

# THE Quarterly

WINTER 2020



## Canada Scaring Away Entrepreneurs, Investors and Top Talent





**Niels Veldhuis**  
President, Fraser Institute

**Dear Fraser Institute Friends and Supporters,**

Is Canada really scaring away entrepreneurs, investors, and top talent?

That doesn't sound like it fits with the prime minister's desire to "Build Back Better," a theme he and his government have been touting since they shut down parliament in late August and that was used throughout September's Throne Speech.

As my colleague Milagros Palacios and I argue in our commentary on page 18, the Liberals have the right goal—to build back better—but its policies won't come close to achieving it. As we note, the evidence clearly shows that even before COVID-19 arrived our competitiveness had significantly deteriorated and investors (both foreign and Canadian) were fleeing Canada for more favourable investment climates.

What is greatly concerning in Throne Speech is the government's specific statement that it will "identify additional ways" to tax wealth. Changing the tax structure to penalize the accumulation of wealth is a sure way to make Canada even less attractive to investors.

I encourage you to read the summary (on page 2) of an important new Fraser Institute study by Philip Cross, former chief statistician at Statistics Canada: *Does Canada Need a Wealth Tax? As Cross notes in his study: "Almost all countries that imposed a wealth tax found negative side effects for economic growth without significant revenue... This is why most of these countries have abandoned wealth taxes. Canada should learn from their experience and avoid implementing this misguided tax policy."*

The Liberals are also looking to "limit the stock option deduction" in an effort to tax wealth. But as my colleagues Steven Globerman and Alex Whalen highlight on page 14, "companies often use stock options to attract and retain talented employees, especially those working in entrepreneurial and innovative activities where commercial success is not guaranteed." This is a sure way to make Canada less attractive to top talent.

So yes, Canada really IS scaring away entrepreneurs, investors, and top talent. Is that really a way to ensure a robust recovery? Of course not.

I know you'll agree that more Canadians need to be exposed to our work and that's why I'm asking that once you enjoy this edition of *The Quarterly*, you pass it on to your friends, family, and colleagues.

Stay safe!

A handwritten signature in blue ink, appearing to read "Niels Veldhuis".

Niels

## New Research



Wealth Taxes Reduce Economic Prosperity while Raising Little Revenue, and Wealth Inequality is Already Shrinking in Canada **2**

Aging Population and Historically High Spending pre-COVID Mean No Balanced Budget for Next 30 Years **4**

Size of Government on the Rise across Canada; Exceeds Optimal Levels for Maximum Economic Growth **6**

\$22.3 Billion of Ottawa's COVID Spending Potentially Wasted Due to a Lack of Targeting Assistance **8**

Municipal Government Spending up 51 Percent across Canada over the Last Decade **10**

Average Canadian Family Spent 42.6% of Annual Income on Taxes—More than Housing, Food, and Clothing Combined **12**

## Recent Columns



Trudeau Government Plans to Make Canada Less Attractive to Top Talent **14**

Guaranteed Annual Income Program Would Guarantee Big Tax Changes **16**

Trudeau Government Must Improve Investment Climate to “Build Back Better” **18**

Court Ruling Locks Patients into Government-Run Health Care **20**

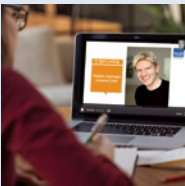
China's Attack on Hong Kong's Freedom Must Be Fully Exposed **22**

If Carbon Taxes Work, Why all the New Regulations? **24**

Government Should Allow First Nations to Freely Compete in Gaming Industry **26**

Trudeau Climate Plan More Fairy Tale than Science **28**

## Education Programs



Online seminars, workshops and new Student Centre web page geared to independent learner **30**

## Staff Profiles



Alex Whalen and Drue MacPherson **32**

# Wealth Taxes Reduce Economic Prosperity while Raising Little Revenue, and Wealth Inequality is Already Shrinking in Canada

**Philip Cross**

In its recent throne speech, the federal government said it was considering a tax on what it termed “extreme wealth inequality” in this country. There are several reasons why this would be a mistake, as I outline in a new paper published by the Fraser Institute, *Does Canada Need a Wealth Tax?*

To begin with, wealth inequality is not increasing in Canada. Statistics Canada data show that the wealth held by the lowest three income quintiles rose more than for the highest two quintiles over the past decade, boosting their share of wealth from 27.1 percent in 2010 to 29.5 percent in 2019. The gain in wealth for lower-income people reflects increases in their holdings of both financial and non-financial assets and began before Canada’s housing market took off in 2015. Canada’s middle class holds more financial assets than the US middle class does and is therefore less vulnerable to a downturn in the housing market. The myth that inequality has reached extreme levels is yet another example of a narrative from the US distorting a policy debate in Canada.

The recent increase in wealth was led by younger generations. The wealth of baby boomers rose by 64.6 percent between 2010 and 2019, while for Generation X it increased 133.9 percent, and for Millennials, 465.5 percent. Even so, over half of wealth was held by people more than 55 years old, which means a tax on wealth could easily morph into a tax on age.

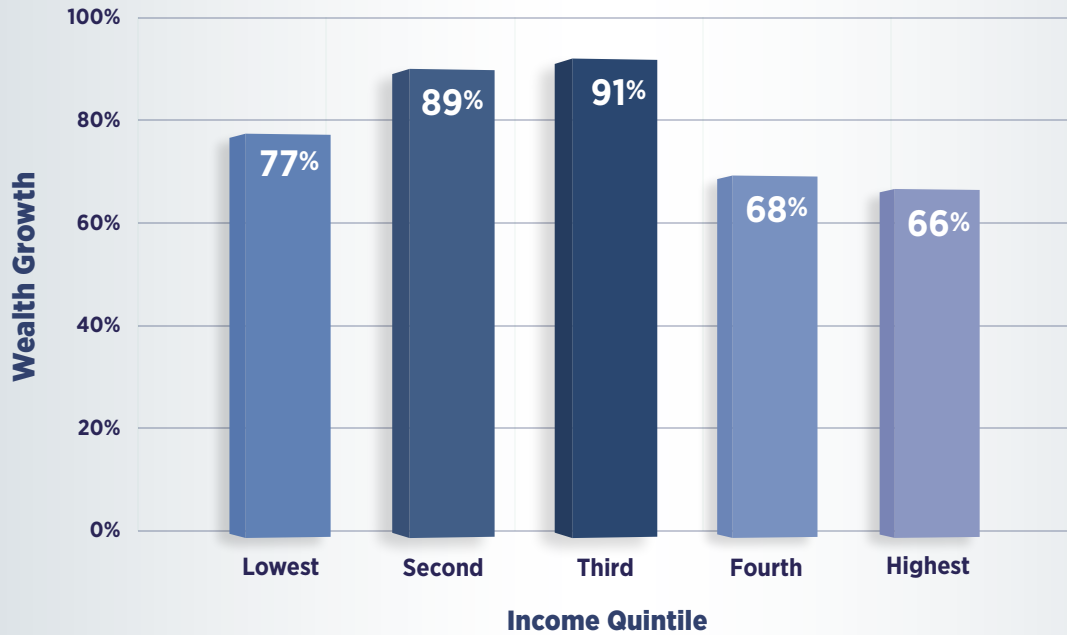
It is worth clarifying that most wealth is held by individuals, not corporations. At the end of 2019, household net worth in Canada stood at \$11,876 billion (i.e. \$11.876 trillion) compared to just \$622 billion for corporations and



\$268 billion for government. Given this distribution, it is clear that a wealth tax would not shift the tax burden to firms. Most firms simply do not hold enough liquid assets, as was painfully revealed during this year’s severe economic downturn. Moreover, not all forms of wealth appear in the data on household wealth. For example, the benefits promised by government pension plans such as Old Age Security and the Guaranteed Income Supplement are excluded, even though they clearly affect household savings behaviour.

In practice, wealth taxes have proven costly to administer and generate little revenue. As a result, eight of the 12 European countries that have experimented with them have given up on wealth taxation in recent years. There are several reasons why wealth taxes proved ineffective

## Growth (%) of Net Household Wealth by income quintile, 2010–2019



in raising tax revenues or reducing inequality. Wealth is difficult to define, measure, and tax. The largest sources of wealth are housing and pension assets, which are almost always exempt from a wealth tax because they are so widely held. In Canada, real estate and pensions account for two-thirds of household wealth. As a result, wealth taxes are applied to a narrow range of assets, the value of which can be difficult to establish.

On top of the narrow base to which a wealth tax applies, the rate of taxation must be kept low. This is partly because a wealth tax is equivalent to a punitive tax on capital income. However, a wealth tax has the additional complication that it must be paid even when income is low, as it is during recessions. This strain on liquidity is especially severe for start-ups, which often lack capital.

