

## BASIC ECONOMICS

### CHAPTER 4: An Overview of Prices

#### QUESTIONS

1. After you read the chapter, explain the difference between intentional actions and systematic interactions.  
Intentional actions are based on a person doing something with the intent to get a specific result. Systemic interactions are the end result of multiple people doing things with no specific intent on affect another, focused on their own goals but resulting in a 'group' result.
2. What could be the reason why politicians and the media ignore the systemic causes of banks and lenders charging higher interest rates in low-income neighborhood (higher rates of default, costs associated with protecting the business against crime, smaller loan amounts, higher labor costs)? These reasons are not secret. So why aren't they talked about?  
Because it puts some of the blame for the problem on the people in that community and politicians want those people to vote for them. Its easier to make the business the 'bad guy' and more sensational stories.
3. What is the difference between an incentive and a goal?  
An incentive encourages someone to do something to receive something in return. A goal is more like an achievement set by the person themselves to do something hard.
4. What's wrong with the idea of government making sure something is affordable?  
The result is that it ultimately costs more because if a product or service is 'more affordable' then more people will want that service/goods and then the overall cost goes up due to the higher demand.
5. Why do costs go up whenever the government "provides" goods and services?  
Because the providing of goods and services doesn't make the production of these things increase so there is still a shortage and then increased costs.
6. Which produces better results, incremental trade-offs or categorical priorities?  
Incremental tradeoffs get better results.
7. Why is it that making something cheap — through government subsidies, for example — means that it will be wasted?  
Because people then tend to over use whatever is cheap, especially in goods