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## U.S. POLITICAL DEBATE

# Time to end farm subsidies

**BENJAMIN POWELL**  
FOR THE CALGARY HERALD

President George W. Bush's modest proposal to reduce farm subsidies will not cause a partisan fight between Democrats and Republicans, but make no mistake about it, the fight that does occur will be interest-group politics-as-usual.

Unfortunately, absent from that fight is any consideration of whether farmers should get subsidies at all.

Bush proposed to decrease the subsidy an individual farmer can receive from the \$360,000 to \$250,000. If adopted, the proposal would lower federal spending on agriculture by a paltry \$587 million in 2006.

Big corporate farms are most affected by the reform. Also, growers of crops that receive large subsidies, like rice and cotton, will face greater cutbacks than growers of crops such as corn, wheat, and soybeans, which generally receive smaller subsidies.

Not surprisingly, the debate in Congress pits representatives in cotton- and rice-growing regions against others.

Subsidies are not a big help to small farmers either. A 2003 Department of Agriculture study found that 30 per cent of subsidies go directly to only the largest six per cent of growers. In the case of the sugar quotas, 42 per cent of the benefits go to just one per cent of producers.

Even when the subsidies go to small farmers, they are not necessarily the beneficiaries, because many don't own the land they farm. Subsidies make the land more valuable because anyone farming it could receive them. So landlords raise rents and farmers who don't own land, regardless of their size, end up no better off.

Ferd Hoefner, from the Sustainable Agriculture Coalition, uses Department of Agriculture data to show that farm subsidies increase land values by 15 per cent to 20 per cent.

Ending farm subsidies in America would also aid impoverished parts of the world. The International Monetary Fund estimates that abolishing farm subsidies in rich countries would add \$100 billion to global income. And, some of those gains would accrue to poor countries with a comparative advantage in farming.

Senate agriculture chairman Saxby Chambliss, a Republican from cotton-producing Georgia, is opposed to cutting payments. A key ally of his is Arkansas Democrat Blanche Lincoln, whose father is a rice farmer. Traditional farm-lobby states such as Iowa and North Dakota, which have few rice and cotton farmers, have representatives supporting the proposal.

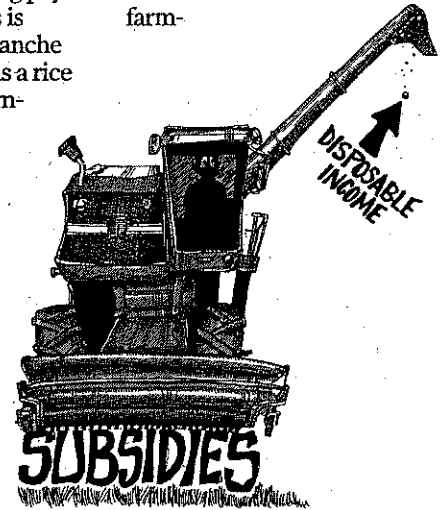
Federal spending on agriculture was \$16.4 billion in 2003. All the debate is about whether a relatively small \$587 million should be cut from subsidies, but the more important question — Why should we be spending so much on agriculture anyway? — remains unasked.

Americans usually assume we need farm subsidies to help small family farmers and keep food more affordable. Both are misconceptions.

Many farm subsidies drive food prices up, not down. "Conservation" subsidies pay farmers not to cultivate land. For example, from 1995 to 2002, the U.S. government paid out approximately \$2 billion annually in these subsidies. Since they decrease the supply of food, they push prices up.

Quotas and other barriers to imports are another form of subsidy given to U.S. farmers, although this type of subsidy doesn't come out of the federal budget. These trade barriers restrict the amount of foreign crops that can enter the U.S. and drive up prices. For example, sugar quotas in the U.S. roughly double the price of sugar for consumers.

An end to farm subsidies would not mean an end to farming in the U.S. Prices of farm-



land would decline, allowing some farmers to remain in business, and we would reshuffle production to those crops that American farmers most efficiently produce.

Instead of a politics-as-usual debate over a trivial 3.5 per cent decrease in agricultural subsidies, policymakers should reconsider why the federal government subsidizes agriculture at all.

It hurts the world's poor, makes food prices higher for consumers in the U.S., and the benefits don't accrue to small farmers. Of course politicians don't debate ending farm subsidies because it would eliminate one type of "food" — the pork congress members get to dole out.

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