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FRASER INSTITUTE 50 YEARS

THE Quarterly

SPRING 2024

Ottawa's Poor Policies to Blame for Deteriorating Finances and Stagnant Economy

FRASER INSTITUTE

MESSAGE FROM THE INSTITUTE'S PRESIDENT

Niels Veldhuis
President, Fraser Institute

Dear Fraser Institute Friends and Supporters,

In March 2016, the Trudeau government released its first budget. Finance Minister Bill Morneau started his presentation of the budget with the following declarations:

> "*Today, we begin to restore hope for the middle class.*
> *Today, we begin to revitalize the economy.*
> *Today, we begin a long-term plan that will use smart investments and an unwavering belief that progress is possible to ensure that Canada's best days lie ahead*."

Fast-forward eight years, and a recent poll shows how far we have moved away from these lofty promises. When asked how they would rate the economic conditions in Canada today, 61% of respondents, or three in five Canadians, said poor or very poor. Only 38% of Canadians trust the Prime Minister to do the right thing to help the economy.

As my colleagues Jason Clemens and Jake Fuss highlight in their new essay, *Understanding the Nature of Canada's Fiscal and Economic Challenges* (see page 2), the Trudeau government's poor policies are, in large part, responsible for our dismal economic results. Higher taxes, more government involvement in the economy (through substantial increases in spending financed by deficits and increased debt), subsidies to businesses (i.e. corporate welfare), massive increases in regulations and red tape, and an outright attack on our oil and gas sector, have left Canada in an economic growth and investment crisis.

So, what can be done to help pave the way back to prosperity?

Well, for starters, as Jason and Jake mention, Canada can shift back to the policies implemented by the Chrétien Liberals and followed by the Harper Conservatives. That is, we could focus squarely on improving the economic and investment environment and start by being fiscally prudent, eliminating the deficit, and making our tax system more competitive.

But it shouldn't stop there.

Here at the Institute, we are producing a comprehensive series on the policies required to return Canada to a trajectory of prosperity and opportunity for all. Throughout 2024, our **Federal Reform Agenda for Prosperity** will cover everything from fiscal policy to energy, net-zero initiatives, carbon tax reform and more. So, please stay tuned!

In the meantime, enjoy *Understanding the Nature of Canada's Fiscal and Economic Challenges*, the first essay in the series which lays out the challenges we are facing. And, of course, don't stop there; this issue of *The Quarterly* highlights some great research and commentaries we have recently published. Once you're done, please don't forget to pass this issue on to your friends, family and/or colleagues.

Best,
Niels

THE Quarterly

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Recent Columns

Education Programs

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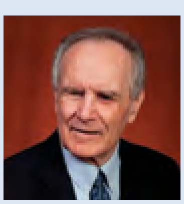


RETURN UNDELIVERABLE CANADIAN ADDRESSES TO: The Fraser Institute, 4th Floor, 1770 Burrard Street, Vancouver, British Columbia Canada V6J 3G7

Poor Policies Responsible for Stagnant Economy and Deteriorating Federal Finances

Jake Fuss and Jason Clemens

The Trudeau government was elected in 2015 based in part on a new approach to government policy, promising greater prosperity for Canadians through short-term deficit spending, lower taxes for most Canadians, and a more direct and active role for government in economic development. However, the result has been economic stagnation and a marked deterioration in the country's finances. If Canada is to restore its economic and fiscal health, Ottawa must enact fundamental policy reform.

The Trudeau government has significantly increased spending from $256.2 billion in 2014-15 to a projected $449.8 billion in 2023-24 (excluding debt interest costs) to expand existing programs and create new programs.

In 2016, the government increased the top personal income tax rate on entrepreneurs, professionals and businessowners from 29 percent to 33 percent. Consequently, the combined top personal income tax rate (federal and provincial) now exceeds 50 percent in eight provinces and the country's average top combined rate in 2022 ranked fifth-highest among 38 OECD countries. This represents a serious competitive challenge for Canada to attract and retain entrepreneurs, investors and skilled professionals (e.g. doctors) we badly need.

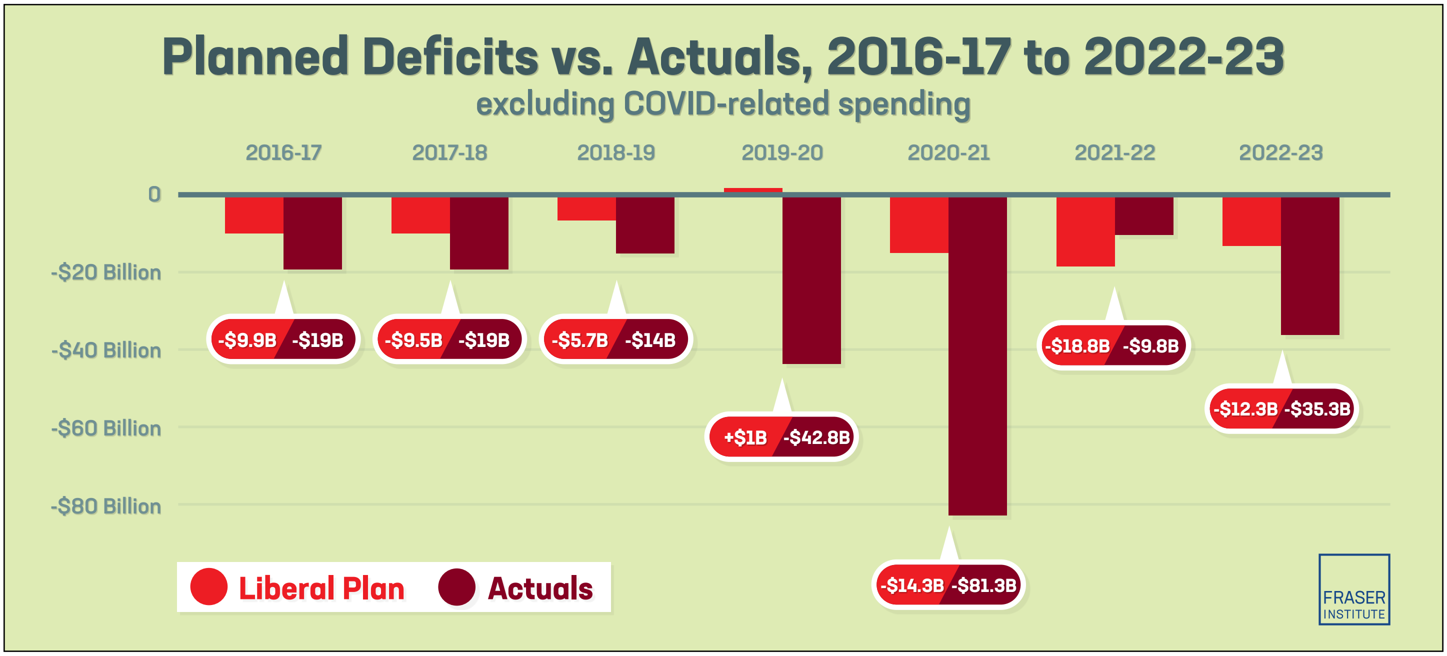
And while the Trudeau government reduced the middle personal income tax rate, it also eliminated several tax credits. Due to the combination of these two policy changes, 86 percent of middle-income families now pay higher personal income taxes.


UNDERSTANDING THE NATURE OF CANADA'S FISCAL AND ECONOMIC CHALLENGES

The Trudeau government also borrowed to help finance new spending, triggering a string of budget deficits. As a result, federal gross debt has ballooned to $1.9 trillion (2022-23) and will reach a projected $2.4 trillion by 2027-28, fuelling a marked growth in interest costs, which now consume substantial levels of revenue unavailable for government services or tax reduction.

Simply put, the Trudeau government has produced large increases in government spending, taxes and borrowing, which have not translated into a more robust and vibrant economy.

For example, from 2013 to 2022, growth in per-person GDP, the broadest measure of living standards, was the weakest on record since the 1930s. Prospects for the future, given current policies, are not encouraging. According to the OECD, Canada will record the lowest rate of per-person GDP growth among 32 advanced



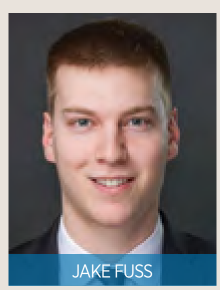
economies during the periods 2020 to 2030 and 2030 to 2060. Countries such as Estonia, South Korea and New Zealand are expected to vault past Canada and achieve higher living standards by 2060.

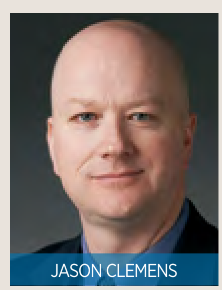
Canada's economic growth crisis is due in part to the decline in business investment, which is critical to increasing living standards because it equips workers with tools and technologies to produce more and provide higher-quality goods and services. The Trudeau government has dampened investment by increasing regulatory barriers, particularly in the energy and mining sectors, and running deficits, which imply tax increases in the future.

> ***"The Trudeau government has produced large increases in government spending, taxes and borrowing, which have not translated into a more robust and vibrant economy."***

Business investment (inflation-adjusted, excluding residential construction) has declined by 1.8 percent annually, on average, since 2014. Between 2014 and 2021, business investment per worker (inflation-adjusted, excluding residential construction) decreased by $3,676 in Canada compared to growth of $3,418 in the United States.

There's reason for optimism, however, since many of Canada's challenges are of Ottawa's own making. The Chrétien Liberals in the 1990s faced many of the same challenges we do today. By shifting the focus to more prudent government spending, balanced budgets, debt reduction and competitive tax rates, the Chrétien Liberals—followed in large measure by the Harper Tories—paved the way for two decades of prosperity. To help foster greater prosperity for Canadians today and tomorrow, the federal government should learn from the Chrétien Liberals and Harper Tories and enact fundamental policy reform. FI





Jake Fuss is director of Fiscal Studies and Jason Clemens is executive vice-president at the Fraser Institute. They are co-authors of *Understanding the Nature of Canada's Fiscal and Economic Challenges*, the first essay in our new Federal Reform Agenda for Prosperity series.

Australia's Universal Health-Care System Outperforms Canada on Key Measures including Wait Times, Costs Less and Includes Large Role for Private Hospitals

Mackenzie Moir and Bacchus Barua

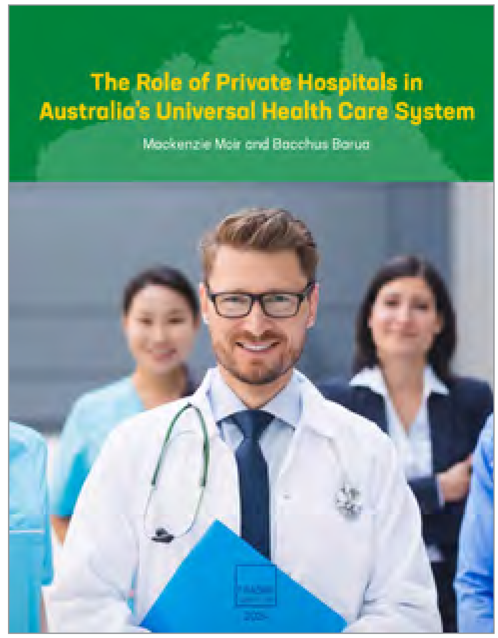
Faced with record high wait times, a majority of Canadians support partnerships between the government and private sector to deliver publicly-funded health care. And yet, advocates for the status quo—including the Trudeau government and several high-profile politicians—continue to criticize such arrangements. Public/private partnerships are the norm in many successful universal health-care systems worldwide.

