

# Annual Report 2011



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, 2011)

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*Directors*

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(as of December 31, 2011)

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#### **STAFF** (full-time employees)

(as of December 31, 2011)

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*Economist and Research Coordinator*

ÉLIANE CRÊTE  
*Administrative Assistant*

FRANCIS DUMOUCHEL  
*Publications Coordinator*

CAROLE FISET  
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## Message from the Chairman of the Board



**The Montreal Economic Institute (MEI) is an important voice in the province of Quebec, and increasingly all across Canada. Above all, it is a different voice, which is essential to the clash of ideas that every free and democratic society needs.**

Indeed, once again this year, our organization has put forth credible and innovative proposals inspired by market solutions. In many cases, these would simply not have been a part of the public debate in French-speaking Quebec if not for the MEI. In other cases, the MEI reinforced a line of thinking that already existed, but also made sure that it reached the general public.

For example, its researchers appeared in the media regularly and proactively at several key moments during the debate over tuition fee increases in Quebec. In this way, the MEI helps balance the debate by presenting “the other side of the coin.” It also did this brilliantly in the whole debate over the necessity of developing Canada’s oil sands. The MEI’s approach in all of these issues is spirited while nonetheless remaining rational, rigorous and data-based.

I am very proud to live in this country. It really means a lot to me. We have the good fortune to be living in one of the best places in the world. And a part of our prosperity is a direct result of the adoption and the maintenance of good government policies.

Our politicians are sensitive to perceptions of public opinion, which is normal in a democracy. But if the population is not exposed to a variety of serious and valid opinions, there is a very real danger that our decision-makers will feel pushed toward ill-advised, populist decisions, whether this feeling is justified or not.

Fundamentally, this is the reason that I am glad to act as chairman of the MEI’s Board of Directors, because it has the merit of being able to popularize its research and educational work, and especially of being able to disseminate it better than anybody. We must never take anything for granted if we want our governments to make good decisions. It is up to all of us to get involved, financially and personally, in order to improve things.

The excellence of the MEI’s operations was recognized anew when, on a number of occasions in 2011, think tank leaders from around the world came to Montreal for several days in order to study the way we work. And let me take the opportunity to acknowledge the exceptional performance of the MEI’s small team (nine employees), whose production surpasses by far what one could reasonably expect given its size.

The MEI’s president, Michel Kelly-Gagnon, manages our organization with a strategic flair and an entrepreneurial sense that are simply remarkable. I invite you to carefully read his report in the pages that follow, for it shows, in a precise and factual manner, our numerous accomplishments. On behalf of all of the members of

the Board of Directors and in my own name, I want to congratulate the MEI's employees as well as its associate researchers for their devotion and their enthusiasm, but especially for the exceptional results they have been able to achieve.

**“Our organization has put forth credible and innovative proposals inspired by market solutions. In many cases, these would simply not have been a part of the public debate in French-speaking Quebec if not for the MEI.”**

The best electronic media presence in the MEI's history, the best year ever in terms of fundraising (despite an uncertain economic context), and international recognition are among the facts that make these congratulations so well deserved.

The year 2011 also afforded us a good opportunity to highlight the admirable contributions of three individuals to the MEI's rapid growth. These are Mr. Richard Carter (the MEI's first chairman of the board), Mr. Adrien D. Pouliot (chairman of the board from 2000 to 2007) and Mr. John W. Dobson, a supporter from the very beginning whose exceptional support allowed us in particular to re-recruit Michel in 2009. Each of them received a commemorative plaque on the occasion of the President's Dinner held on February 15, 2011.

As for the Board of Directors, we have welcomed a new member this year, Mr. Randall Birks. Randall is part of the new generation of a family of entrepreneurs with deep roots in Montreal. He developed his expertise in the investment world while in New York, and now helps manage the family business.

With the statistics to back it up, we can say that the MEI reaches several hundred thousand (and even sometimes several million) of our fellow citizens on a weekly basis. These appearances in the media often deal in a general way with themes that are essential for our future like the healthcare and education systems, free enterprise, public finances and the role of government. To continue its work, the MEI will need our continued support in 2012. It can certainly count on mine, and, I sincerely hope, on yours too!

*Hélène Desmarais*

## Message from the President and CEO

Far too often, academic research of great interest ends up languishing on a shelf somewhere, to be read only by a select few. At the MEI, our goal is to further the spread of economic education through short, accessible publications in conjunction with targeted, effective media appearances in order to ensure that our conclusions reach the general public.

