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# Sugar's Sweetheart Deal

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Segment Length: 5:09 minutes

## **Lesson Description:**

When you think of welfare programs, do you think of poor people? In the United States, the biggest recipients of welfare are corporations such as America's largest sugar producers. The U.S. government spends billions of dollars subsidizing sugar companies. These subsidies not only cost taxpayers, but they also keep sugar prices higher than they would otherwise be, hurting small businesses and costing consumers even more money. Why does the sugar industry get such a sweetheart deal?

## **Concepts & Key Terms:**

*Subsidy* – A sum of money granted by the government to assist an industry or business.

*Crony capitalism* – An economic system characterized by close, mutually advantageous relationships between business leaders and government officials.

*Concentrated benefits and dispersed costs* – A situation in which the benefits of a policy (such as a subsidy) go to a small group, while the cost of the policy is spread out among many people. This leads to a situation in which the beneficiaries have a strong incentive to protect the policy, while each individual who is paying the cost has a much smaller incentive to challenge it.

## **Objectives:**

Students will be able to:

- discuss the pros and cons of the U.S. Sugar Program
- explain arguments used by the proponents and opponents of sugar subsidies
- apply the concept of concentrated benefits and dispersed costs to government subsidies
- evaluate the costs and benefits of government subsidies to farmers

## **Preview Activity:**

Ask students to develop a list of foods that have sugar as an ingredient. Then have them compare lists. Ask the pairs to determine what would happen if the price of sugar doubled. Have several pairs of students answer the question, being sure to explain why.

OR

Use Think, Pair, Share to have students answer one set the following questions, then compare and discuss their answers. After a few minutes, ask the students to explain their answers to the class.

1. What is welfare? Who gets welfare? Why?

OR

2. Why does the government spend so much money? Where does that money come from? Why don't taxpayers do something about it?

## **Viewing Guide:**

We recommend that teachers show the video twice: once to allow students to view it and focus on the issues presented, and once to allow them time to complete the viewing guide. After they complete the viewing guide, allow students a few minutes to work in pairs sharing and verifying answers.

### **Answers to Viewing Guide**

1. taxpayers
2. food
3. import
4. lobby
5. sugar
6. more

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## Viewing Guide

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Teacher \_\_\_\_\_

**Directions:** As you watch the video, fill in the blanks with the correct words.

1. Ross Marchand of the Taxpayers Protection Alliance points out that sugar producers get bailouts by us \_\_\_\_\_ whenever sugar prices fall below a certain level.
2. Oh, please; imports increase our supply of \_\_\_\_\_.
3. But sugar prices rarely do fall because America imposes quotas on domestic production, and limits how much sugar we can \_\_\_\_\_.
4. The multi-billion-dollar handout costs each of us maybe ten or twenty dollars. We're not going to go to Washington to \_\_\_\_\_ against that, but each American sugar farmer made roughly three million dollars a year extra, so each of them is willing to spend a lot of time and money making sure the law stays that way.
5. Is it fair for customers to pay double the world-rate for \_\_\_\_\_?
6. The fact that sugar is in everything means that healthy unhealthy products alike are going to cost \_\_\_\_\_. And all that money is going to that handful of rich politically connected growers and processors

**Now, take a few moments to reflect on the video and answer the questions below:**

What is a "government subsidy"? \_\_\_\_\_

\_\_\_\_\_

Who benefits from sugar subsidies? \_\_\_\_\_

Who is negatively impacted by sugar subsidies? \_\_\_\_\_

The cost of sugar subsidies is spread out, while the benefits go to a small group. This is called "concentrated benefits and dispersed costs." Why is this an impediment to eliminating sugar subsidies? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## **Discussion and Analysis:**

