Policy Analysis

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Executive Summary

Congress is in the process of legislating another five years of subsidies for farmers. Taxpayers will probably be forced to pay another $100 billion or more in farm aid, and consumers will pay another $50 billion or more in higher food prices if Congress extends existing subsidy programs another five years. That will mean spending the equivalent of more than $400,000 for every full-time farmer in the United States.

During the 1980s taxpayers and consumers shelled out $260 billion to support America's farmers. Farm programs are currently costing roughly $20 billion a year plus $10 billion in higher food prices--or more than $80,000 for each full-time farmer. Almost all of that cost is a dead loss to the American economy. Yet the U.S. Department of Agriculture will reward farmers for idling almost 60 million acres this year--the equivalent of shutting down all the crop land in California, Colorado, Kentucky, Louisiana, Montana, and Wisconsin. There is nothing to show for the outlays except idled acres, polluted groundwater, and richer farmers. While congressmen justify providing tens of billions of dollars in farm aid to assure "food security," the USDA admits that, without government intervention, food prices would fall by 12 percent.[1] The average farmer is far richer than the average American family, and farm aid increasingly means oppressing the poor to further enrich the wealthy.

But the Bush administration and congressional farm policymakers appear to agree that the 1985 farm bill has been a big success. President Bush said of it: "Admittedly, the cost has been high, but it has worked."[2] But our current farm programs have institutionalized shutting down much of American agriculture to drive up prices--paralyzing the efficiency of farmers by effectively prohibiting crop rotation and creating export subsidy programs that burn tax dollars almost as fast as the Internal Revenue Service can collect them. The House Agriculture Committee, in the farm bill it finished on June 14, has essentially voted to continue existing farm programs for five more years.

Farm Spending: The Real Budgetary Cost

Before going into the details of farm programs, it is important to understand how much the United States is actually spending on agriculture. Kika de la Garza (D-Tex.), chairman of the House Agriculture Committee, recently wrote in the Washington Post: "We now have agriculture support spending down to about six-tenths of one percent of the total federal budget."[3] When farm-state congressmen talk about the cost of farm programs, they usually refer only to the direct cost of price support operations, which is often less than half of the total amount the federal government spends on supporting farmers. That is like talking about the defense budget and excluding the cost of the Navy, Air Force, and Marines.

In 1990 the USDA expects to spend $8.073 billion on price support and target price payments to farmers.[4] That estimate disregards more than $6 billion in price support loans to farmers; in the past a high percentage of farmers

defaulted on their loans, and the government was forced to sell their crops at a heavy loss. (The General Accounting Office reported in 1988 that, from 1972 to 1986, the USDA's actual annual spending was 78 percent higher than the amount it predicted it would spend.)[5] The USDA will also provide $5 billion in export credit guarantees. Although the GAO reported that it is possible that over half of all outstanding export credit guarantees will be in default,[6] the USDA reports a budget outlay of only $121 million for that program.

The USDA will provide $566 million in bonuses to exporters under the Export Enhancement Program yet does not count that as a net cost of the farm programs. (The Congressional Budget Office disagrees and believes that the export subsidy program does have real costs.) The USDA will spend $1.521 billion on Food for Peace (created to dump surplus American agricultural commodities abroad), $200 million on the Targeted Export Assistance Program, and over $100 million on the Foreign Agricultural Service.[7] The Soil Conservation Service will spend $728 million, primarily to provide conservation assistance to farmers, and the Agricultural Stabilization and Conservation Service $2.6 billion for farm conservation programs, primarily the Conservation Reserve Program. The Farmers Home Administration will make or guarantee over $4 billion in farm loans in 1990; in the past an extremely high percentage of FmHA loans has been in default. According to a CBO official who wished to remain anonymous, Congress made a special additional appropriation of $4.1 billion this year to cover previous FmHA losses, and the Congressional Budget Office expects that the FmHA will recognize almost $6 billion in losses from debt write-offs and interest rate subsidies this year.[8] The Federal Crop Insurance Corporation will spend $1.3 billion to provide subsidized crop insurance to farmers. The USDA will also spend $369 million for the Extension Service to provide free advice to farmers and others and $1 billion subsidizing agricultural research to help farmers boost their yields.[9]

Thus while congressmen talk of farm subsidies amounting to $8 billion, taxpayers are actually liable for over $25 billion in spending and loan guarantees. It is difficult to know exactly how many USDA loans and loan guarantees will be defaulted on, but if the nation has learned anything from the savings-and-loan crisis, it should recognize that federal guarantees are often the most expensive government programs of all.

America's Richest Welfare Recipients

Federal farm policy is founded on two delusions: that farmers are needy and that farmers are a vanishing species. In reality, the average full-time farmer is a millionaire and the number of full-time farmers has significantly increased since 1980.

Most of the "farm crisis" has been created by counting part-time farmers as full-time farmers. The USDA's misleading statistics on farm income have been criticized by agricultural economists for almost half a century. Back in 1941 agricultural economist O. B. Jessness observed: "Everyone who has paid serious attention to the economic problems of agriculture must be aware of the fact that a minor proportion of the farmers produce by far the larger share of the supplies on the market . . . [and] in spite of the fact that . . . a large number [of farmers] are not important as producers for the market we continue the glib use of figures to represent average farm incomes without thought to the wide range which these averages encompass."[10]

In recent years farm-state congressmen and many journalists have kept repeating that America has lost hundreds of thousands of farmers in the 1980s--thereby supposedly proving the need for continued aid to the few surviving farmers. USDA statistics indicate that the total number of farmers declined from 2,440,000 in 1980 to 2,197,000 in 1988, an apparent decrease of 243,000 farmers.[11]

That decrease is a statistical illusion caused by the government's absurd definition of "farmer." According to the USDA, anyone who sells more than $1,000 in agricultural commodities--one horse or 250 bushels of wheat--is a farmer. According to the official USDA statistics, most of the 1980s' decrease in the number of farmers occurred among farmers whose sales were less than $10,000 a year.[12] Those people were gentlemen farmers, hobby farmers, and tax farmers. A vast majority of so-called farmers receive most of their income from off-farm work. In the 1987 Census of Agriculture, most people classified as farmers denied that their primary occupation was farming.

Many agricultural economists agree that to be viable, a farm must now have gross sales of more than $100,000. In 1980 there were 271,000 farmers with sales above $100,000; by 1988 there were 323,000 farmers in that class--an increase of almost 20 percent.[13] Those farmers perennially collect between 80 and 90 percent of all farm income.

