



# Institut économique de Montréal



## ANNUAL REPORT 2004

*“...Your institute represents a strong role model for other think tanks in the international network with which Atlas works. [...] We are thankful for your many efforts to make the Institut économique de Montréal a wonderful example of the kind of institution we want to see flourish in all countries.”*

*Alejandro A. Chafuen  
President & CEO  
Atlas Economic Research Foundation*



*The Montreal Economic Institute (MEI) is an independent, non-profit, non-partisan research and educational institute. The Institute attempts to further the understanding of economic issues among Canadians in general, and Francophone Quebecers in particular, by organizing conferences and publishing studies, and through the print and electronic media.*

*The MEI's mission is to propose original and innovative solutions for the crafting of efficient public policies, using successful reforms applied elsewhere as models. It receives no public funding.*

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## **OFFICERS**

(on December 31, 2004)

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*Vice-Chairman of the Board*

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Daniel Dorey  
Michel Kelly-Gagnon  
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Yves Rabeau  
*Administrators*

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(on December 31, 2004)

Michel Kelly-Gagnon  
*President*

Gilles Guénette  
*Webmaster*

Jasmin Guénette  
*Coordinator of events and publications*

Norma Kozhaya  
*Economist*

Yanick Labrie  
*Junior Economist*

Patrick Leblanc  
*Director of Communications*

Martin Masse  
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Jeni Dimitrova  
Anne Whiteside  
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## CHAIRMAN'S MESSAGE

Diane Lamoureux, a political science professor at Laval University, wrote recently in *Le Devoir*: "In the 1980s, we heard voices denouncing the 'silence of the intellectuals.' Since then, however, it is think tanks and private institutes of various sorts, that have helped feed public debate, rather than universities." This observation is correct, and the Montreal Economic Institute provides a stunning example.

This silence of the intellectuals had deep causes. In the postwar Western world, the dominant economic development model was based on rampant government interventionism in every field. But this hit serious roadblocks in the 1970s and 1980s. The bankruptcy of socialist models, along with inflation, excess debt and bureaucratic blunders in welfare states, threw a spanner into inordinate government ambitions. Those who unreservedly supported this model failed to understand what was going on and were not capable of renewing their thinking.

Think tanks filled a void and brought a fresh breeze to the sclerotic debates where a false consensus had reigned. By using simple language and accessible formats to present the most pertinent conclusions of university research, they helped create a bridge between the academic world and the general public.

This was the background that led in the late 1990s to the founding of the MEI, which marked its fifth anni-

versary in the spring of 2004. In just a few years, it has become one of the main sources of information and analysis for the media and for anyone who is interested in the major issues that are shaking up our society.

Not only is the MEI doing essential work, but it ranks among the institutes worldwide that are doing it best. In 2004, it received the prestigious *Templeton Freedom Award for Institute Excellence*, a prize issued to young think tanks that stand apart through management excellence and public relations results. This recognition adds to the accolades from important personalities here and elsewhere, as we can see in the section "What they said about us in 2004" in this document.



To continue with this work, the Montreal Economic Institute relies on the backing of its many donors and supporters. While other institutes pretend to be adding to pluralism in public debate while relying on single-source government financing, the MEI depends on the gifts of dozens of private foundations, companies and individuals, making it truly independent. If you are not yet part of this group of people supporting one of the world's most dynamic think tanks, I hope the achievements presented in this Annual Report will convince you of the need to join in!

**Adrien D. Pouliot**  
*Chairman of the Board*



## PRESIDENT'S MESSAGE

Following five years of rapid and all-embracing growth, 2004 marked a turning point in the development of the Montreal Economic Institute. In December, we moved to a larger, more functional location. With three more employees, our modest headquarters on Saint-Hubert Street in north-central Montreal had become overcrowded. Inspired by a sense of continuity, we moved just one block further north! Nonetheless, this represents a new departure for our team. It will make us even more efficient and better motivated in meeting new challenges after a busy year whose main highlights are presented here.

