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**PUBLIC POLICY RESEARCH**



*C.D. Howe Institute*  
*Institut C.D. Howe*

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The C.D. Howe Institute is a leading independent, economic and social policy research institution. The Institute promotes sound policies in these fields for all Canadians through its research and communications. Its nationwide activities include regular policy roundtables and presentations by policy staff in major regional centres, as well as before parliamentary committees. The Institute's individual and corporate members are drawn from business, universities and the professions across the country.

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**C.D. HOWE INSTITUTE**  
67 Yonge Street, Suite 300  
Toronto, Ontario M5E 1J8  
telephone : (416) 865 1904  
fax : (416) 865 1866  
e-mail: cdhowe@cdhowe.org  
internet: www.cdhowe.org

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*"I commend the Institute on being a strong and relevant voice on issues affecting the quality of life of Canadians – ranging from government policy to the environment, health care and constitutional matters."*

**Ed Stelmach**  
Premier of Alberta

# A MESSAGE FROM THE CHAIRMAN

## A Remarkable Track Record to Build on

POLICY CHANGE CAN SEEM A LONG TIME IN COMING. But when it finally arrives it can feel as unexpected and welcome as the warm Prairie sun after a long winter. The past year has been like that in several respects. The federal government recently announced significant fiscal reforms including, most notably, its plan to lower the general corporate tax rate to 15 percent by 2012, and the creation of the new Tax Free Savings Account. But if anyone was caught off-guard by these developments, they shouldn't have been – these and other reforms were prefigured in research studies at the C.D. Howe Institute and in the national policy debates they helped spark.

Tax competitiveness, which is so critical for Canada's success as a trading nation, has been a major research area of your Institute for more than a decade. A number of years ago, members and supporters formed a special Tax Competitiveness Program at the Institute to provide extra support and impetus for this line of research. Through continued effort, significant progress has been made. Our marginal effective tax rates on new business investment became the standard and authoritative measure in the field. And our emphasis on tax competitiveness in our annual Shadow Budgets, and Tax Competitiveness Reports generated debate across the country.

Eventually, more policy voices joined the discussion and successive governments began to take notice. Over the past number of years we have seen important changes in many provinces, and federally, under both Liberal and now Conservative governments. More needs to be done, of course, to make Canada truly competitive, but progress is being made. The 2007 tax relief announcement marked a major victory for the Institute and I want to congratulate our staff and researchers for their hard work, dedication and perseverance on this important issue.

2007 also saw other policy reforms that echoed your Institute's work: the new Vanier Graduate Scholarship award for top Canadian and international doctoral students; better tax treatment for cross-border venture capital investments; a review of the *Bank of Canada Act*; and, the liberalization of rules for federally regulated, locked-in retirement saving.

Still, perhaps the sleeper of the lot, with the largest potential over the long term, was the Federal Budget's new \$5,000 per year Tax Free Savings Account (TFSA). This initiative is an implementation of Tax-Prepaid Savings Plans originally conceived by C.D. Howe Institute Director of Research Finn Poschmann and Dr. Jonathan Kesselman in 2001. They first set out the idea for a saving vehicle with no tax

deduction for contributions and no tax or clawbacks on accumulation and withdrawals in an Institute *Commentary* and in an award-winning study in the *Canadian Tax Journal*. As champion of the idea during the seven years since its original publication, the Institute deserves our praise and congratulations.

Well-founded and research-based policy change, therefore, is important for our country. That is why it is so critical for Canada to have a place like the C.D. Howe Institute. As a truly national think tank with no predefined agenda and no regional interests to defend, the Institute is an important asset for our country – advancing policy proposals that create a unique Canadian advantage in the competition for talent and investment.

This work is only made possible through the support of members and patrons, and leaders such as Alfred Wirth, who as you will read later in this report, made an historic \$1,050,000 gift to boost our policy efforts on a range of issues.

As we begin our 50th anniversary in 2008, the Institute is well positioned to build on its track record of contributions to this country. Since its origins in 1958 as the Private Planning Association of Canada, the C.D. Howe Institute has developed a remarkable ability to anticipate critical policy issues, attract leading scholars, and marshal limited resources in clear-headed examinations of the nation's policy choices. Committed to empirical research and supportive of entrepreneurship, the C.D. Howe Institute today stands as a unique national voice, helping to shape opinion in all regions, and commanding attention and respect from the media, private-sector leaders, academics and policymakers of every stripe. We thank the staff, board, members, authors and contributors who made 2007 so fruitful and we look forward to even more success ahead.



**Tim Hearn**  
Chairman of the Board

A handwritten signature in black ink, appearing to read 'Tim Hearn', written in a cursive style.

## OUR MISSION

The C.D. Howe Institute aims to improve Canadians' standard of living by fostering sound economic and social policies. The Institute promotes the application of nonpartisan, independent research and analysis to major economic and social policy issues affecting the quality of life of all Canadians in all regions of the country. It takes a global perspective by considering the impact of international factors on Canada and bringing insights from other jurisdictions to the discussion of Canadian public policy. Policy recommendations in the Institute's publications are founded on quality research conducted by leading experts and subject to rigorous peer review.

# A MESSAGE FROM THE PRESIDENT AND CEO



William B.P. Robson  
President and CEO

## The Stakes are High, And We Are Ready

2007 WAS A YEAR OF ACHIEVEMENTS FOR THE C.D. HOWE INSTITUTE, in terms of the output and impact of our ideas, and how we positioned ourselves to step up our game in the future. Looking ahead, the economic stakes are high for Canada across a range of policy challenges, and we intend to play a leading role in helping Canadians address them.

The C.D. Howe Institute is a lean organization, but one with outstanding drive and momentum. During 2007, we kept up our record pace for publications and events, garnered fresh attention for our ideas, and remained a leader among think tanks for high-quality media citations per revenue dollar. We bolstered our research team with some of the best and brightest minds around. We also took our ideas to a broad audience. My colleagues and I spoke in dozens of business,

academic and government forums, and made hundreds of appearances in the media. And we provided counsel to elected officials, public servants and business leaders, who solicited our input on matters ranging from monetary policy, through business competitiveness and international taxation, to pensions.

In short, the Institute bolstered its record as Canada's foremost provider of top-quality, independent and practically oriented policy advice.

For me personally, a highlight throughout the year was the chance to visit and interact frequently with the Institute's members. These opportunities to exchange ideas, and get a better sense of the policy issues that matter across the country, are an inspiration – not only to the Institute's research agenda, but to the core mission of promoting intelligent discussion of our economic and social challenges.

As the year came to a close, Canadians saw fresh evidence of the high stakes for Canada involved in the policy choices ahead. The contrast between booming mineral resources and struggling manufacturing, combined with weakness in the US housing sector and the associated seizing up of the commercial paper market, accentuated the demand for commentary on the Bank of Canada's task in steering a steady course consistent with inflation control, as well as broader thinking about the role of central bankers in maintaining financial stability. Mounting concern over potential human

impact on the world's climate forced fresh attention to the economic stakes in choosing among taxes, regulations and voluntary measures in efforts to contain greenhouse gas emissions. Tight labour markets highlighted the need to encourage workers to move to where the jobs are, the critical contribution of employment-friendly policies in reducing Canadian poverty over the past decade, and the looming challenge as demographic change constrains the growth of the workforce while placing fresh demands on it. And Federal Finance Minister Flaherty's spring budget and fall economic statement respectively contained commitments to ease cross-border flows of venture capital and to cut corporate income tax rates to 15 percent by 2012 – initiatives prefigured in Institute publications during the year.

Notwithstanding near-term economic concerns, we enter the C.D. Howe Institute's 50th anniversary year of 2008 with keen enthusiasm. Both the short-term tactics and the long-term objectives of monetary policy need further exploration. The task of containing government spending and freeing up resources for competitiveness-enhancing tax cuts is far from complete. Sectoral policies in areas as diverse as financial services and transportation, and government provision of services from mail to export financing – all areas of notable Institute work in 2007 – will need further scrutiny.

Our supporters can take pride in the work of the C.D. Howe Institute in 2007, and will find fresh cause for satisfaction as we celebrate our first half-century this year. Our research will continue to exemplify the unique mix of rigour and timeliness that has made the Institute a byword for reliable, pertinent policy commentary. Our policy roundtables and events will feature top leaders from the public and private sectors across the country. And the ongoing dialogue between my colleagues, me, and the many businesspeople, policymakers and academics with whom we engage will keep us current on the economic challenges facing the country, and inspire us to work all the harder to find solutions.

