## **Farm policy**

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shocks to our agricultural complex, policies will have to be flexible enough to deal with the full range of supply-demand imbalances that could confront us in the years ahead. Past experience with the shortcomings of long-term policies geared to short-term problems should alert us to the importance of greater flexibility.

## **Flexibility needed**

Equally important, policymakers have to recognize that farm policy cannot move agriculture very far from the market mainstream without touching off self-correcting pressures. Agriculture has simply grown to be too large a sector of the economy and too closely integrated with the rest of the economy for policymakers to move commodity prices and producer incomes contrary to market forces - without substantial costs.

Farm policy can and must work to stabilize the sector from shortlived market extremes. But the costs of policies that move against market fundamentals for any serious length of time have to be carefully weighed against the intended benefits of such policies. The costs are measured not only in terms of government payments to agriculture, but also in terms of farm sector efficiency and competitiveness.

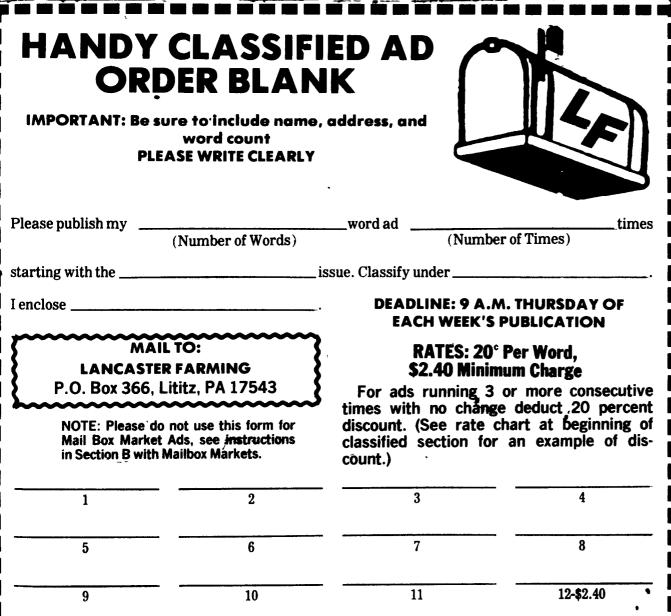
Similarly, if farm policy is required to serve several incompatible goals, it may end up not serving any of those goals effectively. If the goal, for example, is to promote efficiency and competitiveness of our farm sector, it cannot at the same time guarantee viability to farms that are not viable. This is not to say that social goals related to the alleviation of rural poverty need be subordinated to economic goals of efficiency and competitiveness. It is to say that income support programs may need to be handled separately from farm programs.

The policy options faced by lawmakers are often expressed as, two opposing extremes: largescale management of the farm sector by government, with the sector insulated from the marketplace; and an open marketplace, with farmers responding to market signals, unprotected by government programs.

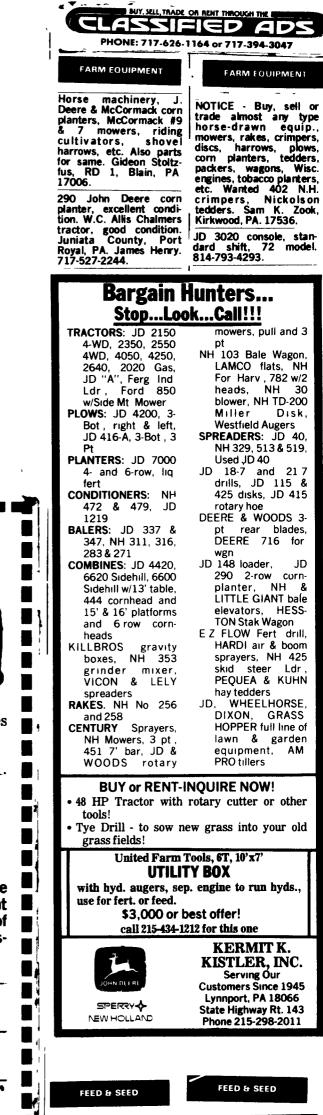
In reality, the debate we face ahead is likely to be one of which direction we want to move toward, rather than which extreme we adopt. Whatever the policy choices, they will entail costs, and in no case do farmers escape a major share of the adjustment burden. That's true with current programs just as it's true for new programs.

However, we have to recognize the risks inherent in continuing with farm programs and policies that were designed for a stable world — one where farmers were much more insulated both from the world market for their products and the rest of the economy here at home.









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