



### **CSE Part I: Twelve Key Elements of Economics**

ELEMENT 7—PROFITS DIRECT BUSINESSES TOWARD PRODUCTIVE ACTIVITIES THAT INCREASE THE VALUE OF RESOURCES, WHILE LOSSES DIRECT THEM AWAY FROM WASTEFUL ACTIVITIES THAT REDUCE THE RESOURCE VALUE.

1. When considering what constitutes a profit, an economist considers not only the net income calculation as an accountant would, but the economist also considers the \_\_\_\_\_ of the assets owned by the firm.
2. What must a firm do to earn profits?
3. CSE suggests that “even though business failures are often painful for the investors and employees involved, there is a positive side.” What is the positive side of failure?
4. What is the reward-penalty structure of a market economy?



### **Learn Liberty—The Price System** (2:25)

The prices you pay for goods and services each day in the grocery store or at the gas station probably seem mundane, almost boring. But, from an economic perspective, prices are amazing. As Economist Daniel J. Smith explains, they provide incentives that influence the behavior of producers and consumers. Prices go up. Consumers conserve while producers look for ways to increase production. Prices go down. Consumers buy more while producers look for ways to cut back. Prices move instantly to convey information about the changes in market conditions, preferences, and technology.



## **CSE Part I: Twelve Key Elements of Economics**

### ELEMENT 8—PEOPLE EARN INCOME BY PROVIDING OTHERS WITH THINGS THEY VALUE.

5. In a market economy, how can people earn high incomes?
6. What gives us a strong incentive to acquire skills, develop talents, and cultivate habits that will enable us provide others with valuable goods and services?



## **Prophets and Profit** *by Marvin Olasky*

7. What are the two positive lessons suggested by the Greek and Hebrew words translated “profit”?
8. What are the two warnings suggested by the Greek and Hebrew words translated “profit”?
9. Because the Bible conveys a realistic sense of human nature “economic truths known by free-market economists resonate with the biblical view of the world” and give rise to the following ideas regarding biblical realism. Finish each statement:

Biblical realism opposes . . .

Biblical realism suggests . . .

Biblical realism helps us to see . . .



## **Is Making Money Good or Bad?** (1:55)

Through an interview with T.J. Rodgers, founder of Cypress Semiconductor, the role of the profit motive is brought to life. By “making money,” Rodgers generates substantial wealth for himself, but the benefits are more widespread than Rodgers’ own possessions—jobs are created and customers benefit by obtaining new products.

# Differentiating Self-Interest from Greed

## *Mandeville, Rand, and False Moral Pretenses*



Week 3  
Day 3



### **MGG Chapter 5: Isn't Capitalism Based on Greed?** pp. 111-119

10. Mandeville's Poem, "The Fable of the Bees," describes humans as little more than bundles of vicious passions all sharing one common motivation. What is that common motivation?
  
11. Mandeville's poem, a metaphor for English society, suggests that great wealth is produced by three characteristics. What are they?
  
12. What is the point of Mandeville's poem—what is he saying regarding an individual's motives and the outcomes of those motives?



13. While it seems obvious that good intentions don't always yield good results, what is the dark side of that same truth?
  
14. Who is a "patron saint of capitalism," what is the name of his most famous book, and why did he write it?

15. By reading *Atlas Shrugged*, what did Richards come to realize about collectivism and entrepreneurs?

16. What did Richards conclude about Rand and her view of self-sacrifice?



**IFWE—Is Capitalism Based on Greed?** (3:57)

What is the difference between greed and self-interest? Is a free market economy driven by greed? Jay Richards explores these questions in the following video.



**(Optional) Atlas Shrugged and the Economics of Exchange** (6:27)

John Stossel discusses greed, self-interest, and moral behavior in a free market economy with John Allison, former chairman and CEO of BB&T bank.



### **MGG Chapter 5: Isn't Capitalism Based on Greed?** pp. 119-124

17. Regarding the motives of merchants and others, Adam Smith was a realist. How does Richards describe Smith's view of man?



18. How is "proper self-interest" the basis for the Golden Rule?



19. Why isn't self-interest just looking out for *number one* at everyone else's expense?

20. Why do we need a social order that channels selfishness and self-interest?

21. How would you respond to someone who claims that capitalism feeds greed and contributes to a culture that even “extols” greed?



**Milton Friedman and Donahue** (2:24)

Milton Friedman is a long-term advocate of free markets and critic of idealized government planning. In a 1979 classic interview, Phil Donahue asked Friedman whether he ever had “a moment of doubt about capitalism?” This video provides Friedman’s response. He ends the segment with his own probing question for Donahue: “Where in the world do you find these angels who are going to organize society for us?”



**MGG Chapter 5: Isn't Capitalism Based on Greed?** pp. 124-133

22. When it comes to money, what is the recurring biblical warning?

23. How does capitalism discourage miserliness and encourage enterprise?



24. How is the investment of an entrepreneur an act of trust?



25. What is at the base of a capitalist system?

26. List at least five required virtues an entrepreneur must have and exercise to succeed in a capitalist system.



27. If you look around the room in which you are now sitting, you should see scores of objects which are a result of entrepreneurial imagination. What does Richards call these "concrete forms of entrepreneurial imagination"?



**Acton Institute—ES: Gift-Givers, Talents and Entrepreneurs** (6:48)

Each of us is unique and made in the image and likeness of God. Because of this we were born with many talents and gifts, none of which we earned. How should we use these gifts to serve God? This clip from Acton's Effective Stewardship series might help inspire some thought. If the whole world is God's creation, then all our work in His creation is a fruitful use of those gifts. Will you bury your talent in the ground or use it to glorify God in your work?

