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| Bitter Fruits of the State’s Environmentalism |
| The Unseen Effects of Environmental Programs and Regulations on Agriculture |
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The federal government has deemed the free market incapable of conserving natural resources and preserving the environment, and has therefore passed many conservation regulations and programs which have effects on the agricultural sector of the economy. These programs are often expensive, but are said to be worthwhile as they allegedly help preserve the environment. Some programs, such as the Conservation Reserve Program, are entered into voluntarily by farmers to prevent soil erosion, but these have dangerous secondary effects on agriculture and rural communities. Regulations exist on air and water pollution coming from cropland and animals. These regulations add another problem for farmers as they make it much more costly to run a farm. The unseen results of these programs are often higher farm commodity prices, an artificial shift away from agriculture, and decreased profits for many farmers. When compared to the alleged benefits of these regulations and programs, the high costs are not clearly justified. Though the programs and regulations do provide a better environment regarding farming, they are likely not the most efficient route to environmental protection. Free market incentives and protection of private property constitute a superior alternative to these government programs which introduce negative secondary effects into the agriculture economy. The effects of government programs are an example that government failure is often the culprit, not market failure, and that free markets and private property can most efficiently preserve the environment as demanded by those in the economy.

The Conservation Reserve Program (CRP) was established as a program to reduce soil erosion by retiring vast amounts of cropland from farming use and planting grass or trees, though this has been done at great costs. CRP is the largest United States land conservation program partnering private individuals and the state. CRP makes up $2 billion of the annual federal budget. The goals of the program are to reduce soil erosion and also decrease production of farm commodities to increase their market prices. It pursues these goals by paying farmers an annual rental rate for the farmers to retire their cropland and plant grass or trees for a contracted period of time, either 10 or 15 years. The CRP program also has a cost-share assistance aspect, which has amounted to costs of $90 million, as it pays up to 50% of farmers’ costs of planting soil-preserving plants and other barriers to soil erosion (Ferris and Siikamaki, 2009, 1, 10). CRP also has particular subprograms, such as the Conservation Reserve Enhancement Program (CREP) which is a version of CRP that partners the federal and state governments for more focused soil conservation efforts (Ferris and Siikamaki, 2009, 8). This program, which essentially rents cropland from farmers, naturally incurs high costs to the federal government.

The costs of CRP can be particularly high if the farmer has especially erodible land. In Pennsylvania, the rental payments for CREP are between $70-$120/acre annually. The farmers can also receive $5-$10/acre for yearly maintenance. Farmers are eligible for compensation up to 50% of restoration expenses and particular construction expenses, as well as other cost sharing incentives. Pennsylvania’s CREP boasts that five acres of cropland enrolled into CREP for 15 years, with new fences built on the land, could result in total payments of $13,925 to the farmer (CREPPA, 2006). The CRP currently has 33.6 million acres enrolled, which amounts to 8% of America’s cropland, at an annual cost of around $2 billion (Ferris and Siikamaki, 2009, 11). This high cost is deemed necessary to prevent the alleged market failure of over-farming and soil erosion which supposedly caused the Dust Bowl of the 1930s.

The Dust Bowl was a term that described the dust storms and other problems resulting from severe soil erosion caused by the over-farming of Midwest cropland. This led to the creation of the Agricultural Adjustment Act, a predecessor of CRP, to solve the problem. The Dust Bowl was historically considered to be a market failure as it was claimed that the free market incentivizes over-working of farmland in order to produce more crops. This over-farming then results in increased erosion of the soil. However, the Dust Bowl was actually the result of government failure through the misallocation of resources caused by the federal government’s Homestead Act. The Homestead Act limited farm claim sizes to between 160 and 320 acres from 1880 to 1925. The small size of these farms required the owner to farm all of his land in order to have enough crops for his family to survive. The farms were so small that it was impossible for good soil conservation practices to be done while also producing sufficient income. Thus, the government’s Homestead Act distorted the size of farms to make them inefficient which led to the over-farming that caused the Dust Bowl. The government failed by restricting the size of farms, incentivizing farmers not to leave land fallow, therefore allowing wind erosion to create the Dust Bowl. The Homestead Act’s artificially small farms were particularly inefficient in the semi-arid areas of the Midwest. In these areas, the most efficient form of farming would have been on ranches, which would have to be much bigger than the restrictions of the Homestead Act plots. Instead, the small farms would have to be over-farmed which caused the Dust Bowl (Hansen and Libecap, 2003, 9-12). However, this instance of government causing environmental problems, not the market, ironically led to later government programs, such as CRP, to prevent soil erosion through land retirement.