Some farm aid advocates also count farmers in the $40,000 to $99,999 sales class as full-time farmers. But as Emanuel Melichar, former chief agricultural economist for the Federal Reserve, observed in 1984: "On many of these farms, the operators either are underemployed during much of the year or have a relatively inefficient operation."[14] H. O. Carter of the University of California at Davis observed: "As a group, these smaller farmers are declining in numbers because they are not large enough to compete with their larger, more efficient neighbors."[15] According to USDA's yield and labor estimates, a person can raise $40,000 worth of corn in only seven weeks.[16]

Each year the Agriculture Department announces a number that is supposed to represent the average farm income in the United States. According to the department, the average farm income in 1988 was $21,300.[17] (The same year the average U.S. family income was $38,608.)[18] USDA officials recognize that the number is extremely misleading, but the agency publishes it anyhow. In reality, the average fulltime farmer in 1988 reaped an income of $168,000.[19] Even farmers in the $40,000 to $99,999 sales class had an income of $39,931 (most of which came from off-farm earnings), which is higher than the national average.[20]

The huge financial gap between farmers and nonfarmers becomes even more stark when net worth is considered. The Census Bureau concluded in 1986 that the average net worth of American households was $78,734 and that the median net worth of American households was $32,677 (meaning that equal numbers of households were worth less than and more than $32,677).[21]

In contrast, the average full-time farmer is a millionaire, with a net worth of $1,016,000 as of December 31, 1988.[22] (The net worth figure is after debts have been subtracted.) The average full-time farmer has a net worth almost 13 times greater than that of the average American family and more than 30 times greater than that of half the households of America.

Some liberals advocate continuing government aid to small farmers only, but even part-time farmers are far wealthier than the average American family. Farmers in the $40,000 to $99,999 sales class have a net worth of $426,487--more than five times that of the average American family.[23]

Although farm programs are defended as preserving the small family farmer, farm aid is distributed not according to farmers' needs but according to their net worth: to him who hath, shall be given. In 1988 the most wealthy farmers received over 100 times more in direct federal handouts than did the smallest farmers.[24] By handing big farmers $50,000, $100,000, or more each year, the federal government has provided a war chest that allows big operators to "cannibalize" little operators.

Farm programs are entitlement programs based on the idea that farmers are entitled to higher prices than their customers will pay voluntarily. If the same means test that is applied to other federal handout recipients were applied to farmers, virtually no farmer would qualify for federal aid. In the 1988 drought bill, Congress imposed a "means test," declaring that farmers with gross sales of over $2 million a year were not eligible for drought relief. A farmer with gross revenue of $2 million a year probably has a net worth far above $2 million. That is an interesting cutoff point for neediness--equivalent to a welfare department announcing that any unwed mother who owns more than 37 Cadillacs can no longer qualify for a monthly check.

The Aid Programs

Although congressmen speak of farm aid as if farm programs were all alike, in reality there are as many differences in those programs as there are in farm-lobby campaign contributions. The vast majority of the 400 farm products produced in the United States receive no subsidy, but a handful of crops receive massive windfalls. The House Agriculture Committee proposes continuing high levels of support for the largest and most expense programs--except the sugar program, for which the committee would dramatically increase spending.

Sugar Police to the Rescue

For almost 200 years the U.S. government has driven American sugar prices to double or triple world sugar prices. In the 1820s sugar farmers said they needed high tariff protection because they were "warring with nature" trying to grow

sugar (the U.S. climate is comparatively unsuited for sugar production). And for generations Uncle Sam has helped sugar farmers "fight nature" by forcing consumers to pay unnatural prices for sugar.

The U.S. Department of Commerce estimated in 1988 that the federal sugar program cost American consumers $3 billion a year.[25] For producers, the sugar program works: sugar sells for 24 cents a pound in the United States and 13 or 14 cents on the world markets. Since 1980 the sugar program has cost consumers and taxpayers roughly $2 million for each of America's 12,000 sugar growers.

Yet farm-state congressmen boast that the sugar program is a "no net cost" program. That claim is made because, while the sugar program mugs Americans at the grocery checkout counter, it leaves almost no fingerprints on the federal budget. The subsidy stems from a quota system, which keeps out cheap foreign sugar and creates an artificial sugar shortage in the United States, combined with high federal sugar price supports.

American sugar production set a record in 1988. That is unfortunate because the sugar market is the one in which American farmers are the least competitive compared with foreign farmers. Every pound of sugar produced in the United States means a new burden on consumers--and a new loss of opportunity for our allies. Sugar imports have been cut 80 percent since 1975, pulverizing Central America and the Philippines. The State Department estimates that slashed U.S. sugar imports cost friendly Third World governments almost a billion dollars a year.[26]

The obvious solution to the sugar problem would be to end the price supports and import controls that guarantee American farmers such high prices. Naturally, farm-state congressmen favor a more creative solution.

Instead of reducing or abolishing subsidies to sugar farmers, the House Agriculture Committee proposes to set up two new licensing schemes and have the USDA hire a legion of "sugar police." The House farm bill contains a provision that could result in creation of a Byzantine system of production controls, which could potentially require farmers to obtain a federal license for each pound of sugar they sell. The House Agriculture Committee also wants to impose quotas on the sale of crystalline fructose, a corn syrup derivative used as a substitute for sugar. Because congressmen want to covertly pad the pockets of sugar growers, the government will impose controls on food manufacturers.

Our sugar policy is America's least efficient welfare program. In 1987 sugar farmers had a total income from sugar sales of roughly $300 million. Since the program cost consumers $3 billion, the policy cost consumers $10 for each $1 of income sugar farmers received.[27]

The sugar program is actually quite simple. Sugar producers have 17 political action committees. Since 1984 those PACs have funneled $3 million to congressmen, as Public Voice for Food and Health Policy recently reported.[28] The congressmen express their gratitude by funneling billions of dollars into sugar producers' pockets. Everybody is better off, except 250 million consumers.

The United States used to have a vigorous sugar-refining industry, but since 1981, 10 sugar refineries have closed as the result of decreased sugar imports. Last month Brach Candy Company announced it would probably close its Chicago factory and move to Canada because it could not afford the high price of American sugar. Thirty-five hundred jobs in one of Chicago's poorest neighborhoods will be lost.[29]

Sugar subsidies are decreasing American exports. In the Red River Valley of Minnesota, heavily subsidized sugar beet growers have bid up the rents on farmland by over 50 percent. As a result, relatively unsubsidized soybean farmers can no longer find sufficient land to grow soybeans, America's premier export crop. That is the perfect illustration of the old economic truism that restrictions on imports become restrictions on exports.

