

Chapter 5

Live or die with supply management

From the very beginning to the very end, one policy issue was at the centre of my campaign for the leadership of the Conservative Party of Canada: supply management in agriculture. This is the system established by Pierre Trudeau's government in the early 1970s that keeps the prices of dairy, poultry, and eggs artificially high. As I said repeatedly during the campaign, it's a cartel. It's the total opposite of a free market, and a conservative party should not be supporting it.

I knew that if I wanted to be taken seriously as someone doing politics differently, I would have to take a position on this issue, which has become one of the biggest taboos in Canadian politics. All the parties represented in Parliament today officially support supply management.

This need to take a clear position was driven home in particularly annoying fashion in early 2016, when my Twitter account became more active in preparation for the launch of the campaign. Almost every time I tweeted in defense of the free market in general, or in favour of less government intervention in this or that sector, I would get several replies along these lines: "Yeah, right, you're all for free markets except when it comes to supply management. What else can we expect? You're just another hypocritical politician from Quebec!"

Some of these skeptics were just trolls, pursuing their usual nasty attacks against everyone and everything. But I could tell that most of them were Conservative supporters, many from the West, who were just tired of being taken for a ride, lured in with free-market rhetoric and then betrayed; tired of hearing the usual incoherent arguments from politicians who defend one set of principles and then a different one, depending on the topic; and also tired of Quebec politicians who, in their minds, have no other principles than defending Quebec's interests at the expense of the rest of the country.

I was being attacked by the very people who were supposed to constitute the core of my support, the libertarians and the staunch free-market conservatives, the Conservatives who were closest to me ideologically. Despite my reputation in political circles as one of the most consistent defenders of the free market in the Harper government, they were not in the mood to give me a break as I was about to launch my campaign. Or perhaps they didn't know enough about me to even

consider giving me a break. What came to most people's minds when they thought about me at that time, including Conservatives, was not my speeches and policy positions, but the Couillard affair.

Why would they give me a break anyway? I had done nothing to disprove their skepticism on this front. For a decade, I had been toeing the party line and defending supply management at every election and every time I was asked about it. The Conservative Party Policy Declaration affirms the party's official support for supply management. As an MP and minister in a government that supported supply management, I was not in a position to question the party's democratic decision, or undermine cabinet solidarity. And so I went along with it like all my colleagues, even though I had grave misgivings about it through all those years. It was one of the things I hated most about doing politics: having to contradict all my deeply held convictions on an issue which, moreover, was completely at odds with what a conservative party should be defending.

The sneering continued with renewed vigour after I officially became a candidate on April 7, 2016. There was one question that I was being asked by almost every journalist: "You say you want to base your campaign on free-market principles. But how do you reconcile this with your support for supply management?" They knew very well it would embarrass me. I kept saying I would make specific policy announcements later, and would address supply management as part of them. However, this was just a delaying tactic. Although it's hard to believe now that the campaign is over, it was far from predetermined at the beginning what position I would take exactly, and when.

What is supply management?

Before I continue telling the story of how I became the only one among fourteen leadership candidates to oppose it, it's important to explain where supply management came from, why it is such a bad policy, and why it came to play such an important role in Canadian politics.

The official reason for its establishment, as a Library of Parliament document puts it, is that in the 1960s, "the Canadian agricultural sector experienced overproduction caused by technological advances, resulting in low, unstable prices and disputes between farmers and processors. (...) It was this situation—

price instability and fluctuations in farmers' incomes—that led to the creation of the supply management system.”¹

However, there is absolutely nothing new or special about revenues fluctuating and prices going down in the milk, egg and poultry sectors. This is part of the history of agriculture in all developed countries. But for some reason, the organizations representing these producers managed to convince enough politicians that the free market did not work for them, that their circumstances were special and warranted a different type of system whereby production would be controlled.

It's no surprise that the government that adopted supply management was the Liberal government of Pierre Trudeau. Trudeau was a typical left-wing intellectual. Born to a wealthy family, he didn't have to work to earn his living and had spent part of his adult life as a bohemian writer and traveller. He was an admirer of communist China and Cuba, and a big fan of Fidel Castro. Before running as a Liberal in the late 1960s, he had been a supporter of the CCF/NDP. He had zero understanding of economics.

The early 1970s were also a period when Keynesianism and interventionist economics were all the rage. Governments all over the Western world have been increasing in size for a century, but this was a period when they did so at a particularly fast pace. It's when the federal government started losing control of its finances and our national debt began trending up at an alarming rate. It was the intellectual low point for defenders of the free market. Wage and price controls (instituted by Trudeau in 1973), nationalization of whole industries, and bureaucratic central planning were seen by the intellectual elites of that period as efficient ways to speed up economic growth and get rid of the imperfections of capitalism.

This is the context in which supply management was implemented and it was very typical of the policies adopted at the time. Sound like what a principled Conservative would find him or herself in tune with? Nope. From the very start, there was nothing conservative about it.

There are three so-called regulatory “pillars” supporting the supply management system that ensure no pressure from internal or external market forces will threaten it. They're called pillars because all three are necessary to keep the

¹ Khamla Heminthavong, “Canada's Supply Management System,” Library of Parliament, December 17, 2015, <https://lop.parl.ca/Content/LOP/ResearchPublications/2015-138-e.html>.

system intact. As the Quebec Minister of Agriculture, Laurent Lessard, described it, “you can’t remove any part of it, or the whole structure will crumble.”²

The first one is the control of production, so that the amount of milk, eggs and poultry on the market is restricted to what Canadians are expected to consume. A national marketing agency determines that amount and sets production quotas for each province. Provincial boards are responsible for selling quotas among farmers, who are strictly forbidden to produce any more than they’re told to.

The second pillar is the fixing, by bureaucratic agencies, of the prices that processors have to pay farmers for each category of product.

The third pillar is import control. Like any closed and rigid system controlled by government—or by semi-autonomous bureaucratic agencies that get their power from government—this one also has to prevent outside influence. The Soviet Union forbade its citizens from traveling abroad, or reading or listening to news from other countries. Preventing information from free countries from infecting the minds of Soviet citizens was a necessary “pillar” of the power of the Communist Party. In the case of supply management, beyond the very small amounts that are allowed into Canada tariff free, foreign products are hit by import tariffs that range from about 150% for turkey and eggs, to about 250% for chicken, yogurt and cheese, and 300% for butter. Obviously, no one would buy any imported good that costs three or four times more than the local one.

Let’s contrast this with how a free market is supposed to work. Anyone can enter it and there are no legal barriers to free entry. Prices are set by supply and demand, not by bureaucrats. If you’re very efficient and manage to sell a better product at a lower price than your competitors, you can make larger profits, produce more and get a bigger share of the market. You don’t need a government-issued permit to sell more milk or chicken. Conversely, if you aren’t efficient, nobody is forced to buy your products, no regulation protects you from competition, and you must leave your place to others who better serve consumers. Because free markets logically include free trade, consumers also have a large choice of foreign products imported by food distributors.

