

***Economics for
Christian Homeschoolers***

Answer Key to Review Questions

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What Do You Think? – Week 1, Day 1

1. Look up Proverbs 28:5 and Titus 1:7. What do these verses say to back up two of the main points of today's reading?

*Proverbs 28:5 says, "Evil men understand not judgment: but they that seek the LORD understand all things." This is similar to the Bible's teaching that godliness leads to wisdom, and wickedness retards wisdom. Titus 1:7 says, "For a bishop must be blameless, as the **steward** of God; not selfwilled, not soon angry, not given to wine, no striker, not given to filthy lucre." A steward describes the office of a bishop—taking care of the things of God—similar to the meaning of economics.*

2. Define *economics*, *steward*, and *home economics*.

Economics is managing money, resources, and so on. A steward is someone who does so, often in a paid position, but sometimes not (see above). Home economics is the study of efficiently managing a home.

3. How does knowing and keeping God's Word make a person wiser?

Answers will vary, but it trains us on man's nature, what is right and wrong, and to some extent functions outside of normal worldly wisdom.

4. Explain the difference between the job of a steward and an attempt by a politician to direct a nation's economy.

A steward's full-time job is taking care of ONE home/business; a politician who thinks he can manage an entire nation's economy is deluded, arrogant, tyrannical, or a combination of those.

What Do You Think? – Week 1, Day 2

1. Can you think of another example in the Bible in which God made a supernatural provision for someone?

AWV, but Abraham and the ram, God's providing manna and water for the Israelites in the wilderness, the widow and her son providing for Elijah and having God make their flour and oil last longer are just a few examples.

2. Can you remember a time that God miraculously provided for you or your family?

AWV.

What Do You Think? – Week 1, Day 3

1. Sum up what the Bible says are the legitimate functions of government.

To judge fairly and justly, to stop and punish violence and theft, especially for those who need more help, like widows and orphans.

2. Fill in these blanks....

Rulers are to "remove violence and spoil, and execute judgment and justice" (Ezekiel 45:9) and "deliver the spoiled out of the hand of the oppressor" (Jeremiah 22:3). "For rulers are not a terror to good works, but to the evil" (Romans 13:3-4), and they are "sent by him for the punishment of evildoers" (1 Peter 2:14).

3. What two major mistakes does Henry Hazlitt say bad economists make?

Bad economists only look at short-term results, not long-term results, of an economic policy; or they only look at results on a single group, instead of results on the whole nation.

What Do You Think? – Week 1, Day 4

“If you were *really* a Christian, you would be in favor of laws that *made* all working Americans give a percentage of their income to the poor.”

Real Christians do care about the poor. But Christians base their beliefs on the Bible, and the Bible only lists a few legitimate functions of government. Protecting the poor from evildoers is certainly one of them, but providing for them—by forcibly taking from others—is not. The Bible does command Christians to give (especially to other needy Christians), but willingly—not by force of law.

What Do You Think? – Week 2, Day 1

1. What does the command of Jesus to “love thy neighbor as thyself” reveal about man’s natural tendency? Besides the examples given in this chapter, list one more that confirms this tendency.

It reveals that man already loves himself, and that if he loved his neighbor as much as himself, he would be doing quite well. AWV on the second part.

2. Explain Adam Smith’s main point in the passage on the previous page.

He points out that mankind’s provision for others is not based on his unselfish love for them, but on his consideration for himself. A butcher provides meat for others to buy, not because he is generously looking out for their well-being, but because he is trying to earn a living by providing things that others want—and will voluntarily pay for. This is why capitalism works as an economic system.

What Do You Think? – Week 2, Day 2

1. Explain in your own words: ““Governments possess no delegated right to tamper with individual industry a single hair’s breadth beyond what is essential to protect the rights of person and property.”

AWV, but government should have no right to meddle in the people’s affairs, other than when the people harm or steal from each other.

2. “By offering one class a bounty and another a discouragement, they involve the selfish feeling in every struggle of party for the ascendancy, and give to the force of political rivalry all the bitterest excitement of personal interests conflicting with each other.”

When a government favors one side at the expense of another, it angers those who have been plundered, and it makes them want to try to gain control of the government, so they can stick it to the other side, or at least benefit themselves.

3. “[The people] are therefore the best judges of their own affairs, and should be permitted to seek their own happiness in their own way, untrammelled by the capricious interference of legislative bungling, so long as

they do not violate the equal rights of others, nor transgress the general laws for the security of person and property.”

Government should stay out of the business of the people, who should be left alone to pursue their own interests, as long as they don't harm or steal from others.

What Do You Think? – Week 2, Day 3

1. Pretty much every Christian has heard many warnings about making the pursuit of riches his life's goal; it's a cliché, even among non-Christians. But what's a concrete way that we can make this a reality in our lives—maybe something that we're not doing now, but could change slightly, or even drastically, to honor what God's Word says about the topic?

AWV.

2. Think up and write down at least one way that rich persons face troubles (how the rich have “*pierced themselves through with many sorrows*”)—troubles that the average person doesn't face. That is, do the rich worry about things that wealth has burdened them with more than others? Bring your example to class!

AWV.

What Do You Think? – Week 2, Day 4

1. Write down three ways of doing things that almost no one uses any more (producing goods and services, entertainment, health care, transportation, and so on—any good examples you can think of).

AWV.

2. Take your favorite example and write down what has replaced the old way of doing things.

AWV.

3. In your example, what groups lost their jobs when the old way was replaced?

AWV.

4. What various jobs were created by the new technology?

AWV, but for the apple-picking robots, the answer could include those who make, maintain, fix, transport, sell, and paint the robots; as well as those who make the materials that go into the manufacture of the robots; probably many more!

5. In the APL-3000 example, how do you think the robots affected in the long term (a) the number of apples a farmer could harvest in one season, and (b) the cost of apples to consumers?

AWV, but possibly something like this: (a) the robots made apple picking much faster and/or steadier or longer (since robots don't need lunch or bathroom breaks), so farmers who had them could harvest more in one season, and would likely plant more in the long term; and (b) the cost of hiring apple pickers would go down, which means the cost of apples would decrease for consumers.

