LETTERS

From You...

From: Peter D. Bloome
University of Illinois
Re: Butz's Viewpoint

Dr. Butz is certainly right in his assertion that it is futile to pursue a risk-free existence. Yet, it does not follow that we should become cavalier about the risks inherent in progress.

The lesson of Challenger is not that some brave pioneers must inevitably perish if we are to progress in space. The lesson is that some will certainly perish if we push on in the face of warnings that the risks are becoming too great—right up to the moment of launch. A second lesson lies in the thought that had we heeded those warnings, our total progress would be greater as of this date. Haste does indeed make waste.

I agree that we must expand vertically, into the realm of science. That does not necessarily mean more pesticides. Hopefully it means safer pesticides and more effective alternatives to pesticides.

I can deal with the worm in my apple. What I cannot deal with in my apple—or my drinking water—is the poison that killed the worm. I expect science to remove the worm from my apple in a way that involves an acceptable risk at an acceptable cost. In this equation, there is room for disagreement and, more importantly, for constant improvement. But there is not room for the argument that I must choose between the worm and the poison.

I recall being taught that profit is a return to risk. Again, it does not follow that the greatest returns go to those who take the greatest risks. The greatest returns go to those who best control the risks in the ventures they undertake. Risks are controlled through knowledge and careful planning. We must be at least as concerned with the health, safety and environmental impacts of pesticides as we are with their efficacy in controlling pests.

I suggest that we can control and reduce the risk that we may quit risking. We can do so by freely and readily sharing scientifically objective information in an atmosphere full of understanding that this is a valid area of public concern.

It is futile to pursue a riskless existence. It is equally futile to suggest that society should put aside its fears and simply trust us to know and do what's best.

From: Brian Baker
University of California
Re: Butz's Viewpoint

Earl Butz made me feel un-American. Perhaps I should start smoking and riding a motorcycle without a helmet. He's right, though. Americans are big risk takers—especially when we reap the benefits and someone else, like our children or migrant workers, bears the risk. He sees risk-taking as a necessary condition for feeding the world's population, but the world is not as black-and-white as Butz sees it. Rather than the either/or choice of death by poisoning and death by starvation he presents, we have a whole host of choices over agricultural technology. Take pest control, for example. We can, as he suggests, continue piling on chemicals and taking risks. But the alternative is not simply to let nature take her course.

Biological control does not represent a return of agriculture to the 19th century and before. The use of predators, pathogens and parasites requires a sophisticated understanding of entomology, agronomy, and ecology. The commercial success of DDT caused research and development in biological control to be all but abandoned in favor of chemical control technology. Research in chemical control has continued despite a great weight of evidence that it imposes great costs on human health and the environment. The benefits of chemical control have been eroded by declining efficacy from insect resistance. A number of factors, hysteria not among them, have led to increasing costs for research and development of new pesticides. As Butz realizes, advances involve cost, but cost to whom? Research in biological control has had difficulty in attracting support, despite several studies showing it to be highly cost-effective.

The problem with the adoption of biological control is institutional. Biological control agents are a common property resource, yet they continue to be treated as private property. This leads to an underutilization of biological control. The government continues to promote chemical control in research and extension, while trying to regulate it. Institutions are being restructured to discourage chemical control in response to the risks that technology poses. Courts, legislatures, and popular referenda are beginning to impose liability for contamination. As a result, insurance companies are raising premiums charged to pesticide applicators. Financial risk poses by chemical control is only now starting to reflect its environmental risk. The externalities of pesticides may finally be internalized.

Yet no effort has been made to remedy the multiple failures that impede the delivery of the biological control alternative, and internalize the positive externalities provided by beneficial insects. The aim of agricultural ecologists is not to turn the clock back, but to design agricultural systems which are sustainable, stable, and resilient as well as productive. Butz's partisan assault on ecologists shows an unscientific lack of understanding of ecology. Genetic engineering may be of assistance in the development of new biological control agents, but the benefits of low-cost classical biological control ought not be lost in the gleam of biotechnology.

The risks Butz presents as necessary are avoidable. We need to work *with* the ecosystem, not against it as Butz suggests. To do so, we need to develop a more intelligent technology, and use it more intelligently.

From: Earl L. Butz
Dean Emeritus of Agriculture, Purdue University
Re: The Author Responds

The comments on my "Viewpoint" in the last issue of CHOICES largely reinforce the main thesis of my article.

We don't want to live in a completely risk-free society. In many areas of agricultural and food science, risk is involved as we probe the frontiers of science. Yet we assume some risk as a cost of progress.

There is risk involved in biological control. The predator, having eliminated the pest upon which he was targeted, and with a strong instinct for survival, may in turn become a bigger pest than the one he eliminated.