² “Il n’y a pas un morceau qui s’enlève, parce que c’est toute la structure qui tomberait.” Éric Desrosiers, “Les agriculteurs ne veulent plus céder un pouce, même pour sauver l’ALENA,” *Le Devoir*, January 20, 2018, <https://www.ledevoir.com/economie/518078/les-agriculteurs-ne-veulent-plus-ceder-un-pouce-meme-pour-sauver-l-alena>.

All this seems obvious, but I feel the need to repeat it because, bizarrely, many supporters of supply management won't admit that it is a system based on control and coercion. This is an especially touchy subject if you're a Conservative, of course. Why is the free market the best system for most products, especially ordinary consumer products, but not for supply-managed goods? I understand we can have debates about extensive government involvement in the provision of health care and education, roads and bridges, etc. But chicken wings? Yogurt? Eggs? Better not to start asking that kind of fundamental question, or you might stretch your cognitive dissonance to the breaking point.

When I said throughout the campaign that the system is a cartel, I got a lot of pushback on social media from farmers who took it personally, with arguments such as, "My family is not a cartel, we're not criminals." That was beside the point. They may have thought I was accusing them of being criminals, as in "drug cartel." But I didn't mean to insult them. The word cartel applies to a system, not to individuals, and it doesn't necessarily describe criminal behaviour. It's an economic concept.

Here is how the Competition Bureau of Canada describes it: "A cartel refers to an agreement that businesses form to control production or marketing arrangements and not compete with one another. For example, two or more businesses may engage in a cartel to agree to fix prices, restrict output, allocate markets, or rig bids for goods or services. Cartels harm other businesses and consumers by artificially raising prices, restricting choice or reducing product quality or service. (...) This offence is known as a 'conspiracy' and is punishable by fine of up to \$25 million and/or imprisonment for up to 14 years."³

In market economies, cartels, like monopolies, are generally illegal. Those that exist are those controlled or established by the government. The government gives itself the right to fix prices, restrict or eliminate competition, and harm other businesses and consumers, all while criminalizing private businesses that do the same thing.

In the case of supply management, the cartel is, of course, not only tolerated; it's working outside the cartel that is forbidden by law. But that doesn't change the economic foundations and consequences of the arrangement. The only difference is that the cartel members have convinced politicians to let them

³ Competition Bureau, About Cartels, Fact Sheet, April 20, 2017, <http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/02442.html>.

openly organize their conspiracy against consumers, and give it legal backing and social legitimacy. It's still a cartel by any objective economic definition and it's perfectly appropriate to describe it as such.

The harmful effects of supply management

As the Competition Bureau writes, cartels “harm other businesses and consumers by artificially raising prices, restricting choice, or reducing product quality or service.” In the case of supply management, the harmful effects are mostly due to higher prices. Numbers vary from one study to the next, but there is no doubt that the average Canadian family has to pay hundreds of dollars more than they should every year for basic food products.

According to the OECD, Canadian consumers had to pay CAN\$3.6 billion more every year between 2011 and 2015 for all products under supply management. That amounts to \$258 per family, and about \$290,000 in implicit support for each producer.⁴

The worst aspect of supply management, however, isn't that all Canadians who buy these products must pay more. It's that the poor, and households with children, are affected the most. A study done by University of Manitoba economists showed that the system imposes an additional financial burden of \$554 on the richest 20% of households, which corresponds to 0.5% of their incomes. The burden on the poorest households is not as high at \$339, but the impact is almost five times as much compared to their incomes, at 2.3%.⁵ Think about this: What would the reaction be if the government suddenly imposed a 2.3% tax on the incomes of millions of the poorest Canadians so that a few thousand privileged people working in one small sector of the economy could benefit from “stable and predictable revenues?” There would be a gigantic outcry for sure. Well, this is exactly what is happening.

A study done by the Montreal Economic Institute looked at the issue from another angle. Using different thresholds to measure economic vulnerability, the authors calculated that between 133,032 and 189,278 Canadians find

⁴ OECD and FAO, Producer and Consumer Support Estimates database, June 2016, in Alexandre Moreau, “Trading Supply Management for Softwood Lumber?” MEI, March 2017, https://www.iedm.org/sites/default/files/pub_files/note0317_en.pdf.

⁵ Ryan Cardwell, Chad Lawley, and Di Xiang, “Milked and Feathered: The Regressive Welfare Effects of Canada's Supply Management Regime,” *Canadian Public Policy*, Vol. 41, No. 1, March 2015, <https://utpjournals.press/doi/10.3138/cpp.2013-062>.

themselves under the poverty line because of the extra amounts they have to pay to buy food, thanks to supply management.⁶

It should be clear that this is a transfer of wealth from the poorest to some of the richest in our society. Farming families working under supply management are indeed far richer than most Canadian families. Average after-tax income of all households in Canada is \$69,100.⁷ By comparison, the average dairy farming household income is \$147,800, and the number is \$180,400 for poultry-farming households. Moreover, many of these families are paper millionaires, thanks to the value of their quotas. The average net worth of a dairy farmer is \$3.8 million while that of poultry and egg farmers is \$5.9 million.⁸

Where are all those who claim to be working for the interest of the poor when it comes to this issue? They... agree with the status quo. They support a system that forces the poorest in our society to pay more than they should to eat, in order to support a caste of a few thousand rich families. For some reason, this is what passes as “progressive” thinking among left-wing interest groups, and Liberal and New Democratic activists.

It never ceases to amaze me that no other elected politician on the Left or Right dares to address this issue, even though it contradicts their purported fundamental principles. Defending the poor, if you’re a socialist, or defending the free market, if you’re a conservative, is less important for all of them than pandering to a tiny but powerful interest group. Of course, left or right is irrelevant: from my libertarian/conservative perspective, a real free market is what most benefits everyone, including the poor.

The system is not just harmful for consumers. Although it certainly benefits a small minority of farmers, it can be argued that it’s unfair for many others in the agribusiness industry.

⁶ Vincent Geloso and Alexandre Moreau, “Supply Management Makes the Poor Even Poorer,” MEI, August 2016. <https://www.iedm.org/63228-viewpoint-supply-management-makes-the-poor-even-poorer>

⁷ Statistics Canada, CANSIM Table 206-0031: Upper income limit, income share and average of market, total and after-tax income by economic family type and income decile, Canada and provinces, annual, 2015, <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=2060031>.

⁸ Statistics Canada, CANSIM Table 002-0072 : Farm financial survey, financial structure by farm type, average per farm (gross farm revenue equal to or greater than \$25,000), 2015, <http://www5.statcan.gc.ca/cansim/a26?lang=fra&id=20072>.

It can cost roughly between \$20,000 and \$40,000,⁹ depending on which province you're in, to get the right to milk one cow, in the form of a production quota. Of course, if you or your parents got these quotas for free in the early 1970s when the system was established, or if you've finished reimbursing the loan to pay them, you now have an "asset" that can be worth millions of dollars. For those who retire, or get out of the business and sell their quotas, this is a major windfall gain.

If you're a young farmer who would like to enter the field, however, the cost of quotas is especially prohibitive. You have to fork out these millions of dollars before even buying the cows, or the chickens, just for the right to produce. Imagine being able to use that money to buy pieces of equipment instead of pieces of paper? Your farm might become more efficient and more profitable, and this would benefit both you and the consumers of your products. This is a major problem in a sector where producers are getting older, and it's very difficult to entice the next generation to take over farms.