In theory, a wealth tax creates a substantial incentive to shift assets to jurisdictions that don't have such a tax. In practice, such tax-shifting happens regularly, given the ease with which many taxable assets can be shifted across borders. Even wealth tax advocates such as Thomas Piketty admit that "the risks of evasion would be very high" without widespread sharing of bank information among countries, which so far has proved difficult to implement. Some of the recent increase in wealth in Canada and other countries reflects a decade of easy monetary policies—policies whose goal was precisely to

boost asset prices and household wealth. Without passing judgement on the long-term efficacy of easy money policies, it would be strange for our governments to encourage higher wealth with monetary policies and then tax it away with fiscal policies. If our society judges the recent increase in wealth to be non-productive or unfair, it should reverse the monetary policies that helped produce it.

Besides being ineffective, wealth taxes dampen saving and investment and slow long-term growth. This is the wrong message to broadcast as Canada struggles to recover from a decade of sub-par growth and its worst recession since the 1930s. [FI](#)



PHILIP CROSS

Philip Cross is a Fraser Institute senior fellow and former chief economic analyst at Statistics Canada. He is the author of *Does Canada Need a Wealth Tax?*

# Aging Population and Historically High Spending pre-COVID Mean No Balanced Budget for Next 30 Years

Jake Fuss and Steven Globerman

The recent Throne Speech in Ottawa was expected to include key aspects of the Trudeau government's economic plan for next year and beyond. Big spending items such as "green" infrastructure, housing, childcare, a guaranteed annual income, and national pharmacare all appeared in the rumour mill. However, the economic implications of Canada's aging population and its long-term effect on federal finances have been largely ignored.

Indeed, the fertility rate for Canadian families—and consequently, population growth—has declined in recent decades. And all indications point towards this trend continuing for the foreseeable future, notwithstanding proposed increases in government immigration targets.

At the same time, Canadians are living longer. From 1960 to 2018, life expectancy at birth increased for men from 68.3 years to 79.9 years and for women from 74.2 years to 84.1 years. Projections suggest life expectancy will continue increasing and could reach 87.0 years for males and 89.0 years for females by 2068.

The slower population growth rate coupled with increasing life expectancy means that seniors will constitute a greater share of Canada's population in the future than they do today. In fact, the share of the population over age 65 is projected to grow from about 18 percent to 23 percent over the next dozen years or so. As the baby boomers continue to retire, the proportion of working Canadians will also decline.

So what does this mean?

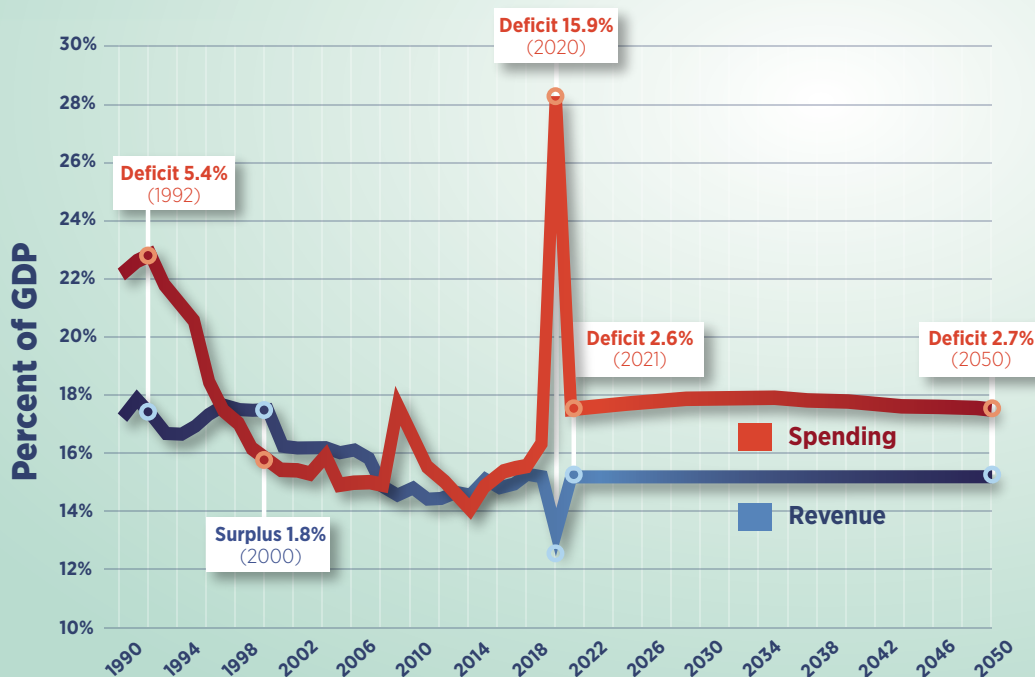


Due to our aging population, we'll likely see a declining labour force participation rate—the total labour force as a share of the working-age population. Combined with the slower growth of the working-age population, this means a slower growing labour force, which will hurt economic growth.

An aging population will also put significant pressure on federal finances due to slower growth in government revenues and higher spending requirements for health care and programs such as Old Age Security. Absent a change in policy, the federal government could run budget deficits of between 2.6 percent and 3.1 percent of GDP for the next three decades, with no return to budget balance in sight.

As well, under conservative assumptions about spending and interest rates, the debt-to-GDP ratio (the best

## Without a change in policy, the federal budget will not be balanced for at least 30 years



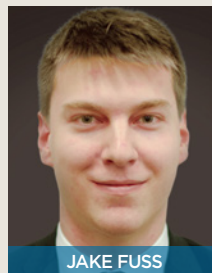
measure of the sustainability of the country’s debt burden) could more than double between 2019 and 2050, rising from 31.1 percent to 69.6 percent—above the level observed in the late 1980s and early ’90s when the country faced a near debt and currency crisis. And that estimate comes before any new spending initiatives announced in the throne speech.

**“The Trudeau government must prioritize policies that will increase productivity and economic growth while also restoring fiscal prudence.”**

Moreover, the potential for rising interest rates or downgrades from rating agencies means future debt-interest costs might increase and claim even more tax revenue, while debt accumulation will compound at a faster rate. The projected growth in government debt, even given current interest rates, implies that future generations of

Canadians will incur higher taxes and/or less access to services, most notably health care and social services.

Canada’s population is aging quickly, and the Trudeau government is seemingly ignoring the implications for the economy and federal finances. Without a change in policy, anemic economic growth and continuous debt accumulation are likely to remain features of the Canadian economy. The Trudeau government must prioritize policies that will increase productivity and economic growth while also restoring fiscal prudence. **FI**



JAKE FUSS



STEVEN GLOBERMAN

Jake Fuss is an economist and Steven Globberman is resident scholar and Addington Chair in Measurement at the Fraser Institute, and professor emeritus, Western Washington University. They are co-authors of *Canada’s Aging Population and Long-Term Projections for Federal Finances*.

# Size of Government on the Rise across Canada; Exceeds Optimal Levels for Maximum Economic Growth

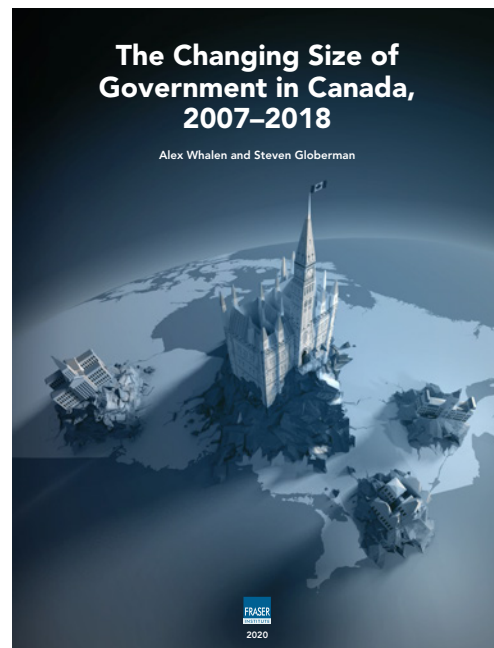
Alex Whalen and Steven Globerman

The size of government in Canada is an important matter of public policy. It directly influences the allocation of society's resources and has consequences for long-term economic growth and prosperity. While our study, *The Changing Size of Government in Canada, 2007–2018*, is primarily focused on the size of government in Canada between 2007 and 2018, it provides important context for developments in the size of government in 2020.

The study uses three measures to examine the size of government over the past decade in Canada and the provinces. First, we examine the size of government as a share of the national and provincial economies. Second, we look at the patterns of government expenditure, that is, the items on which governments are spending their money. Finally, we look at public employment levels as a key driver of the size of government.

