

# Economics of Sustainable Prosperity

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November 21, 2019 – Class #2

6:30 - 8:00 pm

Henry George School of Social Science

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# This Course

## Raison d'être

- Taking on of topical issues and the failures of mainstream economics in the way Henry George would have presented them
- Using Lindy Davies' 2018 *Understanding Economics* text as the foundation of this effort
- Encouraging the study of six other hot-linked documents (including George's 1879 *Progress and Poverty*) as supplemental materials
- By end of the course the student may agree that there is no reason why she/he is not experiencing sustainable prosperity
- Or perhaps, at least, she/he will understand that such prosperity could be a logical possibility



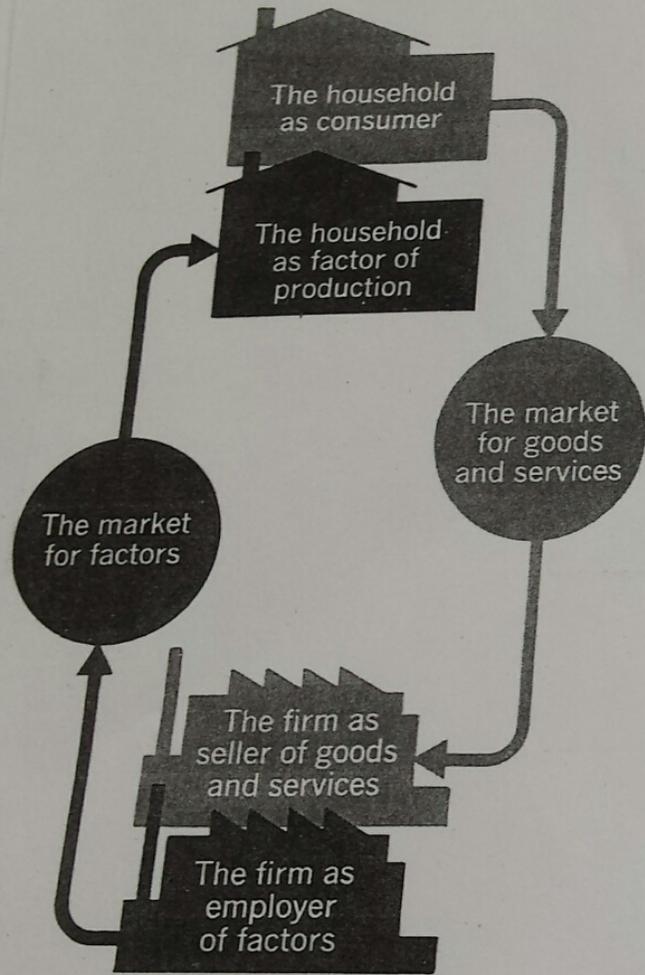
# Prosperity and Climate Change

- Introducing climate change into economics discussion
- Davies' 3 chapters; labor and production of wealth
- Wages and population
- 3 factors of production
- Distribution of wealth
- Gleeson: Global Groundwater Sustainability ... in the Anthropocene
- Bromley: Purposes served by tropical deforestation
- Dinosaurs to Age of Robots

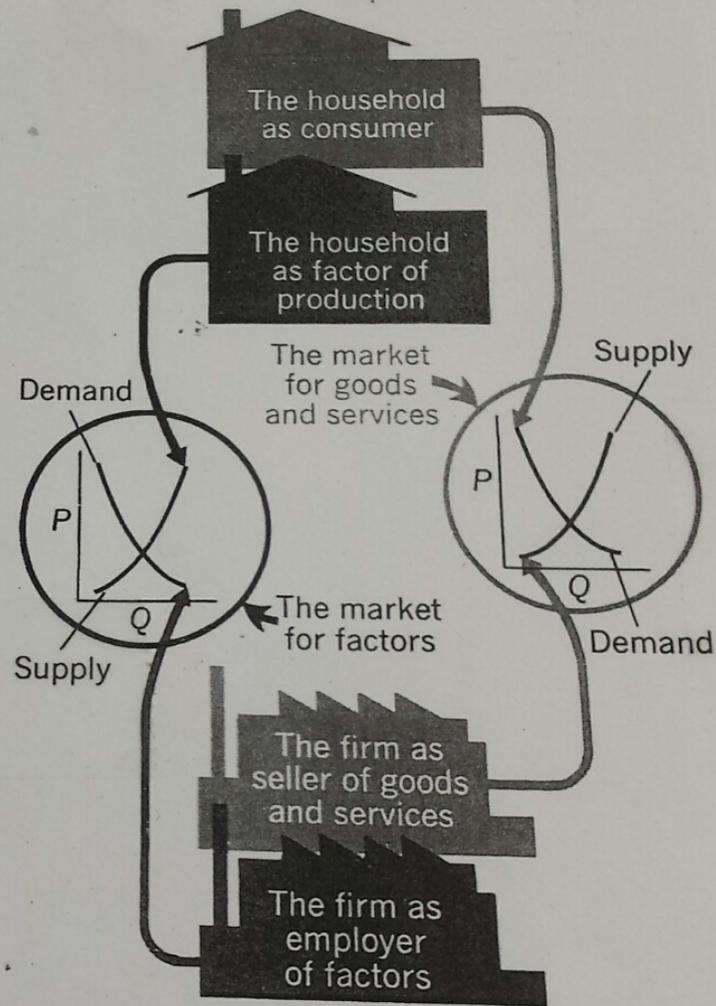
# Climate change into economics discussion

- Status quo ante position is no longer viable as the benchmark to inform necessary actions
- “Efficient” is no longer relevant
- Resilient and sustainable are the new adjectives
- What are the best things we must do at this point in time?





