

Protectionism, Sugar, and LifeSavers

By Fred E. Foldvary

Those who oppose global free trade should explain to the US workers who make candy why they should lose their jobs.

One of the most familiar of American sweets is LifeSavers, the candy with a hole. Until now the LifeSaver candies were made in a factory in Holland, Michigan. Kraft Foods said that it will close the plant by summer 2003. Production will be shifted to Quebec, Canada. More than 600 jobs will be lost in the city.

The loss of the plant will affect the whole city. The money the plant workers spent will be gone, reducing income for many businesses. The city government will lose revenue, as the LifeSavers plant is the third-largest taxpayer in Holland. It generates \$437,000 for the city's general fund and another \$1.5 million in taxes annually for various government agencies, including Ottawa County.

The reason is that sugar is up to four times as expensive in the US as it is in the world market and in Canada, which imports sugar from Cuba and other low-cost producers. The US government restricts imports of sugar to prop up the domestic price as a subsidy to the owners of sugar farm land. The company will save 10 cents a pound for sugar, a substantial savings, since hard candy is mostly sugar. The price of sugar in Canada is about half the cost in the United States.

About 3 million rolls of LifeSavers are produced per day, using 250,000 pounds of sugar. Some 88 million rolls are given to trick-or-treaters on Halloween.

LifeSavers have been an American-made tradition since Clarence Crane, a Cleveland confectioner, wanted a sweet product that would not melt during the summer, a bad season for chocolate in the pre-refrigeration days of 1912. You may recall 1912's other big news: the Titanic. Rejecting the pillow shape of fancy European candy, Crane hired a pill maker to design an original shape, settling on the torus or donut shape, like the life preservers then on everyone's mind from the sinking of the Titanic.

Who gets the sugar subsidy? The extra profits do not go to the farm workers, because if the wages in sugar farms were higher, workers from other crops would seek employment in sugar, driving down the wage. The profits go to the rent of farm land, and most of gains go to the largest sugar growers. Forty-two percent of the benefits go to only one percent of sugar farm owners.

Why do they get this subsidy? Sugar growers gave \$2.8 million in PAC and soft money contributions to federal candidates and parties in the 1996 election cycle, both to Republicans and Democrats. Sugar growers spent \$1.4 million on lobbying expenses during 1996. The sugar-

producing firms and organizations also pay Congressional staffers to travel for "educational trips" to learn about cultivation, harvesting, processing, and marketing of sugar. You can find out who is giving and who is receiving campaign and other political funds at Open Secrets .

Consumer groups such as Public Voice for Food and Health Policy claim that U.S. sugar import quotas force American consumers to pay \$1.4 billion annually in increased sugar costs. Besides plant shutdowns, the sugar restrictions cause ecological problems. Environmental groups report that sugar cultivation in Florida is one of the prime causes of the destruction of the Everglades because of phosphorous run-off and interruption of the waterflow.

Because of NAFTA, products from Canada can now be imported into the US with lower trade barriers. So the US now has the perverse policy of prohibiting a cheap raw material, sugar, and permitting the import of the finished product, candy. Of course, sugar imports from Cuba are totally prohibited. The result is that more companies that use large amounts of sugar will leave the US and export the jobs.

The trade limitation of sugar does not save American farm jobs; the farm workers would shift to other farm crops or other industries. The trade barrier mostly ends up pumping up the rent obtained by the owners of the biggest sugar farms, due to their political clout.

So now, thanks to trade barriers, our LifeSaver candies will no longer be made in America, but in Canada, and imported into America. If you wonder why the US has such a large trade deficit, here is one key reason. The US is pushing out industry by forcing costs to be higher.

Now Congressional representatives from are asking the Department of Labor to help support workers at the Holland LifeSavers plant. It would be better for the US economy to eliminate the quotas on sugar imports. President Ronald Reagan once cried out in Berlin, "Mr. Gorbachev, tear down that wall!" Let's make another appeal. Get your trumpets and circle around the Jericho of protectionism. President Bush and Congress, tear down that trade wall!

-- Fred Foldvary

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