6. Would the widespread use of the APL-3000 be an overall *benefit* or *detriment* for society? Why?

AWV, but the answer is almost certainly a benefit for society, since there would be MORE apples for consumers (increased wealth), as well as lower prices for apples.

7. How is protesting machinery that performs jobs—even if the machinery replaces specific groups of workers—a perfect example of Henry Hazlitt’s definition of the two types of bad economic thinking?

AWV, but could include something like this: The first mistake—only looking at how a policy affects ONE group—just makes it seem as if the only thing that happens is that apple pickers lose jobs. Actually, many more individuals—all those who buy apples—would benefit, as well as the apple farmers. Second, the mistake of only looking at short-term results could make the APP-3000 look like a detriment, since it costs farmers extra to buy, and immediately throws some workers temporarily out of work. But the long-term results, again, include lower and lower prices for apples, as more farmers buy the robots, as well as careers and companies created to meet the demands of more robots.

8. How would a government’s interfering in the development and use of machinery violate the Bible’s standards? What would be crazy about the government’s even trying to do it anyway?

The Bible recognizes only the standard that government protect life, liberty, and property, not meddle in if or how people use inventions or new technology to do work. The crazy notion is that a government would even know HOW to meddle the “right” way at all. How would a government official know which machines should be allowed to be invented and used? What would give him the right to tell some they weren’t allowed to use a better method of working?

What Do You Think? – Week 3, Day 1

1. Give proof that God’s Word upholds private property. Can you think of any more examples from the Bible that affirm this right?

Jesus’ affirmation of the righteous property owner who paid as he saw fit with his own money, Peter telling Ananias and Sapphira that their property was theirs before they sold it, the commands in the Bible not to steal and covet. AWV on the second question.

2. What do you think would happen if there were no private property? For example, what if no one owned the food in your local grocery store, or everybody owned it equally? What would happen? Think of another example like that one, write it down, and bring it to class.

AWV, but no doubt people wouldn’t treat it nearly as carefully, they wouldn’t save money or resources, they would overuse it, and there wouldn’t be enough for everyone. AWV on the second question.

3. Answer the questions in the third paragraph in this section about the WEF’s new world order where no one owns anything.

AWV.

What Do You Think? – Week 3, Day 2

1. Briefly define the terms *scarcity*, *opportunity cost*, *microeconomics*, *macroeconomics*, *Austrian economics*, *Keynesian economics*, *price*, *cost*, *supply*, *demand*, and *equilibrium*.

Scarcity: a lack of having everything—time, money, resources—that humans want. Opportunity cost: what someone gives up to attain something else. Microeconomics: a focus on individual, “small-level” economic behavior. Macroeconomics: a focus on “large-scale” economic behaviors. Austrian economists favor free markets and no government interference in the economy; Keynesians favor the opposite. Price: the dollar amount someone must pay. Cost: what the person must go without to attain something. Supply is how much of a resource exists; demand is how much consumers want it. Equilibrium is the state of evenness and balance that supply and demand creates in prices.

2. How do governments that try to run economies fail?

They cannot know, accurately enough, how millions of individuals act in their own self-interest, and how this drives an economy. They must treat individuals just as a part of the whole, and therefore economic policies are imposed upon them without knowing how these policies will affect everyone.

3. Explain how the price system relates to supply and demand.

When demand for a product increases, the price increases; and the higher the price paid for something, the more producers get into the business to make profits they see being made. When that happens, the supply goes up, which lowers the price.

What Do You Think? – Week 3, Day 3

Write down several of your own idea(s) on what you could use for a medium of exchange in this medieval town. Your idea(s) should fit all (or most of) the above requirements. Bring these to class!

AWV

What Do You Think? – Week 3, Day 4

1. To see the value of gold, complete this little project: (1) Look up the what the average yearly U. S. income was for the past year; (2) look up the current price of one ounce of gold, and (3) divide the yearly income amount in dollars by the number of dollars an ounce of gold is worth. How many ounces of gold could the average American buy for a year of work?

AWV, but around 2-3 pounds of gold.

2. Answer “Yes” or “No” on whether each government action below reflects the proper, Biblical role of government:

- *A governor announces that only paper money printed by the state is to be allowed for buying and selling. **No, that has nothing to do with preventing fraud. People should be free to accept any type of money they want for goods and services.***
- *A seller claims that a buyer paid him with “gold” coins that were actually half gold, half copper, and he demands justice. **Yes, that’s an issue that involves theft/fraud.***
- *A buyer says that a seller overcharged him for corn, because when the buyer weighed the 100 pounds of corn at home on his scale, the scale showed only 95 pounds of corn. **Yes, that involves theft because of the possibility of fraudulent “weights and measures.”***

- *A town legislature passes a law that limits the amount of interest that lenders may charge to 15 percent. No, borrowing money is a voluntary act that borrowers can choose or choose not to do. If they agree that 20 percent is a fair interest rate, that's their business.*
- *A king decrees that all gold and silver coins must bear his official seal, to prevent counterfeiters from producing fake coins. No, that is vanity, and it has nothing to do inherently with whether someone has been stolen from or defrauded.*

What Do You Think? – Week 4, Day 2

1. Define *profit* just as a general term, then as an economics term.

It means to get something good out of something else; as an economics term it refers to what a person actually makes after accounting for expenses.

2. How is profit a universal goal among humans?

All people try to profit in one way or another. Nearly all who work, for example, do it for profit, even if they don't own a business. They're trying to gain profit for themselves through money, and/or sometimes experience.

3. Why do you think so many today say they're against profit? How do their own actions contradict their claim?

It makes them feel good, as if they're Good Samaritans thinking noble thoughts—and not selfish themselves, of course! Their own purchases to profit themselves, made from companies who run by profits, make those anti-profiters look like hypocrites.

4. Explain several ways that profit helps communities and advances civilization. What is absurd about government attempts to punish “excess profits”?

