The Economic Way of Thinking

Lecture Outline:

1. Thinking About the World
   1. The economic way of thinking is necessary to understand how human beings make decisions under scarcity and uncertainty.
   2. The economic way of thinking provides glasses that clarify how we see the world and thus change the types of questions we ask to bring about greater levels of flourishing.
   3. Human beings are essential to this process and require specific institutional conditions for harmony and wealth accumulation.
2. The Creation Mandate
   1. Genesis 1:26-28
      1. We are created in God’s image and likeness. We cannot create ex nihilo, but we are creative and have dignity. Our anthropology and purpose stem from our creation in God
   2. Genesis 2:15
      1. We are created to work and, in doing so, can serve (*abad*) and be served. We are social and must find ways to cooperate. In a world without sin, we still were asked to work.
         1. Work is part of our responsibility in stewardship--*oikonomia*
   3. The Fall
      1. Brokenness and Sin enter with the Fall
      2. Sin enters the world and alters all aspects of physical and spiritual life. Discord, violence, oppression, and immiseration result. The call to work and flourish remains unchanged, but the process is difficult.
   4. Flourishing is the goal.
      1. This applies to our earthly lives—we are not simply awaiting restoration but rather have good work to do. Our earthly work bears eternal significance. We can bring glory to God when we do our work well and find ways to cooperate and treat strangers as neighbors.
      2. Jonathan T. Pennington, “Human Flourishing and the Bible,” in *Counting the Cost: Christian Perspectives on Capitalism*, eds. Art Lindsley and Anne R. Bradley (Abilene: Abilene Christian University Press, 2017), 45.
3. Human Nature: Economics studies human action or decision-making in the face of scarcity and radical uncertainty. A study of the world must commence with an understanding of human anthropology. These truths are universal across all times and people.
   * 1. We have dignity because of our creation in Christ.
     2. We are *imago dei*: creative beings and social beings
     3. We are irreplicable—unique in our gifts, talents, skills, and propensities. Human beings are the sole source of human capital
     4. We are purposive—we do things intentionally to obtain a desired outcome
     5. We are self-interested and social. We cannot flourish alone and are created to live amongst and to cooperate. Self-interest does not imply that we are never benevolent or beneficent.
4. Economic Realities
   1. We live in a world of scarcity
      1. Costs are always present and must be considered
      2. There is no “free” lunch—a price is always paid
      3. Opportunity costs matter in our decisions
   2. Incentives matter for human behavior
      1. Purposive human action
   3. We seek profit which is to say we are always attempting to maximize expected benefits and minimize the expected costs of our actions
   4. There are different arenas of social life: markets, state, civil society
   5. See, e.g., Michael Novak, *The Spirit of Democratic Capitalism* (New York: Madison Books, 1990), John R. Schneider, *The Good of Affluence: Seeking God in a Culture of Wealth* (Grand Rapids: Eerdmans, 2002), and Pennington, “Human Flourishing and the Bible.”
   6. Institutions matter for cooperation
   7. Markets are the space in which we buy and sell, allowing us to serve others. We also do this through unpaid labor in our homes, churches, neighborhoods, and communities.
   8. Sowell, Thomas, *Basic Economics: A Common Sense Guide to the Economy*. New York, Basic Books, 2007.
5. Economic Freedom
   1. Economic Freedom is the freedom to enter and exit markets for both buyers and sellers. It requires well-defined and protected private property rights, a concept clearly articulated in the scriptures. It requires the rule of law and ease of doing business.
   2. See, e.g., Robert A. Sirico, “The Entrepreneurial Vocation,” *Journal of Markets & Morality* 3, no. 1 (2000), and Bruce Baker, “Entrepreneurship as a Sign of Common Grace,” *Journal of Markets & Morality* 18, no. 1 (2015).
   3. Gwartney, James and Lawson, Robert and Hall, Joshua and Murphy, Ryan and Djankov, Simeon and McMahon, Fred, Economic Freedom of the World: 2022 Annual Report (September 8, 2022). Fraser Institute, 2022, Available at SSRN: <https://ssrn.com/abstract=4327127> or [http://dx.doi.org/10.2139/ssrn.4327127](https://dx.doi.org/10.2139/ssrn.4327127)
   4. Unconstrained markets allow us to determine how to use our human capital best to serve the needs and wants of others. In a market economy, we are guided by profit and loss; thus, entrepreneurs’ mistakes are corrected. Markets don’t perfect humans. Markets are a space where we can contribute to and benefit from greater human flourishing.