Innovative farmers are also penalized by the fact that they can't expand to answer the rising world demand for their products. In China, India and other Asian markets in particular, countries where dairy products are traditionally not part of the daily diet, things are changing and demand is rising quickly. But producers in the United States, Europe, Australia and New Zealand can benefit from this opportunity without any competition from Canada.

Our large dairy processing companies certainly understand that future growth is limited in Canada, and that's why they are investing a lot abroad. Saputo, one of the Canadian giants in the sector, is among the top four dairy processors in Argentina and Australia, as well as among the top three cheese producers and one of the largest producers of extended shelf-life and cultured dairy products in the U.S.¹⁰

Farmers under supply management only account for about 10% of all farmers in Canada.¹¹ The excessive attention that Canadian governments have devoted to

⁹ Les Producteurs de lait du Québec, Prix des quotas dans les autres provinces du Canada, <http://lait.org/fichiers/stats/2017/201701PQ.pdf>.

¹⁰ Saputo, Corporate Snapshot, <http://www.saputo.com/en/Investors/Investor-Toolkit/Corporate-Snapshot>.

¹¹ The numbers vary between 8 and 13% depending on how you calculate it. Statistics Canada, CANSIM Table 004-0200: Census of Agriculture, farms classified by the North American Industry Classification System (NAICS), 2016, <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=40200>; Statistics Canada, CANSIM Table 002-0072 : Farm financial survey, financial structure by farm type, average per farm (gross farm

the system is certainly unfair to the other 90% of farmers who haven't been able to develop their export markets as much as they otherwise might. Until now, Canada has always focused, when negotiating trade agreements, more on protecting those sectors covered by supply management than on trying to open new markets for the other agricultural sectors. If we had opened our markets for dairy, eggs and poultry, we might have been able to negotiate better access to foreign markets for our beef, pork, grain and other products.

Beyond the producers themselves, supply management is also unfair to all those businesses in the food preparation sector, like restaurants, which are forced to pay more for basic products and are therefore less competitive and profitable. In order to satisfy one small but powerful lobby, we restrict the development of thousands of other farming and food processing businesses across the country, and prevent the creation of thousands of jobs in these other sectors.

The nefarious influence of supply management goes even beyond that and could potentially affect many other sectors of our economy. Surprisingly, it may not just be partly responsible for less free trade with other countries, but also less free trade within Canada itself.

Although few noticed it, there was only one group that intervened before the Supreme Court in December 2017 besides the provincial, territorial, and federal governments in support of interprovincial barriers in the Comeau case: the supply management lobby. Because of the way the quotas are distributed provincially, without the option of trading them from one province to the other, the Dairy Farmers of Canada, Egg Farmers of Canada, Chicken Farmers of Canada, Turkey Farmers of Canada, and the Canadian Hatching Egg Producers intervened jointly to explain to the court that striking down interprovincial trade barriers "could result in the destruction of supply management."¹² Protecting their closed and rigid system, the supply management lobby is telling us, is more important than getting rid of interprovincial barriers, which are costing the Canadian economy anywhere between \$50 billion and \$130 billion a year.¹³

revenue equal to or greater than \$25,000), 2015,
<http://www5.statcan.gc.ca/cansim/a26?lang=fra&id=20072>.

¹² Bobbi-Jean MacKinnon, "New Brunswick needs alcohol revenue to cover social costs of drinking, Supreme Court told," CBC News, December 06, 2017.
<http://www.cbc.ca/news/canada/new-brunswick/supreme-court-interprovincial-trade-alcohol-comeau-new-brunswick-1.4381048>

¹³ Lukas Albrecht and Trevor Tombe, "Internal Trade, Productivity and Interconnected Industries: A Quantitative Analysis," *The Canadian Journal of Economics*, Vol. 49, No. 1, February 2016.

Arguments in support of supply management

There are many arguments being used to justify supply management. I've already dealt with the central claim that it allows farmers to earn a stable, and predictable, revenue. This is certainly true, but in an economy that's always changing and adapting, it's irrelevant. Nobody should have the right to force others to pay for their desire to have a stable revenue. It is simply immoral.

Supply management is also said to be necessary if we want to ensure that our rural communities stay dynamic and economically viable. Without it, supporters predict, farms will quickly disappear and this would devastate the rural areas where they are concentrated. My riding of Beauce is made up of several small, mostly rural communities, and I certainly take this argument seriously. But supply management is not the answer.

The number of dairy farms under this system has been decreasing just like other types of farms over the last half century. There were 113,008 when the system was put in place in 1971, but only 10,951 remaining in 2017.¹⁴ This means that 90% of dairy farms have disappeared over this period, and the number is still shrinking by several hundred every year. At this rate, these farms will have become a tiny portion of Canada's rural employment within another generation. Don't get me wrong. I'm not saying they're irrelevant and that this is a reason to let them disappear. All I'm saying is that supply management has not prevented the decline of rural employment, and the argument that we must maintain it in order to keep rural communities economically strong and dynamic is not valid.

One unfounded argument on the part of supporters of supply management that keeps coming up in the debate is that prices are not higher in Canada than in the U.S. and other countries, that they're simply average. It's easy to check whether this claim is true: just cross the border. Anyone who has been in a store in the US will have been astonished at the low prices there—sometimes half as much as ours. Of course, there are regional differences, there are loss leaders and temporary specials, and it's difficult to get a full and accurate picture of such a large market. But if Canadian prices are so competitive, why are farmers claiming at the same time that their market share would collapse, and most of our farms disappear, if we let in American imports?¹⁵ Why do we need tariffs of 150% to

¹⁴ Canadian Dairy Information Centre, Number of Farms, Dairy Cows and Heifers, http://www.dairyinfo.gc.ca/index_e.php?s1=df-fcil&s2=farm-ferme&s3=nb.

¹⁵ In January 2018, the lobby defending supply management released a study saying that Canadian producers would lose from 40 to 70% of their poultry market, 80 to 90% of their egg market, and all of their turkey market if American imports were allowed, because they could not

300% on foreign products to protect domestic ones? Why is trade protectionism one of the three “pillars” of the system, without which everyone agrees it would collapse? You can’t have it both ways. To claim that prices are not higher in Canada, and at the same time that it’s necessary to be protected from the lower prices of imported products, is an obvious contradiction.

To counter the argument that supply management depends on keeping away imports, supporters say that Canada actually buys a lot more dairy products from the U.S. than we sell them. This is true (although the imports are only a tiny portion of the market), but not because we have an open market.

A few years ago, American milk producers developed a new product, diafiltered (or ultrafiltered) milk, which was not covered by Canada’s sky-high tariff rules. Canadian dairy processors started buying more and more of it to make cheese, because it was much cheaper than Canadian milk, contained more protein and produced less waste. The dairy lobby has been very busy pressuring the government to close this “loophole” in their third pillar. An agreement within the industry in the summer of 2016 temporarily solved the crisis, however. It provided processors with a new category of cheaper milk—cheaper because it was cross-subsidized within the system, something that can be done only in a system bureaucratically controlled and managed. What’s ironic is that not just private multinational processors like Parmalat and Saputo, but even processors controlled by milk producers, such as the Agropur cooperative, were buying imported diafiltered milk. As processors, they knew they had an interest in buying a cheaper input, but as producers, they were trying to close this door. There could be no better example of just how dysfunctional the system is.