Federal generosity to sugar farmers is devastating the environment in some areas. Many people are concerned that the Florida Everglades are dying, and the residue of cane sugar production is the largest source of pollution. And while government is treating sugar farmers like kings, many sugar farmers continue to treat migrant workers very badly.[30]

The Wool Program. or Shearing the Taxpayers

Wool may be America's oldest infant industry. In the 1820s tariffs on wool and wool products were as high as 150

percent; wool tariffs continued in the stratosphere throughout the 19th century. In 1930 the Smoot-Hawley Tariff Act raised the tariff on some categories of wool more than 300 percent. Yet, regardless of how high tariffs have been, American wool producers have never been able to adequately supply the U.S. market

> In 1938 the government began direct handouts to wool producers. Since then wool production has fallen 80 percent and foreign producers have surpassed American producers in every measure. Four-fifths of the wool Americans purchase now comes from overseas. Imported wool is higher quality than American wool, and most of the wool used by American textile plants is of foreign origin. At least one American textile plant refuses to buy domestically produced wool because it is so cluttered with briars, hay twine, and other riffraff. A 1969 USDA report concluded that American wool was inferior to foreign wool because of "insufficient incentives to improve the quality of the clip under existing marketing practices and costs."[31]

Wool has been a continuing source of humility for USDA officials. The 1949 farm act set a national wool output goal of 360 million pounds a year. Production in 1950 straggled in at 217 million pounds. The National Wool Act of 1954 increased government handouts and proclaimed a goal of 300 million pounds. Production is now less than 100 million pounds a year. The USDA has spent almost $2 billion priming the wool industry, and still the great sheep depopulation continues. As one USDA official grieved, "Pretty soon we'll have to start worrying about stocking the zoos."[32]

The 1954 National Wool Act declared that wool is an "essential and strategic commodity," vital to national defense. The primary reason: wool is heavily used in military dress uniforms. The Pentagon decided in 1974 that dress uniforms weren't necessary for national emergencies, and wool was taken off the list of strategic commodities. But the wool lobby and the House Agriculture Committee strive mightily to make people think that wool is still officially classified as a strategic commodity.

Many handouts to wool producers have no effect except to make the recipient smile. The USDA gives out many wool checks for $3 or less. It tried to abolish those "chicken- feed" payments in 1977, but parents of youngsters conducting 4-H projects raised hell. The parents apparently wanted to instill the agricultural welfare ethic at as early an age as possible.

The Cotton Cabal

Thanks to influential southern congressmen, cotton farmers have usually been treated far more generously by Uncle Sam than other farmers. Unfortunately, the congressional passion for lavishing benefits on cotton growers has resulted in contradictory programs that skewer taxpayers while decimating cotton exports.

The cotton program is a good example of how federal farm programs can operate as an export tax on farm commodities. In 1985 U.S. cotton exports fell to their lowest level since Reconstruction, largely because federal farm programs imposed a de facto export tax on American cotton. The federal price support program offered farmers a "loan" of 57.5 cents a pound for their cotton, while world market prices were significantly lower. Since the federal loan levels were higher than market prices, farmers chose to forfeit their cotton to the government and keep the loan money rather than sell their harvest at market prices.

When Congress was writing the 1985 five-year farm bill, there was a consensus that the cotton program must become more market oriented. Congress lowered the price support slightly (though it kept it well above world price levels) and created a new cotton program of "marketing loans" to boost exports. If the market price of cotton is below the federal price support level, the marketing loan will pay farmers the difference between the federal price and the market price. ("Marketing loans" is one of the great euphemisms of the 1980s, equivalent to calling welfare payments "cost-of-living loans.") Marketing loans were intended to prevent the price support program from encouraging farmers to store their cotton or forfeit it to the government instead of selling it.

Thanks to marketing loans, cotton growers can totally disregard how low prices fall, since the government guarantees their income. American cotton dumping sharply depressed world cotton prices in 1986, punishing relatively impoverished foreign cotton growers in Malawi, Cameroon, and the Sudan. By driving down world cotton prices, the federal program made cotton exports less profitable than they had been in the early 1980s, when federal cotton

program costs were only half as great.

Marketing loans have become a budgetary hemorrhage, and the cotton program cost more than $6 billion between 1986 and 1990.[33] Since there are now only about 6,000 full- time cotton growers, the Agriculture Department will spend the equivalent of $1 million per full-time cotton grower in five years. The Congressional Budget Office estimated in 1984 that the average full-time cotton producer was already a millionaire before the current program began.[34]

For almost every farm program, there is another equal but opposite farm program or provision. The generous marketing loans were undercut in 1988 and early 1989 by another cotton welfare program. As part of the cotton price support program, Congress requires the USDA to offer cotton growers 18-month interest-free loans to hold their crop off the market, and the department also pays farmers' storage costs. The 18- month loan allows farmers to speculate with their harvest, guaranteeing that the taxpayer will take any loss while the farmers keep any profit if market prices rise above federal price support levels during the term of the loan. Neil P. Gillen, vice president of the American Cotton Shippers Association, observed in December 1988: "The government has taken care of all the grower's risks in selling with the marketing loan, but all of this is contradicted by the 18-month loan which induces them to hold out for prices which are above the going market rates."[35]

Even though the United States had large cotton harvests in 1987 and 1988, the cotton program caused an artificial scarcity of cotton in domestic markets. Cotton shippers and millers had to pay growers a bonus of six to eight cents a pound above world market prices to persuade them to sell their cotton before the end of the 18-month loan period. The six- to eight-cent bonus made American cotton uncompetitive on world markets. Gillen estimates that the 18-month loan reduced American cotton exports as much as 2 million bales.[36]

Goober Madness

The USDA has a distinguished half-century record of disrupting the peanut industry. It has made peanut production far more expensive, slashed exports, driven up peanut prices, and reduced peanut consumption. Since 1938 Congress has managed the peanut industry almost solely for the benefit of existing peanut growers, or sons and grandsons of 1938 peanut farmers.

In 1933 Congress began supporting peanut prices by buying farmers' peanuts at very generous prices. Farmers responded to high prices by boosting production. Congress responded to large peanut surpluses in 1938 by slapping mandatory controls on peanut farmers and prohibiting any citizen from growing peanuts without a federal license. The right to grow peanuts in the future was based on how many acres of peanuts a farmer had grown in the past. To maximize government control, peanut imports are held to a minuscule amount.[37]

Congress is resolved to keep the peanut licenses, called quota allotments, in the same congressional districts at any cost. Quota allotments cannot be rented outside the county to which they were originally allocated in 1941. Peanuts are a soil-depleting crop that causes a decline in soil nutrients. Peanut yields in parts of Texas have long been declining. While many farmers with acres that yield below 1,000 pounds have quotas, other farmers who have more than a million acres with potential yields of 2,500 pounds or more are prohibited from producing peanuts for American citizens. Even though peanut productivity is slowly sinking, Congress refuses to revise the system.