Of course we should pursue research in biological controls; but let us not become so zealous in pursuit of that goal that we discourage research in chemical controls, as one might infer from the comments published herewith. We need both.

Or in other cases, the predator may reduce the pest population (but not eliminate it) to the point that the predator can't survive. Thus the pest population may re-kindle. This makes for an on and off control system.

Yet we don't hobble research in these areas simply because of those latent risks. Each of us tries to optimize his own risk-benefit ratio. Individuals differ in how they try to optimize that ratio.

Obviously, we must always try to minimize risk, but never to the extent that we quit risking. To do the latter would stagnate progress, would set the clock back, and would surrender the goal of a better life in the mistaken belief that what we have now is beyond improvement.

From: Daniel G. Amstutz

Agricultural Negotiator
for the Uruguay Round
Re: Webster's discussion
of U.S. trade proposals,
third Quarter 1987 issue of CHOICES

I am very happy that CHOICES continues to be a very useful forum for the debate of important policy issues. It is in that spirit that I comment on Jim Webster's view of the proposal that the U.S. has made for the agricultural trade negotiations.

My initial reaction to Mr. Webster's discussion was that it treated a very serious subject in a somewhat flippant manner. Characterizing the proposal as a "neat idea"—but not a practical one—and citing country-western singers as the ultimate authority on farm problems sells our agricultural sector short. The decisions that will be made in the Uruguay Round have the potential of vastly changing the face of agricultural policy as we know it today, and the debate should reflect this fact.

It is true that many producers, as well as those involved in other parts of the agricultural sector, are unsure whether they will benefit from the changes that have been proposed. It is also true that not every producer in every region of the United States—or in any other country—will benefit from the proposal. While the proposal does not provide any guarantees, it does provide the opportunity to compete on an equal footing for the world's markets. I believe that, on the whole, this will be beneficial for American agriculture.

What is the alternative? Certainly not a continuation of current policies around the world, which are proving to be increasingly costly and trade-distorting. In one way or another, current policies will be changed. Our task is to try to steer the direction of that change.

The alternative to moving to a freer market is something that would involve more government management of agriculture rather than less—perhaps a plan along the lines of the "thought piece" fielded at the last meeting of the agriculture negotiating group by the EC. Such a proposal would involve market-sharing and price-fixing, and would put the seal of approval on continued efforts by every country to become self-sufficient in every product—so long as they could afford it. What this type of policy would result in over time is a substantial reduction in trade as countries carefully manage production to meet domestic demand. Is this a result that would be beneficial to U.S. agriculture? No.

Mr. Webster's chief objection to the proposal is that the Congress will not take it seriously. Ambassador Yeutter and Secretary Lyng discussed this proposal with the Agriculture Committees in both the House and the Senate, as well as with the Chairman of the Senate Finance Committee and House Ways and Means Committee before it was laid on the table in Geneva. No one told us not to go forward, but we were cautioned to keep the Congress fully informed as the negotiations progress. We will, of course, do exactly that.

The article also implies that the President's proposal is "uncaring." In fact, the proposal is more focused on aid to farmers than are our current policies, which tie support to production. It is important to distinguish between supporting incomes of farmers and supporting prices of commodities. The "decoupled" payments in the Administration's proposal are designed to provide assistance to farmers—not self-defeating subsidization for commodities.

Although we could debate the merits of the Administration's proposal endlessly, it is important to recognize that we are just now at the opening stages of the negotiations. It is also important to recognize that we have an opportunity—perhaps a once-in-a-lifetime-opportunity —to dramatically change the course of agricultural policy. Bold and far-sighted action is imperative.

From: E. J. Bontempo

CIBA-GEIGY Corporation
President, Agricultural Division
Re: Miller's
Changed Agrichemical Industry

Mr. Miller's article on the global aspects of agriculture and the agricultural chemical industry is certainly in tune with what is currently happening.

Companies based outside the United States are increasing their activities here, while U.S.-based companies are expanding their foreign operations. Actually, the agricultural chemical industry is following the pattern set by agriculture itself, i.e., becoming more global.

As trade barriers (as well as social and political barriers) come down, the U.S. producer will find expanded international markets for his commodities.

More "purchase versus grow" decisions will be based on economics. And U.S. producers are the world's low-cost producers of many agricultural commodities. We at CIBA-GEIGY feel that our industry has helped U.S. producers maintain that position. In the future, we will have to continue to do so.

However, in today's world of "instant communications," new technologies will be rapidly available to all—no matter where those technologies are developed. In the past, our U.S. agricultural community has quickly adopted new technologies and turned them into real productivity increases, thereby enhancing our "low cost" position.

