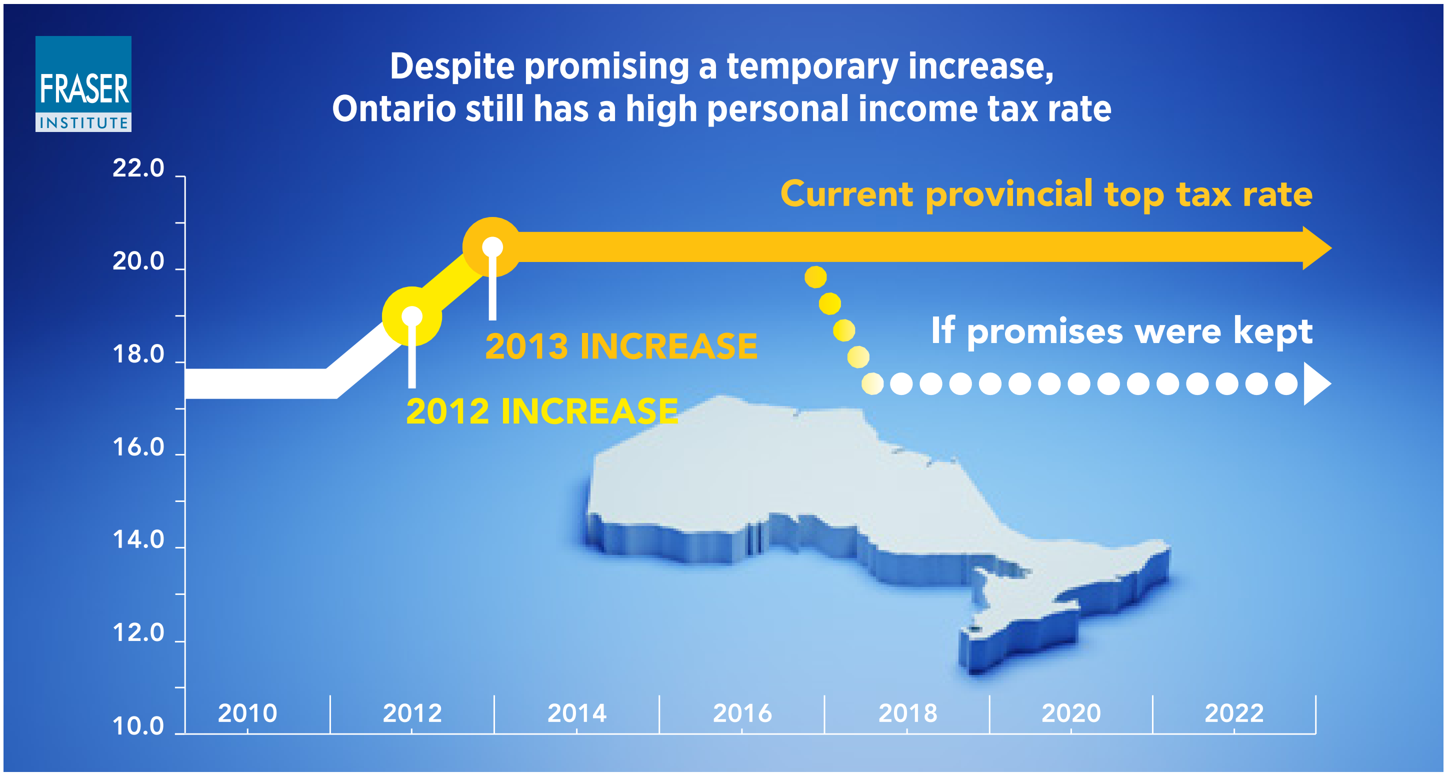
higher rates in place. Now here we are, more than a decade after the government's "temporary" income tax hike, and the increase is still taking a bite out of the paycheques of some Ontarians.

Which brings us to Premier Doug Ford. On the campaign trail in 2018, he was adamant about the need for lower

> *"On the campaign trail in 2018, Doug Ford was adamant about the need for lower taxes, stating that the government was perhaps 'the worst place you can hand your money over.' In office, however, he's sung a different tune."*



taxes, stating that the government was perhaps "the worst place you can hand your money over." In office, however, he's sung a different tune.

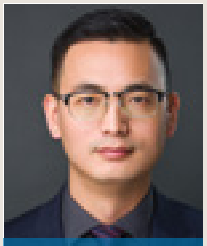
> *"Premier Ford's failure to keep his word on corporate taxes is even more unfortunate given that recent research suggests corporate income taxes are among the most harmful components of the provincial tax mix in Canada in terms of their effect on economic growth."*

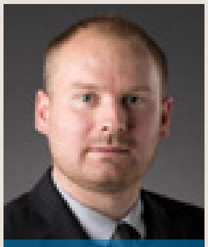
Not only has Premier Ford refused to seriously address the high income tax rates left behind by his predecessors, he's also broken one of his campaign promises from 2018 to reduce taxes for Ontarians. As part of his promise to make Ontario "open for business" then-candidate Ford promised to reduce Ontario's general corporate income tax rate to help companies in the province succeed in a global market.

But today, well into his second term, this promise has also gone unfulfilled. Premier Ford's failure to keep his word on corporate taxes is even more unfortunate given that recent research suggests corporate income taxes are among the most harmful components of the provincial tax mix in Canada in terms of their effect on economic growth.

There are important similarities and differences between the Ford government and its predecessors. One similarity is a failure to shoot straight with Ontarians about taxes. The result is the current personal and corporate income tax structure in Ontario, which features a string of broken promises and higher rates than our leaders promised. FI


BEN EISEN


NATHANIEL LI

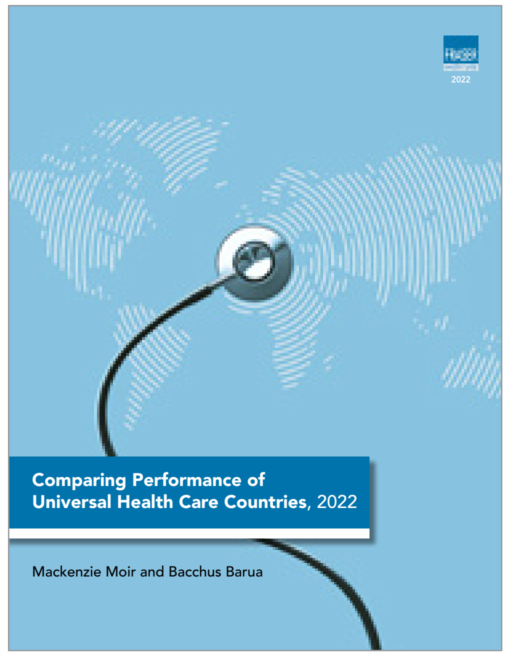

STEVE LAFLEUR

Ben Eisen is a senior fellow in Fiscal and Provincial Prosperity Studies, Nathaniel Li is an economist, and Steve Lafleur is a senior fellow at the Fraser Institute. They are co-authors of *Broken Promises: The Persistence of Elevated Personal and Corporate Income Taxes in Ontario.*

Despite High Spending, Canada's Health Care System Is Failing Badly

Mackenzie Moir and Bacchus Barua

In the pandemic's wake, with mounting surgical backlogs, physician shortages, and burned out nurses, Canada's health care system is teetering. While some hope we can spend our way out of this problem, a new report finds that Canada is already the most expensive health-care system in the world but has little to show for it.



Using data from 2020, the latest year of available comparable data, the report, *Comparing Performance of Universal Health Care Countries, 2022,* compares the spending and performance of 30 universal health care countries in such key areas as availability, use, access, and clinical performance. In a departure from frequent (and unhelpful) comparisons with health care south of the 49th parallel, the analysis does not include the United States because according to the OECD the US did not have universal insurance coverage in 2020.

Of the 30 countries with universal insurance coverage, Canada ranked as the highest spender on health care as a share of its economy (13.3 percent) and 8th highest on a per-person basis (after adjusting for age). However, despite this spending, Canada's performance was middling to poor. Our health care dollars simply weren't translating into resources and timely care.

For example, Canada ranked 23rd out of 28 countries for the number of somatic care beds (i.e., beds dedicated to physical care) on an age-adjusted basis. Japan, the highest-ranking country, reported nearly 3.5 times more somatic care beds per 1,000 population. Canada also had far fewer physicians available (ranking 28th out of 30), MRI machines (26th out of 29) and CT scanners (ranking 27th out of 30) than most other countries. (And although Canada's nursing density was on par with the OECD average, this has likely now changed due to departures from the work force.)

Obviously, a relative dearth of resources can contribute to long health care wait times for Canadians. In 2020, according to data from the Commonwealth Fund, Canada ranked dead last (10 out of 10) among universal health-care countries for both specialist appointment waits and receipt of elective surgery. Only 38 percent of Canadians reported waiting less than four weeks for a specialist appointment compared to 69 percent of patients in the Netherlands. And 62 percent of Canadians reported waiting less than four months for elective surgery compared to 99 percent of Germans and 94 percent of Swiss.

Of course, many in Canada, including many politicians, want to blame COVID for our health care woes over the

Canada, the highest spender among universal health-care countries, ranks modest to poor on performance

	Canada	Australia	Germany	Switzerland
Health-care Spending (as a share of the economy)	1st /30	7th /30	6th /30	4th /30
Doctors (per thousand people)	28th /30	9th /30	12th /30	7th /30
Hospital Beds for physical care (per thousand people)	23rd /28	11th /28	3rd /28	12th /28
Specialist Wait (less than 4 weeks)	10th /10	5th /10	3rd /10	2nd /10

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

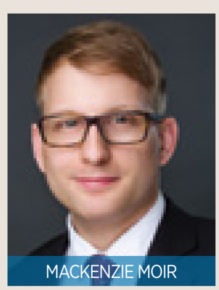
last two years. But in reality, Canada's wait times were already longer than its international peers before the pandemic. Notably, the previous Commonwealth Fund survey (in 2016) similarly ranked Canada dead last on waits for specialist appointments and elective treatment among 10 countries with universal health care.

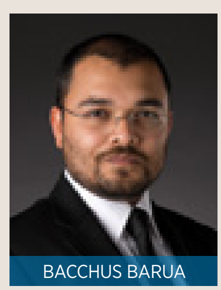
Fortunately, it's not all bad news. Canada fared better than the average country with universal health care on survival rates for heart attacks (9th of 28), breast cancer (5th of 28) and rectal cancer (6th of 28). Unfortunately, Canada also reported the highest rate of obstetric trauma (during child birth) among 20 countries where data are available, and statistically no different than the average for mortality after ischemic and hemorrhagic strokes.

