

# SOCIAL STUDIES LESSONS FROM THE ESSENTIAL SCHOLARS

Classroom Lesson Plans



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# OVERVIEW

In these four lessons, students explore key social, political, and economic ideas that continue to shape Canadian and global society. Beginning with John Locke and David Hume, students examine citizenship, identity, and the role of government in fostering social cohesion. Milton Friedman introduces the importance of economic literacy through engaging demonstrations on debt, unemployment, and opportunity cost. James Buchanan’s work on public choice theory and rent-seeking helps students understand how individual incentives and political systems interact. Finally, Montesquieu and Hume highlight how trade fosters peace, prosperity, and interconnectedness, with activities that analyze Canada’s exports, trading partners, and balance of payments.

Together, these lessons offer students a deeper understanding of how classical scholarship informs citizenship, governance, economic literacy, and global trade today. Through a combination of readings, videos, discussions, and interactive activities, these lessons provide teachers with adaptable tools to promote critical thinking, connect abstract theories to real-world issues, and enrich social studies instruction with a mix of philosophical, economic, and political perspectives.

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# LESSON 1

## Locke and Hume on Citizenship and Identity

### INTRODUCTION

Understanding Canadian citizenship and identity involves exploring multifaceted historical, social, and political elements. To gain a deeper perspective on the fundamental nature of citizenship and government, we can look to the philosophical ideas of John Locke and David Hume.

John Locke, considered a foundational thinker for modern Western democracies, offers a perspective on citizenship that emphasizes consent and a contractual relationship rather than solely the accident of birth location. Locke argues that membership in a political society, and thus citizenship, stems from the voluntary consent of individuals to join together. He asserts that citizenship is not an inherent right but a contract between the governed and the government. Importantly, Locke posits that a child's initial political identity is tied to the allegiance of their parents. He explicitly rejects the principle of *jus soli* ("right of soil"), the idea that birth on a territory automatically grants citizenship, distinguishing between temporary presence and permanent allegiance. While acknowledging tacit consent (like owning property or residing long-term), Locke notes that a newborn child cannot provide consent. His reasoning, rooted in a natural law framework, suggests that citizenship requires active consent and allegiance, which a child inherits from their parents' status rather than the place of birth. This perspective highlights the idea of citizenship as a chosen affiliation, relevant when considering Canada's immigration and citizenship processes.

David Hume provides a different lens through his examination of government. Hume presents two accounts of government origins: one exploring its necessary purpose (what it should do) and another detailing the historical development of actual governments (what they actually do). As might be expected, his account of what governments actually do historically deviate significantly from his view on what they ideally should do. Hume's purpose in offering these two accounts is to illuminate the nature of government and offer potential guidance for reform. When applied to Canada, Hume's framework could prompt an examination of the gap between stated ideals (such as those potentially implied by concepts like the Charter of Rights and Freedoms or multiculturalism) and the historical and ongoing realities, including challenges related to colonization, distinct nationalisms, or Western alienation. His approach encourages a realistic look at how the Canadian state has developed and operates, compared to philosophical ideals.

## LEARNING OBJECTIVES

- What it means to identify as Canadian
- Understand the responsibilities that come with citizenship
- Learn why social cohesion is vital to society
- Fostering trust and seeking cooperative outcomes that better society

## KEY CONCEPTS

Citizenship - the position or status of being a citizen of a particular country, state, or commonwealth.

Convention - a way in which something is usually done.

Social Cohesion - the collective attributes and behaviours characterised by positive social relations, a sense of identification or belonging, and an orientation towards the common good.

Consent - permission for something to happen or agreement to do something.

Tacit Consent - refers to the non-verbal or implied agreement or approval to something without explicit acknowledgement or objection.

Cooperation - the process of working together to the same end.

Trust - firm belief in the reliability, truth, ability, or strength of someone or something.

## TIME

Varies between 30 minutes and 1.15 hours. If the teacher does not use the Voting by Ballots and Feet Activity, the entire deck along with the two Kahoots, takes 30 minutes. The additional time to play the Voting by Ballots and Feet is 45 minutes.

## MATERIALS

- Four decks of playing cards (for the Voting Ballots and Feet activity).
- Lesson 1 PowerPoint Slides

## TEACHER'S GUIDE

1. Assign reading to be completed before class: chapters 2 and 3 from *The Essential John Locke* and chapter 3 from *The Essential David Hume*.

(Note: for steps 2–5, refer to the “Concept List” and the PowerPoint “Locke and Hume on Citizenship and Identity”)

2. Explain the concepts of Citizenship, Convention, Social Cohesion, Consent, Tacit Consent, Cooperation, and Trust.
3. Play the video on John Locke and Natural Rights and Freedoms (link in the next section)
4. Run the Voting by Ballots and Feet activity (see Activities).
5. Debrief the Voting by Ballots and Feet activity (see Activities).
6. Summarize the key takeaways from the lesson.
7. Play either of the The Essential David Hume videos in the next section.

## ADDITIONAL RESOURCES

### Video on John Locke on Natural Rights and Freedom:

Fraser Institute (2020, March 12). *Essential John Locke: Natural Freedom and Rights*. YouTube. <<https://www.youtube.com/watch?v=ocJ2fPk5FGE>>, as of August 22, 2025.

### Video on Social Cohesion:

IDOS (2023, November 10). *What Is Social Cohesion? | Cooperation, Indentity, Trust | Social Cohesion Hub*. YouTube. <<https://www.youtube.com/watch?v=V1wkfnXhRfQ>>, as of August 22, 2025.

### Video on The Essential David Hume:

Fraser Institute (2021, February 26). *Essential David Hume: The Social Contract & the Origins of Government*. YouTube. <<https://www.youtube.com/watch?v=is1EiOmRLn4>>, as of August 22, 2025.

### Video on the Essential Hume:

Fraser Institute (2021, February 26). *Essential Hume: Resolving Scarcity and Conflict*. YouTube. <<https://www.youtube.com/watch?v=8VixLvtXFM>>, as of August 22, 2025.

Tiebout, Charles M. (1956). A Pure Theory of Local Expenditures. *Journal of Political Economy* 64, 5 (October): 416–424. <<https://www.journals.uchicago.edu/doi/10.1086/257839>>, as of August 29, 2025.

## ACTIVITIES

### (1) Voting by Ballots and Feet

Purpose: The experiment aims to simulate a world envisioned by Tiebout (1956), where individuals voluntarily sort themselves into communities with similar preferences. This sorting is based on the idea that when people are free to choose where to live among competing jurisdictions, they will "shop" for the jurisdiction that most closely matches their demand for local public goods. This process is considered efficiency-enhancing.

- a. Materials: Enough playing cards/card decks (A-10 only) to allow 35 students to play. You will need four decks. Be sure to eliminate the face cards (J, Q, K). A is played with a value of 1.
- b. Setup: There are initially five communities with specific locations identified by signs. These locations are Tofino, Kelowna, Mont Tremblant, Charlottetown, and Iqaluit. The activity works best if you create distinct locations throughout your classroom for each community. Each participant receives four playing cards.
- c. Preferences:
  1. The playing cards represent individual preferences for different types of public goods and the intensity of those preferences. The suit of a card corresponds to a particular type of public good (e.g., Hearts, Spades, Clubs, Diamonds).
  2. The number on the card reflects the intensity of the participant's preference for that specific public good. For example, if a participant has the following cards: 3 of Hearts, 4 of Spades, 9 of Clubs, and 2 of Clubs, their intensity is 3 for Hearts, 4 for Spades, and 11 (9+2) for Clubs.
  3. Participants generally prefer the community to adopt a high level of the public good corresponding to the suit for which they have a high card value.

4. They would be happiest if the community chooses a level that exactly matches the value they have for that suit.

d. Community Decision-Making:

1. Each community must choose to provide one (and only one) of the four types of public goods (suits).

2. In addition, the community must decide on the level (a number) of that chosen public good to provide. These decisions are led by a mayor. A mayor is appointed by the community members. The mayor's role includes chairing meetings, announcing the community's choice of public good and the level of provision, and breaking deadlocks in case of a tie vote. If the mayor moves to another community, a new one should be appointed.

3. Costs: The cost to the community of providing the chosen public good is two times the level that is chosen. All members of the community must share this cost equally. Therefore, a higher level of public good provision results in higher taxes for community members. Individuals would not want their community to choose a level of the public good that is higher than the number they have for that suit, presumably because the cost would outweigh the value gained above their preference level.

e. Individual Payoff/Earnings:

1. An individual's well-being or payoff is related to the community's decision.

2. The individual cost is calculated by dividing the total community cost ( $2 * \text{chosen level}$ ) by the number of people in the community.

An example illustrates that an individual's payoff is calculated based on the community's chosen level of the public good relative to their individual preference for that good, minus their individual cost. The example shows a payoff calculation but also notes it is "capped at the community level" even if the individual prefers a higher level. Specifically, if the community provides level 'L' and the individual's preference is 'P' for that good, and their cost is 'C', the payoff is  $L - C$  (as long as L does not exceed the individual's preferred level P, although the example calculation shows the payoff capped at the community level L, implying payoff might be value for the suit up to community level minus cost). The example shows a person with preference 10 for Clubs in a community providing level 5 Clubs. The payoff is  $5 - 2.5 = 2.5$ , capped at 5 even though the individual prefers 10.

f. Rounds of Movement ("Voting by Feet"):

1. After all communities have made their initial decisions in the first round, the mayors announce the decisions and calculate the total surplus for their community members. The teacher should enter the results on the spreadsheet (provided) so everyone in the class can see what the public good each community is producing. Then, participants are free to switch communities if they find another community's public good decision to be more to their liking. This is the "voting by feet" aspect. Participants can move to improve their well-being or choose to remain in their current community. Communities themselves may dissolve and re-emerge during this process. This process of communities making decisions and individuals moving repeats for several rounds.

g. Recording and Discussion:

1. Participants use a provided Individual Earnings Sheet to record information. Following the experiment, discussion points include whether the results are Pareto optimal (where no individual can be made better off without making someone else worse off), what happens to the overall welfare of the society (summing total net benefit of all members), and the difficulty in equating tacit consent as equivalent to accepting the outcome of ballot, when citizens cannot easily move.

