The Montreal Economic Institute (MEI) is an independent, non-profit, non-partisan economic research and educational institute.

The MEI participates in debates on Quebec and Canadian public policy by providing wealth-generating solutions, primarily in areas of taxation, regulation, health and education reform.

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With barely seven years under the belt of the Montreal Economic Institute, its collaborators and partners have every reason to be proud of the place it has carved out in the domain of Quebec public affairs. It’s as if we had been around for decades!

This can be explained by the fact that the MEI has focused on topics pivotal to people’s lives in Quebec: health care, education, tax matters, and regulations that hinder wealth creation. We have instilled a strong set of values throughout the organization, with its success depending on the credibility it earns. Intellectual rigour and professionalism have been present every inch of the way.

That is the role of a think tank like the Montreal Economic Institute: providing our fellow citizens with economic analyses that are both solid and accessible, dealing with central issues of public policy. The more clearly a broad populace understands the economic stakes involved in issues of public debate, the greater the likelihood that Quebec’s leaders will adopt rational policies.

Our slogan “ideas for a more prosperous nation” expresses our mission clearly. Our ideas help others in their reflections on public policy. The documentary film The Quiet Illusion takes up some of the themes popularized by the Institute. The film has raised a stir in Quebec by pointing to the deeper causes of our social and economic malaise – causes such as a culture of acquired rights, government and union monopolies, and ideological currents that provide a cover for corporatist interests.

This was a year of transition in the Institute’s management ranks with the departure of Michel Kelly-Gagnon, our former president. We were sorry to see him leave but can take pride in watching him pollinate another organization, as occurred in 2005 with Maxime Bernier, now the federal minister of Industry. The MEI has continued to progress during this busy year as the message from our new president makes clear. I wish to salute our employees’ passion and commitment along with our donors’ patience and wisdom. This has helped smooth the transition to new management.
I welcome the new president, Paul Daniel Muller, who took up his duties in September after serving as an associate researcher at the Institute since 2003. The board of directors has chosen an economist who blends inside experience in public policy with practice in public affairs consulting. Paul is convinced that Quebec needs, more than ever, a spearhead like the Institute to shake up accepted ideas.

After seven years chairing the board of directors, the time has come for me to pass the torch. Hélène Desmarais became chairman of our board in March 2007. Hélène, an experienced leader, is as convinced as I am that we need new ideas to enable Quebec to move forward. I pass the reins to her with great confidence.

My position as chairman has been among the most enriching experiences of my career. It will remain a huge source of pride. The Institute’s success derives from the fact that its researchers have always had the courage to express loudly and clearly what they have believed to be true without fearing a call to arms from those who felt under attack in their privileges, monopolies or corporatist benefits. I wish to thank these researchers, along with my board colleagues and the many donors who have supported us over the years.

While other organizations pretend to contribute to pluralism while relying on government financing, the MEI has grown thanks to voluntary assistance from hundreds of private foundations, businesses and individuals. In this regard it is truly independent. If you are not yet among those supporting one of the most influential think tanks in Canada and in the French-speaking world, I hope the achievements laid out in this report will convince you of the need to join in!

Adrien D. Pouliot  
Chairman of the Board

“When I addressed the Montreal Economic Institute in November, they assembled some of the top business and political leaders not just of Montreal, but of Canada. I was impressed by the range and authority of those they work with.”

- Madsen Pirie, President, Adam Smith Institute (United Kingdom)
The Montreal Economic Institute aims through educational work to enhance the general public’s understanding of economic phenomena. We promote the adoption of public policies motivated by economic logic with a focus on wealth creation.

The effectiveness of a think tank such as the MEI can be assessed by means of three criteria. First, by seeing to what extent it reaches the public, especially via the media. Second, by gauging the resonance created by its ideas. Are its arguments being taken up elsewhere? Is its work being quoted? Are its researchers invited to speak at other forums? Third (and this is the most demanding criterion), by seeing how far public policy is really changing in the direction of ideas advanced by its researchers. By each of these three criteria, the MEI is truly an effective think tank.

GROWTH IN THE DISSEMINATION OF IDEAS

The Institute has again benefited from broad media coverage. Some 1,623 articles and news reports mentioned the Institute in 2006, compared to 1,350 a year earlier. This is a 20% rise.

With close to a million unique visitors in 2005-06, nearly triple the number in the previous period, our bilingual website is reaching an impressive audience in Quebec and around the world.

Our media visibility is extensive, not only in its magnitude but also in its geographic range and quality. Some of our publications have had an effect across Canada. More than 130 opinion pieces signed by our researchers were published in daily papers and specialized magazines. We have had a regular presence, more than once a month, in Canada-wide newspapers such as the National Post. Institute representatives signed more than 15 columns in the weekly business paper Les Affaires.