### Publications

Tax, education and health care were the three major themes of MEI publications in 2004. Two publications were devoted to each of the first two themes, while health care was the focus of no fewer than four publications, two of which dealt with the value of medication and pharmaceutical innovation. We also touched for the first time on public policy issues such as public transit management and telecommunications regulation.

As always, the *Report Card on Quebec's Secondary Schools*, now in its fifth edition, drew the broadest public attention and aroused the most media reaction. Interest in this ranking, published in partnership with *L'actualité* magazine, remains strong among parents year after year, and it has become a true institution on the Quebec school scene. The

The November 2004 issue of the magazine *L'actualité* featuring the *Report Card on Quebec's Secondary Schools*.



spirited opposition it aroused initially has given way to a calmer assessment. Most commentators now recognize that the *Report Card* plays an essential role, contributing to a greater sense of responsibility among the people who run the schools and forcing them to answer to parents.

Rounding out our range of publications, consisting up to now of books, Economic Notes and Research Papers, we launched in 2004 a publication with a more modest and flexible format. Called *Le Point de l'IEDM* and covering a current topic, it is sent electronically to major media outlets and to decision makers at the Quebec National Assembly. Finally, our book this year was a collection of my most pertinent economic col-



umns published in *Les Affaires* and elsewhere over the last several years to demystify public policy.

### An influential publication

Our Economic Note on university tuition fees, published early in the year, is an excellent example of an MEI publication that had a concrete effect in advancing public policy debate in Quebec. This Note, written by our economist Norma Kozhaya, shows that the freezing of tuition fees since 1994 has had serious negative effects on university financing and that it is mistaken to believe an end to the freeze would necessarily lead to lower enrolment, as student associations assert. Debate ran strong for much of the year, and the Montreal Economic Institute's position set the tone for what would follow.

The study's launch was covered by reporters and columnists in major Quebec dailies including *La Presse*, *The Gazette*, *Le Soleil* and *Le Devoir*. The Note appeared in French in *Montréal Inc.* magazine and in English in its sister publication *Montreal Business Magazine*. In the following days, the author gave about 15 radio interviews to stations across the province and took part in a two-hour debate on a Montreal radio station.

Norma Kozhaya also took part in a meeting organized by the Fédération étudiante universitaire du Québec and presented a brief based on the Note's conclusions to the Education Committee of the National Assembly. MNA Maxime Arseneau, the Committee Vice-Chairman, noted that "a number of those who came before this committee used your figures, your data and your research." Finally, in the fall of 2004, a Quebec Liberal Party policy convention decided to question the principle of the fee freeze, even though the current government wishes to keep its promise to maintain the freeze until its mandate ends.



Claude Castonguay, former Quebec Health Minister.

### Speeches and activities

As in past years, a series of prestige speakers agreed to address audiences invited by the MEI. Six major speeches were organized in 2004, gathering a total of more than 800 participants. The series began with a theme we have emphasized since the very start of our activities, namely reform of the public health care system. Former Minister



Mart Laar, former Estonian Prime Minister.

Claude Castonguay, the father of Quebec health insurance, suggested possible ways of ending the perpetual crises that have shaken this sector.

Later in the year, former Estonian Prime Minister Mart Laar gave a much appreciated talk on the



difficulties his country faced on the road from communism to a market economy. Estonia now is a model of an open economy from which we have much to learn.

At an evening event in June celebrating our fifth anniversary, Allan Gotlieb, a former Canadian



Allan Gotlieb, former Canadian Ambassador in Washington.

Ambassador in Washington, gave a much noted speech on the future of relations between Canada and the United States.

