Policy Transformation in Canada

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PART ONE

Generational Prospects, Then and Now
Judy LaMarsh, of all people, personified Canada on the 100th anniversary of Confederation. On the lip of the Sixties’ sexual revolution, the fractious, ornery Liberal MP from Niagara Falls became only the second woman appointed to a federal cabinet (making no secret of her dislike for the Prime Minister, Lester B. Pearson, who appointed her). At the dawn of new symbols cementing Canadians’ attachment to their country, she began the process, as Minister of National Health and Welfare, of shaping public medicare into law. As minister responsible for the centennial celebrations, she stood waist-deep in Yukon snow with the sleeves of a borrowed parka dangling below her fingertips and yodelled – she’d been practising – at members of the Yukon Alpine Club’s centennial project as they set off to climb ten hitherto unclimbed peaks along the territory’s border with Alaska and name them for the provinces.

She makes the national journey from centennial to sesquicentennial that much more interesting – and puzzling. The nation in 2017 would be almost unrecognizable to the nation of 1967, which most Canadians are likely okay with. But what turned off the 1967 sunshine? Where has the wish for transformative policies gone? Why is it that no one, nothing, speaks mythologically to us in the 150th year of Canada’s official existence beyond, maybe, the tubby Canada C3 icebreaker that sailed from Toronto to Victoria? Is it true that we no longer have time for, or interest in, or the capability of, a unified vision, time for dreams, for national homophily, for a public life in common – or is it that those things never did exist outside a limited collection of our imaginations or actually still exist but are buried under fallen leaves? Whatever. The magic has gone missing ... and there is no new Judy LaMarsh.
In 1967, Canada was a country whose inhabitants fell in love with themselves and thrilled to the secret mysteries of their land. Journalist Bruce Hutchison, English Canada’s mythologizer-in-chief, had written only a few years before: “All about us lies Canada, forever untouched, unknown, beyond our grasp…. My country is hidden in the dark and teeming brain of youth upon the eve of its manhood. My country has not found itself nor felt its power nor learned its true place. It is all visions and doubts and hopes and dreams.” ¹ Heady, lovely stuff.

Culture, demographics, and follow-the-leader primarily shape policies.

English Canada was just awakening from its decades’ long sleep as a dozy, affluent, smug, delusionarily homogeneous, still proud with its wartime bravery, conservative, provincial society, largely unconcerned about poverty, about Indigenous people, about racism, and about the place of women beyond the kitchen and maternity ward. It was a place, in *Globe* columnist Doug Saunders’s description, whose somnolent streets you’d have to leave if you wanted to make something of yourself (which can be still pretty much the case today).

Centennial interviews with provincial premiers, published in *The Globe and Mail* in 1967, showed their interests for the next half-century to be fixed on the banalities of harvesting more resource wealth with the concomitant rewards of job creation and investor profits – excepting Ontario’s John Robarts, who was concerned about how Canada would absorb population growth, and Nova Scotia’s Robert Stanfield, who hoped for a better partnership between anglophone and francophone Canadians. Jean Lesage of Quebec wanted a republic.

Quebec was substantially further down the road to being woke, to use a contemporary meme. By 1967, it was well through the door of the Quiet Revolution, rudely challenging anglophone and foreign business elites (“Our people are the waterboys of their own country,” wrote poet Felix Leclerc, who was listened to), an ultra-conservative, autocratic church, a largely moribund public service and civil society, and Canadians in ROC who insisted on seeing the province as *comme les autres*.

Indeed, what passed uncommented-upon by the premiers – outside Quebec – were the Sixties’ great tectonic shifts in Canadian society. The shifts of Quebec, women, the baby-boomer young, all ubiquitously touched by a prolonged, affluent, and tenacious Keynesian consensus.

Christian churches in French and English Canada emptied, a walkout led largely by young women who saw in the church a residual patriarchy they no longer wished to tolerate (Pope Paul VI’s 1968 encyclical
Humanae Vitae banning artificial birth control was so resolutely rejected in Canada that even the country’s Catholic bishops, in their Winnipeg Statement, distanced themselves from it). Within a decade premarital virginity was demoted from the centre of mainstream morality to the margins of conservative religious and ethnic groups. Women students in universities across Canada openly defied the Criminal Code prohibition against disseminating birth control information until the law was changed in 1969. Two years earlier, Pearson’s Minister of Justice, Pierre Trudeau, had famously declared the state to have no place in the bedrooms of the nation and that “what’s done in private between adults doesn’t concern the Criminal Code.” In centennial year, Trudeau legalized contraception, liberalized divorce laws, and decriminalized homosexuality. In the same year, Pearson created the Royal Commission on the Status of Women to ensure equality for women and report on issues regarding equal pay, child care, birth control, and women’s education. In the mid-1950s – a mere 10 years before the 1967 centennial – only 23 per cent of women age 25 to 44, prime childrearing age, worked outside the home. By the mid-1960s, the figure was one-third and by the mid-1970s, it was nearly half. As the first wave of baby boomers left university in 1971, more than a third of the total labour force was female.²

