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Farmed Robbery

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In his newly-released federal budget, President George W. Bush promises to reduce farm subsidies. Predictably, on the day the budget was made public there were well-choreographed "protests" by all the usual suspects, mostly millionaire corporate farmers camped out at the Mayflower or Four Seasons hotels in Washington, DC for a few days.

The "protesters" made it onto the evening news in their latest attempt to dupe the American public into believing that they were not really the millionaire owners of large corporate farms, but lowly dust bowl families just trying to make ends meet and feed their families. A public that is gullible enough to believe a president who promises to eradicate tyranny from the planet is likely to fall for this lie as well.

The last time the government made a big fuss over "reducing farm subsidies" was in 1996, when President Clinton signed a "Freedom to Farm" bill that was labeled as one that would literally end farm subsidies. At the time, the primary form of farm subsidy was price supports— price floors that are legally imposed above free-market prices. (If you ever wondered where the US government got all that "free cheese" that it occasionally gives away, it is the mammoth agricultural surpluses created by price supports, and then purchased with tax dollars by the government.)

Ending price supports would certainly allow agricultural markets to work more efficiently, but isn't it odd to observe the government voluntarily ending a subsidy program that benefits a powerful political constituency—wealthy corporate farmers? It is odd indeed, which is why it isn't true. The subsidies did not end, they just took on a different form.

A principle of public choice economics is that politicians will always do all they can to disguise subsidies to less-than-meritorious groups, such as millionaire farmers. If they can subsidize them through protectionism, or price supports, this is much preferred than simply writing the millionaire businessmen a check. The latter policy would make it too easy for the public to smell a rat. But the price controls had created such gross distortions in agricultural markets that the government apparently decided it was time to get rid of them, kind of. In their place were put a series of "transition payments" that were supposedly designed to *temporarily* ease the pain and

suffering of the poor millionaire farmers who had lost their guarantee of above-market prices for everything they sold.

This ploy was yet another example of the public being duped by a classic governmental bait-and-switch scheme. The transitional payments were never truly transitional, and they were probably never intended to be. The power of the agricultural lobby was never diminished, and it immediately went to work lobbying for increases in the new subsidies and to make them permanent.

The lobby has succeeded. Each year there is an orgy of "supplemental spending bills" that increases the amounts of corporate farm welfare the American taxpayers must fork over, amounting to more than \$30 billion in one recent year. By calling the program "temporary" or "transitional," Congress guaranteed itself a perpetual stream of campaign contributions from farmers, who could be relied upon to lobby year in and year out to extend the "transitional" subsidies for a few more years, and to increase the amount of the subsidies.

How this system of "farmed robbery" works was explained recently in a February 1, 2005 article in *USA Today* about Texas cotton farmers. The article featured one Eugene Bednarz, who recently harvested 4,000 bales of cotton. Altogether, this year's Texas cotton production is expected to exceed 7.5 million bales, the best yield in more than 50 years, thanks to perfect weather and the eradication of the dreaded boll weevil.

Unfortunately, this also means the largest theft of taxpayers' income by the farm lobby in more than half a century as well. It turns out that government policy still involves a form of price support. The way it works is that if the market price of cotton (and of many other agricultural products) falls below a government-determined price-support level, then the government will use taxpayer dollars to pay the farmers the difference between the actual price they get for their cotton and the arbitrarily-determined price-support price. What a deal. Why isn't *everyone* in Texas a "cotton farmer"?

The current market price of cotton is about 35 cents per pound, with the price-control price set at 52 cents. A bale of cotton weighs about 500 pounds. Thus, Mr. Bednarz, and all other Texas cotton farmers, will be paid the difference—17 cents for each pound of cotton. In Mr. Bednarz's case, that means the government will write him a check for \$340,000 for doing absolutely nothing. No consumer or taxpayer will receive *any* benefit whatsoever in return.

The politicians responsible for this legalized plunder will be the only other beneficiaries, as farmers like Bednarz will be sure to fatten their campaign coffers with some of their windfall wealth. Texas cotton farmers as a whole will pocket some \$637,500,000 as a result of this racket, again giving the hapless taxpayers absolutely nothing in return.

Cotton, wheat, corn, soybean, and rice farmers make out like bandits (literally) through this scheme, while others, such as sugar farmers, rip off *their* consumers in a slightly different manner, through government-mandated supply reductions which push up prices of sugar to three and four times the world price. This causes everything that is made with sugar to become more expensive as well.

Price supports, supply restrictions, protectionism, taxes, and government regulation all cause prices to be *higher* than they would in a free market. Not to mention the scourge of inflation, caused by the state's central bank.

Virtually everything government does increases the cost of living by driving up prices. Yet most Americans still believe in the fairy tale that it is the free market that causes higher prices and that it is government, through benevolent and wise antitrust regulation, that "saves" us from rapacious monopolists. This has always been a lie; antitrust regulation has always been, at best, a smokescreen designed to divert the public's attention from the real causes of higher prices, such as agricultural price support programs, protectionism, and myriad other forms of government-mandated price increases.

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