Letters

Ammunition for the deficit war (First Quarter 1993)

■ I agree with the thrust of Harry E. Figgie's remarks on the deficit: the deficit is not a good thing. It cannot grow for ever (though the World War II level of 100 percent of GNP by 1995 sounds a little pessimistic to me, by the usual measure of debt held by the public). Above all, I agree with his statement that the problem can't be solved by higher taxes.

That is to say, the real problem is not "the deficit," but the pace of government spending. As long as spending is growing faster than GNP, you either have to borrow or raise taxes. Whichever you choose, at some point the system implodes. The only question is, how to discipline our politicians.

Historically, spending spun out of control in 1974. This was the same year a Watergate-weakened president signed new budget procedures giving much more say to the Congress. The Congress has been unable to discipline itself, and, except for a few years at the height of the Reagan presidency, the executuve hasn't been powerful enough. What we need is some device, an item veto, supermajorities for appropriations, or whatever, to restore some discipline to the spending process. At least as a starting point this is where we need to focus.

This is what Mr. Figgie and others hope to do by belaboring debt and deficits, but their emphasis can be a distraction. Traditionally our politicians use "the deficit" as an excuse to raise taxes. The usual solution—Bush in 1990 and Clinton in 1993—is a package of spending cuts that never materialize and tax increases that don't turn out to produce more revenue.

Somehow we have to get off this track. It might help if Mr. Figgie and the rest of us kept our eye not on the debt but on spending. Everything he says is right, but we'll do better to get the horse and cart in the right order.

Robert L. Bartley, editor
The Wall Street Journal

Rosson and Williams' "NAFTA Provisions for Agriculture" (Fourth Quarter 1992).

■ Although generally correct, the Rosson/Williams article contains some errors and inaccuracies. Part of the confusion may arise from the different classes of tariff rate quotas (TRQs) that will be used during the NAFTA transition period.

TRQs will be used to replace some nontariff barriers currently in place. (Some Mexican nontariff barriers will be replaced by ordinary tariffs.) U.S. Section 22 quotas and some Mexican import licenses will be eliminated immediately and replaced by a TRQ. All imports within the quota will be duty-free. Any imports above the quota will face a duty based on the tariff equivalent of the former border measure. This duty will be the higher of either a specific or an *ad valorem* duty. The over-quota duty will be phased out over a 10- or 15-year period, depending on the product. The quotas will grow 3 percent annually and will disappear at the end of the transition period.

TRQs will also be used as a "special agricultural safeguard" for a select number of items currently protected only by a tariff. The safeguard TRQs provide that a base quantity of imports (generally based on 1989–91 imports) will enter at the NAFTA preferential rate and any imports above that quota will enter at the lower rate of the Most Favored Nation (MFN) rate on July 1, 1992, (not June 12) or the MFN rate in effect at the time the safeguard is triggered. The tariff phaseout period for all items covered by the safeguard is 10 years. The over-quota tariff is not phased out during the transition period.

Sugar and orange juice have their own unique TRQ arrangements (see below).

Rules of Origin

The authors correctly state that a seven percent *de minimus* rule applies to the non-NAFTA content allowed in processed foods. It should be noted that bulk agricultural commodities are excluded from the *de minimus* rule. That is, U.S. cheese exports to Mexico cannot contain any EC cheese and receive preferential rates.

Horticultural products

The authors say that *many* U.S. horticultural imports will be subject to the special safeguard. The United States will apply the safeguard during certain seasons on 6 fresh items imported from Mexico—tomatoes, onions, squash, eggplant, chili peppers, and watermelon—accounting for about 15 percent of U.S. imports from Mexico in 1991. Also, the period for the first tomato example given should be November 15–February 28/29.

Dairy

A minor point, but the initial U.S. cheese quota is 5,550 metric tons.

Livestock and meat

The authors say U.S. broiler exports to Mexico will be duty-free up to 52,000 metric tons. The total initial duty-free quota for U.S. poultry is 95,000 tons, divided into separate quotas for baskets of tariff lines: for example, whole turkeys, other whole poultry, turkey parts, chicken parts, mechanically deboned meat, etc.

Peanuts

Peanut products from Mexico imported by the U.S. must be made from 100 percent Mexican peanuts, not 100 percent NAFTA peanuts.

Sugar

Just to make this clear, even in years 7–15 when Mexico's potential market access increases to 150,000 metric tons plus 10 percent annual growth, Mexico is still eligible to export only its net production surplus.

Orange juice

The provisions described apply only to frozen orange juice, not fresh. A separate TRQ with a different 15-year phaseout schedule will be in place for unconcentrated, unfrozen orange juice. For concentrated unfrozen orange juice, the tariff will be phased out linearly over 15 years.

Carol Goodloe
Foreign Agricultural Service, USDA

The authors respond:

■ Our intention was to provide an overview of the specific provisions of various commodity sections of the proposed NAFTA. We provided examples of the types of tariff changes and nontariff conversions to tariffs that could be expected if the agreement is ratified. The need to generalize in some cases may have led to some confusion. In most cases, information on the specific provisions we cite came directly from the USDA FACT SHEET series on NAFTA, some of which may have been preliminary. In other cases we combined classifications for some products, such as poultry, and aggregated their quota allowances, which may not reflect the exact provisions for each specific product in those aggregated groups. In the case of peanuts, we have verified with the office of the U.S. Trade Representative that a "technical correction" was made to the agreement. The wording of the original text was changed from "non-NAFTA" peanuts to "Mexican grown" peanuts. Although perhaps a minor point in the aggregate, it is important to those U.S. quota peanut producers who will now have their market protected from the possibility of peanut products imported from Mexico under NAFTA preference that were manufactured with U.S. "additional" peanuts exported to Mexico.

