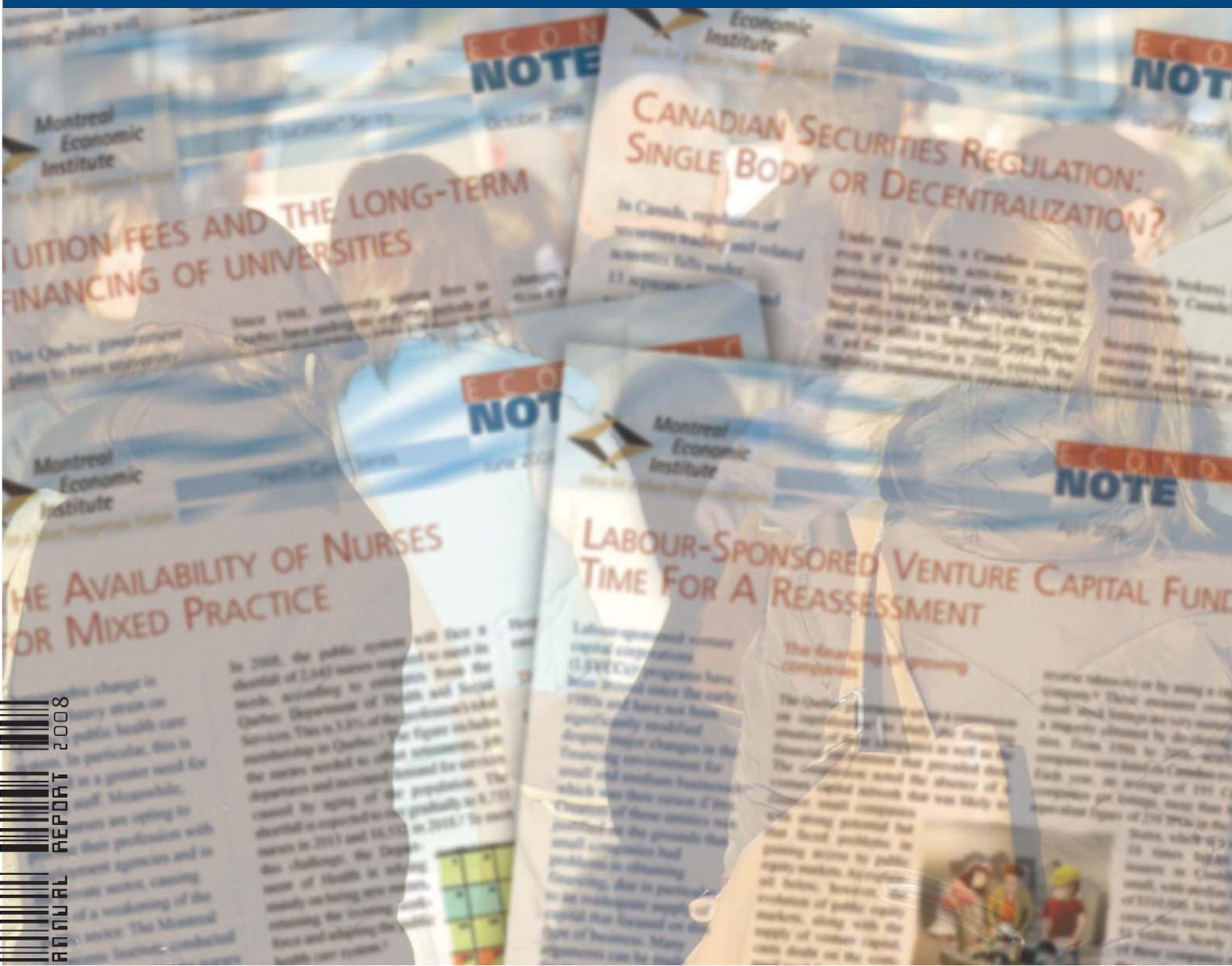




Montreal  
Economic  
Institute

*Ideas for a More Prosperous Nation*

# ANNUAL REPORT 2008



**ECON NOTE**  
October 2008

**TUITION FEES AND THE LONG-TERM FINANCING OF UNIVERSITIES**

Since 1968, university tuition fees in Quebec have undergone an extraordinary increase. The Quebec government plans to raise university tuition fees and the long-term financing of universities.

