by R. G. F. Spitze

# THE POLITICAL ECONOMY OF THE 1990 AGRICULTURAL AND FOOD POLICY

> The U.S. Food, Agriculture, Conservation and Trade Act of 1990 involves more than economics. All public policy does. Economic paradigms provide incomplete premises to use in analyses of public policies. As a result, some economists see solely economic irrationality in this new Act. However, economics is only one science among several that provides insight into the decades of public agricultural and food policy from which the 1990 Act evolved.

The U.S. Food, Agriculture, Conservation and Trade Act of 1990 (hereafter the 1990 Act) responded to problems experienced by innumerable individuals—this is, private decision makers—and the interest groups they support. People's perceptions of problems are based both on facts and on subjectivity. These problems, and resulting policies, cut across the entire agricultural and food sector. The 1990 Act was not designed to achieve some grand set of public goals. Such a process of goals and means is more evident in private decision making or in formal economic analysis. Public policies are the decisions and actions of a participatory government to mitigate these problems of the citizenry. In such a political system, governmental institutions are designed to represent unique, diverse citizen interests.

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## Policy Involves More Than Economics

Since individuals have interests beyond economic ones, it follows that social, political, ethical, and other values affect public decisions, such as the 1990 Act, designed to solve their problems. Six decades of price and income policies, of which this Act is the latest, reveal several persistent public problems: (1) instability of commodity prices and farm incomes; (2) periodic severely depressed prices and incomes; (3) concerns about agricultural efficiency and profitability as they affect food security and export earnings; (4) survival of family farms and rural communities; (5) erosion in the quality of our natural environment; and (6) poorly fed citizens and nations.

These problems have economic dimensions, but other characteristics as well. The problems are real and hurting to people. Citizens continually make private decisions to provide relief, but, in addition, reach for resolutions through their government. However, public action to resolve one group's problems can conflict with the interests of others. Producers, consumers, traders, agribusinesses, and taxpayers do not always have similar interests. Thus, policymakers are confronted with the dilemma of responding to the hurts of participants while addressing conflicts among them.

## Policy Requires Compromise

Participatory political systems use a variety of processes to represent private interests. In the parliamentary system, the most common around the world, the executive function is an extension of the majority party(ies) of the Legislature. Compromises are made as legislative leaders and their staffs interact with citizens and interest groups.

In the United States, the compromises occur at three stages: (1) between political parties in each branch of the Legislature (Congress), (2) between the House and Senate of the Congress, and (3) between the separately elected Legislature and Executive (Administration). Furthermore, the House is elected proportionate to population while the Senate is proportionate to states. Thus, the 1990 Act was a compromise struck within and among elected governing units, each attempting to represent unique and diverse private objectives and proposals. There is possibly a similarity between this search for political value (compromise) and the search for economic value (price) in a market system.

## Policy Determinants

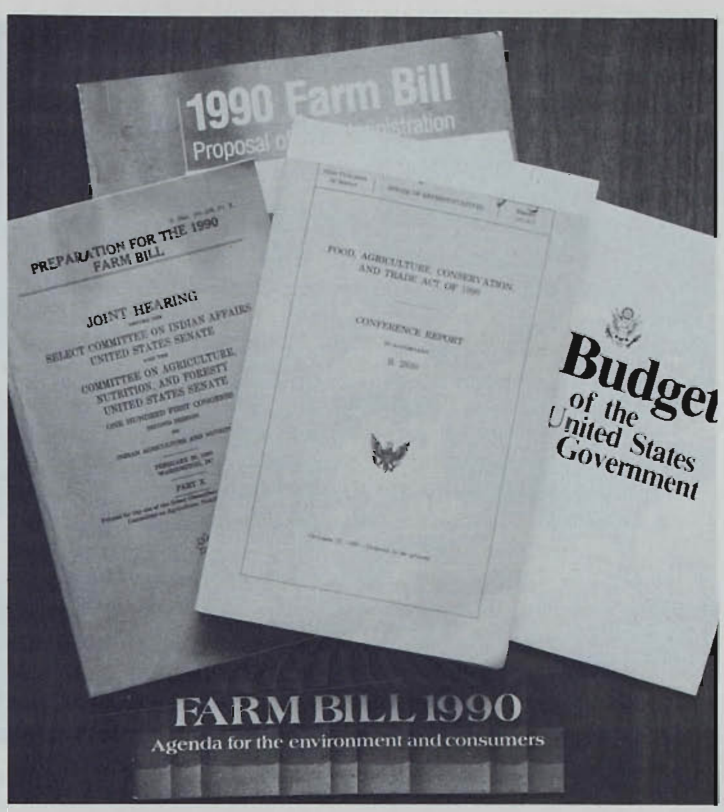
Existing and past policies provide the base of continuity from which an evolving agenda—not a "new agenda"—and policy emerge. After all, policymakers are unlikely to forget or ignore the difficult compromises so recently forged in present policy. The expiring 1985 Act not only triggered the policy process but, unlike previous policy cycles, was the consensus starting text for all key players for the 1990 Act.

