



Subsidies: Everybody Pays! | Lesson Plan

Do subsidies create more innovation and opportunity, or more inefficiency and waste?

Students will understand that government subsidies are tools designed to influence markets, but they always come with trade-offs that affect consumers, producers, and taxpayers.

Learning Objectives:

- Explain the purpose of subsidies and how they function as government incentives for consumers and producers.
- Analyze the economic trade-offs of subsidies, including their effects on supply, demand, prices, and government spending.
- Demonstrate how subsidies influence real-world economic choices through application.
- Compare consumer-side subsidies and producer-side subsidies, identifying similarities, differences, and their respective impacts on markets.
- Summarize the potential benefits and drawbacks of subsidies, highlighting both their intended outcomes and unintended consequences.

Key Vocabulary:

- **Subsidy:** A financial incentive, usually provided by the government, to encourage certain behaviors or support businesses by lowering their costs or prices.
- **Payment Subsidy:** A direct payment from the government to producers to help them cover costs or increase supply, such as giving farmers money for each crop they grow.
- **Discount Subsidy:** A reduction in price offered to consumers, funded by the government, to encourage the purchase of certain goods or services.
- **Consumer-side Subsidy:** A subsidy that lowers the cost for buyers, making them more likely to purchase a product or service.
- **Producer-side Subsidy:** A subsidy that helps sellers by reducing their costs or giving them payments, allowing them to produce more or stay in business.
- **Marginal Product of Labor (MPL):** The extra output a business produces by adding one more worker, while everything else stays the same.

Educational Standards: CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

Academic Subject Areas: Economics, Financial Literacy, Big Government

What You'll Need

- Video: *Ca\$h Cour\$e: Subsidies: Everybody Pays!* (Watch [Here](#))
- Worksheet: *Ca\$h Cour\$e: Subsidies: Everybody Pays!* (Click [Here](#))
- Classroom whiteboard and dry-erase markers (or use a technology solution if available).

Scan to watch episode:



Lesson Plan (50 mins.)

Warm-Up: (10 mins.)

1. Imagine your school sells pizza slices at lunch for \$3. To make them cheaper, the principal decides to cover \$1 of the cost so students only pay \$2. Suddenly, everyone wants pizza—even kids who don't usually buy it—so the cafeteria runs out quickly. But here's the catch: the school still has to pay the pizza company the full price. So, where does that extra money come from? The principal asks parents to chip in through higher school fees or fundraisers. That means while students get cheaper pizza today, parents—and really, the whole school community—are helping cover the cost in the end.
2. Ask the class:
 - *Who benefits from the reduction in price of the pizza?*
 - *What problems might happen when more students want pizza than the cafeteria has?*
 - *If parents have to pay more in fees or fundraisers to cover the cost, is the pizza really cheaper? Why or why not?*
 - *If you were the principal, would you keep the pizza deal going? What might you do differently?*
3. Explain that students will learn about subsidies and how they affect markets today. Introduce the following terms on the board and ask students to take notes on each term. Examples are provided for each; definitions can be found in the Key Vocabulary section above.

Examples:

 - **Subsidy** - *Example: A school makes pizza cheaper for students by covering part of the cost.*
 - **Payment Subsidy** - *Example: Farmers receive money for each bushel of corn they grow.*
 - **Discount Subsidy** - *Example: A \$200 credit for buying a treadmill to promote exercise.*
 - **Consumer-side Subsidy** - *Example: A 20% grocery discount if you get a flu shot at the store pharmacy.*
 - **Producer-side Subsidy** - *Example: A car company receives \$1,000 from the government for each electric vehicle they build.*
 - **Marginal Product of Labor (MPL)** - *Example: A lemonade stand adds a new worker and can serve 10 more cups per hour than before.*
4. Have students come up with a few examples of their own to test understanding.
5. Transition to today's enduring question. Explain to students that this question will guide their understanding throughout the lesson: *Do subsidies create more innovation and opportunity, or more inefficiency and waste?*
6. Once students are familiar with the basic terms and ideas, explain that they'll now watch a short video that brings these concepts to life. The video uses real-world examples and

visual storytelling to show how subsidies work, how they affect consumers and producers, and what trade-offs result when the government intervenes in the market.

7. Let students know they'll be expected to discuss and apply what they see, so they should watch carefully for moments that connect to the vocabulary they just reviewed.

Watch and Discuss: (20 mins.)

1. Show the *Ca\$h Cour\$e: Subsidies: Everybody Pays!* video to the class.
2. Note to teachers: watch straight through or pause at key moments if you want to clarify specific terms and examples with the students before moving on.
3. After the video, ask the following discussion and comprehension questions:
 - What is a subsidy, and what are the two main types discussed in the video?
 - How does a consumer-side subsidy change the way buyers make decisions?
 - How does a producer-side subsidy affect the way businesses operate?
 - What trade-offs or unintended consequences can subsidies create in the market?
 - If a subsidy helps a company expand production, they might hire more workers. How would MPL explain what happens when each new worker is added? (*Hint: think about the extra output from each additional worker.*)
 - Why do subsidies almost always lead to inefficiency or wasted resources?
 - What question should we always ask when we hear about a new subsidy program?
4. Give each student the "Cash Course: Subsidies: Everybody Pays!" Worksheet and allow them to complete it independently or in pairs.
5. Use this time to circulate, answer questions, and check for understanding.

Wrap-Up: (20 mins.)

1. Once students have completed the worksheet, wrap up the lesson with the following:
2. Review and Reflect (Optional): Go over selected questions together, especially:
 - Multiple choice items tied to real-world reasoning
 - The application question
3. Wrap-Up Prompt (Board or Exit Ticket):
 - *"What's one thing you now understand about subsidies that you didn't before?"*
 - Students can write a quick response on an index card or in their notebook, or submit it at the bottom of their worksheet.
4. Collect the completed worksheet and use as a way to assess comprehension and mastery of the lesson objectives.

Don't have time for the full lesson? Quick Activity (10-15 mins.)

Distribute the worksheet and allow students to complete it while they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.