It lowers the cost of goods, making them more available to the poor and middle class. The pursuit of profit provides jobs for millions. It ensures that a good or service in demand gets produced, because those who produce it profit. Governments who claim to want to punish “excess profits” have no magical knowledge of how much profit is “excess.”

5. How is a Christian's view of profit different?

We don't pursue earthly profit as a lifestyle; instead we focus on non-earthly profits. Although we realize there is profit in hard work, it's not the end goal, and it's no good to be the richest person on earth if we lose our soul.

What Do You Think? – Week 4, Day 3

1. How is actual “capitalism” (a) not what its critics say it is, and (b) not a system?

Critics say it's a fixed system in which capitalists own everything, and they exploit laborers, who own nothing and have no hope of moving up. It's also not a “system,” since no government “runs” it like socialism or communism; millions of consumers “run” it by making billions of economic decisions daily.

2. Sum up the responses to the three anti-capitalist arguments given.

(1) It does involve competition, but that competition benefits consumers, although some businesses fail. (2) Employees in a free society can quit a job any time they want or take legal action against an employer who cheats or harms them. And just because some employers treat employees badly doesn't mean that ALL employers should be stopped from hiring and firing whomever they want. (3) Capitalism rewards selfishness in a way, but it also rewards businesses for producing goods and services for others.

3. What does capitalism provide for a nation, and for individuals?

Stability, civilization, a higher standard of living, protection of property, incentives to work hard and prosper, and cheaper goods and services that lift up many out of poverty.

4. What foundation does Christianity provide for capitalism? What do the examples of the newspaper vending machine and restaurant bill mean to you?

Christianity provides a moral foundation for capitalism: fear of God, respect for life and property, societal pressure not to steal, and a higher work ethic. AWV on the second part.

What Do You Think? – Week 4, Day 4

1. Explain some of the moral failures of socialism. Can you think of any others that weren't listed?

It steals from the poor and empowers/enriches the already powerful and/or rich; it punishes a good human work ethic by taxing and regulating accomplishments. AWV on the second part.

2. Why do some claim Christianity teaches socialism as a preferred economic system? How is socialism incompatible with Christianity?

They say that since some Christians practiced a form of it in the New Testament that it is a model for a nation. Socialism is incompatible with Christianity because it violates the Bible's commands on what government is supposed to do.

What Do You Think? – Week 5, Day 1

1. List some reasons why socialism fails, based on the questions for WCPs asked in this chapter. Can you think of a response a WCP might give to one of your questions to defend socialism? How could you answer that response?

Socialism assumes WCPs have special knowledge on what others should buy and sell, even though they cannot possibly make calculations for millions of decisions individuals make. AWV on the second part.

2. What is the basic reason why it impossible for socialism to succeed?

Planners lack the incentives to act correctly upon changes in price, supply and demand, the wants and needs of buyers, and the factors going into producing those goods and services.

3. List a government-run service, product, or department that you've encountered (or ask Mom or Dad)—one which could be improved by introducing an incentive to make a profit.

AWV.

What Do You Think? – Week 5, Day 2

1. Fill in these blanks....

Rulers are to “remove violence and spoil, and execute judgment and justice” (Ezekiel 45:9) and “deliver the spoiled out of the hand of the oppressor” (Jeremiah 22:3). “For rulers are not a terror to good works, but to the evil” (Romans 13:3-4), and they are “sent by him for the punishment of evildoers” (1 Peter 2:14).

2. How do the limits placed on government in those above verses line up with Herbert’s essay?

AWV, but they line up quite well, calling for limited government and an end to socialistic practices.

3. Briefly, in writing, sum up two of Herbert’s points (except for the last one).

AWV.

4. What is the main idea expressed in Herbert’s last point?

AWV, but might include these: Socialism is an idea that makes men slaves, it can’t bring happiness or prosperity, it teaches men to look to the State for everything instead of being self-sufficient, it enriches the rulers in the socialist state, and it makes it harder for the poor to escape poverty—even given the gains that Herbert says have been made toward eliminating poverty.

What Do You Think? – Week 5, Day 3

1. What does Bastiat say is nearly always true when an economic policy looks good immediately? What does he compare this to?

It is probably bad economically in the long term. Bastiat compares this to an evil man’s destructive habits.

2. Sum up the case of the broken window: what the short-sighted person claims, and how Bastiat corrects this claim.

A boy breaks a window; some console the store owner by saying it helps the economy by providing work for the glazier; but Bastiat points out that there are three potential players in this scene: the glazier, who gained; the store owner, who lost out, and now instead of the money he had to buy something AND a window, he only has a window; and the other potential seller (like a shoemaker), who now loses the trade. Bastiat points out that the community in total has lost out the value of the shoes that would have been made and sold, and is poorer, not richer, for having a broken window.

What Do You Think? – Week 5, Day 4

1. Explain in your own words the main point that James Mill makes in the excerpt at the chapter’s end.

Soldiers are paid and consume food and clothing, but produce nothing but destruction. Farmers also consume food and clothing, but the value they produce far outpaces the cost of the food and clothing it takes to give them the ability to produce what they do.

2. Explain how the broken-window fallacy would apply to these claims:

In the first example, the doctor and nurse made money, but the person with the broken leg had to use his money for medical bills—money he could have used to buy something else. (And he no doubt was less productive with his leg broken, having to rest more and miss work.) The second example shows work for SOME after the hurricane, but the insurance companies lose out, or the homeowner loses out. The result is a net loss for the town's economy—the loss of one house. In the third example, the local economy has lost the value of a car. The money the father would have had to buy something else he'll now have to use to replace the car. Instead of having the money AND a car, now he has just a car.

What Do You Think? – Week 6, Day 1

1. Define “inflation.” What is the common “misuse” of the term?

Inflation is the government's printing more money. The erroneous view of the term is higher prices, which is not inflation itself, but a result of the government's printing more money.

2. Why does government print more money instead of increase taxes?

They don't want to face voters, who would get angry at them if they simply raised taxes. Inflation allows governments to spend more money on wealth transfers without resorting to taxation.

