

THE FARM BILL: NOW A BAILOUT FOR MOSCOW

Less than a week after solemnly passing a bill mandating a balanced federal budget by 1991, the U.S. Congress has sent to the President a farm bill that will cost taxpayers at least \$52 billion over the next three years. Although the bill will lower price supports for most commodities, it will not begin to lower cash subsidies for up to two years, and makes no effort to channel benefits to needy farmers. Further, the bill would quietly create a massive new export subsidy program by which American taxpayers will be required to help pay for the purchase of farm commodities for the Soviet Union. Such a program is not only unfair to taxpayers, but would unnecessarily aid the Soviet Union by bailing out its economy and could hurt economic relations with Western European allies.

This export program would require the Secretary of Agriculture to provide \$2 billion worth of commodities to exporters, processors, and foreign buyers of American farm products over the next three years. While the legislation does not specify any particular countries to receive this subsidy, farm experts insist that it would be nearly impossible to distribute such a large subsidy without providing a major share to the Soviet Union. In any case, since some of the subsidies will be distributed through exporters and processors, it would be difficult in practice to exclude any particular nations.

Export subsidies in any form are generally bad ideas. While they do increase exports, they do not improve the overall economy, since the increase in exports will be paid for by the U.S. Treasury. The subsidy program in this bill is said to be necessary to counter the unfair trade practices of other nations. Since many other nations subsidize their agricultural exports, the U.S. needs to do so to "level the playing field," the argument goes. However, it makes little sense to harm American taxpayers just because other nations are doing the same to theirs. More important, the farm bill does not merely counter the unfair practices of other nations--it will decrease sales of all other nations, whether or not they engage in unfair trade practices. The likely result will be

retaliation by these nations against the U.S., to the detriment of world trade.

The program would also be inconsistent with U.S. policies toward the Soviet Union, and hurt economic relations with Western Europe. Since the Reagan Administration took office in 1981, it courageously has taken the position that the U.S. should not provide any subsidies to the Soviet Union. Although trade with the Soviet Union was, and is, considered important, subsidizing that trade is a different matter. This position was established formally in a directive issued by the National Security Council in 1982. It declared that no trade subsidies should be provided to the Soviets. This was a wise decision which the President now should not repudiate.

Ronald Reagan has consistently advocated that West European nations also not subsidize the Soviet economy. Thus, due to American pressure, the Organization for Economic Cooperation and Development, a coalition of Free World industrial nations that promotes economic growth, in 1982 issued new guidelines effectively prohibiting subsidized credit to the Soviet Union. Further, the need to cautiously handle economic relations with the Soviets was recognized by the Western leaders in a communique following the 1982 economic summit at Versailles.

Adoption of the farm bill's export subsidy violates this policy. The West European nations likely would feel confused and betrayed as the U.S. began to do the very thing it has urged them for so long not to do. This would only increase their skepticism the next time the U.S. asks them to take a harder stance against the Soviets.

This new subsidized export program is but one of many reasons for the President to veto the farm bill. In addition, it is much too expensive, does not help the farmers most in need, and continues many of the policies which helped bring on the current farm crisis. Ronald Reagan should not hesitate to send the bill back to Congress to be rewritten. The U.S. needs a new farm bill. The measure on the President's desk is not it.

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For further information:

James Gattuso, "The Farm Bill Still Deserves a Veto," Heritage Foundation Executive Memorandum No. 103, December 2, 1985.

James Gattuso, "The Farm Bill: Begging for A Veto," Heritage Foundation Executive Memorandum No. 99, October 30, 1985.

"Save the Cows!" The Wall Street Journal, December 17, 1985.