

THE WALL STREET JOURNAL.

WSJ.com

MARCH 4, 2011

Vilsack's Candor

The Agriculture Secretary moves on ethanol.

By now we're used to hearing (if that's the word) from the ethanol lobby, but the calls don't usually come from the Secretary of Agriculture. Still, our conversation this week with Tom Vilsack was valuable: We didn't expect the former Iowa Governor to renounce the corn-state religion, though he was more candid than most ethanol backers.

"I recognize and appreciate that we'll have to rethink our position on virtually everything we do in terms of where resources are spent," Mr. Vilsack said. "My concern about the tax credit is that we create a cliff rather than a glide path off of that tax credit." Screeching record noise. Was he really suggesting that the Obama Administration is revisiting support for an industry that has been subsidized by both parties since the 1970s, when it was known as gasahol, and whose government crutches now include a mandate to buy its product and protection from foreign competitors?

Mr. Vilsack responded, "I think there needs to be a discussion about what kind of support needs funding. I think we could probably be a bit more creative in how we use this incentive. . . . Maybe we no longer need quite the level of support for blenders." The "third way, a better way" he floated as an option was to phase out the production tax credit and tariff over time. In return, a bargain might include new "incentives [that] are time limited" for flex-fuel vehicles and the special pumps filling stations need to install to sell higher

ethanol-gasoline concentrations like E85.

That happens to be Big Ethanol's latest lobbying priority, and the likelihood is that they'll merely pocket the new subsidy and figure out a way to preserve all their other taxpayer stipends. The industry always has. Still, Mr. Vilsack may be the first Agriculture Secretary in generations to concede that ethanol subsidies are not immutable. That's progress.