So this leak has been mostly closed for now, although it did anger American producers who were selling this diafiltered milk, and gave president Donald Trump another issue on which to criticize Canada in his quest to renegotiate NAFTA (more on this below). Meanwhile, our exports to the U.S. market are very small. Because the system is based on control of production and high prices, there is nothing we can sell them. The trade deficit in dairy products we have with the U.S. is, therefore, not a consequence of open Canadian markets, but a side effect of the fact that the system is closed and rigid. It can’t easily adapt to change. A new, innovative product developed by our neighbour was enough to disrupt it. Innovation is just not supposed to happen in planned systems, unless

compete. Éric Desrosiers, “Les agriculteurs ne veulent plus céder un pouce, même pour sauver l’ALENA,” *Le Devoir*, January 20, 2018.

bureaucrats “plan” it so that it causes no disruption. No Schumpeterian creative destruction allowed here!

When you finally get supply management supporters to admit that Canadian consumers pay more than they should, they switch to another argument. They claim that abolishing the system would simply mean that Canadians would support them through taxes instead, to fund the same subsidies that all other countries give to farmers. The beauty of supply management, they say, is that it works without subsidies and is less costly for Canadians than if governments were handing out tax dollars.

This argument doesn't hold water either. Canadian dairy farmers get far more support than farmers in the US, Europe and Australasia. According to the OECD, they get 44% of their income from the implicit subsidy from consumers, while American dairy farmers only get 13% of their income from government subsidies, European farmers get 5%, and farmers in Australia and New Zealand get nothing.¹⁶ So, even if we abolished supply management and subsidized our dairy farmers to the same tune as the American government, Canadians would be saving about \$2 billion every year compared with what they pay under the current system.

A related argument is that compensating farmers for the loss of their quotas would cost such an astronomical sum that it is simply unfeasible. If you look at the market value of quotas, estimated at \$35 billion in 2016,¹⁷ the number indeed looks daunting. But that's not what it would cost the government to buy them back.

In the 1970s, when the system was established, farmers who received quotas on the basis of historical production got them for free. Few are still in the business, but in some cases their children inherited the farms, also without paying anything for quotas. Farmers who have entered the sector since then bought quotas at prices that were lower than today's, since they have kept increasing.

We should also take into account the fact that farmers have benefited from artificially high prices for all these years. Even if they had to go into debt to buy expensive quotas, this “investment” guaranteed them handsome—and stable—

¹⁶ OECD, 2017 - Monitoring and evaluation: Single commodity indicators, 2016, https://stats.oecd.org/Index.aspx?DataSetCode=MON2017_SINGLE_COMMODITY_INDICATOR_S.

¹⁷ Statistics Canada, CANSIM Table 002-0020: Balance sheet of the agricultural sector, at December 31, and ratios, 2016, <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=20020>.

returns. The quotas are worth more today simply because of the artificial scarcity created by the system. It would be illogical to reward farmers for this with taxpayers' money. It's the accounting value of quotas—how much was originally paid for them by the owner—that should form the basis for compensation. Those who bought them recently would be reimbursed almost the full market value, while those who bought them at lower prices years ago would get less, and those who got them for free would get nothing.

One study by the Montreal Economic Institute estimated the compensations at \$13 billion on the basis of the accounting value of the quotas, without depreciating it over the years to account for the rent that farmers received.¹⁸ If reimbursed gradually over a period of ten years, this would cost the federal government \$1.6 billion a year, for a total of \$16 billion (which corresponds to the value in ten years of \$13 billion today). This is certainly a very manageable amount when you think Ottawa is slated to spend \$338 billion in 2018-19.

Another study by the Conference Board of Canada, which does depreciate the value of the quotas, found an even lower number. In that scenario, the buyout would cost between \$3.6 billion and \$4.7 billion in total.¹⁹ Keep in mind that while they would need to pay taxes to fund this buyout, Canadians would save billions of dollars annually thanks to the lower prices they would pay for these products.

By the way, these numbers help to illustrate the folly of promising \$4.3 billion to supply-managed farmers when the Trans-Pacific Partnership free trade agreement was announced in October 2015. This money would have been doled out over 15 years through various programs as compensation for the market access granted to foreign producers. It also included compensation for some additional opening of our market to European cheese makers.

As we've just seen, according to Conference Board calculations, \$4.3 billion would have been enough to buy out all the quotas and get rid of the whole system. It represented a third of the necessary amount, according to MEI calculations. But Canadian taxpayers would have had to fork it out anyway just to compensate farmers for imports that account for tiny portions of the market: 3.25% of dairy production, 2.3% of egg production, 2.1% of chicken production,

¹⁸ Vincent Geloso and Alexandre Moreau, "Ending Supply Management with a Quota Buyback," Montreal Economic Institute, June 2017, http://www.iedm.org/files/lepoint0717_en.pdf.

¹⁹ Michael Grant, Richard Barichello, Mark Liew, and Vijay Gill, "Reforming Dairy Supply Management: The Case for Growth," The Conference Board of Canada, March 6, 2014, <http://www.conferenceboard.ca/cfic/archive/research/2014/dairysupply.aspx>.

and 2% of turkey production.²⁰ The government—yes, the government I was a part of, I'm sad to say—wanted to make sure only a few weeks ahead of the election that no one, neither the supply management lobbies, nor the opposition parties, would criticize it for failing to compensate the farmers enough.

One silly argument I had to respond to countless times during the leadership campaign was that supply management protects Canadian consumers from the bad American milk full of growth hormones. If we open our doors to imports, we'll be forced to drink that poisonous stuff and get sick!

Bovine somatotropin is a growth hormone naturally produced by cows. It is true that the synthetic version, called recombinant bovine somatotropin, is not approved for sale in Canada, but is used in the US to increase the production of milk. Only a small proportion of cows in the US are injected with it. In the 1990s, Health Canada determined that, although it didn't pose a health risk to humans, there were increased animal health concerns, such as a higher incidence of udder infections. The hormone is destroyed by pasteurisation. There is simply no scientific basis for this fear.²¹ (And by the way, most Canadian beef producers use growth hormones too, not bovine somatotropin, but other types approved by the government.)

For those who still don't want to drink milk from cows injected with it, however, there is a simple mechanism provided by the free market: choice! Even if we import this kind of milk, anyone will still be able to buy Canadian milk, or American milk from cows not injected with the hormone. If that's what a lot of consumers want, distributors will have an incentive to answer this demand with the appropriate label, or be forced to indicate it by regulation. Moreover, the government could decide not to allow the importation of milk from cows injected with the hormone, and American producers who want to sell in Canada would have to comply with this, just like our beef producers comply with Japanese standards when they export there. In short, this is just another myth used by supply management supporters to frighten Canadians.