Not only are we able to succeed in spreading the results of our research through the media, but increasingly we are approached by journalists instead of the other way around.

Through the quality of its research and through its extensive media presence, the MEI has succeeded in disseminating the conclusions and recommendations of its publications to millions of people. This is one of the MEI's strengths: providing the necessary tools and references so that the architects of change can act in such a way as to promote wealth creation. In this regard, even the president of the Centrale des syndicats du Québec (CSQ), Réjean Parent, acknowledges our success when he compares the MEI to "a veritable octopus... extending its tentacles everywhere."

### **An unprecedented expansion into English Canada and even the United States (without forgetting Quebec!)**

For several years now, the MEI has had a weekly column published by its senior economist Nathalie Elgrably-Lévy



in the *Journal de Montréal* and the *Journal de Québec*, and has also prepared Economic Newsflashes that appear regularly in the *Métro* newspaper and in Quebecor's regional newspapers.

**"The work of the MEI on the importance of the Quebec–Alberta relationship was notably highlighted by a column in *The Globe and Mail* devoted entirely to our *Research Paper on the subject.*"**

In 2011, the MEI was offered two additional media platforms in order to reach the general public on a regular basis. Indeed, I am now signing a column published in some 25 newspapers in the Sun Media chain, from Toronto to Calgary passing by Sudbury and Fort McMurray. These newspapers reach over two million readers a week. I am also a regular contributor to the *Huffington Post*, an online magazine reaching 2.3 million readers that was once named one of the 25 best blogs in the world by *Time* magazine. In addition, Youri Chassin, economist at the MEI, is a member of a panel on the *RDI économie* show hosted by Gerald Fillion.

Finally, in 2011, the MEI concluded a partnership for the production of a series of 13 in-depth interviews as part of *Scully: The World Show*. This series, entitled *Free Markets*, will shine a light on different thinkers

and actors in the classical liberal school of thought. It will be broadcast in Canada and in the United States on PBS affiliates. This breakthrough south of the 49<sup>th</sup> parallel introduces the MEI to a whole new audience of up to 1.8 million people. Once all of the interviews have been conducted and broadcast (which should happen sometime near the end of 2012), they will be made available on our website, forming a high-quality archive that will be a unique resource for those who wish to educate themselves about the different aspects of this school of thought.

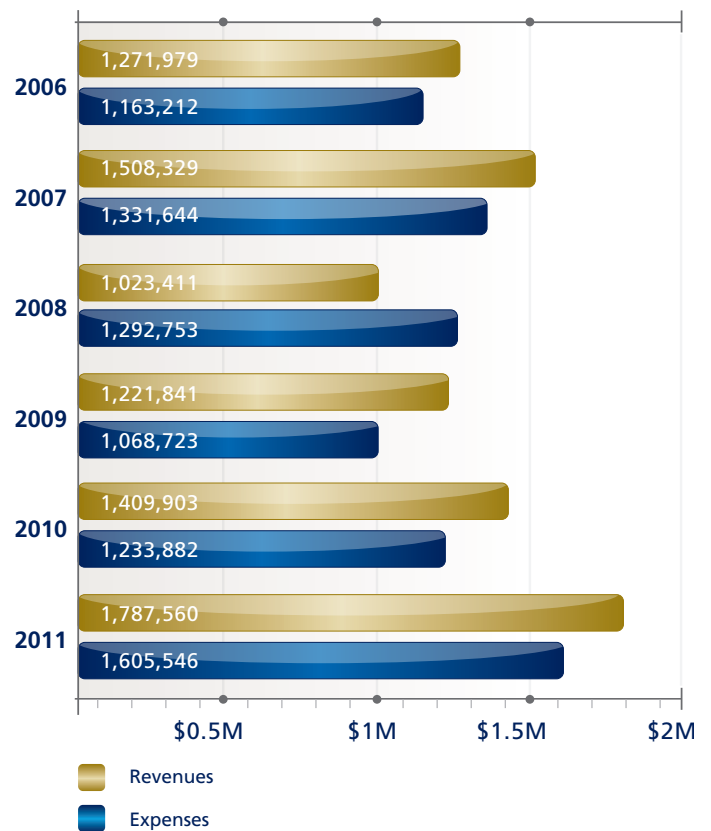
As I explained above, several of our initiatives have helped spread the word about the MEI beyond the borders of Quebec. For example, *A Plea for a Quebec-Alberta Dialogue*, an initiative that combined a series of publications, polls, speeches and media appearances, and an *Economic Note* arguing for the liberalization of the Canadian postal sector, both received exceptional coverage all across Canada.