1. John Stossel said that America's biggest welfare recipients are corporations. Did you know that before watching this video? Why do you think welfare programs are normally associated with the poor when corporations are the biggest recipients?
2. While the American Sugar Alliance argues that we shouldn't rely on other countries for sugar, we import other food products and rarely encounter shortages. Is the American Sugar Alliance's concern valid? Why / Why not? What other reason might it have for making that claim?
3. American businesses that use sugar in their products are hurt by the higher sugar prices as a result of import restrictions. Do you think politicians know this? Why might they still enact such restrictions?
4. Because sugar corporations benefit so much from government assistance, they have a strong incentive to lobby the government to maintain these policies. But the amount that individual taxpayers must pay is relatively low, so they have a much smaller incentive to challenge the policies. What is this called? Why is this a problem?
5. What can be done to change the current incentive structure so that politicians cannot favor some politically connected people and businesses at the expense of others?
6. How might the U.S. be different if we abolished the U.S. Sugar Program? Would there be more jobs or fewer jobs? Lower prices or higher prices? Lower taxes or higher taxes? Explain for each.
7. Some American politicians oppose ending U.S. sugar subsidies because other countries have their own subsidies, and that might put the American sugar industry at a disadvantage. Is this a good argument? Why / Why not?
8. John Stossel's message for big sugar and big government is "get out of my life!" Name some other examples of government helping some businesses at the expense of the rest of us.
9. John Stossel said that sugary products "are bad for us. Maybe it's good we eat less because they cost more." Some politicians have argued for taxes on sugary foods for the same reason. Is raising prices a good way to get people to eat less junk food? Why / Why not?
10. Does forcing prices higher work reduce sugar consumption? Does forcing prices higher hurt anyone?
11. Is reducing sugar consumption government's job? Why / Why not? How else might government get people to consume less sugar?
12. After watching the video and discussing it in class, are you in favor of the sugar subsidies? Why / Why not?

## **Discuss These Lines from the Video**

1. Welfare payments. When people hear that, most of us think about poor people lined up for food stamps and rent subsidies. But America's biggest welfare recipients are politically connected corporations.
2. There are no import restrictions on most other foods, and we have ample supplies of them.

3. These are Stalin-style price controls and supply controls, and it does not help anyone.
4. The multi-billion-dollar handout costs each of us maybe ten or twenty dollars. We're not going to go to Washington to lobby against that.
5. Americans must pay billions more for food because Congress restricts imports of cheaper sugar from places like Brazil and India.
6. Is it fair for customers to pay double the world-rate for sugar? Is it fair for taxpayers to have to bailout a handful of super rich, super-connected sugar processors?
7. Every time you buy anything made of sugar, you're getting ripped off by a clever group of businessmen who got your politicians to pass special laws for sugar.

### **Quotes for Discussion:**

If 50 percent of the people were sugar farmers, you couldn't possibly have sugar quotas, because it costs too much to the others. But if 1 percent of the people are sugar producers, for each dollar that they get, that's divided among 99 people, so it's only one cent to the individual.

– Milton Friedman

As long as government has the power to regulate business, business will control government by funding the candidate that legislates in their favor.

–Mary J. Ruwart

There is a huge difference between free market capitalism that democratizes a country and makes us more efficient and prosperous, and corporate crony capitalism.

– Robert F. Kennedy, Jr.

When the government makes loans or subsidies to business, what it does is to tax successful private business in order to support unsuccessful private business.

– Henry Hazlitt

When corporations get special handouts from the government—subsidies and tax breaks—it costs you.

– Robert Reich

Under a system in which no single question is submitted to the electorate for direct decision, an ardent minority for or against a particular measure may often count for more than an apathetic majority.

– Patrick Devlin

Every time you cut programs, you take away a person who has a vested interest in high taxes and you put him on the tax rolls and make him a taxpayer. A farmer on subsidies is part welfare bum, whereas a free-market farmer is a small businessman...

– Grover Norquist

### **Activities:**

1. Have students complete the cloze activity, located at the end of this guide.
2. Show the class “Super Bowl of Welfare” and ask your students to relate it to “Sugar’s Sweetheart Deal.”

[https://stosselintheclassroom.org/videos/super\\_bowl\\_of\\_welfare](https://stosselintheclassroom.org/videos/super_bowl_of_welfare)

3. Show the class “Why Politicians Don’t Cut Spending” and have them answer the questions that follow.

[https://stosselintheclassroom.org/videos/why\\_dont\\_cut](https://stosselintheclassroom.org/videos/why_dont_cut)

- A) Can government spend too much money? How much is too much?
- B) Why doesn’t government just stop spending so much money?
- C) What political problems might arise for elected representatives who try to reduce government spending?
- D) Explain the term concentrated benefits and dispersed costs?
- E) Benjamin Powell connects voting to government spending and explains this in terms of incentives. Why do people have different incentives to vote or not to vote?
- F) What can be done to change this? Why happens if we don’t?

