

payments represented about 3% of total federal expenditures. It is clear, however, that in both Canada and the United States government expenditures have played a major role in the support of farm income, as shown in Figure 9. Most agree that without them the current financial crisis in agriculture would have been much worse, because farmers would have been even less able to repay their debts and their asset levels would have fallen even further. But increasing government intervention raises the problems of eligibility and effectiveness: who should get the taxpayer's money and what is the best way to use it? Dr. Freshwater and Dr. Harrington both told the Committee that according to various data, the effectiveness of the farm income support system in the United States may be in doubt. As Table 5 shows, in 1985, farmers who were already in a favourable financial position received 41% of government payments to agriculture, while vulnerable farmers received only 16%. There are no comparable data for Canada and in any case a similar analysis would be difficult because some of our programs involve voluntary participation and others use precise formulae for payment entitlement.

A comparison of Canada and the United States shows that two farm economies that are structured differently, served by government programs with little in common and financed by different institutions, have still experienced similar periods of expansion and contraction and suffered a financial crisis at the same time. Not only is agriculture in both countries dominated by government intervention, but agricultural analysts in each country increasingly accept the hypothesis that national policies, whatever their structure, have a tendency to amplify the effect of external disturbances, whether these are positive or negative.

The present financial crisis in agriculture has led to increased government intervention in this sector; in future, however, it will be difficult for governments to withdraw this support without adverse economic and political effects.