



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

Report on Activities for the Meeting of Heads of National Economic Research Organisations

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The Institute

The C.D. Howe Institute is a national, nonpartisan, nonprofit organization that aims to improve Canadians' standard of living by fostering sound economic and social policy. Funded mainly by annual donations from businesses and individuals, with additional support from government bodies and foundations, it does no contract research.

The Institute has 18 full-time staff, 10 research fellows actually or figuratively "in residence", and more than 40 fellows drawn from academic institutions in Canada and abroad, and from ex-policymakers. It publishes some 40 peer-reviewed books and monographs along with some 10-15 occasional shorter pieces annually, and hosts about 50 roundtable seminars and conferences. In 2004, its website (www.cdhowe.org) logged more than 400 thousand publication downloads.

The Research Program

Monetary and fiscal policy

The Institute is Canada's "think-tank of record" on monetary matters, with a series of major studies covering the past three decades. The Canadian dollar's exchange rate and its implications for the Bank of Canada's policy-rate setting and the choice of monetary regime are topics of current interest. The Institute also sponsors a Monetary Policy Council of academic and financial-market economists, which recommends a target for the policy rate before each Bank of Canada announcement.

A major recent focus of the Institute's fiscal policy work is international and interprovincial comparisons of effective marginal tax rates on capital investment, and assessments of their economic costs. The need for a fiscal framework to replace the now-disintegrated regime that eliminated unsustainable federal-government borrowing in the 1990s is a topic of current interest, as is reform of federal-provincial tax and transfer arrangements. The Institute maintains its own population forecasting model, and past work has looked at the interaction of population change with fiscal variables. The influence of taxes and transfers on timing of retirement, and demographically-driven implicit assets and liabilities associated with various government programs, will be topics of further investigation in 2005 and 2006.

Economic growth and innovation

About half the projects under this heading deal with specific industries. Recent and current

efforts deal with pricing of electric power, regulation of telephones with and without wires, the forest-products industry, and state monopolies in grain trade.

The other half are more general studies of economic growth. Within this category, the environment for research, development and embodiment of ideas in new technology is one key focus; the other is labour mobility and the impact of immigration on future income growth.

Social policy

Much of the Institute's current social policy work focuses on education. A recent study of student achievement in Ontario at the school level controlling for census information about catchment areas produced a database so far unique in Canada that will be the basis of future studies. Other upcoming papers on elementary and secondary schooling will deal with class size and achievement, the age at which compulsory schooling should end, and literacy's impact on economic growth. The postsecondary program has papers on the impact of faculty compensation schemes on teaching and research, on effective rates of taxation and subsidy of human capital investment, on for-profit institutions, on student support, and on formulas for public funding of postsecondary institutions.

Other activity under the social policy heading deals with: movements into and out of low income and welfare; microsimulation and other work on effective tax rates on earnings and returns to saving among low-income families; the contrasting experience of Canada's aboriginal population on- and off-reserve; restrictions on privately financed health care; and distortions in the unemployment insurance program.

International policy

North American economic and security cooperation has been a central thrust of 17 "Border Papers" published since 2002. Three more papers in that series are in production: one on Canada's response to proliferating US bilateral trade agreements, one on vulnerability to security-related border disruptions and investment, and one on regulatory convergence.

Other current internationally oriented projects are eclectic: Canadian development aid, United Nations reform, defence procurement, and the impacts of Chinese and Indian economic development on Canada and North America.

Governance and public institutions

Urban services, governance and financing have been topics of Institute interest for several years, with papers on waste disposal and municipal taxing powers currently under way.

Other work in this area in 2005 and 2006 will cover: fostering innovation in public policy; legal frameworks for interactions among federal, provincial, and municipal governments; and lessons from successes and failures of past economic and social policy reforms.