

**ECONOMICS
FOR
EVERYONE**

A
SHORT
GUIDE
TO
THE
ECONOMICS
OF
CAPITALISM

**JIM
STANFORD**

How Ordinary People
Can Reclaim
Economics...

...and Make it Work
FOR Us
Instead of
AGAINST Us!

www.economicsforeveryone.ca

I. Nontariff Barriers

$$(18) \quad \hat{t}_{ij}^{rMeq} = \hat{t}_{ij}^r - \frac{\theta_{ij}^{rQ}}{(1-\theta_{ij}^{rQ})\sigma} (\hat{Q}_{ij}^r - \hat{D}_{ij}^r - \hat{n}_{ij}) \quad r \neq i; r = 1, \dots, m+1$$

WORLD EQUATIONS

J. Trade Balance and Income Determination

$$(19) \quad 0 = dB_i^T = \sum_{j=1}^n [X_{ij} \hat{P}_{wj}^i + \sum_{r \neq i}^m X_{ij}^r (\hat{D}_{rj}^i + \hat{n}_{ij}) + X_{ij}^{m+1} L_E] - \sum_{j=1}^n \sum_{r \neq i}^{m+1} M_{ij}^r (\hat{n}_{rj} + \hat{P}_{wj}^r + \hat{D}_{ij}^r) \quad i = 1, \dots, m$$

K. Goods Market Equilibrium

$$(20) \quad S_{ij} \hat{S}_{ij} = n_{ij} D_{ROWj}^i L_E + \sum_{r=1}^m n_{ij} D_{rj}^i (\hat{D}_{rj}^i + \hat{n}_{ij}) \quad j = 1, \dots, n$$

$$i = 1, \dots, m$$

L. ROW Goods Market Equilibrium

$$(21) \quad dS_j^{ROW} = \sum_{i=1}^m D_{ij}^{ROW} \hat{D}_{ij}^{ROW} \quad j = 1, \dots, n$$

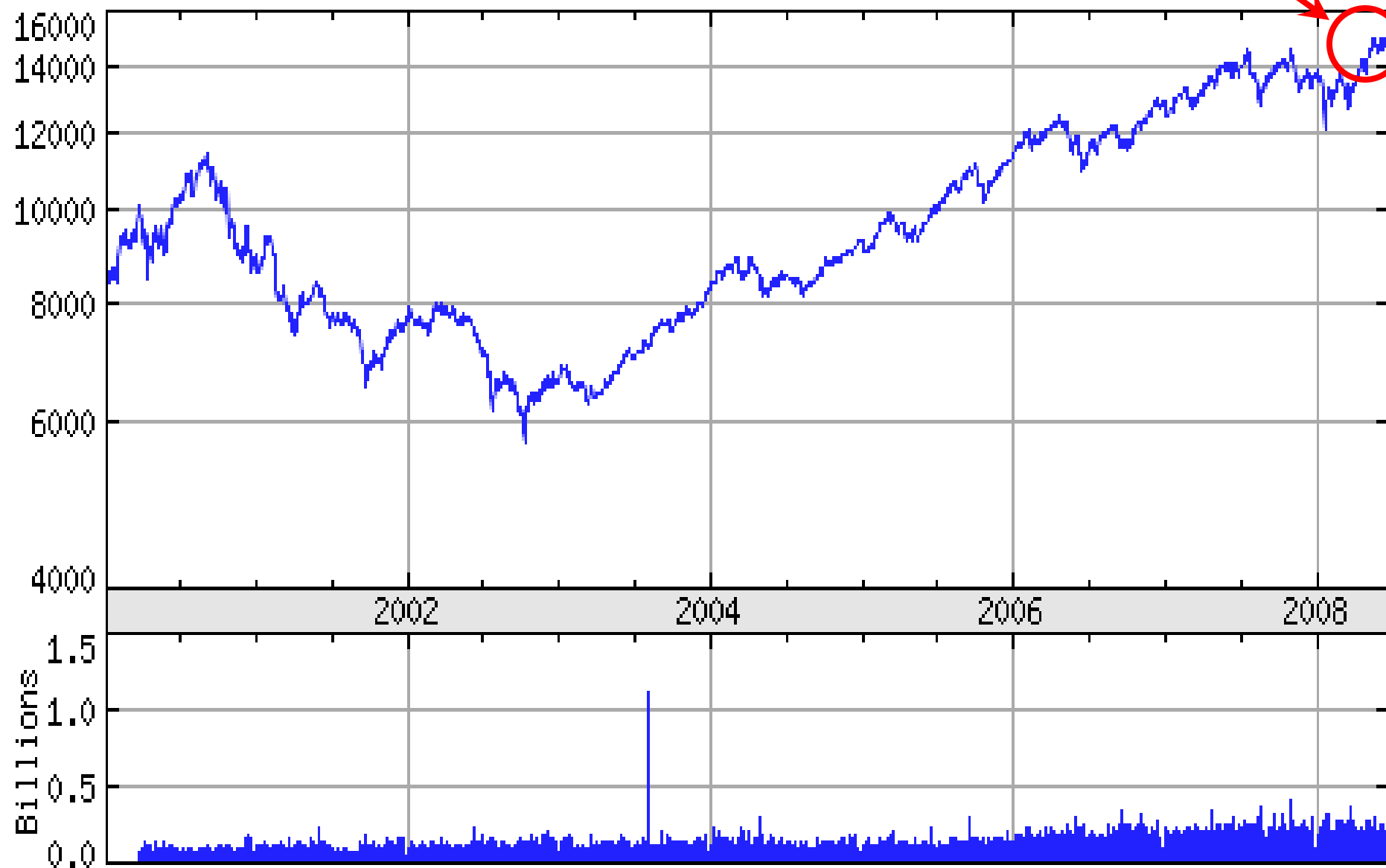
$$(22) \quad dS_j^{ROW} = S_j^{ROW} \boldsymbol{\varepsilon}_j^{ROW} \hat{P}_{wj}^{ROW} \quad j = 1, \dots, n$$

