A *CHOICES* Panel...

Priority USDA Issues for the Clinton Administration

CHOICES asked four keen observers of the Washington scene to create a "To Do" list for the new Secretary of Agriculture. Each author has played key roles in previous administrations. Lynn Daft was Agriculture Team Leader for the Carter-Mondale Transition Planning Group following the 1976 Presidential election and Associate Director for the Domestic Policy Staff in the White House from 1977 to 1981. Bruce Gardner was Assistant USDA Secretary for Economics from 1989 to January 1992. Bill Lesher was Assistant USDA Secretary for Economics from 1981 to 1985. And J. B. Penn was Senior Staff Economist with the President's Council of Economic Advisers in 1977 and 1978 and Deputy Administrator for Economics of the USDA's Economic and Statistics Service from 1979 to 1981.

Daft's USDA "To Do" List

by Lynn M. Daft

The next Secretary of Agriculture will have a unique opportunity to influence future policy and also to reshape the institution within which this policy is developed and executed.

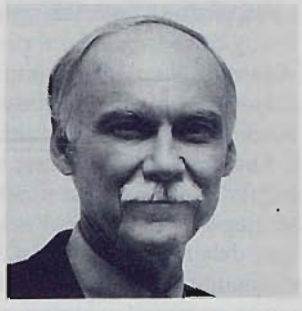
These opportunities arise in a policy environment that differs markedly from that faced by other new Secretaries in recent years. There are several differences:

- The Secretary will be part of an Administration elected on a platform of change. This sets the stage for looking at policies and the policymaking process in a new way.
- The commodity program scene, which often dominates the Secretary's agenda, is relatively quiet. While economic returns to farming are not uniformly good, the overall picture is much brighter than it was in the late 1970s and 1980s. And, farm program costs are only about 40 percent of their level six years ago.
- In the face of a soaring budget deficit, the nation is less willing to spend large sums of money supporting and stabilizing farm incomes and increasingly insistent that production agriculture be treated more like other sectors of the economy and rely on market forces to allocate resources.
- Nonfarm interests increasingly are exerting more influence over national priorities related to food and agriculture. In turn, higher priorities are being assigned to issues that have often been treated as peripheral to the Department's central mission.

The underlying forces have been moving this way for at least two decades. What is different about the present setting is that change is becoming politically feasible. This opportunity for meaningful change will not last long, perhaps a year.

If the new Secretary is to make the most of this opportunity, three items must be on the "to do" list:

- Establish an effective policymaking process,
- Restructure the Department to make it relevant to the contemporary policy agenda, and
- Develop a framework for viewing longer-term policy options, implications, and interrelationships.



An Effective Policymaking Process

Spending time on staffing and operational procedures might seem a mundane distraction to a newly appointed Secretary anxious to imprint national policy. However, attention to these procedures will have a determining influence on the achievements of the Department during Clinton's Administration and could contribute importantly to the accomplishments of the entire Administration.

Staffing. Of the multitude of decisions the new Secretary will make, none will be more important than the selection of people. The Secretary needs to play a direct and active role. While these are going to be shared decisions, it is important that the Secretary not cede any more control than necessary to either personnel specialists or to political operatives.

Administration policy. As a member of the Cabinet, the Secretary's first allegiance is to the President and his agenda. The Department's actions need to be consistent with and supportive of Administration policy. Thus, it is important for the Secretary to understand the Administration's policy framework and to develop a clear and direct link with the decisionmaking process in the Executive Office.

Homework. There will be a lot of homework for the new Secretary, but none of it more helpful than gaining first-hand knowledge of the Department, its programs, its staff, and the people on the receiving end of its programs. To the maximum extent possible, this should be done through personal contact. Much of it will necessarily have to occur outside Washington but regular walks in the halls of the South Building will serve the Secretary well in

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GARDNER'S USDA "TO DO" LIST

by Bruce Gardner

Imagine yourself the new Secretary of Agriculture, entering your ample office on Inauguration Day 1993. Pushing aside a few remaining items of debris from Secretary Madigan's departure celebration, you set to work by preparing an agenda of issues you must address.

Since agriculture was peripheral to the campaign and to the promises made by either side, you do not face pressure for immediate decisions on major initiatives. But the people have clearly voted for change in a general sense. So you feel an obligation to come up with changes in USDA.