American publisher and businessman Steve Forbes was the star of our first President's Dinner, an event held in November that I stress with particular pride. As Mark Weller observed in his Publisher's Letter in *Montréal Inc.* and *Montreal Business Magazine*, "The Montreal Economic Institute's annual President's Dinner has quickly become one of the most prestigious events on Montreal's business calendar ... It is only the MEI's hard-won national and international reputation as a model think tank that could have attracted Steve Forbes to this dinner in the first place."

We should also add the many appearances by our employees and associate researchers at various forums, ranging from legislative committees

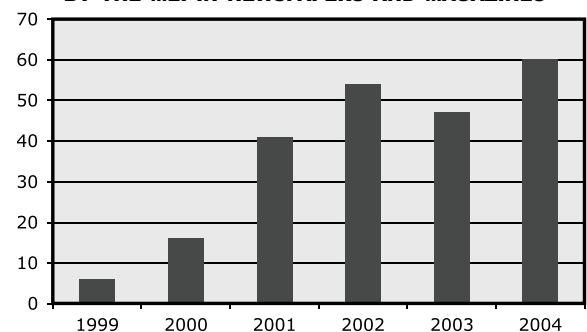
to association conventions and student seminars. Each of these presentations (a list is included in this report) spreads the influence of the MEI among new publics.

### Media coverage

The work of the Montreal Economic Institute reaches the general public through the media. In 2004, our operations generated 754 articles and reports in print and electronic media in Quebec, across Canada and even elsewhere in the world. We set a new record in terms of the number of articles written by our researchers that were published in the opinion pages of daily newspapers, with 60 altogether.

Our substantial media presence may seem banal. But producing material that will interest journalists and news organizations is by no means simple. Communication is an art in itself, with its own techniques, that must be developed. The MEI

**CHANGE IN THE NUMBER OF OP-ED PIECES PUBLISHED BY THE MEI IN NEWSPAPERS AND MAGAZINES**

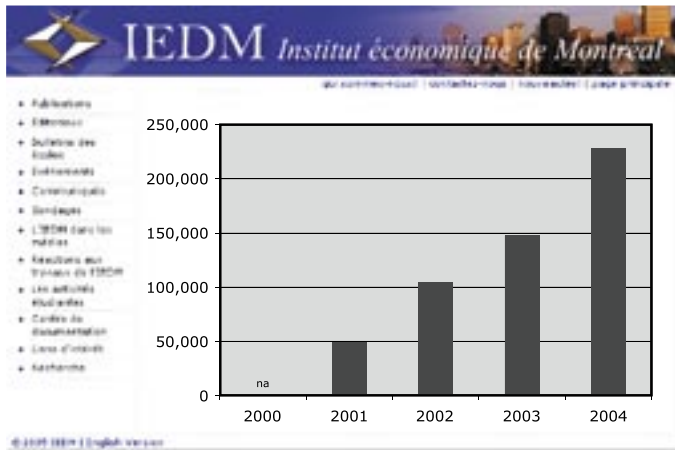


has a media impact that far exceeds what can be observed among think tanks of similar size in the United States, for example. The value of our 2004 media coverage was estimated by public relations specialists at \$8 million. In other words, to obtain similar visibility, the MEI would have had to spend this amount on advertising.



Our Web site, which is our most direct way of reaching the public, has maintained the spectacular growth of recent years. In 2004 it drew 228,551 unique visitors, up 80,000 from the previous year, or a 55% rise compared to 2003.

**CHANGE IN THE NUMBER OF HITS ON THE MEI WEB SITE EACH YEAR**



### Financial situation

Financing an institute such as ours, like arranging broad media coverage, is not something that happens on its own. Our list of donors includes dozens of foundations, companies and individuals who must be solicited regularly and who must be shown that investing in our mission is good business. Some donors suffer hard times or undergo a change of heart that causes them to support us less than before. Nothing can be taken for granted. Plenty of effort is always needed to win renewed backing from current donors and to ensure our growth by finding new donors to replace those who have left.

