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Government rules protect cronyism

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To see the true heights of government cronyism, look to the lowly catfish. The current controversy over catfish inspections is a great example of how government rules can be created and adapted to protect one player in a market, at the expense of the others.

“On its face, the 2008 law requiring the U.S. Department of Agriculture to inspect catfish facilities seems relatively benign,” said William Watson of the Cato Institute. “Who doesn’t want safer catfish? In reality, though, the law has nothing to do with food safety and everything to do with supporting the Southern catfish industry at everyone else’s expense.”

No one even really claims that these rules are in place to keep people safe.

“The USDA itself has said that catfish is a low risk food and can’t explain how its inspections will reduce that risk in any meaningful way,” Watson notes. “The Government Accountability Office has advised Congress to repeal the program. The new inspection regime is slated to cost taxpayers \$14 million more per year than the current one.”

But this isn’t really about safety.

“Aside from the cost, the main impact of the new inspection regime — and its actual purpose — is that foreign catfish producers will be banned from the U.S. market until they can show equivalence to U.S. production standards,” Watson explains. “Regardless of how they produce the catfish, showing equivalence will take years. In the meantime, U.S. consumers will be left with nothing but domestic catfish at hugely inflated prices.”

That’s just fine with some lawmakers. Mississippi Republican Sen. Thad Cochran is working hard to protect his state’s farm-raised catfish industry.

Others say they want to defund the unnecessary program.

“The good news is that a growing, bipartisan group of legislators has been trying to kill the program since its stealthy insertion into the 2008 farm bill,” Watson said. “Most recently, Rep. Vicky Hartzler, R-MO, announced that she will propose an amendment to the 2015 Agriculture Appropriations Bill to defund the new inspection program.”

That's important, and not just for consumers who are overpaying for catfish. Vietnam, which is competing for the U.S. catfish market, will respond to a de facto tariff war with tariffs of its own.

Vietnam buys an awful lot of American beef and soybeans. If that country slaps tariffs on those American products, then American jobs will be impacted as well as prices.

This really part of a larger problem of special interest groups using health and safety regulations as trade barriers. Because free trade agreements, lawmakers are mostly prevented from erecting outright barriers. So they use health and safety as an excuse. Watson calls this "regulatory protectionism" and says it "harms the U.S. economy and violates our trade obligations."

He's right. Cronyism has no place in our trade policy.

"Prior to implementing a new regulation, federal agencies should be required to evaluate the possibility that less trade-restrictive alternatives could meet regulatory goals as effectively as their preferred proposal," Watson said.

When it comes to cronyism, lawmakers shouldn't take the bait.