The Fraser Institute is an independent Canadian economic and social research and educational organization. It has as its objective the redirection of public attention to the role of competitive markets in providing for the well-being of Canadians. Where markets work, the Institute’s interest lies in trying to discover prospects for improvement. Where markets do not work, its interest lies in finding the reasons. Where competitive markets have been replaced by government control, the interest of the Institute lies in documenting objectively the nature of the improvement or deterioration resulting from government intervention. The work of the Institute is assisted by an Editorial Advisory Board of internationally renowned economists. The Fraser Institute is a national, federally chartered non-profit organization financed by the sale of its publications and the tax-deductible contributions of its members, foundations, and other supporters.
Chairman’s Message

It gives me great pleasure to report to you on the occasion of the 27th Annual Meeting of the Fraser Institute. The year 2001 has been the most successful in the Institute’s history and a number of important milestones were passed. In my remarks I will highlight a few of the most significant developments to provide you with a flavour of the year’s progress. I encourage you to read the entire report in order to get a real grasp of the impact and extent of your Institute’s program during the year.

One of the hallmarks of the Institute’s work has always been the creation and distribution of statistics that measure some aspect of economic or social policy. In fact, visitors to the Institute are greeted by a large plaque that records the Institute’s motto: “If It Matters, Measure It.”

Recent debate about the health care system has often centered around hospital waiting lists—the national measurement of which the Institute pioneered in the late 1980s. We continue to provide these measures along with national and international measurements of the availability of technology and other statistics crucial to the health care debate.

The measurement of poverty in Canada was long dominated by Statistic’s Canada’s Low-Income Cut Offs, which that agency had indicated should not be used for the purpose. For nearly a decade, the national debate has been underpinned by the unique Fraser Institute Basic Needs measures of poverty lines. The Institute’s views on poverty were very much in public discussion during the year.

For half a decade, environmental policy has been informed by the Institute’s measurements of environmental quality. Its increasingly prevalent measurements of scientific opinion about global warming are often the only Canadian-sourced scientific information about the impact of programs like the Kyoto Protocol. Over five years ago, the Institute first cautioned Canadians that the scientific premises underlying much of the discussion about global warming policy were faulty. National media have gradually been reflecting this skeptical view and, increasingly, the Institute’s alternative viewpoint is the focus of discussion.

Nowhere has the Institute’s creation of statistical measurement been more important than in the area of fiscal affairs and taxation. Tax Freedom Day, which the Institute created in 1981, became the rallying point for the discussion of the need for tax reduction and control of government spending. By translating the tax bill of the average Canadian family into the number of months they have to work for the government, Tax Freedom Day created a platform for discussion about the problems of excessive government spending and taxation. Both Premier Ralph Klein and former Premier Mike Harris have been kind enough to acknowledge the key role that the Institute’s work played in “leading the charge” for fiscal responsibility.
Government Freedom Day

In 2001 the Institute launched a new measure of government activity that will form the nucleus of a new discussion and debate about the role of government in our lives. Called Government Freedom Day, the date combines Tax Freedom Day and the cost of government regulation into a single measure of the total time Canadians must spend working just to pay for their tax bill and for the regulations that governments at every level have been imposing on them.

The new Government Freedom Day indicator, which reveals that Canadians, on average, work until August 20 to satisfy their tax and regulatory obligations, was instantly successful in the Canadian media.

The new measure also attracted the attention of policy makers in several provinces to the problems posed by unwarranted regulations. For example, in British Columbia, the new government was swift in promising to reduce the regulatory burden by a third during its mandate. The number of regulations is a key indicator of the extent to which governments affect the lives and livelihoods of Canadians.

Ontario school report card

Another first during 2001 was the release of the Report Card on Ontario’s Secondary Schools. This unique compilation and analysis of data collected by the Ministry of Education has had a profound impact on the debate about education in that province. An indication of this is that nearly 700 stories appeared in Ontario and national media about the report, including a number of front-page banner headlines.

The report card received prominent coverage in all four of the National Post’s regional editions. It was virtually impossible to live in Ontario and not be aware of the report. In part, the impact was as profound as it was because the educational establishment, which had never been subject to this sort of independent assessment, attacked it roundly.

The attacks on the report card were wide-ranging. The then president of the Independent Schools Association, whose own school fared poorly, offered the opinion that there were flaws in the report card caused by the fact that the Institute did not understand Ontario’s semester system. Many educators questioned the factors that the Institute included in the report card. The Globe and Mail’s education reporter, Sean Fine, attacked it on the basis that the report’s principal author, Peter Cowley, did not have the credentials to make the ranking. At one point in his career, Peter Cowley had been the General Manager of one of the world’s largest manufacturers of children’s furniture; Fine referred to him as a “former furniture salesman.”

The Institute had expected sharp reaction to the report card because we had already had the experience of introducing such reports in BC, Alberta, and Quebec. The particular sensitivity to
the ranking in Ontario probably derives from the fact there has been such a low level of accountability in the province, and a correspondingly poor showing by Ontario Schools in national testing of student performance.

The report card revealed a number of weaknesses about the Ontario education system and produced shock waves that continue to reverberate. The most important accountability issue is that many schools in the province were failing to submit data, or were submitting incomplete or erroneous data about the progress of their students. This, despite the fact that the data about student performance is required by law and subject to fine for each instance of tardy submission. The extent of the problem can be seen in the fact that of 815 secondary schools that were eligible for inclusion in the report, only 568 could be ranked because of incomplete or suspect data.

Two significant events following from the release of the report card served to vindicate the Institute and to demonstrate that we were more knowledgeable about the education system’s features than the practitioners themselves. First, McLaughlin School, which had been ranked 495 out of 515 schools, retained the country’s top libel lawyer, Julian Porter, QC, and sued the Institute for malicious slander in the amount of $2,800,000. Second, the Toronto District School Board, distressed by the poor ranking of many of its schools, undertook an extensive program of research on the report card.

The lawsuit occupied the Institute’s department of School Performance Studies for more than six months. McLaughlin School retained a separate research firm to attempt to show that The Fraser Institute had erred in its calculations and conclusions. In spite of repeated demonstrations by the Institute that all of McLaughlin School’s assertions were false and incorrect, the school persisted in its suit until its claims were subjected to the test of the compulsory mediation process, which is required in Ontario. As a result of the mediation process, the suit was dismissed without costs.

Among the facts established at the mediation were: that the school had not submitted to the government data which it was required by law to submit; that there was no basis for the school’s claim that it had been treated unfairly by the Institute or that there were any flaws in the Institute’s calculations, and most importantly, that much of the school’s problem lay in the fact that neither it, nor the research firm it employed, understood the basis for the ranking. The Institute has agreed to meet with the school to explain how the rankings are constructed and the implications of those rankings—a result which many Ontario schools achieved by simply phoning the Institute and inquiring.

While the lawsuit was very taxing for the Institute and consumed nearly $100,000 in unbudgeted resources, it showed that the Institute’s work could sustain the most intense scrutiny and emerge unscathed. Regrettably, this result was not available to the Toronto Board of Education until after it had expended the very considerable costs of duplicating the Institute’s work for all the schools in the province.

The Toronto School Board’s analysis confirmed the Institute’s calculations in every single detail. Their conclusion was that the poor showing of Toronto schools was due to the fact that the schools had submitted incorrect or incomplete data to the Department of Education. On the basis of this discovery, the Board requested that the Institute remove all Toronto schools from the Report Card. It is indicative of the state of affairs that the Toronto School Board could not see that this is something that the Institute simply cannot do. The reason for ranking schools in the first place is to bring a measure of accountability into education. Part of that accountability is that schools report their performance to the Department of Education. To permit schools to elect not to be

Economic Freedom of the World is translated into Spanish.

A Chinese adaptation of Provincial Economic Freedom in Canada ranks the 30 Chinese provinces.
ranked when they fail to submit their data would eliminate the very accountability that we are seeking to establish.

**Economic Freedom**

One of the Institute’s longest-standing projects is its attempt to rank the performance of governments in 123 countries in our Annual *Economic Freedom of the World* report. This report, which is compiled with the help of 54 institutes in 54 countries, is the only comprehensive report of its kind. One of the most important consequences of the report is the activities that it has spurred in other countries. Our collaborators from Madrid, El Circulo de Empresarios, for example, have translated the entire *Economic Freedom of the World* report into Spanish for circulation in Spain and Latin America. The Italian institute Centro Luigi Einaudi has used The Fraser Institute’s methodology to create a related index of the Euro countries. This index, in turn, is published by the largest-circulation newspaper in Italy, and is reported by the newspaper on its web site. Finally, and potentially most significantly for the long-term economic development of the world, Chinese economists, using an adaptation of the model developed by the Institute for ranking Canada’s provinces, have published a “marketization” index of the Chinese provinces. What a wonderful consequence of this program of research and measurement, which the Institute commenced in 1986!

