

2010 ANNUAL REPORT



The Montreal Economic Institute is an independent, non-partisan, not-for-profit research and educational organization. Through its publications, media appearances and conferences, the MEI stimulates debate on public policies in Quebec and across Canada by proposing wealth-creating reforms based on market mechanisms. It does not accept any government funding.

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(as of December 31, 2010)

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MESSAGE FROM THE CHAIRMAN OF THE BOARD



HÉLÈNE DESMARAIS

As you will see in greater detail by reading our President's message in the following pages, 2010 has proven to be an exceptional year for the Montreal Economic Institute (MEI), both with regard to the quantity and quality of our media coverage and with regard to our research and publications program. I am thinking especially of our media presence with regard to university financing and the liberalization of tuition fees, Quebec's public-sector debt, the cost of public-sector pension plans and the improvement of the healthcare system thanks to telemedicine, just to name a few.

Once again this year, the MEI distinguished itself on the basis of its rigour and clarity. It often happens that the MEI is one of the rare Quebec voices to take courageous positions on controversial topics, even though our presence for over ten years now already has promoted the emergence of more and more freethinkers who share the same ideas.

Important nominations over the course of the past year allowed our Board of Directors to benefit from the talents and experience of new members: Mr. Ian Boeckh, one of the managers of Boeckh Investments Inc.; Professor Reuven Brenner, who holds the Repap Chair in Economics at McGill's Desautels Faculty of Management; Ms. Nathalie Elgrably-Lévy, Senior Economist with the MEI who has taught economics at HEC Montréal since 1992;

Mr. Normand Lebeau, President of the Montreal office of Mandrake Groupe Conseil; and finally, Mr. Guy Tremblay, National Co-managing Partner of Heenan Blaikie.

Moreover, a few members of the Board of Directors transitioned to the Board of Governors: Messrs. Marcel Boyer, Donald J. Johnston, Bernard Lord and Jeremy H. Reitman. The Board of Governors also welcomed into its ranks Mr. Randall Birks, Chief Investment Officer and Vice President at Birinco, and Mr. Dennis Sharp, a director of several organizations including Azure Dynamics Corporation.

The existence of the MEI is based on the deep conviction that a free and democratic society has a duty to have vigorous but respectful debates regarding its public policies, while allowing different perspectives and leanings to be well represented. The MEI contributes to this on a daily basis by proposing, as its motto says, "Ideas for a More Prosperous Nation." Those who follow us regularly know that our contribution is factual, concrete and objective while nonetheless being inspired, fundamentally, by clear principles like liberty, entrepreneurship and individual responsibility.

I also note with some pride that decision-makers are using our work more and more in their arguments and analyses. For example, in 2010, Canada's Prime Minister cited an MEI study in the House of Commons in response to a question from the Leader of the Official Opposition during a debate on corporate taxes. In Quebec, the Finance Minister was asked by media to react officially to one of our polls on the reduction of government spending, as were spokespersons from the two main opposition parties.

Finally, representatives of SPQ Libre, a political club, complained publicly that all of the parties officially represented in Quebec's National Assembly (ADQ, PQ, QLP) now share what is "already the program (...) of the Montreal Economic Institute." (Michel David, "L'éloge de la richesse," *Le Devoir*, February 27, 2010).

For all of these reasons, I wholeheartedly invite everyone who has the means to do so to maintain, and even increase, their moral and financial support of the MEI.

