

ANNUAL REPORT 2020



MEI

Ideas for a
More Prosperous
Society

“The BBC sitcom Yes, Prime Minister perfectly captured the logic of politicians in the line, ‘We must do something. This is something. We must do this.’”

- Kya Shoar



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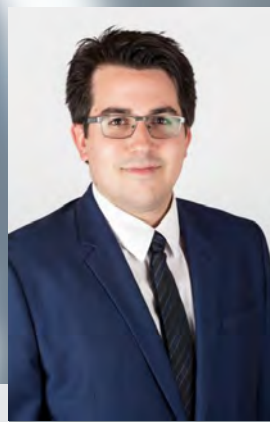
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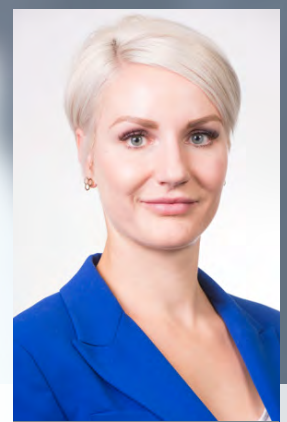
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MESSAGE FROM THE CHAIRMAN OF THE BOARD

Hélène Desmarais



The year 2020 was without any doubt a trying one. I sincerely hope that you are making it through this difficult period without too much of a negative impact on your personal lives. Our thoughts are with those of you who have been affected in one way or another by this frustrating virus.

Despite the crisis, the MEI remained active all year long, and pursued its research work and its analysis of public policies in order to determine the most appropriate measures for dealing with the challenges facing our society.

Obviously, our team devoted a substantial portion of its work this year to offering solutions and to reacting to the measures put in place by governments in the context of the pandemic. Unfortunately, it is clear, once again, that our monopolistic, government-controlled hospital system (one of the only such systems in the world, it bears repeating) has not been up to the task and is in need of serious reform. This frank observation, though, takes nothing away from the sometimes literally heroic devotion of caregivers, for whom we have the utmost appreciation.

As for the assistance plans aimed at mitigating the negative economic effects of lockdowns, these were put in place quickly and without worrying too much about their devastating effects on public finances, which we will be dealing with for decades to come. While a certain level of assistance was certainly required, it is far from clear that these various programs were always well targeted.

COVID-19 is obviously a serious illness which, in certain cases, can have absolutely disastrous consequences for those afflicted. But as with all situations in which it intervenes, the government must be sure to make optimal trade-offs between impacts on different groups of people, and between short-term and longer-term costs and benefits. To make the very best decisions, rational debate is essential,

as is having access to all the necessary information. To this end, whether we are for or against strict, long-lasting lockdown measures, we need to hear both sides of the story.

Unfortunately, what we observed in 2020 is that governments were not transparent enough in justifying their decisions, which had grave consequences for vulnerable seniors, health care personnel on the verge of exhaustion, youths whose schooling has suffered, people living alone and suffering from depression, and entrepreneurs who have gone out of business.

This situation also demonstrates the renewed importance of having an institution like the MEI in Canada, and especially in French-speaking Canada, that asks the hard questions and raises real issues. The MEI has always played the role of watchdog in the public debate. It is an integral part of our mission to challenge commonly held beliefs, and we will continue to play this role in 2021.

Beyond the central issue of the pandemic, the MEI team of course pursued its research and intervened on many other topics of the day, as described in detail by our President and CEO, Michel Kelly-Gagnon, in his message.

To continue to carry out this essential work, our institute needs your support—all the more so in a context in which public finances will impose some very tough choices on governments for many years to come. Indeed, it will not just be a matter of exercising strict control over public expenditures. Our governments will also need to adopt a fiscal and regulatory framework likely to favour private investment, entrepreneurship, and so ultimately, economic growth and well-being for the population. Without being pessimistic, it is not unreasonable to feel a certain amount of concern about the broad political and economic trends that are currently emerging.

If you are a donor, I invite you to be as generous as possible in 2021 to ensure that the MEI has the means to continue its unique and essential work.