The natural place to start is a plan for reorganizing the offices and structure of the Department in order to best fit the new people you will bring in, and to best carry out your priorities. This task could consume most of your energies for some time, but in your wisdom you delegate all organizational matters to your trusted Deputy Secretary and Chief of Staff. (If you don't have trusted people in these positions, you should immediately pack your bags and return to your previous employment).

It's time to address the substantive issues. You face two kinds: issues thrust upon the Administration by circumstances, and issues placed there by your own initiative.

Issues Thrust Upon The Secretary

These will be in substantial part a carryover of issues Secretary Madigan has been facing. Indeed many are hardy perennials.

Environmental Regulations. Decisions on these matters will top your list of headaches during your term. The criteria for a farmer's acreage being a wetland will have to be finalized, as will the role of ethanol in the reformulated fuel requirements of the Clean Air Act. The recovery plans for the spotted owl and other endangered species affecting agriculture and forestry will have to be established. Farmers' responsibilities in pesticide recordkeeping and regulation of biotechnology research and development will have to be developed. Moreover, the main laws underlying these regulations—the Clean Water Act, the Endangered Species Act, and the Federal Insecticide, Fungicide, and Rodenticide Act—are all up for Congressional reauthorization in 1993, and the Administration must have proposals and views on this whole range of activities very soon.

Your problem is that you know whatever position you take, you will be vigorously attacked by both sides, by farmers for imposing excessive costs and regulatory burdens, and by others for not doing enough to protect our water, soil, wildlife, and health. And unfortunately, the formula that has permitted compromises to be reached in the past—paying farmers for undertaking environmentally recommended practices—is no longer available because of budgetary pressure.

International Trade. The North American Free Trade Agreement must be shepherded through Congress, the GATT negotiations must be completed, and ongoing trade disputes settled. Agricultural commodities are key sticking points in every one of these, so you will be thrust into the broader trade policy arena. The issues are more intricate than for the environment, but ultimately less hopeless politically. Farmers are on both sides of the import protection and export promotion issues, and nonfarm interests are not as focused.

Food Safety and Health. Content labeling regulations, nutritional education, salmonella control, pesticide residues, and other food safety measures will continue to require attention and to be contentious. Paradoxically, the political infighting on regulation in these areas will be more amenable to compromise because the public reaction can be so immediate and strong. The food industry would rather have some over-regulation than experience a food-safety scare that can put product lines or whole companies out of business.

Commodity Price Support and Disaster Assistance. Particular issues here cannot be predicted in advance (except for dairy) but some commodities are sure to experience either low prices or adverse growing conditions, or both, that will lead to irresistible calls for the traditional remedies. The budget will limit the funds for these activities, but enough will be available to continue this area as the daily bread of USDA as a political entity.

Secretarial Initiatives

Within the constraints you face, how will you make your mark as Secretary? You must first of all face the fact that no sweeping or radical change is possible.

But you can still exercise leadership. First and foremost, recognizing the benefits of freer trade to agriculture, the nation, and the world, and recognizing that your President feel similarly, you will devote major effort to a successful implementation of the North American Free Trade Agreement and the pursuit of further multilateral trade liberalization.

Second, despite the clamor from the Agriculture Committees of Congress, you will resist pressures to support new and costly measures to foster rural development, boost farm income, or save the planet.

Citing the environmental, trade, and food policy agenda, you will be urged to become the Secretary of Agriculture, Food, Environment, and Rural America. But while you may make a few broad-minded gestures, to go beyond this courts political disaster. Good reviews in the *New York Times* or the *London Economist* will be a feather in your cap, but poor reviews in the *Farm Journal* and from the Farm Bureau will cook your goose. Indeed you will find yourself defining your role increasingly narrowly, as Secretary of Farmers. This isolates the one crucial political job in your portfolio. The White House will value your advice on farmers' reactions to Administration decisions and the President's speeches; but your views on world politics, the environment, or the general economy will not be so valued.

You can best be a leader on subjects like trade where farmers don't always see their own interests and the losers make more fuss than the winners even though the winners' gains greatly

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LESHER'S USDA "TO DO" LIST

by William G. Lesher

Abraham Lincoln established the USDA, the "people's department," in 1862. Since that time, the priorities for the USDA have changed dramatically over the years, and they will continue to do so in the future to meet the changing demands of the people. It still is the people's department because—beyond the Internal Revenue Service and the Social Security Administration—the USDA has more direct contact with people than most any other Federal agency. The difference now is that most Americans no longer farm nor live in rural America.

