

# CHAIRMAN'S MESSAGE

We sometimes hear the lament that nothing ever changes and that we get the same debates over and over again. This seems to be accepted wisdom. If we look at the last few decades, however, we can see that plenty of progress has been achieved.

Keynesianism was very much in fashion in the 1970s. Most politicians and economists imagined that deficits would help speed economic growth, with no problem in letting deficits soar year after year and allowing social programs to proliferate. When a slowdown occurred, central banks favoured a heavy dose of inflation in the economy. Prices rose rapidly, but we were told this was needed to cut unemployment. In the early 1980s, a sharp rise in interest rates and the biggest recession since the crisis of the 1930s were required to provide an escape from this inflationary spiral.

Canada later negotiated a free trade agreement with the United States, privatized state-owned companies and began to lighten its heavy regulatory burden. In 1997, the huge annual deficit turned into a surplus. We began to repay the debt and, in 2000, Canadians benefited from significant tax cuts.

Here we are in 2008, after 15 years of solid economic growth, with low inflation. Unemployment is at its lowest level in 35 years. Our national debt is the smallest in the G7. And the Canadian dollar is finally at parity with the greenback. Who says things never change?

In Quebec, however, we continue to see rates of unemployment and social assistance that are among the highest in North America. We remain among the poorest, most heavily indebted and most highly taxed people on the continent. We work fewer hours and less productively than our U.S. neighbours – not because we are lazy or less ingenious but because our policies and incentives have been less competitive. Our standard of living in Quebec and across Canada will depend largely on improving our productivity and our innovative capacity.

The Montreal Economic Institute has performed remarkable work since 1999 in casting light on these issues. Ideas are what change the world, and think tanks are needed to explore and disseminate those that end up leading to reform. This is why I developed a commitment to the MEI several years ago and why I agreed in March 2007 to chair its board of directors.

The Montreal Economic Institute has grown thanks to generous contributions from dozens of private foundations, companies and individuals. This is its true guarantee of independence! I invite you to become part of this group of people who support one of the most influential think tanks in Canada and in the French-speaking world. It is important for the business community to understand the challenges we face and to contribute to change.



HÉLÈNE DESMARAIS

# PRESIDENT'S MESSAGE



PAUL DANIEL MULLER

A think tank's effectiveness can be assessed using three criteria. First, at the operational level, by measuring the volume of its activities and its fundraising ability. Second, by measuring uptake, i.e. to what extent its work is covered. Third - and this is the most demanding criterion - by asking if people have a better understanding of market mechanisms and to what degree public policy is actually moving in the directions suggested by its researchers. The results shown here indicate that, in 2007, the Montreal Economic Institute (MEI) had its best year so far.

The MEI in numbers	2007	2006
Revenue	\$1.5 million	\$1.3 million
Publications	24	19
Events organized by the MEI	13	9
Events organized by third parties in which our researchers took part	26	31
Media mentions	2,740	1,627

## ACTIVITIES:

### GROWTH AND INNOVATION

- ▶ We published **24 studies** in 2007, compared to 19 the previous year. All our publications are available in French and English and may be downloaded from our website.
- ▶ We organized **13 events** that drew a total of 1,467 participants. The best attended talks were those given by the Liberal and ADQ leaders during the Quebec election campaign.
- ▶ Staff members served as speakers or panellists in **26 events organized by third parties**.

In its continuing quest for new ways of fulfilling its mission, the MEI started three new programs in 2007.

- ▶ To reach the general public more effectively, we began producing **economic newsflashes** explaining an economic statistic in simple terms. Ninety-six different newsflashes were published in 2007 in the *Métro* newspaper and in Quebecor weeklies.
- ▶ The **George Petty Entrepreneurial Idea** essay contest aims to inspire the emergence of innovative public policy solutions. The contest's first edition led to publication of a proposal for the establishment of a competitive market for wood in the forest sector.
- ▶ The **Young Leaders** program enables future opinion leaders to debate public policy issues. Two seminars each brought together about 15 students and young professionals.

## RESOURCES:

### REVENUES TOP \$1.5 MILLION

In 2007, the MEI's revenues climbed to \$1,508,329, up 19% from 2006 and up 7% from the previous record set in 2005. Spending was limited to \$1,331,644, resulting in a surplus of \$176,685. Steadfast support from our donors and sponsors is what has enabled the MEI to become what it is today. We offer them our warm thanks and hope they will maintain their support in 2008.

