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MINNPOST

What's good for Minnesota's businesses isn't always good for our economy

By [Louis D. Johnston](#) | 06/20/12



REUTERS/Francois Lenoir

U.S. sugar subsidies may help the domestic sugar beet industry, but they also raise prices for consumers of sugar throughout the country.

At first blush, there's little in common between import restrictions on sugar and the medical device tax included in the Affordable Care Act. But recent public-policy debates have made clear that both Democratic and Republican lawmakers share a common perspective when it comes to these policies: What's good for an industry is good for the economy.

Unfortunately, this isn't a good guide to economic policy. The economy is more than simply the sum of its companies. It's an interdependent system of organizations and individuals working together to produce goods and services people need and want. (I **elaborated this point** in my May 5 column.) In particular, keeping in place sugar quotas and eliminating the medical device tax definitely benefit Minnesota businesses but they may not be best for Minnesota's economy.

Sugar supports



The U.S. Senate recently tabled an amendment to the farm bill that would have phased out the support programs for American sugar producers. According to the [Star Tribune](#), Sen. Amy Klobuchar stated: "The sugar beet industry supports good jobs in the Red River Valley and is one of the major foundations of Minnesota's strong rural economy." Similarly, Sen. Al Franken asserted: "The U.S. sugar program supports thousands of Minnesota jobs and brings millions of dollars into communities all over the state."

Is this good for Minnesota's overall economy? It definitely puts more money in the hands of those who

grow and process sugar beets. At the same time, however, some of this increased income comes by raising the costs to bakers and others who use sugar. These firms might be better off without the sugar program.

So, the relevant economic policy question to ask is: Do the sugar industry's gains outweigh the other firms' losses? Implicitly, Sens. Klobuchar and Franken answer yes.

Does the program support good jobs? It's hard to tell, especially if you are a worker locked out of an American Crystal Sugar plant. (See [Liz Fedor's article](#) on the labor dispute.) Again, the policy question is: Do the sugar industry's gains outweigh the losses being inflicted on workers who have more slowly growing (or even declining) real compensation? I haven't heard this question asked, let alone answered.

Medical device tax

The [Star Tribune editorial](#) page recently argued against repealing the medical device tax. The editorial prompted a [strong response](#) from Dale Wahlstrom, CEO of LifeScience Alley, in which he asserted that the tax cost Minnesotans jobs, income and lives.

Do the benefits of repealing the tax outweigh the costs? For instance, do the increased income of device makers and those who are employed by them outweigh loss of tax revenue and the resulting inability to subsidize insurance for low-income families?

The answer isn't obvious. [Studies](#) commissioned by the medical device industry indicate that the benefits of repealing the tax far exceed the costs. On the other hand, analyses reported by the [Center for Budget and Policy Priorities](#) and [MinnPost](#) point to the opposite conclusion.

Yet all eight Minnesota representatives voted to repeal the medical device tax. None of them expressed any doubt or hesitation despite the lack of consensus regarding the economic effects of the repeal.

Promoting economic growth

Our senators and representatives seem to believe good economic policy starts with ensuring the health of companies such as American Crystal and Medtronic.

I don't agree. A better way to encourage economic growth and development is to ensure that Minnesotans are well-educated and healthy and that all businesses, including newer businesses in emerging fields besides medical technology, have access to private capital and public infrastructure. Neither continuing the sugar support program nor repealing the medical device tax does anything in these regards.

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