The work of the MEI on the importance of the Quebec-Alberta relationship was notably highlighted by a column in *The Globe and Mail* devoted entirely to our *Research Paper* on the subject.

Our increasing media presence on the Canadian and international scene is also illustrated by the fact that we gave 39 interviews on radio and television outside the province of Quebec, a 62% increase compared to 2010.

Finally, we announced last year that the Atlas Economic Research Foundation had chosen the MEI as a partner for its intellectual entrepreneur training program. This is one more acknowledgement of our expertise in the world of think tanks. This program was launched as expected in 2011. On the one hand, the MEI team received representatives from organizations in Ghana, Mexico, the United States, Ecuador and Australia at its Montreal office. On the other hand, I was asked to act as a trainer

## Financial Results



for two important events, one in Washington, DC and the other in New York City, which brought together think tank leaders from around the world.

**“This 26,8% increase in revenues makes 2011 the MEI’s best year since its creation in 1999.”**

### FINANCING: A record year, despite an uncertain economy

The MEI’s total income rose from \$1,409,903 in 2010 to \$1,787,560 in 2011. This 26.8% increase in revenues makes 2011 the MEI’s best year since its creation in

1999. As for expenses, they totalled \$1,605,546, which allowed us to add \$182,014 to our reserve fund.

As is recommended among healthy practices applicable to think tanks, the MEI is pursuing the goal of establishing a reserve fund corresponding to twelve months of activities.

### STAFF: Increased depth

Intellectual capital is without a doubt one of the MEI's key assets. In this regard, we acquired the services of some new collaborators who have reinforced our ability to generate content and respond to media interview requests, especially those that require a rapid response on our part.

First of all, Martin Masse, who was our director of publications from 2000 to 2007, was rehired as vice president of content. During his absence, Martin extended his knowledge of the world of public policy by working in particular as an advisor to Minister Maxime Bernier. Second, Yanick Labrie, who had been one of our associate researchers for the past several years and who was teaching economics at the CEGEP level, joined our team as an economist. On the administrative level, Éliane Crête also joined our team and Carole Fiset took on new responsibilities as development coordinator.

Finally, I am especially happy to announce the addition of a very well-known expert in the field of health care policy to our list of associate researchers. I am referring to our new Senior Fellow, Dr. David Gratzer, a Canadian medical doctor and the author of *Code Blue: Reviving Canada's Health Care System*, a bestseller that was awarded the *Donner Prize* for best book on Canadian public policy. Dr. Gratzer was for several years a Fellow in public policy with the Manhattan Institute, and it is with the MEI that he has chosen to participate in the Canadian debate.

### 2012: Opportunities to seize

We are beginning the year 2012 with every intention of maintaining the strong momentum that I have just described. In particular, we will continue to “extend our tentacles” (as Réjean Parent puts it) across Canada and even into the United States, but without ever forgetting or neglecting our basic mission of providing economic education for the francophone population of Quebec.

Even if the topics explored will as always be numerous and diverse (with several of them dictated by current events), we will nonetheless highlight three themes in the coming year: the **public finances** of Quebec and of the Canadian federal government, **labour law and economics**, and the **reform of the healthcare system**.

The year 2012 may be an election year in Quebec. Our non-partisan work will therefore be more relevant than ever in helping citizens objectively evaluate the various proposals which will be presented to them.

*Michel Kelly-Gagnon*





# Publications

It is through the creation of short, accessible publications that the MEI aims to reach the general public and take part in the debate. In 2011, we published eight **Economic Notes**, four **Viewpoints** and two **Research Papers**, in addition to two “special documents” and two opinion polls.

## Some 2011 highlights

### Labour Laws

The MEI’s researchers tackled the issue of labour laws from several angles in 2011: Quebec’s anomalous unionization model; increased CSST costs, despite a reduction in workplace accidents; union financing transparency; and an overview of collective bargaining in the public sector, using Ohio as an example. These publications all highlighted the importance of a flexible labour market and of a business climate that encourages entrepreneurial initiative.

These four publications gave rise to discussions and debates in the media from coast to coast.

### Education

Launched as students were headed back to school, the *Economic Note* on merit pay for teachers, signed by Nathalie Elgrably-Lévy in collaboration with Germain Belzile, explores concrete ways of setting up evaluation criteria that take into account the multiple roles of teachers. In conjunction with this publication, the MEI also published a poll showing that 67% of Quebecers agreed that teachers’ pay should take their performance into account.