> *"Despite the rosy headlines, **Canada's private sector has seen almost no job growth since the onset of the pandemic.** Rapid job growth in the government sector has masked the weakness in the private sector."*

Clearly, these few bright spots for survival rates notwithstanding, our health care system was struggling before the pandemic—despite a comparatively high price tag. If anything, COVID and the ensuing surgical postponements have pushed a faltering system over the brink.

While other countries have faced similar challenges during the pandemic, many have built systems that deliver better performance at a similar (or lower) cost. Canadian policymakers must learn from these countries to avoid a further erosion of our health care system, with patients paying the price. FI

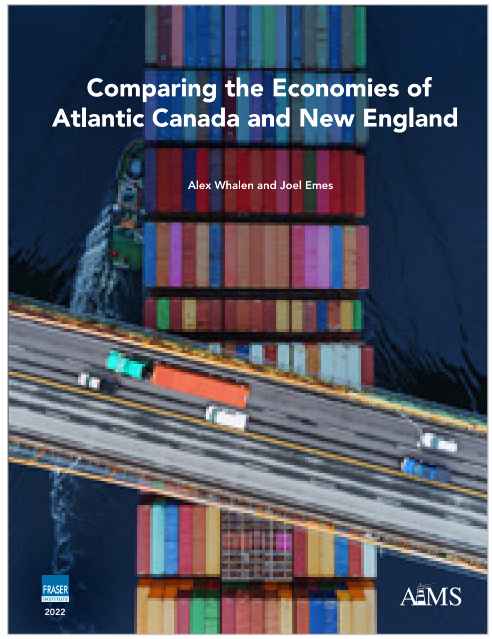




Mackenzie Moir is a Policy Analyst and Bacchus Barua is Director of Health Policy Studies at the Fraser Institute. They are the co-authors of *Comparing Performance of Universal Health Care Countries, 2022*.

Median Workers in New England Made $15,086 More Than Median Workers in Atlantic Canada

Alex Whalen and Joel Emes



Comparisons between regions can be useful in determining which areas are doing well economically, which are not, and what the differences are between them. Recent research has found that Atlantic Canada lags the rest of the country on measures such as GDP per capita. Our study, *Comparing the Economies of Atlantic Canada and New England,* builds on that analysis by comparing Atlantic Canada to a close geographic neighbour, the New England states.

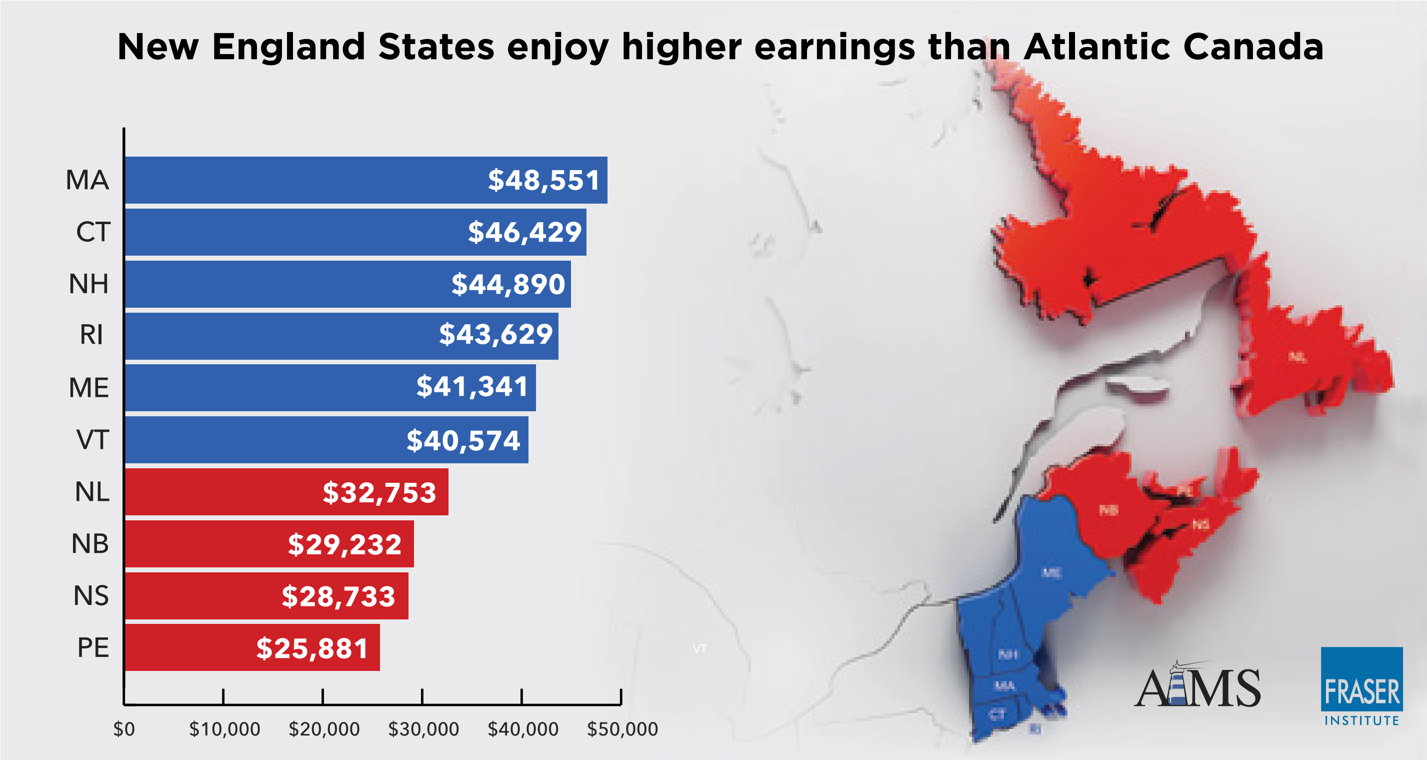
This study compares the two regions first by presenting measures comparing their economic performance, including measures of income and the labour market. Building off this analysis, we examine similarities between the regions to establish whether there are any structural reasons for the differences we observe in economic performance.

On one measure of income, GDP per person, the top three jurisdictions are all from New England—Massachusetts, Connecticut, and New Hampshire—while the bottom three jurisdictions are the three Maritime provinces, with Prince Edward Island last and Nova Scotia and New Brunswick ranking second and third last respectively. The lowest ranked US state in the region, Maine, had GDP per person (in 2019) exceeding that of any of the three Maritime provinces by a significant extent.

On median earnings, too, there is a clear difference between the New England states and the Atlantic provinces. All six New England states have higher income levels than all four Atlantic provinces. At $48,551 per person, Massachusetts had the highest median earnings in 2019. The Atlantic Canadian jurisdiction with the highest median earnings is Newfoundland & Labrador, at $32,753, while the lowest jurisdiction in the group is Prince Edward Island with a median income of $25,881.

Looking at the labour market, the data again show a clear difference between the Atlantic provinces and New England states. Of the 10 jurisdictions measured, the four Atlantic provinces maintain the highest average unemployment rates, while the six New England states experience the lowest average unemployment rates. Newfoundland & Labrador had the highest average five-year unemployment rate at 11.6 percent while New Hampshire had the lowest average five-year unemployment rate at 2.9 percent.

Despite these differences in income and employment, the structure of the economy in each region is similar. With the exception of Newfoundland & Labrador, four main industries (manufacturing, real estate, health care and social assistance, and public administration) represent

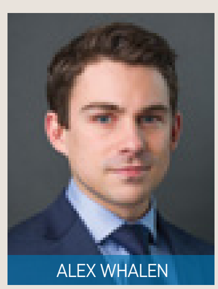


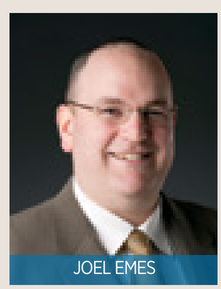
between 41.1 and 49.3 percent of the economy in the other Atlantic provinces and the New England states.

> *"On one measure of income, GDP per person, the top three jurisdictions are all from New England—Massachusetts, Connecticut, and New Hampshire—while the bottom three jurisdictions are the three Maritime provinces, with Prince Edward Island last and Nova Scotia and New Brunswick ranking second and third last respectively."*

There are differences in some industries, however. Education services and construction account for higher shares of GDP in all four Atlantic provinces than in any of the six New England states. Meanwhile, professional, scientific, and technical services, as well as wholesale trade account for higher shares of GDP in all six New England states than in any of the four Atlantic provinces.

The median age is similar between the Maritime provinces and Maine, New Hampshire, and Vermont. Also similar is the urban share of the population between the four Atlantic provinces and the same three New England States. These similarities exist despite the disparities revealed in income and employment. An examination of the policy factors that could be contributing to these differences offers a promising avenue for future research. FI





Alex Whalen is a senior economist at the Fraser Institute and Joel Emes is a senior economist with the Addington Centre for Measurement at the Fraser Institute. They are co-authors of *Comparing the Economies of Atlantic Canada and New England.*

Lockdowns reduced COVID deaths by just 3.2% but imposed significant economic costs and increased non-COVID deaths

Douglas W. Allen

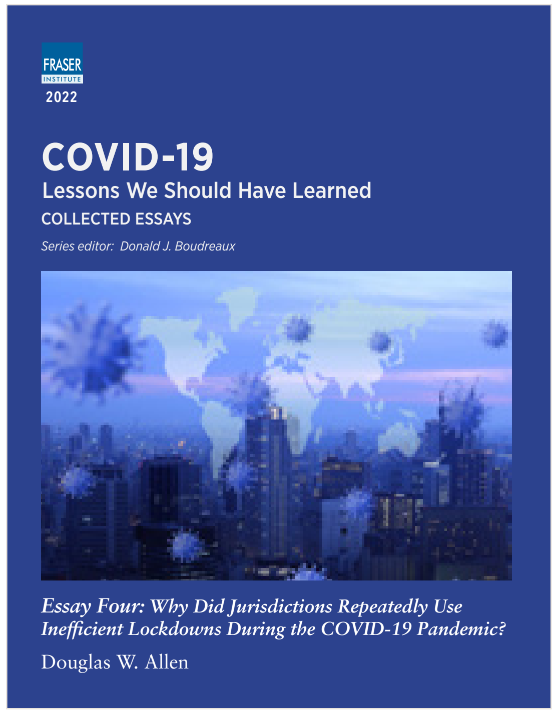
As part of the Fraser Institute's ongoing series on the lessons we should and need to learn from COVID, I completed two analyses. The first, *Lockdown: A Final Assessment,* updates an earlier analysis of the costs and benefits of the economic lockdowns imposed across many countries in response to COVID.