**ECON NOTE**  
January 2008

**CANADIAN SECURITIES REGULATION: SINGLE BODY OR DECENTRALIZATION?**

In Canada, regulation of securities trading and related activities falls under 13 separate jurisdictions. Under this system, a Canadian company must file its securities documents in several provinces, in addition to the principal stock exchange, usually in the province where the issuer is located. Phase I of the system is set for completion in 2008, which will require issuers to file their securities documents in several jurisdictions.

**ECON NOTE**  
June 2008

**THE AVAILABILITY OF NURSES FOR MIXED PRACTICE**

In 2008, the public system will face a shortfall of 2,043 nurses required to meet its needs, according to estimates from the Quebec Department of Health and Social Services. This is 3.8% of the professional total membership in Quebec. The figure includes the nurses needed to offset vacancies, job departures and increased demand for services caused by aging of the population. The shortfall is expected to rise gradually to 6,733 nurses in 2013 and 16,133 in 2015. To meet this challenge, the Department of Health is exploring various options, including the possibility of a weakening of the public sector. The Montreal Economic Institute conducted a study on the availability of nurses for mixed practice.

**ECON NOTE**  
April 2008

**LABOUR-SPONSORED VENTURE CAPITAL FUND TIME FOR A REASSESSMENT**

Labour-sponsored venture capital companies (LSVCS) programs have been around since the early 1970s and have not been significantly modified despite major changes in the financing environment for small and medium businesses, which was their raison d'être. Creation of these entities was justified on the grounds that small companies had problems in obtaining financing, due in particular to an inadequate supply of capital that focused on the type of business. Many arguments can be made to reassess the program.

ANNUAL REPORT 2008



THE MONTREAL ECONOMIC INSTITUTE (MEI) IS AN INDEPENDENT, NON-PARTISAN, NON-PROFIT RESEARCH AND EDUCATIONAL ORGANIZATION. THROUGH STUDIES AND CONFERENCES, THE MEI INFORMS PUBLIC DEBATES IN QUEBEC AND CANADA BY SUGGESTING WEALTH-GENERATING REFORMS BASED ON MARKET MECHANISMS.

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(on December 31, 2008)

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(on December 31, 2008)

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**Institut économique de Montréal**

1010, Sherbrooke Street West, Montreal (Quebec) H3A 2R7

Phone ▶ 514 273-0969

Fax ▶ 514 273-2581

Web ▶ [www.iedm.org](http://www.iedm.org)

# MESSAGE

## FROM THE CHAIRMAN OF THE BOARD

**W**e are experiencing the shock of a major financial crisis and a worldwide economic recession. Although some government action may well have been needed, the Montreal Economic Institute (MEI) is far from convinced that the rampant Keynesianism we are seeing is necessarily the best way out of this crisis. This makes it all the more crucial for independent think tanks such as the MEI to present a range of viewpoints as these major political and economic debates advance.

With Paul Daniel Muller's departure from the MEI presidency in July 2008 after a 22-month tenure marked by many fine achievements, the board of directors decided on a sure bet. We asked Michel Kelly-Gagnon to pick up where he left off following his success in leading the Institute's development from 1999 to 2006. Michel agreed in November 2008 to return but took up his duties only in February 2009 so that he could give adequate notice to the Conseil du patronat du Québec (CPQ).

Michel headed the CPQ, Quebec's biggest employers' organization, over the last three years. He is a dynamic and enthusiastic leader with a keen understanding of the issues contributing to economic growth in Quebec and across Canada. His experience as president of the MEI for nearly seven years, together with his role as the main spokesman for Quebec business, was a decisive factor in favour of his candidacy. His extensive network of contacts will be a major asset for the Institute as it moves on to a new stage in its

development, at a time when fundraising is far from easy. I join all members of the board of directors in wishing him a happy return and assuring him of our full support as he takes up this challenge.

I also wish to thank Marcel Boyer, vice president and chief economist, who filled in as acting president for several months.