3. How does the answer to #2 “erode the working incentives of both the productive and the unproductive”?

The productive get tired of their money not going as far, and knowing so much government spending just steals from them and gives it to the unproductive. The unproductive are less motivated to work, since they can get by without working with government handout programs.

4. What does Hazlitt say needs to happen to “avoid irreparable damage”?

Balance the budget, and cut spending that is plunder.

Notes from “Why Not Just Print More Money?”

- Printing money lowers the value of money people hold, like a hidden tax.
- Inflation hurts our retirement and savings for the future; your money should buy as much when you're ready to retire as it did when you were a teenager. (In fact, it should buy *more*, since with technology, the prices of many goods go down.)
- Hyperinflation

What Do You Think? – Week 6, Day 2

1. Make sure you understand the baseball card and Angel Gabriel scenarios.

AWV.

2. When governments inflate, who gets the money first? How does inflation especially hurt the poor?

Bankers and politically connected businesses get the money first, and they get the full value of it. The poor get the money last typically, and by that time it has worked its way through the economy, forcing up prices, which hurt the poor, since they're least able to afford price increases.

3. Explain what is wrong with this claim: “Businesses are raising their prices. That’s because they’re greedy!”

All business want to make as much money as possible, all the time! Businesses can’t just raise their prices any time they want; they’ll lose customers. The kinds of price increases that happen and get blamed on “greed” typically follow inflationary policies by governments. Money is worth less, so businesses have to charge more to get the actual value of the money.

4. Why would handing out \$1 million to every U. S. family not make them wealthier?

Wealth is “stuff,” not pieces of paper. Making everyone a millionaire on paper wouldn’t result in more real wealth like food, clothing, cars, computers, and so on.

5. Imagine you have \$10,000 saved up for a new car, and the government inflates the money supply. What happens to your savings if you leave it in the bank? How does inflation affect those who have saved for retirement?

If you leave it in a bank, the value of the money decreases; it might be worth only \$8000 within a year or two of inflationary policies by the government. Inflation hurts those who have saved for retirement, since the value of their savings decreases, affecting how they live out their retirement years.

What Do You Think? – Week 6, Day 3

1. Why do you think Karl Marx included a national bank in his plan to turn nations into communist states?

AWV, but to empower the government to take power over capital, borrowing, lending, and so on.

2. Define *interest*. Why should a government not be involved in interest rates any more than it should be involved in the price of cars or potatoes?

The price of borrowing money. The government has no business setting prices for anything, whether it’s food, clothes, interest, or anything else. That should be up to buyers and sellers.

3. How does the supply and demand of savings in a free economy determine interest rates?

When there’s more money saved, there’s more to lend, so the price of borrowing money decreases, and vice versa.

4. What do Austrian economists believe national banks’ manipulating interest rates causes?

Recessions and depressions.

What Do You Think? – Week 7, Day 1

1. Fill in the blanks....

Rulers are to “remove violence and spoil, and execute judgment and justice” (Ezekiel 45:9) and “deliver the spoiled out of the hand of the oppressor” (Jeremiah 22:3). “For rulers are not a terror to good works, but to the evil” (Romans 13:3-4), and they are “sent by him for the punishment of evildoers” (1 Peter 2:14).

2. The Scenario: Imagine you're in an economics class in college, and another student makes this claim: "The government needs to provide free schooling and other training for doctors; we need more in America, because health care is important." How could you respond to this claim, based on what you've learned about economics so far?

Answers will vary, but that's not one of the proper functions of government. Doctors are important, yes, but plundering one group to benefit just those who want free medical training is immoral. And if an economy is allowed to run freely, the supply and demand of doctors will work itself out.

What Do You Think? – Week 7, Day 2

1. How is determining prices outside the ability of government planners?

There's no way even the smartest group of government planners in the world could ever duplicate the billions of decisions buyers and sellers make every day about how much to charge or pay for various items.

2. Define the term *price controls*. What do governments *claim* they're trying to do with them? What happens instead?

Price controls are limits on what the government says sellers can charge for their products, in response to rising prices for those items. Governments claim they're trying to make the items more available to consumers, but when businesses aren't allowed to raise their prices enough to profit from producing an item, they stop producing it or produce it less; and new producers are discouraged from entering the business. This makes the product less available for consumers.

3. For what other reasons are price controls immoral?

It violates the Bible's guidelines for the proper role of government, it focuses only on one group, and it violates private property rights.

4. Explain (a) how defining "price gouging" is arrogant, (b) how "price gouging" doesn't really exist, and (c) how it makes products in high demand available to those who need them most.

Nobody knows the actual definition of "price gouging"; what makes it different from just charging a lot based on increased demand? "Price gouging," it could be argued, doesn't exist, because no one forces anyone to buy anything at a certain price; that's up to the buyer and seller to make a free choice. "Price gouging" makes products in high demand available to those who need them most by weeding out casual buyers—those who don't really "need" the item—and leaving more to sell to those who really need or want the items.

What Do You Think? – Week 7, Day 4

1. Explain this quote from "I, Pencil": "Neither the worker in the oil field nor the chemist nor the digger of graphite or clay nor any who mans or makes the ships or trains or trucks nor the one who runs the machine that does the knurling on my bit of metal nor the president of the company performs his singular task because he wants me."

This quote explains how the free market "system" works: Producers don't make something because they want it; they make it—or make parts of it—to satisfy the needs and wants of others. Capitalism harnesses the self-seeking nature of man, using it to help his neighbors.

2. Read says, “Once government has had a monopoly of a creative activity such, for instance, as the delivery of the mails, most individuals will believe that the mails could not be efficiently delivered by men acting freely. And here is the reason: Each one acknowledges that he himself doesn’t know how to do all the things incident to mail delivery. He also recognizes that no other individual could do it.” Explain what would happen if the U. S. Post Office shut down.

If the U. S. Post Office shut down, thousands of others acting freely would fill the void of producing the service of delivering mail and packages. The difference is that it would be done much more efficiently and cheaply than the U. S. Post Office, which has no incentive whatsoever to be as efficient and inexpensive, because it has somewhat of a monopoly.