And the young. It wasn’t so much their numbers as it was their proportion of the population that gave them such impact on Canadian society. Their demographic bulge fixed the country’s median age at 26 (whereas today, despite the presence of an almost equally large but proportionally smaller young generation – the millennials – the median age is 42).³ The prospect of youthful restiveness made Pearson and his cabinet nervous. They looked at the rise of postwar social democracy in Europe. They looked across the border at the New Frontier – “the frontier of unfulfilled hopes and unfulfilled threats.... the frontier of uncharted areas of science and space, unsolved problems of peace and war, unconquered problems of ignorance and prejudice, unanswered questions of poverty and surplus.”⁴ They decided they must get in step.

Pearson was little interested in the centennial and he led a government that never achieved much popularity and still less excitement. But he did follow closely what was happening in the rest of the North Atlantic community, and beginning in the mid-1960s he and his government very much did assume a greater obligation to the Canadian populace which never received much applause, likely because it was expected. They created the Canada-Quebec Pension Plan, a new unemployment
insurance plan, an equalization program for provinces less able to afford public services, public healthcare, a reduced threshold for Old Age Pension qualification, a guaranteed income supplement for the impoverished old, federal cost-sharing for a range of programs like childcare, assistance for postsecondary education and for people with disabilities, a flag, a Royal Commission on Bilingualism and Biculturalism, official language status for French, the U.S.-Canada Auto Pact (which opened the door to free trade in the auto industry), the world’s first race-free – in theory – immigration policy, and a foreign policy that identified Canada with many former colonies emerging as independent nations.

The Pearson government also introduced a raft of programs offering young Canadians adventures in work, travel, and volunteer social services – which it did courageously in the face of often intense criticism from older Canadians, who saw the programs as a waste of taxpayers’ money. It introduced a new era of cooperative federalism primarily aimed at Quebec. After a prolonged and politically clumsy debate, it refused to accept nuclear weapons on Canadian territory. Peacekeeping made Canada an exemplary citizen of the world.

Economic nationalism didn’t take, a cross that Pearson’s one-time Finance Minister and friend, Walter Gordon, carried with him into political banishment. Rachel Carson’s *Silent Spring*, first published in 1962, caused a buzz of environmentalist talk but no government action.

Although Indigenous peoples’ participation in the centennial was largely limited to feather headdress photo-ops, the government had commissioned UBC anthropologist Harry B. Hawthorn to investigate their socio-economic situation and his report, published in 1966 and little commented upon in the media, concluded they were the most marginalized and disadvantaged group in the country. Hawthorn labelled them “citizens minus,” blaming years of bad government policy, especially the Indian residential school system that he recommended be shut down 20 years before it was. The government responded with a White Paper proposing what was tantamount to – again – cultural assimilation, an idea it dropped in 1970.

The first bricks and mortar of multiculturalism were still in the distance. The country on its official 100th birthday was very white. The population was 20.5 million. Today it is 35 million and very much not-so-white. Yet we’re still – as many young Canadians of colour are forcefully proclaiming – no more than paddling in multiculturalism’s wading pool. Indeed, after 46 years of boasting that we’re the best in the world at multiculturalism, we’re still at multiculturalism 1.0.
There is a closetful of things to do, of issues to address, bucket lists of transformational policies that hold out promise for a smart journey into the next fifty years – and no national political party committed to a greater obligation to the Canadian populace. No sign, it seems, of anyone moving. One wonders when it was that we stopped asking ourselves who we are, stopped puzzling over what our identity is, stopped questioning what the bonds of our social cohesion are? Because that moment may have led us to stop dreaming about Canada as a better place.

