



Institut Économique  
de Montréal

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**ANNUAL REPORT 2001**

The Montreal Economic Institute (MEI) is an independent, non-profit, non-partisan research and educational institute. The Institute attempts to further the understanding of economic issues among Canadians in general, and Francophone Quebecers in particular, by organizing conferences and publishing studies, and through the print and electronic media.

The MEI's mission is to propose original and innovative solutions for the crafting of efficient public policies, using successful reforms applied elsewhere as models. It receives no public funding.

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**OFFICERS (on December 31, 2001)**

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Michel Kelly-Gagnon - Executive Director

Pierre Desrochers - Director of Research

Patrick Leblanc - Director of Events

Avi Sokolova - Administrative Assistant

## **CHAIRMAN'S MESSAGE**

It gives us great pride to present this *2001 Annual Report* with an overview of what the Montreal Economic Institute has accomplished over the past year.

After three years of existence, MEI has moved beyond the start-up stage to become firmly entrenched in Quebec's political and economic landscape. The year 2001 was characterized by a consolidation of its financial position and its activities, as well as by the qualitative growth of its staff and a 100% increase in its media visibility. The regular presence of our institute in prestigious forums such as *La Presse*, *Les Affaires* and *L'actualité* means that its voice is not only respected but is also increasingly familiar in public policy debates in Quebec. For the first time since the start of operations, MEI has also received coverage in English right across Canada.

In light of events that occurred this past year, we cannot place too much emphasis on the importance of having a vigorous and independent source of information such as MEI. In 2001, Quebec and Canada faced a stock market decline and the first major economic slowdown in a decade. MEI had something pertinent to say on the crucial issues that continue to concern most people: the health crisis, educational reform, excessive taxation, and so on. More than ever, it is important to give our fellow citizens a rigorous and passionate explanation of the principles and mechanisms needed for a market economy to perform well.

Our visibility has led some people to believe that MEI has dozens of employees. In fact, this small team has just four full-time employees. Its exceptional dynamism and productivity may be slightly misleading! Michel Kelly-Gagnon and his team deserve our complete admiration. It also goes without saying that the generous support of our donors and sympathizers is an essential element in the success that MEI has achieved. Those who have contributed to this success will discover that their time, money and effort have produced real results.

**Adrien D. Pouliot - Chairman of the Board**

## **EXECUTIVE DIRECTOR'S MESSAGE**

The year 2001 was MEI's second full year of activity. Apart from a few shifts in staff and financial revenues, the year's most noteworthy change has undoubtedly been our higher visibility in the media.

### **Staff**

Our administrative manager Geneviève Chrétien left for a long maternity leave and was replaced by Avi Sokolova, a young woman who holds a diploma from the faculty of physics at the University of Sofia in Bulgaria and who has lived in Canada since 1998.

Our part-time economist Norma Kozhaya also left us. On the other hand, MEI's ranks now include a full-time research director. Pierre Desrochers holds a Ph. D. in economic geography from the University of Montreal and has performed post-doctoral work at Johns Hopkins University in Baltimore. His main fields of interest are economic development, environmental and urban policies, and public finance. His abilities will help us act more quickly and directly in several areas without having to look to outside researchers.

### **Events and publications**

Among the main themes raised this past year have been economic growth and the fight against poverty, as well as globalization, municipal mergers, health care reform, and deregulation of electricity markets. About 1,300 people attended the eight major events organized by MEI and the other public events in which we took part, for an average of about 100 people per event.

MEI publishes two main types of studies: the small-format Economic Notes and the weightier Research Papers. (A complete list of our publications appears below.) These studies are distributed to all our donors and subscribers, as well as to the media and university researchers specializing in the fields covered.

### **Media coverage and influence**

MEI's goal is to disseminate the results of its research and to contribute to the economic education of Quebecers. We don't just give out numbers — government departments, universities, various commissions, and other research institutes already produce more than enough of those! We also seek to create a better understanding of the mechanisms and principles that underpin the operation of a market economy and influence our standard of living. The more our fellow citizens are able to identify and grasp the pertinent issues in public

policy debates, the better the chances of seeing our leaders adopt policies that are not only fruitful in electoral terms but also rational, fair and efficient in an economic sense.

Media coverage of MEI more than doubled in 2001 compared to the previous year, constituting our greatest achievement. (A complete list of our media archives is available on our Web site.)

We were mentioned 430 times in newspaper articles and in reports and interviews on radio or television in 2001 (as against 175 in 2000), equal to an average of more than one media hit every day. This includes columns and opinion articles signed by myself or by MEI collaborators in newspapers and magazines. This formidable growth in our media visibility is one of the criteria that can be used to judge how well we are fulfilling our mission.

All our initiatives have created interest among media or decision-makers, but it is worth devoting a few lines to providing some details of the impact that our small team has managed to obtain in particular areas.

