THE US FARM ACT: 'FAIR' OR 'FOUL'? An Evolutionary Perspective from East of the Atlantic[1]

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ABSTRACT

The eventual signing of the 1995 Farm Bill into US law as the 1996 Federal Agriculture Improvement and Reform (FAIR) Act in April 1996 has been heralded as a clear and unambiguous signal that the US is committed to full liberalisation of farm policy, and hence of farm trade. Elimination of set-aside and deficiency payments, and provision of apparently generous, if strictly limited, 'production flexibility contract' payments to arable crop farmers, are seen as releasing and encouraging US farmers to compete effectively on the world market, to the potential detriment of European agriculture, and to provide additional impetus to further European CAP reform. Internally, FAIR can be seen as representing a logical and coherent progression of decoupling, begun in the 1985 Food Security Act (FSA) and continued through the 1990 Food, Agriculture, Conservation and Trade (FACT) Act. However, the apparent strength of the US farm commodity groups in the eventual provisions of FAIR, coupled with important omissions and remaining unresolved issues, leave a strong potential for FAIR to become foul from both internal and external perspectives. Perhaps the 'fairest' provision of the legislation is the commitment to a Commission on the appropriate role of government in agriculture, while the 'foulest' implication is that government itself is capable of providing such an assessment.

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THE US FARM ACT: FAIR OR FOUL?”

I. Introduction

The eventual signing of the 1995 Farm Bill into US law as the 1996 Federal Agriculture Improvement and Reform (FAIR) Act in April 1996 marked a watershed in US farm policy. A major instrument of policy (set-aside) has been eliminated; deficiency payments have been converted to fully de-coupled ‘production flexibility contract’ payments to arable crop farmers and subjected to mandatory expenditure ceilings over seven years; the five year cycle of policy setting has been ruptured; the foundation legislation (Agriculture Adjustment Act, 1939 and Agriculture Act, 1945) have been suspended; a commitment has been made to review and assess the role of government in agriculture. These are, by any criteria, major reforms. However, there remain strong reasons to question whether these reforms will ‘stick’ and what sort of further policy developments might be expected as and when commodity markets return to more normal conditions or descend to depressed states. In short, should US, European and world farmers, farm policy makers and other stakeholders judge FAIR to be “fair” or “foul”?

Policy development depends on the extent to which existing policies are seen as being well-fitted or suited to perceived conditions and aspirations. If present policies are seen as being both well-suited to prevailing socio-economic conditions and to be well-fitted to ruling political aspirations, then one may expect little change. If either of these conditions is not met, however, then there will be pressures for some policy response. However, the way in which the analyst conceives of these conditions and aspirations interacting with the judges and judgements of policy fitness and suitability will determine the potential directions of change.

The criteria chosen here are based on the answers to the questions of who will judge the policy’s relevance, suitability and fit, and how this will be done. There are three provisional answers to these questions. First, the internal US political processes and market behaviours will judge the relevance of the FAIR reforms to the market and political conditions within the US agricultural and food systems - FAIR’s internal (domestic) *coherence*. Second, the international political community and world markets will judge the extent to which FAIR is considered *legitimate* by the rest of the world (especially by the World Trade Organisation (WTO), the European Union, Japan and the Cairns Group), reflecting the perceived effects of the policy changes on world markets and the likely consequences of these effects on policy changes and responses elsewhere. Third, and finally, the ultimate test of the policy package will be history: the *sustainability* of FAIR’s strategic direction and the longer-term aspirations and commitments of those most concerned with the policy, both internal and external.

These concepts of policy **coherence**, **legitimacy** and **sustainability** need some further elaboration, since the conventional literature does not deal with policy analysis in these terms[2].

