A Macdonald-Laurier Institute Publication

#2 IN A SERIES

ESTIMATING THE TRUE SIZE OF GOVERNMENT

Adjusting For Regulation

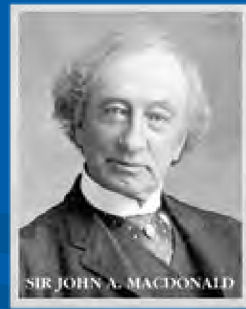
Philip Cross

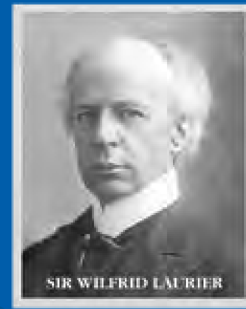
MLI
Macdonald-Laurier Institute

May 2014

MACDONALD-LAURIER INSTITUTE

True North in Canadian Public Policy





For more information visit: www.MacdonaldLaurier.ca

Table of Contents

The author of this document has worked independently and is solely responsible for the views presented here. The opinions are not necessarily those of the Macdonald-Laurier Institute, its Directors or Supporters.

Executive Summary

Knowing the extent of regulation in the economy is important because regulation has been found to stymie innovation, depress productivity, raise prices, and lower living standards. However, while several studies have measured the cost of complying with the regulatory burden, there has been no attempt to measure the extent of the Canadian economy subject to regulation.

What's more, there is little appreciation in this country of the overall size of government, which should be fundamental to almost any informed debate on public policy. The traditional measure, government spending as a portion of GDP, ignores the significant impact of two other vital determinants of the true size of government: regulation, to be discussed in this paper, and tax expenditures, which were examined in an earlier Macdonald-Laurier Institute study authored by former StatsCan Chief Statistician Munir Sheikh. The results are eye opening.

Combining all three measures of how government exerts direct control over the components of GDP yields an estimate of the full extent of government control of spending in the Canadian economy. The results challenge the traditional view of the size of government in Canadian society. The standard measure is that government accounts for about 44 percent of the economy, based on its share of spending in GDP. Accounting for tax expenditures, which have grown to at least 10.1 percent of GDP, raises the share that government controls to 54 percent. Adding the 10.5 percent of the economy where government regulates either prices or output boosts government control of all spending to over 64 percent.

In a broad sense, all sectors of the economy are subject to regulations covering health, occupational safety, and the environment. The focus of this paper is on regulations that are intended to control the price or output of a specific industry. Examples of such regulatory control are utilities that require government approval of prices, supply management boards that control entry into farming, or restrictions on foreign investment in telecommunications or banks.

The results show that 10.5 percent of the Canadian economy was subject to regulatory control in 2010. Almost 80 percent of this control was concentrated in utilities, agriculture, finance, and communications.

Regulation in these four industries goes back decades, often rooted in the original motivations for regulation – the problem of natural monopolies in utilities, the preservation of a sound banking system, and protection of Canada's culture industries.

That the rationales for regulation in key industries are long-standing is a major problem for the future of regulation. Justifications that were valid decades ago may no longer apply, particularly given the pace of technological change. What is the usefulness of regulating media for Canadian content after the arrival of the Internet? Similarly, firms and households can buy financial services anywhere in the world, skirting the efforts of regulators in Canada to control risk.

Regulation is concentrated in the consumer sector, although it now rarely takes the form of direct control of prices for energy, air travel, and rental units that proliferated in earlier decades. Instead, regulation is implemented through the granting of monopolies in industries such as utilities or the post office, or insulating domestic firms from foreign competition.

Regulations are far less common outside of the consumer sector. In particular, governments usually avoid regulating export industries because they have to compete in the global marketplace. This is an implicit recognition that regulations lead to inefficient producers and higher prices. Regulation thrives in domestic industries sheltered from foreign competition, such as banking and culture. The transportation industry demonstrates this dichotomy, with little regulation in areas which face foreign competition (such as air travel, rail, and truck transport), while urban transit and taxis are regulated because they do not have competition from imports.

Globalization and the Internet are already undermining the monopoly of traditional domestic suppliers. Similarly, technological change threatens the traditional monopolies of utilities, while efforts to liberalize trade are intensifying the pressure to end the tariff walls that protect marketing boards. In the early 21st century, where adaptability to rapid change is paramount, regulation increasingly seems a quaint relic of the 20th century.

Sommaire

Il importe de connaître l'étendue de la réglementation au sein de l'économie, car on a démontré qu'elle fait obstacle à l'innovation, influe négativement sur la productivité, relève les prix et diminue le niveau de vie. Cependant, alors qu'on a tenté de mesurer le coût de la conformité réglementaire dans plusieurs études, on s'est peu penché sur le poids de la réglementation dans l'économie canadienne.

De plus, on évalue mal la taille globale du gouvernement au pays, ce qui pourtant devrait être une condition essentielle à presque tout débat informé sur la politique publique. La mesure traditionnelle utilisée, soit les dépenses du gouvernement en pourcentage du PIB, ne tient pas compte de l'impact notable de deux déterminants cruciaux de la taille réelle du gouvernement : soit la réglementation, sur laquelle porte la présente étude, et les dépenses fiscales, qui ont fait l'objet d'une étude il y a peu de temps à l'Institut Macdonald-Laurier, dont Munir Sheikh, ancien statisticien en chef du Canada, est l'auteur. Les résultats sont particulièrement révélateurs.

En combinant les trois mesures du contrôle direct du gouvernement sur les composantes du PIB, on obtient un estimé de la pleine étendue du contrôle du gouvernement sur les dépenses dans l'économie canadienne. Ces résultats remettent en question le point de vue traditionnel sur la taille du gouvernement dans la société canadienne. Selon la mesure standard, soit le pourcentage des dépenses du gouvernement dans le PIB, le gouvernement compte pour environ 44 pour cent de l'économie. Lorsqu'on ajoute les dépenses fiscales, qui atteignent maintenant au moins 10,1 % du PIB, cette proportion s'élève à 54 %. La proportion s'élève encore de 10,5 pour cent lorsque l'économie réglementée soit en fonction des prix soit en fonction de la production est prise en compte. Le contrôle gouvernemental de toutes les dépenses se situe donc à plus de 64 %.

Au sens large, tous les secteurs de l'économie sont soumis à la réglementation en matière de santé, de sécurité professionnelle et de protection environnementale. Cette étude porte sur la réglementation dont l'objectif est de contrôler les prix ou la production dans certaines industries en particulier. Ce contrôle réglementaire se manifeste, par exemple, dans les services publics lorsque l'établissement des prix doit être soumis à l'approbation du gouvernement, dans les systèmes de gestion de l'offre qui régulent les entrées du secteur agricole ou dans les secteurs des télécommunications et des banques par suite des barrières à l'investissement étranger.

Les résultats montrent que 10,5 pour cent de l'économie canadienne a fait l'objet d'un contrôle réglementaire en 2010. Près de 80 pour cent de ce contrôle était concentré dans les services publics, l'agriculture, les finances et les communications.

Dans ces quatre industries, la réglementation, qui remonte à des décennies, est souvent enracinée dans ses motivations à l'origine, soit le besoin d'encadrer les monopoles naturels dans les services publics, de maintenir un système bancaire solide et de protéger les industries culturelles du Canada.