The MEI is financed essentially by private donations from foundations, businesses and individuals. To ensure its independence, the MEI solicits no government financing. After all, its role consists of analyzing and sometimes criticizing government decisions. Furthermore, it conducts no sponsored research for the benefit of any particular company or group.

Continuous support from our donors is what has enabled the Montreal Economic Institute to become what it is today. The volume and quality of the MEI's activities depend on its ability to finance itself. In December 2008, the MEI was ranked tenth among 148 think tanks in the quality of its work by the University of Pennsylvania's Department of International Relations. The think tanks that ranked higher all have substantial resources, anywhere from two to 50 times those of the MEI. I thus urge you to maintain your support for one of the most influential think tanks in Canada and in the entire French-speaking world.



**HÉLÈNE  
DESMARAIS**

# MESSAGE

## FROM THE ACTING PRESIDENT

**T**wo of the main criteria for assessing the impact of a think tank such as the Montreal Economic Institute (MEI) are the relevance of its publications and their influence. In both regards, we are very proud of 2008.



**MARCEL  
BOYER**

The MEI published 16 Economic Notes or Research Papers, held nine public events and took part as speakers or panelists in 29 events organized by other groups. The MEI got 2,359 mentions in the media, which in no way runs counter to our reputation in some circles of being the most over-exposed source in Quebec. We happily accept this honour!

Let me remind you of a few interesting points.

### TWO MAJOR MEDIA SUCCESSSES

The two following projects show that the MEI is regarded by the media as a reliable source of original ideas for reforming public policy.

At the request of *Le Journal de Montréal* and *Le Journal de Québec*, the MEI prepared a supplement titled “Onze idées pour secouer le Québec” (11 ideas for shaking up Quebec) –

or, if you prefer, 11 ideas for creating wealth in Quebec. Each proposal was discussed extensively on radio or TV; this included comments from government ministers. Among these ideas were instituting performance-based pay for civil servants, raising electricity prices and lowering taxes by \$800 per family for each one-cent rise per kWh, and creating 25 charter schools to deter early dropouts with an elite corps of teachers hired for their skills.

On November 1, exactly a year before Montreal’s municipal election, the MEI, with *Le Journal de Montréal*, published “Dix chantiers pour faire de Montréal une vraie métropole” (10 projects to make Montreal a real metropolis). These proposals for revitalizing Montreal led to many debates in the following days, in particular an exchange between the mayor of Montreal and the municipal opposition leader. Our proposals included increasing Montreal’s fiscal autonomy, developing medical tourism, and enhancing the housing stock by selling public housing and giving poorer families a broader choice where to live.

### SPREADING THE WORD: A MAJOR INFLUENCE

Opinion pieces by MEI economists, as well as reports and comments on the Institute’s studies, appeared in 70 daily newspapers in Quebec and across Canada, including all the important

## MESSAGE FROM THE ACTING PRESIDENT

papers. We published 79 different op-eds in 153 newspapers or websites. MEI economists and executives gave 572 interviews, totalling nearly 17 hours of radio time and over 19 hours of TV time. Visits to our website are continuously on the rise, with 480,539 unique visitors and almost three million pages downloaded.

The readership and audience of the media associated with our mentions totalled 647,412,517, up 16% from 557,759,593 in 2007. These figures indicate possible meeting points between the MEI and readers, listeners or viewers. This new measurement helps capture the scope of the media covering us.

### ORIGINAL IDEAS

To reach the public more effectively, we produced **economic information newsflashes** explaining economic statistics in simple terms. Ninety-six different newsflashes were published in 2008 in the *Métro* newspaper and in about 20 weeklies belonging to the Quebecor group.

The **George Petty Entrepreneurial Ideas** essay contest aims to encourage the emergence of innovative solutions. The second edition of the contest led to publication of a paper on water as a strategic resource for Quebec's economic development.

The **Young Leaders** program lets future opinion leaders debate public policy. Three seminars each brought together about 15 students and young professionals.

### IDEAS THAT ARE MAKING HEADWAY

#### *Crises*

Addressing the world food crisis and, more recently, the financial crisis, we published a number of Notes and op-eds, and we gave hundreds of interviews exposing the harmful effects of protectionism and regulation. We also held a debate between Charles Sirois and Jean-Luc Landry on foreign takeovers.