²⁰ Janyce McGregor, "TPP deal 'in best interests' of Canadian economy, Stephen Harper says," CBC News, October 05, 2015, <http://www.cbc.ca/news/politics/canada-election-2015-tpp-agreement-atlanta-1.3254569>.

²¹ Health Canada, Questions and Answers - Hormonal Growth Promoters. <https://www.canada.ca/en/health-canada/services/drugs-health-products/veterinary-drugs/factsheets-faq/hormonal-growth-promoters.html> Valérie Borde, "Faut-il avoir peur... des vaches américaines?" *L'actualité*, May 12, 2016. <http://lactualite.com/lactualite-affaires/2016/05/12/faut-il-avoir-peur-des-vaches-americaines/>

How the supply management lobby influences politics

Unfortunately, polls indicate that the vast majority of Canadians have little to no idea what supply management is really about. According to a survey done in the summer of 2017, a majority—58% across the country—said they knew “nothing about it.” Just 4% said they knew “a lot,” with the rest knowing “a little.”²² What Canadians know and hear about supply management is probably mostly positive, given that until recently, there was barely any criticism of the system in the media and academic world, or, of course, in political debates.

Despite representing such a small portion of our overall economy, the supply-managed sectors, and especially the dairy lobby, are extremely effective at making the case for their privileges. They have a large union bureaucracy and huge budgets, and they use them to influence public opinion, as well as to keep pressure on politicians and federal and provincial agriculture department officials. In Quebec, everybody knows that the Union des producteurs agricoles is more or less an extension of the provincial Ministry of Agriculture—or perhaps the other way around!

The supply management lobby makes sure that university professors, researchers and students in the field of agriculture will know on which side their bread is buttered. A quick search on the internet will reveal that the lobby distributes millions of dollars to fund research, university chairs, masters and PhD scholarships, and various programs across the country, many of which directly relate to the teaching of “collective marketing of agricultural products.”²³

The lobby also puts pressure directly on all elected officials. Since my first election as MP in 2006, representatives from the local chapter of the Union des producteurs agricoles have been coming to my office twice a year in Beauce to “keep me informed” of agricultural issues. They have never failed to discuss supply management.

²² Angus Reid Institute, “Supply Management: Most Canadians say scrapping system should be on the table during NAFTA talks,” August 2, 2017. <http://angusreid.org/supply-management-nafta-renegotiation/>

²³ Just for Laval University in Quebec City, see for example the Chaire d’analyse de la politique agricole et de la mise en marché collective, <http://www.capammc.fsa.ulaval.ca/a-propos/partenaire/>, and the Chaire de leadership en enseignement de la mise en marché collective des produits agricoles, <https://www.ulaval.ca/les-etudes/chaire-de-leadership-en-enseignement-cle/les-chaire-de-leadership-en-enseignement/mise-en-marche-collective-des-produits-agricoles.html>, both funded by the Union des producteurs agricoles. Another researcher at this university is funded by the Eggs Farmers of Canada, <https://www.fsa.ulaval.ca/recherche/regroupement-de-chercheurs/chaire/chaire-en-partenariat/economique-sur-industrie-des-oeufs/>.

This whole dynamic is, of course, a typical example of the Public Choice analysis that I discussed in a previous chapter, which explains what happens when the benefits of a policy are concentrated in a small group, while the costs are dispersed among the population at large. Although it would be in their interest to oppose it, the average Joe and Jane will have little incentive to do so. It's simply too complicated and costly to get informed and organized to achieve this goal, compared with what they could save if the policy was changed. On the contrary, the group that benefits from it has a huge incentive to organize, mobilize its membership, get informed, be politically active and do everything possible to keep it in place, because they have so much to lose. Although the interest group is much smaller than the population negatively affected by the policy, its political influence is much larger than that of this amorphous group of uninformed and unorganized citizens.

This explanation makes a lot of sense. As we shall see below, it's very probable that the votes of a small number of farmers in a few key ridings made the difference in the final results of the Conservative leadership race. It's the classic case of how interest groups can have an oversized impact: you mobilize your small troops to defeat any politician who threatens your interests, which ensures that nobody else dares to do the same. However, elections to elect a government are fought under rules that differ from those of a leadership race, and that influence must be felt in hundreds of ridings. And with the constantly dwindling number of farmers under supply management, we may have reached a point where this dynamic is about to break down.

Martha Hall Findlay was the first leadership candidate of a major Canadian political party to propose the abolition of supply management when she ran in the 2012-13 Liberal race, although she wasn't an MP at the time, having been defeated in the 2011 general election. Her arguments were essentially the same as mine. Unfortunately, she lost that leadership race too, but not because of the supply management lobby. Her candidacy was eclipsed by that of the star candidate, Justin Trudeau, and the issues she raised did not attract much attention beyond Liberal circles. She ended up with only 6% of the vote in third place, way behind Trudeau's 79%.²⁴

Hall Findlay told an interviewer that while she was on Parliament Hill, many of her fellow MPs would secretly tell her that, "We know [supply management] has

²⁴ Wikipedia, Liberal Party of Canada leadership election, 2013.
https://en.wikipedia.org/wiki/Liberal_Party_of_Canada_leadership_election,_2013#Results.

to go, but we just don't have the votes." "That just drove me crazy," she says.²⁵ She proceeded to publish a fascinating study for the University of Calgary School of Public Policy that not only makes the economic case for dismantling the system, but also explains why, contrary to what is widely believed, it is politically feasible.²⁶

She looked at how many dairy farms there were in each of the then 308 electoral ridings in Canada, and analysed how the results of the 2011 elections would have changed had those farmers and the dairy community voted against the Harper government after a decision to abolish supply management. She found that there were only 13 ridings in Canada with more than 300 dairy farms, eight in Quebec and five in Ontario (including mine, in third place with 465 farms). Conservative MPs comfortably held eight of these ridings. Her conclusion? The overall election results would not have been much different. "There are now few, if any, ridings where dairy votes could plausibly swing elections—particularly compared to the votes of all those in those same ridings who would benefit from dismantling supply management."

This analysis would be even more relevant if applied to a Liberal rather than a Conservative government. The Conservative Party tends to be stronger in rural ridings than the Liberal Party. The Liberals would have very little to lose electorally if they decided to scrap supply management. Instead, they would finally have something real to brag about when they say their priority is to help the middle class. In the context of NAFTA renegotiations, they could argue they had no choice but to give it up in order to ensure a deal with the Trump administration (at the time of writing this in early 2018, the negotiations are still ongoing). I'm surprised that Liberal strategists haven't thought of this yet. Or perhaps they have?

Campaigning against supply management

I have no doubt whatsoever that supply management is bad for Canadian consumers, bad for many farmers, and bad for our whole economy. Given all these solid economic arguments, why was my position not a foregone conclusion right from the start, as I wrote at the beginning of this chapter? The short answer

²⁵ Carolyn Cooper, "The future of supply management," Food in Canada, March 26, 2014, <http://www.foodincanada.com/features/future-supply-management/>.