The Conservation Reserve Program has approximately 34 million acres of farmland retired at any given time, which has necessarily resulted in a decrease in the supply of farmland and caused negative side effects. The reduction in supply necessitates an increase in the market price for farmland, which means rental rates and purchase prices for land to farm are higher because of the CRP. When 8% of the supply of cropland is removed from farming, the market price of cropland must rise, other things equal. It has been estimated that CRP has increased land rents by between $18 and $25 per acre, which is a significant increase (Wu and Lin, 2010, 2). The increased rental and purchase rates for cropland then increase production costs for farmers. Cropland is one of the most important assets in the agricultural sector, so its price is a significant chunk of production costs for farming. As CRP increases the price of land, farmers not enrolled in the CRP program would see a decrease in profits because of the higher costs of crop production (Wu and Lin, 2010, 2).

The decreased supply of land, via CRP’s retirement of farmland, also results in the secondary effect of a reduction in new farmers entering agriculture. Without farmland in use, it has become more difficult for a person to enter farming. For example, from 1982 to 1997, the number of farmers under 35 years of age fell 58%. With less land being farmed, there are fewer opportunities for workers to enter the agricultural labor market or purchase their own farms. This has resulted in the potential for depopulation of rural communities. The counties with low CRP enrollment regularly have around 50% more young or new farmers compared to high CRP enrollment counties (USDA, 2004, 60-62). There is clearly a negative correlation between CRP enrollment and having new farmers, as the reduction in supply of farmland makes it more difficult for people to become farmers. So CRP distorts the economy away from farming through the increased production costs caused by the decreased supply of the main factor of production, farmland.

The CRP also reduces the supply of farm commodities to increase their price, as a secondary effect, which is alleged to aid farmers; however, these high crop prices have other effects throughout the economy. It is clear that while these higher crop prices might benefit farmers, they will have a detrimental effect on anyone who purchases farm outputs, which includes essentially all consumers. The prices of corn, wheat, soybeans, and other crops that are retired from production will increase and cause consumers to not be able to buy as much food products. This artificial effect on prices will reduce the wealth and satisfaction of these consumers, as it causes them to generally shift away from purchasing crop products to attaining less desired ends. Also, while some farmers might experience initial profits with the higher crop prices caused by the reduction in supply. These profits would dissipate, as input prices, including for land, would increase. This input price increase would occur because the prices would be bid up by farmers seeking profit from the increased crop output prices. The costs of farming would rise and the initial profit to farmers would be washed away (Carden, 2009, 17-18). However, CRP would ultimately result in a net decrease in crop production as farmers are incentivized by the CRP payments to shift away from production of crops.

With the reduction in crop production, CRP also causes a decrease in the demand for farm inputs, further shifting the economy away from agriculture and distorting rural economies. With the artificial reduction in farming caused by CRP, the demand for tractors, fertilizer, seeds, labor, and other farming inputs collapses. This decreased demand causes potential problems for rural communities largely based on farming. Resources, businesses, and production structures would likely not be easily transferred to other lines of production in many rural communities, which have been completely based on agriculture for their entire existence. The farm families that receive CRP payments would become dependent on the payments and the families involved in producing farm inputs would see their profits drop. The CRP payments could result in a complete realignment of rural economies. These rural economies would then see a loss of capital as the agricultural capital and inputs would no longer be needed in the realigned economy. This realignment would result in an overall reduction of wealth in rural communities and non-CRP families would particularly experience a loss of wealth with the new market distortion (Martin et al., 1988, 231). The period from 1992 to 1997 especially saw a reduction in farm related employment, which was correlated to the amount of land in CRP in a given county. Some farm-based counties saw an overall decrease in employment and income due to CRP land enrollment (USDA, 2004, 57-58). The CRP program shifts investment away from farm related businesses and rural communities, while also reducing agriculture-related employment opportunities in these regions.