It is hard to distill what all of the future challenges of the USDA will be over the next four years. After all, the Secretary of Agriculture has to make dozens of decisions daily, and each one affects someone's life. But I will try.

Farm Program Spending

While it is unclear whether the Federal budget deficit will be reduced, it seems likely that spending shifts will occur. The political base of agriculture is eroding. The new 103rd Congress will have less than 50 Members representing districts that can be defined as agricultural. So, pressure will build to reduce farm program spending. Thus, the Secretary of Agriculture will be faced with the issue of how to accomplish this. For the target price crops, grains and cotton, the three general options are: (1) lower payments either by reducing the payment rates (target prices) or the number of acres eligible for such payments (increasing the flex-acres), (2) drive producers out of programs by the adoption of more strict payment limitations or environmental requirements, and (3) look inward by raising loan rates, increasing idled acreage, and adopting more protectionist policies in an effort to keep lower-priced commodities out of the United States.

None of these are good choices for a Secretary of Agriculture who would like to remain popular with farm constituents. The third alternative has been tried for decades and has failed miserably. The other two would eventually lead most commercial producers to drop out of the program.

Some farm groups will oppose these reductions in farm program spending. However, environmentalists may also oppose cuts in farm commodity programs. In fact, they ultimately may be the most outspoken in defending spending on farm commodity programs. Payments under these programs are strong leverage to keep farmers complying with sod-buster, swamp-buster, and conservation compliance and participating in the 36 million acre conservation reserve that costs $1.6 billion a year.

Reorganization of the Department

The budget pressures also have implications for the USDA structure. Senior Members on the Senate and House Agriculture Committees are pressing for a different USDA organization structure with fewer agencies and employees—one that can save money and speed delivery of better services. It is clear that some organizational changes are needed and will be made. The critical challenge is to make sure that the reorganization put in place will meet the future needs of agriculture.

NAFTA and Prospective GATT Agreement

The United States has only 5 percent of the world's population and has a comparative advantage in producing food and fiber. Thus, a key challenge for the Secretary of Agriculture is to make sure the NAFTA and the prospective GATT agreements are approved by the Congress so that U.S. farmers have markets for their production. In a time period when low economic growth has raised public pressure to turn inward, the challenge is going to be enormous.

Environmental Issues

Around the globe there is a growing environmental movement—one whose positions are often not based on scientific factors and embody questionable logic. For example, developed countries go to international forums on the environment, such as the recent "Rio Conference," and blame others for environmental degradation when they in fact thwart global economic growth with their unwillingness to open up their markets. Developing countries cannot afford to adopt environmental standards as strict as those found in developed countries. But they could afford increased environmental protection if markets were opened to their goods and the associated benefits of economic growth occurred.

Environmentalists are pressing on a number of fronts very important to U.S. agriculture:

First, some seek to stop biotechnology, an industry that is developing products for agriculture that increase the world's food producing capacity (with no increase in land and water) while significantly reducing potential environmental harm. The regulatory road-map for biotechnology will be established within the next two years. The challenge is to make sure the industry is not stymied by over-regulation while protecting health and safety.

Second, there are a number of laws that are scheduled to be reauthorized next year that will have a tremendous impact on the amount of land that can be farmed. The Endangered Species Act (e.g., the spotted owl controversy) and the Clean Water Act (including the definition of a wetland) are two such laws. I believe the current operation of both of these laws is too restrictive and does not adequately reflect the economic costs to American farmers and others. Again, the challenge is to make sure the scientific and economic facts are known.

Third, food safety legislation will be considered next year. A recent court ruling suggests that the legal interpretation of current laws could be zero risk. Yet, farmers cannot produce efficiently under a zero-risk approach to input use nor can consumers afford it. It is the Secretary of Agriculture's responsibility to ensure that enough scientific data are available to make rational decisions as well as to be a forceful advocate for agriculture in the deliberations. We cannot allow politicians, advocacy groups, or Hollywood to provide the knowledge base on which final decisions are made.

Priority For More Research

Agricultural research is underfunded. The Secretary of Agricul-

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PENN'S USDA "TO DO" LIST

by J.B. Penn

A new Secretary of Agriculture will confront demands unlike any faced by previous secretaries for 130 years—pressures generated by dramatic leaps in technology, rising public expectations, a near revolution in the global economic and political system, and a crushing limitation on the amount of public money available to meet these demands.

