



INSTITUT C.D. HOWE INSTITUTE



# C.D. HOWE INSTITUTE 2010 ANNUAL REPORT

*Essential Policy Intelligence*

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# A MESSAGE FROM THE CHAIRMAN

## *Building on an Unmatched Legacy in Canadian Public Life*



William Morneau,  
Chair, C.D. Howe Institute

*“Looking ahead, our task is to continue building our support base, so that our resources are appropriately solid and diversified. Our policy work could not take place without the generosity and involvement of our members and supporters.”*

A truism in western culture is the belief that many accomplishments are made while “standing on the shoulders of giants.” From the perspective of someone who has been C.D. Howe Institute Chair for a short time, I am very aware of the fundamental truth underlying this maxim.

Every action the Institute takes is built on a legacy of credibility, objectivity and timeliness unmatched in Canadian public life.

On a personal note, I think of my predecessor as Institute Chair, David Dodge, a man who is a giant in Canadian public service. His term as Institute Chair coincided with some of the most challenging years of the recent global financial crisis. Notwithstanding the many challenges that affected Institute members and the broader Canadian economy, the Institute prospered, and produced two record years of policy research and events on his watch.

The Institute made significant strides in 2010. Publication downloads increased significantly, we offered well-attended events in key cities across Canada, and our funding base continued to increase.

David’s drive and vision also helped bring the Institute’s Monetary Policy Initiative to fruition. A two-year campaign secured \$1.725 million in endowment contributions that we celebrated last May at a fundraising dinner yielding an additional \$300,000 in ticket sales. We were proud to announce the creation of the David Dodge Chair in Monetary Policy, in the presence of nearly 400 of the Institute’s closest friends, including the current Governor of the Bank of Canada, and three former governors.

Special thanks are due to the Institute’s members and supporters, to the senior scholars across Canada who play such an important role in our research and conferences; to the

Institute’s staff; and to President & CEO Bill Robson and Senior Vice-President & COO Duncan Munn for their leadership.

I also want to thank and acknowledge Marc Dutil, Peter George, Tim Hearn, Bill MacKinnon, Sabi Marwah (who also did a wonderful job as Chair of the Board’s Audit, Finance & Risk Committee), David O’Brien, Herb Pinder and Guy Savard, whose terms on the Board have ended, for their hard work and dedication to the Institute. I am particularly grateful that Tim Hearn, Guy Savard, and Bill MacKinnon will be maintaining their involvement with our organization – Tim and Guy have accepted appointments as Honorary Directors, and Bill will remain as co-Chair of the Fiscal and Tax Competitiveness Council. I also welcome Ford of Canada CEO David Mondragon, who was appointed to the Board in 2010. Further, we are very proud that David Dodge will continue to play an active role at the Institute, as a Director, as a conference speaker, and as an author.

Looking ahead, our task is to continue building our support base, so that our resources are appropriately solid and diversified. Our policy work could not take place without the generosity and involvement of our members and supporters.

I am confident that we will continue to live up to the legacy of the scholars and policy leaders whose work at the Institute has strengthened Canada’s economy and social fabric for more than five decades. Our country deserves no less.

Sincerely,  
*William Morneau*

## MESSAGE FROM THE PRESIDENT & CEO

### *Our Policy Work Touched Virtually Every Building Block for National Prosperity*

For many Canadian families, businesses and policymakers, 2010 marked a welcome change from the previous two years. Low interest rates on high-quality debt and solid world demand for key products were a tonic for our economy. The job market firmed, incomes rose, investment surged, and buoyant tax revenues started prompting downward revisions to projections of government borrowing.

At the C.D. Howe Institute, the abatement of short-term fears about the economy prompted us to rebalance our research program. Around the world, political turmoil, unsustainable sovereign debt and distorted central bank balance sheets are creating myriad policy challenges. Closer to home, Canada is facing demographic and sectoral pressures and the multifaceted task of raising productivity.

In November 2010, the Board approved a new strategic plan for the Institute. Macroeconomics continues as a mainstay, while work on several vital longer-term issues will proceed with fresh energy.

- In May, close to 400 Institute supporters attended a gala dinner addressed by Bank of Canada Governor Mark Carney to celebrate the launch of our new initiative on monetary and macrofinancial policy, and McGill professor Christopher Ragan's appointment to the Institute's new David Dodge Chair.
- We prepared to launch an ambitious new research series on healthcare reform in 2011. Last November's annual Benefactor's Lecture, delivered by eminent historian Michael Bliss, prefigured upcoming work on reforms to healthcare financing and delivery.
- Our Fiscal and Tax Competitiveness Council will proceed with a fresh mandate to promote a sustainable Canadian fiscal advantage, in which governments' budgetary policies support work, saving, and investment.

- More broadly, we are maintaining our focus on social policy, good government, financial services regulation and retirement saving, and increasing our focus on energy infrastructure; all are critical to Canada's future prosperity.

Looking back from the vantage of early 2011, I am struck by the degree to which our policy research, conferences and outreach touched virtually every building block for national prosperity with interventions that were pertinent and timely. In field after field, the C.D. Howe Institute expanded its reputation for top-quality, policy-relevant advice.

That excellence won fresh recognition. The *Commentary* on the benefits and costs of fiscal stimulus internationally by Fellow-in-Residence Bev Dahlby of the University of Alberta won the 2010 Doug Purvis Memorial Prize from the Canadian Economics Association – the fourth time an Institute publication has won this prestigious prize since its establishment in 1994.

The Institute's friends can also take pride in the extent to which policymakers, business leaders and opinion makers sought the expertise of its staff and its scholars in 2010. A January pre-budget session with Prime Minister Stephen Harper was only the beginning – federal and provincial finance ministers, deputy ministers and departments, international think tanks and NGOs, and industry associations and universities across Canada sought the Institute's collaboration and counsel.

Our own outreach and events program reached a new level in 2010, and the opportunities the Institute presents for deep and timely insight from experts remained unparalleled. As the following pages detail, we were active from Victoria to Halifax, with speaking engagements, dinners, conferences, and unique off-the-record roundtables that



William B.P. Robson,  
President and CEO

featured federal and provincial cabinet ministers, business leaders, ambassadors to and from Canada, and world renowned scholars.

I close by noting the passing in 2010 of Carl Beigie, whose leadership of the Institute from 1971 through 1982 launched it as a highly-respected, nationally prominent policy think tank. To celebrate his accomplishments, the Institute has named an annual roundtable in his memory. We held the inaugural Carl Beigie Roundtable in April, 2010, with David Jacobson, the United States Ambassador to Canada, as speaker.

It is particularly a pleasure, as we look ahead to the challenges of 2011 and beyond, to thank the Institute's members and subscribers for the support that enabled us to perform so well in 2010. Your participation is the foundation for our research, events and outreach – everything the Institute does to promote a more dynamic Canadian economy. We never forget it, and we will work every bit as hard to earn it again in 2011.