The peanut program is driven by the USDA's estimate of the cost of production of peanuts. In 1980 peanuts were hit by drought, which sharply reduced yields and thereby made per pound production costs much higher than usual. Congress based its 1981 cost-of-production calculation on the 1980 drought year--which justified a 21 percent hike in price supports, from $440 to $555 a ton. Naturally, once the price supports were raised because of the drought year, they could never again be lowered, regardless of good rains or sunny skies.

The government-decreed "cost of production" is also misleading because the peanut program itself adds as much as 40 percent to a farmer's cost of production. Approximately half of all peanut-growing licenses are rented by farmers from nonfarmers, and farmers pay a tribute of up to $250 a ton for the right to grow goobers. The cost of renting allotments is included in the USDA's cost-of-production estimates, which then are used to justify increasing peanut price supports, which then make the licenses more valuable and thus more expensive, which drives up the cost of production of peanuts, and so on ad infinitum.

In 1981 Congress announced that farmers without licenses would be allowed to grow peanuts (called "additional," or unsubsidized, peanuts) with no real price guarantees from Uncle Sam and only if the peanuts were not consumed within the territorial borders of the United States. That muted some of the criticism of the peanut program, but it has also revealed the absurdity of the status quo. Georgia farmers are profitably growing peanuts for export at $325 a ton at the same time the USDA insists that farmers cannot afford to produce peanuts for less than $619 a ton.[38] Foreigners can buy U.S. peanuts for half the price that Americans pay. Total American farm exports fell in the 1980s, but peanut exports more than doubled.

The USDA is so paranoid about controlling the domestic peanut supply that it sharply curbs the export of unsubsidized additional peanuts. All additional peanuts must be sold months before they are harvested. That puts unsubsidized peanut farmers at a disadvantage in bargaining for the best export price. Peanut butter made from quota peanuts can be exported to Canada and Mexico, but peanut butter made from additional peanuts cannot. The additional peanuts themselves can be exported to Canada, and American peanut butter manufacturers are concerned that Canadian companies may use cheap peanuts to make peanut butter and then send it back across the border to reap a big profit. Lower foreign peanut prices have also helped European candy manufacturers increase their exports to the United States. Sen. Richard G. Lugar (R-Ind.) led a push to abolish restrictions on unsubsidized peanut exports in late 1987, criticizing the USDA for allowing only the export of raw materials and prohibiting the export of manufactured food products, but the USDA was too paranoid to loosen its grip.

Consumers get shelled by the peanut program. The USDA estimates that it boosts peanut butter prices 13.5 percent.[39] Thus the peanut program mulcts consumers for $250 million to $300 million a year. The federal government would never drive up the price of caviar or pate, but the ruling elite sheds no tears over higher prices for peanut butter, a dietary staple of low-income families.

Paying Farmers Not to Work

There is controversy in Washington now over proposals by Reps. Dick Armey (R-Tex.), Charles Schumer (D-N.Y.), and others to limit the handouts that large farmers receive from federal farm programs. De la Garza insisted that the government should not limit aid to big farmers: "If we bar farmers who earn over a certain income level from receiving the same benefits as smaller operators, U.S. taxpayers lose a lot of leverage in controlling government expenditures for agriculture."[40] But the primary use government makes of its "leverage" over farmers is to reward farmers for not working.

In 1933 President Franklin D. Roosevelt sought to solve the farm emergency by paying farmers to slaughter their pigs, plow up their cotton, and reduce their plantings. Paying farmers to reduce their plantings was a temporary "emergency" measure that became institutionalized because politicians and bureaucrats could not think of any other way to control farmers.

In 30 of the last 34 years, the USDA has tried to "balance supply and demand" by rewarding farmers for not growing crops on their land. Paying farmers not to work has always been the nuclear weapon in the USDA's policy tool arsenal. Set-asides are based on the idea that politicians can solve farmers' problems by reducing farm harvests. Set-asides epitomize our "one foot on the brake, one foot on the accelerator" farm policy.

The USDA has several different types of acreage-idling programs. To qualify for federal deficiency payments (payments based on the difference between market prices and what politicians want farmers to have for their crop), farmers must idle a varying percentage of their base acreage each year. The USDA also pays farmers bonuses for leaving their entire farms unplanted, and farmers can enroll their land in a 10- year farm retirement program known as the Conservation Reserve Program, which will be discussed later.

There were no set-asides when President Reagan took office, but the more Reagan praised the free market, the more acres the government paid farmers to leave idle. Set- asides peaked in 1983 and 1988, with about 77 million acres left idle each year. This year the government is rewarding farmers for not planting 59 million acres--an area equal to all of Ohio and Indiana and half of Illinois.

Federal set-aside programs have been a scorched-earth economic policy for rural America. According to a 1987 USDA study, the 70 million acres that the government paid to idle cost the U.S. economy 300,000 potential jobs plus an estimated $4 billion in sales lost to farm input industries.[41]

The USDA, by paying to idle productive land, increases farmers' average cost of production. The Agricultural Policy Working Group estimates that set-asides increase the average cost of production of a bushel of corn by 33 cents. Since the variable cost of production in the most efficient corn- growing areas is only $1.25, set-asides have a huge influence on American competitiveness.[42]

A recent USDA study concluded that acreage reduction programs alone had added about 7 percent to farmland values. "The goals of acreage reduction programs are to control output, raise prices, and increase revenue to farmers. These policies have slowed the transfer of labor and capital out of production agriculture and into other sectors of the economy where the resources could be used more efficiently."[43]

Set-asides presume that the United States is the Saudi Arabia of wheat and feed grains--that we can cut back our production, drive up prices, and increase our profits. If nobody else in the world had any farmland, that policy might make sense. But in recent years, while Uncle Sam has bled taxpayers to bribe farmers to not work, foreigners have planted fencerow to fencerow and are taking over world markets. As Gary Myers, president of the Fertilizer Institute, notes, there has been a massive "deportation" of American farmland.[44]

Secretary of Agriculture Clayton K. Yeutter frequently promises that the United States will not "unilaterally disarm" by abolishing U.S. farm subsidies before foreign governments reduce their farm subsidies. But set-asides are the epitome of unilateral disarmament in the competition for world crop exports. Since the United States again became a major agricultural exporter in the early 1970s, every acre "bought" by the USDA has meant one less acre available to compete with Australian, Canadian, and European wheat. Every set-aside program is intended to drive prices higher than they would otherwise be. Each increase in American crop prices tends to decrease exports. Every acreage reduction program is also implicitly an export reduction program.

Wheat is an export crop; yet in 1988 the government required wheat farmers to leave unplanted 27.5 percent of their wheat land.[45] A total of 29.3 million acres of wheat land were left idle that year--an area almost equal to the entire wheat acreage planted in Western Europe, our largest competitor in the world wheat market.[46] Rice is also an export crop; in 1988 the government required rice farmers to leave 25 percent of their rice land idle in return for subsidies. Cotton is another export crop; in 1989 the USDA required cotton farmers to leave 25 percent of their farmland idle in order to qualify for subsidies. Because the world market now has a comparative shortage of cotton, that large set-aside requirement meant lost export opportunities.