C. Parr Rosson, III
Gary W. Williams
Texas A&M University.

Mandated training in sustainable agriculture (First Quarter 1992)

■ Hoag and Pascour (First Quarter 1992) cited my study of alternative farmers in North Carolina as support for their position that Extension agents should not be trained in sustainable agriculture. They took my findings out of context and used them to support a conclusion that is 180 degrees from the logical conclusion one would draw from my study. Although it is true that North Carolina farmers using greatly reduced synthetic chemical inputs relied less than other farmers on Extension for information during the study period, this was because Extension had little to offer them. A history of failure to meet the needs of their clientele is hardly a good reason for making sure that Extension will continue to be unable to serve farmers' needs. As I reported in the article cited, the overwhelming majority of North Carolina farmers ("conventional" as well as those using very low amounts of synthetic chemicals) had strong preferences in all phases of crop production for practices that would allow them to replace synthetic chemicals with equally profitable cultural practices.

Many of the alternative farmers I surveyed mentioned that they had encountered indifference or outright hostility from Extension agents about their unconventional practices. My efforts to study those practices and practitioners got the same reactions from some (not all) Extension personnel. Extension in the southeast needs to help its farmer clients better accommodate public pressure to reduce agricultural pollution by incorporating the common principles of sustainable agriculture in its internal training and the messages it gives farmers. The Extension Service in other regions has already made great progress in this direction.

Molly Anderson
Tufts University

The authors respond:

■ We have carefully reviewed Anderson's article and think that it supports our conclusion that a mandatory program to train extension agents would have little effect on the production practices of conventional farmers. The article we cited states the following:

"But if organic farmers' production choices are rooted in values that are not shared by most farmers, making more technical information available or removing policy barriers will not be sufficient to effect widespread changes in farming practices. A system attractive to a farmer who is already predisposed to environmentally benign agriculture may be unappealing to a farmer without strong environmentalist values because it may just look like bad farming."

Anderson's conclusion that Extension "has a history of failure to meet the needs of its clientele" is unsubstantiated and based on her perception about information Extension should be providing.

Quoting again from Anderson's article: "Alternative farmers appear to value environmental benefits more than financial benefits. In effect, they are willing to pay in lost farm income for the public good."

As Anderson showed in her study, not everyone holds the same values. Extension responds to demands from all its clientele, including those farmers who have placed their highest priority on profit. Conventional farmers and alternative farmers alike are best served by an Extension service that is not unduly constrained by special interest groups. Extension, of its own volition, is already responding to the call for more information about sustainable systems.

Dana Hoag
E.C. Pasour
North Carolina State University

The public choice paradigm and the EC (Second Quarter 1992)

■ Glenn C. W. Ames of the University of Georgia (CHOICES, Second Quarter 1992) argues that "the public choice paradigm explains the EC's resistance to agricultural reform," and that "the political strength of Community farmers cannot be underestimated."

Public choice theory and the activities of agricultural interest groups cannot explain recent changes, such as the EC's 1992 agreement on CAP reform or the switch in emphasis from support for agriculture to assistance for industry, infrastructure, and cohesion funding (project-based transfers from wealthier to poorer member states) inherent in the Maastricht treaty. Nor can they explain why the Danish referendum rejected the Maastricht Treaty, or why the French government set its seal on the EC's 1992 CAP reforms yet strongly objects to a GATT agreement which may go no further. Theories from political science, such as corporatism, policy communities, and the negotiated economy, also fail to provide explanations.

The agricultural and trade policies of the EC and its member states can only be understood, and changes in them predicted, in the context of EC institutions and institutional change. The most relevant institutions are the supranational Council of Ministers, and the member of governments, political parties, and electoral systems. The structure of coalition governments and the size or otherwise of a government's majority can greatly affect the influence of the agricultural vote.

In Germany, the influence of agricultural interests had been greatly increased by the need of large main parties to form coalitions with smaller parties strongly supportive of agricultural interests in order to govern. Following the 1990 post-unification elections, the Christian Democratic Party could have formed a government without the support of these minority parties, if it so chose, and was able to support the 1992 CAP reforms and a GATT agreement.

In France, governments have often been elected with narrow majorities, having to court the marginal farm vote to obtain or retain power. The present socialist government may well lose the 1993 general election and is courting farmers and other potential swing voters in an attempt to avoid defeat. Hopes of becoming President of France at the next presidential election in 1995 gave Jaques Delors, currently president of the European Commission, a motive for opposing a GATT agreement.

The Danes rejected the Maastricht Treaty because it would have led to greater EC expenditure on industry, infrastructure, and poorer countries, reducing the emphasis on agriculture and the net benefits that wealthy Denmark obtains from the Community by virtue of the CAP.

The disproportionately large weighting given to the votes of small member states in the Council of Ministers also enhances the influence of agricultural interests, since most of these states benefit from net budgetary transfers due to the CAP. The essential bargaining that takes place at the EC supranational level is between countries, not groups such as producers, consumers, and taxpayers. Agricultural interest groups have a representative body at the supranational EC level, but the diversity of interests involved and the limitation of lobbying opportunities to the European Commission and the European Parliament means that influence must be applied by national groups through member states to be genuinely effective.

The next general elections in France, Spain, and Germany may increase the influence of agricultural interests in each of these countries, enhancing support for the CAP and slowing the shift to industrial and infrastructure support. In France and Spain, this would reflect a change in the parties in power, and in Germany, the greater influence of minority coalition partners—institutional changes that are not linked to the size, wealth, or organizational ability of agricultural interest groups.

Heather Field
Griffith University, Australia