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How US Sugar Protectionism Could Sour Your Halloween And Christmas

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Carl Sandburg's hog butcher, wheat stacker, city of the big shoulders — was once America's candy capital, catering to the nation's sweet tooth. Today it is less so because the federal government interferes with candy's most important ingredient.

With Halloween on the horizon and Christmas close behind, sugar import quotas might produce shortages of candy corn and candy canes. Herewith another story of industrial policy gone sour.

The Wall Street Journal — headline: "Candy Makers Wrestle With Sugar Shortage" — reports that Spangler Candy of Bryan, Ohio, has had to decline some Halloween candy orders and might be unable to produce its usual 250 million candy canes. An executive of Atkinson Candy in Lufkin, Tex., says that had his company not found a 12th supplier (importing from Colombia) after 11 had said their sugar supplies for this year were exhausted, "We would've been going to Costco" for sugar. For tons of it?

To the surprise of no realist, the government's central planners are probably surprised by this. Sugar supplies are tight and prices are high worldwide, but matters are made worse for U.S. manufacturers and consumers by import restrictions.

Limiting sugar imports transfers wealth from 335 million Americans who consume sugar and products containing it, to, primarily, about 4,000 producers of beet and cane sugar. The quotas are a residue of "temporary" commodity supports instituted during the Great Depression. Not even the New Deal's measures that were intended to end the Depression could make that calamity last forever, so it ended. Some purportedly ameliorative measures did not.

Federal policy essentially guarantees 85 percent of the U.S. sugar market to domestic producers, and minimum prices for beet and cane sugar. And import quotas make the U.S. price of sugar two to three times the world market price, a boon to U.S. confectioners' foreign competitors.

The Cato Institute's Scott Lincicome adds a you-can't-make-this-stuff-up detail about the government's sugar nonsense: The Agriculture Department can also prop up U.S. sugar prices by buying domestically produced sugar, thereby keeping it off the market. The department "then sells this sugar to U.S. ethanol (of course) producers, often at a big loss (of course)."

The survival - the probable immortality - of sugar import quotas is a crystalline illustration of the phenomenon that explains much of what the federal government does, but especially the protectionism component of industrial policy. The phenomenon is: dispersed costs and concentrated benefits.

Suppose, very conservatively, that the cost of import quotas to consumers (estimated to range from $2.4 to $4 billion) is $3 billion. Divide $3 billion by those 335 million U.S. sugar consumers: The cost per person is about $9, which is barely noticeable. But divide $3 billion by the approximately 4,000 sugar producers, and the windfall per grower is $750,000, a powerful incentive for the growers to cultivate Congress as assiduously as they cultivate their crops.

A 2006 Commerce Department study concluded that for every job in sugar production that was saved by protectionism, nearly three jobs were lost in the confectionary industry. And the cost to the economy of each sugar production job saved was $826,000 in 2002 dollars ($1.4 million today). Bad politics? No. In "The Individualists: Radicals, Reactionaries, and the Struggle for the Soul of Libertarianism," a survey of libertarianism published in April, John Tomasi and Matt Zwolinski cite economist David Friedman's explanation of the political efficacy of the government's redistributionist money-shuffles:

"A hundred people sit in a circle, each with his pocket full of pennies. A politician walks around the outside of the circle, taking a penny from each person. No one minds; who cares about a penny? When he has gotten all the way around the circle, the politician throws fifty cents down in front of one person, who is overjoyed at the unexpected windfall. The process is repeated,

ending with a different person. After a hundred rounds everyone is a hundred cents poorer, fifty cents richer, and happy."

Chicago factories that made Brach's, Fannie May and Mars candies have been shuttered. Canada, however, can celebrate U.S. sugar irrationality. Since 1967, Life Savers were made in Michigan — 70 million pounds of them in 2001. The following year, production decamped to Canada, where sugar (99 percent of Life Savers) can be bought at the world price. Mars Inc. and Tootsie Roll Industries Inc. also have Canadian operations.

The Necco candy factory building in Thibodaux, La., is empty: The company has gone bust. The Cato Institute's Gabriella Beaumont-Smith notes that the hollow building sits between two sugar refineries that are protected — subsidized — by the sugar segment of federal industrial policy.