3. Name a modern technology must more complicated than a pencil that is manufactured by complete strangers who don’t know anything more than how to produce their part of the product.

AWV, but might include cell phones, computers, and so on.

4. Look up the term “Invisible Hand,” which Read refers to several times in this essay. Where did the term come from, what does it mean, and what does it have to do with “I, Pencil”?

It came from Adam Smith, who used the term in his book The Wealth of Nations, and in his book The Theory of Moral Sentiments. The term refers to this passage in The Wealth of Nations: “Every individual...neither intends to promote the public interest, nor knows how much he is promoting it...he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention.” In other words, those who pursue their own desires in a free economy, to enrich themselves, produce goods and services that others want, therefore benefiting those others as well as themselves. The term also is used like this in The Theory of Moral Sentiments: “The rich...are led by an invisible hand to make nearly the same distribution of the necessities of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society....” What it has to do with “I, Pencil” is it explains why thousands of workers all work hard to produce the various parts of a pencil—first to make themselves money and earn a living. But by doing so, they make pencils—cheap and useful—available to everyone who wants them. By trying to enrich themselves, those workers help others.

What Do You Think? – Week 8, Day 1

1. Why is government spending inherently more wasteful?

The spenders have no incentive to spend it carefully, because they’re not directly harmed if they spend more than they should. Individuals and businesses, however, have to watch what they spend or face consequences.

2. Explain the basic economic mistake made by someone who says, “Look at the jobs created by this government program! How can you be against it?” How does this relate to the neighborhood bully example?

The only thing that person sees is the jobs created; he doesn’t see the jobs lost in other areas of the economy since money was taken out of those areas, away from those consumers and producers. The bully, to the convenience store, owner was “good for the economy,” but the store owner didn’t consider that the bully was “bad for the economy” in other areas.

3. What kind of perverse incentive do you think it would give a government agency if, for example, someone reviewed the agency and said, “We allocated \$5 million for your department last year, but you only spent \$4 million, so we’ll just knock that down to \$4 million for next year”?

AWV, but they might realize that if that happens, the agency has every incentive to spend every penny it’s allocated, or face not getting as much the next year. This is a perversion of how individuals and companies operate, since they’re rewarded by savings to spend on other things if they economize.

4. In October 2022, the San Francisco city government approved the building of a public toilet in a town square that lacked them. The toilet—which was only 150 square feet—cost \$1.7 million, and wasn’t scheduled to be completed *for more than two years*, in 2025.¹ Two questions: (a) How does this illustrate the main idea of this section, and (b) what other questions about the fishy nature of this agreement can you think of?

*AWV, but (a) city government planners would never spend that much of their **own** money to build a toilet for a building they owned, but since it’s taxpayer money, there’s no accountability; and (b) there’s no way that this is the most cost-efficient method to have this done. Did companies not try to compete and do the job any cheaper than \$1.7 million? How much profit will this company make to install this toilet, and is there some kind of corruption or bribery going on with the city government members? The entire thing is quite fishy.*

What Do You Think? – Week 8, Day 2

1. Define *bureaucrat*.

A government employee, often one who needlessly meddles in or creates unwanted and unnecessary regulations for businesses.

2. List some characteristics of bureaucracies and bureaucrats.

AWV, but might include their following useless rules just to follow the rules, inflated salaries, weighing down businesses with regulations, inflexibility, a bloated number of employees, and a giant cost saddled upon the nation in which they operate.

3. How much did bureaucratic regulations on businesses cost the average American family in 2021?

Roughly \$14,000.

4. What is the main difference between bureaucracies and private businesses, according to the passage from Ron Paul?

If private businesses perform worse, they are punished by customers in the private sector. If bureaucracies waste more and/or perform worse, in contrast, they’re often increased in funding

What Do You Think? – Week 8, Day 3

1. Bastiat starts “Public Works” by saying a State project that employs some “deprives certain other workmen of work.” How does a State project deprive others?

¹ Heather Knight, “S. F. Is Spending \$1.7 Million on One Public Toilet: “What Are They Making It Out Of: Gold?”, October 19, 2022, *San Francisco Chronicle*, www.sfchronicle.com/sf/bayarea/heatherknight/article/million-dollar-toilet-17518443.php

When the government provides work for some, it must tax others to pay the workers. So there is no net gain, only a shifting of employment to the seen, and a resulting unemployment to the unseen. The money to pay the state's workmen comes from somewhere, and since citizens are taxed more, they are unable to spend the money they would have used to buy shoes, bread, and other goods, hurting themselves and the producers of those goods.

2. What in this essay is seen, and what is not seen?

What is seen are the state employees; what is not seen is the work those taxes used to pay the state employees could have given others.

3. How does the Milton Friedman “shovels and spoons” story fit in with Bastiat’s “Public Works” essay?

It's the same concept: creating fake jobs instead of allowing the free market to create jobs itself.

What Do You Think? – Week 8, Day 4

1. What exactly is a “monopoly”? (Look up a definition.) At what *exact* percentage point of “owning” a market does a company become a “monopoly”? Does anybody really know? If not, what do you think about the likelihood that a government agency will be able to precisely define it?

Too many definitions exist for there to be an agreed-upon definition; nobody knows the exact percentage that makes a “monopoly.” Therefore, the likelihood of a government agency knowing what one is greatly stymies its moral ability to “stamp one out.”

2. How can a monopoly exist in a totally free economy? Who determines what market share a company has?

A “monopoly” might exist in a totally free economy, but that's up to consumers! It's very unlikely, however, that it would exist, because others would jump in to provide competition when they see that the business is making huge profits.

3. Back to reality, not the imaginary free economy you lived in for the exercise. Can you think of any monopolies or near-monopolies that the U. S. government has created? In other words, what are some institutions you have little choice about having to use? How efficient are those government-created monopolies?

AWV, but the school system, the DMV, and the post office are several.

