

Topics: Economics of Social Change (ECON-2420-1)

Course Syllabus / Fall 2017-18, MW 4-5.15 PM, Room B126

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Summary: Processes of social change (related to poverty reduction, peace-building, environmental sustainability, economic development) can be supported or inhibited by economic forces. This course will examine and apply (in a non-technical manner) key economic principles that impact efforts to create social change. It also examines the assumptions of economic approaches, and the role of economics in the social sciences.

Objectives: This course aims to both enrich and challenge traditional economic concepts by incorporating relevant concepts from a variety of other disciplines. The emphasis is on lines of inquiry relevant to contemporary economic challenges, including sustainability and inequality.

Deadline for withdrawal without academic penalty: November 16, 2017

In gratitude and acknowledgement: The land on which we gather is the traditional territory of Anishinaabeg, Cree, Oji-Cree, Dakota, and Dene peoples, and the homeland of the Métis Nation.

Reading List

REQUIRED TEXTS

Daly, H. E., & Farley, J. C. *Ecological economics: Principles and applications*. Washington: Island Press, 2010.

Eisenstein, Charles. *Sacred Economics: Money, Gift, & Society in the Age of Transition*. Berkeley, Calif: Evolver Editions, 2011. (available free online)

Raworth, Kate. *Doughnut Economics: Seven Ways to Think Like a 21st Century Economist*. White River, Vermont: Chelsea Green Publishing, 2017.

RECOMMENDED TEXTS

*The following are **optional readings**. Some may be assigned and distributed to the class.*

Beinhocker, Eric D. *The Origin of Wealth: Evolution, Complexity, and the Radical Remaking of Economics*. Boston, Mass: Harvard Business School Press, 2006.

Dasgupta, Partha. *Economics: A Very Short Introduction*. Oxford: Oxford University Press, 2007.

Kahneman, Daniel. *Thinking, Fast and Slow*. New York: Farrar, Straus and Giroux, 2011.

North, Douglass C. *Institutions, Institutional Change, and Economic Performance*. Cambridge: Cambridge University Press, 1990.

Riddell, Tom, Steve Stamos, and Jean A. Shackelford. *Economics, a Tool for Understanding Society*. Reading, Mass: Addison-Wesley Pub. Co, 1979.

Assignments and Grades

Pop quiz grades (ongoing)	10%
Class participation (ongoing, inc. peer reviews)	10%
Learning statements (Oct 11/Nov 27)	20%
Annotated bibliography (Nov 1)	20%
Policy proposal (Nov 15)	20%
Final presentation (Nov 29)	20%

Letter	%	GPA	Descriptor
A+	90-100	4.5	Exceptional
A	80-89	4	Excellent
B+	75-79	3.5	Very Good
B	70-74	3	Good
C+	65-69	2.5	Satisfactory
C	60-64	2	Adequate
D	50-59	1	Marginal
F	0-49	0	Failure

Quiz: Quizzes based on keyword definitions will randomly be given at the beginning of class. The quizzes are used not only for demonstration of knowledge and preparation, but also to ensure promptness and attendance.

Class participation in discussions: To foster more active discussions on class readings, your participation will be graded and the instructor will maintain a record of your contributions. You will be graded on the quality and quantity of interaction – that is, not only the volume of interaction, but its quality and consistency. Someone who interacts often but attempts to monopolize the conversation, for instance, may receive a lower grade than someone who contributes regularly and is respectful of the contributions of others. Regular contributions, however, are required. Your participation grades will be posted at the middle and the end of the semester.

Learning statement journal: At the beginning of each class, students will briefly write and share their understanding of a topic as a means of catalyzing conversation about the academic reading. At the end of class, students will be expected to reflect on their initial entry and consider whether your understanding has changed.

Annotated Bibliography: In preparation for your policy proposal, you will be expected to identify a topic of interest relatively early in the course. For this proposal, you are expected identify a problem and pose your research question, which will then inform the scope of your research. The annotated bibliography gives an account of the research that has been undertaken on a given topic. In addition to bibliographic data, an annotated bibliography also provides a concise summary of each source and some assessment of its relevance to your paper. Please include 10-15 sources, and ensure that approximately half of them are scholarly journals, books, or policy documents.

Policy Proposal (1500 words): Building upon your annotated bibliography, each student is invited to write a 1500+ word analysis of a policy idea presented in one of our main texts. Please provide context for the policy prescription, outline its key features, and be sure to include conflicting or dissenting viewpoints on the subject. To help with the process, you will be given an opportunity to discuss your research question with classmates on November 15th.

