

**“Economics for Everyone:  
*How to Cut Through the Jargon*”**

Later Life Learning, Innis College

Instructor: Dr. Jim Stanford

Fall 2021

# About Me!

- Raised in Alberta.
- Educated in Canada, UK, US.
- PhD. in Economics (1995).
- Worked for a trade union for 23 years.
- Worked in Australia.
- Now Director of the Centre for Future Work.



# About the Course

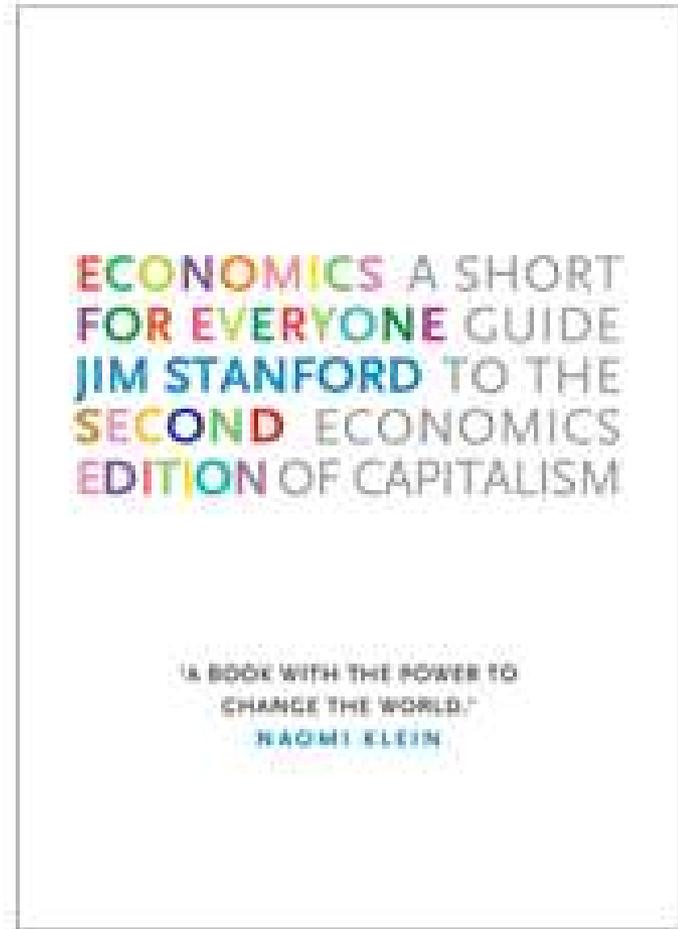
- 10 sessions: every Friday 1-230 pm (Eastern) except November 12.
- Course outline & notes posted at <https://centreforfuturework.ca/llcourse/>.
- Initial presentation: approx. 1 hour.
- 5 minute nature break.
- Q&A for the remainder.
- Core readings from the textbook.
- Supplemental readings as assigned.
- Input welcome:  
[jim.stanford@policyalternatives.ca](mailto:jim.stanford@policyalternatives.ca)

# 10 Topics

1. The economy and economics
2. A little history
3. Work and tools
4. Class: Bosses, owners, and workers
5. Government and the economy
6. Distribution, power and inequality
7. The economy and the environment
8. Money, banking and finance
9. The economy after COVID
10. Building a fairer, sustainable economy

# About the Textbook

- ***Economics for Everyone*** (2<sup>nd</sup> edition, Pluto Books, 2015).
- Started as a course for trade union members at CAW.
- Available at ***Another Story*** (Roncesvalles Ave., Toronto) and elsewhere.



<http://economicsforeveryone.ca/>

# Continuing the Conversation

- Twitter:  
@jimbostanford  
@cntrfuturework
- Join our CFW mailing list: via <https://centreforfuturework.ca/contact/> or send request to [info@centreforfuturework.ca](mailto:info@centreforfuturework.ca).

# Session 1

**The Economy  
and Economics**

**Readings:  
Chapters 1-2**

***Illustrations © by  
Tony Biddle***

# Key Topics Covered

- The economy
- The purpose of the economy
- The economy and economics
- How we measure the economy
- Characteristics of a *good* economy
- Capitalism
- Capitalism and markets

