Chapter 7

Finance, Investment

Chapter 7 In this chapter, the author uses an example of dieting to show that people use other people’s very basic understanding of markets to control them, and how knowing more can save you more. He says that a major contributor to that is that people, especially in America, can spend money that is not theirs. This is called a credit system (uses credit cards). Being able to do this, he says, is a good and a bad thing because people can overspend and end up broke. He says that this ties into using banks all the time in our modern economy. This can also be a good or a bad thing. He also includes insurance, investing, and other programs that could result in a major loss of money, though not in most cases. He says that this is called behavioral economics, which is how natural human behavior can result in poor economic choises, or good ones. Wheelan then procedes to talk of how good economic behaviors can make you get “ rich quick". He uses an example of buying a house and selling it for more money. Cases like these are extremely rare, and the Author says that this would only happen if you were dealing with “ morons". He brings it all back down to the fact that to raise capitol, you must save, invest, and then repeat those steps. Also, he says that you should take risks, then be rewarded in cased of success. He finally points out that another way to gain capitol is to save for the long run. I agree with the Author in that some poor economic choices come from human nature. Also, that you should save and invest while looking down the road, making economic decisions early on. I do not agre with his idea that you should take risks to gain capitol. THat may work some of the time, but the opportunity cost generally outweighs the benifet.