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ARE GOVERNMENTS OF THE RIGHT LEVIATHAN FOR AGRICULTURE?

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Governments oriented towards the political right are generally associated with small government, the antithesis of Leviathan. Yet it seems—in spite of ideology—governments of the right have long taken a pragmatic approach towards governance of agriculture. This pragmatic approach has often resulted in lucrative transfers to agricultural producers. The purpose of this paper is to examine the seemingly contradictory nature of agriculture transfers by governments of the right. Our proposition is that governments of the right are Leviathan for agriculture in Canada. Of course there is a long and rich history of economists exploring the relationship between government policy and industries such as agriculture; however, there remains a gap in the literature investigating the relationship between agricultural support and government ideology.

We model the level of government transfers to agriculture as a function of Conservative political power, market conditions, federal fiscal position variables and other control variables. Government transfers to agriculture are measured using Producer Support Estimates (OECD) from 1986 – 2010. Conservative political power is measured with the share of Conservative party seats and a Herfindahl concentration index. Using ordinary least squares with both a contemporaneous and lagged specification, the coefficient on Conservative party seats is statistically significant at the 1% level: 0.181 ($p=0.002$) and 0.191 ($p=0.007$) respectively. Coefficients for other explanatory variables have the expected signs and are consistent across specifications. Our findings suggest, contra to party rhetoric, governments of the right in Canada have historically behaved as Leviathan for agricultural producers.