²⁶ Martha Hall Findlay, with assistance from Margarita Gres, "Supply Management: Problems, Politics - and Possibilities," The School of Public Policy, University of Calgary, June 2012, <https://www.policyschool.ca/wp-content/uploads/2016/03/supply-management-hall-findlay.pdf>.

is that I am a politician. A politician who tries to do politics differently, for sure—and I think I have the record to prove it. But a politician nonetheless, subject to the same political pressures that affect other politicians, and impacted by the same dynamics explained by Public Choice theory. In the end, I can decide to do things differently on far more issues than most other politicians. But that doesn't mean I make totally different calculations and play by totally different rules. I could never have become an MP or been a minister for so many years if that were the case.

What to do about supply management had been a recurring topic in the many discussions I'd had over the years with Martin Masse, my closest political advisor since my days as Minister of Industry in 2006-07, regarding my possible involvement in a leadership campaign. Martin had always been of the view that I had no choice but to declare my opposition to it if I wanted to firmly establish my brand and be taken seriously as a principled free-market conservative. I couldn't pretend to be fighting the perverse logic exposed by Public Choice theory regarding the power of interest groups, and then just succumb to it when it came to supply management. Martin's perspective was that of the strategist working in the background, though; mine was that of the politician who had to face disappointed colleagues and angry constituents. I agreed with him in theory. But I'd never made up my mind definitively.

One important reason for my hesitation was the need to get caucus support. Extensive support among one's colleagues in Parliament is not necessary to win a leadership campaign, but it is one more factor that can contribute to it. I knew that most MPs would refuse to back me if I came out against supply management, even if they liked my other policies. And that is, of course, precisely what happened. Only six ended up supporting me.

This is despite the fact that many of them understand perfectly well how bad the system is and privately oppose it. And that includes at least one leadership candidate, who told me he or she, too, would prefer a free-market approach, but believed he or she could not be elected leader without supporting supply management, and that the party itself could not win a national election if it changed its policy.

Some of these politicians who support supply management when they're in office, because they have no choice, or don't see how they could otherwise be successful, at least have the good sense to set the record straight when they leave politics and finally feel free to speak their minds. The most famous of these

is, of course, former Prime Minister Brian Mulroney. In a keynote address to the GrowCanada agricultural conference in Ottawa in December 2014, he said the time had come to end this protectionist regime.²⁷

Another is my former esteemed colleague Joe Oliver, who was the Finance Minister for the last two years of the Harper government. After his defeat in the 2015 general election, he started writing hard-hitting policy columns regularly in the *Financial Post*. In April 2016, just a few weeks before my own policy announcement, he published a piece with all the right arguments in favour of dismantling supply management. This greatly encouraged me. From a strategic perspective, he argued that, “We have three-and-a-half years before the next federal election. That affords plenty of time for one of the parties to convince Canadians they would be better off without a domestic cartel and to develop a plan to rid us of this albatross in a manner that does not entail political suicide.”²⁸ Obviously, I was fully in agreement with this. I talked to him, and he ended up officially endorsing my candidacy later in the campaign.

As it became more and more obvious that I would declare my candidacy in the spring of 2016, two former Conservative staffers, Aaron Gairdner and Steven Barrett, approached me to offer their services and some ideas on how to run my campaign. Both had worked for many years with Agriculture Minister Gerry Ritz, Aaron as chief of staff, and Steven in various management positions. They would later become my campaign manager, and director of strategic operations, respectively. They proposed differentiating my campaign from the others by pushing the envelope even further in support of supply management, so as to calm down suspicions among Quebec farmers that I might not be on their side.

I told them to discuss this plan with Martin, who convinced them this was the wrong way to deal with the problem. Having worked for so long in agriculture politics, they were acutely aware that many Conservatives disliked supply management, especially in Western Canada. They knew it was just a way to buy the votes of dairy farmers in Quebec and Ontario, where they were concentrated, and they weren't particularly proud of the party's policy. It was something of a

²⁷ Barrie McKenna, “A strong voice challenges an anchor on the Canadian economy,” *The Globe and Mail*, December 7, 2014, <https://www.theglobeandmail.com/report-on-business/canadians-paying-high-price-for-supply-management-system/article21983265/>.

²⁸ Joe Oliver, “Supply management is milking the poor — and no party will stop it,” *Financial Post*, April 13, 2016, <http://business.financialpost.com/opinion/joe-oliver-supply-management-is-milking-the-poor-and-no-party-will-stop-it>.

relief for them to drop it, and they concluded it would be much more fun to do what they knew was right than to play this game of pandering.

I was becoming more and more convinced myself that I had to jump. But the other key question was, when? Should I symbolically make supply management my first announcement, as Martin was pushing me to do, to establish my credibility right from the start and get the issue off my back? Or should I wait until the end of the campaign? Waiting would have the advantage of leaving the option open to decide to not make any announcement if the campaign was going well and I didn't have to.

Almost everyone else on the team preferred to avoid the drama of an early announcement and wait as long as possible. My father Gilles, in particular, was dead set against it. He had had a relationship with farmers in Beauce going back to his days as MP during the Mulroney years. He was afraid it would destroy any chance I had to win the leadership. Jacques Gourde, my colleague MP from Lévis-Lotbinière who joined my campaign as co-chair for Quebec, had another good argument in favour of postponing. He said it would give farmers a full year to sign up and organize their opposition to my candidacy if I made an early announcement. Better to remain quiet and not antagonize them from the start.

As I recounted at the beginning of the chapter, the daily barrage of questions and criticism I faced on the part of journalists and Conservative supporters, to either take a stand or be labeled a hypocrite, was the other key emotional and strategic factor. Would I have to endure this for the full duration of the race? For a whole year? The thought of it was unbearable. Moreover, it might very well sink my credibility and destroy my main competitive advantage.

On April 8, David Clement, who had joined the team as our media analyst, sent an email in which he reviewed the media coverage of my candidacy announcement. He noted that:

Unfortunately, a large majority of the articles mention Maxime's support of supply management, and how that contrasts with his more libertarian views about removing government involvement in the private sector. This could be a sticking point moving forward if not properly addressed. The buzzwords surrounding Maxime's campaign are passion, conviction and principles, so we will want to make sure that supply management isn't a thorn in our side for the entirety of the campaign.

Martin and I spent several more hours on the phone discussing the various arguments and options. And then I finally made up my mind to do the announcement as soon as possible. I just couldn't spend the whole campaign prevaricating and constantly being on the defensive. I had to follow through with what I believed in. My campaign would live or die with supply management.

On May 31st, I made my policy announcement on supply management at a press conference in Ottawa. I explained why I had never made clear my opposition to it during my decade in politics. I listed the reasons to dismantle it. I proposed to do it over a period of five to ten years, with a gradual phase-out of import barriers and a temporary levy on supply-managed products to fund the compensations to farmers, as Australia did successfully in the early 2000s.

