REGULATED OFF THE MENU: HOW CANADIAN CITIES CRIPPLE CULINARY COMPETITION

WHAT’S INSIDE

Infographic: The new United States-Mexico-Canada trade agreement

Student Article: Cleaning the Ocean through Property Rights

Blog Post: Will Tapping Finally Kill Cash?
EDITOR
Ryan Hill
LAYOUT AND DESIGNER
Carolina Wong
PRODUCTION EDITOR
Kristin McCahon
PHOTO CREDITS
iStock

To receive a subscription, or to write to us about articles you read in this publication, contact us at:

Canadian Student Review
1770 Burrard Street, 4th Floor
Vancouver, British Columbia V6J 3G7

TEL
604.688.0221 ext. 538

FAX
604.688.8539

EMAIL
ryan.hill@fraserinstitute.org

Copyright © 2018, the Fraser Institute

DATE OF ISSUE
Winter 2019

ISSN 1707-116X (online edition)

Canadian Student Review is sponsored by the Lotte & John Hecht Memorial Foundation.

Canadian Student Review is published by the Fraser Institute. The views contained within are strictly those of the authors.

Our mission is to improve the quality of life for Canadians, their families and future generations by studying, measuring and broadly communicating the effects of government policies, entrepreneurship and choice on their well-being.
## TABLE OF CONTENTS

4 . . . Welcome Message

6 . . . Student Article #1: Regulated off the Menu: How Canadian Cities Cripple Culinary Competition

9 . . . Student Article #2: Cleaning the Ocean through Property Rights

11 . . . Video Gallery
  Enjoy this video that illustrates Leonard E. Read’s famous essay, I Pencil.

13 . . . United States - Mexico - Canada Agreement
  This recent infographic emphasizes the lost opportunities in the new United States-Mexico-Canada agreement.

14 . . . A quote on problem solving from economist Elinor Ostrom

15 . . . Will Tapping Finally Kill Cash?
  Read a recent blog post from Senior Fellow William Watson on the future of consumer transactions.

  Take a look at the newest book from Fraser Institute Senior Fellow Pierre Desrochers; it tackles the controversial topic of overpopulation

18 . . . Hot Topics
  A sample of some new research from the Fraser Institute
Dear Readers,

The chilly weather is upon us and holiday music has begun to play across the country. If you need a break from studying for your finals, or you’re looking for something to read while on your vacation, this edition of the Canadian Student Review has you covered.

This issue features two student authors. William Dunstan presents a fascinating piece on the regulatory barriers that are crippling culinary innovation in Canada and Brennan Sorge discusses how defined property rights could help clean up ocean pollution. In addition to these two articles, this issue also highlights a recent infographic on the new United States-Mexico-Canada trade agreement and a video of Leonard Read’s influential essay, I Pencil.

We’re also including a compelling blog post by Senior Fellow William Watson on the future of consumer transactions, a recommendation for a new book that discusses overpopulation, and much, much, more!

We hope that you are able to spend a wonderful holiday season with family and friends. We look forward to reconnecting with you in the new year!

Best,

Ryan
FRASER INSTITUTE
EDUCATION PROGRAMS

Like us on Facebook to stay up to date with our national programming and much more! »»
Politicians are often accused of being out of touch and unable to keep up with popular trends. But the case of Canadian food trucks proves this is not always true. Municipal politicians are as zealous to impose burdensome regulations as foodies are to sample innovative culinary creations or Instagrammers are to snap the perfect food pic. Food trucks are a growing business in this country. Industry revenue is increasing around 2.5% annually and yearly revenue stood at $281 million in 2017 (Holmes et al., 2018). However, these growth rates are a fraction of the industry’s true potential, largely because in many Canadian cities culinary entrepreneurs are being regulated off the menu.