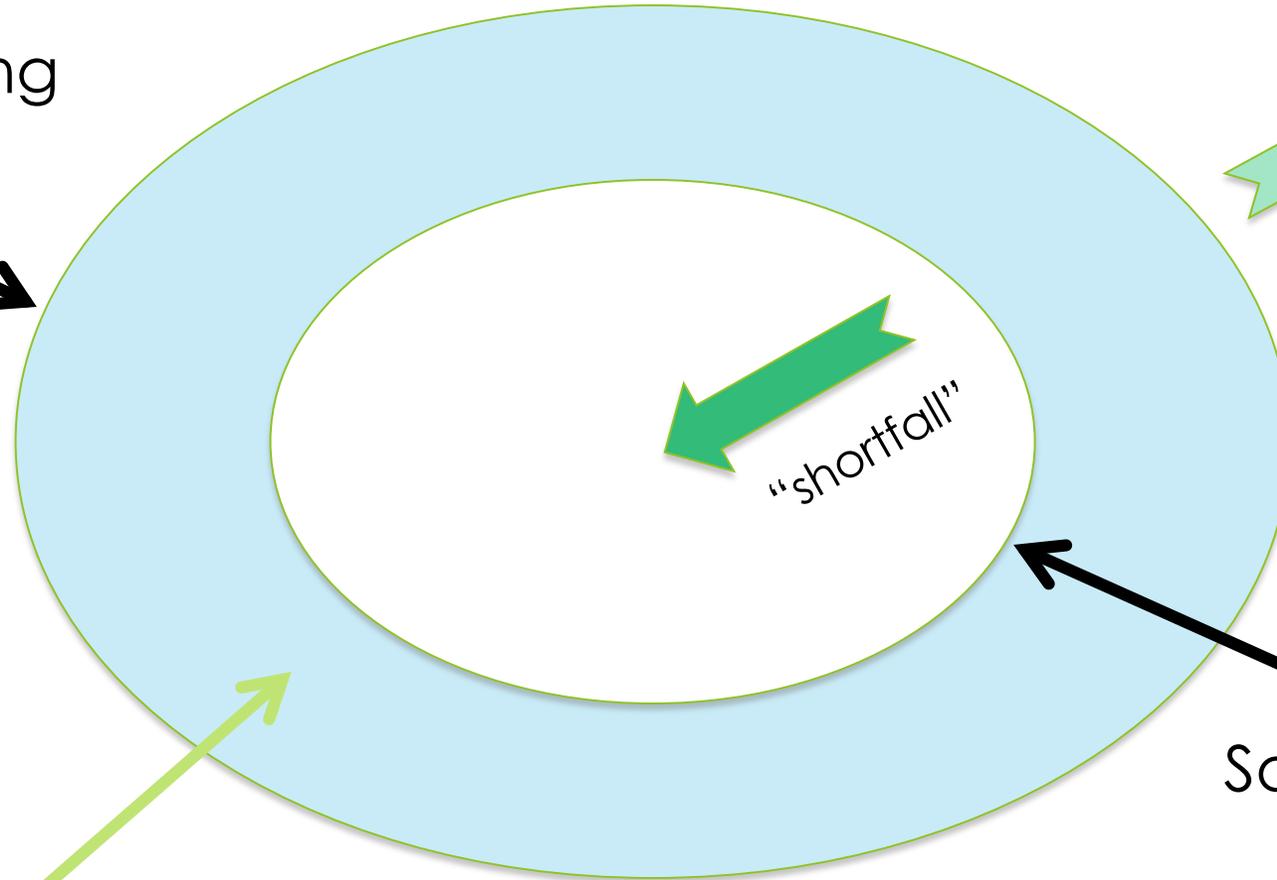
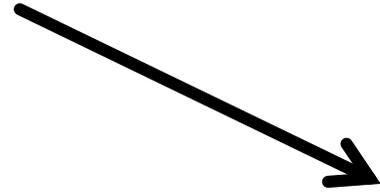
**FIGURE 7 · 1**  
Circular flow in microview



**FIGURE 7 · 2**  
Demand and supply curve in the circular flow

# Doughnut Economy (Kate Raworth, 2017)

Ecological Ceiling



"overshoot"