I gave a rough estimate of between \$18 billion and \$28 billion for the cost of these compensations. Although I was aware that appropriate compensations would be lower than the full market value of the quotas, estimated at \$35 billion as mentioned above, we did not have the time nor the resources then to make the complex calculations necessary to find a more precise number. I was not aware of the Conference Board study, and the MEI study had not yet been published. Had I known then about their estimates of the accounting value of the quotas at between \$3.6 billion and \$13 billion, I would have used these lower numbers. And I would have avoided proposing a temporary levy to fund them, which wouldn't actually have been necessary. Predictably, some of my opponents used that levy during the campaign to accuse me of wanting to impose a new permanent tax on milk, eggs and poultry.

The announcement gave its initial impetus to my campaign. I shed all my previous doubts and inhibitions. I was never afraid again to discuss and debate it, and I did so at every opportunity. The sneering gradually disappeared. I regularly met people who told me they had joined my campaign because of the stand I'd taken. I was proud, and happy with my decision.

I found a new opportunity to add a new twist to the debate in early November, midway through the leadership campaign, when Donald Trump was elected President of the United States. Trump had promised major tax cuts, to reopen the NAFTA agreement, and was threatening to impose new tariffs on Canadian softwood lumber. In an opinion piece in the *Financial Post*, I explained that we needed a bold response if Canada's economy was to remain competitive. I offered my tax plan to match his tax cuts, but also briefly suggested using supply

management as a bargaining chip to quell his protectionist tendencies.²⁹ Little did I know how far this suggestion would go.

Five months later during a speech in Wisconsin, the heart of dairy farming in the US, Trump specifically targeted Canada because of the recent restrictions on imports of diafiltered milk: “Some very unfair things have happened to our dairy farmers and others and we’re going to start working on that.”³⁰ We reacted quickly. The next day, the *Globe and Mail* ran my open letter to the President, in which I wrote:

I agree with you that this protectionist system is unfair for the farmers in Wisconsin and other states, who cannot make a better living by selling their products to their Canadian neighbours. But you will excuse me if I say I am mostly sorry for a much larger group: the 35 million Canadians who are paying on average twice as much as they should for their eggs, chicken and dairy products.³¹

I went on to tell the President that both our countries’ producers and consumers would gain if he dismantled his tariff wall against Canadian softwood lumber, while we got rid of our restrictions on agricultural imports.

This letter provoked another round of criticism from other leadership candidates. I was accused of being a weak negotiator because I announced I wanted to get rid of supply management even before getting any concession in exchange. But that entirely missed the point. I was not negotiating with the US. The Liberal government was. No suggestion I made had any influence on the strength of Canada’s hand at the negotiating table. What I was saying was that this government should use this card in the current NAFTA renegotiations. Or else, if I were to be Prime Minister one day, I would abolish it anyway, simply because there is no point in maintaining a policy that’s bad for all Canadians. This is true even without the added advantage of getting something in return in international trade negotiations.

²⁹ Maxime Bernier, “In the era of Trump, Canada can’t afford these tax-and-spend policies,” *Financial Post*, November 15, 2016, <http://business.financialpost.com/opinion/maxime-bernier-in-the-era-of-trump-canada-cant-afford-these-tax-and-spend-policies>.

³⁰ The Canadian Press, “‘What happened?’: Canadian dairy farmers being ‘very unfair’ to U.S. counterparts, Donald Trump says,” *National Post*, April 18, 2017, <http://nationalpost.com/news/canada/what-happened-canadian-dairy-farmers-being-very-unfair-to-u-s-counterparts-trump-rails>.

³¹ Maxime Bernier, “Mr. President, you’re right: Supply management is unfair,” *The Globe and Mail*, April 19, 2017, <https://www.theglobeandmail.com/opinion/mr-president-youre-right-supply-management-is-unfair/article34748178/>.

Finally, in October 2017, five months after the conclusion of the race, and almost one year after I made the suggestion, the US government officially demanded an end to supply management as part of the negotiations.³² At the moment of writing, it's still unclear what will come out of this. But I took it as a small victory, for me, for my team, and for Canadian consumers.

During the final months of the campaign, as polls indicated that I had a real chance of becoming the next leader, opposition from the supply management lobby gathered speed. Radio-Canada reported on dairy farmers who were busy selling Conservative Party memberships across Quebec.³³ A Facebook page called *Les amis de la gestion de l'offre et des régions* (Friends of supply management and regions) was set up and had gathered more than 10,500 members by early May. As members started receiving their ballots by mail from the party, its creator, Jacques Roy, asked them to vote for Andrew Scheer.³⁴

Andrew, along with several other candidates, was then busy touring Quebec's agricultural belt, including my own riding of Beauce, to pick up support from these fake Conservatives, only interested in blocking my candidacy and protecting their privileges. Interestingly, one year later, most of them have not renewed their memberships and are not members of the party anymore. During these last months of the campaign, the number of members in Quebec had increased considerably, from about 6,000 to more than 16,000. In April 2018, according to my estimates, we are down to about 6,000 again.

A few days after the vote, Éric Grenier, a political analyst at the CBC, calculated that if only 66 voters in a few key ridings had voted differently, I could have won.³⁵ The points system, by which every riding in the country represented 100 points regardless of the number of members they had, gave outsized importance

³² Alexander Panetta, "The final NAFTA bombshell: U.S. demands Canada end supply management for dairy, poultry, eggs," *National Post*, October 17, 2017, <http://nationalpost.com/news/politics/nafta-u-s-demands-end-to-supply-management-in-canadian-dairy-poultry-eggs>.

³³ Raphaël Bouvier-Auclair, "La mobilisation des agriculteurs québécois coûtera-t-elle la victoire à Maxime Bernier?" Radio-Canada, March 8, 2017, <https://ici.radio-canada.ca/nouvelle/1020973/la-mobilisation-des-agriculteurs-quebecois-couter-t-elle-la-victoire-a-maxime-bernier>.

³⁴ Raphaël Bouvier-Auclair, "Gestion de l'offre : l'initiateur du mouvement contre Bernier appelle à voter Scheer," Radio-Canada, May 4, 2017, <https://ici.radio-canada.ca/nouvelle/1031852/jacques-roy-gestion-offre-amis-region-initiateur-mouvement-contre-bernier-soutien-appui-andrew-scheer>.

³⁵ Éric Grenier, "How 66 voters could have cost Maxime Bernier the Conservative leadership," CBC News, June 1, 2017, <http://www.cbc.ca/news/politics/grenier-bernier-conservative-points-1.4139716>.

in the vote to a handful of ridings with few members. Of course, a lot more than 66 supply management farmers voted, likely thousands of them in Quebec, Ontario, and the other provinces. I even lost my riding of Beauce by 51% to 49%, the same proportion as the national vote.

At the annual press gallery dinner in Ottawa a few days after the vote, a gala where personalities make fun of political events of the past year, Andrew was said to have gotten the most laughs when he declared: “I certainly don’t owe my leadership victory to anybody...”, stopping in mid-sentence to take a swig of 2% milk from the carton. “It’s a high quality drink and it’s affordable too.”³⁶ Of course, it was so funny because everybody in the room knew that was precisely why he got elected. He did what he thought he had to do to get the most votes, and that is fair game in a democratic system. But this also helps explain why so many people are so cynical about politics, and with good reason.