What Do You Think? – Week 9, Day 1

1. **1973 Endangered Species Act** – This 1973 law has kept landowners from building on or cutting down trees or clearing out their property if an “endangered species” was found to be living on or around it. The act was designed to protect those species. What do you think often happened to “endangered species” animals that landowners found on their land?

Landowners had every incentive to quickly kill and hide the remains of every animal on a government “endangered species” list, so they wouldn't have their land taken away, or they wouldn't have their land restricted to the point of making it useless for them.

2. **COVID-19 Hysteria and Potatoes** – State and U. S. governments shut down thousands of restaurants during the 2020-21 coronavirus panic, to “save lives” from a virus a little less deadly than the common flu. What do you think happened to potato growers who made a living selling potatoes to those restaurants?

Potato growers lost money, had to pay to have their potatoes buried, and faced bankruptcies and losing farms that sometimes been in their families for generations. The Buyan farm in the video destroyed 1.4 million pounds of potatoes, and gave thousands of pounds away. A total of 1.5 billion pounds of potatoes were wasted.

3. **Kill Those Cobras!** – In the Indian city of Delhi, when India was under British rule, venomous cobras proliferated. The governor “issued a bounty on cobra skins” to help rid the city of them. When Delhi residents realized they would be paid for every cobra skin they brought in, what do you think happened next?

Delhi residents realized they’d be paid for every cobra skin they brought in, so they started breeding cobras and killing them and collecting the bounties. Eventually the government figured out what was happening and stopped the bounty program. The cobra farmers then released their massive numbers of cobras into the streets, and the city had more cobras than ever. This is such a famous example that it is commonly referred to as “The Cobra Effect.”

What Do You Think? – Week 9, Day 2

1. Define *tariff*. How is a tariff an example of a flaw in economic reasoning?

A tax on imports. Looking at a group that benefits from tariffs because their industry is protected or saved doesn’t take into account everybody else who is hurt by the tariff—those who have to now pay more to buy those products.

2. How do tariffs introduce more corruption in government?

They make it more likely that companies will attempt to bribe politicians into passing laws that favor their industry.

3. Explain in your own words the message of the tariff poster a few pages back. How could you answer the poster artist’s belief?

The message is that “free traders” are hurting British workers, whose jobs are being lost to other nations’ workers who can produce competing goods and services more cheaply. Those British makers of toys, watches, glass, tools, pianos, and so on who are losing business to foreign competitors must compete to survive. It’s not fair to steal from those who want those products just to save the jobs of companies who are not as efficient as other producers. Those British industries aren’t looking at the nation’s good as a whole—just themselves

What Do You Think? – Week 9, Day 3

AWV, but might include something like this: Free trade does benefit the selfish, but those selfish business owners can only make a lot by producing things that other want. Cheaper goods and services, which are accelerated in a free market economy, benefit the poor by making their money worth more than it is.

What Do You Think? – Week 10, Day 1

1. Define the noun *exaction* and the verb *exact*.

An unjust tax. To exact means to demand or squeeze something from someone else, often simply because the exactor has the power to do so.

2. Name two different forms of exactions. Explain why you would define each form as an exaction.

Tariffs and inflation. Tariffs are unfair, since they benefit some at the expense of others; inflation is unjust for the same reason.

3. List several ways that cutting taxes would benefit a nation's economy.

AWV, but it would give everyone more to keep, spend, save, and invest. It would speed up growth by speeding up the discovery, funding, and implementation of labor-saving devices, machinery that produces goods and services more cheaply, and so on.

4. A city government decides to tax residents to pay for a new football stadium. When some residents protest, the governor says, "You should be glad to pay this tax! The football games will bring in extra money to local businesses, which will benefit you and everyone else in our city." Is this an example of an exaction?

AWV, but you could make a good case that this is an exaction; it's a tax to benefit the football stadium owner, at the expense of everyone else in the city. If the stadium owner wants to take a risk of making a profit with a football team, HE should take the risk, not dump it on other taxpayers.

What Do You Think? – Week 10, Day 2

1. Pretend you know nothing at all about economics. Does an economist's claim that savings is bad for the economy sound right to you? Why or why not?

AWV.

2. In the middle of a recession or uncertainty about the future, why do individuals and families start saving more and spending less?

AWV, but families aren't sure if their jobs are secure, so they don't spend as much in case they lose their jobs. They might see prices decrease and hope that they will continue to decrease, so they hold off buying things. Also, since they see governments meddling in the economy and wondering if they're going to raise taxes or something else, they hold off investing, because they don't want to be punished any more than they have to be.

3. Define the term *interest rate*. What happens to the interest rate if there is an increase in savings? (Hint: What happens to the price of pickled beets if more pickled beets are available?)

The price of borrowing money. If savings increase, the interest rate decreases.

4. How does the answer to the second part of Question # affect the amount of money that businesses borrow to buy new machinery or hire new employees?

It increases borrowing for investing in new projects, new machinery, and new employees.

5. Explain how the economists who claim, "Saving is bad for the economy!" are making one of the two basic mistakes that bad economists make. (This is the lesson of Bastiat's "What Is Seen, and What Is Not Seen.")

Just because somebody SEES you spending money at a store doesn't mean it's necessarily better for the economy than if someone saves money in a bank, the bank lends it to a businesses, and that business uses that saved money to better the economy. That second scenario is not seen by the average person, like the first.

6. Why should we not be surprised when we hear economists say things like “Saving is bad for the economy!”? (See Section 5.4 for a reminder.)

Politicians and big-government economists often say stupid, senseless things to advance their cause, not because they make sense.

What Do You Think? – Week 10, Day 3

1. “I know you think regular people should make all their own buying and selling decisions, but most people just aren't smart about economics. That's why we need to trust economic planners; it's a complicated subject, and only a few people really understand it.”

Central planners don't know any more about it than those buyers and sellers whose correct information and decisions on prices make the difference between a successful or failing business, or having enough money to buy other things.

2. “The economy is struggling right now, and some economists believe that we need the government to inject a little cash into our system, so we'll all be able to buy more. I totally agree; doing that will help the economy bounce back to where it needs to be.”

