

As Seen On Public Television

OF BIG TO FAIL?

Sweetheart insurance deal hurts consumers

Tampa Bay Times Editorial

**THE RISING COSTS OF
U.S. INCOME INEQUALITY**

The Huffington Post

**Justice Department Sets Sights
on Wall Street Executives**

The New York Times

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Video Page



Too Big to Fail Teacher's Guide

This Teacher's Guide includes the following:

- Suggested Lesson Plan
- Preview Questions
- Key Terms
- Viewing Guide
- Discussion Questions
- Activity: Who Chooses
- Quiz
- Enrichment and Integration Activities
- Cloze Activity
- Quotation Exercise
- Main Idea / Detail Frame
- Answer Key

Suggested Lesson Plan

These materials may be used in a variety of ways. For maximum benefit, we suggest the following lesson plan:

- As a class, discuss the Preview Questions and Key Terms.
- Distribute copies of the Viewing Guide for students to use as a note-taking tool during the video.
- Play the video, pausing if needed to facilitate understanding and note-taking. (Note: You may want to turn on subtitles and/or provide students with a copy of the transcript, available on the izzit.org website.)
- Review and discuss answers to the Viewing Guide using Answer Key as a guide.
- Use Discussion Questions to spark class discussion, or assign these questions as homework.
- As a class or in small groups, complete the Who Chooses Activity.
- Replay the video as preparation for the Quiz.
- Administer and grade the Quiz using Answer Key as a guide.
- Have students work in pairs on the Quotes Activity (See Enrichment Activities for directions).
- Optional: Assign one or more Enrichment Activities as homework.

Too Big to Fail

Preview Questions

(These questions are meant to be read aloud by the teacher or be used in a Think, Pair, Share exercise.)

1. Have you supported any businesses this week? Which ones?
2. Did you do so voluntarily? Why?
3. Should you be forced to support a business? Explain.
4. What are some reasons businesses lose money?
5. What should happen when they do? Why?

If using Think, Pair, Share, ask the students to look for similarities and differences in their answers and to discuss why they answered the way they did. After a few minutes, poll the students and ask them to explain their answers.

A video explanation of Think, Pair, Share:

<https://www.teachingchannel.org/videos/think-pair-share-lesson-idea>

Too Big to Fail

Key Terms and Definitions

Britannia – Greek and Roman term for the area inhabited by Britons, now used to refer to Great Britain.

Burgeoning – v., rapidly growing or increasing

Competition – v. the act of striving to gain or win something by defeating or establishing superiority over others who are doing the same.

Corruption – n. dishonest or fraudulent behavior by those in power, often involving bribery.

Crony Capitalism / Cronyism – involvement by government in the economy, in the form of regulations or tax policy, to assist certain companies or sectors, usually at the expense of consumers, taxpayers, or other companies or sectors.

Curator – n. a person who oversees a collection at a museum.

Epitome – n., a typical or excellent example

Free Market – n. an economic system in which production and prices for goods and services are determined through competition between private businesses and not controlled by a government.

Lobbying – v. to seek to influence someone (usually a politician or public office) on an issue in a way that will benefit the individual, company, or organization doing the asking.

Monopoly – n. exclusive control of a good or service in a particular market.

Philosopher – n., a person involved in rational inquiry into knowledge and truth, and who seeks wisdom and enlightenment

Political Pork – n., the use of government money to benefit certain individuals, places, organizations, or companies

Resilient – adj., able to withstand or adjust to adversity

Scottish Enlightenment – eighteenth century Scotland experienced a flourishing of rational thought and a focus on reason as the best way to improve the human condition. This period is often described as Scotland’s “Golden Age.”

Too Big to Fail – the belief that the financial health of a company is so important to the economy that the government has a role in ensuring the solvency or success of that company.