This triad of policy characteristics is seen as being necessary (though possibly not sufficient) to provide for the resilience and prosperity of the policy - its ability to dominate other potential policies within the policy environment and its resistance to further pressures for change. Thus, under coherence, a policy which does not correspond to local (domestic) perceptions of the policy problems and issues cannot be expected to continue without some adaptation or mutation. If a policy is locally perceived as being ineffective, then domestic political processes can be expected to lead to its change or elimination in time. However, once in existence, any policy can also be expected to have accumulated a number of defendants and vested interests, which are capable of delaying change and of modifying the eventual development of the policy. These defence mechanisms lead to policy inertia, which will be greater the stronger the vested interests relative to the policy's perceived ineffectiveness. Similarly, a policy which seeks to countermand or contradict underlying market forces will encounter increased friction with the market place, and hence increased maintenance costs and/or decreased coherence through time, which in turn will lead to increased pressures for change and adaptation.

Internal coherence, however, is not sufficient for the continued resilience of the policy in the face of sufficient judgements of its illegality, unacceptability or inconsistency with accepted (moral, ethical and fair) standards. Clearly, the force of declarations of illegitimacy depend on both the power and influence of the groups, countries and organisations and on the strength of the bilateral and international institutions (rules and procedures) for penalising such illegitimate behaviour. The effect of these conditions, in turn, depend on the extent to which the host country or group is willing and able to flout such pressures for change.

Even in those cases where a policy appears both internally coherent and externally legitimate, the policy may be incapable of sustaining itself. The effects of the policy itself may be such as to 'pollute' its own environment - by leading for instance to rent capture within the domestic economy which undermines its coherence, or through longer-term effects on domestic and world markets which undermine its external legitimacy. Even if these

2 For the academically rigorous, these terms are taken here to follow exactly their dictionary definitions: Coherence: hanging or sticking together; being consistent; fitting together in a consistent and orderly whole; Legitimacy: following by natural sequence; genuine; conforming to an accepted standard; Sustainable: to keep going (that is, capable of indefinite replication and re-generation).

conditions do not threaten the existence of the policy, changes in the socio-economic environment (internal or external) may trigger changes in the policy if it is not sufficiently resilient to such shocks.

II. Internal Coherence

An incomplete, distant and partial view of U.S. farm policy is inevitable from anyone from the other side of the Atlantic, so internal coherence judgements from this viewpoint must always be suspect. However, distance may also lend a greater perspective, assisted through the elimination and ignorance of detail and specifics which can otherwise cloud and confuse the major threads of the arguments. It is on the latter basis that the following thoughts are offered.

The USDA provides ample basis for the supposition that FAIR represents a major reform, though also provides strong clues as to its character as a natural and logical progression of previous Acts.

> *“The basic premise of agricultural policy over the years has been to protect the family farm, to support prices and farm income, and to conserve natural resources ... The 1990 farm legislation must provide farmers with cost-effective programmes which accommodate the changing conditions in the farm sector and the world”*
> (USDA, ERS, 1989, p8/9).
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> *“After the longest farm bill debate in history, the Federal Agricultural Improvement and Reform (FAIR) Act of 1996 became law on April 4th, 1996, significantly changing U.S. agricultural policy. The new Farm Act (P.L. 104 - 127) removes the link between income support payments and farm prices by providing for seven annual fixed but declining “production flexibility contract payments” whereby participating producers may receive government payments largely independent of farm prices, in contrast to the past when deficiency payments were dependent on farm prices”*
> (ERS, USDA, 1996, p1).

These quotes suggest that FAIR is a very considerable departure from previous farm legislation, in spirit if not (yet) in fact, especially in its removal of market related price support for the crop sector and effective removal of safety-net support of deficiency payments. However, it represents continuity in the recognition of market conditions and the need for the U.S. to remain competitive in world markets at limited financial or taxpayer cost.