With the publication of her book La face cachée des politiques publiques (The Hidden Face of Public Policy), our economist Nathalie Elgrably became a true media phenomenon. She continues her weekly column on public policy issues each Thursday in Le Journal de Montréal, Quebec’s most widely read newspaper, as well as in Le Journal de Québec in Quebec City. She is invited on a regular basis to give her opinion on public affairs programs produced by various broadcasters. Few think tanks anywhere in the world are able to reach the general public as directly and regularly through major channels such as these.

We should also point out that the MEI achieved another distinction in 2006: Le Trente magazine, published by Quebec’s federation of professional journalists, spitefully ranked it among the five most overexposed sources in Quebec.
INFLUENTIAL PUBLICATIONS

The year 2006 marked a major step in questioning the famous “Quebec model”. The Institute contributed to this ideological renewal by informing the public of Quebec’s true economic situation and the wealth-creating policies it could adopt.

Among our contributions, we can point to a study by our economist Norma Khozaya on Quebec’s relative poverty in North America. Her Economic Note on this topic nourished doubts regarding the notion that Quebec is more egalitarian than its neighbours. The central argument in this study was taken up by numerous observers, including columnist Alain Dubuc in La Presse.

Our propensity to challenge commonly accepted ideas also brought us into the field of transport and housing in the Montreal metropolitan area. A Research Paper prepared by our associate researcher Wendell Cox concluded that Montreal is more competitive because of its suburban development. This study enabled us later to intervene in favour of a project to extend Highway 25.

In the area of social policy, another Economic Note signed by Norma Khozaya dealt with the Quebec system of subsidized childcare, supposedly more universal and equitable than the previous system of parental assistance. Our study showed that, on the contrary, the current system is becoming increasingly expensive and heavily restrains the options available to thousands of families. The alternative approach suggested in this Note has been adopted by one of the three main political parties on the provincial scene.

In September, a study signed by former executive vice-president Tasha Kheiriddin examined the Quebec government’s efforts to lighten taxes and the burden of government. The study found that little had been achieved compared to the government’s initial promises, and it
generated extensive media coverage. The study’s conclusions were hotly challenged by the premier and two other government ministers, until a number of columnists, including Alain Dubuc and Claude Picher of La Presse, said the author was correct.

As it has done each year since 2000, the Institute issued its annual Report Card on Quebec’s Secondary Schools in collaboration with the Fraser Institute, with 2006 marking the seventh edition. Thanks to our media partnership with L’Actualité magazine, it reached more than a million parents, students and people in the education field. Reporting by journalists with L’Actualité helped bring the Report Card’s raw numbers to life. This publication has become an indispensable reference tool for parents seeking to be knowledgeable in the choice of their children’s school or showing interest in the quality of education provided. This exercise also helps establish a culture of choice and responsibility in Quebec.

In addition to these dossiers, 14 other publications, not counting translations, marked a very productive year in fields including the debt, subsidies to business, management of automobile insurance and flexibility of the labour market. They are all listed in this report and can be downloaded free of charge from our website.

Finally, let us note that our 2005 study on privatization of the Société des alcools du Québec kept the ink flowing in 2006. A number of editorialists and columnists praised the study’s quality and relevance. This shows unmistakably that we can influence various areas of debate and public opinion when we rely on rigorous, well documented research.

**PRIVATE HEALTH INSURANCE: THE INSTITUTE HAS HELPED GET REFORM STARTED**

The MEI has aimed since 2001 to inform the public on the limits of our monopoly system and to propose alternatives that rely on market mechanisms. In 2006, in the wake of...
the Supreme Court ruling in the Chaoulli case, the Quebec government introduced Bill 33 eliminating the government health insurance monopoly with respect to three surgical procedures.

In preparation for the bill, the Institute published in 2006 an Economic Note on a model that the Supreme Court ruling anticipated, namely duplicate insurance covering all health care. We then presented a brief to the National Assembly showing the advantages of establishing a regulatory framework that would eliminate Quebec’s public health insurance monopoly and enable Quebecers to benefit fully from the development of new private insurance.

In October, the MEI ordered its third cross-Canada opinion poll on Canadian attitudes toward the private sector in health care. This poll revealed that two people out of three in Quebec would favour the Quebec government opening access to private health insurance for all medically required care already covered by the public system. These polls are an effective complement to our studies in raising the interest of media and decision-makers.

Through its actions on this issue over the years, the MEI is proud to have contributed to Quebec adopting an initial reform curtailing the public monopoly on health insurance.

