
Welfare for the Rich

Segment Length: 5:06 minutes

Lesson Description:

What comes to mind when you think of welfare? Do you think of poor people just getting by with assistance from the government or billion dollar companies getting tax breaks and government subsidies? Are tax credits and subsidies justified if there is a benefit for average Americans? In this video John Stossel and Lisa Conyers, co-author of *Welfare for the Rich*, discuss ways federal and state governments subsidize wealthy business owners.

Concepts & Key Terms:

Feed at the Public Trough – a metaphor for enriching oneself at taxpayer expense.

Welfare – (noun) aid in the form of money or necessities for those in need.

Subsidy – (noun) a monetary grant often considered by politicians to be in the interest of the public. Subsidies help some companies while hurting others and interfere with the laws of supply and demand.

Tax Credit – an amount of money subtracted from taxes owed to reduce one's tax liability.

Objectives:

Students will be able to:

- identify examples of subsidies and tax credits.
- discuss the premise of Lisa Conyers' book, *Welfare for the Rich*.
- explain the advantages and disadvantages of subsidies and tax credits.
- argue whether it is justified for taxpayer money to be used to help businesses.

Preview Activity:

Use Think, Pair, Share to have students answer and discuss these preview questions: What is welfare? How is "welfare" distributed and who does it benefit the most? Do rich people receive welfare?

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. millionaires
2. cheering
3. return
4. taxpayer
5. producers

Welfare for the Rich

Viewing Guide

Name _____

Date _____

Class _____

Teacher _____

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

1. Lisa Conyers co-wrote *Welfare for the Rich*, a book explaining how your tax dollars end up in _____ pockets.
2. For example, when the Governor of Nevada signed a bill to fund a new football stadium, Raiders owner, Mark Davis was there _____ the signature.
3. There are always promises that the public investment will _____ more in benefits to taxpayers. But, it's not true. Research shows stadiums costs taxpayers much more than the benefits they provide.
4. If some big company is in that town and they are not paying property tax, that means every other _____ is covering for them because fire departments still have to be paid for, police departments still have to be paid for, schools still have to be paid for.
5. We don't subsidize fruit and vegetable _____, and we have plenty of fruits and vegetables.

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

What is the argument presented by Lisa Conyers? _____

Do you think it is justified for taxpayer money to be used to fund sports stadiums? _____

Why / Why not? _____

What tax breaks or subsidies do you know of that people can get from federal, state, or local governments? _____

Discussion and Analysis:

1. Why do many politicians like to give away taxpayer money? What does Lisa Conyers mean when she asks, “Who wouldn’t like to play Santa Claus?”
2. Would you like your favorite sports team to play in a slick, modern stadium? Would you be willing to help pay for that? Would you be willing to force others to pay for that?
3. Lisa Conyers argues that there “was no means test” for how aid and subsidies were distributed by the federal government, which often led to an unfair allocation between the wealthy and the poor. Should we have laws for how these forms of aid are allocated?
4. When people spend other people’s money, are they as careful with it as people are spending their own money? Why / Why not? Do you think that applies to politicians spending taxpayer money?
5. Does that moving football field in the Raiders new stadium seem like a good use of tax dollars? Why / Why not? How else might that have been paid for?
6. Some of the funding for that new stadium will be paid for through increased taxes on hotel rooms. What are the advantages and disadvantages of that?
7. Should government treat all people equally? Lisa Conyers points out that giving one group a tax break means others have to pay more taxes. If that’s true, should there be any tax breaks? Can government be fair about unequal treatment of taxpayers?
8. In the video, John Stossel says, “But the taxpayers often vote for this stuff, so they must like it.” What reasons might citizens have for being in favor of “public investments” such as stadiums? From what sources do they get their information? Are those sources unbiased? Please explain.
9. Explain what is meant by “cash preservation” in the context of GM and Foxconn who received billions in tax credits but didn’t deliver as many jobs as they had initially stated they would? Should these corporations be allowed to keep that full amount in tax subsidies or should there be a partial/full repayment?
10. Explain this line in the video: “Research shows stadiums cost taxpayers much more than the benefits they provide.”
11. In the Greenpeace video referred to in the video, who is mocked for getting government handouts? Is Greenpeace against subsidies and tax breaks, or is it against certain subsidies and tax breaks? How do you know?
12. The state of Wisconsin provided billions in tax credits to Foxconn because it promised to create 13,000 new jobs. Only a couple of hundred jobs were established. What, if anything, should be done about that?
13. How might subsidies and tax breaks impact supply and demand for products?
14. How might giving people tax breaks for buying electric cars hurt those who don’t? How might giving oil companies subsidies and tax breaks help car and home owners? Why can’t we just eliminate all subsidies?

