

CONFLICT OF TASTE & CONFLICT OF CLAIM
IN FEDERAL COUNTRIES

BY

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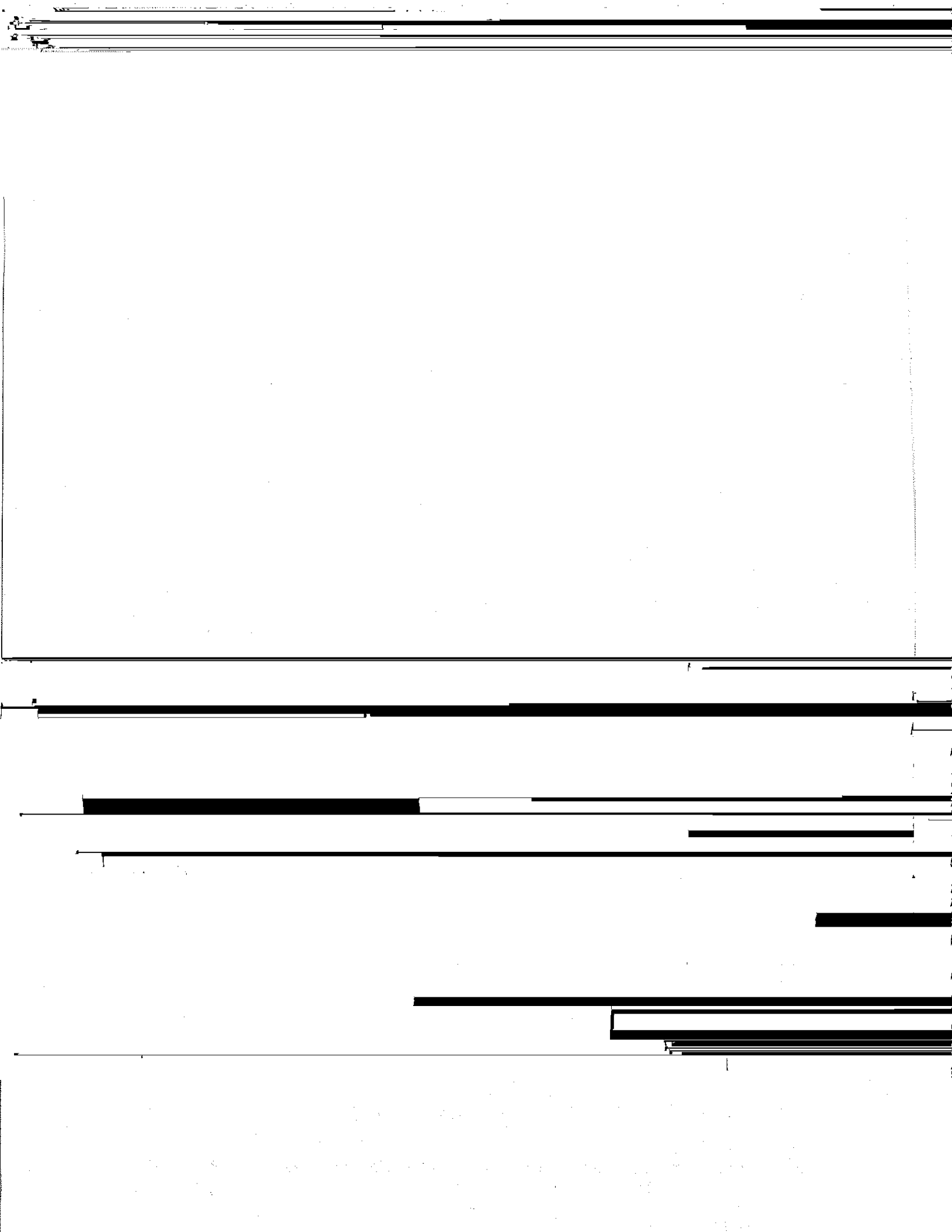
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PREFACE

The key to understanding the politics of any nation lies in the relationship between its political institutions and the underlying pattern of conflict in the wider society. In this paper Jack Mintz and Richard