Vu le caractère dépassé de ses justifications, la réglementation dans les industries clés pose un problème majeur pour celle de l'avenir. Les justifications bien fondées des décennies passées pourraient bien ne plus l'être, en particulier alors que la technologie évolue rapidement. En quoi la surveillance du contenu canadien dans les médias peut-elle être utile à l'ère de l'internet? De même, les entreprises et les ménages peuvent maintenant acheter des services financiers partout dans le monde. Cela ne rend-il pas caducs les efforts des organismes de réglementation au Canada pour maîtriser les risques?

La réglementation est axée sur le secteur de la consommation, même si elle ne prend désormais que rarement la forme de contrôles directs sur les prix comme ceux qui ont proliféré au cours des décennies précédentes dans les secteurs de l'énergie, des voyages aériens et des logements locatifs. La réglementation est maintenant mise en application par l'octroi de monopoles dans des industries comme les services publics ou les services postaux, ou encore par l'imposition de restrictions à la concurrence étrangère dans certains secteurs.

La réglementation est beaucoup moins fréquente hors du secteur de la consommation. Ainsi, les gouvernements évitent habituellement de réglementer les industries d'exportation parce qu'elles doivent être concurrentielles sur le marché mondial. Ils reconnaissent donc, de façon implicite, que la réglementation entraîne des inefficacités et des hausses de prix. La réglementation est florissante dans les industries nationales à l'abri de la concurrence étrangère, comme les banques et la culture. L'industrie du transport illustre bien cette dichotomie, car les domaines soumis à la concurrence étrangère (tels que les voyages par avion et le transport par train et par camion) sont peu réglementés, contrairement aux transports urbains et aux taxis, qui eux sont à l'abri de la concurrence des importations.

La mondialisation et l'internet compromettent déjà le monopole des fournisseurs nationaux traditionnels. De même, les changements technologiques menacent les monopoles traditionnels dans le secteur des services publics, tandis que les efforts visant à libéraliser les échanges risquent du même coup de faire tomber les barrières tarifaires qui protègent les offices de commercialisation. Au début du 21^{e} siècle, où la capacité d'adaptation au changement rapide est primordiale, la réglementation semble de plus un artefact du 20^{e} siècle.

Overview

No matter what one's views are on the proper size of government in our economy, most people would agree it is vital to know its actual size. The size of government is the main determinant of our tax burden, now and in the future once debt payments are factored in. The full range of government direct control of how resources in our economy are allocated is a major determinant of the efficient use of these resources. Given the importance of understanding the true size of government in Canada's economy, it is surprising that its full extent has never been quantified until now.

There are three ways governments directly influence spending in GDP. First is the traditional measure of their total spending on goods and services as well as on transfer and debt payments. The second is tax expenditures, which are taxes that would have been paid but people are allowed to keep if they use the monies for things the government would otherwise have provided. The third is the regulation of prices or output in specific industries.

> Governments in Canada have a direct say in how nearly two-thirds of all GDP is spent.

While there are numerous studies of the extent of direct spending, in Canada there has never been an attempt to measure the other two. A companion study released earlier this year by the Macdonald-Laurier Institute provides estimates of the extent of tax expenditures (Sheikh 2014). The current paper assesses how much of output is subject to direct government regulation.

Both tax expenditures and regulation allow governments to achieve policy goals without directly spending money. As such, with so many governments struggling to control their debt and deficits, there is the temptation for governments to use tax expenditures or regulations as a way to exert control over the economy while minimizing government spending. However, both still entail a cost to government; tax expenditures represent a loss of tax revenues, while most regulations require some spending for administration and enforcement, as well as the indirect cost of higher prices for regulated products that government buys.

Governments increasingly have resorted to tax expenditures, raising their share of GDP from 7 percent to 10 percent over the past decade. However, regulation has fallen from its peak in the early 1980s, when governments were regulating prices for everyday purchases such as oil and gas, air travel, and housing rents. Today, about 10.5 percent of output is directly regulated, mostly in the traditional areas of culture, finance, utilities, and farming.

Combining all three measures of government direct control over the components of GDP yields an estimate of the full extent of government control of spending in the Canadian economy. The results challenge the traditional view of the size of government in Canadian society. The standard measure is that government accounts for about 44 percent of the economy, based on its share of spending in GDP. Accounting for tax expenditures, which have grown to at least 10.1 percent of GDP, raises the share that government controls to 54 percent (Sheikh 2014). Adding the 10.5 percent of the economy where government regulates either prices or output boosts government control of all spending to over 64 percent. These are lower-bound estimates, as significant types of tax expenditures could not be quantified and a finer level of disaggregation of regulations, by industry or by province, would yield more instances of regulation. That governments in Canada have a direct say in how nearly two-thirds of all GDP is spent reflects how government has expanded its reach into most areas of our economy.

Introduction to Regulation

It is important to understand the extent of government regulation of the economy. It is one dimension of the influence government has on the allocation of resources within the economy and on our everyday lives. Regulation has important implications for the behaviour of productivity, prices, and innovation, and hence significantly impacts the overall performance of the macroeconomy. The costs of administering and complying with regulations are borne by almost all sectors of the economy.

There are many ways governments shape our society. The most direct influence of government is spending to provide or purchase a product or service or to transfer money. Partly because it has proved increasingly difficult to fund or justify these direct expenditures, governments have shifted to providing tax incentives for people to behave in a manner favoured by the government.

The broadest impact of government on society is the web of laws and regulations that, in some key instances, are the basis for all economic activity. Laws, such as those enshrined in defining property rights and contracts, are fundamental to economic activity. They also set the parameters under which regulation is deployed. Clean air laws, for example, led to regulations governing auto emissions and fuel economy as governments grappled with how to reduce smog in ways that required all companies to contribute.

This paper does not attempt to measure the extent of regulations that apply to almost all activities, such as those related to occupational health and safety or the environment or labour codes. Instead, regulation is measured as the attempt by government to significantly control the price or output of a specific industry. Setting mandatory fuel efficiency standards for motor vehicles, for example, is not an attempt to regulate competition in the auto industry, but helps set the broad parameters within which competition takes place. However, this does alter the competitive balance at the margin, favouring companies who can most quickly or cheaply achieve these new standards. This paper is only interested in those instances where government is preventing or altering competition enough to significantly affect the price or output of an industry. Common examples include restricting foreign-owned firms from entering the banking or telecommunications industries or creating government-owned monopolies for utilities or postal delivery.

How Regulation Evolved

One view of regulation is that it is "the imposition of rules intended to modify economic behaviour of individuals and private firms by a government" (Ndayisenga and Downs 2005, 7). Modern regulation began in the late 19th century in response to the growth of monopolies in areas such as telephones, telegraphs, and electricity. Such regulations involved "interventions into the decision-making of consumers and producers to correct some type of market failure" (3). The initial model for regulation was to cap price increases that such natural monopolies could extract from their customers.

Another basic type of regulation is designed to safeguard people's money and investments in the financial system, which began in earnest after the financial calamity of the Great Depression in the 1930s.

Governments can also regulate some prices to control price inflation, usually for basic necessities like food, energy, and housing. Notable examples include rent controls and the National Energy Program's direct control of domestic oil prices in the early 1980s. It is often the case that regulating prices in the short-term dampens the future supply of the regulated items, putting upward pressure on prices when shortages materialize. Not all regulations are intended to benefit consumers, as shown by marketing boards which restrict output and raise prices for poultry, eggs, and dairy products.

