



Montreal Economic Institute



ANNUAL REPORT 2002

"The [MEI] is truly an emerging force in the intellectual life of Quebec and Canada. It is important because it is bringing a fresh perspective on the issues this province faces, a new way of thinking about Quebec's future."

- Mike Harris



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.

Montreal Economic Institute
6418, St-Hubert St., 2nd floor
Montreal, Quebec
H2S 2M2

Tel.: (514) 273-0969
Fax: (514) 273-0967

info@iedm.org
www.iedm.org

OFFICERS

(on December 31, 2002)

Yves Guérard
Honorary Chairman of the Board

Adrien D. Pouliot
Chairman of the Board

Richard Carter
Vice-Chairman of the Board

Denis Cousineau
Hélène Desmarais
Daniel Dorey
Spiridon Kantardjieff
Michel Kelly-Gagnon
Normand Lebeau
Ronald Monet
Board members

STAFF

(on December 31, 2002)

Michel Kelly-Gagnon
Executive Director

Pierre Desrochers
Director of Research

Norma Kozhaya
Economist

Patrick Leblanc
Director of Events and Communications

Jasmin Guénette
Coordinator, Students Affairs and Distribution of Publications

Avi Sokolova
Administrative Assistant

Gilles Guénette
Webmaster



MESSAGE FROM THE CHAIRMAN OF THE BOARD

I am often asked what purpose is served by a think tank such as the Montreal Economic Institute. Organizing events and producing studies is not very original in itself, and plenty of others are doing it.

My answer is simple: a think tank works to change things! In this sense, what our institute is doing is unique in Quebec. As former Ontario premier Mike Harris stated in the quote excerpted on the cover of this report, the MEI "is bringing a new way of thinking about Quebec's future." Its importance has to do with the fact that it brings an original outlook to the questions the province has to face. This outlook is clear and coherent, focused on the importance of having an efficient government that targets its actions more precisely as well as an economy freed of useless regulatory restraints and excessive taxes. It is an independent, non-partisan outlook that is not afraid to cast a critical look at Quebec's public policies or to deal with unpopular themes.

It is evident that this new outlook is spreading, both among the general public and among decision makers. The most striking development of this fourth year of MEI operations is that we are no longer just a producer of ideas but that these ideas are increasingly recognized and respected within Quebec society.

For example, on April 25, Opposition Leader Jean Charest quoted from an MEI study to support a question he put to Premier Bernard Landry in the National Assembly. The premier responded that he had just read the study and that he respected the work of the MEI. The National Post mentioned a few months later that "all political parties in Quebec now use MEI research to score points off each other." You need only consult the media archives on our Web site to see the impressive number of organizations and personalities who have been affected by the efforts of our dynamic little team over the year just ended. I take off my hat to them and thank them for their intellectual rigour, their devotion and their hard work. The Institute would not have reached new heights in 2002 without them.

The year 2003 is an election year in Quebec. Whatever the results of the vote, the MEI's research and popularization work have already achieved varying degrees of influence among the three main parties and among voters. Thanks to the generous and on-going support from its many donors and sympathizers, they will surely have a growing impact on the development of public policy in tomorrow's Quebec.

Adrien D. Pouliot
Chairman



MESSAGE FROM THE EXECUTIVE DIRECTOR

The year 2002 was the Montreal Economic Institute's fourth year of activity. In addition to a level of media visibility following upon the rapid growth of the previous years, our most noteworthy advance has no doubt been in the tangible influence of our institute's work on various sectors of society, particularly among decision makers.

Again this year, reform of the health care system and the quality of our education system have been the main focus of the MEI's activities, reflecting the public's two central concerns and the provincial government's two principal areas of activity. The other main themes we touched upon have included Canadian productivity and living standards, the housing crisis, sustainable forest development, and government programs for financing innovation.

Events

The MEI organized six major events in 2002. The broadest media impact undeniably came from the luncheon speech given by Robert McTeer, president and CEO of the Federal Reserve Bank of Dallas, who shared his ideas on the state of the U.S. economy. His remarks to the MEI, covered by major international

news agencies such as Reuters, Bloomberg, AFP and Dow Jones Newswire, were distributed around the planet and appeared in newspapers as far away as Singapore. That same day, the MEI organized a round-table discussion on the productivity and living standard gaps between the U.S. and Canada. Participants included former Bank of Canada governor Gordon Thiessen.

