



BY WILLIAM A. NISKANEN

## Chairman's Message

# Dumb, Greedy, and Ugly

Congress left town for its August recess with a bipartisan record that was dumb, greedy, and ugly.

The dumbest legislation of the year (so far) was the Senate energy bill. The primary provision of this bill would increase the average fuel economy of new cars, SUVs, and light trucks sold in the United States to 35 mpg by 2020, compared to the current standard of 27.5 mpg for cars and 22.2 mpg for SUVs and light trucks. Since the new fuel economy standard would apparently apply only to the average of all new vehicles, some government czar would have to set the standard for each automobile firm. The new standard, even if achieved, would not reduce fuel consumption in proportion to the increase in fuel economy, because it would reduce the fuel cost per mile and increase the total miles driven. The standard, by reducing the sales of new vehicles, would also reduce the rate at which older vehicles with lower pollution standards are replaced. The second major provision of the bill would increase the required use of biofuels from 4.7 billion gallons this year to 36 billion gallons a year by 2022. This would require more corn than is now produced in the United States, a subsidy of about \$1 a gallon, and a roughly equal amount of petroleum to grow, harvest, and transport the corn and to produce and transport the ethanol. In addition, the mpg from an 85 percent ethanol-based fuel is only about 75 percent the mpg of the same vehicle using gasoline. At best, these two major provisions, at great cost, would only slightly reduce the U.S. demand for oil with no direct effect on U.S. oil imports. At the same time, the Senate bill would reduce the U.S. supply of energy by authorizing new powers to investigate oil company pricing, making penalties for “price gouging,” and denying approval for exploratory drilling in remote fields. Madness!

The greediest legislation of the year was the House farm bill—\$25 billion of tax-financed subsidies a year, most of which will be paid to wealthy farmers that grow one of five crops, plus guarantees of high prices for a few other farm products such as milk and sugar. These measures are not necessary to assure an adequate food supply nor are they effective in reducing farm poverty. Most farm products are supplied without subsidy or price protection, and commercial farmers with an average annual income of \$200,000 receive most of the farm subsidies. Not eligible for most subsidies, many small farmers are hurt by these measures, the result of lower crop prices and higher prices for farmland. Overplanting to increase subsidies leads to environmental damage. And by undermining the potential for negotiations to increase international trade, these measures raise consumer prices and restrict U.S. exports.

All of this is in addition to the huge increase in the use of biofuels required by the Senate energy bill. The supporters of the farm bill no longer make any pretense that it serves the interests of consumers and taxpayers. Brian Riedl of the Heritage Foundation concludes that “lawmakers would be hard-pressed to enact a set of policies more destructive to farmers, taxpayers, consumers, the environment, trade, global anti-poverty efforts . . . than the current farm policies.”

The ugliest legislative debate of the year was over the immigration bill. Senate Republicans blocked a comprehensive immigration bill similar to that which passed the Senate last year when they were the majority party. The bill was not perfect, but it acknowledged that there are about 12 million illegal immigrants already in the United States by allowing illegal immigrant workers to apply for a new “Z-visa” by paying a \$5,000 fine and a \$1,500 processing fee and demonstrating a record of sustained work and no serious crime. Within eight years, the household heads could return to their former home country to apply for permanent residency but would be at the end of the line of the millions who had already applied for this status. Critics of this bill dismissed this provision as “amnesty,” even though it would have been earned by paying a substantial fine and proof of a productive record. With no change in the legal status of the illegal immigrants now in the United States, we are left with the measures to secure the southern border that were approved in 2006—an ugly fence across about one-third of the border plus a substantial increase in border guards and the capacity of the detention centers. There are legitimate concerns about border security, the rule of law, and the fiscal costs of increased immigration. Nevertheless, the defeat of this bill reflects a stronger and uglier nativist sentiment in American politics than we have observed in several decades. In contrast, the United States absorbed a much higher rate of immigration a century ago, primarily from the poorer countries of Europe, without provoking such a nativist political response, and most of those immigrant families became fully assimilated Americans within a generation or so. In the meantime, of course, the United States developed a substantial welfare state, so immigrants now pose a fiscal threat that was not the case a century ago. As I concluded in this space a year ago, however: “Building a wall around the welfare state would eliminate most of the costs of increased immigration to the rest of us. Building a wall around the country, in contrast, is unnecessary, futile, and morally offensive.”

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