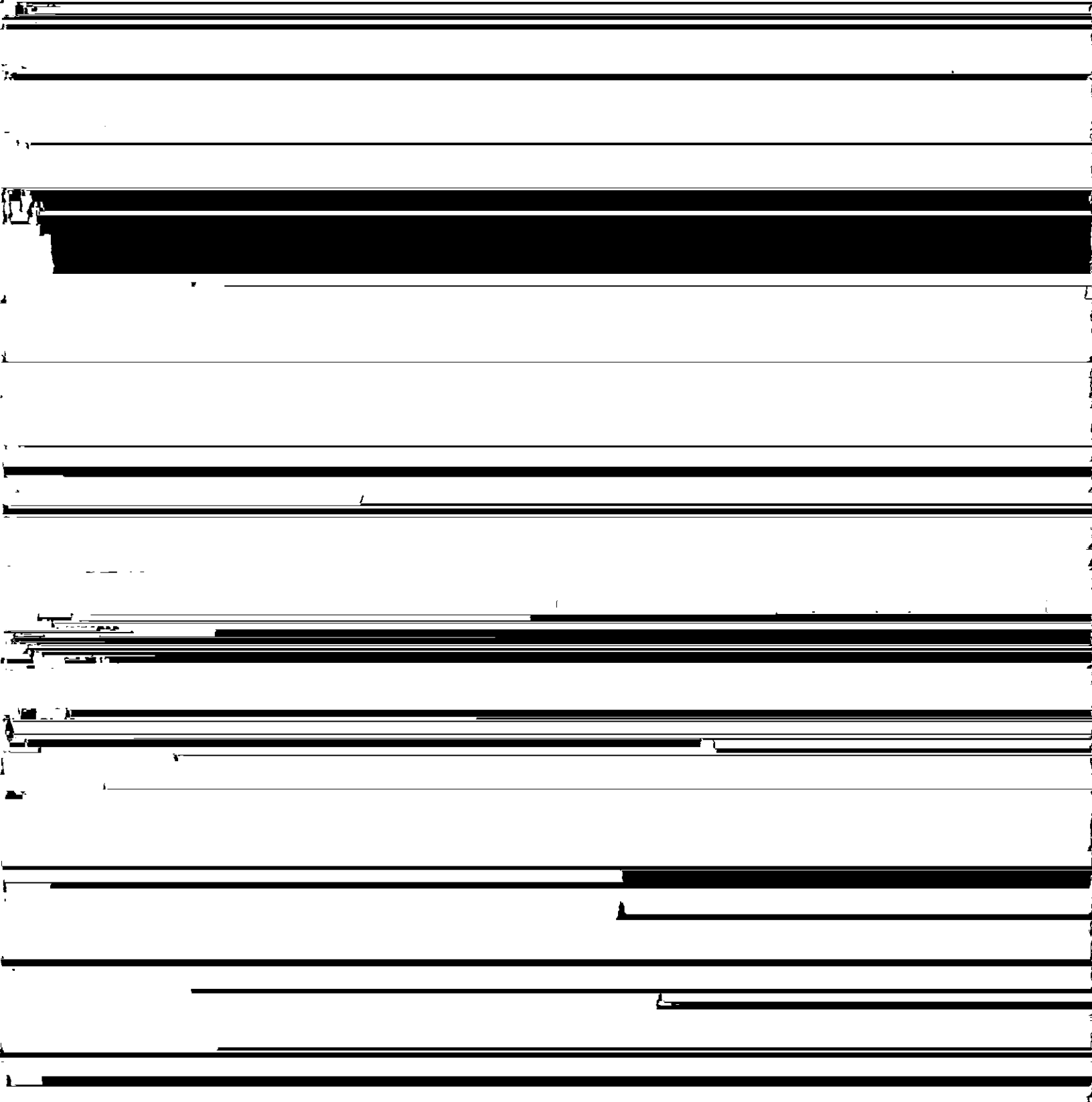
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Both authors of this paper are faculty members at Queen's University

1 INTRODUCTION

and assumptions which will guide our analysis. In Part II we set forth

_____ of _____ of _____



The basic principle for the design of federal systems which arises from this perspective is to distribute governmental responsibilities in such a way, as to maximize the welfare of citizens in each region allowing them

federal system and whose continuing existence made necessary the preservation of that system.²

Later, Quebec's Tremblay Commission rooted its claim for provincial autonomy in the uniqueness of the provinces' values. More recently still, the *Desjardins Task Force on Canadian Unity* strongly emphasized the

wants, it must gain something from other regions. The conflict between an Albertan who wants high energy prices and low tariffs and an Ontario who wants cheap energy and high tariffs is one of claim.

competition for scarce resources, the relative bargaining power of regions and the implications of institutional arrangements for such power are central to these conflicts. Conflict of taste can, with some important

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convergence has not been accompanied by declining levels of conflict; nor