This combined initiative was a big success in the media, with the *Métro* newspaper giving it front-page coverage the day of the launch. In addition, Ms. Elgrably-Lévy gave an interview to *Le Devoir* that led to an in-depth article on the subject. Alain Dubuc also wrote a piece in *La Presse* in which he acknowledged the MEI’s contribution to the debate. Overall, the poll results and the conclusions of the *Economic Note* were mentioned on the TVA news, in the *Journal de Montréal*, on Radio-Canada, on RDI, and on CBC News. A few weeks later, when the topic resurfaced in the news, an opinion piece was published in *The Gazette*.

## LE DEVOIR

*“The Montreal Economic Institute has made a real contribution to the debate over teacher evaluation with its launch yesterday of a publication advocating merit pay.”*

– Lisa-Marie Gervais, *Le Devoir*

### Economic Development

With regard to economic development, the MEI continued the work it had begun in 2010, publishing *A Plea for a Quebec-Alberta Dialogue*. The launch of this *Research Paper* in May followed a poll of Quebecers’ opinions regarding the relationship of their province with Alberta, and contributed to a deeper understanding of the economic and political issues linking the two provinces.

RESEARCH PAPER


  
 Ideas for a More Prosperous Nation

MAY 2011

## A PLEA FOR A QUEBEC-ALBERTA DIALOGUE

**MICHEL KELLY-GAGNON**  
 President and CEO of the Montreal Economic Institute  
**GERMAIN BELZILE**  
 Director of Research at the Montreal Economic Institute  
**YOURI CHASSIN**  
 Economist at the Montreal Economic Institute




  
 Ideas for a More Prosperous Nation

**ECONOMIC NOTE**  
 May 2011

## CANADA POST: OPENING UP TO COMPETITION

**The challenges faced by Canada Post**

After months of unsuccessful negotiations and conciliation talks, Canada Post workers voted by a margin of 94.5% in favour of going on strike at the end of May if they do not reach a negotiated settlement with their employer. The time is right to evaluate the costs that a postal service monopoly imposes on consumers and on the economy as a whole. To determine which reforms might lead to the best postal service at the best price, we should study the experiences of other countries.

The main reason for this reversal has been the rise of cheap and efficient alternatives like faxing, email, electronic billing and electronic funds transfers.

Second, Canada Post is afflicted with productivity problems related to its human resources management, and needs to modernize its infrastructure. In 2005, 16 days per fulltime employee were lost to absenteeism in delivery and mail processing

Formerly operated as a government department, in 1981 it was transformed into a Crown corporation with the Government of Canada as its sole shareholder. Although it did not become fully independent, it did gain greater management flexibility. This structural change also meant that Canada Post would no longer receive subsidies to compensate for any operating shortfalls. The corporation can borrow funds from the federal government, but it has to repay them in full with interest. This new autonomy enabled Canada Post's management team to change some of the company's practices in order to generate profits and to be entirely self-sufficient financially since 1988.<sup>1</sup> Despite this

improvement, Canada Post is still facing structural challenges from within and from without.

First of all, costs are growing faster than revenue for many postal operators all around world, due to the decreasing growth rate of mail volume.<sup>2</sup> Domestic mail volume in the countries of the European Union has not kept pace with economic growth since 1997, and has even declined in certain countries.<sup>3</sup> This volume is also down in the United States.<sup>4</sup> Canada Post's annual reports show that the number of pieces of mail handled per Canadian rose steadily from 1971 to 1996. However, in 1996, this trend stopped.




This Economic Note was prepared by **Vincent Geloso** and **Youri Chassin**, respectively economist and research coordinator at the Montreal Economic Institute.

1. Canada Post, *Annual Report 2009*, pp. 95-97.
2. There are exceptions to this monopoly, including "letters of an urgent nature that are transmitted by a messenger for a fee at least equal to an amount that is three times the regular rate of postage payable for delivery in Canada of similarly addressed letters weighing 50 grams."
3. J. Gregory Sidak and Daniel E. Spulber, "Monopoly and the Mandate of Canada Post," *Idé Journal on Regulation*, Vol. 14, No. 1 (Winter 1997), p. 9.
4. Brian J. Moran and Andre Pharaud, *Mail Movers*, Accenture Consultants, October 2009, p. 2; Brian J. Moran and Vinet Narang, *Advancing High Performance in the Postal Industry*, Accenture Consultants, June 2009, p. 1.
5. Ica Consulting and Wik Consult, *The Evolution of the European Postal Market since 1997*, European Commission, August 2009, p. 36.
6. Boston Consulting Group, *Projecting U.S. Mail Volume to 2020*, March 2010, p. 10.