15. Some economists say that government is picking winners and losers when it provides tax breaks and subsidies to businesses. Please explain.
16. A recent political campaign commercial had a senator telling viewers that she supports “increasing investment in research and development to create more jobs.” Sounds great, right? Whose money is she talking about? To whom would it go? How does this commercial relate to the point of the video?

Discuss These Lines from the Video

1. \$350 million went to America’s richest zip codes.
2. Who wouldn’t like to play Santa Claus, who wouldn’t like to just be able to give everybody some money?
3. I don’t have any problem with them building a stadium. I just don’t know why I have to pay for it.
4. We created the moving field that moves in and out of the building in one piece.
5. The gift to Davis wasn’t even unusual. Politicians screw taxpayers to build stadiums for lots of billionaires.
6. There are always promises that the public investment will return more in benefits to taxpayers. But it’s not true. Research shows stadiums cost taxpayers much more than the benefits they provide.
7. If some big company is in that town and they are not paying property tax, that means every other taxpayer is covering for them because fire departments still have to be paid for, police departments still have to be paid for, schools still have to be paid for.
8. Politicians from both parties support the welfare for the rich called farm subsidies.
9. Farmers are actually richer than the average American, but Congress still gives them billions.
10. We don’t subsidize fruit and vegetable producers, and we have plenty of fruits and vegetables.
11. I’m an American taxpayer. I pay my taxes. I don’t understand why money is leaving my pocket and going into the pocket of somebody who is wealthy and doesn’t need it. Stop giving money to rich people, especially if it’s taxpayer dollars, just don’t. Just stop.

Quotes for Discussion:

When you create an economy where you subsidize corporate profits through a welfare program and food stamps in order to keep wages low in some perverse pursuit of ‘competiveness,’ then you reap the fruits of the anger that you sow.

O’Malley

– Martin

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

Corporations do not pay taxes, they collect them, passing the burden to consumers as a cost of production. And corporate taxation is a feast of rent-seeking – a cornucopia of credits, exemptions and other subsidies conferred by the political class on favored, and grateful, corporations. – George Will

As a captain of industry, I would prefer more tax breaks to help people buy houses, but as a citizen, I realize someone has to pay. – Glenn Kelman

Up against the corporate government, voters find themselves asked to choose between look-alike candidates from two parties vying to see who takes the marching orders from their campaign paymasters and their future employers. The money of vested interest nullifies genuine voter choice and trust. – Ralph Nader

Subsidies and mandates are just two of the privileges that government can bestow on politically connected friends. Others include grants, loans, tax credits, favorable regulations, bailouts, loan guarantees, targeted tax breaks and no-bid contracts. – Charles Koch

Thanks to farm subsidies, the fine collaboration between agribusiness and Congress, soy, corn and cattle became king. And chicken soon joined them on the throne. It was during this period that the cycle of dietary and planetary destruction began, the thing we're only realizing just now. – Mark Bittman

Rich people who own mansions on the beach shouldn't get federal subsidies. If you want to stay there, take the risk. – Geraldo Rivera

I can understand where the oil company wants to deduct the cost of drilling a well. That's one of the tax breaks for oil companies - the subsidies - they get to deduct the cost of the well the year you drill. – Dan Benishek

Most of the men and women who vote in Congress each year to continue subsidies have taken campaign donations from big energy companies. – Bill McKibben

In Opportunity Zones, as they are called, investors will receive huge tax breaks for building office parks, warehouses, housing, grocery stores, and the like, helping to ease poverty and end blight in distressed communities. – Annie Lowrey

We have to demand an end to corporate welfare... No more specialized tax breaks, no more exemptions, or bailouts or special treatment, no more crony capitalism. We must eliminate all corporate handouts and do it now. – Robert Reich

Now, legal plunder can be committed in an infinite number of ways. Thus we have an infinite number of plans for organizing it: tariffs, protection, benefits, subsidies, encouragements, progressive taxation, public schools, guaranteed jobs, guaranteed profits, minimum wages, a right to relief, a right to the tools of labor, free credit, and so on, and so on. – Frederic Bastiat

Giving subsidies is a two-edged sword. Once you give it, it's very hard to take away subsidies. There's a political cost to taking away subsidies. – Najib Razak

Every time that we try to lift a problem from our own shoulders and shift that problem to the hands of the government, to the same extent we are sacrificing the liberties of our people.