Why look abroad for lessons? Put simply, when compared to other industrialized countries with universal health care, Canada underperforms, meaning there are opportunities for reform from simply observing how other countries provide universal health care.

In 2020, for instance, Canada's health-care system was one of the most expensive in the world (when measured as a share of the economy) but achieved poor-to-moderate results on access to doctors and medical technologies such as MRIs. It ranked last when it came to the share of the population receiving timely medical care.

One high-performing country that has many lessons for Canada is Australia. Of all the industrialized countries in the world, Australia is perhaps the most similar to Canada with respect to its culture, economy, and even geography.

Although Australians generally spend less on health care (as a share of the economy), they outperform Canada on a number of key metrics. After adjusting for age (which is important when comparing countries because differences in ages can drive differences in overall health



spending), Australia's health-care system outperformed Canada's on 33 (of 36) performance measures including the availability of physicians, nurses, hospital beds, CT scanners, and MRI machines. Australia also outperformed Canada on the timeliness of non-emergency care and access to specialists.

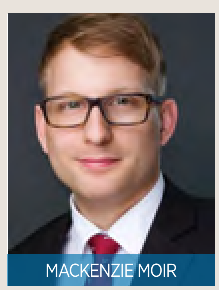
> *"66 % of Australians were able to make a same-day appointment when they were sick compared to 41 % in Canada... 54% of Australians reported waiting less than 4 weeks for an appointment with a specialist"*

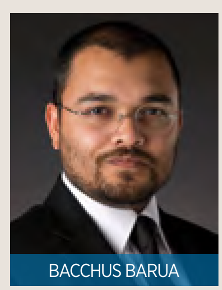
In light of wait times in Canada, it's worth reviewing some of the recent results for Australia. Data for 2020 (the most recent available) indicate that 66 percent of Australians were able to make a same-day appointment when they were sick compared to 41 percent in Canada, indicating issues with access to family physicians here at home. 54 percent of Australians reported waiting less than four weeks for an appointment with a specialist compared to 38 percent in Canada. And 72 percent of Australians reported waiting less than four months for non-emergency surgery compared to 62 percent in Canada.

In other words, Australia outperforms Canada both in terms of access to health-care services and timely delivery of care. And yet, many Canadians continue to resist meaningful reform. But what does Australia do differently?

Unlike in Canada, Australia's private sector plays a major role in the delivery of hospital care in their publicly-funded universal health-care system. Of Australia's 1,355 hospitals in 2016 (the latest year of available data) almost half (48.5 percent) were private. More importantly, in 2021/22 (the latest year of available data), 41 percent of all care provided in a hospital took place in a private facility. And 70.3 percent of non-emergency care that involved surgery occurred in a private hospital. Clearly, private hospitals play a large and important role in delivering non-emergency care in Australia.

The Canadian public has expressed a clear appetite for change that breaks with the status quo of simply increasing spending and avoiding fundamental reform. If policymakers in Canada want to emulate other high-performing universal health-care systems, they should look to countries such as Australia where patients benefit from more timely access to high-quality care and private hospitals play an important role in delivering publicly-funded care. FI





Mackenzie Moir is a senior policy analyst and Bacchus Barua is director of Health Policy Studies at the Fraser Institute. They are co-authors of *The Role of Private Hospitals in Australia's Universal Health Care System*.

388 New Mines Must be Built by 2030 to Satisfy Electric Vehicle Mandates

Kenneth P. Green

As pretty much everyone knows by now, the governments of Canada, the United States, and many other countries are mandating a shift in vehicle technology—away from vehicles powered primarily by internal combustion engines, and toward vehicles powered primarily with electricity stored on-board in batteries.

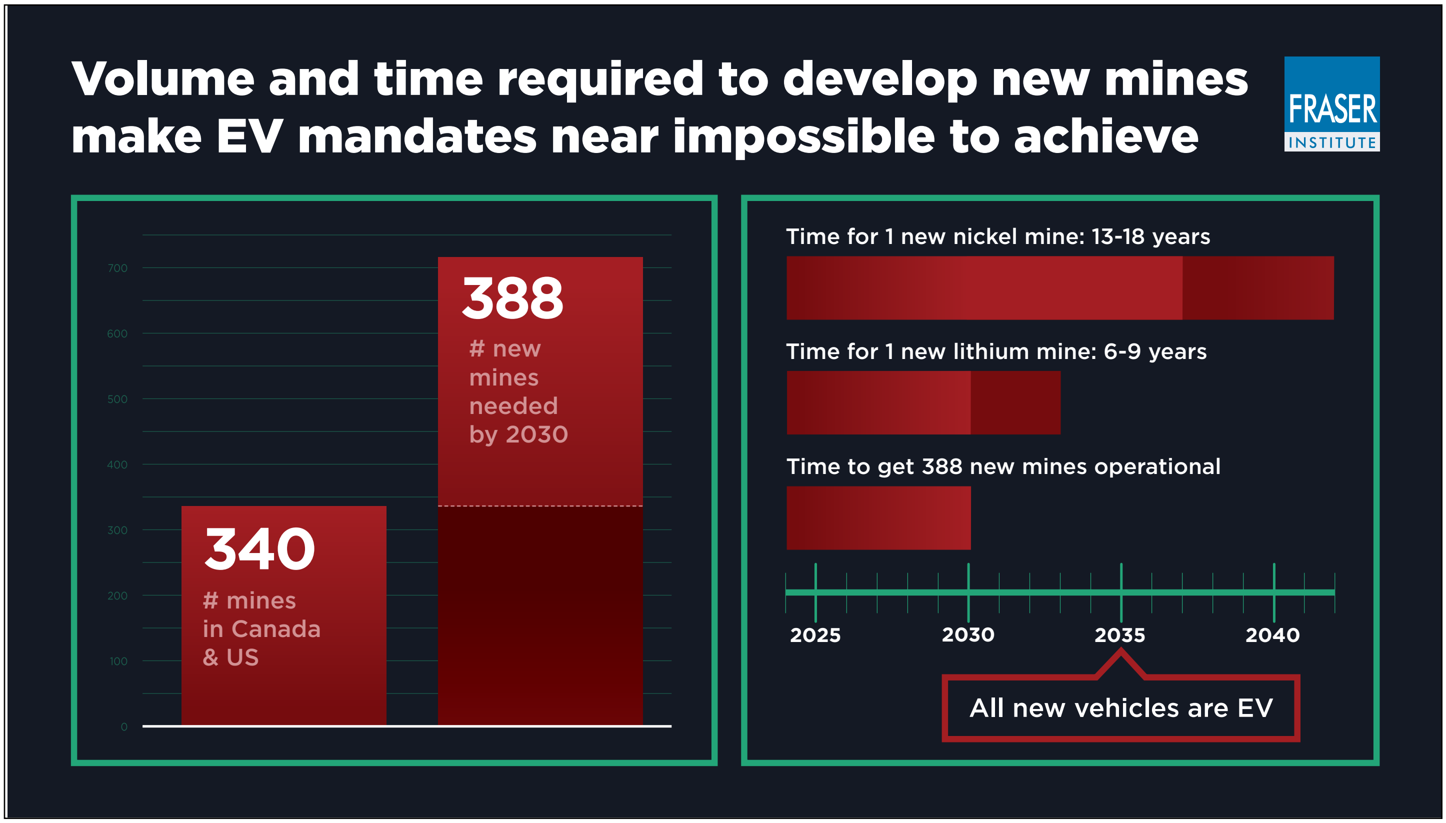
The timelines for the electric vehicle (EV) transition are beyond ambitious. Here in Canada, according to Trudeau government targets, 35 percent of all new medium- and heavy-duty vehicle sales must be electric vehicles by 2030 and 100 percent of new medium- and heavy-duty vehicle sales must be electric vehicles by 2040.

But these government EV transition timelines depend on the timelines for producing the metals necessary for the manufacturing of battery electric cars. Current technology EVs use large quantities of lithium, nickel, manganese, cadmium, graphite, zinc, and other rare-earth elements in both the batteries and drive systems.

Thus, barring breakthrough developments in battery technology or other exotic technologies (or use of hydrogen as a fuel), this massive and rapid expansion of EV production will require a correspondingly massive and rapid expansion of the mining and refining of metals and rare-earth elements. In the new study, *Can Metal Mining Match the Speed of the Planned Electric Vehicle Transition?* published by the Fraser Institute, I gather some numbers to see what the timeline mismatch looks like.

According to the International Energy Agency, to meet international EV adoption pledges (in Canada, the US and beyond), by 2030 we need 50 new lithium mines, 60 new nickel mines, 17 new cobalt mines, 50 new mines for cathode production, 40 new mines for anode materials, 90 new mines for battery cells, and 81 new mines for EV bodies and motors—for a total of 388 new mines worldwide. For context, as of 2021, only 270 metal mines operated in the US and only 70 in Canada. If Canada and the US wish to have domestic supply chains for these vital EV metals, they have a lot of mines to establish in a very short period of time.

Historically, however, mining and refining facilities are slow to develop and plagued by regulatory uncertainty—consider the production timelines for lithium (approximately six to nine years) and nickel (approximately 13 to 18 years). Protesters in Canada and the US will likely slow these timelines, and if mines are declared subject to Canada's notorious *Impact Assessment Act* (also known as Bill C-69), timelines for establishing and bringing mines into production may be longer still.

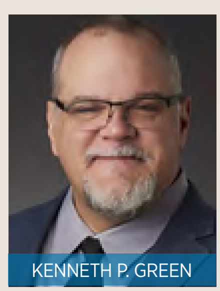


Clearly, aggressive short-term EV adoption goals seem destined to conflict with metal and mineral production, which is historically characterized by long lead times and long production timelines. There's significant risk that mineral and mining production will fall short of projected demand and this could greatly impact the success of planned EV transitions.

> ***"There's significant risk that mineral and mining production will fall short of projected demand and this could greatly impact the success of planned EV transitions."***

There's also great potential for market disruption in the metals markets, battery markets, and vehicle markets as the supply of metals falls short of demand, conceivably incurring dramatic losses through the entire EV supply chain, all the way through to vehicle dealerships. And of course, as the EV transition targets are political, they're subject to political forces and whimsy. Investors must be wary of governments abandoning these targets, leaving them holding the bag having built facilities to produce a product that's unlikely to achieve the projected high sales levels, without government mandates and subsidies.

Canada's EV transition plan, like all too many plans enacted by the Trudeau government, is unrealistic based on the historical ability of the metals sector to produce new supplies of needed metals. Government would do well to recognize reality, which may interfere with its full-speed-ahead EV mandates, and either stretch them out a goodly distance or scrap them, as it's truly a bad idea for government to pick winning and losing technologies in a market economy. It almost never ends well. FI



Kenneth P. Green is a senior fellow at the Fraser Institute and author of *Can Metal Mining Match the Speed of the Planned Electric Vehicle Transition?*

Hong Kong Plummets to 46th Spot in Latest Human Freedom Ranking as China Continues to Violate "One Country, Two Systems" Pact

Matthew Mitchell

In the mid-1980s, the founding executive director of the Fraser Institute, Michael Walker, along with Milton and Rose Friedman began an initiative that included six conferences held over eight years with over 60 participants. The participants were a who's who of academics and scholars—including three Nobel laureates—interested in trying to measure economic freedom. In 1996, that audacious initiative resulted in the landmark publication, *Economic Freedom of the World*. Today, it is published annually.

Years later, spurred on by a general interest in expanding the scope of the measurement of freedom, the Fraser Institute, specifically Michael Walker and Fred McMahon, began a process that paralleled the original program when trying to determine a way to measure economic freedom. A number of papers were commissioned and major conferences held to discuss, debate, and discern how best to measure freedom more broadly.