CRP’s secondary goal of increasing crop prices has a secondary effect, slippage, which counteracts a large amount of CRP’s attempts at successful conservation. The increased prices of crops incentivize farmers to plant crops in marginal lands not normally used for farming in order to keep up production and profit off the higher prices. The planting of these marginal lands counteracts the conservation from the land retired into CRP, as the newly planted land will likely be less productive, more erodible land. A strong correlation exists between CRP enrollment and acres of non-cropland converted to crop production. Across the United States, for each ton of soil erosion reduced by CRP, about 50% of that amount is counteracted by soil erosion from converted cropland. In 1992, an estimated 30% of land enrolled in CRP in the Corn Belt, the worst water erosion region in the country, was counteracted by slippage (Wu, 2000, 984-989). One study of wheat acreage in the Great Plains found that slippage for short term retirement plans was 54% and for long term contracts it reached 76%. The slippage generally fluctuated between 40% and 60% nationally from 1988 to 1994 (Leathers and Harrington, 2000, 87-88). Clearly, CRP does not reduce soil erosion as efficiently as it first appears. Many secondary effects of CRP exist which counteract CRP’s primary goal because of the natural incentives which its secondary goal, of increased crop prices, produces.

Advocates of CRP also tout it as a voluntary program to benefit the environment and reduce soil erosion; however, this entirely ignores the fact that CRP is based on taxpayer funding which is taken coercively, not voluntarily. CRP is voluntary on the level of farmers making contracts with CRP, but its entire basis is coercive and therefore does not satisfy actual market demands. Because CRP is funded involuntarily by taxpayer money, it is impossible to definitively say that CRP is worth the cost. Cost-benefit analysis of CRP does not confirm that the program is cost efficient. For its 10 year contracts, the federal government will pay nearly $20 billion to retire 36.5 million acres of land. The USDA regularly prioritizes meeting acreage enrollment quotas. Therefore, the government enrolls land at higher rental rates or enrolls land that is at lower environmental risk in order to meet these quotas. This target is normally set at 39 million acres, which is less than the USDA is commonly able to enroll. Thus, they must increase costs and get less marginal benefit to meet this quota. Rental rates have been paid that are two to three times higher than the projected normal rental prices (GAO, 1992, 3-4). The Economic Research Service has even estimated that the environmental benefits of CRP only amount to between $6 billion and $13.6 billion, which is a range significantly lower than the $19 billion spent on rental payments alone at that time. CRP spends money inefficiently by enrolling acreage just to meet quotas and does not even enroll the most environmentally risky land, as only 30% of the most erodible land is enrolled in CRP. The cost-effectiveness of CRP is largely reduced because of its focus on meeting its secondary goal of lowering commodity production (GAO, 1992, 5-6).

Swampbuster programs and the Wetlands Reserve Program have developed, similar to CRP, to retire wetlands converted to cropland in order to preserve the wetland environment for wildlife and plant growth. Swampbuster was created by the Food Security Act of 1985. It disincentivizes conversion of wetlands to agricultural use by taking away all farm program benefits from farmers who convert wetlands to cropland. With the many benefits the federal government gives to farmers, forfeiture of these benefits would be a major loss. The WRP retires wetlands from farming for 30 year or permanent easements, just as CRP does with erodible soils. From 1992 to 2007, WRP retired 1.9 million acres of cropland, of which 1.5 million acres were permanent easements, to return it to wetland. The cost of this retirement reached nearly $2.2 billion in rental and cost sharing payments over the 15 year period. This works out to an average cost of $1,126 per acre, which is a clearly high cost for the land to be left as wetland (Ferris and Siikamaki, 2009, 17). The WRP and Swampbuster do retire wetland from crop production, but the cost of these programs makes their efficiency questionable.

The costs of WRP and Swampbuster cannot be analyzed to determine if they are cost efficient because the rental prices and costs of these programs are not created by real consumer demands for wetland preservation. Because WRP includes permanent easements, this program includes particularly expensive land retirement contracts, which average $1302 per acre (Ferris and Siikamaki, 2009, 17). The benefits from these programs are not easily measured as the benefit is merely allowing land to naturally fill with water (Ferris and Siikamaki, 2009, 19-20). This analysis is similar to the unclear results of the cost-benefit analysis for CRP, which has similar effects in the agricultural sector as WRP and Swampbuster.