In 2006, the Montreal Economic Institute organized nine events enabling members of the public to hear and meet opinion leaders. This included a talk by Claude Ruey, leader of the Swiss Liberal Party, who spoke of his country’s health care system before more than 200 persons. This speech provided a clearer understanding of the private sector’s potential role in financing the health care system and providing services.

Another noteworthy speech was given by Len Shackleton, dean of the Westminster Business School, on reforms undertaken in Britain by Margaret Thatcher, the decline of unions and the surge of the British economy. The Thatcher period was also the topic of a speech by Madsen Pirie, president of the Adam Smith Institute of the U.K., at a dinner at Toronto’s Empire Club.
In December 2006, for the second time, the Institute held the Jean A.
Pouliot lecture, named after one of our earliest supporters and sponsored
by his family. Pascal Salin, professor of economics at Université Paris-
Dauphine and former president of the Mont Pelerin Society, spoke eloquently
of tax competition at the international level.

The MEI is also increasingly present in specialized fields. We held 13 events
for students, the opinion leaders of tomorrow. Our researchers also gave
31 talks in events organized by third parties such as the Association of
Apartment Owners of Greater Montreal.

A SOUND FINANCIAL SITUATION

The MEI is financed entirely through donations from individuals,
businesses and foundations, through the sale of its publications, and
through sponsorships and entry fees to events it holds. To maintain its
independence, the MEI does not receive or solicit public funds and
seeks to diversify its sources of financing.

In 2006, our financial situation has remained healthy. Income came to
$1,271,979, down 10% from the previous year in a context of transition
between the former and new presidents. Spending also declined, falling
to $1,163,212, down 17% from 2005. The 2006 fiscal year ended with a
surplus of $108,767. Our accumulated surplus stands at $830,545,
a modest amount though still adequate to ensure our stability and
independence. This financial independence enables the Institute to speak
out freely on any issue of public policy. In this way it serves the greatest
numbers of people, namely consumers and taxpayers.

Continued support from our donors, sponsors and subscribers to our
publications is, of course, essential to the Institute’s existence and progress.
We offer warm thanks to these people and entities, and we urge them to
renew their support in 2007. The Institute also has the good fortune to
count on a highly professional and motivated staff whose commitment
we are pleased to salute.
MEI PUBLICATIONS IN 2006

January – Reforming dairy supply management in Canada: the Australian example
Economic Note on the supply management system in Canada’s dairy industry

March – Contributions à l’assurance automobile: le prix de la procrastination
Le Point de l’IEDM on the Société de l'assurance automobile du Québec’s financial woes

March – Choosing a regulatory framework for private health insurance
Economic Note on the best way to regulate private health insurance

March – Avant de rembourser la dette, le gouvernement doit baisser les impôts
Le Point de l’IEDM on the impact of a personal income tax reduction on government’s budgetary revenues

April – La face cachée des politiques publiques
Book that examines various fallacies seen in public policy

April – The pernicious effects of price controls
Economic Note on the effects of controls such as floor prices and ceiling prices

May – Quebec’s Relative Poverty
Economic Note on the living standards of people in Quebec compared to the rest of North America

June – Rebalanced and Revitalized – A Canada Strong and Free
Third part of a discussion paper by Mike Harris and Preston Manning on federal government policies

June – Are business subsidies efficient?
Economic Note on the economic effects of business subsidies

June – Housing and Transportation in Montreal: How suburbanization is improving the region’s competitiveness
Research Paper on the impact of suburbanization on a metropolitan area’s competitiveness

June – Canada and the liberalization of air transport markets over the Atlantic
MEI’s Flashpoint on the liberalization of air transport markets

September – Liste exhaustive des impôts payés par les contribuables québécois
A list of most taxes paid by Quebec taxpayers

September – Taxation and the Role of the State: A Report Card on the Charest Government
Economic Note on the Charest government’s economic achievements since it was elected

October – 7$-a-day childcare: Are parents getting what they need?
Economic Note on the perverse effects of a subsidized childcare system

Annual evaluation of the performance of Quebec’s high schools

November – Building Prosperity in a Canada Strong and Free
Fourth part of a discussion paper by Mike Harris and Preston Manning on federal government policies

November – How to make the Canadian airline industry more competitive
Economic Note on the negative effects the tax load has on the Canadian airline industry

December – Friedrich A. Hayek, ennemi de la servitude
French condensed version of the book The Road to Serfdom (1944) by Friedrich A. Hayek

December – The minimum wage and labour market flexibility
Economic Note on the impact of institutional constraints on the labour market
EVENTS ORGANIZED BY THE MEI IN 2006