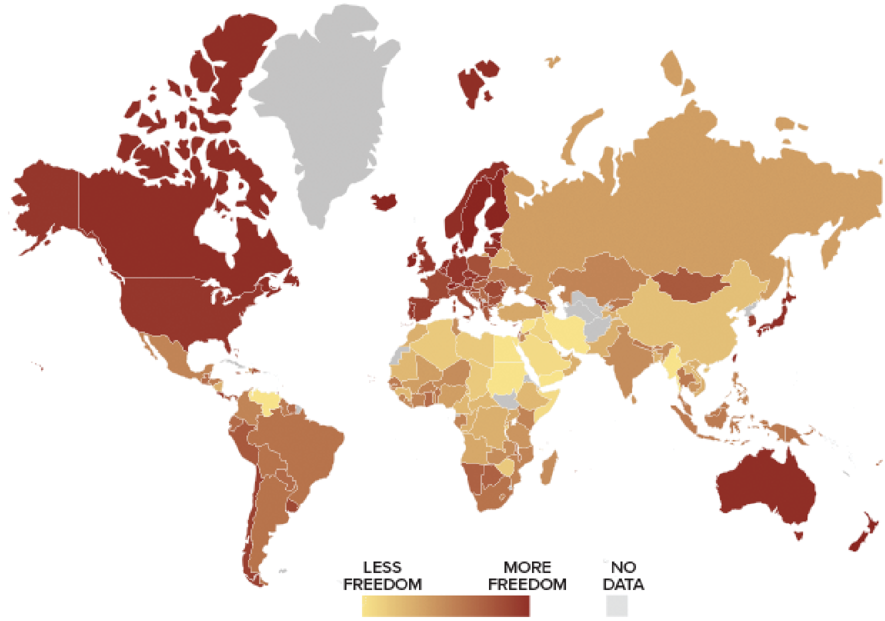
The result was a major breakthrough with the publication of the first *Human Freedom Index* (or HFI) in 2015. It was the most comprehensive measure of freedom to date, including indicators of personal and economic freedom as well as the necessary conditions for freedom such as security under the rule of law. Now the index is jointly published with the Cato Institute in the US. It uses 86 indicators to measure economic, civil, and personal freedom across 165 jurisdictions. Simply put, the HFI measures the degree to which individuals are allowed to make their own life choices.

Among other things, the index includes indicators that capture the degree to which citizens are permitted to move freely, to worship, to express themselves, to associate and assemble, and to enter into relationships with whomever they choose. Because human freedom includes economic freedom, the authors also incorporate data from the Economic Freedom of the World index, which measures the degree to which people are free to make their own economic decisions.

The HFI is published annually, and the latest edition includes data from 2000 through 2021. In this latest edition, Switzerland was the freest country in the world for the third year in a row, followed by New Zealand, Denmark, Ireland, Estonia, and Sweden (tied for 5th). Canada took 13th place while the United Kingdom and the United States tied at 17th. According to the index, the least-free countries in the world are Iran, Myanmar, Sudan, Yemen, and Syria.

The index suggests that Adam Smith was right to extoll the virtues of freedom. Those who are blessed to live in

The Human Freedom Index, 2023



the freest jurisdictions in the world earn more than three times as much as those in the least-free. According to hundreds of peer-reviewed studies, freer people live longer and healthier lives. They are happier, more tolerant, and better educated.

For the first seven years of HFI data, global human freedom gradually increased. But starting in 2007, freedom began to retreat worldwide, and the decline only accelerated during the pandemic as governments everywhere increasingly violated the rule of law and restricted freedoms of movement, expression, association, assembly, and trade.

> *"Starting in 2007, freedom began to retreat worldwide, and the decline only accelerated during the pandemic as governments everywhere increasingly violated the rule of law and restricted freedoms of movement, expression, association, assembly, and trade."*

This is particularly evident in Hong Kong. For many years, the tiny but densely populated Chinese territory was one of the freest places on Earth. After 99 years as a British colony, Hong Kong was returned to China in 1997, and under the principle of "one country, two systems," the Chinese promised that the territory's citizens would continue to enjoy their freedom. For a while they did. As recently as 2010, Hong Kong was the third freest jurisdiction in the world.

Since then, however, indicators of Hong Kong's rule of law, freedom of expression, and freedom of association and assembly have collapsed. Though COVID restrictions may have played a role, a notorious security law imposed in 2020 only accelerated the decline and by 2021, the territory had slipped to 46th in the world.

For those who value freedom, Hong Kong's descent is a tragedy. For those who believe that freedom matters, it is an opportunity to learn. Will its people continue to be some of the wealthiest in the world? Will they continue to live longer than anyone else on the planet? Time will tell. FI

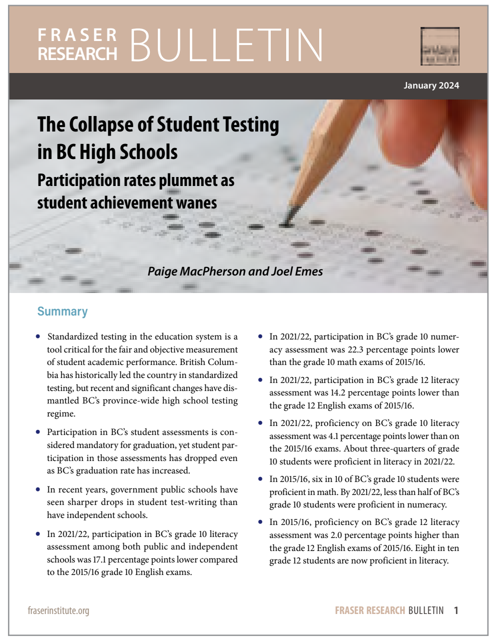
Matthew Mitchell is a senior fellow in the Centre for Economic Freedom at the Fraser Institute.

Student Participation Rates—and Scores—in Province-Wide Tests Plummet in BC High Schools; Less than Half of Grade 10 Students Met Numeracy Standard in 2021/22

Paige MacPherson and Joel Emes

Fewer than one-half of British Columbia Grade 10 students are now proficient in numeracy. At the same time, the share of BC high school students even writing the "assessments" has dropped significantly. So while students are worse off academically, educators and policymakers have a less clear idea of how to help them improve.

BC once led the country in province-wide standardized testing and benefitted from strong student performance. Changes beginning in the mid-2000s have dismantled the province's regime of standardized testing in grades 10 and 12. Student achievement in BC high schools is declining, making testing particularly important.



FRASER RESEARCH BULLETIN

January 2024

The Collapse of Student Testing in BC High Schools

Participation rates plummet as student achievement wanes

Paige MacPherson and Joel Emes

Summary

- Standardized testing in the education system is a tool critical for the fair and objective measurement of student academic performance. British Columbia has historically led the country in standardized testing, but recent and significant changes have dismantled BC's province-wide high school testing regime.
- Participation in BC's student assessments is considered mandatory for graduation, yet student participation in those assessments has dropped even as BC's graduation rate has increased.
- In recent years, government public schools have seen sharper drops in student test-writing than have independent schools.
- In 2021/22, participation in BC's grade 10 literacy assessment among both public and independent schools was 17.1 percentage points lower compared to the 2015/16 grade 10 English exams.
- In 2021/22, participation in BC's grade 10 numeracy assessment was 22.3 percentage points lower than the grade 10 math exams of 2015/16.
- In 2021/22, participation in BC's grade 12 literacy assessment was 14.2 percentage points lower than the grade 12 English exams of 2015/16.
- In 2021/22, proficiency on BC's grade 10 literacy assessment was 4.1 percentage points lower than on the 2015/16 exams. About three-quarters of grade 10 students were proficient in literacy in 2021/22.
- In 2015/16, six in 10 of BC's grade 10 students were proficient in math. By 2021/22, less than half of BC's grade 10 students were proficient in numeracy.
- In 2015/16, proficiency on BC's grade 12 literacy assessment was 2.0 percentage points higher than the grade 12 English exams of 2015/16. Eight in ten grade 12 students are now proficient in literacy.

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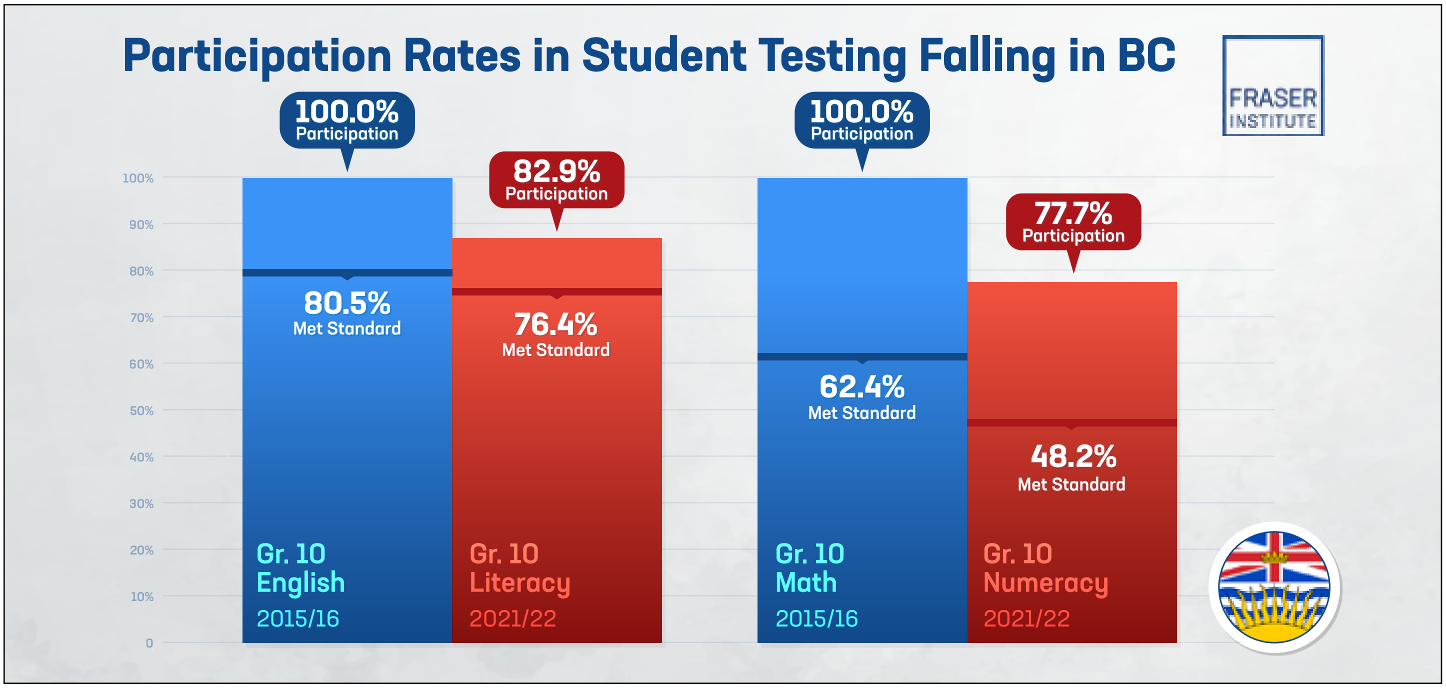
Standardized testing is a critical tool for the fair and objective measurement of student academic performance, as opposed to in-classroom testing by teachers and more subjectively marked projects, which serve a different important role but do not measure all students in the province on a level playing field.

Again, in the 2000s, BC began changing its province-wide testing in high schools. In 2018, the province began replacing the remaining mandatory course content-based exams in Grade 10 math and English and Grade 12 English, which were required for passing the course and graduating, with broader student assessments in Grade 10 numeracy and literacy and Grade 12 literacy.