Over time, regulations were modified to not just correct for market failure, but to achieve social goals. For example, regulated industries such as telephone or railroads were instructed to provide services to remote rural communities that were unprofitable for firms to service. To offset this operating loss, companies in these industries were protected from competition in their profitable urban locations, with other firms either barred from entering the industry or forced to compete on an equal footing by being required to service remote regions.[1] Effectively, this transferred income from urban to rural areas, but without the government raising taxes or spending to do so. This is an example of government using regulation as an extension of its fiscal and social policy via a method that is not counted in the usual measures of government's control of spending in the economy.

> Not all regulations are intended to benefit consumers.

Until recently, most models of how regulations evolved treated them as something imposed on industry by government. However, another view of regulation from the University of Chicago, championed by George Stigler, suggests that "regulation may be actively sought by an industry . . . and is designed and operated primarily for its benefit" (1971, 3). In this view, industry captures the coercive power of the state instead of its cash. The most obvious examples of this type of regulation are the Canadian Radio-television and Telecommunications Commission (CRTC) or marketing boards, which limit new entrants and bar foreign competition. Sometimes the entity providing the service and the regulator are the same, such as the Canadian Broadcasting Corporation (CBC) which fulfilled both roles for TV in Canada from 1952 to 1958.

Why Regulation is Important

Why is it important to understand the extent of regulation in the Canadian economy? Regulation of specific industries is likely to stymie innovation and insulate firms from responding efficiently to market forces. Several studies have shown that regulation has a significant negative impact on productivity growth.[2]

Regulating the price of products, the supply of industry outputs, and restricting foreign investment reduces competition in an industry. The pernicious effect of regulation is most pronounced on lowering productivity. Statistics Canada summarized that "regulation is seen to create barriers to entry, reduce the incentives to innovation and investment, all of which lead to slower technological progress and slower productivity growth" (Gu and Lafrance 2008, 5). The long-term impacts of lower productivity in regulated industries are higher prices for consumers and a lower standard of living for Canadians.

> Regulation lowers productivity, which raises prices and lowers the standard of living.

The harmful impact of regulation on productivity can be seen by the increase in productivity in industries after they are deregulated. The Organisation for Economic Co-operation and Development (OECD) concluded that "productivity growth is boosted by reforms that promote private corporate governance and competition" (Guiseppe and Scapetta 2003, 10). Statistics Canada found that industries in Canada that were deregulated in the 1980s and 1990s posted higher productivity growth than the rest of the business sector (Gu and Lafrance 2008).[3] The impact of regulation on resource allocation can linger for years after regulation ends; in the US, researchers found that homes not connected to natural gas when first constructed were less likely to have access today, leading to a cost of $3.6 billion more annually for those households than if they had access to natural gas (Davis 2014, 8).

The insulation from market forces and lower productivity also affects the behaviour of prices in regulated industries. One motivation Statistics Canada had for measuring regulated prices in the CPI was that these prices behaved differently, especially during recessions when their prices were less responsive to slower demand than the non-regulated sector. The Bank of Canada to this day tracks the behaviour of regulated prices in the CPI (2013).

It is also important to understand how regulation in Canada compares with our competitors in other countries, since regulation is one factor firms weigh in locating their operations. Multinational enterprises can shift activity among countries to optimize the most desirable combination of regulations for their operations. The financial industry in particular seems prone to "regulatory arbitrage," where firms seek out jurisdictions with preferred regulatory regimes. Michael Hart (2003) cites the desire to escape the reach of national regulations as one reason firms move activities off shore (428). A case in point is the migration of financial activity from the US to the UK in response to the introduction of the onerous reporting conditions compelled by the 2002 *Sarbanes-Oxley Act,* following accounting scandals at Enron and other large firms in the US. Citing all the regulations that bankers must deal with, Jamie Dimon (the head of JP Morgan) told the *Financial Times,* "I think that market participants are overwhelmed by the amount of regulation and change being imposed at one time" (quoted in Corcoran 27 September 2011).

What is Regulation?

The first task in measuring the extent of regulation in the economy is to come up with an operational definition of regulation at the industry level. In a broad sense, all industries in our economy are subject to regulations covering occupational health and safety, labour codes, minimum wages, and environmental protection. However, saying all of GDP is regulated is taxonomically and analytically useless. Instead, what this paper proposes to measure is government-sanctioned regulations that are designed specifically to affect supply or demand in an industry by significantly altering either the prices or the quantities of what is produced. Sometimes this regulation of price or output is explicit, as in the case of electricity prices that must be approved by a government body or the supply of dairy products controlled by a marketing board. Sometimes the regulation is more indirect, such as licensing by municipalities that controls the supply of taxi drivers, clearly a barrier to entry from competitors.

This paper measures regulations designed specifically to affect supply or demand.

An alternative approach to classifying regulation was proposed by Paul MacAvoy (1992). He identified three broad categories of regulation in the US. The first consists of direct price regulation which, before the trend of deregulation began in the 1980s, covered railroads, trucking, air transport, telephone and telegraph, utilities (mostly electricity), and oil and gas extraction. A second is regulation governing the functioning of financial markets, mostly banks and securities dealers. The third type is health and safety regulation. While this ostensibly affects almost all industries, the impact was felt mostly by nine industries in the US: metal mining, coal mining, construction, paper manufacturing, chemical manufacturing, petroleum refining, non-metallic mineral manufacturing, primary metals manufacturing, and motor vehicle manufacturing.

The first two types of regulation proposed by MacAvoy meet the definition used in this study; these regulations are clearly designed to control prices or the supply of output in an industry. These two types of regulation are consistent with Mansell and Church's (1995) definition of regulation: "Regulation is broadly defined to be intervention by administration agencies through the imposition of rules and actions which either directly affect market outcomes (prices, production, variety, quality, etc.) by changing market institutions, or indirectly affect market outcomes by imposing constraints on the behaviour of market participants (the firms and their customers)" (34).

Health and safety regulation is harder to classify. MacAvoy's argument is that the health and safety regulations dictated by government were a de facto instruction to several industries to install certain types of equipment (this partly reflects a unique feature of US environmental regulation, which dictates not just the desired outcome but how it is achieved). While this is direct government control of one part of a firm's production function (how it organizes labour and capital to produce output), health and safety regulation is not an attempt to directly impact either the price or output of firms in a specific industry. While MacAvoy found that such regulations raised prices and therefore lowered output significantly in nine industries, controlling prices and output in these industries was not the goal of the regulations (although they inevitably had an impact on prices and output). Most importantly, health and safety regulations do not prevent firms from freely competing with each other. All firms must meet these standards, just as all operate under the same legal framework. Once these basic rules are established, competition is intense among auto manufacturers or software firms or construction companies. For example, auto manufacturers are subject to 150 different regulations, mostly involving safety, fuel economy, and emissions. However, they are not the main determinant of either the price or the quantity of autos each firm produces – it is from an economists' perspective a fundamentally unregulated industry.[4] So there seems no reason to classify auto manufacturing as regulated.