The MEI is financed entirely by donations from foundations, busi-

nesses and individuals as well as by registration fees at its events and subscriptions to its publications. To ensure its independence, the MEI solicits no public funds and performs no research contracts. We seek constantly to diversify our sources of private financing. Our financial autonomy allows us express ourselves freely on public policy issues in the interest of the largest groups of people, namely consumers and taxpayers.

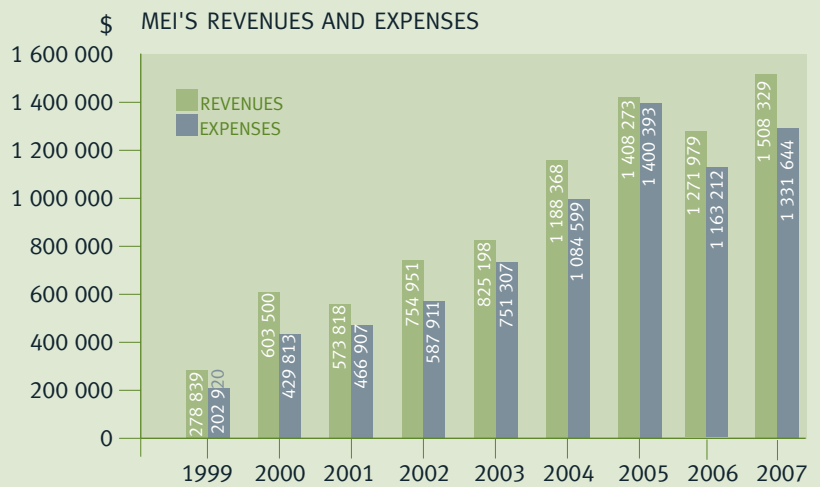
In the area of human resources, we have strengthened our capabilities to produce relevant research material internally, with a focus on topics that determine wealth creation. We have also expanded our team of associate researchers by bringing in professors and business people who have excelled in their areas of specialization. I am pleased to thank our entire team for its commitment to the MEI's development.

## UPTAKE:

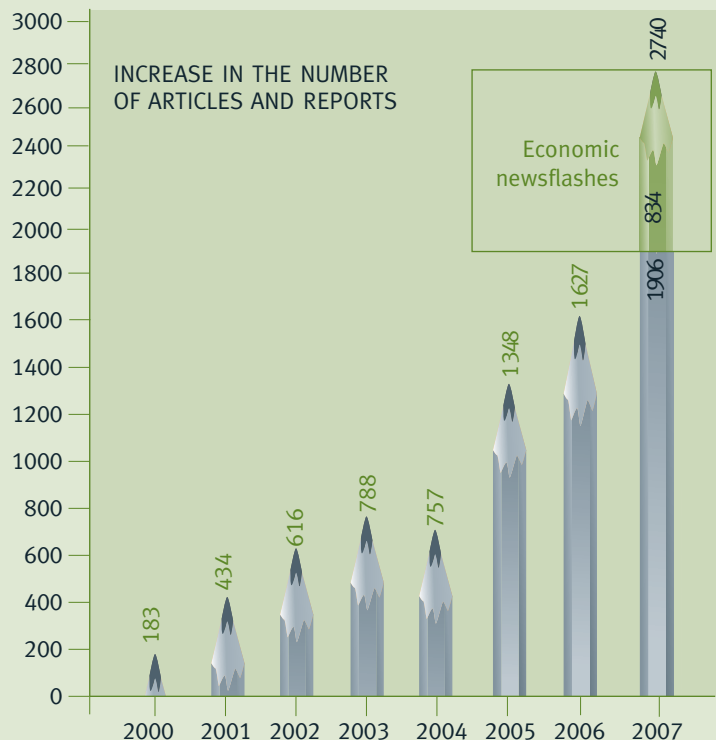
### A GROWING INFLUENCE

The MEI's work produced 2,740 mentions in the media in 2007, compared to 1,627 in 2006. This number includes articles and reports on our publications and events, opinion pieces published by our researchers and their interviews in the media on topics we were asked to comment on. It also includes 834 mentions related to our new economic newflashes program. Even before counting these newflashes, our media mentions increased 17%.