Sincerely,  
*William B.P. Robson*

“*In field after field, the C.D. Howe Institute expanded its reputation for top-quality, policy-relevant advice.*”



Duncan Munn  
Vice-President and COO

## A MESSAGE FROM THE SENIOR VICE-PRESIDENT AND COO

### *2010 Goals and Results*

The Institute made significant progress on its strategic objectives in 2010.

Thanks to stabilized membership revenues and growing restricted fund revenues, the Institute was able to make targeted investments aimed at building its research infrastructure and its presence in key centres across Canada. Membership contributions and donations in 2010 increased by 13.5%, relative to 2009.

We could not have achieved our objectives in 2010 without the generosity and involvement of our members and supporters. Special thanks are also due to the Institute's authors and conference/roundtable speakers, and to the Institute's staff, who continually go beyond the call of duty.

**Goal:** Stabilize the Institute's membership base, which declined in the wake of the 2008-09 economic downturn.

**Result:** A number of corporate members who had resigned for financial reasons during the economic downturn rejoined, and we secured a number of new high profile individual, corporate and association memberships. Our membership base is the backbone of our financial support, and further bolstering is vital to our continued strength.

**Goal:** Strengthen the Institute's presence in key centres across Canada.

**Result:** We increased our ability to publish important research on Quebec. We more than doubled the French-speaking staff at the Institute in 2010. This is having a major impact on our French-language publications, and on our media coverage in *La Presse*, *Le Devoir*, *Le Soleil*, and *Radio Canada*. We also allocated funding to ensure that no less than one publication per quarter is published in French, to enhance the impact of our work on issues in Quebec.

**Result:** We strengthened our presence in Western Canada. We held a major policy conference with the University of Alberta on the Province's fiscal policy challenges, and a policy dinner in Calgary featuring four chief bank economists. The Institute also published 7 research papers on issues of special relevance to the West, and held 6 roundtables and policy events in Winnipeg, Calgary, Edmonton and Vancouver.

**Goal:** Strengthen the Institute's ability to respond effectively to government, media, and member requests for research and analysis on monetary and macro financial policy.

**Result:** The Institute celebrated the completion of fundraising for the Monetary Policy Initiative with almost 400 of its friends and supporters in May 2010. More than \$2 million was contributed by lead sponsors and ticket purchasers in support of the Institute's monetary policy programs. More information on the Initiative can be found on page 14.

**Goal:** Secure the resources to launch a new Healthcare Policy Program.

**Result:** Pfizer Canada made a \$400,000 gift to fund research and conferences on health policy, the fourth-largest gift in the Institute's 50+ year history. It was offered on a completely philanthropic basis, with full respect for the Institute's commitment to academic independence and research objectivity.

**Goal:** Continue to increase the size of the Institute's endowment, to enable the Institute to endure future economic storms and to enable more effective long-term planning and realization of research and dissemination projects.

**Result:** The Institute increased its endowment by 17.6 percent in 2010, thanks to continuing member support for endowed gifts, and the strength of its endowment investment policies.

**Goal:** Continue to increase dissemination.

**Result:** Website publication downloads continued to increase, hitting an all-time high of more than 1 million downloads in 2010.

Sincerely,  
Duncan Munn

“We could not have achieved our objectives in 2010 without the generosity and involvement of our members and supporters.”

## THE INSTITUTE'S 2010 RESEARCH MISSION

The C.D. Howe Institute responded to the wide range of pressures confronting policymakers in 2010 with 52 research publications, 47 policy roundtables, conferences and policy events, and eight meetings of the Monetary Policy Council. Our primary focus, as Canada contemplated recovery from a financial market shock and economic recession, was on sound money, a stable financial system, responsive social policy and secure pensions, and dynamic, competitive, productive markets: these are the features of a strong society and economy, and these are the issues on which the Institute focuses.

Work on the nation's **Monetary Policy** is spearheaded by the Institute's Monetary Policy Council; the new, generously funded Monetary Policy Initiative, launched in 2010, will generate research publications and advice that will inform the public and the Bank of Canada in 2011 and beyond. In addition to the Institute's Fellow-in-Residence, Professor David Laidler, our monetary policy program in 2010 gained the inaugural David Dodge Chair in Monetary Policy, Professor Christopher Ragan, whose expertise will sustain Institute research in future.

The **Fiscal and Tax Competitiveness Council**, co-chaired by Bill MacKinnon and Bob Brown, oversees the Institute's fiscal policy publications, aimed at choices which support a strong growth environment and promote investment in Canadians' productive capacity, while providing the revenue needed to sustain core government programs. In 2010 the Council was assisted by Professor Bev Dahlby, whose 2009 C.D. Howe publication, "Once on the Lips, Forever on the Hips: A Benefit-Cost Analysis of Fiscal Stimulus in OECD Countries," won the Doug Purvis Memorial Prize for public policy research, awarded by the Canadian Economics Association and the Canadian Association of Business Economists.

The **Financial Services Research Initiative**, chaired by Edward Neufeld, guides the Institute's work on financial sector and regulatory matters. In 2010, our publications examined issues that are central to the financial crisis and recovery: the payments system, the use of ratings, securitization, bank failure, housing markets and institutional stability.

The Institute's **Pensions Advisory Council**, co-chaired by Claude Lamoureux and Nicholas Le Pan, focuses on pensions, pension adequacy and regulation, and savings-related matters. All of these issues are critically important to an economy facing the demographic challenges caused by an aging population.

None of this, of course, could happen without the generous support of our members, the participants in the Institute's advisory groups, or the intellect, skills and energy of our authors, many of whom are engaged in busy academic lives. We are immensely grateful to the scholars, fellows, and government and business policy leaders who advise, comment on and referee the Institute's publications and contribute their insight and expertise to our roundtables and conferences.

The research team that coordinates the Institute's work, which in 2010 featured Philippe Bergevin, Colin Busby, Ben Dachis and Alexandre Laurin, relies on the executive assistance of Kristine Gray. We are dependent on and thank our Editor and Director of Media James Fleming, and Graphic Designer Yang Zhao. We are grateful as well to the Institute's members and our public and private sector colleagues, for their active engagement in, and support of, the Institute's policy research program.

Sincerely,  
Finn Poschmann



Finn Poschmann  
Vice President, Research

*Bev Dahlby's "Once on the Lips, Forever on the Hips: A Benefit-Cost Analysis of Fiscal Stimulus in OECD Countries," won the Doug Purvis Memorial Prize for public policy research.*

## Fiscal Policy

### FISCAL AND TAX POLICY PUBLICATIONS IN 2010

**“Energy Prices and Alberta Government Revenue Volatility,”** Stuart Landon and Constance Smith

**“The Glacier Grinds Closer: How Demographics Will Change Canada’s Fiscal Landscape,”** William B.P. Robson

**“Le Budget 2010 du Québec: Effets sur la taille et la progressivité du fardeau fiscal,”** Alexandre Laurin

**“Target Practice Needed: Canada’s 2010 Fiscal Accountability Rankings,”** Colin Busby and William B.P. Robson

**“Back to Balance: A Shadow Federal Budget for 2010,”** Alexandre Laurin, William B.P. Robson, Colin Busby, and Finn Poschmann

**“Saver’s Choice: Comparing the Marginal Effective Tax Burdens on RRSPs and TFSA,”** Alexandre Laurin and Finn Poschmann

The beginning of global economic recovery in 2010 saw domestic fiscal policy switch focus from economic stimulus to debt concerns and deficit elimination. And in “Back to Balance: A Shadow Federal Budget for 2010,” Alexandre Laurin, William Robson, Colin Busby and Finn Poschmann made the case for targeted spending restraints, rather than increasing taxes; scaling back federal employment; raising the employee contribution to the cost of federal pensions; containing defense spending growth; and limiting growth in federal transfers to the provinces.