Similarly, government regulation of the food system is pervasive, involving everything from food safety, plant and animal health, and standards for advertising, packaging, and labelling. But little of this affects the ability of firms to compete for the consumers' food dollars. Another example is "fracking" for oil and gas. These practices are tightly regulated for their environmental impact, but this has not stopped many new companies from entering the industry and in the process dramatically lowering the price of natural gas by boosting production.

While not listed in MacAvoy's discussion of the tools government uses to control domestic prices, tariff barriers and restrictions on foreign investment also belong on this list. Tariffs are needed to prevent competition from abroad, reinforcing the quotas on domestic output set by marketing boards to keep prices high for dairy, poultry, and egg products. Restrictions on foreign investment help government control competition, notably in the banking and communications industries.

Most occupational licensing or certification (certification allows only certified people to provide services) is in professions which strongly impact public health and safety. These include doctors, nurses, dentists, pharmacists, chiropractors, veterinarians, and even architects and engineers. Lawyers and accountants have a large impact on the financial health of individuals and firms. A hierarchy of licences is evident in the level of government that issues the licence: provinces issue licences for most of the professions just listed, while licences for taxi drivers and tattoo parlors are issued by municipalities.

Occupational licensing does have an impact on labour supply and therefore wages and prices in an industry. A recent study in the US by Kleiner and Krueger (2009) found that licensing raised wages about 10 percent, comparable to the effect of the trade unions which they have displaced in importance in the US labour market. Even if one accepts this estimate, licensing does not prevent intense competition in the marketplace from those who are licensed or certified. Nor is most licensing or certification designed to limit supply. Upon meeting the standards of the profession, an almost unlimited number of people could become lawyers or chiropractors. So this study largely excludes licensing from the regulated sector.

Measuring Regulation

There have been many studies of the extent of government regulation in the economy, especially in the US. However, most focus on simple measures, such as the number of pages in the Federal Register, or the number of new regulations issued by the federal government or the total expenditure of regulatory agencies.[5] The Economic Council of Canada estimated there were 140 federal and 1608 provincial regulatory statutes in effect in 1978 (quoted in Brown-John 1981, 29).

Several studies have tried to quantify the burden to firms of complying with regulations by measuring the resources they devote to meeting the requirements, called by some the "hidden tax" of regulation (Crewes Jr. 2008).[6] By 1980, the cost of complying with regulations in Canada had reached 14 percent of GDP, a very significant burden (Ndayisenga and Downs 2005, 8). Regulatory reforms in Canada over the last two decades lowered the cost of compliance to about 12 percent of GDP.

The OECD's Regulations database also shows that the cost of complying with regulations in Canada has fallen by a third since 1980, but remains higher than the US. One estimate is that the regulatory burden in the US costs about 8 percent of GDP, versus 12 percent in Canada (Ndayisenga and Downs 2005, 9). Ndayisenga and Downs conclude that the higher regulatory burden in Canada means that per capita income is 2.2 percent lower than it would be if we had the same regulatory burden as the US (24).

> Regulatory reform lowered the cost of compliance from 14 to 12 percent of GDP.

Compliance is not the only cost of regulation. For taxpayers, there is also the burden of supporting the bureaucracy that writes and enforces regulations. Very few studies exist of these costs; for the US, Dudley and Warren estimate it costs $59 billion to support the 300,000 bureaucrats involved in monitoring regulations (cited in Batkins and Brannon 2013, 6).

However, measuring the cost of complying with regulations does not address the question of how much of industry GDP the government regulates by controlling prices or output. Statistics Canada came the closest to answering this question in 1991, when it found that the share of the Consumer Price Index (CPI) subject to regulatory control (including indirect taxes) fell from a high of 29.6 percent in 1981 to 21 percent in 1991 on a fixed-weighted basis (McCrae 1991).[7] Most of this decline reflected the deregulation of gasoline prices in May 1985 and air travel prices in January 1988, partly offset by the adoption of rent controls in Ontario (since reversed). The trend to deregulation was part of the reason Statistics Canada discontinued publishing data for the regulated portion of the CPI, as government impact on prices shifted more to indirect taxes, such as the Goods and Services Tax.

Since the consumer sector captured in the Statistics Canada studies of regulated prices represents only a little over half the economy, this left unanswered the question of what is the share of the total economy that is regulated? To answer that question, this paper reviews each industry in the Input/Output Accounts to determine whether government regulation had a significant direct impact on its prices or the output in 2010, the latest year available. The Input/Output measure of GDP is used because it is the only estimate of GDP by industry available in current dollars, which are obligatory to measure shares of GDP. While some judgement of "significant" inevitably is involved, most industries were either clearly under government regulatory control or not. The few debatable cases are discussed in the detailed analysis below.

By definition, industries that are dominated by government-owned enterprises (such as electricity or liquor) are classified as regulated, since the government obviously has a direct say in their prices and output. We exclude public administration, health, and education, since they are mostly directly owned and operated by government. This also avoids the "double-counting" that would occur when trying to tally overall government direct control of the economy by adding total spending, tax expenditures, and regulation, since these industries are already included in direct government expenditure on goods and services.

This exercise is conducted at a medium level of disaggregation. This means, for example, that the fishing industry is not disaggregated into a finer level of detail. So a calculation has to be made on whether a preponderance of activity in a particular industry is regulated or not. The level of detail is sufficient to produce a meaningful estimate, without being mind-numbing. In some instances, such as the post office and courier services where one part is clearly regulated and the other is not, this paper makes an estimate of the split between the two.

We exclude the public sector since by definition it is removed from the marketplace.

The estimates are not meant to be the last word, but are a starting point that hopefully will encourage more research to fine-tune the results and push them back over time. In this sense, the paper fulfills a similar role as the original Statistics Canada study of the impact of regulation on consumer prices. This study, conducted by the Current Analysis Group in 1984, led Prices Division to produce a more detailed analysis that underpinned the disaggregation of the Consumer Price Index into its regulated and non-regulated components. The last Statistics Canada study of regulated prices was published in 1991 (McCrae).

Regulation by Industry

Goods-producing Industries

Most of agriculture is classified as non-regulated, despite extensive government programs that centre on assuring the safety of food destined for consumers, as well as insuring farmers against the fickleness of nature. However, none of these are designed to consistently alter the price or the production of food products and do not interfere with the entry of new farmers, outside of the marketing boards that control the dairy, chicken, and egg industries. The $8.6 billion of output in these three industries, where supply management was introduced in the 1970s, is classified to the regulated sector.[8] So is the $1.0 billion fishing industry, much of which requires a government licence motivated by the desire to restrict new entrants (that many of these restrictions are designed to conserve the supply of fish is irrelevant for our analysis; the impact is the same as supply management).

The $3.4 billion forestry industry is a difficult case to classify. Every province grants licences to operators who want to harvest lumber, because most trees are on Crown land. These licences are open to competition from any interested parties. As well, firms are free to operate on private land. Finally, the government restricts output as part of its softwood lumber agreement with the US. Overall, the extensive restrictions on entry into the forestry industry, while justifiable on conservation or environmental grounds, warrant its classification as a regulated industry. However, support activities for forestry are not.