Despite these constant challenges, the MEI's financial position remains excellent. Fundraising and other income (subscriptions and sales of publications, registration fees at events) rose 44% in

2004, climbing to \$1,188,368. Our spending was also up 44%, reaching \$1,084,599. Our surplus of \$103,769 came to 8.7% of total revenue.

### An international leader

The MEI's rapid and influential growth has made it a model among small and medium-sized think tanks worldwide. As noted by our chairman in his message, our achievements were recognized with the awarding of a prestigious distinction in 2004, the *Templeton Freedom Award for Institute Excellence*. I am regularly solicited by various international think tank networks to share our management methods with similar start-up institutes. MEI friends and supporters can be especially proud of contributing to our success. We are increasingly seen as an international leader in our field. Considering our size, we are quite simply one of the world's top think tanks in the view of several independent observers such as the Atlas Foundation and the International Policy Network.

**Michel Kelly-Gagnon**

*President*



## WHAT THEY SAID ABOUT US IN 2004

*“In Quebec’s largest city, the Montreal Economic Institute is making waves. It researches and sparks debate on a wide range of issues including the quality of public education, health care and regulation, doing so in a province otherwise dominated by the single issue of separatism.”*

**Mary Anastasia O’Grady**

*The Wall Street Journal*

July 16, 2004

*“Meticulous economic analysis is among the best means of avoiding dead-end situations, which could end up being extremely costly for everyone. This is the contribution of the Montreal Economic Institute at a time when, unfortunately, protests too often take the place of rational discussion.”*

**L. Jacques Ménard, O.C.**

Chairman, BMO Nesbitt Burns and President,  
BMO Financial Group

June 15, 2004

*“Your efforts to help people understand how our economy works are extremely valuable. It is important not to look at problems solely in terms of government intervention or restrictive regulations but to highlight the options made possible by competition, the free market and entrepreneurship. I believe the Montreal Economic Institute’s work is a great service and that you deserve support and encouragement.”*

**Claude Castonguay, C.C., O.Q.**

Former Health Minister and founder of the  
Quebec Health Insurance Plan

January 27, 2004

*“I was also very impressed by the breadth of your organization’s research and publications, especially those that touch on U.S.-Canada priorities. Clearly, you are building an excellent reputation for the [Montreal Economic] Institute.”*

**Paul Cellucci**

US Ambassador to Canada

March 8, 2004

*“The Montreal Economic Institute has become an increasingly influential voice for positions that often run counter to the presumed traditional precepts of Quebec society.”*

**Peter Black**

*The Ottawa Sun*

June 5, 2004





*“The public profile and credibility that the Montreal Economic Institute has achieved after only five years of existence are extremely impressive. It’s unusual for an organization of any sort to reach such heights in such a short time.”*

**Ghislain Dufour**

Former president of the  
Conseil du patronat du Québec (1986-96)

*“The MEI can be said to have exerted an effect on our public discourse much greater than even its most optimistic supporters would have believed possible. [...] In the francophone milieu, and even though it’s still a small organization, the MEI has grown to be the largest private think tank in the world. In Quebec, it has become a respected fountainhead of free market ideas related to public policy decision-making. Across Canada its voice is not only heard, but increasingly called upon.”*

**Michael Carin**

Montreal Business Magazine  
July-August 2004

*“This institution, under the leadership of Michel Kelly-Gagnon, has few equals, if any, in the impact it has had on public policy debates in this country in so short period of time. [...] Along with a very few other precious think tanks in our country, it is at the forefront of the thrust of new ideas for social and economic change in Canada.”*

**Allan Gotlieb, C.C.**

Ambassador of Canada to the United States  
from 1981 to 1989  
June 15, 2004

*“Many groups that have appeared before us have cited your figures, data and research.”*

**Maxime Arseneau**

Quebec’s National Assembly Education  
Committee Vice-Chairman, during the  
Committee’s public hearings on higher  
education funding in Quebec  
March 24, 2004

