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Adam D. Sheingate: The Rise of the Agricultural Welfare State

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Introduction

In 1933, the United States Congress passed the Agricultural Adjustment Act (AAA). A cornerstone of the New Deal, the AAA offered government payments to farmers who cut production of basic crops such as wheat, cotton, and corn. Although originally conceived as an emergency measure to lift agriculture out of the depths of the Great Depression, government farm programs evolved over the next several decades into a complex policy regime of price supports, acreage controls, and government loans. Together, these policies constituted an agricultural welfare state that regulated the production and prices of one of life's basic elements—food.

The term *agricultural welfare state* situates farm policies within the larger context of American political development. First, as just noted, the historical provenance of agricultural commodity programs is rooted in the expansion of government authority over the economy during the Great Depression. Along with the 1935 Social Security Act, the AAA stands as one of the longest surviving policy legacies of the New Deal. Second, in their operation, federal commodity programs resemble a sector-specific form of social insurance. Through the regulation of agricultural markets, the U.S. government provided countercyclical spending during times of low prices. Production controls and price supports operated as a social safety net designed to protect farmers' incomes. Third, like other welfare state programs, agricultural subsidies have been at the center of debates over how to cut spending and reduce government intervention in the economy.

In fact, agriculture provides us with an example of successful welfare state retrenchment. Beginning in the 1970s, agricultural policy came under attack from a variety of quarters. Over a two-decade period, consumer advocates, budget hawks, and other critics of farm programs successfully pressed for reductions in agricultural subsidies. In 1996, more than sixty years after passage of the AAA, President Clinton signed the Federal Agriculture Improvement and Reform Act (FAIR). For major field crops such as corn, soybeans, and wheat the FAIR Act removed nearly all restrictions on production: farmers were left free to decide what, and how much, to produce. Income supports, previously tied to market prices, were replaced by fixed annual payments unrelated to current market prices or production levels.[1] Although a federal role in agriculture persists, the 1996 legislation followed more than two decades of attempts to cut

[1] USDA, *Provisions of the Federal Agriculture Improvement and Reform Act of 1996*, 3.

budgetary costs, reduce government control over agricultural markets, and remedy various problems—ranging from surplus commodity production to environmental degradation—caused by federal farm programs.

Institutions facilitated agricultural retrenchment in the United States. A pluralist interest group environment granted easy access to a variety of interests hostile to farm programs. The location of policy authority in Congress and the decline of rural representation through periodic redistricting transmitted access into influence as agricultural policy came to reflect the growing urban and suburban characteristics of U.S. House districts. Institutional changes in Congress, such as the post-1974 budget rules, undermined agricultural committee autonomy over policy and forced rural lawmakers to make policy decisions within the fiscal constraints of deficit reduction.

But these recent developments in agriculture run counter to mainstream views of U.S. institutions. Standard treatments of American politics often argue that institutions—separated powers and routine conditions of divided government, federalism, bicameralism, and congressional committees—detract from the capacity of policy makers to cut programs, remove subsidies, or deregulate markets.[2] Yet institutions *did not* hamstring efforts to dismantle federal commodity programs. The capacity to cut off generous entitlements to farmers, many of them in existence since the New Deal, represents an important instance of welfare state retrenchment.

Second, U.S. institutions did not secure farmer control over agricultural policy or insulate farm program decisions from the influence of nonagricultural interests. Despite the geographic concentration of certain groups of producers, the decentralization of policy authority, and the supposed capacity of small groups, like farmers, to overcome obstacles to collective action, agriculture is a pluralistic policy domain. Agricultural policy was supposed to be highly parochial, an example of clientele politics par excellence where producer interests successfully "captured" public policy.[3] Yet the influence enjoyed by diffuse interests such as consumers, environmentalists, and taxpayers runs counter to the received wisdom.

