FRIDAY, AUGUST 7, 2026

Well, hello, and welcome to this week's Dividend Cafe. I'm your host, David Bahnsen. Today, you'll be shocked to hear we're gonna talk about the economy. Of course, we talk about the economy every week in the Dividend Cafe in one way or another, but this is a little bit something different.

I am increasingly burdened by the fact that I believe many investors think talking about the economy means describing, either rightly or wrongly, what we believe is going on in the economy, or describing, either rightly or wrongly, what we predict will happen in the economy. And I will say that description of what is happening, analysis and commentary around such, and prediction about what will happen, analysis and commentary around such, are both important things for investors, and they're both part of what we do here in the Dividend Cafe, and it's most certainly part of what I do for a living.

But I wanna suggest that often what gets ignored for investors, and I will promise you, what is often ignored for investment advisors and those who actually make their living supposed to have an opinion on such things, is what I refer to as the prescriptive domain, not the descriptive. Not merely talking about what we think is happening in the economy, the jobs market, economic growth, manufacturing, whatever the case may be, but what ought to be.

FRIDAY, AUGUST 7, 2026

What are the economic theories? What are the economic principles? What is the bedrock for a kind of general economic way of thinking that ought to be present not only for all people who are managing other investors' affairs, which is what, of course, we do at the Bahnsen Group, but investors themselves, how they ought to think about the way the world works, as Jude Wanniski famously put it.

And so today, to try to keep it relatively short, what I have decided to do is list out 10 non-negotiables, 10 basic tenets of a free enterprise system, of a market economy, of basic economic understandings and principles that need to be preserved. There is room for prudential disagreement within some of these 10, and there's certainly room for disagreement about what numbers 11 through 38 ought to be.

But I would suggest that these top 10 here, these are pretty core. And I would love for not just students, not just teachers, not just economic those in the realm of the economic theoretical, but those that are investors, those that plan to be investors. I think these are 10 things that are important for them to understand as well.

So without further ado, let me jump into the 10, and we'll put the very first one up as private property. Now, look, at its core, free enterprise, a market economy, they can very much be reduced in a lot of ways to an economic ideology that is centered around the existence, the sustenance, the primacy, the importance of private property versus collective ownership.

And we can talk about that around the means of production, but we can also talk about it re- around private ownership of assets, including, by the way, private ownership of ourselves and what we do with our own labor, our own talents. The founders in the Declaration of Independence referred to the unalienable rights of life, liberty, and the pursuit of happiness, and I hope that there are some of you out there who understand that Jefferson et al.

were borrowing from language of John Locke, who had in 1690, I think you're all familiar with the Second Treatise of Government, if you're not, you ought to be with the language of life, liberties, and estates, and Locke went on to say that this was essentially better understood by its general name, property.

And, and I think our founders were very wise to broaden that understanding of property this unalienable right of pursuit of happiness presupposed that a person owned and could own and could retain property, could dispose of at their own freedom. There was this sort of holistic understanding, and I frequently have talked to students about the fact that the language that we see codified in the Declaration of Independence which we know was signed on July 4th, 1776 not plagiarized, but overlapped with language from, I believe it was in early June, but just a few weeks earlier in 1776, of what George Mason had written in a Virginia Declaration of Rights, where he actually used the expression, and I'm gonna quote this word, word for word the enjoyment of life and liberty with the means of acquiring and possessing property as predicates to pursuing and obtaining happiness and safety.

This means of acquiring and possessing property was connected to the pursuit of happiness, and all of this language was central to the founding of our country, central to our founders' understanding of what the uniquely American ideal was to be. And this was not just philosophical. It was philosophical.

It was rooted to obviously a very particular vision for the country and a particular understanding of natural rights and those unique things that would serve as the bedrock of the American ideal. But they were also rooted to the very lived and recent experience of the colonists, of the settlers who had determined the communal ownership or property was undermining their well-being, undermining their ability to be successful, that it was building resentment as some who worked harder were not sharing in that prosperity better, and so forth and so on.