Name: _____

Date: _____

Too Big to Fail **Viewing Guide**

1. What happens when wealthy businesses and special interests convince _____ to give them favors and deals?

2. Some of that debt can be blamed on what was perhaps, the greatest state-supported _____ company in history.

3. The story of the East India Company highlights how easy it is to divert _____ resources for private gain.

4. So, it is East India Company tea that is thrown into the harbor at _____. Now, it might be too much of an exaggeration to say that the East India Company's monopoly caused the American Revolution, but it was definitely a factor.

5. Lobbying pays very well. And not just for the lobbyists. The real payoffs go to the _____ they represent.

6. But now almost 40% of the nation's corn crop goes into making ethanol, which has driven the price of corn way up. It makes corn farmers and processors happy because it gives them a _____ profit. But all of us have to pay more for foods that use corn, especially meat and poultry.

7. This is Adam Smith's key insight: _____ is not a way of giving power to companies. It's a way of giving us power over them.

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

What was the most important lesson you learned watching this video?

Too Big to Fail

Discussion Questions

You don't have to use all of these. Choose the ones you wish to use with your students. Divide them into groups and assign different questions to each group. Do what best suits your classroom and your students.

1. In the beginning of the video, Johan Norberg asks: "What happens when wealthy businesses and special interests convince politicians to give them favors and deals?" What does happen?
2. What is the term used for government granting business special privileges or protection?
3. Adam Smith was a fan of free markets. Was the East India Company an example of free markets? How do free markets differ from the system the East India Company operated in?
4. How powerful was the East India Company?
5. What are some examples of the British government helping the East India Company?
6. According to Johan Norberg, the East India Company is an example of diverting public resources for private gain. How so?
7. Why did the British government support the East India Company when it was not profitable?
8. What was the connection between the East India Company and the Boston Tea Party?
9. What did the Founding Fathers learn from their experiences with Britain and the East India Company?
10. Luigi Zingales said that if you feed wild animals they lose their ability to gather their own food in times of need and so their survival is at risk. How does this relate to businesses?
11. When the government officials are trying to help certain businesses, do they tell us that? What reasons might they give us for their actions?

12. Why have the suburbs around Washington, D.C. become the wealthiest? What do those changes signify? Is that good news for us or bad news? Why?
13. Luigi Zingales said that when businesses benefit from lobbying more than they do from research and development, businesses will invest more in lobbying and less in R&D. How might that affect consumers?
14. How does the ethanol example relate to cronyism?
15. What are some effects of using ethanol?
16. What are some of the criticisms of forcing the use of ethanol?
17. How is it that competition gives individuals power over companies rather than give companies power over individuals?
18. How does cronyism change the power that businesses and people have?
19. What is the difference between pro-market and pro-business?

Too Big to Fail

Activity:

Who chooses? Who benefits? Who pays? What's fair?

[These four questions can be a useful tool for evaluating any policy or system. Posing the questions is a great way to stimulate critical thinking.]

As a class, or in small groups, discuss the following:

(For each question, think broadly about all the possible people or groups of people who may be affected, and remember there may be non-monetary costs and benefits.)

- I. Who chooses which companies succeed and which companies fail?
- II. Who benefits from government involvement in the marketplace?
- III. Who pays for government assistance to certain businesses?
- IV. What's fair about competition in the marketplace?

Related questions:

- Who chooses which businesses get government help? How is that decided?
- Who chooses what kind of help businesses get?
- Who chooses what companies are considered too big to fail?
- Who benefits from government-mandated use of corn ethanol?
- Who benefits from companies researching and developing new products?
- Who benefits from competition?
- Who pays for government regulations?
- Who pays when businesses fail?
- What is fair about government supporting businesses that lobby effectively over those that don't?
- What is a fair way to decide which business make money and which don't?

Name: _____

Date: _____

Too Big to Fail Quiz

1. The East India Company _____
 - A) was the beneficiary of a free market economic system.
 - B) freed India from British control with its large army and navy.
 - C) made its owners very wealthy.
 - D) was a monopoly that was supported by the British government.

2. Adam Smith is considered the _____
 - A) leader of the “too big to fail” movement.
 - B) inventor of crony capitalism.
 - C) father of economics.
 - D) best statistician from Scotland.