The number of readers and listeners associated with each of our media

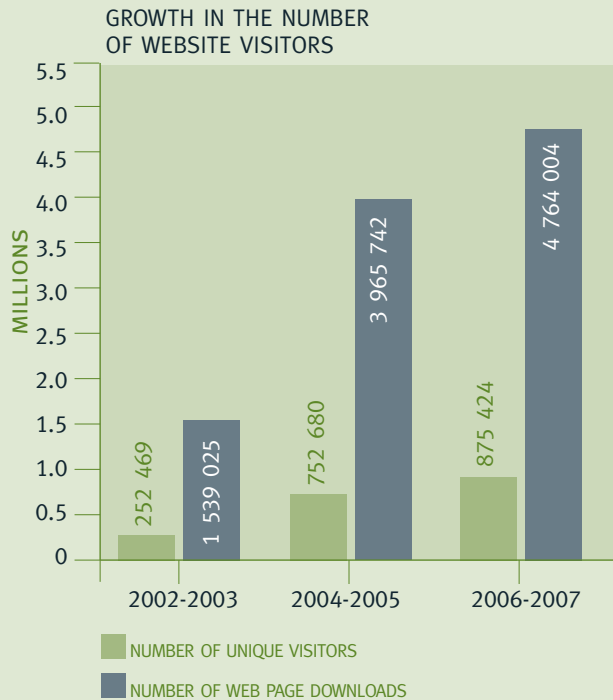


mentions totalled 528 millions in 2007, up from 333 millions in 2006. These figures represent possible meeting points between the MEI and readers or listeners. This new measurement helps gauge the reach of the media outlets covering us. It is based on an independent method approved by the Canadian Public Relations Society.



## PRESIDENT'S MESSAGE

Nick Gillespie, Editor in chief of Reason magazine, Ritz-Carlton (Montreal) - February 21, 2007  
 (...) the institute is right to champion "choice and initiative" and "to systematically advocate reforms which leave more room for individual choice and responsibility as well as personal, business, and institutional initiative."  
 It's the only way a free society can function, and the MEI is leading the way in Canada.



### IMPACT: IDEAS THAT ARE MAKING HEADWAY

Public policies change based on many factors, including public opinion. In 2007, we noted several instances in which public opinion evolved following one of our interventions. In some cases, government decision makers later took actions or made statements in line with their directions.

**Health care** – Over the last few years, the MEI has informed the public about the limits of our monopolistic health care system, suggesting alternative policy solutions based on market mechanisms. In May, the MEI gathered 245 persons to hear Claude

Castonguay make an appeal for in-depth reform of the health care system. Ten days later, the Quebec government appointed him to head a committee on health care financing. We also published two studies dealing with user fees and the underuse of operating rooms. In November, at the annual Jean A. Pouliot Lecture, the MEI lent its platform to Donald J. Johnston, the former OECD secretary general, who called for reform of the Canadian health care system.

**Public finances** – Taking the side of transparency and rigour during the Quebec election campaign, the MEI published a comparison of the three major parties' financial frameworks. We later proposed that the government include health care and educational establishments in its reporting entity. Prior to the 2007 provincial budget, we emphasized the importance of maintaining a truly balanced budget, meaning that tax reductions must be accompanied by spending cuts. Last November, the government announced the integration of health care and educational establishments in its reporting entity.

**Interprovincial trade** – In op-eds published in *The Gazette* and *Les Affaires*, we suggested a Quebec-Ontario free trade agreement. The Quebec government later announced its intention to negotiate such a deal.



Michel Magnant, president of Montréal Stratégique, *Le Devoir* - August 07, 2007

« Mais en définitive c'est l'appui de la population à une vision particulière qui sera la meilleure garantie de sa réalisation. L'exemple des Lucides de Lucien Bouchard et de l'IEDM (Institut économique de Montréal) est clair à cet égard. Dans une province majoritairement solidaire, ils ont réussi à marquer des points et à influencer les principaux partis du Québec. »

**Labour** – To cope with labour shortages, we suggested moving the normal retirement age from 65 to 67. *Le Journal de Québec* organized a debate on this idea, and the Minister of Employment and Social Solidarity stated his openness to this proposal.

**Public transit and municipal services** – On the occasion of a Montreal transit strike in May, *The Gazette* and *La Presse* published our appeal in favour of public tenders for this service. Our arguments were taken up by several editorialists. In September, we issued a study explaining the advantages of comparisons and of systematic tenders for municipal services. Quebec City's new mayor said he would consider this approach.

**Electricity** – Our propensity to challenge conventional wisdom led us to suggest solutions for making better use of hydroelectric resources. We issued a study bringing out the advantages of raising electricity rates and another study calling into question the implicit subsidies to aluminum smelters. We also organized a debate on a full or partial privatization of Hydro-Québec, an idea that led to positive comments in *The Gazette* and *Le Devoir*.