**Media coverage**

Given the many products which the Institute produced during the year, it is not surprising that 2001 also recorded a record 4,093 media hits for the Institute’s work. An analysis of these media stories, conducted in the final quarter of last year, revealed that the coverage was overwhelmingly positive or balanced in its tone: 78 percent of the stories were either positive or balanced while 22 percent of the coverage was not supportive of the Institute’s positions and research. Furthermore, for the most part, the media now describe the Institute in neutral or positive terms. In only 8 percent of stories examined was the Institute described as “right wing,” “ultra conservative,” or in some other way designed to discredit the results reported.

**Other 2001 milestones and events**

On November 15th in Vancouver, the Institute hosted the Inaugural T. Patrick Boyle Founders Award. This award and lecture is intended to commemorate the singular role of Mr. T.P. Boyle in founding The Fraser Institute. The 2001 honouree was Lord Conrad M. Black of Crossharbour who accepted the award prior to his luncheon address, *Perspectives on Canada from an Ex-Citizen*. The event, sponsored by the Donner Canadian Foundation and Vanac Developments Corporation, attracted an audience of over 600 people. It was a great milestone for the Institute to have Mr. Boyle make the presentation of the first award.

The 2001 Annual General Meeting of The Fraser Institute was held in Calgary on May 23rd. The keynote speaker was Calgary Southwest MP and founder of the Reform Party of Canada, Preston Manning. At the luncheon it was announced that Mr. Manning would be joining The Fraser Institute as a senior fellow once he retired from political life.

The Institute was honoured to host world-renowned author and economist Hernando de Soto at a Round Table Luncheon in Vancouver on May 25th. Mr. de Soto has been credited with creating an economic platform based on property rights that in 1992 helped Peru end the bloodshed of the Shining Path Communist movement in which terrorists had killed over 25,000 people. With elegance and clarity, Mr. de Soto offered his compelling analysis of the nature of capital and how property rights can solve much of the economic disparity found in developing nations.
In 2001, the Institute continued to bring the issue of tax reform to the table by hosting a conference on October 11th in Toronto entitled, “Tax Reform: Our Path to Greater Prosperity.” Tax experts, distinguished economists, and politicians gathered to discuss tax competition and issues surrounding personal and business taxes, direct and indirect taxes, and capital gains taxes. The event was sponsored by the John Dobson Foundation.

Institute funding

The Institute has been very fortunate to have available to it a record level of resources to accomplish its work. Owing to your generosity, the Institute’s total expenditures exceeded $5 million during 2001. This was the target level set by the Institute in its strategic plan five years ago, and it has been very gratifying to achieve this milestone. Unfortunately, in the aftermath of the events of September 11, and with the expenditure of the research and managerial resources needed to deal with the lawsuit from McLaughlin School, the total revenues raised fell just short of the total spending for the year. The unexpected project funding shortfall experienced during 2001 did not manifest itself until too late in the year to make a sensible cost reduction or fundraising response. Fortunately, the Institute’s accumulated surpluses were more than adequate to deal with the 2.6 percent deficit.

The wonderful news about our financial situation is that in the face of very poor general financial performance in the economy, owing to the asset mix in the Institute’s portfolio, the market value of the Institute’s total assets actually increased by some 8 percent during 2001.

Senior Fellows

During the coming year, your Institute is planning an exciting expansion of the Toronto office and a solidification of the Calgary presence as Senior Fellow Preston Manning takes up his post. Mr. Manning will split his time between Calgary and Toronto. The Toronto expansion will accommodate the Institute’s new Canadian Statistical Assessment Service and the Educational Opportunity Scholarship Program, which the Institute is conducting on behalf of a large Canadian foundation.

During the year I have noted a certain frustration amongst those who feel that Canada lacks an effective, unified political voice for the policies that the Institute espouses. Your Institute is, of course, not involved in these matters since we are non-partisan. But, more than that, we believe that a public that is better informed through the research and educational efforts of the Institute is the only certain way to achieve sustained policy change. History demonstrates that, with rare exception, changes in the climate of public opinion rather than changes in political personalities lead to better policy regimes. During its nearly 30-year history, the Institute has been pleased to observe politicians of every political stripe adopt its policy recommendations—many doing so after specifically denouncing them on previous occasions.

I encourage you to join me in redoubling our efforts to change the attitudes of our fellow citizens by providing them with the sound research and educational materials that the Institute produces. Together, we can change the climate of opinion. Together, we can get the policy change we need and want.

Thank you for your past support and for your patient investment in a better economic and social future.

R.J. Addington, O.B.E.
Chairman of the Board
Introducing The Fraser Institute

The Fraser Institute was founded in 1974 to redirect the attention of Canadians to the role of markets in providing for their well being. Over the long term, ideas are the most powerful influence on public policy. The Institute, therefore, stimulates demand for economically sound public policy by conducting research and disseminating its findings to the general public and to policy makers.

The Institute is headquartered in Vancouver, but also has satellite offices in Calgary and Toronto. The Institute has active research ties with similar independent organizations in 54 countries around the world.

Organization

The Fraser Institute is a federally chartered, non-profit research and educational organization, with tax-exempt status in both Canada and the United States. Membership is open to anyone making a donation in support of the Institute's activities. A Board of Trustees is responsible to the members of the Institute for the conduct of the Institute's affairs. The Institute's programs are administered by the Executive Director, and the Institute's performance is monitored monthly by an Executive Advisory Board drawn primarily from the Board of Trustees.

Research

The objective of Institute research programs is to provide alternatives to well-intentioned but misguided views about the appropriate roles of governments. Research is carried out by Institute staff and by associated scholars from nearly 200 universities and other academic institutions around the world. Over 300 people have contributed to the Institute’s work, including Nobel Laureates Gary Becker, James Buchanan, Milton Friedman, Douglass North, and Robert Mundell. Research is reviewed internally by an editorial committee, and, where appropriate, by associated policy experts or an Editorial Advisory Board of leading international economists.

The Institute's research agenda is decided by Institute staff at an annual planning session, and at a mid-year review. Ongoing projects are reviewed for continuing relevance, and potential new projects assessed on the basis of importance and timeliness. The aim of the policy planning process is to produce a research and education plan that will maximize the Institute's contribution to improving public policy. Donors are not involved in this planning process.

Funding and Independence

Throughout the year, funding is sought both for specific projects and for the Institute's overall activities. The majority of the Institute’s revenues are derived from the donations of its members, and from research foundations. Revenue is also generated from the sale of publications, from Institute events, and from interest on invested endowment funds. The Institute avoids government funding, and strives to minimize its dependence on any single source of funding or group of supporters. The Institute is non-political, and does not undertake lobbying activities.

Publications and Outreach

The Institute’s products—its ideas—are packaged in a number of different formats to reach different audiences. The Institute’s monthly magazine, Fraser Forum, its periodic Critical Issues Bulletins and Public Policy Sources, and its books are distributed to Institute members, the media, students, academics, policy makers, and politicians from all parties, across Canada and abroad.

Institute publications have been sold in over 50 countries and translated into 20 languages. Many titles are required reading in North American and European universities. The Institute makes a particular effort to reach students through seminars, the Canadian Student Review newsletter, and internships. Institute publications since 1994 are also available on our web site.

The Institute reaches a wide audience through the mass media. Institute staff write press releases, editorials, and articles, and conduct radio and television interviews. The Institute also offers a fax news broadcasting service to over 200 radio talk show hosts nationwide.

Finally, the Institute holds conferences, luncheons, and seminars in major Canadian cities, and Institute staff speak and participate in public forums on a regular basis. Institute staff also regularly make submissions to parliamentary committees.

Results

The Fraser Institute’s efforts over the years have contributed to changing the conventional wisdom about many areas of public policy across Canada. The increasing scepticism Canadians feel about the efficacy of government solutions to economic problems is being reflected in the policy platforms of leaders across the political spectrum. The Institute has a well-deserved reputation for the quality of its work, which earns its research and recommendations the attention of policy makers around the globe.
After two years of operation, the Alberta Initiative has become the Calgary Policy Research Centre. The Alberta office, located in the Grain Exchange building in downtown Calgary, houses the Governance department and the office of the National Membership Manager, Barry McNamar. Its main focus has been to analyze public policy issues emanating from Alberta and the prairie west that have national importance.

Over the past year Dr. Lydia Miljan, who spearheaded the Institute’s Alberta Initiative, left to take up a teaching position at the University of Windsor. Her place as Director of the Calgary office was taken by Senior Fellow Dr. Barry Cooper of the University of Calgary’s Political Science Department. The National Media Archive, of which Dr. Miljan was the director, went with her.

In addition to Professor Cooper, Senior Fellows in the Calgary Policy Research Centre include Profs. Tom Flanagan, Rainer Knopff, and Ted Morton from the University of Calgary’s Political Science department, and Profs. Ken McKenzie and Eugene Beaulieu from the University of Calgary’s Economics department. This year, Dr. Flanagan won first place in the Donner Canadian Foundation competition for the best book in public policy for his outstanding work, First Nations? Second Thoughts. Drs. Knopff and Morton came second in the same competition for their book, The Charter Revolution and the Court Party.