Two health economists, Johan Hjertqvist from Stockholm and Cynthia Ramsay from Vancouver, explained to an MEI audience how other countries have ushered in reforms to improve their health systems. As a general election approaches in Quebec, this theme goes to the heart of public debate. Representatives of both opposition parties attended these presentations and were able to exchange views with the speakers.

Two renowned Canadian politicians, federal minister Maurizio Bevilacqua and former Ontario premier Mike Harris, presented their visions of a prosperous and economically dynamic Canada during well attended luncheon speeches. These speeches have been drawing large numbers of eminent participants from the Montreal business community and from among Quebec political decision makers. MEI events are now part of a tradition of prestigious events in the city's social life.

In addition, our internal collaborators and associates have been involved in close to two dozen assorted activities, ranging from presenting briefs at hearings of cross-Canada commissions of enquiry to debates and speeches before more specific audiences.

Publications

The MEI issued seven publications during the year in addition to the dozens of opinion pieces written by our collaborators that appeared in various newspapers and other publications. As in previous years, the keenest interest was sparked by our *Report Card on Quebec's*



Secondary Schools, produced in collaboration with the Fraser Institute and published in its entirety in the prestigious magazine *L'actualité*. In addition to numerous reports in national media, special effort went this year into reaching the regional press. This effort paid off, giving us visibility in more than 50 regional weeklies across Quebec.

Beyond the criticism that greeted the first two editions, we have already seen tangible change resulting from the *Report Card*. This has advanced the level of debate on education in Quebec, proving the *Report Card's* usefulness.

The department of education has created its own "success plan" for schools. This plan is not based on the same data, but it does show recognition of parents' need to be better informed and to have the ability to compare. The Federation of school boards announced that it intended to "let the public know about the services offered by a school, defining the school's personality and its distinctive attractions to sell it more effectively, etc." — in short, selling a school more effectively, as any service provider does. We can only applaud this new spirit of excellence. Moreover, a research group at the University of Montreal also expects to launch a sort of report card of its own in 2003. The MEI rejoices in seeing that the need to evaluate school performance is moving closer to unanimity, even if there are differences in methodology.

Among the year's other publications, we should mention two research papers written by our research director, Pierre Desrochers. One evaluated the Quebec government's tax measures toward the multimedia and e-commerce "cités", leading to exchanges in the National Assembly between the premier and the opposition leader as well as between the finance minister

and the Liberal finance critic. Later in the year, the finance minister announced amendments to the program that followed the general thrust of our study's recommendations. The other paper dealt with the housing crisis and also stirred a sizable response. For the first time, an outlook other than that of traditional pressure groups was heard in an intense debate that made headlines in Quebec over a period of weeks.

Finally, it should be noted that our publications are now available in most commercial and academic bookstores across the province, as well as in almost all public libraries.

Media coverage

I have already mentioned the worldwide media impact generated by one of our events. Obviously, our primary goal is to reach the Quebec public and create a deeper understanding of the mechanisms and principles underlying the operation of a market economy. The better our fellow citizens can identify the pertinent points in public policy debates, the better are the chances that our leaders will adopt policies that not only make good electoral sense but are also rational, fair and economically effective.

Over the past year we have succeeded more than ever in fulfilling this educational mission. A growing number of people in Quebec have heard us mentioned, have seen reports concerning us, or have read articles dealing with our activities or written by our collaborators. During 2002 we were mentioned more than 620 times in newspaper and magazine articles or in radio and TV reports or interviews. This is up from 430 in 2001 and only 175 in 2000, which constitutes an extraordinary advance.



This shows that our message is of more than academic interest. It has been stirring reactions and debate among commentators as well as among the general public. This impact is an essential precondition if we want our leaders to adopt policies that are appropriate to our future prosperity.