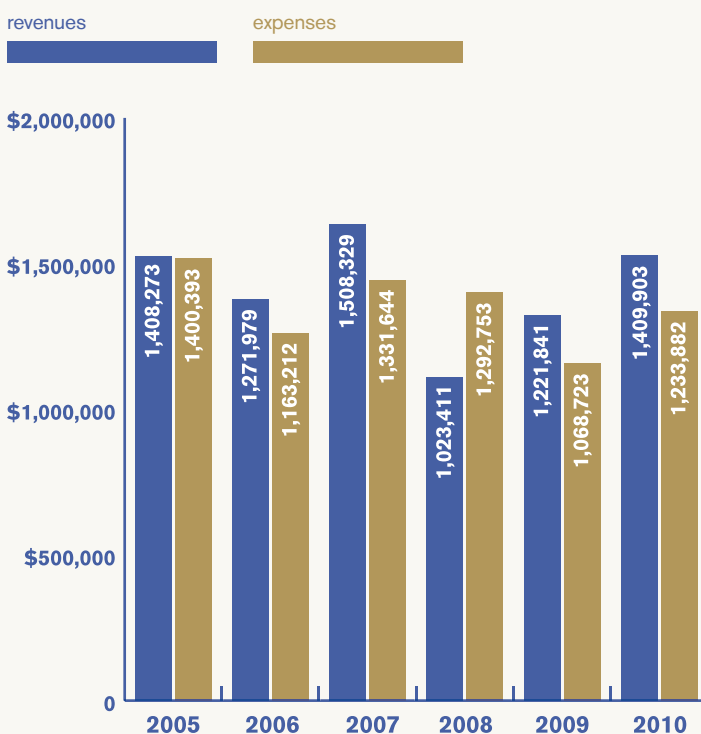
MESSAGE FROM THE PRESIDENT AND CEO



“To take advantage of the expertise of successful partners, Atlas has established and funded Free Enterprise Training Centers around the world run by effective think tanks such as the Montreal Economic Institute and the Lithuanian Free Market Institute.”

-Atlas Economic Research Foundation, *Prospectus 2011*, p. 6

REVENUES AND EXPENSES



All performance indicators for the Montreal Economic Institute's activities showed significant improvements in 2010, whether it's our financing, the influence of our publications, the influence of our employees and ex-employees, or the worldwide recognition of our expertise.

FINANCING: CONTINUED GROWTH

The MEI's total revenues grew from \$1,221,841 in 2009 to \$1,409,903 in 2010, a 14.4% increase. This growth allowed us to surpass the objective provided for in the budget, which was already quite ambitious given the still uncertain economic context. Expenses amounted to \$1,233,882, which allowed us to show a surplus of \$176,021. Our reserves therefore now total \$955,395.

Recall that our objective is to build up reserves equalling at least twelve months of operations, or roughly \$1.2 million. This actually corresponds to the minimum recommended standard for our kind of organization in order to allow us to navigate through more difficult economic periods while retaining our human capital, otherwise so difficult to recruit. Such a reserve also has the effect of consolidating one of our most precious assets, namely our independence.

STAFF: THE EMERGENCE OF NEW TALENT

In 2010, the MEI added a few excellent elements to its staff in order to reinforce its capacity to carry out research on a variety of subjects and to maintain a strong media presence in order to transmit the results of that research.

It is with this in mind that we hired Youri Chassin as Research Coordinator and Economist. Youri holds a master's degree in economics from the Université de Montréal and was an economist at the Quebec Employers' Council (CPQ) and at CIRANO.

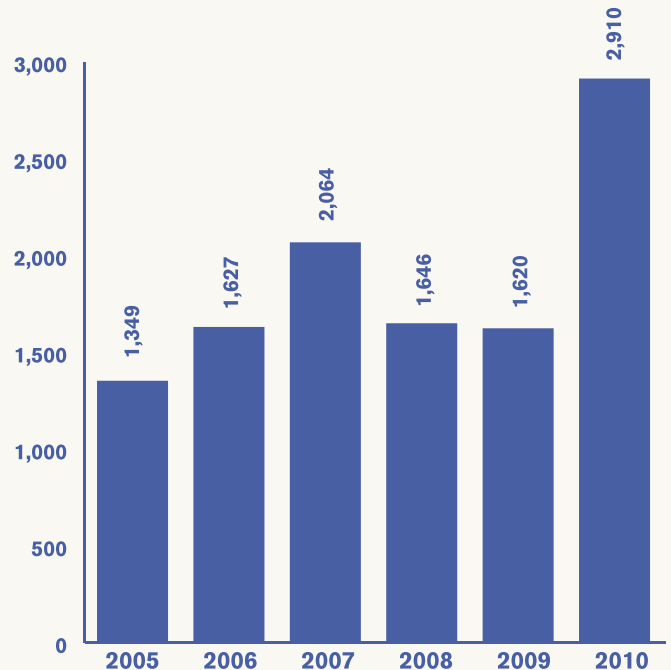
The young and dynamic Vincent Geloso also joined our team as an Economist. Vincent holds a master's degree in economic history from the London School of Economics. He has been an intern for the Prime Minister's Office in Ottawa and for the *National Post*. Economist David Descôteaux left his job with us after having been hired as a business columnist by the Quebecor Group (for the daily *Le Journal de Montréal*, *Le Journal de Québec*, and *24 heures* newspapers as well as the TVA, LCN and ARGENT television channels). Although we are obviously sad to lose David and to have to make due without his exceptional talent as a popularizer, his departure has an upside insofar as his new responsibilities will allow him to reach millions of readers and viewers every week.