**(2) Lesson 1 Citizenship and Identity: Colloquialisms Kahoot!:**

<https://create.kahoot.it/share/duplicate-of-ee-citizenship-and-identity-colloquialisms/11de5506-bb8e-4664-8a98-82533816d8c0>

**(3) Lesson 1 Citizenship Wrap-up Kahoot!:** <https://create.kahoot.it/share/duplicate-of-lesson-1-citizenship-wrap-up/0a67a75b-6f06-4f3c-a972-b629bf71d3de>

## CONCLUSION

Understanding Canadian citizenship and identity draws on historical and social factors. Philosophers John Locke and David Hume help us understand the factors that shape Canadian citizenship. Locke viewed citizenship as based on consent and a contract, emphasizing natural law. Hume distinguished between the ideal purpose of government and its actual historical development, and he emphasized the role of convention and social norms in creating social cohesion. These philosophical perspectives enrich our understanding of belonging and governance in the Canadian context.



# LESSON 2

## Friedman on Economic Literacy

### INTRODUCTION

Developing an understanding of economic principles and systems is crucial for informed decision-making in personal and civic life, a goal often central to educational curricula focused on economic literacy. This involves exploring both microeconomic and macroeconomic concepts, as well as global economic issues. Milton Friedman's work has provided foundational knowledge that aids in comprehending these economic principles, aligning with the objectives of economic education.

Beyond his direct contributions to economic theory, Friedman had a profound impact on public understanding of economic ideas through various channels. In 1980, he collaborated with Bob Chitester to create the television series *Free to Choose*, which aired on PBS in the United States. A companion book of the same name also became a bestseller. Notably, *Free to Choose* served as inspiration for leaders of formerly communist countries, with the first prime minister of Estonia explicitly citing it as his primary source for economic policy guidance. Following reforms modeled on Friedman's recommendations, Estonia experienced rapid economic growth and is now ranked, along with Canada, as one of the most free countries in the world, according to the Fraser Institute.

A combination of deep economic insight, a widely accessible media platform like *Free to Choose*, and an exceptional communication style allowed Milton Friedman to significantly influence both economic education and public understanding of economic principles. In this lesson, we will share a few economic lessons that will help students to better appreciate the potential perils of a large national debt-to-GDP ratio, learning about unemployment through a swimming demonstration, and a series of questions that help students understand the true cost of attending a university.

### LEARNING OBJECTIVES

- Why economic literacy is an essential skill for all citizens
- Why capitalism and freedom are interconnected
- How to think like Milton Friedman and win arguments using logic
- Why too much debt limits your options in the future
- Learning to identify opportunity costs

## KEY CONCEPTS

Balanced Budget - is a situation in financial planning or the budgeting process where total expected revenues are equal to total planned spending. This term is most frequently applied to public sector or government budgeting.

Capitalism - an economic and political system in which a country's trade and industry are controlled by private owners for profit.

Debt-to-GDP ratio - is an indicator that's used to gauge a nation's economic health and how well it is paying off its debts. Usually, a low debt-to-GDP ratio indicates a healthy economy with minimal debt.

Economic Freedom - as the freedom to produce, trade, and consume any goods and services acquired without the use of force, fraud, theft, or government regulation.

Labour Force - The labour force is the number of people who are employed plus the unemployed who are looking for work.

Opportunity cost - represents the potential benefits that a business, an investor, or an individual consumer misses out on when choosing one alternative over another.

Unemployment - refers to a situation where a person actively searches for employment but is unable to find work.

## TIME

This lesson is designed to be completed in one hour.

## MATERIALS

- A balloon for every student.
- A Google account so you can collect the data and present results in class.
- Lesson 2 PowerPoint Slides

## TEACHER'S GUIDE

1. Assign reading to be completed before class: chapters 2 and 5 from *The Essential Milton Friedman*.

(Note: for steps 2–8, refer to the “Concept List” and the PowerPoint “Friedman on Economic Literacy”)

2. Explain the concepts of Balanced Budget, Capitalism, Debt-to-GDP Ratio, Economic Freedom, Labour Force, Opportunity Cost, Unemployment.
3. Do the “Pop Goes the National Debt” activity (see Activities).
4. Debrief the “Pop Goes the National Debt” activity (see Activities).
5. Do the “Swimming in Unemployment” activity (see Activities).
6. Debrief the “Swimming in Unemployment” activity (see Activities).
7. Do the “What is the opportunity cost of going to college?” Think-Pair-Share
8. Summarize the key takeaways from the lesson.

## ADDITIONAL RESOURCES

### Video on Milton Friedman:

Fraser Institute (2020, January 17). *Essential Milton Friedman: Who was Milton Friedman*. YouTube. <<https://www.youtube.com/watch?v=jByhryOowlw>>, as of August 27, 2025.

### Video on Milton Friedman:

Fraser Institute (2020, January 29). *Essential Milton Friedman: The Theory of Money and Prices*. YouTube. <<https://www.youtube.com/watch?v=YQPS-9DRPvY>>, as of August 27, 2025.

### Video on Canada's Debt Surge:

News and History (2025, May 17). *Canada's Debt Surge: Third-Worst Globally in 2025— What's Going On?* YouTube. <<https://www.youtube.com/watch?v=YQPS-9DRPvY>>, as of August 27, 2025.

## ACTIVITIES

### 1. Pop Goes the National Debt

- a. Purpose: A great, memorable visual to use when discussing the debt crisis is a roomful of balloons that are just about ready to pop. Much like the national debt, a balloon can continue to grow and grow, but unless actions are taken to shrink the size of the balloon, it will grow too large and eventually pop. This is a fun, easy, interactive exercise that will certainly get the attention of your class.
- b. Materials: enough balloons for each student in your class to have one.

c. Class Time: 5–10 minutes

d. Class Size: any

e. Procedure

1. Pass around a bag of balloons until each student in your class has one.

2. Ask your class to blow up their balloons in small puffs. (You should participate as well!)

3. As the students are slowly inflating their balloons, compare the US national debt with the size of the Canadian economy and explain why and how it continues to grow at such a rapid pace.

4. Let your class continue to blow their balloons until about half of them pop. The excitement of not knowing when the next one will go is the fun part!

5. When about half of the balloons have popped, tell the remaining students to stop inflating their balloons. Ask the class, “Can the balloons be deflated? If so, how?”

6. For every debt-reducing suggestion, have the remaining students let a small bit of air out of their balloons. However, if the class struggles to come up with suggestions, if they are unresponsive, or if their suggestions would, in fact, worsen the debt problem, have them slowly add more puffs to their balloons.

7. Continue the exercise until either all the balloons have popped or the students have successfully reduced their balloons to their original size.

f. Reflections

Students really enjoy this exercise, especially toward the end. No one likes to have a balloon pop in his or her face, and watching the anxious expressions of the students with balloons still remaining at the end is priceless. This is a good exercise to perform toward the beginning of class, as it gives you the opportunity to gauge your students’ understanding of the debt issue before you teach the material—and it will wake everyone up!

g. Observations:

Overlooked fact: The national debt is making our economic well-being less sustainable by suppressing the rate of growth necessary to maintain the debt-to-GDP ratio. Economic growth occurs through investments in capital, infrastructure, and technology, but NOT debt servicing.

Hard fact: The Canadian national debt is \$2.1 trillion—that's over \$50,000 for every person. Canada's GDP is \$2.14 trillion—this means that Canada has a debt-to-GDP ratio of 99.7%.

## 2. Swimming in Unemployment

- a. Purpose: Have you ever heard the term "unemployment rate" and wondered how it's measured or what it really means? The demonstration uses a simple analogy—a swimming pool—to help visualize the concepts of unemployment, employment, and the labour force.
- b. The Basic Setup: Imagine a group of people ready and willing to work. This group represents the potential labour force. In the demonstration, everyone in the room is initially assumed to be employed.
- c. The Swimming Pool: Representing unemployment, the swimming pool itself represents the state of being unemployed. People who are actively looking for work are "swimming" in the pool. They are part of the labour force but are currently unemployed.
- d. Moving In and Out of the Pool:
  1. Entering the Pool: People enter the pool when they become unemployed and start looking for work.
  2. Leaving the Pool (Finding a Job): When someone in the pool finds a job, they leave the pool. These people are now employed.
  3. Leaving the Pool (Becoming Discouraged): Not everyone in the pool keeps swimming forever. If someone gets tired and stops actively looking for work, they also leave the pool. When someone stops looking, they are no longer considered part of the labour force in this analogy and are therefore neither employed nor unemployed in the standard definition. This illustrates the concept of discouraged workers.
- e. Calculating Rates: The demonstration shows how the number of people in different states (in the pool, employed) can be used to calculate rates.
  1. Unemployment Rate: This is the percentage of the labour force that is unemployed. In the demonstration, an example shows calculating this, mentioning around "six percent unemployment." It's the number of people swimming in the pool divided by the total labour force. EXAMPLE: Suppose there are 30 people in the room. Ask for three volunteers to become unemployed. Have them come to the front of the room and begin making swimming motions. Ask the class what the unemployment rate is now.

ANSWER:  $3/30 = 10\%$

Now ask three more students to volunteer to become unemployed. What is the new unemployment rate?

ANSWER:  $6/30 = 20\%$

Now tap two students (one from the first group of three and the other from the second group three) and tell them that they found jobs. What is the unemployment rate?

ANSWER:  $4/30 = 13.3\%$

Ask if any of the remaining volunteers are getting a little tired. Choose one volunteer to “retire” from the first and second group. Have them sit down. What is the new unemployment rate?

ANSWER:  $2/28 = 7.1\%$ ! The two students left the labour force and did not get jobs.

Finally, ask the class if there is any difference between the two remaining students who are unemployed.