– John F. Kennedy

Government does the least good and the most harm through subsidies.

– James Cook

Far too many businesses have been all too eager to lobby for maintaining and increasing subsidies and mandates paid by taxpayers and consumers. This growing partnership between business and government is a destructive force, undermining not just our economy and our political system, but the very foundations of culture.

–Charles Koch

Activities:

1. Have students complete the KWL chart.
2. Have students complete the political cartoon in class or for homework.
3. Have students research corporate welfare policies and social welfare policies. Then, have them complete the Venn Diagram.
4. Distribute copies of the Texas Seed Bill article and the accompanying questions, and have students read the article and answer the questions for homework.
5. Have students work in groups to discuss and answer these questions as they relate to stadium subsidies: Who chooses? Who pays? Who benefits? What's fair?
6. Conduct a classroom debate on whether politicians should be allowed to give subsidies and tax breaks to wealthy corporations. To get students to look at the proposal from a different perspective, consider having them argue from a position with which they disagree. Students should be given time to research their position prior to debating.
7. Write a persuasive essay in which you explain the arguments for and against corporate subsidies and tax breaks and take a position this issue.
8. Research the term “concentrated benefits and dispersed costs” and demonstrate through a poster board or slideshow what it means and how it applies to this video
9. Write a fictional dialog between a person arguing in favor of subsidizing a new professional baseball stadium in his city and a person who works two jobs to pay his or her bills.
10. Read and write a summary of one of the following articles:
 - A) “The Economics of Subsidizing Sports Stadiums” by Scott A. Wolla of the Federal Reserve Bank of St. Louis.
<https://research.stlouisfed.org/publications/page1-econ/2017-05-01/the-economics-of-subsidizing-sports-stadiums/>
 - B) “Subsidies Are the Problem, Not the Solution, for Innovation in Energy” by Veronique de Ruyg
<https://www.mercatus.org/publications/government-spending/subsidies-are-problem-not-solution-innovation-energy>

C) “Publicly Financed Sports Stadiums Are A Game That Taxpayers Lose” by Jeffrey Dorfman.

<https://www.forbes.com/sites/jeffreydorfman/2015/01/31/publicly-financed-sports-stadiums-are-a-game-that-taxpayers-lose/#24e4c6294f07>

11. Pretend you are a politician and will soon speak to a group of taxpayers who are concerned about the high taxes they pay to live in your community. Personally, you support taxpayer subsidies being proposed for a new stadium for your favorite team, but you also know that that subsidy will cost the taxpayers—many of whom are not sports fans—more money. You have three minutes to speak. What will you say? Write the speech you would make to those taxpayers.
12. Have students write a summary of the John Stossel video, Welfare for the Rich. This will help reveal student understanding of the key points presented.
13. Produce a “man-on-the-street” video in which you ask people true/false questions about tax breaks and/or subsidies to local companies. In lieu of person-to-person interviews, students can ask their online friends or conduct online video interviews.
14. Research and prepare a slideshow that presents the origins of tax credits, corporate and farm subsidies, and other government handouts. The slideshow should have a timeline that shows the emergence and progression of various policies.
15. Research and prepare a slideshow that highlights differences in personal welfare distribution and welfare for businesses. Does what you find confirm or refute the political cartoon? Please explain.
16. The video provides examples of beneficiaries of corporate welfare policies: The Raiders football team, Chevron, GM, and some crop growers. Corporate welfare in one form or other goes to other industries, such as pharmaceuticals, fossil fuels, electric vehicles, and others. Research and create a poster board or slideshow to present what you find.
17. Watch and summarize the key points presented *for* and *against* in the debate titled: “Eliminate Corporate Subsidies.”
<https://www.youtube.com/watch?v=uHX18z8p2Xk>
18. The two common forms of welfare are corporate welfare and social welfare. Write an essay that introduces these two systems. Then, explain the intended and unintended consequences of each. How are they similar? How are they different?
19. Have students watch John Stossel’s “Super Bowl of Welfare.” Then have them right an essay on why politicians make these deals and how they impact the community.