Economy-wide lockdowns, which included stay-at-home orders and school and business closures along with mask mandates and other non-pharmaceutical interventions, were a radical and untried social policy. Over the two years after the initial declaration of a pandemic an exceptional amount of research was completed, and this included the costs and benefits of lockdowns.

The benefits of lockdowns were originally expressed in terms of mitigating the rush to hospitals and preventing the health system from being overrun. Later many thought that the virus might actually be eliminated by lockdowns (so-called "zero-COVID"). Initial benefit estimates were based on simple models that predicted the number of hospitalizations and deaths in the absence of lockdowns. This led to grossly inaccurate benefit estimates.

The research over the past two years reveals several clear and robust findings:

- Epidemiological models that do not include human behaviour changes in response to a novel virus drastically over-estimate the number of hospitalizations and deaths. All the early models made death predictions that were off by factors of 10 or more. The infamous Imperial College of London model, led by Neil Ferguson, predicted that with full lockdowns in place there would be 132,687 COVID-19 deaths in Canada by July 30, 2020; in fact, by that date there were 9,019 deaths.



- Changes in people's behaviour in response to the arrival of the virus were immediate, and around the world and in every country infected by COVID-19 changes in behaviour meant that an endemic state was reached in the spring of 2020.
- Behaviour effects were not limited to acting cautiously. Other changes, including incomplete compliance with mandates and the levels of compliance varied over the course of the pandemic. These behaviour changes meant that deaths and hospitalizations were not substantially different in jurisdictions with different degrees of lockdown when other factors were controlled for.

- Over and over, analysts also found that the causal effect of lockdowns showed only small positive effects on death rates—an average reduction in mortality of just 3.2 percent after combining all lockdown effects according to the most recent and thorough meta-analysis.
- The costs of lockdown go far beyond the lost GDP and include areas like worldwide food insecurity, international trade reductions, reduced travel, increased domestic violence, increased drug/alcohol/mental health issues, and employment disruptions. Lockdowns have also had an effect on children's physical well-being, lost education, early development, IQ, and social abilities. While there have been no widespread estimates of the full size of these losses, it is generally acknowledged that children and youth have suffered under the lockdowns.
- Lockdowns also created collateral deaths. Behaviour changes in the face of COVID-19 and lockdowns included forms of self-protection that often ended up increasing mortality such as missing regular medical checkups out of fear of contracting the disease.

Widespread, economy-wide lockdown policies were a disaster. They had only marginal effects on the ultimate number of deaths, but imposed enormous costs.

> ***"Widespread, economy-wide lockdown policies were a disaster. They had only marginal effects on the ultimate number of deaths, but imposed enormous costs."***

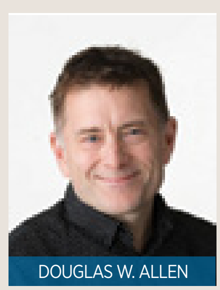
In the second essay, *Why Did Jurisdictions Repeatedly Use Inefficient Lockdowns During the COVID-19 Pandemic?,* I explored the persistence and repeated use of ineffective and costly lockdown policies in the face of mounting evidence that governments should take a different approach. Specifically, despite the surge of COVID information, including the knowledge that, generally speaking, only a particular small subset of the population

> ***"The costs of lockdown go far beyond the lost GDP and include areas like worldwide food insecurity, international trade reductions, reduced travel, increased domestic violence, increased drug/alcohol/mental health issues, and employment disruptions."***

was especially vulnerable, government officials and politicians made no significant change to the lockdown policy. The same ineffective but extremely costly policies were repeated over and over.

The explanation is the "double down" approach that politicians took. For various reasons, governments around the world panicked in early 2020 and concluded that only a severe lockdown could isolate the virus and stop it from spreading. They quickly became aware of the failure and cost of this action and were faced with a choice: they could admit their terrible mistake or double down, continue with the policy, and hope that an endemic state would come soon. When a second wave of the virus returned in the fall of 2020, the dominant strategy of those jurisdictions that had earlier imposed lock downs was to repeat that policy. This strategy continued until the widespread infections caused by the Omicron variant led to an endemic state, which allowed politicians to declare a lockdown victory.

These two analyses conclude that lockdowns policies were extraordinarily costly and persisted because of politics rather than evidence. The insights are critical if we are to better understand COVID and how governments responded to it. FI



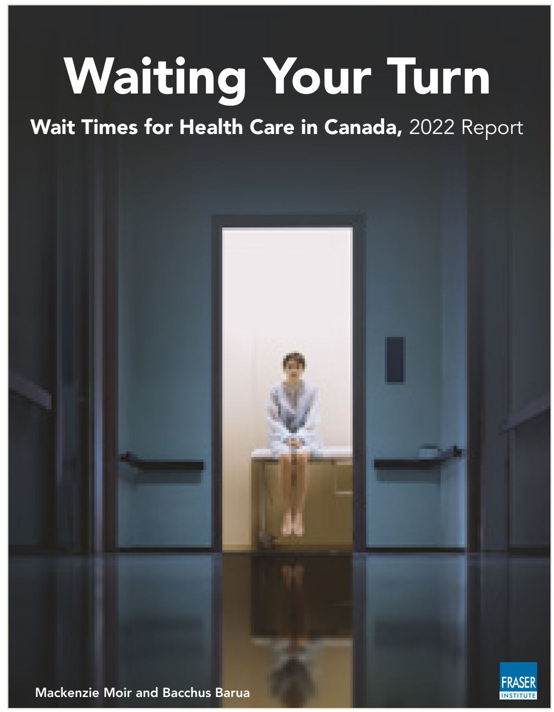
Douglas W. Allen is the Burnaby Mountain Professor of Economics at Simon Fraser University.

Canada's Health-Care Wait Times Hit 27.4 Weeks in 2022—Longest Ever Recorded

Mackenzie Moir and Bacchus Barua

Although the worst of the pandemic is now in the rear view mirror, Canada's health care system continues to struggle with poor resource and staff availability, health care worker burnout, and chronic hospital overcapacity. And Canadians now also face the longest wait times for elective surgery on record.

According to the Fraser Institute's latest annual survey of physicians, *Waiting Your Turn: Hospital Waiting Lists in Canada*, patients could expect a median wait of 27.4 weeks between referral to a specialist by a general practitioner and receipt of treatment in 2022, the fourth consecutive year that wait times have increased. This year's median wait is almost three times longer than the 9.3-week wait recorded in the first national survey in 1993, and 6.7 weeks longer than deemed "reasonable" by physicians.

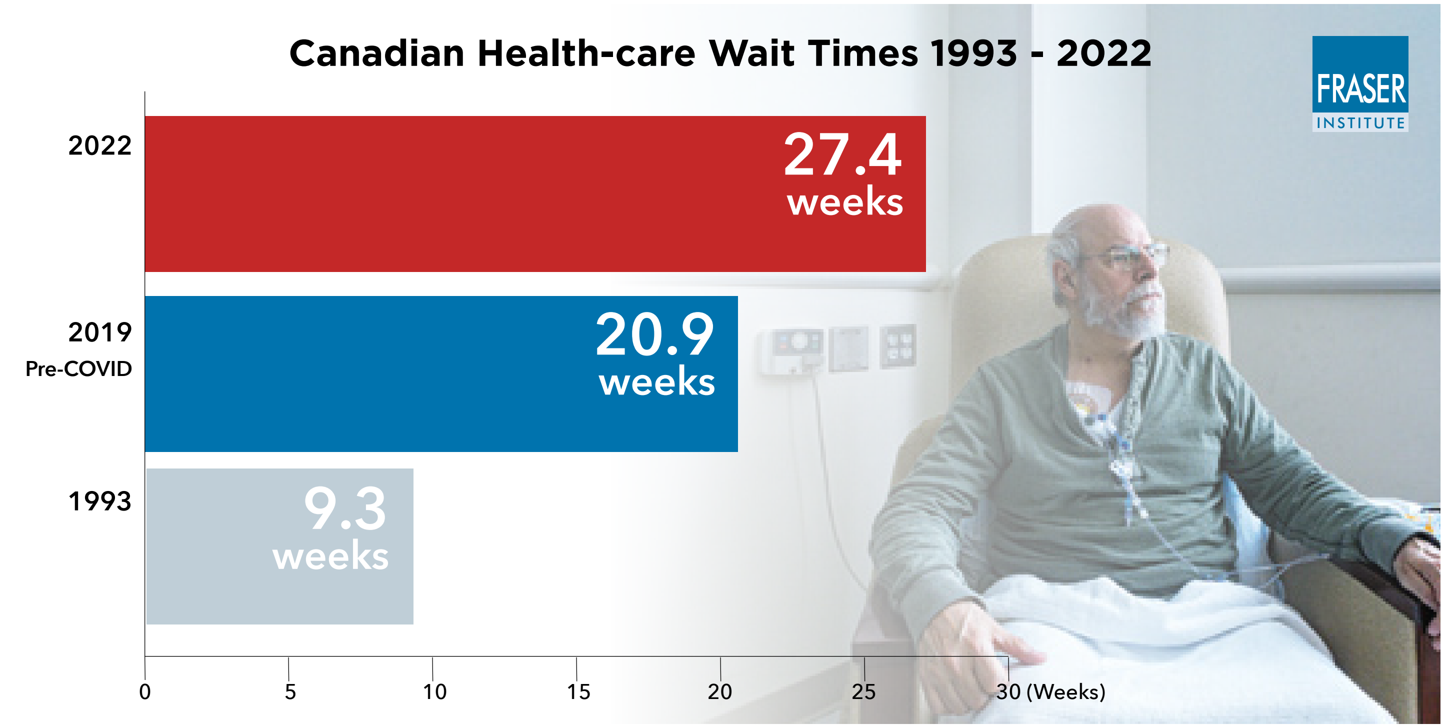


> *"Patients could expect a median wait of 27.4 weeks between referral to a specialist by a general practitioner and receipt of treatment in 2022, the fourth consecutive year that wait times have increased."*

The survey covers all 10 provinces across 12 core medical specialties and measures waits for "elective" surgeries, which are scheduled (in contrast to emergency surgeries) but are still medically necessary. If patients wait too long for some elective procedures, they may experience deteriorating health, permanent disability, and sometimes death.

