



CORPORATE WELFARE: WHERE'S THE OUTRAGE?

A Personal Exploration by Johan Norberg

Engagement ToolKit Discussion Questions

Oil vs. Education: Funding Big Oil with Tax Subsidies

We saw that Industrial Tax Exemption (ITEP) granted a 10-year exemption from local taxes, and the decision was made at the state level; the local representatives had little to no say. The money that could be used for schools and community infrastructure instead is going to large oil and petrochemical companies.

- ❖ Is there a similar corporate welfare situation in your community, where a large company that should be able to pay local taxes has been given an exemption?
- ❖ Have the results of providing a tax exemption been a benefit to your community? How?
- ❖ If your community received the tax money, where would you do with it?
- ❖ What can you do to help bring the money back into your community?
- ❖ Many cities and counties fear that if they do not provide tax exemptions, other cities and counties will, and they will lose out on companies that could create more jobs. How should local representatives measure the marginal cost/benefit analysis of what they offer, i.e., are they getting good ‘bang for the buck?’

Some Assembly Required: Tax Giveaways for the New Guy

Many cities offer tax abatements, as Memphis did with IKEA, in which the corporation’s property taxes are waived for a period of years with the promise of well-paying jobs.

- ❖ Has your city offered tax abatements to large corporations as an incentive to set up shop there?
- ❖ What, if anything, should happen if the number of promised jobs is not delivered?
- ❖ Do you think tax abatements are fair to “already-there” stores? Should established stores get a tax break as well?
- ❖ Do you think tax abatements are an effective tool to attract new businesses? Explain why or why not.
- ❖ What do you think would be more fair and effective in attracting businesses to your city?
- ❖ How can you ensure your city uses fair practices in attracting new business so it doesn’t harm the city’s current businesses?





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Million Dollar Condos: Poor Neighborhoods Fund Upscale Developers

Cities have used tax Increment Financing (TIF) for more than 40 years to help fund urban regeneration. In the City of Chicago, we saw that the TIF freezes the property taxes for 23 years for an area designated blighted. That made the area attractive to developers. The TIF also mandates that any revenue from future property tax increases of the subsequently developed properties go into a discretionary spending account controlled by the mayor.

- ❖ Has TIF been used in your city to develop “blighted” areas? If so, who designates blighted areas?
- ❖ Has the use of TIF benefitted your city or community? Explain.
- ❖ Do you think TIF diverts city tax revenues from your schools and other essential community services?
- ❖ Do you think the structure of Chicago’s TIF account incentivizes the mayor to designate more blighted areas? What about incentivizing distribution of TIF funds?
- ❖ Do you think the TIF policy lead to gentrification? Is this a good thing or a bad thing?
- ❖ In Chicago, 50% of the Mayor’s TIF fund is spent in non-blighted areas. Should the money have to be spent in the area it came from? Explain why or why not.

Farm Subsidies: Big Money. Big Farms. Bad Food.

There were three independent small farmers interviewed for this documentary, each with different stories. One farmer fought a policy designed to eliminate competition from larger corporations; one farmer is operating without government subsidies, which mostly go to farms growing corn and soybeans in their community; the other farmer is growing healthy food for his food-desert community, without subsidies.

- ❖ Do you think the agricultural subsidies that started in 1933 should still continue now that the Great Depression is over? Why?
- ❖ Are there any farms in your community or state that are prospering without government subsidies? What do they grow/produce?
- ❖ Do you think taxpayers should subsidize the sugar, wheat, and corn industries?
- ❖ Should the government subsidize farmers growing fruits, vegetables, and clean protein, to match what the USDA is recommending people eat?





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- ❖ If legislatures are going to subsidize farmers, should it be family farms or large farming corporations?
- ❖ Should the U.S. government stop subsidizing all farmers, as the New Zealand government did?
- ❖ How do you keep larger firms from buying up smaller farms in pursuit of the subsidies?
- ❖ Are you aware of any food deserts in your city or state?
- ❖ Should the government subsidize food desert farms, like Peace Gardens and Farms, to accommodate the demand for food?
- ❖ Do you think family farms, like the J.L. Hawkins farm profiled in the *Farm Subsidies* segment, should be able to sell their chickens to the public as long as they're following basic sanitary practices?

The Crash: When Government Decides Who Survives and Who Fails

By the 1990s, Fannie Mae and Freddie Mac's loan acquisitions were 58% subprime with 84% paying interest only and 67% subprime with 97% paying interest only, respectively. John Allison says cronyism was involved in the government deciding what banks should survive or fail.

- ❖ Do you know anyone caught in the 2008 crash?
- ❖ How did the 2008 crash affect you and your community?
- ❖ Should government-sponsored enterprises, like Fannie Mae and Freddie Mac, acquire so many subprime loans? Why or why not?
- ❖ What disciplinary effect do markets provide to a bank that would make such a high number of subprime loans? Are GSEs like Fannie and Freddie subject to the same disciplinary forces?
- ❖ John Allison said he would have let the banks who were failing...fail. Do you agree?
- ❖ Should the Federal Reserve be able to direct which banks – not can, but which must – acquire other banks? Explain your position.
- ❖ In the segment, we learned that both solvent banks and insolvent banks had to take bailout money from the federal government in order to make it look like an industry-wide problem rather than certain banks. Is that how you would have handled it?
- ❖ Allison said those decisions were cronyism. Do you agree?





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- ❖ If your banker friend was failing because of a government mandate, and it was within your power to save that person by making all other banks cover up the problem, would you do it or let your friend's bank fail?
- ❖ Should the federal government lean on banks to make an increasingly higher percentage of their home loans to sub-prime borrowers, or would most of such people be better served living in an apartment? For some of these individuals, it was their first and only home.
- ❖ Is there another way the government could help such borrowers without distorting the loan market?
- ❖ Is there anything you can do in your community or state to make sure this problem does not occur again?

On the Open Road: What Happen When Government Steps Back?

The Motor Carrier Act of 1935 gave the federal government complete control of the trucking industry, including where you could go and what you could charge. This primarily served unions and their political benefactors. The Motor Carrier Act of 1980, a bipartisan effort, deregulated the trucking industry.

- ❖ Ultimately, which act do you think is better for the trucking industry? What about for the general population? Why?
- ❖ Should we be deregulating other industries? Which ones and why?
- ❖ Do you think that legislatures and corporations work together at the expense of smaller businesses? Explain.
- ❖ Should government and larger businesses be able to legislate barriers to entering a field, effectively screening out competition from smaller firms? Why or why not?
- ❖ Are there any examples of how deregulating the trucking industry has affected you or your community?

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