... Rather we

II

I

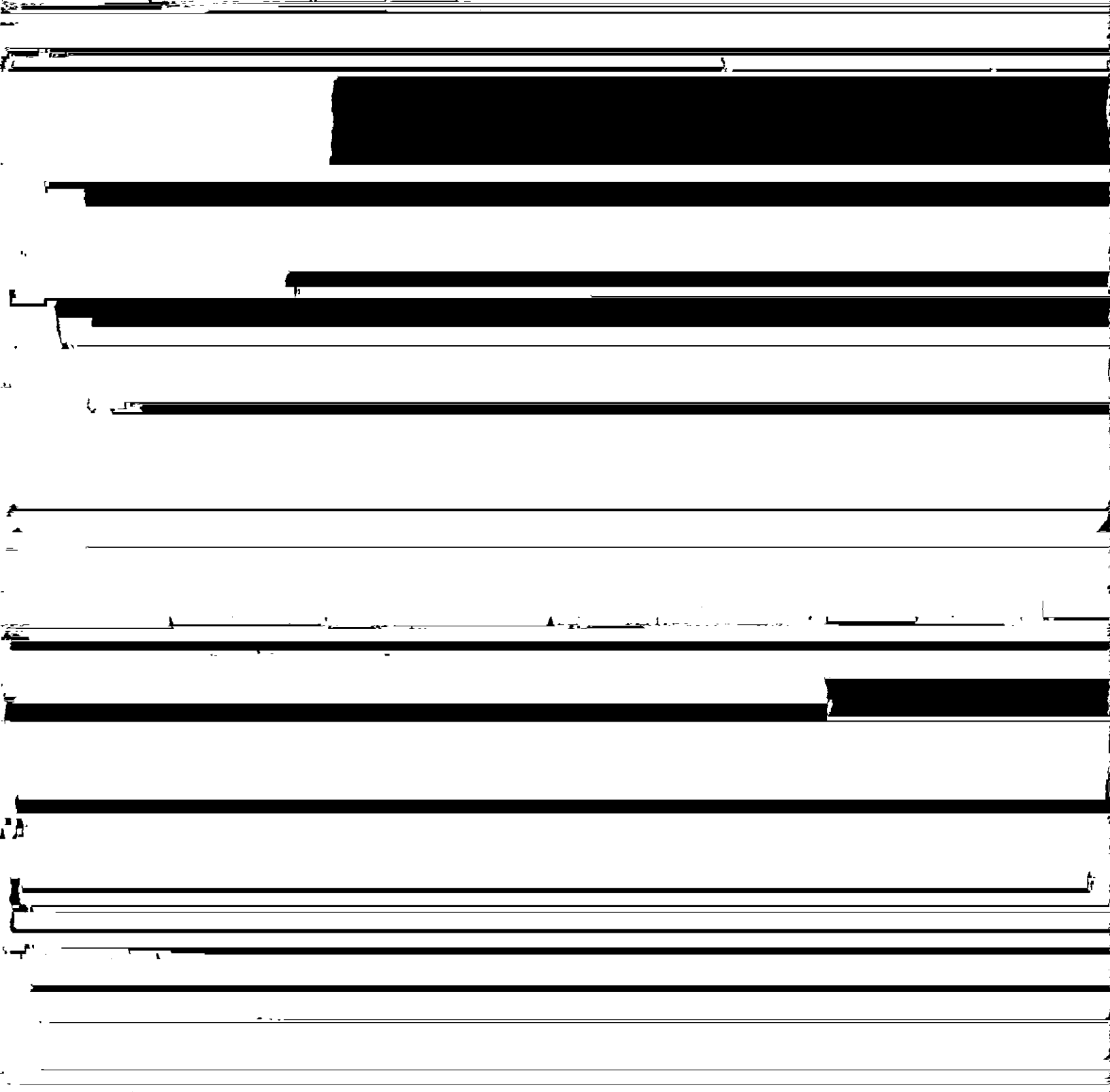
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2 THE NATURE OF CONFLICT IN FEDERAL SOCIETIES