Decoupling of support from market conditions began in the U.S. in the 1985 Food Security Act (FSA) with the freezing of base acres and programme yields[3] on which deficiency payments were made (albeit bought through an increase in the level of these payments) and through explicit linking of loan rates to market prices (through what has become known as the ‘olympic’ five year moving average in which the highest and lowest annual prices are ignored). Against the background at the time (of depressed farming conditions and severe credit difficulties, and of declining exports) this Act was one of considerable political acuity, perhaps engineered through the introduction of the Export Enhancement Programme (EEP)[4]. Nevertheless, FSA 85 represented a significant retreat from the administration’s proposals at the beginning of the 1985 debate, for extensive and radical de-coupling along the lines of the Freedom to Farm Bill in 1995. These proposals, however, were pronounced dead on arrival at the Hill - the U.S. political machinery and its substantial power sources were not ready for such drastic action - which begs the question of what might have happened had Europe said snap to the almost identical initial U.S. proposal of the zero option at the opening of the GATT negotiations some 18 months later.

The 1990 Food, Agriculture, Conservation and Trade (FACT) Act clearly continued this strategic direction. Deficiency payments were limited to 85% of participating acreage, under the triple base provisions, while target prices were frozen at their reduced levels, with the loan rates continued at the olympic moving average of market prices. By this time, it was apparent that the rationale for the Acreage Reduction Programme (ARP, or set-aside) had been undermined. So long as loan rates were to be set to be above market prices for potentially extended periods, set-aside made some sense as a means of limiting supplies and hence limiting the budget exposure of stock retention and disposal as well as exposure under the deficiency payment programme. However, once loan rates had been tied to levels below average market prices on a moving basis, and once deficiency payments had been strictly limited to frozen base acres, the rational disappeared. One could confidently predict the early demise of set-aside, and the FAIR response should have come as little surprise. Indeed, the 1990 FACT Act introduced a pilot programme in two states whereby farmers could nominate

[3] “Very importantly, the effective freeze of acreage bases and crop yields cuts the link between direct government payments and production, reducing the incentive to overproduce as a way to receive larger Federal payments.” (Thompson, 1986, p 316.)

[4] The Agricultural Adjustment Act of 1981 had ignored the administration' proposals for reduction of loan rates to market levels and elimination of commodity support programmes, and instead passed "one of the most restrictive programmes on record" (Reinsel, Choices, Third Quarter, 1989, p 18/19) with loan rates and target price increasing at 9%/year over the life of the act. Emergency legislation subsequently reversed this to freeze loan rates and then reduce them, causing a rapid reversal in farm expectations and associated credit problems as land prices fell.

a fixed level of grain marketings as eligible for deficiency payments, and then be released from the ARP provisions, a foretaste of FAIR.

Limiting deficiency payments to frozen base acres (or fixed levels of marketings) left the final payments dependent only on the variable gap between market prices and the target price. De-coupling the payment from current production decisions left the incentive price for production as the market price/loan rate. In addition, ceilings on total payments, set at $50,000 per person in 1990, meant that the 'safety-net' character of the programme had already been substantially eroded. In most market and many farm circumstances, the major safety-net now became the loan rate rather than the deficiency payment, while the cost to farmers of this safety-net (in the form of additional costs incurred through set-aside and lack of planting flexibility) had increased substantially. The die was cast in favour of fixed 'compensation' payments or even lump-sum payments to replace the cumbersome deficiency payment scheme. Again, FAIR should have been little surprise.

By 1994, Martin *et al.*, 1995, report that 41% of a sample of 10,000 farmers in 15 key agricultural states were in favour of phasing out commodity programmes, a growth from 23% in 1980, 25% in 84 and 35% in 90, with a further 10% favouring de-coupling. Support for mandatory control programmes had declined to 6%, but support for the 'current' programme had climbed from its low point of 26% in 1984 up to 37%. Only one third of respondents favoured revenue assurance programmes, although a further third had no opinion on this development. Martin *et al.* comment "revenue assurance may be a good idea, but not in the 1995 bill" (p 38). They conclude "Most U.S. farmers seem to understand the policy trends, and many are willing to phase out commodity programmes; move in more environmentally friendly policy directions, especially with appropriate export subsidies, and encourage efforts to educate the public on food safety and nutrition" (p 39). Against this background, the FAIR debate and the early (and apparently surprising) showing of the Freedom to Farm ideas seem consistent with farmer preferences.

