

# COLLAPSE

WES MOORE

## CHAPTER 2: The basics of socialism and capitalism

### Group Study Leader Guide

#### General Instructions:

- Have the students read the book chapter before meeting to discuss its principles.
- There is no handout for group members. Use the group study questions at the end of each chapter in the book as the basis for the discussion.
- The section below provides the location of answers (page and paragraph in the book), the answers themselves (in brief), and the goal of each question.

#### Chapter 2 Group Study Questions Discussion Key

1. Fill in the blank for these statements. “The decisions for the producing, selling, and buying of goods and services in a socialist economy is made by the \_\_\_\_\_. In capitalism, these decisions are made by \_\_\_\_\_ based on their own preferences, desires, and \_\_\_\_\_.” Which of these types of systems do you prefer?
  - a. Answer location: Page 16, 4<sup>th</sup> full paragraph through page 17, paragraph 1 (Note: All references to location refer to the first full paragraph on a page).
  - b. Answer in brief: State, Individuals, and Will. Preference is a discussion point with no correct answer.
  - c. Goal of the question: To allow the student to see the fundamental differences between socialism and capitalism where freedom is concerned.
2. A capitalistic economy is also known as what kind of economy (think “free” something)?
  - a. Answer location: Page 17, paragraph 1.
  - b. Answer in brief: A free market economy.
  - c. Goal of the question: To cause the student to focus on the element of freedom in capitalism, as opposed to the emphasis on greed that is so common today.
3. Can the best-intentioned government worker make accurate decisions about what you want from day-to-day, month-to-month, or year-to-year? Why or why not?
  - a. Answer location: Page 17, paragraph 3 through page 19, paragraph 3.
  - b. Answer in brief: No, because he will not have the amount of information that the thousands of buyers and sellers in a free market will have. He will also not be able to make instantaneous changes to products, prices, and other economic factors that buyers and sellers in a free market system can.
  - c. Goal of the question: To show the student a foundational problem with socialism

that goes beyond opinion or political affiliation.

4. In the 1980s, the Soviet Union (a socialist economy) produced more shoes than any other nation, yet their people had to stand in line to buy shoes. Why did this happen?
  - a. Answer location: Page 18, paragraph 1-2.
  - b. Answer in brief: Because the shoes were made according to a government plan and not market demand. The people wanted different shoes than the government produced. So, even though they had an abundance of shoes, the people still had to wait to get what they wanted. This illustrates the information problem common to socialist economies.
  - c. Goal of the question: To help the student see the weakness of letting the government make choices in the economy.
5. Fill in the blank: “The question in economics is not which system can be perfect; it is which system can be \_\_\_\_\_ (two words).” Why is this true?
  - a. Answer location: Page 19, paragraph 2.
  - b. Answer in brief: Most efficient. No economy can perfectly match a nation’s resources with the needs of its people. Even free markets sometimes do not do it perfectly. The choice is not related to which can do it perfectly. The choice is related to which can do it best. On this score, free markets win by a long shot.
  - c. Goal of the question: To get the student to stop thinking of economic systems in terms of perfection. Some opponents use the occasional failures of free markets (like shortages) to cast doubt on the whole system. This is an inappropriate way to evaluate economic systems.
6. Explain the “incentive” weakness of socialism mentioned in the chapter.
  - a. Answer location: Page 19, paragraphs 3 through page 21, paragraph 3.
  - b. Answer in brief: Because socialism attempts to give everyone the same of everything, people lose the incentive to be creative, take risks, and build businesses that bring value to the society overall. This leads the nation to poverty.
  - c. Goal of the question: To help the student understand another fundamental flaw of socialism.
7. Fill in the blank: “The reason America has produced some of the greatest inventions in world history, and the wealth and abundance that those inventions generate, is because people here have the \_\_\_\_\_ to do so.” Explain why this is true.
  - a. Answer location: Page 20, paragraph 3.
  - b. Answer in brief: Incentive. In America, people can benefit directly from their inventions. This gives them the motivation, or incentive, to create and invent
  - c. Goal of the question: To help the student see why America is so creative and prosperous.

8. How does moving towards socialist ideas (like extremely high taxes on the rich, controlling the prices that can be charged, and over-regulating industries) erode the incentives people have to create new products, inventions, and businesses? What will be the effect on the nation as we continue to do this (what will it do to our wealth as a people) and why?
  - a. Answer location: Page 19, paragraphs 3 through page 21, paragraph 3.
  - b. Answer in brief: The chapter does not address the effect of these specific socialist policies. The student should be encouraged to think through the outcome of each of these on incentives. Each of them reduces incentive by taking away rewards.
  - c. Goal of the question: To cause students to connect specific policies with lost incentive.
9. Explain the connection between socialism and oppression. In other words, why does a socialist economy tend to make the government more controlling?
  - a. Answer location: Page 21, paragraph 4 through page 23, paragraph 2.
  - b. Answer in brief: Because socialism requires the government to be involved in every part of the economy, it gives government incredible power over the people. Human beings always abuse their power, so socialism eventually leads to government oppression.
  - c. Goal of the question: To help the student connect socialism to government power and oppression.
10. Is it moral for everybody to be the same (in an economic sense)? Explain.
  - a. Answer location: Page 23, paragraph 3 through page 24, paragraph 4
  - b. Answer in brief: No, it is not moral for at least two reasons. God did not make us all with the same skills, talents, and abilities; and all people are not equally motivated to work and create value. Because of this, some people are worth more from an economic sense than others and are, therefore, deserving of more reward. Also, when we try to make everybody “equal” economically, we take away incentives, which leads to poverty.
  - c. Goal of the question: To help the student understand why “equality,” in an economic sense, is not fair or wise.