As the following pages show in detail, the C.D. Howe Institute's success reflects the efforts of a dedicated team. From its distinguished academic collaborators, through its able board of directors, to its outstanding staff – and, critically, its involved and supportive members – the Institute draws on the best of what Canada has to offer. I thank everyone on that team for their contributions to the Institute's successes in 2007, and promise a 50th anniversary year of even more contributions to smart public policy in Canada.

William B.P. Robson  
President and CEO

# THE 2007 RESEARCH PROGRAM



**Finn Poschmann**  
Director of Research

## Focused Initiatives, On an Expanded Terrain

**IDEAS, EVENTS, PEOPLE, PROGRAMS AND PUBLICATIONS:** It takes many moving parts to produce high quality, independent public policy research, and that is what we at the Institute do best.

Ideas come from people – from the research team, from Institute members and supporters, and others. What is more, exciting policy initiatives are driven by the superb network of academic specialists who constitute the Institute's roster of Fellows-in-Residence and Research Fellows, as well as authors who care deeply about sound public policy and want to see their ideas translated into policy action.

Before an idea can turn into a research publication or public policy, however, it needs scrutiny, stress-testing and careful, critical review. Three programs at the Institute exist to generate and test ideas and potential publications, in specific research areas.

The C.D. Howe Institute's Tax Competitiveness Program, chaired by Robert D. Brown, focuses on how tax policy can better support economic

growth and job creation in Canada. The Program is overseen by a council consisting of tax practitioners, academics in the public finance field, and representatives of governments and businesses who are involved in shaping and responding to Canada's tax environment.

The Financial Services Research Initiative, which is chaired by Edward P. Neufeld, reports and advises on financial sector policy. Through the Initiative, we examine the economic and regulatory environment surrounding financial intermediation, as well as the future of the sector. The Initiative's highly engaged participants, whose thoughtful insights we are very grateful to have, are experts in the sector and include financial intermediaries, securities market participants and regulators.

Our newest work line is the Pensions Papers Program, which is overseen by a

blue-ribbon advisory panel co-chaired by Claude Lamoureux and Nick Le Pan. The Program's aim is to ensure that public policy regarding pensions properly responds to high-level issues like demographic change, and specific issues like funding shortfalls and regulatory shifts – issues that cause Canadians to worry about their retirement income security.

The inaugural Mintz Economic Policy Seminar also marked a happy event for the Institute in 2007. Funded by the generous support of Institute members, in honour of past President and CEO Jack M. Mintz, the Seminar presents the policy ideas of the world's preeminent scholars in public finance. Guest scholar at the first seminar was Alan J. Auerbach, Professor of Economics and Law, University of California, Berkeley, and a renowned and experienced fiscal policy advisor.

The Institute expanded its research terrain in 2007, with more to come in 2008. In addition to path-breaking work on tax reform, we now routinely assess the fiscal accountability of governments. We have aggressively taken on climate policy, and published novel work on the respective roles of governments and markets (a series developed with the assistance of Fellow-in-Residence Michael Trebilcock). Projects have included original and deep analyses of postal services regulation and trade credit insurance. Look for more in all these areas in 2008.

It is a diverse research portfolio, made possible by an energetic and enthusiastic research staff. Also, Institute President and CEO Bill Robson stands out for his terrific contribution to the quality and quantity of the research program's output. Other key contributors to the research program are the Institute's Fellows-in-Residence including, from the current stellar roster, John Richards, holder of Phillips Chair on Social Policy, Jack Mintz, David Laidler, David Johnson, Mark Jaccard and Duanjie Chen, who is George Weston Analyst at the Institute.

Again, it takes more than ideas to build a research program – it takes people to build a team. In our case at the Institute, we are lucky to have Editor James Fleming see to it that ideas are clearly expressed, Layout Designer Diane King make our work readable by the rest of the world, as well as Publications Manager Wendy Longworth and Executive Assistant Kristine Gray to ensure that all the moving parts mesh together.

Our small team is designed to efficiently and effectively turn independent ideas into relevant public policy research that policymakers can use. I and the rest of the research team are extremely grateful to the Institute members and supporters who make it possible for us to do so.

**Finn Poschmann,**  
Director of Research

## Fifty Years of Leadership in Canadian Public Policy Research



*"As Canadians, we value the freedom to engage in lively and spirited debate on issues of importance to our country. We understand that a diversity of well-formed opinions makes us stronger. Since its inception in 1958, the C.D. Howe Institute has brought a unique perspective to public policy issues."*

Shawn Graham  
Premier of New Brunswick

In 2008, the C.D. Howe Institute, Canada's leading nonpartisan public policy think tank, celebrates its 50th anniversary. In that half-century, the Institute has made a lasting and vital contribution toward improving Canadians' standard of living by fostering sound economic and social policy.

The Institute has stayed on the forefront of public policy debates in Canada, providing clear, innovative thinking about the nation's challenges. Its life-span has been marked by strong public policy leadership, timely research initiatives, and a reputation for producing independent, reasoned and relevant research. As a result, the Institute's research and policy forums have helped inspire or prefigured such achievements as the:

- Embrace of continental free trade by successive federal governments;
- Elimination of unsustainable federal and provincial deficits;
- Lowering of inflation and establishment of inflation targets;
- Reform of the Canada and Quebec Pension Plans;
- Implementation of lower and more competitive business taxes;
- Innovation and reform of social programs.

explore international trade and other closely related subjects crucial to Canada's prosperity. In 1968, the CTC was reconstituted as the Canadian Economic Policy Committee, with an expanded membership and wider terms of reference. The work of these committees foreshadowed the liberalization efforts that ultimately culminated in the Canada-US Free Trade Agreement of 1988. In 1969, the PPAC became the Canadian sponsor for the newly created British-North American Committee, which for the next four decades would be a major forum for discussion of, and promoter of research on, issues of importance to Canada, the United States and the United Kingdom.

During the 1960s, the PPAC cemented its growing reputation as a serious research institution by publishing, either alone or in conjunction with the CAC, such renowned economists as Harry Johnson, Robert Mundell, Grant Reuber, Ed Safarian, David Slater, and David C. Smith. A highlight of those early years was the publication of a 12-volume series of studies entitled "Canada in the Atlantic Economy," edited by H. Edward English, who was also the PPAC's head in-house economist during the 1960s.

### The 1970s – Honouring the Legacy of C.D. Howe

In 1973, the PPAC's assets and activities were subsumed into the C.D. Howe Memorial Foundation to form the C.D. Howe Research Institute (HRI). The Foundation had been created in 1961 to memorialize the late Right Honourable Clarence Decatur Howe, Canada's "Minister of Everything" under prime ministers Mackenzie King and Louis St. Laurent during the period 1935 to 1957.



C.D. Howe (centre) and his entourage board the inaugural Trans Canada Airlines flight from Toronto to New York, May 10, 1941.

### FIVE DECADES OF EXCELLENCE 1958 – Born in Montreal

The C.D. Howe Institute's origins go back to Montreal in 1958 when a group of prominent business and labour leaders organized the Private Planning Association of Canada (PPAC) to research and promote educational activities on issues related to public economic policy.

Under the leadership of Robert M. Fowler, and with a small but dedicated staff, the PPAC soon became the Canadian co-sponsoring organization for the Canadian American Committee (CAC), which had been established in 1957 to study and discuss the economic factors affecting the bilateral relationship between Canada and the United States.

### The 1960s – A Prescient Focus on Trade

The primary interest of the PPAC's early years was trade, a focus reflected in the establishment in 1961 of the Canadian Trade Committee (CTC), whose purpose was to

The new organization would honour the man in both name and public contribution. Heading up the newly reconstituted organization was brilliant young economist Carl E. Beigie. In his youth a preacher in his native United States, Beigie became the eloquent public face of HRI. With a talented group of researchers that included Gail Cook, Judith Maxwell, Joshua Mendelsohn, Caroline Pestieau, Richard Shaffner, and Gennifer Sussman, Beigie greatly expanded the scope of HRI's research. Energy, fiscal policy, labour policy and monetary policy were just some of the new areas in which the Institute's expertise began to be applied.

# 50TH ANNIVERSARY 1958 – 2008

Another new area was constitutional issues. Responding to growing concerns over rising nationalism in Quebec, in the late 1970s and early 1980s HRI published, in both English and French, a major series of studies called “Accent Québec,” which took a comprehensive look at the structure of Quebec’s economy.

## The 1980s – Building A National Presence

In 1981, the organization’s name changed to its current form, the C.D. Howe Institute, after the Memorial Foundation chose to focus directly on memorializing C.D. Howe.