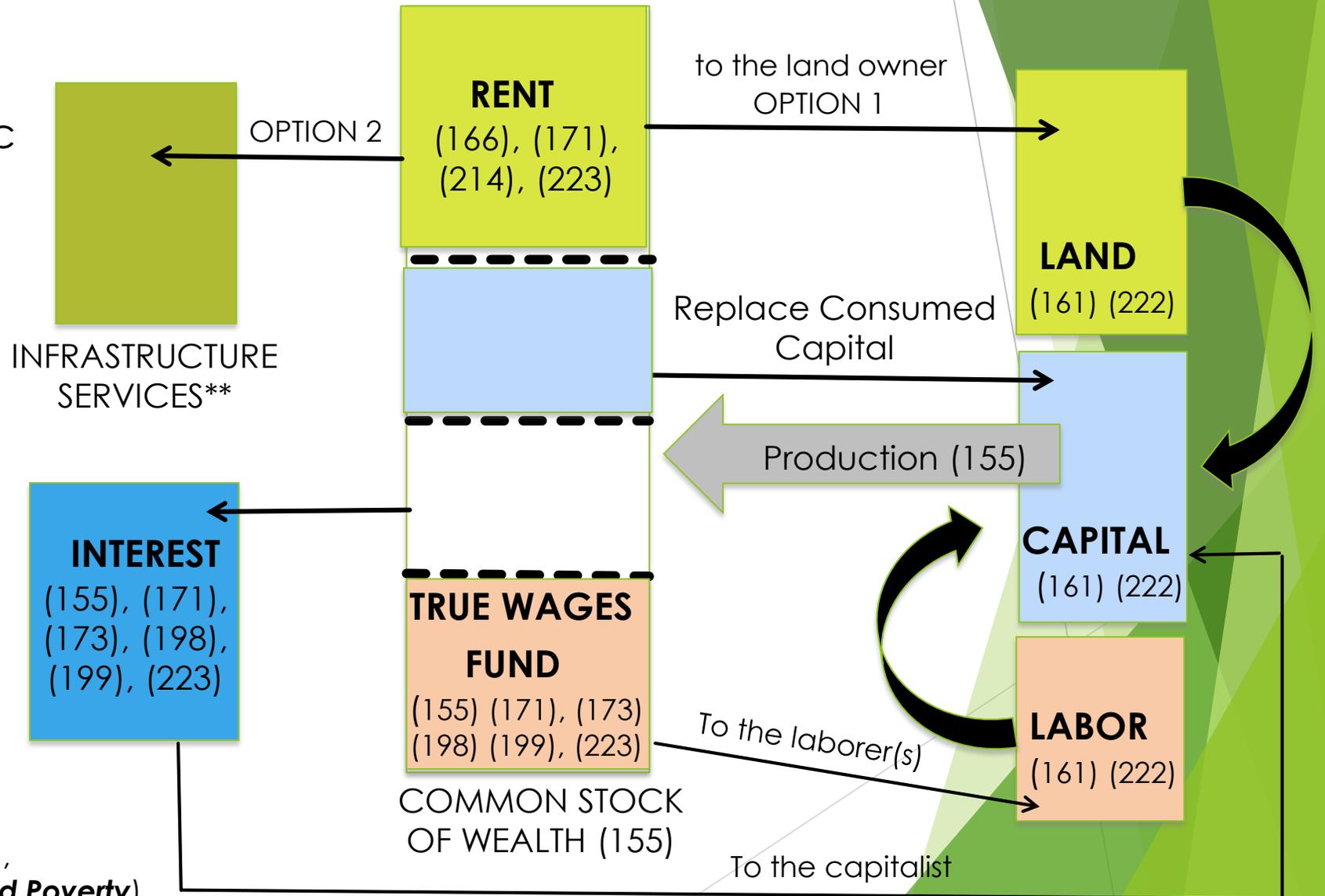
"shortfall"

Social Foundation

the safe and just space for humanity

# PRODUCTION\* / FLOW OF WEALTH

\*\* Includes: Gas, water, heat, electricity, public library, public school, public health, recreation, roads, bridges, telephone, highway, post office, telegraph, railroads, deepening river bed, lighthouse, public market, issue money, and reduce appropriative power of aggregate capital. From: **Social Problems** (188) (190) (178) (179) (191)



\* Adapting (manufacturing/transporting), growing, and exchanging (**Progress and Poverty**)

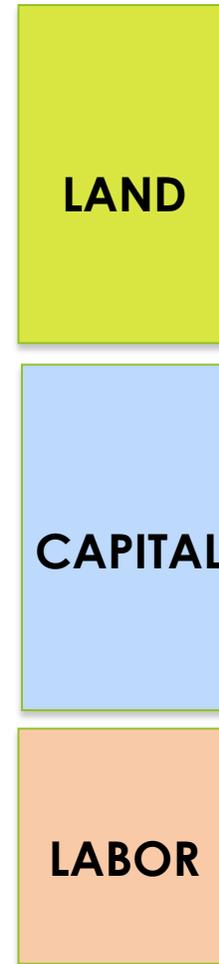
# Wages and population

- Wages precede capital
- Only an idiot capitalist would use capital to pay wages
- Your sister at your lemonade stand knows that sales are made before wages are paid
- Page 43 (Davies) – 300 million people can thrive in an area of a radius of 100 miles at a density of 10,000/sq. mile, much less than NYC



# 3 factors of production

- Land
- Labor
- Capital



# Distribution of wealth

➤ Rent

➤ Wages

➤ Interest

**RENT**

Replace  
Consumed  
Capital

**INTEREST**

**TRUE WAGES  
FUND**

# Labor and production of wealth

- Money is not wealth, but only an intermediary, just as are bonds, stocks, and other promises