3. One reason the East India Company didn’t make big profits was that _____
 - A) it didn’t sell many products people wanted.
 - B) it had a huge army and navy that were expensive to maintain.
 - C) the government regulated the prices it charged and the wages it paid.
 - D) it lost so much money as a result of the Boston Tea Party

4. Adam Smith criticized the East India Company because _____
 - A) the company made too much money, which looked bad.
 - B) of its role in the Boston Tea Party.
 - C) it committed massacres in Bengal.
 - D) the company did not treat its workers well.

5. Government regulations and tax breaks _____
 - A) are in the best interest of everyone because they create jobs.
 - B) have to be voted on by elected officials.
 - C) are considered cronyism or crony capitalism.
 - D) affect all businesses equally.

6. In national parks, signs that say, "Please do not feed the animals" are posted to _____
- A) protect the animals from processed foods.
 - B) ensure that animals do not become dependent on people.
 - C) prevent the animals from liking humans.
 - D) encourage people to throw away food they do not want.
7. Competition _____
- A) is a way of giving companies power over people.
 - B) for a business keeps it dependent on government assistance.
 - C) is wasteful and must be regulated by the government.
 - D) is a way of giving consumers power over companies.
8. In the suburbs of Washington, D.C., house prices have increased dramatically because _____
- A) of the increase in the number of lobbyists in our nation's capital.
 - B) of the rise in the number of industry-based jobs as a result of an improved economy.
 - C) much of the land surrounding the capital has been declared national park land.
 - D) Congress has passed laws that restrict the number of lobbyists allowed to live there.
9. Corn-based ethanol _____
- A) is an excellent additive for gasoline because it is inexpensive.
 - B) has helped consumers because the price of corn has decreased since more is produced.
 - C) cannot be mixed with gasoline because of the dangerous fumes that result.
 - D) is a government-mandated component of gasoline sold at gas stations.
10. Lobbying can lead to reduced investment in research and development _____
- A) because it is more profitable.
 - B) because the government mandates companies spend 20% of its profits on lobbying.
 - C) when the company has high paid researchers who create new products.
 - D) when it is more profitable than researching and developing new or better products.

Too Big to Fail

Enrichment and Integration Activities

- I. Quotations Activity: Pair students homogeneously and, using the Quotations Activity, distribute a quotation to each pair of students. Have them read the quotation and explain, evaluate, or answer. Quotations vary in complexity and should be assigned based on student capabilities. This activity can be used as an exit ticket.

- II. Research and write a biography of Adam Smith.
 - For help writing a biography:
 - <http://www.infoplease.com/homework/wsbiography.html>
 - <http://homeworktips.about.com/od/biography/a/bio.htm>

- III. Read the article “Is Lockheed Martin too big to fail?” by Leigh Munsil and Austin Wright. Then either write a five minute summary talk to explain the article to your class or submit your summary to your teacher. Be sure to relate the article to the video *Too Big to Fail*.
 - <http://www.politico.com/story/2015/08/is-lockheed-martin-too-big-too-fail-121203>For help in speaking to a class:
 - <https://www.hamilton.edu/oralcommunication/tips-for-effective-delivery>

- IV. Read *The Theory of Moral Sentiments* or *The Wealth of Nations* and take Cornell Notes as you read the book.
 - For an online PDF version of *The Theory of Moral Sentiments* book:
https://www.ibiblio.org/ml/libri/s/SmithA_MoralSentiments_p.pdf
 - For an online PDF version of *The Theory of Moral Sentiments* book:
http://www.ibiblio.org/ml/libri/s/SmithA_WealthNations_p.pdf
 - For a clear, simple explanation of the Cornell note-taking system:
<http://coe.jmu.edu/learningtoolbox/cornellnotes.html>
<http://www.bucks.edu/~specpop/Cornl-ex.htm>