I absolutely love William Bradford, one of the initial pilgrims, and in his work Of Plymouth Plantation, he talked about the vanity that conceit of Plato and other ancients, applauded by some of later times, that the taking away of property and bringing in community into a commonwealth would make them happy and flourishing as if they were wiser than God.

In short, he had-- they had experienced that there was tremendous benefit in driving incentives, in doing productive work, in avoiding resentment by there being private property and ownership of one's assets and the fruits of their labor. There's a gazillion applications to this in modern investing life.

I think it's very easy for us to think of the merits of private property as you know, someone cannot come in and take grandma's house from her. Well, you'll be shocked to know that I fully agree. I want grandma to be able to hold on to grandma's house. And I also believe private property goes even beyond that, such as, I don't know, the ability of a company to decide if they want to buy back their own stock or pay a dividend, for example.

My point being that some violations of private property might be more insidious emotionally than others, but the philosophy behind this has to be consistently, and I would argue, universally upheld. There's a responsibility, a stewardship, an abundance that aligns with human nature out of the concept of private property, and ultimately, of course, is born out of our natural rights as our founders articulated and argued but the, the merit of the agency and stewardship that it b- gave birth to is where the economic leverage comes from in this vital, indispensable notion of private property.

Number two is the profit motive, and we can think of this in the way that my friend Larry Kudlow has always talked about, that profits are the mother's milk of stocks, that ultimately when we own an asset, the value is related to the profitability and the future profitability or expectations and hopes of future profitability around that underlying asset.

And this is certainly true in, in the jargon of corporate finance, but I would argue that it is true at the core of what Adam Smith taught us about the benevolence of the butcher, the baker, and the brewer giving us our dinner, that it-- their benevolence was really their self-interest, their profit motive driving an ability out of our own self-interest, where both of our needs end up getting met, and this being a virtuous cycle that exists in this thing called free enterprise.

Now, at scale and in a more corporate environment, we can refer to profits inside of a larger company, but nonetheless, the profit motive of an individual laborer selling their work for a price, the profit motive of a very large company like Apple, and the profit motive of a small business who is trying to go innovate and take risks, all of these things fundamentally are vital and are not to be demonized, and in fact, when they are stripped away, undermine economic growth and, and, and undermine the possibility of a future prosperity.

Any economic framework that undermines the profit motive is, of course, undermining the bedrock of a free society Number three, the division of labor. One of the core tenets of the classical economic school was this world-changing idea that no, you do not have to go do exactly what your mom and dad did on the family farm.

No, you do not have to go be a serf to the local lord. No, you do not have to be held captive into the town's factory. That, that everybody was given by God unique giftedness, talents, skills, and the more we all spread our wings and utilize each other's spread wings, this division of labor makes us all not only wealthier, but happier.

It enhances scale and efficiency, but it also drives greater human results, and then so drives the expansion of the wealth pie. The ability for all of us to do what we do best is one of the hallmarks of the last 250 years that created such an extraordinary result, not only in economic growth, but in the satisfaction we're able to have as human beings.

And along those lines, number four, innovation and progress we started as a nation as a, a very agrarian society, and Alexander Hamilton celebrated a sort of urbanization in a lot of ways and, and attached capital formation and other very important early economic ideas that were world transformative into some of the colonies that the Dutch and British had settled here in the New World, including this remarkable city I currently sit in, known as New York.

But the fact of the matter is that we saw a progress from a purely agrarian society into a more industrialized one. We saw a progress into a more digital society, and people can speak about various cultural aftermaths of some of these things that they regret or don't like. They can speak of some of the various things that they liked before, that they, that they miss in a more nostalgic context.

But as an economic framework, to disdain innovation and progress is to disdain economic growth. And, and I think that there's plenty of room for prudential conversations about the cultural conditions that we want to celebrate and uphold, and what are the institutions that are necessary to help sustain that element of civil society.

But to basically adopt an economic framework that is anti-innovation is Malthusian. It is Luddite, and I don't think I could possibly say that more pejoratively than I just did. Number five, capital and labor enhancing one another. It's kind of remarkable to me in a lot of ways that we still have to have this conversation.