Our *Report Card on Quebec's Secondary Schools*, published in cooperation with the Fraser Institute of Vancouver and reproduced in its entirety this year in a special issue of *L'actualité* magazine, was once again the object of widespread attention for several days. According to estimates from the Print Management Bureau, some 1,043,000 readers took a glance at this special issue. On the very day it came out, the Quebec Minister of Education and the main spokesmen for the education establishment felt it necessary to react. Because our *Report Card* very obviously responds to a real demand from parents and has become impossible to ignore, it has already changed the terms of the debate on the quality of education. The Quebec government now feels obliged to publish its own figures and to indicate its agreement, if not with the *Report Card's* methodology, then at least with its principle.

Representatives of the school milieu remain broadly hostile to the idea of evaluating the performance of schools, but MEI has nonetheless won the public opinion battle. A poll published in the special issue of *L'actualité* found that between 75% and 82% of respondents support our initiative, depending on the question being asked. The *Report Card's* effects have even been felt in terms of registration requests at private schools, which people in the education field say have risen in response to the high scores achieved by these schools in the *Report Card's* first edition. For a socio-economic study to have such an impact on the conduct of thousands of people is in itself quite a phenomenon.

The Montreal Economic Institute can also be proud of having influenced the course of the debate currently raging across Canada in the crucial issue of health care reform. In the fall of 2000, MEI took the initiative of inviting John Hjertqvist, a Swedish consultant who played a major role in reform of the health care system

in his country. Mr. Hjertqvist explained to us how Sweden managed to introduce notions of competition, privatization and decentralization to health care without compromising the universality of services. He returned to Canada in 2001 at the invitation in particular of our colleagues at the Frontier Centre in Winnipeg, and the Swedish case is now mentioned as an example in nearly every discussion on the subject. Various study groups, including the Mazankowski Commission in Alberta, have suggested reforms inspired by what is being done in Sweden. Our study on this subject, *Universal Private Choice*, continued to circulate in 2001 with a reprinting as well as presentations to various groups and official government commissions.

I would like finally to mention our Economic Note on interprovincial barriers and our conference on equalization with Nobel Prize-winner James Buchanan, both of which achieved exceptional coverage across Canada in English as well as in French. This shows that we are a provincial think tank that is fully capable of dealing effectively with national themes when necessary.

Interprovincial barriers may not be the hottest topic around, but it is a crucial issue for many sectors of the Canadian economy and for our prosperity. It also has great symbolic importance. At a time when we have free trade in North America and are talking about eliminating trade barriers at the planetary level, it is patently absurd that barriers remain even within Canada. Other institutes have attempted to raise interest in this topic over the last few years. A federal body was even created to advance the issue. But it was our Economic Note that finally brought this subject onto the agenda with 50 media hits (including four favourable editorials and four positive economic columns) across Canada, from *The Cape Breton Post* to the *Saskatoon Star Phoenix*, not to mention *The Windsor Star* and the *Kingston Whig Standard*.

The year ended on a high note, with a *National Post* editorial on December 27 inviting Finance Minister Paul Martin to follow the recommendations that my colleagues from other institutes and myself suggested concerning the reform of equalization programs following Professor Buchanan's talk.

### **Web site**

Once again this year our site has achieved higher traffic, with an exceptional peak on the days following the publication of the *Report Card on schools*. By the end of the year, the site was receiving a daily average of 300 visitors who consulted a total of about 1,300 pages.

## **Financial position**

Fund-raising efforts achieved slightly less abundant results in 2001 than in the previous year, but our financial position remains excellent. Our annual revenues, which were \$278,838 in 1999 and \$603,500 in 2000, stood at \$573,818 this year. Our expenses (salaries, operating costs, conference organization and publications) were \$466,907 this year. Our surplus at the end of the year reached \$106,911.

### **2001 Financial Results**

Revenues from donations	\$541,521
Other revenues	\$32,297
Total revenues	\$573,818
- Expenses	\$466,907
= Surplus	\$106,911

We are continuing our efforts to broaden our donor base, particularly with regard to multi-year contributions, to assure MEI's long-term financial stability. I hope the achievements mentioned in this report will encourage you to join the ever-growing ranks of our supporters.

**Michel Kelly-Gagnon - Executive Director**

## **THE MEI'S CONFERENCES AND ACTIVITIES IN 2001**

### **February 10, 2001 – Students Seminar: How the market promotes individual choice and freedom**

A day-long seminar on various public policy issues presented by the MEI and the Fraser Institute.

### **February 28, 2001 – The Scope of Government and the Wealth of Quebecers**

Conference on the relation between government spending and the standard of living of Quebecers by Robert Lawson, George H. Moor Chair of Business and Economics, Capital University, Columbus, Ohio.

### **March 20, 2001 – Growth is Good for the Poor**

Conference on policies that favour economic growth and reduce poverty levels by Aart Kraay, Senior Economist at the World Bank (presented in collaboration with Financial Executives International).

### **April 18, 2001 – Renewing the Agenda: Globalization and Latin American**

Economic Progress Conference on Latin America's economic future by Ian Vásquez, Director of Project on Global Economic Liberty at the Cato Institute.

