

Agriculture by Susan B. Cohen

The free market trap

Why farm program cuts are not only unjustified, but will jeopardize American productivity.

One of the most vicious myths associated with the "free market" ideology is the myth that government spending causes inflation. Put that together with the widely circulated lie that the federal farm programs are "subsidies," some kind of taxpayer "ripoff," and you have set the stage for the type of budget-cutting orgy that can irreparably damage the most productive sector of the American economy.

This is OMB chief David Stockman's unconcealed aim. Stockman has emphasized repeatedly—most recently before the Senate Budget Committee—that all of the farm price support programs "should be eliminated."

A refreshing counterpoint to the fiscal madness which threatens to engulf the nation was provided by Sen. John Melcher (D-Mont.) in remarks to the Senate on Feb. 16 as he introduced his S. 480, the first of what will be several comprehensive farm bills to be considered.

"We Americans have sacrificed our steel industry, our electronics industry—we have sacrificed them all on the altar of the free market," Melcher stated. "Mr. President, those markets are not free. And they have not been for many years," he added, in presenting a four-year farm bill to assure market stability and cost of production returns to farm producers.

Melcher insisted that it was urgent to restore price stability and bring down the cost of borrowing

for American producers, who now spend nearly \$100 billion every year to produce crops and livestock.

"You will hear from some that such an approach is inflationary; that it will increase federal spending at a time when the budget must be balanced. We will hear from the nay-sayers who say it is time for Congress and the country to ignore agriculture producers and the prices they receive," Melcher said.

"Well, to that I say nuts," Melcher continued. "These same people have been trying to sell this bill of goods for many years, and, as a result, U.S. agriculture programs have tended to be compromises that were too little and too late and emphasized a cheap food policy.

"And it is because of these foolish policies that have come out of Washington that American agriculture producers always seem to be hanging by their fingernails."

Melcher noted that the past 10 years of market volatility have thrown into question America's ability to meet the rising world demand for food. "Once again," he said, "farmers and ranchers face an uncertain future. We know that the demand for American food will increase, but there is some doubt whether American production will grow to meet that demand," he said. "I think that is because of the highly inflated costs of borrowed money, the ever-increasing costs for farm and ranch operation, plus bad weather." As the senator had

stressed in a November interview with *EIR*, the farm export potential can only be met over the long term if products aren't "dumped" on the world market.

S. 480 extends current law, with the additional key provision that the loan rate for the most basic commodities will be at 75 percent of parity. Since the loan rate acts as a floor to the market, this measure simply assures producers of a bare-bones cost of production return.

The administration's farm bill will be presented by March 10. As David Stockman assured the Senate Budget Committee, every farm program is under review for additional cutbacks. So far, the dairy program has been singled out. Otherwise, the announced 25 percent reduction in direct lending by the Farmers Home Administration and cuts in federal assistance to the Rural Electric Cooperatives give clear indication of the willingness to rip great holes in the fabric of programs that have kept rural America on the economic map.

Secretary Block has announced that he will recommend elimination of the target price program—a small aspect of the price support apparatus, and the only program that is actually a transfer payment and not a repaid-with-interest loan. Block also stated that in spite of eliminating target payments, he does not think there will be much, if any, increase in price-support loan rates.

Nor are the sacrifices demanded of American agriculture confined to the farm bill or the USDA budget. The imposition of user fees on inland transport and the prohibition of new water resource development projects, are potentially deadly for producers.