Following upon the widely acknowledged study Off Limits: How Radical Environmentalists are Shutting Down Canada’s National Parks, by Sylvia LeRoy and Barry Cooper, Jason Hayes and Barry Cooper are completing a companion study, Science Fiction or Science Fact? Conservation Biology and Models for Managing Canada’s Mountain National Parks. Even before it goes to press, rumors that The Fraser Institute is examining the science underlying parks policy has inspired Parks Canada to query the science upon which they relied unquestioningly in the past.

Two further reports using data from the 2000 Alberta Advantage survey and its four predecessors were released. The first, by Drs. Mebs Kanji and Barry Cooper, Shifting Priorities: From Deficit Spending to Paying Down the Debt and Lowering Taxes, provided a detailed analysis of how the government of Premier Ralph Klein was able to undertake a major shift in public policy and at the same time increase his public support. A second public opinion study by Shainoor Virani, M.D., and Kanji and Cooper, Moving Beyond the Status Quo: Alberta’s Working Prescription for Health Care Reform, showed the reasons for the success of the Klein government in leading the way not just in fiscal reform but in the reform of health care delivery. Both studies provide detailed evidence of the success of the Klein government in “priming” the electorate to follow their lead in implementing significant and controversial policy changes.

During 2001, policy analysts from the Calgary office published a number of opinion articles in the Calgary Herald, the National Post, the Ottawa Citizen, and the two major newspapers in Saskatchewan, the Regina Leader-Post and the Saskatoon Star-Phoenix.

Calgary policy analysts also contributed articles to Fraser Forum that discussed civil society and Alberta welfare reform, and land use policy.
In 2002, we plan to follow the publications program of 2001 with other studies on the “state of the parks” and to develop a new Centre for the Study of Defence and Foreign Policy in cooperation with the Centre for Military and Strategic Studies at the University of Calgary.

Other studies we expect to publish in 2002 include:

- *Hidden Agendas*, a book by Lydia Miljan and Barry Cooper, examines the political and social attitudes of print and electronic journalists in Canada. It compares the journalists’ attitudes with those of Canadians at large. It also compares the journalists’ coverage of a range of public policy issues with the attitudes of those covering these issues.
- *Obsolete Monopoly*, a book by Barry Cooper and David Bercuson, examines the 60-year history of the Canadian Wheat Board, evaluates its performance as a compulsory vendor of prairie-grown wheat, and outlines some alternatives to it.
- *Two Public Policy Sources* on land tenure policies in Alberta; one on the regulation of the “white zone,” or prairie agricultural land; and a second one on the forested “green zone.”
- *A further Public Policy Source* on tenure and privatization options for the forested lands of British Columbia.
- A study by Ken McKenzie for the Department of Fiscal Studies on the rules regarding research and development in G-8 countries.
- *A Public Policy Source* on the costs of government compliance with judicial decisions, the first part of an extensive cost/benefit analysis of judicial decisions in Canada.

In the years ahead, the Calgary Policy Research Centre will continue to examine a broad range of governance questions and pursue common projects with other Fraser Institute departments.
Fiscal Studies

By any measure, 2001 was an extraordinary year for The Fraser Institute’s Fiscal Studies Department. The department extended its reach to include financial markets, produced a near record level of output, and exerted tremendous influence on a number of policy fronts.

Tax and government spending

During the year, the third symposium on taxation was held in Toronto, focusing on improving the tax system through tax reform. The conference, organized by Dr. Herbert Grubel, David Sommerville Chair in Fiscal Studies, was attended by some of Canada’s leading tax experts including Dr. Beverly Dhalby (University of Alberta), Dr. Tom Wilson (University of Toronto), Brendan Walsh (University College Dublin, National University of Ireland), Dr. Jack Mintz and William Robson (both of the C.D. Howe Institute), and Dr. Michael Walker, Dr. Grubel, Fred McMahon, and Jason Clemens (all of The Fraser Institute).

Dr. Grubel also published the second volume on capital gains taxation based on the previous year’s tax symposium, International Evidence on the Effects of Having No Capital Gains Taxes. Dr. Grubel’s work has had a profound effect on capital gains tax policy: the inclusion rate for capital gains has declined from 75 percent when Dr. Grubel started his work, to 50 percent.

The Fraser Institute’s marquee release continues to be Tax Freedom Day—the day in the year when the average family has earned enough money to pay the total tax bill imposed on it by all levels of government. The Fraser Institute has been calculating and publishing Tax Freedom Day for 20 years. In addition, the Institute’s automated, web-based calculator, which enables people to determine their own personal Tax Freedom Days, was updated in 2001. This personal Tax Freedom Day calculator has received over 50,000 web hits since its inception.

A number of other important tax studies were released in 2001. Tax Facts, the Institute’s biennial book on the Canadian tax system, was released in early 2001. The Tax Facts series, now in its 12th edition, provides a detailed province-by-province analysis of the total direct and hidden tax bill, the updated Canadian Consumer Tax Index, the relative tax burden of Canada and the provinces, and an international overview of taxation.


In addition, the department published both the Budget Performance Index, and the Fiscal Performance Index, the latter in conjunction with the Washington, D.C.-based Cato Institute. The Fiscal Performance Index measures the fiscal performance of US state and Canadian provincial governments based on several spending and tax measures. Massachusetts won top position for its spending and tax policies. The top-ranked Canadian province was Ontario in third position. On the Budget Performance Index, Alberta ranked top in 2001.

The fierce competition between Alberta and Ontario was again highlighted in the investment climate issue of the Investment Managers Survey. The survey highlighted the increasing gap in performance between Alberta and Ontario on the one hand, and the rest of the Canadian provinces, including British Columbia, on the other. The survey also identified a series of public policies required to foster a more competitive and positive investment climate.

The state of the BC economy also received the department’s attention in 2001. The release of Returning BC to Prosperity, a major endeavour outlining a host of policies required to revitalize the sagging provincial economy, marked a major commitment by The Fraser Institute to focus on the province and its fortunes. The study and subsequent attention paid to the province have already yielded significant dividends: personal and corporate income taxes have been reduced, the general corporate capital tax has been slated for elimination, the civil service is being downsized, and the government is reducing expenditures to balance its books.

In 2002, the Fiscal Studies Department will publish two important studies, for which most of the work was completed in 2001. The first will explain why the tax that has been called the most damaging tax in Canada, the corporate capital tax, must be eliminated. The study also measures the extent to which Canadian jurisdictions use the corporate capital tax.
The second study, which has been undertaken in conjunction with an international actuarial firm, develops a unique model to calculate the unfunded liabilities for both Old Age Security and Medicare. Unfunded liabilities are the difference between the value of promises made to individuals and the value of the revenues likely to be raised in the future under present tax rates and investment policies. The release of the unfunded liabilities estimates will reinvigorate the debate regarding the solvency of both programs and the need for reform.

**Financial Sector Regulation Centre**

Early in the year, the Fiscal Studies Department released an update to the 1998 bank mergers study, with up-to-date bank technology figures and estimates of the potential savings available through bank consolidation. In addition, The Fraser Institute actively responded to the financial services reform legislation, which on many accounts fails to achieve the modernization of bank regulation required to ensure future competitiveness.

To expand its work in this area, the Institute established the Financial Sector Regulation Centre in the Fall of 2001, a dedicated area of research for issues pertaining to financial markets. The Centre released its first study in the fall of 2001. *Commissions Unbound: The Changed Status of Securities Regulators in Canada* was co-authored by Professor John Chant and Neil Mohindra, a recent addition to the Institute staff. The study reviews the behavioural implications of giving three of Canada’s provincial securities commissions more financial autonomy and concludes that, as one might expect, the operating costs of doing so have increased substantially.

**Non-Profit Studies**

Two-thousand-and-one marked the fourth full year of studies dedicated to the non-profit sector. The single largest project undertaken in Non-Profit Studies is the Donner Canadian Foundation Awards for Excellence in the Delivery of Social Services. The Donner Canadian Foundation Awards were again hosted and presented by the Lieutenant Governor of Ontario, the Honourable Hilary M. Weston, at a ceremony held at Queen’s Park in Toronto. Nine agencies were awarded a total of $65,000, and were formally recognized for their high performance standards. Finalists and award recipients came from across Canada, including British Columbia, Alberta, Saskatchewan, Ontario, and Newfoundland. The Donner Canadian Foundation Awards again joined forces with the Peter F. Drucker Canadian Foundation to co-host the event.

The fourth instalment of the Generosity Index was released in 2001. The index measures the extent of financial giving to registered charities across Canadian provinces and US states. The study continues to receive a great deal of media attention as it continues to show that, contrary to widely-held views, Canadians are much less generous than Americans with their private support for charities.

