

# ***Economics: A Christian Worldview. Space Aliens and Bad Economics***

## **(TEACHER INSTRUCTIONS/KEY)**

### **Purpose**

Students see examples of the Broken Window Fallacy in action, and they analyze how these examples hurt the economy, culminating in creating their own version of the fallacy.

### **Time**

15-20 minutes

### **Instructions**

1. Play the following short film for students:

“Krugman Calls for Space Aliens to Fix U.S. Economy” (1:35)

<https://www.youtube.com/watch?v=jaED2ErdIv8>

2. Ask for volunteers or go around the room asking students their thoughts on the film.
3. Ask students: What is Paul Krugman forgetting when he says that government spending to repel a non-existent alien attack will help the economy?

*All the billions/trillions spent on weapons and machines and bullets and so on means that all that money will be lost, and people will be unable to spend it on improving their lives, buying goods and services, investing in machinery, hiring employees, and so on.*

4. Hand out the “Bad/Good Economist Test” and tell students to complete it. (You can read the directions together if you’d like.) Give students 5-7 minutes.
5. Discuss the answers as a class.
6. Tell students: Under the “MY SCENARIO” section, create your own ridiculous situation in which you, a world-famous (bad) economist like Paul Krugman, explain that a broken-window situation will “help the economy.” Use either of these two scenarios:
  - A huge government spending program that takes away money from taxpayers
  - A natural disaster that supposedly creates prosperity through destruction

### **Answer Key for Bad/Good Economics Test**

1. Destruction of wealth/long-term costs
2. Lost spending elsewhere
3. Homeowners’ losses
4. Taxes or debt required
5. Destroyed businesses and wealth
6. Homeowners losing property

## ***Economics: A Christian Worldview. Space Aliens and Bad Economics***

Each statement below represents bad economic thinking; in the spaces between the statements, briefly explain **what is being ignored**.

### **Statements**

1. “War boosts the economy because factories produce weapons.”
2. “Broken windows are good for glaziers.”
3. “Storm damage helps construction companies.”
4. “Government spending always creates jobs.”
5. “Riots stimulate rebuilding.”
6. “Floods help furniture companies.”

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### **MY SCENARIO:**