

# JOHN STOSSEL GREED

**Subjects:** Social Studies

**Grade Levels:** 9–12

**Running Time:** 43 minutes

SPECIAL REPORTS



## 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;
- begin to understand and appreciate differences in historical, political, and economic perspectives, recognizing that people's experiences, societal values, and cultural traditions influence their viewpoints.

## ON THE DVD:

### *Scene Selection*

The DVD is divided into 6 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	9 minutes	Everybody Wants More
2	6 minutes	The Creation of Wealth
3	5 minutes	The Role of Profits
4	8 minutes	Free Markets and Self-Interest
5	9 minutes	Dividing the Economic Pie
6	6 minutes	Charity and Self-Reliance

### *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 PERVASIVENESS OF HUMAN GREED

*DVD Chapters 1 and 2 (15:00)*

Use with Response Sheet #1

## Everybody Wants More - Chapter 1 (9:00)

Each of us is “self-interested.” We want good things for ourselves: more money from our jobs, lower rent, cheaper prices, etc. The scarcity of goods leads to pricing; the seller sets the price he will accept and from this we decide whether we value more the object, or the amount of money being asked for it.

**Concept:** Conspicuous consumption

While we all may pay more for a name-brand product for various reasons, conspicuous consumption refers to lavish spending, often in order to gain social prestige. Buying a Ferrari sports car says to the world, “I don’t have to worry about money, I’m very successful.”

**Concept:** Competition

Businesses compete with each other for the dollars of consumers. Consumers reward products they like with their dollars. Consumers compete with each other for jobs and even access to goods. Competition is what propels society forward as businesses refine their efforts to earn your dollars and consumers sharpen their skills and education in order to earn more dollars and spend them wisely.

### Discussion Questions:

1. Are we all greedy?
2. Why do we want more?
3. How much is enough?

## The Creation of Wealth - Chapter 2 (6:00)

Wealth is created. This is why we cannot simply distribute money to the poor and “cure” poverty. The acquisition of wealth – barring fraud, which is illegal – occurs when consumers reward the virtues of products or services.

**Concept:** Zero-sum game

Many think that if Bill Gates earns a billion dollars, that is less for me to earn. However, there is no communal pot of money from which we draw our salaries. Wealth is created, transferred, and even destroyed. Bill Gates being wealthy does not reduce what you can earn.

**Concept:** Monopolies

Monopoly means “single seller.” It is sometimes loosely applied to any company that gets “too big.” An important distinction is between “monopolies” that legally earned their market share vs. those who got their market share through special privileges from the government, i.e. tariffs or exclusivity.

**Concept:** Markets and prices

Winning market share from your competitors is strongly tied to pricing: the lower the price, the more business you will earn – assuming quality is held constant. Thus, businesses try to be efficient in order to lower the cost of goods sold.

### Discussion Questions:

1. Can free markets limit greed?
2. How did Vanderbilt become wealthy?
3. What do you think of David Kelley’s view of “robber barons”?
4. Should there be a limit to how wealthy someone can be?



# GREED AND CIVILIZATION

DVD Chapters 3 and 4 (13:00)

Use with Response Sheet #2

## The Role of Profits - Chapter 3 (5:00)

Profit is the reward businesses earn for providing goods and services that please consumers. It is the lifeblood of business. No matter what else you intend to do with your business, you must first make a profit.

### Concept: Innovation

Innovation means creating new and improved products that please consumers more. *Innovation is usually born of necessity.* Thus, businesses that struggle often out-innovate larger businesses, which often become stagnant. History is replete with examples of struggle leading to success, including the story of the Wright Brothers.

### Concept: Productivity

Productivity is the quantity of output (either products or services) compared to the quantity of input (capital, labor, knowledge). Improved productivity, more or better output from the same input, gives a person or business a competitive advantage. The resulting competition leads to improved living standards.

### Discussion Questions:

1. How do for-profit businesses measure success?
2. How does this differ from non-profit organizations?
3. How does competition lead people to innovate and serve others?

## Free Markets and Self-Interest - Chapter 4 (8:00)

### Concept: Adam Smith's "Invisible Hand"

In his book *The Wealth of Nations*, first published in 1776, Scotsman Adam Smith explained that the market essentially regulates itself, since consumers will patronize only those producers who meet their wants and needs. The self-interest of producers leads them to serve the needs of others.

### Concept: Altruism and self-interest

Altruism is behavior that is not beneficial or may be harmful to one's self but that benefits others. Thus, the beneficiary of an action is the only criterion of moral value. Altruism condemns free enterprise, since it is self-motivated, or at least says that you can be self-motivated only to the extent that you serve others. However, Adam Smith said, "It is *not from the benevolence* of the butcher, the brewer, or the baker, that we expect our dinner, but from their *regard to their own interest.*" (emphasis added)

### Discussion Questions:

1. What is the role of reputation in free market exchanges?
2. Can self-interest help explain why people cooperate?
3. Compare living by your own efforts with living on the efforts of others.
4. What is Adam Smith's "invisible hand"?