Economists have studied the question of whether there is an optimal size of government for decades. While there have been a variety of approaches to the question, with varying results, one comprehensive analysis of OECD countries between 1960 and 2011 found that the growth-maximizing government expenditure share was about 26 percent of GDP. This provides context for discussing Canada's current size of government.

In our study, we measure the size of government in Canada as a share of GDP, that is, government expenditure in relation to the size of the economy, so as to be able to compare levels of expenditure over time in a consistent manner. Between 2007 and 2018, the share of government in Canada has been growing. In fact, our data



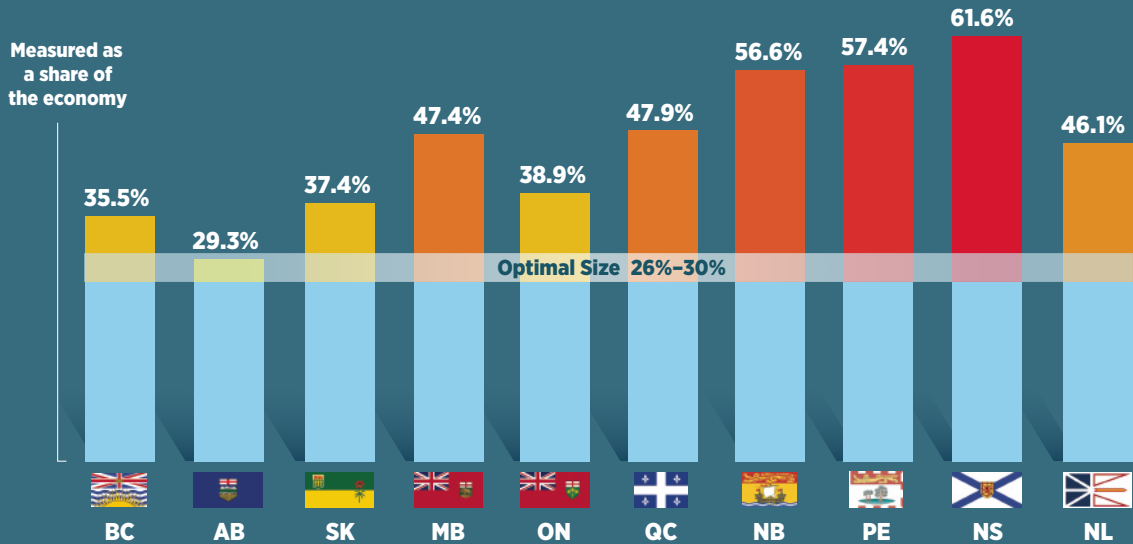
reveal that it grew for Canada as a whole, as well as in eight of ten provinces during this period.

The share of the economy that government occupies varies widely across the country. For Canada as a whole (including the federal government and the provincial governments), the share of government was 40.3 percent in 2018, up from 37.4 percent in 2007. Among the provinces, in 2018 Alberta had the smallest government, 29.3 percent of its economy, and Nova Scotia the largest at 61.6 percent.

Governments across the country have increased the share of spending in three of the four categories measured. Spending on goods and services increased from 60.5 percent of total government spending to 61.5 percent between 2007 and 2018. Transfer payments increased from 25.9 to 27.4 percent. Capital transfers and subsi-



## Total government spending (federal, provincial and local) in 2018 exceeds the historic optimal level



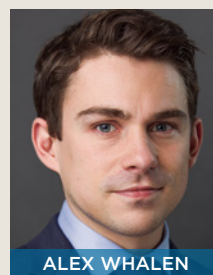
dies increased from 3.1 to 3.8 percent. These increases are mirrored by the reduction in debt-servicing costs as a share of total spending, from 10.5 to 7.2 percent. While reduced debt servicing costs make it cheaper to increase spending in other categories, there is reason for concern going forward as debt levels rise. Furthermore, low real interest rates that have reduced the cost of financing government borrowings may not persist.

**“ Between 2007 and 2018, the share of government in Canada has been growing. In fact, our data reveal that ... for Canada as a whole (including the federal government and the provincial governments), the share of government was 40.3 percent in 2018, up from 37.4 percent in 2007.”**

Government employment as a share of total employment in Canada has been increasing as well. While this measure peaked from 1990 to 1994, it has been steadily increasing for the country as a whole over the past 20 years, from 19.0 percent in 2000-2004 to 20.2 percent in 2015-2019.

The province where government workers made up the largest share of total employment in the most recent time period was Newfoundland & Labrador, at 27.5 percent, while Ontario had the smallest share at 18.7 percent.

The COVID-19 outbreak and ensuing recession is contributing to a dramatic expansion in the size of government in Canada in 2020. Prior to the COVID-19 outbreak and recession, the relative size of government increased at both the federal level and in most provinces between 2007 and 2019. Governments are spending more in all categories except debt servicing costs. This growth in the relative size of government is reason for concern given estimates indicating that the pre-COVID size of government in Canada was already well above the percentage associated with maximum economic growth. [FI](#)



Alex Whalen is a policy analyst and Steven Globerman is resident scholar and Addington Chair in Measurement at the Fraser Institute, and professor emeritus, Western Washington University. They are co-authors of *The Changing Size of Government in Canada, 2007-2018*.

# \$22.3 Billion of Ottawa's COVID Spending Potentially Wasted Due to a Lack of Targeting Assistance

Jason Clemens, Milagros Palacios,  
Nathaniel Li, and Niels Veldhuis

We recently analyzed almost \$82 billion in COVID-related spending—specifically CERB, the student assistance benefit (CESB), and one-time payments linked to Old Age Security (OAS), the Guaranteed Income Supplement (GIS) and the Canada Child Benefit (CCB)—concluding that up to \$22.3 billion (or 27.4 percent) was potentially being wasted due to poor targeting of assistance.

Moreover, almost half of the \$22.3 billion went to Canadians who were made materially better off financially than they were before the recession.

For example, there are 985,200 CERB-eligible (meaning they earned at least \$5,000 in the previous 12 months or in 2019) dependent children (ages 15 to 24) living in households with at least \$100,000 in income in 2019. The total CERB cost, which doesn't include the recently announced four-week CERB expansion, of this potential group is \$11.8 billion. If we narrow this group to only those who earned a maximum of \$12,000 in 2019, which means their average monthly income at least doubled under CERB, the potential cost is \$7.1 billion.

Now consider that Ottawa created another separate program for young people ineligible for CERB due to a lack of earnings in 2019. The Canada Emergency Student Benefit (CESB) provided a \$5,000 benefit over four months to eligible students. There are an estimated 324,900 CESB-eligible students living in families (as dependents) with household incomes of at least \$100,000. Again, most of these CESB recipients are materially better off now than they were in 2019 because CESB payments exceed their earnings. The potential cost to taxpayers for these payments is \$1.6 billion.

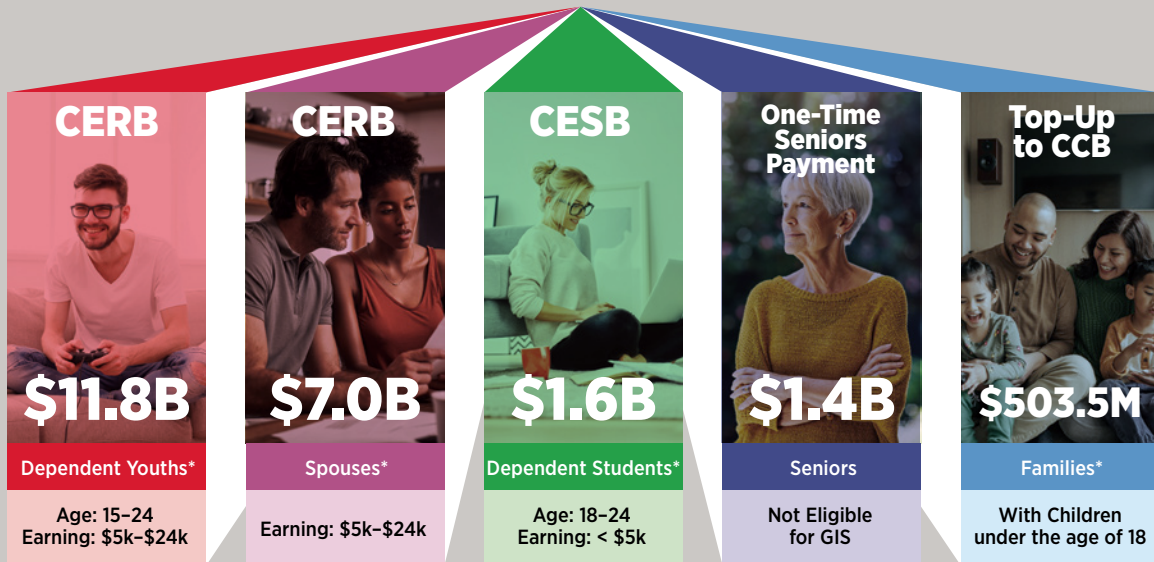


There are also an estimated 177,700 CERB-eligible spouses living in households with \$100,000 in income (2019) who earned more than \$5,000 but less than \$12,000 in 2019, which again means their monthly income at least doubled under CERB. The potential cost of this group is \$2.1 billion.

