



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

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

**Tor Tolhurst
M.Sc. Student
Food, Agricultural and Resource Economics
University of Guelph
ttolhurs@uoguelph.ca**

**Shuang Li
M.Sc. Student
Food, Agricultural and Resource Economics
University of Guelph
sli@uoguelph.ca**

**John Cranfield
Professor
Food, Agricultural and Resource Economics
University of Guelph
jcranfie@uoguelph.ca**

**Selected Poster prepared for presentation at the Agricultural & Applied
Economics Associations 2013 AAEE & CAES Joint Annual Meeting,
Washington, DC, August 4-6, 2013.**

Copyright 2013 by Tor Tolhurst, Shuang Li and John Cranfield. All rights reserved.
Readers may make verbatim copies of this document for non-commercial purposes by any
means, provided that this copyright notice appears on all such copies.

Are Governments of the Right Leviathan for Agriculture?

An Empirical Study of Government Transfers to Agricultural Producers in Canada



Tor Tolhurst, Shuang Li & John Cranfield
Dept. of Food, Agricultural & Resource Economics, University of Guelph



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"

Purpose

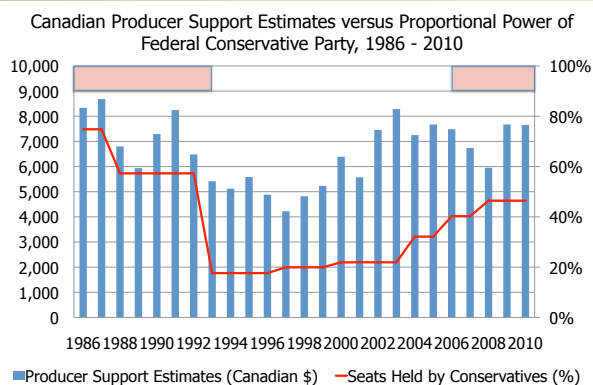
Right leaning governments often espouse small government views coupled with fiscal conservatism

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

Are government transfers to agricultural producers higher when governments of the right hold power?

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

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

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

	Model 1	Model 2
Conservative's share of seats	0.155***	0.191***
Political party concentration	0.335*	0.146

Control variables included Farm input price index; Farm output price index; Farm receipts exc. direct transfers; Share of agricultural exports; Share of agricultural imports; GATT/WTO dummy variable; Election year dummy variable; Federal net lending (a measure of the Federal government's deficit)

Model 1 includes all variables as contemporaneous effects; model 2 includes one-period lags of all variables controlling for state of the agricultural and overall economy

There is a statistically significant and positive relationship between transfers to agricultural producers and conservative party power

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