4. Read and write a summary of “Sugar Subsidies Are Welfare for the Rich” by John Stossel.

<https://reason.com/archives/2019/02/27/sugar-subsidies-are-welfare-for-the-rich>

5. Conduct a classroom debate on the topic of sugar subsidies or corporate welfare.
6. Write a persuasive essay in which you explain the arguments for and against the U.S. Sugar Program and take a position on whether it should be maintained or abolished.
7. Research and write an essay on the concept of concentrated benefits and dispersed costs. What are some other examples?
8. Show the class the video “Why Is There Corn in Your Coke?” and ask your students to relate it to “Sugar’s Sweetheart Deal.”

<https://www.youtube.com/watch?v=fGOj8kBpsD4>

9. Research and write a report on crony capitalism. How does it differ from free market capitalism? Why is it even called capitalism?
10. High fructose corn syrup is used in many products as a substitute for sugar. Does its use affect prices of other goods? What are the unintended consequences of government support of sugar growers?
11. Subsidies can lead to unintended consequences, which, in economics, are also called secondary effects. What does “unintended consequences” mean, with regard to sugar subsidies and price supports? Why are they called “secondary effects”? Produce a report about the unintended consequences of sugar subsidies and price supports. After investigating the topic, determine whether or not you believe sugar subsidies and price supports are good ideas.
12. Sugar is not the only agricultural product that is subsidized? Why other agricultural products are subsidized? Investigate and report back to the class.
13. Research the corn and ethanol industry in the America. How does the federal government support ethanol production? Why? How does that support affect the price we pay for corn? How does support for ethanol affect prices of other agricultural and non-agricultural goods? What are the unintended consequences of government support of ethanol production?

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Teacher \_\_\_\_\_

## Sugar Subsidies Are Killing Small Businesses

### Cloze Activity

**Directions:** Read the entire passage first. Then fill in the blanks with words from the box.

ingredient	handful	enacted	overseas
employed	consumers	government	federal
restrictions	jobs	companies	harmful

Ronald Reagan liked to say, "The most terrifying words in the English language are: I'm from the \_\_\_\_\_ and I'm here to help." For America's small business owners, these words still ring true. Many outdated, \_\_\_\_\_, and baffling government programs need to change. Perhaps no program fits that description better than the \_\_\_\_\_ government's sugar subsidy program.

The sugar subsidy program was originally \_\_\_\_\_ to help small sugar growers but it has morphed into a tangled program of taxpayer-backed loans, government mandates, and import \_\_\_\_\_. This program — which is a hidden tax on manufacturers, food entrepreneurs, and \_\_\_\_\_ to the tune of \$2.4-\$4 billion a year — benefits only a \_\_\_\_\_ of wealthy sugar processors. The cost of this program is borne by small food manufacturers, bakers, chocolate makers, and other businesses that use sugar as an \_\_\_\_\_ in their products. Because of these subsidies, sugar prices in the U.S. are twice as high as sugar prices in the rest of the world.

American \_\_\_\_\_ are also on the line, as U.S. companies are forced to compete with companies abroad that pay lower prices for sugar. From 1997 to 2015, the sugar program killed about 123,000 jobs, according to the U.S. Census Bureau. The U.S. Department of Commerce estimates that for every sugar-growing job saved through high U.S. sugar prices, about three American manufacturing jobs are lost. Why? Because many \_\_\_\_\_ have moved their operations \_\_\_\_\_ to take advantage of the lower-priced sugar.

Congress should reform the sugar subsidy program. America's businesses and the hundreds of thousands of people \_\_\_\_\_ in food manufacturing are depending on it.

This Cloze Activity is adapted from "Sugar Subsidies Are Killing Small Businesses" By Karen Kerrigan [https://www.realclearpolicy.com/articles/2018/04/30/sugar\\_subsidies\\_are\\_killing\\_jobs\\_and\\_small\\_businesses.html](https://www.realclearpolicy.com/articles/2018/04/30/sugar_subsidies_are_killing_jobs_and_small_businesses.html)

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Teacher \_\_\_\_\_

## Sugar Subsidies Are Killing Small Businesses

### Cloze Activity (Answer Sheet)

**Directions:** Read the entire passage first. Then fill in the blanks with words from the box.

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employed	consumers	government	federal
restrictions	jobs	companies	harmful

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