The mainstream view of American institutions, in effect, associates government (in)capacity with interest group access. Institutional fragmentation supposedly creates opportunities for private interests to control the policy process, thereby limiting the capacity of politicians and bureaucrats to impose losses or make policies contrary to the desires of well-organized groups. On its face, agriculture should conform to a Pierson-like account of policy feedback: years of government intervention in agriculture gave rise to powerful farm groups that "retain a substantial ability to inflict political retribution . . . for visible assaults on programs they favor." The

[2] Pierson, *Dismantling the Welfare State?*

[3] McConnell, *Private Power and American Democracy*; Lowi, *The End of Liberalism*.

inability "to dislodge the extensive interest group networks that have grown up around social programs" should make agricultural retrenchment particularly difficult.[4]

Yet in agriculture, I argue, retrenchment took place *precisely because* advocates of policy change could draw on the very same institutional characteristics so widely criticized as inimical to government capacity. Political institutions did not preserve the policy status quo. Nor did institutions isolate policy decisions in the hands of rural politicians, conservative farm organizations, or agricultural specialists. The central policy role of Congress in a separated system and a highly pluralistic interest group environment facilitated retrenchment.

By tracing the rise of the agricultural welfare state, I endeavor to show how the historical development of political institutions structures the relationship between interest groups and the government. The central hypothesis of this book is that government capacity is a function of this relationship between interest groups and the state as mediated by institutions. From the inauguration of subsidies in the 1930s to the struggles over retrenchment in the 1990s, government capacity has been shaped by the historical evolution of institutions that influence interest group formation, the pattern of interest group participation in policy, and the political relationship between interest groups and political parties.

Agriculture is not simply a curious anomaly but an important challenge to how we understand the impact of institutions on interest group power and government capacity. Agricultural policy was thought to exemplify the pathologies of American institutions. Influential students of American politics such as Grant McConnell and Theodore Lowi pointed to agriculture as an example of agency capture and policy sclerosis. Other fields of inquiry, in particular comparative analysis of political institutions, drew heavily on the views of McConnell and Lowi that institutional fragmentation, agency capture, and government incapacity were causally related. Consequently, a reassessment of agricultural policy requires us to rethink some of our assumptions about the relationship between institutions, interest group power, and government capacity in the United States and abroad.

AGRICULTURE, INSTITUTIONS, AND INTEREST GROUP POWER

It is due perhaps to the long history of government involvement in agriculture that such a wide range of empirical studies of institutions and interest group power use farm policy as a case study.[5] For the early pluralists,

[4] Pierson, *Dismantling the Welfare State?* 160–61.

[5] For a more comprehensive survey of the literature on interest groups, see Baumgartner and Leech, *Basic Interests*.

agriculture illustrated how political organizations formed around common economic interests in order to influence public policy. In the 1960s, critics of pluralism such as Lowi and McConnell used agriculture to illustrate the pathologies of American democracy and the propensity for interest group capture of public policy. Lowi and McConnell influenced much subsequent work on institutions and interest group power, ranging from the economic theory of regulation to comparative studies of institutions in advanced capitalist countries. Some of these later works also used agriculture to exemplify the *decline* of policy subgovernments in U.S. politics and the rise of so-called issue networks. Finally, New Deal agricultural policy has been called an island of state strength, a policy domain that exhibited a greater degree of government autonomy from interest group influence than other areas of New Deal activity.

For pluralists such as David Truman, agriculture exemplified the group nature of politics. Farmers were one of the first occupations to establish "political interest groups," which Truman defined as "those that make their claims through or upon governmental institutions." According to Truman, "The relative weakness of the farmer's bargaining position in the market and the relative strength resulting from the overrepresentation of rural areas in State and national legislatures combine to explain the readiness of these groups to resort to the government in order to achieve their objectives."[6] Farmers established political interest groups because they could not achieve economic ends without recourse to public power and because their wide geographic distribution ensured overrepresentation in legislative bodies.

