
Enough Crony Capitalism

Segment Length: 4:25 minutes

Lesson Description:

Why would a corporation want regulations on its industry? How do lobbyists influence government economic policies? How much lobbying is really just self-defense? What is really the cause of all so much lobbying, the government that has power over businesses or businesses seeking government protection? In this video, John Stossel examines cronyism.

Concepts & Key Terms:

Regulation– rules and laws made by the government or another authority to control or limit business practices.

Innovation – development of new ideas, technologies or products.

Crony Capitalism / Cronyism –characterized by close, mutually advantageous relationships between business leaders and government officials; showing preference or favoritism to companies that support or donate to politicians.

Bribe – payment or gifts in exchange for favors.

Monopoly - exclusive control of the supply in a trade or industry. In business, this means a company has no competition.

Lobbying – seeking to influence or persuade a politician on issues. This may include educating the politician, but often includes donating to causes or campaigns important to that politician.

Objectives:

Students will be able to:

- define the crony capitalism (cronyism)
- discuss the growing influence of lobbyists and the reasons for it
- propose a course of action to reduce or eliminate cronyism
- evaluate the effect of cronyism on businesses and consumers

Preview Activity and Questions:

Distribute copies of the anticipation guide to the class.

- Have students choose whether they agree or disagree with each statement and write a brief explanation about why in the box.
- Allow students to interpret the terms and statements in their own way. After viewing and discussion, they will see different interpretations and perspectives.
- After showing the video, allow students time to review and revise their responses and then discuss in small groups.

Viewing Guide:

We recommend showing 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. competitors
2. lobbying, cronyism, lawyers
3. free
4. self-defense
5. politicians

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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. Big companies tend to like regulation, because it gives them an advantage over smaller _____.
2. Microsoft in the early 1990s was the largest company in the world. Incredibly successful. And they spent exactly zero dollars on _____, on _____, on _____. They had no presence in Washington, D.C.
3. Six months later knock on the door at Microsoft, we're from the Justice Department and we're here to prosecute you because you're offering the American public, you're offering your customers, a product for _____.
4. The lesson is if you don't want politicians destroying your business, practice _____ - _____: go to Washington to give them money and kiss their rings.
5. If we really want to end cronyism, what we need to do is reduce the power of _____ over our lives.

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

What is cronyism or crony capitalism? _____

How does regulation hurt small businesses more than big corporations? _____

Discussion and Analysis:

1. Mark Zuckerberg agrees with lawmakers that Facebook has “too much power over speech.” What does he mean by this? Do you agree?
2. Mark Zuckerberg also said that Facebook shouldn’t make so many important decisions [about internet speech] on their own. Should anyone make decisions about others’ speech? If so, who?
3. Is there a difference between government regulating internet speech and Facebook, Google, and the social media platforms regulating it themselves?
4. What freedoms are protected by the First Amendment? From what or whom are those freedoms protected?
5. Should there be more government regulations on the internet? Why/Why not? What kind of regulations would *you* accept on the internet?
6. Mark Zuckerberg said that he would work with the government to develop internet regulations. Is that appropriate? How does that relate to cronyism?
7. Microsoft was sued by the Justice Department for offering a free product. What was that product? Who was the government really protecting in that lawsuit? Please explain.
8. Would you say the government’s lawsuit against Microsoft was an example of cronyism? Why/Why not?
9. Why would the government oppose Microsoft giving its customers a free web browser?
10. What finally convinced Microsoft to become more involved with government?
11. John Stossel said that big companies often favor regulation, because it disproportionately hurts their smaller competitors. Why is this? Should government be enacting laws that hurt small businesses? Should government be involved at all? Why/Why not?
12. What would motivate companies such as Facebook to collaborate with the government on the development of regulations?
13. Is it fair for a corporation like Facebook to help create regulations? Why or why not?
14. To what extent, if any, should the government be allowed to regulate business?
15. Yaron Brook said that when businesses engage in lobbying and cronyism, a lot of it is self-defense. What does he mean by this?
16. Do you believe society would experience greater innovation and wealth creation with or without government regulation? Why?
17. Have you had any experiences on social media which made you think it should be more or less heavily regulated?
18. Who do you think is more responsible for crony capitalism: businesses or the government? Please explain.

19. Yaron Brook said that the way to end cronyism is to reduce the power of politicians and “separate economics from state.” What did he mean by this? Do you agree? Why/Why not?
20. After watching the video, do you believe lobbying helps or hurts consumers? Businesses?
21. What did you learn from this video about lobbying?