This project was widely discussed, both in Alberta and in Quebec. The editorial boards of the *Calgary Herald* and the *Edmonton Post* both recognized this constructive contribution from the MEI, as did Neil Reynolds in *The Globe and Mail*. In Quebec, *Le Journal de Montréal*, the ARGENT television channel, the *Métro* newspaper and *The Gazette* all gave positive coverage to the MEI's initiative.

Authored by MEI economists Vincent Geloso and Youri Chassin, *Canada Post: Opening Up to Competition* was without a doubt the publication that gave rise to the largest number of media mentions in 2011, with an impressive total of 185 mentions. Launched in April when the employees of the crown corporation were announcing their intention to go on strike, this *Economic Note* was the subject of, among others, a detailed report on *TVA 18 h*, an in-depth interview with CJAD host

Tommy Schnurmacher, several interviews with Mario Dumont and an article published in all of the Sun Media newspapers. For several weeks, the authors gave interviews to explain the conclusions of their report and to emphasize the issues related to the future of the postal market. The *Toronto Star* also referred to the MEI *Economic Note* as a "widely quoted study."

**CALGARY HERALD**

*"There is a thaw in relations between Alberta and Quebec, and much of it is thanks to the work of organizations such as the Montreal Economic Institute."*

– *Calgary Herald*



LA PRESSE MONTRÉAL JEUDI 31 MARS 2011 LA PRESSE AFFAIRES 5

LA PRESSE AFFAIRES

Sondage de l'Institut économique de Montréal

# Les Québécois favorables aux sables bitumineux



## Media Presence

Since its founding, the MEI has developed an expertise for efficiently spreading the conclusions of its studies through the media.

For the second year in a row, television, radio, newspapers and the Web referred to the MEI's work over 2,500 times, which makes it the Canadian think tank with the highest media profile relative to its size. Not only is the organization frequently cited, but its ideas are debated on high-quality media platforms.

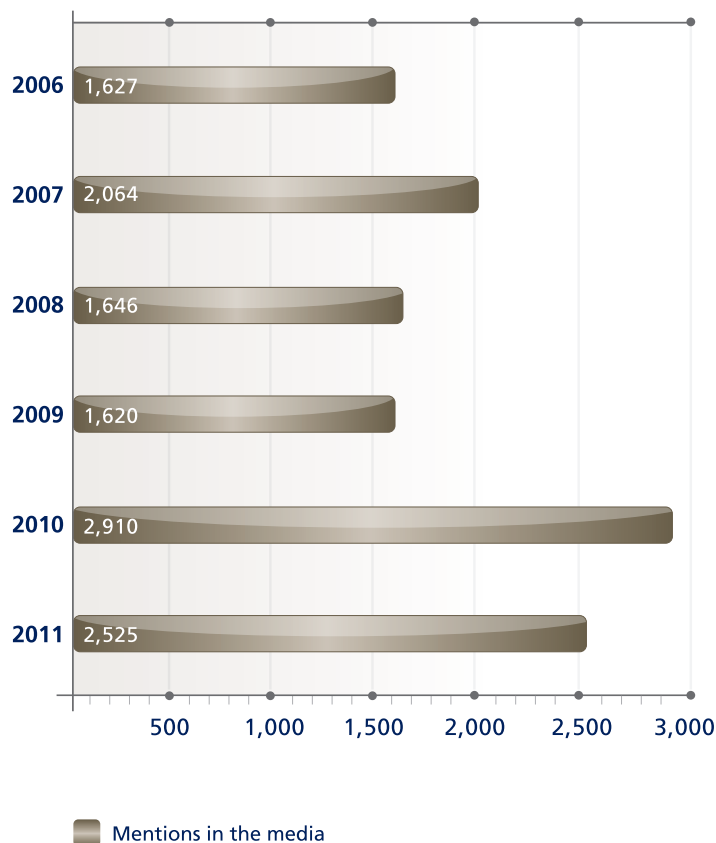
**“The Montreal Economic Institute was mentioned an average of seven times a day in the various media.”**

In 2011, the MEI's spokespersons and researchers appeared on a number of different programs like *TVA 18 h* with Pierre Bruneau, which reaches 1.8 million viewers, *RDI économie*, *Dumont on V*, *The Source* on Sun News, *Maisonneuve en direct* on Radio-Canada, *The Tommy Schnurmacher Show* on CJAD, *Martineau* on LCN and *Isabelle Maréchal* on 98.5 fm in Montreal, just to name a few.