That's a total of \$10.8 billion in taxpayer money potentially being sent to Canadians with questionable need and who actually saw their monthly income increase substantially compared to when they were working pre-recession. This price tag represents almost half (48.4 percent) of the aforementioned \$22.3 billion in potential waste due to Ottawa's poor targeting of assistance.

And remember, this is happening at a time when some Canadians—single parents, for instance, who have lost

## Summary of potential waste based on poor targeting by program



\* In families with household income of at least \$100,000 in 2019

their jobs—are likely not receiving sufficient support, and when the federal deficit will likely exceed \$350 billion with a national debt topping \$1 trillion.

Sound policy during a recession entails stabilizing incomes to stabilize the economy. That doesn't include making some people better off—by a substantial margin—while others receive inadequate assistance. The key to both policies is targeting assistance and using public resources more wisely and prudently. [FI](#)

**“ Sound policy during a recession entails stabilizing incomes to stabilize the economy. That doesn't include making some people better off—by a substantial margin—while others receive inadequate assistance.”**

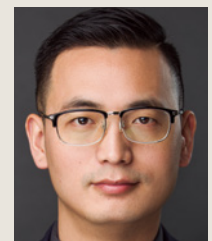
The Trudeau government could have avoided these situations, where individuals were made better off with COVID-related assistance, by simply linking the benefit with the individual's previous income. And for young people deemed dependents, a simple question about household income, and how (or if) it's been affected by the recession, would have helped prevent cash transfers to Canadians with questionable need.



JASON CLEMENS



MILAGROS PALACIOS



NATHANIEL LI



NIELS VELDHIJS

Jason Clemens is executive vice president, Milagros Palacios is associate director, Addington Centre for Measurement, Nathaniel Li is an economist, and Niels Veldhuis is president at the Fraser Institute. They are co-authors of *Federal Government Wasting Billions on Poorly Targeted Assistance*.

# Municipal Government Spending up 51 Percent across Canada over the Last Decade

Livio Di Matteo

Over the last two decades, in an apparent contradiction, municipalities across Canada have increased spending and employment while claiming they are fiscally challenged. They typically run surpluses for their operating budgets yet continue to increase tax levies. It's important we understand municipal finance given the importance of roads, water, police, fire departments, and transit. But understanding these finances is challenging because they are not very transparent and vary widely across municipalities.

Nevertheless, let's look at the broad nationwide numbers.

As noted in a new study published by the Fraser Institute, *Local Leviathans: The Rise of Municipal Government Spending in Canada*, between 1991 and 2018, total real municipal government revenues in Canada grew from \$107 billion to \$186 billion—an increase of 74 percent, while real per-person total revenues grew from \$3,831 to \$5,024—an increase of 31 percent. And total real property tax revenue grew from \$42.2 billion to \$71.7 billion—an increase of 70 percent. Finally, government grant revenue grew from \$48.7 billion to \$80 billion (an increase of 64 percent) while all other revenues from \$16.6 billion to \$34.4 billion, or by 107 percent.

More specifically, property taxes alone account for 48 percent of revenues followed by fees from services such as transit, housing, recreational activities, and other goods (25 percent), government grants (19 percent), and other miscellaneous local taxes (8 percent).

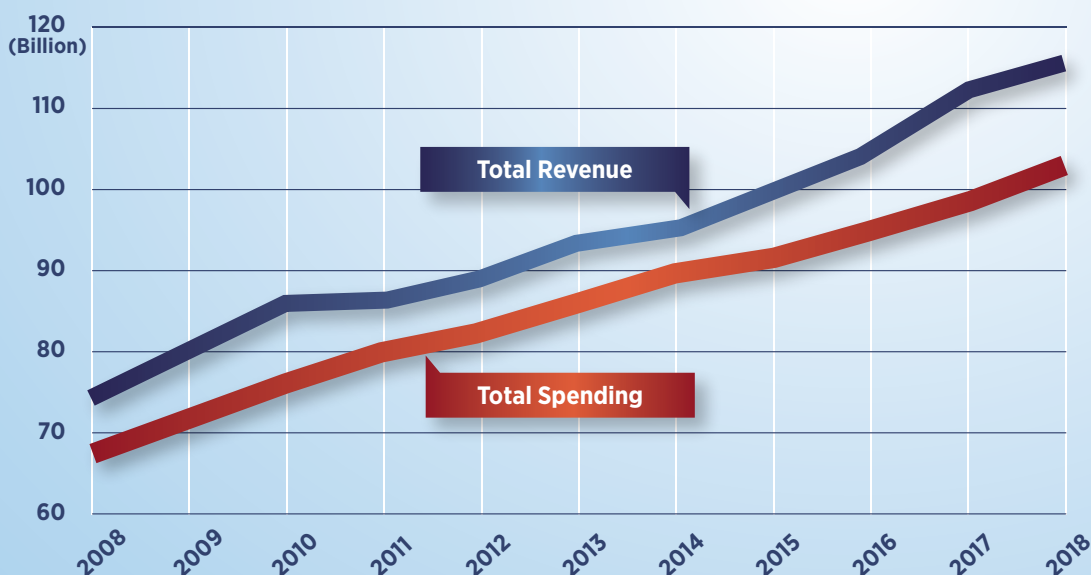


In terms of major spending, 37 percent of operating expenses are for government employee compensation followed by the purchase of goods and services to run municipal operations (28 percent), and fixed capital consumption costs (20 percent).

Several factors drive the increase in spending. Growing revenues from property taxes, intergovernmental grants, and the sales of goods and services are positively related to rising per-person municipal spending. Essentially, spending rises to meet the available revenues.

Moreover, on the cost side, increases in the number of municipal employees (and their pay) also drives municipal spending. This suggests municipalities in Canada have increased spending because of their ability to gen-

## Municipal government spending and revenues up more than 50% across Canada from 2008 to 2018



erate revenues to fuel that spending. Indeed, the municipal wage rate (and the number of municipal employees) significantly help determine per-person municipal spending. As well, the size of the real per-person municipal operating surplus is positively and significantly related to real per-person property tax revenues and grant revenues.

**“ ... only after municipalities make more of an effort to address these spending realities can it be reasonable for municipalities to ask for more money, either from other levels of government or from their own ratepayers via tax increases.”**

Over the long term, Canadian municipalities have played an interesting game. They’re prohibited by provincial legislation from running operating deficits and in fact generate operating surpluses most years, potentially adding to their reserves. From 2008 to 2018, the com-

bined operating surplus for municipalities in Canada ranged from a low of 6.1 percent of revenues in 2014 to a high of 11.9 percent in 2017.

So what’s the main takeaway from all these dollar figures?

Clearly, municipal wage rates and employment numbers are major drivers of municipal spending. Subsequently, only after municipalities make more of an effort to address these spending realities can it be reasonable for municipalities to ask for more money, either from other levels of government or from their own ratepayers via tax increases. In these uncertain times, municipal ratepayers—and provincial and federal governments—must make sure that municipalities do not use the COVID crisis as an opportunity to finance the long-term enrichment of their current spending ways. **FI**



LIVIO DI MATTEO

Livio Di Matteo is a Fraser Institute senior fellow and author of *Local Leviathans: The Rise of Municipal Government Spending in Canada, 1990-2018*.

# Average Canadian Family Spent 42.6% of Annual Income on Taxes—More than Housing, Food, and Clothing Combined

Milagros Palacios and Jake Fuss

As the pandemic continues to hamper the economy, many Canadian families are struggling to keep up with monthly expenses including the rent or a mortgage. However, there's another major expense that significantly adds to the financial burden of families. Indeed, the average Canadian family spends more money on taxes than any other single expense.

To understand the extent of our tax burden, beyond the income and payroll deductions on our paycheques, we must consider all taxes—both visible and hidden—we pay throughout the year to federal, provincial, and municipal governments including property taxes, sales taxes, alcohol taxes, import taxes, and many more. Together, these taxes comprise our total tax bill.

As noted in *Taxes versus the Necessities of Life: The Canadian Consumer Tax Index, 2020 edition*, last year the average Canadian family (including single Canadians) earned \$91,535 and paid \$38,963 in total taxes—that's 42.6 percent of our income going to taxes.

