Is Sugar Protectionism Too Sweet Of A Deal To Reform?

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Can the U.S. sugar industry survive without government support? While some lawmakers insist price supports and import restrictions are necessary, Daniel Pearson of the Cato Institute disagrees, contending that America's sugar industry would still survive without government subsidies.

Sugar protectionism has only resulted in higher prices for American consumers. While the government has interfered in the sugar trade since 1789, the modern sugar program began in the early 1980s when the federal government imposed import quotas on sugar. Today, 85 percent of the American market is reserved for domestic sugar. The result? Higher prices. Indeed, consumers and American workers suffer from today's sugar policy:

- For each sugar growing and processing job that is saved due to higher sugar prices from protectionism, three candy-making jobs are lost, according to a 2006 U.S. government study.
- Each job saved from higher sugar prices costs the American economy more than $800,000.
- According to a 2012 study from economist Mark Perry, American consumers lose $3 billion annually due to U.S. sugar policy.
- In recent years, the average price of sugar in the U.S. was more than double the worldwide average.

Pearson suggests that the United States get rid of its sugar protections, and he encourages American policymakers look to Canada as an example. There, the sugar industry enjoys no government support measures or sugar import restrictions, yet the country continues to produce beet sugar in an open market. While protectionists argue that American sugar producers face high production prices that would be uncompetitive in an open market, Pearson contends the American sugar market could survive without government assistance. He notes that American costs are "in the middle of the pack overall when compared to other sugar-growing countries" and that American sugar producers have a "natural" form of protection due to their proximity to large, commercial sugar users in a wealthy economy.

Rather than continuing to enforce restrictive and anti-market policies, Pearson says policymakers should reform the U.S. sugar program. Doing so would free the economy from the burden of a policy that increases trade frictions, raises consumer costs and transfers confectionary manufacturing to countries with more competitive markets.