Are Governments of the Right Leviathan for Agriculture?
An Empirical Study of Government Transfers to Agricultural Producers in Canada

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Leviathan

Hobbes (1651) saw the state as an enormous “artificial man” intended to protect and defend “natural man.” Leviathan’s tentacles permeate the nation to protect humanity from “destruction from within”

What we do

Regress Producer Subsidy Equivalent (PSE) as a percent of gross farm receipts on percent of seats held by right leaning conservative parties & political party concentration index
Include controls for state of the agricultural economy, trade negotiations, importance of agricultural trade & state of the Canadian economy
PSE is used as it accounts for direct and indirect transfers, thereby accounting for different modes by which governments can transfer income to producers.
Model 1: contemporaneous effects with OLS
Model 2: lagged variables reflecting state of the agricultural and overall economy

Main Results

Both versions of the model fit the data well (adjusted R² values were 0.96 for model 1 and 0.91 for model 2)
Coefficient estimates for key variables are interest are shown below

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservative’s share of seats</td>
<td>0.155***</td>
<td>0.191***</td>
</tr>
<tr>
<td>Political party concentration</td>
<td>0.335*</td>
<td>0.146</td>
</tr>
</tbody>
</table>

Evidence of Agricultural Leviathan?


In Canada’s multi-party Parliamentary system of government, a party can form the government (albeit a minority government) with fewer than 50% of the seats in Parliament.

The red shaded boxes at the top of the above figure indicate when a conservative (or right leaning) party formed the government.

Purpose

Right leaning governments often espouse small government views coupled with fiscal conservativism
But, against this ideology, governments of the right often take a leviathan approach to agriculture

Our purpose is to examine the contradictory nature of government transfers to agricultural producers by governments of the right

To what end do governments of the right transfer income to agricultural producers?

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The red shaded boxes at the top of the above figure indicate when a conservative (or right leaning) party formed the government.

Why?

Capture bottom-right quadrant with transfers to agricultural producers. At the margin, transfers gain more votes than they lose. Best use of political resources to capture social conservative – fiscal liberals agricultural producers.