

ABSTRACT

Macroeconometric Perspectives of Trinidad and Tobago's Agricultural Sector
Performance within a Dutch Disease Framework

Scott Mark Romeo Mahadeo

De-agriculturalisation refers to the underperformance of key macro-agricultural variables, such as employment, output and export levels. In the 21st Century, production agriculture in Trinidad and Tobago experienced several episodes of annual slumps, export agriculture had an amplified average annual rate of decrease and employment in agriculture declined considerably. These events occurred within a comparatively accelerated macroeconomic environment. In economic literature, one popularised cause of such de-agriculturalisation in an oil and gas exporting economy, like Trinidad and Tobago, is the Dutch disease. Essentially, this thesis sought to develop a time series econometric framework for diagnosing the Dutch disease in Trinidad and Tobago, to determine if this infection could be classified as a contributing factor of de-agriculturalisation. The empirical screening made use of 14 quarterly macroeconomic variables across three reduced-form vector autoregressions, from 2000 to 2013. These models were used to estimate generalised impulse response functions, forecast-error variance decompositions and Granger-causality. Subsequently, the results indicated that energy booms were adverse for the agricultural sector, but stimulating to the service and manufacturing sectors. There were also strong associations noted between the various economic sectors, but these relationships exhibited harmful effects for agriculture. In addition, through the terms of trade channel of the Dutch disease, energy price shocks led to an appreciation of the real effective exchange rate, which negatively impacted on the exports of both the agricultural and manufacturing sectors. Finally, several policy implications on how to appropriately cope with the diagnosed Dutch disease-induced de-agriculturalisation in Trinidad and Tobago were considered. These included a laissez-faire approach towards the real effective exchange rate appreciation, counter cyclical fiscal policies, as well as an assortment of re-agriculturalisation initiatives for domestic production agriculture.

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