The good news in 2017 is that EKOS Research Associates finds Canadians likely more attached to their country than are the inhabitants of any other Western nation. The uneasy news – it’s not bad news yet – is that EKOS reports the importance of many longtime salient symbols of our nationhood is dramatically eroding. The significance of the beaver, the maple leaf, the flag, O Canada, hockey – yes, hockey – the Grey Cup, Parliament Hill, cultural diversity, tolerance, official bilingualism, Canada Day, Remembrance Day, and the RCMP have all declined.8 This is glue becoming unstuck.

What do Canadians consistently tell pollsters they still value most about being Canadian? Medicare, now fifty years old and under stress. The Charter of Rights and Freedoms, now thirty-five years old. And Canada’s national parks and a clean environment – the former 135 years old, dating back to the creation of Banff as the first national park, and linked often to the forced displacement of Indigenous and non-Indigenous residents within proposed park boundaries, and pressures for commercialization that have always been present. As for the environment, WWF-Canada reported in a June 2017 study that each of the country’s twenty-five major watersheds faces multiple environmental threats, while the data needed to track changes and guide policymakers are either inaccessible or simply nonexistent.9 And WWF-Canada’s 2017 Living Planet Report found, after eighteen months of research, that half of all monitored vertebrate wildlife species in Canada (451 of 903) are in decline. And of those 451, the index shows an average decline of 83 per cent.10 As settler colonialism destroyed Indigenous culture, it is now en route to destroying all life with which we share the land.

Multiculturalism is our biggest swagger but, for the first time since EKOS began asking the question in the 1990s, the number of Canadians who think the country is admitting too many immigrants who are people of colour has passed the 40 per cent mark – meaning we are not only souring on so many traditional national symbols but we also appear to be becoming more racist.11 In fact, as we’re discovering, Canada
is a society of systemic racism which we are reluctant to discuss. For every dollar that white Canadians earn, Canadians of colour earn 81.4 cents and see themselves not fitting, not being the Canadian norm, branded officially by their national government with the demeaning labels of visible minorities and ethnic minorities even though in Canada’s largest city – and soon to be other major cities – the visible minority is white. Indigenous people appeared only peripherally on the celebration agenda in 1967. In 2017, not a lot of them want to appear at all. Quebec’s more than six million francophones have about as much attachment to the country as they do to their neighbour’s cat, says EKOS president Frank Graves. But he adds: “I don’t think that’s necessarily a problem. I think what’s been established is a new healthy détente where Quebeckers are able to pursue their own thing and there’s a nice civic nationalism where we agree on things.” Not necessarily a problem yet, but an element – along with the sentiments of the Indigenous occupants of the land – that inevitably is going to lead us to the painful necessity of a reborn federalism. Canada, in political scientist Peter Russell’s words, is a country of one multicultural lump and two never-finished conquests and that can’t go on forever unchanged.

The sunshine of 1967 has gone behind the clouds of economic stagnation – the economy is moving forward but individuals aren’t; so much of the gain is being appropriated by cadres at the top. It has gone behind the clouds of middle class decline. At the turn of the century, 70 per cent of Canadians told EKOS they were middle class; today only 45 per cent identify themselves that way while 38 per cent identify as working class, well above the historical norm of 20 per cent (the numbers are similar in the United States). This self-identified working class in Canada are upset and angry and, some evidence suggests, beginning to gravitate toward the Conservative Party. The concern is that these discouraged Canadians – following their sisters and brothers in the United States and United Kingdom – will come to be faces of rejection of elite authority, of rising right-wing or so-called ordered populism – what The Economist calls “drawbridge up populism” – and of authoritarianism.

The cause of intergenerational equity lies barely in the long grass. Canadians of all generations, but especially millennials, tell EKOS they are open to interventionist government – but how are governments responding? Canadians face a patchwork of provincial coverage on dental care and effective long-term care that is in large part inadequate to their needs. What will governments say to a generation that can’t afford to live in the cities where they grew up? How will governments
say they have met millennials’ dreams about the environment when withdrawals from the resources’ bank are still treated as if the account is bottomless? Are Canada’s government and its opposition parties advocating a face for the country to the world of which the majority of its citizens can be proud, as they were in 1967?

“We are in the midst of a fourth industrial revolution, driven by disruptive technological change,” Kevin Lynch, former Privy Council clerk and now BMO vice-chair, wrote in The Globe and Mail six months ago.