Nevertheless, as Orden *et al.*, 1996, fully document, the commodity groups in U.S. agriculture proved that their power to influence and direct policy has hardly diminished. The sugar, peanuts and dairy sectors (especially) have been untouched as yet by the reforming spirit of FAIR, while cotton and rice producers faired better than under original provisions of the Freedom to Farm bill, and budgetary savings were substantially eroded during the course of the debates and negotiations between House, Senate and the administration. It seems clear that the power and financial muscle of the lobby groups protecting these commodities

(Brooks and Carter, 1994) has been effective in the passage of FAIR, and can be expected to provide substantial resistance to further reform in these sectors.

There appear to be two key elements to FAIR from an internal perspective. First, FAIR (for the programme crops) can be seen as a fundamental trade: giving up the right to safety-net support (deficiency payments) in exchange for enhanced (front-loaded) but strictly limited and finite compensation payments and considerably increased flexibility in farm management. A key question is whether this trade can be expected to stick if and when market prices deteriorate. It has often been noted that the course of U.S. farm policy reflects a compromise between regulation (especially through set-aside and compliance restrictions) and support: the more of one, the more is required of the other. In those periods when support was not seen as a pressing need, regulation of framing practice has tended to be relaxed and *vice versa*. To some extent, perhaps, conditions in the U.S. and world markets since 1985 have tended towards encouraging de-regulation. However, a key question remains at whether this willingness to forego support in return for increased flexibility would withstand a return of market conditions to their generally depressed state of the 1960s. Certainly, FAIR has not ruled out a return to more conditional support - the base legislation is still extant, it has only been suspended, and the Act contains no cast-iron provisions for the future of farm policies beyond 2002. Meanwhile, there are substantial areas of U.S. Agriculture, with powerful political support, for whom the increased flexibility will be of little comfort as and when markets deteriorate, the wheat plains of Kansas and the Dakotas being classic examples.

Second, the supposed dominance of budgetary considerations in setting the farm legislation is subject to considerable question, despite the need for FAIR to satisfy the Budget Reconciliation Bill.[5] The budgetary cost of FAIR seems unlikely to be significantly less than an extension of the previous legislation. The problem of how to square the requirements of reducing taxpayer exposure while satisfying farm lobbies has only been solved by postponing the difficulty until 2002. In the event of serious political pressure for a return to continued support of some form at that date, how robust is the present deal? As Stuart and Runge (1997) remark: “Political realists tend to doubt that the end of the seven-year contract will actually terminate transfers to producers.” (p118). These authors also point out and emphasise that FAIR does nothing to remove the distributive annomalies of the previous commodity programmes - the larger farmers getting the bulk of the govenment payments. In fact, by providing absolutely guaranteed cheques completely unrelated to present farming

[5] see, e.g. Breimyer, Choices, 1996, 2nd. Quarter, p 44

activities, FAIR substantially raises the profile of the question about the social equity of such programmes, and hence its social legitimacy within the US.

These two key elements appear to have resulted in the commitment to review "the appropriate role of the Federal government in production agriculture" (Title I - Agricultural Market Transition Act). It is to be expected that the commission established to carry out this review will face substantial arguments in favour of continuation of some form of base legislation and support. The President, on signing FAIR, has already made it clear that his administration will be seeking to "introduce subsequent legislation in 1997 to improve the safety-net for farmers."[6] As Orden *et al.* conclude: "If commodity prices fall, the result could be a 'hard landing' for crop producers, rather than a smooth transition toward market orientation. Rather than a weakening of demands for public support by the farm lobby, those demands could be strengthened. ... Agricultural interests, who have now proven adept at obtaining benefits from Congress under either party, will find willing defenders for renewed intervention should prices fall." (p 59). Stuart and Runge (*op cit.*) argue that there is more justification in making transfer payments if these are countercyclical with variations in market returns, which neatly identifies the possibility that payments will be continued in the face of reductions in market prices and returns, on the grounds of sheilding the industry from market 'instabilities'.