I would like to conclude by thanking our colleagues Randall Birks, Léon Courville, and Guy Tremblay, who left the MEI's Board of Directors after several years of loyal service and joined the Board of Governors.

Aéline Desmarais

MESSAGE FROM THE PRESIDENT & CEO

Michel Kelly-Gagnon

Despite the fact that 2020 was an unusual year to say the least, and a trying one for liberty lovers, the MEI has kept fighting the good fight. Indeed, we feel the efforts of organizations like ours in providing regular, systematic, and timely free-market content to the traditional media, and on social media, are more crucial than ever.

In 2020, the MEI released 24 publications, commissioned three opinion polls, produced three short animated videos, and published 14 additional targeted ad hoc press releases, over and above the press releases that accompany our main publications. We also published 75 opinion pieces and 59 blog posts, and released three online economic quizzes.

The pandemic was an occasion to repeat our messages on health care, notably to call upon entrepreneurs and the private sector to alleviate the obvious shortcomings of the public health care system and hospitals, and to highlight the important contribution of large pharmaceutical companies. We continued to play our role of public finance watchdog during this period of crisis when governments have abandoned all sense of fiscal responsibility. We also launched publications that echoed widely in the media, notably on the under-harvesting of our forests, regional development, energy, and the carbon tax file.

We continued to work on our ground game in 2020, including through our Canada-US Best Practices and Cautionary Tales program, even though travel for in-person meetings were mostly off the table. In particular, we established a solid relationship with some key players in the new Alberta government that was elected in 2019, working with them specifically



on health care and deregulation. We did this in a personalized manner, responding to their specific queries as opposed to merely publishing research.

This past summer, Alberta's legislature passed Bill 30, which contains some interesting measures for improving their health care system, in line with the kinds of reforms we have been discussing with them. In response to this news, we launched a publication showing that the province must go further and adopt more ambitious reforms. Inspired by what is done in Europe, it needs to modernize its health care system and provide true patient-centred care. We thus provided the government with public support, not only for this important first step, but also for further steps. The Premier's principal secretary told us that he had found our publication excellent, while the Principal

Advisor to the Minister of Health emailed me to thank me for the “great piece” in *The Globe and Mail* on the same topic.

The other file on which we have been advising the Alberta government, with the help of Heritage Foundation expert Diane Katz, is reducing the regulatory burden. On this front, Premier Jason Kenney reported this fall that so far, his government had cut regulations by 6.84%, or 45,886 unnecessary requirements. Alberta is thus proceeding at a rate that is 3 times faster than BC and Manitoba in their first year of cutting red tape. According to the Premier, Alberta is on track to cut 670,977 regulations by 1/3, which will be an outstanding achievement.

An expanded version of our publication on the Canadian health care system as a cautionary tale was published in early 2020 by the Heritage Foundation, which has been ranked by the University of Pennsylvania as the most influential think tank in the world for several consecutive years. With so-called “Medicare for All” a key issue in the 2020 US election, we helped voters take a hard look at Canada’s top-down, bureaucratic, monopolistic health care system often cited as a model—despite its glaring shortcomings and violations of basic freedoms. The study was shared with 3.1 million Americans through *The Daily Signal*, and an opinion piece was published by several major US newspapers, including the *Miami Herald*. This past October, the study was collected as a chapter in an informative book, *No Choice, No Exit: The Left’s Plans for Your Health Care*.

Of course, we focused quite a lot on the pandemic and government responses to it in 2020. For instance, we launched a publication looking at the costs of the lockdown measures. These were put in place in a hurry, and apparently without taking into consideration their economic and social costs. The unemployment rate had nearly tripled in Canada by April, and nearly quadrupled in Quebec, in addition to massive public debt increases.

We also launched a short animation, based on data collected by the University of Oxford, on the question of whether the severity of lockdown restrictions really had an impact on the number of deaths. Looking at measures put in place in 16 European countries, the severity of the lockdowns did not seem to have had an impact one way or the other.