To put this in perspective, housing costs (including rent and mortgage payments) for the average Canadian family totalled \$19,685 or 21.5 percent of its income. Consequently, the average family spends nearly twice as much on taxes as on housing.

Moreover, even if we add expenses for food and clothing on top of housing costs, the average family spent significantly less on those three basic necessities last year (36.2 percent of its income) than what it paid in taxes.



Some Canadians, especially younger Canadians, may think it's always been this way. But the tax burden has evolved over time. For instance, in 1961, the earliest year of comparable data, the average Canadian family spent much less on taxes (33.5 percent) than on food, clothing and housing combined (56.5 percent).

In fact, since 1961, the average Canadian family's total tax bill increased nominally by 2,226 percent, dwarfing increases in annual housing costs (1,641 percent), clothing (793 percent) and food (663 percent). Even after accounting for inflation, our tax bill has still increased 168.5 percent over this period.

So, with 42.6 percent of income now going to taxes, Canadian families are right to wonder whether they get good value for their tax dollars. Of course, taxes

## Average Canadian family pays 43% of its income in **taxes**—more than the **necessities** of life



fund important government services, but we shouldn't simply assume that higher taxes always provide better government services.

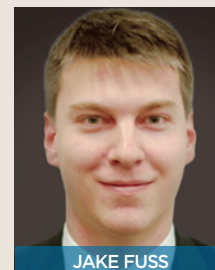
**“** *When Canadians understand the true cost of government, they are better equipped to hold government accountable for how it spends our tax dollars. As it stands today, **the total tax bill is the largest single expense for the average family, eating up more income than housing, food and clothing combined.**”*

While it's ultimately up to individual Canadians and their families to decide if they're getting the best bang for their buck; you must know how much you pay in total taxes to make an informed assessment.

That's where these calculations help. Essentially, they estimate the cost of government for the average family.

Using this knowledge, Canadians can then decide whether or not they're getting good value in return.

When Canadians understand the true cost of government, they are better equipped to hold government accountable for how it spends our tax dollars. As it stands today, the total tax bill is the largest single expense for the average family, eating up more income than housing, food and clothing combined. [FI](#)



Milagros Palacios is associate director, Addington Centre for Measurement, and Jake Fuss is an economist at the Fraser Institute. They are co-authors of *Taxes versus the Necessities of Life: The Canadian Consumer Tax Index, 2020 edition*.

# Trudeau Government Plans to Make Canada Less Attractive to Top Talent



**Steven Globerman and Alex Whalen**

**The recent federal Throne Speech mentioned Canada’s immigration system—specifically, how Canada will compete for global talent—and that Canada “has an opportunity as we recover to become the world’s top destination for talent.” Unfortunately, some of the Trudeau government’s plans will actually make this worthy goal more difficult to achieve.**

Canada accepts about 300,000 immigrants (on average) per year including highly educated individuals with training in science and engineering. This specific group of immigrants makes large contributions to productivity growth by promoting innovation and entrepreneurship.

Recent research shows that compared to other countries, Canada does a relatively good job attracting immigrants with college, undergraduate, or master’s degrees. However, we are less successful at attracting the most highly educated immigrants, often trailing the United States, for example, in attracting immigrants with PhD-level education. Again, some Trudeau government proposals in the Throne Speech could make Canada even less competitive at attracting “star” scientists and engineers from elsewhere.

In particular, the government pledged to eliminate the tax deductibility of stock options. Companies often use stock options to attract and retain talented employees, especially those working in entrepreneurial and innovative activities where commercial success is not guaran-



ted at the outset of business activity. So linking financial rewards to successful outcomes (as is the case with stock options) is a more practical way to compensate talent than salaries alone.

Furthermore, given Canada's current tax system, replacing capital gains from stock options with salaries will likely mean that talented innovators and entrepreneurs will be taxed more heavily for their successful efforts (since a portion of capital gains is exempt from the personal income tax while salaries are not exempt). In the throne speech, the government also pledged to find other new ways to tax wealth, although the details are not yet known.

This tax penalty will exacerbate Canada's tax disadvantage relative to US states. Consider that Canadians at the CA\$150,000 income level face higher combined federal and provincial marginal tax rates than Americans in every US state (the rate is double in some cases).

While not the sole factor, after-tax income is a critical factor for star scientists and engineers to consider when they are choosing where to work. Therefore, tax changes that reduce the expected financial rewards from successful scientific and entrepreneurial activities will discourage the most talented individuals from moving to Canada. And limiting stock option deductibility is a particularly damaging indirect tax, since this type of compensation is well-suited to reward innovation and entrepreneurship.

**“ ... tax changes that reduce the expected financial rewards from successful scientific and entrepreneurial activities will discourage the most talented individuals from moving to Canada.”**

So what can Ottawa do to make Canada more attractive to top talent?

For starters, the government could revise the immigration point system to give greater weight for advanced

degrees in science, technology, engineering, and math (also known as STEM). The point system could also recognize the quality of the applicants' degrees.

**“ Changing the tax structure to penalize the use of stock options and imposing other tax measures that penalize the accumulation of wealth are sure ways to make Canada less attractive for top talent.”**

Fine-tuning the selection criteria should help attract global talent, at the margin. However, if Canada is serious about becoming the world's top destination for talent, as noted in the Throne Speech, policymakers must establish an environment that provides prospective newcomers with economic incentives to choose Canada.

Simply put, changing the tax structure to penalize the use of stock options and imposing other tax measures that penalize the accumulation of wealth are sure ways to make Canada a less attractive location for top talent. **FI**



STEVEN GLOBERMAN



ALEX WHALEN

Steven Globberman is a resident scholar at the Fraser Institute, Addington Chair in Measurement, and professor emeritus at Western Washington University. Alex Whalen is a policy analyst at the Fraser Institute.



## Guaranteed Annual Income Program Would Guarantee Big Tax Changes

Tegan Hill and Jake Fuss

**According to reports, the Trudeau government is considering a guaranteed annual income (or GAI). The basic concept is that the government sends cash transfers to Canadians to ensure a minimum level of income. This might sound like a good idea, but someone has to pay for the cash transfers. In assessing a GAI for Canada, particularly in light of COVID-19 and the recession, it's important to recognize the cost and consider the scale of tax increases necessary to pay for it.**

**T**hat is exactly what we did, using several straightforward cost models.

Our first model assumes that Old Age Security (OAS), which is essentially a basic income for seniors, is now paid to the country's entire working-age population (aged 18 to 64) as a GAI. Canadians would receive a maximum cash transfer of \$7,272 annually and the benefit would be reduced (or "clawed back") at a rate of 15 percent for individuals earning more than \$77,580 in income. Put differently, the benefit is reduced by 15 cents for every dollar of income that exceeds \$77,580.

Under this model, the GAI program would cost an estimated \$131.9 billion each year. However, \$7,272 is well below Canada's poverty line. In other words, despite the

substantial cost, the program would not lift all Canadians out of poverty.

Our second model assumes the federal government provides \$24,000 in annual income to Canadians—the same monthly amount (\$2,000) paid to CERB-eligible Canadians, extended over 12 months—to all working-age Canadians regardless of their income or other eligibility criteria. Under this model, a GAI program would cost an estimated \$464.5 billion annually.

**“ [A Guaranteed Annual Income] might sound like a good idea, but someone has to pay for the cash transfers.”**

These are big numbers to wrap your head around, but it's important to understand the implications. Under any form of GAI, Canadians must pay for the additional government spending in the form of taxes, imposed either today or tomorrow through borrowing. One popular sentiment is that tax hikes on the “wealthy” could pay for a GAI.

In reality, however, all the disposable income of Canada's top earners—those earning \$250,000 or more annually—would fund only 25 percent of the GAI (under the CERB model described above) and only 87 percent of the GAI (under the OAS model). Put differently, any tax increase on top earners would be insufficient to cover the cost of a GAI; there simply isn't enough tax revenue to be generated.

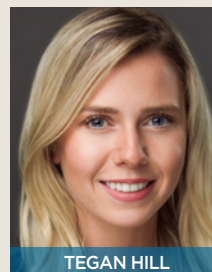
As such, a GAI program in Canada would likely require a host of tax increases, some of them massive, affecting Canadians across nearly every income level, and would likely include hikes to the GST and personal income tax rates.

Finally, it's worth noting that GAI proponents claim that costs could be controlled by replacing the existing system of income supports at both the federal and provincial levels (that would include programs such as the Canada Pension Plan, employment insurance,

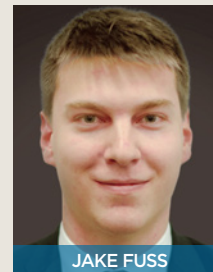
the Canada Child Benefit, and many other benefits). But this would require extensive coordination between multiple levels of government, an impractical and unlikely proposition.