The general direction taken in policy development and reform under FAIR can be seen as a coherent extension of the pattern of previous reforms under both the 1985 and 1990 Acts in the general direction of de-coupling support from the market and from production decisions, at least for the programme crops. However, the fundamental questions about the need for and legitimacy of government support for agriculture are left substantially unresolved, while the increased visibility of the direct transfers from taxpayers to producers substantially raises the profile of these questions. In short, FAIR cannot yet be regarded as coherent. This implies further pressures for change, and also further resistance from those with established interest and collected rents from the existing programmes. The potential outcomes of these competing pressures cannot be judged in advance. The recent history of US farm policy development does offer some encouragement that future changes might continue in the direction of decoupling and removal of market distortions. However, whether or not this evolutionary trajectory will include the eventual removal of support entirely - an apparent rhetorical aim of at least Republican administrations and legislatures - remains to be seen.

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6 Orden *et al.*, 1996, p 54.

III. Legitimacy

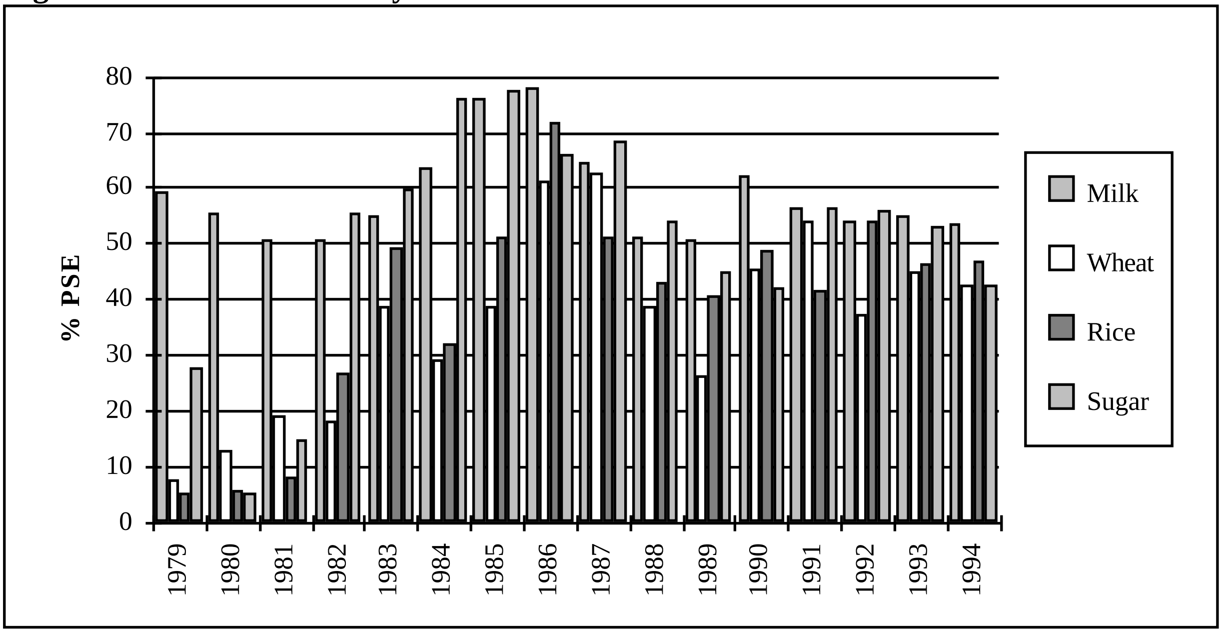
The question of the domestic (US) legitimacy of FAIR has already been raised in the previous section. It is far from clear that non-agricultural sectors of US society will continue to sanction transfers which are obviously biased in favour of larger farmers as fair, especially when the justification for such transfers as assisting the competitiveness and efficiency of the sector has been largely removed by virtue of decoupling. However, FAIR has been heralded in Europe as a clear and unambiguous signal that the US is committed to full liberalisation of farm policy, and hence of farm trade. The new policy can be seen as releasing and encouraging US farmers to compete effectively on the world market and, furthermore, to provide generous assistance payments over an extended period to allow them to make the necessary adjustments to greater market oritentation with minimum pain.

