



# *PRESIDENT'S DIGEST*

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► **W**hen I accepted the position of President and Chief Executive Officer of the C.D. Howe Institute in September 1989, I saw that I had two big jobs ahead of me: to revitalize our brand-name quality within the academic community, and to do something about our chronic underfunding. In both cases, this required the Institute to raise its profile and to enhance its accessibility and timeliness.

This meant we needed to generate more publications while making the material easier to read and understand; we needed to expand our reach and build credibility with both the academic community and the public (via the media); and we needed to become much more adept at keeping our antennae attuned for the big public policy issues 9 to 18 months down the road, so that we would always be fully prepared to contribute to the debate in a meaningful way.

## *A Decade to Remember*

► **N**ow, in my tenth and last year as President and CEO of this most credible of Canadian public policy institutes, I feel confident in saying to all of our steadfast supporters that, together, we have achieved those purposes. And in the process, we have created what is by definition a privately funded public good — a benefit given to all for the benefit of all.

As the decade unfolded, the Institute became even more valuable to the Canadian public policy debate due to the shutting down of the Economic

Council of Canada, the conversion of Statistics Canada from a provider of information for the public good to a purveyor of information you have to pay for, and the reduction of public policy expertise within the public service, both federal and provincial.

Before I begin to reminisce on the past decade, I want to say how much I have enjoyed my time at the helm of the C.D. Howe Institute, which I quite frankly love. For that very reason, I believe there is a need for new energies to lead the Institute into the next millennium. I also want to say that, in departing, I believe more passionately than ever in the importance of the role the Institute plays in ensuring the vigorous, reasoned debate of public policy that is so crucial to a healthy democracy.

In my first Annual Report in 1989, I emphasized the need for the Institute to be not just a critic but a part of the solution, and since then all of our efforts have been guided by this philosophy. If we are not always happy with the political solution that is reached, at least we rest easier knowing that the Institute got out in front of the issue and ensured that it was debated publicly and from a variety of perspectives.

I have no bashfulness about asserting that, as a result, the Institute has become the most esteemed policy research institution in the country in the minds of public policy people, academics, and the public at large. To my mind,

no other institution can match it. Independent surveys indicate that, on matters of public policy, the Institute is the most-consulted private organization in the country — by journalists, by the academic community, and by policymakers themselves. Each year, media coverage of Institute publications broadens, the number of “hits” on our web site rises, and the demand for Institute staff to participate in policy debates and other ideas exchanges continues unabated.

We managed to do all this by adopting a highly productive organizational model in which the Institute has become a network of public policy thinkers and writers extending across Canada and internationally. Rather than focusing exclusively on their own writing and therefore limiting the Institute’s annual reach to the number of papers they themselves could research and write in a year, our Policy Analysts have also taken charge of programs in which academics from a wide variety of disciplines and perspectives make significant contributions.

The Institute’s organizational model has enabled us to turn out an increasing number of high-quality publications — all rigorously peer reviewed, of course — in a timely manner and at a fraction of the cost of other research organizations. This is not a bureaucratic organization. The Institute has become, in a word, opportunistic.

### ***Collegiality — The Institute’s Hallmark***

➤ **A**nother defining characteristic of the Institute is its collegiality. Frankly, this place could not be run efficiently on a top-down basis. Every-one, including our Adjunct Scholars, is just too bright and engaged and intensely knowledgeable, to say nothing of strong-minded. Well-researched viewpoints are always respected within the Institute’s walls, where issues get hashed out on an ongoing and free-flowing basis and where, in fact, we actively search out insights and contributions from a wide spectrum of expert opinion.

The development of this collegial environment has been helped immensely by the Scholars-in-Residence program. I am especially proud of the Institute’s long-time associations with those scholars — tenured professors who want to get out in the world and try to make a difference because they care passionately, as we all do at the Institute, about the policy issues that will determine the future of Canada.

The Institute’s collegial predisposition is particularly apparent at the increasingly popular Policy Roundtables, which gather together an intoxicating brew of exceptional thinkers from the public sector, business, and academia for in-depth and off-the-record discussions of the complex social issues of the moment. The Roundtables have also proved a fruitful mechanism for discussing research in progress, particularly on new or controversial topics. For example, the highly praised papers written by Senior Policy Analyst Daniel Schwanen last year on Canada’s cultural policies and global warming strategy benefited from the pressure-cooker atmosphere of a Roundtable debate with experts holding divergent views.

### ***On Top of the Issues***

➤ **T**he Institute has produced about 300 documents, including Commentaries, Backgrounders, and full-fledged books, over the past decade. In many cases, these have been published as series of papers on recurring issues — “The Taxation Papers,” “The Canada Round,” and “The Social Policy Challenge,” to cite just a few. The Institute upgrades its knowledge each time out, testing its ideas in practical discussions with the best-informed policymakers and decisionmakers available.