After the vote, I told Andrew I would keep quiet on this issue. There was no point in continuing to fight, and in so doing foment disunity within the party and show disrespect to the new leader. The party had chosen someone who supported supply management. Once again, I had no legitimacy to question its democratic decision. But I will never again say the opposite of what I believe in and pretend this is a good system just for the sake of party unity. A substantial portion of the party is behind me on this. And the next time an opportunity presents itself to debate it, I will resume my fight.

Supply management’s days are numbered

So, when all is said and done, was it a good decision to take a firm stand against supply management? Since the vote in May 2017, many people have commented publicly, or told me privately, that I would be the Conservative leader today if I had either not talked about it—so that it wouldn’t have become an issue in the campaign—or, at a minimum, not mentioned it so often and not made it a central plank of my platform.

I don’t see how I could have campaigned differently. I certainly could not have taken a stand in favour of supply management. My campaign would have been based on a lie. Over the years, in speeches, I said repeatedly that, for

³⁶ Janice Dickson, “Who’s laughing now? The top ten funny stories in Canadian politics, 2017,” *iPolitics*, December 27, 2017, <https://ipolitics.ca/2017/12/27/whos-laughing-now-top-ten-funny-stories-canadian-politics-2017/>.

conservative principles to win, we must defend them openly, with passion and conviction. This was even written on the masthead of my blog for many years. I obviously couldn't have defended supply management with passion and conviction. I would have been uncomfortable—even ashamed—all along. We Conservatives aren't credible when we talk about principles and then turn around and defend policies that squarely contradict these principles. The sneering of the trolls and of those principled free-market Conservatives who were skeptical of me at the beginning of the campaign would have continued for the whole duration of it, until the very end.

Even if I hadn't made it such a central issue, it wouldn't have worked. My opponents would still have made a fuss about it, and I would have looked weak and constantly on the defensive. It would have been a burden for my campaign, but without all the benefits that came from making it central to my message. My announcement established my credibility as a free-market reformer right from the beginning of the campaign. It showed I wasn't afraid to take on controversial issues. As *National Post* columnist Andrew Coyne wrote eloquently in 2012 in an article praising Martha Hall Findlay for her own stand on supply management during her leadership campaign:

While far from the most pressing issue before the nation, the divide between experts and evidence, on the one hand, and the political class, on the other, gives it unusual symbolic weight. Indeed, it can serve as a kind of litmus test, a benchmark of political seriousness. If you cannot bring yourself to say it is wrong to make poor families pay three times the market price of milk to prop up a handful of wealthy farmers, you are not in the business of serious politics.³⁷

It's certainly true that, as Jacques Gourde feared, I motivated farmers to organize, buy membership cards, and vote against me. But I also motivated thousands of people to buy their card and vote for me, and support me enthusiastically, because they understood this was the most obvious symbol of my commitment to doing politics differently. It also brought in a lot of money every time we sent a fundraising email mentioning it, which helped pay for our campaign organization. My stand on supply management certainly was a double-edged sword. It made my opponents stronger, but it also made me stronger. In

³⁷ Andrew Coyne, "Martha Hall Findlay's attack on supply management is good for her, better for the Liberals," *National Post*, June 22, 2012, <http://nationalpost.com/opinion/andrew-coyne-martha-hall-findlays-attack-on-supply-management-is-good-for-her-better-for-the-liberals>.

the end, I believe it brought me more votes than it cost me. I probably would have lost with an even bigger margin if I had campaigned differently.

Despite the leadership loss and the obvious failure to convince enough members of the party of the merit of abolishing supply management, one of my biggest sources of pride has been how the debate seems to have shifted in the months following the vote. Whereas for decades there had been only rare critical mentions of supply management in the media, it has now become a regular topic of discussion for editorialists and columnists.

A typical example of this was the reaction, in December 2017, to the news that major Canadian grocery chains and bakeries colluded for more than a decade to keep the price of sliced bread higher than it should have been. In the space of a few days, several commentators reacted the same way: If you think the sliced bread cartel is bad, you should be more worried about the government-sanctioned supply management cartel!

Even the editorialists at the *Toronto Star*, a paper with generally left-of-centre views supportive of government interventions in the economy, wrote that “Anyone angered by revelations about price-fixing on bread should bottle that feeling and direct it where it would count a lot more: against Canada’s consumer-unfriendly policies that hike the prices families must pay for milk, cheese, chicken and eggs.” The article compared the few dollars more every year the scheme may have cost Canadian families who buy sliced bread with the hundreds of dollars that supply management costs the average family.³⁸

Over at the *Globe and Mail*, business columnist Barrie McKenna had the same reaction: Yes, it’s outrageous that major grocery chains and bakeries conspired to jack up the price of sliced bread, but “if you really want to get riled up, head over to the dairy aisle or the meat counter. There, producers have been brazenly fixing prices on dozens of essential food items since the 1970s – all with the blessing of Ottawa and the provinces.”³⁹ An editorial in the same paper also commented on the sliced bread cartel, noting that, “Unfortunately, some of the worst cases of restraining competition are government policy, and hence perfectly legal. Just look at agricultural supply management, which artificially

³⁸ Star Editorial Board, “Angry about bread price? Save some for supply management,” *Toronto Star*, December 20, 2017, <https://www.thestar.com/opinion/editorials/2017/12/20/angry-about-bread-prices-save-some-for-supply-management.html>.

³⁹ Barrie McKenna, “Loblaws’ behaviour is outrageous. But so are other schemes to fix the cost of food,” *The Globe and Mail*, December 21, 2017.

boosts prices for foods such as dairy, to the benefit of producers and the detriment of consumers.”⁴⁰

A few days later, Peter Shawn Taylor, who is editor-at-large of *Maclean's* magazine, made the same point in a column in the *Waterloo Record*: “With the brief exception of former federal Tory leadership candidate Maxime Bernier, every politician in the country seems to think price fixing for dairy and poultry is a good thing because it keeps farmers happy. So why do we care so much more about the mood of farmers than bakers?”⁴¹ The answer to this question is of course that there are more votes to lose denouncing the supply management cartel than the sliced bread cartel.

If this kind of basic economic common sense had only been slightly more widely shared at the beginning of the leadership campaign, the results might have been different. I believe it shows a change in the terms of the debate. Public Choice theory explains why such policies are difficult to change, but it doesn't say they can never be changed. More people now know that supply management is a bad policy. Fewer and fewer producers benefit from it every year. At some point, the arithmetic will force a change.

After the groundwork I did in my campaign, anyone willing to defend the same position in a future leadership race, or in government, will find it easier. If not on the basis of principles and sound economic policies, change will come because it will have become politically and economically inevitable, perhaps very soon if it's part of a renewed NAFTA deal. An unstable system based on lies, coercion, and the exploitation of the majority to benefit a tiny minority, is bound to collapse one way or another. Just like the Berlin Wall had to fall one day.

⁴⁰ Editorial, “A win for the Competition Bureau,” *The Globe and Mail*, December 22, 2017.

⁴¹ Peter Shawn Taylor, “Where are all my other price-fixing gift cards?” *The Record*, January 4, 2018, <https://www.therecord.com/opinion-story/8034471-where-are-all-my-other-price-fixing-gift-cards/>.