Entrepreneurship, Markets, and Morality

Concepts, Terms and Topics:
Profit and Loss, Helping Others and Receipt of Income, Wealth Creation, Greed and Self-Interest, Capitalism, Socialism, Entrepreneurship, Gift-Givers, and Talents

DAY 1—CLASS DAY

LOOKING BACK—WEEK 2
Review Homework
Take Quiz 2

LOOKING AHEAD—WEEK 3
Critical Thinking Assignment—Essay: Discerning the Honey from the Hemlock
Let’s Discuss—What Do You Think?
Let’s Do—The Ultimatum Game: Assumptions, Proposals and Pay-Offs (optional)

DAY 2
READ CSE Part 1 Element 7—Profits direct businesses toward productive…
WATCH Video Learn Liberty—The Price System (2:24)
READ CSE Part 1 Element 8—People earn income by providing others with things…
Article Prophets and Profit by Maryin Olasky
WATCH Video Is Making Money Good or Bad? (1:55)
DO Workbook Questions 1-9

DAY 3
READ MGG Chapter 5: Isn't Capitalism Based on Greed? pp. 111-119
WATCH Videos IFWE—Is Capitalism Based on Greed (3:57)
(Optional) Atlas Shrugged and the Economics of Exchange
DO Workbook Questions 10-16

DAY 4
READ MGG Chapter 5: Isn't Capitalism Based on Greed? pp. 119-124
WATCH Video Milton Friedman and Donahue (2:24)
DO Workbook Questions 17-21

DAY 5
READ MGG Chapter 5: Isn't Capitalism Based on Greed? pp. 124-133
WATCH Video Acton Institute—ES: Gift Givers, Talents, and Entrepreneurs (6:48)
DO Workbook Questions 22-27

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Getting Started

What do you think?

A people...who are possessed of the spirit of commerce, who see and who will pursue their advantages may achieve almost anything.

—George Washington, letter to Benjamin Harrison, Oct. 10, 1784

It is a socialist idea that making profits is a vice; I consider the real vice is making losses.

—Winston Churchill

LOOKING BACK—WEEK 2

Review Homework
Take Quiz 2

LOOKING AHEAD—WEEK 3

Introduce Critical Thinking Assignment—Essay: Discerning the Honey from the Hemlock

Let’s Discuss—What Do You Think?

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

How would you respond to someone who believes that individuals who earn high incomes and have become incredibly rich (like Sam Walton or Bill Gates) must be exploiting others?

Let’s Do—Ultimatum Game–Assumptions, Proposals and Pay-Offs (optional class activity)
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”?

- “Hard, smart work is good, and profiting by it is admirable.”
- “Profit is a gift from God because our lives and our ability to work at all are totally dependent on Him.”

8. What are the two warnings suggested by the Greek and Hebrew words translated “profit”?

- “Profiting from the distress of the poor is wrong.”
- “While profit can be a blessing, don’t think that profit proves or indicates godliness.”

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.
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 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. What did Richards come to realize about collectivism and entrepreneurs by reading *Atlas Shrugged*?

16. What did Richards realize 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?

While it is true that some of Capitalism’s champions extol greed, the reality is nearly the opposite. People living in capitalist countries are not any greedier than those living in other countries. Americans are no more greedy than people in other countries. Moreover, Richards makes the point that those living in the United States are significantly more generous than those in other countries. When it comes to charitable giving, a British study found that the U.S. is the most generous country. Americans give about 1.67% of GDP to charities, more than twice the amount given by the second-ranked United Kingdom (0.73%). Canada gave 0.72% of GDP while France, the least generous country, gave only 0.14% of their GDP.

The study also found that the more a government confiscates, the less people give and the freer the economy, the more people give. While we (as Americans) possibly could give more and probably should give more, greed isn't particular to our country and culture, it is found in every human heart across the globe because we are fallen human beings.

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

The biblical warning regarding money is that we are “all in danger of misplaced loyalty, and if we’re wealthy, our wealth is likely to assume the place of ultimate concern which should lie in God and His provision, not with our own plans and possessions.”

23. How does capitalism discourage miserliness and encourage enterprise?

Answers may vary, but should include the following idea:

The miser prefers to hoard his wealth, to keep it safe, and close to his hands; he regards the wealth as an end in itself. By contrast, in a capitalist system entrepreneurs assume risk and are rewarded by “casting their bread upon the waters of uncertainty, hoping that the bread will return with fish…” The entrepreneur, whatever his motives—including his desire for more money—uses money as a tool.

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

“Like gifts, capitalist investments are made without a predetermined return.” Capitalists make investments without knowing what the return may be. “They risk actual wealth in the hope of multiplying it. They pursue visions; they seek to create something they imagine may fulfill some need or desire.”

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

“At the base of a capitalist system is not greed or consumption, but intuition, imagination, and creation.”
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?
Discerning the Honey from the Hemlock

As discussed in the first week of this course, we as Christians, are to be in the world, but not of it. Figuring out exactly how to do that may take the better part of a lifetime; however, growing in the ability to discern the honey from the hemlock, determining truth from falsehood, is an important step along the way.

While discerning truth from lies is obviously vital, falsehoods are often skillfully disguised and cleverly masquerade as truth.

Because the study of economics is fundamentally about us, what we choose, what we value, how we interact with each other in the market and how we produce goods and create wealth, we must learn how to apply biblical truth to our understanding of ourselves, (why we do what we do, choose what we choose, and value what we value) to our understanding of basic economic principles (incentives, opportunity costs, trade), as well as to our understanding of economic systems (capitalism, socialism, communism) and how they affect human flourishing.

Some might call this exercise in discernment refining your Christian Worldview. Art Lindsley from the Institute for Faith, Work and Economics describes this as using the Bible "as spectacles to view the world."

The purpose of this assignment is to practice using those spectacles by reading about the life and ideas of Ayn Rand. Rand was an influential intellectual of the twentieth century and her most famous book, Atlas Shrugged, sold more copies than any other book in the world, save one, the Bible. Rand was both a virulent atheist and, as Richards states, was "morally obtuse." Her works have appealed to many and contain some truth (honey) worth investigating as well as some hemlock, poisons which if not discerned, could be deadly.

For this assignment, read specific sections (as noted below) for the article Check Your Premises: Ayn Rand Through a Biblical Lens by David Kotter, Dean of Theology at Colorado Christian University. While his article is excellent, you will not need to read it in its entirety for this assignment.

First, access the article Check Your Premises: Ayn Rand Through A Biblical Lens in this week’s CT Assignment tab on our website and read the Forward by Art Lindsley.

Next, read:
- Introduction
- Overview of the Life of Ayn Rand
- Key Contributions of Ayn Rand
- Overview of the Philosophy of Ayn Rand

Finally, write a 5-paragraph essay which includes:

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• An introductory paragraph describing the extent of Rand's influence and why her ideas appeal to so many.

• The body of the essay should identify three of Rand’s four convictions (found in the Overview of the Philosophy of Ayn Rand) that contain both honey and hemlock. What about each conviction is honey; i.e., that which seems good and true? What about each conviction is hemlock; i.e., that which is dangerous, fatal and false? Explain how the falsehoods conflict with a Christian worldview.

• A final paragraph offering your conclusion about Ayn Rand and her ideas.

Put on your biblical lenses and get to work!