We must assure that this rate of technology adoption is not slowed in the future. In fact, it must be intensified. The competition from foreign producers for the same commodities will increase—not

A Changed Agrichemical Industry

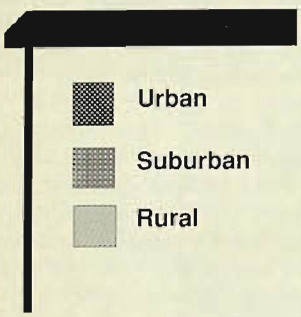
decrease—and we have to stay ahead technologically to maintain our competitive position.

In today's world of regulation, U.S. regulators often place the producer's needs for new technology at the bottom of their priority list. Consequently, in the total balance of priorities, producer needs come up a little light on the scale. If this imbalance continues—and indications are that it will—U.S. producers may no longer be able to adopt new technologies as rapidly as they have in the past. This applies not only to the technologies that will come from traditional research areas, but also those from new research areas, such as biotechnology.

So, I would add to Mr. Miller's thoughts a plea—a plea for a more balanced regulatory environment that gives producers' needs the proper weight. All of us in agriculture have to try to add a little more weight to the producers' side of the scale. We have to try to achieve a proper balance. Then our producers will be assured of the technologies they will need to remain strong global competitors.

From: Dale Miller
President, Sandoz Crop Protection Corp.
Re: The Author Responds

Mr. Botempo certainly brings up a valid point. Although we cannot underestimate their important role as watchdogs to the public, it is imperative that in their pursuit of safety, the U.S. regulatory agencies do not become barriers to the introduction of needed changes in our industry.



From: Marvin Julius
Professor, (Retired)
Iowa State University
Re: Carlin's and Ross' Investments in Rural Education

Some caution is needed in interpreting the statement "rural people (as a group) have not been as well educated as their city cousins." I think the data show only that the people who stayed plus those who moved into rural areas have not been as well educated. Conversely those who were raised and stayed in the urban areas plus the in-migrants have been better educated. When we look at educational level of adults at their current locations we do not necessarily know the average education provided where they attended school.

It is possible, and I think likely, that many rural districts have higher graduation rates than the average of city districts. By age 25, however, selective migration has raised the city average and lowered the rural average. More investment in rural education might only accentuate the outmigration trend.

If we had data on income and/or education by location where educated we might have a better indicator of the adequacy of rural schools. I tend to agree with the authors' conclusions, but I don't think the available secondary data give us an airtight case.

From: Peggy Ross and Thomas Carlin
Economic Research Service
Re: The Authors Respond

Marvin: we agree! Your point that commonly used indicators of educational attainment do not take into account the outmigration of the often better educated is well taken. Most national data sets, unfortunately, do not permit us to measure differentials in metro-nonmetro education by *where* the education was actually received. (Data from the *High School and Beyond* survey conducted by National Opinion Research Center may be one exception, but these data are not widely analyzed and reported.)

Limited support for your hypothesis can be found in the 1986 Current Population Survey conducted by the Census Bureau. Swanson and Butler recently reported that the net 1985-86 nonmetro to metro migration rates were 0.17 for adults ages 25 and over with less than high school education, -1.03 for adults with high school education, -1.35 for adults with some college training, and -2.60 for college-educated adults.

We do not fully agree with your observation that more investment in rural education might accentuate the outmigration trend. But, even if it does, does that mean we should not invest in education for rural children? No! Rural children need to be prepared for the 21st century national labor market as much as urban children regardless of where they ultimately settle. Nonetheless, rural community leaders are challenged to seek ways to realize a greater share of their education investments in the local workplace. Economic growth in depressed rural communities depends on the availability of a high-quality workforce and education is the primary means for providing adequate human capital.

From: Philip C. Smith
Director, State of Iowa Washington DC Office
Re: Kathleen Lawrence's Changing Rural Landscapes and Louis Swanson-Jerry Skees' Funding New Ideas

It was with great interest that I read the articles by Kathleen Lawrence "Changing Rural Landscapes: It's Time for Coalition Building" and by Louis E. Swanson and Jerry\R. Skees "Funding New Ideas for Old Objectives: The Current Case for Rural Development Programs" which appeared in the Fourth Quarter 1987 issue of CHOICES. Both argued for significant changes in national rural development efforts.

Lawrence is very persuasive in building her case for rural block grants to states. States, as opposed to agencies of the federal government, are much closer to their respective economies, community concerns and local institutional needs. Furthermore, states, under the leadership of governors and legislative bodies, have been targeting more of their resources and energies to aid distressed rural regions. At the same time, she argues, local community leaders need to be more involved in making decisions on how public resources ought to be invested to help meet their current and future needs.

Swanson and Skees also call for a new national commitment to rural development. This, they say, can be accomplished by redirecting some funds from the agricultural commodity programs so they may be used for more rural education and job creation efforts. They also suggest that the role of the U.S. Department of Agriculture be changed so that rural development is an equal partner with commodity programs, and that a new Rural Development Administration be formed with multi-state regional offices throughout the United States.