M. ROW Import Licensing

$$(23) \quad \sum_{j=1}^n (dS_j^{ROW} + S_j^{ROW} \hat{P}_{wj}^{ROW}) = L_E M_{ROW} + \sum_{i=1}^m M_{ROWj}^i \hat{P}_{wj}^i$$

S&P/TSX COMPOSITE
as of 17-Jun-2008

All-Time Record High (With GDP Shrinking!)



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<http://finance.yahoo.com/>

**There's nothing
you can do
about it...**

**It's just a
matter of
economics...**

...Supply and demand...

...inevitable...

...irresistible...

My Goal: Demystify Economics

- 1. What is the Economy?**
- 2. What is Capitalism?**
- 3. Does Capitalism Work?**
- 4. Can We Do Better?**

Web-based curriculum for popular economics training

1. What is the Economy?

- Where we work
- What and how we
- Who gets what
- What we do w



All Kinds of Work

- Blue-collar / white-collar / pink-collar
- Paid / unpaid
- Employment / self-employment / managers
- Goods / services
- Private / public / non-profit sectors
- Working with tools

What is a GOOD Economy?

Evaluation Criteria:

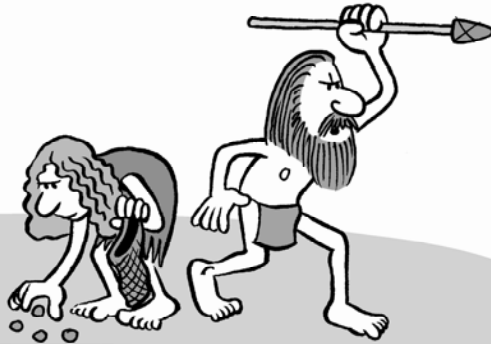
- ✓ Prosperity
- ✓ Innovation
- ✓ Equality
- ✓ Democracy
- ✓ Security
- ✓ Choice
- ✓ Sustainability

Key Point: An economy only “works” if it meets human needs

- There’s nothing more “fundamental”

2. What is Capitalism?

- A particular kind of economy
- Hasn't always existed, won't always exist
- Has two defining features:
 1. Most work is performed by employees in return for a wage or salary (wage labour)
 2. Most production is undertaken to generate profit for a private owner (production for profit)



Hunting gathering



Slave ownership



Feudalism



Capitalism

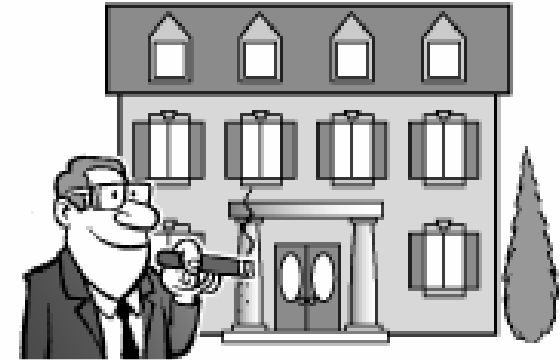
Something else?

