

ANNUAL
REPORT

2021



MEI

Ideas for a
More Prosperous
Society

“The reason to care about economics, and the reason to study it, is not just to understand material well-being, but instead it's about a much bigger picture: how we cooperate in a world of strangers and diversity, and how we turn that cooperation into better and longer and more peaceful lives for more people.”

Steven Horwitz (1964-2021), Distinguished Professor of Free Enterprise, Ball State University.

Our Vision

The MEI's vision is of a world that is free and responsible, where voluntary exchange, respect for property rights, and entrepreneurship favour social mobility and prosperity for all.

Our Mission

The MEI is an independent public policy think tank with offices in Montreal and Calgary and a joint venture in Paris.

Through its publications, media appearances, and free advisory services offered equally to all policy-makers, the MEI stimulates public policy debate and reforms based on established principles of market economics.

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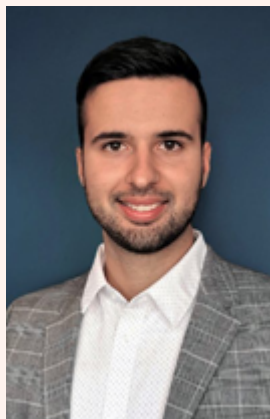
Guy Tremblay

The MEI Team



**MICHEL
KELLY-GAGNON**

President
and CEO



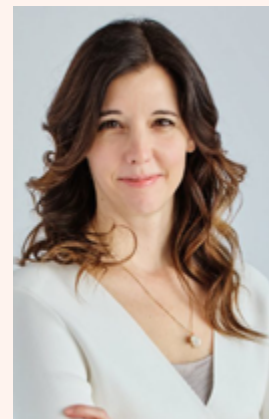
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Director of
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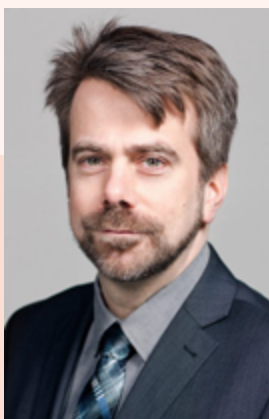
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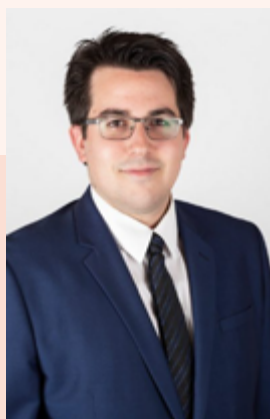
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Public Policy
Analyst

Message from the Chairman of the Board



HÉLÈNE DESMARAIS

The COVID-19 pandemic once again dominated our lives in 2021, and our public policy debates as well. As I write these lines, it's difficult to know in which direction the situation will evolve in 2022.

It was surely inevitable that a crisis of this magnitude would lead to substantial expenditures, but unfortunately, a dangerously cavalier attitude toward the resultant explosion of debt appears to have taken hold in certain circles. Indeed, more and more political and economic actors seem to have abandoned any concern with the fact that, by definition, resources are limited (though this is a basic principle of economics). Monetary creation by central banks now seems like an almost magical solution, which will likely lead to the worst excesses.

The pandemic thus seems to have normalized even more extensive government interference in the economy than ever. Increasing attacks on market economics are

coming from all sides. Even cardinal values at the very core of liberal democracy, such as freedom of expression, are being called into question.

The MEI's role is more crucial than ever in a context in which debates are increasingly turning away from the ideals of freedom and tolerance that we have defended for over two decades. The pandemic must absolutely not become a pretext for destroying the values and institutions that have made Canada one of the freest and most prosperous countries on the planet. It is essential that this educational work be carried out not only by taking an active part in concrete public policy debates, but also by explaining the more philosophical foundations and general principles that underlie liberal democracy and market economics.

This is what our team has done more than ever in 2021—all while continuing to comment regularly on the important issues of the day, as described by our President and CEO, Michel Kelly-Gagnon, in the pages that follow.