Presentation: In lieu of a final exam, each student will present their policy findings during the final class of this course. You will be marked on style (5 marks), clarity (5 marks), substance (10 marks), and class engagement (5 marks).

CMU Policies

Handing in: Both e-mail and paper formats will be accepted for written assignments. If you submit by e-mail, watch for a reply from me within 48 hours confirming receipt of your document. If you do not receive my response, please contact me or drop into my office.

Late submissions: Late papers are subject to a 5% per day penalty. Any paper received after 4 PM on a Friday will be deemed to be received on Monday and subject to a 15% penalty (Tuesday, 20% deduction, 25% for Wednesday, etc.). Extensions can be provided for extenuating circumstances. Extensions will be given for trips and involvement in sports and music activities *with advance notice*.

Final grades: Grades submitted by instructors become final only after they are vetted by the Dean's Council. That process occurs early in January for fall semester grades and early in May for winter semester grades.

Plagiarizing: Cases of plagiarizing are taken seriously and can result in academic penalties and disciplinary action. CMU policies regarding 'academic misconduct' can be found in the Student Handbook.

Accessibility: CMU strives to provide a fair and supportive learning environment for academically qualified students with disabilities. The Accessibility Services office coordinates with the Academic Office to provide academic accommodations to eligible students. If believe you are eligible for these services or have questions about becoming eligible, please contact Sandra Loepky, Coordinator of Accessibility Programs at sloepky@cmu.ca or 204.487.3300 x 340.

Academic Assistance: The Academic Writing Lab Instructor is available for writing assistance to any student who is registered in ACWR-0900. Email Wesley Toews to set up an appointment.

Peer Assisted Learning (PAL) and Tutoring. PAL (Students Helping Students) is available for academic assistance in all of our programs. Watch the Daily and the bulletin boards for times. Several tutors are available to all students and volunteers are available to work on a one-on-one basis with students. See the Coordinator of Student Advising, Vern Kehler, to set up an appointment.

Course Schedule (at-a-glance)

	M	Topic	W	Topic
Sept			6	<i>What is economics?</i>
	11	<i>Physical laws</i>	13	<i>Economics informs policy</i>
	18	<i>Systems theory</i>	20	<i>Resource econ</i>
	25	<i>The illusion of scarcity</i>	27	<i>The market</i>
Oct	2	<i>Supply and demand</i>	4	<i>Market failures</i>
	9	No class	11	<i>Failures and a/biotics (Journal due)</i>
	16	<i>Behavioural econ</i>	18	<i>GDP vs. welfare</i>
	23	<i>Money</i>	25	<i>Distribution</i>
Nov	30	<i>Real vs. Monetary econ</i>	1	<i>Internationalization (AB due)</i>
	6	<i>Globalization</i>	8	<i>Financialization</i>
	13	<i>Policy design</i>	15	Peer review session
	20	<i>Managing scale</i>	22	<i>Managing distribution (Policy due)</i>
	27	Conclusion (Journal due)	29	<i>Presentation</i>

Course Schedule

PART I: INTRODUCTION

Sept 6 // What is Economics? In our first class, we will consider definitions of “economics,” briefly survey economic history, and locate the discipline’s place in the social sciences. We will survey traditional economic “solutions” to poverty, conflict, and ecological degradation and introduce key concepts such as allocation, growth, utility, and welfare.

Recommended reading following class: Intro in Raworth (“Who wants to be an economist?”)

Sept 11 // The Physical Laws. We will introduce the intersection between the physical laws and economics as a discipline. Related to our discussion are the concepts of open and closed systems, uneconomic growth (poverty and inequality, pollution, congestion), scale, and material throughput. We will also introduce the idea of the gift or “sacred” economy.

Required reading: Chapters 1-2 in Daly & Farley (“Why Study Economics” and “The Fundamental Vision”)

Recommended reading: Ch. 1 in Raworth (“Change the Goal: from GDP to the Doughnut”)

Sept 13 // Economics as Policy. While economics is typically understood as an abstract science, it is invariably also about policy and the allocation of resources by governments, businesses, and individuals. We will discuss related ideas such as entropy, systemic and philosophical determinism, ecological reductionism and emerging approaches: co-evolutionary economics, and the steady-state economy.

Required reading: Chapter 3 in Daly & Farley (“Ends, Means, and Policy”)

Required reading: Ch. 2 in Raworth (“See the big picture”)

PART II: THE ECONOMY AS A COMPLEX SYSTEM

The economy is a subsystem of the planet’s finite ecosphere and the economy-environment system functions as a “complex adaptive system” or CAS. What are the dynamics of a CAS and how does that inform our understanding of (and our solutions to) resource depletion and inequality?

