ANNUAL REPORT 2019
“Lasting economic progress happens when the tacit knowledge of individuals drives economic decision making. ... [D]ismissing, suppressing, or crowding out that knowledge through excessive regulation, weak institutions, or paternalistic aid programs, as well intentioned as they might be, is at odds with the goal of eradicating systemic poverty.”

MATT WARNER
President, Atlas Network
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Luc Vallée
Chief Operating Officer & Chief Economist
If, like me, you have invested time, effort, and resources in recent years to ensure the success of the MEI, then you have good reasons to be satisfied with this investment today.

During the first two decades of its existence, the MEI tirelessly accumulated intellectual capital by publishing hundreds of rigorous, well-documented studies, and thousands of opinion pieces and blog posts on government policies. Its researchers have given innumerable interviews to the media over the years.

This massive and sustained investment is now paying dividends. As Michel Kelly-Gagnon explains in the pages that follow, the MEI has arrived at a stage of its development where it does not merely contribute to public debates, but exerts a direct influence on decision-making. Governments consult it in order to implement specific policies. Its reputation continues to spread, not only in Canada but also in the United States and around the world.

Shifting the climate of opinion takes time. Complex subjects and notions need to be explained. Replies to interest groups opposed to reforms need to be made. A reputation needs to be built. But above all, the general public needs to be convinced of the benefits they will derive from the proposed reforms, since they are ultimately the ones who will make the democratic choice to support them or not.
Indeed, the “return” that is sought from investing in the MEI is not monetary, but rather takes the form of increased well-being for our fellow citizens. Although our interventions on various topics can seem disparate to the casual reader, this is the common thread that runs through them.

What, for example, is the link between our proposals to reduce interprovincial trade barriers, to liberalize the taxi industry, and to recognize the role of super nurses? At first glance, there is none. Yet each is a case of removing artificial barriers that prevent entrepreneurs and workers from providing a wider range of goods and services and earning a dignified living, all while doing a better job of responding to people’s needs.

Removing interprovincial barriers allows local companies to more easily develop their markets in Canada and create jobs here at home. Liberalizing the taxi industry, while also compensating those who are affected by the transition, has the effect of increasing the availability of ride sharing and providing some extra income to a new category of drivers attracted by this flexibility. Finally, when super nurses are given the right to perform medical acts which they are qualified to perform, they are allowed to flourish as professionals and human beings, in addition to potentially increasing their incomes. And of course, for patients, this means better access to medical treatments in a timely manner.

It is because we are concerned about the well-being of our fellow citizens that the MEI promotes all of these reforms to increase the liberty to produce, to serve, and to trade peacefully. The means is economic. But the goal is to implement a more humane vision of society. I invite you to renew your support for our great organization and to continue to invest in it in 2020 if you want to maximize this type of return, which it earns for all Canadians.

In closing, I would like to highlight a few changes in 2019. We welcomed to the Board of Directors Caroline Montminy of Burgundy Asset Management as well as Claude Thibault of the Alithya Group. Professor Reuven Brenner left the Board of Directors to join the Board of Governors. Finally, it was with sadness that we learned of the passing of Jeremy H. Reitman, who was a member of the Board of Governors.

Hélène Desmarais
MESSAGE FROM
THE PRESIDENT
& CEO

Michel Kelly-Gagnon

For years, practically all of the MEI’s resources were devoted to publishing research, appearing in the media, sparking debate, and trying to shift the climate of opinion. This remains, and will always remain, a crucial part of our mission if we want to encourage an increase in the general level of economic education among the population that will allow for the eventual adoption of wealth-creating reforms. As you will see in the pages that follow, in 2019, we have pursued this essential work (unique in the Quebec context) at a rate and a level of quality that is comparable to previous years.

What nonetheless distinguishes the MEI as we begin our third decade of existence is the extent to which the ultimate goal of this content production, namely the concrete process of adopting and implementing better public policies, is now at the core of our activities. The “ground work” that we now carry out more than ever before consists of developing and maintaining more direct exchanges with decision-makers: politicians, their advisors, and senior civil servants. We can thus prepare for them a personalized presentation of the conclusions of our studies, but also respond in a detailed way to their important ad hoc requests, which frequently require additional research. Offered occasionally up until two years ago, this public policy design work now mobilizes a portion of our team on a continuing and still growing basis.
This is the case in particular with the new government of Alberta, which has shown that it is aware of the deficiencies of the current health care system and made a commitment to address them without calling universal coverage into question. The MEI has since the early 2000s been proposing entrepreneurial solutions that have proven themselves in other OECD countries for reducing waiting lists and increasing the quality of care. We are actively involved in supporting Alberta in achieving these goals.