Indeed, I would like to highlight the fact that Michel has completed, as of the fall of 2021, twenty years of service for the MEI. He is beyond the shadow of a doubt one of the principal builders of our institute, in addition to being its guiding spirit. Michel is also well-known and respected within the international network of think tanks that form the Atlas Network. Since he is only 50 years old, I am convinced that his remarkable contribution to our research and educational mission will continue for years to come.

As is the case for many companies and organizations, the shortage of qualified labour represents a challenge for the MEI. It therefore continues to depend as always on the generous support of its donors, among other things in order to hire and retain the competent, dynamic staff that allows it to pursue its valuable work researching and disseminating “ideas for a more prosperous society.”

Among the benefits of a dynamic market economy are the possibility of growing one’s assets on the capital markets. If you are among those who have had a good financial year in 2021 thanks to rising markets, you might be looking for ways to invest a portion of your profits differently. Should that be the case, I invite you to do so in part by increasing the level of your annual contribution to the MEI. This will allow it to expand its essential work, which is moreover absolutely unique in Quebec, and even quite uncommon across Canada.

In closing, we welcomed three new directors in 2021: Anne Fortier, *New York Times* bestselling novelist; Nicola Di Iorio, partner with the law firm BCF and member of the House of Commons from 2015 to 2019; and François Morin, Director General, Operations and Public Affairs, Quebec and Atlantic, for BMO Financial Group. Conversely, after having contributed to our organization for several years, Randall Birks, Léon Courville, Richard Garneau, and Guy Tremblay have left our Board of Directors and joined our Board of Governors.

Aéline Desmarais



Message from the President and CEO



MICHEL KELLY-GAGNON

The year 2021 marks a special moment in my career. I have now spent 20 years at the head of the MEI. During these 20 years of service (spread across a period of 23 years), many things have changed, but others have remained surprisingly constant. In many regards, 2021 was an atypical year. It was also a trying one for lovers of freedom, but punctuated by some remarkable achievements for the MEI, of which I am more than a little proud.

Despite strong headwinds, the MEI continued to carry out its economic education work, anchored in a vision of a free and responsible society.

During the year, the MEI launched 22 publications, commissioned three opinion polls, produced three short video animations, and published 16 additional targeted press releases, above and beyond the press releases that accompany our publications. We also published 104 opinion pieces and 47 blog posts.

However, the times are changing and we need to adapt. That's why the MEI innovated in 2021 by finding new ways to convey its messages. Our "cultural creations"—namely songs, children's animated videos, and even a novella published by yours truly that will be in bookstores in June 2022—are a new channel for transmitting our educational efforts. For example, we used humour and a simple approach to give children aged 6 to 10 a better understanding of concepts like the importance of saving and the fabulous impact of compound interest on wealth accumulation.

This year again, we made waves that attracted a lot of interest in the media. I am thinking especially of our publication showing that up to 6,700 lives could have been saved in Quebec's senior centres during COVID-19 if the government had done things differently. Among other things, this publication merited mention not once, but twice on the popular Quebec television show *Tout le monde en parle!*

Also, our polls always echo widely in the media, for the simple reason that we ask relevant questions that other organizations and media outlets are reluctant to ask. In November, as the COP26 climate change conference was ending, we polled Canadians on various issues related to energy and the environment. One of the most telling results was that 65% of Canadians are not ready to pay more to fight climate change. This fact goes against the dominant narrative found in the media and among politicians.

On the regulatory front, our *Internal Trade Provincial Leadership Index* not only generated media interest from coast to

coast, but the MEI was mentioned in a study produced by the prestigious Deloitte firm on the topic of trade barriers between the provinces. This is a topic that is dear to our hearts, and one that we have been working on for several years, which has now made the MEI a reference on the matter.