*“I have so much respect for Michel Kelly-Gagnon and the work that he and his staff do. Of course, I’m not the only admiring fan. Some of you may know that the Montreal Economic Institute was just awarded the Templeton Award for 2004, given to just 15 think tanks in the entire world. This in my view is the intellectual equivalent of winning the Grey Cup or perhaps the Tour de France.”*

**Dr. David Gratzner, M.D.**

Fellow at the Manhattan Institute for Public Policy  
April 1st, 2004



## THE MEI'S PUBLICATIONS IN 2004

**February – *Would Higher Tuition Fees Restrict Access to University Studies?***

Economic Note on university funding.

**March – *Les bienfaits économiques d'une réduction de l'impôt sur le revenu***

Research Paper (in French with a bilingual executive summary) on the economic impact of a reduction in personal income tax for all taxpayers.

**April – *Drug Price Controls and Pharmaceutical Innovation***

Economic Note on the effects of federal price control on patented drugs.

**May – *Do we still need to regulate telephone services?***

Economic Note on the CRTC's regulation of telecommunications.

**June – *Chroniques économiques – Des idées pour démystifier les politiques publiques***

A collection of columns (in French) by Michel Kelly-Gagnon published by Éditions Varia.

**August – *The road to renewing public transit***

Economic Note on public-private partnerships in transit systems.

**September – *Health Care Financing: Squandering Billions Is Not The Answer***

Economic Note on health care funding in Canada.

**October – *Le Point de l'IEDM sur la réforme de l'aide sociale***

Le Point (in French) on a central aspect of welfare reform: making work worth more.

**October – *How should the value of new drugs be determined?***

Economic Note on the true value of new patented drugs.

**October – *Le Point de l'IEDM sur la légalité des cliniques de santé privées***

Le Point (in French) on the legality of private health clinics in Quebec.

**October – *Report Card on Quebec's Secondary Schools, 2004 edition***

A measurement and comparison of the performance of all high schools in Quebec.

**November – *Why a flat tax would be fairer and more efficient***

Economic Note on a flat rate income tax system.

**November – *Le Point de l'IEDM sur les prix de l'électricité***

Le Point (in French) on Quebec's energy policy.

**November – *Le Point de l'IEDM sur les excédents budgétaires fédéraux***

Le Point (in French) on the benefit of reducing federal personal income tax.



## MEI'S CONFERENCES AND ACTIVITIES IN 2004

**January 27 – The future of the health care system:  
Are we condemned to never-ending crises?**

Speech before the MEI by Claude Castonguay, C.C., O.Q., former Health Minister and founder of the Quebec Health Insurance Plan.

**February 1 – Would Higher Tuition Fees Restrict  
Access to University Studies?**

Presentation by MEI economist Norma Kozhaya, at a conference held by the Quebec Federation of University Students (FEUQ) at the University of Montreal.

**February 14 – Annual Student Seminar**

Day-long seminar on public policies presented in collaboration with The Fraser Institute.

**February 18 – Montreal's Housing Shortage: Its  
Real Causes and the Solutions to Solve It**

Presentation by MEI associate researcher Pierre Desrochers at the C.B. Richard Ellis Montreal Apartment Investor Conference held in Montreal.

**March 24 – Would Higher Tuition Fees Restrict  
Access to University Studies?**

Presentation by MEI economist Norma Kozhaya of a mémoire on university funding before the Quebec National Assembly's Education Committee.

**March 31 – The Economic Benefits of Reducing  
Income Taxes for All Taxpayers**

Speech by MEI president Michel Kelly-Gagnon at the annual general assembly of the Conseil économique de Beauce and the Société de développement de Beauce, held in Saint-Georges-de-Beauce, Quebec.

**April 1 – Why I Like Drugs And So Should You...  
Reflections on an Industry**

Presentation before the MEI by Dr. David Gratzner, M.D. and Fellow at the Manhattan Institute for Public Policy.