I agree that rural block grants should be created. Iowa's governor Terry E. Branstad, who currently is chairing the National Governors' Association Task Force on Rural Development, is a strong advocate for rural development block grants to states. With ever smaller shares of federal program budgets, as well as growing and complicated federal requirements, it is becoming increasingly difficult to collate many federal programs into a workable effort to aid rural regions. Rural block grants, with fewer restrictions, would help state and local policymakers immensely.

I also agree that the USDA's role in rural development needs to be reviewed. However, it would be difficult to accept giving this agency a more prominent role when it has, over the past several years, made moves to substantially cut its rural development programs. The USDA also lacks the expertise, the authority and the resources to address the comprehensive needs of rural America.

However, the USDA does have the potential to lead in this area. To do this, it needs support from both within and from outside the agency. Establishing regional USDA Rural Development Offices does nothing but add more layers of government in an already overcrowded and underfunded field.

I will even agree that it would probably be more productive in the long term to increase federal support for rural development as funds for commodity programs are reduced. On the surface this appears to be an easy solution. In reality it is not. First, the farm economy is just now beginning to grow out of the crisis of the 1980's. For many it is still not over. Any major changes in the farm programs now or in the immediate future could jeopardize this recovery. That would only compound the problems we are all trying to address. Second, it is very naive to believe that these funds can be moved from the commodity programs to rural development. Once taken from commodity programs, the money may either go into some other area which Congress deems appropriate or it may simply be applied to budget deficit reduction efforts. Finally, changing farm policy should not be seen as the vehicle to revitalize rural America. In fact, this is part of the problem. We need to separate farm policy from rural issues. The two are not synonymous.

While the suggestions presented in the two articles deserve a lot of serious consideration, I believe that before any substantive actions can be taken, we need to work towards a national policy as well as a national commitment to rural development—a subject neither article explored.

Why do we need a national rural policy? Simple. Without such a policy, it is very difficult to develop any long term strategies for helping distressed rural regions. Direction, focus and consistency in both agency programs and agency policies are necessary. We have a farm policy. Why not a rural policy? Without it, how can we possibly move from Point A to Point B when we have no map? Moreover, we have not yet determined where Point B is located, or what is looks like! We need national goals and a commitment to reach these goals.

A national rural policy is not something which can be developed by any one individual, one agency, or even one level of government. When the topic is addressed, however, new recognition of the importance of state governments should be included. States have the knowledge and the expertise to make a major contribution in this area. The same is true for federal agencies and local institutions. The challenge is in coordinating their efforts. States can play a major role in this process. States already administer several key federal block grant programs. They also have access to their own resources and possess a fundamental understanding of state and local needs. Additionally, states, through their own legislative and regulative powers, cannot be overlooked as key players.

A new intergovernmental partnership, therefore, should be the centerpiece of a national rural development strategy. Once this is resolved, we then can move to deal with the complexities of new job creation, finance programs, job training, education, health care, infrastructure support and the myriad of other programs which can help rebuild rural America.

From: E. Thomas Coleman

Member of Congress and Vice Chairman of the House Agriculture Subcommittee on Conservation, Credit and Rural Development

Re: Kathleen Lawrence's Changing Rural Landscapes

Kathleen Lawrence is certainly on target in her prescription for the ailing rural economy in the Fourth Quarter 1987 issue of CHOICES "Changing Rural Landscapes": revitalizing rural America requires a coordinated effort by federal, state, and local governments working with the private sector. I believe the federal government can spearhead this effort by providing the financial resources needed to stimulate economic growth and job creation in depressed rural economies.

The Rural Development Initiative (RDI), a legislative package I am sponsoring in Congress, provides the framework for the comprehensive approach we must now take to rebuild the rural economy and improve the quality of life in rural communities. It would achieve this through rural block grant programs, targeting government contracts to rural businesses, education and counseling services and a reorganization of the U.S. Department of Agriculture.

Rural development block grant programs created under RDI would provide seed capital for economic development and encourage private sector investment in rural communities. Rural infrastructure block grants created under RDI would provide funding for road and bridge construction, utility extension and the development of necessary waste disposal and water supply facilities. The establishment of a sound infrastructure is essential not only to meet existing demands, but also to attract new business and economic development for the future.

RDI would encourage the federal government to do more business with rural manufacturers and small businesses by placing rural priority on government contracts, procurement and the location of new federal facilities. Each year, the federal government spends billions of dollars on goods and services produced by private manufacturers. Through this legislation, a higher percentage of that business would be directed to rural communities.