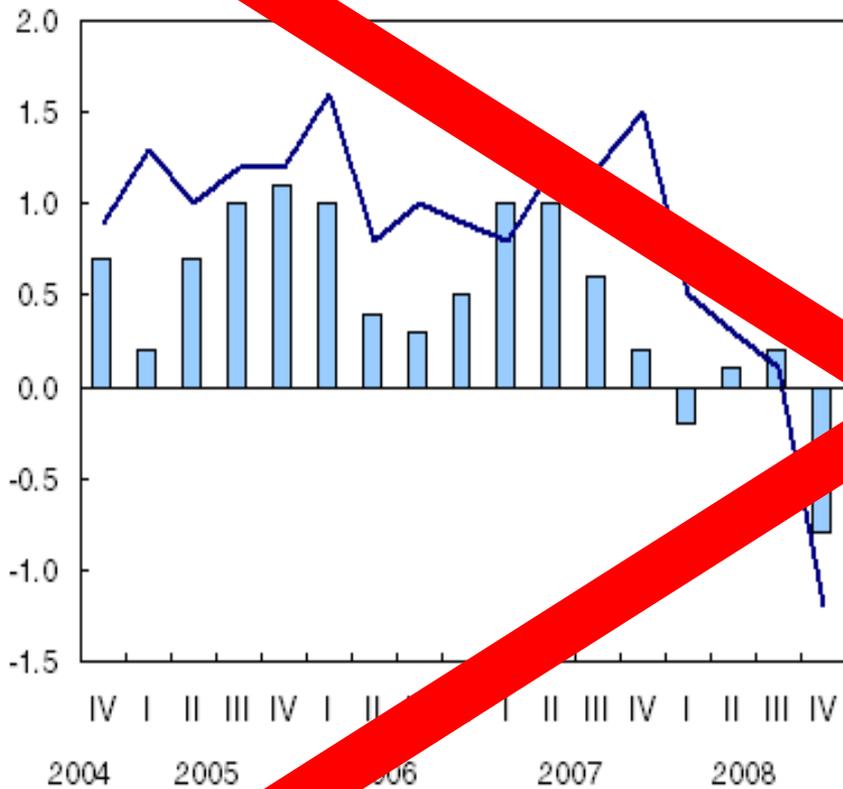
# Key Terms Introduced

- goods
- services
- work
- consumption
- investment
- finance
- environment
- GDP
- economic growth
- prosperity
- security
- innovation
- choice
- equality
- sustainability
- democracy
- accountability
- capitalism  
production for profit
- wage labour