#### ***Working to Remove Trade Barriers***

Take, for example, the issue of reducing barriers to trade among the provinces. The 1992 volume, *Free to Move*, laid the foundation for a lot of influential work Daniel Schwanen has done on internal trade issues, exploring the complex legal

and constitutional issues, along with the politics, that surround trade barriers in Canada. The Institute's work on the Canada-US Free Trade Agreement also had an important impact on the free trade debate generally. Schwanen's trilogy of studies, *Were the Optimists Wrong on Free Trade?* (1992), *A Growing Success* (1993), and *Trading Up* (1997), in addition to a number of articles and speeches on the topic of Canada-US trade disputes, have been widely cited in the media and at various times by cabinet ministers and officials of international and foreign agencies.

The work the Institute has done over the years has demonstrated the value of developing a first-class reputation among policymakers and the academic community. This was particularly evident in the series of about a dozen papers the Institute published in 1993–94 on the North American Free Trade Agreement ("The NAFTA Papers"), in which we were able to enlighten members and the public about some of the more arcane yet important aspects of this agreement; it also put the Institute at the heart of the NAFTA ratification debate. The work plan for this successful series originated at a weekend session at the Institute that brought together Canada's top trade negotiators, foremost academic experts on trade issues, and some of the Institute's own business members to discuss the various areas covered by the recently signed agreement. The resulting in-depth work on the NAFTA's pioneering provisions on crossborder investment and environmental and labor issues also prepared the ground for Schwanen's subsequent work — and many debates — on the failed Multilateral Agreement on Investment and the broader question of the degree of policy freedom that Canada and other countries can and should retain in a globalized world.

#### *Keeping an Eye on Monetary Policy*

Separately and (mostly) together, Adjunct Scholar David Laidler and Senior Policy Analyst William Robson have published over a dozen pieces on the

Bank of Canada and inflation. *The Great Canadian Disinflation*, which won the Canadian Economics Association's inaugural Doug Purvis Prize for excellence in economic policy writing (1994), was the pinnacle of this program. The Institute was an early supporter of the Bank of Canada's inflation-control program, and has consistently argued that the Bank would steer a smoother, steadier course if it paid more attention to money creation and less to changes in the exchange rate and other things that are largely outside its control. I believe the Institute was helpful during the early years in making the idea of low inflation respectable, if still controversial, and that our badgering has revitalized the Bank's research into money growth.

#### *Attacking Deficits*

Without question, the Institute played an important role throughout the decade in persuading Canadians that government deficits mattered — that they were part of the explanation for the country's high interest rates, that they were crowding out productive investment, and that, consequently, governments must balance their accounts. For us, the arithmetic was compelling, as was the conclusion that Canadian senior governments could not solve their deficit problem by further tax increases — Canadian tax rates were already too high relative to those of the United States — and that governments therefore had no choice but to reduce overall program spending.

Among the weightier pieces the Institute published were a volume edited by Bill Robson and Adjunct Scholar William Scarth entitled *Deficit Reduction: What Pain, What Gain?* (1994) and Irene Ip's *Big Spenders* (1991), which provided a comprehensive look at the problems developing at the provincial level. Perhaps the most influential piece was Robson's Commentary, *Digging Holes and Hitting Walls* (1994), an evaluation of the chances of avoiding a major deterioration of living standards over the ensuing five years. This piece got enormous media

attention and prompted many speaking engagements for the author. A rival for most influential piece in this area is the multi-authored Commentary, *The Courage to Act* (1994). Immediately acknowledged as a key contributor to the debate, this Commentary summarized the case for Ottawa's putting an end to two decades of deficit financing, and suggested the order of magnitude of program spending cuts that would be required.

### *The Social Policy Challenge*

At the same time, however, the Institute could not ignore the painful decisions over social policy that would arise from reduced government spending, and it understood that it had to help Canadians rethink the major social programs that had been put in place in the 1960s and 1970s. We subtitled *The Courage to Act*, "Fixing Canada's Budget and Social Policy Deficits," and we followed up with an ambitious series of publications that looked in detail at Canadian social policy. Presiding over that series as co-editors were Adjunct Scholars William Watson and John Richards.

Over the three years from 1994 to 1996, more than 50 people — from social activists to academics to senior government administrators — contributed a total of 13 volumes on social policy. Individual volumes reviewed social programs at both the federal and provincial levels. The topics ranged from reform of social assistance to new policies for single parenthood, while the options ranged from those aimed at Atlantic Canada to those addressing unemployed aboriginal people in urban Western Canada. Early in the series, the Institute's Senior Fellow and Scholar-in-Residence Thomas J. Courchene wrote a major survey of social policy. And, in what could be considered the series' fourteenth volume, published in 1998, John Richards wrote a second survey, *Retooling the Welfare State*, that sparked an enormous debate and further enhanced the Institute's reputation as a thoughtful contributor to the ongoing public debate over social policy.