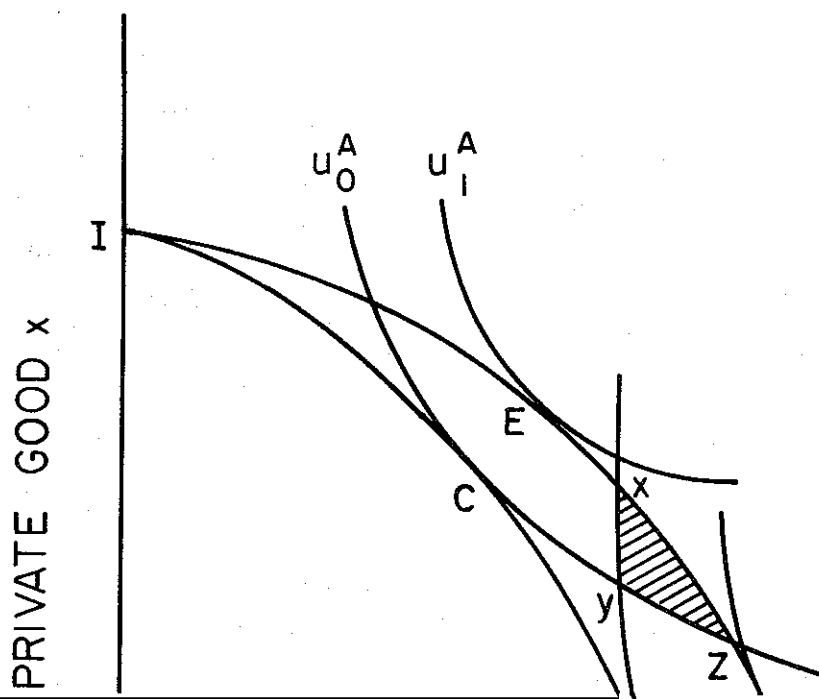
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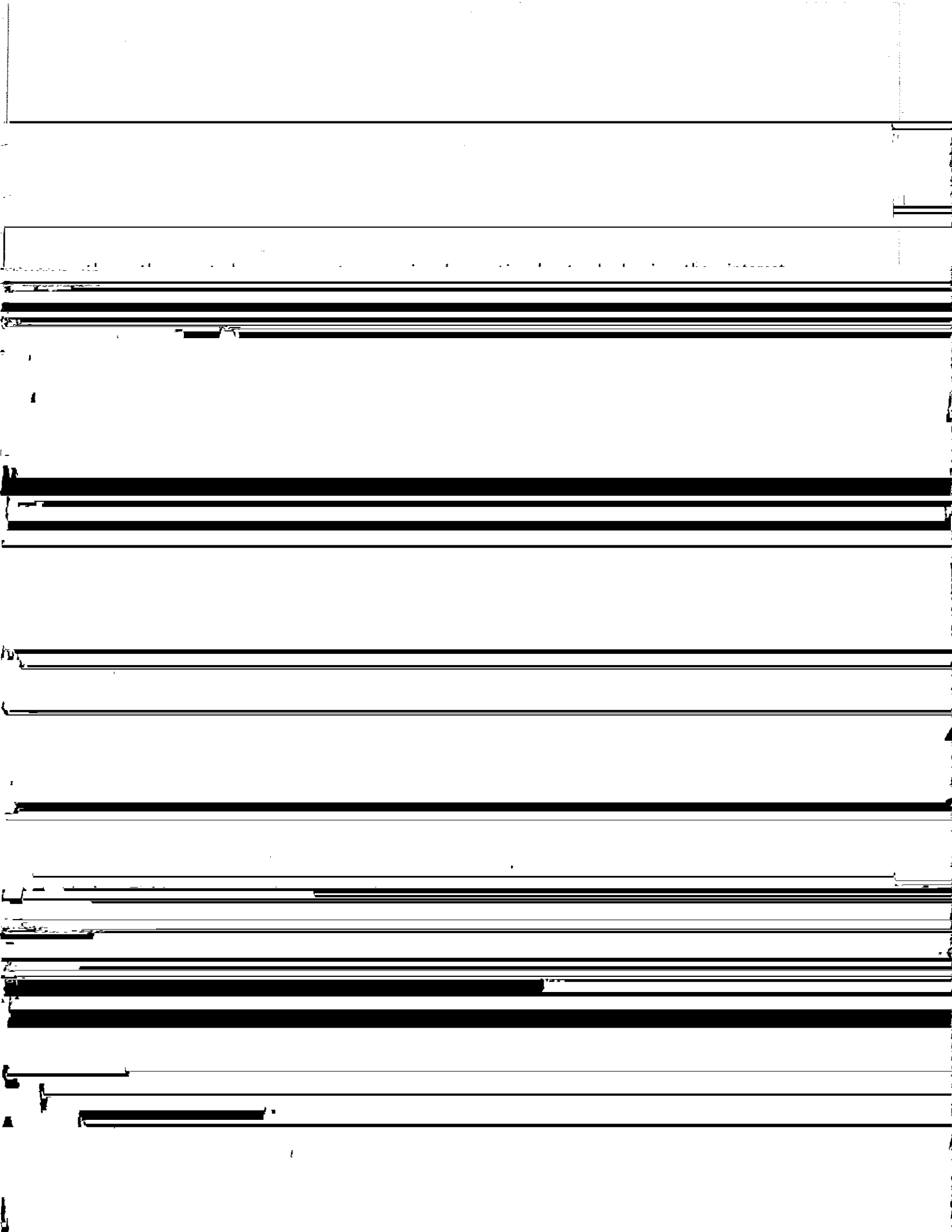
the central government wishes to redistribute resources to satisfy standards of national equity then a particular regional community may be



To begin, consider the position of the two regions in autarky in that they do not take into account the benefit or cost of their public good production on the production capabilities of the other region's public good. Each region maximizes its welfare (U^A and U^B) subject to the