Of course, wait times vary considerably depending on the province and specialty. Prince Edward Island reported the longest wait time this year (64.7 weeks) while Ontario reported the shortest (20.3 weeks). We also see significant variation between specialties. For example, patients across the country face the longest waits for neurosurgery (58.9 weeks) and plastic surgery (58.1 weeks) while wait times for radiation (3.9 weeks) and medical oncology (4.4 weeks) were the shortest.

To be clear, this isn't a COVID problem. While the pandemic and associated surgical postponements may help partially explain why wait times have increased over the past three years, waits for elective surgeries were remarkably long before the first recorded case of COVID-19 in Canada—in 2019, Canadians faced a median wait of 20.9 weeks for elective care.

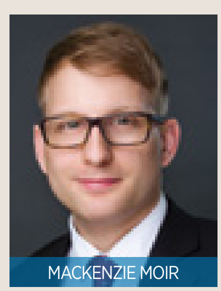


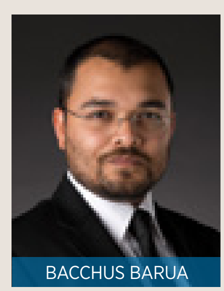
The pandemic has also affected the research environment, with the national survey response rate this year coming in at 7.1 percent. Although 850 specialists still responded to the survey, this year's response rate is lower than in years preceding the pandemic. That said, these findings align with data from decades of domestic research and international surveys that reveal Canada has poor access to timely care. For example, in 2020 the Commonwealth Fund (CWF) found that Canada ranked at the bottom (11th of 11) for both timely specialist appointments (under four weeks) and elective surgeries (within four months). A similar study from the CWF found similar results in 2016, long before the pandemic.

Given these lackluster results and Canada's continued and outsized reliance on the performance and generosity of our health care workers, policy solutions are long overdue.

For years, the research has revealed familiar findings. Other countries with similar or lower spending on health care (as a share of their economies) that outperform Canada employ markedly different approaches to universal health care. Australia, Germany, the Netherlands, and Switzerland all either partner with the private sector for the financing and delivery of universal care, or rely on the private sector as a pressure valve when the public system is overburdened. They tend to also provide incentivizes for the responsible use of resources by expecting patients to share the cost of treatment (with exemptions for vulnerable populations), and they fund hospitals based on activity (instead of Canada's "global budgets"). Of course, these countries also faced their own challenges during COVID. But the difference is they entered the pandemic with more resources and shorter wait times and will, therefore, likely emerge in a better position, too.

If Canadians want to see their health care system improve and wait times reduced, the provinces must consider bold reforms. It's hard to imagine a more pressing policy issue in Canada today. FI





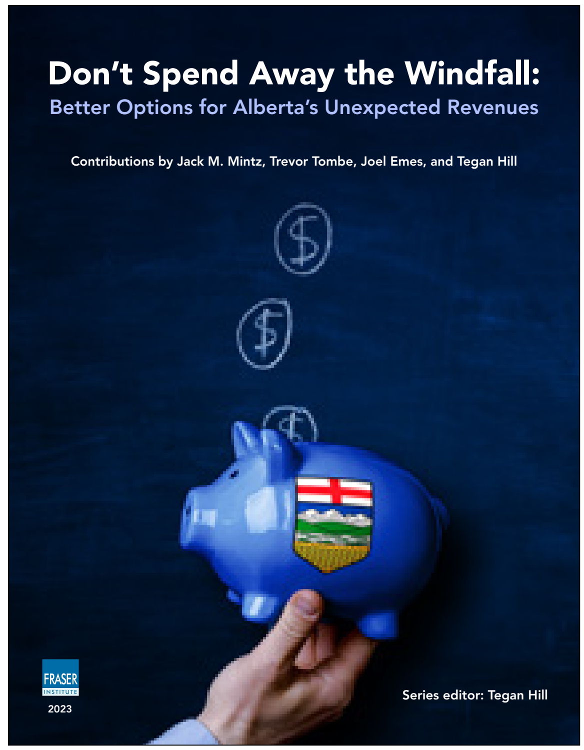
Mackenzie Moir is a Policy Analyst and Bacchus Barua is Director of Health Policy Studies at the Fraser Institute. They are the co-authors of *Waiting Your Turn: Hospital Waiting Lists in Canada.*

Don't Squander Alberta's Surpluses by Spending Them—Instead, Lower Taxes, Pay off the Debt and/or Re-establish Rainy-day Fund

Tegan Hill

Due largely to a record high windfall in resource revenue—worth an expected $28.1 billion in 2022/23—Alberta is projected to run a $12.3 billion budget surplus in 2022/23 with additional surpluses anticipated over the next two fiscal years.

History has shown that spending these surpluses only leads the province back into deficits when resource revenues inevitably decline, which sets the province up for hard times down the road. Instead of wasting this extraordinary opportunity by spending away the temporary surpluses, the provincial government could use them to improve Alberta's finances and economy for the long-term. A recent Fraser Institute essay series, *Don't Spend Away the Windfall— Better Options for Alberta's Unexpected Surpluses,* presents three such options, all of which are preferable to spending away the windfall.



University of Calgary economist Trevor Tombe suggests the provincial government consider using the surpluses to eliminate the province's debt. Professor Tombe argues that debt elimination is an attractive option as for the first time in well over a decade government borrowing rates are projected to exceed the expected return on investment savings. In other words, the cost of provincial debt (estimated by long-run bond yields) is expected to exceed the return on investments (such as those in the Alberta's Heritage Savings Trust Fund). Given mounting global economic and geopolitical risks, the financial gains from lowering debt—in the form of reduced interest payments for Albertans—provide welcomed certainty where financial investments may not. Professor Tombe finds that if the provincial government holds growth in program spending to its plan in Budget 2022 (updated for 2022/23 in its first quarter update) and to inflation and population growth thereafter, Alberta could eliminate its debt by 2030. Eliminating provincial debt within a decade could save nearly $20 billion in cumulative interest costs by 2030, costs that Albertans are ultimately responsible for paying.

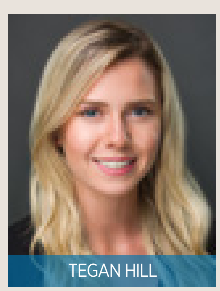
Alternatively, argue Fraser Institute economists Tegan Hill and Joel Emes, the province should consider using the current surpluses to re-establish the rainy-day account based on the previous Alberta Sustainability Fund (ASF) so as to avoid future deficits when commodity prices and thus resource revenues are lower. The first step is to determine a "stable" amount of resource revenue to be included in the budget annually, which limits the amount of money available for spending. As Hill and Emes explain, any resource revenue above the stable amount for the budget is automatically saved in the ASF to be withdrawn in the future to cover any shortfall when

resource revenue falls below the stable amount. Put differently, savings in the ASF during periods of relatively high resource revenue (as Alberta is currently experiencing) are used to support the stable amount of resource revenue in the budget during periods of relatively low resource revenue, which would help avoid deficits. In this way, the ASF would help prevent another substantial run-up in provincial debt in the future. Moreover, once the ASF is adequately funded, Hill and Emes argue that additional surplus funds, if available, should be allocated in their entirety to the Heritage Fund to provide long-term economic and financial benefits to the province.

Finally, economist and professor at the University of Calgary Jack Mintz suggests another option for consideration: using Alberta's surpluses to improve tax competitiveness and stimulate economic growth. Mintz specifically recommends reducing and simplifying personal income taxes to attract highly skilled workers, entrepreneurs, and business owners, while generally encouraging more work, savings, and risk-taking. Mintz includes two main proposals in his essay: returning to a single-rate tax of 8 percent, or levying an 8 percent basic personal income tax rate with a second 12 percent tax rate on income of more than $131,220. Either of these options would use up no more than a third of Alberta's projected surplus this fiscal year. Mintz argues the provincial government could use other revenues to cover the lost personal income tax revenue as needed, rather than rely on volatile oil and gas revenues. This could include repatriating the federal consumer carbon tax for a made-in-Alberta approach, introducing variable health premiums to fund health care, and/or levying an Alberta sales tax of 3 percent on the federal GST for an 8 percent HST.