February 4 – Annual MEI / Fraser Institute Student Seminar
Seminar on public policy organized for CEGEP and university students

February 23 – Reforming Dairy Supply Management in Canada
Luncheon speech and round table discussion with Valentin Petkantchin, MEI Director of Research

March 9 – Recognizing the Courts’ Influence on Public Policy
Luncheon speech with John Carpay, Executive Director of the Canadian Constitution Foundation

April 4 – La face cachée des politiques publiques
Launching of the book La face cachée des politiques publiques (The Hidden Side of Public Policy) by Nathalie Elgrably, MEI Economist

May 18 – The Swiss Health Care System: A Model for Quebec
Luncheon speech with Claude Ruey, president of the Liberal Party of Switzerland

June 20 – Housing & Transportation in Montreal: How Suburbanization is Improving the Region’s Competitiveness
Luncheon speech with Wendell Cox, independent consultant and visiting professor at the Conservatoire national des arts et métiers in Paris

September 25 – From Thatcher to Blair: How the Decline of Unions Unleashed British Economic Growth
Conference with Len Shackleton, dean of the Westminster Business School in collaboration with the Canadian LabourWatch Association and the McGill North American Studies program

November 1 – Suburbanization and Automobile Use: Myths and Realities
Conference with Martin Masse, MEI Director of Research and Publications, at Concordia University

December 5 – Jean A. Pouliot Lecture Series
Second edition of the Jean A. Pouliot Lecture Series with Pascal Salin, professor of economics at Université Paris-Dauphine
January 25 – Private Health Insurance: Threat or Opportunity?
Presentation by Michel Kelly-Gagnon, MEI President, as part of a conference organized by Insight Information in collaboration with the MEI

January 26 – Privatization of Health Care
Presentation by Valentin Petkantchin, MEI Director of Research, at a lunch-debate organized by the Chaire publique de l’Université Laval

February 28 – Is Our Health Care System in Peril?
Participation by Valentin Petkantchin, MEI Research Director, at a round table discussion held at Concordia University’s School of Community and Public Affairs

March 17 – Mises Institute’s Austrian Scholars Conference 2006 (Auburn, Alabama)
Two employees of the MEI, Martin Masse, Director of Publications, and Valentin Petkantchin, Director of Research, took part in this event thanks to a generous grant from the Lotte & John Hecht Memorial Foundation

March 23 – New Strategies for the Financing and Delivery of Medical, Hospital and Pharmaceutical Services (Post-Chaoulli)
Presentation by Edwin Coffey MD, MEI Senior Fellow, at the National Pharmaceutical Strategy Symposium held in Ottawa.

April 19 – The Welfare State and Quebec’s Relative Poverty
Presentation by MEI Economist Norma Kozhaya as part of the Alliance culturelle’s Rendez-vous du mercredi

April 29 – Can the Private Sector Be a Solution to Problems of Accessibility of Health Care Services?
Debate with, among others, Norma Kozhaya, MEI Economist, as part of the annual convention of the Quebec Medical Association held in Montreal

May 3 – Is Government Control of the Liquor Trade Still Justified?
Debate held at CEGEP Édouard-Montpetit between Nathalie Elgrably, MEI Economist, and Éric Brunet, president of the SAQ’s store and office employees’ union

May 7 – Is Bigger Really Better?
Lessons from Municipal Amalgamation in Quebec and Ontario
Presentation by Tasha Kheiriddin, MEI Vice President, at the Civitas annual national conference in Ottawa

May 27 – For Lucidity or Solidarity in Quebec?
Presentation by Norma Kozhaya, MEI Economist, as part of the Quebec Liberal Party Youth Commission’s Youth Delegate Assembly held in Chertsey, Québec

June 3 – Private vs. Public Health Care Delivery
Panel with, among others, Dr. J. Edwin Coffey, MEI Senior Fellow, as part of Sustaining Health and Healthcare - Bold New Horizons, a conference held in Toronto by the Coalition of Family Physicians of Ontario

June 30 – A Canadian Observer’s View of the North American Air Transport Industry
Presentation by Pierre Jeanniot, former president and CEO of Air Canada, director general emeritus of the IATA and MEI Senior Fellow, as part of the Global Air Transport Outlook Conference held in Montreal by the International Civil Aviation Organization (ICAO) and Airports Council International (ACI)
August 5 – Reforming the Taxation System in Quebec
Presentation by Tasha Kheiriddin, MEI Vice President, as part of the Quebec Liberal Party Youth Commission’s assembly held in St-Augustin-de-Desmaures, near Quebec City