ANSWER: Yes, the first student has been without a job much longer than the second student. Thai shows that the duration of unemployment is often overlooked. Long-term unemployment is defined in the source as being unemployed for longer than a year. If people are “still swimming” in the pool after a long time, they are probably not going to find a job easily.

f. Summary using the analogy: The swimming pool is the pool of unemployed people who are actively seeking work. People leave the pool to become employed when they find a job. People also leave the pool if they become discouraged and stop looking for work; these individuals are no longer counted in the labour force. The size of the pool (number of unemployed) relative to the total labour force helps determine the unemployment rate. The length of time someone is in the pool can relate to whether their unemployment is considered short-term or long-term. This swimming pool analogy provides a visual way to understand the movement of people within the labour market and how different actions (finding a job, stopping the search) impact the statistics we use to measure unemployment and employment.

### 3. What is the opportunity cost of going to college?

Calculating the true cost of college (Google form):

<https://docs.google.com/forms/d/1uzd3T04jENymY4mXvQuH9GJFWfnzRiHy264lhBXrKJw/edit>

- a. This Google form serves two purposes: (1) It is a great way to get students to understand the true cost of a college degree, and (2) It also introduces students to a practical lesson in personal finance. We recommend that you use this think-pair-share (TPS) in your first lesson or two.
- b. PROMPT: If you go to college for four years, you will spend \$10,000 in tuition and \$1,250 in books each year and give up a job that would have paid you \$40,000 a year. What is your opportunity cost?

- c. Question 1: What are your explicit (out-of-pocket) expenses for four years?

Answer:  $(\$10,000 + \$1,250) \times 4 = \$45,000$ . This answer is what most people (and students) typically give before taking economics.

- d. Question 2: What are your implicit (foregone income) expenses for four years?

Answer:  $\$40,000 \times 4 = \$160,000$ . The purpose of asking the first two questions is to get students thinking about foregone opportunities in two dimensions: explicit and implicit costs. This TPS showcases how the economic way of thinking is different from that of most business disciplines.

- e. Question 3: What are your total expenses (explicit and implicit)?

Answer:  $\$45,000 + \$160,000 = \$205,000$ . This question drives home the point that for many students the largest share of college expenses is the foregone income.

- f. Question 4: If you could graduate in three years instead of four, how much money would you save?

Answer:  $\$10,000 + 1,250 + \$40,000 = \$51,250$ . This is the payoff question. Ask your college class how many of them plan to graduate in four years. According to the National Center for Education Statistics, 48% of undergraduate students plan to graduate in four years, 40% take five years, and 10% take six years. Each extra year you stay costs you \$51,250. Conversely, graduating in three years saves you \$51,250—that's something to consider.

(4) Lesson 2 – Economic Literacy Kahoot!: <https://create.kahoot.it/share/duplicate-of-lesson-2-economic-literacy/026bddca-e02b-444e-bea5-647ab491d74e>

## CONCLUSION

This lesson was inspired by Milton Friedman and Anna Schwarz, and it is aimed at building economic literacy and understanding core economic principles. Key concepts covered include opportunity cost, debt-to-GDP ratio, unemployment, capitalism, and freedom, emphasizing the interconnectedness of the latter two. The lesson uses practical, engaging activities to illustrate these ideas: a balloon analogy demonstrates the potential perils of national debt; a swimming pool analogy visualizes concepts like the labour force and unemployment rate; and calculating the true cost of college helps students identify opportunity costs. Friedman's work is highlighted for providing foundational knowledge and influencing public understanding of economic ideas.



# LESSON 3

## Buchanan on Political Systems and Governance

### INTRODUCTION

One of the key areas we can delve into is public choice theory, which was significantly shaped by the work of James Buchanan. Buchanan's fundamental insight was the importance of focusing on individuals when analyzing the state or society, rather than treating them as single, unified entities. He believed that economic and political analysis should recognize that choices are made, and costs and benefits are experienced only by individuals. This perspective emphasizes that individuals involved in government, whether officials or citizens, are motivated by diverse interests and operate within specific incentives and constraints. Buchanan also held a deep belief in the moral equality of each individual, suggesting no person's opinions or preferences should be given special advantage over others, regardless of differences in intelligence, education, or wealth.

Another compelling concept is rent-seeking. In essence, rent-seeking describes the effort to increase one's existing wealth without creating new wealth for others. It's about seeking profits without doing any real work or adding value to society. This idea traces back to economists like Adam Smith and David Ricardo, with the original concept of "rent" referring to gaining control of land or natural resources. As Adam Smith noted, once land became private property, landlords could "reap where they never sowed" and demand payment for natural resources that were once free. Rent-seeking can lead to various costs for society, including higher prices for consumers, misallocation of resources, and even moral costs where people are incentivized to engage in similar unproductive behaviour. It can also contribute to reduced economic efficiency, hindered wealth creation, increased income inequality, and potentially even national decline.

These two economic ideas can help us think about real-world situations, such as the discussion about Canada's regulatory burden, particularly at the federal level. While some regulation is necessary, too much can be detrimental, imposing costs on businesses and deterring investment.

This lesson offers a rich starting point for discussing how individual actions, economic incentives, and government policies interact and impact the economy and society.

## LEARNING OBJECTIVES

- Understand the core principles of Public Choice theory, including the emphasis on analyzing individuals rather than unified entities when studying government and society.
- Understand that rent-seeking is the effort to increase one's existing wealth without creating new wealth for others.
- Analyze the various societal costs and negative consequences associated with rent-seeking.
- Connect the economic ideas of public choice theory and rent-seeking to the analysis of real-world situations.

## KEY CONCEPTS

Public choice theory: the application of economic principles to the study of political science and government decision-making, focusing on how self-interested individuals, such as voters and politicians, interact within political systems. It analyzes how these interactions can influence policy choices and government actions, often highlighting the inefficiencies and failures that can arise in public decision-making processes.

Rent-seeking: the practice of increasing one's wealth by manipulating the political or social environment rather than creating new wealth. This often involves lobbying for government benefits, subsidies, or regulations that favour a particular group without contributing to overall economic productivity.

Regulations: a governmental order having the force of law.

## TIME

This lesson is designed to be completed in 1–1.25 hours.

## MATERIALS

- 6 Record Sheets
- Teacher's Master Spreadsheet
- \$5
- Lesson 3 PowerPoint Slides

## TEACHER'S GUIDE

1. Assign reading to be completed before class: chapter 8 from *The Essential James Buchanan*.

(Note: for steps 2-5, refer to the “Concept List” and the PowerPoint “Buchanan on Political Systems and Governance”)

2. Explain the concepts of public choice theory, rent-seeking, and regulation.
3. Do the “Rent-seeking Experiment” activity (see Activities).
4. Debrief the “Rent-seeking Experiment” activity (see Activities).
5. Summarize the key takeaways from the lesson.

## ADDITIONAL RESOURCES

### Video on Rent-Seeking:

Sprouts (2022, March 2). *Rent Seeking: Taking Without Giving*. YouTube. <[https://www.youtube.com/watch?v=iYaA\\_e0FMW4](https://www.youtube.com/watch?v=iYaA_e0FMW4)>, as of August 27, 2025.

### Video on James Buchanan EE video, Public Choice:

Fraser Institute (2021, May 14). *Essential James Buchanan: Public Choice Theory*. YouTube. <<https://www.youtube.com/watch?v=H1zIz6l1TV0>>, as of August 27, 2025.

### Video on James Buchanan EE video, Collective Decision-Making:

Fraser Institute (2021, May 4). *Essential James Buchanan: Understanding Collective Decision-Making and Choices*. YouTube. <<https://www.youtube.com/watch?v=wVKpUTRLmrQ>>, as of August 27, 2025.

## ACTIVITIES

### (1) Rent Seeking Experiment

Adapted from:

Goeree, Jacob K., and Charles A. Holt (1999). Classroom Games: Rent-Seeking and the Inefficiency of Non-market Allocations. *Journal of Economic Perspectives* 13, 3 (Summer): 217–226.

### Materials

6 Record Sheets  
Teacher’s Master Spreadsheet  
\$5

When bureaucratic decisions are influenced by lobbying or other rent-seeking activities, there can be a substantial waste of resources. Government grants of monopoly power will encourage rent seeking. Resources will be wasted by firms attempting to secure and maintain grants of market protection. One example is the Federal Communications Commission (FCC) lottery for cell phone licenses.

Divide the class into 6 teams and distribute a record sheet to each team.

#### Treatment 1

- Four teams of investors compete for each cellphone license.
- Each team is given 13 tickets and an initial capital account of \$100,000.
- Each team chooses how many tickets to put in the lottery.
- A ticket will be drawn for a license that is worth \$16,000.
- Each ticket played costs the team \$3,000. (This is the cost of preparing and filing the paperwork for the license.)
- The probability of winning is determined by the number of tickets played.
- Record your team's results for round 1.
- The tickets are returned to each team without revealing how many were played.
- We will repeat this process.

#### Treatment 2

Now we change the earnings structure for the license by decreasing the cost associated with filing the lottery application from \$3,000 to \$1,000. You can think of this as an efficiency move by the FCC that lowers the amount of paperwork and documentation required for the application. We will repeat the lottery process.

#### Treatment 3

Now we are going to assign different license values to reflect the fact that some investors might be more efficient at providing cellular service than others. You can see this value in your record sheet. Everything else remains the same as in treatment 2. The cost per lottery ticket is still \$1,000. We will repeat the lottery process.

#### Treatment 4

Now, I am going to auction off \$5. You can Venmo me your bid to play. I am going to start with an English auction, highest bidder wins, no one else pays.

Next, we will run a Dutch auction; the first bidder wins, no one else pays.

Finally, we have an all-pay English auction; everyone who bids pays, highest bidder wins.

#### Discussion

In treatment 1, where the cost of a ticket was \$3,000, what is the Nash equilibrium for the number of tickets each team plays? What was the Nash equilibrium in treatment 2?

For each of the first three treatments, did we reach an equilibrium? If so, why? If not, why not?

For each of the first three treatments, if the rent-seeking market is efficient, what should the total amount of the costs incurred equal?

What are examples when spending your time, money, and other resources increases the chances that you get the good? (Research and Development, Political races, Lobbying, essay contests, etc.)