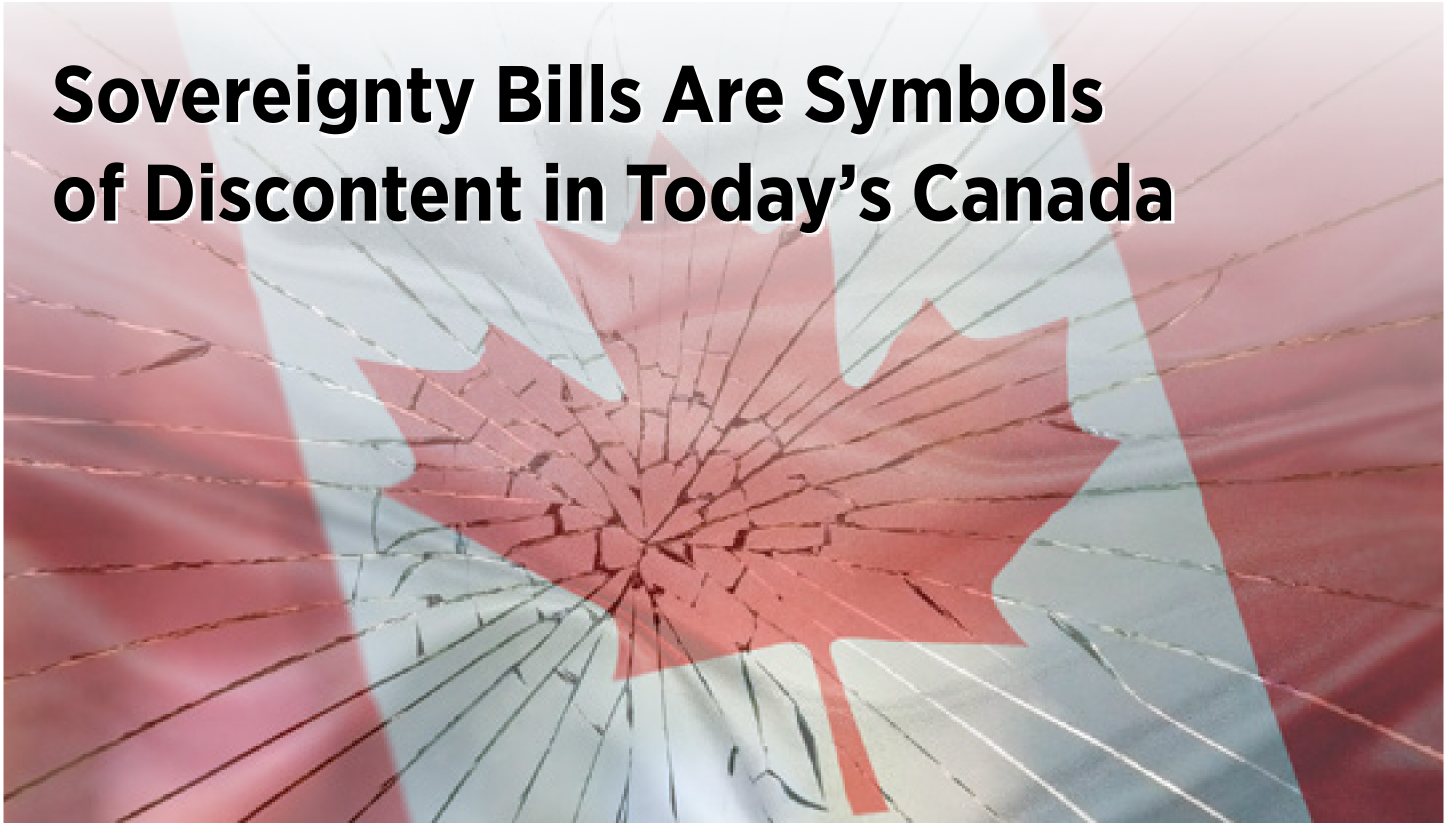
The provincial government has an incredible opportunity to introduce significant policy changes for the benefit of Albertans today and in the future. Among the alternatives that the authors in this series provide are using the current windfall to eliminate Alberta's debt, reintroducing a rainy-day account and saving for the long-term, or improving Alberta's tax competitiveness. All avoid the main risk of simply increasing government spending as has occurred in the past, which sets the province up for yet another boom-bust cycle. Avoiding spending increases and limiting the growth in spending over the next few years while pursuing any of the reforms outlined in this series would strengthen the provincial economy and establish a path for Alberta's improved long-term prosperity. FI

"Avoiding spending increases and limiting the growth in spending over the next few years while pursuing any of the reforms outlined in this series would strengthen the provincial economy and establish a path for Alberta's improved long-term prosperity."


TEGAN HILL

Tegan Hill is a senior economist at the Fraser Institute. She is the series editor of *Don't Spend Away the Windfall: Better Options for Alberta's Unexpected Surpluses,* with contributions from Trevor Tombe, Jack M. Mintz, Tegan Hill and Joel Emes,

Sovereignty Bills Are Symbols of Discontent in Today's Canada



Bruce Pardy

The Alberta legislature recently passed the Alberta Sovereignty within a United Canada Act, which empowers the Alberta cabinet, when authorized by the legislature, to order provincial agencies and officers not to enforce federal laws that interfere with provincial jurisdiction or Charter rights. And the Saskatchewan First Act, which recently passed second reading in the Saskatchewan legislature, asserts Saskatchewan's exclusive jurisdiction by repeating the language found in Canada's Constitution.

As legal instruments, these Acts will be of limited utility. The Saskatchewan bill won't change the way the Constitution is interpreted. The Alberta statute could create administrative tangles for the federal government but will not block its jurisdictional reach. These sovereignty bills cannot legislate new constitutional bulwarks against federal intrusion. But that is not their purpose. They are not primarily legal tools but political moves in a culture war waged by Ottawa. At the top of the federal agenda sits Net Zero, the project to end the use of fossil fuels. The feds have moved aggressively to occupy the field on climate change and thus restrict the development of Alberta's and Saskatchewan's natural resources.

Fights with the federal government over natural resources, of course, are not new. In 1980 Pierre Trudeau's National Energy Program sought to seize the rewards of oil development for federal coffers. But Trudeau Sr. wanted patriation of the Constitution more badly than he wanted provincial oil resources, and largely thanks to the work of Peter Lougheed, then premier of Alberta, the 1982 constitutional deal that included the Charter of Rights and Freedoms also added a new section 92A to the Constitution Act 1867. Thanks to that section, in combination with provincial powers in the original British North America Act, few matters are more clearly laid out in the Canadian Constitution than jurisdiction over oil and gas resources, whose exploration, development, conservation and management are reserved exclusively to the provinces.

Yet in 2020, Parliament passed a carbon-pricing regime establishing a minimum national carbon tax to reduce greenhouse gas emissions. When the governments of Alberta, Saskatchewan, and Ontario challenged its constitutionality, the Alberta Court of Appeal was the only provincial appeal court to strike it down. "The Act is a constitutional Trojan horse," the majority wrote, "Almost every aspect of the provinces' development and management of their natural resources, all provincial industries and every action of citizens in a province would be subject to federal regulation to reduce greenhouse gas emissions. It would substantially override ss 92A, 92(13) and 109 of the Constitution."

But a majority at the Supreme Court of Canada disagreed, overturning the Alberta decision and instead confirming decisions from the Ontario and Saskatchewan courts of appeal that held the carbon tax a permissible exercise of the federal government's "Peace, Order, and good Government" (POGG) power under section 91 of the Constitution Act 1867. That power is residuary and exists "in relation to all Matters not coming within the Classes of Subjects by this Act assigned exclusively to the Legislatures of the Provinces." According to the Supreme Court judgment, establishing a minimum national carbon tax constituted a "national concern" allowing the exercise of the POGG power because climate change was "an existential threat to human life in Canada and around the world."

The feds next aspire to impose their own Impact Assessment Act on oil sands developments. A majority at the Alberta Court of Appeal has again declared the federal regime to be "a breathtaking pre-emption of provincial legislative authority." That decision has been appealed, and the Supreme Court of Canada will again be the final arbiter. Provincial legislation cannot dislodge the Supreme Court's power nor dictate its interpretation of the Constitution.

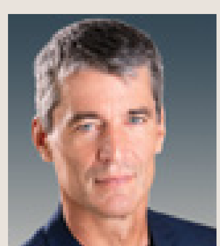
When faced with the dual powers of the federal government and the Supreme Court, what should dissenting provinces do?

The most potent weapon for Alberta and Saskatchewan is broad political dissent. Their new enactments are an important step in that direction and are rightly perceived to represent a challenge to the prevailing order. The federal political establishment remains predominantly Laurentian but is also now steadfastly progressive. The Trudeau government is Canada's first fully woke regime. Alberta and Saskatchewan, with oil, guns, populism, and a culture of self-reliance, are the federal government's enemies all rolled into one. While during COVID, the Alberta government under Jason Kenney sang from the same authoritarian songbook as the feds and other provinces, Danielle Smith has disavowed that approach and apologized to the unvaccinated for their treatment. Climate change will be the next "crisis" and Smith's political repudiation of Net Zero is as much a threat to the federal agenda as the text of the Sovereignty Act.

That threat explains, in part, the hysterical scorn heaped upon the bill when it was introduced. "Danielle Smith's Sovereignty Act is a silly political dare, written in crayon" snorted columnist Robyn Urback in the *Globe and Mail* while her colleague Andrew Coyne called for "alpha federalism" to put down growing provincial insurrection. Don Braid in the *National Post* called the bill possibly the worst legislation in Alberta history while Calgary Mayor Jyoti Gondek told the CBC that not enforcing federal law was dangerous.

The Alberta and Saskatchewan bills reflect our winter of discontent in this country. When Gary Mason wrote in the *Globe* that "Danielle Smith and her acolytes in the United Conservative Party want to fundamentally change the way Canada works," he did not mean it as a good thing. But unwoke Canadians from across the country hope that she succeeds. FI

> ***"Alberta and Saskatchewan, with oil, guns, populism, and a culture of self-reliance, are the federal government's enemies all rolled into one."***


BRUCE PARDY

Bruce Pardy is Professor of Law at Queen's University and a senior fellow at the Fraser Institute.

Josef Filipowicz and Steve Lafleur

For years, governments in Canada's least affordable cities and provinces opted for politically easy but relatively ineffective measures to tame rising rents and home prices. Foreign buyers, speculators, and money launderers were all targeted by policy interventions, yet the cost of housing remained prohibitively high for countless Canadians. Apparently, it took until this year to exhaust all the easy answers, because 2022 was the year policymakers finally started making (or at least hinting at) the difficult decisions that must be made.

Once you've moved past the scapegoats for Canada's affordability woes (speculators, foreign owners, private equity companies), what remains is the rising chorus of research showing a clear chronic shortage of homes nationwide, especially in larger regions such as Metro Vancouver and the Greater Toronto and Hamilton Area.

"Markets could have met the red-hot demand for housing—if governments had let them."

This shortage didn't appear overnight. It resulted from decisions by hundreds of local and provincial governments over decades. An additional step in the development approval process here, another prohibition on building there, and so on, until we ended up with a housing system that builds fewer homes than it did in the 1970s when our population was roughly one-third smaller. Recent factors that affect housing demand, including a decade of low interest rates and fast-growing population, also played a role. But markets could have met the red-hot demand for housing, if governments had let them.

Enter the provincial governments of Ontario, British Columbia, and Nova Scotia, and the City of Toronto.

Starting this fall, the Ford government in Ontario found not just another gear but an entire gearbox for housing policy, passing "strong mayor" reforms (which allow mayors in Toronto and Ottawa to more easily push through housing reforms), reducing red tape province-wide with Bill 23, and opening up some Greenbelt lands to home building. It's not clear that giving mayors more power will help much on the housing front, but the sweeping changes proposed in Bill 23, such as allowing more homes on single-family lots by default and streamlining or removing steps in the approval process, mark the first serious attempt at reversing decades-long regulatory trends.