Our efforts have already led to encouraging results, notably with the decision of the Ministry of Health in December to expand its partnership with private clinics to finance more surgeries. On another topic, we have also proposed a series of measures to the Alberta government aiming to reduce the amount of government red tape imposed on businesses and adopt more efficient, less burdensome regulation.

It was to highlight this contribution that the Premier of Alberta, the Honourable Jason Kenney, sent me a thank you letter on September 6 in which he states:

“The MEI not only produces rigorous research, it also provides governments like ours with concrete and relevant ideas for public policy reforms that can make government smarter. The work of the Montreal Economic Institute helps us serve citizens better while providing more value for taxpayer dollars.”

- The Honourable Jason Kenney

The MEI is also collaborating with the Ontario government to help it make its labour laws more flexible. Moreover, with our partners from The Heritage Foundation and Atlas Network, we are pursuing discussions with American influencers and decision-makers on a variety of topics for which Canada can serve as an example, notably airport security and air traffic control. And in Quebec, the reforms adopted by the Legault government in terms of deregulating the taxi industry and the expansion of the role of super nurses contained several specific recommendations from our studies and our participation in parliamentary committees.

It is important to remember that we do this work free of charge and in a completely non-partisan manner, since preserving our independence remains a crucial element of our credibility. Public decision-makers of all stripes can ask for our help through our website. Moreover, we have contacted the leaders of the federal parties and of the parties represented in the legislatures of Quebec, Ontario, and Saskatchewan in order to offer them our services.

It has been some time since the MEI was a purely Quebec-centric institute, and this is truer than ever. In 2019, we opened a satellite office in Calgary, and another in Paris, to allow local collaborators to relay our messages directly. The costs of the offices are entirely covered by a local donor or partner, and the human resources that will work there will do so, at least at first, on a contract basis. In short, these are two prudent, gradual, and considered forays outside Quebec that do not tangibly increase our fixed costs, but that nonetheless give us greater visibility in the Canadian West and in the capital of the francophone world.

Finally, I want to highlight the fact that our research personnel in Montreal is more competent than ever, with the hiring this year of three researchers with doctorates, who each also have management experience and bring with them an international perspective after having worked in various countries.
The fundamental mission of the MEI has not changed for two decades: It is to propose public policy solutions that aim to increase the well-being of all citizens. To do this, of course, we need to refer to economic notions and issues of dollars and cents. It’s unavoidable. The best intentions in the world will come to nothing without the means and the resources to make them real.

This economic concern is sometimes caricatured by those who call into question market economics as an obsession with the accumulation of wealth, profits, and returns. Nothing could be further from the truth. On the contrary, our vision is centred on people. We want to reduce the suffering entailed by poverty, illness, and unemployment. We want everyone to have the means to adequately provide for the needs of their family in a prosperous and dynamic society. Our ideal is for all of our fellow citizens to be free to flourish and make their dreams come true.

We have added this sentence to our mission statement on the “Who Are We?” page of our website to explain this noble, inclusive vision that motivates us:

“The MEI’s vision is of a world that is free and responsible, where voluntary exchange and entrepreneurship lead to the eradication of poverty and favour prosperity for all.”
THE MEI PARTICIPATES IN PUBLIC DEBATES

Our researchers and our communications team redoubled their efforts in 2019 to share with the general population, the media, and political decision-makers our solutions in favour of better public policies based on the free market. This has allowed us not only to encourage in-depth reflection with substantive publications, but also to contribute in a timely manner to many debates taking place during the year through surveys, ad hoc press releases, blog posts, and opinion pieces.

We also inaugurated a new short column feature on our website at the end of the year, our “Fresh Takes,” which allow members of our staff to react quickly to various news items. Finally, our researchers presented their conclusions at public consultations and parliamentary commissions in Quebec and Ottawa in order to contribute to the political decision-making process.

All of these platforms allowed us to react quickly on a great many topics. In Quebec, among other things, we spoke out on the province’s successive budget surpluses in order to stress the importance of offering Quebecers some real tax relief. We also criticized a Quebec union group’s proposal to immediately raise the minimum wage to $18 an hour with no regard to the job losses this would entail.

On the pan-Canadian level, among other things, we turned our attention to the federal budget deficits, the proposed national drug insurance plan, and the Trans Mountain pipeline expansion project.

The preferential hiring of local construction workers, the regulation of flyer distribution by the City of Montreal, corporate subsidies, and the price of gas are some other topics that we addressed. We also had to set the record straight on the depletion of the planet’s resources and the temptation to raise taxes on the rich.