Web site

Again this year our site has drawn growing traffic, with a very heavy peak in the days following the publication of the Report Card on Quebec's Secondary Schools and a year-round increase of nearly 40%. At year's end, the site was receiving a daily average of 400 visitors, who were consulting a total of nearly 2,000 pages.

Financial situation

After a slightly more difficult year in 2001, fundraising as well as other income generated by the MEI (publication subscriptions and sales, event registrations and sponsorships, and interest income) were up by 31% in 2002, reaching \$754,951. A peak! This precious donor support left us in an excellent financial situation and helped us raise the effectiveness of our actions. Expenses (salaries, operating costs, organization of speeches and publications) climbed more slowly than revenues and were up 26%, stabilizing at \$587,911. Our year-end surplus rose considerably, reaching \$167,040. We thus have an assurance, even if the

economic situation becomes more difficult over the coming years, that the MEI's financial stability and its mission will not be compromised.

2002 Financial Statement

<i>Total income</i>	\$754,951
<i>- Expenses</i>	\$587,911
<i>= Surplus</i>	\$167,040

The MEI proved again this year that it has an essential role to play in public policy debate in Quebec. This contribution is important not only in terms of quantity and quality: it also has a real influence. As stated by Linda Whetstone, president of the London-based International Policy Network, this influence is not limited to Quebec: "The Montreal Economic Institute is not only fast becoming a force to be reckoned with in Quebec but far beyond its borders as well. The MEI brings a new dynamism and urgency to the all important debates on public policies, researching and promoting approaches that genuinely deliver prosperity and long-term welfare."

To conclude, an investment in the MEI is an investment in the future dynamism and prosperity of our society.

Michel Kelly-Gagnon
Executive director



THE MEI'S CONFERENCES AND ACTIVITIES IN 2002

February 9 – Understanding Public Policy Myths

Annual day-long student seminar presented jointly by the MEI and The Fraser Institute.

February 20 – Performance indicators and the measurement of added value

Conference by Richard Marceau, MEI associate researcher, for the Quebec Program Evaluation Society.

March 14 – The health care debate: Myths, realities and public policies

Presentation by Michel Kelly-Gagnon, MEI executive director, at the Quebec Public-Private Partnership Institute.

March 25 – Presentation before the Commission on the future of health care in Canada

Presentation by Dr. J. Edwin Coffey, MEI associate researcher, and Michel Kelly-Gagnon, MEI executive director.

March 27 – Productivity with a Purpose

MEI luncheon speech by Maurizio Bevilacqua, Secretary of State (Science, Research & Development), in collaboration with the Quebec Manufacturers & Exporters.

15 avril – Ce que la Commission Romanow devrait retenir des réformes de la Suède

Présentation de Johan Hjertqvist, directeur de Timbro Health Unit, sur la réforme des soins de santé en Suède dans le cadre d'un 5 à 7 de l'IEDM.

April 26 – Myths about Urban Sprawl

Presentation by Pierre Desrochers, MEI research director, for the Montreal Metropolitan Community development commission on suburban expansion.

April 30 – Are School Report Cards Useful?

Presentation by Richard Marceau, MEI associate researcher, at the Francophone summit on the evaluation of performance and accountability in education.

May 3 – Forest Management in Quebec

Presentation by Pierre Desrochers, MEI research director, at the national conference of Solidarité rurale.

May 24 – The Report Card on Quebec High Schools and the Poor

Presentation by Richard Marceau, MEI associate researcher, at a Montreal Island School Council's symposium.

May 27 – Reforming the Canadian health care system

Presentation by Dr. J. Edwin Coffey, MEI associate researcher, and Michel Kelly-Gagnon, MEI executive director, for the board members of the Canadian Chamber of Commerce.

May 30 – Productivity and Standard of Living: Convergence or Divergence?

This MEI panel discussion on the productivity gap between Canada and the U.S. included Gordon Thiessen (former governor, Bank of Canada), P.-A. Huot (Quebec Manufacturers & Exporters), Andrei Sulzenko (Industry Canada), Serge Coulombe (University of Ottawa) and Hans Black (Interinvest Corporation).

30 mai – A Status Report on the U.S. Economy: How is the Elephant Doing?