#### *Financial system*

We held two events, including one in Toronto, to debate the structure of securities commissions. Subsequently, in the *National Post* and *La Presse*, we published a position that combines the advantages of the current passport system with the federal proposal for a single commission.

#### *Tax issues*

MEI economists suggested raising the Quebec sales tax by two points and lowering income tax by \$2 billion, as well as abolishing the capital tax immediately and making equivalent cuts in unproductive business subsidy programs. We also questioned Canada's generous programs of tax credits for workers' funds, including the FTQ's Solidarity Fund, which are

**Carole Beaulieu, editorialist, L'actualité** - November 15, 2008  
*La publication de ce palmarès fait entrer le Québec dans le club des États où plus d'un classement d'écoles est publié chaque année. (...) Nous avons opté pour le classement de l'IEDM, parce qu'il offrait un regard plus approfondi et plus novateur sur la performance des écoles.*

**James Mennie, columnist, The Gazette** - June 6, 2008  
*Perhaps the most eloquent argument against Montreal's erecting bridge tolls to finance its own transit network didn't come from a politician or disgruntled motorist but an economist. In March of this year, Mathieu Laberge examined the viability of a return to tolls on Quebec's roads and highways in a paper produced for the Montreal Economic Institute.*

**Henry Aubin, columnist, The Gazette** - April 5, 2008  
*[Marcel] Boyer is that rarest of Montreal economists. He regularly makes jargon-free observations on a broad range of topics relevant to the city (...) Now, in a paper published by the Montreal Economic Institute, of which he is vice-president, he pitches a way to head NIMBY off at the pass.*

**Alain Dubuc, columnist, La Presse** - March 5, 2008  
*L'Institut économique de Montréal joue souvent un rôle de mouche du coche. Cet organisme de recherche indépendant, qui défend les valeurs d'une économie de marché, pose des questions que le Québec, bien confortable dans son consensus, préfère ne pas trop se poser. L'IEDM lance des pavés dans la mare et brasse un peu la cage. C'est une contribution plus qu'utile.*

## MESSAGE FROM THE ACTING PRESIDENT

less effective than other approaches to supporting start-up companies.

### *Fees for public services*

An MEI study suggested instituting tolls on all highways in Quebec to guarantee stable financing for their maintenance, minimize traffic jams through differentiated charges, and hold back growth in public debt. This study generated 199 mentions in the media, including the front pages of *The Gazette* and *La Presse*. Ten editorialists and columnists from all over Quebec commented on it. The MEI also suggested raising electricity rates and lowering taxes proportionately.

### *Freshwater exports*

We attacked what has become a sacred cow. Large-scale freshwater exports would be a huge source of wealth creation for Quebec and Canada. Our Research Paper and a public debate with opponents made waves from the Atlantic to the Pacific, in every major English and French newspaper in the country.

### *Health care*

Over the years, the MEI has been informing the public about the limits of our monopoly health care system and has suggested alternative solutions based on market mechanisms. We published an investigation on the availability of nurses for mixed practice: it suggested that the nursing shortage is caused by inefficient organization of work and that nurses have extra availability for the private sector. Another MEI study



SPEAKERS AT THE DEBATE ON WATER EXPORTS:  
PIERRE-OLIVIER PINEAU OF HEC MONTRÉAL,  
FRÉDÉRIC LASERRE OF LAVAL UNIVERSITY,  
AND MARCEL BOYER OF THE MONTREAL  
ECONOMIC INSTITUTE,  
ON AUGUST 27, 2008

and a speech on the health care system in France pointed out that private, for-profit hospitals play a vital role there within a public health care system.

The Castonguay Report on the financing of health care advocated private health insurance for all care and a mixed approach to medical practice, something we have been urging for many years. Moreover, the official opposition submitted a bill in the spring calling for a mixed public-private system.