August 17 – Economic Prosperity According to Conservative Thinkers
Presentation by Tasha Kheiriddin, MEI Vice President, as part of the summer school of the Institut du Nouveau Monde, at Université du Québec à Montréal

August 30 – Hayek’s The Road to Serfdom
Presentation by Jasmin Guénette, MEI Director of Public Affairs, of a French condensed version of the book *The Road to Serfdom* (1944) by F.A. Hayek as part of the 29th Université d’Été de la Nouvelle économie, at Aix-en-Provence in France

September 12 – Unfreezing Tuition Fees in Quebec Universities?
Presentation by Norma Kozhaya, MEI Economist, at the Université de Sherbrooke organized by the university’s student federation

September 16 – Imposing Fees on Water Consumption
Presentation by Nathalie Elgrably, MEI Economist, as part of the Festival Écolo de Montreal, at La Petite Marche

September 19 – Rent-Control: The Most Efficient Technique to Destroy a City, Except for Bombing!
Presentation by Nathalie Elgrably, MEI Economist, at a meeting held in Sherbrooke by the Regroupement des propriétaires d’habitations locatives

September 19 – Performance Rating in Health Care
Presentation by Norma Kozhaya, MEI Economist, as part of a conference by Insight Information, in Montreal

September 25 – Public Transit and Automobile Use: How is Quebec City Performing?
Participation of Martin Masse, MEI Director of Research and Publications, to a panel organised by Univert Laval at Université Laval, in Quebec City

September 27 – The Hidden Side of Public Policy
Presentation by Nathalie Elgrably, MEI Economist, at a luncheon held by the Jeune chambre de commerce de Québec

September 28 – Tuition Freeze in Quebec Universities
Presentation by Norma Kozhaya, MEI Economist, as part of a debate organized at Université Laval, in Quebec City

October 11 – Hayek’s The Road to Serfdom
Presentation by Jacques Garello, professor at the Université d’Aix Marseille III, of a French condensed version of the book *The Road to Serfdom* (1944) by F.A. Hayek as part of a conference held at the Assemblée Nationale in Paris

October 21 – Public Administration in Quebec
Participation of Nathalie Elgrably, MEI Economist, to a round table discussion as part of the Quebec City–Chaudière-Appalaches symposium held by the Action démocratique du Québec (ADQ)
PUBLIC CONSULTATIONS 2006

EVENTS IN WHICH MEI RESEARCHERS PARTICIPATED IN 2006

November 2 – Magical Thinking and Economic Reality
Presentation by Martin Masse, MEI Director of Research and Publications, at CEGEP de Saint-Jérôme

November 11 – Public and Private Financing of Health Care
Participation of MEI economist Norma Kozhaya to this panel as part of the “Réseauter, Innover, Ressourcer et Échanger” regional conference held in Quebec City

November 11 – The Role of the Quebec Government
Presentation by Nathalie Elgrably, MEI Economist, as part of the Colloque régional Capitale Nationale held in Quebec City by the Quebec Liberal Party

November 22 – The Role of Government and Agricultural Subsidies
Presentation by Nathalie Elgrably, MEI Economist, before the students of the McGill University Farm Management & Technology program

November 23 – Striking a Balance Between the Public and Private Sectors in Health Care
Presentation by Norma Kozhaya, MEI Economist, as part of the “Privatisation des soins de santé au Québec” conference organized by the Canadian Institute, in Montreal

December 12 – Rent-Control: The Most Efficient Technique to Destroy a City, Except for Bombing!
Presentation by Nathalie Elgrably, MEI Economist, at the annual conference of the Apartment Owners Association of Greater Montreal

December 13 – Do Greenhouse Gas Emissions Justify Government Intervention?
Presentation made by Pierre Desrochers, MEI Associate Researcher, as part of a luncheon-debate organized by the Institut économique Molinari, in Paris

May 17 – For Real Access to Private Health Insurance in Quebec
Presentation of a brief by Norma Kozhaya, MEI Economist, before the Quebec National Assembly’s Social Affairs Committee as part of the general consultation on the document entitled Guaranteeing Access: Meeting the Challenges of Equity, Efficiency and Quality

June 15 – Ensuring an Open, Predictable and Efficient Canadian Domestic Market that Optimizes the Productivity and Competitiveness of Canada’s Economy
Presentation by Robert Knox, MEI Senior Fellow, before the Standing Senate Committee on Banking, Trade and Commerce as part of its study on barriers to interprovincial trade

2006 OPINION POLLS

FEBRUARY ▶ Quebeckers’ Opinion on Privatizing Retail Trade of Alcohol

JUNE ▶ Quebeckers’ Opinion on Business Subsidies

OCTOBER ▶ Canadians’ Opinion on Access to Health Care