### *Informing the National Unity Debate*

The Institute also played an increasingly significant role in the Quebec secession debate. While getting involved in the 1991–92 round of constitutional negotiations was a grueling experience for the Institute, it did set us up for a lot of solid work on de- and re-confederation over the next seven years. Among our proudest efforts are three publications: Robson and Laidler's *Two Nations, One Money?*, which looked at issues around the use by a separate Quebec of the Canadian dollar; Robson's *Change for a Buck?*, which spelled out in detail the rather daunting plan of action necessary if Quebec proposed to keep using the dollar; and Robson and Laidler's *Walking the Tightrope*, which focused on the delicate situation that would prevail between a "yes" vote and actual secession. These works, which constitute the only serious economic research into this issue, prompted a great deal of noise from the highest levels of the Quebec government and raised the level of preparedness of many financial institutions and government entities in the rest of Canada.

### *Reforming the Public Pension System*

The Institute's research into the Canada Pension Plan and the pension system generally has also had quite an impact. The first product of this research was Bill Robson's *Putting Some Gold in the Golden Years* (1996), which explained how the CPP was piling invisible but nonetheless onerous liabilities on tomorrow's workers (today's children) and which proposed a reform process to create a more sustainable and intergenerationally fairer system. This process prefigured the actual reform package Ottawa arrived at in 1997 and is widely acknowledged to have been a major inspiration for the reforms.

### *An Appeal for a Return to Classical Federalism*

Despite all the Institute has accomplished in my ten years here, I must confess to a frustration that so many of our most creative ideas have yet to

find their way into public policy. I must also confess that my biggest regret is my own failure to make more Canadians understand how desperately we need to return to a classical federalism in which different levels of government are sovereign in their own spheres and respectful of each other's responsibilities and powers. Under classical federalism, all the partners in the federation are better off than if they had not federated in the first place. It is, I believe, the only solution to the debilitating standoff between Ottawa and Quebec.

#### *A Forum for Independent Thinking*

No retrospective would be complete without mentioning the continuing success of the highly regarded annual Benefactors Lecture, which the Institute launched in 1992. This is the only occasion each year in which we permit a sponsor to be identified with a particular public policy issue — but a sponsor, I hasten to add, that has no say in the subject matter and no input into the content of the research, and that does not even get an advance copy. We know the Institute must be observably nonpartisan. Without the Institute's fiercely guarded reputation for independence, it could never attract and keep its high-caliber scholars, highly placed members, and hard-won respect by the media.

#### *Looking Ahead*

➤ I am pleased to say that, as 1999 plays out, the Institute will continue to earn that hard-won respect. So far this year, the Institute has published a major analysis of federal-provincial negotiations to establish a framework for the Canadian social union, an eye-opening volume on the telecommunications revolution, and a challenging book on legal and social policies as they bear on families. In the works is a statistical mapping of the economic hurdles facing aboriginal Canadians — a subject that deserves and will, I hope, get a great deal more attention in the future from the Institute. Also upcoming this

year is a major study on infrastructure investment, and numerous Commentaries in such fields of established Institute expertise as taxation, trade, the global economy, pension policy, and the environment.

Looking further ahead, I can see no shortage of major issues confronting us, including the social union challenge; 23 years of exchange-rate decline; Canada's declining productivity relative to that of the United States; the huge debt that remains even though the deficit has gone; Canada's insane levels of taxation; the implications for Canada of the "dollarization" movement that is gaining favor in North America in the wake of the adoption of the euro and the instability of Brazil's currency; the impending pension crisis; and the challenges of hemispheric trade.

The Institute will, I am certain, contribute meaningfully to well-researched and reasoned public debate about all of these issues and a great many more as time goes by. As for my successor, I can only say that he or she will be lucky indeed to have what I have considered a most cherished position. I also promise to always remain a close friend of the Institute.

#### *My Personal Thanks to a Dedicated Team*

➤ In this, my last official report to members, I must pay tribute to the tiny, dynamic team that succeeds in making everything possible, and most especially to my colleague and friend Angela Ferrante, the Institute's Executive Vice-President and Chief Operating Officer. An incisive thinker, an exceptional integrator of ideas, and a relentless people motivator, Angela Ferrante is the person who makes everything *happen*.

I must also say special thanks to Senior Policy Analysts Bill Robson and Daniel Schwanen, Policy Analyst Finn Poschmann, and all the other bright minds on staff over the years who have so often elevated us with their passion, their research brilliance, and their analytical excellence. I wish

them continued success as they help introduce a new era at the C.D. Howe Institute.

I wish I could name and personally thank all of our friends and colleagues from the academic community who have contributed to the Institute's public policy research and prestige over the decade, but they number in the hundreds. Still, I should like to single out a few special individuals who have been unusually generous with their time and their energy: Tom Courchene, David Laidler, John Richards, and Bill Scarth. As

both originators of insights and providers of sober second thoughts, they have played a major role in keeping the caliber of the Institute's work so high.

Finally, I want to say a very personal thank you to every member of the C.D. Howe Institute. Without the support of its members, the Institute would cease to exist; with their continued support, it will surely flourish. If, as I firmly believe, we have succeeded in building a uniquely credible and influential and productive public policy institute over the years, the success, dear members, belongs to you.

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