



# Farm bill defeat in House is chance to start entitlement reform

By: Veronique De Rugy - June 28, 2013

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Last week, the House defeated a \$940 billion farm bill. Hopefully, lawmakers will now be willing to talk about real reforms. In my opinion, the first step would be to take food stamps out of the farm bill where they don't belong.

In its current form, the biggest share of the bill goes to food stamps, known as the Supplemental Nutrition Assistance Program, while the rest goes to paying various farm subsidies. The farm side of the bill is cronyism — a payment from lawmakers to some special business interests, in this case farmers.

While this bill would end direct subsidies to farmers, these payments to farmers would be replaced with other handouts. The shallow-loss program, for instance, would provide protection to farmers from bad weather and poor prices at a time when crop prices are at an all-time high. (The same would be true for dairy farmers.)

It's paid by taxpayers, the same taxpayers who are already footing most of the crop-insurance costs. Why should farmers be protected from variations in their revenue? Why can't crop farmers pay for their own insurance? Because agriculture subsidies have become a third-rail entitlement. Farmers expect payments, and Congress delivers.

Then there is the food-stamp part of the bill. Eighty percent of the bill is devoted to food stamps. When the program was first expanded nationally in the 1970s, just 1 in 50 Americans participated. Today, 1 in 7 Americans receive \$134 each month, at a monthly cost of more than \$6 billion.

Obviously, the weak economy has played a role in the increase of food-stamp spending, but the more important part of the story comes from the eligibility changes implemented by the Bush and Obama administrations.

Having food stamps in the farm bill makes no sense. The most obvious problem is that in its current form, the legislation would spend about \$80 billion a year trying to alleviate the high cost of food through food stamps, while some of the increased cost of food can be traced back to policies implemented in order to cater to farm interests.

Take the farm bill's sugar policies. The USDA protects its producers against foreign competitors by imposing U.S. import quotas, and against low prices with a no-recourse loan program that

serves as an effective price floor. As a result, the University of Michigan economist Mark Perry reports, Americans have had to pay an average of twice the world price of sugar since 1982.

That's just one of many government interventions that have hurt the poorest Americans by increasing the price of food. And yet Washington has no problem having the food stamp program — an \$80 billion initiative designed to offset the high price of buying food — embedded in the very farm bill that keeps those prices so high.

Second, the irony of it all is that while the impact of farm subsidies is at odds with the purpose of food stamps, the anti-poverty program's awkward location in the farm bill is a big help to the farm lobby in its quest for more taxpayer funds.

As Cato Institute's Chris Edwards explained in a 2009 piece on agricultural subsidies, for years now "farm-legislators have co-opted the support of urban legislators, who seek increased subsidies in agriculture bills for programs such as food stamps."

In their famous book published in 1962, "The Calculus of Consent: Logical Foundations of Constitutional Democracy," Noble Prize Winner James Buchanan and his co-author Gordon Tullock identified this behavior as logrolling — an agreement between two or more lawmakers to support each other's bill.

Normally, they wouldn't support the other's bill if it weren't for the support of their own bill. The main consequence of this quid pro quo is more government spending across the board and in this particular case; more farms subsidies and more food stamps spending.

Americans have come to expect Washington to do the wrong thing most of the time — and sadly, we are seldom surprised. Perhaps the most we can hope is the farm bill's surprise failure last week delivered enough of a jolt to shock lawmakers into doing something right — and reforming the boondoggle.

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