Before delving into the regulations stifling food trucks, it is important to note how cities gain from the industry in the first place. Most visibly, food trucks enrich the local culinary scene by increasing the variety of food available to consumers—especially by representing ethnic cuisines less present in conventional “brick-and-mortar” restaurants (Hernando-Lopez, 2011). But there are myriad other benefits. Due to low start-up and operational costs relative to brick-and-mortar restaurants (Moriarty, 2011), food trucks contribute to greater class mobility by offering opportunities to aspiring restauranteurs with reduced access to capital. Further, a study in Portland found that mobile food vendors can foster increased social interaction and improve community safety when they are located on otherwise vacant lots, thereby putting “more eyes on the street” and creating a more vibrant social atmosphere overall (Kapell et al., 2008). Other research suggests that the low costs of food trucks coupled with their inherent mobility allows them to provide healthy food to low-income, low-health neighbourhoods (Brinkley et al., 2013). Thus, it is clear that food trucks are a boon for cities.

However, as previously mentioned, Canadian cities are foregoing these benefits by imposing overly restrictive regulatory regimes on food trucks. Take Montreal and Toronto as examples. In Montreal, permits are only issued to prospective vendors who already own a restaurant. These permits cost $2,075 a year in addition to other regulatory fees. Food trucks may only operate in designated sites, and, prior to its being abolished this year, prospective vendors had to apply to a committee that analyzed the quality of their business plans and products (Geloso and Guenette, 2016). Regulations in Toronto (2018) include a limit of two food trucks per block, a requirement that vendors can only operate in one spot for a maximum of five hours, and a ban on operating a food truck within 30 metres of a restaurant. Montreal and Toronto are examples, not the exceptions; most Canadian cities’ regulations for food trucks consist of some mix of similar rules.

Now, compare these regulatory approaches to those of Indianapolis in the United States. In Indianapolis, there are no limits on the number of permits available for food trucks, there is no minimum distance from brick-and-mortar restaurants (the sole substantial proximity rule being a ban on operating within 1000 feet of a school while it is in session), average fees for regulatory compliance are only US$590 (about CA$765), and there are few additional regulations other than standard food services regulations regarding health and safety (Lawrence and Hendrix, 2018). The benefits
of Indianapolis’ relaxed regulatory approach are plain to see. Despite also experiencing cold and snowy winters—a factor that can hamper the growth of mobile food industries and thus makes Indianapolis a better comparator with Canadian cities than other American cities with relaxed regulatory environments—Indianapolis has a far larger food truck industry. In Spring 2017, Indianapolis had as many as 120 food trucks, or around 14 per 100,000 residents (Bartner, 2017, March. 19). During roughly the same period, Montreal (2017) had 33 licenced food trucks, or slightly less than 2 per 100,000 residents. Toronto had about 60, or slightly more than 2 per 100,000 residents (Howells, 2017, June. 12). This disparity is the cost of Canadian policymakers’ regulatory zeal.

It is worth taking a closer look at some specific regulations to understand just how destructive and unnecessary they are. Montreal’s practice of requiring vendors to already own a restaurant and only permitting vendors to operate in designated sites defeats the very purpose of a food truck. Among the industry’s foremost benefits are the opportunities provided to culinary entrepreneurs who cannot afford to open a brick-and-mortar restaurant. Further, consumers value the variety food trucks bring to the local culinary scene. Neither of these occurs when someone must already own a restaurant before they can open a food truck. Designated sites also rob food trucks of an important asset: mobility. This hurts consumers and vendors. A study in Washington, D.C.
found that requiring food trucks to stay in one place would reduce the variety offered to consumers by a third and would result in revenue losses for vendors equivalent to the imposition of a 10% sales tax (Anenberg and Kung, 2014).

Proximity requirements, such as Toronto’s ban on food trucks within 30 metres of brick-and-mortar restaurants, are common across Canada. These rules, which intend to protect food industry incumbents from competition, exclude vendors from large swaths of their potential market. This is unfair to food trucks, limits choice for consumers, and ultimately constrains innovation and economic growth. Moreover, these regulations may actually hurt the businesses they aim to protect. American statistics analyzed by The Economist found that, since 2010, counties that have seen greater increases in the number of food trucks have also seen greater increases in the number of brick-and-mortar restaurants (2017, May. 4). Proximity requirements in the mould of Indianapolis’ ban on operating near schools may be justifiable, but those attempting to preserve brick-and-mortar restaurants are not.

Canadians can benefit from food trucks in numerous ways and most should be concerned by the existing regulatory regimes in their communities. Consumers, vendors, and cities in general would all be better off if policymakers allowed the industry to be shaped by market forces rather than government regulation.