**Infrastructure** – Three economic notes published in October showed that public-private partnerships, financed by tolls, would work advantageously in conducting major highway rebuilding projects. An MEI-Léger Marketing poll, published on page one of *Le Journal de Montréal*, showed that a majority of Quebecers are open to the idea of a return to tolls. Subsequently, the government partly opened the door to this idea.

**Secondary schools** – In the eighth edition of the Report Card on Quebec's Secondary Schools, we emphasized the schools that had improved the most. In the face of boycotts by school boards, we published a poll showing that a large majority of Quebecers disapprove of this behaviour. It thus appears that the Report Card has promoted the emergence of an appetite in Quebec for comparative information and for more choice regarding schools.



JEAN-PAUL GAGNÉ, EDITOR EMERITUS OF BUSINESS NEWSPAPER *LES AFFAIRES*, AND PAUL DANIEL MULLER HOSTING THE CONFERENCE OF PRIME MINISTER JEAN CHAREST, ON MARCH 15, 2007



CLAUDE GARCIA, DIRECTOR ON THE BOARD OF SEVERAL COMPANIES, AND MARCEL BOYER, VICE PRESIDENT AND CHIEF ECONOMIST OF THE MEI, ANSWER JOURNALISTS' QUESTIONS AFTER THE DEBATE ON THE PRIVATIZATION OF HYDRO-QUÉBEC, ON AUGUST 29, 2007



DONALD J. JOHNSTON, FORMER SECRETARY-GENERAL OF THE OECD (1996-2006), GIVES A TALK ON HEALTH CARE REFORMS AT THE JEAN A. POULIOT LECTURE, ON NOVEMBER 27, 2007

Jean Charest, premier of Quebec, during a Luncheon Speech presented by the MEI - March 15, 2007  
« Je tiens à vous dire à quel point je pense que le travail que vous faites à l'Institut est un travail très, très important. (...) Ça nous permet d'affronter les idées et de faire, je crois, de bien meilleurs choix pour l'avenir. Et en ce sens-là, l'Institut économique joue un rôle très, très important. »

# MEI PUBLICATIONS IN 2007

January – *Social assistance: What North American reforms can teach us*  
Economic Note

February – *Are school boards and the school tax still justified?*  
Economic Note

February – *Decentralization of school management: Ideas from Abroad*  
Economic Note

March – *The Stabilization Insurance program and the crisis in the pork industry*  
Economic Note

March – *Les cadres financier de l'ADQ, du PLQ et du PQ : plus de transparence SVP*  
MEI's Flashpoint on the financial frameworks of political parties

April – *Subsidies for aluminum producers: Benefits that don't add up*  
Economic Note

April – *Higher electricity prices can unleash the value of Quebec's energy potential*  
Economic Note

May – *International Leadership by a Canada Strong and Free*  
Special Document

May – *The perverse effects of tax measures*  
Economic Note

May – *Quebec's disappointing economic performance in the last 25 years*  
Economic Note

June – *The retirement age in Quebec: A worrying situation*  
Economic Note

July – *How to explain the success of the Swedish model?*  
Economic Note

August – *The role of the private sector in the Quebec health care system: a glimpse at existing fees*  
Economic Note

August – *Supply management of farm products: A costly system for consumers*  
Economic Note

September – *Comparison and competition to improve municipal services*  
Economic Note

October – *Road repairs and public-private partnerships*  
Economic Note

October – *Relying on the private sector to ensure stability in highway maintenance*  
Economic Note

October – *Tolls as a solution for financing the road network*  
Economic Note

October – *Report Card on Quebec's Secondary Schools, 2007 Edition*  
Special Document

November – *The Underground Economy: Causes, Extent, Approaches*  
Research Paper

November – *How can the crisis in the forestry sector be resolved?*  
Economic Note

November – *Vision for a Canada Strong and Free*  
Special Document

December – *Domestic prices and the appreciation of the Canadian dollar*  
Economic Note

December – *An overview of operating room use in Quebec hospitals*  
Economic Note

# EVENTS ORGANIZED BY THE MEI IN 2007

February 21 – *In Defence of Economic Freedom*  
Luncheon speech with Nick Gillespie, editor-in-chief of *Reason* magazine

March 1 – *Ideas to Improve Quebec's Education System*  
Conference with Robert Gagné, professor at HEC Montréal and associate researcher with the MEI

March 15 – *What Economic Future for Quebec?*  
Luncheon speech with Jean Charest, premier and leader of the Quebec Liberal Party

