

# Where might these Christian Economics texts focus?

Student assigned-readings questionnaire on

Friedrich A. Hayek's

## *INDIVIDUALISM AND ECONOMIC ORDER*

Chapters 7-9

Q	A
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**Determining prices of goods and services through market competition efficiently allocates resources for maximum productivity. What is the chief task of "socialist calculation"?** finding a substitute as efficient as the market price mechanism for setting those prices

**How does central economic planning waste resources and lower productivity compared to free-market economies?**

Central economic planning:

*must compile an enormous network of simultaneously interlocking equations to express production goals and prices of all goods and services*

- Such equations must change momentarily as consumer preferences shift.
- Every price change for one article has unforeseen and disproportionate effects on production costs of other articles in which the first is a component.
- Endless and fruitless price-juggling ensues.

*relies on inadequate knowledge of a few remote planners in a highly complex economy*

These cannot reckon with the mass of detail in each economic situation, lack enough technical expertise to handle from afar each unique local production problem as competently as can the many on-site specialists in decentralized market economies.

*raises prices and lowers productivity*

Without price competition in open markets with other producers whose production costs may be lower, resource misallocation continues uncorrected.

*makes prices less sensitive to nuances of product differentiation*

In fixing prices of each category of goods, central planners overlook "special advantages of time, place and quality."

*retards price changes to balance supply and demand*

Delayed adjustments cause shortages and surpluses while price changes move through a central bureaucracy for prior approval.

*discourages entrepreneurship*

Disapproval by the central authority would certainly follow any loss of capital from unsuccessful risk-taking, but approval for the manager who increases capital through successful risk-taking may not follow.

*encourages inefficient investments*

Over- and under-investment multiply because the central planner is insulated from the harsh penalties in competitive markets on inefficient allocations of resources.

*avoids responsibility for bad investments*

A central planning committee is harder to penalize than individual entrepreneurs or private companies.

*slows innovation and problem-solving*

Small decentralized units can react quicker and better than large centralized bodies to sudden changes or special local conditions.

**How does state economic control trench on individual liberty?** Political masters, whether an elite or the democratic majority, deny individual economic self-determination. Political decisions become economic decisions and vice versa. Consumer preferences of economic minorities go unmet.

**Why is all this true?** Jesus Christ – the Word of God – is pessimistic on human nature and denies economic sovereignty to man. State economic control, which assumes perfectible human knowledge and claims economic sovereignty for man, cannot prosper in a Christocentric creation.