The Institute began to expand its national presence by establishing a Western Regional Committee to involve members in Western Canada more closely in its research and advisory activities. A Quebec Committee was also set up in 1981 to help the Institute’s members in Quebec become more involved in the Canadian public policy debate.

Another highlight of the decade was the work of the Howe Institute Policy Analysis Committee (HIPAC), formerly the Canadian Economic Policy Committee, under the dynamic chairmanship of H. Anthony Hampson.

In 1982, after more than 20 years in offices in Montreal’s Sun Life Building, the Institute moved its headquarters to Toronto. Shortly after the move to Toronto, Carl Beigie handed the reins to Executive Director Wendy Dobson, whose force and dynamism guided the Institute through the early to mid-1980s. Joining the Institute on its move to Toronto was the talented young economist Edward A. Carmichael and, in 1983, Dobson persuaded the renowned Richard G. Lipsey to join its economics staff. In 1986, Maureen Farrow, an economist well respected in the investment community, became president.

Probably the dominant economic issue for Canada in the mid- to late 1980s was the prospect of free trade with the United States. The Institute was an authoritative voice on this controversial subject, as the Canadian-American Committee had been studying it since the mid-1960s. Richard Lipsey and Policy Analysts Kathleen MacMillan and Robert York played major roles in the Institute’s contribution to the debate.

As the decade progressed, inflation and the Bank of Canada’s increasingly aggressive program to bring it down also became a pressing issue. The Institute had long been a leading commentator on monetary policy, with Thomas Courchene’s authoritative books on the Bank of Canada and inflation. Under the leadership first of Lipsey, and then of leading monetary economist David Laidler and William Robson, who joined the Institute as Fellow-in-Residence and Policy Analyst, respectively, in the late 1980s, the Institute’s views gained a wide audience, both inside and outside the Bank of Canada.

## The 1990s – Taking A Leadership Role

In 1989, highly respected investment banker Thomas E. Kierans became president of the Institute, a position he held for the next 10 years. Along with Robson, the economics staff during those years included such talents as Ken Boessenkool, David Brown, Irene Ip, and Daniel Schwanen.

Under Kieran’s leadership, the Institute became the acknowledged leader among Canadian think tanks. It continued to expand its areas of analysis, particularly in the field of social policy and constitutional issues. Two major series of studies reflected these concerns: “The Canada Round,” edited by John McCallum; and “The Social

Policy Challenge,” edited by John Richards and William Watson. The Institute’s longstanding concern with mounting public sector obligations was reflected in a series of *Commentaries* spelling out the dangers and urging reforms to federal and provincial finances, as well as to the Canada Pension Plan. Many of these received close attention in the media and from policymakers, and helped shape the consensus for fiscal rebalance that led the country onto a more sustainable track after mid-decade.

## The 2000s – To the Next Level

There has been a sense of building momentum at the Institute since the turn of the new century, reflecting adept leadership, strong finances and the exceptional relevance of its research. From 1999-2006, the Institute benefited from the able leadership of President and CEO Jack M. Mintz, a tax specialist and University of Toronto professor. In 2006, he was succeeded by Bill Robson, formerly Senior Vice President and Director



Long-time contributors: From left, Fellow-in-Residence David Laidler, two former presidents, Tom Kierans and Maureen Farrow and Edward Neufeld, Honorary Director.

of Research. Finn Poschmann became Director of Research.

Key focuses of the Institute’s work during the 2000s have been tax competitiveness, North American economic and security cooperation, sectoral studies in such areas as financial services, monetary policy – including the influential Monetary Policy Council – and social policy. In all these areas, the Institute has fostered high-level interaction among leaders in business, academia and the public service, and has promoted public awareness of the critical importance of good public policy to Canadians’ well-being. The subsuming of the Western and Quebec Committees in a national Regional Advisory Committee in 2005 reflected the Institute’s growing commitment to presence in, input from, and relevance to, every part of Canada.

As it begins its second half-century in 2008, in a world where technological change, the spread of market-driven economic development, and emerging demographic pressures create key challenges for economic and social policy, the C.D. Howe Institute will continue to deliver the clear, independent thinking that has marked its past 50 years.

# THE INSTITUTE'S 2007 RESEARCH AGENDA

## Fiscal and Monetary Policy

A COMPETITIVE TAX SYSTEM, featuring a broad base and low rates, is the policy touchstone for improving productivity, boosting investment, creating jobs and strengthening the economy. And tax competitiveness lies at the heart of the Institute's fiscal policy research.

The program delivers annual analyses of interprovincial and international tax rankings – and offers prescriptions on how Canada can improve its standing. This program has presaged progress on the policy front: Canada's federal tax policy has highlighted lower marginal tax rates on business investment as a key national goal.

Other tax topics that made headlines in 2007 were proposed changes to the tax treatment of interest costs related to foreign investment, sales tax reform among the provinces, and the broader question of rate lowering versus targeted measures at the federal and provincial levels – all issues that the Institute put under the microscope, and areas where reform is in sight.

Fiscal policy, however, is about managing spending as well as revenue, and the Institute's fiscal accountability rankings show that Canadian governments have

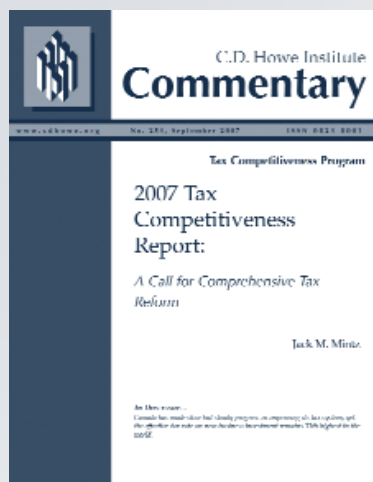
a long way to go on this score. While Quebec and Newfoundland stood out for meeting budget projections, according to the 2007 fiscal accountability ranking, the Yukon and Alberta tended to persistently overspend projections, indicating that government budget promises proved consistently unreliable – a problem for governments seeking to establish their credibility and create fiscal room for private sector growth.

*"I commend the Institute on marking five decades of bringing fresh perspectives, through an ambitious research program, to the discussions of Canadian public policy.*

*...it has become one of our country's most recognized think tanks and has added much to the perspective of Canadians on a diverse range of subjects – from fiscal and monetary policy to economic growth and innovation."*

Dalton McGuinty, Premier of Ontario

## Tax Competitiveness Program



The C.D. Howe Institute's Tax Competitiveness Program is an ongoing effort to promote discussion of, and reforms to, Canada's tax system. High and poorly designed taxes undermine the performance of the labour market, inhibit capital investment, and hurt productivity and competitiveness. The Tax Competitiveness Program's seminars and reviews of

research papers aim to improve Canadians' understanding of the tax system and its economic effects. Among the publications produced under its auspices are annual surveys of Canada's international position as a location for capital investment and the position of individual provinces relative to each other and other jurisdictions. The work of the Program is supported by Fellow-in-Residence Jack Mintz, George Weston Chair Duanjie Chen and Robert D. Brown, who chairs its seminars.

## Monetary Policy Council

The C.D. Howe Institute's Monetary Policy Council (MPC), chaired by William Robson, the Institute's President and CEO, comprises 12 of Canada's most distinguished financial-market and monetary economists. It provides the Bank of Canada, financial markets and commentators with a regular independent assessment of the appropriate target for the short-term, overnight interest rate that will allow the Bank to hit its 2 percent inflation target. The members of the Monetary Policy Council are:

- Jean Boivin, HEC Montréal
- Edward A. Carmichael, JP Morgan Chase Canada
- Thorsten Koepl, Queen's University
- David Laidler, University of Western Ontario
- Michael Parkin, University of Western Ontario
- Christopher Ragan, McGill University
- Angela Redish, University of British Columbia
- Nicholas Rowe, Carleton University
- Pierre Siklos, Wilfred Laurier University
- Andrew Spence, Ontario Teachers' Pension Plan
- David D. Wolf, Merrill Lynch Canada Inc.
- Craig Wright, RBC Financial Group

## FISCAL and Monetary Policy

### Publications

- Robson, William B.P. **"Time and Money: The Challenge of Demographic Change and Government Finances in Canada."** Backgrounder No. 109. (December).
- Chen, Duanjie. **"Flaherty's Opportunity."** e-brief. (December).
- Koning, John-Paul. **"Why the Bank of Canada Act Needs Updating: A Lesson from the Sub-Prime Crisis."** e-brief (December).
- Mintz, Jack. **"The 2007 Tax Competitiveness Report: A Call for Comprehensive Tax Reform."** Commentary No. 254. (September).
- Smart, Michael. **"Lessons in Harmony: What Experience in the Atlantic Provinces Shows About the Benefits of a Harmonized Sales Tax."** Commentary No. 253. (July).
- Laidler, David. **"Better Late Than Never: Towards a Systematic Review of Canada's Monetary Policy Regime."** Commentary No. 252. (July).
- Chen, Duanjie, Jack Mintz and Andrey Tarasov. **"Federal and Provincial Tax Reforms: Let's Get Back on Track."** Backgrounder No. 102. (July).
- Kneebone, Ronald, D. **"Following the Money: Federal and Provincial Budget Balances with Canada's Major Cities."** Commentary No. 249. (June).
- Brown, Robert D. and Finn Poschmann. **"On Taxes and Foreign Investment, Flaherty's Aim is Off."** e-brief. (May).
- Adrian, Reid S., Yvan Guillemette and William B.P. Robson. **"Missed Targets: Canada's 2007 Fiscal Accountability Ranking."** Backgrounder No. 100 (English), (March).
- Poschmann, Finn, William Robson and Robin Banerjee. **"Fiscal Tonic for an Aging Nation: A Shadow Federal Budget for 2007."** Backgrounder No. 101 (February.)