The long-term benefits of tackling federal and provincial budgetary deficits were made clear in “The Glacier Grinds Closer: How Demographics Will Change Canada’s Fiscal Landscape.” Written by William Robson, this study calculated that ongoing spending trends on age-sensitive programs – healthcare, education, elderly and children’s benefits – represent an implicit liability of \$2.8 trillion for Canadian governments’ balance sheets. The study concludes that prompt corrective action is required to avoid intolerable future fiscal burdens.

Institute research also focused on the difficulty that governments have sticking to budget projections, leaving them more vulnerable than necessary to the budgetary impacts of the financial crisis. In “Target Practice Needed: Canada’s 2010 Fiscal Accountability Rankings,” Colin Busby and

William Robson showed that government spending overruns and missed revenue targets were a common occurrence in Canada over the last ten years. The paper underlined the need for more careful revenue projections, tighter spending scrutiny and better oversight by legislators.

In Quebec, the 2010 provincial budget aimed at restoring public finances to a sustainable footing. The budget, which contemplated spending cuts along with sales tax rate increases and new health premiums, drew some criticism over its apparent distributional inequity. However, in “Le Budget 2010 du Québec: Effets sur la taille et la progressivité du fardeau fiscal,” the Institute’s Alexandre Laurin showed that even with the new tax measures, Quebec’s tax system would remain the most geared-to-income in Canada and, for good or ill, that Quebec’s top income earners would remain the most heavily taxed in the country.

In Alberta, the government’s dependence on highly volatile, energy-related sources of revenues have made its fiscal revenues considerably more volatile than those of other provinces. A study by Stuart Landon and Constance Smith, “Energy Prices and Alberta Government Revenue Volatility,” proposed the creation of a resource revenue stabilization fund to make the province’s revenues more predictable, thus helping to curb procyclical fiscal planning.



The research team: from left, Associate Vice President, Daniel Schwanen; Policy Analyst, Benjamin Dachis; Associate Director of Research, Alexandre Laurin; Policy Analyst, Philippe Bergevin; Senior Policy Analyst, Colin Busby; and Vice President, Research, Finn Poschmann

## FISCAL AND TAX COMPETIVENESS COUNCIL IN 2010

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## Monetary Policy

The Institute increased its focus on monetary policy and macroeconomic-related research in response to the global financial crisis that began in 2007-08. This decision was based on two factors: a belief that this area is central to national prosperity, and that the Institute should respond to the increased volume of requests for information and policy advice from government, the public service, private sector leaders and media. Following the conclusion of a successful fundraising campaign (please see page 14), the Institute celebrated its Monetary Policy Initiative on May 17, 2010.

Turning to policy matters, while the economic outlook for Canada considerably brightened in 2010, much uncertainty remains as to the sustainability of the current economic recovery. The need and demand for monetary policy research remains high, particularly with respect to macroeconomic and financial stability.

In the Canadian context, the imminent renewal of the monetary policy agreement

between the Bank of Canada and the Canadian government was top of mind for many policymakers and researchers in 2010. To provide a comprehensive analysis of issues related with this renewal, the Institute published "Securing Monetary Stability, Canada's Monetary Policy Regime after 2011." Edited by David Laidler, this book features a number of preeminent monetary policy thinkers, including among others Jean Boivin and John Crow, on the challenges and opportunities associated with the renewal of Canada's inflation targeting regime.

Finally, the Institute's Monetary Policy Council continued to play a key role as one of the foremost resources for financial-market and monetary economists in Canada. The Council, composed of 12 of Canada's most distinguished financial market and monetary economists, provides the Bank of Canada, financial-market participants and economic policy commentators with a regular independent assessment of the appropriate stance of Canadian monetary policy.

## MONETARY POLICY PUBLICATIONS IN 2010

**"Faceoff: Should the Bank of Canada Release its Projections of the Interest Rate Path? – The Cases For and Against,"** Pierre Siklos and Andrew Spence

**"Putting Money Back into Monetary Policy: A Monetary Anchor for Price and Financial Stability,"** David Laidler and Philippe Bergevin

**"Greater Transparency Needed,"** [on Bank of Canada rate setting], Angelo Melino and Michael Parkin

**"The Loonie's Flirtation with Parity: Prospects and Policy Implications,"** Philippe Bergevin and Colin Busby

**"Securing Monetary Stability: Canada's Monetary Regime after 2011,"** C.D. Howe Institute book edited by David Laidler

**"Room for Manoeuvre – Monetary Policy Over the Next Eighteen Months, and the Allure of Price-Level Targeting,"** Philippe Bergevin and David Laidler

**"Taking Monetary Aggregates Seriously,"** Angelo Melino

**"How Soon? How Fast? Interest Rates and Other Monetary Policy Decisions in 2010,"** Michael Parkin



## MONETARY POLICY COUNCIL IN 2010

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**Doug Porter**, BMO Capital Markets

**Christopher Ragan**, McGill University and David Dodge Chair in Monetary Policy, C.D. Howe Institute

**Angela Redish**, University of British Columbia

**Nicholas Rowe**, Carleton University

**Avery Shenfeld**, CIBC World Markets Inc.

**Pierre Siklos**, Wilfrid Laurier University

**Andrew Spence**, TD Securities

**Craig Wright**, RBC Financial Group

## International Policy

Canada's prosperity is strongly linked to its success in finding international markets for goods and services, and its ability to compete for international investment and talent. International and trade policy continued to be a priority at the Institute in 2010, through publications and particularly in our Roundtable program.

Among published works, Michael Hart – Professor and Simon Reisman Chair in Trade Policy at the Norman Paterson School of International Affairs at Carleton University in Ottawa – analyzed issues surrounding the Canada-US border and proposed steps to reduce obstacles to cross-border trade and investment. In his paper, *"A Matter of Trust: Expanding the Preclearance of Commerce between Canada and the United States,"* Professor Hart argued that preclearance of people and goods before they arrive at the physical border offers one of the best ways to address cross-border obstacles while ensuring public security.

In "Trend Spotting: NAFTA Disputes After Fifteen Years," trade law and policy specialist Lawrence Herman, an international trade lawyer at Cassels Brock, pointed out that recent cross-border disputes under NAFTA have been dominated by investor complaints over provincial actions, but that Ottawa must carry the legal and financial ball in court. Who in the end is really responsible, and who should pay? Mr. Herman suggested that the federal government and the provinces should settle these questions before the problem grows bigger.