# What is the Economy, Anyway?

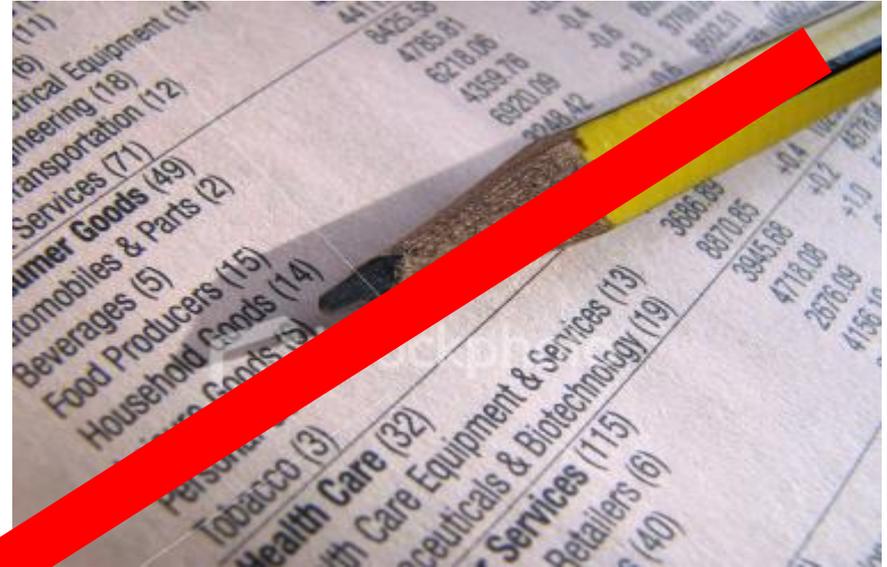
## Final domestic demand declines

quarterly % change, chained (2002) dollars



— Gross domestic product at market prices

— Final domestic demand



# What is the Economy, Anyway?

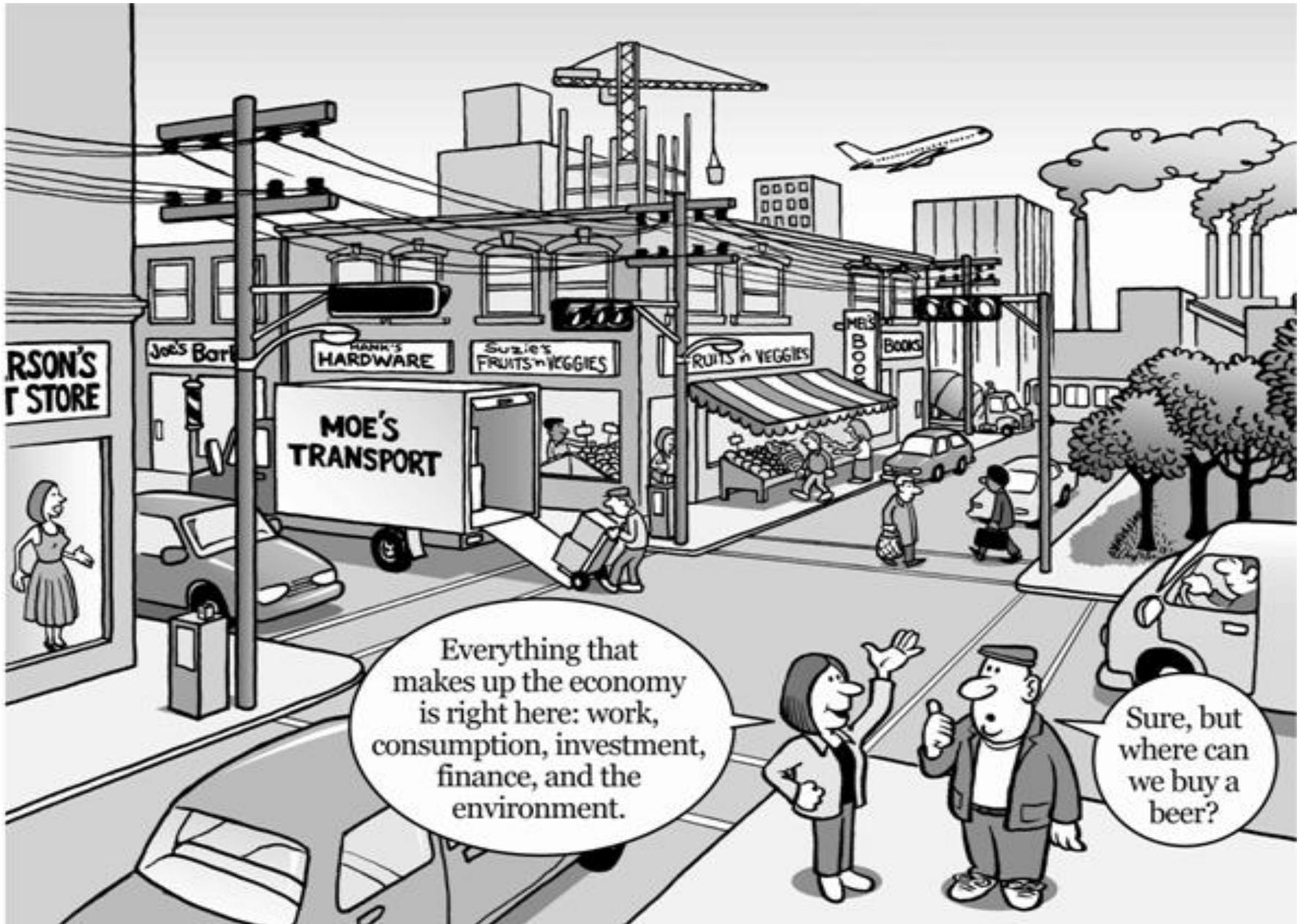


# What is the Economy, Anyway?

- Forget the quarterly GDP statistics, the financial pages, and the daily updates we hear every day about stock markets and foreign exchange. That's not the "economy."
- The "economy" is simply that four-letter word that we curse on Monday mornings: W – O – R – K
- The economy is the sum total of the work we must perform to produce the goods and services we need to survive and live.
- Without work (broadly defined as "productive human effort"), nothing happens in the economy.

# The Economy in YOUR Neighbourhood

- You can identify the main ingredients of the economy walking around your neighbourhood.
- Take a walk, and keep track of what you see:
  - What **work** are people doing (paid & unpaid)?
  - What do people **consume**, in order to stay alive?
  - What is being **invested** – is enough output ploughed back into improving or expanding the local economy?
  - How do people **finance** their bills? Where do they get **money**?
  - Is the local **environment** healthy, or being degraded?
- This is the “economics of everyday life.”
- We can **ALL** learn enough to be confident questioning conventional wisdom, and defending our interests



Everything that makes up the economy is right here: work, consumption, investment, finance, and the environment.

Sure, but where can we buy a beer?

# My Goal: Reclaim Economics for Ordinary People

- The rich and powerful of our society invoke claims about “economics” (many of which are false) to justify their own positions, and discourage us from fighting for change.
- And most economists also have a vested interest in the status quo.
  - Example: economists who work for banks.
- It’s important for other parts of society to develop the capacity and the confidence to challenge traditional economic claims
- **Economic literacy** is thus an important priority.