In addition to establishing counseling, informational and job training services to meet the immediate needs of hard-pressed farm families and displaced workers, RDI would reorganize the Department of Agriculture to streamline existing rural assistance and development programs that are currently scattered throughout some 20 agencies of the federal government.

RDI would help reverse the outward migration of youngsters from rural communities through an education program called ACCESS. This program is designed to encourage youngsters to remain in rural communities and prepare for leadership positions in a changing agricultural economy by opening new doors to college and vocational training for rural high school students. The national pilot project for this program is currently operating in North Missouri and may serve as a model for a national rural education program.

As the second session of the 100th Congress gets underway, rural development should be at the top of the House Agriculture Committee's agenda.

From: Senator Patrick J. Leahy

U.S. Senator from Vermont and Chairman of the Senate Committee on Agriculture, Nutrition and Forestry

Re: Kathleen Lawrence's Changing Rural Landscapes and Swanson and Skees' Funding New Ideas

I welcome the attention CHOICES has given to the need for meaningful legislation to revitalize our ailing rural economies. As the CHOICES authors recognized, existing federal programs at current levels of funding are insufficient to address the problems facing rural citizens.

The advent of a new global marketplace in the 1980s closed the doors on economic growth in parts of rural America. Downtowns in agriculture, manufacturing, mining and forestry have resulted in high unemployment and poverty rates in our rural areas. Consequently, rural Americans are migrating to the cities--632,000 people last year alone.

Many traditional employers of rural America may never recover their lost strength. Only a third of the employment in non-metro economies is currently agriculture-related. Accordingly, rural America's hope for the future lies in the creation of new jobs and new businesses.

Some argue, as Swanson and Skees do, that federal assistance for these new jobs and new businesses should be drawn from current funding for commodity programs. I think that rural development has to stand on its own two feet. Others, as Kathleen Lawrence does, argue that this federal assistance should go to States in block grants. States should have an important role in any effort to revitalize rural areas, but I believe a partnership with the federal government can be more effective than block grants alone.

Accordingly, I have introduced the Rural Economy Act of 1987, which forges a financial partnership with state and local governments and with the private sector to give rural economies a new financial start. Let me tell you what this new legislation would do:

First, the Act authorizes $30 million annually in grants to states to split the cost of state programs promoting rural development. State and local governments are best able to identify business opportunities and to provide the community-based leadership to take advantage of these opportunities.

Second, the Act authorizes a program of Rural Infrastructure Grants, in the amount of $205 million annually, to states for distribution to local governments serving populations of less than 5,500. These tiny communities need help to construct and maintain the wastewater and waste disposal facilities that young businesses need.

Third, the Act would reduce the cost of capital to businesses in distressed rural areas through a revolving loan fund and an interest subsidy to lenders.

Fourth, the Act would provide followup assistance to make this new capital work. The Local Capacity Building Grant program authorizes $50 million annually for public agencies and private nonprofit institutions to identify business opportunities, train entrepreneurs, mobilize capital, and teach marketing and merchandising to rural businesses.

This partnership with state and local governments will leverage private capital. Private lenders will follow this leadership and will invest in local projects when they see federal loan funds and technical assistance at work in their communities.

I plan to hold a hearing on this proposed legislation and to mark it up early this year. With some help from the House of Representatives and from the White House, we can have funds in rural areas by January 1989 to give rural America new economic opportunities. Given these opportunities, I am confident that the talents, skills and work ethic of rural America will power its own rebirth.

From: Kathleen W. Lawrence

Government Relations Advisor with Heron, Burchette, Ruckert and Rothwell

Re: The Author Responds

Senator Leahy, Congressman Coleman and the National Governors Association Task Force on Rural Development all have interesting proposals. Let's not study them to death; let's just focus on what is do-able politically and economically and get about the business of getting it done.

For the record, I would like to clarify that nowhere did I state, nor do I believe that "current funding levels are insufficient." I do believe that overlap of jurisdiction, administrative overhead, and red tape reduce the efficiency of current programs.

From: Lou Swanson and Jerry Skees

University of Kentucky

Re: The Authors Respond

We were encouraged by the Leahy, Coleman and Smith letters. However, we continue to have two concerns;

1) the ideas appear to be business as usual and 2) little attention is given to long run investment in human resources, particularly all types of education.

Recently, Harold Breimyer called our attention to the historical dilemma of rural development attracting rhetoric with little funding. He cites five such periods in the last 50 to 60 years. These letters do little to dissuade us from believing we will avoid a sixth such period.

Senator Leahy suggests that rural development should stand on its own, which we heartily agree. But we continue to maintain that this can be accomplished by addressing the current inequities in the commodity programs and transferring the residual to rural development. The Senator also calls for $285 million in new revenue for rural development. This would amount to about $4 per nonmetropolitan county/rural resident in the U.S. In our opinion, this bill does not constitute an initiative that would address the Senators stated concern that "current levels of funding are insufficient to address the problems facing rural citizens." This $4 average could be compared with the $11,818 received, on average, by a farm in 1987.