The WRP and Swampbuster programs have negative effects on the economy and use taxpayer money to bring about what the free market already does more efficiently. The WRP and Swampbuster program also reduce supply of cropland and crop production, which increases land and crop prices. It could be expected that these effects would result from these land retirement programs, just as happened with CRP land retirement. However, the land which would be enrolled in these wetland preservation programs is marginal land that produces few crops. This means that the negative effects of these programs would be less as far as increasing crop prices and decreasing profits for agricultural inputs. The benefits do not justify the costs of these programs because they pay farmers huge amounts to retire farmland that is less profitable, marginal converted wetland. The wetland retirement programs are unnecessary expenses as little wetland is farmed, due to its low productivity; in fact, it is likely that other crop subsidies initially incentivized farming of these wetlands. These wetland programs are praised as voluntary, but they suffer from many of the same problems as the voluntary CRP.

Though many voluntary environmental agricultural programs are used to protect water, there are also several water quality protection regulations which coercively affect farming, such as the Clean Water Act (CWA). Just as one goal of CRP was to reduce soil and fertilizer pollution into nearby waterways, the CWA regulates runoff of farms, which are non-point source water polluters. These regulations increase the costs and difficulty of farming and disincentivize efficiency for some farms. The CWA has many aggressive controls on agriculture, which is the largest contributor of non-point source pollution (EPA, 2012). Once again, this attempt at environmental protection has many unseen impacts on the agricultural sector of the economy.

The implementation of environmental regulations by agricultural producers will have impacts throughout the agricultural sector, especially involving higher costs of farming. The CWA and other regulations like it decrease quantity produced of agricultural products, thus increasing their prices, and also decrease employment in the agricultural sector (Hazilla and Kopp, 1990, 868). The main source of pollution from farms regulated by the CWA is fertilizers for fields, whether chemical or manure. The CWA forces some farms to file for a National Pollution Discharge Elimination System (NPDES) permit and also regulates Concentrated Animal Feeding Operations (CAFOs) (McEowen, 1998, 2). To lower pollution rates, some farms must cut use of fertilizers, which reduces production of crops and increases crop prices even further. This affects both consumers, through higher prices, and a portion of rural economies through lower production rates and labor and input expenditures, just as happened with CRP.

Farms can pollute waterways in several ways, especially through non-point source runoff, which are all regulated by the CWA. The fertilizers which farms use to increase their productivity can runoff into streams and cause pollution. Pesticide can pollute water in a similar way. Soil erosion is another source of water pollution, but CRP is one of the federal programs most strongly attempting to prevent this. Much of this pollution is not highly regulated by the federal government and only Best Management Practices (BMP) are expected because they are non-point source forms of pollution (Yandle, 1999a, 180). However, large Concentrated Animal Feeding Operations are one exception, as they are highly regulated. The NPDES also has a major impact on the animal feeding business. The EPA has created many limits and rules for feedlots. The CWA regulates CAFOs more than any other agricultural practice (McEowen, 1998, 2).

In 1999, the EPA and USDA increased regulations on CAFOs by forcing them to implement nutrient management plans for their manure to reduce water pollution; but these regulations have caused both immediate and secondary costs for animal farmers. The CAFOs are defined as any animal operation holding more than “700 dairy cattle, 1000 beef cows, 4000 swine, and 250,000 broilers (Kaplan, et. al., 2004, 688).” Therefore, any large farms must increase their costs, decreasing their cost efficiency, to meet environmental requirements and provide a nutrient management plan. The costs of meeting these nutrient standards make farming less profitable and reduce supply of animal products, which increases their price (Kaplan, et. al., 2004, 688-689). Costs of creating these nutrient management plans are high, though the federal government can offer up to $450,000 to individual farms for implementing the plans. These plans are to control application of nitrogen to land, protect air quality from CAFOs, and limit application of manure to farmland (Key and Kaplan, 2007, 116).

The increased costs of animal farming result in declines in productivity and cost efficiency, which increase the price of agricultural products, particularly animal products. The production of livestock products fell by 1% to 2%. Poultry saw some of the greatest changes with an 8% decrease in production and a 6% increase in prices. Appalachia, the Southeast, and the Pacific have the highest concentration of manure per acre of farmland, so they could expect to have the most difficulty meeting CWA regulations (Kaplan, et. al. 2004, 690-692). Overall, the CWA and similar regulations could be expected to increase costs of any production which they regulate, including animal production.