# The Purpose of the Economy: Meeting Human Needs

- The “economy” is the sum total of human work.
- Why do we work? Because we are living beings, and we must work to produce the things we need to stay alive.
  - a) The requirements of subsistence.
  - b) But we want more: a full, quality, enjoyable life.
- We work to meet human needs.
- An economy that does not meet human needs, is not doing its job very well.
  - There’s nothing more “fundamental” about an economy’s performance, than whether human needs are being met.

# What We Produce

- **Goods**: tangible products that we can touch.
  - Examples: houses, cars, clothes, food, equipment.
- **Services**: functions we perform for other people.
  - Examples: restaurant meals, education, telecommunications, health care, transportation, entertainment, accounting.
- We need both goods and services.
  - Services are growing as a share of total output (about 70% of GDP today).
- Both goods and services are produced with the same ingredients: productive effort (“work”, aided by tools), and raw materials (harvested from nature).

# What is Economics?

- Economics is a **social** science.
  - How we work, and what we do with the fruits of our labour.
- **Microeconomics**: the study of individual firms & consumers.
- **Macroeconomics**: how these players interact in aggregate.
- Economics has never been value-free.
  - Economists don't just describe the economy.
  - They have views about how it **should** function.
- Economics is not static.
  - It evolves to reflect changes in the economy, and debates and conflicts over the economy.

# Measuring the Economy

- Most common measure: Gross Domestic Product (GDP).
- **GDP** = the sum value of all the goods and services produced for money in the economy.
  - Business sector: production by private companies for profit.
  - Non-business sector: government and non-profit production.
- **Real GDP** = value of output adjusted for inflation.
- **GDP per capita** = GDP divided by population.

# GDP: Use With Caution

- GDP should never be used as the measure of economic well-being or “progress”:
  - Does not include work **not** performed for money (eg. caring work in the home, volunteering).
  - Does not consider the **distribution** of output (“average” per capita GDP says little about how most people live).
  - Does not consider whether output is **useful** or destructive (eg. child care vs. warfare).
- GDP is relevant, but be careful how we use it.
  - **Never** assume higher GDP is automatically “good.”
- NB: Just changing the measure won’t change the outcomes.

# Evaluating the Economy

- The reason we work is to produce the goods and services we need to stay alive and get the most out of life.
- An economy functions well if it does that.
- Evaluating economic performance depends on the criteria chosen (subjective).
  - Evaluation must be broader than just “growing GDP.”
  - Different individuals, communities, and classes will have different criteria.

# Possible Criteria for Evaluation

- How would YOU evaluate the economy?
- Post one-word answers in the chat...

# Possible Criteria for Evaluation

*(pp.28-30)*

1. **Prosperity**: Do people have a good standard of living?
2. **Security**: Do people face risks of economic loss or dislocation?
3. **Innovation**: Do people improve their work to be more effective and productive? Are they creative?
4. **Choice**: Do people have the ability to make major economic choices (careers, consumption)?
5. **Equality**: Are there large differences between the living standards & opportunities of different groups?
6. **Sustainability**: Does the economy continually degrade the natural environment?
7. **Democracy & Accountability**: Is the economy subject to collective choice and oversight?

# Evaluating Economies on Basis of Human Well-Being: One Approach

- UN Development Program's "Human Development Index" (HDI).
- Scores for each country (or region) on basis of 3 measures of well-being:
  1. GDP per capita
  2. Life expectancy
  3. Education
- Changes world rankings considerably.
- Still not perfect; there are other methods, too.