### Events

- MINTZ SEMINAR TORONTO **How Should We Tax Capital Income?** February 7, 2007; Alan J. Auerbach, Robert D. Burch Professor of Economics and Law, University of California, Berkeley.
- ROUNDTABLE TORONTO **2007 Federal Budget.** March 23, 2007; Robert A. Wright, Deputy Minister, Department of Finance Canada.
- ROUNDTABLE TORONTO **March 2007 Ontario Budget.** March 28, 2007; Colin Andersen, Deputy Minister, Ontario Ministry of Finance.
- ROUNDTABLE KITCHENER/WATERLOO **Taxing, spending and growing old: government budgets, demographic change, and Canada's fiscal future.** April 26, 2007; William Robson, President and Chief Executive Officer, C.D. Howe Institute.
- TAX COMPETITIVENESS COUNCIL **Tax Competitiveness Council Meeting #4.** April 30, 2007.
- ROUNDTABLE EDMONTON **More Complexity, Higher Costs – Federal-Provincial Transfers in the 2007 Federal Budget.** May 2, 2007; William Robson, President and Chief Executive Officer, C.D. Howe Institute.
- ROUNDTABLE CALGARY **The Alberta 2007 Budget.** May 3, 2007; Lyle Oberg, Minister of Finance, Alberta Finance.
- TAX COMPETITIVENESS COUNCIL **Tax Competitiveness Council Meeting #5.** September 7, 2007.
- ROUNDTABLE TORONTO **Canada's Economic Performance and Challenges.** September 7, 2007; Robert A Wright, Deputy Minister, Department of Finance Canada.
- ROUNDTABLE TORONTO **Building a Strong Canadian Economy.** October 9, 2007; John McCallum, Liberal Party Finance Critic, Liberal Party.

### SEEN & HEARD



**William B.P. Robson**  
President and CEO



**Finn Poschmann**  
Director of Research

Spreading smart policy ideas to a broad audience is a key role for Institute policy staff. As well as frequent media appearances, they speak regularly before public, professional, academic and government audiences to provide expert commentary on policy issues. President and CEO Bill Robson, and Director of Research Finn Poschmann take the lead, with a busy schedule of appearances that complements their publication output.

During 2007, Bill Robson spoke before federal, provincial and municipal policymakers of various political stripes. He addressed leading university and business forums, the Competition Review Panel, the Ontario Expert Commission on Pensions, healthcare and hospital and university forums. His subjects included the economic outlook, fiscal policy, pensions, competitiveness and economic policy, research, innovation and the role of universities, healthcare, infrastructure investment, municipal finances, and labour markets.

Finn Poschmann was also a busy speaker and advisor. He appeared as an expert witness before the Senate Committee on Banking Trade and Commerce on the subject of inter-provincial barriers to trade, and the House of Commons Finance Committee on the subject of tax havens and tax avoidance. Elsewhere, he was a much-in-demand speaker on taxation, financial services and social policy.

During 2007, Finn Poschmann was appointed to federal Finance Minister Flaherty's Advisory Panel on Taxation. He is the only think tank representative on this panel. The goal of the Advisory Panel is to consider ways to improve the fairness, economic effectiveness and competitiveness of Canada's system of international taxation.

The activities of the Policy Analysts also extend to the public sphere. They regularly contribute to policy debates in print and broadcast media, and speak before various forums.



The research team: from left, Robin Banerjee, Colin Busby, Finn Poschmann, Krista Lucenti, Benjamin Dachis.

# THE INSTITUTE'S 2007 RESEARCH AGENDA

## International Policy

INTERNATIONAL POLICY IS A TRADITIONAL AREA OF STRENGTH at the Institute, and 2007 provided fresh engagement on a variety of important issues through a series of roundtables and publications. Notable roundtable speakers included General Rick Hillier on the future of the Canadian Forces, former US Secretary of Transportation Norman Mineta on Canada-US relations under the Bush administration, and Richard Fadden, Deputy Minister of Citizenship and Immigration, on challenges for Canadian immigration policy.

The Institute's work on Canadian trade continued this year with a publication by Bill Robson warning of the dangers of Canada becoming "stuck on a spoke" of US regional trade agreements and the need to focus on maintaining our close trading relationship with the Americans. Lawrence Herman's paper on

Canada's recent trade action against US corn subsidies challenged the Canadian government to address our own agricultural protectionism. The challenges facing Canadian exporters in the auto and forestry sectors were highlighted in our roundtable discussions as well.

One of the keys to future prosperity is attracting foreign investment. Jack Mintz and Andrey Tarasov argued that rather than being "hollowed-out" by international companies, Canada's performance in attracting foreign direct investment (FDI) has in fact been dismal. Their paper placed Canada 25th in the world in terms of the ratio of FDI inflows to outflows as a percentage of GDP, one place behind Hungary.

*"On behalf of the Government of Québec and of all Québécois, bravo and thank you to the C.D. Howe Institute and to its members for a half-century of work to improve the quality of life of all Canadians."*

Jean Charest  
Premier of Quebec

- **ROUNDTABLE HALIFAX**  
**Making the most of economic opportunities for Nova Scotia.** November 13, 2007; Darrell Dexter, Leader, Nova Scotia New Democratic Party.

## INTERNATIONAL Policy

### Publications

- Herman, Lawrence L., "American Corn and Canadian Trade Actions: One Step Forward, Two Steps Back." e-brief (April).
- Mintz, Jack M., and Andrey Tarasov, "Canada Is Missing Out On Global Capital Market Integration." e-brief (August).
- Robson, William B.P., "Stuck on a Spoke: Proliferating Bilateral Trade Deals are a Dangerous Game for Canada." e-brief (August).

### Events

- **SPECIAL EVENTS**  
**Directors Dinner**, May 23, 2007; Michael H. Wilson, Ambassador to the United States.
- **ROUNDTABLE TORONTO**  
**Canada-US Relations under the Bush Administration**, June 4, 2007; Norman Mineta, Vice Chairman, Hill & Knowlton.

- **ROUNDTABLE TORONTO**  
**Canadian Immigration Policy: Challenges & Opportunities**, September 6, 2007; Richard B. Fadden, Deputy Minister, Citizenship and Immigration Canada.

- **ROUNDTABLE TORONTO**  
**The Canadian Forces in a Dangerous World**, November 27, 2007; Rick Hillier, Chief of Defence Staff, Department of National Defence.

## ECONOMIC GROWTH and Innovation

### Publications

- Jaccard, Mark. "Designing Canada's Low-Carb Diet: Options for Effective Climate Policy." Benefactors Lecture (November)
- Banerjee, Robin. "Deals on Wheels: An Analysis of the New Federal Auto Feebate." Background 108 (November).
- Freedman, Charles and Clyde Goodlet. "Financial Stability: What It Is and Why It Matters." Commentary 256 (November).
- Guillemette, Yvan and William B.P. Robson. "Realistic Expectations: Demographics and the Pursuit of Prosperity in Saskatchewan." Background 107 (November).

