

---

# Readings

---

## Plowing Farmers into the Ground

### Plowing Ground In Washington: The Political Economy of U.S. Agriculture

by Delworth B. Gardner

(Pacific Institute for Public Policy, 1995), 385 pp.

### Reviewed by George S. Dunlop

The nasty little secret of the governing classes in any society is that governments tend to exist mostly for the benefit of those who govern. If any benefit to the public should happen to occur from the activities of those who govern, well then, so much the better; if negative consequences result, well then, that is too bad. And as people throughout history have experienced, negative consequences of government action usually serve as a justification for even more government.

In his new book *Plowing Ground in Washington*, Delworth Gardner demonstrates just how the worst aspects of this dismal cycle have been played out in federal farm policy in the post-W.W.II era.

Gardner's book is well organized and well written and treats the subject in a thorough and comprehensive way. It is interesting to read and can be understood without difficulty by laymen who have no special knowledge about farming and agriculture. Those who do have such knowledge will appreciate the practical value of Gardner's keen analysis.

Gardner strips away the mysteries surrounding farm programs and lays them open for all to see—and the sight is not pretty. In chapter after

chapter, he examines the wasted resources, mandated inefficiencies, reduced standards of living, and adverse environmental impacts that are the consequences of U.S. farm policy.

One of Gardner's most interesting chapters is entitled "Making Wealthy Farmers Richer." He explores all the ways in which distribution of farm subsidies can be measured, and presents overwhelming and convincing evidence that relatively poorer Americans are providing large cash payments to relatively richer farmers. For instance, his tables inform us that the top 3.6 percent of farmers, with an average net worth per farmer of \$804,000, receive an average of \$61,623 annually in farm-subsidy cash payments.

The documentation, endnotes, tables and charts, references and index are all very well done, making this book an important reference work that will have lasting value for everyone interested in the agricultural economy. Yet the technical competence of the book does not get in the way of a good read for the layman interested in the extraordinarily wasteful and harmful consequences of more than four decades of farm policies.

Gardner carefully, thoughtfully, and fairly examines and analyzes the rationale for each of the key elements of farm policy, and argues cogently and logically, concluding persuasively in virtually every instance that farmers and the public would be better served without the "benefits" of government assistance and regulation in agriculture. He writes, "The question is not whether to wean agriculture away from subsidies and controls, but when and how?"

### Sweet Subsidies

One example of Gardner's skill in unraveling the mysteries of the adverse impacts of farm subsidies is the tale of the sugar subsidies—a \$3 billion annual cost paid by consumers through a

---

*George S. Dunlop has served as chief of staff for the Senate Committee on Agriculture and Forestry and was assistant secretary of agriculture in the Reagan administration.*

confusing array of subsidies, import restrictions, and contracts with refiners. This amounts to about \$273,000 for each of America's 11,000 cane- and beet-sugar farmers. Of course, not all the 11,000 receive that kind of money; instead, the \$3 billion is distributed to a vast array of people in the name of helping those 11,000 mostly "family farmers." Gardner explains that farmers cannot grow sugar cane or sugar beets unless they have a contract with a refiner. The refiner contracts take on a value of their own and are immediately capitalized into the value of the land used to produce the crop. So the sugar program really does not support farmers per se; rather, it subsidizes landowners.

In fact, in the many situations in which farmers must rent land from nonfarmers, the program adds to farmers' costs, representing a net cost burden on farmers as a class. Those costs not only adversely impact the 11,000 farmers who must rent land to grow sugar cane and sugar beets, but also farmers who must rent land to grow other crops. The adverse consequences just keep replicating and compounding, like a corrupting computer virus: "In one area of southern Minnesota in the spring of 1991, soybean growers complained that the sugar growers were paying 35 percent more for rented land than could be afforded by farmers without sugar contracts. Some of the soybean growers responded by utilizing chemicals toxic to sugar beets on their rented land, thus hoping to keep rented land out of the hands of the subsidized beet growers and thereby reduce the land rent."

It is not surprising that Gardner is discouraged about the prospects for change and reform. He devotes two chapters to the effective political power of those who do benefit from federal intervention into the agricultural economy. He correctly points to the stillbirth of market-oriented reforms for which so much effort was expended and in which so much hope was placed in the 1985 farm bill reforms.