The greatest negative impact which the CWA has is disincentivizing the most efficient farms and decreasing cost efficiency for animal farming. Animal farms regularly grow more efficient with size, as higher numbers of animals can increase cost efficiency. However, the classification of CAFO brings increased regulation to these large farms, so it incentivizes staying smaller and below the level of the CAFO classification. This incentive is an inefficient side effect of the CWA and EPA regulation of water quality. CAFOs are regulated as point source polluters and have a zero discharge standard, which means they cannot discharge any polluters into water sources without permission. The standard for containment of manure on CAFOs is to hold the manure in a lagoon or make measured applications of it to the land, with restrictions on the amount of this application (Johnson, et. al., 1999, 1216-1217).

The handling of animal manure has become much more difficult under current CWA regulations and a tradeoff must be struck to best handle the manure; but these regulations increase the costs of having an animal farm. Manure holds both nitrogen and ammonia which can cause water and air pollution. The farmer must develop a balance of injecting manure into soil, holding it in a lagoon, spreading on fields, and hauling away to another location. The amount that can be injected or spread on fields is limited and most farmers of CAFOs will not have enough land to handle all the manure. Lagoons reduce pollution to water, but as the manure sits in the lagoons the ammonia will be released into the air. Manure lagoons can be covered to reduce ammonia air pollution, but this increases the nitrogen in the manure and will require more land for it to be spread onto (Key and Kaplan, 2007, 118). The areas with less farmland, like the West, (including Arizona, California, and Oregon) have to incur more costs from handling their manure because there is less land to apply it to and less demand in the secondary market for manure as fertilizer. The traditional dairy states (like Pennsylvania, Ohio, and Michigan) are often able to apply or sell their manure. However, the CAFOs regularly have to pay a fee for the handling of their excess manure, incurring greater costs relative to smaller, normally less efficient farms (MacDonald, et al., 2007, 28). Developing manure handling systems and creating nutrient management plans are expensive ventures for many farmers and do not necessarily result in the most efficient handling of manure and reduction of pollution. This regulation of manure puts particular stress on the most efficient, large CAFOs.

Pig farms are one example of an animal farm that is particularly efficient with largeness, while also having strong regulations against the manure which it produces. Pig farms have received severe negative reactions because of the strong stench which they create. People living close by are stuck with the smell or must move away. This is alleged to be a market failure, a negative externality. Therefore, it is argued, government must step in to regulate the pollution caused by the large pig farms. These pig farms are now subject to the Clean Water Act as well as a host of other federal, state, and local regulation and programs, which are all constantly changing. The constant change of these regulations results in constant costly revamping of farm equipment and practices for pig farmers (Lyford and Hicks, 2001, 265-266).

The pork industry experienced a major boom in income in the mid-90s as pork producers grew larger and more efficient, but regulations helped to end this increased income. Regulations have varied from licensing which increases costs, control of pork farm waste water, and even a moratorium on pork facility investment in some states. The regulations have created a type of regime uncertainty related to the pork industry, driving out much of the investment in the pork industry. The licensing regulates creation of new pork facilities, which can delay construction up to a year. Governments have begun to regulate the pork industry so severely that the former profit and boom in the pork industry has dissipated, as costs have increased and farmer income has disappeared (Lyford and Hicks, 2001, 269-270). This regulation has been the source of great costs to the pig farmers and is just one example of government negatively affecting agriculture for the sake of the environment.

The United States government legislates many programs and regulations to solve the alleged market failure concerning conservation and environmental protection, but government subsidies contradict this legislation and incentivize some of the problems. For decades, the federal government has been subsidizing farmers “to stimulate the production of farm products by every method” while also telling farmers “that they should restrict production (Edwards, 2009).” The federal government spends vast amounts of money on CRP and similar programs to preserve soil. However, these programs are just a response to the over-farming of the soil caused by the farm subsidies. The best way to conserve soil and prevent over-farming of the land would be to remove the subsidies which incentivize this behavior. Farm subsidies also incentivize excessive use of fertilizers and other chemicals. This is because the subsidies can make farming in areas with less productive, poor land more profitable. In order to get good yields from this poor land, the farmers are induced to use excessive chemicals on the cropland. Therefore, subsidies help to create some of the problems which the Clean Water Act is meant to solve, such as farm chemical runoff into waterways. The artificially high crop profits created by the subsidies also incentivize the conversion of wetlands to farmland, which helps create the problem which Swampbuster and the WRP attempt to mitigate (Edwards, 2009). Clearly, subsidies, by incentivizing inefficiency and creating moral hazard problems, help to create many of the problems which federal regulations and programs attempt to fix.