- Koepl, Thorsten V., and James MacGee. "Branching Out: The Urgent Need to Transform Canada's Financial Landscape and How to Do It." Commentary 251 (June).
- Jaccard, Mark, and Nic Rivers. "Estimating the Effect of the Canadian Government's 2006-2007 Greenhouse Gas Policies." (Working Paper - June).
- Jaccard, Mark, and Nic Rivers. "Estimating the Effect of the Canadian Government's 2006-2007 Greenhouse Gas Policies." e-brief (June).
- Banerjee, Robin, and William B.P. Robson. "Give Canadian Workers the Tools to do the Job! Why Canada Needs More Robust Capital Investment." e-brief (May)
- Cumming, Douglas. "Financing Entrepreneurs: Better Canadian Policy for Venture Capital." Commentary 247 (May).
- Howitt, Peter. "Innovation, Competition and Growth: A Schumpeterian Perspective on Canada's Economy." Commentary 246 (April).
- Cherniavsky, Ben, and Benjamin Dachis. "Excess Baggage: Measuring Air Transportation's Fiscal Burden Cherniavsky." Commentary 242 (February).
- Hurwitz, Stephen A., and Louis J. Maret. "Financing Canadian Innovation: Why Canada Should End Roadblocks to Foreign Private Equity." Commentary 244 (February).

### Events

- **ROUNDTABLE TORONTO**  
**Ontario's Energy Future**, January 15, 2007; Dwight Duncan, Minister of Energy, Ontario.

# Economic Growth and Innovation

THE INSTITUTE'S WORK ON ECONOMIC GROWTH AND INNOVATION addressed economy-wide challenges, such as climate change and financial services reform, and sector-specific issues in 2007.

The Institute played a key role in the debate on climate change. Mark Jaccard, Canada's leading expert on climate change economics, presented the 2007 Benefactors Lecture on "Designing Canada's Low-Carb Diet: Options for Effective Climate Policy." As well, a major conference on greenhouse gas policy in December featured very stimulating presentations and debate. Sectoral studies on the airline industry and the automotive industry argued for a re-evaluation of the way they are taxed and regulated.

Stimulating investment was also a major theme of Institute work in 2007. This included a study by Stephen Hurwitz and Louis Marett on cross-border investment rules and another by Douglas Cumming on the role of venture capital. The Institute continued to argue in favor of giving Canadian workers the necessary tools to be

productive by reducing the cost of capital investments. All of this work was capped by Peter Howitt, of Brown University, who showed how important investment, openness, and technological change are to the well-being of Canadians.

Financial services regulation was also a key research focus, including the future of competition policy and merger regulation of financial service providers. Another forward-looking study assessed the extent to which central banks can improve macro-economic stability by better identifying financial crises.

As one of the highlights of the year, the IMF chose an Institute roundtable as the venue to release its publication, "Northern Star: Canada's Path to Economic Prosperity." Members also heard from John McCallum, MP and Liberal Finance Critic, on the subject of Canada's economic outlook. Other roundtable sessions provided perspectives on the future of several important Canadian industries, including pharmaceuticals, auto manufacturing, power generation and forestry.

## ■ ROUNDTABLE TORONTO

**How Canadian Manufacturers can stay Competitive with Emerging Asian Suppliers**, January 18, 2007; Buzz Hargrove, President, Canadian Auto Workers Union.

## ■ ROUNDTABLE TORONTO

**What Economists Want Done to Bolster Productivity**, January 31, 2007; Donald Drummond, Senior Vice President and Chief Economist, TD Bank Financial Group; Allan Gregg, The Strategic Counsel.

## ■ ROUNDTABLE TORONTO

**Recent Progress and Future Directions for Ontario Electricity**, February 9, 2007; Jan Carr, President and Chief Executive Officer, Ontario Power Authority.

## ■ ROUNDTABLE TORONTO

**Fast Forward: TSX in Rapidly Changing Global Capital Markets**, February 15, 2007; Richard Nesbitt, Chief Executive Officer, TSX.

## ■ ROUNDTABLE TORONTO

**Ontario Power Generation: Performance, Projects and Prospects**, February 27, 2007; Jim Hankinson, President and Chief Executive Officer, Ontario Power Generation.

## ■ ROUNDTABLE TORONTO

**February 2007 Report and Role as Auditor General of Canada**, March 7, 2007; Sheila Fraser, Auditor General of Canada.

## ■ ROUNDTABLE TORONTO

**Inspired to Win: Being Competitive in Today's Global Automotive Industry**, April 16, 2007; William H. Osborne, President and Chief Executive Officer, Ford Motor Company of Canada, Limited.

## ■ ROUNDTABLE TORONTO

**Chrysler Group's Recovery and Transformation Plan and the Impact on its Canadian Operations**, June 12, 2007; Reid Bigland, President and Chief Executive Officer, DaimlerChrysler Canada.

## ■ SEMINAR

**Financial Services Research Initiative Meeting #4**, June 15, 2007.

## ■ ROUNDTABLE TORONTO

**Does Canada's Forest Industry Really Have a Future?** September 10, 2007; Rick Ekstein, President, Weston Forest Group; Avrim Lazar, President and Chief Executive Officer, Forest Products Association of Canada.

## ■ ROUNDTABLE SASKATOON

**Long Term Prosperity in Saskatchewan? Unsettling Demographics**, September 20, 2007; William Robson, President and Chief Executive Officer, C.D. Howe Institute.

## ■ ROUNDTABLE REGINA

**Realistic Expectations: Demographics, Economics and the Pursuit of Prosperity in Saskatchewan**, September 27, 2007; William Robson, President and Chief Executive Officer, C.D. Howe Institute.

## ■ ROUNDTABLE TORONTO

**Myths and Realities: Competition in the Generic Drug and Telecom Sectors**, October 29, 2007; Sheridan E. Scott, Commissioner of Competition, Competition Bureau Canada.

## ■ ROUNDTABLE TORONTO

**Northern Star: Canada's Path to Economic Prosperity**, November 20, 2007; Tamim Bayoumi, Chief, North American Division, International Monetary Fund; Nikola Spatafora, Senior Economist, International Monetary Fund.

## Financial Services Research Initiative

The C.D. Howe Institute Financial Services Research Initiative is a multi-year program organized by the Institute to discuss, report on, and inform financial sector policy. Its unique work program addresses the economic environment for financial intermediation, regulatory practices and potential reforms, and the future of the financial services sector in Canada. The Initiative convenes regular meetings of experts, policymakers and representatives of the financial services industry, and fosters research aimed at enhancing the dynamism and competitiveness of financial services in Canada. The Initiative is chaired by Edward P. Neufeld.

# THE INSTITUTE'S 2007 RESEARCH AGENDA

## Governance and Public Institutions

IMPROVING PUBLIC SERVICES WAS A MAJOR THEME of the Institute's work in 2007. Summer Fellow Maciej Kotowski made the case for reform at Export Development Canada that would see the short-term credit component of its operations opened to competition. Legal experts Edward Iacobucci, Michael Trebilcock and Tracey Epps demonstrated that Canada Post should be opened to competition, as many other countries have successfully done with their postal services.

Pensions become more important every year, as the baby boomers march towards retirement. David Laidler and Bill Robson argued that Canadians need to find new ways to pool resources and insure against risk, while shoring up the deficiencies of defined-benefit pension plans.

Sensible and pragmatic change was the theme of proposed reforms for other public services, such as amending the formula for allocating seats to provinces in the House of Commons, and restructuring the tax treatment of private foundations relative to public ones. Other Institute papers favoured the reduction of trade barriers between provinces and the introduction of road tolls to reduce traffic congestion and increase infrastructure investment.

Roundtable events covered a wide range of public service and governance topics. Speakers included Ian Brodie, Chief of Staff to the prime minister, David Denison, CEO of the Canada Pension Plan Investment Board, and Sheila Fraser, Auditor General. Other sessions dealt with taxation of public and private foundations, interprovincial trade restrictions and the compatibility of social democracy and competition.