Set-asides are a political response to what Washington perceives as "excess capacity"--too many acres producing a

given crop. Yet, as a recent USDA study concluded, "Excess capacity exists for . . . the commodities that have traditionally been given the most policy attention. Excess capacity is a much more serious problem for the seven major crops (wheat, corn, oats, barley, sorghum, cotton, and soybeans) than for the rest of U.S. agriculture."[47] The same study concluded that U.S. agriculture as a whole had excess capacity of nearly 9 percent, but excess capacity was 22 percent for the seven major subsidized crops and 31 percent for wheat.[48]

Supply controls are introduced only after politicians and bureaucrats have mismanaged price controls. We have had perpetual set-asides in agriculture partly because Congress insists on paying farmers more than their crops are worth. Government first artificially raises prices and then artificially lowers production. The higher Congress drives prices, the greater the need for government controls on the amount produced. Set-asides are designed to make supply and demand meet at exactly the point that pleases the most politicians.

If a set-aside is a success, prices are higher; if it is a failure, surpluses are larger. Set-asides force taxpayers to bankroll a scheme intended to drive up prices for consumers. Every acre of land set aside is an indictment of federal planning. It means that the government attracted too much capital to agriculture. Permanent set-asides mean that the government perpetually attracts too much capital to agriculture and then, instead of allowing a natural outflow of capital, perpetually intervenes to keep some of that capital idle.

Our Kamikaze Export Subsidies

For the tens of millions of Americans who cannot afford to fly abroad for a vacation this year, there is at least some consolation from Washington. The Agriculture Department took your tax dollars and spent almost a million of them to fly dairy cows overseas.[49]

The bovine world tour was part of the Export Enhancement Program, Washington's answer to the trade deficit. The EEP is based on the idea that no matter how much money Uncle Sam burns selling American farm products at a loss, America will somehow be a richer place for the experience.

The EEP will cost taxpayers $566 million this year and as much as $900 million next year.[50] The program began in 1985 when the United States decided to teach the Europeans a lesson on the futility of export subsidies. When the program began, then-agriculture secretary John Block declared, "We are going on the attack in the international marketplace."[51] Thanks to the EEP, American wheat is cheaper in Moscow than in Kansas City, American barley is cheaper in Baghdad than in Minneapolis, and American soybean oil is cheaper almost anywhere than within our national borders.

Some export subsidies have exceeded the value of the product. The United States was paying 146 percent bonuses on dairy cattle exports.[52] That meant that the Agriculture Department gave foreign buyers a $14.60 bonus to persuade them to pay us $10 and take a cow off our hands. It would have been cheaper simply to push the cows off the Brooklyn Bridge.

Thanks to the EEP, we are now selling at a loss where we previously sold at a profit. The EEP has spent over $2 billion to boost wheat exports. A USDA study concluded that "EEP wheat sales to some countries replaced unsubsidized commercial sales."[53] A second USDA study concluded that 9 of every 10 bushels of wheat exported via the EEP would have been exported anyhow.[54] The primary effect of the EEP was that instead of exporting for a profit, the United States sold for a loss. As Harvard professor Robert Paarlberg notes, "It would have been almost a dollar a bushel cheaper simply to buy surplus wheat on the free market and then destroy it, rather than to give it away under EEP."[55] After $2 billion in export subsidies, wheat exports are expected to be lower this year than before the export subsidy program began.

The Agriculture Department decided that the United States should become a major frozen poultry exporter, and the EEP floodgates were opened. A USDA study found that the poultry export subsidies were almost a total loss and that American consumers have been plucked by export subsidies that have driven up retail chicken prices in the United States.[56] The primary beneficiaries of poultry export subsidies were Iraqi and Egyptian consumers.

The recent flood of export subsidies is creating absurd results. A Mexican subsidiary of a U.S. corporation received subsidized U.S. wheat, processed the wheat into crackers, and then sold the crackers in the United States, provoking an outcry from other American food manufacturers.[57] The United States sold wheat to Turkey at a big loss, and Turkey promptly resold the wheat to Iran and Iraq at a profit.[58] The USDA's Foreign Agricultural Service admits that generous subsidies have caused wheat exports to displace unsubsidized American corn exports. The American National Grain Sorghum Producers have complained that "a market lost to EEP-subsidized wheat and barley hurts sorghum sales just as much as a market lost to grain sold by the European Community under its export subsidy proqram." r 591

Though the EEP was initially intended to carefully target a few markets, it has expanded into carpet-bombing foreign buyers with handouts. As Bart Boaden, an Australian agricultural analyst, noted, "The U.S. has dumped grain on Egypt, India, Jordan, Yemen, Turkey, Mexico, the Philippines and Yugoslavia, none of whom buy much European grain."[60] The two largest beneficiaries of the EEP have been the Soviet Union and China; thus American taxpayers have helped those countries to delay the realization of just how disastrous their socialist systems are.

The Bush administration insists that the EEP will bring the Europeans to their knees by forcing them to abandon their export subsidies. But since the EEP began, European wheat exports have increased 40 percent. The USDA inspector general concluded that, after $2 billion thrown to the wind, the EEP had increased the U.S. share of world wheat

markets by only 1 percent.[61]

Other export subsidy programs have also bled taxpayers. The Agriculture Department provides credit guarantees for foreign nations to buy American crop products. But the programs have been run so loosely that the Agriculture Department's inspector general discovered that American taxpayers had provided credit guarantees or subsidies for the export of $169 million in shipments that contained farm goods of foreign origin.[62] As mentioned earlier, the General Accounting Office found that the USDA had done a very poor job of managing the credit risk. As of September 30, 1988, the GAO estimated that the credit guarantee program's total losses could be as high as $3.5 billion on guarantees of outstanding loans to foreign countries of $6 billion.[63]

If we really want to boost exports, we should simply abolish our farm programs. The U.S. government is rewarding farmers for idling tens of millions of acres of farmland this year--even though reducing crop output means fewer exports. A study by Andrew Feltenstein of Kansas State University estimated that the elimination of agricultural subsidies in 1986 would have reduced America's trade deficit by $42 billion.[64] A study by Purdue professors Thomas W. Hertel, former USDA chief economist Robert L. Thompson, and Marinos E. Tsigas concluded that the misallocation of resources and capital to agriculture depressed the productivity of other sectors of the U.S. economy and reduced American manufacturing exports by $7.5 billion and service exports by $3.4 billion.[65]

Getting into an export subsidy war is like trying to punish a foreign government by massacring our own citizens. Losing $500 million or more a year on export subsidies is the equivalent of the government's annually burning down 5,000 American homes (valued at $100,000 each) in order to teach a foreign government a lesson.

