

---

# Corporate Welfare

---

Segment Length: 6:31 minutes

## **Lesson Description:**

How do well-intentioned economic development programs create unfair advantages for some businesses and hurt other businesses? This lesson will explore unintended consequences of government subsidies and tax breaks for businesses, the impact of lobbying on policy decisions, and how public pressure can influence positive change.

## **Concepts & Key Terms:**

**Abatements:** A reduction or elimination of taxes, often granted by a government as an incentive for businesses to invest in a particular area.

**Lobbyists:** Individuals or groups hired to influence government officials and policymakers on behalf of a specific interest or industry.

**Subsidies:** Financial aid or support provided by the government to individuals or businesses, typically to promote economic activities or achieve social objectives.

## **Objectives:**

Students will be able to:

- Explain the influence of lobbying and political connections on government subsidies and regulations in the agricultural industry
- Evaluate the consequences and unintended consequences of government programs aimed at economic development
- Argue whether it is justified for taxpayer money to be used to help businesses
- Determine the beneficiaries of the U.S. farm subsidy system

## **Preview Activity:**

Use Think, Pair, Share to have students answer and discuss these preview questions: Why would a local government city want to give a company tax breaks to open in their city or town? Is there a downside to that?

## **OR**

Distribute copies of the K-W-L worksheet to the class. Have students fill in the K and W sections. After showing the video, have students complete the L section and answer the questions at the bottom of the worksheet.

## **Viewing Guide:**

We recommend that teachers show the video segment twice: first to allow students to view the video and focus on the issues presented, and second to allow them time to complete the viewing guide. After they complete the viewing guide, allow students a few minutes to work in pairs to share and verify answers.

## **Answers to Viewing Guide**

1. abatements
2. competitor
3. intentions
4. subsidies
5. families
6. health
7. influence

---

# Corporate Welfare

---

## Viewing Guide

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Teacher \_\_\_\_\_

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

1. The city of Memphis has a program called the Economic Development Growth Engine // to entice new businesses to move to the city. One way it does this is by offering large property tax \_\_\_\_\_.
2. You're basically asking people to pay more tax dollars in order for their \_\_\_\_\_ to succeed over them.
3. Many such programs begin with good \_\_\_\_\_ but they result in unintended consequences.
4. It's the big guy who have [has] the resources, not just to lobby in Congress, but to actually have entire shops to try to get and maximize the amount of \_\_\_\_\_ that they're getting.
5. Jeff and Zach raise hogs, cattle, vegetables and poultry. They sell primarily to \_\_\_\_\_ and restaurants in the area.
6. They basically came up with a story that small farms processing chicken on the farms is a \_\_\_\_\_ risk.
7. So local politicians took a closer look without the \_\_\_\_\_ of the agricultural lobbyists.

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

What was one unintended consequence of enticing IKEA to open in Memphis? \_\_\_\_\_

\_\_\_\_\_

Do you think it's right that some businesses are given tax advantages over other businesses? Why/Why not? \_\_\_\_\_

\_\_\_\_\_

## **Discussion and Analysis**

1. What does the term "corporate welfare" mean and how is it illustrated in the case of IKEA in Memphis?
2. Do you think offering property tax abatements is a good strategy for cities to attract the same types of businesses that already exist in a city? What about ones that don't exist? Explain.
3. Why might John Stossel call tax breaks "government handouts"?
4. Discuss the unintended consequences mentioned in the video. What does it mean that they are "unintended"? Does "unintended" mean that they could not have been foreseen? Why/Why not?
5. When Ikea agreed to create 175 jobs, what unintended consequence was not foreseen that should have been? Why do you think it wasn't foreseen?
6. According to the video, why do some farmers choose to raise crops such as corn and soybeans?
7. How does lobbying by large agricultural businesses impact government policies and subsidies? Do you think it's fair? Why/why not?
8. If not for social media, what might have happened to Jeff and Zach's business? What role can social media play in advocating for change? How? How do government attempts to get social media companies to censor speech on their platforms impact this ability to affect change using these channels?
9. Do you know of any local examples similar to the two examples in the video?
10. The video informs us that two years later, Ikea didn't have as many jobs as it promised. Should there be any consequences?
11. It's estimated agribusiness spent over \$135 million on lobbying. Why do businesses spend so much to influence politicians?
12. Some people say that businesses need to lobby to protect themselves from government regulations. Others say that businesses shouldn't be allowed to lobby. What does this suggest about the power of government?
13. Restaurant owner Pete Eshelman says, "It's all about eliminating competition." What did he mean by that? What evidence in the video supports that claim?