South of the border, the MEI took part in the American debate over “Medicare for all” in the context of the presidential election. While our neighbours are tempted by our health care system, it is relevant to ask if Canada itself has chosen the right model. There are, after all, numerous universal systems around the world. Most of them have avoided the legendary wait times that we experience in Canada, our outdated equipment, our staff shortages, and our “hallway medicine.” The main difference between these more successful systems and Canada’s is simple: They allow the private sector to pitch in within a system where no one is left behind.
THE MEI IN FIGURES

26 PUBLICATIONS

3 OPINION POLLS

12 PRESS RELEASES
   (IN ADDITION TO THOSE THAT ACCOMPANY OUR MAIN PUBLICATIONS)

67 OPINION PIECES
   IN MAJOR DAILIES DISSEMINATED IN THE COUNTRY’S NEWSPAPERS OR ON OUR PLATFORMS

10 FRESH TAKES
   DISSEMINATED ON OUR WEBSITE SINCE NOVEMBER 2019

3 APPEARANCES
   AT PUBLIC CONSULTATIONS AND PARLIAMENTARY COMMISSIONS
It’s clear that with the multiplication of sources of information on the internet, many traditional print and electronic media are experiencing financial difficulties and need to restructure themselves. They devote less and less space to opinion pieces and public policy debates. We have of course had to adapt our practices to this new situation. While the traditional media continue to play an essential role in relaying our message to the general public—and to mobilize most of our communications resources—for the past two years we have devoted more resources to social media, which Canadians increasingly use as a news source.

Our presence on social media continued to grow in 2019. One of the members of our communications team now devotes most of his time to promoting our publications and disseminating our messages with this new audience on various platforms. We have also entirely revamped our website, with a modern, streamlined look that is easier to consult. The site is also optimized for all platforms: computers, tablets, and phones.

**MORE VIDEO CONTENT**
The MEI produced and shared more video content in 2019 than ever before. In all, 110 posts on our Facebook pages featured video content. This strategy allows us to distill the economic research produced by our team and tailor it to reach an audience that differs from the traditional media audience. Video is a very popular format on the internet, and the MEI is taking full advantage of this.

Over 274,000 people viewed this video content, and these posts generated over 7,000 comments, 5,500 “likes,” and 3,100 shares!

**FACEBOOK IN FIGURES**
- 20 posts
- 42% increase in the number of “likes” of our pages (from 9,657 to 13,699)
- 3.2 million views of our posts
- 157,000 interactions, including:
  - 85,000 reactions ("like," “love,” “angry,” etc.)
  - 42,000 comments
  - 30,000 shares

**TWITTER IN FIGURES**
- 4,850 subscribers
- 703 Tweets
- 13,300 visits to our page
- 1,000 mentions of the MEI
OUR THEMES

Certain themes are particularly important to us because they have a direct link with the economic vitality of the country, or because they concern public policies that concretely improve the quality of life of Canadians. Here, then, grouped thematically, are the main publications that helped advance the mission of the Institute in 2019.

HEALTH CARE

Many Quebecers are rightly concerned about the quality of care in long-term care facilities (CHSLDs) for seniors, either because a parent lives in one or because they themselves expect to have to live there one day. In a Viewpoint that updated Department of Health data obtained through a request for access to information, we showed that the skepticism which continues to exist in certain circles toward the private sector’s contribution to the health care sector has no justification. Indeed, the quality of the living environment is far superior in publicly funded CHSLDs run by entrepreneurs, even though they receive the same funding from the government and are subject to the same conditions as public CHSLDs. Nearly two-thirds of these private facilities were deemed to be “entirely adequate,” whereas this was true of only 17.6% of public facilities.
Our team also collected other data from the Department of Health showing that the median length of stay in Quebec emergency rooms once again increased by several minutes in 2018-2019, despite a reduction in the number of patient visits. In another publication, we noted that wait times also continue to lengthen for surgeries and other treatments. In all, over one million Canadians—or 3% of the total population—are waiting for a medical treatment, sometimes for months.

The MEI is the only organization in Quebec that not only sounds the alarm about the lamentable state of this situation, but also emphasizes the fact that entrepreneurial solutions exist to remedy it. In countries like Germany, Australia, and France, which offer universal coverage but where over a third of hospitals are run privately and for-profit, such emergency room waits are practically nonexistent. Yet a poll commissioned by the MEI shows that Canadians are very open to such reforms, with over two-thirds in favour of relying on entrepreneurs to help mitigate the lack of services, all while ensuring universal coverage.