Moreover, the new student assessments are not marked with clear percentage grades, like the previous exams, but rather are evaluated using vague terms such as "proficient" or "emerging." Student marks on the assessments also do not contribute to their final course grade or impact graduation. In other words, how well students perform on the tests doesn't matter.

Curiously, the province says that writing (but not passing) these student assessments is mandatory for graduation. But again, research shows participation in student assessments has plummeted.

Compared to the 2015/16 Grade 10 English exams, participation in BC's Grade 10 literacy assessment among all Grade 10 students (public and independent schools) dropped 17.1 percentage points in 2021/22. Similarly, participation in BC's Grade 10 numeracy assessment declined by 22.3 percentage points compared to the 2015/16 Grade 10 math exams. Participation in the Grade 12 literacy assessment dropped 14.2 percentage points in 2021/22 compared to the 2015/16 Grade 12 English exams.



Student proficiency has also waned significantly in Grade 10. As noted, less than half (48.2 percent) of BC Grade 10 students are proficient in numeracy, according to the 2021/22 assessments, compared to six in 10 (62.4 percent) of Grade 10 students on the 2015/16 math exams. That's a decline of 14.2 percentage points.

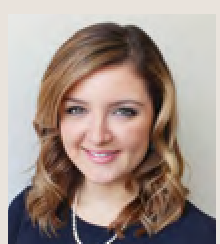
Similarly in literacy, student performance on the Grade 10 assessments in 2021/22 was 4.1 percentage points lower than on the 2015/16 Grade 10 English exams. About three-quarters (76.4 percent) of BC Grade 10 students are now proficient in literacy compared to 80.5 percent in 2015/16 English.

In Grade 12, today eight in 10 (80 percent) of students are proficient in literacy. Student proficiency on the 2021/22 literacy assessment was 2.0 percentage points higher than on the 2015/16 English exams (77.9 percent).

Finally, the latest results from the international Programme for International Student Assessment (PISA) test scores—the gold standard for standardized testing, which assesses 15-year-olds across the globe—mirror the concerning Grade 10 results in BC.

Over the last 20 years, from 2003 to 2022, BC's PISA math scores have dropped 42 points. PISA considers a 20-point drop to represent one year of lost learning. This means 15-year-olds in BC today are more than two years behind where 15-year-olds in BC were in 2003 in math. From 2003 to 2022, BC students also dropped 24 points—more than one year of learning—in reading, and eight points in science.

Returning to a strong system of standardized testing in BC is well within the provincial government's control. Doing so would better serve students and help parents, teachers, and policymakers understand how students are doing academically and how we can help them improve. The declines in student achievement show that improvement is necessary for BC high school students—but if we don't test, we won't know, and like with anything else in life, high-quality information makes a world of difference. FI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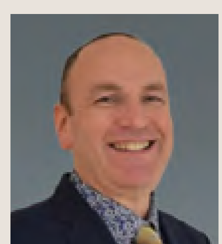

JOEL EMES

Paige MacPherson is associate director of Education Policy and Joel Emes is a policy analyst at the Fraser Institute. They are co-authors of *The Collapse of Student Testing in BC High Schools.*

Nova Scotia's Private Sector Largely Trails the Rest of the Country; Failed to Improve between 2007-2019

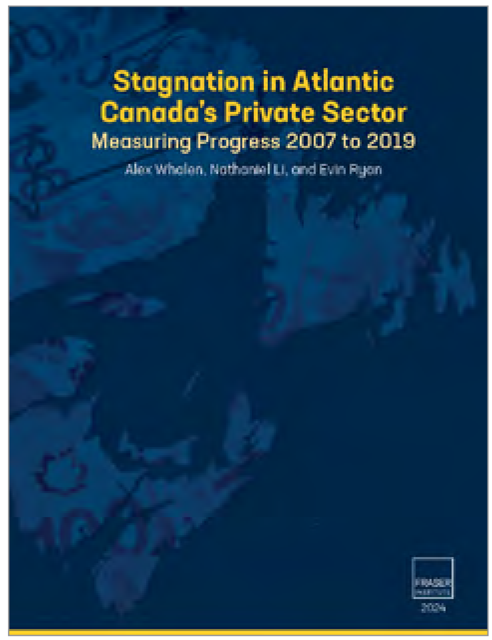
Alex Whalen, Nathaniel Li, and Evin Ryan

In simple terms, an economy can be divided between the private sector, which generates wealth, and the government sector, which consumes and redistributes wealth. A strong private sector is key to creating jobs, raising incomes, fueling investment, innovation and productivity, and ultimately funding the government sector.

In the Maritimes, the state of the private sector is an ongoing concern, as these provinces have historically trailed the rest of Canada on key measures. Unfortunately, according to the new study, *Stagnation in Atlantic Canada's Private Sector*, the Maritimes have largely failed to improve the private sector across several key variables in recent years.

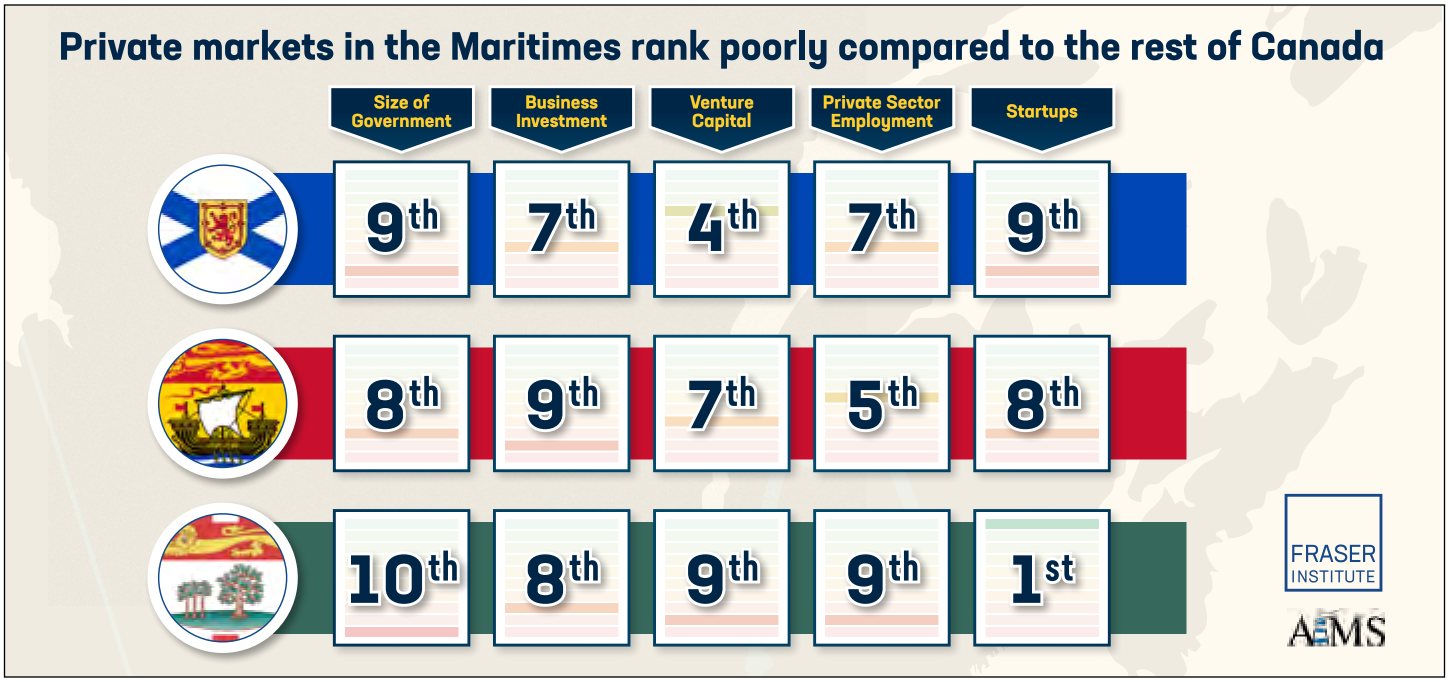
The size of government is an important measure because it's closely connected with economic growth. All else equal, a larger government sector leaves less space for the private sector. Between 2007 and 2019, the years preceding the last two recessions, the size of government in the Maritimes was the largest in Canada. Government spending (by all levels) as a share of the economy averaged 60.6 percent in Prince Edward Island, 60.2 percent in Nova Scotia and 56.1 percent in New Brunswick—the three highest levels in Canada.

Given this data, it's not surprising that the size of the private-sector workforce in the region is below the Canadian average. Across the time period, Canadian private-sector employment represented (on average) 65.2 percent of the total workforce. In PEI, private-sector workers represented just 58.6 percent of total employment, the second-lowest level in Canada. Nova Scotia (63.2 percent) and New Brunswick (64.4 percent) were also below average, ranking fourth- and sixth-lowest respectively.



"Between 2007 and 2019… government spending (by all levels) as a share of the economy averaged 60.6 % in Prince Edward Island, 60.2 % in Nova Scotia and 56.1 % in New Brunswick—the three highest levels in Canada."

Business investment is a crucial component of private-sector health as it provides the tools, equipment and innovation required to make workers more productive, underlying increases in wages and economic growth. Per-worker business investment has declined in each of the Maritime provinces between 2007 and 2019. Averaged over the time period, PEI had the lowest per-worker business investment in Canada (at $9,707 per worker)



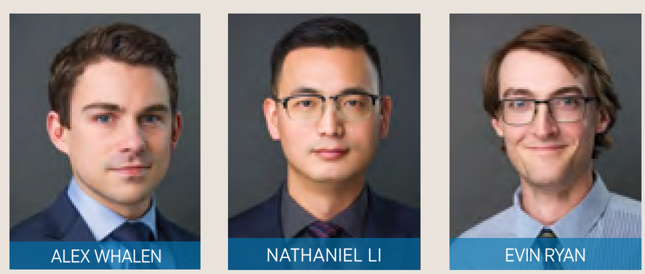
followed by Nova Scotia ($11,392). New Brunswick ranked fourth-worst at $12,617. When it comes to private venture capital, a different measure of investment, the region has seen some occasional bright spots but still lags well behind the Canadian average on a per-person basis.

Lastly, new business creation is another measure of private-sector health, as it's positively associated with growth in the economy. Nova Scotia and New Brunswick ranked second-last and last respectively on this measure between 2007 and 2019, with 120 and 126 new businesses created per-thousand businesses. One bright spot is PEI, which led the country with 159 new businesses created per-thousand over the time period.

Such underwhelming performance on most key private-sector measures over an entire business cycle should be a serious cause for concern in the Maritimes. Improved private-sector conditions remain key to raising wages, creating jobs and spurring economic growth.

The good news is that this situation does not need to be permanent. Other jurisdictions have shown that good policy choices can create the conditions for the private sector to flourish. Reducing government spending is a prime place to begin. By reducing the region's massive government footprint, governments could help create more space for the private sector, in addition to the potential for tax relief. A smaller leaner government would be a great first step to unleashing the region's entrepreneurs, improving the investment climate, and spurring economic growth for the benefit of all. FI

"A smaller leaner government would be a great first step to unleashing the region's entrepreneurs, improving the investment climate, and spurring economic growth for the benefit of all."



Alex Whalen is associate director, Atlantic Canada Prosperity, Nathaniel Li is a senior economist, and Evin Ryan was a summer 2023 student intern at the Fraser Institute. They are co-authors of *Stagnation in Atlantic Canada's Private Sector: Measuring Progress 2007–2019.*

Canada's Combined Federal-Provincial Debt Will Approach $2.2 Trillion in 2023/24

Jake Fuss and Grady Munro

Budget season is approaching and while government debt has been increasing rapidly for years in Canada, today's relatively high interest rates have made it more expensive to borrow money than in the recent past.