Printing money does nothing but benefit the few at the expense of the many. It doesn't create any real wealth, since they're only pieces of paper, not computers, clothes, homes, and so on. If giving everybody printed money really worked, why doesn't the government just give everyone \$100 billion each?

3. “Of course I'm against that new PublishPro printer! I don't care if it *does* help writers publish books themselves; it's going to throw a lot of printers, editors, and other publishing employees out of work. You can't just look at technology as if it's always beneficial.”

You're only looking at ONE group that will be temporarily put out of business or faced with losing business. The printer saves potentially billions of dollars, freeing up that money for others to spend it and invest it in other things.

4. “The government needs to open another jobs program, because we're in a recession, and people need work. Look at those guys over there building that bridge for the city! All of them are earning salaries; how can you possibly say that government spending *harms* the economy?”

You're only counting on what you can SEE, not what is unseen. Every dollar spent on hiring workers to build a bridge is a dollar NOT spent by the people in the city. There is no net gain; in fact, there's almost a guaranteed net LOSS, since much of the money gets spent on bureaucrats' salaries.

What Do You Think? – Week 10, Day 4

1. How much did this “stimulus” spending cost? How many jobs was it supposed to have created?

\$821 billion; it was supposed to have created up to 3.5 million jobs.

2. What was the average cost of each “job created” if we assume it did the highest estimated number of 3.6 million jobs? How about the average cost if it did the lowest estimated number of 1.5 million jobs?

\$228,055 if 3.5 million jobs were created; \$586,428 if 1.4 million jobs were created.

3. There were about 113 million full-time workers in the U. S. in 2011. Divide \$821 billion by 113 million. How much did this “stimulus” program cost the average American worker?

More than \$7,000 per worker.

4. Do you think the average person makes \$228,055 to \$586,428 per year working? Look up the average salary of an American worker, then subtract that from \$228,055. What figure did you get? Where do you think all this “stimulus” money went to?

AWV, but no, the average American doesn't make anywhere near that much; the additional money was no doubt used to bribe certain politically connected companies, and to pay for the high salaries of the bureaucrats who ran the “stimulus” spending program.

5. If you had to write in a single sentence the main lesson of this article, what would you write?

AWV, but something like “Government spending doesn't help an economy; it wastes tremendous amounts of money that would have been better spent by the people.”

What Do You Think? – Week 11, Day 1

1. Why is a government official unqualified to pronounce what the minimum wage should be?

There are too many factors—cost of living, area of the country, and so on—for him to accurately make that decision for millions. Also, what if someone WANTS to work for free or for a low wage to get experience? Shouldn't he have the right to do that?

2. What happens to workers at the lowest level when a higher minimum wage law is enacted? What is ironic about this occurrence?

They lose their jobs, because they're not worth more to their employers. The irony is that minimum wage laws are supposedly enacted to “help the poor.”

3. Explain why the claim that “workers are generally paid too little” is false.

A wage is a price, and saying that is the same thing as saying that the price of other goods and services are “too low.”

4. How can workers increase their wages, and how can governments help workers increase their wages?

Workers increase their wages by increasing their productivity, which might mean learning new skills or working harder. Governments can increase workers' productivity—and therefore, their wages—by lowering taxes and regulations, to free up more money for investing in new machines which increase workers' productivity, and therefore, their wages.

5. If you were an employer and the government raised the minimum wage you had to pay all your employees, and you gave employees free meals and a nice break room and bonuses, what might you do to make up the increased costs?

AWV, but you might cut out all extras and bonuses, which would lower morale at work, certainly.

What Do You Think? – Week 11, Day 2

1. What's something very easy that a student could look up instead of wallowing in that common complaint: "When am I ever going to use this?"

Go to the internet and find out what you're learning might be useful for, if you don't know!

2. What are some things you could do at your age to increase your knowledge and productivity, even if you don't have a great deal of experience with high-tech machinery or computers?

AWV!

3. Look at the list of desirable employee characteristics. Have you worked with or been in a class with anyone who matches up—or fails to match up—with any of them? How did it affect your work or class?

AWV!

4. How can Christians handle a situation in which they get unjustly fired or blamed for something? What can they do beforehand to make sure they have a good conscience in case it happens? Has this ever happened to you or to someone you know? Describe the situation.

AWV, but they can treat it as a learning experience and thank God for it; also, beforehand they can set themselves to always work hard and have nothing to be ashamed of in the way they work and other handle themselves at work, so if they are fired wrongly, they'll have a clear conscience about it.

What Do You Think? – Week 11, Day 3

1. What basic mistake in economic thinking do labor unions make when they focus only getting more for their members? Why is this mistake easy to understand, given what we know about man's nature?

They only look at the effects of a policy on ONE group—themselves. It's easy to understand, given man's nature to love and protect himself.

2. Do you think union membership leads an individual to try to produce more, less, or the same? Why?

AWV, but likely less, for the same reason socialism and communism don't work: Why should you work hard, when it's just going to be taken away and redistributed? And why should individuals work harder than others in a union, when they'll all be paid the same or get the same raises anyway?

3. List some reasons why Christians should carefully consider whether they should join a labor union.

AWV, but are listed in the verses ending the chapter.

What Do You Think? – Week 11, Day 4

1. Because of the increased cost of ENDS, what do you think many vapers in that age range did instead of vaping?

Many young American vapers, because of the increased taxes on ENDS, switched to cigarettes instead, which are even worse for their health! The study states, “In the United States, higher ENDS tax rates are associated with decreased ENDS use but increased cigarette smoking among 18- to 25-year-olds.”

2. What unintended consequences do you think have resulted from the government’s involvement in guaranteeing student loans?

Since colleges know students have to pay and are backed by government funds, they have raised their prices astronomically, more than eight times the rate of wage increases. More students have also gone into deeper debt to pay for college educations, and the amount of total student loans now is around \$2 trillion.

3. What do you think happened to the number of single-parent families since the War on Poverty, and why?

In 1965, the out-of-wedlock birth rate of black children was around 20 percent, but after the War on Poverty, that rate is nearly 80 percent. The guarantee of paying for children to unwed mothers has increased the number, since absentee fathers know they don’t have to stick around to be responsible for their children.