Conservation Reserve Program

The Conservation Reserve Program is carefully designed to shovel money out to farmers while deluding environmentalists. The USDA is now paying farmers to idle 34 million acres of farmland--equivalent to shutting down the entire state of Ohio. The CRP will cost taxpayers over $20 billion by the time the program is completed in 1999.[66]

The CRP gives farmers 10 extremely generous annual payments for not planting on farmland with above-average erosion rates. In many parts of the United States, the USDA is paying three times the going rent for land put into the CRP, thereby providing a staggering windfall to landowners with poor-quality land.[67] In Missouri, the CRP has so disrupted land values that rocky, craggy ground is now worth more than good farmland.[68] Though farmland mortgages are routinely stretched out over 30 years, the USDA's 10 annual CRP rental payments will exceed the total value of more than half of all land enrolled in the CRP through 1987.

The 1985 farm bill specified that the CRP should protect farmland productivity, reduce erosion, protect wildlife, reduce sediment in water, reduce crop surpluses, and boost farm income. The proliferation of program goals becomes a license to achieve little or nothing. When a farm program has multiple goals, the dominant goal--the ultimate litmus test--almost always becomes, Does the program boost farm income? As long as farmers receive their checks, the program is a political success.

The CRP has already driven some young farmers out of business. CRP payments are so generous that many landowners have found it more profitable to put their land in the reserve than to rent it for crop production. In many parts of the nation, the CRP has driven up rental rates, thereby increasing the cost of production and making American farmers less competitive with foreign farmers. The CRP has claimed over 25 percent of harvested crop land in over 170 counties, thereby creating an artificial shortage of farmland in many areas.

The reserve program is generously paying farmers to idle 1 million acres that were already in grasses or legumes or being put to other conservation uses. Eight million acres of the reserve were previously planted in crops that were not in surplus, which means a dead loss for consumers. The USDA estimates that the CRP could mean up to $25 billion in higher food prices during the life of the program.[69]

The CRP is reducing American crop exports. A USDA study estimates that the CRP could reduce cotton, sorghum, and soybean exports by as much as 8 percent.[70] The USDA also estimates that, nationwide, fertilizer use will fall as

much as 12 percent, thereby landing a heavy hit on America's struggling fertilizer industry.[71]

The CRP has destroyed tens of thousands of farm worker jobs. A University of Missouri study estimated that the reserve will trim $80 million annually from Missouri's agri-business economy.[72] Gary Devison of the University of Missouri told the Kansas City Times: "Grain marketing and storage needs will be lower. Many firms will go out of business or at least curtail operations."[73]

With the CRP, federal policymakers appear to have discovered the most expensive means of controlling erosion. A 1987 USDA study found that control measures could reduce erosion on highly erosive farmland for roughly 47 cents a ton saved; the CRP, in contrast, is paying five times as much--$2.50 a ton--for erosion forgone.[74] Farmland erosion is like a factory that pollutes: the choice is between putting scrubbers in the smokestacks to reduce emissions and shutting down the entire factory. The USDA decided to shut down the factory.

The USDA now asserts that one-quarter of all crop land has such a serious problem that the government is justified in awarding it early retirement. The department has repeatedly broadened the definition of "highly erosive" to justify bringing more acres into the CRP. But after each expansion of eligibility, the average erosion per acre of farmland enrolled in the CRP has decreased

> The CRP is based on "soil loss tolerance"--the "T value"-- the amount of erosion that would not adversely affect soil productivity over the years. Yet, as Charles Benbrook of the National Academy of Sciences notes, "T values simply do not reflect the relative susceptibility of soils to erosion-induced productivity loss."[75] Pierre Crosson of Resources for the Future agrees: "There's plenty of scientific evidence that the T value standard is weak. . . . The T values as standards for judging when erosion reduces soil productivity are largely arbitrary."[76] The USDA is essentially pulling numbers out of a hat for the main foundation of the program and has repeatedly changed its estimates of how much soil loss farmland can tolerate.

The CRP assumes that the cost of erosion-caused productivity forgone is higher than the cost of government payments plus immediate production forgone (i.e., that it is worth $20 billion or more to have farmland erode in the future, rather than in the present). But the National Academy of Sciences, the USDA, and Resources for the Future studies concluded that erosion is reducing crop productivity less than a tenth of a percent a year.[77] The USDA is providing a return of over 10 percent a year on the value of more than half of the land enrolled in the CRP; the value of production forgone might equal 4 or 5 percent of the farmland's value, and with the current large budget deficits, taxpayers will be paying 7 or 8 percent interest on the deficit spending used to finance the CRP. Thus the CRP is probably costing over a hundred times more than the soil productivity saved is actually worth. At any rate, it doesn't seem to make sense to pay some farmers to take land out of production while subsidizing the production of sugar, peanuts, and other crops.

The largest part of the damage done by farm erosion occurs off the farm--polluted groundwater, silted-up dams, and so forth. The Conservation Foundation estimates that farm-caused pollution causes $6 billion a year in off-farm damage.[78] Seven states now have regulations governing soil and chemical run-off from farmland. Yet since the CRP is more interested in boosting farm income than protecting the environment, the "polluter pays" principle is reversed--farmers who follow the worst environmental practices receive bounties from the Treasury. The agricultural committees appear incapable of enacting legislation that would penalize farmers for being social nuisances.

The War on Consumers

Farm policies are one of American consumers' worst enemies. A 1989 USDA report concluded, "Without government support consumer [food] prices would fall by about 12 percent."[79] The USDA estimated that the consumer costs of federal farm policy on 10 farm products it examined amounted to $8.2 billion in 1983, $10.6 billion in 1984, $8.9 billion in 1985, $11.3 billion in 1986, and $12.1 billion in 1987. (The USDA significantly underestimates the consumer cost of farm programs because it does not consider the peanut program, the effect of marketing order restrictions, the high tariffs on orange juice and other products, and other factors.)[80] The Organization for Economic Cooperation and Development estimates that farm programs cost American consumers $24 billion a year.[81] The Byzantine network of farm import quotas, tariffs, price supports, and bureaucratic restrictions imposes a brutal tax of hundreds of dollars per year per family on Americans at the grocery store.

Federal price supports pegged U.S. dairy prices above market-clearing prices for most of the 1980s, generating repeated massive dairy surpluses. Agriculture Department regulations effectively prohibit the shipment of milk from areas in the United States with low production costs to other areas--thereby helping create a 60-cent-a-gallon milk price differential between Wisconsin and Miami. New Zealand farmers can produce dairy products for half the price the average U.S. dairyman can, yet strict quotas effectively ban New Zealand products from the American market. American dairy policy is partly responsible for pervasive calcium deficiencies among low-income Americans.