The 2001 Donner Canadian Foundation Award for Excellence in the Delivery of Social Services is presented to the Alzheimer Society of Thunder Bay, Ontario. Executive Director, Kim Morgan, is pictured receiving the $20,000 award from Mr. Kenneth Whyte of the Donner Canadian Foundation and the Honourable Hilary M. Weston, Lieutenant Governor of Ontario.
Poverty and Welfare

Several individuals and departments in The Fraser Institute contributed to the debate on poverty and welfare. Senior Fellow Chris Sarlo of Nipissing University updated his groundbreaking Poverty in Canada study. The study generated over 400 media hits and has greatly influenced the debate on social issues. Good measurement is essential to good policy. Before Sarlo’s work, the media and policymakers used Statistics Canada’s low-income cut-off (LICO) to measure poverty. Yet StatsCan has repeatedly warned that LICO is not a poverty measure. LICO inflates the number of Canadians living in poverty, about doubling the true number. Sarlo’s “basic needs” measure, based on what it actually costs to live in locations across Canada, accurately reflects the extent of poverty. In objective policy circles and in much of the media, Sarlo’s work is now accepted as the appropriate measure.

The Fiscal Studies Department undertook a major study that cataloged and evaluated social progress and welfare reform initiatives in Canada and the United States after 1996. The study, Surveying US and Canadian Welfare Reform, concludes that reforms in Canada pale in comparison with those undertaken in the US in terms of reducing welfare usage rates, reintegrating individuals and families into the workforce, and promoting independence. Dr. Marvin Olasky, a pioneer in welfare reform in the US, generously wrote a foreword to the study.

Fiscal Studies also released the Index of Human Progress, which is designed to improve upon and counterbalance the widely-quoted United Nations’ Human Development Index. The Institute’s Index of Human Progress initiated a discussion of the accuracy of the UN study in assessing economic development and human well being.

Also in 2001, Fiscal Studies began updating the 1999 study investigating welfare benefits and their adequacy. The study, which will be released in 2002, is an important component of the welfare debate as it allows interested parties to compare benefits provided by Canadian provinces under welfare with minimum wage earnings and the cost of basic living.

Finally, Fred McMahon contributed an essay to Harvey Schachter’s book, Memo to the Prime Minister, that shows how the current welfare system traps people in poverty, and points to sensible reforms that can both provide new incentives for people to leave welfare and help them to do so. The essay was reprinted in a number of major newspapers across Canada, including the highest circulation dailies in Montreal, Ottawa, and Vancouver, and it generated press coverage in many more media outlets.

Canada Survival Project

The Canada Survival Project continued to increase demand for policy improvements in 2001 through public education and consultations with policy makers to provide them with alternatives to current policy.

The public education activities of the project involved publication, appearances in the media, and participation in other public forums. During 2001, Institute Senior Fellow Gordon Gibson and Senior Fellow Prof. Filip Palda each published a series of articles in the Institute’s monthly magazine Fraser Forum on governance, democracy, and voting patterns.

The Institute also published the text of the speech given by Preston Manning at the Institute’s Annual General Meeting, entitled “Now What? Reflections on a Revolution in Progress.”

During the year, to further his work on the Canada Survival Project Gordon Gibson appeared in the media a number of times, including as a guest on several prominent talk shows in Western Canada. In addition, Mr. Gibson provided the CBC with background information on the then-proposed BC treaty referendum, which was posted on CBC’s web site. He also participated in a television panel discussing the referendum.

To increase public awareness about the treaty process specifically, and governance generally, Gordon Gibson appeared in a number of public forums in 2001. These included presenting the Mel Smith Lecture at Trinity Western University on governance, federalism, and aboriginals; providing testimony on the referendum question to BC Legislature’s Aboriginal Affairs Legislative Committee; participating in a University of Victoria conference on “Property Rights in the Colonial Imagination and Experience”; participating, along with Matthew Coon Come, various provincial chiefs, and industry representatives, in a by-invitation-only BC Treaty Commission conference on the BC treaty process; and organizing and participating in The Fraser Institute’s Democratic Reform Conference.
In 2001, the Centre for Studies in Risk and Regulation contributed to a number of important policy debates. The Centre released Canada’s Regulatory Burden, a study that estimates that complying with regulation costs Canadians $103 billion a year. Publicizing this issue is important. Since most of the costs of regulation do not appear in government budgets, and governments make no attempt to estimate the costs themselves, currently there is very little accountability regarding regulatory activity. The study received coverage in daily newspapers across the country as well as cross-country radio coverage on the CBC. To further raise awareness about the issues of the cost of regulation and regulatory accountability, the Centre issued a press release to celebrate the Cost of Government Day on August 20. The costs of regulation are added to the Tax Freedom Day calculations in order to determine the date.

A new series of books, the Risk Controversy Series, was developed by the Centre in 2001. The purpose of the Risk Controversy Series is to promote good policy by providing Canadians with information from scientists about the complex science involved in many of today’s important policy debates. The first publication in the series, Global Warming: A Guide to the Science, was published in November. Upcoming issues in the Risk Controversy Series will investigate genetically modified food and misconceptions about the causes of cancer.

In April, the Centre focused on promoting the good news surrounding Earth Day (April 22). The April edition of Fraser Forum also had an environment focus. In May, the Director of the Centre, Laura Jones, was asked to testify on Bill C-5, the “Species at Risk Act.” Her testimony focused on the perverse incentives created by the bill— incentives that may actually harm wildlife. Another study evaluating how well informed university students are on current environmental topics was published in September. The study found that in many cases students were more pessimistic about environmental trends than the evidence warranted.

The problems facing the mining industry were once again highlighted in The Fraser Institute Annual Survey of Mining Companies. The survey asks companies to reveal how policy factors such as taxation, regulation, and uncertainty concerning land use affect their investment decisions. Each year the study’s media coverage increases. In 2001, the Director of the Centre was invited to a conference in Lima, Peru to discuss the results of the survey.

In addition to publishing new studies, the Centre is working on distributing its ideas more broadly. To this end, money was raised to send complimentary copies of the book Safe Enough? Managing Risk and Regulation to university libraries across the country and to professors who might be interested in using the book in their courses.
In 2001, the School Performance Studies Department produced report cards on schools in which nearly 75 percent of Canada’s secondary students are enrolled.

In March, the department released the fourth edition of the Report Card on British Columbia’s Secondary Schools. This edition included, for the first time, gender gap indicators that count toward each school’s overall rating. These indicators provide evidence of the degree to which schools successfully take into account the different characteristics and learning styles of their students. The Province, a leading Vancouver daily newspaper, again provided outstanding support of the British Columbia report card’s release. On each of four days, the results for one geographic region of the province were published along with stories on outstanding schools in the region. Reflecting the interest that their audiences have demonstrated in previous years, coverage in other media continued to grow. Particularly strong gains were made in radio and television coverage.

April saw the publication of the inaugural edition of the report card on Ontario’s secondary schools. This high-profile release caused considerable controversy in a province where the education community is not accustomed to being judged in such a public manner. The National Post published the results for all of the 815 schools included in the report card. The unprecedented level of coverage in other newspapers and on radio and television ensured that its message reached school communities in every part of the province. For the first time in the history of the report cards project, a low-scoring school decided to take the unfortunate step of initiating legal action against the Institute for libel. The suit was entirely without merit and the Institute launched a vigorous defence that resulted in dismissal of the suit early in 2002.

In May, the third edition of the report card on Alberta’s high schools was released. We included 276 schools in the report card—50 more than in the previous edition. The Calgary Herald and Edmonton Sun newspapers continued to give the report card strong coverage.

The second edition of the report card on Quebec’s secondary schools was released early in November in partnership with the Montreal Economic Institute. L’actualité, Quebec’s leading news magazine, devoted 80 percent of its November 2nd edition to the report card. Individual results for all of the nearly 500 schools were published in a special 40-page pull-out centre section. Editorial material that accompanied the results included an in-depth interview with the Minister of Education and the results of a poll showing that most adults in Quebec believe that the report cards are a valuable addition to the education landscape. With the 2001 edition, the Quebec report card became the first of the series to include a “dropout rate” indicator that reports the degree to which each school’s students complete their chosen course of study in a timely manner. It is the first measure of its kind to be included in a report card.

W. Garfield Weston Outstanding Principals Awards

For the second year, the department presented the W. Garfield Weston Outstanding Principals Awards. Eighteen principals in Alberta and British Columbia were honoured for their contributions to the success of their students. The awards are presented in three categories: overall academic excellence, improvement in academic results, and academic performance in excess of expectations. The latter award honours principals whose students perform at levels substantially above that which might be suggested by socio-economic indicators. Both of the awards ceremonies were well attended and the appreciative award recipients reminded us that recognition of success is a key ingredient to continued improvement.
**Education Policy**

In 2001, a new department was formed at the Institute. Based in Toronto, the Department of Education Policy considers a wide range of policy issues in the K-12 education sector.