### Black Team Record Sheet

Treatment	Round	Number of cards played	Cost per card played	Total cost	License value	Total winnings this round	Cumulative earnings
							\$100,000
1	1		\$3,000		\$16,000		
1	2		\$3,000		\$16,000		
2	1		\$1,000		\$16,000		
2	2		\$1,000		\$16,000		
3	1		\$1,000		\$17,000		
3	2		\$1,000		\$15,000		

### Blue Team Record Sheet

Treatment	Round	Number of cards played	Cost per card played	Total cost	License value	Total winnings this round	Cumulative earnings
							\$100,000
1	1		\$3,000		\$16,000		
1	2		\$3,000		\$16,000		
2	1		\$1,000		\$16,000		
2	2		\$1,000		\$16,000		
3	1		\$1,000		\$19,000		
3	2		\$1,000		\$13,000		

### Green Team Record Sheet

Treatment	Round	Number of cards played	Cost per card played	Total cost	License value	Total winnings this round	Cumulative earnings
							\$100,000
1	1		\$3,000		\$16,000		
1	2		\$3,000		\$16,000		
2	1		\$1,000		\$16,000		
2	2		\$1,000		\$16,000		
3	1		\$1,000		\$15,000		
3	2		\$1,000		\$17,000		

### Red Team Record Sheet

Treatment	Round	Number of cards played	Cost per card played	Total cost	License value	Total winnings this round	Cumulative earnings
							\$100,000
1	1		\$3,000		\$16,000		
1	2		\$3,000		\$16,000		
2	1		\$1,000		\$16,000		
2	2		\$1,000		\$16,000		
3	1		\$1,000		\$13,000		
3	2		\$1,000		\$19,000		

### White Record Sheet

Treatment	Round	Number of cards played	Cost per card played	Total cost	License value	Total winnings this round	Cumulative earnings
							\$100,000
1	1		\$3,000		\$16,000		
1	2		\$3,000		\$16,000		
2	1		\$1,000		\$16,000		
2	2		\$1,000		\$16,000		
3	1		\$1,000		\$13,000		
3	2		\$1,000		\$19,000		

### Yellow Team Record Sheet

Treatment	Round	Number of cards played	Cost per card played	Total cost	License value	Total winnings this round	Cumulative earnings
							\$100,000
1	1		\$3,000		\$16,000		
1	2		\$3,000		\$16,000		
2	1		\$1,000		\$16,000		
2	2		\$1,000		\$16,000		
3	1		\$1,000		\$17,000		
3	2		\$1,000		\$15,000		

## **(2) Lesson 3 Political Systems and Governance Kahoot!:**

<https://create.kahoot.it/share/duplicate-of-lesson-3-political-systems-and-governance/f0c040bf-7b9a-469c-954f-073897ce707d>

## **CONCLUSION**

This lesson helps us understand public choice theory, which analyzes the state through the actions of individuals, and rent-seeking, defined as seeking wealth without creating new value. These concepts highlight how individual incentives and policies can lead to societal costs, such as misallocated resources. Applying these ideas helps analyze real-world issues like regulatory burdens, illustrating the complex interaction between individual actions and economic outcomes.



## Rent-Seeking Teacher Master Spreadsheet (Use digital file)

Treatment	Round	WHITE	BLUE	BLACK	RED	cards played	all the cards played	License	Dissipation
1	1					0	\$0	\$16,000	-\$16,000
1	2					0	\$0	\$16,000	-\$16,000
2	1					0	\$0	\$16,000	-\$16,000
2	2					0	\$0	\$16,000	-\$16,000
3	1					0	\$0	\$14,500	-\$14,500
3	2					0	\$0	\$14,500	-\$14,500
3	3					0	\$0	\$14,500	-\$14,500
3	4					0	\$0	\$14,500	-\$14,500

Note: In treatment 3, the value of the license is the average of the four firm's values.



# LESSON 4

## Montesquieu and Hume on Global Interconnectedness

### INTRODUCTION

This lesson is designed to help you understand the intricate web that connects nations across the world. We will explore how global trade isn't just about goods and services. Enlightenment thinkers Montesquieu and Hume highlighted how trade and exchange foster peace and tolerance. Montesquieu's "doux commerce" argued that commerce refines manners and promotes justice, while Hume expanded on these ideas, arguing that a commercial society naturally encourages virtues like honesty, punctuality, and sociability. Both scholars contended that commerce benefits national prosperity and individual well-being.

This lesson will demonstrate that global trade is a win-win for all involved, often leading to what are known as positive-sum games where everyone benefits. You will learn how maintaining good foreign relations promotes trade. We'll delve into essential concepts such as mercantilism, gains from trade, trade agreements, and trade barriers. We will also differentiate between exports, imports, trade deficits, and trade surpluses, and explore the broader concept of the balance of payments.

Through interactive activities, including discussions and Kahoot!, you will identify Canada's most important exports from provinces like Alberta, British Columbia, and Ontario, and recognize Canada's top trading partners. We will analyze how nations pay for their imports with their exports and discuss the political rhetoric surrounding trade deficits. Ultimately, this lesson aims to provide a comprehensive understanding of how trade provides access to diverse goods and creates jobs and national income.

### LEARNING OBJECTIVES

- Understand how global trade is win-win for all involved.
- Learn why maintaining good foreign relations promotes trade.
- Understand trade deficits.
- Complete Balance of Payments accounting.

## KEY CONCEPTS

**Mercantilism:** emphasizes government regulation to increase a nation's wealth by maximizing exports and minimizing imports.

**Gains from trade:** benefits received from engaging in voluntary trade, which typically result in increased consumer and producer surplus.

**Positive-sum games:** a situation where all parties involved benefit. In these scenarios, resources are increased, leading to win-win outcomes for everyone involved.

**Trade agreements:** contracts between two or more countries that establish rules for their economic interactions, primarily aimed at reducing barriers to trade such as tariffs and quotas.

**Trade barriers:** government-imposed restrictions that limit international trade, often taking the form of tariffs, quotas, or regulations that make it more difficult or expensive to import or export goods.

**Balance of payments:** A measure of all flows of money into and out of a country, including payments for goods and services and capital flows.

**Capital account:** a financial record that tracks the net flow of investments and ownership changes in a country's assets and liabilities over a specific period.

**Current account:** a record of the inflow and outflow of goods, services, investment incomes, and transfer payments between different countries.

**Export:** a good or service sold to another country (or province)

**Import:** a good or service bought from another country (or province)

**Trade deficit:** occurs when a country imports more than it exports

**Trade surplus:** occurs when a country exports more than it imports

## TIME

This lesson is designed to be completed in 1–1.5 hours.

## MATERIALS

- Handout 1: “Top Canadian Exports” and Handout 1: Teacher Answer Key
- Handout 2: “Ranking Canada’s Trading Partners” and Handout 2: Teacher Answer Key
- Handout 3: “Trade Flows and Balance of Payments” and Handout 3: Teacher Answer Key
- Lesson 4 PowerPoint Slides

## TEACHER’S GUIDE

1. Assign reading to be completed before class: chapter 6 from *The Essential Enlightenment* and chapter 5 from *The Essential David Hume*.

(Note: for steps 2–5, refer to the “Concept List” and the PowerPoint “Montesquieu and Hume on Global Interconnectedness”)

2. Explain the concepts of Mercantilism, Gains from trade, Positive-sum games, Trade agreements, Trade barriers, Balance of payments, Capital account, Current account, Export, Import, Trade deficit, Trade surplus.
3. Do the “Canada’s Global Interconnectedness Through Trade” activity (see Activities).
4. Debrief the “Canada’s Global Interconnectedness Through Trade” activity (see Activities).
5. Summarize the key takeaways from the lesson.

## ADDITIONAL RESOURCES

### EE video on Enlightenment - Montesquieu:

Fraser Institute (2021, October 28). *Essential Enlightenment: Montesquieu*. YouTube. <[https://www.youtube.com/watch?v=-TcP\\_pzWUJU](https://www.youtube.com/watch?v=-TcP_pzWUJU)>, as of August 27, 2025.

### EE video on Commercial Society by Hume:

Fraser Institute (2021, February 26). *Essential David Hume: Commercial Society*. YouTube. <[https://www.youtube.com/watch?v=Vo\\_AWYL4fiY](https://www.youtube.com/watch?v=Vo_AWYL4fiY)>, as of August 27, 2025.

### EE video on Free Trade by Hume:

Fraser Institute (2021, March 1). *Essential David Hume: The Benefits of Free Trade*. YouTube. <<https://www.youtube.com/watch?v=fu0EsTYaCds>>, as of August 27, 2025.

**Tradle video | Have fun with OEC Data | The Observatory of Economic Complexity:**  
<<https://oec.world/en/games/tradle>>, as of August 27, 2025.

Lucas, George [Director] (1999). *Star Wars: Episode I – The Phantom Menace*. Lucasfilm.  
**The Phantom Menace (1999)** is an allegory about peace, prosperity, taxation, and protectionism. As the movie opens, we see the Republic slowly falling apart. Planetary trade has been at the heart of Star Wars.

## ACTIVITIES

### Canada's Global Interconnectedness Through Trade

Inspired by “Introduction to International Trade,” Lesley Mace, senior economic and financial education specialist at the Federal Reserve Bank of Atlanta, and “Balance of Trade Among States,” The Foundation for Teaching Economics

#### Objectives

Students will be able to:

- Identify Alberta's, British Columbia's, and Ontario's most important exports.
- Identify Canada's top trading partners and explain why these countries are at the top of the partner list.
- Explain how a nation pays for its imports with its exports.
- Discuss the political rhetoric around trade deficits.

#### Materials

Handout 1: “Top Canadian Exports”

Handout 2: “Ranking Canada's Trading Partners”

Handout 3: “Trade Flows and Balance of Payments”

PPT

#### Procedures

1. Ask all students to stand up. Tell them you will ask a question and if they answer yes, they should sit down. Read the following questions in order, giving students a moment to sit down as they answer yes.
  - “Who had coffee this morning?”
  - “Who had tea this morning?”
  - “Who had chocolate this morning?”
  - “Who drove or was driven to school in a car or bus?”