Notable Roundtable speakers included: His Excellency Shashishekar M. Gavai, High Commissioner to Canada from India, on *Canada and the Rise of India*; Wendy Dobson, Professor and Director, Institute for International Business, Rotman School of Management, on *Can the G20 Survive the Global Financial Crisis?*; Dr. William Gale, Arjay and Frances Miller Chair in Economic Policy, who delivered the annual Mintz seminar on *Train Wreck: Status Report on America's Looming Fiscal Crisis*; Anthony Cary, British High Commissioner to Canada, on *The Age of Austerity: Britain's Budget Challenges and Priorities*; David Mulroney, Ambassador of Canada to the People's Republic of China, on *New Directions in the Canada-China Relationship*; and Stewart Beck, High Commissioner of Canada to the Republic of India, on *Canada-India: Where Knowledge Economies Meet*.

David Jacobson, United States Ambassador to Canada, delivered the inaugural Carl Beigie lecture in April 2010, on *The Canada-US Border and the Mutual Defense of North America*. Mr. Jacobson argued that finding the right balance between security and border efficiency is critical to the economies of both Canada and the United States. Ambassador Jacobson offered a candid assessment of what works and what does not and, while ensuring the security of both countries, how best to enable the efficient transit of travelers and commerce.

### OTHER EVENTS INCLUDED:

**"Global Financial Turmoil: Challenges and Opportunities for Canada,"** featuring David Dodge, Senior Advisor, Bennett Jones LLP and former Governor, Bank of Canada.

**"Better Together: The Costs and Benefits of an integrated North American Cap-and-Trade Policy,"** a major conference in Washington DC, organized with the Petersen Institute, that explored how best to reconcile the environmental and economic interests of Canada and the United States. Among the speakers was Gary Doer, Ambassador of Canada to the United States.

**"Canada-EU Relations at a Crossroads: What Does It Mean for Canada? – the 2010 Sylvia Ostry Lecture,"** featuring Ross Hornby, Ambassador of Canada to the European Union.



Michael Koerner and David Jacobson, United States Ambassador to Canada

## Economic Growth and Innovation

Financial markets and financial services were again at the forefront of the Institute's research agenda in 2010. The Institute looked at the potential underpinnings of financial crises, from examining the risks of a housing bust in Canada, to the use and misuse of credit ratings. Warding off financial market failure was the key theme of work from former Bank of Canada Deputy Governor David Longworth, and Clyde Goodlet that showed the large costs associated with – and high thresholds for invoking – policies that bail out financial institutions considered too big to fail. And C.D. Howe Institute Policy Analyst Philippe Bergevin made the case for reforming outdated policies to enable competition in Canada's credit and debit card markets.

Energy and environmental policy was also a major focus. Research publications included studies on the interaction of Canadian and United States emissions abatement, the regional impacts within Canada of domestic

environment policy, and the benefits of smarter pricing and greater provincial integration in electricity.

As the labour market began to improve in 2010, the Institute looked at ways to strengthen policies aimed at market resilience. These ranged from reducing barriers that impede the ability of workers to move between provinces; to providing Canada's workers more investment in productive capacity (more and better tools to do their jobs better); to improving Aboriginal educational performance; to showing the unintended consequences on wages and strikes of public- and private-sector labour legislation.

The Institute also published two major studies on key issues in the telecommunications and broadcasting sector. The first pointed to the future of competition, regulation and Canadian content in Canadian entertainment, as television and the internet

change faster than regulators can respond. The second addressed how the federal government should allocate scarce wireless spectrum, which is vital to the development of data and telecommunications networks, especially as analog transmission frequencies are reallocated to data intensive, mobile uses.



The Hon. James Flaherty, Minister of Finance, briefing members at an Institute Roundtable

### ECONOMIC GROWTH AND INNOVATION PUBLICATIONS IN 2010

**"The Canadian ABS Market: Where Do We Go From Here?"** David C. Allan and Philippe Bergevin

**"The Eco-Fee Imbroglia: Lessons from Ontario's Troubled Experiment in Charging for Waste Management,"** Andrew Green and Michael Trebilcock

**"Warding Off Financial Market Failure: How to Avoid Squeezed Margins and Bad Haircuts,"** David Longworth

**"Taxing Emissions, Not Income: How to Moderate the Regional Impact of Federal Environment Policy,"** Jotham Peters, Chris Bataille, Nic Rivers and Mark Jaccard

**"Disarmed and Disadvantaged: Canada's Workers Need More Physical Capital to Confront the Productivity Challenge,"** Colin Busby and William B.P. Robson

**"Too Big to Fail: A Misguided Policy in Times of Financial Turmoil,"** Clyde Goodlet

**"Not Here? Housing Market Policy and the Risk of a Housing Bust,"** Jim MacGee

**"Better Together? The Implications of Linking Canada – US Greenhouse Gas Policies,"** Dave Sawyer and Carolyn Fischer

**"Power Sharing: Developing Inter-Provincial Electricity Trade,"** Jan Carr

**"The Laws of Unintended Consequence: The Effect of Labour Legislation on Wages and Strikes,"** Benjamin Dachis and Robert Hebdon

**"Who Can Work Where: Reducing Barriers to Labour Mobility in Canada,"** Robert Knox

**"Manitoba's Demographic Challenge: Why Improving Aboriginal Education Outcomes is Vital for Economic Prosperity,"** Colin Busby

**"Solving Spectrum Gridlock: Reforms to Liberalize Radio Spectrum Management in Canada in the Face of Growing Scarcity,"** Martin Cave and Adrian Foster

**"Addicted to Ratings: The Case for Reducing Governments' Reliance on Credit Ratings,"** Philippe Bergevin

**"Change is in the Cards: Competition in the Canadian Debit Card Market,"** Philippe Bergevin

**"Scrambled Signals: Canadian Content Policies in a World of Technological Abundance,"** Lawson A.W. Hunter, Edward Iacobucci, and Michael J. Trebilcock

**"The Price Isn't Right: The Need for Reform in Consumer Electricity Pricing,"** Donald N. Dewees



Dr. Nouriel Roubini, a professor in the NYU Stern School of Business and the Chairman of Roubini Global Economics, spoke to Institute members on Sept. 8, 2010. Pictured are Professor Roubini, Philip C. Deck, Paul R. Stanley and Dave Glass

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Social Policy

SOCIAL POLICY PUBLICATIONS IN 2010

"Critical Condition: A Historian's Prognosis on Canada's Aging Healthcare System," Michael Bliss

"Fatal Flaws: Assessing Quebec's Failed Health Deductible Proposal," Mark Stabile and Sevil N-Marandi

"The Payoff: Returns to University, College and Trades Education in Canada, 1980 to 2005," Daniel Boothby and Torben Drewes

"British Columbia's Best Schools: Where Teachers Make the Difference," David Johnson

"Reducing Lone-Parent Poverty in Canada – A Canadian Success Story," John Richards

"School Grades: Identifying Alberta's Best Schools, an Update," David Johnson

"Down but Not Out: Reforming Social Assistance Rules that Punish the Poor for Saving," John Stapleton

As Canadian economic growth recovered in 2010, provincial governments coped with rising health costs in the context of significant revenue challenges, presenting some difficult policy choices. Big social policy questions that governments confronted, and on which the Institute published unique research, also included employment rates, and education performance and outcomes.