In June, the department released its first publication, *Can the Market Save Our Schools?* The book considers the potential of market-based policies to address the problems facing Canadian education. It explains the theory supporting the use of such mechanisms as school vouchers, charter schools, and public school choice to improve student results. It also draws on world-wide experiences to illustrate the success of such mechanisms.

*Can the Market Save Our Schools?* has been short-listed for the Sir Anthony Fisher International Memorial Award, given to an independent public policy institute for the “outstanding publication... deemed to have made the greatest contribution to public understanding of the free society in the past two years.” The Atlas Economic Research Foundation will determine the winner and present the award in 2002.

Late in 2000, the Institute published *Rewarding University Professors: A Performance-Based Approach*. The study’s author, Prof. Hymie Rubenstein of the Department of Anthropology at the University of Manitoba, argued persuasively that a merit-based system of compensation for university professors would help Canadian schools to attract and retain the country’s best academics, thereby reducing the current “brain drain” to the United States and to the private sector.

In October 2001, *Home Schooling: From the Extreme to the Mainstream* presented evidence that “the academic and socialization outcomes for the average home schooled child are superior to those experienced by the average public school student.” The policy paper, written by Patrick Basham, former Director of Social Affairs at the Institute (currently with the Cato Institute in Washington, DC), also noted that these outcomes are produced with minimal government interference and little, if any, public financial support. The release received wide national coverage.

**Opportunity grants**

In 2001, the W. Garfield Weston Foundation voted to establish the Opportunity Grants program. For the first time in Canada, through this entirely private initiative, the benefits of school choice will be offered to children who would otherwise be unable to afford them. Scheduled for launch in Ontario in 2002, the program will offer “opportunity grants” to low-income families of up to 50 percent of the cost of tuition at private school. The program will be managed by the Institute’s Education Policy Department.

**The Centre for Globalization Studies**

The Fraser Institute’s new Centre for Globalization Studies was launched in November at an event in Toronto featuring Bill Emmott, editor of *The Economist*. Over 500 people attended. The Centre will undertake a research program to determine how people across the globe may most benefit from the global trade network, and will focus on finding ways to deepen the already large gains developing nations receive from trade.

In addition to its active research agenda, the Centre will seek to promote accurate information about globalization and counter anti-trade myths that are accepted all too readily by the media. The Centre will strive to communicate the full story of opening global borders—new opportunities, poverty reduction, and increases in political and civil freedoms.

Because of the benefits flowing from globalization—and the threats to our world trading system—it is, in many ways, the greatest ethical, economic, and political question the world faces in the long run.

The Centre’s work will benefit from The Fraser Institute’s worldwide network of contacts, such as Hernando de Soto, one of the world’s leading thinkers on Third World development. Mr. De Soto addressed an Institute event in Vancouver in 2001 and another in Toronto in 2002.
Canadian health care, where governments tend to prohibit competitive markets in favour of government monopoly, continued to provide the Institute with opportunities to measure the effect of public policies and to propose reforms.

The 11th edition of The Fraser Institute’s benchmark publication in health policy, Waiting Your Turn: Hospital Waiting Lists in Canada, released in September, shows that waiting lists have grown significantly despite a massive infusion of federal spending on health care. Total waiting time for patients between referral from a general practitioner and treatment rose from 13.1 weeks in 1999 to 16.2 weeks in 2000-01. This nationwide deterioration reflects waiting-time increases in eight provinces, while concealing decreases in waiting time in Newfoundland and Saskatchewan. Despite improvement, Saskatchewan exhibited the longest total wait, followed by New Brunswick and British Columbia. Ontario achieved the shortest total wait in 2000-01, with Newfoundland and Prince Edward Island next shortest.

Mindful of a continuing political focus from the United States on differences in prescription drug prices between the two countries, the Institute released Prescription Drug Prices in Canada and the United States—Part 3: Retail Price Distribution. The study, which includes a survey of prescription drug prices at 300 pharmacies in both countries, shows that there is no such thing as one Canadian or one American price for a prescription drug; policy makers who seek to equalize Canadian and American prices face an impossible task. Although measurements generally indicate that Canadian prescription drug prices are lower than American prices, there are significant differences in prices within the United States and Canada. In some cases, US patients can save as much by bargain hunting at home as they can by crossing the border.

John R. Graham, Director of Pharmaceutical Policy Research, spoke at many events in Canada and the United States, including the American Legislative Exchange Council’s annual meeting in New York City.

Articles in Fraser Forum covered topics such as whether medicare violates citizens’ rights under the Charter of Rights and Freedoms, the failure of reference-based pricing to contain Pharmacare costs in British Columbia, and lack of competition in Canada’s generic pharmaceutical industry.
Economic Freedom of the World

The Fraser Institute’s Economic Freedom project is one of the world’s pre-eminent intellectual products, and has been accepted as such by top-flight researchers, institutions, and media around the world. The Economic Freedom Index seeks to quantify objectively the extent of government restrictions on the ability of individuals to engage freely in economic activity. The foundations of economic freedom are personal choice, voluntary exchange, the right to keep what one earns, the rule of law, and property rights.

Work on the index began in 1986 when Fraser Institute Executive Director Michael Walker and Nobel Laureate Milton Friedman initiated a comprehensive research project on economic freedom and its consequences. About 100 leading scholars, including several Nobel laureates, participated in the project. The annual Economic Freedom of the World report grew out of this work.

The first edition appeared in 1996 and immediately generated great interest, including a full-page, feature report in The Economist. The Index is reported around the world in the popular media and has been translated into several languages. In 2001, coverage in Canada increased substantially. The report is frequently cited in prestigious academic journals and books. It has provided policy guidance to decision-makers around the world. Work by high-level researchers shows that economic freedom is highly correlated with national wealth, economic growth, civil and political liberties, poverty reduction, literacy, and other positive outcomes.

To support worldwide research and disseminate the report broadly, The Fraser Institute established the Economic Freedom of the World Network, which has member institutions in 54 nations. The 2001 annual meeting of the network was a special event. Held in San Francisco, the meeting united Drs. Walker and Friedman, report authors James Gwartney and Robert Lawson, and thinkers from around the world, for a vigorous review of the Economic Freedom Index.

New sources of data have opened the way to expanding the number of variables in the index. After extensive debate about the merit and relevance of each new possible variable, the meeting approved a number of additions. Fundamental concepts, of course, remain unchanged, but the new variables will deepen information in the index. New variables include: military interference in the legal system, hidden import barriers, new measures of labour market freedom such as regulations on hiring and firing, and restrictions on new business formation. All in all, the number of variables will increase from 22 to 37.

The Economic Freedom of the World 2002 Annual Report will be co-published by the institutes in the freedom network. Many will translate all or parts of the report into their own languages and issue press releases, continuing the report’s tradition of worldwide coverage.


The meeting of Economic Freedom of the World network in San Francisco drew delegates from around the world and united many old friends and colleagues. Milton and Rose Friedman (centre front row), were honoured guests, sharing ideas with other delegates including Michael Walker (next to Milton Friedman), and Economic Freedom of the World report principal author, James Gwartney (next to Rose Friedman).
Events and Conferences

The Fraser Institute had a record year in 2001, holding more than 20 events including Round Table Luncheons, Policy Briefings, Conferences, and Award Luncheons around the country and in the United States. Our programs featured speakers of international acclaim including Hernando de Soto, Lord Conrad M. Black of Crossharbour, Preston Manning, MP, and Economist Editor Bill Emmott. Each of these keynote speakers attracted audiences in the hundreds, with our total attendance figure reaching 2,608.

The Institute also held three conferences in 2001, showcasing important policy topics such as tax reform, democratic reform, and economic freedom. At these events leading politicians, policy analysts, and business leaders gathered to share their insights and experience.

In addition, the Institute hosted several awards luncheons, separately honouring school principals and non-profit organizations for their excellence and outstanding performance. These individuals and organizations were recognized as the top performers in their fields and were commended at the luncheon events where they were joined by their peers.