Oil and natural gas production has undergone the most changes in terms of its regulation over the years. As recently as 1985, oil and natural gas prices were under the direct control of the federal government.[9] Natural gas exports were not fully deregulated until the Free Trade Agreement went into effect in 1989. Today of course oil and gas prices and output are largely unregulated. While the cost of pipeline transport of oil and gas and the local distribution of natural gas are regulated, they are small compared with the cost of producing the commodity (National Energy Board 2013). The major barrier to entry is the large amount of capital required to exploit non-conventional sources off-shore or in the oil sands.

The mining industry outside of oil and gas operates under a large number of environmental regulations. However, there are few restrictions on either the prices or production of almost all metallic and non-metallic minerals, so it is classified as non-regulated.

Most utilities clearly are regulated by government, something dating back more than a century. This is because utilities were a classic example of a natural monopoly. Most provinces run their electricity companies as government-owned monopolies. Natural gas distribution is also tightly-regulated, with many barriers to new entrants. Water utilities are mostly under the control of local governments. So the entire $38.1 billion of utilities output is allocated to the regulated sector.

All of the construction industry is non-regulated from the economic point of view taken in this paper. While the industry is subject to extensive regulation of where it can build and its safety practices, and inter-provincial barriers to trade and competition proliferate, firms fundamentally are free to enter and compete and prices fluctuate widely.

Manufacturing is also subject to extensive regulations, but these are mostly related to health and safety. This was discussed extensively above, when refuting MacAvoy's argument that some manufacturing industries should be regarded as regulated. All of this industry is allocated to the non-regulated sector. The most contentious issue included clothing and footwear, where import tariffs remain among the highest for any commodity. Nevertheless, it is hard to argue that either prices or output in this industry are controlled or protected by government, given their precipitous decline in recent years.

Services-producing Industries

Almost all of wholesale and retail trade is allocated to the non-regulated sector. The one exception is the $33.7 billion of sales of alcoholic beverages,[10] which is still regulated or directly controlled by government in most provinces. Since value-added is not produced for this industry, this paper estimates that about half represents value-added GDP, based on profit margins of 30 percent plus the cost of running the business. Like gambling, it is noteworthy that alcohol sales are classified to non -government industry output (and personal expenditure in the Income and Expenditure Accounts), and therefore are not double-counted when aggregating to total government control of the economy. Apart from alcohol, while there are instances of regulation at the provincial level (some provinces regulate the price of gasoline, and Quebec even controls the price of milk and new books sold in stores), Canada-wide there are no industries which are subject to regulation of their price or output.

Transportation in Canada has undergone significant changes in regulation over time. Industries such as air and rail travel used to be tightly regulated. The Crow rate once dictated the price of transporting grain in Western Canada, until it was abolished in 1995. After the wave of regulatory reform in recent decades, however, few transportation industries remain regulated, outside of their safety and environmental practices. Even in industries where large firms dominate, such as air and rail, small firms are still able to enter and compete in niche markets, especially on a regional basis (the Montreal, Maine, and Atlantic rail firm involved in the Lac Megantic disaster was an infamous example). Pipelines are another industry where large firms dominate. While tightly regulated for their environmental impact, the small number of firms reflects the large capital requirements of competing in this industry, not restrictions imposed by government on new entrants.

Two transportation industries remain under government control or regulation in most parts of the country: urban transit and taxis. These industries had a combined GDP of $5.9 billion in 2010. The post office is also clearly a government controlled monopoly, at least for home delivery of mail. However, its importance has been severely eroded by competition from the Internet and private courier services. Since the split of the $7.2 billion postal service and courier industry between the post office and couriers is confidential, we allocate half to the post office and count this $3.6 billion in the regulated sector.

Information and cultural services are subject to extensive government regulation, because of concerns about preserving Canada's cultural identity (this sector was exempted from the free trade agreement negotiated with the US). The industry is dominated by the $31.5 billion telecommunications industry. The restrictions on foreign entry – the three largest phone operators are all Canadian companies – demonstrate that this industry is clearly regulated by the federal government.

Information and cultural services are subject to extensive government regulation, because of concerns about preserving Canada's cultural identity.

The television and broadcasting industry in Canada has always been regulated. The $4.3 billion radio and TV broadcasting industry is regulated by the CRTC, which mandates a certain amount of Canadian content for both TV and radio.[11] As well, Canadian cable firms have to provide a preponderance of Canadian channels in the packages offered to consumers (this may change as governments move to allow consumers greater freedom is paying only for the specific channels they want to watch). The CRTC also mandates that cable systems substitute the Canadian channel for the US channel when a program is broadcast simultaneously, so that advertising revenues stay in Canada. The Nordicity Group (2011) argues that these regulations raise prices paid by advertisers, which are passed on as an indirect sales tax on Canadians (14). Finally, broadcasters and telecommunications carriers are required to be owned and controlled by Canadians. The *Investment Canada Act* also prohibits foreign acquisitions of newspapers and periodicals as well as film distribution. The remaining information and culture industries – mostly publishers and motion picture – are not classified as regulated.

The finance, insurance, and real estate industry is mixed when it comes to regulation. The banking system is clearly subject to extensive regulation, both from the point of view of which firms are permitted to compete and even the prices that are charged (since the central bank controls short-term interest rates, a key price for banks). Foreign-owned banks are restricted from offering most retail services. So clearly the $49.2 billion of GDP in banking and credit union financial intermediation is regulated. The insurance industry is subject to extensive regulation, but these are analogous to those related to health and safety in other industries. They are not designed to restrict entry nor control the price of the industry's products, and so are not classified as regulated. The extensive competition for home and auto insurance, including the vibrant presence of foreign-owned insurers, attests to the fundamentally non-regulated nature of the industry. Real estate operators, ranging from firms that operate large commercial and office projects to small real estate agents, are free to compete in the marketplace, within the legal norms set by governments.

The television and broadcasting industry in Canada has always been regulated.

Professional, scientific, and technical services provide a wide range of services worth $86.8 billion, ranging from computer and Web design companies to lawyers, advertising firms, and architectural firms. Most of these industries are not subject to government regulation of entry or price. An argument could be made that some industries that require government licences, notably in law, are regulated. But these restrictions appear to be no different than the check on qualifications applied to accountants or engineers, and can be regarded as falling into the category of protecting public health and safety, not significantly restricting entry or controlling prices.[12]

Administrative services are a large industry that produced $42.9 billion of GDP in 2010. There are few if any restrictions on prices or output of these industries, covering a range of services such as temporary help, office administration, building management, travel agencies, and security services.

Gambling is the only part of the arts, entertainment, and recreation industry that is regulated or controlled outright by government. Gambling represented $2.4 billion out of the total $11.0 billion produced by this industry in 2010.

Accommodation and food services are classified as non-regulated. Food services are subject to widespread health regulations, but entry into the industry is easy, as shown by the high rate of births in the industry. While the sale of alcoholic beverages in these establishments is subject to regulations and permits, these are not designed to impede entry into the industry.

The "other services" category mostly includes personal and household services, such as auto repair, dry cleaning, house cleaning, and other personal services. All of this $32.6 billion industry is allocated to the non-regulated sector.