# Sustainability ... in the Anthropocene

- Era of increasingly vulnerable natural resources due to human mismanagement or neglect
- Unlike climate issue, groundwater is regional, not global
- Groundwater associated with 7 UN Sustainable Development Goals
- Potential conflict with other SDGs:
  - Poverty alleviation
  - Food insecurity



# Sustainability ... in the Anthropocene

- Groundwater – 40% of irrigation water
- 2 out of 8 billion rely on it
- Flow is slow and invisible
- Part of hydrologic cycle
- Need for coherent, equitable governance



# Sustainability ... in the Anthropocene

## ACTION

over pumping

drought

sea level rise

## REACTION

land subsidence

over pumping

salinization

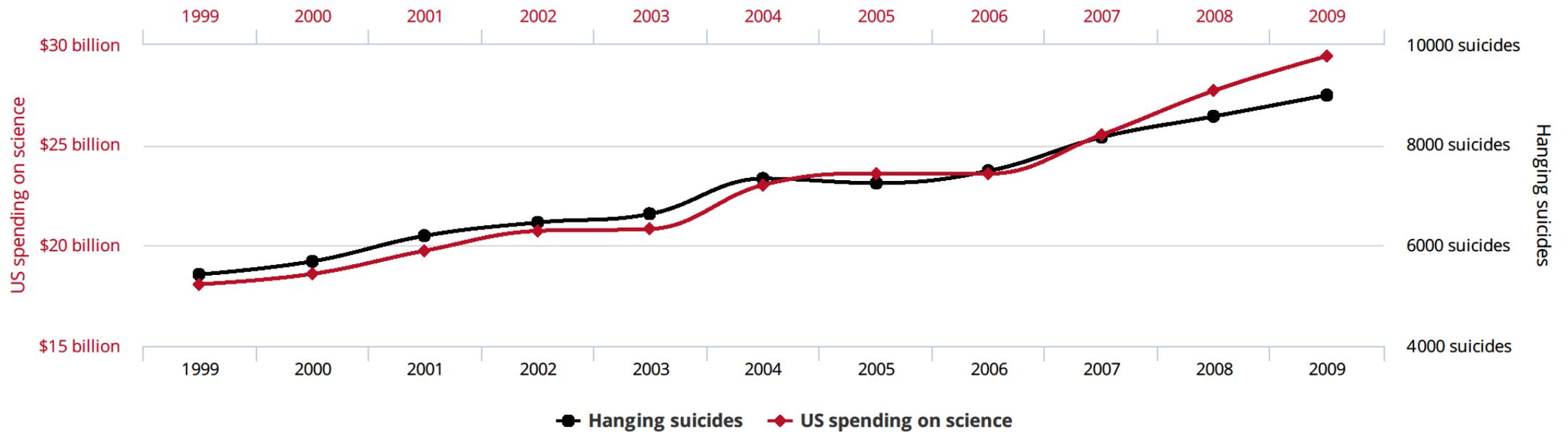
# Sustainability ... in the Anthropocene

## ➤ Problem with article

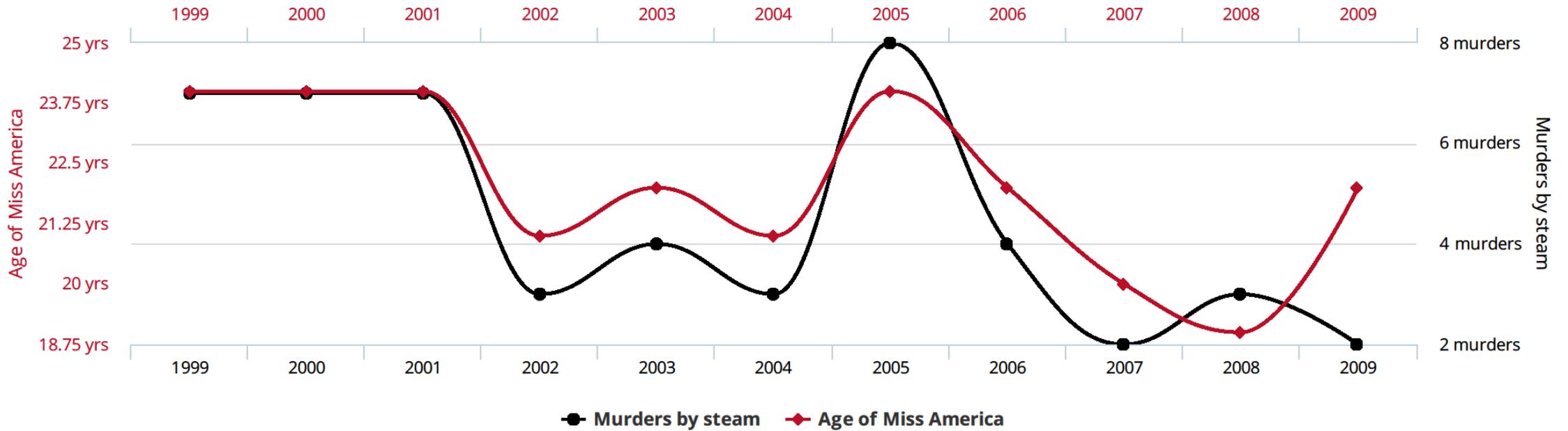
- Mischaracterized term “common pool resource” – confused it with open access resource
- Said common pool resource was rivalrous and non-excludable
- Gave support for a totally debunked theory of tragedy of the commons
- Does not recognize common pool resource management as an equitable governance framework



