**How Do Government Subsidies Help an Industry?**

|  |
| --- |
| Government subsidies help an industry by paying for part of the cost of the production of a good or service by offering tax credits or reimbursements or by paying for part of the cost a consumer would pay to purchase a good or service.Governments seek to implement subsidies to encourage production and consumption in specific industries. When government subsidies are implemented to the supplier, an industry is able to allow its producers to produce more goods and services. This increases the overall supply of that good or service, which increases the quantity demanded of that good or service and lowers the overall price.In this sense, when the government gives subsidies to the supplier, what results is a win-win situation for both the supplier and the consumer. Essentially, the supplier is benefitting as if the good were selling at a higher price and is able to produce more of the product. Meanwhile, consumers get to enjoy the product for what would be a comparatively cheaper price, since suppliers do not need to charge exorbitant rates to break even on production.On the consumer side, government subsidies can help potential consumers with the cost of a good or service, usually through tax credits. For example, a great example of this is the transition to more renewable sources of energy. With still nascent models of green economics, the current demand to purchase new energy-saving technology is low. In order to sway consumer interest, government subsidies or tax credits can help with this high cost of adoption. When consumers refit their houses with solar panels, the government will provide a tax credit to individuals and families to offset the high price of purchasing the new solar panels.In the same vein, some states also provide a tax credit or subsidy for buying an electric or hybrid vehicle. This helps the renewable energy industry by allowing more consumers to purchase the products associated with that industry, without having to absorb the entire cost.The Bottom LineGovernment subsidies can help an industry on both the supplier side and the consumer side, no matter on which end they are implemented. To implement subsidies, governments need to raise taxes or reallocate taxes from existing budgets. There is also an argument that incentives in the form of subsidies actually reduce the incentives of firms to cut costs. However, whether it's by increasing supply through supplier-side subsidies, or helping consumers with high costs of adoption through tax credits, it's clear that government intervention in market economics has real-life impacts on both parties alike. |

Read the full article at <https://www.investopedia.com/ask/answers/060215/how-do-government-subsidies-help-industry.asp>

**Understanding Questions**

1. What are two ways that a government can give subsidies to an industry?
2. Why do governments give subsidies?
3. Why are subsidies good for consumers?

**Vocabulary**

|  |  |  |
| --- | --- | --- |
| subsidy | tax credit | reimbursement |
| win-win situation | nascent | sway |

**Phrases**

|  |
| --- |
| The government subsidizes the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ industry. |

**Discussion topics**

* How can subsidies help a country or area?
* What is a good time to use subsidies? When is a bad time?

|  |
| --- |
| Pair Discussion – **A**1. Would you buy an electric car if the government paid for half of it?

1. Do you want to use Go To Travel? Where would you go?
2. Have you ever gotten a reimbursement from the government for buying anything?
3. Are there any new industries that the government should subsidize?
 |
| Pair Discussion – **B**1. Do you think that taxes are too high?
2. Should the government help izakayas with subsidies until the pandemic ends?
3. Do you want to put solar panels on the roof of your house?
4. How much should the Japanese government help the car industry?
 |

**Choose the Budget**

You are the prime minister and have **$10 million** to use on subsidies for different industries. Where will you spend the money?

|  |  |
| --- | --- |
| Industry | Amount |
| Green energy |  |
| Traveling/Tourism |  |
| Information Technology |  |
| Farming |  |
|  |  |
|  |  |
| Return the money directly to taxpayers |  |