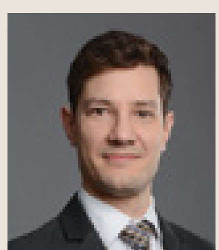
> *"If Toronto can radically increase the number of homes, not just along major corridors but also within established neighbourhoods,* ***Canada's largest city will become an exemplar on how to rapidly increase housing production where it's most needed."***

As if on cue, Toronto City Council followed Queen's Park's lead by approving Mayor John Tory's plan to overhaul zoning and housing approvals by early next year. The devil will be in the details, but if Toronto can radically increase the number of homes, not just along major corridors but also within established neighbourhoods, Canada's largest city will become an exemplar on how to rapidly increase housing production where it's most needed. Council also legalized rooming houses citywide, a move long supported by housing advocates and research. This may seem like a small step, but it's another example of the sort of tough decisions that have been punted for years.

Meanwhile, the newly minted premier of Canada's least affordable province also appeared to hit the ground running on housing policy. Only days after being sworn in, BC Premier David Eby announced a series of measures aimed at boosting housing supply, to be implemented during his first 100 days in office. Most importantly, his government committed to "working with municipalities with the greatest housing needs to set targets to deliver more homes faster"—very possibly a veiled threat to bring down the hammer in upcoming housing legislation. If you ignore the good cop, you'll get the bad cop.

Which brings us to Nova Scotia, which took the earliest and likely most profound housing actions this year. Like Ontario and BC, Nova Scotia struck a task force to investigate its affordability problem and make recommendations. Unlike the other two provinces, however, it acted almost immediately. The Municipal Affairs and Housing minister was given authority to directly review and approve housing developments in select areas, which is exactly what he did. If all goes as planned, more home building will be under way in Halifax alone over the next two years than in all of Nova Scotia over the last five. Essentially, Nova Scotia went straight to bad cop, which is good for Nova Scotians wanting to rent or buy a home.

In sum, this year appears to have marked a sea change in housing policy, so we can look back at 2022 with cautious optimism. But we should also look toward 2023 with renewed conviction, as governments may be tempted to call it a job done. They've finally made some of the tough feather-ruffling decisions that were always needed, but having made these decisions, the test of success will be whether they keep their foot on the gas and whether we see the dramatic increase in homes Canada needs to restore some semblance of affordability. FI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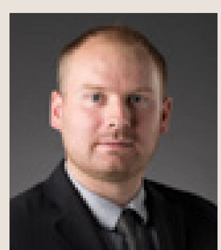
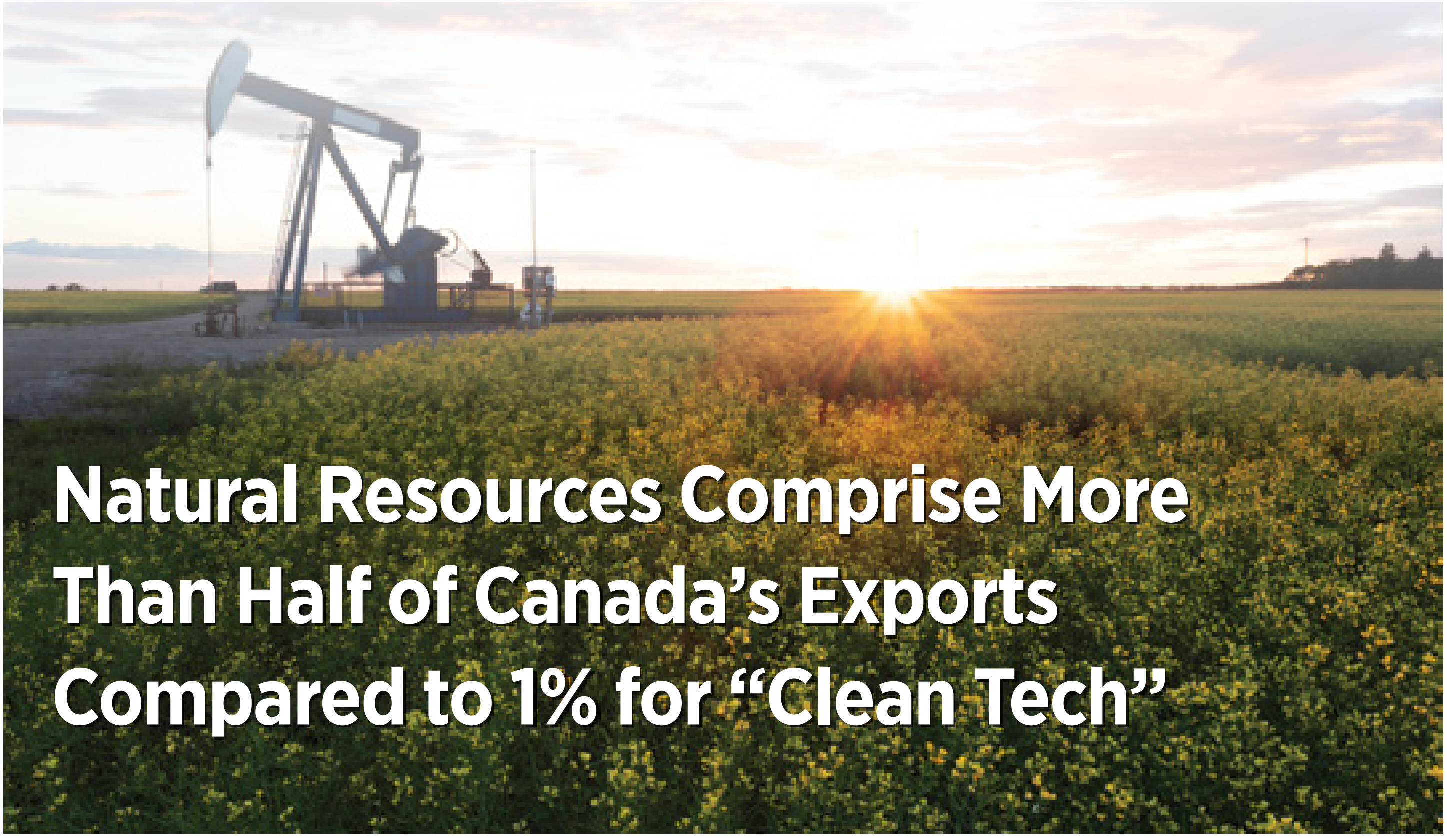

STEVE LAFLEUR

Josef Filipowicz is a local government and housing policy specialist with the Canada Mortgage and Housing Corporation and Steve Lafleur is a senior fellow at the Fraser Institute.



Natural Resources Comprise More Than Half of Canada's Exports Compared to 1% for "Clean Tech"

Jock Finlayson

As we enter a new year, it's worth remembering that Canada is a mid-sized economy that relies heavily on international trade for its prosperity. But what exactly does Canada sell to the rest of the world? Which industry sectors drive the exports that play a vital role in sustaining our country's high living standards?

Both economic theory and common sense suggest that Canada enjoys some degree of global comparative advantage in industries that provide the bulk of our exports.

Unfortunately, many politicians—including some sitting around Justin Trudeau's cabinet table—don't appear to think this way. Rather than asking what Canada is good at producing and exporting, they conjure visions of a future economy with a far different industrial structure where "green," "clean tech," and "high-tech" products and services dominate. Tomorrow's economy undoubtedly will be different from the one we have now. But

"Industrial transitions don't happen overnight; they unfold over multiple decades or even longer. Nor do politicians and their policy advisors possess the skills, insights or tools to engineer the details of Canada's evolving industrial structure."

industrial transitions don't happen overnight; they unfold over multiple decades or even longer. Nor do politicians and their policy advisors possess the skills, insights or tools to engineer the details of Canada's evolving industrial structure.

Last year, Canada generated record export earnings of $707 billion, consisting of $577 billion of "goods" exports and another $130 billion of "services" sold to buyers in other countries. Goods consist of natural resource products plus a wide array of manufactured items, parts, and components. Exports of services include professional, scientific and technical services (including digital services), transportation services linked to cross-border trade, financial services, international tourism (foreign visitors to Canada), and education (foreign students enrolled in Canadian institutions).

Here's some additional information on Canada's international exports (as of 2021).

Natural resource products represent more than half of Canada's total exports of goods and services combined. Energy alone accounts for one-fifth, mineral ores and metals for 14 percent, agri-food for 12 percent, and forestry products for 6 percent of the country's exports. Within the energy basket, oil is by far the largest earner. The export data confirm that natural resources still carry enormous economic weight in Canada—they are not "sunset" industries.

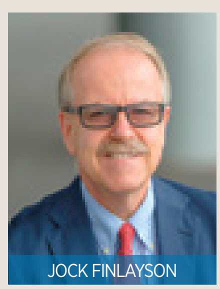
Transportation equipment also looms large in Canada's export picture. This category mainly consists of vehicle assembly, automotive parts, and aerospace parts and equipment. Together they comprise 11 percent of Canada's exports. Most such exports are shipped to the United States, which underscores the need to preserve and strengthen the integrated North American automobile manufacturing sector and build on the Canada-US-Mexico Free Trade Agreement to facilitate North America-wide market access for all types of manufactured products.

Other significant Canadian export categories are chemicals and plastics (7 percent of total exports in 2021), industrial machinery and equipment (4 percent), and consumer goods (also 4 percent).

The data also highlight the relatively small contribution made by what Export Development Canada classifies as advanced technology products to Canada's exports. All advanced technology products together supplied just 3 percent of our exports in 2021. And the "clean tech" products loudly promoted by the Trudeau government constitute at most 1 percent of Canada's exports.

> ***"Our policymakers should work harder to improve the business environment for industries that pay the bills today*** *instead of dreaming about a hoped-for economic future whose shape is largely beyond their control."*

At a time when Canada finds it difficult to attract investment and is losing ground to the US and other jurisdictions in overall competitiveness, our policymakers should work harder to improve the business environment for industries that pay the bills today instead of dreaming about a hoped-for economic future whose shape is largely beyond their control. FI


JOCK FINLAYSON

Jock Finlayson is a senior fellow and Peter M. Brown Chair of Canadian Competitiveness at the Fraser Institute.

Parliamentary Budget Officer Just Demolished Climate Alarmism

Ross McKitrick

The Parliamentary Budget Officer (PBO) recently released a report on the effects of greenhouse gas emissions on Canadian GDP growth over the next 80 years. I've written previously about the recent economics literature investigating the link (or lack thereof) between global warming and economic growth. It's a fascinating topic and I've been actively working with on it one of our PhD students for several years. While I would quibble with some aspects of the PBO report, the overall conclusions are not out of line with mainstream thinking on the topic. Which is why the findings are so astonishing and radical compared to what the government has been saying.