### *Education*

The year 2008 marked a complete revamping of the popular high school rankings prepared by the MEI and published in *L'actualité* magazine. We now factor in the influence of students' socio-economic environment and entry selection. We are better able to determine schools' real contribution to success, as noted by several columnists. As in past years,



SPEAKERS AT THE DEBATE  
ON FOREIGN TAKEOVERS:  
STÉPHANE LAVALLÉE, PUBLISHER OF  
*LES AFFAIRES* (MODERATOR),  
JEAN-LUC LANDRY OF  
LANDRY MORIN INC., AND  
CHARLES SIROIS OF TELESYSTEM LTD.,  
ON MAY 20, 2008



the study received broad media attention.

An MEI Economic Note also suggested an asymmetric increase in university tuition fees, according to the area of study, to improve financing and retain top professors.

Another idea we set out is full deregulation of tuition fees paid by foreign students: the extra revenue would stay with the universities, which would then have a stronger incentive to become more international.

### *Labour*

An Economic Note suggested creating a diploma after the third year of high school to reduce the proportion of youths who leave school without the education they need to gain access to the labour market. CEGEPs would compete in offering professional and technical training programs of variable length.

We also suggested helping welfare recipients acquire paid work experience by converting part of their benefits to wage-earning work in the public sector. We also returned to the idea of gradually raising the retirement age to 67 to alleviate labour shortages and reduce the impact of aging on public finances.

### *Efficiency of public services*

We called on several occasions for the public sector to be subjected to competition, in areas including public transit. The aim is to increase

productivity and expertise in these services, with a benchmarking system that would draw on the experience in English-speaking countries.

### *Education on the free market*

On Valentine's Day, the MEI published an Economic Note analyzing the behaviour of users of the popular online dating site RéseauContact. Through simple presentations of basic economic concepts (supply and demand, opportunity costs, scarcity, etc.), this initiative was part of our educational mission. It was hugely successful in the media and enabled us to achieve our goal of reaching a new audience. We were interviewed by Christiane Charette on Radio-Canada and by sexologist Julie Pelletier on Montreal station 98.5FM, among others.

Investment projects, especially in industry and energy, often face the "not in my backyard" syndrome. To overcome this obstacle and promote wealth-creating investment, an Economic Note suggested a new mechanism that would get affected local communities to reveal the real price of their consent to projects. Decentralized market mechanisms such as auctions would be preferable to centralized decision-making procedures that rely on political intervention by stakeholders.

Everything we publish is available free of charge on the Institute's website.



LÉON COURVILLE MODERATES THE  
DEBATE ON WATER EXPORTS,  
ON AUGUST 27, 2008

## MESSAGE FROM THE ACTING PRESIDENT



TORONTO: THE HEAD TABLE AT THE DEBATE ON SECURITIES REGULATION, ON SEPTEMBER 17, 2008

### INVOLVEMENT IN VARIOUS FORUMS

In addition to the events organized by the MEI, its economists are often invited to speak in other forums, an indication that our proposals are being listened to. As you know, the MEI is an independent, non-partisan organization, and its researchers are happy to pass along the results of their research to any organization that makes such a request, including political parties. We set a record in 2008 by being invited to 29 events. In addition to other forums, we can mention the 30th congress of Quebec Liberal Party members, the youth committee of the ADQ party (as part of the 2008 congress), the annual meeting of the Institut pour le partenariat public-privé (Institute for Public-Private Partnerships), the 2008 convention of the Association des économistes québécois (Association of Quebec Economists), and various meetings held by the Quebec, Montreal and Quebec City chambers of commerce.



SPEECH BY VICTOR MENESSION, PRESIDENT OF FRANCE'S CLINIQUE DE SANTÉ VAUBAN, ON OCTOBER 16, 2008

### FINANCING: A DIFFICULT TRANSITIONAL YEAR

In 2008, income came to \$1,023,411, while expenses were \$1,292,753. This produced a deficit of \$269,342, covered by the Institute's modest reserves. Spending was essentially under control, but the drop in income from donations was greater than expected. Paul Daniel Muller's departure in July 2008 slowed fundraising among supporters for several months. The arrival of Michel Kelly-Gagnon in February 2009 will certainly have a positive impact on the revival of our financing.

The MEI moved its offices in December to be closer to supporters. We are now located downtown at 1010 Sherbrooke Street West, and we were able to get a good deal, subleasing a smaller but practical space. You are always welcome there.

To conclude, I offer my praise for the commitment of our entire team in favour of the MEI.