Where's the Pork?: The Political Economy of the US Farm Bill

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Introduction

Most know that US agriculture policy is largely determined by multi-year omnibus legislation known as the "Farm Bill". Fewer may realize that this bill also determines much of US trade policy. It is puzzling to many that members of congress would support free trade in most areas, but approve of agriculture protectionism through the farm bill. This piece builds on previous work by Bellemare and Carnes (2015) and others from the field of political science in order to explain the political and economic motivation behind this legislation.

The contribution I hope to make with this presentation is to bring the perspective of political science to this field of study. I first expand and replicate the analysis of Bellemare and Carnes using data from nine Farm Bills, improved measurements for political contributions and focusing only on the House (rather than pooling the House and Senate). I test their competing hypotheses that focus on 1) legislator preferences 2) electoral incentives and 3) lobbying. Additionally, I test a unique hypothesis that considers the increasing contentiousness of this legislation in the past twenty years.

The Farm Bill has long stood as one of the few consummately unbeatable pieces of legislation in the House of Representatives. Because the Farm Bill simultaneously provides subsidies to low income consumers and farmers, it has historically garnered bipartisan support from both concentrated urban districts and rural farming districts. The recent and increasing contentiousness of this legislation in the House (steadily declining from 318-102 in 1990 to 216-208 in 2014) has been explained by increased partisanship in the House or by a decline in the agriculture sector more broadly. I explore these options but maintain that partisan redistricting

has had the unintended consequence of rearranging the winning coalitions for this bill and potentially other major pieces of legislation in the future.

The policy consequences of redistricting have been broadly examined in the past (Shotts, 2002; Barber and McCarty, 2015) but often speak to more/less conservative outcomes or more/less polarized outcomes. By analyzing the nine most recent US Farm Bills, I can shed light on how redistricting and polarization have impacted specific policies.

I combine a formal model of winning coalition possibilities with a quantitative analysis of the outcomes from the nine most recent farm bills to demonstrate how demographic shifts within districts—rather than increased polarization—have made this legislation more difficult to pass and how it might affect this and future legislation.

<note: please do not read any further until June revisions have been made>

Theoretical framework: Trade Politics and Congressional Behavior

The political process creates winners and losers. While some political competition is over intangible "victories", other policies entail very real gains/losses for interested parties. Nowhere is this redistributive dynamic more evident than in the process of trade policy formation. Many scholars have studied the process and outcomes of trade politics to make interesting contributions to our understanding of the key interests and institutions that shape these policies. There is no question that such a universal political issue can be used enlighten many areas of the political process. However, I propose that a much of the empirical work to this point is a theoretically incomplete examination of a complex issue. With closer examination of the political interests involved in the process of trade policy formation, it will be possible to improve

the explanatory power of empirical models while making the results more theoretically defensible.

The dominant analogy in trade policy research is that of a game between two competing interests who seek opposing policies. Producers seek protectionist policies from government officials while consumers seek the lower prices afforded by free trade. Depending on government interests and incentives, one player "wins", while the other must "lose" in what is essentially a zero-sum game. If the policy-maker selects a policy that favors protection-seeking interests, the costs of this protection are passed along to the consumers[1]. If policy-makers pursue more open trade, consumers enjoy lower prices, but producers are financially burdened by their new competition. Thus, policy outcomes are either judged a victory for the producers and a loss for the consumers or vice versa.

The study of trade policy formation presents a multitude of varying iterations of this competition in an effort to explain variations in the outcomes of the game. Different electoral incentives and government structures are often assumed to predispose policy-makers to favor the interests of either producers or consumers.

Empirical analysis of this game is largely an *inductive* process. Since the motivations and interests of policymakers are not easily observable, we make assumptions of these preferences, or the political power of producers/consumers based on trade policy outcomes. Most commonly this outcome is a tariff or non-tariff equivalent of protection[2]. If tariffs are high in a country with a proportional system of government, then we can assume that producers are more likely to

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[1] Any dispersed costs are presumed to be absorbed by all those not receiving the concentrated benefit. Conceptually, this can be referred to as the general public, taxpayers, aggregate welfare, etc;. Thus, isolating this interest as "consumer" is one of many potential variations on a theme that could invite concerns.

"win" in proportional systems. If tariffs are lower where industries are less concentrated, then consumers win when industry is geographically dispersed.