The PBO estimated what would happen to the Canadian economy between now and 2100 if temperatures and precipitation change as expected due to greenhouse gases. The report's authors consider two scenarios—first, if emission-reduction policies stall at today's levels and nobody complies with their Paris commitments, and second, if countries comply with all their Paris commitments in full and on time. Under the first scenario Canada's GDP in 2100 will be 6.6 percent smaller than it otherwise would be.

Let's pause there for a moment: 6.6 percent after 80 years is a very small number. Canada has set out ambitious economic growth plans based on high levels of immigration and continued efforts to boost productivity and income. Suppose this results in 2 percent real GDP growth from 2021 to 2100. That would mean Canada's economy will grow by 388 percent over those 80 years. According to the PBO, if we do nothing about global warming, it will instead grow by about 381 percent.

In other words, the PBO projects that the impact of climate change will be small relative to other drivers including population change, technology, and many other aspects of socioeconomic development. Where have I heard that before? In the UN Intergovernmental Panel on Climate Change's 5th Assessment Report, released in 2013, that's where.

In the Working Group II volume, Chapter 10 of the IPCC's 5th Assessment Report concluded: "For most economic sectors the impact of climate change will be small relative to the impacts of other drivers. Changes in population, age, income, technology, relative prices, lifestyle, regulation, governance, and many other aspects of socioeconomic development will have an impact on the supply and demand of economic goods and services that is large relative to the impact of climate change."

Yes, you read that right. The IPCC concluded, not very long ago, that while greenhouse gases have warmed the climate and will continue to do so, the effects will be small compared to pretty much every other driver of change in the century ahead. This is the opposite of an "emergency" or "crisis."

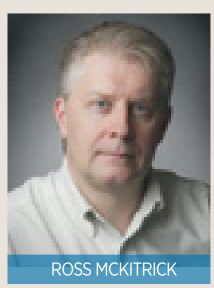
Then the PBO asked what would change if everyone meets their Paris targets. Instead of being 6.6 percent smaller in 2100, it estimates the economy will be 5.8 percent smaller. In other words, the benefit attributable to the Paris agenda is that the economy will be 0.8 percent larger 80 years from now. This is a minuscule difference.

And we have to ask, what if the policies cost more than 0.8 percent of GDP? We can be absolutely certain that they will. In a study I coauthored last year for the Fraser Institute, *Estimated Impacts of a $170 Carbon Tax in Canada*, my co-author and I showed that just the carbon tax alone, which won't suffice to get us to the Paris target, will cause GDP to shrink by at least twice that amount by 2030. Our GDP loss estimates were in line with many other studies done inside and outside of government for comparable-size emission cuts under the Kyoto Protocol 20 years ago.

The PBO, based on advice from Environment and Climate Change Canada, the federal department in charge, worked on the assumption that Canada will warm (on average) by 2.5 degrees Celsius compared to today. I think that's an overestimate, but as before, let's assume it's true. Its analysis says that the result will be Canada's economy grows (on average) not by 2.0 percent a year but by 1.983 percent per year, a difference less than a rounding error in the national economic accounts. And if we incur the enormous costs of complying with Paris, the economic benefit will be that we grow on average by 1.986 percent instead, three one-thousands of a percent more. At a cost of policies that will take orders of magnitude more off our growth rate.

> ***"Compared to everything else we'll deal with this century, the impacts of climate change will be small. That is the radical but correct conclusion of experts at both the IPCC and the PBO."***

One of the annoying bits of jargon that goes around climate policy circles is the phrase "the cost of inaction." As in, "we have to do something, doing nothing is not an option, the cost of inaction is too large." The cost of inaction is the foregone benefit of the action, and according to the PBO, it's not large at all. In fact, it's tiny. Because compared to everything else we'll deal with this century, the impacts of climate change will be small. That is the radical but correct conclusion of experts at both the IPCC and the PBO. It's time government leaders started paying attention. FI



Ross McKitrick is professor of economics at the University of Guelph and a Fraser Institute senior fellow.

Government Failure Not Unique to Trudeau Government

Jason Clemens and Jake Fuss

The Auditor General of Canada (AG) recently released reports of the federal government's management of both vaccines and COVID-related spending. While the reports certainly raise questions (again) about competence, they should not mislead Canadians into believing that government failure is unique to the Trudeau government. Instead, we should better understand the limits of government and adjust our demands accordingly.

The AG's assessment of COVID-spending is damning. She found $4.6 billion in overpayments to ineligible recipients and recommended that the government investigate the nature of another $27.4 billion in spending. Overpayment recipients included 1,522 prisoners, 391 dead people, and 434 children too young to be eligible. The AG also criticized Ottawa for failing to require social insurance numbers (SINs) for workers in firms claiming federal wage subsidies (Canada Emergency Wage Subsidy), which means proper verification and tracking cannot be completed.

> *"Our 2020 study... examined almost $82 billion of COVID spending and estimated that 27 percent of it was poorly targeted, representing more than $22 billion in wasted taxpayer money."*

This is on top of poorly targeted federal COVID spending. Our 2020 study, for instance, *Federal Government Wasting Billions on Poorly Targeted Assistance,* examined almost $82 billion of COVID spending and estimated that 27 percent of it was poorly targeted, representing more than $22 billion in wasted taxpayer money. For example, $11.8 billion in Canada Emergency Response Benefit (CERB) payments went to eligible young people ages 15 to 24 deemed to be dependents living with parents in households with at least $100,000 in household income.

This level of poorly targeted spending, coupled with the mismanagement noted by the AG, means that Ottawa spent much more than was needed and accumulated far more debt than was necessary to stabilize the economy and help those in genuine need.

There is, therefore, a legitimate question about the government's competence. However, there's also a risk that Canadians assume these failures are simply a result of the current government's incompetence rather than the larger problem of systemic government failure.

Consider a 2013 study, which analyzed more than 600 instances of government failure from AG reports between 1988 and 2013, covering multiple Canadian federal governments. One example, the 2001 Heating Expense Relief program, aimed to provide financial assistance to low-income Canadians to offset higher energy costs using the existing GST credit system. The AG found that less than one-quarter of the $1.5 billion spent went to low-income families facing emergency heating costs, and that up to one million of the 7.6 million households that received payments may have received multiple payments. Moreover, at least 4,000 Canadians living abroad, up to 1,600 prisoners, and at least 7,500 dead people also received payments.

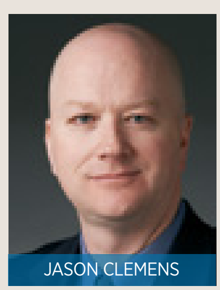
Or consider a follow-up 1998 report examining the integrity of Canada's social insurance number system, which is the basis for government payments to individuals. The report found that more than 50 percent of SINs had no supporting documentation, the registry had 12 million uncertified SIN accounts, and that there were 3.8 million more SINs for Canadians 20 years of age and older than there were people. The potential for fraud is obvious and significant.

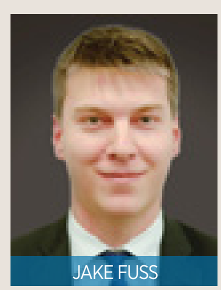
The reality of government is that it has many unique constraints and features, which mean it operates differently from markets and, perhaps most importantly, differently

> *"While the reports certainly raise questions (again) about competence,* ***they should not mislead Canadians into believing that government failure is unique to the Trudeau government. Instead, we should better understand the limits of government and adjust our demands accordingly."***

than what many Canadians envision. In other words, the very nature of government—which includes the need to be popular and win elections, competition between interest groups and their primacy in the political marketplace, the monopoly environment within which most governments operate, the lack of prices and profits as a source of information about how to best allocate limited resources, the separation of revenues (taxes) from the delivery of services, and the lack of financial constraints—all mean governments operate uniquely in the economy.

The sooner Canadians better understand the limitations of government the sooner we can minimize waste and the effects of government failure by more realistically limiting our demands on government. FI





Jason Clemens is executive vice president and Jake Fuss is associate director of Fiscal Studies at the Fraser Institute.

Competition Bureau Should Support Actual Competition in the Market

Steven Globerman

There's been a lot of talk about competition in Canada lately. The Royal Bank of Canada, the country's largest chartered bank, wants to buy HSBC Bank Canada for a reported $13.5 billion. The Competition Bureau, the federal law enforcement agency that regulates markets in Canada, will likely challenge the deal due to concerns about reducing competition in the banking sector. The Competition Bureau also tried to block the recent $20 billion proposed merger between Rogers Communication Inc. and Shaw Communications Inc., which still requires approval from the federal government.

These two recent high-profile mergers in telecommunications and banking have raised questions about the Competition Bureau, an agency most Canadians know nothing about, and competition policy in Canada more generally.

When deciding whether to approve a proposed merger, the bureau considers a) whether the merger will significantly reduce competition or b) whether the benefits—namely increased profits from efficiency gains due to the merger—outweigh the broader economic harm from any reduced competition. This second criterion is called the "efficiency defence."

Matthew Boswell, current head of the Competition Bureau, wants to essentially eliminate the efficiency defence so the bureau (or any other competition policy authority) considers any prospective efficiency improvements as just one factor when evaluating mergers and not necessarily a determining factor.

If this happens and Boswell gets his way, what will it mean for future prospective mergers in Canada?

In short, it will introduce more uncertainty into the merger review process because the weight given to potential efficiency improvements will likely vary depending on the merger. It may also vary based on the background and priorities of specific regulators including members of the bureau. And this added uncertainty might discourage corporate reorganizations that would ultimately improve the productivity performance of the economy and potentially the living standards of Canadians across the county.

> *"If more competition is the goal, reformers should look at legal and regulatory barriers, particularly barriers to entry by foreign-owned firms across multiple industries including telecom and banking, that discourage competition."*

But if more competition is the goal, reformers should look at legal and regulatory barriers, particularly barriers to entry by foreign-owned firms across multiple industries including telecom and banking, that discourage competition. Eliminating barriers to entry would help ensure that any cost savings associated with merger-related efficiency gains are passed through to consumers in the form of lower prices and/or improved product quality.

