

SPECIAL REPORTS

JOHN STOSSEL FREELOADERS

Subjects: Social Studies

Grade Levels: 9–12

Running Time: 45 minutes

INTRODUCTION

Born in 1947, John Stossel is a 1969 graduate of Princeton University, where he earned a BA in psychology. He started his journalism career as a researcher for a Portland, Oregon, television station. When ABC News first hired him, Stossel became the consumer editor on *Good Morning America*. He joined the ABC News show, *20/20*, in 1981 and rose to the role of co-anchor (with Barbara Walters) in 2003. (In 2004 Elizabeth Vargas replaced Barbara Walters, joining John Stossel at *20/20*'s anchor desk.)

Stossel began hosting his own one-hour specials in 1994. On these and on his *20/20* opinion segment called "Give Me a Break", he deals with topics ranging from economics to pop culture to politics to censorship to widely believed but unfounded fears. Stossel has received many honors for his work, including 19 Emmy Awards.

This program is divided into three segments. Students may view and discuss the segments separately or together. This guide provides sets of discussion questions and a worksheet to accompany each segment.

You might use this program as part of a social studies or language arts unit focussing on critical thinking, drawing conclusions, and identifying facts and opinions. Help students distinguish verifiable facts from opinions. If some students disagree with conclusions that are drawn, encourage them to articulate why. Ask them to do library and Internet research to back up their views. Help them find impartial sources and detect biased sources.

Also encourage students to use critical thinking to analyze their own "mindsets" in favor of—or against—various popularly held beliefs. Challenge them to ask themselves why they believe as they do. From whom have they learned their beliefs? From the news media? From family members and friends? From politicians? From books, TV shows, or movies? What evidence can they cite to support their opinions? What are their sources?



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OBJECTIVES:

The student will:

- explore ethical, philosophical, sociological, and economic issues such as responsibilities and powers that the U.S. government—as opposed to individual Americans and private businesses—should reasonably possess;
- use critical thinking to detect faulty logic and distinguish between fact and opinion;
- determine whether to accept sources' opinions as valid, based on their credentials and the kinds of evidence they present;
- begin to develop the habits of mind that historians and scholars in the humanities and social sciences employ to study the past and its relationship to the present in the United States;
- begin to become informed, responsible and competent citizens in our participatory democracy.

ON THE DVD:

Scene Selection

The DVD is divided into 5 chapters. This allows the user to show the whole program or to enter at different points in the program.

The educator's guide is set up so that the program can be viewed a few chapters at a time. Following each segment, there are discussion questions, as well as a student response sheet.

DVD chapter	approximate length	DVD chapter title
1	10 minutes	The Incentive to Freeload
2	9 minutes	Using Government to Freeload
3	8 minutes	Panhandlers and the Needy
4	15 minutes	Corporate Welfare
5	3 minutes	Concluding Comments

Also Available

Includes a segment from *Teaching Tools for Microeconomics from John Stossel* and another segment from *Teaching Tools for Macroeconomics, Government and International Trade from John Stossel*.

THE INCENTIVE TO FREELOAD

DVD Chapter 1 (10:00)

Use with Response Sheet #1

Concept: There is no such thing as a free lunch

There are always strings attached. Even free promotions have the string of obligation attached. Receiving something for free makes a person feel obligated – or at least inclined to buy the product or service in the future. There is always a trade-off between cost and benefit. Even pan-handling has a cost – the time involved and the loss of reputation.

Concept: Connecting work and reward

When costs are separated from benefits, people will free-load. Unless taught otherwise, humans tend to follow the path of least resistance. This is one of the problems with federalized welfare. Does a faceless bureaucracy in Washington, D.C., know who deserves help and who is free-loading in your community? It treats them all the same, severing the connection between work and reward.

Concept: Property rights

Property rights are the foundation for any and all human rights. Private-property rights solve common ownership and free-riding problems by allowing owners to exclude others. No teenager would work to earn the money to buy a bicycle that was to be used by anyone else who wished to do so. Respecting and enforcing property rights under the rule of law provides a barricade against freeloading. Universally accepted property rights also prevent the rule of force.

Discussion Questions:

1. Under what circumstances is it okay to take the property of others?
2. Give examples of incentives to freeload.
3. What effect do freeloaders have on the behavior of other people?
4. How do people justify: Stealing towels from hotels? Stealing pens from work? Keeping change when a clerk overpays you? Shoplifting?
5. Is there a cost when people freeload? Who bears that cost?



USING GOVERNMENT TO FREeload

DVD Chapter 2 (9:00)

Use with Response Sheet #2

Concept: Rent seeking – using government to gain favor

Rent seeking occurs when special-interest groups attain advantages or privileges through the political process. This is also known as political entrepreneurship. Frederic Bastiat, a 19th-century French politician, said, “The State is that great fiction by which everyone tries to live at the expense of everyone else.”

Concept: Sources of government revenue

Government has only one source of revenue: taxes. Every dollar it spends, gives away or wastes comes from your pocket. While revenue from excise taxes and such may come from foreign sources, the point remains the same—the government has no money of its own.

Concept: Constitutional law vs. legislative law

Constitutional law is intended to set limits on what laws can be legislated. Without this restraint a majority of the citizens could enslave the minority of citizens, force the minority to practice a certain religion, restrict what businesses the minority groups could operate, etc. To prevent this, citizens agree to a constitution that prohibits certain behavior and limits the power of government.

Legislative law is whatever law legislative bodies can pass. In theory, the Supreme Court checks all laws to ensure their constitutionality, but courts change their views and legislative law can undermine constitutional law.

Discussion Questions:

1. Can sports team owners force everyone to send them a check to help build a new stadium?
2. How does this differ from having government provide the funds?
3. Can a government exist that follows the same rules as its citizens?