On another front, bureaucratic barriers continue to slow down the development of telemedicine, whereas the technologies are available to allow virtual consultations that avoid the need for travel and waiting in line. In a Research Paper that paints a picture of the situation, our researcher notes that the conditions governing doctors’ remuneration and practice, as well as the restrictions imposed on accessing this kind of care, are such that barely 1% of Canadians make use of it. We are thus depriving ourselves of an additional contribution that would relieve both patients and our overcrowded public systems.

The MEI has for several years been at the forefront of the fight to expand the role of super nurses in order to better respond to the demand for frontline care. The openness shown by the new Quebec government and the Collège des médecins in 2019 is a step in the right direction. A Viewpoint noted that Quebec is the province with the fewest super nurses per capita, while one in five Quebecers still does not have access to a family doctor.

Finally, our researchers again put the federal government on guard against the temptation to artificially reduce the maximum prices at which new medicines can be sold. One of the fundamental lessons of economics is that price ceilings provoke shortages. By wanting to make patented drugs less expensive, we risk chasing away research investment, delaying the launch of new drugs, or even making them unavailable, as has happened in countries that have gone down this path.

All of this work has a single goal: reducing suffering by ensuring that patients receive appropriate care and the most effective treatments in a timely manner. It is unacceptable that our governments settle for less and constantly put off for another day solutions that have proven themselves in other countries.
Very few people take an interest in the regulatory burden imposed on businesses by the government, yet it has a major impact on the competitiveness of our companies and their ability to create jobs and wealth. Even though most regulations have a reasonable objective, by its very nature, regulation prevents companies and individuals from making choices they would otherwise have made. It is much easier for governments to add new regulations than to get rid of those that are no longer useful.

Not only the federal government, but also the governments of certain provinces like Alberta and Ontario, with whom we are collaborating in this regard, have recently shown an interest in reducing this excessive regulatory burden. The MEI made this one of its major themes of 2019. We set the tone from the start of the year with an Economic Note co-signed by the minister responsible for the reduction of the regulatory burden in British Columbia in the early 2000s. This publication sketches a picture of the regulatory burden in Canada and provides an overview of ways of successfully reducing it.

Other publications have examined the effect of regulation in specific sectors. A Viewpoint showed how labour laws, interprovincial trade barriers, and the tax burden affect jobs and wages. A Research Paper showed that Canada has top quality telecommunications infrastructure, and that the very restrictive regulatory framework for companies in this sector is no longer justified. It invited the CRTC to reintegrate this sector into the general competition regime instead of burdening it with regulation by default that unduly limits innovation.

In the context of Air Canada’s offer to purchase Air Transat, the MEI emphasized that competition regulation should first aim to reduce barriers to entry, not determine the ideal number of players in a market. We also examined how more flexible regulation in Canada cuts compliance costs and makes it easier for firms to list, compared to the situation in the United States since the 2002 Sarbanes-Oxley Act. The prestigious Wall Street Journal published our opinion piece on this topic.

One of our publications that generated the most interest among the media and the political class was on the modernisation of the Quebec taxi industry, whose conclusions were also presented to a parliamentary commission. The MEI drew on the teachings of economics to explain that regulation should not protect the producer, but on the contrary should maximize consumer welfare by encouraging competition and innovation. The reform put forward by the government was largely inspired by our conclusions.
OUR THEMES

ENERGY AND NATURAL RESOURCES

Carbon taxation was a continued source of economic debate and political controversy in 2019, especially with the federal tax coming into effect in April. While economists do generally agree that imposing a price on emissions of a pollutant is the most efficient way to reduce them, not all pricing mechanisms are necessarily applied efficiently. An MEI Viewpoint that looked at this question generated nearly 200 media mentions, including numerous radio and television interviews, and opinion pieces in *The Globe and Mail*, *La Presse+*, the *National Post*, and *Le Soleil*.

The carbon tax is just one of the many challenges facing Canada’s oil and gas sector. There is also the lack of pipelines preventing our resources from reaching external markets, new rules that make the project approval process more burdensome, as well as a new clean fuel standard, which is actually no more and no less than another carbon tax under a different name. The cumulative effect of all of these measures, as our researchers explained in an in-depth Research Paper, is going to end up stifling Canada’s oil industry, which is already being treated pretty roughly. Since global demand for oil is expected to keep on growing at least until 2040, the authors maintained that we should continue to responsibly supply a portion of this demand instead of leaving our resources in the ground and thus favouring other producing countries, some of which have environmental and human rights records that are not nearly as good as ours.

