Montreal Economic Institute
Ideas for a More Prosperous Nation

ANNUAL REPORT 2009

How would the privatization of Hydro-Québec make Quebecers richer?

ECONOMIC NOTE
March 2009

Northern Waters
A realistic, sustainable and profitable plan to exploit Quebec’s blue gold

by David Descôteaux, Economist at the MEI | May 6, 2009

Economics is slowing down. Government revenues are falling, with less tax being collected, and public spending rising due to higher program costs. Can the Quebec government’s finances hold up? To get an answer, we need to find out where the government’s debt stands, and its structure. This is no easy task.

Direct debt, total debt, gross debt, net debt; public sector debt, or objective data that can help identify potential dangers.

As of March 31, 2009, the gross Market debt stood at $151.4 billion, or 49.9% of the province’s annual GDP. The government has announced plans to reduce this ratio of GDP by March 2017 to 25% by 2020. But how good are these plans? The Quebec government’s programs are based on objective data that can help identify potential dangers.

Northern waters and energy hold a special place in our national mythology. Our natural environment, particularly since the rise of hydro-energy, offers untapped potential that we need to harness. The impact of Northern waters and energy also plays a role in the socio-economic development of the region.

Bubbles and the business cycle

Capitalism – an economic system based on private property and free markets – seems to generate occasional bubbles and booms followed by crashes and recessions. This is called the business cycle. In the first two-thirds of the 19th century, there was a lot of economic activity, and this cycle continued in the early 20th century. There has been a lot of economic activity, the cycle continued in the first two-thirds of the 19th century, and from the second quarter of the first quarter of the 19th century.
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.
Our institute’s activities really began in 1999. Its media presence and its influence on public policy debate are now so extensive that it is hard to believe the year just ended kicked off only its second decade of existence. Just imagine what the tone of debate in Quebec – on school performance, health care reform, the tax and regulatory burden, or a whole array of particular issues such as water exports or interprovincial barriers – would have been like without the contribution of the MEI!

Those among you who have supported the MEI since its early days can be very proud of the results. Debate on ideas has progressed enormously over the past decade in Quebec. Your contribution has enabled the MEI to establish its presence and credibility quickly and to contribute vitally to this progress.

For the 2010s, we have to aim even higher. It is my desire that, 10 years from now, my successor will be able to state that the ideas advanced by the MEI have had a decisive influence not only on policy debate moving forward but also on the implementation of major reforms that will mark this era.

Our team will have to show even greater creativity, rigour and dynamism, qualities it has never lacked. For these qualities to be applied to the maximum, the necessary means must be available. Again, tangible support from our donors is what will make the difference.

I wish to salute their remarkable generosity for enabling us in 2009 to return to a position of revenue growth even during a difficult economic period. This contribution is made all the more important by the fact that the MEI has plenty left to do. Both in Quebec and in Ottawa, we can expect budgets to show red ink for several years to come. Tough choices will have to be made to get out of this quagmire, and it will be as crucial as ever for the MEI’s voice to be heard.

Fully aware of the challenges that lie ahead, the Board of Directors met in late 2009 and adopted a strategic plan for the 2010-2012 period setting out an order of priorities for our development goals. This plan refocuses strategy on the factors that have been sources of strength for the MEI since the early days while adjusting its aim where this is required to consolidate our influence and to ensure that our actions have maximum impact in the media, in public opinion and among decision-makers.

We have also established a new Board of Governors consisting of former directors and of donors, with the mission of helping extend the MEI’s reach and development as well as keeping an eye on its financial health. I wish to note that the terms on the Board of Directors of two great supporters of the MEI, Marcel Dutil and Yves Rabeau, have expired, but they have agreed to join the Board of Governors.

In every respect, the MEI is prepared to confront the challenges of the next decade. I hope that, once again, we can count on having you with us.
In 2009, economic policy was dominated by a single goal: recovery from a major crisis that had struck the planet. We have yet to see whether the highly interventionist measures taken by governments will have the beneficial long-term effects that are being claimed – our economists, who had several occasions to speak out about the matter, remain sceptical. But one thing is certain: the Montreal Economic Institute is forging ahead on a solid footing!

FINANCING: A SURPLUS POSITION

An oft-repeated call from the MEI’s researchers to our governments is to control their spending, to avoid deficits and to repay their debt. We would lose all credibility if we failed to apply these lessons to our own financial situation. Unfortunately, in 2008, the tough economic situation led to a decline in revenues and to the first deficit in the organization’s history. The reserves accumulated over the years enabled this temporary shortfall to be offset, however. Unlike governments, which it seems are going to take years to balance their budgets, the MEI got back on the road to revenue growth and surpluses in 2009.

The organization’s total revenues went from $1,023,411 in 2008 to $1,221,841 in 2009, an increase of 19%. Spending, meanwhile, fell from $1,292,753 to $1,068,723. From a deficit of $269,342 in 2008, we went to a surplus of $153,118 in 2009. This brings our reserves to $871,456, an amount that is still below our goal of having a reserve equivalent to at least 12 months of operations (in other words, about $1.2 million).

STAFF: A RENEWED TEAM

The heart of an organization, lying at the basis of its dynamism, is the team that forms it. The year 2009 was a time of major change in this area, with my second priority after returning as head of the MEI being to strengthen the team.