While we can understand Mr. Smith's endorsement of block grants given his position in the state government, we are not convinced that block grants will provide the necessary incentive structure to encourage the emergence of broad based local rural community involvement in addressing their problems. Block grants are one method for stimulating private entrepreneurship, but the record of prior block grants does not indicate that this approach alone will ameliorate the employment and social problems confronting many areas of rural America.

Among our most serious concerns with state administered block grants is the risk of enhancing patronage systems. Rural development that is locally generated will require incentive systems that bypass traditional dependence relationships between local and state government. Our concept of a regional development bank could circumvent these problems.

We agree with Mr. Smith that development of a national rural development initiative will require a national constituency from which specific goals are articulated. As this process unfolds it will be necessary to limit the number of primary goals in order to establish a national constituency among our heterogeneous rural areas.

Once again, we would like to endorse the idea that the Federal government should play a role in rural education at all levels. Improved education of rural youth should expand opportunities, but it will not necessarily prevent their out-migration. Nor should the prevention of out-migration be the goal of rural development. The goal of rural development is to make the rural economy strong enough to retain our youth.

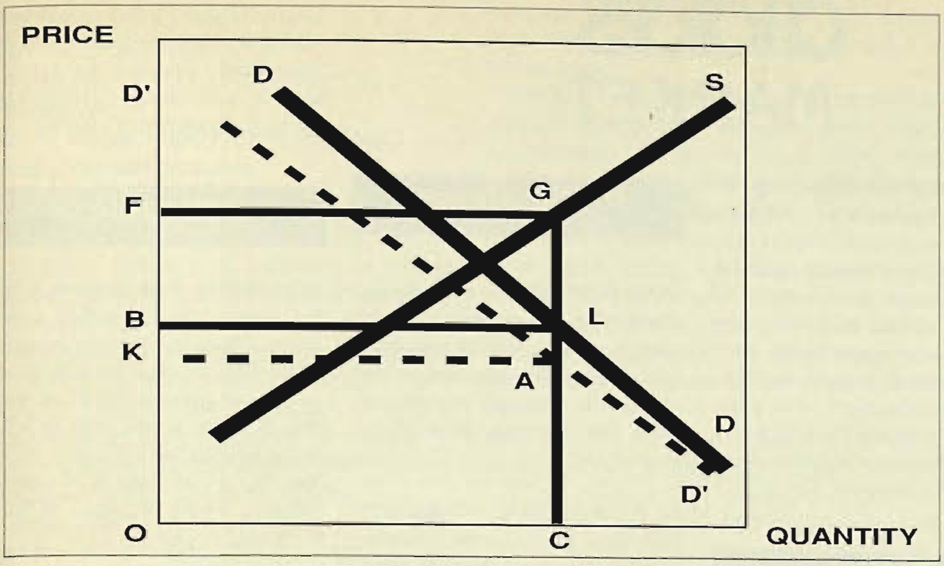
Neither Senator Leahy or Representative Coleman discuss education or other types of long-term investments for human resources. We understand that long-term investments are politically unpopular in an electoral system that rewards short-term ephemeral "solutions". However, if these problems are left unattended, we will simply pass on to our children problems handed to us. The proviso is that our children may have even fewer resources to invest than we, while inheriting a more entrenched crisis.

From: Harry de Gorter

Cornell University

Re: Runge and Halbach's "A Sales Tax on Food Can Pay for Farm Programs"

Runge and Halbach's policy proposal is twofold: a general sales tax on food and direct income payments to farmers. They note that the current policy of deficiency payments to producers may cost as much as $90 billion over the next three years while food assistance programs (including food stamps) cost up to $20 billion per annum. These two programs alone constitute two-thirds of the USDA's budget. Although Runge and



Halbach do not specify how direct payments to producers are to be implemented, financing expenditures through a sales tax on food is a novel idea.

While Runge and Halbach do not suggest doing so, it should be emphasized that a sales tax on food to finance *current* farm programs may be economically infeasible. Hence, a necessary precondition for a sales tax to be effective is that current farm policy be replaced by direct income transfers.

A sales tax on food in a sector that has a deficiency payment scheme will *not* generate any revenue to contribute to the cost of the program. Standard tax incidence theory predicts a sharing of the cost or "burden" of an excise tax between producers and consumers. However, with producer price supports, the market price to consumers falls by the amount of the tax and hence government costs in deficiency payments to producers increase by exactly the amount of revenue generated by the excise tax in the first place.