The U.S. International Trade Commission recently studied U.S. farm import quotas to estimate the tariff equivalents of the current quotas. The ITC concluded that, in 1986, the sugar quota was the equivalent of a 233 percent tariff, the butter quota was the equivalent of a 190 percent tariff, the cheddar cheese quota was equivalent to a 132 percent tariff, the American-type processed cheese quota was equivalent to a 172 percent tariff, and the quota on nonfat dry milk had the same effect as a 142 percent tariff. The ITC concluded that, in 1988, the peanut quota was equivalent to a tariff of as much as 90 percent on peanut imports.[82]

If some congressman today openly proposed imposing a tariff of 190 percent on any dairy item, he would be hung in effigy on the nation's editorial pages. But because quotas on agricultural imports have been in existence for decades, there is no discussion of trade barriers that make the notorious Smoot-Hawley Tariff Act look like a model of free trade.

This year the Agriculture Department has decreed that, as part of a program of marketing orders to artificially inflate prices, California farmers are prohibited from selling 42 percent of their navel oranges, over 50 percent of their lemons, and roughly 20 percent of their almonds and filberts.[83] Because of those restrictions, masses of oranges have been fed to cattle rather than sold to the people. The restrictions reduce people's Vitamin C intake and add hundreds of millions of dollars to the cost of fresh fruits and nuts.

Many farm products that are not directly subsidized are protected by high tariffs. The tariff on orange juice is 40 percent; though Canada has no orange groves, orange juice is much cheaper in Ontario than in New England. Frozen chicken meat carries a 28.6 percent tariff. Yogurt and ice cream are hit with 20 percent tariffs. The tariff on dried egg yolks is 22.3 percent. The tariff on fresh cabbage, asparagus, and broccoli is 25 percent, on carrots it is 17.5 percent, and on cantaloupes it is 35 percent. Soybean and cottonseed oil are tariffed at more than 22 percent. Apricots and apricot jam carry a 35 percent tariff.[84]

Farm-state congressmen seek to capitalize on the public's fear of food shortages to build support for farm programs that are intentionally designed to create artificial shortages. Rep. Harold L. Volkmer (D-Mo.), a leading voice on the House Agriculture Committee, asserted last January that farm subsidies (roughly $20 billion a year) are "a small amount to pay to make sure that we continue to have an adequate food supply."[85] Volkmer warned: "If we did not have a dairy program, there would be days when one would not be able to get milk on that [grocery] shelf. There would be days that maybe the price of milk would go up to $5 a gallon."[86] Volkmer's comments are bizarre considering that the U.S. government in 1986-87 ran a program to kill almost 2 million dairy cows in order to reduce milk supplies and drive up dairy prices. In 1989 the U.S. government provided export credit subsidies that resulted in the export of 40 percent of the U.S. dry milk supplies. As a result, there was a severe shortage of dry milk in the United States (quotas limit milk imports to less than 2 percent of the U.S. market), which disrupted operations for many American food manufacturers.

Despite the quotas and tariffs and federally induced shortages, farm-state congressmen have repeated like an incantation the statement that food is cheaper in the United States than anywhere else in the world. But that is simply not true. Food is significantly cheaper in Australia than in the United States. Farm-state congressmen frequently cite the fact that Americans on average spend only 12 percent of their income on food. Measuring food costs as a percentage of income will naturally tend to show that the richest countries spend the smallest percentage of their income on food. Americans spend a relatively small percentage of their income on food not because food is cheap but because the average American has a high income.

Numbers that indicate how much the average American spends on food are seriously misleading because poor families routinely spend a third or more of their income on food. Driving up the price of bread, peanut butter, milk, cheese, and

fresh fruit has vastly more effect on poor people than on rich people. As long as there is a single American family that cannot afford to buy milk for the children, it is an outrage for congressmen to brag about low food prices and to posture as supporters of programs to help the poor.

Our Most Idiotic Industrial Policy

At the core of farm policy is a blind fixation on using coercion and handouts to raise short-term farm income. Agricultural programs are based on the idea that government can make America better off by restricting production and inflating prices. Spending tax dollars for agriculture presumes that government can use a dollar more productively than the private sector can--even if the government spends the dollar to pay someone to produce nothing at all.

The more welfare American farmers have received, the less competitive they have become. Every crop on which the USDA has lavished benefits has ended up with either strict controls or huge excess capacity. The USDA does not reward farmers for improving their capital base but for idling their acreage, continuing to grow surplus crops, and playing by the government's rules. Every handout has encouraged farmers to look more to Washington and less to the market. According to Larry Johnson of the National Corn Growers Association, farmers now spend more time standing in line at local USDA offices than it would take them to plant crops on all the acres the USDA rewards them for keeping idle.[87]

Federal agricultural policies have driven up American cost of production and made America increasingly less competitive in the crops that American farmers have a natural comparative advantage in growing. Two acres of equally productive land in Iowa could differ by 30 percent in their sale price or in their rental rate depending on whether or not the land had a history as a "base" for USDA benefit programs (i.e., whether farmers in the past had enrolled the land in order to qualify for more federal benefits). Federal benefits are capitalized into the price and rental value of farmland. The more federal benefits crops grown on the land are eligible for, the higher the price of the land--and the higher the farmer's cost of production. The cost of production is driven up while nothing is done to increase farmers' productivity or efficiency.

A typical example of how farm policy hobbles American farmers is the de facto prohibition of crop rotation. To continue qualifying for crop subsidies, farmers must grow the same crop on their land year after year. As the Congressional Budget Office noted, "Farmers want more flexibility because the rigid rules of current programs constrain their planting decisions, restricting opportunities for profit and effectively limiting their freedom to use crop rotations that would be good for their land."[88] As a recent study by the Oilseeds Council of America pointed out, "Each crop program comes with its own set of imperatives that forces producers to plant a distorted mix of crops, a mix that does not mesh with world needs and that goes against good agronomic practices and proper long-term management of productive resources."[89] Because the land is not revitalized through rotation, farmers end up blanketing it with fertilizers and pesticides. The Oilseeds Council noted, "Results from agronomic experiments in Iowa . . . indicate that appropriate corn-soybean rotations increase corn yields by 5-15 percent, reduce fertilizer and chemical use, and reduce per bushel costs for corn by 30-40 cents. . . . For any equivalent package of program benefits, farmers could increase their net revenue by $1-2 billion if they had greater planting flexibility."[90] In North Dakota, yields for acreage on which wheat was planted after soybeans, sunflowers, or flax were as much as 45 percent higher than those for acreage on which wheat was planted year after year.[91]

