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**From:** Jerome Gessaroli
**To:** Legislature Watchers
**Re:** THE HIGH COST OF MISUNDERSTANDING ECONOMICS IN POLICY DECISIONS

Imagine if the federal government passed a law requiring producers to dispose of nutritious food that could otherwise feed large numbers of Canadians. You might assume such a policy would never be permitted, particularly when roughly one in four Canadians report struggling to afford food.

That assumption is reasonable – but wrong. This outcome occurs under Canada's supply management system, a federal program that enforces production limits and price floors, where surplus milk that cannot be sold sometimes ends up **being discarded**.

This policy, intended to ensure Canadian producers of dairy receive a predictable price in exchange for domestic production security, comes at the expense of Canadian consumers. And this policy outcome is no isolated mistake.

Although there are no doubt political pressures from vested interest groups, it also arguably reflects gaps in economic understanding within government. Political incentives reward visible short-term price and industry stability while obscuring dispersed costs and longer-term market effects. When elected officials prioritize the appearance of stability over supply and demand pressures, it is the average Canadian family that pays the price.

Supply management is only the most visible example. Other federal policies, such as housing subsidies that raise prices and airline protections that limit competition, may be well-intended but often produce predictable, unintended consequences. The benefits often accrue to narrow, organized groups whereas the costs are spread out over larger groups of Canadians.

These policy outcomes arise from overlooking economic understandings including who pays, how people respond to incentives, and how policies shape behaviour over time. Misunderstanding these trade-offs leads to predictable economic harms.

Elected officials exercise legislative power and therefore have a responsibility to understand the economic consequences of their decisions, just like regulators, judges, or fiduciaries who protect the interests of others.

Accordingly, those officials should be required to complete essential nonpartisan training in economic theory and principles. This would not prevent all poor policy decisions, but it would reduce avoidable errors caused by misunderstanding basic economic trade-offs.

In many professions, education is essential to maintaining competence and often requires rigorous, ongoing learning. Recognizing the value of economic education for elected officials does not imply similar rigor, only that informed judgment matters in roles with significant economic consequences.

Learning economics in this way means teaching core, non-ideological principles such as incentives, opportunity costs, externalities, and unintended consequences. It also gives elected officials an understanding of how different economic frameworks can lead to different policy conclusions. Teaching this distinction does not tell elected officials which policies to choose. It explains why economists can disagree in good faith, when different outcomes are more likely, and what evidence matters.

And there is evidence that this works. Academic **research** suggests that across countries, better-educated political leaders are associated with policy choices and economic outcomes that support stronger long-run performance.

Legislatures could implement this in a modest, practical way. Most already provide post-election **orientation** and ongoing briefings on legal and procedural matters. Adding a basic economics component would require no new institutions and little additional burden.

Embedding a post-election orientation or continuing education, delivered on a nonpartisan basis, would provide all elected officials a shared understanding of economics. This would help improve policy decisions without affecting democratic choice or ceding power to technocrats.

Such training would also help officials better assess claims from special interests by reducing errors that arise when lobbyists present policies as costless or neutral, even though they impose real, predictable costs on consumers or taxpayers.

Proponents of supply management often argue that the system involves no direct government subsidies. A clearer understanding of who ultimately pays would reveal this as incomplete. While the government writes no cheque, Canadian families still bear the cost through higher food prices. This would reduce reliance on lobbying claims and strengthen officials' ability to assess policies on their merits.

Policy decisions on Canadians' financial future would benefit from elected officials having an improved understanding of the trade-offs in the laws they enact.

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