The current economic and social situation in the agricultural and food sector is a major determinant. This time, that sector was not in an economic crisis. Substantial economic recovery had replaced the distress of the early 1980s; severe droughts had been mostly broken; farmer incomes and net assets had gradually recovered; exports had approached earlier levels; government stocks had declined; and direct Treasury program costs had dropped. However, policymakers were also aware that heavy subsidies aided the exports, payments supported the farm income, bail-out funds shored up the farm credit, and relentless adjustments were producing larger farms and fewer farmers.

The knowledge base of citizens, leaders, and policymakers was likely the best ever to help determine policy. For the previous two years, public and private information channels had been overflowing with research and education releases. Fewer professional policy workshops were held than previously, but that was an unlikely deterrent to adequate knowledge.

Participant values and goals slowly change and help shape an evolving policy. The 1990 Act was affected by rising environmental sensitivities about resource depletion, water quality, and the safety and quality of the food supply. In addition, simultaneous GATT negotiations and the national concerns about the budget deficit overshadowed policymakers. However, the 1990 policy decisions seemed little affected by the unusual attention in the urban press, often in op-ed columns or feature articles, about farm policy "fiascoes."

The relative political influence of individual and group participants helps determine policy. This Act featured the strong influence of the expanding commodity groups, emerging agricultural Political Action Committees (PACs), more attentive agribusiness associations, and for the first time, an environmental and consumer coalition. However, political influence is no more evenly distributed than is economic power in the market place. Decisions are affected by participant knowledge levels and organizational skills, by the distributions of income and wealth, by the direct interest of producers in contrast to the more indirect of consumers, and by the lagging reapportionments of legislatures. Population numbers alone do not dictate policy decisions.




*Courtesy University of Illinois.*

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## Key Players in the 1990 Policy Drama

Economists were one group of the key players. Others were the private interest groups, who proposed their own economic, political, and social values and goals for the policy. Public decision makers were the final key players, as they synthesized volumes of economic knowledge and the diverse preferences of their various constituencies.

The public research and education enterprise, with its economists, performed its logical role to provide reliable economic knowledge about the results of the 1985 Act, the changing market situation, supply and demand variables, and alternative policies about such issues as stability and conservation. This knowledge base included the USDA Policy Background and Briefing Series, various Land Grant Policy Committee Reports, the Food and Agri-

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cultural Policy Research Institute (FAPRI) bulletins, Congressional Research Service releases, the Resources for the Future (RFF) National Center for Food and Agricultural Policy annuals, National Research Council publications, and a steady flow of commentaries in *CHOICES* and regional professional journals. Formal economic optimization studies helped clarify the policy issues as long as they were not also represented as political or societal optima. Economists were continually challenged to offer objective analyses, or alternatively, to temper their advocacy of particular policies with professionally responsible disclaimers of any implicit personal, political party, or ideological values.

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Private individuals and interest groups developed positions—often through elaborate membership involvement— issued numerous reports, and vigorously advanced their proposals through their own lobbyists or even employed law firms and consulting agencies. As many as 30 of these representatives, often from farm groups, would appear at Congressional hearings and bill mark-up sessions. A new coalition of 11 national environmental and consumer organizations released early in 1990 and publicized through the media, a colorful, professionally designed 24-page booklet, "Farm Bill 1990—Agenda for the Environment and Consumers." It set forth succinctly their concerns and policy proposals about the resource degradation problem, some of which appeared as new initiatives in the Act.

Public decision makers included the Executive and Legislative bodies. The Administration views were widely distributed by the Secretary of Agriculture in the 147- page "1990 Farm Bill Proposal of the Administration" (Green Book), along with detailed explanations (February 1990). In general, it called for a continuation of the lower target prices and loan rates of the previous Act, less reliance on land retirement and more on planting flexibility, replacement of crop insurance by a crop disaster program, continuation of food aid programs and various export subsidies, a shift of credit assistance to guaranteed private funding, and increased research through a national science initiative. This was followed in September by an eight-page "1990 Farm Bill — Points of Objection" (Red Book), outlining Administration opposition to provisions in the recently passed House and Senate 1990 Bills. These expressed the composite values of the recent leadership of the Republican Party for more "market-oriented" policy.

The House Committee on Agriculture commenced hearings June 28, 1989, developed subcommittee mark-up bills on various titles during the following year, and reported its comprehensive decisions July 3, 1990, for House action in a 1006-page legal format accompanied by a 914-page description (101st Congress, 2nd Session House Report 101-569, Part 1).

This Committee proposal was debated on the House floor for five days, concluding with the passage of H.R. 3950, "Food and Agricultural Resources Act of 1990," *(Congressional Record,* August 3, 1990, Part III). A vigorous effort by an "Urban Coalition" of 19 sponsoring Representatives to substantially reduce or terminate farm price and income programs failed with the highest support being 159 votes. In general, the House bill continued most provisions of the 1985 Act, but froze target prices, reduced loan rates more gradually, had more flexibility in planting, and increased attention to food safety, water quality, rural development, forestry, sustainable agriculture, and research support. Again, social, health, ethical, and other non-economic values emerged. The estimated farm program cost was $55 billion, compared with a projected $79 billion cost of the 1985 Act, both for five years.

