

Executive Memorandum

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THE FARM BILL STILL DESERVES A VETO

After nearly a year of deliberation and debate, the Senate passed its version of the 1985 farm bill on November 23. The House passed its farm legislation on October 8, and a conference committee will convene to resolve the differences. There are many important distinctions between the two bills, but they are alike in one key respect--they are bad news for U.S. taxpayers and consumers and poorly targeted relief for embattled farmers. Unless the farm bill presented to Ronald Reagan differs significantly from the two existing bills, he should veto it. Failure to veto would delay farm reform for at least another four years. What is worse, failure to veto would send a message to Congress that Reagan is not serious about cutting spending.

The farm bills do make several crucial reforms. For the first time, price support rates would be tied to market prices, rather than to some arbitrary price set by Congress. This should lower the price of U.S. commodities to competitive levels and thus boost farm exports. At the same time, however, the farm bills would increase direct cash subsidies to farmers. Initial estimates place the cost of the Senate bill at \$55 billion over three years--\$20 billion more than Congress's own budget "limits." The House bill would cost even more. Yet these increased subsidies would do little to help struggling farmers, as only 17 percent of the money would go to full-time farmers in financial distress. Neither bill makes any effort to target these funds to those in need.

Even worse, the House bill would establish a bizarre new "diversion" program, by which the federal government would pay dairy farmers not to produce milk, despite the fact that such programs have not worked in the past. This proposal would require a new tax on dairy farmers to pay for its costs, cause local milk shortages in many areas, and disrupt other farm sectors, requiring the creation of even more subsidy programs. The Senate takes the right approach on this matter. It would simply reduce dairy subsidies, thus reducing the cause of overproduction. It would not begin to do so, however, until 1987.

Reagan should state clearly and unequivocally that he will not sign any farm bill unless significant changes are made. He should identify the changes required for a bill to escape a veto, so that lawmakers do not have to second-guess the White House. At the very least, the changes should include:

1) Adherence to the spending limits set by Congress itself in its Budget Resolution. The only reason for any adjustments in the budget figure should be recent revisions in farm crop estimates.

2) Reduction of dairy price supports in 1986, with no dairy "diversion" program.

By making his specific intentions known to Congress well in advance, Reagan could make his veto threat a constructive tool for improving the legislation now--before the conference committee makes revisions. A clear White House position also would help the President marshal public support for his position.

Throughout this year, Administration officials have stated many times that Reagan would not hesitate to veto irresponsible spending bills presented to him. The farm legislation will be one of the most important spending bills to reach his desk in his second term. Were he to sign it without significant changes, it would signal Congress and the special interests that Reagan is not really serious about cutting spending and will not use his veto power to control it. That would encourage even more costly spending bills in the future.

While the farm bills pending before Congress make several needed reforms, they still impose unacceptable costs on taxpayers and the economy. The President must wield his veto to force needed improvements in the final bill--to trim the fat while securing passage of long overdue reforms. Failure to do so will damage the farm economy and jeopardize the President's efforts to control federal spending.

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For further information:

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

James L. Gattuso, "The 1985 Agricultural Bill: Still Time to Treat the Farm Crisis," Heritage Foundation Issue Bulletin No. 119, September 13, 1985.

"Breaking Eggs," The New Republic, November 11, 1985, p. 7-8.