

Obama the Grinch Gives the Right an Xmas Gift

By EDWARD MORRISSEY, The Fiscal Times November 10, 2011

If conservatives want an easily framed example of an activist government gone wild, the Obama administration handed them an early Christmas gift this week. Using a 1996 law that has created government promotion boards for a series of agricultural products, the White House announced that it would launch the Christmas Tree Promotion Board (CTPB), a new arm of the Agriculture Department. Its mission? To convince Americans to buy so-called “live” Christmas trees.

Does that seem like a step too far? With Christmas decorations arriving in retail stores earlier and earlier each year, do we really need a new government bureaucracy to fund advertising and “research” to promote a natural approach to the holiday spirit? Since the funding would come from a new 15-cent fee on each tree sold, taxpayers might question which the CTPB evokes more: Santa Claus or the Grinch. Besides, the U.S. sells forests of natural Christmas trees -- some 31 million in 2007. Why does the government need to intervene in this market to boost sales?

Ah, but that’s the problem: Sales have fallen off. Artificial tree sales doubled between 2003 and 2007, while live-tree sales continued declining since their peak in 1991. And that has growers worried. For the last three years, the National Christmas Tree Association has pondered how to get Americans to switch back to their annual purchase of a real tree. It decided the federal government should intervene on behalf of growers and convinced the Obama administration to establish the new bureau.

The USDA already has a number of such boards, for dairy products, soybeans, and beef, among others. Consumers can thank the USDA for the familiar “Beef: It’s what’s for Dinner” slogan, for example. The boards collect “fees” directly from sales and then make decisions on spending for marketing and research that promote specific products. This got lampooned in the film *Dave* in which a body double inadvertently ends up running the country. Kevin Kline as the ersatz President asks a Cabinet official why the U.S. government spends \$45 million a year to tell car buyers why they should feel good about products they already purchase.

Until now, the Commodity Promotion, Research, and Information Act of 1996 has not received much attention for three reasons. First, the fee is hidden from the consumer in the retail price of the products involved. Second, as with the Christmas tree fee, the price per unit is small enough to shrug off; no one will go broke spending an extra 15 cents on a tree once a year. Third, the USDA has almost always imposed these fees in response from a set of producers who want government intervention in their markets – as large growers of Christmas trees desired in this case.

But this case represents a major miscalculation by the USDA and the Obama administration. In the first place, even though the National Christmas Tree Association wanted a USDA board to impose this fee and conduct marketing, that doesn’t mean every grower wants fees levied on their sales. The *Chicago Tribune* reported that growers in Texas and Vermont **oppose the new fee** and the USDA intervention. “If the large wholesale growers want it, fine, but they can pay for it without reaching into the small growers’ pockets,” said Robert Childress of the Texas Christmas Tree Growers Association. “I feel that marketing for my products is my responsibility, and I choose to rely on my efforts.”

Had the NCTA embarked on its own marketing initiative without involving the Department of Agriculture, it could still have collected fees on sales from growers who wanted to participate in the program. Getting the USDA involved, however, the large growers forces smaller growers into an association that many of them didn't want. As levied by the USDA, the fee is no longer voluntary but mandatory – which makes it a tax in fact if not in name, the Cato Institute argues. “Do Christmas tree farmers go to jail if they refuse to pay? Yes. It's a tax,” writes [Jim Harper](#).

That isn't the only miscalculation. Unlike the other agricultural cases, this market is different. Promoting dairy doesn't preclude the purchase of orange juice; making beef what's for dinner tonight doesn't keep pork from being the other white meat tomorrow night. But consumers choose either a natural or artificial tree once a year. Government intervention on behalf of growers explicitly means attempting to damage sales for manufacturers of artificial trees and their retail partners. It also raises some serious questions.

Christmas-tree fires, while rare at 260 structural fires a year between 2003 and 2008, killed an annual average of 12 people and caused over \$13 million in damage, according to research by the National Fire Protection Association (NFPA), which notes the significantly higher risk with live trees. Plus, many people have allergies or other health-related issues with natural trees (something also true about other agricultural products, including milk). Should the government market the natural-tree choice as a preferred choice over an arguably safer product?

That strikes closer to the issue for conservatives, who wonder why government involves itself in private-sector marketing at all. Government has a role as a regulator of markets, in both consumer protection and product safety, but that role has to follow an impartial rule of law in order to remain credible. When government starts favoring one product over another, as this Christmas Tree Promotion Board would, can consumers rely on government to keep its thumbs off the scale when regulating both growers and artificial tree manufacturers in all other ways?

This is no small issue and is not limited to the CPRIA and the Department of Agriculture. It permeates the entire regulatory and tax code, which has been gamed by Congress and administrations of both parties to favor outcomes rather than provide dispassionate oversight. We have seen this in many different forms, but the most explosive example was the housing bubble of 1998-2008.

Politicians wanted to push home ownership as an outcome and pressured lenders to loosen standards. When that didn't work, Congress directed Fannie Mae and Freddie Mac to start buying more subprime loans and fund them through the sale of mortgage-backed securities. That made subprime lending almost risk-free, and the bad loans securitized by Fannie and Freddie infected every corner of the financial system. Some of those responsible for overseeing the regulation of these markets directly benefited from the interventions, such as former Senator Chris Dodd of Connecticut, who got sweetheart deals from subprime lender Countrywide Mortgage in the Friends of Angelo program, named after Countrywide CEO Angelo Mozilo.

Instead of dispassionately and evenly regulating the lending markets, government became a stakeholder for politically driven outcomes and skewed its regulatory practices to favor those outcomes. Those actions created such a severe distortion that they nearly destroyed the global economy when home prices started plunging in 2008 and the securities behind gazillions in home loans became all but worthless. Instead of learning from that lesson, the federal government continues to expand its interventions, this time in the Christmas tree market.

By itself, a 15-cent fee on a Christmas tree is insignificant. However, it provides an object lesson in the easy manner in which government insinuates itself into these choices and how that distorts not only private markets but also regulatory credibility. The Christmas Tree Tax offers conservatives a very clear and uncomplicated example to bolster their argument – which is probably why the Obama administration moved quickly to put off implementation of the new Christmas tree bureaucracy. As Reason's Seth McKelvey and the American Spectator argue, it's time to repeal the CPRIA, but also to clean up the regulatory and tax code that allows the federal government to become stakeholders in markets and return them to their legitimate role as impartial regulators. In other words, Uncle Sam isn't an ornament you need dangling from your tree this year.

