

# DAILY NEWS

## **Trump spends billions in taxpayer dollars to fix a problem he created: Taxpayer subsidies thrown at U.S. agriculture are a huge waste**

Simon Lester

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President Trump has been imposing tariffs left and right, on close allies and on budding rivals, and on steel and aluminum from everywhere and on everything but the kitchen sink from China. The predictable response from U.S. trading partners was to impose retaliatory tariffs on U.S. exports. Now, in response to that retaliation, the Trump administration is proposing to counter the retaliatory tariffs with subsidies to the agriculture sector, which has been particularly hurt by these tariffs. Next up, presumably, is more subsidies by other governments, as the market distortions escalate and proliferate.

Agriculture subsidies are nothing new. The U.S. agriculture sector is already heavily subsidized, which has long been an irritant for many U.S. trade partners. When Trump complains about high Canadian tariffs on dairy products, Canada responds with complaints about U.S. dairy subsidies. These new subsidies just add to the problem. The Trump administration's proposed agriculture subsidies will be carried out through the Commodity Credit Corporation Charter Act, a Depression-era funding program. That is appropriate somehow, as the Trump administration's trade war harkens back to the Smoot-Hawley tariffs of the same era.

The question many people are asking is, where does this end? Will we reach a new status quo in which all tariffs on goods imported and exported from the United States are subject to significantly higher taxes? And what will that do to the economy? The economy has stayed strong so far, but the amount of trade subject to tariffs is still small.

As the amount of trade covered grows, the impact on the economy will become more apparent. We are already seeing reports of lost jobs, and as publicly listed companies feel the pain, the effects are likely to spread to the stock market. Perhaps that will be enough to sway Trump?

One way to put an end to this destructive trade policy is for Congress to step in. Congress has the Constitutional power over trade, and all of these tariffs are taken pursuant to authority Congress had delegated by statute. Congress can and should revisit the statutes, and rein in Trump's actions on tariffs.

It should also step in to stop the agriculture subsidies. Back in the 1990s, a Republican-led Congress passed the Freedom to Farm Act, in order to reform and reduce farm subsidies. If the Republicans want to be the party of free markets and limited government, they should act like it.

At the same time U.S. trade policy is mired in protectionism, the rest of the world is pressing forward with trade liberalization. The EU and Japan recently signed a far-reaching trade agreement, cutting tariffs on trade in both directions, and liberalizing in other ways as well. Trump has been complaining about high EU tariffs on cars. Japanese producers will now see those tariffs phased out, but American producers will still be subject to them.

Trump could also negotiate such trade agreements, but he has chosen not to. We are now a year and a half into the Trump presidency, and no new trade negotiations have started. According to press reports about the agriculture subsidies, “[t]he plan’s third element would put resources toward finding new markets for U.S. farmers to sell their products abroad.” The best way to open new markets is to negotiate lower tariffs through trade agreements.

But instead of negotiating lower tariffs, the Trump administration has been imposing higher tariffs, which, of course, led to the retaliatory tariffs, and now to the new agriculture subsidies. Trade policy is going in the wrong direction, and the pace is picking up.

*Lester is the associate director of Cato’s Herbert A. Stiefel Center for Trade Policy Studies.*