The vast majority of the 400 farm products produced in the United States receives no federal subsidies; almost all federal subsidies go to fewer than 15 farm products. Politicians and bureaucrats have mismanaged agriculture so badly in recent years that government subsidies for a small percentage of farm products have approached or exceeded net farm income every year since 1983. In 1983 net farm income was $12.7 billion. Federal outlays for agriculture were $23 billion, and, according to one estimate, consumers paid $13 billion more than they would have for American food had federal subsidies and trade barriers not existed.[92] In 1984 net farm income was $32 billion, federal outlays were $16 billion, and the additional consumer "farm tax" was $13 billion. In 1985 farmers' income equaled $32.3 billion, federal outlays were $26 billion, and consumers paid over $13 billion extra because of federal agricultural policies. In 1986 net farm income was $37.5 billion, and federal farm programs cost taxpayers $31 billion and consumers $13 billion. In 1987 net farm income was $47 billion, federal farm programs cost more than $30 billion (counting the $2 billion that the FmHA wrote off for bad debts), and higher food costs added an extra $13 billion.[93]

If comparisons of the incomes of subsidized and unsubsidized farmers excluded government payments, unsubsidized crops would appear vastly more profitable, and it would become apparent that many subsidized crops are being produced at a loss. Farm program costs routinely far exceed the farmers' entire profits. For 1986 the wheat program and wheat export subsidies cost $4.0 billion; the wheat producers' total net cash income (before depreciation) was only $2.0 billion. In 1985 the wheat program cost the federal government $4.6 billion; the wheat farmers' net cash income was $2.3 billion. In 1986 the corn program cost $11.2 billion; corn growers' net cash income was $4.4 billion. The rice program cost taxpayers $2.7 billion in 1986 while rice producers received $236 million in income; the cotton program cost $2.1 billion while cotton producers' net cash income was only $1.3 billion. In 1986 sheep producers had a net profit of $13 million while federal wool subsidies amounted to $99 million. Thus the federal government spent $7 for each dollar of income realized by sheep producers.[94] (After 1986 the USDA stopped breaking down most farm income from subsidies by crop.)

Though many agricultural policymakers insist that farmers could not survive without federal subsidies, the unsubsidized part of agriculture has generally done as well as, or better than, the subsidized part. A Republican minority report to a farm bill in January 1956 noted that "the average price of [unsubsidized] commodities has been higher (as measured by parity price relations) in every year since 1940, except one, than the price of so-called basic crops."[95] The Wall Street Journal editorialized in 1967, after looking over the results of the farm program in the 1960s: "Producers of livestock, poultry, and such uncontrolled crops as potatoes and soybeans enjoyed rising incomes while producers of crops like wheat, feed grains, and so on under governmental control programs saw their income decline."[96] In the 1970s farm programs were comparatively inactive, and there was no clear difference between the incomes of subsidized and unsubsidized farmers. Bankruptcy rates in the 1980s were higher among farmers of subsidized crops than among farmers of unsubsidized crops, and farmland values fell twice as much in the corn belt as they did in areas where farmers produced unsubsidized crops. (Land values have now substantially recovered.)

A study by Hertel, Thompson, and Tsigas of Purdue University sheds some light on the true cost of farm subsidies. After analyzing all the factors influencing agricultural policy and the economy, the researchers estimated that each job saved in agriculture was costing the U.S. economy and the taxpayers more than $200,000 each year. Their study concluded: "These costs include the following (measured in 1987 dollars and expressed in terms of farm jobs saved by current policies): (i) reduced nonfood output ($107,000/year per farm job saved), (ii) increased Treasury outlays ($80,500/year per farm job saved), and (iii) lower real domestic income ($28,700/year per farm job saved)."[97]

Conclusion

The only way to successfully reform farm programs is to abolish them. We cannot compete with either foreign farmers or foreign farm subsidies by shutting down American farms.

Farmers' productivity has always advanced faster than politicians' understanding. The agricultural policy of the last half century is simply the history of politicians' misunderstanding of technological developments, fear of economic change, and religious belief that any price decline is evil and justifies the full force of the federal government to combat it. The political process has proven incapable of adjusting to economic and technological change and thus has both impeded the economy and prevented citizens from benefiting from new technology.

In every nation in the world where private and public sectors compete, the state farms have been shamed by the private farmers. In Russia, China, Poland, Ethiopia, Tanzania, and Mexico, independent farmers with far less capital have danced circles around plodding government agricultural systems. In America in the 1930s, the Resettlement Administration's cooperative farms rapidly collapsed because of their sheer inefficiency.

Bureaucrats, even with the best of intentions, will judge by bureaucratic standards, not by the needs and demands of an ever-changing market. Should government have the power to control private farmers when all the evidence proves that private farmers are far more capable than government bureaucrats? Should private farmers be held down to the level of the average bureaucrat? Is "good enough for government work" the standard we should impose on American agriculture?

Farm programs are the obvious target for budget summiteers. Any congressman who doesn't vote to eliminate farm

programs, which will probably cost more than $100 billion in the next five years, isn't serious about cutting the budget. Any congressman--or president--who supports a tax increase should be asked why Americans with an average income of $38,742 should pay more taxes and higher food prices to bankroll full-time farmers with an average income of $168,000. There is no better way to slash the deficit than to abolish farm subsidies.

Footnotes

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[84] U.S. Trade Representative, "U.S. Proposal for Uruguay Round Market Access Negotiations," Washington, March 15, 1990. This 700-page document was difficult to read because it had the word "secret" stamped all over it.

[85] Congressional Record, January 30, 1990, p. H133.

[86] Ibid.

[87] U.S. Congress, House of Representatives, Committee on Agriculture, Policy Alternatives to the Food Security Act of 1985 (Washington: Government Printing Office, March 12, 1987), p. 101.

[88] U.S. Congressional Budget Office, Farm Proaram Flexibility: An Analysis of the Triple Base Option (Washington: Government Printing Office, 1989), p. xi.

[89] Oilseeds Council of America, "The Case for Planting Flexibility," Washington, 1990, p. ii.

[90] Ibid., p. 23.

[91] Ibid.

[92] D. Gale Johnson, Kenzo Hemmi, and Pierre Lardinois, Agricultural Policy and Trade (New York: New York University Press, 1985), p. 162.

[93] U.S. Department of Agriculture, Economic Indicators of the Farm Sector. National Financial Summary 1988, p. 9.

[94] U.S. Department of Agriculture, Economic Indicators of the Farm Sector. Farm Sector Review 1986 (Washington: USDA, 1988), p. 3. See also U.S. Department of Agriculture budget summaries for 1986 through 1991.

[95] U.S. Congress, House of Representatives, Committee on Agriculture, Minority Report on HR 12 (Washington: Government Printing Office, January 1956).

[96] Wall Street Journal, June 27, 1967.

[97] Hertel, Thompson, and Tsigas, p. 37.