

***Economics: A Christian Worldview. Who's Afraid of Saving?***  
**TEACHER INSTRUCTIONS/KEY**

**Prep**

Print this page and a copy of Page 2 for each student.

**Time**

20-25 minutes

**Instructions**

1. Hand out Pages 2 & 3 to students, and read the instructions together.
2. Give students 10-12 minutes to complete the questions.
3. Students discuss in pairs/groups first, then as a class.
4. Ask students to first share their answers on the three savings quotes.
5. Review answers to Questions #1-8.

**Answer Key**

**Quote #1** – AWW, but to invest in new ideas, technology, machines, etc., you have to have saved money!

**Quote #2** – AWW, but first, a worker who produces more gets paid more, and second, machinery that workers operate that produces more leads them to be paid more.

**Quote #3** – AWW, but saving money means it's going to be used to improve the economy at a later date.

**Questions:**

1. **B** – Deposits provide funds banks can lend.
2. **D** – Demand shifts from consumption toward investment.
3. **A** – Greater deposits typically expand lending.
4. **C** – Capital equipment increases productivity.
5. **A** – Capital accumulation drives economic growth.
6. **B** – Lower income reduces spending; it is not voluntary thrift.
7. **D** – Businesses constantly seek investment capital.
8. **C** – Saving redirects demand toward capital formation.

**Debriefing**

**Emphasize the key points:**

1. Saving does not eliminate demand; it shifts demand from consumer goods to investment goods.
2. Saving does not cause money to disappear from the economy. Instead, it typically becomes **investment capital** used for machinery, factories, infrastructure, and technology.

# ***Economics: A Christian Worldview. Who's Afraid of Saving?***

## **Part 1 – Key Quotes**

Read the quotations below and answer the questions.

### **Quote #1: Henry Hazlitt**

*“Saving, in a word, is the other side of investment.”* What does Hazlitt mean by this? Write a brief summary in your own words:

### **Quote #2: Henry Hazlitt**

*“The real source of increased wages is increased production. The way to increase production is through the accumulation of capital, which in turn depends upon saving.”* Why do you think increased production leads to increased wages? What helps workers increase their production, besides just trying to work harder?

### **Quote #3: Frank Knight**

*“Saving simply shifts demand from present consumption to future production.”* Explain what this means:

## **Part 2 – What Happens When People Save?**

Choose the **best answer** for each scenario.

1. Many families decide to place more money in savings accounts. What usually happens to those funds?
  - A. They remain idle and unused.
  - B. Banks lend them to borrowers and businesses.
  - C. Businesses reduce production because spending fell.
  - D. The money circulates more slowly but stays available.
2. Some households choose to save instead of eating out as often. What is a likely economic effect?
  - A. Total demand in the economy disappears.
  - B. Overall economic activity falls permanently.
  - C. Workers lose jobs across many industries.
  - D. Restaurants experience less demand, while funds become available for investment elsewhere.
3. Banks experience a large increase in deposits. What typically follows?
  - A. Banks expand lending for mortgages, business loans, or other investments.
  - B. Banks hold the funds in reserves without lending.
  - C. Businesses reduce borrowing because funds are unavailable.
  - D. Interest rates generally rise.
4. A business borrows money and buys new machinery. What is the most likely result?
  - A. The firm becomes less competitive.
  - B. The firm reduces production.
  - C. The firm can produce more goods per worker.
  - D. Workers become less productive.
5. Over many years, a country has high levels of saving and investment. What pattern usually follows?
  - A. Capital equipment increases and productivity improves.
  - B. Consumption rises faster than production.
  - C. Businesses rely less on technology.
  - D. Investment becomes unnecessary.

6. During a recession, people spend less because their incomes fall. Which explanation is most accurate?
  - A. People are deliberately saving more than usual.
  - B. Reduced income limits spending rather than increasing saving.
  - C. Households suddenly prefer investment over consumption.
  - D. Businesses discourage saving.
  
7. Some economists argue that saving reduces economic demand. Which observation challenges that claim?
  - A. Interest rates fluctuate over time.
  - B. Consumers prefer spending to saving.
  - C. Governments encourage consumption during recessions.
  - D. Businesses actively seek investors and lenders.
  
8. Which statement best describes the economic role of saving?
  - A. Saving reduces demand in the economy.
  - B. Saving prevents businesses from borrowing money.
  - C. Saving transfers resources from consumption to investment.
  - D. Saving slows production growth.