2. Ask the students what they think coffee, tea, chocolate, and transportation have in common. Take some responses from students. Someone may say that all of these things are possible because we trade with other countries, but they may not make this connection yet.
3. Read the quote on slide 1 (below) and ask students who said it. Students will probably guess politicians' names, but this was said by Dr. Martin Luther King Jr. in his Christmas sermon on peace in 1967.

*"Did you ever stop to think that you can't leave for your job in the morning without being dependent on most of the world? You get up in the morning and go to the bathroom and reach over for the sponge, and that's handed to you by a Pacific islander. You reach for a bar of soap, and that's given to you at the hands of a Frenchman. And then you go into the kitchen to drink your coffee for the morning, and that's poured into your cup by a South American. And maybe you want tea: that's poured into your cup by a Chinese. Or maybe you're desirous of having cocoa for breakfast, and that's poured into your cup by a West African. And then you reach over for your toast, and that's given to you at the hands of an English-speaking farmer, not to mention the baker. And before you finish eating breakfast in the morning, you've depended on more than half of the world. This is the way our universe is structured; this is its interrelated quality. We aren't going to have peace on earth until we recognize this basic fact of the interrelated structure of all reality."*

4. Explain to students that trade is not only beneficial by providing access to goods like coffee imported from other countries, but it also provides jobs and national income through goods that we export. Ask students what they think is the number one export from their province in terms of value. (Answers will vary, but students typically think of items that were important to their provinces many years ago.)
5. Distribute Handout 1. Allow students to work in pairs to rank exports in Alberta, British Columbia, and Ontario from most to least important. (Do NOT reveal answers at this time.)
6. Ask students which countries they think are Canada's most important trading partners and write these on the board. Distribute Handout 2: "Ranking Canada's Trading Partners." Ask students to compare the list on the board with the lists on the handout. If there are any trading partners on the board that are not on the handout, ask students to explain why they thought the country should be included. Allow students to work in pairs to rank trading partners from most to least important and characterize the partnership as a trade deficit or surplus (Do NOT reveal answers at this time.)
7. Run Kahoot! #1. This will reveal any differences between students' perception of Canada's trade and current trade data. It will also show students' attitudes toward trade surplus vs. trade deficit by gauging their response to current political statements.

8. Show and discuss the answer slides showing top exports, trading partners, and trade surpluses and deficits.
9. To further illustrate the concept of balance of payments, proceed with the following activity.

Distribute handout 3. Allow students to work in pairs so that they may discuss the tasks and assist each other.

10. Questions for discussion or writing reflection:

Why is it true that “the balance of trade always balances?”

Did this surprise you? Why or why not?

**(2) Lesson 4 Canada’s Global Interconnectedness Through Trade Kahoot:**

<https://create.kahoot.it/share/lesson-4-canadas-global-interconnectedness-through-trade/a1b292b2-efef-4c02-89c4-d45dbd540b81>

## CONCLUSION

In conclusion, this lesson has showcased how trade is fundamentally a win-win scenario for all involved. We explored how maintaining good foreign relations promotes trade and how spontaneous ordering drives innovation in the global marketplace, drawing insights from Montesquieu and Hume's commercialism ideas. Key economic concepts like mercantilism, gains from trade, trade agreements, trade barriers, exports, imports, trade deficits, and the balance of payments were central to our understanding. We identified Canada's top exports and trading partners, recognizing how nations use exports to pay for imports. Ultimately, this lesson underscored that trade not only provides access to diverse goods but also creates jobs and national income, while encouraging critical thinking about political rhetoric surrounding trade deficits.



## Handout 1: Top Canadian Exports

### Exports of Alberta, British Columbia, and Ontario 2024

Name: \_\_\_\_\_

For each of the provinces, rank the top three exports in order, with one being the highest value export and three the lowest value export.

Alberta		British Columbia		Ontario	
	Petroleum oils & natural gas		Copper ores		Misc. medications
	Boneless beef cuts		Coal		Automobiles and parts
	Wheat		Chemical wood pulp		Gold
	Ethylene-alpha-olefin copolymers		Natural gas		Bread, pastries, etc.

## Handout 1: Teacher Answer Key

### Handout 1: Exports of Alberta, British Columbia, and Ontario 2024

Alberta		British Columbia		Ontario	
1	Petroleum oils & natural gas	3	Copper ores	3	Misc. medications
2	Boneless beef cuts	1	Coal	1	Automobiles and parts
3	Wheat	4	Chemical wood pulp	2	Gold
4	Ethylene-alpha-olefin copolymers	2	Natural gas	4	Bread, pastries, etc.

## Handout 2: Ranking Canada's Trading Partners

Name: \_\_\_\_\_

Here is an alphabetical list of Canada's top 10 trading partners  
(total merchandise trade: exports plus imports).

Rank each country from 1 to 10, with 1 being the highest value trading relationship  
and 10 the lowest value trading relationship.

Rank	Top 10 Trading Partners
	China
	France
	Germany
	Italy
	Japan
	Mexico
	South Korea
	United Kingdom
	United States
	Vietnam

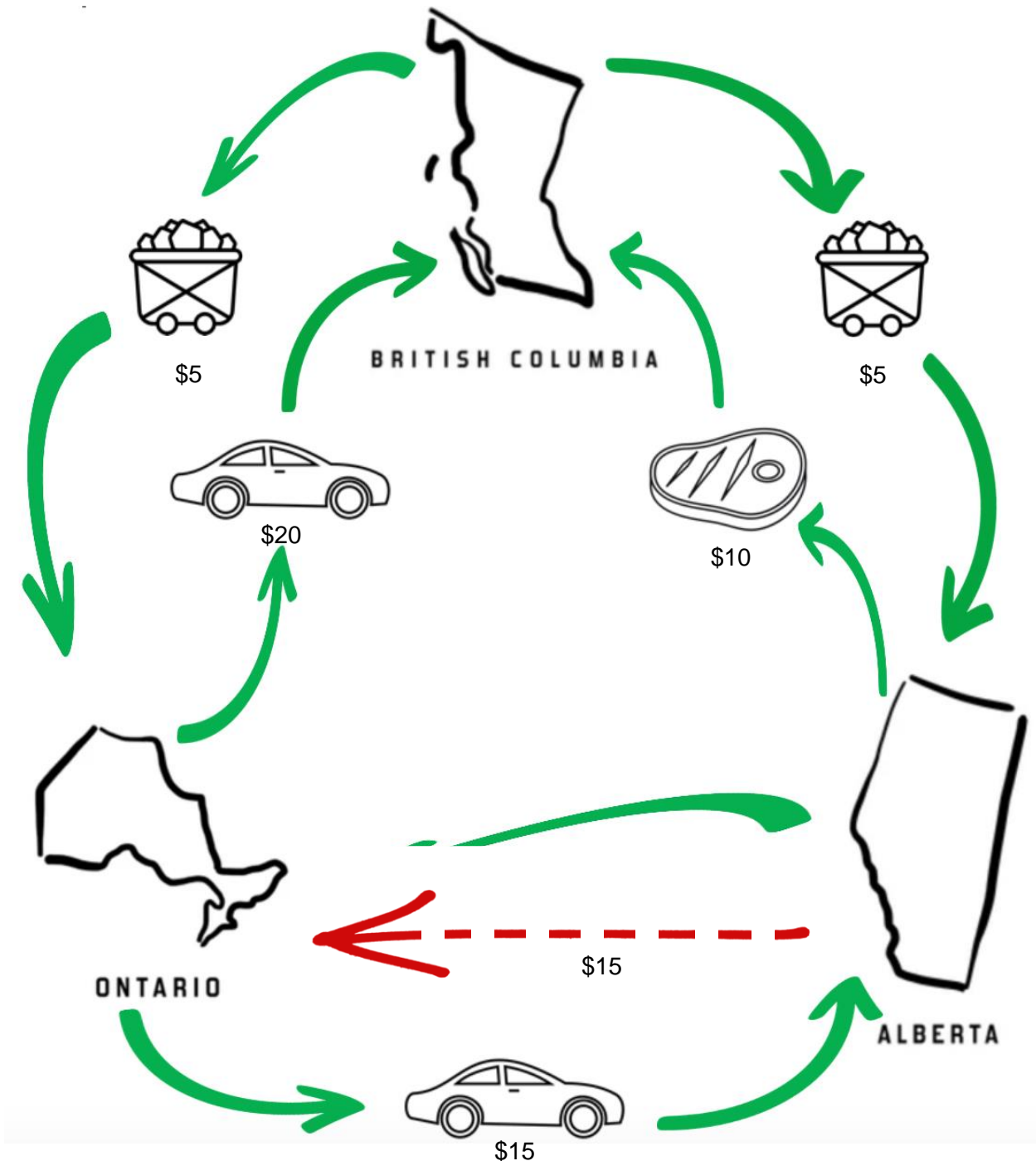
Handout 2: Teacher Answer Key		
Total trade by trade partner, 2024 — All sections		
Rank	Trade partner	Total trade (\$ millions)
1	United States	973,853.9
2	China	118,707.1
3	Mexico	56,032.1
4	United Kingdom	38,136.0
5	Japan	36,375.6
6	Germany	30,400.8
7	South Korea	24,475.0
8	Italy	15,754.5
9	Vietnam	15,703.7
10	France	14,277.5

### Handout 3: Trade Flows and Balance of Payments

Name: \_\_\_\_\_

#### Balance of Payments: Province Trade

1. The diagram below illustrates trade among three provinces. The **current** account (flow of goods and services merchandise) is indicated by the solid arrows. Draw in the **capital** account (flow of money and/or financial assets) using dotted arrows. (One has been completed for you.)



## Balance of Payments: Province Trade

2. Complete the Balance of Payments Accounting for each of the three provinces. Categorize flows of goods or money **out of** a province as **exports**. Categorize a flow of goods or money **into** a province as **imports**. Record all the transactions depicted in your trade diagram. (The coal transaction has been entered for you.) Then, calculate the totals. (Hint: Don't forget the – and + signs when you subtract imports from exports.)