### The Pension Papers Program

The C.D. Howe Institute launched the Pension Papers in May 2007 to address key challenges facing Canada's system of retirement saving, assess current developments, identify regulatory strengths and shortfalls, and make recommendations to ensure the integrity of pension earnings for the growing number of Canadians approaching retirement. The Institute gratefully acknowledges the participation of the advisory panel for the program:

#### ADVISORY PANEL: C.D. HOWE INSTITUTE PENSION PAPERS

##### PROGRAM CO-CHAIRS:

**Claude Lamoureux**, Former President and CEO of the Ontario Teachers' Pension Plan

**Nick Le Pan**, Former Superintendent of Financial Institutions, Canada

##### MEMBERS:

**Keith Ambachtsheer**, Rotman International Centre for Pension Management, University of Toronto

**Bob Baldwin**

**Steve Bonnar**, Towers Perrin

**Frank Fedyk**, Human Resources and Social Development Canada

**Peter Drake**, Fidelity Investments

**Bruce Gordon**, Manulife Financial Canada

**Malcolm Hamilton**, Mercer Human Resource Consulting Limited

**Bryan Hocking/ Scott Perkin**, Association of Canadian Pension Management

**John Ilkiw**, Canada Pension Plan Investment Board

**Michael Nobrega**, Ontario Municipal Employees' Retirement System

**Ellen Nygaard**, Alberta Finance

**Jim Pesando**, University of Toronto

**John Por**, Cortrex

**Tammy Schirle**, Wilfrid Laurier University

**Jack Selody**, Bank of Canada

**Terri Troy**, Pension Investment Association of Canada

**Fred Vettese**, Morneau Sobeco

**Barbara Zvan**, Ontario Teachers' Pension Plan

#### ■ BENEFACTORS LECTURE

**Designing Canada's Low-Carb Diet: How to Choose Effective Climate Policy**, November 28, 2007; Mark Jaccard, Professor, Simon Fraser University.

#### ■ CONFERENCE

**The Economics of Greenhouse Gas Emissions Control in Canada**, December 6-7, 2007.

## GOVERNANCE and Public Institutions

### Publications

■ Kotowski, Maciej. "Insuring Canada's Exports: The Case for Reform at Export Development Canada." Commentary 257 (December).

■ Macmillan, Kathleen E. and Patrick Grady. "A New Prescription: Can the BC-Alberta TILMA Resuscitate Internal Trade in Canada?" Backgrounder 106 (October).

■ Laidler, David and William B. P. Robson. "Ill-Defined Benefits: The Uncertain Present and Brighter Future of Employee Pensions in Canada." Commentary 250 (June).

■ Tomlin, Ben. "The Seat Shortage: Changing Demographics and Representation in the House of Commons." e-brief (May).

■ Lindsey, Robin. "Congestion Relief: Assessing the Case for Road Tolls in Canada." Commentary 248 (May).

■ Robson, William B. P. "Will C-36 Undermine CPP '9.9'? Benefit Enhancement and the Sustainability of the Canada Pension Plan." e-brief (March)

■ Robson, William B.P. "Found Money: Matching Canadians' Savings with Their Infrastructure Needs." e-brief (March).

■ Iacobucci, Edward M., Michael J. Trebilcock and Tracey D. Epps. "Rerouting the Mail: Why Canada Post is Due for Reform." Commentary 243 (February).

■ Payne, A. Abigail, and Huizi Zhao. "Uncharitable Treatment? Why Donations to Private and Public Foundations Deserve Equal Tax Status." e-brief (January).

### Events

■ ROUNDTABLE TORONTO  
**Private and Public Foundations - Finding Common Ground**, January 11, 2007; Henry N.R. Jackman, Chairman of the Board, Dominion of Canada General Insurance Company; Donald K. Johnson, Senior Advisor, BMO Capital Markets; Hilary Pearson, President and Chief Executive Officer, Philanthropic Foundations of Canada.

■ ROUNDTABLE REGINA  
**Strengthening Canada's Economic Union: Does the Alberta-BC Trade, Investment and Labour Mobility Agreement Set a New Standard?** April 20, 2007; Gerry Bourdeau, Deputy Minister, Alberta International, Intergovernmental and Aboriginal Relations; Don Fast, Deputy Minister, British Columbia Ministry of Economic Development.

■ ROUNDTABLE HALIFAX  
**Why You Should Care about National Security**, June 1, 2007; Margaret Bloodworth, National Security Advisor to the Prime Minister and Associate Secretary to the Cabinet, Defence R&D Canada.

■ CONFERENCE  
**The Canada Pension Plan Reforms Ten Years After: Lessons and Prospects**, December 10, 2007.

## SOCIAL Policy

### Publications

- Guillemette, Yvan. **"Chronic Rigidity: The East's Labour Market Problem and How to Fix It."** e-brief 51 (December).
- Richards, John. **"Reducing Poverty: What has Worked, and What Should Come Next."** Commentary 255 (October).
- Guillemette, Yvan. **"Breaking Down Monopolies: Expanding Choice and Competition in Education."** Backgrounder 105 (October).
- Johnson, David. **"School Grades: Identifying Alberta's Best Public Schools."** Backgrounder 104 (September).
- Vaillancourt, Francois, Dominique Lemay and Luc Vaillancourt. **"Laggards No More: The Changed Socioeconomic Status of Francophones in Quebec."** Backgrounder 103 (August).
- Johnson, David. **"Ontario's Best Public Schools: An Update to Signposts of Success (2005)."** e-brief 39 (February).
- Finnie, Ross and Alex Usher. **"Room at the Top: Strategies for Increasing the Number of Graduate Students in Canada."** Commentary 245 (February).

### Events

- **ROUNDTABLE TORONTO**  
**The Broken Business Model: Post-Secondary Education Finance in Ontario**, February 28, 2007; David Naylor, President, University of Toronto.
- **SEMINARS**  
**Choice in Public Education**, June 18, 2007.
- **ROUNDTABLE CALGARY**  
**Alberta School Performance Indicators**, September 25, 2007; David R. Johnson, Department of Economics, Wilfrid Laurier University.
- **ROUNDTABLE TORONTO**  
**The Stem Cell Revolution**, December 3, 2007; Gordon Keller, Director, McEwen Centre for Regenerative Medicine, MaRS Centre.

## Social Policy

THE INSTITUTE'S SOCIAL POLICY RESEARCH FOCUSED ON EDUCATION REFORM AND INNOVATION, and assessed anti-poverty strategies in 2007. David Johnson continued his innovative and popular studies measuring public school performance with an update of his 2005 Ontario study plus a new analysis of Alberta school performance.

As well, the Institute held a major conference on choice in public education, attended by internationally respected experts. Senior Policy Analyst Yvan Guillemette considered the major ideas discussed at the conference in the paper, "Breaking Down Monopolies: Expanding Choice and Competition in Education." Meanwhile, research by Ross Finnie and Alex Usher revealed innovative strategies for increasing the number of graduate students in Canada. And David Naylor, President of the University of Toronto, spoke at a roundtable session on the problems with post-secondary financing in Ontario.

A widely cited paper by John Richards, Phillips Scholar in Social Policy and Simon Fraser University Professor, evaluated Canada's anti-poverty policy. The study highlighted the crucial role of policies that increase employment in reducing poverty and compared the outcomes of both "soft love" and "tough love" measures.



Convivial company: clockwise from top left, Daniel Labrecque; dinner at the Benefactors Lecture; Roundtable presenter Ian Brodie, the PM's chief of staff, with Goldie Hyder and Sabi Marwah; Keith Ambachtsheer, Elyse Allan, John McNeil and Roger Phillips.

# HIGHLIGHTS FOR 2007

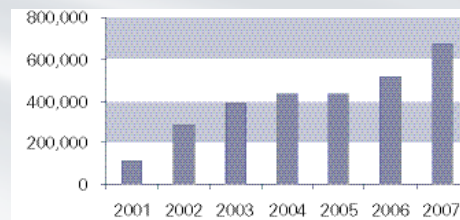
## 2007 Activity Overview

- 43 Research Papers
- 39 Policy Roundtables
- 5 Policy Seminars
- 3 Policy Conferences
- 675,000 Publication Downloads
- Over 2 million Website Hits
- Over 33 Policy Outreach Presentations & Appearances
- 1 Benefactors Lecture and Dinner
- 1 Directors Dinner
- Media Citations worth \$6.6 million in Ad Value
- 27 Opinion & Editorial Pieces

## Dissemination and Reach

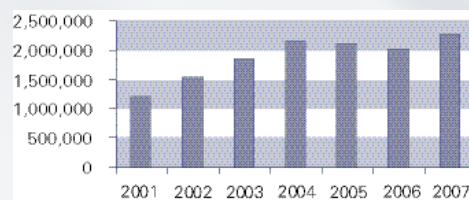
- Our media relations campaign generated over \$6.6 million in equivalent advertising value for smart policy. (Source: FPinformart)
- Over 600,000 publications were downloaded from our website.

### C.D. Howe Publication Downloads



- Our website registered over 2 million hits.

### C.D. Howe Website Hits



## An Historic Gift

*Alfred Wirth Makes Landmark \$1,050,000 Contribution to the C.D. Howe Institute.*



Celebrating Alf's support: From left, Tim Hearn, Chairman, Bill Robson, President and CEO, record-setting donor Alf Wirth, and Duncan Munn, Senior Vice President and Chief Operating Officer.