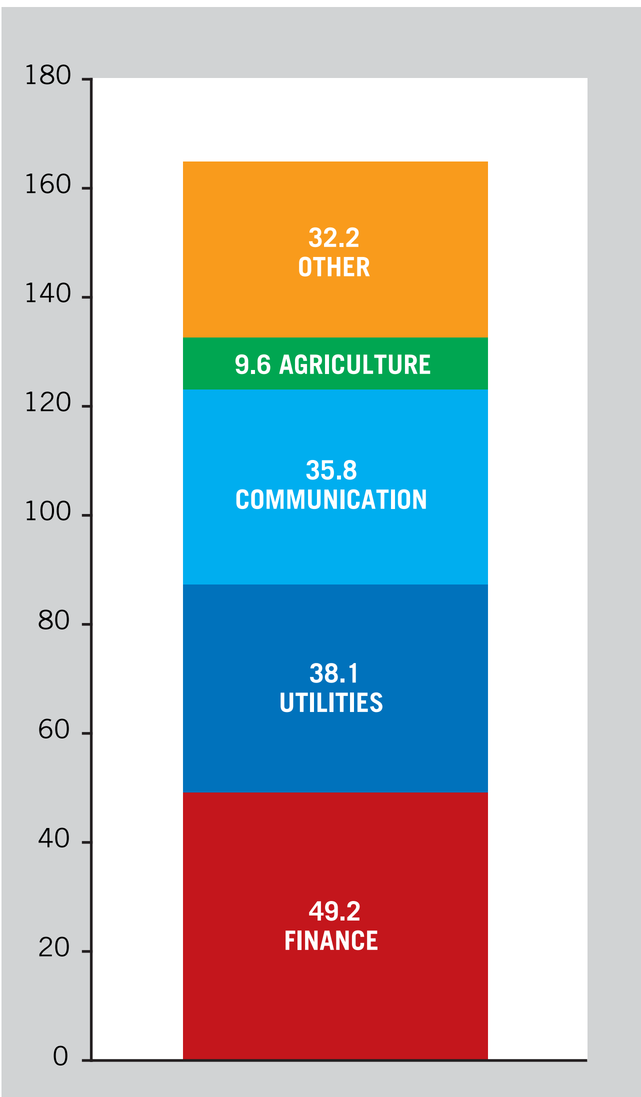
As noted above, the public sector is excluded from the calculation of regulation, since by definition it is removed from the marketplace. This covers all of public administration and education, and most of health care. Many health services are provided by private business, such as physicians, dentists, and pharmacies, but their prices are mostly negotiated with and therefore partly controlled by governments. Within health care, most nursing and residential care facilities are not part of the public sector. While they are subject to government licensing, this does not prevent competition in the marketplace, and so they are not treated as regulated.

Discussion

Overall, about $164.9 billion of GDP in 2010 was subject to specific government regulations, or 10.5 percent of total output. This is less than some estimates of the burden of complying with regulations, because they include the cost of meeting health, safety, and environmental regulations in all industries, not just those classified as regulated in this study (based on the concept that prices or output in a specific industry were significantly under the control of government regulations).

Regulation is about the same overall for industries that produce goods (where 11.2 percent of output was regulated) and services (10.3 percent of output was regulated) (chart 1). Regulation in both goods and services is concentrated in just a few industries. Utilities and agriculture accounted for 91.4 percent of all regulated output in goods, while finance and communications represented 74.7 percent of the services subject to regulation.

CHART 1 Regulation by industry GDP, 2010 (billions)



Regulation in these four industries accounts for 80.5 percent of all regulated output (see chart 1), and has existed for decades, often rooted in the original motivations for regulation – the problem of natural monopolies in utilities, the preservation of a sound banking system, and protection of Canada's culture industries. An exception is agriculture, where marketing boards did not appear until relatively recently, although regulation on behalf of farmers has a longer tradition, notably the control of rail freight rates for carrying grain.

That the rationales for regulation in key industries are long-standing is a major problem for the future of regulation. Justifications that were valid decades ago may no longer apply, particularly given the pace of technological change. For example, is the concept of monopoly for utilities production relevant in an age where individual households can sell excess solar power they generate back to the power grid? What is the usefulness of regulating media for Canadian content after the arrival of the Internet? Similarly, firms and households can buy financial services anywhere in the world, skirting the efforts of regulators in Canada to control risk.

There is also a lesson to be drawn from the lower level of regulation in the overall economy, at 10.5 percent in this paper, than in the consumer sector, which Statistics Canada estimated in the early 1990s was 21 percent. Some of this difference reflects the end of government regulation of prices for energy, air travel, and rental units. However, most of the differential reflects how regulation is most present in consumer-oriented industries, which grant monopolies in some industries (such as utilities, alcohol sales, or the post office) or which insulate domestic firms from foreign competition in order to raise prices or lower output.

> What is the usefulness of regulating media for Canadian content after the arrival of the Internet?

Regulations are far less common outside of the consumer sector. In particular, governments usually avoid regulating export industries because they have to compete in the global marketplace. With the exception of forestry, all our major exporting industries are not regulated, including mining, manufacturing, and most of agriculture (the portion of farming that is regulated is simply not competitive in export markets). This is an implicit recognition that regulations lead to inefficient producers and higher prices for consumers. Regulation thrived in domestic industries that used to be sheltered from foreign competition, such as banking and culture. The transportation industry demonstrates this dichotomy, with little regulation in areas which face foreign competition (such as air travel, rail, and truck transport), while urban transit and taxis are regulated because they do not have to grapple with competition from imports.

One obvious extension of this work measuring the extent of government regulation of specific industries would be to look at the differences by province. The degree of regulation shows some important differences across the provinces – Quebec controls consumer prices for basics such as gasoline, milk, and starting in 2014 the price of new books, while Alberta does not regulate many utility prices that are controlled in most other provinces.

Conclusion

The purpose of this paper is to encourage a debate about regulation in Canada by measuring its overall extent, the principal industries where it is concentrated, and why these industries were regulated. As well, it is part of a broader effort to understand the full extent of government control of spending in the Canadian economy.

Rather than finding governments were using regulation as a Trojan horse to conceal increased intrusion in the economy, this study found that regulation is concentrated in its four traditional bastions – finance, culture, utilities, and agriculture. In all these industries, regulation today is done more in the interest of producers than of consumers, which supports the thesis of Stigler that regulation is used by industry to insulate itself from competition.

Government has largely abandoned the regulation of prices made in the name of helping consumers, as was once done for energy, air travel, and rents, realizing that in the long-run they harmed consumers and lowered overall economic efficiency. A government truly committed to helping consumers would turn a critical eye to regulations designed to protect industries such as culture and finance where globalization and the Internet are already undermining the monopoly of traditional domestic suppliers. Similarly, technological change threatens the traditional monopolies of utilities, while efforts to liberalize trade are intensifying the pressure to end the tariff walls that protect marketing boards. In the early 21st century, where adaptability to rapid change is paramount, regulation increasingly seems a quaint relic of the 20th century.

Author Biography

Philip Cross is a Senior Fellow at the Macdonald-Laurier Institute, a non-partisan Ottawa think tank that promotes better public policy. He is also a member of the Business Cycle Dating Committee at the CD Howe Institute. Before that, he spent 36 years at Statistics Canada, the last few as its Chief Economic Analyst. He wrote Statistics Canada's monthly assessment of the economy for years, as well as many feature articles for the *Canadian Economic Observer*.