Truman understood, therefore, that the structure of U.S. political institutions shaped the distribution of power and influence among interest groups in American society: "It is obvious . . . that a group such as the American Farm Bureau Federation, which can cover a great many rural States, can gain readier access [to Congress] than urban groups."[7] Over time, Truman acknowledged, access becomes institutionalized to the point that close and congenial relations develop between interest groups, like-minded politicians on well-placed congressional committees, and executive branch bureaucrats. Again, farm groups were exemplary of what subsequent analysts referred to as the "iron triangle." As Truman noted, "One of the most instructive sets of established and highly inflexible relationships in the Federal government is that involving the Department of Agriculture, . . . the Farm Bureau, and, of course, congressmen (especially committee chairmen) from important farm States. The relationships among these are especially revealing because of their strength and their

[6] Truman, *The Governmental Process*, 107.
[7] Ibid., 322–23.

complexity."[8] Although Truman recognized that institutionalized influence by private interests could have a negative effect on American democracy, consideration of this threat was only accorded a small place in his analysis. In his conclusion on the future of group politics, Truman placed his confidence in "the vitality of . . . potential groups" that could exercise countervailing power against more entrenched interests.[9]

Skeptics, however, became increasingly disenchanted with the prospects that "outsiders" or disadvantaged groups could counter the influence wielded by organized interests. As Grant McConnell argued, "The result [of interest group influence] has been the . . . exercise of public authority by the private groups. . . . The process amounts in some situations to the capture of government."[10] Once again agriculture provided a critical case study. Describing the administration of grazing rights on public lands, McConnell referred to "the almost diagrammatic simplicity of their political system," adding that "in probably no other public program of substantial size are the elements of power and control [by private interests] so easily visible or so stark."[11] For McConnell, however, it was the way the Farm Bureau undermined the Farm Security Administration and other government efforts to help the rural poor that exemplified agency capture. "Farm policy," McConnell argued, "had been taken into the possession of the private organization."[12]

For the other great critic of pluralism, Theodore Lowi, agriculture exemplified what he called "interest group liberalism." The control of public policy by organized groups undermined the legitimacy of democratic institutions. According to Lowi, "Agriculture is that field of American government where the distinction between public and private has come closest to being completely eliminated. This has been accomplished not by public expropriation of private domain . . . but by private expropriation of public authority."[13] Like McConnell, Lowi emphasized the "triangular trading pattern" between the United States Department of Agriculture (USDA), the Farm Bureau, and the agriculture committees of Congress: "As in geometry and engineering, so in politics the triangle seems to be the most stable type of structure." As a result of these relationships, farm programs were "the exclusive province of those who are most directly interested in them."[14]

[8] Ibid., 469.
[9] Ibid., 535.
[10] McConnell, *Private Power and American Democracy*, 7.
[11] Ibid., 211.
[12] McConnell, *The Decline of Agrarian Democracy*, chap. 9; McConnell, *Private Power and American Democracy*, 235.
[13] Lowi, *The End of Liberalism*, 67.
[14] Ibid., 75.

For both McConnell and Lowi, the structure of American government was a critical factor in interest group power. Federalism, separated powers, and congressional committees divided authority over public policy among a number of institutions. This decentralization narrowed the size of political constituencies, resulted in a more homogeneous set of interests, and increased the likelihood that a single group could capture public policy. According to McConnell, "Decentralization means weakness of public officers in contests with private organizations and the elites these represent."[15] In short, decentralization undermined democratic processes, prevented coherent policy, and threatened government sclerosis.

Once a radical critique of pluralist theory, the views of McConnell and Lowi eventually became the orthodox approach to American politics.[16] For example, the economic theory of regulation developed by George Stigler and others offered a formal, mathematical explanation for the capture of public policy.[17] Stigler and his progeny built on the work by Mancur Olson, who explored the asymmetric capacity among potential groups to overcome obstacles to collective action.[18] This asymmetric capacity to organize underlies the propensity for regulatory capture. In order to maximize votes, politicians reward those groups who supply reelection resources. Because regulations potentially impact producers a great deal but affect consumers and taxpayers very little, producer groups are more likely to overcome collective action problems and supply resources to politicians. As a reward for these reelection resources, politicians design regulatory policies that subsidize production, reduce competition, or otherwise advance the economic interests of the regulated.