CREATING DEPENDENCY

DVD Chapters 3, 4 and 5 (26:00)

Use with Response Sheet #3

"The poor and disadvantaged, pulled into the government's social welfare industry machinery, were turned into passive 'clients' to service and lead by the hand into poverty limbo. This government-knows-best policy ... stifled the initiative of small entrepreneurs with programmed-to-fail bureaucratic restrictions." -- Robert Woodson

Panhandlers and the Needy - Chapter 3 (8:00)

Concept: Dependency and incentives

Dependency is created when incentives to work are removed, yet benefits are still received. Whether the benefits come from the government, your parents or a rich uncle, the effect is the same; you will make no effort to become self-sufficient. Those who are dependent have few choices; they must accept whatever is "given" to them.

Concept: Comparing government and private charities

Marvin Olasky, in *The Tragedy of American Compassion*, thoroughly compares the differences between private and government charities. The key difference is that government charities view welfare as a right, to be had by all who need it. Private charities view it as a privilege, deserved only by those who are willing to make positive changes toward self-sufficiency.

Thus we see private charities have a built-in plan to get you off of welfare, thereby eliminating dependency. The government, on the other hand, convinces you that you are "entitled" to this aid, and expects few changes in behavior. With this approach, dependency is nearly certain.

Discussion Questions:

1. How do you distinguish the needy from freeloaders? Should this be a concern?
2. Should the poor be expected to work in exchange for assistance? Why or why not?
3. If you pay people not to work, what is the logical outcome?
4. Is changing behavior a goal of charity? Explain.

Corporate Welfare - Chapter 4 (15:00)

Concept: Government as a source of competitive advantage

Political entrepreneurship seeks to gain advantages in the marketplace by seeking favor from the government; farmers ask for subsidies, industries want quotas and tariffs. Market entrepreneurship seeks to gain advantages in the marketplace through creating a better product, lower prices, better marketing, etc.

Concept: Special-interest lobbying

Special-interest groups lobby Congress for laws that favor their interests. While they are an effective way to have citizen opinions heard by Congress, the danger comes when the government begins benefiting one group of citizens at the expense of others. This breeds hatred among various groups of citizens, as they see each other as obstacles to their success, with only the government capable of "saving" each group. Eventually, this leads to what the 17th-century political philosopher, Thomas Hobbes, called "a war of all against all."

Concept: Defining the role of government

The role of government, according to the Founding Fathers, was to protect "life, liberty and the pursuit of happiness" – to guarantee that we will be safe in our persons, property and papers. Essentially, government was to serve as a "night watchman," keeping us safe, protecting our property and redressing our grievances. The pursuit of happiness and prosperity is left to us.

Discussion Questions:

1. Why does government subsidize businesses?
2. Does everyone benefit when government helps a business? Who loses?
3. How do politicians benefit when government helps a business?
4. Can government "create" jobs?

Concluding Comments - Chapter 5 (3:00)

(Discuss after watching Chapter 1 – The Incentive to Freeload.)

1. Why do people always want to minimize costs and maximize benefits?

2. When the celebrities insisted on keeping products used in magazine photo sessions, was the editor right in calling that freeloading?

3. Do you agree that sponging is what the folks who invest on Wall Street do? Explain.

4. Consider the freeloading possibilities in the employer/employee relationship. What activities that “everybody does” would be described as employee freeloading?

(Discuss after watching Chapter 2 – Using Government to Freeload.)

1. "Only poor welfare recipients and panhandlers unfairly freeload." Critically evaluate this statement.

2. Has Stossel really presented the evidence necessary to convince you “beyond a reasonable doubt” that taxpayer-built sports facilities are not valid business investments? Explain.

3. Governor Thompson tells Mr. Stossel that they did not build the new White Sox stadium to make money. What other incentive could there be?

4. What economic concepts can be applied to the non-financial aspects of social decision-making by government bodies?

5. Stossel and economist Walter Williams clearly have doubts about lobbyists. How can government officials pass good laws if they don't have accurate, expert information?

RESPONSE SHEET #3

(Discuss after watching Chapter 3 – Panhandlers and the Needy & Chapter 4 – Corporate Welfare.)

Use these questions as a starting point for discussion and further research. Also jot down any questions that come into your mind as you view the show.

1. How could trillions of dollars spent on the poor fail to reduce the percentage of children living in poverty?
2. If government didn't help the poor, would individuals do it voluntarily or would the poor starve? Explain.
3. What effect would you expect progressive taxation – or higher tax rates used to finance welfare programs – to have on the incentives to create wealth?
4. What effects would a government-guaranteed income have on the incentive to work? On an individual's work ethic?
5. In the video, the temporary employment agency was unable to fill 75 to 100 jobs a day because "nobody wants to work." If the jobs do not pay enough to support an individual – let alone a family – is that a failure of the market system? Explain.

FINAL RESPONSE SHEET

(Discuss after watching all five chapters.)

Use these questions as a starting point for discussion and further research. Also jot down any questions that come into your mind as you view the show.

1. Adam Smith argued that if they are given the freedom to do so, people will generally act in their own best interest. Do the freeloaders shown in this video confirm or contradict Smith's assertion? State your answer by giving examples of lower-, middle-, and upper-income freeloaders.
2. Provide a listing of government-run programs and private organizations that exist in order to help the needy. In your opinion, which of the programs work best? Which ones are the least productive? Why?

KEY WORDS AND CONCEPTS

common ownership

diminishing marginal utility

equilibrium

expectant reciprocity

freeloaders

marginal-opportunity cost

private-property rights

public-choice theory

public-interest theory

rational ignorance

rent seeking

scarcity

special-interest groups

transaction costs

War on Poverty

workfare

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SPECIAL THANKS

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