# US spending on science, space, and technology correlates with Suicides by hanging, strangulation and suffocation



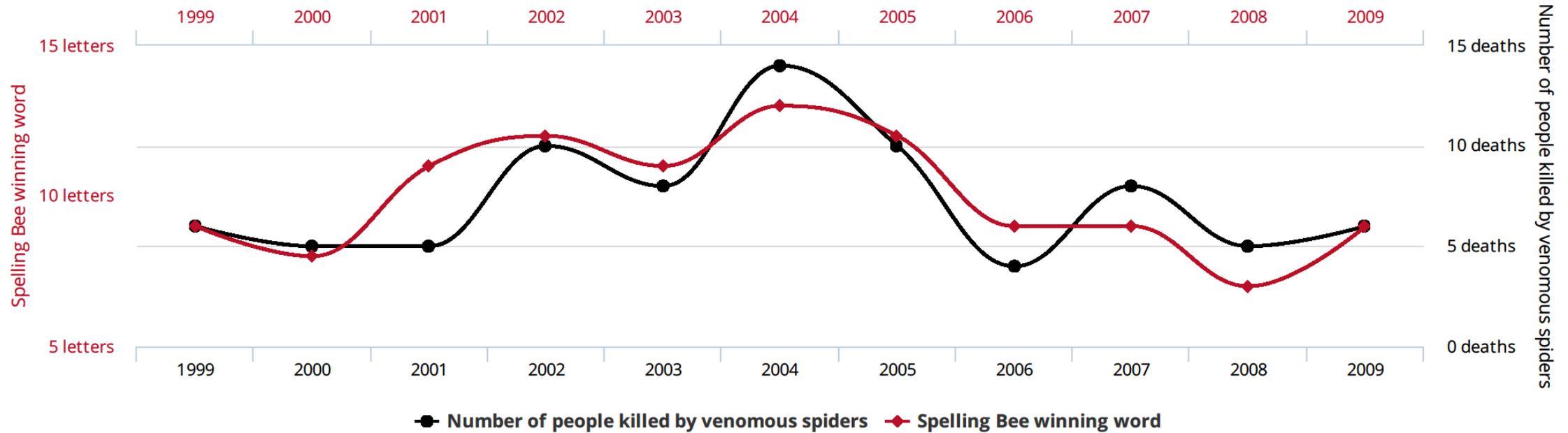
# Age of Miss America correlates with Murders by steam, hot vapours and hot objects



# Letters in Winning Word of Scripps National Spelling Bee

correlates with

## Number of people killed by venomous spiders



# Purposes served by tropical deforestation

- A major concern for actions in developing countries
- Land is degraded
- Local livelihoods destroyed
- Global climate change exacerbated (carbon sequestration impacts)
- Why do practices persist?



# Purposes served by tropical deforestation

- Often the explanation is laid at foot of
  - slash and burn agriculture
  - roads into remote areas
  - rapid population growth
  - lack of economic opportunities
  - cattle ranching
  - fuelwood gathering
  - frontier, weak property institutions
  - powerful logging interests
  - weak, corrupt governments
- How do you fix belief about this problem?



