

## Lesson 1

# BASIC ECONOMICS

## CHAPTER 1 QUESTIONS

1. Without this condition, there is no economy. What is it? **Scarcity of resources**
2. Why do you believe that politicians, business owners, and journalists continue to advocate for economic decisions that have never worked in all of recorded history? **Because they aren't paying attention to other companies or there trying to copy each other**
3. Is “wishes unmet” or “delaying goals” a bad thing? Why or why not? **No it's not because sometimes to achieve a goal you need resources and you have to work first to get those resources**
4. What does Dr. Sowell mean when he says that, “... an abundance of resources does not automatically create an abundance of goods”? **It means that having a lot of natural resources, such as land, water, minerals, oil, etc., does not guarantee that a society will be able to produce a lot of goods and services that satisfy human wants and needs.**
5. Name three things that a country could not make if ALL its lumber went to the construction of homes:  
**\_\_\_Paper\_\_\_**  
**\_\_\_instruments\_\_\_**  
**\_\_\_Furniture\_\_\_**
6. Sowell states, “One of the ways of understanding the consequences of economic decisions is to look at them in terms of the incentives they create, rather than simply the goals they pursue.” On the back of this page, write as many **incentives** as you can think of that would be created if free housing were provided to all homeless people nationwide (paid for by tax dollars).

- For the homeless people, they would have an incentive to accept the free housing and enjoy a better quality of life. They would also have an incentive to move to areas where free housing is available, which could increase the demand and reduce the supply of such housing. They might also have an incentive to reduce their efforts to find employment or education, since they would not have to worry about paying rent or mortgage.
- For the taxpayers, they would have an incentive to oppose the free housing policy and demand lower taxes, since they would have to bear the cost of providing the housing. They might also have an incentive to resent the homeless people who receive the housing, and perceive them as freeloaders or undeserving. They could also have an incentive to move away from areas where the free housing is located, to avoid higher taxes or social problems associated with homelessness.
- For the government, they would have an incentive to implement the free housing policy and claim credit for solving the homelessness problem. They would also have an incentive to increase taxes or cut spending on other public services to finance housing. They might also have an incentive to impose restrictions or conditions on the homeless people who receive the housing, such as requiring them to participate in work or training programs, or limiting their choices of location or quality of housing.