- V. Read and write a summary of the article “Cronyism Causes the Worst Kind of Inequality” by Noah Smith.
- <https://www.bloomberg.com/view/articles/2015-12-24/cronyism-causes-the-worst-kind-of-inequality>
- VI. Research the East India Company, the Boston Tea Party, or the Scottish Enlightenment and either write a report or present your findings to the class in a slideshow.
- For help preparing effective slideshow presentations:
<http://www.lifehack.org/articles/featured/10-tips-for-more-effective-powerpoint-presentations.html> https://www.youtube.com/watch?v=iF9_XmAqxJY – Effective Slide Design for Academic Presentations
- VII. Who are Johan Norberg, Luigi Zingales, and James Ottoson? Select one of these people from the video *Too Big to Fail* and research and write a biography of him. As an alternative, produce a biographical slideshow. Be sure to pay particular attention to the subject’s economic training and written works.
- For help writing a biography:
<http://www.infoplease.com/homework/wsbiography.html>
<http://homeworktips.about.com/od/biography/a/bio.htm>
- VIII. Produce a “man-on-the-street” video in which you ask people to explain crony capitalism. How to produce a man-on-the-street interview:
- <http://onemarketmedia.com/2009/02/16/seven-ideas-to-help-get-the-most-out-of-a-man-on-the-street-interview/>
- IX. Conduct a classroom debate about government helping certain businesses, or crony capitalism. Consider having them argue from a view with which they disagree. Students should be given time to research their position prior to debating. For help conducting classroom debates:
- <http://712educators.about.com/cs/lessonsss/ht/htdebate.htm>
 - <http://busyteacher.org/7245-conducting-class-debate-essential-tips.html>

- XI. Create a poster for your classroom about crony capitalism.
- XII. Using the information in the video *Too Big to Fail*, the website *AgainstCronyCapitalism.org*, or other sources, produce a tri-fold brochure to inform others about the consequences and costs of crony capitalism
- For help producing effective tri-fold brochures:
<http://www.friendsofbest.org/wp-content/uploads/2015/03/Three-Folds-12-Tips-creating-a-brochure.pdf>
- XIII. Read the article “GE Capital Is No Longer Too Big to Fail” by Steve Schaefer below and either write a summary of it or take Cornell Notes as you read the article.
<http://www.forbes.com/sites/steveschaefer/2016/06/29/ge-capital-is-no-longer-too-big-to-fail-treasury-says/#4c2ef49f3876>
- For a clear, simple explanation of the Cornell note-taking system:
- <http://coe.jmu.edu/learningtoolbox/cornellnotes.html>
 - <http://www.bucks.edu/~specpop/Cornl-ex.htm>
- XIV. Research Adam Smith International and present to the class a summary of the organization’s goals and programs, via a slideshow.
- For help preparing effective slideshow presentations:
- <http://www.lifehack.org/articles/featured/10-tips-for-more-effective-powerpoint-presentations.html>
 - https://www.youtube.com/watch?v=iF9_XmAqxJY – Effective Slide Design for Academic Presentations
- XV. Write a tweet, poem, or song about crony capitalism.

Name _____

Date _____

Too Big to Fail **Cloze Activity**

Directions: Read the entire passage first. Then fill in the blanks with words from the box.

colonies	consumers	trade	political
merchant	metropolis	national	profitable
capitalism	competition	lobby	conquests

Eighteenth century London didn't have cars or buses, but it was a huge, vibrant _____; and the center of important _____ debates. The problems of Smith's day were very similar to ours: poverty and unemployment, political pork, foreign conflict, runaway spending, and a burgeoning _____ debt.

Some of that debt can be blamed on the monopolistic East India Company. The company had its own army and navy and _____ ships, and accounted for much of the world's _____. The company even minted its own coins. But the East India Company was not very _____, in part because of its military _____ in India. As a result, the British government stepped in to help. The British government allowed the company to sell tea to the American _____ at a lower tax rate than local merchants could. This led to the Boston Tea Party.

Governments still give breaks to some businesses, usually the ones that _____ government officials for help or protection from competitors. Sometimes governments give companies tax breaks, other times they help them by limiting _____. Often, government claims these businesses are too big to fail. But helping certain businesses is done at the expense of other businesses and _____. This is called crony _____. Nearly 250 years ago, Adam Smith pointed out the problems that resulted from such behavior. Yet today, the behavior continues.

