How to reverse “Canada’s terrible, horrible, no good, very bad decade”

Just before April’s federal election, the National Post published an article entitled “Canada’s terrible, horrible, no good, very bad decade.” While this article was clearly an attempt to discredit the ruling Liberals, Canada’s poor showing over 2015-2025 can more accurately be blamed on our banking and financial system.

The article pointed to, among other things, increasingly unaffordable housing, stagnant personal incomes, a falling birth rate, decreasing life expectancy, and unsustainable levels of immigration, as evidence of a lost decade in this country. While these issues have multiple causes (including poor political choices), if we reformed our financial system these measures would all improve markedly.

So, what is it about the banks that makes it possible for them to do such damage? In a nutshell, their power to create money from nothing every time they grant a loan. As was proven empirically by the economist Richard Werner (who was recently hosted by Tucker Carlson on his online talk show), the money we borrow from banks is neither someone else’s deposit, nor a fraction of someone else’s deposit, but is instead created from nothing by the bank through the act of lending.

As such, there is really no limit on the quantity of loans that banks can issue, and every incentive for them to lend as much as possible, because while the money they lend is created in an instant and costs nothing to produce, the loan repayments grant them a claim on our income and real assets for years to come.

And what is most bank credit used for? Residential mortgages and home equity lines of credit account for over half of the loans granted by five of Canada’s six biggest banks. If you consider that much of the money lent to businesses is also for real estate, you can see why it is estimated that throughout the developed world, up to 80% of lending to individuals and businesses (i.e. excluding governments) is for property.

Banks like making loans for real estate as they are practically riskless. People will work very hard to pay their mortgages, and even in those cases where families lose their homes, so long as the banks can continue to lend more money to other prospective homeowners, real estate prices will go up, and the banks can make money selling any homes they have repossessed

Going back to the list of indicators of our lost decade, then, we can see how the banks are responsible for the affordable housing crisis in Canada, as they have every incentive to grant larger and larger housing loans which, in turn, make real estate more and more expensive.

All of this lending directed towards housing, though, means that less funding is available for productive investment by businesses. Why would a bank do the hard work of lending to a business that might fail, when risk-free returns on housing are so easy to enjoy? Sadly, such

thinking has led to falling levels of investment and stagnant productivity and wage growth for decades.

Looking at these two trends together, is it surprising that young people, facing stagnant wages and impossibly high home prices, are putting off marriage, home ownership, and children? As was reported recently, while in 1990 almost half of 30 year olds were married homeowners, that figure is now just 13%. Consequently, the birth rate in Canada is now, at 1.26 births per woman, just a little over half of the level needed to maintain the population through natural increase. When I bought my first home in the mid-1990s as a 27 year old newlywed, my home cost about 4 times my income. The fact that the current multiple in Canada's major cities is between 6 and 10 has to be discouraging for young people wanting to start families.

Continuing on, while the fall in life expectancy reported over the past 10 years was very small, it is nonetheless significant as it is the first decline recorded in over 100 years. One contributing factor may be the thousands of Canadians who have died as a result of overdosing on drugs like fentanyl, the use of which may be at least partially attributable to a growing sense of hopelessness among people who feel they will never be able to afford a home or any of the other markers of a stable, middle-class lifestyle.

In an attempt to encourage economic growth in the face of faltering population growth, over the past decade immigration numbers ballooned. While historically Canada admitted around 1% of its population as immigrants each year (so, around 300 thousand in the years before the pandemic), those numbers almost tripled in recent years (before being cut back this year). This unprecedented influx of people further drove up housing prices and strained social services to the point where many newer immigrants have also found life in Canada discouraging and have chosen to either return home or migrate to other countries after only a few years. Clearly, increased immigration is not the solution to our economic and demographic malaise.

If we are serious about reversing our 'terrible, horrible, no good, very bad decade' we need to address its root cause. For too long, the banks have lazily directed their awesome power to create money from nothing to facilitate the purchase of existing assets like real estate, and the woeful results are all around us. However, if bank regulations were to be enacted to compel them to lend primarily to small and medium enterprises to improve productivity, the resulting increase in wages and moderation in real estate prices would once again make it possible for Canadians to have the means and the confidence to buy homes, start families and build a brighter future.

Sources:
"Canada's terrible, horrible, no good, very bad decade" from the April 24th edition of the National Post: https://ca.news.yahoo.com/canadas-terrible-horrible-no-good-110007396.html

Richard Werner's interview on the July 28th, 2025 Tucker Carlson Show: https://www.youtube.com/watch?v=StTKHskg5Tg