**“ A GAI program in Canada would likely require a host of tax increases, some of them massive, affecting Canadians across nearly every income level, and would likely include hikes to the GST and personal income tax rates.”**

As the old saying goes, there's no such thing as a free lunch. Aside from the other potential problems, which include the danger of disincentivizing work, Canadians must understand the cost and subsequent tax implications of a guaranteed annual income program—namely, a host of costly tax hikes. [FI](#)



TEGAN HILL



JAKE FUSS

Tegan Hill and Jake Fuss are economists at the Fraser Institute. Tegan Hill is co-author of *Illustrating the Tax Implications of a Guaranteed Annual Income* and Jake Fuss is co-author of *How Much Could a Guaranteed Annual Income Cost?*

# Trudeau Government Must Improve Investment Climate to “Build Back Better”



## Niels Veldhuis and Milagros Palacios

**Among other themes, the federal government’s recent Throne Speech doubled down on the “Build Back Better” theme Prime Minister Trudeau first used in August when he said, “We need to reset the approach of this government for a recovery to build back better”—before he shut down Parliament.**

**B**ut while the Liberals have the right goal—to build back better—its policies won’t come close to achieving that goal.

For starters, it’s not actually clear what “build back better” means to the Liberals. The Throne Speech mentioned “addressing the gaps in our social systems,

investing in health care, and creating jobs” and “fighting climate change, and maintaining a commitment to fiscal sustainability and economic growth as the foundation of a strong and vibrant society.” A more focused approach to building back better would target Canada’s number one economic problem prior to COVID—that our competitiveness has significantly deteriorated, and as a result, investment has fled our country for more hospitable jurisdictions.

Consider that Canada has plummeted in competitiveness report cards such as the *World Bank’s Ease of Doing Business* report (where we dropped to 23rd in 2020 from 4th in 2007) and the latest World Economic Forum’s *Global Competitiveness Report* (Canada ranks 14th compared to the United States, which ranks 2nd).

Not surprisingly, from 2014 to 2019 (pre-COVID), business investment in Canada—including investment in machinery, equipment, factories and intellectual property—dropped 17.3 percent. Indeed, 10 of the 15 major sectors of the Canadian economy—including oil and gas, agriculture, manufacturing, and retail—experienced a drop in investment. Investors (both foreign and Canadian) fled Canada for more favourable investment climates. In total, more than \$185 billion in net investment left the country from 2014 to 2019.

It we truly want to “build back better,” we must reverse this trend. But how?

Well, the Throne Speech itself contained the answer—or at least part of it. It said that Ottawa “will ensure Canada is the most competitive jurisdiction in the world” for... wait for it... “clean technology companies.” The Trudeau government will “cut the corporate tax rate in half for these companies to create jobs and make Canada a world leader in clean technology.”

Of course, there’s nothing wrong with becoming the most competitive jurisdiction in the world for clean technology. But why stop there?

**“ ... the environmental and clean technology sector comprises 3.2 percent of our economy and accounts for 1.7 percent of all jobs in Canada. What about the remaining 96.8 percent of the economy? Or the remaining 98.3 percent of jobs?”**

According to Statistics Canada, the environmental and clean technology sector comprises 3.2 percent of our economy and accounts for 1.7 percent of all jobs in Canada. What about the remaining 96.8 percent of the economy? Or the remaining 98.3 percent of jobs? What about construction, manufacturing, retail, wholesale trade, accommodation and food services, agriculture, mining, and our energy industries? Why not make Canada the most competitive and attractive in the world, period?

Well to do so, the Liberals must return to the two-decade long consensus on creating an attractive investment climate—sound fiscal policy (balanced budgets, declining government debt, smaller and smarter government spending), lower and more competitive taxes, and reduced regulation. It worked under the Chrétien Liberals and the Harper Conservatives.

**“ Why not make Canada the most competitive and attractive in the world, period? ... to do so, the Liberals must return to the two-decade long consensus on creating an attractive investment climate—sound fiscal policy (balanced budgets, declining government debt, smaller and smarter government spending), lower and more competitive taxes, and reduced regulation.”**

However, given what we’ve witnessed over the past five years, and the unsustainable increases in government spending included in the Throne Speech, it’s unlikely to happen. Until it does, there’s no chance of actually building back better in Canada. **FI**



NIELS VELDHUIS



MILAGROS PALACIOS

Niels Veldhuis is president and Milagros Palacios is associate director, Addington Centre for Measurement, at the Fraser Institute.

# Court Ruling Locks Patients into Government-Run Health Care



**Nadeem Esmail and Bacchus Barua**

**Albertans are effectively denied any alternative to government-run health care. Unfortunately, a recent court ruling in British Columbia hasn't helped the situation. Recently the BC Supreme Court dismissed a court challenge by Dr. Brian Day, former head of the Canadian Medical Association, whose surgical clinic in Vancouver provided medical services to patients failed by the public system, in violation of BC law. Dr. Day argued that the province's ostensible ban on this type of privately funded health care violates the Charter of Rights and Freedoms.**

**W**hile the court ruling acknowledged the plight of thousands of patients on waiting lists, it simultaneously denied them the right to do anything about it. The result—British Columbians waiting for medically necessary care shall, for the time being, remain locked within government-run health care. Worse, the ruling may threaten the future of the few alternatives that currently exist within Canada's borders.

Despite media reports, the case did not challenge the fundamental nature of universal access to health care in Canada. Rather, it simply sought to provide patients with an alternative—a safety valve—to relieve pressure on the government system. It was an opportunity to

incorporate policies that higher-performing universal health-care systems around the world use; an opportunity now denied.

Though many Canadians remain proud of our health care system, it's important to be honest and acknowledge its many failures. Canadian health care is costlier, has fewer medical resources, and reports mediocre outcomes compared to other wealthy countries with universal health care. We also have some of the longest wait times for care in the developed world.

And we're the only country that effectively forbids a privately funded alternative to the government-run system. In every other developed country—including Sweden, Switzerland, Germany, and the United Kingdom—patients have a choice between the universal government system or a private alternative for their medical care. In Australia, the federal government actually encourages citizens to obtain private health insurance, recognizing that this reduces the burden on taxpayers and encourages better performance from the public system. These alternatives exist everywhere else for good reason.

**“Canadian health care is costlier, has fewer medical resources, and reports mediocre outcomes compared to other wealthy countries with universal health care. We also have some of the longest wait times for care in the developed world.”**

Consider for a moment the more than one million patients in Canada who waited almost 20 weeks (on average) for medically necessary care last year, and their subsequent pain, suffering, mental anguish, lost productivity at work and lost leisure time. Things are even worse here in Alberta where patients faced an estimated 28-week wait (on average) for medically necessary care (after referral from a family doctor) last year.

Waiting for health care is not a benign process. Delayed access may result in poorer outcomes from care or more

complex treatments because of deteriorating medical conditions. Waiting too long can even condemn some patients to death.

**“Unlike citizens of every other developed country, we're stuck with two options—wait our turn for health care here (and suffer the consequences) or cross the border for treatment elsewhere.”**

And unlike citizens of every other developed country, we're stuck with two options—wait our turn for health care here (and suffer the consequences) or cross the border for treatment elsewhere. Indeed, it's estimated that between 52,000 and 217,000 Canadians leave Canada each year seeking health care.

Unfortunately, the BC Supreme Court ruling, which will likely be appealed, prevents those same Canadians from accessing certain health care services (including major surgeries) here at home, on their own terms, with their own resources when the public system is unwilling or unable to meet their needs. [FI](#)



NADEEM ESMAIL



BACCHUS BARUA

Nadeem Esmail is a senior fellow and Bacchus Barua is associate director of Health Policy Studies at the Fraser Institute.



## China's Attack on Hong Kong's Freedom Must Be Fully Exposed

Studio Inceado Flickr photo

**Fred McMahon**

**In a recent *New York Times* opinion piece, Regina Ip, a member of Hong Kong's Executive Council (essentially the cabinet of Hong Kong's government), defended the Chinese Communist Party's assault on freedom in Hong Kong—while also noting Hong Kong's top rating in the Fraser Institute's *Economic Freedom of the World Annual Report*.**

**B**ut using our annual report to bolster her argument is misleading, to say the least.

For starters, our report solely measures economic freedom—essentially, the ability of individuals to make their own economic decisions—not other freedoms. And this year's report uses the latest comprehensive data, which is from 2018—something Ms. Ip also fails to note. While Beijing has been squeezing Hong Kong for some time, it's been more aggressive over the last couple of years. Consequently, in coming years, Hong Kong's score in our report will surely decline due to increased aggression from China (which ranked 124th in this year's report compared to Hong Kong's first place ranking).