[Back](#)**Table 1. Human Development Index and its components (2019)**

|                                    |                        | Human Development Index (HDI) | SDG3<br>Life expectancy at birth | SDG4.3<br>Expected years of schooling | SDG4.4<br>Mean years of schooling | SDG8.5<br>Gross national income (GNI) per capita | GNI per capita rank minus HDI rank | HDI rank |
|------------------------------------|------------------------|-------------------------------|----------------------------------|---------------------------------------|-----------------------------------|--------------------------------------------------|------------------------------------|----------|
| HDI rank                           | Country                | Value                         | (years)                          | (years)                               | (years)                           | (2017 PPP \$)                                    |                                    |          |
| <b>VERY HIGH HUMAN DEVELOPMENT</b> |                        |                               |                                  |                                       |                                   |                                                  |                                    |          |
| 1                                  | Norway                 | 0.957                         | 82.4                             | 18.1                                  | <sup>b</sup> 12.9                 | 66,494                                           | 7                                  | 1        |
| 2                                  | Ireland                | 0.955                         | 82.3                             | 18.7                                  | <sup>b</sup> 12.7                 | 68,371                                           | 4                                  | 3        |
| 2                                  | Switzerland            | 0.955                         | 83.8                             | 16.3                                  | 13.4                              | 69,394                                           | 3                                  | 2        |
| 4                                  | Hong Kong, China (SAR) | 0.949                         | 84.9                             | 16.9                                  | 12.3                              | 62,985                                           | 7                                  | 4        |
| 4                                  | Iceland                | 0.949                         | 83.0                             | 19.1                                  | <sup>b</sup> 12.8                 | <sup>c</sup> 54,682                              | 14                                 | 4        |
| 6                                  | Germany                | 0.947                         | 81.3                             | 17.0                                  | 14.2                              | 55,314                                           | 11                                 | 4        |
| 7                                  | Sweden                 | 0.945                         | 82.8                             | 19.5                                  | <sup>b</sup> 12.5                 | 54,508                                           | 12                                 | 7        |
| 8                                  | Australia              | 0.944                         | 83.4                             | 22.0                                  | <sup>b</sup> 12.7                 | <sup>c</sup> 48,085                              | 15                                 | 7        |
| 8                                  | Netherlands            | 0.944                         | 82.3                             | 18.5                                  | <sup>b</sup> 12.4                 | 57,707                                           | 6                                  | 9        |
| 10                                 | Denmark                | 0.940                         | 80.9                             | 18.9                                  | <sup>b</sup> 12.6                 | <sup>c</sup> 58,662                              | 2                                  | 10       |
| 11                                 | Finland                | 0.938                         | 81.9                             | 19.4                                  | <sup>b</sup> 12.8                 | 48,511                                           | 11                                 | 11       |
| 11                                 | Singapore              | 0.938                         | 83.6                             | 16.4                                  | 11.6                              | 88,155                                           | <sup>d</sup> -8                    | 12       |
| 13                                 | United Kingdom         | 0.932                         | 81.3                             | 17.5                                  | 13.2                              | 46,071                                           | 13                                 | 14       |
| 14                                 | Belgium                | 0.931                         | 81.6                             | 19.8                                  | <sup>b</sup> 12.1                 | <sup>e</sup> 52,085                              | 6                                  | 13       |
| 14                                 | New Zealand            | 0.931                         | 82.3                             | 18.8                                  | <sup>b</sup> 12.8                 | <sup>c</sup> 40,799                              | 18                                 | 14       |
| 16                                 | Canada                 | 0.929                         | 82.4                             | 16.2                                  | <sup>c</sup> 13.4                 | 48,527                                           | 5                                  | 14       |
| 17                                 | United States          | 0.926                         | 78.9                             | 16.3                                  | 13.4                              | 63,826                                           | -7                                 | 17       |
| 18                                 | Austria                | 0.922                         | 81.5                             | 16.1                                  | 12.5                              | <sup>c</sup> 56,197                              | -5                                 | 18       |

# Overperformers and Underperformers

| Country    | Gap |
|------------|-----|
| Cuba       | +45 |
| Iran       | +26 |
| Tonga      | +25 |
| Tajikistan | +25 |
| Sri Lanka  | +23 |

| Country    | Gap |
|------------|-----|
| Eq. Guinea | -57 |
| Kuwait     | -51 |
| Qatar      | -43 |
| Brunei     | -38 |
| Djibouti   | -34 |

# Capitalism: Just One Kind of Economy

- All economies require work to be done to produce the goods & services we need.
- But they organize that work (and the distribution & use of output) differently.
- Our economy today does that in a particular, peculiar way.
- It's called "capitalism."
- Strange irony: mainstream economics almost never mentions the word "capitalism."
  - They assume that it's a "natural state of affairs."
  - But that's wrong: capitalism is a historical stage.

# Capitalism: ...the “C” Word



# The Two Defining Features of Capitalism

1. Most production is initiated & undertaken by private companies who aim to generate profit from this activity.
  - “Production for profit.”
2. Most work is performed by individuals who work for someone else in return for money (wages or salaries).
  - “Wage labour.”
  - We call this type of work “employment.”

# Capitalism and its Euphemisms

- Usually called a “market economy” in textbooks (when it is given a name at all).
- This reflects the narrow focus of conventional (neoclassical) economics.
  - Tries to explain all behaviour as optimizing market transactions.
- But other economies have markets.
- And many things in capitalism are not determined through markets.
  - Especially inside a firm.

**Thank You!**

***Let's take 5 minutes...***