FAIR can thus be seen as an unambiguous lead to Europe (and other protectionist countries) for the future direction of farm policy reform. Given the precedent of the European Union already adopting set-aside and limited deficiency payments for arable crops, in practical imitation of the U.S., is it too much to hope that Europe might continue to take its policy lead from the U.S? If so, then Europe would be following a policy strategy which might command more respect from practising economists than has been the case so far.

However, FAIR’s release of the US full crop productive capacity and the effective abdication of responsibility for stabilising world markets might trigger a collapse of these markets in the medium term and a consequent renewed pressure within Europe for greater levels and stronger coupling of protection. Of course, it has long been seen as unfair that the US should shoulder the burden of stabilising world markets on its own. The sustained reduction of loan rates to levels well below average market prices clearly signalled that the US is no longer willing to take on this burden well before FAIR. The logical implication that set-aside, seen as providing a stabilising buffer to world supplies, should also be eliminated as domestically incoherent has now also been implemented under FAIR. Nevertheless, the prospect that world markets might prove less stable than is socially acceptable has already been recognised in the US, through the President’s insistance that safety-net provisions be examined and echoed in the Stuart and Runge (*op cit.*) suggestion than payments be made countercyclical. It is clear that these doubts and worries are not specifically or uniquely American. Other countries will also worry about the stability of world markets, and, by extension, worry that the FAIR market in the US is actually contributing to a less stable world than before. If these worries prove politically attractive and viable in other countries, then the legitimacy of FAIR will be called into question, and it may be judged foul.

While FAIR appears to establish the precedent that support, if warranted at all, should be de-coupled, the previous section strongly suggested that this foundation might prove rather sandy in the face of significant decline in world prices. Meanwhile, Europe and others can continue to argue, with considerable force, that the U.S. lead towards liberalised markets remains very mixed. In particular, sugar and milk remain substantially unaffected by FAIR, and by implication continue to be regarded as foul as far as the spirit of GATT UR is concerned. Although the Aggregate Measure of Support (AMS) for wheat and rice in the US should fall as a result of FAIR, neither milk nor sugar AMS will be affected by the policy reform and will remain substantially reflective of the underlying PSEs (Figure 1).

Figure 1. US PSE history - selected commodities



SouSource: OECD PSE database, 1995.

Thus, in spite of FAIR, the U.S. position can be interpreted as remaining ambivalent between supply control, protection and support versus liberalisation. The US is arguably in no more liberally defensible a position than is the European Union, which is also moving towards (though not as far as the US) decoupling its cereal sector support, and is beginning to do the same for grazing livestock, while leaving its own sugar and dairy regimes for later reform. On these grounds, FAIR does not represent a substantial improvement in legitimacy. In fact, it is open to argument that Production Flexibility Contract (PFC) payments provide an ill-concealed competitive edge to U.S. crop farmers which deserves some countervailing protection, notwithstanding their apparently fully de-coupled nature. Thus, FAIR may serve to re-open protectionist arguments and rekindle the debate over distinctions between support, protection and distortion - a foul prospect indeed.

On the other hand, FAIR does raise stability to the top of both the national and international agendae. The circumstances under which FAIR might turn foul are clearly those where world (and hence US) markets revert to the chronic over-supply conditions of the 60s. In this case, the major challenge to further progress towards a fair horizon of liberalised world markets will be international agreement on acceptable and non-distorting means of ensuring market stability (and its obverse, food security for the world's poor). The FAIR debate did generate some outline proposals for margin and income assurance within the U.S. It seems likely that these may re-emerge in the forthcoming debate associated with commitments to re-examine the issue of safety-net provision. It would be legitimate, if not a necessity, for this debate to extend to the international arena. Already, the U.S., through the spirit and operation of the North American Free Trade Act (NAFTA) is being exposed to the implications of explicit stabilisation questions as the U.S. and Canada seek to resolve differences over grain marketing.[7] The long and largely respectable Canadian history of concern and policy invention to cope with substantial instability of world grain markets (see, e.g. Harrington and Doering, 1993) may yet keep the U.S. on the fair side of foul, and may also provide the European Union with profitable food for thought and discussion.