**April 30 – From Communism to a Thriving  
Market Economy**

Speech before the MEI by the Honourable Mart Laar, Prime Minister of Estonia (1992-1994 and 1999-2002).

**June 3 – Chroniques économiques - Des idées  
pour démystifier les politiques publiques**

Launch at the Bibliothèque nationale du Québec, in Montréal, of MEI president Michel Kelly-Gagnon's collection of economic columns published by Éditions Varia.

**June 15 – Canada-US Relations: In Search of a  
National Consensus**

Speech by Allan Gotlieb, C.C., former Canadian Ambassador to the U.S. (1981-1989) at an evening celebrating MEI's 5th anniversary.

**June 23 – Industrial Ecology : The Lessons of  
History**

Presentation by MEI associate researcher Pierre Desrochers as part of the conference *Droit de propriété, économie et environnement* held at the Université d'Aix-Marseille, France.

**August – Public-Private Partnerships: A Solution  
for More Efficient Public Services**

Submission of a mémoire to the Quebec National Assembly Committee on Public Finance as part of its consultation on Bill 61, an Act respecting the Agence des partenariats public-privé du Québec.

**September 14 – Organizing Production,  
Globalization and Information: A Market and  
Hierarchical Perspective**

Presentation at HEC Montréal by Jean-Jacques Rosa, Professor at the Institut d'Études Politiques de Paris and director and founder of their MBA program.



## MEI'S CONFERENCES AND ACTIVITIES IN 2004 (SUITE)

### **September 22 – Health Care Reform: The Evolving Opinion of Canadians**

Presentation by MEI president Michel Kelly-Gagnon before the lawyers of Stikeman Elliott's Montreal office.

### **September 25 – Quebec Rental Housing in Transition**

Presentation by MEI associate researcher Pierre Desrochers at the annual conference of the Corporation des propriétaires immobiliers du Québec (CORPIQ).

### **September 25 – The Economic Benefits of Reducing Income Taxes for All Taxpayers**

Presentation by MEI economist Norma Kozhaya at the 5th Congrès des membres de l'Action démocratique du Québec (ADQ) held in Drummondville. (The Montreal Economic Institute is an independent, non-partisan organization whose researchers are pleased to share the results of their work with any group making a request, including political parties.)

### **October 7 – Public Tendering Models for Quebec's Public Transit Systems**

Discussion between MEI research director Valentin Petkantchin and a dozen public transit stakeholders from Montreal.

### **October 28 – Telephone regulation makes no economic sense**

Presentation by MEI research director Valentin Petkantchin at the Canadian Telecommunications Forum held by Insight Information in Ottawa, Ontario.

### **November 4 – How Should We Allocate the Federal Budget Surplus?**

Presentation by MEI economist Norma Kozhaya before the House of Commons Standing Committee on Finance as part of its pre-budget consultations.

### **November 13 – The Environmental Responsibility of Firms is to Make a Profit**

Presentation by MEI associate researcher Pierre Desrochers at the annual Fraser Institute Toronto Student Seminar on Public Policy Issues.

### **November 16 – Health Care Reform: The Evolving Opinion of Canadians**

Presentation by MEI president Michel Kelly-Gagnon at the Frontier Centre for Public Policy (FCPP) in Winnipeg, Manitoba.

**Novembre 18 - 22 – Salon du livre de Montréal**  
Presentation of MEI publications to the visitors of the Montreal Annual Book Fair.

### **Novembre 27 – Public-Private Partnerships**

Presentation by MEI associate researcher Paul Daniel Muller at the annual conference of the Quebec Bus Owners Association held in Bécancour, Quebec.

### **November 30, 2004 – MEI President's Dinner**

Keynote address by Steve Forbes, President and Chief Executive Officer of Forbes Inc. and Editor-in-Chief of *Forbes Magazine*, at this first MEI President's Dinner held at the Sofitel Hotel in Montreal.