CONGRESS' SWEET TOOTH

by H. Alan Love and Carole Frank Nuckton

> **➢ U.S. sugar policy is widely criticized. However, it continues to be approved by Congress. A key explanation for this seeming contradiction is how political campaigns are financed.**

The U.S. sugar program differs from most commodity programs in that its direct cost to taxpayers is minimal. Instead, consumers pay higher prices for sugar and sweetened products. The program support is based on a nonrecourse loan rate, currently 18 cents/lb.; a market stabilization price (MSP), currently 22 cents/lb., that provides a margin for interest, transportation, and profit; and a variable restriction on imports (a quota) to assure that market prices stay above the loan rate. The MSP is a targeted price, maintained by the quota, that provides price protection against downward price movements.

Sugar policy has been strongly criticized by writers in past issues of *CHOICES* and elsewhere as costly to consumers, inequitable among producers, environmentally detrimental, and obstructive to free trade. Also in *CHOICES*, it has been defended as a means of bringing price stability to American markets and protecting against unfair trade practices abroad.

Several efforts to reform U.S. sugar policy have been defeated in Congress, most recently in conjunction with the 1990 Farm Bill. A reform-minded coalition of urban Democrats and suburban Republicans sought a 2-cent reduction in the 18 cents/lb. sugar price support. The vote in the House was 271 to 150 (HR 3950) and in the Senate, 54 to 44 (S 2830) against reducing the support price. This vote was widely viewed as a trial balloon, which, if passed, could lead to further modification of U.S. farm programs.

A number of factors work together to influence votes of particular legislators: Their political party, whether they are a member of the Senate or the House; the portion of their home state's agricultural receipts that come from sugar beets, sugar cane, corn; and the relative importance of farm program payments to their home state farm cash receipts.

However, possibly the most influential factor is the amount of sugar-related PAC money a legislator has received. *Public Voice*, a Washington, DC-based nonprofit government-watch organization, found 17 PACs to be sugar-related, based on their sources of funding and their apparent commitment to sugar growers. They obtained PAC contribution data on these 17 from the Federal Election Commission for January 1983 through June 1989. According to these data, the average PAC contribution received by legislators who voted to maintain the 18 cents support was $8,418, while those who voted to reduce the subsidy received, on average, only $2,468.

We analyzed the impact of these factors using a probit regression with vote as the dependent variable (1 = maintaining the sugar loan rate at 18 cents/lb.) All of the coefficients were highly statistically significant.

The Sweet Tooth Loves PAC Money

From the vote tally we knew that a pro-sugar vote was more likely if a legislator was a Democrat and a House member. In our statistical analysis, we confirmed that the higher the portion of sugar beets or sugar cane earnings to total farm cash receipts in a state, the more likely a legislator was to vote in favor of maintaining the sugar support at 18 cents/lb. In contrast, the higher the portion of total farm receipts from corn, the more likely a legislator was to vote for a reduction in the support level. (We note that although corn sweeteners have been an important entry in the sugar industry, they still represent only a minor part of the nation's corn industry. In 1989, only 7.6 percent of the total bushels of corn produced went to HFCS, glucose, and dextrose manufacture.)

As expected, the more important farm program payments are to a state, the more likely a legislator is to vote to maintain the current sugar subsidy. However, by far the most statistically important determinant of voting behavior was the amount of sugar-related PAC contributions received by a legislator (see box). The implication is that the sugar program (and farm programs more generally) will likely remain intact as long as our current system of campaign financing prevails—despite the costliness of these programs to consumers and taxpayers.

> Results indicate that for a 1 percent increase in the portion of a state's farm cash receipts from sugar beets or sugar cane, a legislator was slightly more likely to vote for maintaining the sugar support at 18 cents/lb (0.05 percent more likely if from a beet state; 0.04 percent, if from a cane state). However, for an additional 1 percent of farm cash receipts derived from corn, a legislator was more likely to vote against maintaining the subsidy level (-0.07 percent).
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> For a 1 percent increase in the portion of government payments to total farm receipts, a legislator was more likely (0.15 percent) to vote for maintaining the level of the sugar subsidy. Finally, for a 1 percent increase in sugar-related PAC contributions, the likelihood that a legislator would vote to maintain the sugar support level at 18 cents/lb. rose to 0.33 percent.

For More Information

Bruce Babcock and Andrew Schmitz, "Look For Hidden Costs," *CHOICES*, Fourth Quarter 1986.

David S. Cloud, "House and Senate Resist Calls to Alter Course on Farm Bill," *Congressional Quarterly*, July 28, 1990.

Thomas A. Hammer, "U.S. Sugar Policy—It Should Be Changed," *CHOICES*, Fourth Quarter 1988.

Eiler C. Ravnholt, "U.S. Sugar Policy—U.S. Producers Merit Fair Trade," *CHOICES*, Fourth Quarter 1988.

Public Voice for Food and Health Policy, *Too Sweet to Resist: The Congressional Appetite for Sugar PAC $*. A Report on Sugar PAC Contributions and Sugar Policy Votes, Allen Rosenfeld, Principal Author, Washington, DC, 1990.

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