

A confident economic claim can travel a long way before anyone examines what it actually means. A company announces record sales. A city promises that a new development will create prosperity. A speaker insists that one habit explains why certain people become wealthy. Each statement may contain something useful, but understanding it requires more than recognizing familiar words. Record sales could accompany rising losses. A development could benefit some residents while increasing costs for others. A successful person's habit could also be common among people whose businesses struggled. Economic reasoning gives us a way to examine these claims carefully, connect them to evidence, and make decisions with a clearer understanding of what is at stake.

The starting point is a precise question. "Is this good for the economy?" is usually too broad to answer well. We can make it more useful by identifying the proposed change, the people affected, the period being considered, and the result we want to measure. For a business considering longer opening hours, the question becomes whether the additional sales will cover the additional expenses and justify the owner's time. For a city considering a new bus route, the question might concern access to jobs, travel time, operating costs, or service to neighborhoods with limited transportation. Precision gives an investigation direction. It also prevents a discussion from quietly changing its definition of success whenever inconvenient information appears.

Tope Awotona's development of Calendly illustrates the value of identifying a specific problem. Founded in 2013, the company built scheduling software around the repeated effort involved in finding meeting times that work for different people. According to [Calendly's company history](#), the platform has grown to more than 20 million users. That achievement began with an activity many people treated as an unavoidable part of work: exchanging messages to arrange a conversation. Economically, scheduling creates transaction costs—the time and resources needed to organize an exchange or interaction. A product can create value by reducing those costs, even when it does not manufacture a physical object.

Consider a hypothetical office where eight employees each spend 15 minutes per working day arranging appointments. Together, they spend two hours daily, or 40 hours over a 20-day working month. If a scheduling tool cuts that time in half, it releases 20 hours for other work. Valuing those hours at an assumed \$30 each produces an estimated \$600 of staff time. These figures do not describe Calendly's measured performance or prices. They also do not mean \$600 automatically appears in the office's bank account. Salaries may remain unchanged. The benefit depends on whether the recovered time helps employees serve customers, complete other tasks, reduce overtime, or avoid additional hiring. A useful calculation must remain connected to how the organization actually operates.

This is where marginal analysis becomes helpful. "Marginal" means additional: the additional benefit compared with the additional cost of a change. An instrument-repair

shop considering Saturday appointments would examine the revenue those appointments could bring against the extra labor, electricity, supplies, and other relevant costs. It would also consider opportunity cost, the value of the best alternative use of the same resources. Saturday could otherwise be used to complete higher-value repairs already waiting in the workshop. A decision can look attractive when examined alone and less attractive when compared with a realistic alternative. Economic reasoning therefore requires us to identify what a choice makes possible and what accepting it would mean giving up.

Past spending can make this comparison emotionally difficult. Suppose the shop previously paid for advertising that brought few customers. That payment is a sunk cost—an expense already incurred that cannot be recovered. Spending more on the same campaign should depend on what the next round is likely to accomplish. The earlier payment remains relevant as information about performance, but its existence does not make another payment worthwhile. This distinction protects the ability to learn. An owner can recognize that an earlier decision was reasonable with the information available and still change direction when results disappoint. Persistence becomes more productive when it includes revising methods, testing explanations, and recognizing when resources have a better use.

Awotona has spoken directly about the need for that kind of honesty. In a 2022 appearance at the University of Georgia, he discussed three unsuccessful businesses preceding Calendly and described confirmation bias in his earlier research. Confirmation bias is the tendency to favor information that supports what we already believe or want to believe. He also described spending months investigating the scheduling problem, competitors, and users' frustrations before building his solution. The university's [account of his remarks](#) gives his success a valuable dimension: disciplined investigation developed alongside ambition. His experience invites a demanding habit of our own—deciding what evidence would persuade us to revise an idea before we become too attached to defending it.

Careful investigation also includes noticing whose experience has been overlooked. Shontay Lundy founded Black Girl Sunscreen in 2016 after encountering products that did not meet her preferences as a consumer with darker skin. Her brand focused on a formulation intended to avoid visible white residue. According to the company's [published brand history](#), it entered 250 Target stores in 2019 and expanded to nationwide Target distribution in 2021. That progression represents a substantial commercial achievement. It also illustrates how a founder's direct experience can identify a product concern that broad descriptions of a market miss. Understanding customers sometimes begins by taking seriously an inconvenience that other people have dismissed.

Personal experience can generate a promising hypothesis—a proposed explanation or expectation that can be investigated. Establishing how widely that experience is shared requires additional evidence. Imagine a fictional personal-care company surveying only people who already follow its founder online. Their enthusiasm may tell the company

something about those followers, but it may not represent the wider market. The people studied are the sample; the larger group the company wants to understand is the population. A biased sample systematically leaves out or overrepresents relevant people. Surveying more members of the same narrow group will not necessarily solve that problem. Useful research might include current customers, people who considered buying but declined, and shoppers who have never heard of the brand.

Numbers also become clearer when their starting points are visible. Suppose a fictional company increases the share of website visitors who buy something from 2 percent to 3 percent. Its conversion rate—the proportion of visitors who complete the desired action—has risen by one percentage point. Relative to the original 2 percent, that is a 50 percent increase. Both statements are accurate, but they sound quite different. With 1,000 visitors, purchases would rise from 20 to 30, assuming the same visitor count. We can now ask whether the additional ten purchases justify the cost of the change. Percentages need a denominator, the quantity against which something is being compared, to reveal their practical significance.