<b>Alberta</b> Exports      Imports (out of      (into AB) AB)  Current Account (Goods in millions)	<b>British Columbia</b> Exports      Imports (out of      (into BC) BC)  Current Account (Goods in millions)	<b>Ontario</b> Exports      Imports (out of      (into ON) ON)  Current Account (Goods in millions)
<i>Coal</i> _____      \$5	<i>Coal</i> _____      \$10	<i>Coal</i> _____      \$5
_____	_____	_____
_____	_____	_____
<i>Totals</i> _____      _____	<i>Totals</i> _____      _____	<i>Totals</i> _____      _____
Exports – Imports = _____	Exports – Imports = _____	Exports – Imports = _____
Capital Account (money & financial assets in millions)	Capital Account (money & financial assets in millions)	Capital Account (money & financial assets in millions)
<i>To BC</i> \$5      _____	<i>From AB</i> _____      \$5	<i>To BC</i> \$5      _____
_____	_____	_____
_____	_____	_____
<i>Totals</i> _____      _____	<i>Totals</i> _____      _____	<i>Totals</i> _____      _____
Outflows – Inflows = _____	Outflows – Inflows = _____	Outflows – Inflows = _____
<b>Current Account + Capital Account =</b>	<b>Current Account + Capital Account =</b>	<b>Current Account + Capital Account =</b>



3. Answer the following questions:

What do you notice about the sum of the current account total and capital account total for each province? Do you think this is always the case? Why?

A deficit exists if a province imports more than it exports. A surplus occurs if a province exports more than it imports. Decide whether each province has a **deficit** or **surplus** in each of its trading accounts:

	Current Account (goods and services)		Capital Account (money and financial assets)	
	Deficit	Surplus	Deficit	Surplus
Alberta				
British Columbia				
Ontario				

In plain words, what does it mean to have a current account deficit? A current account surplus? Is one better than the other? Explain.

Was trade “balanced” between each pair of provinces? \_\_\_\_\_ Can you tell which province came out the best (gained the most) in this example? Explain.

Total the value of ALL the goods exchanged in this example:        \$\_\_\_\_\_

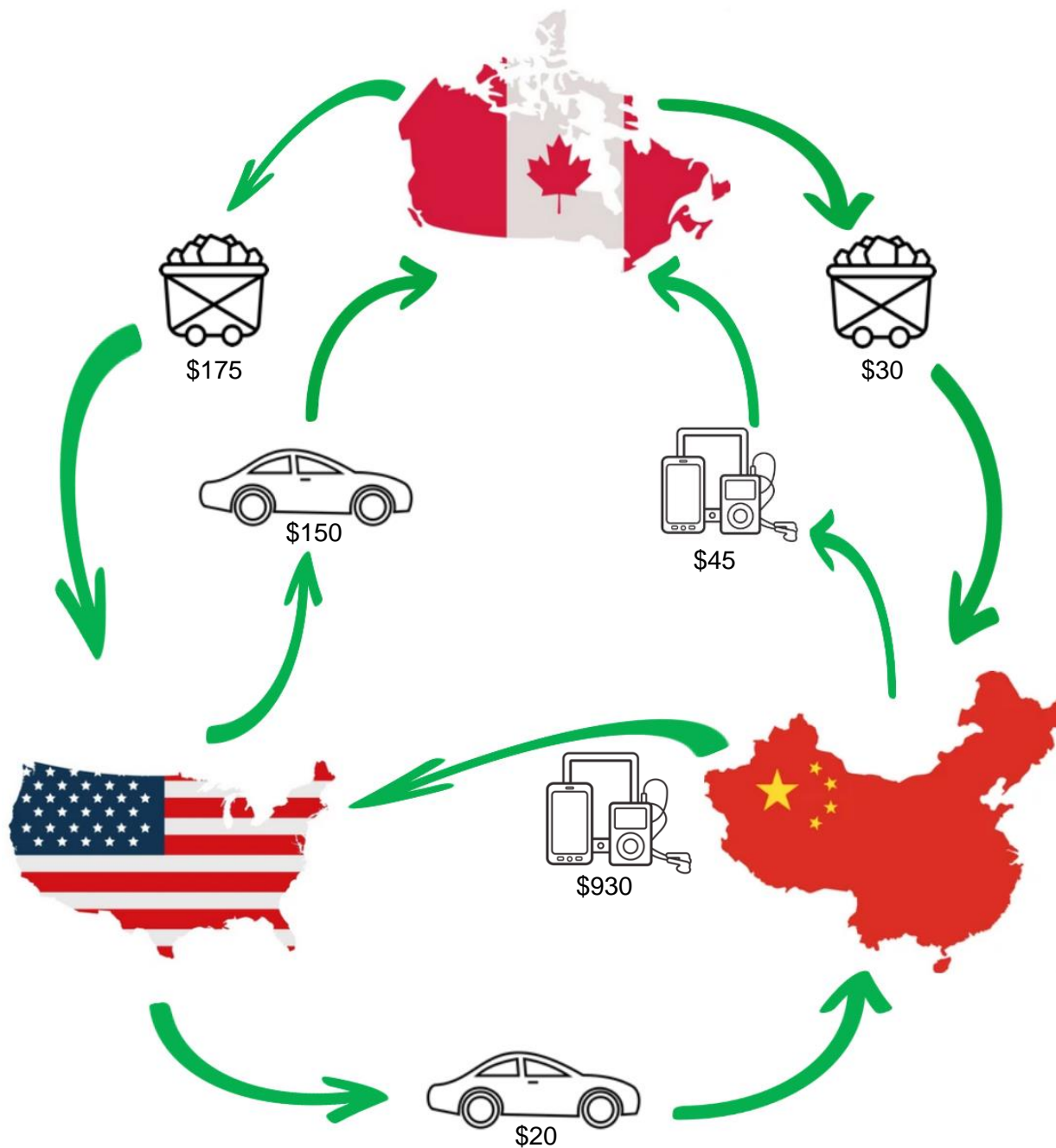
Total ALL the money spent in this example:                                \$\_\_\_\_\_

Was trade “balanced” among all three provinces? \_\_\_\_\_



4. What would happen to the analysis of the trades if we were looking at the countries of Canada, China, and the United States? Would the total flows of goods and money into a country always balance the total flows of goods and money out of the country?

**Merchandise trade of mineral fuels, electronics, and automobiles  
between Canada, China, and the United States (in billions)**



## Handout 3: Teacher Answer Key

### Alberta

Exports      Imports  
(out of      (into AB)  
AB)

Current Account  
(Goods in millions)

<i>Coal</i>		\$5
<i>Autos</i>		\$15
<i>Beef</i>	\$10	
<b>Totals</b>	<b>\$10</b>	<b>\$20</b>
Exports – Imports =		<u>-\$10</u>

Capital Account (money & financial  
assets in millions)

<i>To BC</i>	\$5	
<i>To ON</i>	\$15	
<i>From BC</i>		\$10
<b>Totals</b>	<b>\$20</b>	<b>\$10</b>
Outflows – Inflows =		<u>+\$10</u>

**Current Account + Capital Account = 0**

## British Columbia

Exports      Imports  
(out of      (into BC)  
BC)

Current Account  
(Goods in millions)

<i>Autos</i>		\$20
<i>Beef</i>		\$10
<i>Coal</i>	\$5	
<i>Coal</i>	\$5	
<b><i>Totals</i></b>	<b>\$10</b>	<b>\$30</b>
Exports – Imports =		<u>-\$20</u>

Capital Account (money and financial  
assets in millions)

<i>From AB</i>		\$5
<i>From ON</i>		\$5
<i>To AB</i>	\$10	
<i>To ON</i>	\$20	
<b><i>Totals</i></b>		
Outflows – Inflows =		<u>+\$20</u>

**Current Account + Capital Account = 0**

## Ontario

Exports      Imports  
(out of      (into ON)  
ON)

Current Account  
(Goods in millions)

<i>Coal</i>		\$5
<i>Autos</i>	\$35	
<i>Totals</i>	\$35	\$5
Exports – Imports =		<u>+\$30</u>

Capital Account (money and financial assets  
in millions)

<i>To BC</i>	\$5	
<i>From AB</i>		\$15
<i>From BC</i>		\$20
<i>Totals</i>	\$5	\$35
Outflows – Inflows =		<u>-\$30</u>

**Current Account + Capital Account = 0**

3. Answer the following questions:

What do you notice about the sum of the current account total and capital account total for each province? Do you think this is always the case? Why?

*The sum is zero because any purchases made are paid for by money going out of the province and sales made bring money into the province.*

A deficit exists if a province imports more than it exports. A surplus occurs if a province exports more than it imports. Decide whether each province has a **deficit** or **surplus** in each of its trading accounts:

	Current Account (goods and services)		Capital Account (money and financial assets)	
	Deficit	Surplus	Deficit	Surplus
Alberta	\$10			\$10
British Columbia	\$20			\$20
Ontario		\$30	\$30	

In plain words, what does it mean to have a current account deficit? A current account surplus? Is one better than the other? Explain.

*A current account deficit means that people in the province have changed their wealth from the form of money to the form of goods and services. They've sent their money out of the province to pay for those purchases.*

*A current account surplus means that people in the province are holding onto their wealth in the form of money rather than buying goods and services. They are getting the money by exporting, selling the things they make to consumers in other provinces.*

*No, there is no objective way to determine whether a deficit or surplus is better. It depends on what the people in the province want—the merchandise or the money.*

Was trade “balanced” between each pair of provinces? yes. Can you tell which province came out the best (gained the most) in this example? Explain.

*There was an imbalance in terms of merchandise and/or money exchanged.*

*No, it's not possible to tell which province came out better. Since the trade was voluntary, we'd have to assume that the traders in all three provinces were happy.*

Total the value of ALL the goods exchanged in this example: \$60 million

Total ALL the money spent in this example: \$60 million

Was trade “balanced” among all three provinces? yes

# **Lesson 4 Activity - Data Reference**

## **Alberta's Top Exports**

by [Daniel Workman](https://www.worldstopexports.com/author/daniel/) (Bio: <https://www.worldstopexports.com/author/daniel/>)

Nicknamed “The Energy Province” with the slogan “Wild Rose Country” and located in Western Canada, the province of Alberta shipped CA\$183.2 billion worth of exported products around the world in 2024.