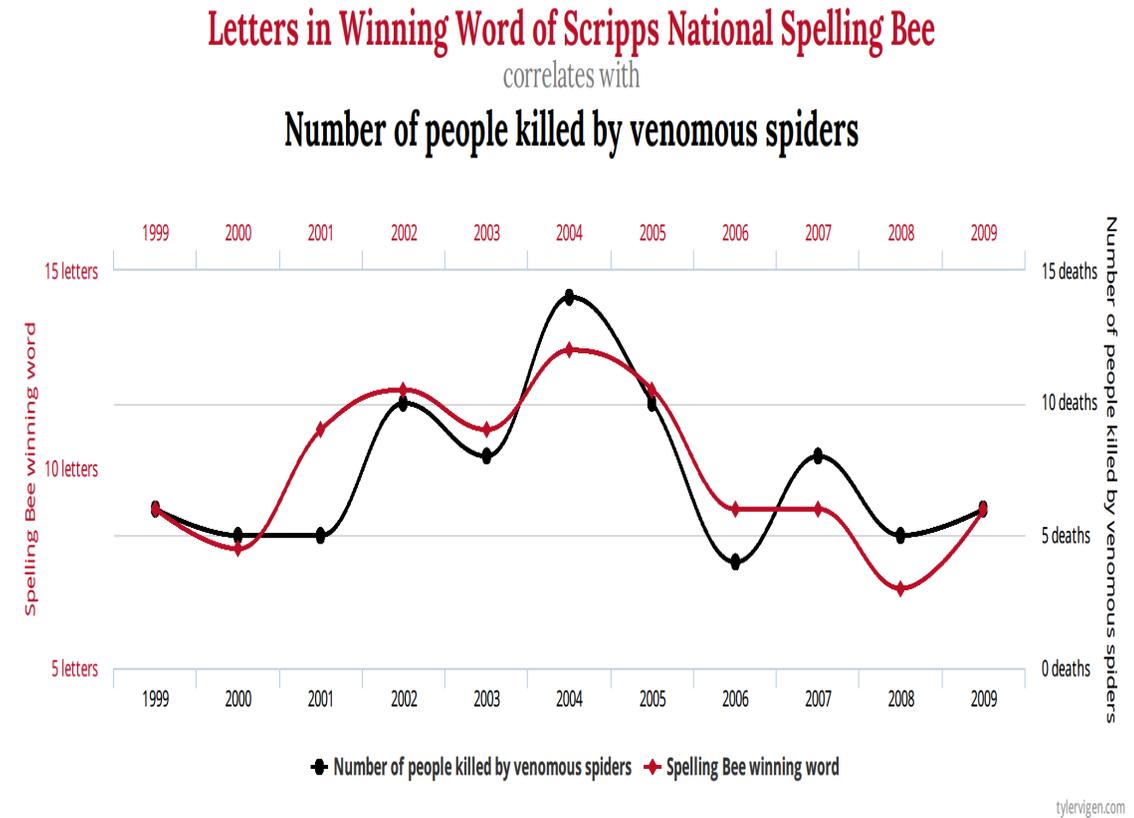
# Purposes served by tropical deforestation

- Conceptual models use available data
  - population growth
  - prevailing discount rates
  - incomes of households in forested areas
  - access to markets
  - agricultural inputs
  - product prices
  - timber prices
  - rural wages
  - indices of technical change in agriculture
  - indices on property regimes
  - foreign debt
- These are often cited as causes of deforestation



# Purposes served by tropical deforestation

- Correlation yes ... but Causation?
  - population growth - no
  - prevailing discount rates - no
  - incomes of households in forested areas - no
  - access to markets - no
  - agricultural inputs - no
  - product prices - no
  - timber prices - no
  - rural wages - no
  - indices of technical change in agriculture - no
  - indices on property regimes - no
  - foreign debt - no
- These are antecedent circumstances... but what is the INTENT behind deforestation?



# Purposes served by tropical deforestation

- Whose interests are served?
- How do they work the political system?
- Are we looking in wrong place/time?
- Is it appropriate to cite antecedent circumstances to blame result?
  
- Better to ask ...
  - what future event is served by it?
  - perhaps it's to earn revenue from trees
  - perhaps it's to convert land to new uses
  - perhaps revenues offset high opportunity costs of conversion to new uses



# Purposes served by tropical deforestation

- Alternative approach?
  - relieve apparent shortage of land
- Do the rich and powerful minority own all other available land?
  - shortage is artificial
- Are the “easy” answers given weight because the government wants the poor to look the other way to the real cause?
- Or, maybe foreign assistance is predicated on this false narrative, true by their own making



# Purposes served by tropical deforestation

- Once a warranted belief is established, ask
  - extent of landlessness
  - extent of inequality of income/wealth
  - dependence of govt on extractive industry
  - balance of trade position with other nations
  - perhaps, after all, cause is not “bad policies”
- Perhaps deforestation is the result of “good” policy?

# Dinosaurs to Age of Robots

- From the dawn of time, one factor of production has existed
- As millions of years progressed, humans made use of land to create wealth
- Then humans created capital
- At some point, will capital replace humans?



# Labor and production of wealth

- Land - before homo erectus (1/2 million years ago) - was just as it was



**LAND**

# Labor and production of wealth

- Land - before homo erectus (1/2 million years ago) - was just as it was
- Labor in combination with land produced the first wealth



LAND

LABOR

# Labor and production of wealth

- Land - before homo erectus (1/2 million years ago) - was just as it was
- Labor in combination with land produced the first wealth
- Labor in combination with land and capital created even more wealth



**LAND**

**CAPITAL**

**LABOR**

# Labor and production of wealth

➤ How will all this end?