I maintain that the vast majority of these empirical studies are deeply flawed, because they fail to sufficiently account for the interests and actions of the consumer in favor of the producer. This deeper theoretical problem is manifested in the use of trade restrictiveness as a means of "scorekeeping" between producer and consumer. All forms of trade restriction have different effects on aggregate welfare. Thus, trade restrictiveness *may* indicate a victory for special interests and a loss for the aggregate welfare of consumers, but one cannot be assumed from the other. Only in the event that the tariff is the only form of trade restriction, could we assume an inverse relationship between the "score" of the producers and the score of the consumers. Likewise, these measures discount the possibility of additional, complimentary policies used to subsidize consumers.

Of course, trade restrictions rarely take the form of a simple tariff, and even more rarely are trade restrictions the only form of government intervention in the marketplace. Therefore, it is not sufficient to measure the amount of trade restrictions and extrapolate the costs to the aggregate welfare of consumers. If such results are used to declare "winners" of the trade policy process, they are both underspecified and prone to falsification. Likewise, any subsequent findings about the political process based on this model is subject to warranted and theoretically grounded criticism.

Empirical analyses can be improved in two ways. One, the consumer must be considered with equal theoretical weight as the producer—as suggested by the political competition model. Even if consumers are assumed to be the weaker of the two opponents, they must be viewed as

dynamic participants in the forum. Two, dependent variables (which act as the scores in this game) must be chosen more carefully so that they can present a fuller picture of the gains and or losses for *both* groups in competition. We could no more declare a victory for producers over consumers if they receive a 10% tariff than we could declare the winner of the Super Bowl by knowing that one team scored ten points.

Theoretical Considerations: Trade Policy as Redistribution

The theoretical basis for contemporary trade policy analysis can be found in the work of Downs (1957) and Olson (1965) but is perhaps best illustrated in the well-known Stigler-Peltzman model of regulation (Stigler, 1971; Peltzman, 1976) and its subsequent extensions[3]. In this model, policy makers are drawn to the selective benefits of rent-seeking interests, while still mindful of the political support of the general public. Thus, the policymaker attempts to select a policy or position on trade that maximizes benefits from both groups. With producers seeking to capture the rents of trade restrictiveness and consumers seeking the lower prices of trade openness, the optimal policy position is depicted along the indifference curve in figure one below.

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[3] Stigler's original work pertained to any form of government regulation. It provides the framework for competition and support functions in subsequent work more specifically about international trade.

Stigler-Peltzman Regulation
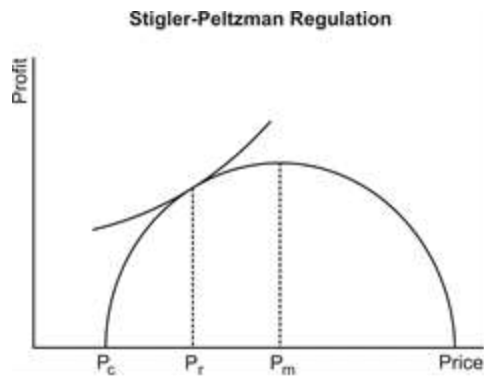
Any gains won by rent-seeking special interests are assumed to be passed on as higher product costs to a broad consumer base. Politicians must perform a delicate balancing act to maximize their support with both groups without alienating either. Furthermore, any gains by the producers are assumed to be equal and inverse losses for the consumers of that product. Thus, with any given policy or sector, there is a clear winner--either producer (rent-seeking) or consumer (aggregate welfare). The distance from the equilibrium position indicates the winning margin –as well as enlightens us to the predilection of the policymaker to favor one party or the other. Without actual price data, this position is only theoretical, but remains the focal point for empirical analyses of this competition.

The model itself has few, if any, detractors. However, economists and political scientists view the applications of this model differently. To economists, deviations from the equilibrium position are inefficient and perhaps indicative of market failure. To political scientists, such deviations are merely indicative of governance. Thus, this very basic framework has spawned important political-economic extensions to examine this competition more closely.

Political Economy Models of Trade Policy Formation

Political economy models of trade fall into one of two broad categories: the "median voter" approach of majority voting (Dutt and Mitra, 2002; Hiscox, 2002; Milner and Kubota,

2005) or the special interest or "lobbying" approach (Hillman, 1982; Magee, Brock, and Young, 1989; Grossman and Helpman, 1994; Rodrik, 1995). Despite their differences, both approaches characterize trade policy formation as an exercise in political support/utility maximization on the part of policymakers.[4] (Gawande, Krishna, and Olarreaga, 2009; Ethier, 2012)

Empirical extensions of this research yield varying results—depending on which area of the competition is under analysis. The empirical literature can be distinguished into two broad groups: one that focuses on the demand side of trade policy and one that focuses on the supply side. In either case, the relationship among what George Stigler calls the "regulator" (provider of policies), the producer, and the consumer are clear: The producers ask for trade protection, the consumers are economically worse off if the protection is provided, and the regulator must determine a policy to implement that maximizes the benefit to producers while minimizing the cost to consumers.