DIAGRAM I

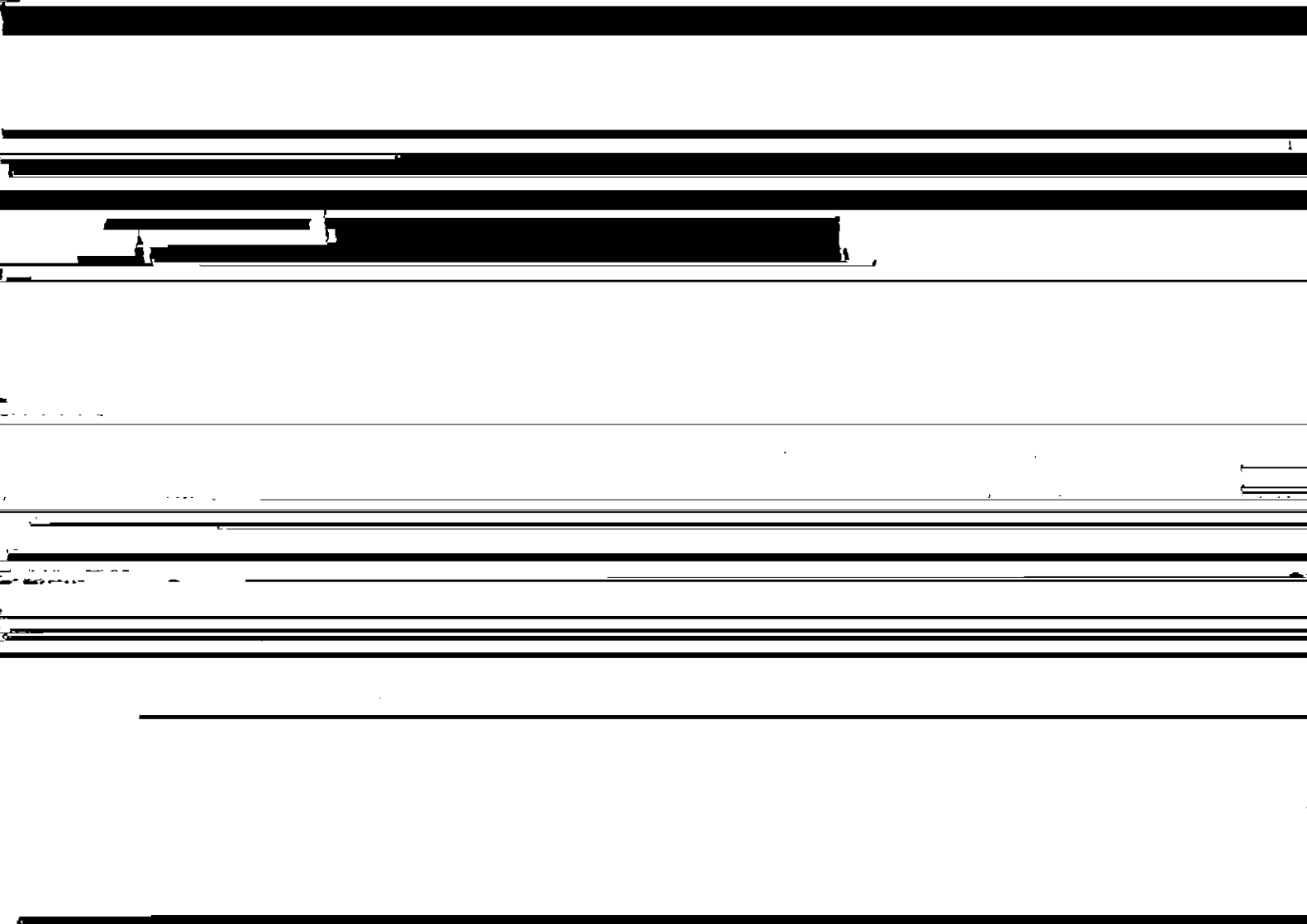




to produce much less of the public good, then the tax rate on high income individuals and capital would be less. Resources would migrate from the high to low tax region with wages and the return to capital falling in the low tax region relative to the high tax region. In equilibrium, one of the

the regions must consume the same amount of the public good).¹⁵ We might ask the question: under what circumstances would the regions be willing to remain part of the federation rather than move back to positions of autarky (C and D)? In Diagram 1, any allocation of resources between public and private good production in the shaded area XYZ would be welfare improving for both regions. The regions would remain a part of the federation even if they are constrained to consume the same amount of the public good.

The shaded area XYZ is what we call the region of mutuality where given the constraints facing the regions, transactions among them would be mutually beneficial. We can see that the area XYZ shrinks in size when



Conflict of Claim

Conflict of claim involves friction amongst regional communities regarding distributional policies. There are two types of claim: claim with respect to a resource (i.e.: locational choice of an industry) and

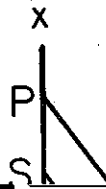
implicit transfers associated with government interventionist policies that affect the distribution of real income among regions). In analyzing

(P) and both regions do not belong to a federation. The original production possibility frontier for the poor region is AB and for the rich region MN. The initial levels of welfare for the rich and poor regions is U^P_0 and U^R_0 respectively. Now suppose the two regions join in a federation and correct for the public good's interjurisdictional spillover. Suppose further that there is a transfer of resources from the

From initial welfare levels U^P_0 and U^R_0 to U^P_1 and U^R_1 with an interjurisdictional resource transfer.