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

1. IKEA said, "Oh, we're interested in coming to the Memphis area. We think it would be a great fit for us." But obviously with that, they also said, "Well, how much money you're [sic] going to give us before we decide whether we're going to come or not?"

2. As always, the abatements are complex, and so it's the big companies with lots of lobbyists and lawyers that are able to figure these out.
3. You're really pitting these gigantic corporations who know the government and have tons of lobbyists, against mom and pop shops in our community that we're trying to save. You're basically asking people to pay more tax dollars in order for their competitor to succeed over them.
4. I...think it's essentially just not the role of government to give money to big corporations at the expense of small business owners.
5. There's only one IKEA in Memphis, but there's 15-20 independent furniture stores in Memphis. Where's our tax break?
6. Farmers choose to raise corn and soybeans because those are the crops that there's government-guaranteed revenue insurance.
7. It's estimated that in 2019 alone, agribusiness spent over \$135 million on lobbying.
8. They basically came up with a story that small farms processing chicken on the farms is a health risk.
9. People were telling us that they would call, and they actually would lead with, "Is this about the chicken thing?" when they picked up the phone.
10. The opposing side was not only represented by state regulators, but also by large agricultural lobbying interests, including the Indiana Farm Bureau, the Indiana State Poultry Association, the Indiana Pork Producers Association.
11. One small victory amidst America's growing welfare for the rich.

### **Quotes for Discussion:**

Governments spend all their time trying to get big companies to relocate their headquarters and they end up subsidizing the move with tax breaks. And companies that relocate their headquarters are often not meaningful job creators.

– Brad Feld

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 our culture.

– Charles Koch

Old models of development simply seek to lure business with substantial tax breaks and then hope (and pray) that economic benefits will trickle down to residents. It has not worked for our city in the past, and it will not work for the future city that we all hope to see.

– Rashida Tlaib

Too often government responds to the whispers of lobbyists before the cries of the people.  
– Andrew Cuomo

We work for the families back home, we do not work for the lobbyists that prowl the halls of the capital building, do not forget who we work for.  
– Brian Schweitzer

Indeed, explicitly designing tax credits so that larger firms receive all or most of the benefit means lawmakers are helping those larger firms entrench their dominance, making it easier for them to lower prices, expand operations, or make investments, because some portion of their costs are covered by the taxes paid by their competitors.  
– Pat Garofalo

Instead of preferential policies, the government can best help small business – and other segments of the economy – by creating an environment conducive to productive behavior. This means low tax rates, low levels of regulation, and a stable legal structure that protects property rights.  
– Veronique de Rugy

### **Activities:**

1. Have students complete the K-W-L chart in class or for homework. (Recall that the K and W sections are to be completed before watching the video and the L section after watching the video.)
2. Have students complete the political cartoon activity in class or for homework.
3. Have students complete the exit ticket at the end of class.
4. Conduct a classroom debate on whether tax abatements for businesses should be allowed. 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.
5. Have students research what lobbyists do, where many of them start their careers, and the salaries of lobbyists. Have students research and prepare a slideshow that presents the historical origins of lobbyists and their effects on laws and governments. Have them explain the influence of lobbying and political connections on government subsidies and regulations in the agricultural industry and if it's beneficial to citizens, and why many businesses see lobbying as a necessary function.
6. Research a high-profile effort by elected officials to encourage a large business to open in a community or state, (for example, an Amazon warehouse, or a factory, or even a professional sports team to move to a community). Prepare a slideshow that highlights the types of abatements/incentives being offered by the local and/or state government. Have students review and explain the local citizens' and politicians' arguments, and what the companies promised to the local area. Finally, have students explain whether the company ended up relocating and what the results were, for example, did the benefits promised by politicians and the companies come to fruition, and were there unintended consequences.