In the fall, with the virus and the renewed government-imposed lockdowns in the news more than ever, we publicly denounced the government’s continued refusal to reveal the scientific sources it relied on in closing businesses and imposing restrictions on the general population. We ourselves filed a request for access to information in July, and the government is still refusing to follow up on it, whereas the law provides for a response within 20 days.

Our work in this context also included practical and precise suggestions to the Legault government on how to alleviate some of the pain suffered by small entrepreneurs, such as restaurants owners. One of these suggestions (a liberalization of the rules pertaining to the sale of alcohol by restaurants) was adopted late in the year by Quebec’s National Assembly.

Of course, this is all in addition to our regular research on a range of subjects, from the misguided notion of imposing a Canadian wealth tax to the United Nations Declaration on the Rights of Indigenous Peoples, to the federal government’s new Clean Fuel Standard, to the possibility of increasing the forest harvest all while protecting the environment, which would greatly benefit rural regions especially.

Finally, last fall, our proposal was accepted to co-host a Special Meeting of the Mont Pelerin Society with one of the organizations I help, the Arab Center for Scientific Research and Humane Studies. The meeting will take place in October 2023 and will explore how Classical Liberalism could achieve a wider reach among audiences that have not traditionally been exposed to it. This event will consolidate the prestige and standing of the MEI among the highest ranks of the international free-market community.

THE MEI IN FIGURES

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PUBLICATIONS

MEI Ideas for a More Prosperous Society

ECONOMIC NOTES

SEPTEMBER 2020 ENERGY SERIES

THE CFS: A MEASURE THAT WILL HURT CANADA'S ECONOMIC RECOVERY
A Major Economic and Ecological Mistake in the Time of COVID-19

By Miguel Quelette

Toward the end of 2016, the federal government announced its intention to consult the provinces in order to develop a new energy policy, namely the Clean Fuel Standard (CFS). Its objective is to reduce greenhouse gas (GHG) emissions all while favouring the use of low-carbon fuels, energy sources, and technologies. The Canadian government has announced that the new standard will be made public in the fall of 2020.



Although the intention behind this energy policy may be laudable, its format will be detrimental to the Canadian economy, and its effect on the environment is far from certain. The Standard is meant to contribute to Canada reducing its GHG emissions to 30% below their 2005 level by 2030.¹ However, Canada would become the only country in the world to include natural gas and propane in such a policy,² placing numerous Canadian businesses at a competitive disadvantage. It is often a good thing to lead the parade, but parading all by oneself is a different story.

AN INFLEXIBLE FORMAT

In its current form, the CFS will make Canada the only country in the world to impose such an inflexible measure: it will apply to all fossil fuels (liquid, solid, and gas), and so not just to transportation, but also to industrial processes. It will thus require suppliers of fossil fuels to reduce the carbon content of fuels over the course of their life cycles, and therefore to take into account all greenhouse gas emissions associated with their extraction, their production, their distribution,

and their use. Companies will have to respect the Standard either through their own efforts or through the purchase of credits from other companies that emit less carbon, which will inevitably increase their production costs.

On top of the very limited ten-year window to bring GHG emissions 30% below the 2005 level, the Standard will not replace federal and provincial environmental policies already in place; it will complement them.³ Carbon pricing will therefore remain in effect despite this new standard. This regulatory duplication, combined with the inflexible nature of the CFS, will place Canadian companies in many sectors in a precarious position and at a disadvantage internationally, for instance compared to certain American exporters located near the Canadian border. The

The Economic Note was prepared by Miguel Quelette, Economist at the MEI. The MEI Energy Series aims to examine the economic impact of the development of energy policy, and to analyze the risks and uncertainties associated with the implementation of policies.

PRESS RELEASES

16

Three fiscal measures to address the coronavirus

4 MINUTES

Montreal, March 17, 2020 – As COVID-19 continues to spread across Canada, a rising chorus is calling for expensive fiscal stimulus to fight its economic fallout. An MEI publication launched today asserts that given already low interest rates, fiscal measures are the textbook response.