The Senate Committee on Agriculture, Nutrition, and Forestry commenced hearings on April 5, 1989, and reported its comprehensive bill for action June 6, 1990, in a 1081-page legal format accompanied by a 1282-page description (101st Congress, 2nd Session Senate Report 101-357). This bill was debated on the Senate floor for seven days, concluding with the passage of S.2830, "Food, Agriculture, Conservation and Trade Act of 1990" *(Congressional Record,* July 31, 1990). Similar to the House version, it expanded the marketing loan to more products, provided more flexibility in loan rates, revised the administration of P.L. 480, emphasized the protection of wetlands and water quality, and prohibited exports of chemicals banned for domestic use. The estimated cost was $54 billion.

The Conference Committee (legislative) to reconcile differences between the bills, composed of seven Senators and 16 Representatives, negotiated for eight days with Administration staff always in attendance, and reported its compromise version October 16, 1990. A significant disruption occurred as the prolonged deficit-reducing budget resolution allocated more than $13 billion in cuts in the estimated costs of the total bill, mostly in the farm programs. This difficult agreement first eliminated some increases initially proposed for existing programs, such as food stamps, and then cut outlays by about 25 percent across all commodities.

The House then approved the final Congressional Conference compromise, October 24 (vote 318-102), the Senate, October 25 (vote 60-36), and the President signed the 1990 Act on November 28, 1990 (101st Congress, 2nd Session, House of Representatives Report 101-916, October 22, 1990).

## The 1990 Act Reaching Beyond Farm Economics

The 1990 Act is the most comprehensive in the six-decade evolution of this price and income policy. It continues the provisions of the 1985 Act toward less direct intervention in the domestic market, toward intervention in the international market, and toward some lessening of economic support to producers and food aid recipients. The 1990 Act encompassed 25 titles, six being new. A synopsis of the 25 titles with brief comparisons with provisions of the 1985 Act follows.

- Duration of the 1990 Act as five years, the same as the 1985 Act.
- Domestic food aid (food stamps, WIC, etc.) generally the same level.
- Foreign food aid (P.L. 480) also the same funding, with administrative changes.
- Target prices generally frozen at current levels, compared to annual decline specified with the 1985 Act.
- Price support loans generally 85 percent of recent average, compared with 75-85 percent for grains in 1985, but with the same discretionary annual reductions up to 20 percent.
- Oilseeds with new marketing loan and a higher $5.02/bushel level.
- Dairy price support frozen at $10.10/cwt., compared to declines in the 1985 Act.
- Production control with similar discretionary annual set-aside (ARP).
- Deficiency payments reduced for the final two years by a new computation.
- Payments also reduced by new, no-deficiency payments 15 percent triple base.
- Additional flexibility by another new optional, no-deficiency, 10 percent set-aside.
- Grain quality as the focus of new standards and mandated tests.
- Export programs the same, with escalation triggered by a GATT failure.
- Conservation Reserve with new 40 million-acre minimum and water quality programs.
- Pesticide use as the focus of new record-keeping requirements.


*"The 1990 Act was affected by rising environmental sensitivities about resource depletion, water quality, and the safety and quality of the food supply."* Photo: David Riecks, University of Illinois

- Reforestation as the focus of new private and public initiatives.
- Rural development as the focus of new programs and funding initiatives.
- Organic certification as the focus of new national standards.
- Global warming as the focus of new title and study mandate.
- Research funding increased for competitive, formula, and sustainable agriculture grants.

## Implications for the Future

Detailed implications of the 1990 Act must await initial program implementation, an unfolding economic environment, and the extended GATT talks. Yet, some likely overall effects can be discerned.

First, U.S. agricultural and food policy will continue with no abrupt or distinct changes in the offing.

Second, a public commitment was reaffirmed for "safety-net" economic support for farmers and for low income consumers, although the budget cuts, rising input costs, and inflation will likely erode the purchasing power of both.

Third, more public attention and needed relevant research are clearly on the future policy agenda for water quality, food safety and quality, and other environmental concerns.

Fourth, the 1990 Act strengthens the U.S. resolve to remain an aggressive, subsidizing player in the arena of world agricultural trade, unless and until GATT developments alter unmistakably the playing field. However, great uncertainty remains as the curtain descends on the 1990 U.S. policy development. The future world environment is indeed unsettled by the unpredictable multilateral and bilateral negotiations, by the gathering world-wide clouds of economic slowdown, the revamping of European national sovereignties, the uncertain control and supply of fossil fuel resources, the ongoing conflicts among developed agricultural trading nations, and the widening economic gap between the have and have-not nations of our planet. C