This is not the first time that promising individuals recruited by the MEI go on to "pollinate" the wider world of media, academia or politics. It is a normal process, and even, I would say, a desirable one for a growing organization. It shows that the MEI is, and will continue to be, an incredible school promoting the emergence of talent on the public scene.

To cite just a few examples, we can mention Maxime Bernier, former Vice President of the MEI, elected federal MP for Beauce; Tasha Kheiriddin, also a former Vice President and now a columnist for the *National Post*; Pierre Desrochers, former Director of Research, who was hired as an Associate Professor at the University of Toronto Mississauga; and Éric Duhaime, Associate Researcher at the MEI, hired as a columnist for the Sun Media newspapers as well as on the *Dumont 360* public affairs program on the V channel.

Conversely, some return to the MEI after having left for a period of time. In particular, I myself spent nearly three years with the Quebec Employers' Council before returning to the MEI, an experience which was both enriching and instructive. Our Vice President, Jasmin Guénette, followed a similar path when he returned in 2009 after having spent two years working at the Institute for Humane Studies in Washington.

MENTIONS IN THE MEDIA



PUBLICATIONS AND INFLUENCE

In 2010, the MEI published ten Economic Notes, five Viewpoints and one "Special Edition" document. The number of times its activities were mentioned in the media reached a new record. Indeed, in 2010, the MEI's name was seen or heard 2,900 times in the media (the written press, radio, television, websites, etc.), or nearly 8 times a day on average. Moreover, its researchers and analysts published no fewer than 150 op-eds in newspapers and on the Web.

For a think tank to succeed in generating this kind of media coverage year after year requires not only doing a good job of publicizing each of our publications, but also commenting as often as possible on topics that are in the news, participating in debates, etc. Yet there are certain projects that make us especially proud because of the impact they had.

THE QUEBEC DEBT CLOCK

\$226,149,576,008.44

[Click here for more details.](#)

First of all, let's highlight the flurry of activity during the month of March 2010, whose theme was Quebec's debt and public finances. This initiative encompassed four projects, namely the publication of an Economic Note on public-sector pension plans; a Viewpoint on the productivity of civil servants; a Viewpoint on Quebec's public-sector debt; and the unveiling of a poll presenting Quebecers' opinions regarding the demands of public-sector unions.

At the end of the month, we also took advantage of the tabling of the provincial budget to update our ever-popular debt clock, which can be viewed on the homepage of the MEI's website. To mark the occasion, we launched a publicity campaign on the websites of several media outlets (LCN, ARGENT, *Canoë Actualités*, *Cyberpresse* and *Le Devoir*) in the form of banners showing the debt clock running in real time and incorporating a link to www.iedm.org.

This campaign, which represented an audacious innovation for a research and educational organization like the MEI, was a phenomenal success. On the ARGENT television channel's Internet homepage, for example, the click-through rate exceeded by 440% the level required to declare a campaign successful, according to industry standards. Moreover, our website – which was prominently displaying our most recent publications – received 24,000 visits on March 31, while the daily average for 2010 was around 4,000 visits. Note that these data exclude visits carried out by automatic search engines (also known as “spiders” or “robots”).