7. Watch the video "Welfare for the Rich," and research one of the stories in which taxpayer money was given to millionaires and billionaires, or used to support their business. Create a presentation about how much government money was used, what the promised benefits would be, and whether the benefits actually materialized. Were there other costs and/or unintended consequences?  
<https://stosselintheclassroom.org/welfare-for-the-rich/>
8. Watch the video "Sugar's Sweetheart Deal," and research the U.S. sugar program. Create a presentation that explains to the class why the deal was enacted, why it still exists, what the costs are to consumers and taxpayers, and what the benefits are to the corporations. Also, look at how much money is spent on lobbyists that work for the sugar industry. Finally, relate it back to the Corporate Welfare video. <https://stosselintheclassroom.org/sugars-sweetheart-deal/>
9. Read "[Government Subsidies for Business](https://www.investopedia.com/articles/basics/11/introduction-to-government-subsidies.asp)," and create a presentation for the class about subsidies. Discuss how subsidies benefit businesses, and what industries they are used in most. Based on the video "Corporate Welfare," explain whether you think the article thoroughly explains subsidies, and if not, what information should have been included in the article.  
<https://www.investopedia.com/articles/basics/11/introduction-to-government-subsidies.asp>
10. Ask students to think about how they can get companies to absorb the risks and costs associated with moving into communities/cities, and how such a move it could be mutually beneficial to both parties. Then, create groups of students and have them brainstorm, research, and present possible ways that they can make a deal like Ikea in Memphis more favorable for all parties (the company and citizens).
11. Produce a "man-on-the-street" video in which students ask people whether they would like a major company to open a business in their town. Would the interviewees be willing to provide financial incentives to lure the company to the town? You might want to ask what they perceive the benefits would be, and if there are any negative consequences. Present your video to the class.

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_ Period \_\_\_\_\_

Teacher \_\_\_\_\_

## Corporate Welfare

### 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 answer the questions in the boxes below the K-W-L chart.

<b>K</b>	<b>W</b>	<b>L</b>
What I know about corporate tax abatements and lobbyists...	What I want to know about corporate tax abatements and lobbyists...	What I've learned about corporate tax abatements and lobbyists...
How do tax breaks to businesses impact ordinary citizens?	Why might politicians not see unintended consequences of tax breaks?	How would you feel if you owned a small business mentioned in the video?

**Name**

Admit One

Tax abatements to businesses usually don't benefit taxpayers because:

---

---

---

---

---

Admit One

**EXIT TICKET**

**Name**

Admit One

Tax abatements to businesses usually don't benefit taxpayers because:

---

---

---

---

---

Admit One

**EXIT TICKET**

**Name**

Admit One

Tax abatements to businesses usually don't benefit taxpayers because:

---

---

---

---

---

Admit One

**EXIT TICKET**



Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_ Period \_\_\_\_\_

Teacher \_\_\_\_\_

## Corporate Welfare Political Cartoon Activity



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

Briefly describe what is happening in the political cartoon. \_\_\_\_\_

\_\_\_\_\_

Who do the "boys" represent? \_\_\_\_\_

\_\_\_\_\_

What does the person handing out the check represent? \_\_\_\_\_

\_\_\_\_\_

How does the political cartoon correlate to the video? \_\_\_\_\_

\_\_\_\_\_

Is the political cartoon a fair representation of what happens in America? \_\_\_\_\_

Why/ Why not? \_\_\_\_\_

\_\_\_\_\_