These technologies, such as big data, machine learning, artificial intelligence, quantum computing, and blockchain are intersecting and combining in extraordinary ways to create a “technology 4.0 world.” Few revolutions unfold without upheaval, uncertainty and swaths of winners and losers, however, and this one is no different. Its impact will be felt well beyond commerce in how we communicate, interact, date, learn, gather news, and govern ourselves.15

With it, says Lynch, is the quandary of “the growing gap between the scale, scope and speed of these transformations and the capacity of government to implement timely and effective policy changes. Put simply, in today’s dynamic world, last-generation governance and policy processes are a poor match for next-generation disruptive trends, and trust in government is an early casualty.”

A scary – but exciting – time to be Canadian.

NOTES

1 Bruce Hutchison, The Unknown Country: Canada and Her People (Westport, Conn.: Greenwood Press, 1977), 3.


11 Graves, “Broad Shifts in Public Outlook on Values, Identity, and Symbols.”


Most major public policy initiatives have an impact on both social welfare and government finances, not just in the present, but extending out into the distant future. Since it is possible to distribute the benefits and burdens of these policies in different ways over time, such policies naturally raise questions of intergenerational justice. Unfortunately, the treatment of these questions has historically been somewhat ad hoc. This has been changing, driven in particular by the need to respond to the problem of anthropogenic climate change, an issue in which the distribution of burdens over time winds up being a significant determinant of policy choices. Perhaps the single most important factor determining this distribution is the social discount rate used in public sector cost-benefit analysis. The discount rate is used to calculate the present value of future costs and benefits, and as such literally determines how much we are obliged to care about the sorrows and triumphs of those yet unborn. The higher the discount rate, the lower the level of concern that must be shown, in the present, for future costs and benefits.

Despite its evident importance, the social discount rate for a long time languished in obscurity. Historically, it was determined in a rather casual manner and the rates tended to be quite high. In Canada, for instance, the social discount rate was fixed in 1976 at 10 per cent.¹ This was considered plausible in most of the standard cases of application, which typically involved infrastructure projects. The only anomaly was nuclear waste disposal, which is necessarily concerned with events in the very distant future. Such an anomaly was relatively easy to ignore, however, because it is practically impossible to construct any sort of model in which it matters at all in the present what happens 10,000 years from now. However, as the use of cost-benefit analysis expanded and became standard in more policy domains – such as environmental regulation and healthcare resource allocation – the choice of discount
rate began to loom larger. The issue that most brought it to the fore-
front, and into broader public consciousness, was climate change.

Climate change policy has a peculiar feature: because of “inertia” in
the atmospheric system, the effects of any carbon abatement policies
that we adopt now will only begin to be felt in approximately 50 years,
and will peak in 80 to 100 years. The discount rate functions like the in-
verse of the interest rate – it is an exponential function – and as a result
generates a phenomenon quite similar to the “miracle of compound
interest.” In the same way that retirement savings accumulate rather
slowly on a timescale of 10 to 20 years, but then begin to take off as
the compounding effect kicks in, the discount rate also tends to make
little difference on a timescale of 10 to 20 years, after which the effects
of compounding begin to accumulate. On a timescale of a century the
effects are massive. Imagine, for instance, that some disaster was likely
to occur that stood poised to destroy half of Canada’s current agricul-
tural output, a loss with a market value of over CDN $54 billion. If we
anticipate that the event will occur in 100 years, a 10 per cent rate of
discount suggests that we should be willing to spend no more than
$1.436 million in the present to prevent this disaster from occurring.
Should we elect not to, on the grounds that preventative action would
have cost $1.5 million, it seems reasonably certain that our descendants
would one day spit on our graves and curse our short-sightedness.

Because of this, climate change policy recommendations are ex-
trmely sensitive to the discount rate employed to calculate the social
cost of carbon (SCC). This was dramatized in 2006 with the release of
the Stern Review on the Economics of Climate Change in the U.K., which
recommended the immediate imposition of carbon taxes an order of
magnitude larger than those being contemplated in mainstream policy
circles.2 Critics went through the 700-page report with a fine-toothed
comb, trying to find the basis for this rather surprising conclusion. They
found that Stern’s assessment of the science, as well as the Integrated
Assessment Model he used for projecting damages, were all unremark-
able. The only real difference, it turned out, was that Stern rejected the
mainstream view on social discounting, and instead chose to use a rate
of only 1.4 per cent. As result, his model simply assigned much greater
weight to damages occurring in the distant future, and therefore de-
manded much greater sacrifice from present generations.