References

Bank of Canada. 2013. "Special Factors Behind the Recent Weakness in Core Inflation." *Monetary Policy Report.*

Batkins, Sam and Ike Brannon. 2013. "Examining the U.S. Regulatory 'Budget.'" *Regulation*. The Cato Institute, Winter 2012-2013.

Brown-John, C. Lloyd. 1981. *Canadian Regulatory Agencies.* Toronto: Butterworth.

Corcoran, Terence. September 27, 2011. "Carney v. Dimon: Rematch!" *National Post.*

Davis, Lucas. 2014. "Pricing Energy Efficiently." *NBER Reporter*, Number 1.

Giuseppe, Nicoletti and Stefano Scapetta. 2003. "Regulation, Productivity and Growth: OECD Evidence." *Economic Policy* 18.

Gu, Wulong and Amelie Lafrance. 2008. "Productivity Growth in Canadian and U.S. Regulated Industries." *Statistics Canada Canadian Productivity Review*, No. 15-206-X no. 20.

Hart, Michael. 2003. *A Trading Nation: Canadian Trade Policy from Colonialism to Globalization.* Toronto: UBC Press.

Investment Canada Act. R.S.C., 1985, c. 28.

Jones, Daniel Stedman. 2012. *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics.* Princeton University Press.

Kleiner, Morris and Alan Kreuger. 2009. "Analyzing the Extent and Influence of Occupational Licensing on the Labor Market." NBER Working Paper 14979.

Lilley, Brian. 2012. *CBC Exposed.* St Catherine, Ontario: Freedom Press.

MacAvoy, Paul W. 1992. *Industry Regulation and the Performance of the American Economy.* New York: W. W. Norton & Co.

Mansell, Robert and Jeffrey Church. 1995. "Traditional and Incentive Regulation." The Van Horne Institute.

McCrae, Linda. 1991. "The Regulated Consumer Price Index." *Canadian Economic Observer,* Statistics Canada Catalogue No 11-010, Vol (4) No 10.

National Energy Board. 2013. "Natural Gas—How Canadian Markets Work." Available at http://www.neb-one.gc.ca/clf-nsi/rnrgynfmtn/prcng/ntrlgs/cndnmrk-eng.html.

Ndayisenga, Fidèle and André Downs. 2005. "Economic Impacts of Regulatory Convergence Between Canada and the United States." Government of Canada, Policy Research Initiative, Working Paper Series 008.

Nordicity Group. 2011. "Value of Public Support for Broadcasters-Simultaneous Substitution and Tax-based Advertising Incentive." CBC/Radio-Canada. Available at http://www.cbc.radio-canada.ca/Files/cbcrc/documents/latest-studies/nordicity-value-public-support.en.pdf.

Sarbanes-Oxley Act. 2002. Pub.L. 107–204, 116 Stat. 745.

Sheikh, Munir A. 2014. "Estimating the True Size of Government: Adjusting for Tax Expenditures." Macdonald-Laurier Institute.

Stigler, George. 1971. "The Theory of Economic Regulation." *The Bell Journal of Economics and Management Science* 2 (1).

Endnotes

1 The post office is another obvious example where rural service is subsidized by urban users.

2 See Nicoletti Giuseppe and Stefano Scapetta, 2003, "Regulation, Productivity and Growth: OECD Evidence." Numerous studies have found that the rapid proliferation of environmental and health regulation "contributed significantly to the productivity slowdown in the United States in the 1970s" (9).

3 However, the study only covered the transportation, broadcasting, telecommunications, and financial services industries. While these are important, it does not help us develop a comprehensive list of regulation in the Canadian economy.

4 Stigler argues that public subsidies and bail-outs are one of four types of regulation (the others being controlling new entrants from competing, encouraging complementary products or suppressing substitutes, and price fixing). Since this definition does not distinguish between industrial policy and regulation, this paper excludes this type of regulation, since the bail-out of GM and Chrysler does not prevent new firms from entering the North American market and competing. As well, the bail-out money is being repaid, although probably never in full. From Daniel Stedman Jones, 2012, "Masters of the Universe," page 126.

5 Many departments that regulate were created relatively recently, such as Consumer and Corporate Affairs in 1967, Communications in 1969, and Environment as well as Science and Technology in 1971.

6 By adding compliance costs of $1.157 trillion to federal government spending of $2.73 trillion, Crewes Jr. estimates the federal government's cost to the economy was 28 percent in 2007.

7 Using variable weights, the drop in the regulated portion of the CPI was smaller, from 29.6 percent in 1981 to 25.9 percent in 1991 because sharply higher taxes increased the weight of the tobacco and alcohol components. See Linda McCrae, 1991, "The Regulated Consumer Price Index."

8 All Industry GDP data in this study comes from Statistics Canada Cansim table 379-0029.

9 The US also regulated oil prices until 1981, and natural gas prices until 1989, according to Lucas Davis (2014, 8).

10 Sales of beer, wine, and liquor stores, Statistics Canada Cansim table 080-0023.

11 Until 1958, the CBC had a dual role as broadcaster and regulator. While private stations were allowed in theory, they had to be CBC affiliates and carry CBC programming. From Brian Lilley, 2012, *CBC Exposed*, page 110.

12 Furthermore, Stigler (1971) found the impact of occupational licensing mostly insignificant (15).

MACDONALD-LAURIER INSTITUTE

True North in Canadian Public Policy

Critically Acclaimed, Award-Winning Institute

The Macdonald-Laurier Institute fills a gap in Canada's democratic infrastructure by focusing our work on the full range of issues that fall under Ottawa's jurisdiction.

- The Macdonald-Laurier Institute fills a gap in Canada's democratic infrastructure by focusing our work on the full range of issues that fall under Ottawa's jurisdiction.
- One of the top three new think tanks in the world according to the University of Pennsylvania.
- Cited by five present and former Canadian Prime Ministers, as well as by David Cameron, the British Prime Minister.
- First book, *The Canadian Century: Moving out of America's Shadow*, won the Sir Antony Fisher International Memorial Award in 2011.
- *Hill Times* says Brian Lee Crowley is one of the 100 most influential people in Ottawa.
- The *Wall Street Journal*, the *Economist*, the *Globe and Mail*, the *National Post* and many other leading national and international publications have quoted the Institute's work.

"The study by Brian Lee Crowley and Ken Coates is a 'home run'. The analysis by Douglas Bland will make many uncomfortable but it is a wake up call that must be read."

FORMER CANADIAN PRIME MINISTER PAUL MARTIN ON MLI'S PROJECT ON ABORIGINAL PEOPLE AND THE NATURAL RESOURCE ECONOMY.

Ideas Change the World

Independent and non-partisan, the Macdonald-Laurier Institute is increasingly recognized as the thought leader on national issues in Canada, prodding governments, opinion leaders and the general public to accept nothing but the very best public policy solutions for the challenges Canada faces.

Where You've Seen Us

CTV
SUN NEWS NETWORK
Corus ENTERTAINMENT
cpac
tvo
CBC news
WALL STREET JOURNAL
FP Foreign Policy
The Economist
THE HILL TIMES
THE GLOBE AND MAIL
NATIONAL POST

About the Macdonald-Laurier Institute

What Do We Do?

When you change how people think, you change what they want and how they act. That is why thought leadership is essential in every field. At MLI, we strip away the complexity that makes policy issues unintelligible and present them in a way that leads to action, to better quality policy decisions, to more effective government, and to a more focused pursuit of the national interest of all Canadians. MLI is the only non-partisan, independent national public policy think tank based in Ottawa that focuses on the full range of issues that fall under the jurisdiction of the federal government.