A few of the Fraser Institute’s speakers in 2001. Left: Jean Charest, Leader of the Official Opposition in the National Assembly, Province of Quebec. Above: Bank of Canada Governor David Dodge (centre) with, from left, Fraser Institute Senior Fellow Gordon Gibson, Trustees Mr. Herb Pinder and Raymond Heung, and Institute guest Mr. Bruce Aunger. Below: Mr. John Curtis (centre) shares a joke with Institute Director of the Centre for Globalization Studies Fred McMahon (left), and Institute researcher Shahrokh Shabrokh-Azad.
Event Calendar

Policy Briefings

January 26, Vancouver
Jean Michel Halfon, CEO, Pfizer Canada Inc., Ian McBeath, President & CEO, Inflazyme Pharmaceuticals Ltd., David Hill, Associate Dean, Faculty of Pharmaceutical Sciences, UBC
*How Can Canadians Pay for Prescription Drugs?*

March 19, Calgary
Gary Mauser, Professor, Simon Fraser University
*Misfire: Firearm Registration in Canada*

April 20, Vancouver
David Dodge, Governor of the Bank of Canada

May 17, Vancouver
Cristian A. Worthington, President, Worthington Software Company Ltd.
*The Promise and Perils of E-Voting*

May 22, Vancouver
Jean Charest, Leader of the Official Opposition in the National Assembly, Province of Quebec
*Globalization: Canada and Quebec in the New World Economy*

June 27, Vancouver
Herb Grubel, David Somerville Chair in Canadian Fiscal Studies, Fraser Institute
*Is Canada Ready for a Common North American Currency?*

June 28, Vancouver
Dr. William Gairdner, Author
*The Trouble With Democracy: A Citizen Speaks Out*

September 25, Vancouver
Gail Y. Sparrow, Former Chief of the Musqueam Band
*Building Bridges not Barriers*

October 3, Vancouver
Richard Marceau, MP, Bloc Quebecois
*The West Wants In, Quebec Wants Out*

October 12, Vancouver
Barry Cooper, Senior Fellow, The Fraser Institute
*Terrorism & Globalization*

October 17, Vancouver
Cynthia Ramsay, Health Policy Consultant
*Beyond the Private-Public Debate*

October 24, Vancouver
Martin Collacott, Former Canadian Ambassador & High Commissioner
*Canadian Immigration and Refugee Policies: Do They Meet Our Needs?*

October 31, Vancouver
Don Cayo, Editorial Page Editor, The Vancouver Sun
*The Welfare Trap for Provinces: Why Being “Have-not” is Even Worse Than it Sounds*

Round Table Luncheons

May 23, Calgary
Annual General Meeting
Preston Manning, MP, Calgary SW
*Now What? Reflections on the Revolution in Progress*

May 25, Vancouver
Hernando de Soto, World Renowned Author and Economist
*The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*

November 14, Toronto
Bill Emmott, Editor, The Economist
*How the World Changed on September 11th*

Conferences

October 11, Toronto
Tax Reform: Our Path to Greater Prosperity

October 28, San Francisco
Economic Freedom of the World

November 22, Vancouver
Finally! Reforming Politics: The B.C. Blueprint

Awards Luncheons

November 15, Vancouver
Inaugural T. Patrick Boyle Founders Award Luncheon
Lord Conrad M. Black of Crossharbour
*Perspectives on Canada from an Ex-Citizen*

November 16, Toronto
Donner Canadian Foundation Awards for Excellence in the Delivery of Social Services

December 4, Calgary and December 6, Vancouver
W. Garfield Weston Outstanding Principals Awards
In 2001, The Fraser Institute continued to expand its student programs, offering seminars, colloquia, student newsletters, essay contests, event bursaries, internships, and a teacher training program, in an effort to encourage students and young people to study competitive markets.

**Student Seminars on Public Policy Issues**

During 2001, the Institute hosted 10 one-day seminars attracting over 1,600 registrants. The programs were held in Vancouver (2), Victoria, Quesnel, Kelowna, Edmonton, Saskatoon, Winnipeg, Toronto, and Montreal. The objective of the student seminar program is to involve university, college, and senior high school students in structured discussions of economic policy issues and competitive markets, and to give them the opportunity to interact and debate with their peers on important themes.

The Institute’s high school seminar program continued this year with a program in Vancouver, which attracted nearly 200 students. The theme of the seminar, "Tools for Critical Thinking," was developed with a mix of presentation and interactive sessions that included hands-on activities, video presentations and games.

“A wonderful opportunity to hear and debate important issues.”
—Scott McKay, Red Deer College

“This seminar was very informative, thought provoking and interesting.”
—Melissa De Witt, University of Manitoba

“I found this seminar very interesting because I am not a person who studies economics...this seminar gave me a push to start looking at different views from an economic perspective.”
—Anna-Marie MacPherson, Langara College

“A phenomenal selection of topics, content and speakers.”
—Joel McLaughlin, University of British Columbia

We would like to thank our members and the major sponsors for these seminars: The Lotte and John Hecht Memorial Foundation, The W. Garfield Weston Foundation, and Alberta Energy Company Ltd.

**Teacher Training Workshop on Economic Principles**

With the help of the London Drugs Foundation, this important program was continued in 2001 with a program held in Vancouver in June. The Teacher Training Workshop on Economic Principles is designed to provide secondary school educators with the skills and tools necessary to make teaching economics fun and interactive. The workshop, which was held at The Fraser Institute’s Vancouver office, had a waiting list and was limited to 25 high school teachers who were interested in acquiring new methods for teaching fundamental economic principles.

“Seeing [these economic principles] demonstrated so well has recharged my batteries and refreshed my enthusiasm for economics.”
—Marilyn Martin, Argyle Secondary School

“Excellent workshop—enjoyed it thoroughly. The instructor was great!”
—Garth Errico, Burnaby Central High School

“This one-day workshop left me with simulations, ideas, and materials which I can hardly wait to implement in my classroom...I know it will make complicated lessons meaningful and easy for students to relate to in real life. A first-class workshop!”
—Susan Chow, North Surrey Secondary School

**Student Leaders Colloquium**

This annual weekend conference for advanced-level students focused discussion and debate on complex economic policy issues. Institute policy staff joined the 20 student participants in a relaxed atmosphere where free, open, and thoughtful discussions were encouraged. Although the Student Leaders Colloquium had a set agenda with seven session topics, the interests of the participants themselves determined the direction of the conversation. The attendees from across Canada were selected through a competitive process in which over 100 keen students from the Institute’s one-day seminars were invited to apply to the program.
“By far the most engaging and thought-provoking student conference I have ever been to.”
—Tracy Wates, Carleton University

“[The colloquium] forced me to challenge my own views on the free market and the role of government (in a really big way).”
—Mark Armstrong, Okanagan University College

“A wonderful experience, stimulating and challenging with interesting, thoughtful people.”
—Sherry Brown, Concordia University

Canadian Student Review

The Canadian Student Review is a quarterly newsletter that contains articles written for and by students, sponsored by the Lotte & John Hecht Memorial Foundation. Each edition contains hard-hitting articles on various economic issues that are unlikely to be found in the typical campus newspaper. Over 50,000 copies of the Review were printed in 2001, and were distributed free of charge on Canadian campuses through a network of professors and student organizations.

Student Essay Competition

The topic for our annual student essay competition in 2001 was “How can the Market Provide for the Well-being of Canadians?” and featured a special category for secondary school students. The three prizewinners were:

- 1st Place ($1,000): Mr. Christopher Glover, Ottawa, Ontario University of Toronto, Rotman School of Management, Class of 2003
  “The State Has No Place in the Classrooms of the Nation”

- 2nd Place ($500): Mr. Brendan Wilson, Waterloo, Ontario University of Guelph, 4th year Environmental Science
  “Simultaneous Improvements in Income and Environment: How the Free Market Can Benefit Canadians”

- 1st Place, High School Category ($250): Miss Brittney Bogyo, Delta, BC South Delta Secondary School, Grade 12
  “Cashing in on Cachet: How Private Market Advertising Can Provide Improved Funding for Canada’s Education System”

Student Internship Program

In 2001, The Fraser Institute hired six university students and recent graduates to join its office for training as junior policy analysts. The interns worked on a variety of research projects. The internship program is designed to train these future decision-makers by developing their understanding of economic principles and problem solving skills. The students were selected through a competitive hiring process, which involved over 100 applicants from across Canada. Each student was responsible for producing a particular research study under the direction of a policy supervisor. The 2001 interns, who were sponsored in part by the Donner Canadian Foundation and the Max Bell Foundation, were:
Mr. Alexei Jernov, B.A., Economics, University of Alberta (2001) and MBA, Business Administration, University of Alberta (1st year)

Mr. Brent Robinson, Honours B.A., Economics, University of Calgary (2001)

Mr. Chris Schafer, Honours B.A., Political Science, Wilfrid Laurier University (2001)

Mr. Rodger T. Scott, Honours B.A., Economics, Queen’s University (2000) and M.A., Economics, York University (2001)


Ms. Tracy Wates, B.J., Journalism, Carleton University (2000)

“The experience the Fraser Institute offers its interns is above and beyond any other research opportunities available for university students today.”

—Chris Schafer

“For someone interested in public policy, there is no better opportunity.”

—Brent Robinson

The Fraser Institute also had several Canadian and international student volunteers work in the Vancouver office in 2001, including Tara Wallace, a Political Science student at Concordia University, and Raphael Barth, a student from Switzerland.

“Thank you very much for the opportunity to attend the Conrad Black luncheon. It was an interesting and educational experience.”

