



Turkey, Stuffing and a Side of Subsidies

It's that time of year again, when millions of Americans gather for Thanksgiving meals of turkey and plentiful sides. I hope you enjoy yourself, because as a taxpayer, a consumer or even a producer of some of that food, you're paying a stiff price for the privilege of celebrating this cherished American holiday.

Every year, the federal government dishes out north of \$20 billion in farm subsidies. Five crops (wheat, corn, soybeans, rice and cotton) make up more than 80 percent of agricultural subsidies. They go to big agro businesses and investors, many of whom are in cities far away from the fields of harvest. The result is that for us taxpayers, the rolls, long-grain rice, stuffing and creamed corn on our plates, as well as the cotton tablecloths we're dining on, cost us before we even went to the store.

Our turkeys are subsidized, too, through government giveaways to livestock producers. And so are our potatoes and cranberry sauce, which benefit from payments by crop insurance programs on a regular basis. Pretty much everything we swallow on Thanksgiving and in the days of eating leftovers that follow will have been subsidized once, if not twice.

As a consumer, you might think that you are a net beneficiary. After all, aren't subsidized goods cheaper? Nope. The economic literature shows that abolishing subsidies would actually lower the world price of crops. For instance, a 2011 study by the World Bank looked at the effects of removing agricultural protection and subsidies from rich countries and found that poverty rates would fall in virtually all of the developing countries included in the sample as a result of the lower world prices for farm products. Rich countries' consumers would benefit, too.

Take the ridiculous protective scheme built around a politically powerful cartel of domestic sugar processing companies. Between protective tariffs that reduce cheap foreign supplies, loan guarantees and bailouts, American consumers pay about double the global average price for sugar. Obviously, consumers are hurt, but so are all the producers of goods that require the use of sugar, such as bakers and candy-makers.

The rationale to use farm subsidies to keep farm households out of poverty might have made some sense in the 1930s, but it doesn't today. Yet advocates of farm subsidies never tire of arguing that providing a safety net for farmers is an important function of these government handouts. But this claim doesn't hold up under examination.

For one thing, according to the Agriculture Department, only 2 percent of farm households fall below the federal poverty line. Second, our country already has a safety net, in the form of such programs as



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food stamps and Medicaid. If poverty is an issue, why on earth should farmers get treated any differently than other Americans? Finally, a recent study by Montana State University economist Vincent Smith, published at the American Enterprise Institute, shows that farm subsidies do not mostly benefit poor farmers in rural and urban areas.

He writes, “About 70 percent of all crop insurance and other farm income safety net payments flow to 10 percent of the largest crop-producing farm businesses.” That’s fewer than 100,000 farms with an average income of over \$140,000. Considering the median household income in the United States is \$59,000, these guys are doing well.

If you include net wealth, the picture becomes even clearer. Taxpayers, consumers and other low-income Americans redistribute a large amount of their wealth to the largest farm operations and wealthiest farming households.

This system is also incredibly unfair to younger farmers. All of these subsidies increase the cost of farmland (whether one wants to rent or buy) and makes it more difficult for newcomers to break into the farm business. It’s also worth thinking about the absurdity of a system that puts, in one single piece of legislation, the subsidies that raise food prices and the food stamps that help low-income Americans pay overinflated prices for food.

So this Thanksgiving, as you give thanks for the bounty and beauty of the world we live in, don’t forget to thank all the happy warriors — Democrats and Republicans — who have been fighting for years to free your holiday dinner bills from higher prices and taxes, as well as from the unfairness of farm subsidies.

Veronique de Rugy is a senior research fellow at the Mercatus Center at George Mason University. To find out more about Veronique de Rugy and read features by other Creators Syndicate writers and cartoonists, visit the Creators Syndicate webpage at www.creators.com.

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