William Dunstan is a recent graduate of St. Matthew High School. He is currently a first year Public Affairs and Policy Management student at Carleton University.

REFERENCES


Reducing pollution and improving the state of the environment has been an important goal for both voters and policymakers. While substantial improvements have already been made, pollution, especially in the form of plastics, continues to have ill effects on the world’s oceans (UNESCO, 2017). This growing problem of oceanic pollution contrasts with the improving environmental state of most developed nations, including Canada’s own strong record of environmental performance (McKitrick, Aliakbari, and Stedman, 2018).

Ownership gives owners the authority and incentive to protect their land.

Oceans are a much different story. Oceans are international territory and are without ownership. As a result, no one is willing to dedicate the funds to protect the oceans, and no one is clearly responsible for protecting them.

This is not to say that attempts are not being made to improve the oceanic environment. A variety of policies have already been proposed (Petroff, 2018, May 18). At the municipal level, some cities have already enacted policies to protect the nearby oceans (CBS, 2018, July 2). Some of these policies have tried to reduce pollution by restricting products that often end up in the ocean, such as plastics and plastic foams used in products like straws, grocery bags, or disposable coffee cups. Unfortunately, it is far from certain that these policies will be effective in cleaning up our oceans.

There is an important reason for this. When plastics are restricted, different products would be used as alternatives to plastics, and these would come with their own environmental challenges. As an example, producing a disposable cup from plastic foam uses only a tiny fraction of the energy required to produce a cup from a substitute such as paper (Colton, Harmer, Isom, and Shughart, 2018). Switching from plastic foam to paper would lead to more expensive products, and an increased environmental impact from the additional energy required to create them.

There is also a political challenge. Much of the pollution entering oceans comes from developing nations, many of which may be reluctant to give up the economic advantages of low-cost plastic products (Hotz, 2015, Feb. 2).

Beyond these concerns, even if a large scale ban on plastic is implemented, it would do nothing to deal with the pollution already in the ocean, or, importantly, the other non-plastic forms of pollution that continue to enter the oceans. Pollutants such as industrial waste, raw sewage, or all manner of other biological and chemical potential pollutants would still enter the ocean.

If plastic bans aren’t going to solve the problem, what other options are available? A promising, but certainly
still difficult approach would be to allow for ownership over oceanic territory. Currently, the vast majority of oceanic territory is designated as international waters, with no nation able to claim ownership, as agreed upon in the UN Convention on the Law of the Sea (United Nations, 1982). As a result, no one has a clear responsibility to protect the oceans, or a compelling reason to do so. Contrast that with the, individuals, businesses, and governments that have the incentives and abilities they need to protect the land they own. If ownership rights were extended to the oceans, the same processes we have used to reduce pollution on land could be extended to the oceans.

Were there to be defined ownership over the oceans, the protection of private property and enforcement of environmental protection could be more readily achieved. As it stands now, no country has the ability to establish environmental protection laws over international waters—or the right to enforce them even if such laws were established. Extending property rights across the oceans would change this, and provide a foundation for laws to be established, for territory to be owned and protected, and for the cleanliness of our oceans to improve.

While there are significant potential benefits to doing so, extending or implementing property rights to the oceans would be difficult. Assigning property rights would require substantial domestic and international cooperation, and would need all parties to agree on how, and by whom, oceanic territory would be governed. Reaching such an agreement is very complicated, but the ultimate benefits of reaching an agreement may well be worth the effort.

It is clear that our current approach to oceanic protection has not been successful at preventing pollution reaching our oceans, nor at cleaning up the pollution that is now there. A new and ambitious approach is required. Given the success of pollution reduction on land, extending the same systems of property rights to the ocean may provide the solution.

Brennan Sorge is currently an economics and business student at Thompson Rivers University. His interests centre on the effects of law and policy on the economy, and he hopes to act on these interests in further study of both economics and law.
I, PENCIL
A SHORT BASED ON LEONARD E. READ’S INFLUENTIAL ESSAY

CLICK HERE TO VIEW VIDEO
Create a meme with an original photo relating to an economic principle or topic.

