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Another Year In Washington, D.C. Is Another Year Of Policy Insanity

By: Doug Bandow – January 1st, 2012

It's the dawn of another year. I want to believe that life will improve. But my work is concentrated in Washington D.C. I know better.

It long has been said that the District is the world's largest insane asylum, 68 square miles of fantasy surrounded by reality. Denizens of the home of the federal government are renowned for believing that one need only wish something to be true for it to happen. Hence the "1984" character to the rhetoric emanating from Washington.

In the midst of contentious budget negotiations, made necessary by a bloated budget which lavishes money on almost every activity known to man (and woman!), an article appeared in the *New York Times* discussing the latest federal crisis. Involving milk prices.

In a normal society the government wouldn't try to manage the dairy trade. Farmers would assess demand, buy or breed cows, and sell milk. Some would do better than others, but that's the way it is in every industry. If more people drank more milk, prices would rise, inducing farmers to add cows and produce more milk. The process would work in reverse too. There'd be no need for a Department of Agriculture.

But this is America, the home of the brave, land of the free, and site of some of the stupidest farm programs ever concocted. Including for dairy.

A free market, we are warned, would be unstable. True, that is how agriculture functioned throughout most of human history. And how most industries function in America today. But milk is, well, *special*. Prices might increase or decrease and either would just be awful. Think of the extra indignity if a farmer actually lost money!

So the feds have shown up proclaiming: "We are here to help you." And help they do. Reported the *Times*: "Under the current program, the government sets a minimum price to cover dairy farmers' production costs. If the market price drops below that, the government buys dairy products from farmers to buoy prices and increase demand."

In recent times market prices have exceeded the government guarantee. (How I wish I could convince Washington to set a minimum price for the articles that I write!) But the Farm Bill is set to expire at the stroke of midnight on New Year's eve and then, explained the *Times*, under antiquated 1949 rules "the government would be required to buy dairy products at around \$40 per hundredweight—roughly twice the current market price—to

drive up the price of milk.” Why, that makes sense. A law that even farmers admit no longer reflects market reality would control the price of milk in every store in America.

With dairy producers racing to Washington with their wares, the makers of butter, cheese, yogurt, and other dairy goods would trek around the world looking for cheaper milk to buy. And Uncle Sam would feel pressure to unload the surplus that he has amassed from buying milk in the past when market prices were lower. (Why doesn't the government purchase my columns at a “fair” price?!) At which point milk prices would drop precipitously, forcing the government to, yes, buy more milk.

Only a moron—or a congressman—could come up with such a stupid system.

But they never learn. During the Reagan administration some bright bureaucrat noticed that by inflating dairy prices the federal government was encouraging farmers to produce more milk, which Washington then had to buy to maintain at inflated prices, which only encouraged farmers to add more cows and produce more milk. The result was a mountain of cheese and other dairy surplus which, of course, could not be sold, since doing so would lower prices, which would require the federal government to spend even more to reflate prices, which would start the process all over again.

This was recognized as a problem even in Washington. So the Reagan administration came up with a great idea. Reduce subsidy payments? Repeal the program? Empty the Department of Agriculture and turn the building into condos? Of course not! These steps would have made sense. Instead, Uncle Sam rewarded farmers for killing their cows. First, Washington paid farmers too much for milk, encouraging them to add cows. Then the government paid farmers a bonus to snuff out the very same animals. Whoever came up with this idea probably received a government genius grant of some sort.

Unfortunately, this nuttiness made perfect sense in Washington. With a milk crisis looming today, the complaint is not that government should stay out of the farm business. It isn't that Congress is mismanaging the agricultural market. It isn't that legislators should not set prices for a special interest. It isn't that farmers are no more deserving than any other businessmen in America today. It is that Capitol Hill hasn't gotten around to reauthorizing the many foolish, inefficient, and wasteful programs incorporated in the Farm Bill.

Congress routinely creates problems, only to make them worse in the guise of “solving” them. For decades Uncle Sam regulated the price of natural gas. By keeping prices artificially low (energy is supposed to be cheap while food is supposed to be expensive—go figure!) price controls *discouraged* exploration and production while *encouraging* consumption. The inevitable result: shortages. It is hard to imagine a dumber policy. Except maybe for dairy.

So legislators sprang into action. They could have junked the entire foolish fuelish system. But that had to wait for Ronald Reagan's administration. Instead, they passed the “Fuel Use Act,” which determined which businesses could use the cheap gas. Everyone else had to fend for themselves in the market. When Capitol Hill's first attempt at micro-management of price failed, lawmakers just imposed even more idiotic micro-management of consumption.

Indeed, responding to failure by intervening more, and more stupidly, is a hallmark of the federal government. Impose a minimum wage which prices the least educated and

skilled out of the market. Add regulations and taxes which raise the cost of hiring. Respond to resulting unemployment by creating government “jobs” programs.

Create a panoply of subsidy programs for housing. When the bubble predictably bursts, get the Federal Reserve to pour trillions of dollars into the industry in a desperate attempt to reinflate the bubble. Pass the Community Reinvestment Act and insist that banks issue mortgages irrespective of borrowers’ financial capacity to repay. When the artificial housing boom collapses, attack banks for “predatory lending” to the very same borrowers.

It isn’t just individual policies which work this way. It’s the overall system.

Congress wastes money prodigiously. It creates multiple duplicative programs, almost never shuts down a program, no matter how ineffective. Legislators spend money to reward contributors and entice voters. Capitol Hill spawns scores of welfare programs which undermine family and community. Vast transfer programs are established to redistribute money to the poor, middle-class, rich, businesses, labor unions, lawyers, interest groups, and most everyone else.

Lobbyists swarm Capitol Hill, the White House, and the multitudinous federal bureaucracies throughout Washington. Books are published instructing people how to mulct Uncle Sam; one author appears in television commercials dancing around in a suit covered with dollar signs. Yet legislators then express shock and wonder when the government has trouble paying its bills. And if anyone, whether person or company, attempts to keep more of his or her income, politicians grow indignant, even outraged. The effrontery! Americans are put on earth to act as geese to be plucked.

Never mind the principles which animated the early Americans who established a new nation. They objected to taxes that we wouldn’t even notice today. Both major parties are committed to the welfare/warfare state. And they believe in federal, not papal, infallibility.

For most Washington policymakers fantasy transcends reality. Like with the dairy program, where rules predating the Korean War apparently are about to create a shortage, raise prices, increase imports, lower prices, and then start the cycle all over again.

A new year is about to begin, so it would be nice to believe that things can’t get worse. However, Washington long ago dispelled that illusion. Unfortunately, neither Republicans nor Democrats can be trusted with Americans’ liberties.

President Ronald Reagan liked to quote Thomas Paine in insisting that Americans have the “power to begin the world over again.” That may be too ambitious. They should start slow and simply begin their political system over again.