According to our new study, *The Growing Debt Burden for Canadians 2024 Edition*, between 2007–08 and 2023–24 federal and provincial government net debt (i.e., total debt minus financial assets) has increased by roughly $1.0 trillion in inflation-adjusted dollars. Though pandemic-induced deficits explain part of that, fully 58 percent of the run-up in debt occurred before COVID. That deserves emphasis: our current debt problems are not mainly the result of the pandemic.


FRASER RESEARCH BULLETIN

January 2024

The Growing Debt Burden for Canadians: 2024 Edition

by Jake Fuss and Grady Munro

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 nearly doubled from $1.18 trillion to a projected $2.18 trillion in 2023/24.
- Between 2019/20 (the last year before COVID) and 2023/24, the combined federal-provincial debt-to-GDP ratio is expected to grow from 65.7% to 76.2%. Moreover, the federal and provincial governments are on track to have collectively accumulated $425.8 billion (inflation-adjusted) in total net debt between 2019/20 and 2023/24, an increase of 24.3%.
- Among the provinces, Nova Scotia has the highest combined federal-provincial debt-to-GDP ratio (96.8%), while Alberta has the lowest (42.9%). Newfoundland & Labrador has the highest combined debt per person ($67,471), followed by Ontario ($60,609). In contrast, Alberta has the lowest debt per person in the country with $42,293.
- 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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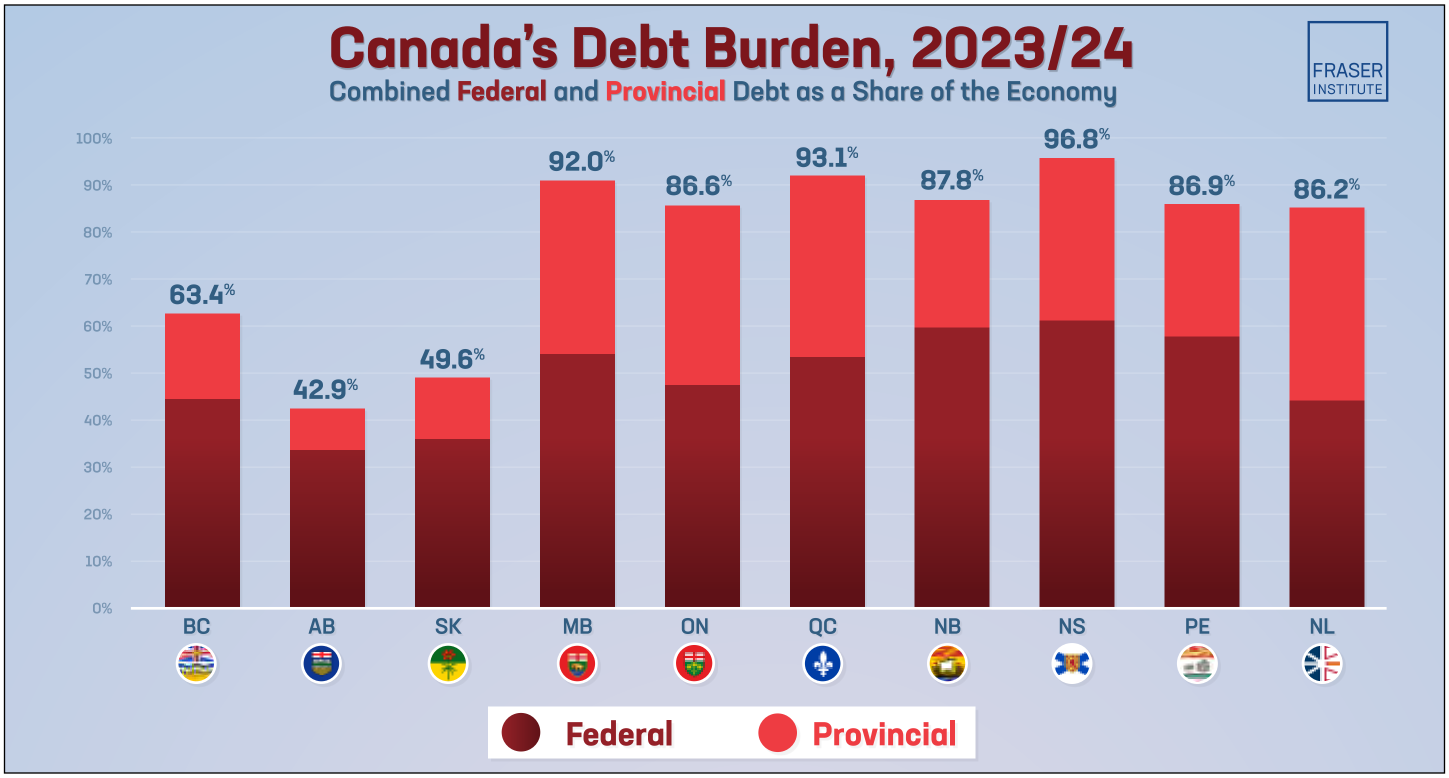
Because both federal and provincial governments borrow—municipal governments not so much—Canadians face different government debt burdens depending on where they live. Newfoundland and Labradorians currently owe the largest combined (federal and provincial) government debt in Canada at $67,471 per person. Ontarians are not far behind at $60,609 while Albertans are in the best shape at $42,293.

In terms of debt-to-GDP ratios, the four Atlantic provinces are all currently above 85 percent, which means it would take more than four out of every five dollars generated in the economy of each Atlantic province this year to pay off their combined federal and provincial debt.

Nova Scotians are worst off, with combined debt equivalent to 97 percent of what their economy produces in a year. The national average debt-to-GDP ratio is projected to be 76 percent this year, up significantly from before the pandemic.

Despite a surge in revenues, few Canadian governments are forecasting surpluses for the current fiscal year. Instead, Ottawa and the majority of provinces have chosen to increase their spending and debt and, in most cases, incur deficits for years to come.

This is a worrying trend, as many governments were already on unsustainable debt trajectories that they are now making worse. Governments need to restrain spending and move towards balanced budgets in the short term, while the economy is in relatively good shape, not put off difficult decisions for someone else to take at some future date.

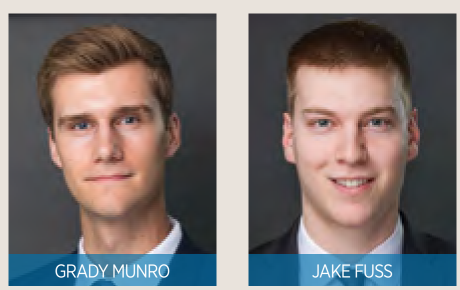


Debt means always having to pay interest. Because their debts have grown and interest rates are higher than they have been for some time, Ottawa and the provinces will together spend $82 billion on debt interest this year—equivalent to the total amount spent on K-12 education in Canada during 2020-21.

Money that goes to interest can't pay for tax cuts or spending on health care or education. It drives a wedge between the taxes we pay and the services we actually receive. And it burdens, not just today's taxpayers, but future generations, too.

Growing government debt is not just another unpleasant COVID symptom. It was a problem well before COVID and it's getting worse even though COVID is now mainly over. This budget season, our federal and provincial governments need to get their fiscal houses in order and stop their debt binging before it spirals even further out of control. FI

> *"Ottawa and the provinces will together spend $82 billion on debt interest this year—equivalent to the total amount spent on K-12 education in Canada during 2020-21."*



Grady Munro is a policy analyst and Jake Fuss is director of Fiscal Studies at the Fraser Institute.

Federal Government EV Mandates Destined to Fail

Julio Mejía, Elmira Aliakbari, and Jason Clemens

According to reports, the Trudeau government will soon unveil regulations meant to phaseout the sale of new internal combustion vehicles and compel Canadians to buy zero-emission vehicles. The Biden administration is also mandating a similar shift. But these initiatives overlook two realities—consumer preferences are not easily swayed by top-down government directives, and the unrealistic timeline for minerals crucial for electric vehicles (EV) raises serious doubts about the likelihood of success.

Specifically, according to the Trudeau government's new regulations, all new passenger vehicles and light trucks sold in Canada must be electric zero-emission vehicles by 2035, with interim targets of 20 percent by 2026 and 60 percent by 2030. And the Biden administration has mandated that two-thirds of new vehicles sold in the United States must be electric by 2032.

And yet, despite multibillion-dollar subsidies and governmental efforts to promote EV adoption, consumers are not embracing them. In Canada, only 6.5 percent (98,589) of the 1.5 million new vehicles sold in 2022 were electric, according to Statistics Canada. Achieving the Trudeau government's 2026 target would require a rapid increase in EV sales to more than 300,000 in coming years and more than 900,000 in 2030 (assuming no change in total vehicle sales). Such rapid growth in a short timeframe is at best questionable.

> *"In Canada, only 6.5 percent (98,589) of the 1.5 million new vehicles sold in 2022 were electric."*

South of the border, data from the US Department of Energy indicates that, out of 283.5 million registered vehicles in 2022, EVs comprised a mere 0.9 percent of total vehicle registrations. In response, automakers are making strategic business decisions. Ford, for example, is delaying the construction of $12 billion worth of EV production facilities, citing a lack of consumer demand. Similarly, General Motors is abandoning the goal of producing 400,000 EVs by mid-2024 due to lower-than-expected sales.

> ***"General Motors is abandoning the goal of producing 400,000 EVs by mid-2024 due to lower-than-expected sales."***

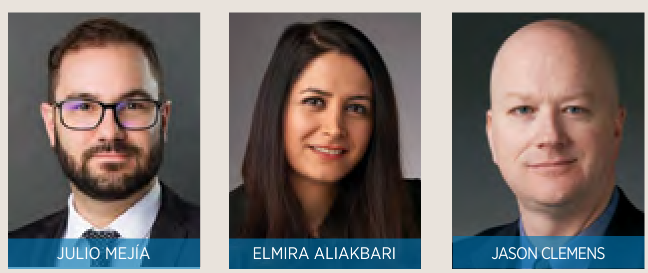
But even in the unlikely scenario of sudden shift in consumer preferences, production-side barriers loom large. For example, the extraction (i.e. mining) of lithium, nickel, manganese, cadmium, graphite, zinc and other rare-earth elements necessary for EVs requires a rapid and marked expansion.

According to a recent study, to meet international EV adoption mandates (including mandates in Canada and the US) by 2030 the world would need 50 new lithium mines, 60 new nickel mines, 17 new cobalt mines, 50 new mines for cathode production, 40 new mines for anode materials, 90 new mines for battery cells, and 81 new mines for EV bodies and motors, for a total of 388 new mines worldwide. For context, in 2021 there were only 340 metal mines operating in Canada and the US.

And historically, the development of mining and refining facilities has been slow. Production timelines range from six to nine years for lithium and 13 to 18 years for nickel—two elements critical for EV batteries. The aggressive government timelines for EV adoption clash with historically sluggish metal and mineral production, raising the risk of EV manufacturers falling short of needed minerals.

> ***"The ambitious short-term EV adoption mandates in Canada and the US are on a collision course with the reality of metal and mineral production capacity."***

Not only are consumers resistant to top-down regulations, but the ambitious short-term EV adoption mandates in Canada and the US are on a collision course with the reality of metal and mineral production capacity. Simply put, it's not at all clear that sufficient capacities will be available to produce enough EVs to achieve the mandates being imposed on Canadians and Americans, nor is it clear consumers in either country are willing to spend their own money to purchase them. FI



Julio Mejía is a policy analyst, Elmira Aliakbari is director of the Centre for Natural Resource Studies, and Jason Clemens is executive vice president at the Fraser Institute.