The word “average” deserves similar attention. Imagine five workers earning \$30,000, \$35,000, \$40,000, \$45,000, and \$200,000 annually. Their mean income, calculated by adding the incomes and dividing by five, is \$70,000. Their median income, the middle value when incomes are arranged in order, is \$40,000. Neither figure is incorrect. They answer different questions about the same group. The mean reflects the total spread across everyone, while the median identifies the midpoint. A headline using only the mean could leave a reader with an inaccurate impression of what most workers earn. Looking at the distribution—how values are spread among people—helps explain what a summary number leaves hidden.

We also need to know whether money amounts have been adjusted for changing prices. Nominal income is income expressed in the dollars received; real income adjusts for inflation to help assess purchasing power. If pay rises by 4 percent while the relevant price level rises by 6 percent, those extra dollars purchase less overall than before. Yet a broad inflation measure will not precisely match every household’s spending. The Bureau of Labor Statistics explains that its Consumer Price Index measures average price changes for a representative basket, while individual experiences depend on what people purchase. Its [CPI questions and answers](#) show why an official statistic and a household’s experience can differ without either being fabricated. Knowing what a measure covers helps us use it properly.

Even correctly measured changes do not automatically reveal their causes. Imagine a fictional shopping district where sales rise after a promotional campaign begins. The campaign may have helped, but a nearby office building might also have reopened, road construction might have ended, or the season might normally bring more customers. Correlation means that things vary together; causation means that one produces a change in another. Observing a sequence—first the campaign, then higher sales—does not settle which explanation is responsible. To estimate the campaign’s effect, we need a

credible comparison with what sales would likely have been without it. That unobserved alternative is called the counterfactual.

Researchers use different methods to construct useful comparisons. A randomized evaluation assigns participants to different conditions by chance, allowing outcomes to be compared without letting participants' initial choices determine the groups. Random assignment balances characteristics on average; adequate sample size and careful implementation still matter. Researchers also use observational methods when experiments are impractical, examining policy changes, eligibility rules, or comparable groups over time. Every approach requires attention to assumptions and context. A result from one setting may not carry over unchanged to another. The [Abdul Latif Jameel Poverty Action Lab's introduction to randomized evaluations](#) explains both the usefulness of experiments and their limits. Strong evidence supports a conclusion within identifiable boundaries.

The source of a claim deserves examination too. A company's website is useful for learning what it sells and how it describes its history. It is less sufficient, by itself, for establishing that its product outperforms every competitor. A customer interview can explain someone's experience without establishing how common that experience is. A carefully designed study can estimate an effect while leaving questions about other locations or later years unanswered. Multiple articles repeating the same press release do not become independent confirmation simply because they appear on different websites. Following a claim back to its original evidence helps us see what was measured, who supplied the information, and how far the conclusion extends beyond the observation.

Success stories require that same care. Survivorship bias occurs when we concentrate on visible successes while overlooking comparable attempts that failed or disappeared from view. If several successful founders worked long hours, that observation does not establish that long hours alone produced their results. Many unsuccessful founders also worked intensely. Product demand, financing, execution, competition, timing, and circumstances may have contributed. A business achievement can inspire us while we investigate which parts of its experience are transferable. We learn more by studying decisions, constraints, and changes over time than by treating a founder's routine as a guaranteed formula. Respecting success includes understanding the conditions under which it was achieved.

Public decisions introduce another distinction: evidence about likely effects and judgments about desirable outcomes. Economists call a testable statement about how the world works a positive statement; a normative statement concerns what ought to happen. "This bus route would reduce some workers' travel time" is a claim that evidence can investigate. "The city should prioritize those workers even if the route requires a subsidy" includes a judgment about priorities. Two people may agree about expected costs and benefits while giving different weight to access, convenience, public spending, or environmental effects. Making those values explicit improves the

discussion. It also allows us to examine distribution: who receives the benefits, who bears the costs, and whether those effects change over time.

Uncertainty remains even after careful research. A forecast is a conditional estimate of what may happen, based on information and assumptions. Consider a fictional repair business evaluating a second location. A useful forecast would examine several plausible levels of demand, delays before the location reaches regular sales, and expenses that continue during a slow month. Sensitivity analysis means changing important assumptions to see how strongly the result responds. If a small reduction in expected customers turns an expansion from manageable to unaffordable, that dependence deserves attention. The owner might gather more evidence, negotiate different terms, reduce the initial commitment, or revise the plan. Research becomes valuable when it changes how a decision is designed.

There is a quiet confidence in being able to say exactly what we know, how we know it, and what remains uncertain. We can examine a sales announcement without confusing revenue with profit, admire an entrepreneur without assuming every choice will work for us, and support a public goal while asking whether a proposal can accomplish it. We can bring the same care to our own ideas by recording assumptions, comparing alternatives, and revisiting results. These habits give knowledge practical force. They help us participate in decisions that shape our work, businesses, neighborhoods, and families with questions we understand and judgments we can explain. Economics becomes something we can use deliberately, with curiosity, responsibility, and growing command.