Our former director of public affairs, Jasmin Guénette, returned to back me up as vice president after a two-year experience at a major Washington think tank. And one of the most eloquent voices in the Quebec press, Nathalie Elgrably-Lévy, is again signing her columns as MEI senior economist following a brief absence.
The MEI’s team has also been enhanced by new members. David Descôteaux, who has an educational background in political science and economics along with several years’ experience as a freelance journalist specializing in economics, is our new economist. Our new communications coordinator, Ariane M. Gauthier, has a background in communications and political science, and she has held various positions in the area of politics. Reford MacDougall, who joined us as a special development advisor, has a long career in communications and finance behind him, in addition to broad fundraising experience. Finally, Carole Fiset, my new assistant, has a background in communications and administration.

I also wish to emphasize the excellent work over the last few years of our publications coordinator, Francis Dumouchel, and of communications assistant Mylène Provencher. Finally, I wish to extend warm thanks to Marcel Boyer, the outgoing vice president, who accepted to act as interim president until I returned.

PUBLICATIONS AND MEDIA REACH

The primary mission of an economic research and education institute such as ours is, of course, to disseminate facts and arguments and to influence debates. Considering the difficulties the MEI has experienced, in particular the fact that we operated for much of the year with 50% less staff than in the previous strong years, we are especially proud of our achievements in terms of publications, media reach and our ability to reach the general public.

In 2009, the MEI published three Research Papers, six Economic Notes and five Viewpoints. This work was mentioned a total of 2,268 times by more than 600 media outlets (print media, radio, television, Web, etc.).

Some of these publications led to outstanding coverage. For example, an Economic Note titled Northern Waters, A realistic, sustainable and profitable plan to exploit Quebec’s blue gold, achieved what could be called a home run in media coverage. This study by Pierre F. Gingras, a specialist in industrial engineering and former
head of major project planning at Hydro-Québec, suggested a project to export water to the United States. A report from the Reuters news agency was carried by numerous newspaper websites around the world as well as in Canadian regional newspapers from coast to coast. An opinion piece filling an entire page was published in the National Post. Articles appeared in La Presse, Le Soleil, Le Nouvelliste, La Voix de l’Est, Le Quotidien, The Gazette, Métro and Le Devoir. The proposal was mentioned by RDI television channel, and several radio interviews were given.

On a related topic, a Research Paper on the advantages of privatizing Hydro-Québec, written by Claude Garcia, the former president of Standard Life’s Canadian operations, also aroused considerable interest. The MEI gathered 120 people from the worlds of finance, engineering and media for a luncheon speech to hear Mr. Garcia’s arguments. A lively question period followed, and a news conference drew 23 journalists. This paper generated 311 mentions in the media, including The Globe and Mail, La Presse, The Gazette and Le Journal de Montréal.

The MEI, of course, showed a keen interest in the economic crisis the world has experienced in the last two years and the issues it raises. An Economic Note delved into the origins of the crisis, a Research Paper explored its effects on employment, and two shorter studies looked into the Quebec government’s debt and the U.S. federal government’s explosion in spending.

Among the many other topics that kept our researchers busy were the oil peak, union accreditation, regulation of telecommunications networks, Montreal’s economic challenges, and mixed public and private practice by Quebec medical specialists.

Our most popular publication over the past decade, the Ranking of Quebec High Schools produced in collaboration with L’actualité magazine, could not, unfortunately, be produced in 2009. The Quebec Department of Education is currently reconfiguring its electronic databases, preventing it from extracting the figures required for the ranking. Taking this absence into account, it can be said that our effectiveness in getting our message out in the media grew from 2008 to 2009. Indeed, the number of media mentions about the MEI, excluding the Ranking, grew by 4.8% in 2009 compared to the previous year.
Beyond the dissemination of studies, the regular columns by our economists in newspapers are what contribute most to the MEI’s media reach. We’re talking here about mass circulation newspapers that reach a very broad public and not just the small fringe of the population with a deep interest in public policy. This is one of the MEI’s particularities and something that sets it apart from most similar organizations around the world.

For example, our new economist, David Descôteaux began a column during the year appearing each Thursday in the free newspaper Métro, which reaches 312,800 readers. The return of Nathalie Elgrably-Lévy to the MEI family has also had an enormous impact on our ability to make our voice heard: her columns in Le Journal de Montréal and Le Journal de Québec reach 588,000 and 165,700 readers respectively. These two columns enable us to benefit from a potential readership of approximately 1,066,500 people per week.

We also publish “economic newsflashes” in about 20 regional weekly papers all over Quebec. In addition, the number of visitors to our website (214,000 in 2009) is growing strongly (up 32% from the previous year) thanks to original initiatives such as our debt clock showing the rise in the Quebec public sector debt in real time.

STIMULATING DEBATES

The MEI held, as it does each year, several events where leading personalities speak to us about the challenges faced by Quebec and by Canada as a whole. With reform of the health care system having long been one of our priority areas of research, we invited Dr. Robert Ouellet, outgoing president of the Canadian Medical Association, to come and present his vision for transforming the Canadian health care system by means of reforms inspired by the European experience. About 100 people, a majority of them from the health care field, attended the event.

The MEI has also been present in person on other platforms. Marcel Boyer, Nathalie Elgrably-Lévy and some of our associate researchers, including Dr. Edwin Coffey, were invited during the year to speak to various audiences on diverse topics. I myself gave presentations to 120 university students and young professionals at the second edition of the Finance and Politics
Series at HEC Montréal, as well as before 100 students at Laval University on the role of governments at a time of economic crisis.

A CLEAR DIRECTION

In 2010, the MEI intends to continue growing and to remain among the few organizations that play an active role in public policy debate from a perspective of wealth creation, freedom of choice and individual responsibility. In the fall of 2009, our Board of Directors adopted a Strategic Plan for the 2010-2012 period covering every aspect of our activities and showing a clear direction for reaching this goal.

With help our donors and from everyone who supports us, we have everything in place to consolidate our growth!