There Are No Solutions to Canada's Housing Crisis—Only Trade-Offs

Josef Filipowicz

We're running out of superlatives to describe Canada's housing crisis. And for good reason—Canadians face the highest housing costs (as a share of household income) in the G7 group of developed countries. Canadians are also rightfully exasperated with the lack of progress.

The good news is there are policy options for this problem. The bad news is we haven't decided which options we're willing to accept. American economist Thomas Sowell once said, "there are no solutions, only trade-offs"—that is, solving a problem entails a choice. And choice entails forgoing the alternatives.

For example, damming a river to protect a town from seasonal flooding means accepting that a reservoir will form on other side of the dam. The reservoir—and all it may entail for its natural surroundings—is preferable to the alternative—yearly floods, and all they may entail for the townspeople.

At its heart, Canada's housing crisis stems from a growing gap between housing demand and supply—many homes are needed, but too few are built. An estimated 5.8 million new homes nationwide are required to restore some semblance of affordability by 2030, but Canada's currently on track to build less than half that. Closing this gap will require significant increases in investment, labour, materials or productivity improvements, but more importantly it will require political will.

But we're not there, because a clear majority of Canadians has yet to agree on how to tackle the problem. Specifically, we have three broad choices, each with their own trade-offs.

First, we can build our cities outward, and accelerate the creation of new neighbourhoods at the edge of our communities. This has been Canada's way for most of its history, but especially after the Second World War and mass adoption of personal automobiles. Canada has also traditionally used its enormous landmass to build entirely new cities including railroad and resource boomtowns from Calgary to Dawson City.

The trade-off? More land for homes means less land for everything else. Canadians who currently oppose the redesignation of farmland or other rural areas surrounding cities would need to accept more home-building in these areas. And in more remote regions targeted for development, the thorny issue of divvying up Crown land (the majority of Canada's land area) would inevitably emerge.

> ***"Given the estimated housing shortage, Canada's cities would need to at least triple or quadruple the current rate of densification to close the housing gap."***

Second, we can grow upward and become denser by shoehorning additional homes into existing neighbourhoods. To an extent, we're already doing this—more than half of homebuilding between 2016 and 2021 occurred within existing urban areas, and recent government reforms (e.g. allowing the conversion of single-family homes to triplexes) signal an appetite for more. But given the estimated housing shortage, Canada's cities would need to at least triple or quadruple the current rate of densification to close the housing gap.

The trade-off here is that most neighbourhoods would change—perhaps drastically. Canadians in urban areas, for instance, would need to mentally divorce themselves from the notion of owning single-family detached homes with garages and yards, and accept that neighbourhoods can't stay frozen in time. As famed urbanist and former Torontonian Jane Jacobs put it, "a city cannot be a work of art."

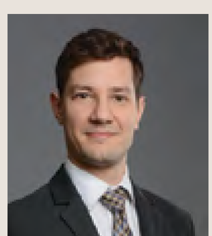
Third, we can grow our population more slowly. Faced with an enormous gap between the number of homes Canada needs and the number built, we could simply shrink the need. Governments (thankfully) don't control how many children Canadians have, but they do determine immigration policy and the number of permanent and non-permanent residents in Canada. Anyone broadly opposed to historic increases in homebuilding (either at the urban fringe or within existing neighbourhoods) but still wishing to improve affordability, wants to reduce population growth—whether they know it or not.

The trade-offs here are more complex. If the federal government reduces immigration levels, Canadians must accept new demographic realities and policy solutions (that is, more trade-offs) such as vast improvements to productivity to complement a slower-growing or perhaps shrinking workforce, and changing how and when Canadians retire, among other considerations.

Of course, there are many variations to these three broad choices. Canadians would likely pick variations of one, two or all three combined. We could also pick neither, and in many ways we have. We don't build enough homes either within or outside of existing urban areas, and our population is growing faster (in absolute terms) than at any other time on record.

Tellingly, most respondents in a recent poll supported increasing housing density in Canadian cities, yet just 20 percent agreed it was a "good thing" for their neighbourhood (43 percent saw density as a "bad thing"). Clearly, many Canadians do not yet understand the trade-offs required to improve affordability.

Politicians are only as effective as the demands we make of them, and right now, those demands remain unclear. Until we've collectively rallied behind some variation or combination of the broad options listed here—including its trade-offs—to close the gap between the number of homes we need and the number available, our implicit preference is the status quo. It's as simple as that. FI


JOSEF FILIPOWICZ

Josef Filipowicz was a Fraser Institute senior fellow in December 2023.

Ontario Government's Failure to Restrain Spending Undermines 'Fiscal Foundation'

Grady Munro and Jake Fuss

Before releasing Ontario's fall fiscal update last November, provincial Finance Minister Peter Bethlenfalvy said the Ford government would lay a "strong fiscal foundation for future generations." In reality, due to the government's spending increases and significant debt accumulation, provincial finances continue to sit on shaky ground.

It didn't have to be this way. Prior to the fall update, Ontario's finances looked somewhat promising. The government expected a small deficit of $1.3 billion for 2023/24 before returning to surpluses for the next two years. Consecutive surpluses would have been a welcome change, as the province has run deficits every year since 2007/08 (except for 2021/22). Surpluses would have also allowed the government to either reduce debt or provide meaningful tax relief for Ontarians.

But these goals hinged on the Ford government's ability to restrain spending—something it has rarely done.

For example, in 2021/22 the province experienced higher-than-expected revenues and subsequently ran a $2.0 billion budget surplus. But rather than capitalize on the windfall and post a significantly larger surplus, thus reducing its debt load, the Ford government chose to increase spending and plunge deeper in debt. In fact, under Premier Ford, annual growth in per-person inflation-adjusted spending has averaged 2.4 percent—roughly six times the rate of spending growth under Kathleen Wynne.

"Under Premier Ford, annual growth in per-person inflation-adjusted spending has averaged 2.4 percent—roughly six times the rate of spending growth under Kathleen Wynne."

Then in its fall fiscal update, rather than break from old habits, the government once again chose to increase spending and borrowing, now and in the future.

As a result, according to the government's new projections, the deficit in 2023/24 will be $5.6 billion—quadruple what the government projected in the budget less than nine months ago—due primarily to $2.3 billion in new spending, mainly for the province's new "Infrastructure Bank," and lower-than-expected revenues due to poor economic growth. The government now forecasts a $5.3 billion deficit for 2024/25 (the previous estimate was a $0.2 billion surplus) and a much-reduced $0.5 billion surplus for 2025/26.

Again, despite what Minister Bethlenfalvy told Ontarians, these changes don't lay a "strong fiscal foundation for future generations." In fact, it's the opposite.

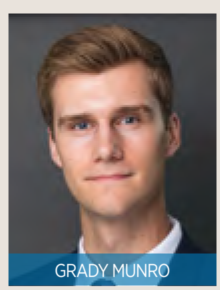
Deficit spending is a way for governments to pass the tax burden of today's spending onto future generations because debt incurred today will likely be paid through higher taxes in the future. In other words, by increasing spending and accumulating more debt, the Ford government is raising taxes on future Ontarians.

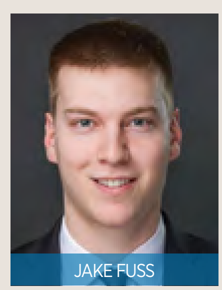
Over the three-year period from 2023/24 to 2025/26, the Ford government expects to add roughly $48.7 billion in debt—$14.0 billion more than the government forecasted last March. This will increase the province's net debt to $449.1 billion in 2025/26 or $26,688 per person (adjusted for inflation). While future generations will ultimately pay this debt, it also imposes costs on Ontarians today.

Just like when a family takes out a loan, when governments take on debt they're responsible for paying interest on that amount. For 2023/24, the Ontario government will pay an estimated $13.4 billion in debt interest costs. This translates to more than $1.0 billion every month, paid for by Ontarian taxpayers, that's unavailable for health care, education or tax relief.

"For 2023/24, the Ontario government will pay an estimated $13.4 billion in debt interest costs. This translates to more than $1.0 billion every month, paid for by Ontarian taxpayers, that's unavailable for health care, education or tax relief."

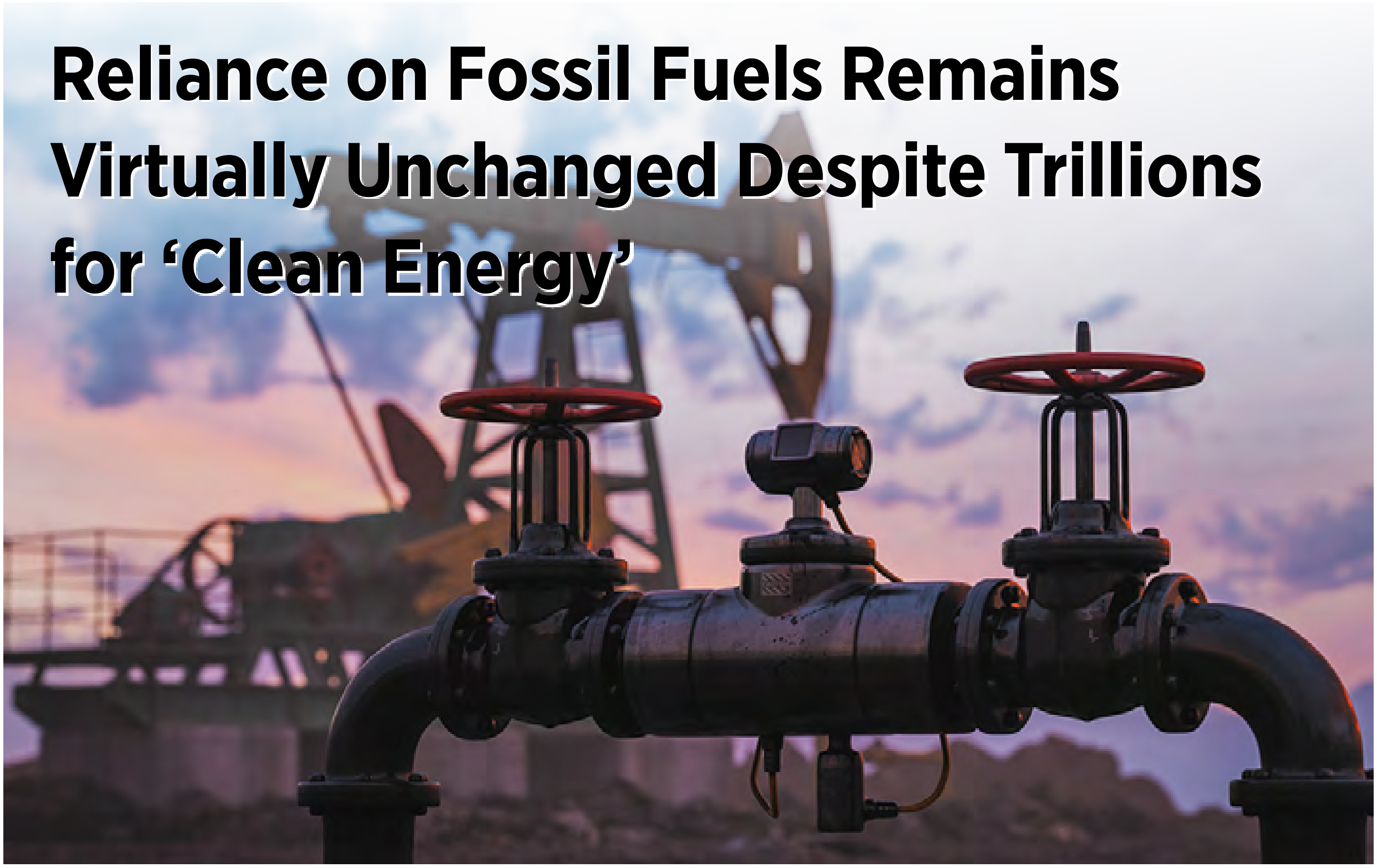
The Ford government has not laid a strong fiscal foundation for future generations. Rather, this government's failure to restrain spending will impose real costs on Ontarians today and in the future. FI





Grady Munro is a policy analyst and Jake Fuss is director of Fiscal Studies at the Fraser Institute.