Unfortunately, governments in Canada have implemented numerous laws and regulations that stifle the competitive entry of both foreign and domestically-owned firms into a range of Canadian industries. A recent study published by the Fraser Institute, *Barriers to Entry and Productivity Growth,* estimates that approximately 22 percent of Canada's economy is protected to a substantial degree from competition by government-imposed barriers to entry.

Clearly, any serious discussion about how to promote a more competitive Canadian economy should include eliminating laws and regulations that protect incumbent producers from would-be competitors. And ironically, such an initiative would simplify the Competition Bureau's job by reducing concerns that merger-related efficiency gains will exclusively benefit shareholders and not consumers and workers who are affected by proposed mergers. By making it easier for competitors to enter the market, regulators would make many large mergers less "anti-competitive," thereby reducing the relevance of prospective efficiencies and reducing the reliance on government—rather than markets—as the main protector of consumer welfare. FI

> *"Clearly, any serious discussion about how to promote a more competitive Canadian economy should include eliminating laws and regulations that protect incumbent producers from would-be competitors."*

Steven Globerman is a senior fellow and Addington Chair in Measurement at the Fraser Institute.

FRASER INSTITUTE

EDUCATION PROGRAMS

CONTINUING OUR MISSION TO TEACH HIGH SCHOOL AND POST-SECONDARY STUDENTS

Through the Institute's Centre for Education Programs and the Peter Munk Centre for Free Enterprise Education, we continue to reach thousands of Canadian students annually with timely webinars, in-person seminars, contests, and academic opportunities.

Our webinar series continues to defy provincial borders, reaching thousands of Canadian students across the country. Last semester we invited American author and commentator Alex Epstein to discuss his book *The Moral Case for Fossil Fuels*, and Dr. Rachel Ferguson to discuss her newest book, *Black Liberation through the Marketplace*, to name just two. Our webinar series will continue this winter and spring and all recordings are available free of charge at www.freestudentseminars.org.

Thanks to generous funding from the Lotte and John Hecht Memorial Foundation, we are pleased to continue our one-day *Discover Economics* high school field trips. This semester we will introduce nearly 1000 high school students in British Columbia to basic economic concepts at one of four sessions to be held in the Lower Mainland and Victoria.

Here is what some teachers are saying about our high-school field trips:

> *"These field trips are one of a kind. The students have so much fun and often say they never thought economics could be so interesting!"*

> *"I love taking my class on this field trip! Great activities and the presenters were engaging and FUN! Thanks for the opportunity!"*

> *"This is an excellent field trip and introduction to important economic concepts. The presenters do a fantastic job displaying incentives and opportunity cost to the students. Also, fun and exciting ways to show and teach how to appreciate trade."* FI

For a look at all of our programs, webinar recordings, and resources for students, visit www.fraserinstitute.org/education-programs

Left: Students participate during our high school field trip held in Vancouver.

CONTINUING TO PROVIDE PROFESSIONAL DEVELOPMENT OPPORTUNITIES FOR TEACHERS AND JOURNALISTS

In addition to our student programming, the Fraser Institute also supports teachers and journalists with professional development opportunities and resources. This semester, we are thrilled to offer our new *Fundamentals of Environmental Economics* teacher webinar. This day-long, virtual workshop will consist of three lectures and several kinesthetic games to introduce Canadian teachers to complex environmental issues that are so often ignored in Canadian classrooms. The workshop will provide five lessons for Canadian teachers that examine issues such as land use, the tragedy of the commons, climate change, and the power of marginal analysis related to the environment.

We will also be providing exciting in-person workshops in Vancouver, Calgary, and Saskatoon this semester.

To find out more about our resources and programming for teachers and journalists, visit **www.fraserinstitute.org/education-programs.**

Here is what some teachers are saying about our programs:

> *"Very much appreciated... not just for this session, but for all the others I have also attended in the last decade or so! It has been very helpful in my continuous learning."*

> *"A really solid set of presentations incorporating/modeling engaging activities that are easy-to-use in the classroom."*

> *"I can honestly say the Fraser Institute offers the best PD I have ever received in 21 years of teaching!"*

> *"Thank you for making this possible. My teaching will be better because of it."*

Left: Teachers listen as our economic educator teaches a session at our *Understanding Poverty and Inequality* teacher workshop in Vancouver.

Matt Mitchell

What's your role at the Institute?

I am a Senior Fellow in the Centre for Economic Freedom. For the next year I will be shadowing Resident Fellow Fred McMahon and eventually taking over his role as the director of the Centre when he retires. So, for the time being, I'm soaking up as much knowledge from Fred as possible. What he and the rest of the economic freedom team have built is truly extraordinary. The economic and human freedom indices have contributed to social science, giving us insight into why some people prosper and others languish. But they've also contributed to social change, giving policymakers and the public a useful tool to measure what matters and a practical guide to make the world a better place.

Eventually, as the director of the Centre, I'll help set priorities, manage the Institute's relationship with the authors of the reports and with members of the economic freedom network, oversee the production of complementary projects, manage the Centre's budget, and help raise funds for the Centre. I'll also write studies exploring the connections between economic freedom and outcomes of interest, and I'll manage the Centre's media and outreach initiatives, representing our work through commentaries, media appearances, and talks.

I am keenly aware that I will step into capacious shoes, and I hope to build on and complement what Fred has built.

How did you arrive at the Institute?

I was an economist at the Mercatus Center at George Mason University (GMU) in Virginia for more than a dozen years. In that time, I wrote on everything from state constitutional provisions to the national debt. But in recent years, my research has mostly focused on the entangled relationship between government and business—what is often called cronyism or favouritism. As a complement to my research, I also directed the Center's Equal Liberty Initiative, a project dedicated to understanding the causes and consequences of government favour and disfavour.

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

For the last several months, I've been contributing to the Fraser Institute's Realities of Socialism project. I've been working with a couple of former GMU colleagues, Pete Boettke and Konstantin Zhukov, on a book detailing Poland's tragic four-decade experiment in socialism. I've learned a great deal and am excited to share some of what I've learned with the world.

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

I like to spend as much time outside as possible. In the winter I ski with my wife, Meg, and three kiddos, Maggie, Libby, and Stevie. Sadly, all three of them have gone to the dark side and prefer to snowboard. In the summer, we hike, fish, and four-wheel in my Jeep. I am a big booster for New Mexico and love exploring the beautiful Southern Rockies. FI

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Canada is facing record inflation, and there are increasing signs that we are heading for a recession

But do our governments have the ability to own up to past mistakes? Here at the Fraser Institute, we've been busier than ever, providing Canadians with good information about the poor policy choices made by our federal government and what needs to be done to fight inflation and mitigate a recession.

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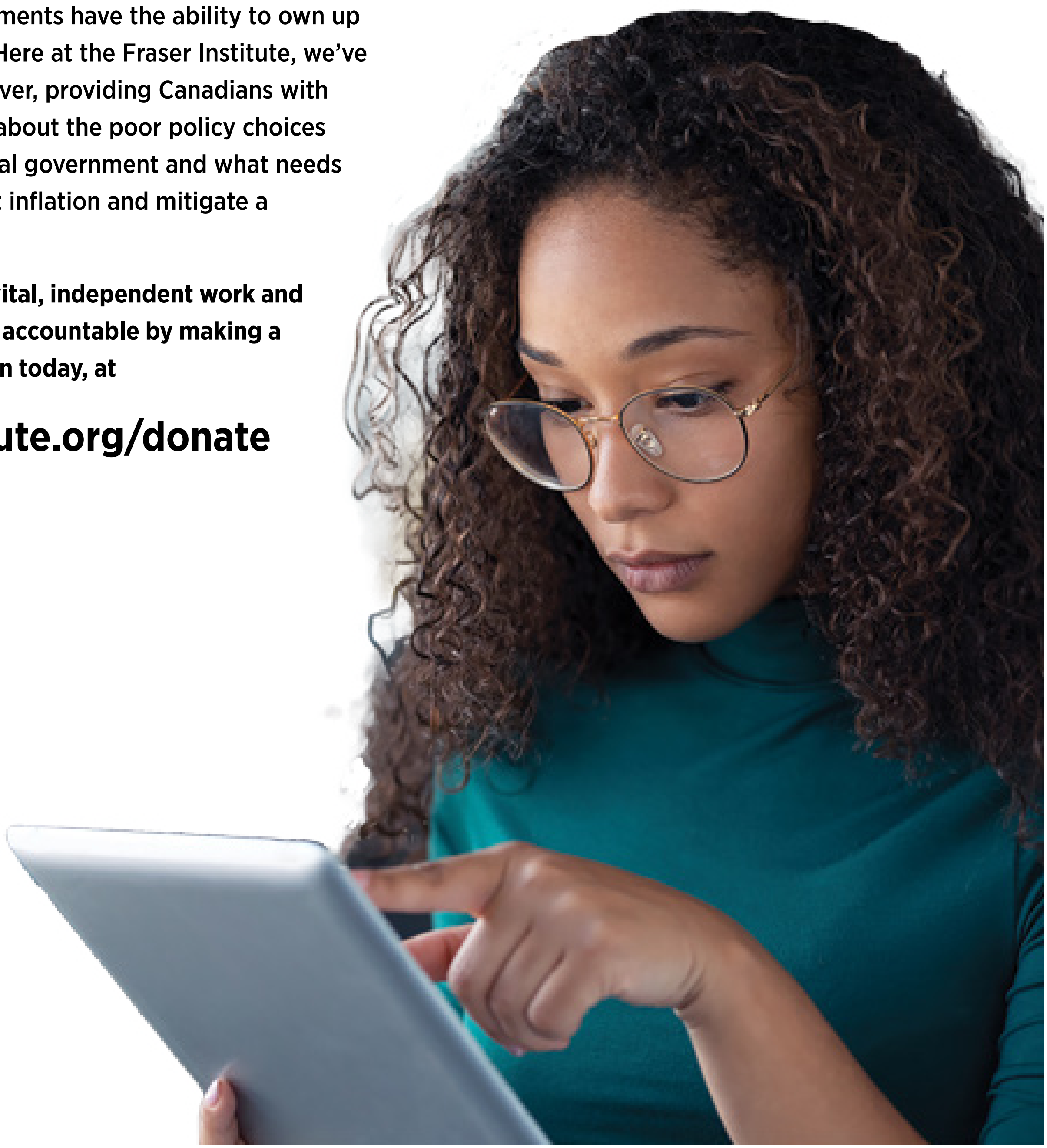

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