The province of Quebec, reacting to a deficit driven by falling revenues and rising healthcare spending, proposed a healthcare deductible – a health user fee – in its 2010 budget. Mark Stabile and Sevil N-Marandi evaluated the revenue generating potential vis-à-vis the distributional effects of the deductible. In late 2010, Quebec backed away from the proposal – a decision endorsed by the authors.

The recession's impact on employment raised questions about social assistance design, and in "Down but Not Out: Reforming Social Assistance Rules that Punish the Poor for Saving," John Stapleton argued that encouraging asset accumulation, even in small amounts, is crucial in helping to lift people out of poverty.

The Institute's work continued to benefit from the efforts of Fellow-in-Residence John Richards, the Roger Phillips Social Policy Scholar, who drew the policy lessons from the drop-off in Canadian lone-parent poverty. Professor Richards found that a dramatic increase in employment had spurred major reductions in poverty for lone-parent families. Further behind these labour market improvements, the author says, were "tough love" initiatives that rendered access to welfare more difficult for the employable, and "soft love" measures to support working parents, such as better support for child care and the national child benefit system.

Using a carefully constructed and unique statistical approach for assessing schools' contributions to students' learning outcomes, thereby providing a measure of school performance, Education Policy Scholar David Johnson diagnosed and assessed results in Alberta's and British Columbia's schools and school boards. His research provides "apples-to-apples" comparisons that reveal "good" schools where principals, teachers and staff are making a positive difference in student performance.

## Governance and Public Institutions

The Institute's governance and institutions work in 2010 was dominated by pension security and reform questions. We continue to be grateful for the advice and involvement of the Institute's Pension Policy Council, co-chaired by Nicholas Le Pan and Claude Lamoureux. The Council was launched in 2007 to identify strengths and shortfalls of Canada's retirement savings system, and make recommendations to ensure the integrity of pensions for the growing ranks of retired Canadians.

Related papers closely examined the arithmetic of pension adequacy. In "Canada's Looming Retirement Challenge," Kevin D. Moore, Senior Researcher at Statistics Canada's Modeling Division, William Robson, President and CEO of the C.D. Howe Institute, and Alexandre Laurin, Associate

Director of Research at the Institute, examined whether Canadians will be able to maintain their living standards in retirement, and if policy needs to respond to the risk that some will experience painful declines. What makes this work unique is its use of advanced data and modeling tools to peer closely into the set of likely future outcomes.

In "The Public-Sector Pension Bubble: Time to Confront the Unmeasured Cost of Ottawa's Pensions," Alexandre Laurin and William Robson revealed that Ottawa's employee pension obligations are larger and more volatile than they appear, a problem shared by European and US state governments.

Other work examined retirement savings options across provinces, and recommended key reforms: pensions plan sponsors and

members should clearly understand what benefits constitute a promise; funding rules, especially on amortization, should apply equally strictly when economic conditions are good and when times are bad and the risk of insolvency is higher; and regulations and governance should move more to risk-based supervision, alongside an upgrade of regulatory capacity.

Other important governance topics that received Institute attention included the legal or constitutional divide between regulation and legislation, when it comes to taxing power, fiscal accountability, governance of access to water and competition for it, agricultural supply management, and competition in municipal service delivery.

### GOVERNANCE AND PUBLIC INSTITUTIONS PUBLICATIONS IN 2010

**"Canada's Looming Retirement Challenge: Will Future Retirees Be Able to Maintain Their Living Standards Upon Retirement?"** Kevin D. Moore, Alexandre Laurin, and William Robson

**"The Public-Sector Pension Bubble: Time to Confront the Unmeasured Cost of Ottawa's Pensions,"** Alexandre Laurin and William Robson

**"Seeking Certainty in Uncertain Times: A Review of Recent Government-Sponsored Studies on the Regulation of Canadian Pension Plans,"** Bob Baldwin and Brian FitzGerald

**"Picking up Savings: The Benefits of Competition in Municipal Waste Services,"** Benjamin Dachis

**"Unbalanced Books: How to Improve Toronto's Fiscal Accountability,"** Colin Busby, Benjamin Dachis and William B.P. Robson

**"Freeing up Food: The Ongoing Cost, and Potential Reform, of Supply Management,"** Colin Busby and William B.P. Robson

**"Ontario's Green Energy 'Fee': The Trouble with Taxation through Regulation,"** Benjamin Alarie and Finn Poschmann

**"The Competition for Water: Striking a Balance among Social, Environmental, and Economic Needs,"** Henning Bjornlund

**"The Piggy Bank Index: Matching Canadians' Saving Rates to Their Retirement Dreams,"** David A. Dodge, Alexandre Laurin, and Colin Busby

**"Cutting Through Pension Complexity: Easy Steps Forward for the 2010 Federal Budget,"** William B.P. Robson

**"Supporting Employees Who Deploy: The Case for Financial Assistance to Employers of Military Reservists,"** Colin Busby

### MEMBERS OF THE PENSION POLICY COUNCIL IN 2010

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**François Weldon**, Human Resources & Social Development Canada

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

## 2010 EVENTS AT A GLANCE



The Right Honourable Stephen Harper,  
Prime Minister of Canada



Preeti Saran, India's Consul to Toronto,  
S. M. Gavai, High Commissioner for India to  
Canada, and Institute board member Hugh  
MacKinnon, CEO, Bennett Jones



Ambassador Ross Hornby and  
The Hon. Michael Wilson

### JANUARY 19: CONFERENCE

#### Price Regulation and Social Welfare: The Case of Automobile Insurance in Canada

Cara Blank, Chief Property and Casualty Actuary, Government of Massachusetts; Janet Ecker, President, Toronto Financial Services Alliance; Bob Fitzgerald, EVP, Chief Marketing & Underwriting Officer, Aviva Canada Inc.; Don Forgeron, President & CEO, Insurance Bureau of Canada; Philip Howell, CEO and Superintendent of Financial Services, Financial Services Commission of Ontario; Mary Kelly, Associate Professor, Finance and Insurance, Wilfred Laurier University; Rafal Lapkowski, Trade and Economic Advisor and Second Secretary, European Union Delegation to Canada; Frederick Lazar, Department of Economics, Faculty of Arts, York University; Saskia Matheson, Director of Enterprise Risk Management, Allstate Insurance Company of Canada; Finn Poschmann, Vice President, Research, C.D. Howe Institute; Sharon Tennyson, Associate Professor, Cornell University; and Ralph A. Winter, Canada Research Chair in Business Econ & Policy, Sauder School of Business

### JANUARY 20: ROUNDTABLE

#### Keeping Canada's Competitive Advantage in Banking

Nancy Hughes Anthony, President and CEO, Canadian Bankers Association

### JANUARY 20: SPECIAL EVENT

#### Pre-budget Consultation with Prime Minister Stephen Harper

Senior staff and Board of Directors

### FEBRUARY 3: CONFERENCE

#### Conference: The Costs and Benefits of an Integrated North American Cap-and-Trade Policy

Gary Hufbauer, Senior Fellow, Peterson Institute for International Economics; James Bradbury, Senior Associate, World Resources Institute; Gary N. Horlick, Law Offices of Gary N. Horlick; Jeffrey Schott, Senior Fellow, Peterson Institute for International Economics; Carolyn Fischer, Senior Fellow, Resources for the Future; Dave Sawyer, EnviroEconomics; and The Honourable Gary Doer, Canadian Ambassador to the United States

### FEBRUARY 4: ROUNDTABLE

#### Storm Warnings: Demographic Pressures and Policy Options in Atlantic Canada

J. C. Dodds, President, Saint Mary's University

### FEBRUARY 5: ROUNDTABLE

#### The Race is On: Toyota's Innovative Approach to the Canadian Auto Market

Stephen Beatty, Managing Director, Toyota Canada Inc.