### **May 18, 2001 – Let's Break Up The Big Cities**

Conference on municipal reform in the United States and the lessons it holds for Canada by Howard Husock, Director of case studies in public policy and management at the Kennedy School of Government, Harvard University.

### **May 30, 2001 – La libéralisation des marchés de l'électricité**

Launch of the book *La libéralisation des marchés de l'électricité* co-authored by Michel Boucher and Henri Lepage.

### **May 30, 2001 – Deregulation of the electricity market in North America**

Conference on Hydro-Quebec in the North American context at the convention of the Association internationale des économistes de langue française (AIELF) by Michel Boucher, co-author of the book *La libéralisation des marchés de l'électricité*, published by the MEI.

### **June 6, 2001 – Presentation before the Canadian Democracy and Corporate Accountability Commission**

Presentation made by Michel Kelly-Gagnon before the Canadian Democracy and Corporate Accountability Commission, copresided by Ed Broadbent and Avie Bennett.

### **September 20, 2001 – Universal Private Choice: Medicare Plus - A concept of health care with quality, access and choice for all Canadians**

Presentation by J. Edwin Coffey, co-author of the study, and Michel Kelly-Gagnon as part of the 9th annual convention of the Association des résidences pour retraités du Québec in Sainte-Adèle, Quebec.

**October 25, 2001 – Equalization: Welfare trap or helping hand?**

Roundtable discussions followed by a Luncheon Conference with James Buchanan, Nobel Prize Laureate in Economics (1986) on the topic of the Canadian equalization program. This event was organized in collaboration with the Atlantic Institute for Market Studies (Halifax) and the Frontier Centre for Public Policy (Winnipeg).

**October 31, 2001 – Universal Private Choice: Medicare Plus - A concept of health care with quality, access and choice for all Canadians**

Presentation by J. Edwin Coffey, co-author of the study, and Michel Kelly-Gagnon before the Standing Senate Committee on Social Affairs, Science, and Technology, on the topic of health care reform.

**November 2, 2001 – Report Card on Quebec's Secondary Schools, 2001 Edition**

Launch of the *Report Card on Quebec's Secondary Schools, 2001 Edition*, with the co-authors Richard Marceau and Peter Cowley.

**December 11, 2001 – Le Bulletin des écoles: pertinence et validité**

Conference presented by Richard Marceau, co-author of the Report Card on Quebec's Secondary Schools, before the Association des économistes québécois (section Vieille capitale) in Quebec city.

**THE MEI'S PUBLICATIONS IN 2001**

**January 2001 – La valeur économique des eaux souterraines: État de la question et exemple d'estimation pour le nord de Montréal**

Research Paper on the economic value of the underground water resources in the area north of Montreal by Michel Martin, independent consultant, and Richard Marceau, professor at the École nationale d'administration publique.

**February 2001 – The Scope of Government and the Wealth of Quebecers**

Economic Note on the relation between government spending and the standard of living of Quebecers prepared by Robert A. Lawson, Ph. D., George H. Moor Chair of Business and Economics at Capital University in Columbus, Ohio, with the collaboration of Michel Kelly-Gagnon, Executive Director of the Montreal Economic Institute.



**March 2001 – La croissance profite aux pauvres**

This Economic Note on policies that favour growth and help reduce poverty levels summarizes a study titled *Growth Is Good for the Poor* done by two economists at the World Bank, David Dollar and Aart Kraay.

**May 2001 – La pauvreté n'est pas une condition permanente**

This Economic Note shows that contrary to what is often claimed, poverty is not a permanent condition for a large number of Canadians.

**June 2001 – La libéralisation des marchés de l'électricité**

Essay on the evolution of electricity markets in North America by Michel Boucher, professor at the École nationale d'administration publique and Henri Lepage, director of Institut EURO 92 and consultant in France.

**August 2001 – Why We Need Free Trade in Canada**

Economic Note on the barriers to interprovincial trade in Canada prepared by Robert Knox, former civil servant in charge of federal policy for internal trade, with the collaboration of Michel Kelly-Gagnon, Executive Director of the MEI.

**September 2001 – Universal Private Choice: Medicare Plus - A concept of health care with quality, access and choice for all Canadians (2nd Edition)**

Research Paper prepared by J. Edwin Coffey, retired Associate Professor at McGill University's Faculty of Medicine and former President of the Quebec Medical Association and Jacques Chaoulli, General Practitioner, with a new preface by David Gratzer, physician and author.

**October 2001 – The economic arguments against municipal mergers**

Economic Note on the consequences of forced municipal mergers in Montreal and other major urban centres in Quebec.

**November 2001 – The Report Card on Quebec's Secondary Schools, 2001**

Second annual release of this Report Card, which provides an annual, independent measurement of school performance. Co-written by Richard Marceau, professor at ÉNAP, and Peter Cowley, Director of School Performance Studies at the Fraser Institute, with the collaboration of Sylvain Bernier, doctoral student at ÉNAP.