Name _____

Date _____

Class _____ Per _____

Teacher _____

Welfare for the Rich

Corporate Welfare vs. Social Welfare Venn Diagram

Directions: Complete the Venn Diagram to compare and contrast corporate and social welfare.

Corporate Welfare	Similarities	Social Welfare

Name _____

Date _____

Class _____ Per _____

Teacher _____

Welfare for the Rich **K-W-L Chart**

Directions: Complete the **K** and **W** sections prior to watching the video. After you have seen the video, complete the **L** section and the three boxes at the bottom.

K	W	L
What I know about corporate welfare...	What I want to know about corporate welfare...	What I've learned about corporate welfare...
Why is the video titled "Welfare for the Rich"?	Identify several companies/groups mentioned in the video that benefit from corporate welfare.	How does corporate welfare affect people?

Welfare for the Rich

Political Cartoon Activity

Name _____

Date _____

Class _____

Teacher _____

Directions: Use the political cartoon to answer the questions below it.



Source: <https://swhelper.org/2013/12/23/welfare-business-misfortune/>

What are some differences between the panel on the right and the panel on the left? _____

Explain the difference in demeanor portrayed by "Business" on in each panel. _____

What does Uncle Sam's presence on the "Free Enterprise" side signify? _____

What message does the cartoonist want to convey? _____

Do you think the cartoon is factual or an exaggeration? _____ What might you do to find out? _____

**IDEAS
ON LIBERTY**

JULY/AUGUST 2003

Why Grover Cleveland Vetoed the Texas Seed Bill



Grover Cleveland was the last U.S. president with a valid claim to be known as a classical liberal. (By the time “Silent Cal” Coolidge became president, the big-government horse was already out of the barn, and Ronald Reagan as president was as much the big-government problem as he was the solution.)

A lawyer who lacked a philosophical temperament or education, Cleveland derived his devotion to limited government from his reverence for the U.S. Constitution. An honest man—an *extraordinarily* honest man for a politician—he took seriously his oath to “preserve, protect, and defend” that document.

Although nineteenth-century government now appears remarkably constricted, politicians in those days were no less predatory and corrupt than our own. Our forebears, however, kept the government within tighter bounds because so many of them harbored ideological hostility to big government, and therefore they often refused to tolerate out-of-bounds government programs, regardless of the proffered rationale. Many things were still viewed as “not the proper business of government,” an attitude that allowed at least some politicians to survive while resisting raids on the public’s purse and incursions on the people’s liberties. Cleveland was one such political survivor.

As a government officer, Cleveland demonstrated that much good could be done

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simply by resisting legislative mischief. As the mayor of Buffalo, New York, for the single year 1882, he became known as the “veto mayor” by virtue of withholding his stamp of approval from the skullduggery of corrupt aldermen. Then, after taking office as New York’s governor in January 1883, he gained a reputation as the “veto governor.”¹ During his two terms as president (1885–89 and 1893–97), he vetoed more congressional bills than any other president except Franklin D. Roosevelt (who held office more than twelve years, as against Cleveland’s eight), and only seven of his 584 vetoes were overridden by Congress.²

Cleveland believed in keeping government expenditure at the minimum required to carry out essential constitutional functions. “When a man in office lays out a dollar in extravagance,” declared Cleveland, “he acts immorally by the people.”³ He fought to lower tariffs, which the Republicans had hoisted to punishing levels, and to hold back the flood of phony pensions that congressmen were awarding in order to buy votes and to placate the Grand Army of the Republic, the most powerful political pressure group of the late nineteenth century.