### FEBRUARY 16: ROUNDTABLE

#### A Clean and Sustainable Energy Future: Hydro Québec's Perspective

Thierry Vandal, President and CEO, Hydro-Québec

### FEBRUARY 17: ROUNDTABLE

#### The Bank of Canada's Liquidity Facilities: Past, Present and Future

David Longworth, Deputy Governor, Bank of Canada

### MARCH 9: ROUNDTABLE

#### 2010 Post Budget Debriefing

Michael Horgan, Deputy Minister, Finance Canada

### MARCH 10: ROUNDTABLE

#### The Evolving Structure of Financial Regulation: An International Perspective

Tiff Macklem, Associate Deputy Minister & G7 Deputy for Canada, Finance Canada

### MARCH 25: ROUNDTABLE

#### Canada and the Rise of India

His Excellency S. M. Gavai, High Commissioner for India to Canada

### MARCH 30: ROUNDTABLE

#### 2010 Ontario Budget Debriefing

Peter Wallace, Deputy Minister and Secretary of the Treasury Board, Ontario Ministry of Finance

### April 12: INAUGURAL CARL BEIGIE MEMORIAL ROUNDTABLE

#### The Border and our Mutual Defence of North America

David Jacobson, U.S. Ambassador to Canada

### APRIL 16: ROUNDTABLE

#### Canada's National Security: Issues in 2010

Richard B. Fadden, Director, Canadian Security Intelligence Service

### APRIL 20: ROUNDTABLE

#### Can the G20 Survive the Global Financial Crisis?

Wendy Dobson, Professor and Director, Rotman School of Management, Institute for International Business, University of Toronto

### APRIL 22: ROUNDTABLE

#### The Real Value behind Canada's Commodity Conundrum

Elyse Allan, President and CEO, GE Canada

### MAY 4 AND 11: POLICY DEBATE

Presented by the Woodrow Wilson International Centre for Scholars

#### Buy American / Buy Canadian: The New Protectionism?

William B.P. Robson, President & CEO, C.D. Howe Institute; Robert Baugh, Executive Director, AFL-CIO Industrial Union Council

**MAY 6 & 7: CONFERENCE**

**Boom and Bust Again: Policy Challenges for Alberta's Commodity-based Economy**

Two-day conference organized in partnership with the University of Alberta's Institute for Public Economics.

Speakers were: **Mark Anielski**, author, *The Economics of Happiness*; **Bob Ascah**, U. of Alberta; **Ken Boessenkool**, GCI Canada; **Paul Boothe**, Industry Canada; **Jason Brisbois**, U. of Alberta; **Colin Busby**, C.D. Howe Institute; **Edward Chambers**, U. of Alberta; **Bev Dahlby**, U. of Alberta; **Dr. Stephen Duckett**, Alberta Health Services; **Herbert Emery**, U. of Calgary; **Brad Ferguson**, PricewaterhouseCoopers; **Roger Gibbins**, Canada West Foundation; **Linda Hughes**, U. of Alberta; **Brad Humphreys**, U. of Alberta; **Ron Kneebone**, U. of Calgary; **Stuart Landon**, U. of Alberta; **Andrew Leach**, U. of Alberta; **Kathleen Macaspac**, U. of Alberta; **Victor Matheson**, College of the Holy Cross; **Hon. Anne McLellan**, Bennett Jones LLP and U. of Alberta; **Shirley McClellan**, U. of Alberta; **Mel McMillan**, U. of Alberta; **Carman R. McNary**, Fraser Milner Casgrain; **Hon. Ted Morton**, Alberta Minister of Finance and Enterprise; **John Murray**, Deputy Governor, Bank of Canada; **Al O'Brien**, U. of Alberta; **Rolando Ossowski**, International Monetary Fund; **William Robson**, C.D. Howe Institute; **David Ryan**, U. of Alberta; **Barry Scholnick**, U. of Alberta; **Constance Smith**, U. of Alberta; **Doug West**, U. of Alberta

**MAY 7: ROUNDTABLE**

**Canada's Retirement Income System: The Role of Tax-Assisted Private Savings**

The Hon. **James M. Flaherty**, Minister of Finance

**MAY 10: ROUNDTABLE**

**The Private Sector Solution to the Pension "Crisis"**

**Frank Swedlove**, President, Canadian Life and Health Insurance Association Inc.

**MAY 12: MINTZ ECONOMIC POLICY SEMINAR**

**Train Wreck: Status Report on America's Looming Fiscal Crisis**

**William Gale**, Senior Fellow and Arjay and Frances Miller Chair in Economic Policy, The Brookings Institution

**MAY 17: SPECIAL EVENT**

**C.D. Howe Institute Monetary Policy Endowment Dinner**

**Mark Carney**, Bank of Canada Governor, **David Dodge**, Institute Chair and former Bank of Canada Governor, and **Christopher Ragan**, McGill professor and David Dodge Chair in Monetary Policy, C.D. Howe Institute

**MAY 20: ROUNDTABLE**

**Healthcare Reform Luncheon**

**David Dodge**, Senior Advisor, Bennett Jones LLP and former Governor, Bank of Canada, **William B.P. Robson**, President and Chief Executive Officer, C.D. Howe Institute, and **Monte Solberg**, Senior Advisor, Fleishman-Hillard Canada Inc.