Of course, all of this is in addition to our regular research on a range of topics. In 2021, among others, we explored the themes of freedom of expression, innovation in Quebec's forests, distance learning opportunities for Quebec universities, a better and less expensive division of labour for police, and the positive impact of economic freedom on social mobility. We also continued to play our role of public finance watchdog, both provincially and federally, reminding politicians that today's enormous deficits are tomorrow's tax burden.

Dark clouds are looming on the horizon, however. I would even say that we are, in a certain sense, facing real danger.

Despite strong headwinds, the MEI continued to carry out its economic education work, anchored in a vision of a free and responsible society.

For more than a quarter of a century now, I have been closely following politico-philosophical and economic debates in Quebec and across Canada, and abroad as well. Yet I have never observed such intensity in the attacks against the open society, to use Karl Popper's phrase, against wealth creators and against the market economy. Indeed, these are coming as much from the "right" as from the "left" (I put these terms in quotation marks because although useful, they are

often simplistic and reductive).

The current state of crisis, which is serving to justify unprecedented government intervention in the economy and even in the running of our businesses, must not become the norm. Freedom of expression is also attacked from all sides. In the early 2000s, diverse opinions could still be expressed, but this is less and less the case today.

To be honest, this fundamentally illiberal (I am using the term in its classical sense) and anti-Western-civilization thinking is dominant literally everywhere: in the worlds of media, politics, the arts, academia, religion, and even increasingly in the business world, where many players are of course the direct beneficiaries of state capitalism and subsidies.

This does not mean that I am discouraged, though, because history teaches us that these ideological fashions are cyclical. We can therefore hope that when enough of our fellow citizens have felt the adverse consequences of interventionism and of excessive and irresponsible public spending in their own lifetimes, they will come looking for alternative solutions. And that's when the crucial role of the MEI and of other similar organizations will take on its full value: protecting the flame, however fragile, of individual freedom and responsibility, reason, and progress. It is thanks to your continued support of our work that we will get there.



The MEI in Figures

22 Publications

MEI Ideas for a More Prosperous Society
ECONOMIC NOTES
 ENVIRONMENT SERIES
 NOVEMBER 2021
FORESTRY: A SECTOR THAT KEEPS INNOVATING
 By Olivier Rancourt and Miguel Ouellette

In Quebec, and elsewhere in Canada, the forestry industry is of great importance, both economically and historically. Recent years have moreover seen a revolution in the techniques and technologies used in this sector. These innovations have generated substantial environmental and economic benefits for Quebec. The adoption of new techniques has also enabled the development of innovative production methods in other industries, which have in turn increased their productivity, all while reducing their environmental footprint.

These changes, devised and deployed by creative entrepreneurs, are a testament to the Quebec forestry industry's constant willingness to renew itself. The importance of the role played by entrepreneurs in this process should therefore be recognized, and the government should choose its public policies and regulations carefully so as not to restrict or slow down market innovation.

HOW FORESTRY SERVES THE ENVIRONMENT
 One of the great preoccupations of the 21st century concerns environmental protection and the fight against climate change. This notably involves slowing the emission of greenhouse gases and setting up carbon capture programs.¹ Planting trees is recognized as one of the best ways to capture carbon, and one that is actively employed by the forestry sector.²

The growth of trees, which happens thanks to photosynthesis, captures atmospheric CO₂ and transforms it into organic plant matter. The best ways to maximize carbon capture are to harvest older trees and increase

the productivity of the forest.³ It is therefore important to combine these methods with the proactive management of our forest resources in order to maximize their positive environmental impact.

Currently, less than 1% of Quebec forests are harvested each year, and our forests regenerate themselves faster than they are harvested.⁴ Moreover, logging is responsible for only a small share of the hectares of forest affected. In 2016, in Quebec, over 5.5 million hectares of trees were defoliated by insects, 202,000 hectares were harvested, and 86,000 hectares were burned down by forest fires⁵ (see Figure 1). Ecologically, then, both the quality and the quantity of the forest harvested should be increased, in order to maximize the environmental benefits of carbon capture. Indeed, when trees are destroyed by fire or when they die and

This Economic Note was prepared by Olivier Rancourt, Economist at the MEI, and Miguel Ouellette, Director of Operations and Economics at the MEI. The MEI's Board members also aim to explore the economic aspects of policies designed to protect the natural world in order to encourage the most cost-effective responses to our environmental challenges.