**ADVERTISING CAMPAIGN ON NEWS WEBSITES
CANOE.CA, CYBERPRESSE.CA AND LEDEVOIR.COM**

La dette du Québec
217 252 701 791,42 \$

Institut économique de Montréal



PHOTO : SOCIÉTÉ RADIO-CANADA

Overall, the debt and public finances initiative translated into an impressive total of nearly 290 media mentions for the MEI.

Montreal Economic Institute
ECONOMIC NOTE
March 2010

ARE PUBLIC SECTOR PENSION PLANS TOO GENEROUS?

Supplemental pension plans provided by employers are a key fringe benefit to have in mind when looking at overall compensation. In the private sector, pension plans have been going through a financing crisis in recent years. In the Quebec public sector, on the other hand, the government's ability to pay is not at issue, and pension plans remain very generous. With negotiations under way between the government and the "Cautious Front" of public sector unions, there is reason to look into this matter and to ask if public sector pension plans are too generous compared to those in the private sector, taking account of taxpayers' ability to pay.

The cost of retirement. Before answering this question, we will look briefly at what retirement costs. How much must someone have on hand to retire comfortably? How much should we save each year?

To determine the cost of retirement, we first have to know the amount of retirement a person will need upon retirement. This depends both on pre-retirement income and on the desired standard of living. A common rule of thumb is that retirement equal to 70% of pre-retirement income will enable a person to enjoy the same standard of living after retirement.

Without public pension plans, a person earning the average annual wage (approximately \$46,000 in Quebec in 2009) would have to accumulate amounts equal to roughly a million dollars, requiring more than 10% in annual contributions over the person's entire career in order for him to retire at age 65.

Compulsory contributions to public plans reduce the amounts that individuals must accumulate on their own.

age 65, provided \$6,200 a year in 2009. Payments under the Quebec Pension Plan are available starting at age 65 for those who so desire and who agree to accept reduced amounts. The maximum amount payable in 2009 at age 65 was \$7,634 per year.

It is then necessary to have other sources of income after retirement. Employer-sponsored supplemental pension plans may be a substantial source of income. But they vary greatly depending on the employer (according to size, area of activity, etc.).

How pension plans have evolved.

There exist two major categories of pension plans, with very different means of financing. On the one hand, defined benefit pension plans establish the retirement income pledged to participants in advance, based on a specific formula. Most of the time, the employer assumes the financial risk that the type of plan involves.

On the other hand, defined contribution plans do not set the amount pledged in advance. Contributions from employees

Among the other publications that proved very successful this year, our Economic Note questioning the environmental and economic benefits of buying food locally deserves special mention. While the author, Associate Professor Pierre Desrochers from the University of Toronto Mississauga, had already written about the subject in an academic report, the MEI's expertise in popularization helped spread his work to a much wider audience. This Note, which echoed though the countryside from east to west, was mentioned 95 times in the media. Professor Desrochers' point of view was presented on Radio-Canada (*Christiane Charette* and *Désautels*), in a column by Alain Dubuc (*La Presse*), in articles in several dailies (*Le Soleil*, *The Gazette*, *Métro*, *24 heures*, *Le Devoir*), on the TVA newscast, and in specialized publications like *La Terre de Chez Nous*, *Ontario Farmer* and *The Western Producer*.

In fulfilling its mission of economic education, the MEI does not just react to current affairs; it also disseminates research on subjects that will make headlines. A good example from 2010 was our Economic Note on the taxi industry. Prepared by Germain Belzile and Vincent Geloso, two new members of the team, this publication used the taxi industry to demonstrate that just as in agriculture, regulation and supply management harm consumers, and many people in the industry as well.

In other words, the point was not so much to analyze the taxi industry as such, but rather to use a concrete example to illustrate a more general economic principle to the general public. This publication was mentioned 53 times in the media, including an article that appeared on the front page of the *Métro* newspaper. An op-ed written by the authors was published in *The Gazette* and an excellent column by the *National Post's* William Watson picked up the publication's arguments and explicitly applied the same logic to agriculture.