DIAGRAM 2

PRIVATE GOOD



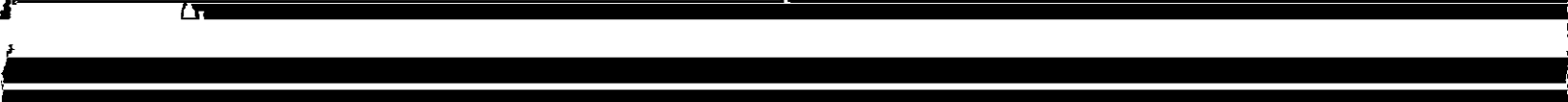
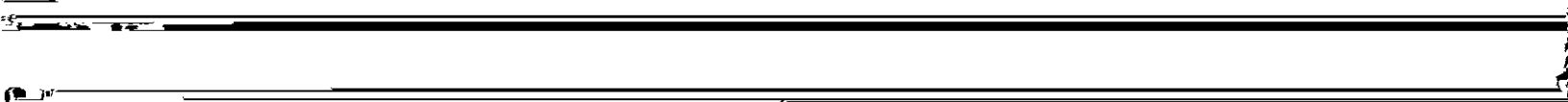
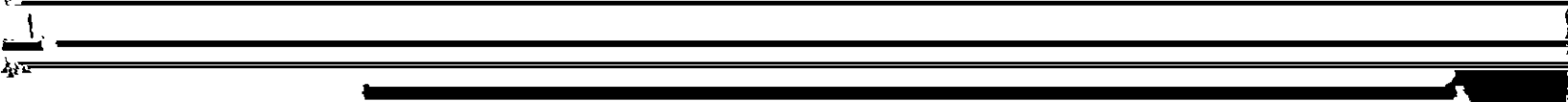
in the rich region. Then a distortionary tax on oil makes the transfer more costly to the rich region. The rich region would be willing to give up his income as the price of the maximum transfer to be paid to the

to be part of the federation as the minimum per capita grant made to the

[REDACTED]

THE SEVERAL CLAIMS OF CLAIM

Even when differences in tests are small, however, the lesson need not



responsive to the minority interest today may not be tomorrow. One can only be certain of favourable policy if one has control. So this solution

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[REDACTED]

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find that wealthy residents leave and larger numbers of the poor move in. The latter may be solved through residence requirements, but the former

[REDACTED]

[REDACTED]

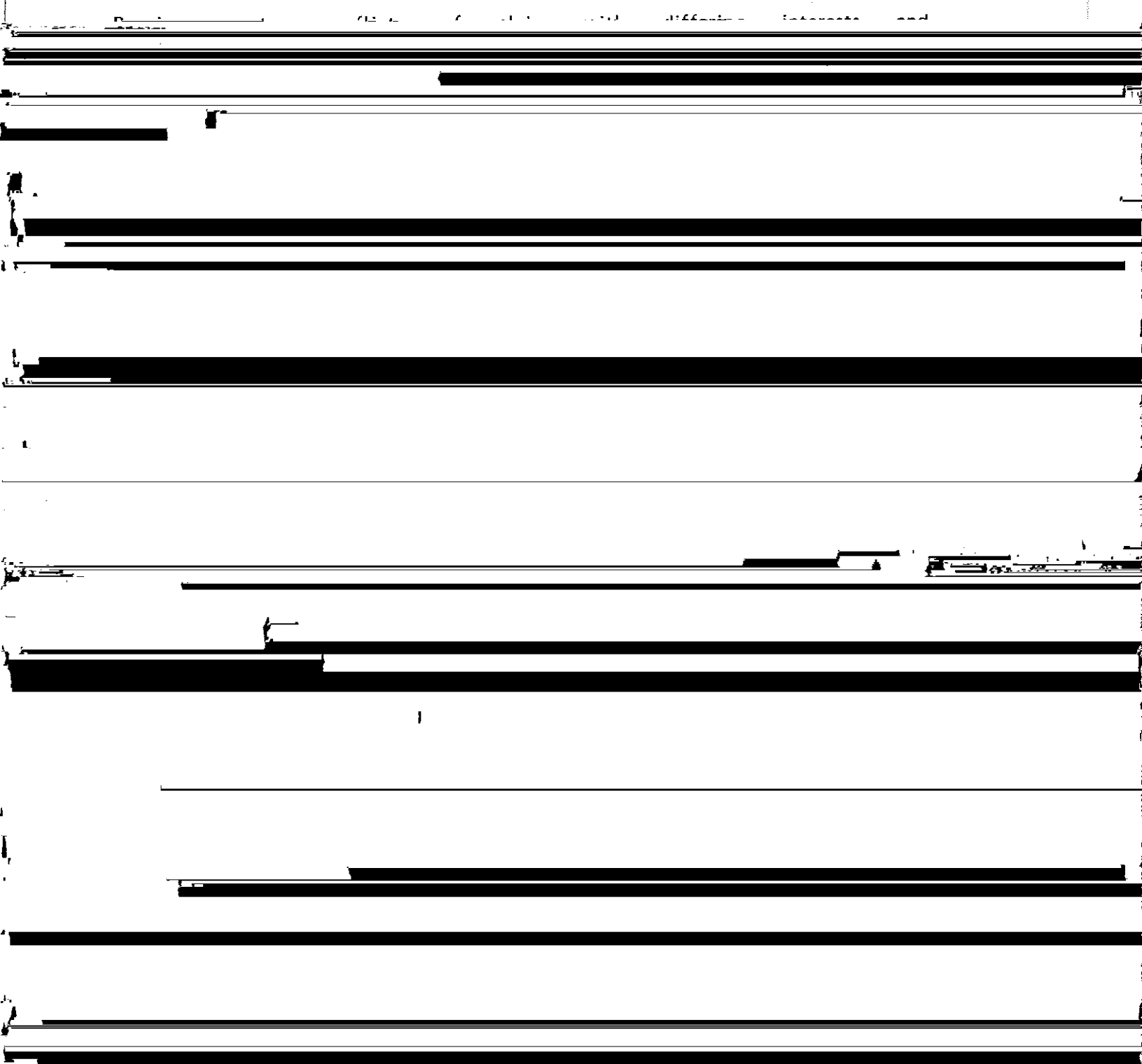
effectively able to pursue their own preferences: they are a condition of

Citizens of richer provinces would perceive an obligation owed to the poorer by virtue of their sharing membership in the same community. Poorer regions would similarly base their claims on the moral obligations which arise from community.

