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## A Miracle Happened Last Week In Washington: Congress Failed To Mulct The Citizenry

By: Doug Bandow- June 24, 2013

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A miracle happened in Washington last week. Legislators failed in their attempt to mulct the public.

Congress is debating the so-called Federal Agricultural Reform and Risk Management Act. More commonly known as the Farm Bill, it is a looting expedition, roughly 80 percent general welfare (Food Stamps, officially called the Supplemental Nutrition Assistance Program) and 20 percent farm welfare (agricultural price supports).

Although Washington is drowning in red ink, Republicans and Democrats disagree only over minor details. The Democratic Senate approved a \$955 billion package. The House Republican leadership pushed a \$940 billion measure.

Rep. Collin Peterson (D-Minn.), the ranking member of the Agriculture Committee, opined that “It is a compromise between commodities and regions, and urban and rural members.” While “I didn’t get everything I wanted,” he allowed, “in most areas of the bill, if I were chairman I wouldn’t do anything different.”

The 2008 Farm Bill was expected to cost \$640 billion over ten years. So in five years the price of the agricultural dole has jumped 50 percent. Take inflation into account and the real increase was still 40 percent.

However, because the Congressional Budget Office said existing law would cost \$973 billion over the next ten years, House Republicans claimed to be “saving” \$33 billion even while spending \$300 billion more. Only in Washington!

A half century ago Congress tied general welfare to farm welfare for two reasons. First, to increase demand, and thus prices, for food. Second, to create a classic logroll: both urban and rural legislators got something for their constituents.

Legislators are surprisingly honest about their strategy. Sen. Thad Cochran (R-Miss.) explained that “the declining rural population translated into fewer rural representatives in the House and fewer votes for the Farm Bill.” Thus, Food Stamps were included “purely from a political perspective. It helps get the Farm Bill passed.” The *Washington Post* observed: “the Farm Bill has epitomized bipartisanship and coalition-building at its worst: an unholy alliance of urban and rural lawmakers of both parties who supported each other’s interests—nutrition program

and producer subsidies, respectively—without having to justify either one on its independent merits.”

Of course, federal money really isn't free. House Agriculture Committee Chairman Frank Lucas (R-Ok) complained about the government “tying strings to how farmers farm.” Why, “we have a social tool here that's used to direct how farmers use their lives and conduct their business.” But that's a price of suckling on the federal teat.

Since the Farm Bill is considered “must pass,” it also tends to become a legislative “Christmas Tree.” The House legislation included a tax on Christmas trees, money for the National Sheep Industry Improvement Center, and \$1 million for purchase weather radios. There also was money for wood-burning heaters and “healthy plants.” And price controls for olive oil.

The White House simply wanted to spend more money. The president threatened to veto Food Stamp cuts. He traveled to Iowa to propose \$160 million in new government food purchases to aid farmers, opining: “The best way to help these states is for the folks in congress to pass a Farm Bill.”

However, last Thursday was not politics as usual on the House floor. The GOP leadership expected to win. But its proposal to trim \$40 billion over the coming decade, split almost equally between Food Stamps and price supports, divided both parties.

Democrats opposed even slowing the spending increase on Food Stamps and allowing states to impose work requirements on recipients. Conservative Republicans wanted more meaningful reductions in farm subsidies. Instead, the legislation set farmers' welfare at around \$20 billion annually and guaranteed future price supports at 85 percent of today's levels. Defections on both sides led to a 195-234 defeat.

The shocked Republican leadership blamed the Democratic minority. The latter had “undone years and years of bipartisan work and made it partisan,” complained House Majority Leader Eric Cantor (R-Va.). The Democrats “shamefully chose politics over progress and meaningful reform.” Reform?

The failure of the usual political suspects to work their usual legislative magic provides an opportunity for real change. The *Post* observed: “Pardon us for not rending our garments at the downfall of a measure that would have lavished tens of billions of dollars in subsidies on one of the most prosperous sectors of the U.S. economy.”

Although Congress dramatically reformed the signature welfare program Aid to Families with Dependent Children in 1996, Food Stamps have become the new welfare, expanding dramatically with few conditions. Since 2008 the number of recipients jumped 70 percent to 47 million. Costs have almost doubled. Although program defenders argue that the average monthly benefit is just \$4.50 a day, for most recipients the program is a supplement to other income, not the sole source of food. Moreover, benefits multiply to households with kids.