Sept 18 // A Complex System in a Finite World. In this class, we consider how the planet must be understood as “finite” according to the laws of thermodynamics. We will review the traditional economic factors of production, define the characteristics of the economy-environment system as a CAS, and introduce the concept of system resilience.

Required reading: Chapter 4 in Daly & Farley (“Ends, Means, and Policy”)

Required reading: Ch. 4 in Raworth (“Get Savvy with Systems”)

Sept 20 // Resource Economics. Natural resources can be characterized as either biotic or abiotic, and each category is subject to different economic management strategies. We discuss the difference between water, land, minerals (abiotic resources) on the one hand, and ecosystem services/structure, renewable resources, and waste absorption capacity (biotic resources) on the other. We will examine how the concept of “environmental asymmetry” – widely applied in physics – has direct implications for economics in general, and resource management strategies in particular.

Required reading: Chapters 5-6 in Daly & Farley (“Abiotic Resources” and “Biotic Resources”)

Sept 25 // The Full World and the Illusion of Scarcity. In this class we will discuss how the world might be conceived of not only as “finite” but also “full” – of people, waste, and material goods. Secondarily, we will explore Eisenstein’s argument that our full world can be conceived as one of abundance where scarcity is an illusory product of our economic system.

Required reading: Chapter 7 in Daly & Farley (“From Empty World to Full World”)

Recommended reading: Chapter 2 in Eisenstein (“the Illusion of Scarcity”)

PART III: MICROECONOMICS

Microeconomics is the study of how households and companies coordinate and communicate supply and demand in the market.

Sept 27 // The Market. We define the meaning of the “market equation,” and other standard concepts in microeconomics such as competition, monopoly, diminishing marginal product, diminishing marginal utility, and efficiency or “Pareto optimality.” Supplementary to the traditional definition of a market, we will introduce the idea of “networks” in complex systems and characterize the market as a network.

Reading: Chapter 8 in Daly & Farley ("The Basic Market Equation")

Oct 2 // Supply & Demand. Supply and demand are "the cornerstone rules of market grammar" (Daly & Farley, p. 176). We will introduce concepts such as the utility function, the production function, the elasticity of demand, substitutability, and complementarity. We will also examine how labour unions and corporations have an influence on supply and demand.

Reading: Chapter 9 in Daly & Farley ("Supply and Demand")

Oct 4 // Market Failures and the Role of Government. Markets function efficiently only for a narrow class of goods. Here we examine market failures such as monopolies, externalities, poverty, and public goods. Does the government have a role in fostering more complete markets? As network "nodes," how do government bodies, communities, and non-governmental organizations provide resilience to market failures?

Reading: Chapter 10 in Daly & Farley ("Market Failures")

Oct 9 // Thanksgiving: No class

Oct 11 // Failures Among Resource Types. How well do markets handle the goods and services provided by nature itself? We will examine how or whether markets perform and signal "scarcity" with respect to fossil fuels, water, minerals, land, and ecosystem services. In contrast to abiotic resources, biotic resources are renewable. We will examine the concepts of stocks and flows, absorptive capacity, non-market signals and regime shifts in complex adaptive systems.

Reading: Chapter 11-12 in Daly & Farley ("Market Failures and A/Biotic Resources")

Oct 16 // Human Behaviour and Rationality ("Behavioural Economics"). While traditional economics considers humans to be rational actors, recent psychological and neuroscientific research has enriched our understanding of human behaviour. Here we examine the peculiarities of "homo economicus" or "econs" and the ways "econs" differ from "humans."

Required reading: Chapter 13 in Daly & Farley ("Human Behaviour and Economics")

Recommended reading: Part I-III in Kahneman ("Humans and Econs")

Recommended reading: Ch. 3 in Raworth ("Nuture Human Nature")

PART IV: MACROECONOMICS

Macroeconomics is the study of markets and optimum efficiency.

Oct 18 // Gross Product and Welfare. Along with GDP/GNP as an important macroeconomic indicator of welfare, there are also a variety of emerging indices, including natural capital consumption, sustainable income. How can each of these tools inform government policy? What does GDP fail to measure? What does "increasing GDP" mean to individuals?

Reading: Chapter 14 in Daly & Farley ("Macroeconomic concepts: GNP and Welfare")

Recommended readings: Chapter 14 in Eisenstein ("Social dividend")

Oct 23 // Money. In this class we will attempt to de-mystify the money system and come to understand its basic function. We will review the “utility” of money (a medium of exchange, a unit of account, a store of value), and introduce the mechanics of the fractional reserve banking system.