That dollar amount results from a 98% increase from \$92.5 billion five years earlier in 2020.

Year over year, the overall revenues from Albertan exports rose 4.5% compared to \$175.3 billion for 2023.

Petroleum-rich Alberta ranks as Canada’s second-biggest exporter by province or territory behind the front-runner province Ontario and ahead of third-place Quebec. The value of Alberta’s exports equals 32.2% of Canada’s overall exported products for 2024, up from 23.6% in 2023.

Based on an article from ATB Financial, Alberta’s exported products represent 53.1% of the province’s total economic output or real gross domestic product (\$344.7 billion for 2024). Currency used for this calculation was based on Canadian dollars as reported by the Government of Canada’s Trade Data Online.

Given Alberta’s population of 4.9 million people, its total CA\$183.2 billion in 2024 exports translates to roughly \$37,500 for every resident in the Western Canadian province. That dollar metric surpasses the average \$37,150 per capita one year earlier in 2023.

Alberta’s unemployment rate was 7.1% at the end of March 2025, up from 6.5% for one year earlier per YCharts.

## **Alberta's Top 15 Exports**

The following export products represent the highest dollar value for Alberta’s global shipments during 2024. Also shown is the percentage share each export category represents in terms of overall exports from Alberta.

Figures are shown at the more granular six-digit Harmonized Tariff System (HS) code level, for more precise product identification.

1. Crude petroleum oils: CA\$124.2 billion (67.8% of Alberta’s total exports)
2. Natural gas (gaseous state): \$5.5 billion (3%)

3. Miscellaneous petroleum oils: \$3.3 billion (1.8%)
4. Boneless beef cuts (fresh or chilled): \$2.48 billion (1.4%)
5. Ethylene-alpha-olefin copolymers: \$2.42 billion (1.3%)
6. Wheat (excluding durum): \$2.4 billion (1.3%)
7. Liquified propane: \$2.34 billion (1.3%)
8. Colza oilseed, rapeseed (low erucic acid): \$1.72 billion (0.9%)
9. Petroleum bitumen: \$1.44 billion (0.8%)
10. Miscellaneous cattle: \$1.4 billion (0.8%)
11. Crude canola/colza oil (low erucic acid): \$1.2 billion (0.6%)
12. Sawn or chipped evergreen lumber: \$1.09 billion (0.6%)
13. Ethylene glycol (ethanediol): \$1.07 million (0.6%)
14. Oil-cake, other solid residues from canola/colza seeds: \$1.06 million (0.6%)
15. Coal (non-agglomerated, bituminous): \$1.03 million (0.6%)

Alberta's top 15 export product categories generated 83.2% of the overall value of the province's global shipments.

Miscellaneous cattle represents the fastest grower among Alberta's top 15 export products, up by 40.8% from 2023 to 2024.

In second place for improving export sales was Albertan miscellaneous petroleum oils via a 27.8% expansion.

Alberta's shipments of liquified propane recorded the third-fastest gain in value up by 18.5%, ahead of exported ethylene-alpha-olefin copolymers (up 16.5%).

The severest decliners among Alberta's top export products were non-agglomerated bituminous coal dragged down by a -43.2% drop year over year, natural gas in gaseous state (down -31%), wheat excluding durum (down -22.9%), low erucic acid crude canola or colza oil (down -14.4%), then ethylene glycol (down -13.6%).

## More Key Facts about Alberta's International Trade

Overall, Alberta earned a CA\$143 billion surplus exporting and importing products during 2024. That dollar amount reflects a 6.6% year-over-year increase from \$134.1 billion in black ink for 2023.

Another way of saying surplus or deficit is positive or negative net exports. In a nutshell, the term "net exports" quantifies the amount by which foreign spending on a province's goods or services exceeds or lags that same province's spending on imported foreign goods or services.

Below are Alberta's top 10 import products highlighting the province's highest spending on foreign-origin goods in 2024, accounting for 31.7% of the total.

1. Light petroleum oils: CA\$8.2 billion (20.4% of Alberta's total imports)

2. Crude petroleum oils: \$1 billion (2.5%)
3. Miscellaneous petroleum oils: \$734.2 billion (1.8%)
4. Modems, similar reception/transmission devices: \$457.5 million (1.1%)
5. Ethanol (denatured): \$436.7 million (1.1%)
6. Miscellaneous cattle: \$431.5 million (1.1%)
7. Taps, valves, similar appliances: \$416 million (1%)
8. Semi-trailer road tractors: \$410.9 million (1%)
9. Acrylic polymers in primary forms: \$330.4 million (0.8%)
10. Ammonium dihydrogen orthophosphates: \$326 million (0.8%)

Surpassing outflows for the above imports, Alberta has highly positive net exports in the international trade of crude petroleum oils. In turn, these cashflows indicate Alberta's competitive advantages under related energy product categories.

## **Alberta's Major Trade Partners**

The following list shows the top 10 customers that purchased 96.4% worth of the total value of products exported from the province of Alberta during 2024.

1. United States: CA\$162.1 billion (88.5% of Alberta's total exports)
2. mainland China: \$6.7 billion (3.7%)
3. Japan: \$2.7 billion (1.5%)
4. South Korea: \$1.2 billion (0.6%)
5. Mexico: \$792.9 million (0.4%)
6. Peru: \$771.6 million (0.4%)
7. Singapore: \$668.5 million (0.4%)
8. India: \$620.1 million (0.3%)
9. Hong Kong: \$553.9 million (0.3%)
10. Netherlands: \$523.9 million (0.3%)

Alberta's trade partners in North America (United States and Mexico) bought 88.9% of the overall value of export sales for The Energy Province during 2024.

## **Albertan Export Companies**

Below are some of Canada's largest businesses that are involved in international trade either directly or indirectly. Their corporate headquarters are in the province of Alberta.

- Canadian Natural Resources (oil and gas)
- Canadian Pacific Railway (transportation)
- Cenovus Energy (oil and gas)
- Enbridge (oil and gas)
- Husky Energy (oil and gas)
- Pembina Pipeline (oil and gas)
- Suncor Energy (oil and gas)



- TC Energy (oil and gas)

Shown within brackets for each company is a summary of the international trade-related products or services which each business manages.

Alberta's capital is Edmonton, nicknamed "The Big E" and "Edmonchuk". Edmonton also has a wide range of other nicknames.

See also [Canada's Top 10 Exports](#), [Canada's Top 10 Imports](#) and [Top Canadian Trade Balances](#)

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## British Columbia's Top Exports

by [Daniel Workman](#)

Nicknamed “Beautiful British Columbia” or simply “BC” and located on Canada’s west coast, the province of British Columbia shipped CA\$57.4 billion worth of exported products around the globe in 2023.

That dollar amount represents a 29.1% increase from \$44.4 billion five years earlier in 2019.

Year over year, the overall value of British Columbian export sales declined by –13.3% compared to \$66.2 billion for 2022.

British Columbia ranks as Canada’s fourth-best exporter by province or territory behind leading provinces Ontario, Alberta, and Quebec. The value of British Columbia’s exports equals 7.5% of Canada’s overall exported products for 2023, down from 8.4% in 2022.

Based on statistics from the website Statista, British Columbia’s exported products represent 18.9% of the province’s total economic output or gross domestic product (\$304.1 billion for 2022).

Given British Columbia’s population of 5 million people, its total \$57.4 billion in 2023 exports translates to roughly \$11,500 for every resident in Canada’s western-most coastal province. That dollar metric exceeds the average \$13,400 one year earlier in 2022.

British Columbia’s unemployment rate was 5% in April 2024, down from the province’s 5.1% jobless rate one year earlier per YCharts.

## British Columbia's Top 10 Exports

The following export products represent the highest dollar value for British Columbia’s global shipments during 2023. Also shown is the percentage share each export category represents in terms of overall exports from British Columbia.

Figures are shown at the more granular six-digit Harmonized Tariff System code level, for more precise product identification.

1. Coal (non-agglomerated, bituminous): CA\$10.3 billion (18% of Quebec’s total exports)
2. Natural gas (gaseous state): \$4.9 billion (8.5%)
3. Copper ores, concentrates: \$3.7 billion (6.4%)
4. Chemical woodpulp (coniferous): \$2.5 billion (4.3%)
5. Lumber sawn or chipped lengthwise: \$2.2 billion (3.9%)
6. Crude petroleum oils: \$1.90 billion (3.3%)

7. Coniferous lumber (sawn, chipped, sliced, peeled): \$1.90 billion (3.3%)
8. Liquefied propane: \$1.20 billion (2.1%)
9. Electrical energy: \$1.1 billion (1.9%)
10. Unalloyed unwrought aluminum: \$1 billion (1.7%)
11. Computer boards, panels: \$606.2 million (1.1%)
12. Miscellaneous food preparations (flavor powders, sweets, gums): \$564.4 million (1%)
13. Unalloyed unwrought zinc (less than pure concentrate): \$519.4 million (0.9%)
14. Unalloyed unwrought zinc: \$518.5 million (0.9%)
15. Gold (unwrought): \$511.9 million (0.9%)

British Columbia's top 15 exports accounted for over half (58.2%) of the overall value of the province's global shipments.

Liquefied propane represents the fastest grower among British Columbia's top 15 export products, up by 241.9% from 2022 to 2023.

In second place were BC's export sales of unalloyed unwrought aluminum (up 93.5% from 2022), trailed by computer boards and panels (up 57.2%) then unwrought gold (up 22.4%).

The severest decliners among British Columbia's most valuable export products were sales of lumber sawn or chipped lengthwise (down -46.2% from 2022), natural gas in gaseous state (down -37%), electrical energy (down -36.9%), sawn, chipped, sliced or peeled coniferous lumber (down -28.6%), then unalloyed unwrought zinc (down -16%).