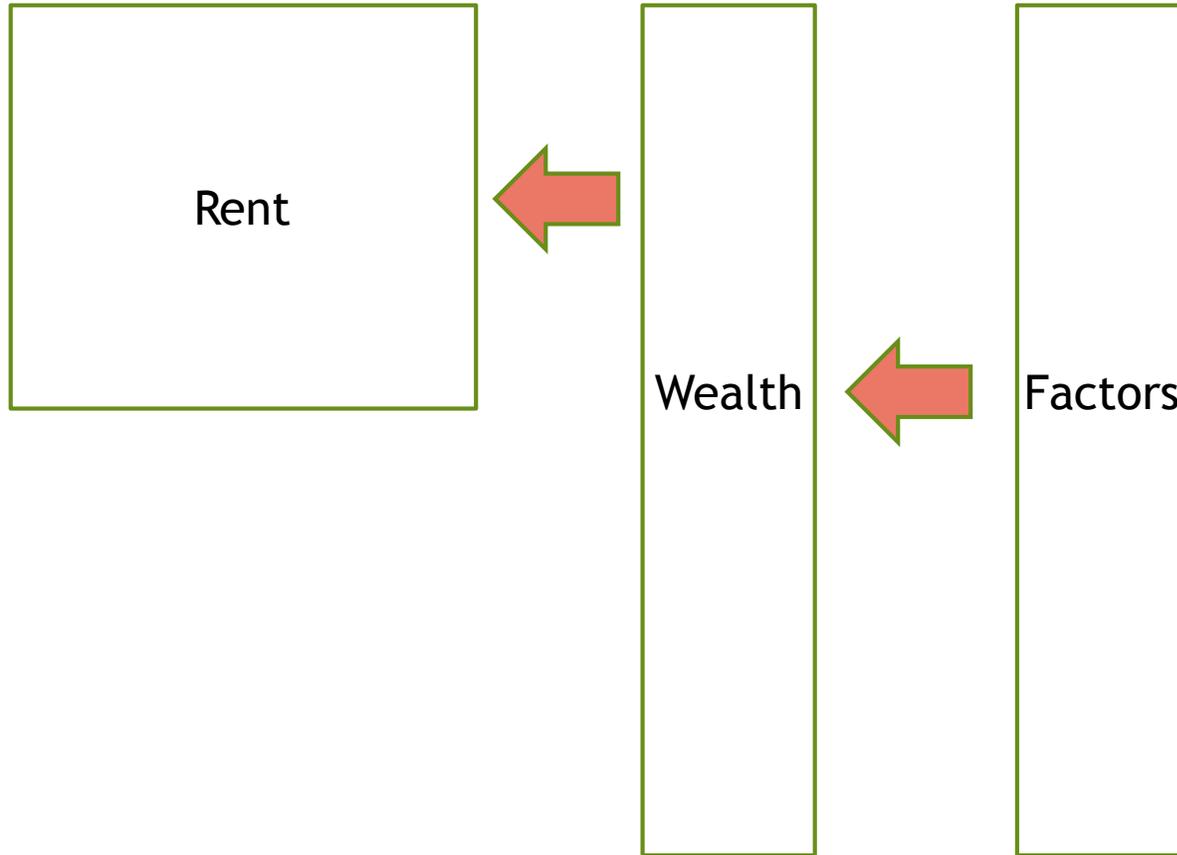
LAND

CAPITAL

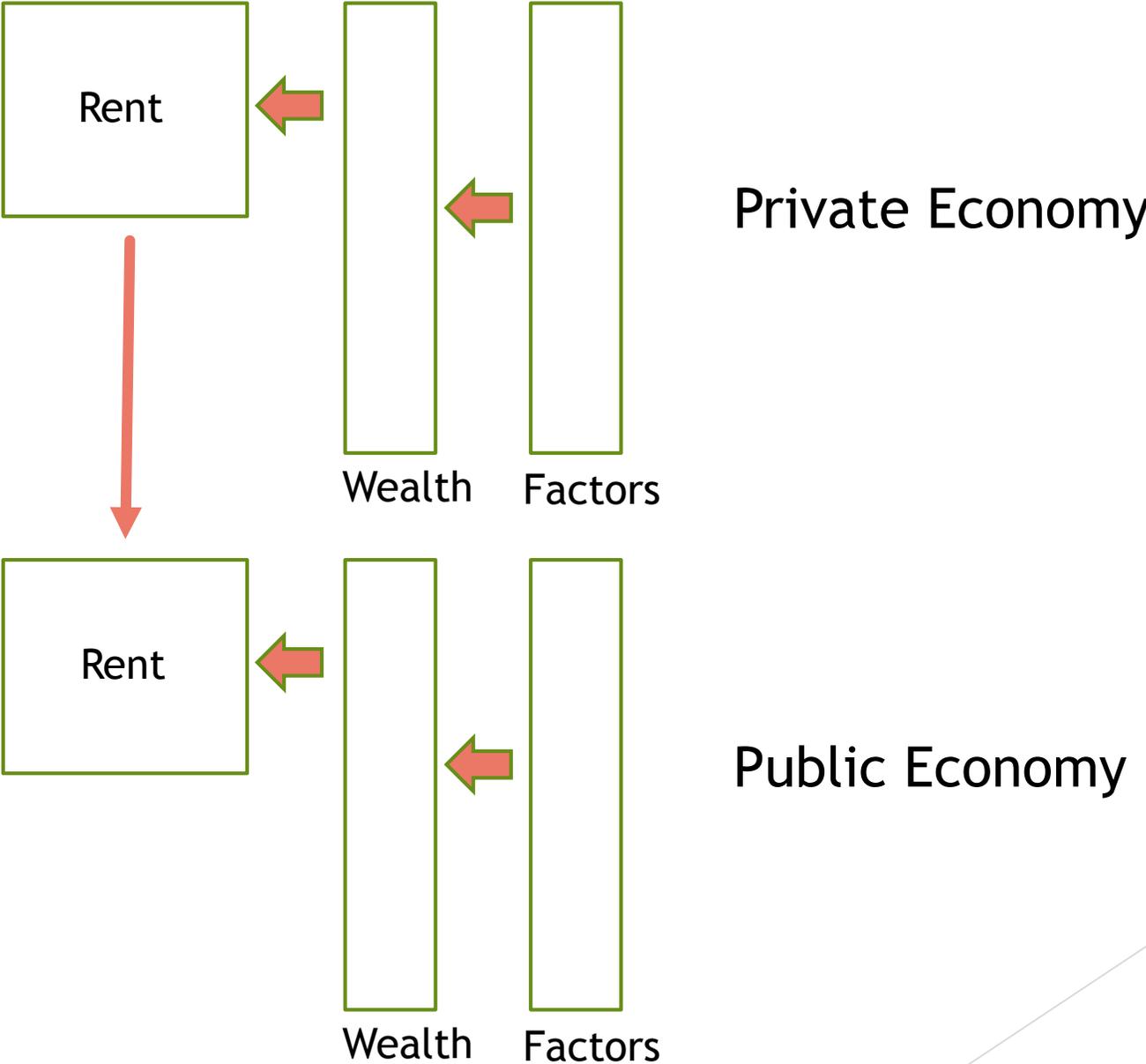
LABOR



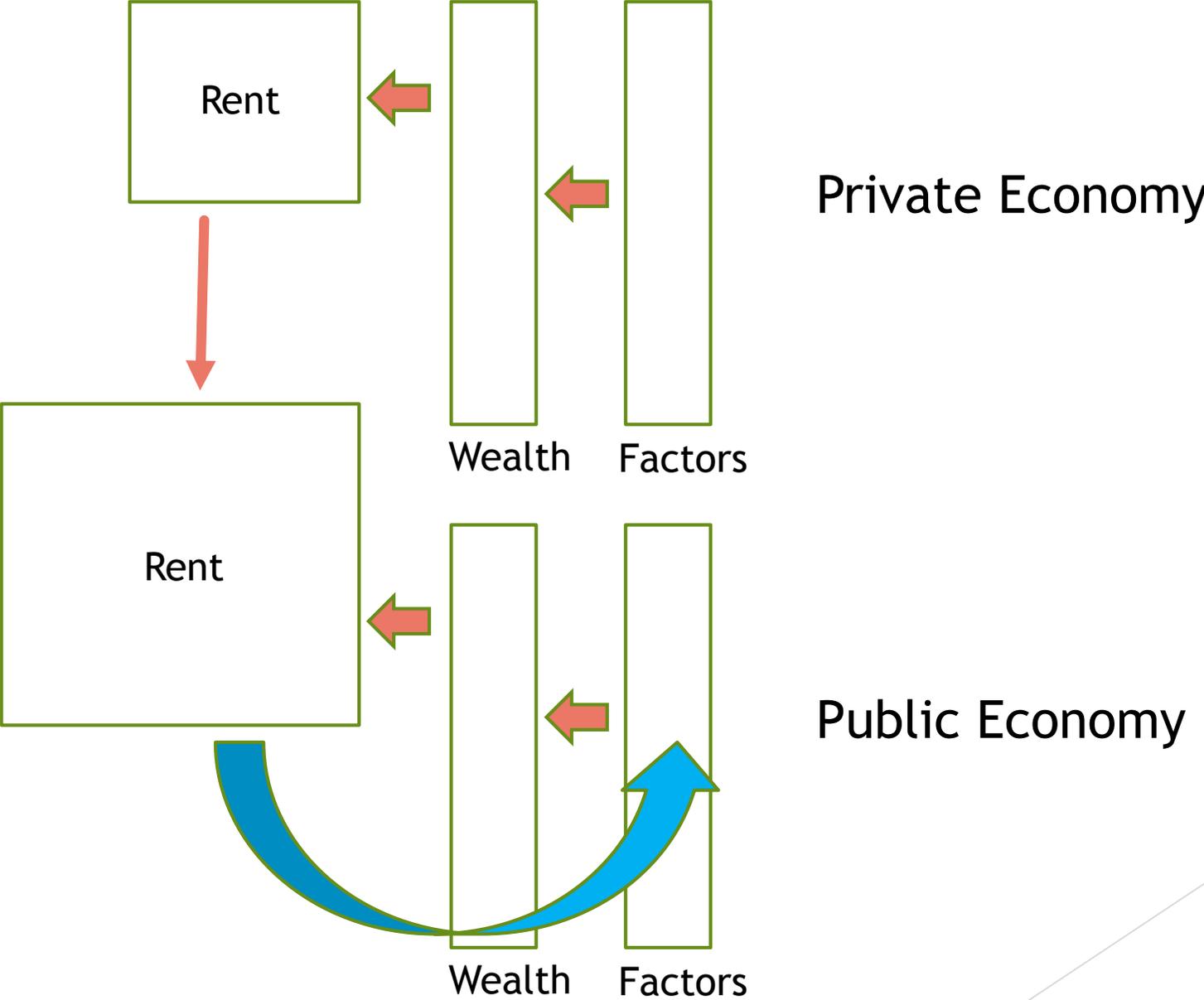
# Flow of Wealth



# Flow of Wealth - Private/Public Economies



# Flow of Wealth - Return/Recycle



# Questions