In her commentary, Ms. Ip (known as “Beijing's enforcer”) explains why we shouldn't worry about Hong Kong's



fate: “Foreign governments should not benchmark what happens in Hong Kong against standards that prevail in Western countries; those are governed by a political system entirely different from China’s. Instead, they should benchmark Hong Kong against the rest of China.”

By this miserably low standard, she says Hong Kong “can maintain its unique characteristics—openness, a commitment to personal rights and freedoms, respect for the rule of law and the ability to reinvent itself economically.”

But these words are meaningless because she also claims that the security law imposed on Hong Kong by the Chinese Communist Party (CCP) has not infringed on Hong Kong’s freedom. In support of this, she dubiously claims that only 28 people have been arrested under the law since it was proclaimed on June 30, and fails to note the use of other laws used to arrest hundreds of demonstrators and justify police raids on the media.

**“ In coming years, Hong Kong’s score in our [Economic Freedom of the World] report will surely decline due to increased aggression from China (which ranked 124th in this year’s report compared to Hong Kong’s first place ranking).”**

Finally, Ms. Ip accuses pro-democracy Hong Kongers of promoting “anti-China sentiment.” This is false. The vast majority of Hong Kong residents are Chinese themselves and hardly anti-Chinese. Instead, they oppose the CCP attacks on their freedoms. Many in Hong Kong fled or are the children of those who fled the CCP during Mao Zedong’s terrors.

Perhaps the most revealing sentence in Ms. Ip’s op-ed is the last: “Beijing’s national security law is saving ‘one country, two systems’ by ensuring that Hong Kong does not become a danger to China.”

The danger is not to China; it’s to the CCP, which fears that any example of freedom—and the benefits of freedom—threaten its regime. Thus, freedom in Hong Kong must be crushed so it “does not become a danger to China.”

**“ The vast majority of Hong Kong residents are Chinese themselves and hardly anti-Chinese. Instead, they oppose the Chinese Communist Party attacks on their freedoms.”**

It’s important for news outlets to expose these false and distorted arguments so they don’t lurk in the dark but can wither in the light. [FI](#)



Fred McMahon is Resident Fellow, Dr. Michael A. Walker Chair in Economic Freedom at the Fraser Institute. He is a co-author of the *Economic Freedom of the World: 2020 Annual Report* publication.



## If Carbon Taxes Work, Why all the New Regulations?

**Ross McKittrick**

**Many economists were excited a few years ago when the federal Liberals committed to introducing a carbon tax. Whether they were specialists in environmental economics or not, they knew from their introductory textbooks that emission pricing is a good tool for controlling pollution. And here was a major political party citing economic theory to support its policy plans. How enlightened!**

**B**ut the specialist literature carried a warning my colleagues largely ignored. As I tried to caution (more than once), emission pricing makes sense if it is

used instead of, not on top of, regulation. Because the different policy instruments amplify each other's costs, if emission regulations are not removed before adding the tax, the outcome can be worse than doing nothing at all.

Unfortunately most Canadian economists were happy to do the light lifting of telling governments why they should introduce a new tax, but very few wanted to help with the heavy lifting of convincing the government they first need to repeal renewable energy mandates, home retrofit subsidies, ethanol mandates, electric vehicle subsidies, appliance efficiency standards, new energy efficiency codes for buildings, new motor vehicle fuel

regulations, coal phaseouts, and a host of other fashionable green policies, support for which is nowadays viewed as a litmus test for being a good citizen.

**“ We have ended up with the worst of both worlds. None of the inefficient policies were repealed, carbon taxes were layered on top, and now the government is charging ahead with even more misguided climate regulations.”**

---

So we have ended up with the worst of both worlds. None of the inefficient policies were repealed, carbon taxes were layered on top, and now the government is charging ahead with even more misguided climate regulations. The recent Throne Speech brings back for the millionth time home energy retrofit subsidies, despite ample evidence (going back to the old CHIP grants in the 1970s) that most of the money is wasted paying people to do things they were planning to do anyway. Even worse is the proposed Clean Fuels Standard, a high-cost boondoggle that aims to bring the carbon intensity of fuels down a small amount, at what will be an exorbitant cost per tonne that far exceeds the carbon tax rate.

So if, as the Trudeau government insists, carbon taxes “work,” why all the regulations? The reality is the government never understood or endorsed the economic theory of carbon taxes; it just liked the virtue signalling and the revenue.

Carbon taxes “work,” but it’s important to understand what the word means in this context. The tax is supposed to charge fuel users for their estimated contribution to climate change, and to nudge everyone into adopting the lowest-cost emission reductions. If the tax is set at a reasonable amount, it accomplishes both goals automatically, so in that sense it “works.” But when costly regulations are layered on top, both goals are thwarted. It’s the combination of policies that fails.

When critics charge that carbon taxes don’t work they usually mean that emissions don’t fall by much in response. This may be true, but it doesn’t mean the tax didn’t work, it just means that the fuel to which it applied has an inelastic demand, i.e., people don’t adjust their purchases by much in response to a price increase. This doesn’t mean regulations would work better; if anything it implies that they will impose much higher costs than people would be willing to pay if given the choice.

Still, there is a valid version of the “carbon taxes don’t work” argument—if governments make a promise that we can reach the Paris climate targets easily and painlessly by implementing a carbon tax with rebates or tax cuts so most people come out ahead, then no, in that sense carbon taxes won’t work. To get to Paris-level emission cuts will require a carbon tax at a high enough level that it will shrink the rest of the tax base by more than the carbon tax brings in. Revenue-neutrality for governments will require other taxes to go up, not down.

And that’s in the rarified world where carbon taxes are used in isolation. Throw inefficient regulations into the mix and the costs go even higher. Sadly, we have a government in Ottawa that seems determined not only to set unrealistic emission targets, but also to use an inefficient mix of instruments that inflate the costs even further. Carbon taxes can work, but not the way Canada is using them. [FI](#)



ROSS MCKITRICK

Ross McKittrick is a Fraser Institute senior fellow and professor of Economics at the University of Guelph.

# Government Should Allow First Nations to Freely Compete in Gaming Industry



**Tom Flanagan**

**In 1985, at a time when Canada was working to reduce regulations in sectors such as telecommunications and air-passenger travel, Parliament amended the Criminal Code to give the provinces jurisdiction over gambling. The provinces proceeded to use their new jurisdiction to create cartels for their own profit, in which they either owned licensed casinos or took a large share of the earnings. When First Nations communities lost their court challenges against the provinces they were forced to fit into the cartel system—and as a result, they had to take whatever was left over.**

Only Alberta has meaningfully allowed Indigenous communities into lucrative metropolitan markets, with one casino each in Edmonton and Calgary. With a few exceptions—recently licensed First Nations casinos near Saskatoon and Winnipeg, the siting of Casino Rama in a popular resort location in Ontario, and Membertou video lottery terminal parlours in Sydney, Nova Scotia—First Nations casinos have been placed far from the main action, limiting their bottom lines.

This matters, because First Nations casinos can bring enormous benefit to their communities. For the few casinos located in or near cities and destination resorts,

a new casino is often an inflection point in their Community Well-Being index scores (CWB is an aggregate of income, employment, education, and housing data collected by Statistics Canada). After opening a casino, scores rose more rapidly than their previous rate of progress; the significant profits that can be earned can be used to provide better housing and other social services for members and also be leveraged for business and real-estate development, as is now happening in Edmonton and Calgary.

However, while casinos with rural locations are generally profitable and honestly run, and while they can generate useful amounts of cash and jobs for the host First Nations, hosting a rural casino generally has no demonstrable effect on the well-being of the hosts. The CWB scores of less favourably located First Nation casinos have not risen more rapidly than for First Nations generally, because the revenues from remote locations are not large enough to be transformative.

**“ ... an even better policy would be to relax cartel restrictions so that First Nations can get into more profitable big-city markets and earn more for themselves.”**

---

British Columbia and Manitoba plan to follow Ontario in giving First Nations a larger percentage of all gambling revenue in the province. Other analysts suggest allowing First Nations to keep a greater share of what they generate in their casinos. While these proposals have merit, an even better policy would be to relax cartel restrictions so that First Nations can get into more profitable big-city markets and earn more for themselves.

Doing so might mean that some First Nations would operate casinos in multiple locations off their present Indian reserves, but in cases where that becomes an issue, such communities can buy urban land and incorporate it into their reserves in a model that's well-established and could easily be applied more widely.

The federal government can advance the issue of such economic reconciliation by threatening to take back jurisdiction over gambling from the provinces; after all, what Parliament gave, Parliament can take back. Ottawa could also leave general jurisdiction with the provinces but assume regulatory power over First Nation casinos; this is the case for the gambling ventures of Indian tribes in the United States, and they are far more numerous and generate far more revenue for their hosts than in Canada.