A rich province may agree to transfer its present wealth as insurance against a possible future change in its status. A resource-dependent province, subject to wide swings between boom and bust may be willing to share more in good times in return for assurance of protection in the bad.

A third motivation is that redistribution may be necessary to

variety of interregional exchanges, the more likely they will provide positive benefits to all.

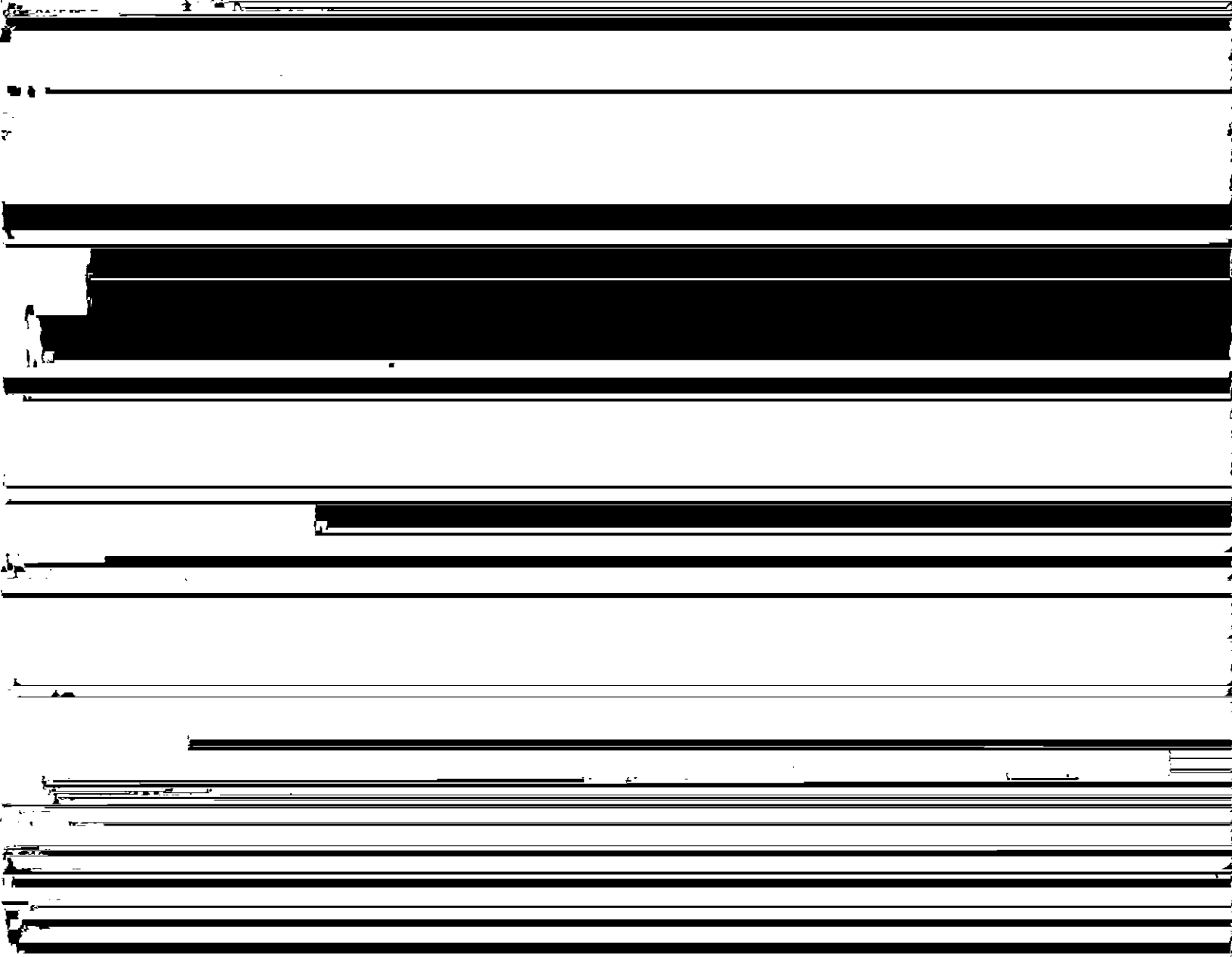


or umpire. The contradiction between national majority rule and minority regional interests can become acute.

could form a majority coalition in Ottawa. Such, of course, has not been

real threats to them and may offer the advantage of being able to block retaliatory policies from other provinces. Neither large nor small poor provinces have anything to gain from decentralization.