Agriculture may provide the best example of this phenomenon. In fact, agricultural economists often use the political marketplace model to explain commodity programs and other forms of agricultural protection. As the size of the agricultural labor force declines in industrial countries, the costs of farm subsidies are diffused more widely among consumers or taxpayers.[19] At the same time, the benefits of protection become more concentrated in the hands of fewer producers. Thus, as farm sector employment declines, farmers have both greater incentives to lobby government for protection and a greater capacity to overcome obstacles to collec-

[15] McConnell, *Private Power and American Democracy*, 245.

[16] Summers, "Putting Populism Back In."

[17] Stigler, "The Theory of Economic Regulation"; Peltzman, "Toward a More General Theory of Regulation"; Becker, "A Theory of Competition among Pressure Groups."

[18] Olson, *The Logic of Collective Action*.

[19] When farmers are 50 percent of the population, the cost of a $100 transfer from consumers (or taxpayers) to producers is 50/50 × $100 = $100 per nonfarmer. When farmers are 5 percent of the population, the cost of a $100 transfer is 5/95 × $100 = $5.26 per nonfarmer. Lindert, "Historical Patterns of Agricultural Policy," 57.

tive action. When politicians translate the costs and benefits of agricultural policy into an electoral calculus, they subsidize farmers and tax consumers. Agriculture fits nicely within the predictions of the economic theory of regulation.[20]

Some empirical studies of agricultural protection estimate econometric models based on the economic theory of regulation. Masayoshi Honma and Yujiro Hayami examined agricultural protection levels in fifteen industrial countries between 1955 and 1980. For explanatory variables, Honma and Hayami used the percentage of farmers in the male workforce, agriculture's contribution to gross domestic product, the comparative advantage of the farm sector, and the international terms of trade for agricultural commodities.[21] According to their findings, the level of agricultural protection rises as the share of agriculture in the economy declines, as comparative advantage shifts away from agriculture, and as the international terms of trade turn against agricultural commodities. These findings lend some empirical support to the economic theory of regulation as applied to the agricultural case. Honma and Hayami also help account for the fact that farmers in industrialized countries receive higher levels of protection than farmers in developing countries, ceteris paribus.[22]

However, other studies that model the effect of sector size or comparative advantage on agricultural subsidy levels have yielded less conclusive results. Peter Lindert, who used much of the same data as Honma and Hayami, found that "sector size alone does not reliably explain the developmental pattern." And as for comparative advantage, Lindert expresses "doubts about whether greater relative poverty of the farm sector would explain why policy favored farmers more in higher-income countries."[23]

[20] Anderson, Hayami, and Honma, "The Growth of Agricultural Protection"; Hayami, "The Roots of Agricultural Protection"; Gardner, "Causes of U.S. Farm Commodity Programs"; Tolley et al., "What We Know about Agricultural Prices," 133–51.

[21] For comparative advantage, Honma and Hayami use two proxies: a labor-productivity ratio and a factor-endowment ratio. The international terms of trade are expressed as the ratio of indexes of world unit export values of agricultural products and manufacturing goods. "The Determinants of Agricultural Protection Levels," 40–43.

[22] Ibid., 44–45.

[23] Lindert, "Historical Patterns of Agricultural Policy," 66–67. In addition, Lindert reports an R^2 of between .29 and .48, in contrast to an R^2 of between .6 and .7 reported by Honma and Hayami. This raises the possibility of an inflated R^2 in the Honma and Hayami study. Honma and Hayami use ordinary least squares (OLS) regression for time-series data (protection levels over time). Autocorrelation (protection levels at T_1 influence protection levels at T_2) violate the OLS regression assumption of the independence of cases (in this case, years). Consequently, an insignificant equation could appear statistically significant (see Janoski and Isaac, "Introduction to Time-Series Analysis," 33). Because Honma and Hayami do not include a lagged dependent variable or report any standard tests used to diagnose autocorrelation, we must interpret their results with some caution.