# GREED AND THE ECONOMIC PIE

DVD Chapters 5 and 6 (15:00)

Use with Response Sheet #3

## Dividing the Economic Pie - Chapter 5 (9:00)

**Concept:** Equality and envy

The framers of the Constitution thought equality to be a political concept; this means you are considered equal before the law, not that you are guaranteed equal results. When it comes to wages, one must consider education, experience, motivation, social skills, and so forth.

**Concept:** Zero-sum game

Many think that if Bill Gates earns a billion dollars, that is less for me to earn. However, there is no communal pot of money from which we draw our salaries. Wealth is created, transferred, and even destroyed. Bill Gates being wealthy does not reduce what you can earn.

**Concept:** Wealth creation

Wealth is created by factors such as labor productivity, capital accumulation, and economic freedom. Some governments protect these things, while others exploit them. There is a strong correlation between freedom and prosperity.

**Discussion:**

1. What factors determine wages and salaries?
2. Is the wealth of a nation or the world limited?
3. Why do some people earn more than others?
4. When someone else makes more money, do you lose?

## Charity and Self-Reliance - Chapter 6 (6:00)

Historically, charity has been designed to help people regain self-sufficiency. Many governments have instituted "public charities," or welfare, in order to help people. Yet many of these programs have served to increase and continue poverty as people became dependent on them.

Marvin Olasky's book, *The Tragedy of American Compassion*, shows that there is a key difference between private and public charity. Private charities tend to remain local, offer help for a limited time, get to know who needs help and who is looking for a "freebie," and demand a change in behavior in order to receive help.

Public (government) charities tend to do the opposite. They tend not to be local, are long term, are anonymous, and give the help as a "right." Now there is even a word for this approach: "entitlement."

**Discussion Questions:**

1. Which is more important, motive or outcome?
2. Why do people prefer jobs over charity?
3. Would you rather give away money or create new jobs?



# RESPONSE SHEET #1

*(Discuss after watching Chapter 1 – Everybody Wants More & Chapter 2 – The Creation of Wealth.)*

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. Identify the market activities presented in the video.
2. If greed in some measure seems to be a rather universal human characteristic, is it possible to channel it or direct it to achieve good results or socially acceptable/desirable ends? Explain.
3. It's an August afternoon and 85° outside. You leave the tennis court, walk past the drinking fountain and spend a dollar on a soft drink. Is this a market transaction? (Yes/No) Would it be fair to describe it as voluntary? (Yes/No) Who wins in this exchange?
4. Should the government have prevented Thomas Edison from selling the electric light bulb because it unfairly put candlemakers out of business?

# RESPONSE SHEET #2

*(Discuss after watching Chapter 3 – The Role of Profits & Chapter 4 – Free Markets and Self-Interest.)*

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. Why does competition inspire people to pursue excellence?
2. The poet John Donne said, “No man is an island, entire of itself; every man is a piece of the continent, a part of the main...” As you remember Mr. Stossel’s steak dinner, explain what would undoubtedly happen to your personal standard of living if you were to live a completely self-sufficient lifestyle. What would you spend most of your time doing? What products that you now own could you create yourself?
3. Why do so many people believe societal problems are caused by greed?
4. The “Junk Bond King,” Michael Milken, went to jail in the 1980s. How was Milken a great social benefactor?
5. How does the economic logic of the money bowl experiment and common ownership help explain why certain species are threatened with extinction?

# RESPONSE SHEET #3

*(Discuss after watching Chapter 5 – Dividing the Economic Pie & Chapter 6 – Charity and Self-Reliance.)*

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. What is it that T. J. Rodgers and other CEOs, like Bob Iger at Disney or Meg Whitman at eBay, do to earn their pay?

2. Should a CEO only earn 5 times what the workers earn (Ben & Jerry's example)? Explain your answer.

3. Would it ever be logical – be in your best interest – to turn down a pay raise?

4. What effect might progressive taxation, or increasingly higher tax rates, have for the incentives to create wealth?

5. If Bangladesh unionized its entire work force, would its standard of living change?



# FINAL WORKSHEET

*(Discuss after watching all six 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. Is greed compatible with good citizenship? Explain.

2. List several factors that determine economic growth.

3. Nature is the ultimate Scrooge. Explain.

## KEY WORDS AND CONCEPTS

*capital accumulation*

*capitalism*

*coercion*

*common ownership*

*comparative advantage*

*competition*

*cooperation*

*corporate raiders*

*distribution of income*

*economic freedom*

*exchange*

*greed*

*human capital*

*incentives*

*junk bonds*

*labor productivity*

*marginal productivity*

*opportunity costs*

*political entrepreneur*

*political freedom*

*predatory pricing*

*prisoner's dilemma*

*property rights*

*public-choice theory*

*public-interest theory*

*rational ignorance*

*robber baron*

*rule of law*

*scarcity*

*tragedy of the commons*

*transaction costs*

*unlimited desires*

*wealth-creating resources*

*zero-sum*

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## SPECIAL THANKS

ABCNEWS Classroom acknowledges In The Classroom Media for its development of classroom materials for this title.

### In The Classroom Media

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