—Ştefana Ghita, University of British Columbia

### 2001 STUDENT EVENTS CALENDAR

#### Student Seminar on Public Policy Issues

**January 27, Edmonton, Alberta**

*What is the Appropriate Role of Government?*

**February 10, Montreal, Quebec**

*How Can the Market Promote Individual Choice and Freedom?*

**March 9, Saskatoon, Saskatchewan**

*What is the Appropriate Size of Government?*

**March 10, Winnipeg, Manitoba**

*Getting Government Right*

**October 20, Vancouver, British Columbia**

*Thinking Critically About Public Policy in BC*

**October 27, Victoria, British Columbia**

*Thinking Critically About Public Policy in BC*

**November 3, Toronto, Ontario**

*Understanding Canadian Public Policy*

**November 16, Quesnel, British Columbia**

*The Environment, Tourism and Careers*

**November 29, Kelowna, British Columbia**

*Thinking Critically: Markets, Environmentalism and the Media*

#### Other Student Events

**May 11-12, Vancouver, British Columbia**

*Tenth Annual Student Leaders Colloquium*

**June 8, Vancouver, British Columbia**

*Teacher Training Workshop on Economic Principles*

**October 5, Vancouver, British Columbia**

*Seminar for High School Students*

*Tools for Critical Thinking*
Publications

Each year, the publications department turns out an astonishing number of Fraser Institute documents. Editing, typesetting, and design are handled almost entirely internally to ensure that our publications are produced in the most cost-effective way possible. In 2001, this two-person department produced 23 publications, along with 12 issues of the Institute’s monthly magazine, Fraser Forum.

The department continues to incorporate the latest technology and has recently been producing digital-only publications for electronic distribution as an additional cost-saving measure. Another major undertaking in 2001 was the conversion of Institute publications (back to 1998) into PDF versions suitable for posting on our new web site. This fulfills the critical goal of making our publications as accessible to as broad an audience as possible.

Books

The Fraser Institute published five books in 2001. They are:

- **Tax Facts 12**, by Joel Emes and Michael Walker
  This book is the latest edition of a biennial study that examines how the average tax bill has changed since 1961. Between 1961 and 2000, for example, the average Canadian family’s tax bill rose from 33.5 percent to 47.5 percent of its income. While *Tax Facts 12* does not attempt to look at the benefits Canadians receive from government in return for their taxes, it does update The Fraser Institute’s Canadian Consumer Tax Index, which tracks the tax bill of the average Canadian family from 1961. The book also includes sections on tax fairness and income mobility.

- **Can the Market Save Our Schools?** edited by Claudia R. Hepburn
  This book brings together the work of internationally acclaimed education researchers who answer these questions: How does school choice affect public education? Can school choice improve student achievement? How does school choice affect low-income families and their schools? The book’s conclusion is that school choice is the solution to reforming Canada’s troubled public school system because an educational market in which parents choose their children’s schools and schools compete more freely for students will produce better educational results for more students than the status quo.

- **International Evidence on the Effects of Having No Capital Gains Taxes**, edited by Herbert Grubel
  In this book, economists from nine countries address a number of issues critical in assessing the consequences of having no capital gains tax. The first part of the book examines the economic arguments for and against the elimination of the capital gains tax in Canada. The second part contains papers written by experts on countries without capital gains taxes, and the third part discusses the experience countries have had with the inflation-indexation of capital gains. The overall conclusion? Canada should eliminate its capital gains tax to spur economic growth and look to other international jurisdictions, such as Hong Kong and Switzerland, for their experience.

  This book marks the first in The Fraser Institute’s Risk Controversy Series, which will explain the science behind many of today’s most pressing public policy issues. *Global Warming: A Guide to the Science* debunks the popular hypothesis that increases in carbon dioxide in the atmosphere resulting from increased industrial activity have caused global temperatures to rise over the past century and, if unchecked, will cause catastrophic warming. The book explains why current models are not sufficiently accurate in forecasting future climate change.

  The core ingredients of economic freedom are personal choice, protection of private property, and freedom of exchange. In this fifth edition of *Economic Freedom of the World*, the authors present an economic freedom index for 123 countries. The economic freedom index correlates positively with measures of income per capita, economic growth, the United Nations Human Development Index, and longevity, and negatively with indexes of corruption and poverty. The book provides a reflection of cross-country differences in the freedom to contract and compete in business activities and labor markets. It also constructs a Trade Openness Index for the period from 1980 to 1999 using selected components of the economic freedom index, and discusses how to measure the strength of protection of property rights in ideas.
Critical Issues Bulletins

Five of these 48- to 80-page monographs were released in 2001:

- Flat Tax: Principles and Issues by Joel Emes and Jason Clemens with Patrick Basham and Dexter Samida
- Measuring Poverty in Canada by Christopher A. Sarlo
- Surveying US and Canadian Welfare Reform by Chris Schafer, Joel Emes, and Jason Clemens
- Waiting Your Turn: Hospital Waiting Lists in Canada (11th ed.) by Michael Walker with Greg Wilson
- Commissions Unbound: The Changed Status of Securities Regulators in Canada by John F. Chant and Neil Mohindra

Public Policy Sources

The Fraser Institute’s short research or position papers called Public Policy Sources (PPSs) continued to be popular in 2001. Eight PPSs were released in 2001:

- Measuring Development: An Index of Human Progress by Joel Emes and Tony Hahn
- Shifting Priorities: From Deficit Spending to Paying Down the Debt and Lowering Taxes by Mebs Kanji and Barry Cooper
- Returning British Columbia to Prosperity by Jason Clemens and Joel Emes
- Misfire: Firearms Registration in Canada by Gary Mauser
- Moving Beyond the Status Quo: Alberta’s “Working” Prescription for Health Care Reform by Shainoor Virani, Mebs Kanji, and Barry Cooper
- Prescription Drug Prices in Canada and the United States—Part 3: Retail Price Distribution by John R. Graham
- Home Schooling: From the Extreme to the Mainstream by Patrick Basham
- The Perfect Food in a Perfect Mess: The Cost of Milk in Canada by Owen Lippert

Studies in Education Policy

The Institute’s much-read and discussed school report cards are published under the banner of Studies in Education Policy. In 2001, four Studies in Education Policy were released:


Digital Publications

The Fraser Institute introduced the new Digital Publications series in 2001. These shorter research papers are designed specifically to be read on-screen; the typeface and the layout were both developed with our growing web site audience in mind. While the material is very accessible on the desktop, the publications can also be printed from people’s own computers and read in hard-copy format. One digital publication was produced and posted on The Fraser Institute web site (www.fraserinstitute.ca) in 2001: Sensible Solutions to the Urban Drug Problem, edited by Patrick Basham. Other studies planned for this form of distribution in 2002 include a study on gambling, and another on performance-based pay for academics.

The media came en masse to record Preston Manning’s speech at the Fraser Institute’s AGM in Calgary in May. Mr. Manning’s speech was later transcribed and printed in the Institute’s monthly magazine, Fraser Forum.
Communications Department

Media coverage

Two-thousand-and-one was extremely successful in terms of the Institute’s media profile. The year saw a record 4,093 media stories on the Institute, which totaled 157,840 column inches of print coverage and translated into $10,117,891 of advertising equivalency. Advertising equivalency is a measure used in the communications field to assess the relative impact of editorial coverage compared to what it would cost to purchase equivalent advertising space in newspapers or in the broadcast media.

Overall, we achieved a 63 percent increase in our media coverage over 2000. In addition, the Institute recorded a 94 percent increase in advertising equivalency over 2000 and a 41 percent increase in column inches over 2000.

Interestingly, most organizations can only capture about 60 percent of their overall media coverage so we can assume that the Institute’s impact is even greater than the numbers provided here indicate.

Key projects

A number of projects released last year generated intense interest among the news media. In particular, Chris Sarlo’s Measuring Poverty in Canada, Laura Jones’s Canada’s Regulatory Burden, and the introduction of the Report Card on Ontario’s Secondary Schools by Peter Cowley all contributed to the general surge in media interest in The Fraser Institute. Of course, Joel Emes’s annual Tax Freedom Day calculation was a hit as always.

Content analysis

Content analysis was a major innovation added to the communications department in 2001. This involves analyzing each media story for a number of different variables such as the tone of the coverage—positive, negative or balanced. We also look at the type of coverage, for example, radio news, print commentary, a letter to the editor, print news, or even an editorial cartoon.

We also examine how The Fraser Institute itself is identified in a particular news story to get a sense of how the Institute is being perceived as a credible information source. This can range from positive, such as “respected think tank,” to neutral “The Fraser Institute,” to negative “ultra right-wing.” We also code the stories for high, medium, and low impact, and for geographical distribution.

The results are already proving surprising. In terms of The Fraser Institute identifier, a whopping 95.2 percent in 2001 was either neutral or positive. Based on anecdotal evidence, we felt our identification was improving, but now we have data to back up that assertion.

The end result of all this analysis is a much richer picture of the Institute’s media profile that can be used to plan our media activities throughout the coming year.

Web site

The Institute’s new web site was ready for internal testing at the end of 2001. This project marks a complete overhaul of the Institute’s web site and will contain more information on the Institute’s research and programs than ever before. The new site at our same address, www.fraserinstitute.ca, was officially launched on February 27, 2002.
The Fraser Institute is non-partisan and non-political, receiving no support from government and having no links with any political group. It does not engage in political or lobbying activity. The Institute enjoys registered charitable status in both Canada and the United States, and is funded entirely by the tax-deductible contributions of its individual members, foundations, and organizations, as well as by sales of publications and revenue from events.