The natural working of the free market would best restrict soil eroding practices and conversion of wetlands, as opposed to the government’s contradictory subsidies, regulations, and programs. In the free market, the farmer would be incentivized to not farm less productive, marginal land, such as wetland and poor, erodible soil. Farming this land would often be inefficient and the free market would naturally prevent the over-farming and wetland conversion which the environmentalists fear. As more of this land is farmed, it would increase the supply of crops and decrease crop prices. This price decrease would make it even less profitable to farm this marginal land, another natural market restraint on over-farming. The subsidies and CRP work counteractively with this natural restraint. The subsidies and CRP both result in increased crop prices and incentivize farming more land. These programs create the possibility of earning more profit for farming marginal land, which results in slippage. The free market has the most efficient restrictions on the behavior which the environmental programs desire to control and along with private property rights would best conserve natural resources.

If property rights were more fully defended with effective liability laws, then there would be a strong disincentive for over-farming leading to soil erosion. Property that is well cared for will increase in value. However, land that is under bad stewardship, and is over-farmed causing soil erosion and less productivity, will lose its property value. Therefore, strong property rights would incentivize good stewardship and disincentivize the over-farming that causes the problems which CRP sets out to solve (Stroup and Shaw, 1992). The farming subsidies, and for some land CRP as well, incentivize overproduction and disincentivize leaving land fallow to increase future yields and land values and decrease soil erosion. The subsidies and CRP incentivize bad stewardship of farmland. The subsidies and CRP do this because they increase prices of crops and make it profitable for farmers to produce more crops, even if that means over-farming and reducing future land values via bad stewardship. A free market with private property rights would best regulate pollution and conservation of natural resources as farmers would desire to preserve their land values.

The free market, via protection of private property rights, would also best control the pollution which the Clean Water Act and similar regulations attempt to reduce. For both water and air pollution, the free market and private property enforcement would set a standard for prosecuting for pollution. This standard is that victims of pollution would have to prove in court that they had been harmed by the polluter’s pollution and that the polluter did not already have a homestead easement for the water or air. The property owner would own the land, air, and water of their property and could sue the polluter if they could prove harm on their property. No one has a right to have clean water or air, but they do have a right not to have their water or air invaded by the aggression of a polluter (Rothbard, 1997, 157-158). Well defined and strongly enforced property rights would mean that protection of the environment could be handled by common law.

Private forms of pollution control would likely develop in a free market to protect water and air quality. For example, one private association has been established in the Tar-Pamlico Sound in North Carolina. Individuals of the private association help fund farmers in their efforts to reduce their pollution and those who fund the project are credited with reducing pollution in the area (Anderson and Leal, 2000). Defining and enforcing private property rights for air and waterways would help solve the tragedy of the commons with regards to this and also allow owners to take suit against trespassers of any sort (Rothbard, 1997, 161). Once farmers have strongly defined property rights on their waterways and air, they would be less inclined to pollute this property that they own. This would solve the tragedy of the commons which poorly defined property rights causes. Other owners could also bring suit against any farmers that violated their air, such as through the smell of pig farms, or their water, through soil erosion or nutrient runoff. The strengthening of private property rights in the free market would rid the agricultural sector and environmental protection of the counterproductive intervention which the government naturally continually increases.

The market failure argument concerning water and air pollution is based on the belief that the market fails by creating a negative externality whereby farmers profit from polluting activities while others are negatively affected; however, this is actually an example of government failure. One example of this would be when farmers apply fertilizer to their fields and then it runs off into waterways and pollutes the water that others use and their use of it is negatively affected by the farmer’s actions. This negative externality is claimed to be a failure of the market, but in reality it is a failure of the government to protect private property rights. This is the case with all negative externalities. Forcing the creator of the negative externality to pay for each violation would lead to economic stagnation. Negative externalities should be handled so that the victim only receives a payment from the polluter when the victim can demonstrate physical harm. This standard can be based only on a well-defined and defended idea of private property rights (Simpson, 2003, 5-6). These rights would better serve the purpose which regulations and programs are meant to solve concerning the environment.