Discuss These Lines from the Video

1. Lawmakers often tell me that we have too much power over speech, and frankly I agree....
2. Big companies tend to like regulation, because it gives them an advantage over smaller competitors. After all, startups can’t afford the squads of lawyers and compliance officers that Facebook employs.
3. It’s no accident that the amazing wealth creation that brought us Facebook, Google, Instagram, Apple, Microsoft, Amazon, smartphones, computers, all happened in the two big metropolitan areas farthest from Washington, D.C.
4. Instead of spending money on lawyers and lobbyists, [Microsoft] spent it on technology.
5. For ten years, [Microsoft] had to fight that lawsuit. They lost, they got regulated, they got controlled. Guess how much Microsoft spends today in Washington, D.C.? Tens of millions of dollars.
6. So a lot of the lobbying, a lot of the so called cronyism, is self-defense.
7. Cronyism occurs when government starts interfering in business, and then business has to defend itself. And as soon as it hires the lawyers and the lobbyists to defend itself, it quickly slips in to now gaining favors from the government, who has all this power.
8. If we really want to end cronyism, what we need to do is reduce the power of politicians over our lives, actually separate economics from state.

Quotes for Discussion:

In many cases it’s difficult to tell whether it’s the companies that are lobbying the legislators or whether it’s the other way around. – Matt Taibbi

Regulation needs to catch up with innovation. – Henry Paulson

We should favor innovation and freedom over regulation. – George Allen

What we do today has nothing to do with capitalism or socialism. It is a crony type of system that transfers money to the coffers of bureaucrats. – Nassim Nicholas Taleb

A lot of people think that regulations bring higher costs, but regulation is also about making sure that someone doesn’t get to beat out the competition because they’re dumping filth in the river or spewing poisons in the air. – Elizabeth Warren

With some notable exceptions, businessmen favor free enterprise in general but are opposed to it when it comes to themselves. – Milton Friedman

Having what I call crony capitalism, where you take money from successful small businesses, spend it in Washington on favored industries, on favored individuals, picking winners and losers in the economy, that's not pro-growth economics. That's not entrepreneurial economics. That's not helping small businesses. That's cronyism, that's corporate welfare. – Paul Ryan

I believe that cronyism is nothing more than welfare for the rich and powerful, and should be abolished. – Charles Koch

To end cronyism we must end government's ability to dole out favors and rig the market. – Charles Koch

Activities:

1. Have students complete the accompanying PMI chart [fillable PDF] in class or for homework.
2. Have students add to and revise their Anticipation Guide in class or for homework. Have students research and prepare a slideshow about how government regulations have impacted various industries throughout history.
3. Research the First Amendment and previous attempts by the government to restrict speech. If as Mark Zuckerberg says, Facebook has “too much power over speech,” what is the answer? Write a persuasive essay about Facebook, free speech, and the First Amendment. Be sure to take and defend a position.
4. Research and create a list of 10 online resources (articles, interviews, websites) that would help people understand the role of regulations and lobbyists in the economy.
5. Produce a “man-on-the-street” video in which you ask people if they have heard the term “crony capitalism” or “cronyism” and if so, what it means.
6. Conduct a classroom debate on who is to blame for cronyism, government, because of its power over businesses, because of their influence on government.
7. Yaron Brook and John Stossel told the story of Microsoft being sued by the Justice Department. Research the basis for that lawsuit, the result, and subsequent appeals. Report your findings in a report or in a flowchart on a poster board.
8. Summarize or take Cornell (two-column) Notes as you read one of the following articles:
 - A) “Social media regulation threatens rights, UN warns”
<https://www.expatica.com/ch/uncategorized/social-media-regulation-threatens-rights-un-warns-216341/>
 - B) “Justice Thomas sends a message on social media regulation” by Mark MacCarthy
<https://www.brookings.edu/blog/techtank/2021/04/09/justice-thomas-sends-a-message-on-social-media-regulation/>
 - C) The Case against Social Media Content Regulation
<https://cei.org/studies/the-case-against-social-media-content-regulation/>
9. Research and report on how government regulations have helped either:
 - A) existing businesses at the expense of new businesses (e.g., certificate of need laws)

B) large businesses at the expense of small businesses (e.g., regulation compliance)

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Anticipation Guide

Name _____

Date _____

Class _____

Teacher _____

Directions: Read each statement and choose whether you agree or disagree by marking the appropriate box next to the statement. Respond based on what the statement means to you and what you think. Write a brief explanation about why you chose your answer.

Agree	Disagree	
		<p>It is important for the government to regulate businesses so that they do not dominate the market and make it difficult for smaller companies to compete.</p> <p>Explanation for my answer:</p>
		<p>When the government and businesses work together, customers get the best products and services.</p> <p>Explanation for my answer:</p>
		<p>Businesses work with the government because they want to make the world a better place.</p> <p>Explanation for my answer:</p>
		<p>Companies should be allowed to lobby and/or donate to politicians to help shape policies affecting their industry.</p> <p>Explanation for my answer:</p>

Name _____

Date _____

Class _____ Per _____

Teacher _____

Enough Crony Capitalism: PMI Chart

P = Plus: What might be some advantages of government regulating social media?

M = Minus: What might be some disadvantages of government regulating social media?

I = Interesting: What are some interesting perspectives of government regulating social media?

+ Plusses +	- Minuses -	I

Would people agree on what internet speech should be regulated and what speech shouldn't? _____ Why / Why not?

Is the First Amendment's free speech protection a factor in who can regulate what speech? _____ How so? _____

What do you think about this issue? _____