It's been a long, long time since I, as a young man, decided to study Marxism. And when I say young man, I was a young kid. But living through the end of the Cold War and in the Reagan presidency in which I was in elementary school and on into high school I didn't oppose Marxism politically. I opposed Marxism theologically and philosophically, and those that are embracing this with an economic way of thinking have to understand that the great stain of 19th century thinking Marxism that led to the great stain in 20th century bloodshed and failed revolutions was the idea that capital and labor are locked in an absolutely inseparable war that it is intrinsic to the very nature of things that the proletariat and the capitalist are enemies.

And it is my belief that that ideology failed. This is the testimony of history, and that we all, as investors, have to understand the virtuous cycle that we are after between capital and labor. That more risk-taking capital feeds more labor and wages, and the labor and wages attached to capital make the capital more valuable, and labor attached...

Excuse me. And capital attached to labor makes the labor more valuable, and that there is this beautiful virtuous cycle that exists between these two things, contra the Marxian narrative that capital and labor fight with one another. And this is apparently not settled science as we go through the ongoing political state of things.

But capital and labor enhancing one another is a core economic tenet we must fight for. Number six, laissez-faire, the great summary of a, a kinda hands-off approach to economics whereby we, as a general principle believe that there are trade-offs, that there is a cost to interventions when free people freely transact with one another, and that the desired raw state of things is freedom, and then we will have prudential conversations about regulation where we invite the necessary trade-offs to sustain ordered liberty and, and have that relative amount of regulation needed in the type of society that we want to have, all in under a default premise of a reasonably hands-off approach versus a nanny state.

And I believe that our Overton window on these things has changed and moved way too much. Number seven, incentives. Incentives as core to an economic way of thinking. Understanding that human beings respond to incentives, they respond to disincentives. And if what we are trying to incentivize is the production of goods and services, and then if there are things that are removing the incentive to produce goods and services, we need to understand that economically.

I think, again, you can have reasonable discussions of what the appropriate marginal tax rate should be, what the appropriate regulatory apparatus should be, to borrow from our, our prior point. But what we have to understand is that economic-- that in economics, incentives matter. They require us to understand that that is God how-- that is how God made the human person, as a rational actor who has been made with both reason and agency.

Taxes are by no means the only thing that alter economic action. That, that there are all sorts of things on the margin that can incentivize or disincentivize us. But I think the issue for our purposes today is that we must remember that incentives matter in economics, and it behooves us to, when we look at a particular policy that we think may be good or bad, to evaluate what it does to the incentives or disincentives of things we want and don't want in our society.

Number eight, the knowledge problem The great 20th century economist Friedrich Hayek, who, who y- who coined this term, also coined the term the fatal conceit, which was a reference to the sort of underlying issue in the knowledge problem, which is the basic statement that knowledge is very, very broadly dispersed in society, that we have a large and a complex society with a lot of individual transactions and decisions, and that the knowledge necessary to optimize those things cannot be centralized.

It is not, cannot, will not be centrally held, and therefore attempts to centrally plan the economy around a knowledge that is not centrally owned or distributed is futile, and in fact, quite conceited, and led to its natural extremes. Actually, that centralization of power becomes very dangerous, as the 20th century taught us in many awful and quite bloody ways.

The, the point I would make here in economic way of thinking is that I have a responsibility to have as much knowledge as I can around the decisions that I make. Now, by the way, when it comes to my prior example about incentives, the prior tenet in point number seven of incentives, I also have a fiduciary duty to be aligned with my clients.

I want the things that we do that help clients to help us, and I want the things we do that end up hurting clients to hurt us. And I want as a matter of basic fundamental duty to clients, I have to own the things personally that I'm recommending as investments for clients. And, and, and so those incentive ideas seem very clear to us, but I think that the knowledge issue is one in which we routinely outsource knowledge of the, of things in the economy to people that we can't possibly believe have it.