## More Key Facts about British Columbia's International Trade

**British Columbia incurred a -CA\$16.9 billion deficit exporting and importing products during 2023. That dollar amount reflects a 48.2% expansion from -\$11.4 billion in red ink for 2022.**

Another way of saying surplus or deficit is positive or negative net exports. In a nutshell, the term "net exports" quantifies the amount by which foreign spending on a province's goods or services exceeds or lags that same province's spending on foreign goods or services.

All told, BC bought CA\$74.3 billion worth of products imported from around the world during 2023.

Below are British Columbia's top 10 import products highlighting the province's highest spending on foreign-made goods in 2023.

1. Vehicles with electric motor only: CA\$2.9 billion (3.9% of Ontario's total imports)
2. Miscellaneous petroleum oils: \$2.1 billion (2.8%)
3. Machinery to liquefy air or other gases: \$2 billion (2.7%)
4. Mid-sized automobiles (piston engine): \$1.5 billion (2%)
5. Electrical energy: \$1.3 billion (1.7%)
6. Modems, similar reception/transmission devices: \$738.2 million (1%)

7. Mechanical shovels, excavators: \$653.8 million (0.9%)
8. Biodiesel, mixed petroleum oils: \$577.6 million (0.8%)
9. Zinc ores, concentrates: \$568.8 million (0.8%)
10. Wheeled toys (tricycles, scooters, pedal cars, carriages): \$560.5 million (0.8%)

British Columbia has highly negative net exports in the international trade of electric vehicles, miscellaneous petroleum oils, machinery used to liquefy air or other gases, and mid-sized automobiles powered by piston engine. In turn, these cashflows indicate British Columbia's competitive disadvantages under related product categories.

## British Columbia's Major Trade Partners

The following list shows the top 10 customers that purchased 92.4% worth of the total value of products exported from the province of British Columbia during 2023.

1. United States: CA\$30.5 billion (53.2% of British Columbia's total exports)
2. China: \$8.1 billion (14.1%)
3. Japan: \$6.3 billion (11%)
4. South Korea: \$3.3 billion (5.8%)
5. India: \$1.4 billion (2.4%)
6. Netherlands: \$925.9 million (1.6%)
7. Taiwan: \$814.7 million (1.4%)
8. Australia: \$791.7 million (1.4%)
9. Germany: \$494.9 million (0.9%)
10. United Kingdom: \$369.4 million (0.6%)

British Columbia's top trade partners in North America (mainly the United States and, to a much lesser extent, Mexico) bought over half (53.6%) of the overall value of goods exported from BC.

In comparison, BC's leading importers in Asia (mainland China, Japan, South Korea, India, and Taiwan) generated 34.7% of the province's total export sales in 2023.

## British Columbian Export Companies

Below are some of Canada's largest businesses that are involved in international trade either directly or indirectly. Their corporate headquarters are in the province of British Columbia.

- Goldcorp (mining)
- Lululemon Athletica (clothing)
- Teck Resources (mining)
- Telus (telecommunications)

Shown within brackets for each company is a summary of the international trade-related products or services which each business manages.

British Columbia's capital is Victoria, nicknamed "The Garden City" and is associated with the motto "Forever free". Victoria is located on the southern tip of Vancouver Island.

See also [Canada's Top 10 Exports](#), [Alberta's Top Exports](#), and [Ontario's Top Exports](#)

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## Ontario's Top Exports

by [Daniel Workman](#)

Nicknamed “The Heartland Province” and located in Central Canada, the province of Ontario shipped CA\$306.8 billion worth of exported products around the globe in 2024.

That dollar amount represents a 35.1% increase from \$227.2 billion four years earlier in 2020.

Year over year, the overall value of Ontario's exported goods slowed to a 1.2% advance compared to \$303.2 billion for 2023.

Ontario ranks as Canada's most lucrative exporter by province or territory ahead of other leading provinces Alberta, Quebec, and British Columbia.

The value of Ontario's exports equals 39.4% of Canada's overall exported products for 2024, down from 39.5% in 2023.

Based on statistics from the website Statista, Ontario's exported products represent around 36% of the province's total economic output or gross domestic product (\$852.7 billion for 2023).

Given Ontario's population of 14.4 million people, its total CA\$306.8 billion in 2024 exports translates to about \$21,250 for every resident in the Central Canadian province. That dollar metric outpaces the average \$21,200 per capita for the prior year.

Ontario's reported unemployment rate was 7.8% at the end of April 2025, up from 6.8% one year earlier per YCharts.

## Ontario's Top 10 Exports

The following export products represent the highest dollar value for Ontario's global shipments during 2024. Also shown is the percentage share each export category represents in terms of overall exports from Ontario.

Figures are shown at the more granular six-digit Harmonized Tariff System code level, for more precise product identification.

1. Gold (unwrought): US\$33.1 billion (10.8% of Ontario's total exports)
2. Mid-sized automobiles (piston engine): \$18.9 billion (6.2%)
3. Automobiles (both piston engine/electric motor): \$8.5 billion (2.8%)
4. Miscellaneous medications: \$7.8 billion (2.5%)
5. Motor vehicle body parts, accessories: \$6.7 billion (2.2%)



6. Large automobiles (piston engine): \$6.4 billion (2.1%)
7. Small automobiles (piston engine): \$5.6 billion (1.8%)
8. Breads, pastry, cakes, biscuits, wafers, similar goods: \$4.7 billion (1.5%)
9. Small gas-powered trucks: \$4.4 billion (1.4%)
10. Large spark-ignition engines: \$3.1 billion (1%)
11. Miscellaneous motor vehicle parts: \$3 billion (1%)
12. Motor vehicle transmissions, related parts: \$1.87 billion (0.6%)
13. Motorized armoured fighting vehicles, tanks: \$1.86 billion (0.6%)
14. Natural uranium \$1.76 billion (0.6%)

Ontario's top 15 exports accounted for 35.7% of the overall value of the province's global shipments in 2024, up from 34.7% for 2023.

Natural uranium was the fastest grower among Ontario's top 15 export products, up by 94.6% from 2023 to 2024.

In second place for improving export sales were automobiles powered both piston and electric motors, thanks to a 63.3% rise.

Ontario's shipments of unwrought gold posted the third-fastest gain in value up by 45.7%.

Other major increases belonged to Ontarian exports of mid-sized automobiles with piston engines only (up 52.1%) then large spark-ignition engines (up 32.5%).

The severest double-digit declines among Ontario's top 15 export products were for exports of large automobiles powered by piston engine (down -49.2% from 2023), mid-sized automobiles powered by piston engine (down -18.5%), large spark-ignition engines (down -16.5%), then motorized armoured fighting vehicles and tanks (down -16.4%).

## More Key Facts about Ontario's International Trade

**Ontario incurred a -CA\$157.4 billion deficit exporting and importing products during 2024. That dollar amount reflects a 1.7% expansion from -\$154.7 billion in red ink for 2023.**

Another way of saying surplus or deficit is positive or negative net exports. In a nutshell, the term "net exports" quantifies the amount by which foreign spending on a province's goods or services exceeds or lags that same province's spending on foreign goods or services.

All told, Ontario bought CA\$464.2 billion worth of products from around the globe in 2024.

Below are Ontario's top 10 import products highlighting the province's highest spending on foreign-origin goods in 2024.

1. Mid-sized automobiles (piston engine): US\$16.9 billion (3.7% of Ontario's total imports)
2. Small gas-powered trucks: \$13 billion (2.8%)
3. Gold (unwrought): \$12.8 billion (2.8%)
4. Smartphones: \$9.2 billion (2%)
5. Miscellaneous medications: \$9 billion (1.9%)
6. Large automobiles (piston engine): \$8.2 billion (1.8%)
7. Electric vehicles: \$7.5 billion (1.6%)
8. Small portable computing devices: \$5.9 billion (1.3%)
9. Large spark-ignition engines: \$5.8 billion (1.3%)
10. Gold scrap \$5.7 billion (1.2%)

Historically, Ontario has recorded negative net exports in the international trade of goods including small gas-powered trucks, smartphones, and miscellaneous medications packaged for retail sale. In turn, these cashflows indicate Ontario's competitive disadvantages under those product categories.

## Ontario's Major Trade Partners

The following list shows the highly concentrated top 10 customers that purchase 94.2% worth of the total value of products exported from the province of Ontario during 2024. That percentage lags the 94.3% one year earlier.

1. United States: US\$243.9 billion (79.5% of Ontario's total exports)
2. United Kingdom: \$23.9 billion (7.8%)
3. Mexico: \$4.4 billion (1.4%)
4. mainland China: \$3.01 billion (1%)
5. Switzerland: \$2.98 billion (1%)
6. Germany: \$2.8 billion (0.9%)
7. Hong Kong: \$2.4 billion (0.8%)
8. Japan: \$2.2 billion (0.7%)
9. Norway: \$2 billion (0.7%)
10. Netherlands: \$1.6 billion (0.5%)

Ontario's top trade partners in North America (United States and Mexico) buy 80.9% of the overall value of exported goods from The Heartland Province.

Another 10.8% of Ontario's export sales were bought by major importers in Europe (United Kingdom, Switzerland, Germany, Norway, and the Netherlands).

## Ontarian Export Companies

Below are some of Canada's largest businesses that are involved in international trade either directly or indirectly. Their corporate headquarters are in the province of Ontario.

- Advanz Pharma (pharmaceuticals)

- Barrick Gold (mining)
- Brookfield Asset Management (finance)
- Canadian Imperial Bank of Commerce (finance)
- First Quantum Minerals (mining)
- Magna International (automotive parts)
- Rogers Communications (telecommunications)
- Scotiabank (finance)
- Shopify (e-commerce)
- Toronto-Dominion Bank (finance)

Shown within brackets for each company is a summary of the international trade-related products or services which each business manages.

Ontario's capital is Toronto, a municipality nicknamed "the Six". That moniker refers to the original cities of original cities of Toronto, North York, Scarborough, York, Etobicoke, and the former borough of East York.

See also [Canada's Top 10 Exports](#), [Canada's Top 10 Imports](#) and [Quebec's Top Exports](#)

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## This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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