The Dreaded Disease

Teams
First, make certain that all team members understand “The Dreaded Disease.” Next, answer the questions below. Have a spokesperson ready to explain your team’s decision.

The Dreaded Disease
Imagine an island economy that is periodically struck by an epidemic disease that affects only children. From past experience the islanders found that the disease strikes randomly, affecting 80% of all children. They also discovered a preventive antidote that reduces the chance of death if it is taken before the disease strikes.

A child who has taken no doses of the antidote has a 90% chance of dying when he or she contracts the disease. With one dose of the antidote, the chance of death is reduced to 10%. Two doses reduce the chance to 8%; three doses reduce the chance to 6%; four doses reduce the chance to 5%.

Beyond four doses, the antidote has no further effect, and the chance of death remains at 5%. Suppose the island has 1000 children and that at the first sign of a new outbreak of the dreaded disease, the people have produced 1000 doses. The antidote must be used immediately if the children’s lives are to be saved.

Questions:
1. In a market or capitalist economy, the antidote would be **sold** to those island parents willing and able to buy it.

   a) What would be the **benefits** of this solution:

   · For families with children?
   
   · For families without children?
   
   · For pharmaceutical companies?
b) What would be the opportunity cost of this solution?

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

2. In a command or communist economy, the antidote would be rationed by the island’s governing body to each infected child.

a) What would be the benefits of this solution:

· For families with children?
__________________________________________________________________________
__________________________________________________________________________

· For families without children?
__________________________________________________________________________
__________________________________________________________________________

· For pharmaceutical companies?
__________________________________________________________________________
__________________________________________________________________________

· For the economy?
__________________________________________________________________________
__________________________________________________________________________

b) What would be the opportunity cost of this solution?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

3. Which solution would your team choose? Why?
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________