What Is in a Name?

The Macdonald-Laurier Institute exists not merely to burnish the splendid legacy of two towering figures in Canadian history – Sir John A. Macdonald and Sir Wilfrid Laurier – but to renew that legacy. A Tory and a Grit, an English speaker and a French speaker – these two men represent the very best of Canada's fine political tradition. As prime minister, each championed the values that led to Canada assuming her place as one of the world's leading democracies.
We will continue to vigorously uphold these values, the cornerstones of our nation.

SIR JOHN A. MACDONALD

SIR WILFRID LAURIER

Working for a Better Canada

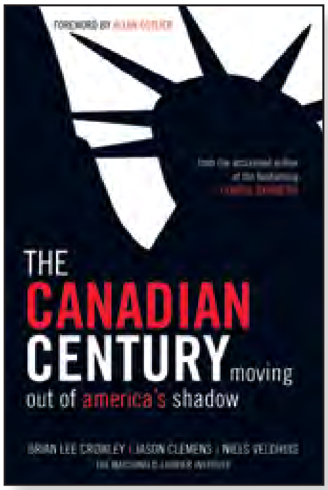
Good policy doesn't just happen; it requires good ideas, hard work, and being in the right place at the right time. In other words, it requires MLI. We pride ourselves on independence, and accept no funding from the government for our research. If you value our work and if you believe in the possibility of a better Canada, consider making a tax-deductible donation. The Macdonald-Laurier Institute is a registered charity.

Our Issues

The Institute undertakes an impressive programme of thought leadership on public policy. Some of the issues we have tackled recently include:

- Aboriginal people and the management of our natural resources;
- Getting the most out of our petroleum resources;
- Ensuring students have the skills employers need;
- Controlling government debt at all levels;
- The vulnerability of Canada's critical infrastructure;
- Ottawa's regulation of foreign investment; and
- How to fix Canadian health care.

Macdonald-Laurier Institute Publications



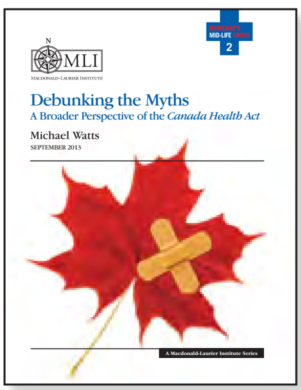
Winner of the Sir Antony Fisher International Memorial Award BEST THINK TANK BOOK IN 2011, as awarded by the Atlas Economic Research Foundation.

The Canadian Century
By Brian Lee Crowley,
Jason Clemens, and Niels Veldhuis

Do you want to be first to hear about new policy initiatives? Get the inside scoop on upcoming events?

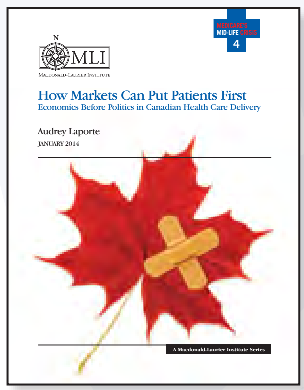
Visit our website www.MacdonaldLaurier.ca and sign up for our newsletter.

RESEARCH PAPERS

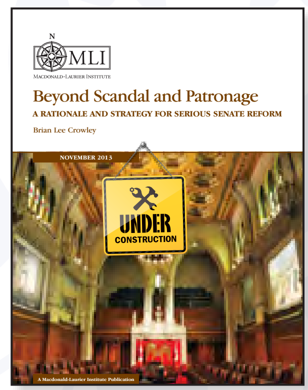


Debunking the Myths
Michael Watts

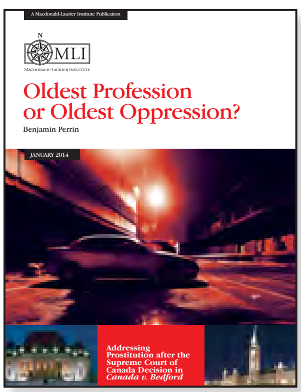
A European Flavour For Medicare
Mattias Lundbäck



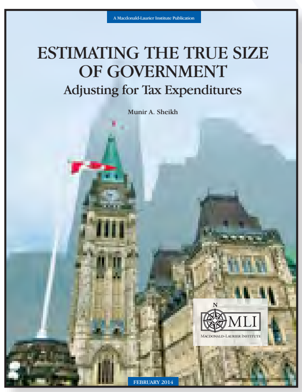
How Markets Can Put Patients First
Audrey Laporte



Beyond Scandal and Patronage
Brian Lee Crowley

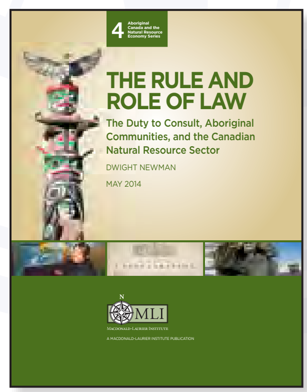


Oldest Profession or Oldest Opression?
Benjamin Perrin



Estimating the True Size of Government
Munir A. Sheikh

A Defence of Mandatory Minimum Sentences
Lincoln Caylor and
Gannon G. Beaulne



The Rule and Role of Law
Dwight Newman

N

MLI

MACDONALD-LAURIER INSTITUTE

True North in Canadian Public Policy

CONTACT US: Macdonald-Laurier Institute
8 York Street, Suite 200
Ottawa, Ontario, Canada K1N 5S6

TELEPHONE: (613) 482-8327

WEBSITE: www.MacdonaldLaurier.ca

CONNECT WITH US:

@MLInstitute

www.facebook.com/MacdonaldLaurierInstitute

www.youtube.com/MLInstitute

What people are saying about the Macdonald-Laurier Institute

I commend Brian Crowley and the team at MLI for your laudable work as one of the leading policy think tanks in our nation's capital. The Institute has distinguished itself as a thoughtful, empirically-based and non-partisan contributor to our national public discourse.

PRIME MINISTER STEPHEN HARPER

As the author Brian Lee Crowley has set out, there is a strong argument that the 21st Century could well be the Canadian Century.

BRITISH PRIME MINISTER DAVID CAMERON

In the global think tank world, MLI has emerged quite suddenly as the "disruptive" innovator, achieving a well-deserved profile in mere months that most of the established players in the field can only envy. In a medium where timely, relevant, and provocative commentary defines value, MLI has already set the bar for think tanks in Canada.

PETER NICHOLSON, FORMER SENIOR POLICY ADVISOR TO PRIME MINISTER PAUL MARTIN

I saw your paper on Senate reform [Beyond Scandal and Patronage] and liked it very much. It was a remarkable and coherent insight – so lacking in this partisan and anger-driven, data-free, ahistorical debate – and very welcome.

SENATOR HUGH SEGAL, NOVEMBER 25, 2013

Very much enjoyed your presentation this morning. It was first-rate and an excellent way of presenting the options which Canada faces during this period of "choice"... Best regards and keep up the good work.

PRESTON MANNING, PRESIDENT AND CEO, MANNING CENTRE FOR BUILDING DEMOCRACY