

COLLAPSE

WES MOORE

CHAPTER 7: Nothing is free. Ever. 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 7 Group Study Questions Discussion Key

1. Who pays the interest on “interest-free” student loans?
 - a. Answer location: Page 71, paragraphs 1-5.
 - b. Answer in brief: The government pays the interest on these loans, which means the taxpayer actually pays it.
 - c. Goal of the question: To show the student that “free” loans are not free; taxpayers actually foot the bill.
2. What are the two sources of income for the government?
 - a. Answer location: Page 71, paragraph 4.
 - b. Answer in brief: The government gets the money it spends from the taxes it collects from its citizens and the loans it takes out from its creditors.
 - c. Goal of the question: To explain to the student where the government gets its money.
3. When the government pays for free stuff out of the taxes it collects, who is really paying for it?
 - a. Answer location: Page 71, paragraph 5.
 - b. Answer in brief: Ultimately, the taxpayer pays for every free thing the government gives away. Even the money it borrows to pay for free programs must be paid back by taxpayers.
 - c. Goal of the question: To help the student understand that all government spending must eventually be paid for by taxpayers.
4. What is the downside of the government borrowing money to give its citizens free stuff? (Think interest.)
 - a. Answer location: Page 71, paragraph 6 through page 72, paragraph 3.

- b. Answer in brief: The government must not only pay back what it borrowed to give its citizens free stuff; it must also pay back the interest charged on those borrowed funds. This means the cost of all free stuff is substantially more due to interest.
 - c. Goal of the question: To show the student that borrowed money is expensive and adds to the cost of whatever the government does with it.
 5. Explain this statement: “This truth—that all free stuff from the government must eventually be paid for from tax revenue—should make all of us concerned about how much our government gives away.”
 - a. Answer location: Page 73, paragraph 1.
 - b. Answer in brief: Because we, the taxpayers, must eventually pay for everything the government gives away, we should all be concerned about the levels of free programs the government provides. As our debts pile up, even lower income workers will have to pay more taxes to repay these loans.
 - c. Goal of the question: To help the student see the personal cost of the government’s free programs.
 6. What are the short- and long-term effects of telling banks they cannot collect interest on student loans?
 - a. Answer location: Page 73, paragraph 3 through page 74, paragraph 3.
 - b. Answer in brief: In the short-term, banks could go out of business or be forced to raise the prices of other types of loans. In the long-term, banks would get out of the student loan market and new banks would be less likely to enter. Overall, this would cause jobs to be cut, costs to go up, and shortages to arise.
 - c. Goal of the question: To help the student understand the negative consequences of the government forcing companies to provide free stuff to consumers.
 7. What was meant by the italicized statement at the end of this quote from the chapter: “In the case of student loan interest, helping the student by suspending interest payments on his loans hurts the banks, their employees, their suppliers, and consumers at large. *It is not a choice of suffering or not suffering; it is a choice of who suffers the most.*”
 - a. Answer location: Page 74, paragraph 4 through end of page.
 - b. Answer in brief: When the economy slows down, people are going to suffer. Jobs will be lost, profits will tumble, and businesses may close down. There is no way to avoid this. What government is doing more and more today is trying to decide who suffers and who does not.
 - c. Goal of the question: To get the student to realize that suffering must happen when the economy slows down and to see that the government is trying to intervene to decide who suffers and who does not.

8. What “fair” rule was presented in the chapter for who should suffer when the economy declines?
 - a. Answer location: Page 74, paragraph 6.
 - b. Answer in brief: Each person should suffer based on his own choices and his own area of responsibility. If you chose to take out a student loan, you are responsible to make the payments even when the economy goes south. You cannot go to the government for relief when you can’t make those payments. Similarly, if a bank chose to lend you money and you cannot repay it, the bank is responsible to deal with the lost income that comes from your non-payment. It cannot go to the government for relief based on a decision it made. If we do not allow these consequences to fall as they naturally would, we will make the problem worse down the line and bankrupt our government in the process.
 - c. Goal of the question: To present a common sense rule for determining who suffers when the economy slows down.
9. Pick one of these problems with free stuff and explain it: the problem of waste, the problem of quality, or the problem of overuse.
 - a. Answer location: Page 76, paragraph 2 through page 78, paragraph 1.
 - b. Answer in brief: Problem of waste—government programs usually waste money; problem of quality—government programs usually have poorer quality than commercial programs; the problem of overuse—free programs from the government are usually used too much because they are free.
 - c. Goal of the question: To show the student the problems faced when the government provides a product or service for free.
10. The chapter presented the following “fix” to the problem of free stuff: “If you need the things the government is now giving you for free, you must begin to provide them for yourself. You must take responsibility for your own needs and stop looking to the government to provide everything for you.” Is this a good or bad idea? Why or why not?
 - a. Answer location: Page 78, paragraphs 2-3.
 - b. Answer in brief: This is a good idea because of the weaknesses already presented in the chapter regarding free government programs. These programs also lead to constant deficits and growing debt. Finally, God requires us to provide for ourselves, not look to the government for everything.
 - c. Goal of the question: To cause the student to reflect on the merits of citizens taking personal responsibility for their own welfare instead of looking to the government for everything.