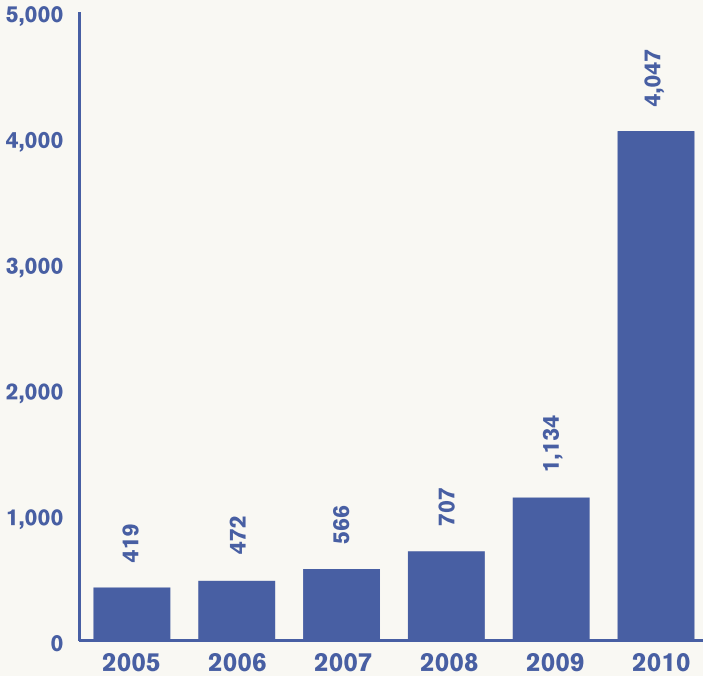
The MEI's influence can also be measured by calculating the readership and audience of the media in which it is mentioned. On April 22, Earth Day, columns and op-eds by MEI researchers were published in five major dailies, for a potential readership of 1,915,800 people (source: mrpdata.com). Nathalie Elgrably-Lévy's column appeared in *Le Journal de Montréal* and *Le Journal de Québec*, David Descôteaux's in *Métro* and an op-ed from our Associate Researcher Pierre Desrochers was published in *La Presse* and in the *National Post*. This is yet another demonstration of the MEI's incredible capacity to reach the general public through the media. Indeed, proportional to our size, we quite simply have one of the highest media profiles of any think tank in the world.

The MEI's expertise was also recognized in another way. Indeed, as underlined at the very top of this message, the Atlas Economic Research Foundation, an established Washington organization that works with a worldwide network of over 400 think tanks in 80 countries, chose to partner with our organization for one of its main training programs. It is within this context that I led training sessions in Washington and in Ecuador on the management of a think tank. Beginning in 2011, in addition to these training sessions abroad that I will lead approximately three times a year, the MEI will share its expertise by receiving the managers of think tanks from around the world here in Montreal three or four times a year.

In addition to giving us excellent visibility and augmenting our credibility within the global community of think tanks that propose analyses and solutions based on market mechanisms, this mandate also generates additional revenues for the MEI. And this initiative forces us to reflect continually on the nature of our "best practices" and to formalize them. We will in fact publish a manual on this subject in 2011 that will be widely disseminated around the world. As a Montrealer, as a Quebecer and as a Canadian, I am proud to see our expertise receive such worldwide recognition.