If conflicts of claim are to be negotiated at all under decentralization there must be bargaining, this time among unit governments rather than within the central government. How are conflicts of claim likely to be

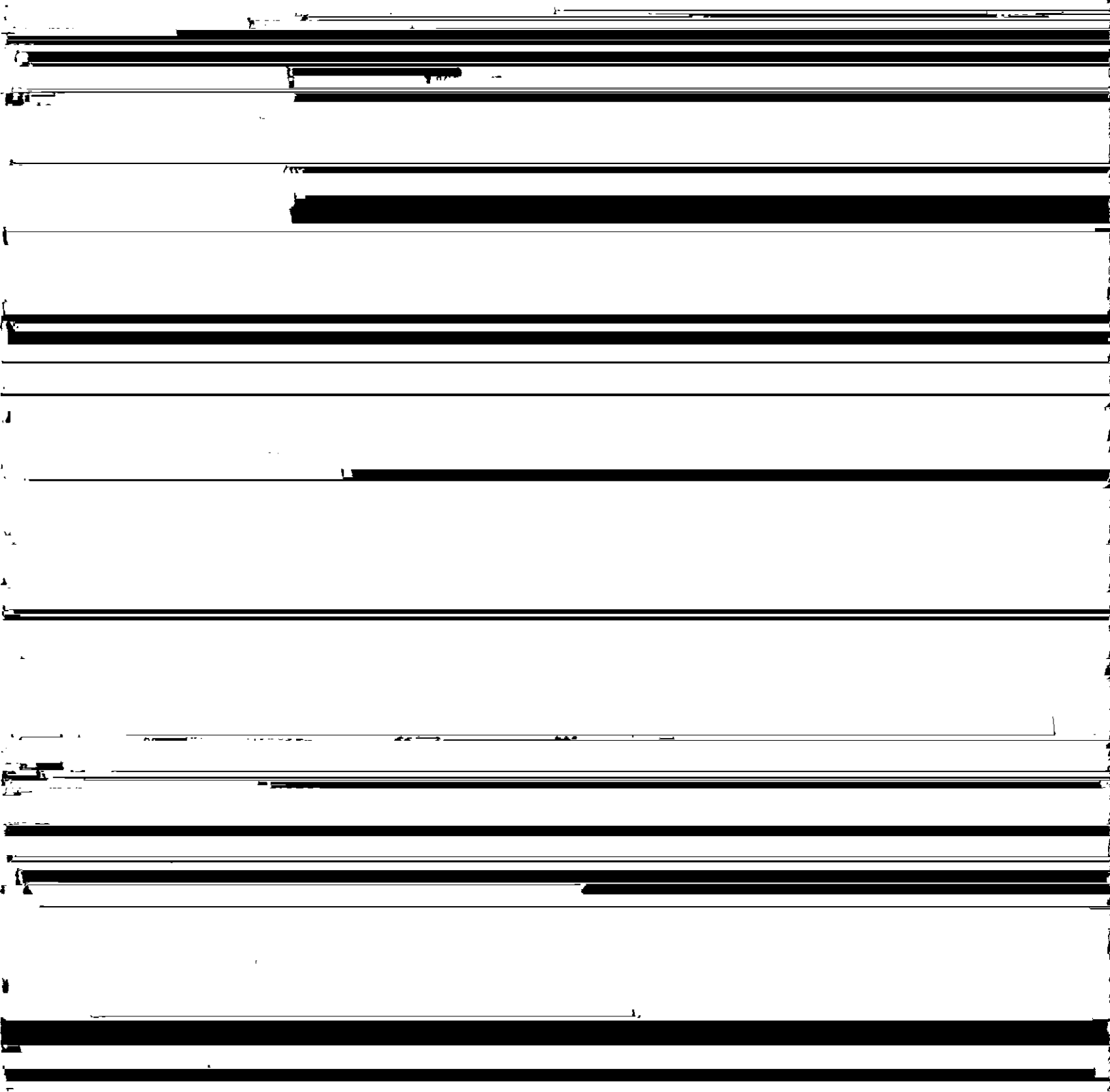


A voting rule also reintroduces the problem of weighting the votes. To weight them proportionately to population is to recall many of the problems with central authority. Indeed, they could well be accentuated

4 CONCLUSION

This analysis has underlined the importance of two distinct classes of

The reasons for this intensification are complex and it is not necessary



as there are appear in many cases to be coerced and artificial rather than

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

Once regional identities have formed, however, it seems an essential

NOTES

1 We are indebted to David Wilson for carrying out a detailed analysis of the literature on economic and political integration which underlies

2 D. V. Smjlev, "The Rowell-Sirois Report. Provincial Autonomy and

9 In the normal paradigm used by welfare economists, the central planner has the ability to make allocative and distributional decisions freely to maximize social welfare (which may defined over the welfare levels.

20 This was the situation which preoccupied students of federalism during the depression. See, for example, J. R. Mallory, *Social Credit and the Federal Power in Canada* (Toronto: 1954)

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