Meet the Players



Households support themselves through paid employment

Around 85% of population of developed capitalist countries



Major owners and top managers of firms

Under 2% of population of developed capitalist countries

Also: 10-15% of people who "work for themselves" in farms & small businesses (shrinking)

Statistics That Will Shock and Appal You... *(p. 92)*

Distribution of Financial Wealth				
	Top 10%	Top 1%	Billion- aires	Bottom 50%
Canada	58%	n.a.	5% (54)	3%
U.S.	71%	34%	6% (≈500)	2%

Demystifying “Tools”

- Capital = all the tools we do our work with
- Technology = human knowledge that it's more productive to first build tools, then do the final work
- Tools themselves are not productive
- Owning capital is not, in itself, a productive act
 - ... it's a social construction



This machinery is very productive, and I own it. That's why I'm rich.

But you didn't **build** this machinery.

And you don't **operate** it.

In fact, you don't seem to do any **work** around here at all!

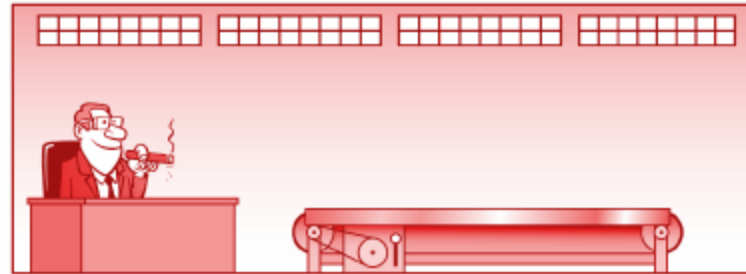


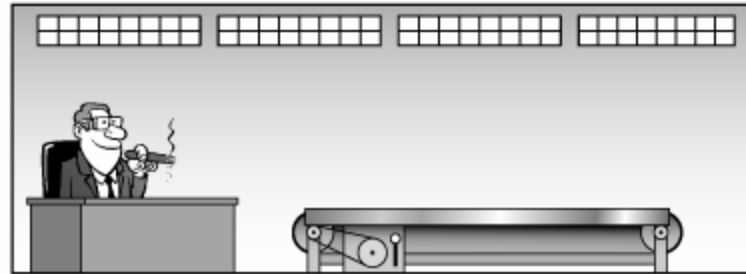
Demystifying Investment

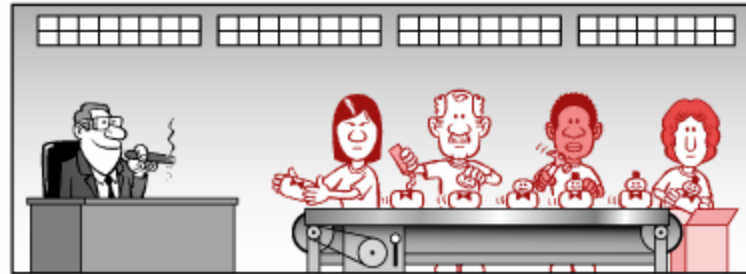
- Capitalists set “money into motion”
- Capitalists accumulate “tools”
- The initial motive force that drives the whole system
- Workers depend on this happening
 - conflict, interdependence
- Understanding and ultimately challenging investment, is key to understanding and challenging the system