It should have surprised no one, therefore, when Cleveland vetoed the Texas Seed Bill early in 1887. This legislation appropriated \$10,000—a trifling sum even in those days—to allow the Commissioner of Agriculture to purchase seed grain for distribution to farmers in certain counties of Texas that had suffered from drought.⁴ The president’s veto message read in part as follows:

I can find no warrant for such an appropriation in the Constitution; and I do not believe that the power and duty of the General Government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit. A prevalent tendency to disregard the limited mission of this power and duty should, I think, be steadily resisted, to the end that the lesson should be constantly enforced that, though the people support the Government, the Government should not support the people.⁵

Cleveland went on to point out that “the friendliness and charity of our countrymen can always be relied on to relieve their fellow citizens in misfortune,” and indeed that “individual aid has to some extent already been extended to the sufferers mentioned in this bill.” Further, he suggested that if members of Congress really wanted to send seed to the suffering Texans, the congressmen might personally carry out this charitable transfer by using the seed routinely provided to all members for distribution to their constituents (at an expense of \$100,000 in that fiscal year).⁶

Unpopular Man

Cleveland’s second term as president came to a sad end, as even his own party turned against him for the most part. After striving courageously for four years to preserve free markets, limited government, and a sound currency against those who urged resort to statist nostrums during the country’s worst economic slump, Cleveland left office an extremely unpopular man.⁷ Although his reputation recovered later, especially after his death (in 1908), he has never been regarded as one of the country’s “great presidents.”

In recent years, historians have tended to pooh-pooh Cleveland as a reactionary who accomplished nothing of much significance (unlike, say, Woodrow Wilson and Franklin D. Roosevelt, whom most historians idolize), and some have gone so far as to condemn Cleveland and his supporters as “Bourbon Democrats” in cahoots with greedy businessmen and bankers.

A more just verdict was reached, however, by historian Richard Welch, who wrote of the Cleveland Democrats: “They were convinced of the superiority of free enterprise to any other economic system; they defined ‘reform’ in terms of improvements in public morality and administrative efficiency; they advocated ‘sound money’ and the preservation of the gold standard—but these convictions were shared by a majority of middle-class Americans. It is false to the historical context of Gilded Age America to see such concerns as indicative of collusion with big business.”⁸

Perhaps the highest praise came from H. L. Mencken, who wrote of Cleveland: “It is not likely that we shall see his like again, at least in the present age. The Presidency is now closed to the kind of character that he had so abundantly.”⁹ □

1. Matthew Hoffman, “Odyssey of a Statesman,” *The Free Market*, January 1991, p. 6.

2. For figures on presidential vetoes, see U.S. Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970* (Washington, D.C.: U.S. Government Printing Office, 1975), p. 1082; and U.S. Bureau of the Census, *Statistical Abstract of the United States: 2001* (Washington, D.C.: U.S. Government Printing Office, 2001), p. 246.

3. Quoted in Hoffman, p. 6.

4. Allan Nevins, *Grover Cleveland: A Study in Courage* (New York: Dodd, Mead, 1932), p. 331.

5. *Congressional Record*, 49 Cong., 2d Sess., vol. XVIII, Pt. II, 1887, p. 1875.

6. *Ibid.*

7. Robert Higgs, *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (New York: Oxford University Press, 1987), pp. 77–105.

8. Richard E. Welch, Jr., *The Presidencies of Grover Cleveland* (Lawrence, Kan.: University Press of Kansas, 1988), p. 220.

9. H. L. Mencken, “A Good Man in a Bad Trade” [1933], in H. L. Mencken, *A Mencken Chrestomathy* (New York: Vintage, 1982), p. 229.

Welfare for the Rich

“Why Grover Cleveland Vetoed the Texas Seed Bill” by Robert Higgs

Name _____

Date _____

Class _____

Teacher _____

Directions: Read the article “Why Grover Cleveland Vetoed the Texas Seed Bill.” Use a dictionary to look up any words you don’t know. Then, re-read the article, highlighting or underlining any information you think is important to your understanding the article. Finally, answer the following questions.

1. Briefly summarize the article: _____

2. What was the purpose of the Texas Seed bill? _____

3. Why did Grover Cleveland veto the bill? _____

4. In the article, Robert Higgs quoted historian Richard Welch, who wrote of the Cleveland Democrats: “They were convinced of the superiority of free enterprise to any other economic system.... It is false to the historical context of Gilded Age America to see such concerns as indicative of collusion with big business.” What does Welch mean?

5. What is the connection between the “Welfare for the Rich” video and the Texas Seed Bill story?