The "demand" side of protection literature focuses attention on which types of producers will seek protection and under what conditions their demands are made. Many of these predictions have factoral explanations (Magee, Brock and Young, 1983; Feenstra and Bhagwati 1982, Mayer, 1984; Rogowski, 1989; Scheve and Slaughter, 1998) for preference formation. These tend to center on the demands of workers and the demands of the owners of capital within these businesses and their often disparate goals. The demand literature also presents sectoral or "specific factor models" (Magee, Brock and Young, 1989; Frieden, 1990; Irwin, 1994) in which both the capital and labor of a specific industry coalesces around a common interest— preservation of the sector in the face of foreign competitors.

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[4] See Gawande, Krishna, and Ollareaga (2009) or Ethier (2012) for a review

The "supply" side of protection is addressed in an extension of this literature that studies how, once the demands are made, politicians decide to either submit to them with a beneficial policy choice or to deny them and risk the political fallout. These calculations are made based on the interests of the decision-maker.

Recent empirical studies of what "interests" politicians (votes and money) have provided insight into the motivation of elected officials and their thought processes (McGillivray, 2004; Gawande and Hoekman, 2006; Erlich, 2007). Valuable extensions to this empirical literature include the effects of candidate selection and geography (Busch and Reinhardt, 1999; McKeown and Fordham, 2003) on policy outcomes and even trade policy in the absence of interested legislators (Frieden, 1988; Hiscox, 1999). Few of these studies analyze multiple countries, though still provide a great deal of insight into the political process.

A second, complimentary group, examine the political institutions that impact the decision maker and access to the decision maker. For example Chang, Kayser and Rogowski (2008) use data on purchasing power parity to deduce that proportional representation electoral systems create electoral incentives for politicians to favor producers over consumers. Thus, policies in these systems will benefit producers at the expense of consumes. Milner and Judkins (2004) find that party affiliation impacts legislative positions on trade protection, while others look at democracies vs. non-democracies (Boix and Adsera, 2002; Kono, 2006, Iversen and Soskice, 2006).

Policy Outcome = Producer Variables +Government Variables + Consumer Variables

When theoretical models include two competing interests, it is of utmost importance that we treat these interests equally within our analyses, even if we suspect that one of them is more

powerful than the other. To do otherwise is neither theoretically nor methodologically justifiable.

**Farm Bill as Trade Policy: The Unbreakable Coalition**

The "Farm Bill" has long stood as one of the few consummately unbeatable pieces of legislation in the House of Representatives. Because the Farm Bill simultaneously provides subsidies to low income consumers and farmers, it has historically garnered bipartisan support from both concentrated urban districts and rural farming districts. The recent and increasing contentiousness of this legislation in the House (steadily declining from 318-102 in 1990 to 216-208 in 2014 and culminating in the recent failure of the 2018 bill to pass on first vote) has been explained by increased partisanship in the House or by a decline in the agriculture sector more broadly. I explore these options but maintain that partisan redistricting has had the unintended consequence of rearranging the winning coalitions for this bill and potentially other major pieces of legislation in the future.

The development of the US Farm Bill seems to fully embrace this theoretical model outlined above. Indeed, the 1973 Omnibus Farm Bill was officially titled the "Agriculture and Consumer Protection Act".

By simultaneously providing benefits to the farm producers as well as the consumers, these natural adversaries were able to overcome their legislative differences. The question then becomes not "why do members of Congress support agriculture protection", but "why wouldn't Congress support agriculture protection"?

Who Votes No?

Rosa DeLauro and Dennis Huelskamp: a tale of two representatives

. . . .

