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A Taxpayer Victory Against Wasteful Agricultural Subsidies

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Yesterday marked a rare win for fiscal conservatives on the Hill. The Senate's fiscal year 2007 agricultural appropriations bill already included \$4 billion in "emergency" aid for agriculture—at a time when U.S. farms are doing better than ever—but some senators wanted more. They presented an amendment to raise that sum to \$4.8 billion, an extra \$800 million on top of the \$32 billion by which the Senate has busted the budget cap it agreed to earlier in the year. But cooler heads prevailed. Thanks to a point of order by Budget Committee Chairman Senator Judd Gregg (R-NH), the increase was scrapped, and taxpayers racked up a small, but significant, victory.

An Important Message

In a press release put out just after the vote, Senator Gregg explained why much more than just \$800 million was at stake:

I am pleased that my colleagues have joined me in standing up for fiscal responsibility. Emergency spending vehicles have become all too commonplace as a way to circumvent the traditional budget and appropriations process, a practice that must stop if we are to rein in the amount of debt we are passing on to our children and grandchildren. I hope that the incoming majority party will agree that tight spending controls are the key to keeping our economy moving in the right direction.¹

Under the current majority, federal spending has exploded, exceeding \$23,000 per household, its highest level ever. Federal spending continues to rise more than 7 percent annually, and Congress is on track to post a similar rise in spending for 2007. With the first baby boomers only 13 months away from their first Social Security checks, it is reckless and irresponsible for lawmakers to run up spending in this way. Future taxpayers will have to foot the bill for all of this reckless spending.

Just as bad, much of this new spending has come in under the radar as "emergency" appropriations. By designating new spending as "emergency," Congress can evade its budget caps and misleadingly claim that it stayed within the spending limits. Boosting subsidies to a booming industry, however, is not "emergency" spending. This abuse of the budget process is just one symptom of the runaway budgeting process in Washington. Senator Gregg is right to identify this tactic and call for its end.

Good Money After Bad

Senator Gregg is also right in his implication that there is no emergency in agriculture that could justify the billions in subsidies sent from Washington.

This paper, in its entirety, can be found at:
www.heritage.org/research/budget/wm1279.cfm

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After averaging less than \$14 billion per year during the 1990s, annual farm subsidies have topped \$25 billion in the current decade, following the passage of the most expensive farm bill in American history in 2002. Its proponents asserted that the bill's enormous generosity and subsidy increases that trigger automatically when crop prices drop would end the need for annual emergency aid. Yet lawmakers passed "emergency" packages of \$3.1 billion in 2003 and \$3.5 billion in 2004, as well as Katrina-related emergency aid in 2005.²

Meanwhile, the agriculture industry is booming. Net farm income hit new highs in 2004 and 2005. Although net farm income is slightly lower this year, the final numbers will show about \$274 billion in net farm income between 2003 and 2006—the highest four-year total ever.

Conclusion

Coming after so much bad policy, the defeat of an \$800 million increase in farm subsidies is a significant victory and one that should serve as an example to the incoming majority. Fiscal responsibility requires that Congress balance its priorities and use the limited funding at its disposal to meet those priorities. Rejecting increased spending where it is not needed is a crucial part of that process. Kudos to Senator Gregg and others who were willing to stand up for taxpayers and against unnecessary spending.

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1. Senate Budget Committee, "Senate Budget Committee Chairman Judd Gregg Comments On Successful Budget Act Point of Order Against \$4.8 Billion Amendment," Press Release, December 5, 2006.
 2. Ralph Chite, "Emergency Funding for Agriculture: A Brief History of Supplemental Appropriations, FY 1989–FY 2006," Congressional Research Service Report RL31095, July 3, 2006.