Enter for a chance to win:
- $50 Amazon gift card
- Feature on the Fraser Institute website
- Chance of being published in an upcoming edition of the Canadian Student Review

**Instagram Steps:**
1. Post your meme on Instagram
2. Tag @FraserInstitute
3. #EconomicsTopics
4. Hashtag the economic topic

**Facebook Steps:**
1. Post your meme on @EducationPrograms Facebook wall
2. Hashtag the economic topic

UNITED STATES - MEXICO - CANADA TRADE AGREEMENT

READ MORE HERE

USMCA a missed opportunity to create true free trade in North America
THERE IS NO REASON TO BELIEVE THAT BUREAUCRATS AND POLITICIANS, NO MATTER HOW WELL MEANING, ARE BETTER AT SOLVING PROBLEMS THAN THE PEOPLE ON THE SPOT, WHO HAVE THE STRONGEST INCENTIVE TO GET THE SOLUTION RIGHT.

— ELINOR OSTROM
I was at the local big-box hardware store the other day, making that very 21st-century purchase, compost bags. I tendered my $20 bill and as I received my change and receipt I briefly looked back at the two or three people waiting patiently in line behind me and had an economics epiphany. (If you’re an economist, these happen to you all the time. Not to worry, they’re not health-threatening—unless you spend too much time describing them to your spouse.)

I wondered how much time (on average) is taken up waiting for people in front of you in the checkout line to put their change in their pocket or purse, stow their receipt in their favoured place (in my case my wallet) and pick up their purchases and clear out.

A few seconds, at least.

I wondered how many hours of my now long life, maybe even days, have been spent that way, either waiting on others or causing the delay myself. It occurred to me there must be people who study the economics of checkout lines. It occurred to me mainly because these days there are people who study more or less everything.

Well, lo and behold, just a couple of days later, what shows up in my email but a new study from the Bank of Canada called How Long Does It Take You to Pay: A Duration Study of Canadian Retail Transaction Payment Times, by Geneviève Vallée, an MA intern in the currency department at the Bank. Judging by the sophistication of the econometrics Vallée uses in exploiting her data set, technological change is occurring as rapidly in MA studies as in payments systems.

That said, her bottom line is that the oldest means of payment, cash, is still the most efficient, at least in terms of how long transactions take. Her econometric concern, as best I understand it, is whether the fact that consumers “endogenously” choose which method of payment (MOP) to use may bias our estimates of how fast each method is, a statistical problem that’s actually quite difficult. (In effect, do they choose cash only for those transactions where it’s faster so the fact that it is faster should therefore not be surprising?)

In the end she finds that the estimates aren’t biased, which is reassuring, but I’m afraid I was more taken by some of the simple facts that arose along the way.

To begin with, the fact that there actually are surveys of how people make transactions. In this case, the survey being used, the “2014 Transaction Duration Study,” involved 12 observers assigned to different kinds of retail outlets to watch and time—using a stopwatch application on a smartphone—the interval between the customer being informed of the amount owing and their receiving their receipt and any change back. (So in fact the fumbling time that got me thinking about this problem didn’t actually get counted. It would have been categorized as post-payment.) The observers worked six-hour shifts—I hope they got breaks, it seems a mind-numbing job!—and generated data on 5,107 transactions.

As for payment times, they varied between one and 180 seconds. A one-second transaction seems almost too good to be true. Change presumably wasn’t
involved. Three minutes, on the other hand, seems very long, though I expect we've all experienced credit-card delays from time to time, some of them as a result of our own incorrect entry of our PIN. Note that if there had to be a price check or another checkout person came by for a chat or there was any interruption not associated with the making of the payment itself, the observers stopped the clock. That kind of queuing delay, though it happens all the time, doesn't enter into this study.

Perhaps strangely, the old technologies are the fastest technologies. As noted, cash is fastest of all, with a mean transaction completion time of just 15 seconds and a median even better than that at 11 seconds. (The mean is higher than the median, I assume, because of those fastidious outliers who insist on foraging through their change purses to provide the exact value of the transaction.) Cash does get slower the higher the value of the transaction. Scatter plots of the data that Vallée provides show a couple of cash transactions of more than $400. Counting and double-counting all that cash, unless it was tendered as $100 bills, takes time. Of course, hundreds usually have to be checked for counterfeit.