As Tolley et al. remark in their review of this literature, "The importance of free riding and organizing costs in explaining policy differences . . . is unclear."[24] The exact mechanism that links sectoral characteristics (size, geographic concentration, etc.) to agricultural policy outcomes continues to elude empirical testing by economists.

John Mark Hansen, again using agriculture, employed a historical methodology to study the rational bases of interest group influence in the policy process. In a study that spans farm politics from 1919 to 1981, Hansen traced how the Farm Bureau came to occupy a privileged place in congressional farm politics. Specifically, the Farm Bureau gained access through its capacity to supply politicians with reliable information on constituency preferences. When the Farm Bureau's competitive advantage began to wane in the late 1950s, commodity organizations emerged as the most reliable source of constituency preference and, as a result, became the principal representative of agricultural interests.[25] Hansen's findings were consistent with those of Charles O. Jones, who nearly thirty years earlier found that members of the House Agriculture Committee tended to vote according to the specific commodity interests in their constituencies. Jones added that the structure of the House Agriculture Committee, especially its division into commodity-specific subcommittees, allowed "a maximum of constituency-oriented representation."[26] Both Hansen's meticulous historical treatment and Jones's careful case study illustrate the electoral connection in interest group politics and public policy theorized by Stigler and others.

But other have scholars have challenged the policy subgovernment model of American politics. Again, agricultural case studies figured prominently in the critiques of interest group capture. Graham K. Wilson argued, in his study of U.S. agriculture, that party and ideology rather than narrow constituency interest were often more important determinants of votes on agricultural subsidies.[27] And with the proliferation of interest groups in the 1960s and 1970s, particularly of the public interest variety, the notion that pro-industry interests dominated the policy process came under scrutiny. Rather than a system of "cozy little triangles," the interest group environment in Washington was more akin to "sloppy large hexagons."[28] William Browne, in his work on agriculture, found not only that

[24] Tolley et al., "What We Know about Agricultural Prices," 147.

[25] Hansen, *Gaining Access*.

[26] Jones, "Representation in Congress," 367.

[27] Wilson, *Special Interests and Policymaking*.

[28] Jones, "American Politics and the Organization of Energy Decision Making," 105; Heclo, "Issue Networks in the Executive Establishment"; Walker, "The Origins and Maintenance of Interest Groups."

producer groups are only one among a wide range of interests involved in farm policy but also that members of Congress have come to rely less and less on organized interests in the policy process.[29] One implication of an overcrowded policy process is that interest groups, far from controlling outcomes, in fact see their influence diminished as access to Congress becomes easier. As Salisbury argues, interest groups are "awash in access but often subordinate in influence."[30]

A different challenge to the view of interest group dominance comes from the work of Kenneth Finegold and Theda Skocpol on New Deal agricultural policy. According to this view, government officials in the USDA did enjoy enough autonomy from societal pressure to formulate policy independently and possessed the administrative capacity to implement programs at times over the opposition of domestic groups. Finegold and Skocpol compare New Deal agriculture to industrial policies of the National Recovery Administration (NRA). In the case of the NRA, policy makers lacked the institutional capacity enjoyed in agriculture, which explains why industrial policy failed in the United States and agricultural policy did not just succeed but survived beyond the New Deal.[31]

Debates about institutions, interest group power, and government capacity in the United States influenced the study of comparative institutions as well. In many cases, this comparative work bears the mark of Lowi and McConnell—that interest group access undermines policy capacity. The "strong" state/"weak" state dichotomy of the late 1970s, for example, viewed the United States as unable to execute coherent policy because it was "permeated by political pressure groups."[32] In contrast, countries such as France and Japan could "pursue a coherent set of objectives because bureaucrats had "the dominant voice in policy deliberations" and institutions prevented "infiltration from the bottom."[33]

This view continues to hold sway, even if scholars do not employ the value-laden terms of "strong" and "weak" states. For example, Pierson notes that, "as observers have long noted, the diffusion of authority exhibited by the American political system allows [interest] groups to flourish and makes them relatively resistant to centralized control."[34] Helen Milner summarizes the view this way: "The key issue . . . becomes how autonomous the governmental administration is from political and social

[29] Browne, *Private Interests, Public Policy, and American Agriculture*; Browne, *Cultivating Congress*.