"Instead of a scatter-shot approach, spreading public money around while it is already running substantial deficits, Ottawa should directly target the real threats: job losses and bankruptcies for workers and employers without the financial cushion needed to weather the storm," says Peter St. Onge, Senior Economist at the MEI and co-author of the publication.

"This economic slowdown is atypical since it may hit certain sectors of activity like tourism, restaurants, and nightlife hardest. And because wages are often more modest in these sectors, many workers will not have the savings needed to navigate this crisis," adds Luc Valois, Chief Operating Officer & Chief Economist at the MEI and co-author of the publication.

This will likely also be true for the businesses that employ them. Of the 193,000 restaurants and commercial accommodations in Canada—96% of which are classified as small businesses—many simply don't have the means to ride out a drop in sales lasting weeks or months.

OPINION POLLS

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HEALTHCARE IN CANADA 2020

Montreal Economic Institute

Research Report
November 2020

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MEI Ipsos

OPINION PIECES

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10 SEPTEMBRE 2020
NATIONAL POST, P. F.13

GERMAIN BELZILE

Don't tell their government, but Quebecers prefer Western Canadian oil

4 MINUTES

For several months now, COVID-19 has dominated the news cycle. Many things seem to have changed. However, a new Ipsos poll, commissioned by the Montreal Economic Institute, confirms a constant: for Canadians, health and the economy are the two most important political issues. In third place: climate change, closely followed by public safety and taxes.

While 14 per cent of Canadians consider climate change to be the most important issue, 61 per cent of those surveyed do not want to spend one more cent to fight it. Another 22 per cent are only ready to spend between \$1 and \$100 a year, which means 83 per cent are unwilling to spend more than \$100, or just \$8.33 a month. This seems less surprising when you consider that the most popular vehicle in Canada is the Ford F-150.

FRESH TAKES

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JUNE 15, 2020

KRISTLE WITTEVRONGEL

COVID-19 and Car Accidents

2 MINUTES

Several days ago, *The Wall Street Journal* published a piece entitled "The Covid Age Penalty: New patient data offers a guide to opening while protecting seniors." According to the article, and based on data from a recent study by Stanford professor John Ioannidis, for those under 65 years of age, the risk of dying from COVID-19 is not much higher than the risk of dying in a car accident.

Of course, for the younger set, the risks are even lower. Since March 8, 2020, over 8,100 Canadians have died due to COVID-19. Through to June 8, only 22 of these were under the age of 40.

In 2018, the latest year for which data is available, there were a total of 631 motor vehicle fatalities for 15-34-year-olds in Canada. These fatalities were over the course of a whole year, so for a comparable three-month period, we can estimate that about 160 Canadians aged 15-34 die in car accidents—over seven times as many.

2

APPEARANCES At public consultations and parliamentary commissions

8

SOCIAL MEDIA

Many traditional print and electronic media, faced with financial difficulties, are devoting less and less space to opinion pieces and to public policy debates. For a few years now, we have been adapting our practices to this new reality. While the traditional media continue to play an indispensable role in transmitting our messages to the general public, and continue to account for the majority of our communications resources, we have for the past three years devoted increased resources to social media, which more and more Canadians use as a news source.

Our social media presence continued to grow in 2020. Our communications team now devotes a substantial portion of its time to publicizing our work and disseminating our messages with this new audience on various platforms.

We made 1,157 tweets and published 910 Facebook posts on our English and French MEI pages throughout the year. Our total Facebook page likes increased by 24%, and our number of Twitter subscribers increased by 16%. Our new, dynamic economist Maria Lily Shaw has begun recording short weekly video commentaries that have proven quite popular on our social media platforms.