Reliance on Fossil Fuels Remains Virtually Unchanged Despite Trillions for 'Clean Energy'



Elmira Aliakbari, Julio Mejía, and Jason Clemens

At COP28, the recent United Nations climate change conference in the United Arab Emirates, bureaucrats, politicians, and activists from nearly 200 countries gathered to push for a "transition away from fossil fuels" and to continue—and indeed expedite—efforts to achieve a global net-zero "carbon footprint" by 2050. However, despite significant spending on clean energy, the world's dependence on fossil fuels remains largely unaffected, calling into question how realistic the commitment to zero emissions by 2050 is in the real world.

The UN staged the first "COP" conference in Berlin in 1995, marking the beginning of a collaborative international effort of energy transition and decarbonization. According to one report, global investment in renewable energy totalled US$7 billion in 1995.

Today, according to the latest data from the International Energy Agency (IEA), investment in "clean energy" by both governments and private industry reached more than US$1.7 trillion in 2023. That's roughly the equivalent of the entire Australian economy this year. This spending includes more than just renewable power (wind, solar, etc.), which totalled $659 billion in 2023, but also electric vehicles, battery storage, nuclear, carbon capture, and more.

> *"From 2015 to 2023, governments and industry worldwide have spent $11.7 trillion (inflation-adjusted) on clean energy."*

More broadly, according to the IEA numbers, from 2015 to 2023, governments and industry worldwide have spent $11.7 trillion (inflation-adjusted) on clean energy. For context, this is basically the equivalent of all the goods and services produced in Germany, Japan, and the United Kingdom combined in 2023. Simply put, an extraordinary amount of money and resources have been allocated to the transition away from fossil fuels for the better part of three decades.

So, what's the return on this investment?

According to data from the Statistical Review of World Energy, from 1995 to 2022, the amount of fossil fuels (oil, gas, and coal) consumed worldwide actually increased by 58.6 percent. Specifically, oil consumption increased by 34.2 percent, natural gas by 86.7 percent, and coal by 72.7 percent.

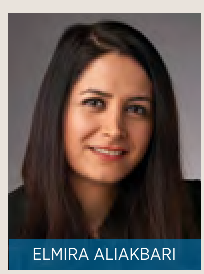
> ***"From 1995 to 2022, the amount of fossil fuels (oil, gas, and coal) consumed worldwide actually increased by 58.6 percent. Specifically, oil consumption increased by 34.2 percent, natural gas by 86.7 percent, and coal by 72.7 percent."***

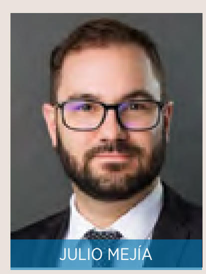
There was, however, a small decline in the share of total energy provided by oil, gas, and coal during that time period, falling from 85.6 percent of total energy use in 1995 to 81.8 percent in 2022. In other words, after tens of trillions of dollars spent on the transition away from fossil fuels, consumption declined by 3.8 percentage points as a share of total global energy.

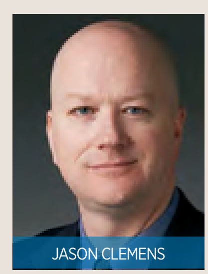
Meanwhile, renewables increased from 0.6 percent of total energy to 7.5 percent over the same period but both nuclear and hydro declined (6.5 percent to 4.0 percent and 7.3 percent to 6.7 percent, respectively). In other words, the 3.8-percentage point decline in fossil fuels as a share of total energy in 2022 was offset by a net increase in clean energy of the same amount.

In addition to the massive amounts of spending, much of it paid for by taxpayers, this transition has come with other costs. Renewable sources such as wind and solar are not always available and therefore require back-up energy systems. Lack of investment in back-up systems and required infrastructure has resulted in marked price increases in energy and/or blackouts in parts of Europe and the United States.

At COP28, conference attendees, including Canada's Environment Minister Steven Guilbeault, pledged to reach net-zero emissions—that our economy will emit no greenhouse gas emissions or offset its emissions—in 26 years. But given the trillions spent, the limited progress in reducing global reliance on fossil fuels, and the price increases and reduced energy reliability in countries that have meaningfully transitioned, that goal seems unrealistic in the real world.







Elmira Aliakbari is director of the Centre for Natural Resource Studies, Julio Mejía is a policy analyst, and Jason Clemens is executive vice president at the Fraser Institute.

Federal Government Embraces Co-Payments and ‘Dual Billing’ for Dental Care—but Not Health Care

Steven Globerman

When assessing the Trudeau government’s new national dental plan, Canadians would be wise to reflect on how it differs—advisedly—from our ailing health-care system.

First, the dental plan is not intended to cover every Canadian—at least not yet—and instead targets families with household incomes of less than $90,000, children, and uninsured seniors aged 87 and older. Gradually, the plan will cover all other uninsured Canadians who will become eligible in 2025. Crucially, the federal plan won’t replace existing provincial and territorial programs that already cover some oral health services (although the provinces have not yet promised to continue funding those provincial programs after the federal plan goes into effect). Eventually, the federal plan is expected to cover up to nine million Canadians. In other words, even when fully implemented, it will only cover one-quarter of the population.

Second, families will pay “co-payments” to help cover the cost of treatment. Specifically, families with household incomes between $70,000 and $79,999 will pay 40 percent (out-of-pocket or through private insurance) of the cost of dental services such as cleanings, fillings, and root canal treatments, while households in the $80,000 to $89,999 income bracket will pay 60 percent. Families with household incomes below $70,000 are exempt from co-payments.

This approach stands in stark contrast to our health-care system. The *Canada Health Act* prohibits patient cost-sharing for services covered by provincial medical insurance plans. This prohibition distinguishes Canada from all other countries that provide universal health care including countries that consistently outperform Canada on key indicators including wait times.

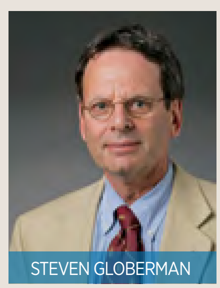
> *"In principle, cost-sharing encourages patients to be more prudent in their use of scarce health-care resources than they would be when the government covers all costs."*

In principle, cost-sharing encourages patients to be more prudent in their use of scarce health-care resources than they would be when the government covers all costs (as is the case in Canada). Of course, critics argue that cost-sharing will impose undue financial hardships on low-income families and patients with chronic conditions, which in turn might discourage those patients from accessing health-care services. But in fact, most countries with universal health care use co-payments, which are typically lower for lower-income families and essentially waived for vulnerable populations. It's therefore curious that the Trudeau government sees wisdom in its co-payment requirement (conditioned on household income) for dental care but not for health care.

Finally, according to the dental plan, dentists will be able to bill the public plan while also treating patients covered by private insurance. Defenders of the health-care status quo in Canada have long argued that this type of "dual billing" will allow private insurers to woo away doctors from the public system and produce a two-tier health-care system that provides better and quicker care for wealthier Canadians. While a relevant concern, available evidence from other universal health-care countries suggests that the greater competition and additional investment accompanying a dual billing insurance system actually improves the efficiency of the public system and reduces wait times for all patients.

> *"Most countries with universal health care use co-payments, which are typically lower for lower-income families and essentially waived for vulnerable populations."*

Federal Health Minister Mark Holland should tell Canadians exactly why co-payments and dual billing are good for his government's national dental plan yet remain anathema for our floundering health-care system. FI



STEVEN GLOBERMAN

Steven Globerman is a senior fellow and chair of the Addington Centre of Measurement at the Fraser Institute.

The People Will Reject the Globalist 'Climate' Agenda

Ross McKitrick

It's tempting to dismiss the outcome of COP28, the recent United Nations climate change conference in the United Arab Emirates, as mere verbiage, such as the "historic" UAE Consensus about transitioning away from fossil fuels. After all, this is the 28th such conference and the previous ones all pretty much came to nothing. On a chart showing the steady rise in global total CO_2 emissions since 1950 you cannot spot when the 1997 Kyoto Protocol entered into force (2002), with its supposedly historic language binding developed countries to cap their CO_2 emissions at five percent below 1990 levels by 2012. Likewise, the 2015 Paris Agreement contained historic language binding countries to further deep emission reductions, yet the COP28 declaration begins (paragraph I.2) with an admission that the parties are not complying.

Nonetheless we should not overlook the real meaning of the UAE Consensus. COP agreements used to focus on one thing—targets for reducing greenhouse gases. The UAE Consensus is very different. Across its 196 paragraphs and 10 supplementary declarations it's a manifesto of global central planning. Some 90,000 government functionaries aspire, in their own words, to oversee and micromanage agriculture, finance, energy, manufacturing, gender relations, health care, air conditioning, building design, and countless other economic and social decisions. It's supposedly in the name of fighting climate change, but that's just the pretext. Take it away and they'd appeal to something else.

After all, the climate change issue doesn't necessitate these plans. Economists have been studying climate change for many decades and have never considered it grounds to phase out fossil fuels, micromanage society, etc. Mainstream scientific findings, coupled with mainstream economic analysis, prescribe moderate emission-pricing policies that rely much more on adaptation than mitigation.

The fact that the UAE Consensus is currently non-binding is beside the point. What matters is what the COP28 delegates said they want to achieve. Two facts stand out—the final consensus document announced plans that would cause enormous economic harm if implemented, and it was unanimously approved by everyone in the room.

The first point is best illustrated by the language around eliminating fossil fuels. Climate policy is supposed to be about optimally reducing greenhouse gas (GHG) emissions. As technology develops to decouple emissions from fuel use, there may eventually be no need to reduce the latter, but activist delegates insisted on the language anyway, making it an end in itself. Fossil fuels are essential for our economic standard of living, and 30 years of economic analysis has consistently shown that despite GHG emissions, phasing them out would do far more harm than good to humanity. Yet the Consensus statement ignored that, even while claiming to be guided by "the science."

> ***"Fossil fuels are essential for our economic standard of living, and 30 years of economic analysis has consistently shown that despite GHG emissions, phasing them out would do far more harm than good to humanity."***

The second point refers to the fact that representatives of governments worldwide endorsed policies that will, if implemented, do extraordinary harm to their own people. Where governments have made even small attempts to take these radical steps, the public has revolted. This calls into question whom the COP28 delegates "represent." Other than a few elected officials, we didn't vote for any of them. And even if some heads of state go to a COP meeting intending to oppose the overall agenda, they would not be able to stop it and would be browbeaten into signing the final package.

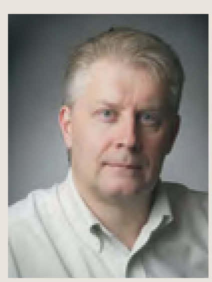
The UAE Consensus is the latest signal that the real fault line in contemporary society is not right versus left, it's the people versus (for lack of a better word) the globalists. A decade ago this term was only heard on the conspiracy fringe but has since migrated towards the mainstream as the most apt descriptor of an enormous and influential transnational permanent bureaucracy, which aspires to run everything, even to the public's detriment, while insulating themselves from democratic limits.