The next-fastest MOP is the old-fashioned “swipe and sign” credit card, which Canadians tend to find quaint when they run across it in the US, where it’s only just now being phased out. Signing is a bother but at least there doesn't have to be confirmation of a PIN. The mean duration of transaction with this technology is just 19 seconds and the median is 13 seconds. (Would the longer mean be caused by people with intricate signatures or long names? Or maybe they drop the pen.) Compared to cash, those numbers are only four seconds and two seconds slower, respectively.

For their part, “chip and PIN” cards, though very modern, are a glacial 24 (mean) and 22 (median) seconds. Time of transaction isn't everything, of course, and from the retailer's point of view, though people take a little longer to pay with this kind of card their payment presumably is less likely to involve fraud, which certainly reduces the card company's costs and may also benefit the retailer.

Unfortunately, the survey on which the study was based was for 2014 when contactless “tapping” cards were just coming into use. Only 197 of the 5,000-plus transactions used them and some of those may have been first use. I know my first couple of times tapping I didn't quite know what to do so the transaction took longer than necessary. In those 197 transactions, however, paying by tapping your credit card took 16 seconds on average, with a median of 14 seconds—times that are just one second and three seconds, respectively, slower than cash.

My guess is that though swipe cards and chip cards didn't kill cash, tapping may be the doomsday technology, not to mention paying with your cellphone. The currency department of the Bank presumably will update its surveys to gauge the adoption of these new technologies. As for me, I'll continue to ruminate on this problem during future fumbling intervals.
BOOK RECOMMENDATION

POPULATION BOMBED!

Many scholars, writers, activists, and policymakers have linked population growth to environmental degradation—and especially to catastrophic climate change. In the last few years, however, a number of writers and academics have documented significant improvements in human well-being, pointing to longer lifespans, improved health, abundant resources, and a general improvement in the environment. Population Bombed! addresses the main shortcomings of arguments advanced by both population control advocates and pessimistic writers. The book explains how economic prosperity and a cleaner environment are the direct results of both population growth and humanity’s increased use of fossil fuels. It shows how campaigns against the spread of fossil fuels will cause misery in the developing world, fuel poverty in advanced economies, and will inevitably wreak havoc on the natural world.

FOR MORE INFORMATION ON POPULATION BOMBED!, CLICK HERE
THE COST OF THE CANADIAN GOVERNMENT’S RECONCILIATION FRAMEWORK FOR FIRST NATIONS

TOM FLANAGAN

This study finds that settling ongoing litigation with First Nations could cost the federal government $5.7 billion over the next five years. That’s in addition to federal spending on First Nations, which itself increased from a likely $8.2 billion in 2015/2016 to more than $10 billion this year.

READ THE FULL STUDY HERE
This study finds that Canada spends more on health care than a majority of 28 comparable countries with universal coverage, but ranks near the bottom in terms of number of physicians and hospital beds. Further, Canada suffers from the longest wait times.

READ THE FULL STUDY HERE
CHECK US OUT...

CANADIAN STUDENT REVIEW IS OFFERED FREE TO STUDENTS ACROSS CANADA. TO RECEIVE A SUBSCRIPTION, OR TO WRITE TO US ABOUT ARTICLES YOU READ IN THIS PUBLICATION, E-MAIL: STUDENT@FRASERINSTITUTE.ORG

CLICK HERE TO RECEIVE A SUBSCRIPTION TO OR INFORMATION ABOUT:

◆ CANADIAN STUDENT REVIEW: A COLLECTION OF ARTICLES FROM BOTH ECONOMISTS AND STUDENTS.

◆ EVENTS: ATTEND ONE OF OUR “EXPLORE PUBLIC POLICY ISSUES” SEMINARS ACROSS CANADA

◆ FRASER INSIGHT: A FRASER INSTITUTE REVIEW OF PUBLIC POLICY IN THE UNITED STATES.

◆ FRASER UPDATE: THE NO. 1 SOURCE FOR FRASER INSTITUTE NEWS; CONVENIENT AND CONCISE.

◆ VOLUNTEERING: EMAIL STUDENT@FRASERINSTITUTE.ORG FOR FURTHER INFORMATION ABOUT VOLUNTEER OPPORTUNITIES

Get daily updates from @FraserInstitute

Like us on Facebook through our website or visit: facebook.com/EducationPrograms