IDEAS ON LIBERTY
SEPTEMBER 2000

# End the Farm Dole Once and for All

A new program to require the U.S. Department of Agriculture to pay the cost of inspecting meat from emus and ostriches. A plan to spend $200 million to buy surplus cranberries, black-eyed peas, and other crops. A $100 million proposal for payments to producers of cottonseed. At this writing (June), these were among a bundle of agricultural subsidy schemes either passed by or under serious consideration in both houses of the U.S. Congress.

But wait a minute! When landmark legislation to get the government out of the crop subsidy business passed in February 1996, *U. S. News & World Report* told us, "the government will abandon the elaborate system of price supports that restricted the amounts of corn, wheat, cotton, rice and feed grains farmers could grow." Private crop insurance was going to take the place of incessant public disaster relief. Uncle Sam, we were advised, was about to liberate both farmers and taxpayers from decades of public policy folly. It was to be a crowning achievement of a new Republican majority pledged to curtail the size and intrusiveness of the federal establishment.

Then-Speaker of the House Newt Gingrich assailed the "East German socialist" farm programs built up since the New Deal. President Clinton signed the "Freedom To Farm Act" designed to wean farmers from handouts by 2002.

A funny thing happened on the way to a free market in farming. Commodity prices on world markets took a dip, farm-state interests started agitating again for bailouts, and our courageous Congress blinked. In 1999 federal payments to American agriculture soared to a record $22.7 billion—no less than three times what the figure was when the Freedom to Farm Act was passed in 1996.

Quotas on foreign sugar already translate into a sugar tax of about $1 billion annually, paid for by every American consumer. Yet by the time this column is published, Congress may succumb to great pressure from sugar producers to buy 350 million pounds of surplus sugar that nobody wants. Subsidies to tobacco farmers continue as well, at the same time the government doing the subsidizing is suing tobacco companies for the illnesses it says their product causes. Milk consumers pay an extra $1 billion annually in milk prices because of federal meddling, and consumers of manufactured dairy products like cheese and butter pay an extra $400 million—facts that make a mockery of the same government's "war on poverty." (See Kevin McNew, "Milking the Sacred Cow: A Case for Eliminating the Federal Dairy Program," Cato Policy Analysis No. 362, December 1, 1999.)

We've come a long way from the day when President Grover Cleveland vetoed a $10,000 appropriation for Texas farmers, warning, "though the people support the Government, the Government should not support the peo-

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ple." American farmers are more dependent on politicians than ever, and today's farm policy looks less like the free-market rhetoric of '96 and more like the policies of 91—that's 91 A.D., when the Roman emperor Domitian rigged the grape market to raise the price of wine.

One of the destructively stupid things the 1996 law was supposed to cure was the penchant for federal farm policies to reward the large and corporate well-to-do and thereby confer a competitive *dis*advantage on small family farms. Payments to the richest 10 percent of farmers—mostly large corporate agriculture firms—were running at more than twice the amount of payments to the poorest 50 percent of farmers, mostly small operations run by single families. Nothing since 1996 has changed that. Even the current secretary of agriculture acknowledges that the federal government continues to subsidize big operations while driving smaller farms out of business.

While big farmers reap most of the ever-higher federal payments, the national glut of foodstuffs fostered in part by those subsidies is choking all farmers with ever lower prices. The Agriculture Department forecasts that the price of soybeans this year will be the lowest in 27 years and the price of wheat and corn will be at their lowest level since 1987.

The sad fact is that 70 years of federal meddling on the farm has produced almost nothing but trouble for both farmers and consumers. As we've seen, it has been especially hard on *small* farmers and *low-income* consumers. No policy that produces such havoc can be justified.

But, some would say, the free market is hard on farmers too. In 1800, 97 percent of Americans lived on farms. Today, about 2 percent do. Free markets made farmers so productive that just 2 percent now produce more foodstuffs than we Americans—and much of the world—can possibly eat. The market has been weeding out the least efficient farms for at least 200 years.

Before anybody cries crocodile tears for agriculture, let's recognize an important fundamental principle of economics: *consumption, not production, is the ultimate end of human economic endeavors*. We produce in order to consume, not the other way around. Furthermore, as human energies, physical resources, and capital become less in need in one area, they are free to work their wonders in others. If 97 percent of our people were employed on the farm at today's levels of productivity, we would be buried in rotting food and deprived of endless other products and services today's nonfarmers provide.

Experience since the federal government became a major player in agriculture seven decades ago, including recent years when Congress made promises to restore a free market but didn't deliver, argues decisively for one rather obvious scenario: a genuine free market in agriculture. That means no subsidies, no quotas, no handouts of any kind—just the same market forces that determine almost every other good's supply and demand.

Congress should finally do what it only promised in 1996. After ceaseless failures of intervention, legislators have no excuse for not getting it right the next time. □

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# Economists Against the FDA

by Daniel B. Klein

A sulfa drug called Elixir Sulfanilamide released in 1937 killed over 100 Americans, mostly children. A sedative called Thalidomide released in Europe in 1957 and taken by pregnant women caused deformities in 10,000 children. These famous episodes strike us as horrible injustices that must be prevented.

But more deadly are quack platitudes that guide public policy. Platitudes such as "safety," "consumer protection," and "imperfect information" have paved the way for a government stranglehold on the pharmaceutical industry. The Food and Drug Administration (FDA) decides whether to permit a company to manufacture and sell a drug or medical device and what the company may say about it.

In medical matters, expertise and good sense should decide. In policy matters, expertise and good sense also should decide—but they do not. The issue here is one of economic policy, not medicine. The true "doctors" for drug policy are the political economists. But as economist John Calfee says, "the FDA has never sought to accumulate expertise in economics."[1] Quacks make policy against the doctors' orders.

Many economists have studied the FDA. Their diagnosis is well expressed by Nobel-winning economist Milton Friedman: "The FDA has done enormous harm to the health of the American public by greatly increasing the costs of pharmaceutical research, thereby reducing the supply of new and effective drugs, and by delaying the approval of such drugs as survive the tortuous FDA process."[2] Other economists' prescriptions regarding the FDA are uniformly libertarian, ranging from gradual decontrol to outright abolition of the agency (as Friedman recommends). Although one can occasionally find remarks by economists vaguely favoring government restrictions on health products, those are not the economists who have written on the FDA or provided serious argumentation.[3] I have tried to survey all economists' writings on the FDA and have not been able to find a single instance of an economist defending the contemporary FDA or advocating tighter restrictions. Contrary to the joke about laying all the economists end to end, those who study the issue *do* reach a conclusion: Relax restrictions on drugs and devices.

But the good policy doctors are largely ignored. The result has been like a plague. Yet the journalists and educators have not explained it or its FDA origins. Economists and libertarians are up against a Goliath—the country's entire quack political culture.

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