The politics of regulation and environmental programs creates an interesting situation which avoids actually solving the problems the regulations and programs are supposedly meant to fix. This situation has been termed the theory of bootleggers and Baptists. The theory is that regulation is developed when supported by two groups; Baptists pushing regulation to be on the moral high ground and bootleggers who profit from the regulation. Federal environmental law especially suffers from this problem. The environmental regulations have replaced the superior common law with strong controls on technology and other business practices. These regulations please the “Baptists” through moral satisfaction and the “bootleggers” by creating barriers for new farmers to enter the industry while old large farmers already have the necessary technology or are prepared for controls. For example, current farmers would benefit from receiving CRP payments. This program pushed up the prices of crops the farmers grew and also increased land prices, which both benefitted established farmers. However, the increased land prices made it difficult for new farmers to enter the industry. Therefore, environmentalist “Baptists” and farming “bootleggers” mutually push forward passage of inefficient programs and regulations. They desire these programs despite the fact that the alternative free market better meets the expressed goals of environmentalists and best satisfies consumer demands (Yandle, 1999b, 5-7).

The government regulations remove the efficiency of the market and reduce the development of free market advances to conserve natural resources and preserve the environment. While strong property rights would incentivize farmers to protect the environment of their farm and conserve natural resources, the free market would also incentivize entrepreneurs to develop technology and practices to achieve this. For example, no-till farming has developed to reduce the erosion of soil from cropland and its runoff into waterways (Yandle, 2008). This type of innovation would be especially incentivized in the free market where the profit incentive is supreme, unlike the perverse incentives created by the duo of subsidies with regulations and programs.

The general problem behind government programs and regulations to protect the environment is that they are not based on the profit incentive and cannot meet the standard of efficiency; and the cost benefit analysis of this is impossible because the costs ignore many secondary effects and the benefits are based on artificial, non-market valuations. The government expenditures are provided by coercive taxes and therefore cannot possibly be based on market prices and cannot allocate resources as efficiently as the free market. Thus, the government’s expenditures on natural resource conservation and environmental protection cannot possibly meet the standard of efficiency which the market is held to. Government is completely separated from the profit and loss indicators of consumer preferences and cannot allocate their funds to the most productive end. It is impossible to know what the true market value of conservation is because of this and governments are unable to know the amount of funds which should be allocated to this end. Justification for spending on conservation and environmental protection is only possible through profit and loss, which can only be utilized with the free market and not government expenditures (Rothbard, 2006, 215-216).

An unhampered market economy would bring about the most efficient allocation of resources and best avoid malinvestment in creating an agricultural sector which satisfies consumer preferences. A free market would likely result in a shifting of resources away from agriculture, which many of the programs and regulations do. However, the free market would result in the most efficient shifting away from agriculture. The programs such as CRP result in a shift away from farming, but do so inefficiently, as land is allocated to planting grass and trees, which would likely not occur in the free market. The regulations also cause a movement of resources away from farming as the costs of farming increase and profits disappear (Curtiss, 1956). However, this reallocation of resources is also inefficient as the regulations often disincentivize efficiency, as can be seen with the effects of the Clean Water Act on pork production. The free market would result in the most efficient allocation of resources, while also protecting the environment as far as consumer demands and common law would do so.

Federal environmental programs and regulations are created with the goals of conserving natural resources, reducing pollution, and some also attempt to reduce crop production to increase prices for farmers. These programs, such as CRP, and regulations, such as the CWA, have negative secondary impacts throughout the agricultural sector and rural communities. The programs and regulations are praised though for the pollution reduction and conservation of natural resources, which the market allegedly fails to do. However, many of these claimed market failures are actually failures of the government to protect private property rights or through the moral hazard of government subsidies to farming. The benefits which these programs and regulations create for the environment cannot be measured without the prices of the market and the costs are regularly greater than predicted. Therefore, government regulations and programs to conserve natural resources and preserve the environment are removed from the profit incentive and other market restrictions and do not meet the standard of efficiency. The free market alone, with strong defense of property rights, can best bring about conservation and environmental protection while doing so efficiently and satisfying peoples’ preferences.

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