### Occupy Wall Street

The “Occupy Wall Street” movement that made its way to Montreal contributed to the resurgence of an anti-capitalist economic and political point of view. The MEI seized the opportunity to appear in the media to explain the situation and correct certain facts.

### Media Coverage



### University Tuition Fees

The debate over tuition fee increases made the news again in 2011. The MEI's researchers engaged with representatives of the student movement and made their voices heard in the media to insist on the need to review the financing of higher education in order to ensure the quality of such education in the province of Quebec.

## QUEBEC GOVERNMENT BUDGET: Public-Sector Debt Clock in Real Time on Many Platforms

It's become a tradition since 2009: the MEI has taken the opportunity of the tabling of the provincial budget to focus Quebecers' attention on the problem of the government's debt. In order to increase its impact, the MEI launched an ambitious publicity campaign with six parts.

### 1 Interviews with MEI spokespersons in the media

Before the budget was tabled, MEI economists discussed the economic challenges facing the province.

### 2 Update of the Quebec Debt Clock in real time

As soon as the Finance Minister announced the figures on the Quebec public sector debt, the MEI adjusted the rate of increase of its Debt Clock to take into account the update.

### 3 Creation of a video for social networks

Uploaded to YouTube as well as iedm.org, this video was enormously successful, having been seen over 20,000 times to date.

### 4 Publication of a *Viewpoint* on the Quebec government's debt

The day after the tabling of the budget, the MEI published a *Viewpoint* dealing with a particular aspect of the debt. In 2011, the focus was on the proportion of the debt attributable to the retirement plans of public sector employees.

### 5 Publicity campaign through advertising on news portals

The day after the budget, the Debt Clock was displayed on the province's largest news sites (*Canoe*, *Cyberpresse*, etc.) with a link leading directly to the iedm.org site where more information could be found.

### 6 Creation of a new Web page dedicated to the Debt Clock

The new page dedicated to the Debt Clock collects the publications, the interviews, the video and the most frequently asked questions on the subject. On the day the provincial budget was tabled, the MEI's website experienced a 391% increase in visits compared to its 2011 daily average.

## Quebec "Debt Clock"

**\$244,369,290,407.50**





mobi.iedm.org

## Website – Facebook – Twitter and Mobile Site

The MEI launched a mobile version of its website in December. Available at [mobi.iedm.org](http://mobi.iedm.org), this all-new site allows smartphone users to easily consult the publications and opinion pieces produced by the MEI.



## Events and Presentations

### February 15 < President's Dinner with Steve Forbes HOW CAPITALISM WILL SAVE US

This event attracted 250 people eager to hear a presentation by Mr. Forbes based on his most recent book, *How Capitalism Will Save Us: Why Free People and Free Markets Are the Best Answer in Today's Economy*, published by Crown Business in 2009.



In addition to events organized by the MEI, its spokespersons and researchers are often invited to present the results of their research to various forums and seminars. For example, in 2011, they participated in six CEGEP conferences, an important involvement in keeping with the MEI's mission of economic education.

### November 16 < George Lengvari Sr. Lecture Series with Mike Harris LABOUR LAW REFORMS IN ONTARIO

The MEI presented a new series of conferences in honour of George Lengvari Sr., a renowned entrepreneur in the insurance sector. Mike Harris, former Premier of Ontario, presented the first talk of this series, on the topic of his "Common Sense Revolution."

### February 11 < Student Seminar at McGill University Economics and Development

This event was organized in collaboration with the Institute for Liberal Studies (ILS) and the McGill International Student Network. Germain Belzile, director of research at the MEI, gave a talk entitled *Why You Shouldn't Fear Free Trade*.

### September 19 < "Policy Briefing" Series with Nathalie Elgrably-Lévy and Youri Chassin

#### Teacher Pay | Government Debt

This new event format launched in 2011 aims to gather a small group of some thirty people to engage in an exchange of ideas with the MEI's researchers regarding their most recent publications.

### October 12 < Business Luncheon with Felix Chee Quebec-China and Canada-China Investment Relations

In collaboration with the Canada China Business Council, the MEI received Mr. Chee, Canadian representative of one of the world's largest sovereign wealth funds, the China Investment Corporation.