**“ ... the best possible policy would be to abolish provincial cartels... First Nations have shown their ability to compete, and they should be permitted to do so in such a market.”**

---

But the best possible policy would be to abolish provincial cartels. Because of the large amount of money that's involved, gambling requires strict government regulation to keep out organized crime, money-laundering, and profit-skimming, but beyond that, gambling could well operate in a free market, much as other entertainment industries do. First Nations have shown their ability to compete, and they should be permitted to do so in such a market. [FI](#)



Tom Flanagan is professor emeritus of Political Science and distinguished fellow, School of Public Policy, University of Calgary. He is the author of *The Wealth of First Nations*, shortlisted for the 2019/2020 Donner Prize.

## Trudeau Climate Plan More Fairy Tale than Science



**Robert P. Murphy**

**The Trudeau government prides itself on taking the science of climate change very seriously. Yet its actual climate policies are based on fairy tales. In the recent Throne Speech, the government promised to “immediately” present a plan to exceed Canada’s 2030 emissions-reduction target (under the Paris climate accord) and reach net-zero carbon emissions by 2050.**

This follows an earlier announcement in July when the government introduced new rules for energy and transportation projects that also must show “net-zero” emissions by 2050. In reality, the government

hasn’t even tried to justify this 2050 goal (which incidentally flies in the face of the work of Nobel laureate William Nordhaus, who won the Nobel Prize for his pioneering work in the economics of climate change). By requiring new projects to spin tales of conjectured innovations over the next three decades, the Trudeau government is hardly being scientific.

More specifically, the government recently published its *Strategic Assessment of Climate Change*, which explains how the Impact Assessment Agency of Canada will determine whether a proposed project has demonstrated its ability to become a net-zero carbon emitter

by 2050. As Jairo Yunis, Ashley Stedman, and Elmira Aliakbari recently explained in the *Fraser Forum* blog, “Ottawa Introduces New Rules for Energy Sector at Worst Possible Time,” the requirements apply to “new mines, power plants, pipelines, airports, oil and gas projects, and railways” and impose unrealistic burdens.

Canada has a dismal record in meeting its climate targets. According to the CBC’s Aaron Wherry, since 1988, Canada has committed to nine climate targets under four different prime ministers. Thus far, five of these targets have been missed—by wide margins—while two pertaining to 2020 are on track to be missed. Of the remaining two, one is the Paris target, where emissions should be cut 30 percent below 2005 levels by the year 2030—which, despite last week’s Throne Speech, we’re on track to miss.

What then should we make of the extremely ambitious goal of net-zero emissions by 2050? The new regulations, forcing individual projects to explain how they will meet such an infeasible goal, are merely forcing private-sector promoters to adopt the fairy tales promulgated by federal officials.

**“By requiring new projects to spin tales of conjectured innovations over the next three decades, the Trudeau government is hardly being scientific.”**

Consider this. To show net-zero emissions by 2050, a proposal to open a new airport or railway must include all sorts of assumptions about global oil demand, progress in solar and battery technology, and the rate of adoption of electric vehicles by consumers. Because Ottawa’s 2050 target is so ambitious, only the most optimistic assumptions (which rely on unproven technologies) will allow the project to pass the (arbitrary) government threshold. Regulators must either endorse fairy tale scenarios or deny the development of a new airport or railway that Canadians might desperately need.

What’s worse, a simple standard cost/benefit analysis can’t justify the net-zero 2050 target. For example, according to William Nordhaus’s model, under a world-wide “optimal carbon tax,” global emissions would keep rising up to about 2050, and would only gradually begin declining thereafter.

**“Canada has a dismal record in meeting its climate targets... Canada has committed to nine climate targets under four different prime ministers. Thus far, five of these targets have been missed—by wide margins—while two pertaining to 2020 are on track to be missed...”**

Nordhaus is no “denier,” but his model balances the benefits of emission reductions against the very real costs of more expensive energy and transportation. This is why his work recommends much more modest emission-reductions than those coming from the Trudeau government. Any honest analyst familiar with the history must recognize that Ottawa’s climate targets are the stuff of fairy tales rather than science. [FI](#)



Robert P. Murphy is a Fraser Institute senior fellow and a research fellow at the Independent Institute.

## ONLINE SEMINARS AND WORKSHOPS

The Institute's fall education programs are in full swing and this autumn we will be putting on 16 seminars that will educate thousands of high school and post-secondary students.

This fall semester is obviously very different as we can't put on our regular in-person education programs. That said, we are delighted to report that our team has very quickly responded to the needs of teachers and students and are offering an impressive line-up of online seminars and workshops.

For example, we recently had climate science realist and one of *TIME Magazine's* top 100 most influential people in the world, Dr. Bjørn Lomborg, present at our program aimed at university students. Bjørn Lomborg sets the facts straight on climate science and focuses on solutions that will truly make a difference to humanity and the planet.

Here's just one of the dozens of positive quotes from students that attended:

**“** *When Dr. Lomborg started his presentation, I was fairly skeptical at first, but he brought up some good points about costs and policy and proposed an alternative course of climate change action. **Very grateful to have attended, and had this shift of perspective!**”*

---





We're also hosting virtual programs for high school teachers that provide ready-made lesson plans that present a more rounded view of economic issues than are normally provided by provincial education ministries. Workshop topics include: *Economic Principles*, *Economic Episodes in Canadian History*, and *Economic Freedom of the World*.

Since launching the digital programs in May, we've delivered five virtual workshops to 130 teachers—who in turn, as a modest estimate, will reach over 10,000 students annually.

We're working hard to reach an ever-growing number of students and teachers and offer all of our programs free of charge to students and teachers.

**“ The modules are something we can use right away in our classes.”** —Teacher from Semiahmoo Secondary, Surrey, BC



## NEW STUDENT CENTRE WEB PAGE GEARED TO INDEPENDENT LEARNER

In addition to providing timely resources for teachers, over the summer we gave our student resources pages a makeover designed specifically with the independent learner in mind. Students can now easily access timely infographics and research studies in one place to help support their academic work. [FI](#)

For more information please visit [fraserinstitute.org/education-programs](https://fraserinstitute.org/education-programs)





## Alex Whalen

### What's your role at the Institute?

Working with the research and development teams, I have a

dual role that is focused on the Institute's work in Atlantic Canada. Specifically, I work on research related to Atlantic Canada prosperity and I maintain and grow our base of supporters in the region.

### How did you arrive at the Institute?

The Atlantic Institute for Market Studies (AIMS) merged with the FI in 2019, so with the merger, I became part of the Fraser Institute. I joined AIMS in January 2016 while still in school to assist with a small project. We had discussed approximately two weeks of work but I've been here in some capacity ever since. I was pleased to participate in the merger and join the Fraser Institute.

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

The health and recovery of the economy in Atlantic Canada during the current downturn is a major concern. We have a number of projects planned that address the challenge of regional prosperity. I'm excited about the potential impact of those projects.

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

I enjoy building things, and I'm currently in the process of renovating a house we bought last year.



## Drue MacPherson

### What's your role at the Institute?

In my role as Junior Media Relations Coordinator for Eastern Canada,

I assist in supporting, developing, and implementing communication plans and strategies to generate media coverage for the Institute's research, outreach programs, and events.

### How did you arrive at the Institute?

I became part of the Institute when Fraser merged with the Atlantic Institute for Market Studies. What started as contract work eventually turned into my role as part of the communications and marketing team. I began as an intern at AIMS, then ran student programming and acted as communications and outreach coordinator.

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

My overall ambition as a member of the team is to increase our presence in Eastern Canada, specifically Atlantic Canada, so that the Institute's work can influence policy changes and remain part of the discourse for the foreseeable future.

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

I enjoy dramaturgy and directing local theatre productions, writing short fiction, hiking in Cape Breton, and playing 4/6ths of a guitar.

# Leave a legacy

Leave a legacy of freedom and prosperity by making a commitment to the Fraser Institute in your will. You will be leaving a lasting testament to your devotion to a better Canada.

For further information on legacy giving and the Fraser Institute please call: (604) 688-0221, ext. 579  
or e-mail: [development@fraserinstitute.org](mailto:development@fraserinstitute.org)

**FRASER**  
INSTITUTE

A project of the Fraser Institute

# ESSENTIAL SCHOLARS

**The Essential Scholars series** consists of a growing number of educational modules, each summarizing the key ideas of a particular economist, philosopher, or school of thought in the classical liberal tradition. Each module consists of a short book outlining the main ideas of the scholar involved (written by a leading authority in accessible language), several short supporting videos summarizing some of the key insights, and links to additional learning resources. **Visit: [www.essentialscholars.org](http://www.essentialscholars.org)**