3 Opinion Polls

HEALTHCARE IN CANADA 2021
 Montreal Economic Institute
 Research Report
 November 2021

104 Opinion Pieces

JUNE 2, 2021
 FINANCIAL POST, P. F190
 MIGUEL OUELLETTE

Don't steal from Peter to vaccinate Paul

4 MINUTES

WITH THE COVID-19 vaccination campaign going smoothly in wealthier countries like ours, attention is turning to poorer countries where access to the vaccines is more difficult. Not only is it fair that everyone benefits from this great scientific feat, it's also the only way of reducing the global risk posed by more virulent variant strains of the virus. But what's the best way of achieving this goal?

Policymakers in many countries are calling for the waiver of intellectual property rights for COVID-19 vaccines. While their motives may be pure, and the idea is at first glance alluring, it doesn't pass the fairness test. If countries like ours are currently well on their way to defeating COVID-19 and resuming our normal lives, it is first and foremost thanks to the genius and perseverance of scientists and the pharmaceutical companies that employ them. Depriving them of ownership of the fruits of their labour and investment sounds more like a vendetta than a measure meant to help poorer countries.

Republicans may deny the fact that the companies that conceived and now manufacture these vaccines stand to make a healthy profit in 2021, but we shouldn't lose sight of the fact that profit is the engine of our economic system. If there is no profit at the end of months or years of hard work, we can expect a lot less money to be invested into getting such work done. Fellow feeling and a sense of common cause will only get us so far. For the sake of preserving our ability to

16 Press Releases

FEBRUARY 25, 2021

Pipelines: Canada must end its dependence on the US market

2 MINUTES

Montreal, February 25, 2021 - The revoking of Keystone XL's permit by US President Joe Biden on his first day in office heightens the risk for Canada of depending on a single country for its petroleum product exports. An Economic Note published today by the Montreal Economic Institute points out that the construction of new pipelines on Canadian soil would help the country reduce this risk and maximize revenues from oil exports, thus encouraging job creation and improving Canadian living standards.

"Some 98% of Canada's oil exports go to our southern neighbours," says Miguel Ouellette, Director of Operations and Economics at the MEI. "Putting all of our eggs in the same basket is a risky strategy. The Keystone XL cancellation alone represents a loss of over \$50 million a day in exports for Canada," adds Mr. Ouellette. "Several world markets will experience substantial growth in oil demand by 2045. Demand will surge by 100% in India, and by more than 40% in a number of other Asian countries. This is a golden opportunity for Canada."

"Over the past five years, the federal government collected an average of \$16 billion a year from the oil and gas industry."

47 Fresh Takes

AUGUST 25, 2021
 OLIVIER RANCOURT

Election 2021 - It's Time to Take Concrete Steps to Fight Inflation

2 MINUTES

Since the start of the COVID-19 pandemic, the prices of many goods have jumped sharply. From lumber to real estate to fuel, everything seems more expensive in recent months. Prices have risen so much that Canada's annual inflation rate is now 3.7%, the highest it's been in two years.

Although a part of this increase is due to the pandemic, or rather to related product supply restrictions, certain government policies are also responsible for this inflationary shock. Indeed, between January 1st, 2020 and January 1st, 2021 the quantity of money in circulation almost quadrupled. The substantial expenditures and stimulus measures of the different levels of government acted like an injection of liquidity, while health measures such as social distancing and the multiple lockdowns restrained manufacturing and therefore the quantity of goods and services available. Predictably, this cash infusion increased the demand for goods and services, without a proportionate increase in supply, thus provoking a general increase in prices.