Fundraising on behalf of the Institute takes several forms, the most fundamental of which is membership, which is offered in six categories:

- **Fraser Friend**: $25-$99
- **Research Circle**: $100-$349
- **Scholars Circle**: $350-$999
- **Executive Circle**: $1,000-$4,999
- **Chairman’s Circle**: $5,000-$9,999
- **Founder’s Circle**: $10,000 and more

Levels of contribution in each category incorporate the “true costs” of all benefits offered, and guarantee the funds necessary to support the Institute’s expanding program of research and education on key economic and social issues. Benefits, depending on contribution level, include the monthly magazine Fraser Forum; books and monographs; discounts on Institute events, publications and other products; invitations to Institute conferences, luncheons, and other events across the country.

To further expand our outreach and ensure that as many people as possible have access to the Institute’s cutting-edge policy research, most Institute publications are available free of charge, on our web site at: www.fraserinstitute.ca. While maintaining the web site is costly, the Institute currently provides unrestricted free access so that individuals from around the globe can benefit from our work.

It is the Institute’s belief that only through public education can lasting improvements to public policy be made and sustained. This necessarily requires patient, painstaking effort, for millions of individual minds must be convinced of the validity of our arguments. Institute analysts can continue this never-ending process of public education thanks to the generous support of Institute supporters.

### The 2001 Fundraising Program

#### Membership

Individuals and corporations are invited to support the Institute’s work through tax-receiptable contributions in one of the six membership categories. Total donations, endowments, and other contributions for the year 2001 amounted to $4,699,398.

#### Special projects

During the year, the Institute approached prospective donors to support over 50 specific projects, including: student seminars, provincial secondary school report cards, the Generosity Index, pension reform, the cost of regulation, a teachers’ workshop, environmental studies, aboriginal/non-aboriginal relationships, capital gains tax, the Social Affairs Centre, the Globalization Studies Centre, health care studies, global warming, fiscal studies, managing risk and regulation, pharmaceutical research, and law and markets studies.

#### Sponsorships

Thanks to generous sponsors, the Institute was able to present prominent speakers at Round Table Luncheons and conferences across the country in 2001. Sponsors and advertisers are currently being approached for events and for Fraser Forum, respectively.

#### Sales of publications

All Institute publications are available for purchase, and the revenues go towards further research. Institute members enjoy a 40 percent discount on all books and monographs.

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### Fraser Institute Members (December 31, 2001)

- **Individuals**: 48%
- **Organizations**: 49%
- **Foundations**: 3%
Alberta Initiative

In 2000, the Institute launched the Alberta Initiative with a 3-year target of $1,080,000. As of December 31, 2001, 89 percent of the campaign target was received or pledged.

Bequests

Although the Institute has no formal bequests program, several long-time supporters have notified the Institute that they have made provision for the Institute in their wills. Institute supporters are encouraged to remember the Institute in their estate planning through remainder trusts, life insurance, or bequests.

For information on how you can support the Institute's research, please call Sherry Stein, Director of Development, at (604) 714-4590, or Barry McNamar, National Membership Manager, at (403) 216-7175 or 1-866-716-7175.

### Financial Position, 2001

In 2001, the net assets of The Fraser Institute increased by $32,669 to $4,826,081.

Gross revenues amounted to $4,964,773, representing an increase of 6% over 2000. Gross expenditures amounted to $5,101,759, representing an increase of 9% over 2000. The net operating deficit amounted to $136,986. The Institute's financial position is summarized as follows:

#### Statement of Operations for the Year Ending 2001

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income, Donations, Sales of Publications, Interest and Other Income</td>
<td>$4,964,773</td>
</tr>
<tr>
<td>Expenses, Salaries, Office Costs, Projects and Publications</td>
<td>$5,101,759</td>
</tr>
<tr>
<td>(Decrease)/Increase in Unrestricted Net Assets from operations</td>
<td>($136,986)</td>
</tr>
</tbody>
</table>

#### Statement of Financial Position as at December 31, 2001

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$3,198,690</td>
</tr>
<tr>
<td>Investments</td>
<td>$2,894,245</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>$1,639,433</td>
</tr>
<tr>
<td>Total</td>
<td>$7,732,368</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$2,906,287</td>
</tr>
<tr>
<td>Net Assets</td>
<td>$4,826,081</td>
</tr>
<tr>
<td>Total</td>
<td>$7,732,368</td>
</tr>
</tbody>
</table>

Complete audited financial statements for the year ended December 31, 2001, are available on request.
Board of Trustees Changes in 2001

Ed Dato, Canadian Pacific Ltd., Calgary, left the Board of Trustees.

Staff changes in 2001

In 2001 the Institute bid farewell to a number of staff members who went on to pursue other ventures: Martin Zelder, Pauline Hughes, Jessica Dill, Shahrokh Shahabi-Azad, Chris Schlegel, Greg Wilson, and Miriam Bixby.

Lorena Baran, Director of Events and Conferences, retired from the Institute after a 23-year career beginning as Executive Assistant to Michael Walker and eventually advancing to Director of Events and Conferences. Ms. Baran continues to contribute to the work of the Institute on an occasional basis.

Lydia Miljan, former director of the Alberta Initiative and the National Media Archive is now a Fraser Institute Senior Research Fellow. She has joined the University of Windsor’s Political Science department as Assistant Professor.

In 2001 the Institute welcomed many new staff:

- Martin Collacott, former Canadian ambassador, has joined the Fraser Institute as a Senior Fellow in Immigration, Refuge, and Anti-terrorism Studies. He has written and spoken widely on immigration, refugee, and related terrorism issues and has testified on these subjects before parliamentary and congressional committees.
- Barry McNamar, National Membership Manager, is the former National Fundraising Officer for the Reform Party of Canada and the Canadian Alliance. He is based in Calgary, Alberta.
- Sylvia LeRoy, Policy Analyst, Fraser Institute Calgary Office, is currently completing her M.A. at the University of Calgary.
- Jason Hayes, Research Analyst, Fraser Institute Calgary Office, is currently completing a Masters of Environmental Design at the University of Calgary.
- Mirja van Herk, Office Administrator, Fraser Institute Calgary Office, has a B.A. (Hons.) in English with a minor in Classics from the University of Alberta.
- Nadeem Esmail, Health Policy Analyst, completed his B.A. (Hons.) in Economics at the University of Calgary, and his Masters in Economics at UBC.
- Amelia Karabegovic, Research Economist, Economic Freedom of the World, has an M.A. in economics from Simon Fraser University.
- Murray Allen, MD, Senior Fellow in Health Policy, was an Associate Professor of Kinesiology at Simon Fraser University and has published widely in scientific journals.
- Neil Mohindra, Senior Economist, Financial Sector Regulation, has an MBA in Finance, and was previously a research associate with the “MacKay Task Force.”
- Leah Costello, Events Coordinator, rejoins the Institute after a six-year hiatus during which she ran her own business.
- Darlene Savoy, Data Analyst, School Performance Studies, has a Bachelor of Computer Science with a minor in Philosophy. She has worked extensively as a Computer Programmer/Data Analyst in Canada and the US.
- Patrick Luciani, Senior Fellow, Canstats Project, and Senior Resident at Massey College at the University of Toronto, is author of the bestseller, What Canadians Believe But Shouldn’t about the Canadian Economy.
- Cheryl Rutledge, Publications Co-ordinator, brings over 10 years’ experience in the wholesale manufacturing and book industries.

Editorial Advisory Board Member Passes Away

Respected member of The Fraser Institute’s Editorial Advisory Board, Edwin G. West, died in October 2001. He was a professor of Economics at Carleton University in Ottawa for much of his career and was a world authority on the state’s role in education. He wrote several publications for the Institute, including Higher Education in Canada: an Analysis, published in 1988 as part of the Service Sector series, and in 1997, Student Loans Under New Scrutiny, the very first in our Public Policy Sources series.

Long Service Awards

In 2001 the Institute launched a Long Service Award Program for staff celebrating 5-year employment milestones. To mark the occasion, long-serving staff were invited to attend a dinner at which they were presented with pens and gift certificates by Institute Executive Director Michael Walker. The staff honoured were: in the 20-year Club, Lorena Baran; in the 15-year Club, Marie Morris; in the 10-year Club, Pauline Colyer, Lydia Miljan, Margaret Kerr, Annabel Addington, and Kristin McAlloon; in the 5-year Club, Debbie Chan, Laura Jones, and Joel Emes.
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Prof. Lydia Miljan

Prof. Ted Morton

Dr. Filip Palda

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Director of Fiscal and Non-Profit Studies, Jason Clemens

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Director of Education Programs, Annabel Addington

Senior Research Economist, Joel Emes

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