Another important industry in the natural resources area, the forestry industry, has been losing steam for several years. Once again, excessive and rigid regulation is to blame. In an Economic Note, the MEI explained how the forest regime put in place in 2013 raised operating costs and reduced the accessibility of the resource, all while making supply more uncertain for companies in the sector.
ONE COUNTRY, ONE MARKET—PHASE II

In 2018, the MEI had launched, in collaboration with Canadian partners, a vast information campaign on the harmful economic effects of interprovincial trade barriers. We succeeded in raising awareness among the population and politicians, and this issue was once again at the centre of public policy debates in Canada in 2019. It was notably discussed during the annual meeting of provincial premiers in July. The new Alberta government took the lead by eliminating a whole series of obstacles to the free movement of goods, services, and workers.

The MEI pursued its offensive this year by publishing, still in collaboration with the Atlantic Institute for Market Studies and the Canadian Constitution Foundation, a substantial Research Paper explaining how a new free trade partnership between the provinces could generate economic benefits for Canadians comparable to the benefits of international trade agreements. Later in the year, the MEI and the Canadian Constitution Foundation listed the best and the worst students on this issue, with a ranking of Canada’s provinces and territories by openness to internal trade. Unsurprisingly, Alberta was at the head of the class, while Quebec was in last place.
The MEI’s mission to provide economic education consists not only in proposing better public policies, but also, more generally, in explaining the benefits of an economy founded on the free market and free competition. It was with this in mind that we published a collection of brief summaries of the lives and ideas of eighteen classical liberal thinkers from the past century and a half. These short biographical essays tell the tale of the evolution of classical liberal thought and provide a roadmap for the continued growth of wealth and well-being, to the benefit of all.

The future will undoubtedly be strongly influenced by the rapid advances in artificial intelligence. How will this new technology disrupt our lives? Will machines steal our jobs? The MEI delved into the matter to soothe the anxieties generated by this phenomenon. Indeed, the research shows that fears of massive job losses are largely exaggerated. This does not mean that we should neglect the plight of affected workers. Proactive steps can and should be taken to limit the risk of job losses due to artificial intelligence and to shorten periods of unemployment when they occur.

Finally, each year, on World Press Freedom Day, we take stock of the situation. Our researchers noted a worrisome trend, as press freedom has declined over the past decade and 54 journalists were killed just in 2018. An important factor, too often ignored, that partly explains the level of press freedom in a country is its degree of economic freedom. Not only is the free enterprise system more conducive to growth and prosperity, as explained by the great classical liberal thinkers, but it is also more conducive to democracy, the exchange of ideas, and the peaceful resolution of conflicts.
In 2019, the MEI organized three events with prestigious speakers, including the Right Honourable Stephen Harper, who came to promote his book *Right Here, Right Now: Politics and Leadership in the Age of Disruption*. He also addressed the issue of free trade and Canada’s relationship with its trading partners.

Our researchers presented the conclusions of their work at a public consultation of the City of Montreal, as well as at parliamentary commissions in Quebec City and Ottawa. In the latter case, they argued for relaxing Bill C-69, which imposes new rules that make the approval process more burdensome for major projects like the building of pipelines.

MEI employees and associate researchers, for their part, gave no less than thirteen presentations on topics and before audiences as varied as: the “degrowth” hypothesis, before Cégep de St-Hyacinthe students; prospects for the future of Canada’s energy sector, before the Economics Society of Northern Alberta; and solutions for improving the health care system, before members of the Albany Club in Toronto.
In free societies, the desire to contribute to the flourishing of all our fellow citizens notably manifests itself through philanthropy. We have the good fortune to live in such a society in Canada. The accomplishment of our mission to improve the well-being of Canadians is wholly dependent upon the generosity of our donors, since the MEI receives no public funding. In 2019, you came through once again.

The MEI’s total revenues were $3,170,014, which represents an increase of 3.02% compared to 2018. Spending amounted to $3,256,648, an increase of 16.23%.

The deficit of $86,634 is essentially due to two factors: nonrecurring costs related to the optimization of our staff, including the payment of severance packages and recruitment costs, and the late receipt (at the start of 2020) of substantial donations initially budgeted for 2019.

Having said this, our fundamentals remain excellent and we are therefore confident that we will return to budgetary balance in 2020. Moreover, let us note that our organization has registered 18 budget surpluses in 20 years, a record which should maybe inspire the current federal government!

As for our financial reserve, it is now $2.4 million. It is thus with confidence that the MEI looks to the future, in excellent financial health and focused on the long term.

President and CEO