2007 saw the C.D. Howe Institute's development program add even more high-test fuel to the organization's research engine. In November, Bill Robson announced that businessman and philanthropist Alfred Wirth provided the Institute with an historic \$1,050,000 pledge to establish an Endowment Fund for Special Studies. This is the largest gift ever made to the C.D. Howe Institute in its half-century-long history.

Mr. Wirth is a well-known patron of many causes and his generosity is truly extraordinary. With the gift, Mr. Wirth becomes the Founding Patron of what the C.D. Howe Institute hopes will be a growing fund to bolster the Institute's research capacity in five key areas: fiscal and monetary policy, economic growth and innovation, trade policy, social policy, and public institutions and governance.

When asked what prompted his remarkable gift Mr. Wirth said, "This donation represents my firm belief that independent policy research is absolutely vital to the well-being of all Canadians. I want to enable the C. D. Howe Institute to broaden its solid, empirical approach to include research important to Canada's future that would otherwise not be possible. Canada is already a wonderful place to live, work and invest, but we need sound public policy to make it the world's best." He added: "I hope this gift encourages others to consider contributing to the C.D. Howe Institute, and the Endowment Fund for Special Studies in particular. The Institute celebrates its 50th anniversary in 2008 and my gift is also meant to recognize an institution that has helped to lay the intellectual foundation for many of our nation's most important policy achievements."

Because of Alf's support, the C.D. Howe Institute will run at a higher RPM and will deliver, with even more velocity and force, policy research aimed at improving the social and economic well-being of all Canadians.

# THE INSTITUTE'S PEOPLE

## The C.D. Howe Institute Staff, 2007



**Robin Banerjee**  
Policy Analyst

**Colin Busby**  
Policy Analyst

**Monique Cormier**  
Vice President Operations

**Ben Dachis**  
Policy Analyst

**Nairy Emirzian**  
Office Coordinator

**James Fleming**  
Editor

**Sandra Gambóias**  
Development and Public  
Affairs Officer

**Kristine Gray**  
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Librarian and Information  
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**Rowena Jeffers**  
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Member and Financial  
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**Julie Kelsey**  
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**Diane King**  
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**David Laidler**  
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Director of Research

**Joan Price**  
Corporate Secretary &  
Executive Assistant to the  
President and CEO

**William B.P. Robson**  
President and CEO

## The Funded Scholars Program

The Funded Scholars Program enables the C.D. Howe Institute to engage leading scholars, for a portion of their time, to participate actively in its research program. Chairs are selected on the basis of their record of scholarship and supported by the generous donations of several organizations. We would like particularly to acknowledge the following organizations and individuals who participated in the Program during 2007:

- *George Weston Ltd.* for its support of Duanjie Chen, George Weston Analyst in Tax Policy;
- *EnCana Corporation* for its support of Kenneth J. McKenzie, EnCana Scholar in Public Policy;
- Marcel Boyer, Quebec Scholar in Economic Policy;
- *Roger Phillips* for his support of John Richards, Phillips Scholar in Social Policy.

## 2007 Scholars

### Fellows-in-Residence

Marcel Boyer  
Duanjie Chen  
Kenneth J.  
McKenzie  
Jack Mintz  
Mark Jaccard  
John Richards  
David R. Johnson  
Michael Trebilcock  
David Laidler

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Peter Meekison  
John W. Crow  
Al O'Brien

Don Drummond  
Sylvia Ostry  
Claude Forget  
Grant L. Reuber  
Frederick W. Gorbet  
Gordon G. Thiessen  
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Charles Beach  
Kevin Milligan  
Richard Bird  
Patrick J. Monahan  
Marcel Boyer  
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Miles Corak  
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Neil Quigley  
Jonathan Gruber  
Hans-Werner Sinn  
Robert Haveman

### C.D. Howe Fellows

Ben Tomlin  
Colin Busby



Smart policy supporters: From top, John Ferguson chats with Sheldon Elman; Sandra Gamboias with Alan Alexandroff; Helen McLean and Oksana Werbowy

# THE INSTITUTE'S MEMBERS

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Concordia University  
Laval University  
McGill University  
McMaster University  
Mount Allison University  
Northern Alberta Institute of Technology  
Queen's University  
Ryerson University  
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University of British Columbia  
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University College of the Fraser Valley  
The University of Lethbridge  
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University of Waterloo  
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William Black  
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R.A.N. Bonnycastle  
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Gordon Bruce  
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John D. McNeil  
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MKS Inc.  
William Molson  
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Edward P. Neufeld  
Sheila H. O'Brien  
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Roger Phillips  
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Anne Poschmann  
Donald S. Reimer  
Guylaine Saucier  
Gordon Sharwood  
Brian Shaw  
Mary-Anne Sillamaa  
Leslie A. Sinclair  
Philip Spencer, Q.C.  
Wayne Steadman  
Harry Swain  
Christopher Sweeney  
Henry Sykes  
Thomas H.B. Symons  
Frederick H. Telmer  
Craig C. Thorburn  
Warren Viegas  
Linda Ward  
David J.S. Winfield  
Alfred G. Wirth  
Adam H. Zimmerman  
Luke Zygalko

## Associations, Foundations and Corporations

Acklands-Grainger Inc.  
Advocis  
AGF Management Limited  
Agnico-Eagle Mines Ltd.  
AIG Life Insurance Company of Canada  
AIM Trimark Investments  
Alberta Urban Municipalities Association  
Alcan Inc.  
Algoma Central Corporation  
AltaGas  
AON Consulting  
ARC Financial Corp.  
Association of Canadian Pension Mgmt. Assuris  
Astral Media Inc.  
ATB Financial  
ATCO Ltd. & Canadian Utilities Limited  
Balancing Pool  
Bank of Nova Scotia  
Barrick Gold Corporation  
Bell Aliant  
Bell Canada

Bennett Jones LLP  
BJ Services Company Canada  
Blake Cassels & Graydon LLP  
BMO Financial Group  
Boardwalk Equities Inc.  
Bombardier Inc.  
Borden Ladner Gervais LLP  
BP Canada Energy Company  
Brookfield Asset Management Inc.  
Brookfield Properties Corp.  
Bruce Power  
Burgundy Asset Management  
BURNCO Group of Companies  
Business Council of British Columbia  
Business Development Bank of Canada  
Cadillac Fairview Corp. Ltd.  
Caisse de dépôt et placement du Québec  
Cameco Corporation  
Campbell Strategies  
Canada Deposit Insurance Corporation  
Canada Overseas Investments Limited  
Canada Post Corporation  
Canadian Association of Petroleum Producers  
Canadian Bankers Association  
Canadian Chamber of Commerce  
Canadian Chemical Producers' Association  
Canadian Energy Pipeline Association  
Canadian Federation of Independent Business  
Canadian Finance & Leasing Association  
Canadian Imperial Bank of Commerce  
Canadian Life and Health Insurance Association Inc.  
Canadian Manufacturers & Exporters  
Canadian Oil Sands Limited  
Canadian Pacific Railway  
Canadian Tax Foundation  
Canadian Western Bank  
Canam Group Inc.  
Candor Investments Ltd.  
CanWest Global Communications Corp.  
Cara Operations Limited  
Cargill Limited  
Catalyst Paper Corporation  
CCL Group Inc.  
Charlwood Pacific Group  
Chubb Insurance Company of Canada  
Clairvest Group Inc.  
CMA Holdings Incorporated  
CN  
Cogeco Inc.  
ConocoPhillips Canada  
Deloitte & Touche LLP  
Deutsche Bank AG, Canada Branch  
Dofasco Inc.  
Donner Canadian Foundation  
DynaLIFE<sub>px</sub>  
E.I. du Pont Canada Company  
Economap Inc.  
Edco Financial Holdings Ltd.  
Edmonton Economic Development Corporation  
E-L Financial Corporation Limited  
Enbridge  
EnCana Corporation  
Energy Council of Canada  
Ensign Energy Services Inc.  
Ernst & Young LLP  
Export Development Canada

## The Benefactors Lecture and Dinner



In the Institute's 2007 Benefactors Lecture, generously supported by Bennett Jones LLP, Mark Jaccard, a Professor at Simon Fraser University and Institute Research Fellow, addressed the issue of human-produced greenhouse gases (GHGs) in Canada. In the Lecture, "Designing Canada's Low-Carb Diet: Options for Effective Climate Policy," which was published by the Institute, Professor Jaccard presented a valuable framework for future Canadian action in this

contentious area. He argued that the threat of anthropogenic climate change is worth insuring against, and presented a number of criteria for evaluating potential "premiums" Canadians might pay for an insurance policy. They range from less promising options (subsidies and offsets) to more promising ones (emissions taxation). Professor Jaccard suggested a carbon-management standard that would apply to all producers and importers of fossil fuels for domestic use. His careful analysis of the incentive-compatible policies that offer larger gains at lower costs gives important guidance to policymakers and business people alike.

