

Macroeconomics Activity: Milking Voters on the Farm

The following macroeconomics activity is taken from the Instructor's Manual to Accompany "Teaching Tools for Microeconomics from John Stossel -- College edition" by James Gwartney, John Morton, Mark Schug, and Joseph Calhoun. The accompanying Stossel DVDs may be purchased at: AbcNewstore.com

Common Sense Economics Part III: Element 4

Key Economic Words and Concepts: "Pork Barrel" Spending, Subsidy,
Taxation

Distribute the handout below to your class and ask them to respond to the Questions for Discussion.

Milking Voters on the Farm

The Milk Income Loss Contract Program (MILC) is a subsidy program intended to help dairy farmers. Under the program dairy farmers receive a federal subsidy whenever the price of milk in Boston falls below \$16.94 per hundredweight. The subsidy is applied to the first 2.4 million pounds of milk produced. This is roughly the annual production of a herd of 140 dairy cows. Most dairy farms in Wisconsin have about 75 cows. Wisconsin has 15,000 dairy farmers. In 2002 Wisconsin dairy farmers received \$413 million in subsidies from the MILC program.

Questions for Discussion:

1. Who benefits from the MILC program?
2. Do people in other states derive much benefit from the MILC program? (Not much. Wisconsin and California are the largest dairy producing states.)
3. If you knew that your taxes would increase by a few cents because Wisconsin dairy farmers have a subsidy, would you vigorously protest the action to your Members of Congress?
4. Do you think that Wisconsin dairy farmers are likely to vote for Members of Congress who support the MILC program?
5. Imagine that Representative Lisa Olson is a newly elected member of Congress. Her district is in the heart of Wisconsin's dairy land. She thinks that she can do a great deal of good for the people in her district and hopes to serve them for many years. She prides herself on being a fiscal conservative and dislikes what many people call "pork barrel" spending programs. Do you think Representative Olson will vote in favor of the MILC program? Explain your answer.