IV. Long Term Sustainability

The essence of the previous discussion of FAIR, in terms of both its internal coherence and its external legitimacy, is that its long term sustainability appears inherently bound up with two fundamental developments: i) of market conditions; ii) of public (political) acceptabilities (perceptions and attributions) of legitimate roles for governments in agri-food systems. So what's new? The superficial answer is nothing at all; FAIR is not a fundamental reform and is consequently neither fair nor foul - its effects, and thus final judgements on its effectiveness, all depend on future market and political conditions and circumstances, just as has always been the case. Yet FAIR, as previous farm bills, will influence both. Is there potential within FAIR for these influences to be substantially and qualitatively different than in the past?

More fundamentally, there are two major arguments to support the proposition that the influence of FAIR is potentially more profound than any previous U.S. farm bill, with the single exception of the original introduction of set-asides and loan rates. Firstly, the removal of the safety net provisions and the abdication of the U.S. policy from practical stabilisation

[7] See, for example, Alston *et al.*, 1994; Carter, C.A., 1993; Gray, *et al.*, 1993; Brooks, 1993; Carter, 1994

of world grain markets means that the issue of market stability is now qualitatively more important in political terms. Not only has the issue already been raised as a specific concern within the U.S., but also the fact of FAIR makes it an important issue in the international arena. Furthermore, the reactions of the U.S. to this issue will inevitably colour and precondition arguments and compromises reached in the WTO about appropriate responses to instability (better, variability). The ways in which this issue is raised and addressed will depend fundamentally on the ways in which U.S. and world grain markets respond to this increased flexibility. So long as these markets (with all their known imperfections) are perceived to behave as rationally and responsibly as convinced free-marketeers believe, then markets will not become noticeably more volatile as a consequence of FAIR, rather the reverse.

However, ‘perverse’ reactions within the U.S., or conjunction of destabilising influences from elsewhere in the world, may well lead to more market volatility, which in turn may be popularly ascribed to FAIR. If so, the re-assessment of FAIR’s stabilising character may well lead to return to more interventionist U.S. policy, with FAIR judged simply an ill-judged and unfortunate blip in the ‘natural’ order of policy intervention. Perverse U.S. responses are more likely the more FAIR is judged internally to be an excessive abdication of governmental responsibility, predicating a return to more conventional patterns of government support where past production levels (at least) will determine future eligibilities. Likewise, traders will be reluctant to make long term investments in both physical plant and contract relationships necessary for the achievement of market stability, if they expect some early return of governments to stabilise markets. What may be seen as perversity in simple economic models thus may well prove rational within a more sophisticated and complete model of political economic rational expectations.

Similarly, the U.S. may be perceived externally as seeking to establish both an unfair advantage in world markets and to encourage, if not force, other countries to change their own policies toward greater liberalisation. If so, then this may encourage other countries to attempt some form of retaliation, leading to greater volatility of markets than before. Once again, perceptions of the political agenda and intentions underlying FAIR are seen to be vitally important to its effects.

In this light, the single most impressive aspect of FAIR, so far largely unremarked, is the explicit recognition of the need for and commitment to a re-assessment of the role of government in agriculture[8]. This, indeed, promises a genuine dawn of a new age of enlightenment. But the fair sunrise will only shed light rather than generate heat if the legitimacy and provenance of this assessment is commonly accepted, not only within the U.S. but also world-wide. Past history strongly suggests that the political debate within the Commission in the U.S. will be dominated by partisan positions and rent-seeking behaviour by the conventional lobby groups. However, it also suggests that the administration (especially the Economic Research Service of the USDA), supported by the substantial network of independent analysts and commentators, can be expected to make a major contribution towards balancing these political tendencies. The performance of the Congress in the debate and eventual passing of FAIR may also suggest a remarkable ability to produce an ostensibly sensible outcome from a chaos of diverse opinion and competing interests. Nevertheless, achievement of a more permanent consensus that the role of government is distinctly and dramatically limited compared with previous (and probably still current) common perceptions will be no mean feat. FAIR can be considered to have started this bold attempt to alter fundamental political perceptions but cannot be said to have finished it.

