



## Ted Cruz Challenges Big Ethanol in Iowa

**Finally a presidential hopeful who refuses to defend this subsidized obscenity.**

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Until now conventional wisdom assumed that candidates of both major parties had to back ethanol welfare to win the Iowa caucuses. In 1988 Pete du Pont challenged agricultural subsidies, but he didn't triumph there or in New Hampshire, after which he dropped out of the race.

In contrast, when Sen. John "Straight Talk Express" McCain ran, he flip-flopped on ethanol, proclaiming himself a true believer in the subsidy after criticizing it for being "highway robbery." Sen. Hillary Clinton attacked ethanol welfare as "equivalent to a new tax" on gasoline; candidate Clinton lauded the dubious fuel for "limiting our dependence on foreign oil."

Years ago Jerry Taylor and Peter Van Doren of the Cato Institute called corn equivalent to "a state religion." At least in Iowa, which accounts for a quarter of ethanol capacity, corn, like cotton in the antebellum South, was king. No politician who hoped to become president wanted to be branded a heretic or seen as committing regicide.

Most of today's candidates have fallen into line. For instance, Florida's Sen. Marco Rubio, a big fan of the sugar program, which enriches growers from his state, has embraced ethanol subsidies. Why? Agriculture is "not an equal playing field" compared to other businesses, he claimed: "it's a very weak industry." Actually, farmers have a much more powerful lobby than do most other enterprises. Those on the ethanol dole have done especially well.

However, Sen. Ted Cruz has broken ranks to criticize farmers' welfare and he holds a narrow lead over Donald Trump in the upcoming caucuses. (Sen. Rand Paul also flunks the ethanol lobby's test, but he remains far back in the race.) Cruz's political strength has dismayed ethanol makers. The group America's Renewable Future, whose state director is the governor's son, is deploying 22 staffers in the presidential campaign. Some 50,000 people have signed up, saying that they will only back a friend of the ethanol lobby.

The wailing and gnashing of teeth among those dependent on federal handouts is understandable. Imagine, Iowa voters who believe there are other issues of note—war, deficits, terrorism, education, immigration, health care, and more. Worse, Iowans are prepared to cast their votes

based on what they believe to be the nation's interest rather than their own. The ethanol lobby looks like a paper tiger.

Ethanol subsidies began in 1978 and used to include a high tariff and benefit from generous tax credits, both of which expired at the end of 2011. However, the Renewable Fuel Standard, which requires blending ethanol with gasoline, operates as a huge industry subsidy. Robert Bryce of the Manhattan Institute figured the requirement cost drivers more than \$10 billion since 2007.

Cruz actually is a moderate on the issue, having shifted from immediate repeal to phase-out by 2022. He explained: "The lobbyists are trying the best they can to snooker the people of Iowa and convince the people of Iowa that a government mandate is the only way for ethanol to survive." However, he added, "I don't think Iowa farmers want to be dependent on Washington." Alas, he may have more faith in them than experience warrants, given their consistent, strong support for subsidies.

Ethanol is a political creation. The American Automobile Association warned that E15, with 15 percent ethanol, could damage cars. Mark Perry of the American Enterprise Institute called it "an inferior fuel that damages automobile engines and fuel systems."

Three decades ago the Agriculture Department admitted that ethanol could not survive "without massive new government assistance," which "cannot be justified on economic grounds." What other justification could there be for an ethanol dole?

Petroleum became the fuel of choice for economic reasons: it was the most cost-effective energy source available for transportation, in particular. Ethanol has only about two-thirds of the energy content of gasoline. Given the energy necessary to produce ethanol—fuel tractors, make fertilizer, and distill alcohol, for instance—ethanol actually may consume more in fossil fuels than the energy it yields, though solid numbers are hard to come by.

The ethanol lobby complains that oil production is subsidized. However, the answer is to end petroleum subsidies, not add ethanol welfare. Anyway, oil subsidies are modest and have little impact on gasoline prices, which are set in a global market.

The ethanol lobby claims using this inferior fuel promotes "energy independence." However, ending imports wouldn't insulate the U.S. from the impact of disruptions in a global market. Moreover, the price of this energy "insurance" is wildly excessive.

Bryce figured that "Since 1982, on average ethanol has cost 2.4 times more than an energy-equivalent amount of gasoline." In some years the former was three times as expensive. Last year Terry Dinan of the Congressional Budget Office told House members that "the marginal cost of reducing gasoline consumption by one gallon through substituting corn ethanol would be 60 cents under the [2016 RFS standard] and would probably be between \$2.30 and \$3.20 under the" tougher 2017 RFS standard. With the U.S. likely to become an oil exporter, the call for energy independence makes ever less sense.

By creating an artificial energy demand for corn—an astonishing 40 percent of the existing supply goes for ethanol—Uncle Sam also is raising food prices. *Forbes* contributor James Conca estimated that the amount of corn necessary to fill a 25-gallon gas tank “can feed one person for a year.” The UN Food and Agricultural Organization termed biofuels “one of the leading factors behind the increase in their prices in world markets which, in turn, has led to higher food prices.” This obviously makes it harder for poor people to feed themselves—and raises costs for those seeking to help them. Warned the peer-reviewed *Science* journal: “Any reduction in global food consumption is likely to disproportionately affect some groups of the poor because they can less afford higher prices.”

Oddly, some ethanol proponents have argued that this is a good thing. Less corn going to animals and people should reduce greenhouse emissions. Taking the argument to its logical end, Washington should promote mass starvation around the globe.

Nor does ethanol welfare yield an environmental benefit, as claimed. In fact, ethanol is bad for the planet. Two years ago the Intergovernmental Panel on Climate Change warned that “Increasing bioenergy crop cultivation poses risks to ecosystems and biodiversity.” *Scientific American*’s David Biello pointed to fertilizer run-off from cornfields which created “vast oxygen-deprived ‘dead zones’ in the Gulf of Mexico.” Analysts blame the recent increase in the area’s size on the fertilizer needed to grow corn destined for ethanol.

Taylor and Van Doren also cited research which, after taking “evaporative emissions” into account, determined that ethanol mixed with gasoline “actually increases emissions of total hydrocarbons, non-methane organic compounds and volatile toxins.” Moreover, additional land used for corn production means “more water pollution, less water for other uses, and more ecosystems destruction.”

What of combatting climate change? One study estimated a drop of between one and five percent in greenhouse emissions from the blended fuel, which makes the cost extraordinarily high. Other reviews don’t even find this reduction. Princeton’s Timothy Searchinger told Biello: “We can’t get to a result with corn ethanol where we can generate greenhouse gas benefits.” The IPCC’s conclusion was more diplomatic but equally damning: “since for some biofuels indirect emissions—including from land use changes—can lead to greater total emissions than when using petroleum products, policy support needs to be considered on a case by case basis.”

Similarly, warned Dinan: “replacing gasoline with corn ethanol has only limited potential for reducing emissions (and some studies indicate that it could increase emissions).” He explained that any cut largely depended on a long-term shift in transportation from gasoline and diesel to “advanced biofuels.” And using the latter is even more expensive than ethanol. Cutting use of one gallon of gasoline through use of advanced biofuels could run *as much as \$9.20*. Such a deal!

Give Ted Cruz his due, ethanol appears to be one issue on which he put principle before politics. Irrespective of his presidential ambitions, we all would benefit if Iowans engaged in a little political regicide against King Ethanol.

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