Stern’s recommended carbon tax rates were not implemented in the
United Kingdom or elsewhere, and the report remains an outlier in
the more general debate over the SCC. It did accomplish two things,
however, beyond merely drawing attention to the importance of the discount rate. First, it solidified support for a “normative” specification of the discount rate (based on the “Ramsey formula”) in lieu of the economist’s traditional preference for a “revealed” or “positive” basis for determination. Second, it contributed to a general trend that has seen discount rates being lowered in Europe and North America. Canada has been party to this trend, although not to the degree seen in many European countries.

On the first issue, the traditional approach to discounting was based on a calculation of the opportunity cost of state spending. The thought was that when a public investment is made, and the state raises tax revenue in order to fund it, this means that the resources are no longer available for private investment. Thus in order to produce a net benefit to society, the return on the public investment should be at least as large as that on the foregone private investment.3 One way of ensuring this is to discount the benefits of the public investment at the prevailing rate of return on private investment (or “capital” more generally). The problem with this approach is that the rate of return on private investment reflects a number of worries that private individuals have, but which the state need not concern itself with. Most obviously, equity returns contain a “risk premium” that is inapplicable to state investments. As a result, where it was once common to look at the rate of return on equities when determining the discount rate, common wisdom now among those who recommend a “positive” approach is to look at the long-run rate of return on “risk-free” investment vehicles, such as U.S. Treasury Bonds.4

There is, however, another problem that arises: the rate at which individuals discount the future reflects their own fear of death, and thus individuals demand a relatively high rate of return before becoming willing to forego consumption. Public investments, by contrast, are made to benefit “citizens” abstractly, not any particular set of individuals, and thus the fact that some will die and others will be born is an irrelevant consideration. Yet because it is impossible to disentangle this “fear of death” factor from other elements in the individual’s discount rate, there is no way to get an appropriate social discount rate by aggregating individual rates. Using the rate of return on capital is just an indirect way of getting at aggregate individual rates, since the relatively high marginal productivity of capital is a consequence of the relatively low willingness of individuals to save, in part because they fear death. As a result, many theorists – including, most prominently,
Kenneth Arrow—have argued that the social discount rate cannot be inferred from any set of empirical observations or measurable quantities; it must be determined normatively.5

The standard template for a normative specification of the discount rate is the “Ramsey formula,” which incorporates three considerations: the first is the rate of growth of the economy multiplied by the “elasticity of marginal utility of consumption” which, taken together, represent the rate at which the marginal utility of consumption is expected to decline over time.6 The thought here is simple: because we are concerned about utility and not resources per se, and we know that marginal utility declines as consumption levels increase, we can expect that if economic growth produces an increase in the overall consumption level over time, future generations will be less sensitive to costs and benefits. They will, in other words, not care as much about a particular cost or benefit if they are much richer than we are. And because they may not care as much, neither should we.

There is a common confusion on this point that should be avoided. The “elasticity of marginal utility of consumption” term—or eta—is often misrepresented as specifying a level of inequality aversion. This is not strictly speaking correct. Although it could be used to represent inequality aversion, in the standard Ramsey formula it is a “positive” measure, used only to represent the fact that marginal utility declines with increased consumption. This is necessary in order to make the formula welfarist, or utilitarian; it does not involve the introduction of any supplementary egalitarian or prioritarian commitments.

The final two considerations are introduced in a single term—usually delta—which represents the combination of risk (the probability that the outcome will not be realized), and a pure time preference (a simple preference for outcomes that can be achieved sooner over those that can be achieved later). The risk term is, of course, the one that looms large in individual discount rates because of fear of death, but in a social discount rate is either ignored or else set to a very low value to reflect the probability of human extinction. (If everyone dies in a nuclear holocaust, then we need not worry about climate change. It follows from this, however, that because there is some small probability each year of a nuclear holocaust, then we should be somewhat less worried about the effects of climate change the further removed these effects are from the present.)

So far these values can all be set empirically. It is the final term, the pure time preference, that is obviously normative and which, on the
basis of moral arguments, many theorists are inclined to set at zero. (This is, for instance, what generated Stern’s ultra-low discount rate.) These arguments are not uncontested. Theorists of a more consequentialist persuasion who are inclined to set it at zero usually do so on the grounds that “location in time,” just like “location in space,” is a morally irrelevant feature of events, and so the significance of harms cannot be discounted for proximity in either space or time. This argument is problematic, however, because it leaves the theorist having to introduce empirical postulates in order to avoid infinite utility streams (since time extends out infinitely into the future). Theorists of a more egalitarian persuasion who are inclined to set the time preference at zero do so because they consider such a preference discriminatory, since it appears to treat people who are born later as worthy of less concern than those who are born earlier. This is largely an illusion produced by poor framing of the problem, however. Discounting a utility stream treats everyone’s welfare exactly the same at the time that it is realized. It is only when the welfare is in the future that it counts for less than welfare in the present. To put this point more technically, discounting does not reduce the value of future welfare, it only reduces the present value of future welfare. If the same discount rate is applied uniformly over time then everyone is treated equally because everyone’s welfare is discounted by the same amount, at the same life stage.