Given the role played by public spending in our rising cost of living, the government must accept responsibility for the consequences of its actions. Once and for all, the federal parties need to commit to seriously reviewing program spending growth and putting an end to temporary aid measures that are fueling inflation. It's time to debunk the myth that spending exorbitant sums of money is the solution to all problems. Spending like there's no tomorrow just creates other problems.

4 Appearances

At public consultations and parliamentary commissions

Social Media

It is clear that since the start of the COVID-19 pandemic, many organizations have been placing increasing emphasis on social media in their communication strategies. The traditional media, which has been going through an international crisis for a few years now, has renewed itself structurally among other things by offering digital editions whose content is widely disseminated on various social networking platforms. This strategic shift opens the door to other audiences, notably the young, who are more and more interested in current issues and public policy debates. We have therefore adapted our strategy to this new reality, directing our efforts toward both renewed traditional media and social media.

Our presence on social networks progressed once again this year. The number of subscribers to our social media accounts reached 29,075 all told. Our team devotes an increasing amount of time to the promotion of our publications and the transmission of our messages on various platforms. In this way, we reinforce our reputation among our traditional audience while forging a new one with other segments of the population.

This year, we published 855 tweets and 996 Facebook posts on our English and French MEI pages. The total number of "likes" of our Facebook pages increased by 32%, and our number of Twitter subscribers by 3.39%.



Facebook

23,264

subscribers to our pages

996

posts

32%

increase in the number of "likes" of our pages for the year (from 17,026 to 22,505)



Twitter

5,811

subscribers to our page

855

tweets

106%

annual increase in the number of mentions of the MEI (from 1,680 to 3,463)

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 continued to eclipse most other news topics, our team pursued its economic education and research work in 2021. Here, then, grouped thematically, are the main publications that helped advance the mission of the Institute last year.



Health Care



In an Economic Note launched in early April, we explained how Quebec could have managed the pandemic differently, all while emphasizing the need for systemic reform of Canada's inflexible, bureaucratic health systems, which were unprepared to face such a crisis. To this day, Quebec's extremely high death count among seniors in long-term care centres at the start of the pandemic continues to raise questions. Our publication challenged the inevitability of these deaths, showing that up to 6,700 lives could have been saved.

This shocking statistic obviously struck a chord with the media. Our publication was cited numerous times, and over several days, notably by journalists from Radio-Canada, TVA, and CTV. We were even cited two weeks in a row on the popular Radio-Canada TV show, *Tout le monde en parle!*

In another publication, we argued for a non-mandatory, decentralized vaccine passport in order to accelerate the reopening of our economy and allow for a quicker end to measures restricting the mobility of Canadian travellers. Our researchers defended their conclusions in several radio and television interviews, including for QUB Radio, CTV News, and CJAD.

An Economic Note looked at the need to make the regulatory review process for new drugs more efficient. It provided two recommendations to help ensure that Canadians have quicker access to medications: make the use of rolling submissions permanent and introduce expedited authorization for drugs already approved by other countries, which is just plain common sense.

In health care, it is important for us not only to point out the flaws in the public system, but also to highlight the contribution of the entrepreneurial sector. As usual, we were therefore also often present in the media on this theme, whether by reacting rapidly to the news of the day with ad hoc press releases, or opinion pieces in the media and on our website. Throughout the year, we continued to present Europe's mixed models, which outperform us in every respect, in order to show that we can for example have private hospitals in a system that provides care to everyone.

Energy and Natural Resources



In February, a publication defended the need to diversify Canadian oil exports by building new pipelines, the safest and greenest way to transport oil. Indeed, the revoking of Keystone XL's permit by US President Joe Biden highlighted the danger for Canada of depending on a single country for its petroleum product exports. The construction of new pipelines on Canadian soil would allow the country to reduce this risk and to maximize revenues from oil exports, thus leading to job creation and the improvement of Canadian living standards.

At the end of August, just as the Quebec government had rejected the Énergie Saguenay liquefied natural gas export project, we published the results of an Ipsos poll showing a considerable gap between the opinions of urban Quebecers, who believe that reducing GHGs should be prioritized over all other goals, and rural Quebecers, who would rather prioritize job creation.