March 19 – *What Economic Future for Quebec?*  
Luncheon speech with Mario Dumont, leader of the Action démocratique du Québec

May 16 – *Health Care: it's time for an in-depth reform*  
Luncheon speech with Claude Castonguay, former Health Minister and founder of the Quebec Health Insurance Plan

May 26 – *First Edition of the Young Leaders Seminar*  
Conference with presentations from Marcel Boyer (MEI) on Quebec's economic performance, Pierre Lemieux (UQO) on public choice theory, Mathieu Laberge (CEGEP G erald-Godin) on road infrastructure and Yanick Labrie (CEGEP St-Jean) on the Swedish model

August 29 – *Privatizing Hydro-Qu bec: Why and How*  
Luncheon speech with Claude Garcia, former president of Standard Life, and Marcel Boyer, Vice President and Chief Economist of the MEI

September 18 – *Are Montrealers Getting Enough Bang For Their Buck?*  
Luncheon speech with John Norquist, mayor of Milwaukee (1988-2004) and president and CEO of Congress for the New Urbanism

October 6 – *Second Edition of the Young Leaders Seminar*  
Conference with presentations from Joanne Castonguay on health care, Germain Belzile (HEC) on globalization, Pierre Desrochers (University of Toronto) on the environment and Robert Leroux (University of Ottawa) on the ideas of Fr d ric Bastiat

October 16 – *Market-Based Alternatives to the Provision of Roads*  
Luncheon speech with Gabriel Roth, transportation economist

November 14 – *The Intellectual and Political Legacy of Friedrich August von Hayek*  
Conference with Michael Wohlgemuth, Managing Research Associate at the Walter Eucken Institute in Freiburg, Germany

November 27 – *Jean A. Pouliot Lecture Series*  
Third edition of the Jean A. Pouliot Lecture Series with Donald J. Johnston, secretary-general of the OECD (1996-2006) and member of the MEI's Board of Directors

December 6 – *Medical Innovation, Longevity & Productivity*  
Luncheon speech with Professor Frank Lichtenberg from the Columbia University Graduate School of Business





## EVENTS IN WHICH MEI RESEARCHERS PARTICIPATED IN 2007

January 19 – *Is Supply Management Still the Solution for Agriculture?*

Presentation by Éric Grenon, agricultural economist, as part of the symposium of the Semaine de l'agriculture, de l'alimentation et de la consommation (32nd edition) at Laval University

January 23 – *Québec 2007, Economic and Political Perspectives*

Presentation by Nathalie Elgrably, MEI Economist, before members of the Chambre de commerce de Québec

January 29 – *The Environmental Responsibility of Firms is to Make Profits*

Presentation by MEI Fellow Pierre Desrochers at « Développement durable : slogan ou réalité? », a conference on sustainable development held in Montreal by Insight Information

March 8 – *Implementing ICP Recommendations: Financing the Road to Prosperity*

Presentation made by Paul Daniel Muller, President of the MEI, before members of the Institute for Competitiveness and Prosperity, in Toronto

April 24 – *Deregulation of the Energy Market in Québec: Dream or Reality?*

Special presentation by Marcel Boyer, Vice President and Chief Economist of the MEI, at the 6th Quebec Forum on Electricity organized by the Canadian Institute

May 9 – *The Quebec Health Care System After Chaoulli*

Presentation by Norma Kozhaya, MEI Economist, as part of the biannual Great-West conference in Laval

May 16 – *Should We Use Québec's Electricity for Regional Industrial Development or Export It?*

Participation of Marcel Boyer, Vice President and Chief Economist of the MEI, to a panel as part of the annual convention of the Société canadienne de science économique

June 15 – *Should We Look to the Private System for Solutions to Canada's Health Care Problem?*

Participation of Norma Kozhaya, MEI Economist, to this debate, as part of the annual national conference of the Canadian Pension and Benefits Institute held in Winnipeg

July 12 – *The Value of Music to Commercial Radio Stations*

Presentation by Marcel Boyer, vice-president and chief economist at the MEI, as part of the annual congress of the Society for Economic Research on Copyright Issues in Berlin

August 11 – *The Economic Future of Québec*

Participation of Mathieu Laberge and Yanick Labrie, MEI Economists, to a panel entitled "Le défi économique du Québec" held as part of the congress of the Québec's Liberal Party Youth Commission