What Do You Think? – Week 12, Day 1

AWV, but it’s possible the historian is biased, like all historians, in favor of one thing or another. Besides, plenty of historians and economists oppose socialism on moral and practical grounds. Also, it’s very doubtful that a government could raise economic conditions of its people with a system of socialism, knowing what we do about the historical failures of socialism. Besides, it doesn’t matter if it DID “boost the economy by 47 percent”; a government has no moral right to order people around, getting involved in what they should buy or sell, or how much they should pay and charge for it.

What Do You Think? – Week 12, Day 2

AWV!

What Do You Think? – Week 12, Day 3

1. What early evidence is there that John won’t benefit from his wish?

His wife’s nice clothes turn rough, and her new teapot turns common; his son’s badminton set disappears, and his pipe falls apart.

2. In what negative ways do John’s wish affect even the poor?

Weavers don’t have work making silk items, carriage makers are out of work, and John himself, although just a farm laborer, loses his job.

3. How is the story’s moral expressed at the end?

“The comforts of the poor are derived from the riches of the rich.”

4. Give a modern example of how the story's last line is true.

AWV!

What Do You Think? – Week 13, Day 1

1. Kliftonia's government says it will pay twice the price for carrots that farmers usually make. What unintended consequences might happen in this scenario?

AWV, but carrot farmers will probably grow way more carrots than they usually do, just to get paid by the government. Taxpayers will have to foot the bill, including those who already have good eyesight, and don't need the additional carrots. And there's no guarantee that Kliftonians will EAT all those extra carrots, anyway. Also, many farmers who grow other foods will probably switch to carrots, since they'll make more money growing them, and the country will be poorer in those foods that do not get grown.

2. The nation of Kliftonia announces that it will increase unemployment payments for up to 15 weeks. What unintended consequences do you think will happen?

AWV, but might include the fact that more laid off employees will not actively look for jobs as diligently if they know they're getting seven more weeks of unemployment payments, even if they're not working.

3. Doctors are paid 20 percent more to treat patients who are diagnosed with COVID-19. What unintended consequences might occur due to this policy?

AWV, but we do know that after this policy was put into place, many more doctors claimed that the patients they were treating had "COVID-19," and were paid additional funds by the government.

What Do You Think? – Week 13, Day 2

1. "It would be much better in many ways to live under a socialistic economic system, instead of a capitalistic economic system. Socialism is a more fair and equal system to live under, since under capitalism employers abuse their workers and cheat the poor."

AWV, but might make mention of socialism's oppression, track record of failure, unbiblical structure, potential for violating property and liberty rights of the people. And capitalism isn't inherently abusive to workers or fraudulent to the poor.

2. "The Federal Reserve certainly should have the power to determine what interest rates banks should be allowed to charge borrowers. The people at the Fed are the experts, and without their guidance, lenders would charge way too much and hurt the economy."

The Fed doesn't know what the price of borrowing money should be any more than it knows what the price of bread or shoes should be. That's a decision that's made by millions of buyers and sellers, and giving a bank that much power leads to bad results for the people.

3. "I'm so sick of these price gougers! The government should arrest and fine the ones who are charging too much for batteries and gasoline and bottled water during the hurricane; they're completely ripping off the people who really need those items."

Actually, nobody can define “price gouging,” the owners of the supplies have every right to charge what they want for it, and raising the prices makes it much more likely that those who really need those items will be able to get them, since casual buyers won’t want to pay that much.

4. “We need to place tariffs on bubble gum that’s imported from Kliftonistan and the Republic of Scottia. Our nation’s bubble gum manufacturers are losing business right and left, because our country is being flooded with cheaper bubble gum that consumers are buying instead.”

If our nation’s bubble gum manufacturers can’t compete, it’s unfair to punish bubble gum buyers by making them pay higher prices, just to benefit the bubble gum makers. That’s plunder and not a proper, moral function of government.

5. “I’m certainly not *glad* about the devastation that occurred during World War II, but it *did* help end the Great Depression! All those Americans in the war were put to work manufacturing machine guns, bombs, and planes, and millions of men got jobs as soldiers. It really ended up boosting the economy.”

Destruction of lives and property never “boosts an economy.” This is an example of the broken window fallacy: the belief that destroying things helps an economy. What this person SEES is all he comments on; he doesn’t think about the products that those Americans could have made if they had not been making weapons and had their taxes increased to pay for soldiers’ salaries and equipment. If war really was good for the economy, we should just blow up things endlessly and rebuild them!

What Do You Think? – Week 13, Day 3

1. Why does Yeargin say that luxury taxes, like the ones on boats, are perfect examples of “unintended consequences”?

They’re designed by politicians to do one thing, but they end up doing something else: hurting those they didn’t intend to hurt (non-rich persons who build boats).

2. Sum up the disastrous 1990 “luxury tax” on boats in the United States.

25,000 boating industry jobs were lost, fewer taxes were collected, and Congress repealed the tax, but not before the damage was done.

3. In what way did boat buyers act after that tax was enacted—a way that Congress didn’t predict?

They stopped buying boats to avoid paying the tax, which hurt the boat-making workers and their families.

4. Why do you suppose that obvious lessons, like the one about luxury taxes, are rarely learned by legislators?

AWV!

What Do You Think? – Week 13, Day 4

AWV, but they might include something like, “It’s plunder, stealing from one group and giving to another; it’ll have many unintended consequences, no doubt, that we can’t see now; you’re only looking at one group, instead of many groups, which is what good economic policies should consider; and if there are ‘billions of dollars in taxes just sitting there,’ we should give them back to taxpayers!”

What Do You Think? – Week 14, Day 1

AWV, but maybe something that addresses the fact that barbers and chiropractors already get the training they think they need to do their jobs without government coercion. They want to make as much money as possible by helping their customers, and they know they won't last long if they slice their customers' ears off or damage their spines. Besides, how do government bureaucrats know how much training these professions should have?