A hallmark of globalists is the way they exempt themselves from rules they want to impose on everyone else. COP28 and Davos meetings perfectly illustrate this—thousands of delegates flying in, many on private jets, to be wined and dined while telling everyone else to learn to do without.

In the cases of both COVID-19 and climate change, the same elite has proven itself to be adept, not at using science to support good decision-making, but at invoking "the science" as a talisman to justify everything they do including censoring public debate. Complex and uncertain matters get reduced to dogmatic slogans by technocrats who ensure political leaders are force-fed a narrow one-sided information stream. Experts outside the process are accorded standing based solely on their obeisance to the preferred narrative, not their knowledge or qualifications. Critics are attacked as purveyors of "misinformation" and "disinformation," and so the existence of opposition to government plans becomes proof of the need to suppress free speech.

But eventually the people get the last word. I am struck, in this context, that despite nonstop fear-mongering about an alleged climate crisis, the public tolerates climate policy only insofar as it doesn't cost anything.

The climate movement might think that by embedding itself in the globalist elite it can accelerate policy adoption without needing to win elections. I think the opposite is happening. The globalists have co-opted the climate issue to sell a grotesque central planning agenda that the public has repeatedly rejected. If the UAE Consensus is the future of climate policy, its failure is guaranteed. FI



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

Smartphones Hurt Student Learning in the Classroom

Paige MacPherson

No doubt many young Canadians discovered digital devices under the Christmas tree this year. But while smartphones may have a place in your home, new research says it may be wise to unplug them from classrooms.

According to new results from the Programme for International Student Assessment (PISA)—a standardized test of 15-year-olds in the 38 OECD countries—math and reading scores in Canada have plummeted since 2003. The PISA report also notes that 45 percent of students in the OECD reported feeling nervous or anxious if their phones were not near them. In Canada, that percentage skyrockets to 80 percent during math instruction—higher than the OECD average of 65 percent.

Moreover, 59 percent of students in the OECD reported being distracted by others using digital devices (phones, laptops and tablets) in math class. These students who report being distracted scored 15 points lower on PISA math tests than those who don't deal with this distraction. (For context, a 20-point decline in test scores equals roughly one year of learning loss, so a 15-point decline equals three-quarters of a year.) And students who spent five to seven hours per day on their phones scored a whopping 49 points lower on math tests than kids who spent up to one hour per day.

"Students who spent five to seven hours per day on their phones scored a whopping 49 points lower on math tests than kids who spent up to one hour per day."

Five to seven hours per day may seem like an unbelievable amount of time for kids to spend scrolling their screens, but according to research by Canadian charity Nature Canada, kids in grades 7 to 12 spend up to seven hours per day on screens. Additionally, research from Western University found that screen time is now only slightly below the shocking 13 hours per day that 6-year-old to 12-year-old kids spent on screens during COVID lockdowns. And kids who spend hours on smartphones report higher levels of anxiety, depression, and aggression—again, excessive screen time hurts not only the kids who are constantly scrolling but their peers as well.

> *"Kids who spend hours on smartphones report higher levels of anxiety, depression, and aggression."*

In addition to declining PISA test results, provincial student assessments also show significant declines in student proficiency in numeracy and literacy over the last decade.

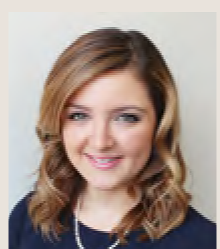
So what's the solution?

American social psychologist Jonathan Haidt has written at length making the case for schools to go phone-free. Without a mature frontal cortex to fight the temptation of buzzing smartphone notifications, kids are particularly at risk of severe distraction—even having a phone in their pocket negatively impacts the academic performance of teens. Feelings of teen loneliness at school have spiked since 2012, Haidt notes, as smartphone and social media addiction have damaged focus and deepened anxiety and irritability.

Others are predictably calling for more money. But in fact, education spending on government-run public schools in Canada has increased in most provinces over the past decade.

> *"Freeing Canadian classrooms from the smartphone distraction is one small solution that could make a big difference—and it won't cost taxpayers a dime."*

Throwing more money at declining test scores won't help. But freeing Canadian classrooms from the smartphone distraction is one small solution that could make a big difference—and it won't cost taxpayers a dime. FI


PAIGE MACPHERSON

Paige MacPherson is associate director of Education Policy at the Fraser Institute.

Student Programming Continuing to Teach High School and Post-Secondary Students

Through the Institute's Centre for Education Programs, we consistently engage with thousands of Canadian students annually through timely webinars, in-person seminars, contests, and academic opportunities.

In the upcoming semester, we will be hosting public policy seminars in Calgary and Vancouver, which includes welcoming over 70 travel bursary awardees from outside the lower mainland to join these meaningful sessions. Meanwhile, our webinar series continues to transcend provincial boundaries, connecting with thousands of students across the country. This winter and spring, the series will present topics on the state of the Canadian environment, the realities of socialism, and the future of AI regulations. All recordings are available for free at **www.freestudentseminars.org**.

Thanks to the generous funding from the Lotte and John Hecht Memorial Foundation, we are excited to continue our one-day Discover Economics high school field trips. This semester, we plan to introduce over 1200 high school students in British Columbia and Alberta to foundational economic concepts during six dedicated sessions.

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

"Thank you very much for your support of the Fraser Institute. Their work is what originally made me interested in the field of economics when I was still a high school student. One thing I learned from this post-secondary seminar is just how horrible communism was in Poland. I always knew that it was bad but weaving together stories of those who suffered through it along with the statistics, showed both how they suffered and how fast they began to recover since being freed from Communism."
—Post-Secondary Student in Calgary

"I love taking my class on this field trip! Great activities and the presenters were engaging and FUN! Thanks for the opportunity!"
—Teacher in Vancouver

"I feel that you have helped my personal and professional growth. The Fraser institute knows their stuff, so it was a privilege to be in attendance and involved."
—Post-Secondary Student in British Columbia

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

Left: A student asks Dr. Terry Anderson a question during our public policy seminar in Vancouver.

Continuing to Provide Professional Development Opportunities for Teachers and Journalists

Alongside our student-focused initiatives, the Fraser Institute continues to extend its support to educators and journalists by providing opportunities for professional development and access to valuable resources. This semester, we are enthusiastic to present our newly developed lesson plans and teacher webinars centered around our recent Realities of Socialism research. These comprehensive virtual workshops, developed in partnership with the Foundation for Teaching Economics, will equip educators with lecture materials and a range of hands-on activities, facilitating the effective education of Canadian students on the true outcomes of socialism.

In addition, we are thrilled to announce engaging in-person workshops in Vancouver and Calgary, alongside webinars covering topics such as Understanding Poverty and Inequality, Environmental Economics, and Approaching Public Policy with an Economic Perspective.

Here is what some teachers are saying about our programs:

> *"Thank you for making this possible! My university focuses on being a generalist as a teacher so it's largely through the Fraser Institute's workshops that I am able to get well-researched, well-written and easily implemented economics content. My teachable minor is social studies, so it's incredibly helpful" —Teacher in Calgary*

> *"Thank you for making this possible. My classes are stronger and my activities are more engaging as a direct response to these sessions being available." —Teacher in Nova Scotia*

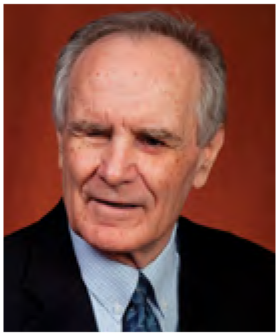
> *"Thanks for supporting the learning of economics teachers, I appreciate hearing viewpoints that are more diverse than the Ontario economics curriculum (very Keynesian-based)." —Teacher in Ontario*

> *"This program has been incredibly useful to help me better teach economics! Not all economics teachers have a strong background in business and this very clearly helped explain some of the more challenging concepts in a user-friendly way. The students will benefit so much from the enhanced understanding of their teachers and fun practices that now will be introduced in the classroom!" — Teacher in Manitoba*

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

Left: Dr. Brian O'Roark introduces the Peltzman effect at our Economics of Superheroes teacher workshop in Calgary.

IN MEMORIAM: JAMES GWARTNEY



On January 7, 2024, Professor James (Jim) D. Gwartney passed away at the age of 83. For more than half a century, Gwartney taught economics at Florida State University. And for more than a quarter-century he was the lead author of the Fraser Institute's signature *Economic Freedom of the World* index.

The origins of the Fraser Institute's EFW report date to 1984 when a group of intellectuals met in Cambridge, England, to discuss economics, society and the fate of the free world. The conference included a panel on George Orwell's *1984*. The panelists wondered whether freedom was waxing or waning. Fraser Institute founder Michael Walker brought up the relationship between political and economic freedom, citing Milton and Rose Friedman's hypothesis that political freedom depends on economic freedom. The participants lamented the fact that there was no good way to measure this relationship.

Afterward, Walker sat down with Milton and Rose Friedman and proposed what can only be described as an audacious idea: what if we measured economic freedom?

Milton and Rose were sold on the idea. With some assistance from the Friedmans, Walker organized a series of six conferences starting in 1986 (Gwartney became actively involved by the third meeting) to first define and then develop a way to measure economic freedom.

Eventually, a consensus emerged around the concept of economic freedom. Individuals are economically free, the group agreed, when they are able to make their own economic decisions, when they are free to use their talents, their time, and their resources, so long as these actions do not harm the person or property of others.

With a deep understanding of economics and political economy, and a solid grasp of empirical investigation, Jim set out with Robert (Bob) Lawson, a bright graduate student at FSU, to develop a plan to collect various indicators of economic freedom like protection of private property rights, barriers to international trade, the extent of regulations, tax rates, and the government's promise to maintain the value of money.

After a number of iterations, the first *Economic Freedom of the World* index was published by the Fraser Institute in 1996. Its authors were Jim Gwartney, Walter Block, and Bob Lawson.

Today, the index is published annually and distributed globally. And thanks to better data availability, it manages to be both deep and broad, covering several dozen indicators in 165 countries.

Over the years, the index has not only been used by economists to test the connection between political and economic freedom, but to test hundreds of other relationships. To date, more than 1,300 peer-reviewed journal articles have used the index to assess the effects of economic freedom on various outcomes.

As Lawson has documented in a review of this literature, these studies find that economic freedom is associated with better outcomes along several dimensions. Those who live in economically free societies are happier, healthier, and wealthier than those who live in less-free societies. They enjoy longer life spans, less corrupt government, and greater social equality. They are more entrepreneurial, better educated, and more tolerant. They are also less violent.

It's not just the wealthy who benefit from more economic freedom. In economically free societies, unemployment is lower, low-income households see faster income growth, and people are less likely to be unhoused.

The report also gives hope to those who seek reform. Researchers have found that countries that grant their citizens greater economic freedom—from Botswana to Estonia to Nicaragua—experience significant improvements in living standards.

There are obviously a number of key people responsible for the *Economic Freedom of the World* project starting with Michael Walker and the Friedmans. But everyone linked with the project acknowledges the on-the-ground work completed by Jim and Bob to develop and then annually calculate the index. Thanks to these visionaries, the audacious idea of measuring economic freedom has been realized. The index is taught in development economics courses around the world, and it is used by governments to mark their progress toward freer and more prosperous societies.

Jim was at peace when he left this world, buoyed by his faith and his loving wife, Amy. He can rest at ease knowing that the index is in the capable hands of his student, Bob Lawson. And we can take some solace from the knowledge that, according to the index, the world is freer today than it was in 1984.

We mourn Jim Gwartney but we are grateful for his contributions over the years and his lasting legacy.