

Center for Fiscal Transition Gains Trap Strategies

You may have clicked on '[Transition Gains Trap Strategies](#)' out of consternation. What's a 'transition gains trap' (TGT) and what does it have to do with reforming fiscal policies? Clicking the link above will yield some TGT discussion and a link to the journal article that formally identified the concept.

A TGT is a key source of policy inertia. "The government takes an action that initially benefits a particular group, although at the expense of imposing an inefficient policy on the public. But over time, even that special interest group will not benefit from the government program. Yet [that group will fight hard to prevent the program from being eliminated](#), since eliminating it might make that group worse off."

A key fiscal example: Crop subsidies increase the value of farmland, which benefits the farmers in business at the time the subsidies that affect their land began. People that had to pay the higher land price to become a farmer are often no better off than if the crop subsidies never existed. Crop prices are higher, but their land costs are higher. But all farmers, longtime and new, and rural banks that make loans based on land value, and entire rural communities that benefit from sales to farmers will support persistence of the subsidies that benefitted only the farmers in business when the subsidies were enacted. High cost – low benefit programs such as farm subsidies become difficult to terminate. Because of the effect on rural bank solvency, subsidies that should have never existed (costs > benefits by a lot) would be unwise to cut during the kind of financial crisis that over-spending – a plunge over the fiscal cliff – might cause; one of the ways our current unsustainable federal fiscal practices could end. Begin phasing out crop subsidies before the plunge over the fiscal cliff. The first chapter of [A Fiscal Cliff](#) provides more details.

A similar narrative explains the persistence of typically devastating apartment rent controls.

Explicit attention to TGT challenges, and Accountability broadly defined to include intellectuals and journalists, is one of the distinguishing virtues of the IOPA approach to policy assessment.