The challenge, however, is even greater than this. For the outcome of FAIR to be finally fair, the provenance of the U.S. conclusions about the appropriate role of government must also be accepted and ascribed to by other major players in the world market. The question remains at the heart of international negotiations, has now been articulated by the U.S. and remains to be specified and developed for the opening of new agriculture negotiations in 1999 under the WTO. It can be argued that the OECD made a substantial contribution in the provision of commonly acceptable PSE measures to the success of the UR AA. Is there a similar role for the OECD (or some other international body) to play in extending this competence to provision of a multilaterally acceptable specification of the appropriate role of government? Is the forthcoming WTO debate about legitimate ‘green box’ interventions and the sustainability of present ‘blue box’ policies going to produce a reliable and acceptable concensus of the role of governments in agriculture? If so, will the U.S. be willing to assist in this through the involvement of other countries in a common appraisal, and thus formally cede domestic sovereignty over farm policy to a multilateral group? Failing the unlikely event that the U.S. Commission reaches the conclusion that there is no role for government, or the equally unlikely event that the conclusion it does reach is self-evidently true (acceptable) for international competitors, then ultimately some means must be found of reconciling the U.S. internal position with that implied by, if not formally described in the

[8] Thus, even Stuart and Runge (*op cit.*), who emphasise the politics of FAIR, do not regard this commitment as sufficiently important to warrent comment.

next agricultural Round. Achieving success in this would indeed be a tribute to the negotiators and drafters of FAIR.

V. Conclusions: Fair or Foul?

The threads of the previous discussion are drawn together in Table 1. Given acceptance of the criteria, and of the assessments under each heading, this Table does not admit of a unanimous or even consensual judgement as whether FAIR is fair or foul. There remains considerable room for either conclusion. It all depends on where one stands, what attitudes and perceptions one has of competitive markets, and what attributions one ascribes to the US political process. However, whatever else FAIR has achieved, it has set a considerable part of the relevant agenda for the review of the UR AA, for the next round of WTO agricultural trade negotiations and the associated requirements for further European farm policy reform.

Table 1: FAIR Assessment

CRITERION	FAIR?	FOUL?
Internal Coherence	• Progression from '85 & '90 Acts • Decoupled & market oriented • Increased transfer efficiency • Increased short-term farm benefits • Political compromise	• Budgetary Cost • Removed 'safety net' • Restricted coverage • Commodity group power • Generosity to specific sectors & actors
External Legitimacy	• Consistent with UR AA spirit • Extended EEP less than GATT commitements • Signal for progressive reform	• Pressure on World markets • 'Unfair' investment in US ag. • removal of US stabilising system
Sustainability	• Suspension of '38 and '49 Legislation -> elimination? • Depends strongly on world market conditions and internal market adjustement • Role of Government in agriculture to be examined and re-defined	• Retention of Base Legislation • Depends strongly on political manipulation of US competitive position • Future role of Government subject to existing political compromise

The principal conclusion of this paper is that the 'fairest' provision of the legislation is the commitment to a Commission on the appropriate role of government in agriculture. Clearly, future international negotiations on agricultural trade, and future policy reforms at national levels throughout the world, will depend upon some fundamental beliefs about the appropriate roles of government in agriculture. Possibly the ‘foulest’ implication of FAIR from an international perspective is that we might have to rely on the assessment provided by the U.S. political process of what these appropriate roles are. In this sense, FAIR does genuinely challenge the rest of the world to clarify and communicate the coherent, legitimate and sustainable roles and repsonsibilities of government in agriculture.

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