

Economics: A Christian Worldview. Broken Window Fairy Tale

TEACHER INSTRUCTIONS/KEY

Purpose

Students will rewrite the economic principle of the broken window fallacy into a short children's story that clearly communicates the concept.

Time

25-30 minutes (just the rewrite today; tomorrow groups will read their stories/nursery rhymes)

Instructions

Pre-Step 1: Print out Page 1 for yourself and Pages 2 and 3 to hand out to each student.

STEP 1 – READ BOTH “BWF” ARTICLES (5-6 MINUTES) AND DISCUSS.

Ask students for their thoughts on the articles—keep discussion focused and short.

STEP 2 – FORM GROUPS (2–3 STUDENTS).

Assign roles within each group:

- Writer – drafts the story
- Idea Generator – helps design the scenario
- Moral Checker – ensures the economic principle is clear

If group of 2:

- Writer
 - Concept & Moral Checker
-

STEP 3 – READ THE INSTRUCTIONS (EXPLAIN CLEARLY).

- Your group must create a children's fable/nursery rhyme that illustrates the BWF.
- Choose either an animal fable (**12 sentences at most**) or a nursery rhyme (**8 or 12 rhyming lines**).
- You may make the fable/nursery rhyme funny and exaggerated, but illustrate the BWF!

Choose one of these for the story's arc:

- A character/many characters learn(s) the lesson about the broken window fallacy.
 - Character(s) does/do NOT learn the lesson about the BWF, and he/she/they stay(s) clueless.
-

STEP 4 – WRITE THE STORY (20-25 MINUTES).

Be sure to tell students two things:

1. You're going to finish this by the end of class.
2. You're going to read these in class tomorrow, so **bring yours with you to class!**

Let students get started!

Reckonings: After The Horror

By Paul Krugman

September 14, 2001

It seems almost in bad taste to talk about dollars and cents after an act of mass murder. Nonetheless, we must ask about the economic aftershocks from Tuesday's horror [the destruction of the Twin Towers].

These aftershocks need not be major. Ghastly as it may seem to say this, the terror attack—like the original day of infamy [the Japanese attack on Pearl Harbor], which brought an end to the Great Depression—could even do some economic good....

If people rush out to buy bottled water and canned goods, that will actually boost the economy. For a few weeks horrified Americans may be in no mood to buy anything but necessities. But once the shock has passed it's hard to believe that consumer spending will be much affected....

So the direct economic impact of the attacks will probably not be that bad. And there will, potentially, be two favorable effects.

First, the driving force behind the economic slowdown has been a plunge in...investment. Now...we need some new office buildings....[R]ebuilding will generate at least some increase in business spending.

Second, the attack opens the door to some sensible recession-fighting measures. For the last few weeks there has been a heated debate among liberals over whether to advocate the classic Keynesian response to economic slowdown, a temporary burst of public spending. There were plausible economic arguments in favor of such a move, but it was questionable whether Congress could agree on how to spend the money in time to be of any use....Now it seems that we will indeed get a quick burst of public spending, however tragic the reasons....

This article comes from www.nytimes.com/2001/09/14/opinion/reckonings-after-the-horror.html.

•••••

Economic Fairy Tales Multiplying

By Walter Williams

October 4, 2001

Each semester, I spend a few minutes explaining to my students, both graduate and undergraduate, the first and second laws of thermodynamics.

Why? Mother Nature permits us to do many things, but she prohibits the construction of machines of the first and second kinds. The first is a something-for-nothing machine, and the second is a perpetual motion machine. If students understand this, they can't be tricked into believing there's a free lunch.

Dr. Paul Krugman, Princeton University economist and *New York Times* writer, apparently believes in the machine of the first kind. In his column "After the Horror" (*New York Times*, Sept. 14, 2001), he says, "Ghastly as it may seem to say this, the terror attack—like the original day of infamy, which brought an end to the Great Depression—could do some economic good." He suggests that the destruction will stimulate the economy through business investment in rebuilding.

We know this has to be fishy just by asking: Would there have been even greater "economic good" had the terrorists succeeded in destroying buildings in Los Angeles, San Francisco, Chicago, Philadelphia, Boston, and all other major cities? Of course, you and I know that is utter nonsense. Property destruction always lowers the wealth of a nation. I hope one of Krugman's students asks him, "If property destruction is good for the economy, why aren't Beirut and Belfast boom towns?"

There's another question related to both the Krugman article and measures that Congress is considering to jumpstart the economy: Where does the government or private money come from for rebuilding the destruction or bailing out the airlines? If it came from the Tooth Fairy or Santa Claus, then at least some of what Krugman and politicians say has some merit. They both might benefit from reading French economist (1801-1850) Frederic Bastiat's pamphlet "What is Seen and What is Not Seen," where he writes, "There is only one difference between a bad economist and a good one: The bad economist confines himself to the visible effect; the good economist takes into account both the effect that can be seen and those effects that must be foreseen."

Since the money going to rebuild the destruction or bail out the airline industry doesn't come from the Tooth Fairy or Santa, we might ask what would have been done with the money if it weren't spent rebuilding destruction or bailing out the airline industry? What is seen is the employment associated with the rebuilding and the bailout. What is unseen is what the money would have been used for....

This article comes from www.deseret.com/2001/10/4/19609770/economic-fairy-tales-multiplying.