**SEPTEMBER 8: SPECIAL EVENT**

**Global Imbalances, Sovereign Debt Risk and the Potential for a Double Dip Recession**

Dinner/Lecture with **Dr. Nouriel Roubini**, Chair, Roubini Global Economics and Professor, NYU Sten School of Business

**SEPTEMBER 9: ROUNDTABLE**

**Tackling Manitoba's Big Challenges: Demographics, Fiscal Pressures, and the Role of Government**

**William Robson**, President and CEO, C.D. Howe Institute; **Peter Holle**, President, Frontier Centre for Public Policy; and **Colin Busby**, Policy Analyst, C.D. Howe Institute

**SEPTEMBER 13: ROUNDTABLE**

**What Will the OECD Say About Canada in its Upcoming Economic Survey?**

**Peter Jarrett**, Head of Division, Country Studies Division 1, OECD and **Yvan Guillemette**, Analyst, Canada/New Zealand Division, OECD

**SEPTEMBER 15: ROUNDTABLE**

**The Auto Industry in Canada: Facing the Inflection Point**

**David Mondragon**, President and CEO, Ford Motor Company of Canada, Limited

**SEPTEMBER 24: ROUNDTABLE**

**Government restraint, deficit reduction and Canada's economic prosperity**

The Hon. **Stockwell Day**, President, Treasury Board of Canada

**SEPTEMBER 30: POLICY SPEECH**

**The Fiscal Impact of the Crisis and Implications for Canadian Business**

**William B.P. Robson**, President & CEO, C.D. Howe Institute

**SEPTEMBER 30: ROUNDTABLE**

**Alberta's Clean Energy Future**

The Hon. **Rob Renner**, Alberta Minister of the Environment

**OCTOBER 5: CONFERENCE**

**Canada's Monetary Policy Regime after 2011**

**John Crow**, Chair, The Public Accountants Council; **Don Drummond**; **Paul Jenkins**; **David Laidler**, Fellow in Residence, C.D. Howe Institute; **David Longworth**; **Angelo Melino**, Professor of Economics, University of Toronto; **Michael Parkin**, Professor Emeritus, University of Western Ontario; **Christopher Ragan**, Associate Professor, McGill University; **William Robson**, President and Chief Executive Officer, C.D. Howe Institute; **Gregor Smith**, Douglas D. Purvis Professor of Economics, Queen's University; **Wayne Smith**, Chief Statistician of Canada, Statistics Canada; **Gordon G. Thiessen**, Director, Manulife Financial

**OCTOBER 6: ROUNDTABLE**

**The Importance of Globally Competitive Airlines to Canada's Economic Future**

**Calin Rovinescu**, President and CEO, Air Canada

**OCTOBER 8: SYLVIA OSTRY LECTURE**

**Canada-EU Relations at a Crossroads: What Does It Mean for Canada?**

Ambassador **Ross Hornby**, Mission of Canada to the European Union



Board member Philip C. Deck, Professor Wendy Dobson, Bill Robson



Air Canada CEO Calin Rovinescu



More than 100 of the Institute's friends and supporters joined the Institute in Calgary on October 19th for a dinner/panel discussion on "The Next Expansion? Opportunities and Challenges for Entrepreneurs and Investors." The panel featured: Warren Jestin, Senior Vice President & Chief Economist, Scotiabank; Douglas Porter, Deputy Chief Economist and Managing Director, BMO Capital Markets; Avery Shenfeld, Managing Director & Chief Economist, CIBC World Markets, and Craig Wright, Senior Vice President & Chief Economist, RBC. We are deeply grateful for the Principal Sponsorship Support of General Electric; the Supporting Sponsorship Support of Deloitte and the generosity of the corporations, organizations and individuals that purchased tickets to the event

**OCTOBER 15: ROUNDTABLE**

**If Countries Go Bankrupt, Who Will Do the Bailing?**

Peter Bethlenfalvy, former Co-President, Dominion Bond Rating Service (DBRS)

**OCTOBER 19: POLICY DINNER**

**The Next Expansion? Opportunities and Challenges for Entrepreneurs and Investors**

Warren Jestin, Senior Vice President & Chief Economist, Scotiabank; Douglas Porter, Deputy Chief Economist and Managing Director, BMO Capital Markets; Avery Shenfeld, Managing Director & Chief Economist, CIBC World Markets; Craig Wright, Senior Vice President & Chief Economist, RBC

**OCTOBER 26: ROUNDTABLE**

**Electrical Power: Building on Canada's Legacy**

Jan Carr, Board Member, Alberta Electric System Operator

**OCTOBER 28: ROUNDTABLE**

**The Age of Austerity: Britain's Budget Challenges and Priorities**

Anthony Cary, British High Commissioner to Canada

**NOVEMBER 2: ROUNDTABLE**

**When Do Crown Corporations Compete Unfairly?**

David Phillips, President and CEO, Credit Union Central of Canada

**NOVEMBER 3: CONFERENCE**

**The Canadian Secured Credit Facility and the Future of the Term-ABS Market in Canada**

Presenters included: David C. Allan, Financial Services Consultant; Paula Cruickshank, Vice President, Securitization, Business Development Bank of Canada; Nur Khan, Managing Director, Asset-Back and Mortgage-Backed Securitization, RBC; Jerry Marriott, Managing Director, Canadian RMBS/ABS Canadian Structured Finance, DBRS Ltd.; William B. P. Robson, President & CEO, C.D. Howe Institute; Jeremy Rudin, Assistant Deputy Minister, Department of Finance Canada; Julie Schlueter, Manager, Capital Markets, CNH Global NV; and Hugh Swandel, Principal, The Alta Group

**NOVEMBER 5: ROUNDTABLE**

**New Directions in the Canada-China Relationship**

David Mulroney, Ambassador of Canada to the People's Republic of China

**NOVEMBER 15: ROUNDTABLE**

**Canada's Strong Housing Finance System: By Chance or By Design?**

Karen Kinsley, President & CEO, Canada Mortgage and Housing Corporation

**NOVEMBER 17: BENEFACTORS LECTURE**

**Critical Condition: The Prognosis for Canada's Aging Healthcare System**

Michael Bliss, Distinguished Professor Emeritus, University of Toronto

**NOVEMBER 23: ROUNDTABLE**

**Finance Canada's View of the Financial Outlook**

Michael Horgan, Deputy Minister, Finance Canada

**NOVEMBER 25: ROUNDTABLE**

**The Future of Newspapers**

John Stackhouse, Editor in chief, *The Globe and Mail*

**NOVEMBER 26: ROUNDTABLE**

**The Bench and the Boardroom: When the Supreme Court Meets the Business World**

The Right Honorable Madam Chief Justice Beverley McLachlin

**NOVEMBER 30: ROUNDTABLE**

**What Today's CEO Should Fear Tomorrow**

Richard Ward, CEO, Lloyd's

**DECEMBER 1: ROUNDTABLE**

**The Open Ontario Plan for Jobs and Economic Growth**

The Hon. Dwight Duncan, Ontario Minister of Finance

**DECEMBER 8: CONFERENCE**

**Getting Pension Reform Done: Issues, Options and Next Steps**

Presenters included: Keith Ambachtsheer, President, KPA Advisory Services Ltd.; Bob Baldwin; Steve Bonnar; Robert L. Brown, University of Waterloo; Malcolm Hamilton, Senior Partner, Mercer; Don Fuerst, Former Senior Partner and Retirement Consultant, Mercer; Keith Horner, Keith Horner Consulting; Emily Kessler, Senior Fellow, Intellectual Capital, Society of Actuaries; Alex Laurin, Associate Director of Research, C.D. Howe Institute; Marcus Robertson, Partner, Robertson, Eadie & Associates Ltd; Kevin D. Moore, Senior Researcher, Modeling Division, Statistics Canada; Charlene Moriarty, Principal, Morneau Sobeco; Steve Orsini, Deputy Minister of Revenue and Associate Deputy Minister, Ontario Ministry of Finance; James Pierlot, Pension Lawyer & Consultant; Sue Reibel, Senior Vice-President and General Manager, Group Retirement Solutions, Manulife Financial; Faisal Siddiqi, Principal and Consulting Actuary, Buck Consultants; Martine Sohler, Account Director, Towers Watson; Fred Vettese, Chief Actuary, Morneau Shepell; and Thomas Walker, Personal Consulting Actuary

**DECEMBER 9: ROUNDTABLE**

**The Way Forward for Pensions in Canada**

Allen Loney, President and Chief Executive Officer, Great-West Lifeco Inc.