Falconbridge Limited  
 Fednav Limited  
 Fidelity Investments  
 Financial Executives International Canada  
 Finning International Inc.  
 First National Financial LP  
 Flint Energy Services Ltd.  
 Ford Motor Company of Canada, Limited  
 Forest Products Association of Canada  
 Four Halls Inc.  
 Fraser Milner Casgrain LLP  
 Gallagher Lambert Group  
 Gaz Métro  
 GE Canada  
 General Motors of Canada Limited  
 Gibson Energy Ltd.  
 Gluskin Sheff + Associates Inc.  
 Goal Group of Companies  
 Goldberg Group  
 Goodmans LLP  
 Grant Thornton LLP  
 Greater Saskatoon Chamber of Commerce  
 Harvard Developments Inc., A Hill Company  
 HSBC Bank Canada  
 Hydro One Inc.  
 Hydro-Québec  
 IBI Group  
 IBM Canada Ltd.  
 Imperial Oil Limited  
 Imperial Tobacco Canada Limited  
 Information Services Corporation of Saskatchewan  
 Institute for Catastrophic Loss Reduction  
 Insurance Bureau of Canada  
 Investment Dealers Association of Canada  
 Investment Industry Association of Canada  
 Investors Group  
 Ipsco Canada Inc.  
 J.D. Irving Limited  
 J.P. Morgan Securities Canada Inc.  
 Jackman Foundation  
 Jarislowsky, Fraser  
 John Dobson Foundation  
 Kal Tire Ltd.  
 Kinross Gold Corporation  
 KPMG LLP  
 La Jolla Resources International Ltd.  
 Lazard  
 Lehigh Inland Cement Limited  
 Lockerbie & Hole Inc.  
 Maclab Enterprises  
 Manulife Financial  
 Marsh Canada Limited  
 Max Bell Foundation  
 MBNA Canada Bank  
 McCarthy Tétrault LLP  
 McMillan Binch Mendelsohn LLP  
 Medisys Health Group  
 Mercer  
 Merrill Lynch Canada Inc.  
 Minto Group Inc.  
 Monarch Corporation  
 Monitor Group  
 Moosehead Breweries Limited  
 Morgan Meighen & Associates  
 Morneau Sobeco  
 Mullen Group Income Fund  
 N M Rothschild & Sons Canada Limited  
 National Bank of Canada  
 National Leasing  
 NAV CANADA  
 New Brunswick Power Corporation

Nexen Inc.  
 Norbord Inc.  
 Onex Corporation  
 Ontario Centres of Excellence Inc.  
 Ontario Hospital Association  
 Ontario Municipal Employees Retirement System  
 Ontario Power Generation Inc.  
 Ontario Teachers' Pension Plan  
 Ontario Trillium Foundation  
 O'Regan's Automotive Group  
 Osler, Hoskin & Harcourt LLP  
 Petro-Canada  
 Phillips, Hager & North Investment Mgmt., Ltd.  
 Pirie Foundation  
 PMI Canada  
 Power Corporation of Canada  
 Pratt & Whitney Canada  
 PricewaterhouseCoopers LLP  
 Procter & Gamble Inc.  
 Public Policy Forum  
 Raymond James Ltd.  
 RBC Capital Markets  
 RBC Financial Group  
 Rogers Communications Inc.  
 Rosseau Asset Management Ltd.  
 Royal Canadian Mint  
 Samuel Son and Co. Limited  
 Sceptre Investment Counsel  
 SGI, Jon Schubert, President and CEO  
 Shell Canada Limited  
 SNC Lavalin Group Inc.  
 Spectra Energy Transmission  
 Stewart McKelvey  
 Sun Life Financial Inc.  
 Suncor Energy Inc.  
 Syncrude Canada Limited  
 Tax Executives Institute, Inc.  
 TD Bank Financial Group  
 Teck Cominco Limited  
 The American Chamber of Commerce in Canada  
 The Birks Family Foundation  
 The Canadian Institute of Chartered Accountants  
 The Great-West Life Assurance Company, London Life Insurance Company and Canada Life  
 The Institute for Competitiveness and Prosperity  
 The Investment Funds Institute of Canada  
 The Railway Association of Canada  
 The Toronto Board of Trade  
 Torstar Corporation  
 Torys LLP  
 TransAlta Corporation  
 TransCanada Corporation  
 Transcontinental Inc.  
 True Energy Inc.  
 Vale Inco Limited  
 Via Rail Canada Inc.  
 Viteria  
 W. Garfield Weston Foundation  
 Watson Wyatt  
 WestJet  
 Weston Forest Group  
 Workplace Safety & Insurance Board



Leaders of all political stripes: From top, Hal Jackman and Bill Robson flank Roundtable presenter Bob Rae, MP; John Tory, Ontario PC leader; Paul Martin, former prime minister; Alf Wirth and Tim Hearn.

*Views expressed by the C.D. Howe Institute do not necessarily reflect those of its members.*

## To the Members of C.D. Howe Institute

The accompanying summarized balance sheet and statements of revenue and expenses and of changes in fund balances are derived from the complete financial statements of C.D. Howe Institute as at December 31, 2007 and for the year then ended on which we expressed an opinion without reservation in our report dated February 22, 2008. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the Institute's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

*Deloitte & Touche LLP*

*Chartered Accountants  
Licensed Public Accountants  
Toronto, Ontario  
February 22, 2008*

## SUMMARIZED BALANCE SHEET

Year ended December 31, 2007

	2007	2006
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 243,306	\$ 266,329
Short-term investments	3,666,208	2,960,364
Accounts receivable	151,942	157,928
Prepaid expenses	62,712	25,787
	<b>4,124,168</b>	3,410,408
<b>CAPITAL ASSETS</b>	<b>542,005</b>	489,333
	<b>\$4,666,173</b>	\$ 3,899,741
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 180,442	\$ 122,632
Deferred revenue	898,625	952,770
	<b>1,079,067</b>	1,075,402
<b>LONG TERM</b>		
Deferred capital contributions	308,290	271,975
Deferred rent	222,286	218,207
	<b>530,576</b>	490,182
	<b>1,609,643</b>	1,565,584
<b>FUND BALANCES</b>		
Capital	–	212,898
Invested in capital assets	233,715	217,358
Operating	1,162,437	681,699
Endowment	1,660,378	1,222,202
	<b>3,056,530</b>	2,334,157
	<b>\$4,666,173</b>	\$ 3,899,741

## SUMMARIZED STATEMENT OF REVENUE AND EXPENSES

Year ended December 31, 2007

	2007	2006
<b>REVENUE</b>		
Contributions and subscriptions	\$2,820,900	\$ 2,646,686
Meetings revenue	285,322	200,983
Sales of publications and sponsorships	49,591	72,607
Interest income	95,530	67,930
Contract revenue	653	60,207
	<b>3,251,996</b>	3,048,413
<b>EXPENSES</b>		
Research, administrative and project expenses	2,901,878	2,823,821
Amortization	65,921	66,291
	<b>2,967,799</b>	2,890,112
Excess of revenue over expenses from operations	284,197	158,301
Unrealized foreign exchange gain	–	68
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<b>\$ 284,197</b>	\$ 158,369

## SUMMARIZED STATEMENT OF CHANGES IN FUND BALANCES

Year ended December 31, 2007

	<b>2007</b>					2006
	<b>Capital Fund</b>	<b>Invested in Capital Assets Fund</b>	<b>Operating Fund</b>	<b>Endowment Funds</b>	<b>Total</b>	Total
Balances, beginning of year	\$ 212,898	\$ 217,358	\$ 681,699	\$ 1,222,202	\$ 2,334,157	\$ 956,566
Excess of revenue over expenses for the year	-	(50,436)	334,633	-	284,197	158,369
Contributions during the year	-	-	-	415,183	415,183	1,219,222
Excess of endowment revenue over expenses	-	-	-	22,993	22,993	-
Interfund transfer	(212,898)	-	212,898	-	-	-
Purchases of capital assets	-	118,593	(118,593)	-	-	-
Deferred capital contributions received	-	(51,800)	51,800	-	-	-
Balance, end of year	-	\$ 233,715	\$ 1,162,437	\$ 1,660,378	\$ 3,056,530	\$ 2,334,157