FACEBOOK in Figures

17,517

subscribers
to our pages

910

posts

24%

annual increase in
the number of "likes"
of our pages (from
13,699 to 17,026)



TWITTER in Figures

5,614

subscribers

1,157

Tweets

68%

annual increase
in the number of
mentions of the MEI
(from 1,000 to 1,680)



OUR THEMES

Certain research themes are particularly important to us because they have a direct link with the economic vitality of the country, or because they concern public policies that concretely improve the quality of life of Canadians. Despite the fact that COVID-19 eclipsed most other news topics, our team pursued its economic education and research work in 2020. Here, then, grouped thematically, are the main publications that helped advance the mission of the Institute last year.





OUR THEMES

HEALTH CARE

We started the year with a bang by publishing a Viewpoint in January showing that more than one in ten Quebec patients visiting an emergency room leaves without having been treated. We once again dug through the data to unearth this shocking stat: The previous year, nearly 380,000 Quebecers—or over 1,000 patients a day—visited a hospital emergency room and ended up leaving without having been attended to by a doctor or redirected. And yet, more than one fifth of these patients had been classified as “very urgent” or “urgent” during triage, which indicates that their condition could put their life in danger.

The publication was a media hit in Quebec, and our efforts certainly succeeded in drawing policy-makers’ attention to the fact that this situation cannot be allowed to persist.

When it comes to health care, it is important for us to not merely denounce what doesn’t work in the public system, but also to highlight the contribution of the entrepreneurial sector. While Ottawa was studying the possibility of further regulating the prices of drugs, notably with the idea of national government pharmacare to replace the provinces’ mixed plans, an Economic Note published in February explained the underestimated benefits of pharmaceutical innovation, and the key role that pricing plays in encouraging it. Drugs provide health benefits that pay for themselves, and government interference in this area is ill-advised.

We also innovated by creating our “2020 Ranking of ER Overcrowding in Quebec.” It describes the situation

over the previous year and measures the evolution of the situation over five years using data obtained through a request for access to information, before the COVID-19 pandemic.

In August, with Alberta’s legislature having just passed Bill 30, the *Health Statutes Amendment Act*, one of our publications showed that the proposed reforms amounted to a small step in the right direction, but that the province must go further and adopt more reforms, inspired by what is done in Europe, in order to modernize its health care system and provide true patient-centred care.

In November, with Canadians locked down to varying degrees in order to keep hospitals from being overwhelmed, we published an Ipsos poll showing that a very large majority of them want the system to have better surge capacity. Canadians, and especially Quebecers, think that the health care system is too bureaucratic to respond to their needs, and are in favour of giving a larger role to entrepreneurs within a universal health care system.

Canadians are ready to try something new, and they realize that spending more and more money within the current system is not delivering the goods. In poll after poll, the MEI has shown that Quebecers in particular are open to more entrepreneurship and private sector involvement in health care, as long as the universality of care is maintained. By repeating this fact enough times, politicians will have no choice but to take notice and to listen to what the population wants.



OUR THEMES

ENERGY AND NATURAL RESOURCES

With the federal government getting ready to publish its new Clean Fuel Standard, a kind of “supplemental carbon tax,” we published an Economic Note in September showing the negative economic effects of such an inflexible measure, applying not just to transportation, but also to industrial processes. Although this measure attracted less attention from the general public than the imposition of a carbon tax, it is once again Canadian manufacturers and consumers who will suffer its effects. While the Clean Fuel Standard remains a concern, the fact that natural gas and propane are now being excluded from the regulation is certainly a partial win for our efforts.

An Ipsos poll carried out on behalf of the MEI showed once again that Quebecers are not only very open to developing their own oil resources, but they also far prefer Western Canadian oil to foreign oil. Indeed, Western oil and developing their own resources both increased in popularity among Quebecers in 2020. Unfortunately, while citizens are very open to the development of their oil resources, the province’s political parties don’t feel the same enthusiasm.

A common perception in Quebec is that the entire economy could quickly be electrified. One of our publications presented the province’s energy profile, while showing to what extent the electrification of the economy, and particularly its transportation sector, represents a considerable challenge. Yet alternatives

to hydroelectricity exist, like natural gas, which could increase the province’s energy production capacity.