<remainder of paper about here>
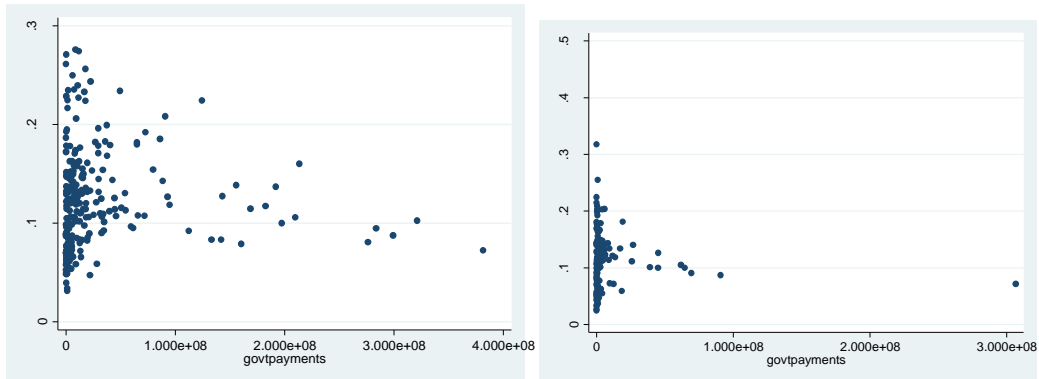
Conclusions and Discussion:

The omnibus "farm bill" legislation that governs most of the agriculture programs in the

United States has wide-reaching effects on farmers, rural communities, and low-income consumers alike. Unfortunately, the passage of the farm bill is often delayed as political battles are fought over the costs and benefits of its programs. That the electoral concerns of politicians often ~~trump~~ economic efficiency is not news to those observant of politics. However, the past three farm bills have been particularly difficult to pass—leaving the millions who rely on these programs to wait out increasingly difficult and uncertain market conditions.

The proclivity for political interests to derail policy progress is only multiplied when additional governments are involved in the process. For example, the US is currently negotiating the Trans-Atlantic Trade and Investment Partnership (TTIP) with the European Union (EU). Negotiations on this and similar deals between the US and Europe have been stymied for decades with little progress toward an agricultural solution.

Meanwhile, the completion of the Doha round of World Trade Organization (WTO) negotiations could greatly benefit US farmers by increasing export access to numerous emerging markets and eliminating the protectionist tariffs of the EU[5]. These negotiations, which began in 2001, are still ongoing.

Political disagreements are the primary cause for the delays in both of these examples. Therefore, any *solution* to these problems must come from a deeper understanding of the political interests at play. Unfortunately, there has been little attention given to these issues by political scientists. The scholarly pursuit of agriculture trade is dominated by economists—rather

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[5] 28 May 2013 WTO Trade Policy Review https://www.wto.org/english/tratop_e/tpr_e/s284_e.pdf

than political scientists—with a 10:1 ratio of output in scholarly journals over the past 20 years[6].

This situation would not be so dire if not for the impact that small policy decisions by any nation can have on US farmers and rural communities throughout the world. US agriculture exports have reached a record high of $142.6 Billion for FY14,[7] but sustained growth is threatened by increasing agriculture protectionism, inefficiency of international regulations, and slowing growth in emerging markets. World agriculture tariffs remain significantly higher than any other industrial sector, while non-tariff barriers have become increasingly widespread and difficult to regulate (Gawande, Krishna, Olareagga, 2009).

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[6] Thomson Reuter's Web of Science (1994-2014) Search "Agriculture": 4,567 Economics; 462 Political Science. Search "Agriculture Trade": 777 Economics; 75 Political Science. Search "Agriculture Policy": 1,489 Economics ; 158 Political Science
[7] USDA ERS Outlook for US Agriculture Trade Feb. 20th 2014

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Appendix One: Farm Bills

According to the Congressional Research Service, nine bills between 1965 and 2002 are

"generally agreed" to be farm bills

1. Food and Agricultural Act of 1965

2. Agricultural Act of 1970

3. Agricultural and Consumer Protection Act of 1973

4. Food and Agriculture Act of 1977

• Agriculture and Food Act of 1981: Passed the House of Representatives on October 22, 1981 (192–160)

• Food Security Act of 1985: Passed the House on October 8, 1985 (282–141)

8. Food, Agriculture, Conservation, and Trade Act of 1990

9. Passed the House of Representatives on August 4, 1990 (Unanimous consent)

10. Reported by the joint conference committee on October 22, 1990; agreed to by the House of Representatives on October 23, 1990 (318–102)

• Federal Agriculture Improvement and Reform Act of 1996 Passed the House of Representatives on February 29, 1996 (270–155)

• Farm Security and Rural Investment Act of 2002 Passed the House of Representatives on October 5, 2001 (291–120)

13. Food, Conservation, and Energy Act of 2008 07/27/2007-2:01pm   House On passage Passed by recorded vote: 231 - 191 (Roll no. 756)

14. Agricultural Act of 2014 On passage Passed by the Yeas and Nays: 216 – 208

 Agriculture and Nutrition Act of 2018 198-213 Roll Call 205