**DECEMBER 17: ROUNDTABLE**

**Canada-India: Where Knowledge Economies Meet**

Stewart Beck, Canadian High Commissioner to the Republic of India

# DEVELOPMENT AND GIVING



Member and subscriber support makes it possible for the Institute to mobilize outstanding scholars, push innovative ideas and foster sharper, smarter responses to current and future challenges.

- Annual memberships and subscriptions provide the backbone of our revenue and make all of our work possible.
- Targeted major gifts enable supporters to bolster the Institute's research and dissemination capacities in specific areas of interest. They complement the annual campaign, strengthening the Institute and enabling it to recruit scholars and support programs that strengthen its ability to develop innovative solutions to policy challenges.

An increase in major gifts and event sponsorships enabled the Institute to enhance its conference and research programs in 2010. The Institute's strong performance would not

## ***Monetary Policy Endowment***

Two years ago, in the wake of the global financial crisis, a group composed of Institute and Bank economists, corporate leaders, and former Bank of Canada governors came together, and set out to create Canada's foremost independent program for monetary policy research.

The Institute raised \$1.725 million in combined commitments from Founding Lead Sponsors BMO Financial Group; CIBC; RBC; Scotiabank Group; and TD Bank Financial Group, and Founding

have been possible in the absence of support from the following contributors:

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In addition, close to 400 friends of the Institute attended a fundraising dinner on May 17th to celebrate the creation of the Monetary Policy Endowment and the naming of McGill professor Christopher Ragan as the inaugural holder of the David Dodge Chair. Ticket sales totalled more than \$300,000.

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## 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 to acknowledge the following organizations and individuals who participated in the Program during 2010.

- Roger Phillips for his support of John Richards, Phillips Scholar in Social Policy;
- The donors to the Institute's Monetary Policy Initiative for their support of David Laidler as a Fellow-in-Residence.
- The donors to the Institute's Monetary Policy Initiative for their support of Christopher Ragan as the David Dodge Chair in Monetary Policy.

## THE INSTITUTE'S PEOPLE



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Policy Analyst

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*The views expressed in C.D. Howe Institute publications do not necessarily reflect those of its members.*

## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

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

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 2010, and the summary statements of revenue and expenses and changes in fund balances for the year then ended, and related notes are derived from the audited financial statements of the C.D. Howe Institute (the "Institute") for the year ended December 31, 2010. We expressed an unmodified audit opinion on those financial statements in our report dated May 19, 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Institute.

### *Management's Responsibility for the Summary Financial Statements*

Management is responsible for the preparation of a summary of the audited financial statements in accordance with the basis described in the Note.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

### *Opinion*

In our opinion, the summary financial statements derived from the audited financial statements of the Institute for the year ended December 31, 2010 are consistent, in all material respects, with those financial statements, in accordance with the basis described in the Note.

*Deloitte & Touche LLP*

*Chartered Accountants  
Licensed Public Accountants  
Toronto, Ontario  
May 19, 2011*

## C.D. Howe Institute Summary Balance Sheet As at December 31, 2010

	2010	2009
	\$	\$
<b>Assets</b>		
Current		
Cash	467,411	329,240
Short-term investments	5,727,368	5,281,106
Accounts receivable	319,726	203,032
Prepaid expenses	63,998	37,666
	<b>6,578,503</b>	5,851,044
Capital assets	390,462	451,522
	<b>6,968,965</b>	6,302,566
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	124,467	123,959
Deferred revenue	1,440,180	1,320,902
	<b>1,564,647</b>	1,444,861
Long-term		
Deferred capital contributions	333,657	357,620
Deferred rent	234,527	230,446
	<b>568,184</b>	588,066
	<b>2,132,831</b>	2,032,927
<b>Fund balances</b>		
Invested in capital assets	56,805	93,902
Operating	1,401,388	1,304,081
Endowment funds	3,377,941	2,871,656
	<b>4,836,134</b>	4,269,639
	<b>6,968,965</b>	6,302,566

## C.D. Howe Institute Note to the summary financial statements December 31, 2010

### *Basis of the summary financial statements*

The C.D. Howe Institute (the "Institute") has prepared these summary financial statements to be included as part of their annual report. The Institute has determined that the level of aggregation presented is adequate for the readers of the annual report.

The audited financial statements can be obtained from the Institute.

## C.D. Howe Institute Summary Statement of Revenue and Expenses Year Ended December 31, 2010

	2010	2009
	\$	\$
<b>Revenue</b>		
Contributions and subscriptions	2,859,299	2,520,153
Meetings revenue	527,894	489,982
Interest income	12,798	35,440
Endowment revenue	15,664	32,039
Sale of publications and sponsorships	50,236	31,152
Contract revenue	10,987	38,623
	<b>3,476,878</b>	3,147,389
<b>Expenses</b>		
Research, administrative and project expenses	3,322,963	3,048,431
Amortization	95,400	97,361
	<b>3,418,363</b>	3,145,792
<b>Excess of revenue over expenses for the year</b>	<b>58,515</b>	1,597

## C.D. Howe Institute Summary Statement of Changes in Fund Balances Year Ended December 31, 2010

	2010			2009	
	Invested in Capital Assets Fund	Operating Fund	Endowment Funds	Total	Total
	\$	\$	\$	\$	\$
<b>Balances, beginning of year</b>	93,902	1,304,081	2,871,656	4,269,639	3,836,461
Excess of revenue over expenses for the year	(71,437)	129,952	–	58,515	1,597
Changes to unrealized gains (losses) on short-term investments	–	1,695	6,079	7,774	(10,671)
Unrealized gains (losses) on short-term investments	–	–	172	172	(7,774)
Contributions received during the year	–	–	491,351	491,351	429,120
Excess of endowment revenue over expenses	–	–	8,683	8,683	20,906
Purchases of capital assets	34,340	(34,340)	–	–	–
<b>Balances, end of year</b>	<b>56,805</b>	<b>1,401,388</b>	<b>3,377,941</b>	<b>4,836,134</b>	4,269,639

During the year, the endowments earned investment income of \$24,347 (2009 – \$52,945). Of this amount, \$2,164 (2009 – \$15,229) was spent on events and \$13,500 (2009 – \$16,810) on a Scholar. The \$15,664 (2009 – \$32,039) is included in the summary statement of revenue and expenses as endowment revenue and in research, administrative and project expenses, respectively. The unspent amount for the year of \$8,683 (2009 – \$20,906) is included in the Endowment Fund balance.