For many years, governments have been piling measure upon measure to reduce greenhouse gas emissions in an effort to fight climate change. We published an Economic Note in early September analyzing the extent to which these public policies have a disproportionate impact on the country's rural regions, while rural Canadians earn incomes that are on average 16% lower than their urban counterparts.

In the context of the 2021 United Nations Climate Change Conference (COP26) in Glasgow, we launched a publication on carbon capture, utilization, and storage technologies, which offer an alternative to the costly regulation of economic activity. The first part of this study examined how these technologies can help governments reach their emissions reduction targets without compromising our standard of living. The second part offered tangible solutions to encourage uptake of these new technologies by entrepreneurs, notably with regard to tax credits.

In November, as COP26 was ending, we commissioned Ipsos to poll Canadians' opinions on various energy issues. The results speak for themselves: only 25% of Canadians (and 36% of Quebecers) are of the opinion that this conference helped find solutions to climate change. Health care and the economy clearly remain the top priorities for the Canadian population, such that 65% of Canadians are not prepared to pay a single cent more to fight climate change.

Entrepreneurship and Public Finances



In February, we published a Viewpoint showing the importance of returning to a balanced budget as soon as possible by controlling expenses. One way to do so is to set up a standing expenditure review committee, as the federal government did in the wake of the 2008-2009 financial crisis.

For over a year, the spotlight has been on governments and the actions they take in the context of the pandemic, at times obscuring the great contribution of entrepreneurs in maintaining a certain quality of life for Canadians in these difficult times. We devoted a publication to the efforts made by entrepreneurs to reinvent themselves, pick up the pace, and help us meet this challenge.

We showed once again that we are not only excellent at explaining economic issues in an accessible manner, but that we can also publish research that serves as a reference

for the most important actors in society, with the 2021 edition of our *Internal Trade Provincial Leadership Index*. This Research Paper illustrated how the removal of internal trade barriers represents an inclusive growth policy for Canada. The authors propose a true free trade agreement among the Canadian provinces, and provide a ranking of the provinces and territories according to their openness to internal trade. Alberta takes first place, while Quebec comes in last. The launch of this Research Paper was a big media hit across Canada. In addition, the prestigious Deloitte firm published a study on the matter and cited the MEI in its acknowledgements. We have high hopes that politicians who want to reduce trade barriers between the provinces will use it to convince their populations and adopt concrete policies.



On the occasion of the tabling of the federal budget in mid-April—the first one in over two years!—we launched a Viewpoint on the ballooning federal debt and the rapid growth of interest payments that will consume more and more government resources in the coming years. In this publication, our researchers shone a spotlight on the growth of debt service charges, and we also updated our federal debt clock, which is turning at an alarming rate. Our debt clock made the rounds on social media, shared by thousands of people. Our researchers also gave several media interviews about our public debt clock.

While certain commentators and politicians are always promoting the superficially attractive idea of a one-time wealth tax to fund excessive spending, we published a Viewpoint on the predictable adverse consequences of this proposal. Several media outlets reported the conclusions of this study, and columnist Diane Francis of the *Financial Post* even devoted one of her columns to our publication.

A Healthy and Stable Financial Position

The MEI's total revenues in 2021, excluding investment earnings, were \$2,520,004, which represents an increase of 3.9% compared to 2020. Total spending amounted to \$2,428,374, which represents an increase of nearly 11.2% compared to 2020. Our operating surplus is \$91,630, or 3.6% of our total budget.