[30] Salisbury, "The Paradox of Interests in Washington, D.C.," 213.

[31] Finegold and Skocpol, *State and Party in America's New Deal*.

[32] Krasner, "United States Commercial and Monetary Policy," 60.

[33] Ibid., 61; Katzenstein, "Conclusion," 314–23.

[34] Pierson, *Dismantling the Welfare State?* 161.

pressure. When policymaking structures are . . . insulated from the legislature and interest groups, . . . then policy will be coherent and broadly based."[35]

Similarly, the policy network or policy community approach, with its discussion of pluralism, corporatism, and other varieties of state-society relations, frequently associates interest group pluralism with ad hoc, overly politicized policy making.[36] Again, agriculture provided a useful case study. For example, Coleman, Skogstad, and Atkinson contrast a "pluralist policy network where group self-interest will be dominant" and "policy-making is reactive rather than anticipatory" with a corporatist network that promotes "the long term collective interest of the sector rather than the short term interest of specific groups."[37] Whereas pluralism tends to preserve the status quo, corporatist arrangements—whereby bureaucrats and leaders of peak associations make policy through negotiation and consensus—enhance government capacity in an area such as industrial policy.

But Coleman and his coauthors also recognize that corporatism can produce clientele relations between interest groups and the government that inhibit policy change. In matters of retrenchment, government capacity might be greater "when interest groups are highly fragmented and restricted to pressuring pluralist policy networks, [because] they are less able to defend programs than those that are vertically integrated and engaged in corporatist networks."[38] This suggests that government capacity might vary across policy types—for instance, industrial policy versus retrenchment—within the same institutional and interest group environment.

In sum, the literature on institutions and interest group power—particularly as it is applied to agriculture—is mixed in its conclusions. Scholars have used U.S. farm policy to exemplify the autonomy of government actors (Finegold and Skocpol), the capture of public policy (Lowi, McConnell), the evolution of a relatively closed policy subsystem (Hansen, Jones), and the expansion of an issue network (Browne). Comparative work on institutions (with agriculture as an occasional case study) bears the distinct mark of pluralist critics such as Lowi and McConnell but is unclear about whether U.S. institutions and interest group politics diminish government capacity for effective policy or may, in fact, enhance it (Coleman, Atkinson, and Montpetit).

[35] Milner, "Maintaining International Commitments," 349–50.
[36] See, for example, Atkinson and Coleman, "Strong States and Weak States," 60.
[37] Coleman, Skogstad, and Atkinson, "Paradigm Shifts and Policy Networks," 279.
[38] Coleman, Atkinson, and Montpetit, "Against the Odds," 455.

This diversity of opinion reveals that the relationship between institutions, interest group power, and policy capacity remains unclear. More specifically, at least three basic questions remain unanswered. First, does this relationship change over time? This may account for the temporal pattern of observations in the U.S. case: relative autonomy in the 1930s, capture/subgovernment in the 1950s and 1960s, and a pluralistic issue network since the 1970s. Second, does this relationship vary according to the types of policies governments pursue? This question takes seriously Pierson's argument that welfare state retrenchment is a distinct political task from welfare state expansion. Third, does this relationship vary across countries? This question asks whether institutional arrangements such as federalism or the separation of powers provide interest groups with any particular advantages in access or influence and with what consequence for government capacity.

I attempt to address these questions by tracing the rise of the agricultural welfare state in the United States, France, and Japan. Through the study of institutions and interest group power in both historical and comparative perspective, I argue that U.S. institutions did not give agricultural interest groups any particular advantages and, in fact, may have impeded agricultural interest group capture of the policy process. The ramifications for government capacity were, however, variable. In some policy contexts, the configuration of institutions and interest groups in the United States enhanced government capacity; at other times, the configuration was detrimental to the fulfillment of policy goals.