MEI luncheon speech by Robert D. McTeer Jr., president and CEO of the Federal Reserve Bank of Dallas.

June 1 – The relative decline of productivity in the Quebec economy

Presentation by Pierre Desrochers, MEI research director, at the Quebec Liberal Party general council meeting.

August 21 – The influence of a diversified economic base on the combination of techniques

Presentation by Pierre Desrochers, MEI research director, to the annual symposium of the French-Language Regional Science Association.

September 20 – Public policy and the competitiveness of cities: lessons from Quebec's "Cité" approach

Presentation by Pierre Desrochers, MEI research director, before a committee from the Organisation for Economic Cooperation and Development (OECD) studying the competitiveness of metropolitan areas.

September 26 – Universal, Affordable, Quality Health Care: Ideas from Other Countries

Presentation by health economist Cynthia Ramsay at a MEI public policy cocktail.



THE MEI'S PUBLICATIONS IN 2002

September 30 – Green or black GDP?

Presentation by Pierre Desrochers, MEI research director, on the possibility of reconciling the market economy with sustainable development, during a debate at André-Grasset College.

October 16 – Social housing: a lasting solution to the housing crisis?

Presentation of a brief to the Land Use Commission by Pierre Desrochers, MEI research director.

October 24 – Performance reports: advantages and drawbacks

Presentation by Richard Marceau, MEI associate researcher, at a luncheon held by the Greater Montreal Public Administration Institute.

October 26 – The productivity problem in the Canadian economy

Presentation by Pierre Desrochers, MEI research director, as part of a Canadian Alliance regional conference in Quebec City.

November 8 – Urban sprawl, a false problem

Presentation by Pierre Desrochers, MEI research director, as part of a symposium organized jointly by the Montreal School Board's central committee on the environment and by the Quebec Association for the Promotion of Education on the Environment.

November 16 – The Report Card on Quebec's Secondary Schools

Presentation by Richard Marceau, MEI associate researcher, as part of a symposium held by the association of parents' committees of the Quebec City and Chaudière-Appalaches region.

November 25 – How to solve the housing crisis in Quebec?

Presentation by Pierre Desrochers, MEI research director, as part of a symposium held by the Greater Montreal Association of Apartment Owners.

November 27 – For a cohabitation of students', parents' and school staffs' points of view on success in education

Presentation by Richard Marceau, MEI associate researcher, at the opening debate of a symposium held by the Quebec association of school administrators.

December 4 – Unleashing Canada

MEI luncheon speech with the Honourable Mike Harris, premier of Ontario from 1995 to 2002.

February – *Les « cités »: Une politique efficace pour la nouvelle économie?*

(The "cités": an efficient policy for the New Economy?) Research Paper by Pierre Desrochers, MEI research director, on the Quebec government "Cités" projects.

March – *Comment assurer le développement durable de nos forêts*

(How to ensure the sustainable management of our forests) This *Economic Note* by Pierre Desrochers, MEI research director, examines Quebec's forest management policy.

April – *Les hôpitaux publics: des avenues de réforme par un partenariat avec l'entreprise privée*

(Public Hospitals: Options for Reform through Public-Private Partnerships) This *Economic Note* is a translation of a World Bank publication on hospital management models throughout the world.

May – *Frédéric Bastiat, défenseur du bon sens économique*

(Frédéric Bastiat, Defender of Economic Good Sense) Collection of the best essays by Frédéric Bastiat, a 19th century French economist, journalist and politician.

June – *Comment résoudre la crise du logement au Québec?*

(How to Solve the Housing Crisis in Quebec?) This *Research Paper* by Pierre Desrochers, MEI research director, analyzes the causes and proposes solutions to the housing crisis.

September – *Le démantèlement de l'État-providence au Québec: mythe ou réalité?*

(The Dismantling of the Welfare State in Quebec: Myth or Reality?) *Economic Note* by MEI economist Norma Kozhaya on the real evolution of social spending in Quebec.

November – *Report Card on Quebec's Secondary Schools, 2002 edition*

Third edition of this study which measures and compares school performance, co-authored by Richard Marceau, associate researcher at the MEI, and Peter Cowley, Director of School Performance Studies at the Fraser Institute.