Required reading: Chapter 15 in Daly & Farley (“Money”)

Recommended readings: Chapters 3 and 6 in Eisenstein (“Money and the Mind” and “the Economics of Usury”)

Oct 25 // Distribution. Having covered “scale” and “allocation,” we will tackle the subject of distribution of resources and income. Understanding distribution is central to the aims of domestic and international poverty reduction and overall improvements in well-being.

Required reading: Chapter 16 in Daly & Farley (“Distribution”)

Required reading: Chapter 5 in Raworth (“Design to Distribute”)

Recommended readings: Chapters 4-5 in Eisenstein (“...Property” and “...the Commons”)

Oct 30 // The “Real” and “Monetary” Economies. In this class, we will use the *IS=LM theory* to explain the relationship between the “real” and “monetary” economies; between employment and inflation. The model seeks to explain the interaction between consumers and savers, lenders and borrowers, and monetary authorities.

Reading: Chapter 17 in Daly & Farley (“The IS-LM Model”)

PART V: INTERNATIONAL TRADE

Nov 1 // International trade. Here we discuss the classical argument for free trade and the difference between “globalization” and “internationalization.” We will discuss comparative vs. absolute advantage, capital mobility, and examine the role of global institutions such as the IMF and WTO.

Reading: Chapter 18 in Daly & Farley (“International Trade”)

****ANNOTATED BIBLIOGRAPHY DUE****

Nov 6 // Globalization. With an understanding of the distinction between “globalization” and “internationalization,” we will examine the rationale for increased globalization – efficient allocation – and its implications for social and ecological sustainability. Key terms in this discussion include perfect competition (mergers and patents), specialization, scale, and food security.

Required reading: Chapter 19 in Daly & Farley (“Globalization”)

Required reading: Chapter 7 in Eisenstein (“Crisis of Civilization”)

Nov 8 // Financial Globalization. One of the key consequences of globalization is increased capital mobility. We will discuss concepts such as balance of payments, exchange rates, the financial instability hypothesis, hedge and ponzi investment patterns, speculation, and leverage.

Required reading: Ch. 20 in Daly & Farley (“Financial Globalization”)

Recommended reading: Ch. 8 in Eisenstein (“Money...”)

PART VI: POLICY DESIGN

Nov 13 // Policy Design. What are some of key economic areas that can be “managed” through policy and institutional design? Daly & Farley propose six design principles; Eisenstein proposes to capitalize on systemic debt saturation and instability with monetary reform.

Required reading: Chapter 21 in Daly & Farley (“General Policy Design Principles”)

Recommended reading: Chapter 12-13 in Eisenstein (starting at “The Debt Crisis: Opportunity for Transition”)

Nov 15 // Policy “pitch” session. This class will be reserved for discussions of policy ideas.

Nov 20 // Institutional Economics and Scale. Building on Daly’s introduction to institutionalism and considering how to manage the problem of economic “scale,” we will read North to discuss how institutions can shape economic development and performance.

Required reading: Chapter 22 in Daly & Farley (“Sustainable Scale”)

Required reading: Ch. 6 in Raworth (“Create to Regenerate”)

Recommended reading: Ch. 12 in North (“Institutions...”)

Nov 22 // Just Distribution or Nonaccumulation? What tools does the economist have to alleviate poverty and inequality? Daly & Farley review a number of measures used to varying degrees of success, including minimum income, caps on wealth, and public subsidies. Rather than (or perhaps complementary to) redistributing wealth, Eisenstein proposes the restoration of “gift consciousness” and “nonaccumulation” in a sacred economy.

Readings: Chapter 23 in Daly & Farley (“Just Distribution”)

Recommended reading: Ch. 18-19 in Eisenstein (“Relearning Gift Culture” / “Nonaccumulation”)

****FINAL POLICY PAPER DUE ****

Nov 27 // Conclusion. Daly & Farley conclude with some final thoughts on some of the problems and policies aimed at perhaps the most central concept of traditional economics – allocation. Eisenstein leaves us with a hopeful vision of a more beautiful world.

Required reading: Ch. 24 in Daly & Farley (“Efficient Allocation”)

Recommended reading: Ch. 23 and Conc. in Eisenstein (“A New Materialism” and “Conclusion”)

Recommended reading: Ch. 7 in Raworth (“Be Agnostic about Growth”)

Nov 29 // Final presentations