Economics of a Sales Tax. The accompanying diagram shows the effect of introducing a sales tax into a market characterized by a deficiency payment scheme. SS is the supply schedule and DD is the demand schedule prior to the introduction of the tax. The fixed price support to farmers is OF resulting in output OC and a market-clearing price paid by consumers of OB. The initial level of government deficiency payments is given by the area FGLB. The introduction of an ad valorem sales tax on food results in a wedge between the market price and the net price paid by consumers. The demand schedule pivots from DD to D'D', with the nominal amount of tax per unit of food consumed rising as the price of food rises. The vertical distance between the two demand schedules is equal to the tax rate GL/CL. The new equilibrium is at the intersection of the vertical line segment CG and the new demand curve D'D'. Market prices fall to OK while the supply price OF and the price paid by consumers, inclusive of tax, remains unchanged at OB. The amount of tax per unit is AL and revenue accumulated is given by BLAK. However, the decrease in market prices results in an increase in deficiency payment costs to the government of an equal amount BLAK. Therefore, a domestic sales tax on food to finance domestic farm programs in the form of deficiency payment schemes does not generate any revenue and hence is economically infeasible. Indeed, a food sales tax will result in a government policy "treadmill" whereby increased taxes and associated revenues imply greater farm program costs.

More Food Stamps. If a sales tax on food in the presence of a deficiency payment scheme has no impact on the net price paid by consumers, then more generous food stamp benefits to compensate poor consumers for losses suffered from the tax is not required. There will not be any regressive effects of a sales tax in the presence of a deficiency payment scheme since it was shown that the net price paid by consumers does not change.

Extending the analysis to an export sector, it could be the case that a consumption tax in the presence of a domestic producer deficiency payment scheme would result in a net government budget loss. A domestic consumption tax increases the U.S. export supply such that world prices fall and domestic deficiency payments rise resulting in a transfer of income to foreigners. These self-defeating features and the ensuing difficulties of raising revenues with a sales tax in the presence of a deficiency payment scheme can also be shown for other farm expenditure programs such as production and export subsidy schemes.

Storage Costs. Runge and Halbach's assertion that an expansion of food stamp and nutrition programs would increase consumption and lower storage costs of farm commodity stocks can also be assessed. The imposition of a sales tax on a sector characterized by a price support *cum* an offer to purchase scheme would only increase the level of surpluses to be purchased as the demand curve shifts left (farm prices are unaffected; consumer prices rise by the full amount of the tax). Only if the government increased their food stamp benefits to the poor by more than the amount of the increase in surplus stocks generated by the sales tax in the first place would surplus farm commodity stocks decline.

It should be noted that, like a deficiency payment or production/export subsidy scheme, a food assistance program (with an offer to purchase scheme or with direct monetary subsidies to the poor) financed by a sales tax on consumption and maintaining the original level of economic welfare to producers, would not always be feasible. Indeed, if there is substitution between commercial and food aid consumption, (*i.e.*, if food aid is not fully isolated from the commercial market) and if food aid is determined on a quantity basis (as the authors suggest to dispose of farm surplus), then a self-financed food assistance program with a sales tax becomes increasingly more difficult to achieve.

In conclusion, the idea of a sales tax on food is a novel idea to finance direct income transfers to farmers but may simply re-shuffle the fiscal deck if applied in the context of current farm policies such as deficiency payments, offer to purchase and food aid schemes, production and/or export subsidies and marketing loans. Hence policymakers should not misinterpret or be confused by Runge and Halbach that "payment of direct income transfers to farmers" include deficiency payments or any other indirect or conditional income transfer schemes currently in the government's portfolio of policy instruments. The political economy of why economists' prescriptions in the past for direct income transfers to farmers has been continually disregarded by policymakers is a matter beyond the scope of this letter but be assured it is not because they are malicious or do not listen and understand. The analysis above does show that policymakers should not be tempted to adopt the sales tax idea in the context of current programs.

CHOICE's Letters To The Editor are continued on the inside back cover

From: Dean Kleckner

President, American Farm Bureau Federation

Re: C. Arden Pope's comments on rangeland and romance

C. Arden Pope chides western livestock producers for capitalizing on the romantic notions of western ranching lifestyle to secure below-market rates for their grazing rights on federal lands.

Professor Pope argues that, by playing on these romantic notions, ranchers are able to maintain the *status quo* despite a shift in the "general public's" values to more concern for the environment, recreation, and other assorted values.

Pope seems to be arguing against himself by substituting one "romantic" view for another. He leaves the reader with the impression that the entire U.S. population uses public lands on a regular basis. Nothing could be further from the truth. As a matter of fact only a very small percentage of the nonfarm public, *i.e.*, "society," uses public lands on a regular basis. In the more remote public land areas it seems that cattle, alone, utilize the vast stretches.