### **Trashing the Environment**

He details the negative impacts that farm policies have on the environment because the subsidies require farmers to use the most intense agricultural practices they can to maximize yields and subsidies per acre. He notes that support for such destructive practices comes from some of the most liberal members of Congress, who man-

date increased regulation by the Environmental Protection Agency to combat overuse of agricultural chemicals, which is brought about by government inducements in the first place. The story of the adverse ecological consequences of farm subsidies is woven into virtually all other aspects of Gardner's subject—and properly so. After all, the very design of the farm programs is based upon subsidizing the units of production—the bushels, bales, and hundredweights of farmers' outputs. Nowhere does the truism better apply that one gets more of what one subsidizes and less of what one taxes than it does in agriculture.

Farm subsidies induce farmers to maximize their crop yields because that is the only way to get the subsidies. So it follows logically that farmers use more fertilizers, herbicides, pesticides, expensive equipment, land, water, and soil (through erosion and soil-destroying crop rotations) and every other imaginable input of capital and labor, than they would without the subsidies that induce such behavior.

To address the problems arising from excess allocation of resources created by farm subsidies, Gardner describes how Congress came up with yet another regulatory scheme to squeeze the balloon one more time. That scheme is the Acreage Reduction Program, which requires farmers to leave up to 35 percent of their acreage idle in a given year. Of course, the program has compounded environmental problems, because farmers simply use more and more chemicals and other expensive inputs to squeeze even greater production from their remaining acreage. Writes Gardner, "The salient point is that by utilizing required land set-asides for determining eligibility for deficiency payments, the government has, unwittingly or not, exacerbated the toxic-chemical contamination problem"—which, of course, it created in the first place.

### **Prospects for Reform**

Yet the repeated defeats and frustrations of those who have attempted to enact free-market policies do not deter Gardner from devoting ample attention to practical prospects for reforms that will create greater opportunity for American farmers.

Gardner makes it clear that the fatal flaw of farm policy lies in the "coupling" of subsidies to the units of production—the bushels, bales, and hundredweights—rather than to the farmers themselves. He makes it clear, though without as

much emphasis as it deserves, that the way to restore independence of action to American farmers lies in "decoupling" the subsidies from the individual crops. He demonstrates that "even price supports and production controls as devices to stabilize prices now have good substitutes in futures and options markets," thanks to Reagan-era reforms.

It is as if Gardner's book has already found its way into the precincts of Heaven, even it has not had much time to circulate elsewhere. The most recent reform initiative now working its way through Congress arose from a most unlikely advocate: Kansas wheat farmer Rep. Pat Roberts. Gardner would surely regard it as nothing short of intervention by Divine Providence that the most essential reforms would come from the very heart of the farm belt. Roberts's Freedom to Farm Act is the most bold and radical—and yet the most practical—decoupling proposal ever offered.

Roberts's bill would provide farmers a defined, yet declining, subsidy benefit for each of the next seven years, based entirely upon their past subsidies. All ties to production and other forms of regulation would be eliminated. At the end of seven years, there would be no more direct subsidies and no further entangling alliances with government regulation.

Gardner argues that such "weaning" is in the

best interest of the overall economy, as a sudden elimination of the enormous transfer of wealth from taxpayers to farmers would likely have a large adverse impact on land values. That, in turn, could have negative consequences for banks, insurance companies, and other sectors that have drawn wealth from the value of the subsidies that have been capitalized into land values over the decades. It would be a tragedy if the "weaning" aspects of the Roberts bill were defeated by deficit hawks who, in preferring immediate termination of subsidies, provided a balance of votes to the status-quo crowd opposed to Roberts.

If Roberts's bill finds its way into law, American agriculture will be weaned from the controls that are so destructive to independence and efficiency. If his effort fails in Congress in 1995, or if President Clinton vetoes it because it threatens to break up what President Reagan called the "Iron Triangle" of entrenched interests upon which the governing class depends, Gardner's book will become even more important as a guide for the future.

Now—for the first time, really—we have a truly effective handbook that explains why, and a road map that explains how, we can restore the American dream and the benefits of free enterprise and free markets to American farmers.