Even less justifiable is the panoply of farm subsidy programs. They were created during the Great Depression, when rural America was even more desperate than the rest of the country.

The bizarre mix of payments to simultaneously grow and not grow crops made little sense then. It makes no sense today.

Explained Daren Bakst and Diane Katz of the Heritage Foundation: “Farmers are pulling in record-high levels of income and carrying record-low levels of debt. Technology has eliminated many of the risks that once plagued farming, and the profitability of unsubsidized crops demonstrates that independent agriculture is viable.” Economist Vincent Smith figured that the farm failure rate averages .5 percent, compared to an annual business failure rate of seven percent.

Indeed, despite the persistent emotional appeal of the family farm, U.S. agriculture is big business, with sophisticated research, production, and marketing. Only 12 percent of farms have sales exceeding \$250,000 annually, but they account for 84 percent of production. Net farm income this year likely will approach \$130 billion, the most in 40 years.

Nevertheless, Uncle Sam is standing by, cash in hand. Average Crop Revenue Election payments are made if revenues fall below certain levels. Counter-cyclical payments are due when actual prices fall below “target prices.” Crop insurance protects against falling prices and yields. Direct payments go to producers even if they do not produce. Loans and loan guarantees underwrite credit. Supplemental Revenue Assistance Payments go to farmers for weather-related issues.

Other measures, such as restrictions on sugar imports and regulatory mandates on and tax preferences for ethanol also act as farm subsidies. Even food “foreign aid” is designed to benefit U.S. farmers. So-called Food for Peace dumps surplus American food in poor countries, damaging local farmers.

The biggest operators benefit the most. Bakst and Katz figured that three-fourths of larger farms but only one quarter of small farms receive federal subsidies. A quarter of all commodity-related payments go to operations with at least \$1 million in sales, up from just eight percent in 1991. My Cato Institute colleague Chris Edwards estimated that the average household income for farmers is 25 percent greater than that for American households generally.

These programs have conflicting impacts on prices. Consumers pay two to four times the world price for sugar, for instance. In contrast, most direct subsidies encourage increased production, which places downward pressure on prices—triggering even more subsidies. Conservation payments paradoxically encourage farmers to bring marginal land into production.

In short, the Farm Bill is about as stupid a policy as Congress could design. Uncle Sam acts as a reverse Robin Hood, taking money from the poor and middle-class to give to the captains of agri-business. He talks nostalgically about the Family Farm, while lavishing most of his money on wealthy operators. He advocates market efficiency while promiscuously meddling in the agricultural marketplace, creating economic distortions at every turn. He speaks of protecting the environment, while increasing agricultural production in the arid West and marginal lands elsewhere.

Farmers also complain about increased uncertainty. Rep. Tom Cole (R-Ok.) said his constituents wanted the legislation passed so they could decide on investment and planting decisions. Instead, government should get out of farming all together.

The first step would be to separate Food Stamps from price supports. Debate the former in the context of the scores of overlapping and expensive welfare programs. Indeed, the Carleson Center for Public Policy recently counted an astounding 157 means-tested federal programs. Total government spending on general welfare runs about \$1 trillion a year. It's time Congress rethought and revamped the entire welfare industry.

As for the farmers' dole, abolition is the only sensible policy. New Zealand successfully took this approach in 1984.

Farmers are practiced businessmen who employ sophisticated scientific techniques to produce food and sophisticated financial tools to manage risk. Farmers are enjoying boom economic times. Wealthier on average than other Americans, farmer don't need their own special welfare program. Indeed, many operators already make a profit with little or no federal support.

At least Congress could adapt genuine reforms. End direct payments. Don't replace them with new subsidies. Means test subsidies, phasing them out as income rises. Make farmers pay full price for crop insurance. Kill indirect subsidies, such as trade restrictions and regulatory mandates.

The latest Farm Bill would deserve to be defeated at any time. But especially now. The Treasury is empty. Federal spending must be cut.

Washington's governing elite is agog over the GOP farm debacle. No one was surprised when special interests sought to pick the public's pocket. But no one expected them to fail.

Their failure should be made permanent.

In recent decades numerous industries, from transportation to communications to financial, have been deregulated—some against their wishes—and have prospered. Next up should be agriculture.