Too Big to Fail

Quotations Exercise

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

A: What happens when wealthy businesses and special interests convince politicians to give them favors and deals?

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

B: While a fan of free markets, Smith disliked crony capitalism and monopolies.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

C: In Smith's day, the East India Company accounted for much of the world's trade and had its own army of almost 70,000 soldiers. It ruled all of India.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

D: The story of the East India Company highlights how easy it is to divert public resources for private gain.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

E: If you think of Adam Smith's ideas of a free market, of free trade, the Company is the absolute antithesis of that.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

F: When it's not making a profit, when military conquests in India really is a drain on its finances, the British government has to step in to prop up the East India Company. Essentially the company becomes too big to fail.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

G: Because if you feed the wild animals they lose their ability to gather food in the wilderness and, as a result, they tend to be less resilient and their survival is at risk.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

H: I think that a similar sign should be put in Washington to say, “Please don’t feed business” precisely because I love business, I don’t want business to become fat and unable to compete in the global marketplace.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

I: Smith was very suspicious of partnerships between government and business. That’s effectively what we call cronyism today.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

J: All that money is basically money that is sucked from the system and wasted in lobbying.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

K: Lobbying pays very well. And not just for the lobbyists. The real payoffs go to the corporations they represent. Between 2007 and 2012, the corn ethanol lobby spent 139 million dollars and in return gained over 28 billion dollars in corn ethanol tax credits.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

L: To widen the market and to narrow the competition, is always the interest of the dealers...any new law or regulation of commerce ought always to be listened to with great precaution.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

M: But now almost 40% of the nation's corn crop goes into making ethanol, which has driven the price of corn way up. It makes corn farmers and processors happy because it gives them a guaranteed profit. But all of us have to pay more for foods that use corn, especially meat and poultry.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

N: So once you have this kind of return, then people will not invest in R&D. They will not invest in new sort of organizational form. They will not invest in new technology. They will not invest in new property plant and equipment. They will invest in lobbying.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

O: What Smith saw was that when business people go to the government and they say we want a special royal charter, we want special protections from competition, we are a vital national industry and we need special privileges, you've got to be careful, because when this happens, this is really people conspiring to protect their own interests at the expense of others.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

P: This is Adam Smith’s key insight: competition is not a way of giving power to companies. It’s a way of giving us power over them.

Names: _____ and _____

Read the quote from the video *Too Big to Fail*. Discuss the quote with your partner, and write your explanation, evaluation, or answer below.

Q: Corruption and inside deals may always be with us, but we must strive to minimize them. Remember Adam Smith believed that we should be “pro-market” not “pro-business” and we must be careful not to “feed the animals.”

Name: _____

Date: _____

Too Big to Fail Main Idea / Detail Frame

Directions: Work in pairs to complete the chart below after viewing the video and discussing it in class.

<p><i>Too Big To Fail</i> is about _____</p> <hr/> <hr/> <hr/>		
Main Idea 1:	Main Idea 2:	Main Idea 3:
Details:	Details:	Details:
Conclusions:		

Too Big to Fail

Viewing Guide Answer Key

1. politicians
2. monopolistic
3. public
4. Boston
5. corporations
6. guaranteed
7. competition

Quiz Answer Key

1. D) was a monopoly that was supported by the British government.
2. C) father of economics.
3. B) it had a huge army and navy that were expensive to maintain.
4. C) it committed massacres in Bengal.
5. C) are considered cronyism or crony capitalism.
6. B) ensure that animals do not become dependent on people.
7. D) is a way of giving consumers power over companies.
8. A) of the increase in the number of lobbyists in our nation's capital.
9. D) is a government-mandated component of gasoline sold at gas stations.
10. A) because it is more profitable.

Cloze Activity Answer Key

1. metropolis
2. political
3. national
4. merchant
5. trade
6. profitable
7. conquests
8. colonies
9. lobby
10. competition
11. consumers
12. capitalism

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