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Senate plays monopoly with tobacco buyout

Unlike the House's version, bill has too many losers, only one winner

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The political process, by its nature, is a series of compromises. No piece of legislation is 100 percent perfect to all 534 members of Congress and their constituents. The trick is to balance the good a bill can do versus its costs and implications.

Congress is about to undertake such a balancing act as it considers two different versions of a tobacco quota buyout -- one passed by the House, one by the Senate. All parties concerned are in agreement that the antiquated price support system needs to go, and that tobacco farmers need financial relief. Both versions of the bill do that. But the Senate version -- drafted in a classic smoke-filled political back room deal and rammed through approvals without the normal channels of debate -- goes far beyond by granting the Food and Drug Administration (FDA) authority to regulate cigarettes.

You don't have to be a Las Vegas oddsmaker to calculate the winners and losers under the Senate bill. Here's the tally:

Tobacco growers: Losers. The Senate bill gives the FDA sweeping regulation of the farm. The FDA would have the power to restrict what types of tobacco are grown, when it can be harvested, what stalk positions are acceptable, seed selection, pesticide application and curing processes -- not to mention a paperwork nightmare. Government mandates broadly undertaken under the guise of protecting public health will further drive down demand for U.S. leaf -- the root cause of the problem the bill purports to attempt to fix.

Smokers: Losers. The $15 billion Senate bill is the largest tax hike proposed since 1992. About half of the cost of the average pack of cigarettes already goes to the government. The government makes more money per minute off the sale of cigarettes than the average working family makes in a year.

Cigarette manufacturers (except one): Losers. The Senate bill would essentially shut down competition in the cigarette industry, locking in place market share as it is today. This may explain why only Philip Morris USA, the nation's largest tobacco company with nearly half the U.S. market, supports the bill, and hundreds of remaining tobacco products manufacturers oppose it. As The Wall Street Journal phrased it when decrying the monopolistic status the bill would confer on Philip Morris, "Meet the new Marlboro Man: Uncle Sam."

State governments: Losers. Should the FDA's unfettered restrictions on how cigarettes can taste, be packaged, be priced, be advertised and be sold kick in, combined with the $15 billion price hike, sales will fall. This means the states would get about $1.3 to $1.5 billion less each year from the sale of cigarettes, since lower sales mean lower Master Settlement Agreement payments and lower state excise tax revenues. In 2004, the states faced collective budget shortfalls of about $40 billion already -- before the impact of this loss of revenue.

Manufacturing and retail employees: Losers. If through government fiat you drive down the number of cigarettes sold, you also drive down the number of people employed to make, distribute, market, deliver, merchandise and sell them. Just what the recovering economy needs -- fewer domestic jobs.

Taxpayers: Losers. The Food and Drug Administration was designed, as you might suspect, to regulate foods and drugs. Cigarettes are neither. Therefore, a new bureaucracy must be created to oversee and regulate this multi-billion-dollar industry. Big government at its best.

And who wins under the Senate buyout bill? One company: Philip Morris. Never before has Congress intentionally conferred such competitive advantage to one corporation.

In contrast, the quota buyout passed by the House of Representatives provides the financial relief tobacco growers need, without further driving down demand for U.S. leaf, trampling on the free enterprise system or taxing the middle class. Legislators, tobacco growers and the thinking public need to be aware that fertilizer, by any other name, still stinks.

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