Shifting public land emphasis away from ranching toward other uses—environmental, recreation and romantic views—will likely be a subsidy from the vast middle and lower income groups toward higher income individuals who can afford plane tickets, four-wheelers, pack mules, and other accessories needed to enjoy these nonmarket things.

At least ranchers and cowboys are producing something from these vast resources which would otherwise have limited value in the marketplace. Ranchers believe there can be compatibility among competing interests through common sense regulations among ranching, environmental values, recreation and romantic views of mountains, valleys and wildlife.

Unlike their environmental counterparts, livestockmen have never sought exclusivity in their use of federal lands. Ranchers using federal lands have a long record of support for the multiple use concept. But the goals of many of the rancher's critics have been less forthright. Through the pricing mechanism they see an opportunity to squeeze domestic livestock off the federal lands.

There are substantial costs associated with grazing on federal lands such as fence maintenance, transportation, maintaining and improving service roads and watering facilities. If faced with sharply higher grazing fees, most cattlemen would abandon use of federal lands. Grazing permits in many areas are already going unused which dispels any argument that permit fees are pegged far too low. It seems to me that, if grazing fees were such a bargain this would not be the case.

Research studies, though fragmented, indicate that public rangeland users have no decided economic advantage over private land users. For example, studies conducted by Oregon State Professors Frederick Obermiller and David Lambert in a 1984 study of Idaho rangelands show no significant differences were found among the average total costs of utilizing BLM, Forest Service versus private leases. Separate USDA studies show receipts and costs in grazing options—BLM, Forest Service, private leases—are not statistically different.

Pope charges that grazing fees collected barely cover the $50 million costs of administering federal lands. That comparison is misleading since much of the overhead costs would exist whether the cattle graze or not.

The significant point is that ranchers DO pay a fee. With the exception of timber and mineral leases and fees charged for park use, no other end user pays a comparable fee.

There are other more central issues the author fails to address. In 11 Western states, 55 percent of the land is federally owned. Most ranchers live near the public lands. They are local taxpayers paying for services with a sharply restricted tax base.

There are benefits generated from the grazing practices such as general land stewardship, brush and fire control, regeneration of desirable vegetation, and frequently, a more desirable balance of wildlife numbers.

Ranchers have a natural distrust of land policy decisions spawned in Washington, so their active participation in federal policy decisions should be expected and encouraged.

For decades ranchers have been able stewards of the public lands they lease. We believe they deserve the right to maintain their grazing rights as part of a multiple use concept.

From: C. Arden Pope

Re: The Author Responds

Dean Kleckner's comments outline many of the arguments made in support of current levels of livestock grazing on public lands at the current grazing fee. This position can be summarized as follows: Because domestic livestock grazing produces something of market value, it should be the primary use of public rangelands. There is no merit in attempts to change the emphasis of public rangeland management from domestic livestock grazing to other management objectives. Also, permittees already pay their fair share of the costs of managing public rangelands and attempts to raise grazing fees is nothing more than a means of squeezing domestic livestock off of the federal lands.

Although I agree with some of the points raised by Kleckner, I no longer agree with his basic position. I think that it is time to shift the emphasis of public rangeland management from domestic livestock grazing to other management objectives. As I pointed out in the CHOICES article, public perceptions of, and demands on, federal rangelands are changing.

Kleckner is correct in observing that the entire U.S. population does not regularly use public lands. However, in contrast to the approximately 27,000 permittees, there are tens of millions of people that use these lands for recreation annually. Livestock grazing is not opposed by many environmental and conservation groups because they are in conspiracy against ranchers, but because livestock grazing is increasingly in conflict with other uses and management objectives of the land.

Even in remote areas, cattle grazing is not necessarily the only use of public lands as commonly believed. Close evaluation of remote public rangeland reveals that the annual values for other uses often far exceed the values for livestock grazing.

I agree with Kleckner that some environmentalists are using grazing fees or the pricing mechanism in a veiled attempt to squeeze livestock off of the public lands. I do think, however, that grazing fees should cover the costs of public lands grazing. Using grazing fees as a pricing mechanism to allocate rangeland resources is consistent with our relatively market-oriented economy.

Kleckner is very selective with his facts and studies. There are three striking points of agreement across most recent studies dealing with the economics of public rangeland grazing: (1) The economic productivity of public land grazing is relatively low and of minimal importance to national beef production; (2) the costs associated with rangeland management cannot be justified by the economics of livestock grazing on public lands; and (3) the values of other uses of public rangelands often greatly exceed the value of livestock grazing.

Future management of public rangelands should take into account changing economic conditions that include relatively low beef prices; relatively low productivity and high costs of beef production on public lands; and a growing demand for hunting, camping, wildlife and wildlands preservation, and other such uses.