What is really best for who we trade with and under what terms, and the various regulatory apparatus in an economy, the greater degree essential planning, the greater removal of decision-making from local actors who have knowledge, who have experience. So I have this responsibility in my business to have as much knowledge as I can, to in-source as much expertise around those things that are core to what we do, and where we can't have that knowledge, to have more outsourcing of decisions to those that can have more of that knowledge and expertise and whatnot.

I think that this is such an important point in economics that it can't be stated enough, that you really create atrocious economics when you end up with power that is absent the knowledge that comes from these time and place circumstances, time and place experience I'm referring to. I guess you could argue someone operating without a lot of knowledge might even make them think they know how to go run a grocery store Okay, number nine, addition and multiplication versus subtraction and division.

Essentially, what I'm referring to here is economics for growth, for prosperity, for a higher standard of living, for trying to enhance the quality of life of people around us. This basically, to me, speaks to whether or not you believe in an economics that is about growth or an economics that is about redistribution and contraction.

And I think that we have to understand, and this is very important to us as investors, I don't talk about it a lot, I need to talk about it more. But you will notice we don't do investing that is zero sum at the Bahnsen Group. I understand that if there's 10 and it's five and five, and someone ends up with six and someone else ends up with four, that the person with six made a gain, and that there are a lot of investment approaches that are trying to get a little bit more out of a fixed sum for yourself versus others.

It's a binary outcome. That's not the investing we're doing. That we believe we can invest in a scenario where there are constant equations of win-win, with real economic growth taking place. This is underlying in the profit motive. This is what the division of labor creates. It's what innovation and progress create.

It is the core of what we kind of believe in as defenders of a, a market economy. But from an investment standpoint and an economic way of thinking, that we are never limited to zero-sum thinking, that we are never talking about how to divide up something, but rather how we can add and multiply. And again, there can be room to disagree as to how to do it and, and what we wanna do with the fruits of this labor, but that focus on addition and multiplication in economics is always and forever superior to a focus on subtraction and division.

And then finally, point number 10, the verb of economics. It was the subject of my last book. I'm not gonna be able to say that anymore, because my new book, Profit from the Profit, is coming out in just two weeks. But my last book, which came out now two and a half years ago, Full Time, was about this word, work The verb of economics that I refer to is the underlying animator behind everything I've said.

When I talk about capital deployment, when I talk about risk-taking, when you talk about ideation, invention, this progress, the innovation we've seen through our nation's history, all of these great ideas, they're all good on paper. They were all good in founding documents. Hopefully, they're all good on a David Bahnsen YouTube or Dividend Cafe article.

But where they turn to life is through work, where human beings go and activate it. And the idea in economic way of thinking that the whole goal is to get people to work less, to spark less activity, more passivity, is utterly silly. It's not only silly theologically, but it is that, too. It's not only contrary to human experience and human nature, but it is totally counterproductive to economic growth.

When you take work and couple it to all these other principles I'm talking about, you have the bedrock of a truly fulfilled society that produces, that generates, and oh, by the way, that serves others, that serves humanity. It's the core of economics, and it always will be. So for you investors looking for 10 principles to hold onto, I hope I've provided them.

You may have others. There's certainly others that can fit as subsets of some of the ones we've gone into today. But I don't believe any of these today are negotiable, and I unfortunately do believe that they have become dispensable in our modern political discourse and sometimes I've-- even in a bipartisan fashion.

This is not merely on the extremes of one political end or another political end. We need to avoid the mainstreaming of these things. We need to avoid believing that this is only one partisan fallacy. The, it, essentially these are various mistakes that can pollute a whole number of things.

But the number of things I'm referring to it polluting here today in the Dividend Cafe, it's not just merely what it does into our politics, our national body politics, our culture. It's what it means to your portfolio, what it means to those of us who are investors who care about an economic way of thinking.

I believe these principles matter. I hope you do, too. I welcome your feedback. I look forward to being with you again in the Dividend Cafe on Monday. In the meantime, please do have a wonderful weekend, and thank you as always for listening, reading, and watching the Dividend Cafe.