August 25 – *Economic Performance Indicators as a Measure of Welfare*

Participation of Mathieu Laberge, MEI Economist, to a panel entitled "Le bien-être d'une société se résume-t-il à la croissance économique?" as part of the summer school of the Institut du Nouveau Monde



September 27 – *The Changing Federation and its Impacts on Public/Private Roles in Health Delivery and Financing*

Participation to a debate by Paul Daniel Muller, President of the MEI, as part of the 2007 Health Insurance Strategic Forum, in Alton, Ontario

October 2 – *Generational Face-Off*

Participation of Mathieu Laberge, MEI Economist, at a symposium organized as part of the celebrations surrounding the 100th anniversary of HEC Montréal

October 3 – *Oil Dependence and Renewable Energy*

Participation by Mathieu Laberge, MEI Economist, at a panel entitled “Reducing our dependence on fossil fuels for transportation leads us to the use of renewable energy sources!” held as part of the 2007 edition of Autovision 2010

October 4 – *Conference on the Future of Education*

Participation of Mathieu Laberge, MEI Economist, to a lecture and panel on higher education in Quebec before CEGEP de Drummondville students

October 11 – *Public Universities Should Organize Themselves in Networks*

Presentation by Marcel Boyer, Vice President and Chief Economist of the MEI, as part of the 1st symposium organized by the Forum International des Universités Publiques (FIUP) at the University of Montreal

October 17 – *Manifesto for a Competitive Social-Democracy*

Presentation by Marcel Boyer, Vice President and Chief Economist of the MEI, as part of a C.D. Howe Institute Policy Roundtable luncheon

October 25 – *The Quiet Illusion and the Quebec Model*

Participation of Yanick Labrie, associate researcher at the MEI, and Gérald Larose, president of the Conseil de la souveraineté du Québec, at a debate presented at the CEGEP de Joliette

October 31 – *The Job of an Economist in Six Questions*

Discussion between Mathieu Laberge, MEI Economist, and students of CEGEP Marie-Victorin as part of a welcoming event of the social science program

November 6 – *Debate on the Financing of Education*

Participation by Mathieu Laberge, MEI Economist, to a debate on postsecondary education financing organized by the University of Montreal’s Anthropology Students Association

November 7 – *Challenging Times for Copyrights*

Presentation by Marcel Boyer, Vice President and Chief Economist of the MEI, as part of an Industry Canada Policy Roundtable on Copyrights

November 20 – *Fair Use and Copyright*

Presentation by Marcel Boyer, Vice President and Chief Economist of the MEI, before Canadian Heritage’s Copyright Policy Branch

November 24 – *The Economic Development of Quebec*  
 Participation by Mathieu Laberge, MEI Economist, to a panel on economic development and reforming Quebec's state held as a part of an assembly of the Quebec's Liberal Party Youth Commission

November 26 – *Deregulation of the Energy Market*  
 Presentation by Marcel Boyer, Vice President and Chief Economist of the MEI, as part of the 6th Forum québécois sur l'énergie, organized by Insight Information

November 28 – *Competitive Social-Democracy: Some Public Policy Implications*  
 Presentation by Marcel Boyer, Vice President and Chief Economist of the MEI, as part of a luncheon organized by the University of Montreal's Development Fund

December 4 – *Optimal Pricing of Infrastructure*  
 Presentation by Marcel Boyer, Vice President and Chief Economist of the MEI, as part of the Colloque sur le vieillissement des infrastructures, Entretiens Jacques-Cartier, Université Lumière (Lyon 2)

## PUBLIC CONSULTATIONS 2007

May 25 – *Optimal Policy Relative to Spectrum Auction*

Submission of a brief by Marcel Boyer, Vice President and Chief Economist of the MEI, to the Telecommunications Policy Review Panel as part of the consultations held by the federal Department of Industry on a Framework to Auction Spectrum in the 2 GHz Range including Advanced Wireless Services

August 28 – *Supply management in agriculture*

Presentation by Marcel Boyer, Vice President and Chief Economist of the MEI, with Sylvain Charlebois, Assistant Professor in Marketing at the University of Regina, before the Commission on the future of Quebec agriculture and agri-food in Quebec City



## 2007 OPINION POLLS

**JANUARY** ▶ Quebeckers' Opinion on Social Assistance Payments

**FEBRUARY** ▶ Quebeckers' Opinion on the Organization and Financing of Public Schools

**OCTOBER** ▶ Quebeckers' Opinion on Road Network Funding

**OCTOBER** ▶ Quebeckers' Opinion on the Autonomy of School Principals