The Clinton Administration will face the immediate challenge of abundant supplies and stagnant or slowly growing demand and confront an agricultural sector that is sharply divided, not only about how to deal with the immediate problem, but in its view of the future.

The tools available to the Secretary to wrestle with these challenges are a set of institutions—especially USDA—and policies rooted in the past. The new Secretary must be prepared to help guide both the institutions and the industry into the 21st Century.

The first priority, although not the most important issue, likely will be to build a consensus concerning approaches to the 1992/93 surpluses and weaker crop, livestock and dairy prices. Calls for more (and higher) government support are already being heard and could mean discussions of emergency actions and, even emergency farm bills. However, agriculture in 1993 will compete with many other national priorities including medical care, infrastructure development, the environment, defense, and others.

Even a new secretary inclined to boost farm price and income supports will find not only intense competition for funds but also a limited set of policy options. The post-World War II farm policy evolution has shifted the view of many in the sector about the wisdom of at least some of the old approaches. The fundamental policy shift in the 1985 Farm Bill toward world market competition and growth has broad support today. Proposed new interventions will face serious tests concerning their role in expanding domestic and international markets, and their impact on national economic growth.

The most important priorities are longer term, of course, and relate to the Secretary's view of agriculture and the food system for the future, and of USDA's role as an institution. This is especially so in five key areas of food policy, support of technology, environmental policy, trade policy, and the rural economy. A new secretary in a growth and quality-of-life oriented administration will face the daunting task of reflecting those priorities across USDA.

• Food Policy. Twentieth Century food policies concentrated on abundance, but those for the future will focus on quality, safety, and nutrition. As consumers have become increasingly conscious of the importance of nutrition, new food products have been designed each year in growing numbers. And, as new products reflect changes in consumer preferences, life-styles, age structure, location urbanization, and other fundamental characteristics, new specifications for commodities have become more and more important and already have meant immense structural shifts throughout the food processing and the crop and livestock industries. Efforts to help private industry increase the "real" value added to our food commodities will become more prominent, especially as food product markets become truly national, as commodity markets have in the past.

• Environmental policy. USDA is in a key position to develop and extend national policies of effective economic incentives for better environmental practices to supplement EPA's regulatory programs. While many existing activities lend themselves to this approach, highly creative and innovative ideas will be required in most areas. USDA traditionally has played a lead role with state universities in the development and support of agricultural research, and the reorientation of this vast system to focus fully on environmental needs will be a continuing challenge.

• Support of technology. Agricultural innovation and technology development have been central to the USDA mission since its establishment, and should continue to be in the future. However, the Secretary may well be called upon to referee national decisions to permit use of a broad range of technologies with vast potential (e.g. bST). Working effectively with the farm sector, agribusiness, universities, and consumers to insure continued support and appreciation of new technologies will assume growing importance in the future.

• Trade policy. As world economic growth resumes, agricultural trade holds the prospect of providing much of the sector's expansion. Realizing this will require growth-oriented economic policies, a more level playing field in international trade and expanded market access, economic investment in the development of several important markets, and a more effective international trade support structure. In the absence of a strong GATT, each of these areas will require careful attention (including how we assist the "marketing" of our products overseas, e.g. the use of Export Enhancement and Market Promotion Programs). New attention and innovative approaches will be required if the U.S. is to compete effectively, especially in the world's growing value-added markets.

• Rural communities. Since the 1930s, secretaries of agriculture have advocated rural development programs built around the farm programs, and based primarily on a combination of small watershed development and community infrastructure projects. In the future battle for resources, conventional rural development programs must be revised. Nevertheless, USDA's links to smaller, rural communities are long-standing and strong. The challenge will be to work with State and community representatives to develop effective, high priority programs that expand the employment base and improve the quality of rural life without big price tags.

• Pitfalls to avoid. New secretaries of agriculture often are told by the press (and by farm groups, and others) that the office is charged primarily with defending agricultural program benefits. However, the job likely will be much broader under a Clinton administration.

USDA is an institution with an admirable history. It always has had broad responsibilities across agriculture, markets, rural communities, and consumer interests and concerns. The new issues arising from each of those area, the environment and the changing international order give today's concerns a new meaning.