In October, one of our publications on Quebec forests echoed widely. With the government about to review the forest regime, environmentalists were busy calling for reduced development of this natural resource. Our publication showed, however, that we could increase the harvest of our forests without undermining the renewal of the resource. Indeed, it is entirely possible to increase the forest harvest all while protecting the environment, to the great benefit of rural regions and of all Quebecers. By sitting on our hands, we’re leaving hundreds of millions of dollars on the table each year that could really help our regions.

Indeed, a few weeks after our publication, Quebec’s Department of Forests decided to increase the forest harvest in its new forest regime. When contacted by a journalist for *Le Quotidien* about our publication, the Department said it had found no flaw in the document, and that it would “soon make some announcements that would respond to several aspects of the report.”



OUR THEMES

ENTREPRENEURSHIP AND ECONOMIC RECOVERY

In April, with the physical distancing measures in effect to slow the propagation of the coronavirus hitting the restaurant industry hard, a publication proposed solutions to help the sector. Among others, we wrote that allowing them to sell bottles of wine directly to consumers would be a way to generate new revenues without requiring substantial new spending. This proposal was also another way for us to reiterate the theme of liberalizing the alcohol market. The Quebec government has now liberalized the rules pertaining to the sale of alcohol by restaurants, for which we are happy to take some of the credit.

At the federal level, we launched a publication calling for a more targeted relief plan to respond to the effects of the coronavirus. Among other things, our researchers showed that targeted tax holidays provide rapid and effective assistance to affected workers and companies. As COVID-19 continued to spread across Canada, and budgetary measures to address its economic repercussions were becoming increasingly expensive, this MEI publication asserted that given already low interest rates, fiscal measures are the textbook response.

In the same vein, another of our publications provided a critical look at the relief measures in effect all while identifying the principles that should guide government action. Our researchers notably observed that measures aiming to preserve employment links, like wage subsidies, are the most conducive to rapid economic recovery.

Lockdown measures were put in place by governments hastily and, apparently, without considering their economic and social costs, leading to sharp increases in unemployment and government debt across the country. A publication launched in June noted that the Parliamentary Budget Officer had already warned that higher taxes were likely as the federal government sought to balance the books. Yet such increases could exacerbate the long-term impact of the crisis on economic growth and keep us paying for these strict lockdown measures for a long time to come.

A STRONG FINANCIAL POSITION, DESPITE A YEAR OF UNCERTAINTY

In free societies, the desire to contribute to the flourishing of all our fellow citizens notably manifests itself through philanthropy. We have the good fortune to live in such a society in Canada. The accomplishment of our mission to improve the well-being of Canadians through optimal, freedom-respecting public policies is wholly dependent upon the generosity of our private donors, since the MEI receives no public funding.

The MEI's total revenues in 2020 were \$2,645,343, which represents a decrease of 16.5% compared to 2019. Total spending amounted to \$2,184,523, a decrease of nearly 33% compared to 2019.

This reduction in revenues is partly due to the financial challenges certain of our donors faced, but also in large part to some substantial donations that came to an end in 2019 and that were related to certain specific programs. Moreover, the specific programs in question were underfinanced (which is to say that the spending they required exceeded the revenues collected in order to ensure their continuation). This therefore had a direct impact on our substantially lower spending in 2020. Layoffs and voluntary departures in 2020 also contributed to this circumstantial drop, but several new hires in late 2020 and early 2021 will offset the effect of this portion of the reduction in our spending.

In conclusion, our financial fundamentals remain absolutely excellent. Indeed, our organization has registered 19 budget surpluses in 21 years of operations... a record which should maybe inspire our governments!

On December 31, 2020, our financial reserve was \$3,013,356, a part of which is actually a stabilization fund allowing us to smooth our spending and revenues over more than one year, as needed. The second part constitutes the seed of an endowment fund in the more traditional sense of the term.

In sum, the MEI is in excellent financial health, and is focused on the long term. It is thus with confidence and ambition that we look to the future.



President and CEO



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