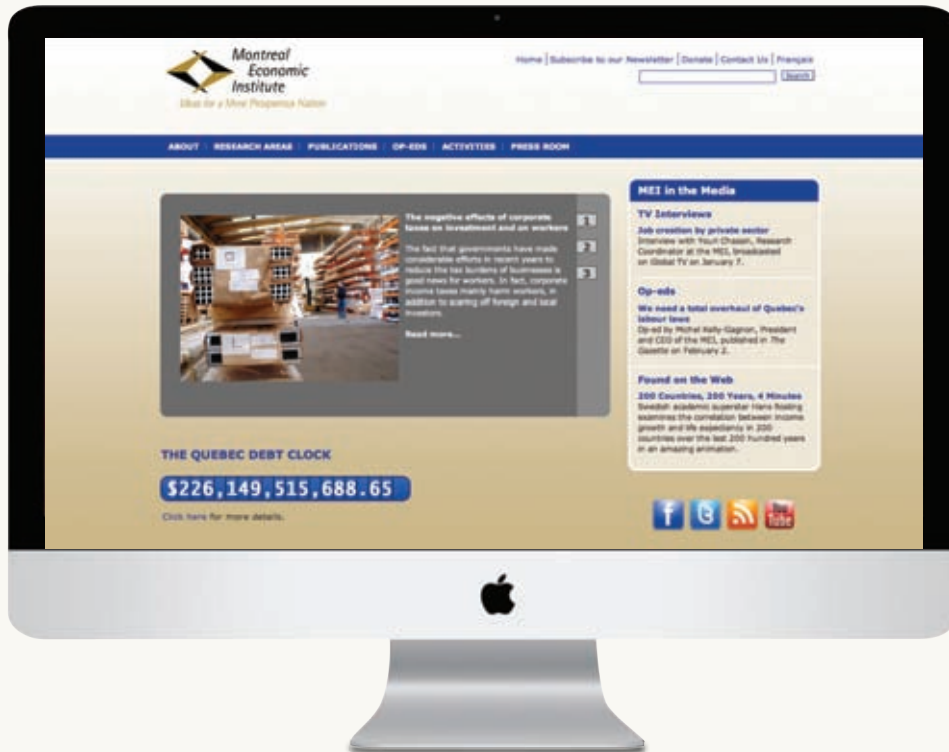
NUMBER OF DAILY VISITS ON OUR WEBSITE



WEBSITE: COMPLETE RENEWAL

The MEI's website, an essential tool for disseminating the fruits of our labours, was completely renewed in November 2010. Better organized and more interactive, it reflects our commitment to reaching the largest audience we can, especially among the young, through the use of video and of social networks like Facebook, Twitter and YouTube.

Thanks to these efforts and to successful initiatives like the Quebec public-sector debt clock, the average number of daily visits to our website more than tripled in 2010 as compared to the previous year.



EVENTS AND PRESENTATIONS

The MEI organized six main events in 2010, three of which were aimed at students.

– On March 18, the fifth and final edition of the Jean A. Pouliot Lecture Series took place featuring John Blundell, Director General of the Institute of Economic Affairs (1993-2009), a prestigious British think tank. Mr. Blundell spoke about Margaret Thatcher and presented the lessons to be learned from the former Prime Minister's experience. This lovely evening was clearly enjoyed by our 150 guests, which included both supporters and collaborators.

– On November 22, the MEI organized a luncheon speech with Maxime Bernier, its former Vice President, currently the MP for Beauce in the House of Commons. Known for his straight talk and singular perspective, Mr. Bernier shared his vision of a less burdensome government and of ways to improve public policies in order to promote greater wealth creation.

The MEI's spokespersons and researchers are also invited by other organizations to present their points of view on a variety of subjects. Nearly twenty such presentations took place in 2010. Here are the two most significant:

– On May 17, I had the opportunity to give a talk on the Albertan oil sands before some 150 guests of the Canadian Club of Montreal at the Mount Stephen Club. This speech followed two op-eds that I wrote on this subject in *La Presse* as well as an interview on Christiane Charette's program on Radio-Canada. Through these appearances and writings, I hope to initiate a Quebec-Alberta dialogue in order for the two provinces to be able to defend their common interests and reframe the oil sands debate on a more rational, pragmatic basis. This project will continue in 2011.

– On June 1, Jasmin Gu nette, our Vice President, gave a talk before 300 people in Paris on the Canadian experience reducing public spending in the 1990s and on the lessons that France could learn from that experience. The conference was organized jointly with the Institute for Research in Economic and Fiscal Issues (IREF) and Contribuables Associ s, two French organizations.



CONCLUSION

When the time comes to write my message for the annual report, I am always sincerely impressed by what our very small team has accomplished. The year 2010 was no exception. Indeed, I believe I can declare without hesitation that this has been one of the best years we've had since we began our activities in 1999.