USDA in the future will not be "the farmers' department," but it never was. Neither should it attempt to become the "consumers' department," a responsibility that properly belongs elsewhere. Balancing these enormously important roles always has been demanding.

To lay the groundwork in the mid-1990s for the "peoples' department" that can effectively address key problems of the next century requires a special vision, new concepts and new approaches, and will be the new Secretary's primary challenge. C

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understanding how the agencies of the Department function.

Congressional Relations. Most key policy actions will require the approval of Congress. Disparate and partial as individual Member views might be, it is important to invest in building an effective working relationship with those Members (on both sides of the aisle) who hold positions of leadership or are supportive of Administration policy objectives. With as many as 150 new Members, there will also be an opportunity to build new alliances.

Soliciting Advice and Counsel. Beyond establishing effective links to the other participants in the Federal policymaking apparatus, the Secretary will need to identify reliable information sources outside the Federal Government. Organized interests can fulfill part of this need, but there is no substitute for a network of intelligent, experienced individuals to whom the Secretary can turn for an "unfiltered" view of the world.

Restructure the Department

The principal strengths of the Department of Agriculture lie in the depth of experience and skills of its staff, the practicality of the many roles it has played in the food and agricultural system, and from its earliest days, its attention to the development and application of knowledge in support of change.

These strengths notwithstanding, the Department has had a hard time adjusting itself to change. The Department has continued to be preoccupied with policies for production agriculture. In turn, opportunities to reach out to a broader constituency have been missed.

By keeping its focus on the farm sector, the Department has sacrificed the opportunity to provide needed leadership on such issues as the environment, food safety, and nutrition. This has lessened its influence over the very issues that are likely to dominate future policy. If the Department is to be molded into an institution that serves the nation's future food and agricultural needs, substantial change will be required.

Long-Term Strategies

Finally, the early days of a new Administration is the time to develop a long-term framework within which to address the flood of short-term policy issues that will soon descend. There are several reasons for this:

- To provide a context within which to think ahead and to anticipate policy requirements,
- To review program performance in achieving the new Administration's priority missions and to identify needed changes, and
- To lay out a coherent program that ties individual policies together and provides a basis for working with the constituencies and with Congress.

Topics for which these policy strategies should be developed include:

- The food system and the environment,
- Export market promotion,
- The next generation of commodity programs,
- Food safety and health and nutrition: the Department's future role,
- Agriculture's role in increased productivity and economic growth,
- International development and food aid,
- The future of domestic food assistance, and
- Policy implications of the revolution in food and agricultural markets.

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exceed the losers' losses.

You will be inclined to delegate and give short shrift to issues of agricultural research or the Land Grant system. The public research institutions have become all too blatant as pursuers of their financial interests. So you will be tempted to let the research community deal directly with the pork-source on Capitol Hill. However, you can do a service to science and future agricultural productivity by fighting against this trend.

You can exercise leadership best at the margins—find ways to reduce paperwork burdens on farmers, make economically sensible reforms in crop insurance, cut the public relations efforts in your commodity program agencies and cut everything else in your rural development agencies. But remember in any case that agriculture and the nation are likely to survive anything you may do.

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ture must take this issue head on by getting the various farm groups and research institutions together and make a case for more research in agriculture—even if it "comes out of the hide" of other agricultural programs. If not, the industry will not meet the challenge of providing consumers with high quality, reasonably priced food in an age of increased concerns over the environment and intense competition from abroad.

Welfare Reform

There is growing interest to streamline the Federal Government and provide for welfare reform. The Secretary of Agriculture is going to be faced with the issue of moving all of the nutrition programs out of the USDA (about 60 percent of the total budget) and into some type of human resources department. Most Secretaries of Agriculture have resisted this proposal. They viewed such a change as the loss of a lever to get farm commodity and related programs approved by the Congress. I am not sure that this is still the case. Nevertheless, this issue will be a difficult one for the Secretary of Agriculture.

The Major Challenge

Another priority for the Secretary of Agriculture transcends all other issues. The Secretary of Agriculture must articulate what the fundamental mission of the USDA should be. Such a mission needs to recognize the changes in the farm sector and food industry that have taken place and reflect the realities of reduced budgets and the environmental and trade problems faced by the industry.

In short, a vision for the future of the farm and food industry needs to be articulated, the USDA needs to be reorganized to fit this vision, and the programs and policies needed to achieve the desired end results must be put in place.