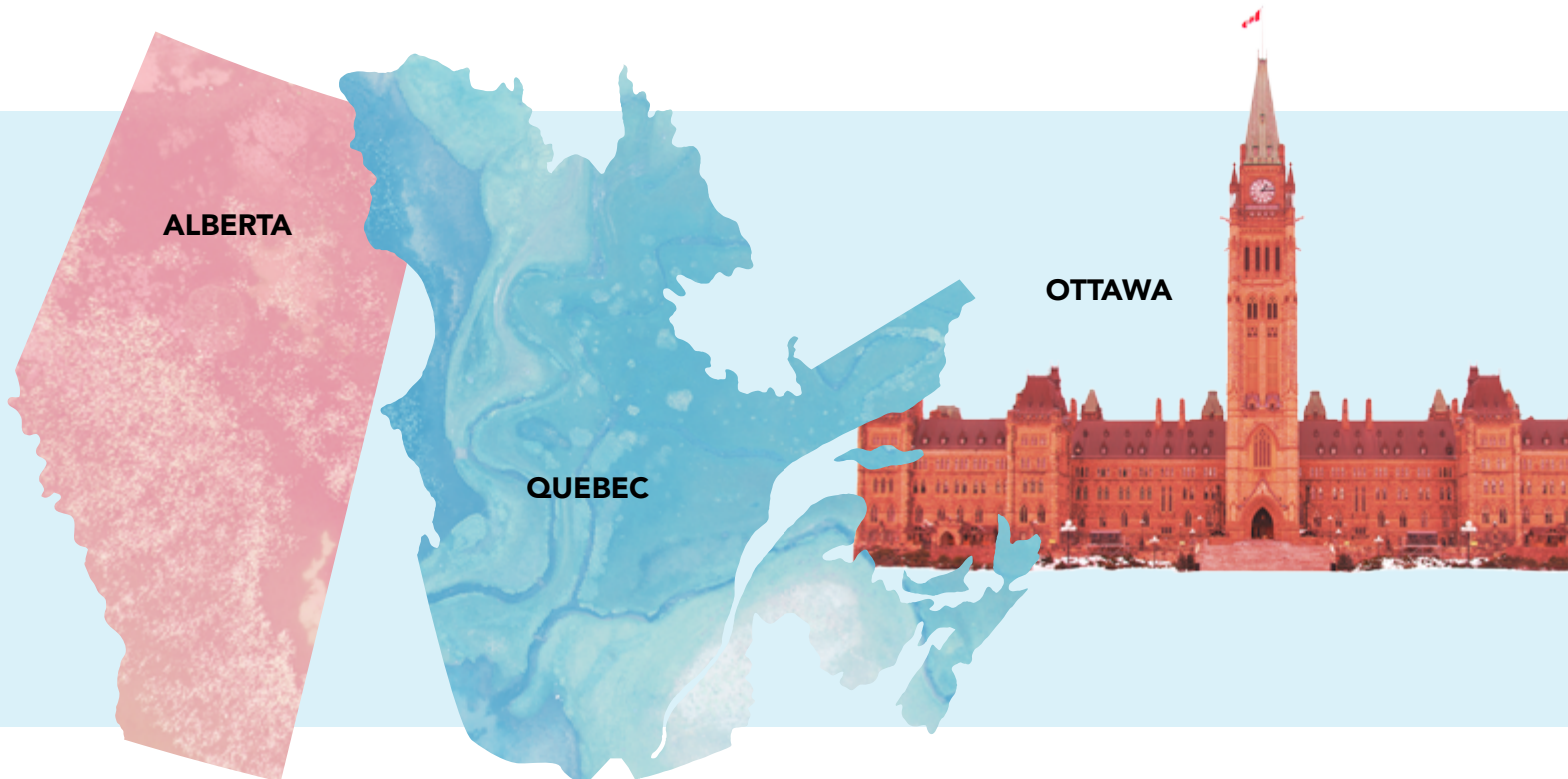
Toward the end of the fall of 2021, we launched a staffing process in order to fill three key positions in:

- research and writing;
- project management and development;
- press relations and communications.

These hires should bring us back to budgetary balance in 2022, even taking into account our expected investment earnings and assuming autonomous revenue growth that is greater than inflation.

In other words, we will definitely still need the renewed support next year of everyone who believes in the importance of our mission, because our unique voice will without any doubt remain a necessary one.

Jurisdictions where the MEI is the most active:





MEI

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