These are somewhat philosophical considerations. The more influential arguments have been slightly more pragmatic ones, pointing out that while the ultra-low discount rates that result from setting the time preference to zero may produce intuitively satisfactory results in the domain of climate change, they are unreasonably, perhaps even absurdly, demanding when applied in other policy domains. When one considers what the rate of savings should be, for instance, or what the balance of investment should be in healthcare versus healthcare research, zero time preference suggests that present generations should be sacrificing almost everything in order to benefit individuals living in the distant future. This helps to accentuate the strangeness of the view that prohibits us from showing any partiality toward the interest of real, flesh-and-blood human beings, existing in the present, because we could be showering much greater benefits upon people who will be born only after the passage of centuries.

The underlying concern is that analysts like Stern were gerrymandering the discount rate in order to support a set of policies that seemed intuitively appropriate to the case of climate change, but that could
not be seriously contemplated in other domains. What Arrow recom-
mended, by contrast, was essentially a “reflective equilibrium” proce-
dure, working out first what seemed like reasonable policies in various
domains, then determining the implicit discount rate. Unfortunately,
finding a single rate that supports the full range of intuitively plau-
sible policy judgments has proven elusive. Thus what theorists have
been gravitating toward is a variable discount rate that declines over
time for long-term investments.\(^\text{10}\) There are various ways of motivating
a declining rate, with perhaps the most straightforward being Martin
Weitzman’s suggestion that it is a consequence of uncertainty about the
correct discount rate.\(^\text{11}\) Again, because of the effects of compounding,
in order to keep estimates of the value of a discounted utility stream
within a fixed range of uncertainty, it is necessary to push down the
discount rate as one goes further into the future. This approach is one
that has been adopted by some governments, most notably the United
Kingdom, which uses an official rate that begins at 3.5 per cent but then
begins to decline over a 30-year horizon, eventually reaching 1 per cent
for effects beyond the 300-year mark.

This arrangement strikes many as acceptable, although perhaps only
as a kluge. To the extent that it generates dissatisfaction, it is because
the changing rate has the potential to generate time-inconsistent policy
recommendations. For instance, a policy that has effects over 100 years
in the future might be cost-benefit justified, and thus adopted, but then
become unjustified 25 years later, due to nothing other than the passage
of time. In such cases, the state winds up confronting a problem that
is strictly analogous to weakness of will in the individual, where one
must find a way to pre-commit to policies in anticipation of one’s own
future preference reversals. This is, it should be noted, only a theoreti-
cal difficulty so far – one that is being carefully ignored in policy circles.
It may someday become a practical difficulty as well.

Setting aside this issue, it remains the case that throughout the world
states have been lowering their discount rates, and Canada, despite
being something of a laggard, is not an exception. The United King-
dom lowered its official short-term discount rate from 6 per cent to
3.5 per cent with the publication of the *Green Book* in 2003. The European
Union has had the unenviable task of having to harmonize social dis-
count rates across member states, a process that has tended to push
all countries in the direction of the state with the lowest rate, which is,
unsurprisingly, Germany. In Canada, the rate of 10 per cent, adopted in
1976 and reaffirmed in 1998, was lowered in the 2007 Treasury Board
Canadian Cost-Benefit Analysis Guide to 8 per cent in standard cases.\textsuperscript{12} This is still quite high, so in 2016 when the Ministry of Environment and Climate Change determined the SCC, it used a rate of 3 per cent (based on a rather loose interpretation of the Treasury Board guidance).\textsuperscript{13} At the same time, economists have consistently pressured the Government of Canada to lower its overall rate and adopt a time-declining rate for longer-term projects. Since the 2007 guide was not particularly comprehensive, it would not be surprising to see official movement toward a lower rate in the near future.

NOTES

9 Arrow, “Intergenerational Equity and the Rate of Discount in Long-Term Social Investment.”