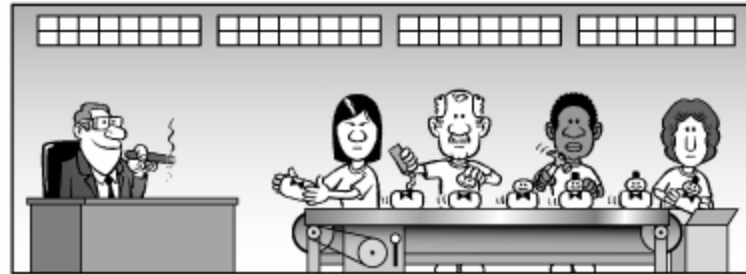


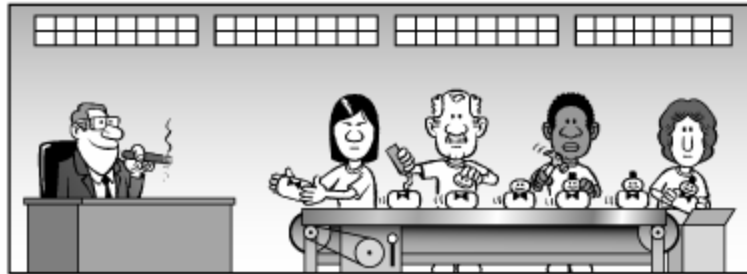


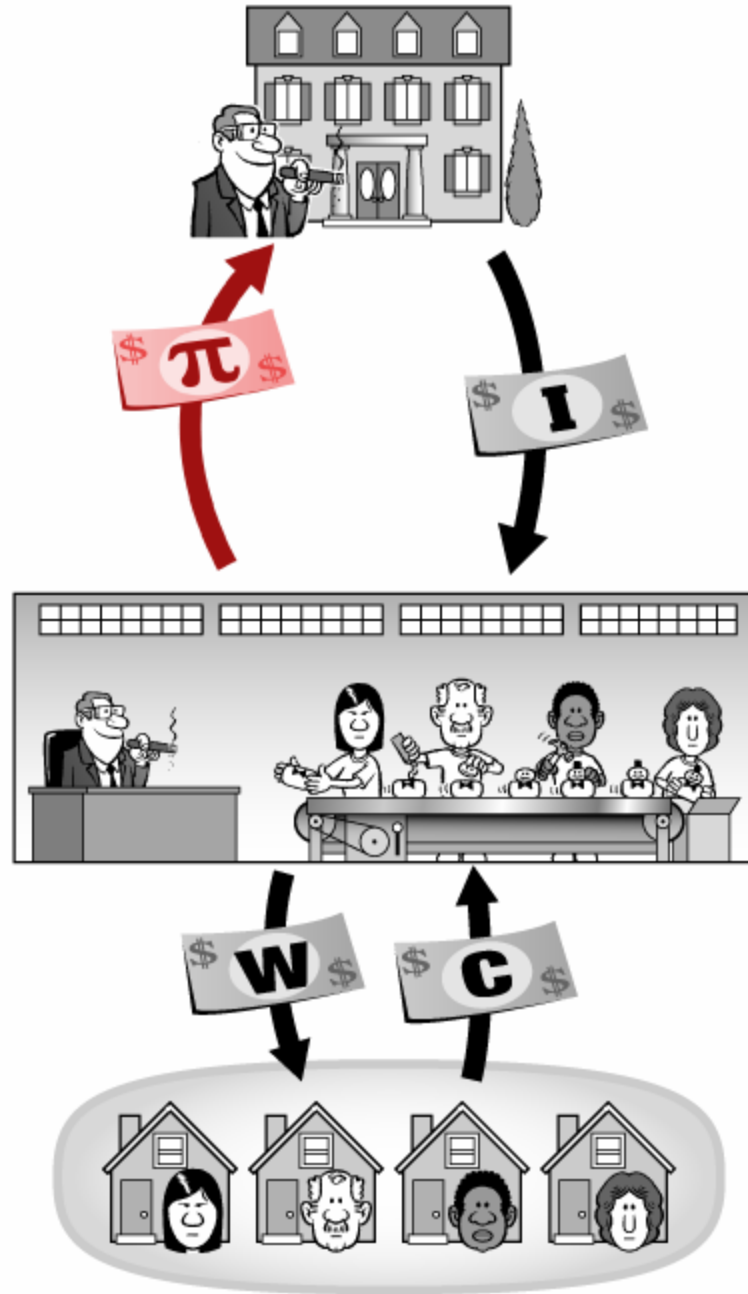


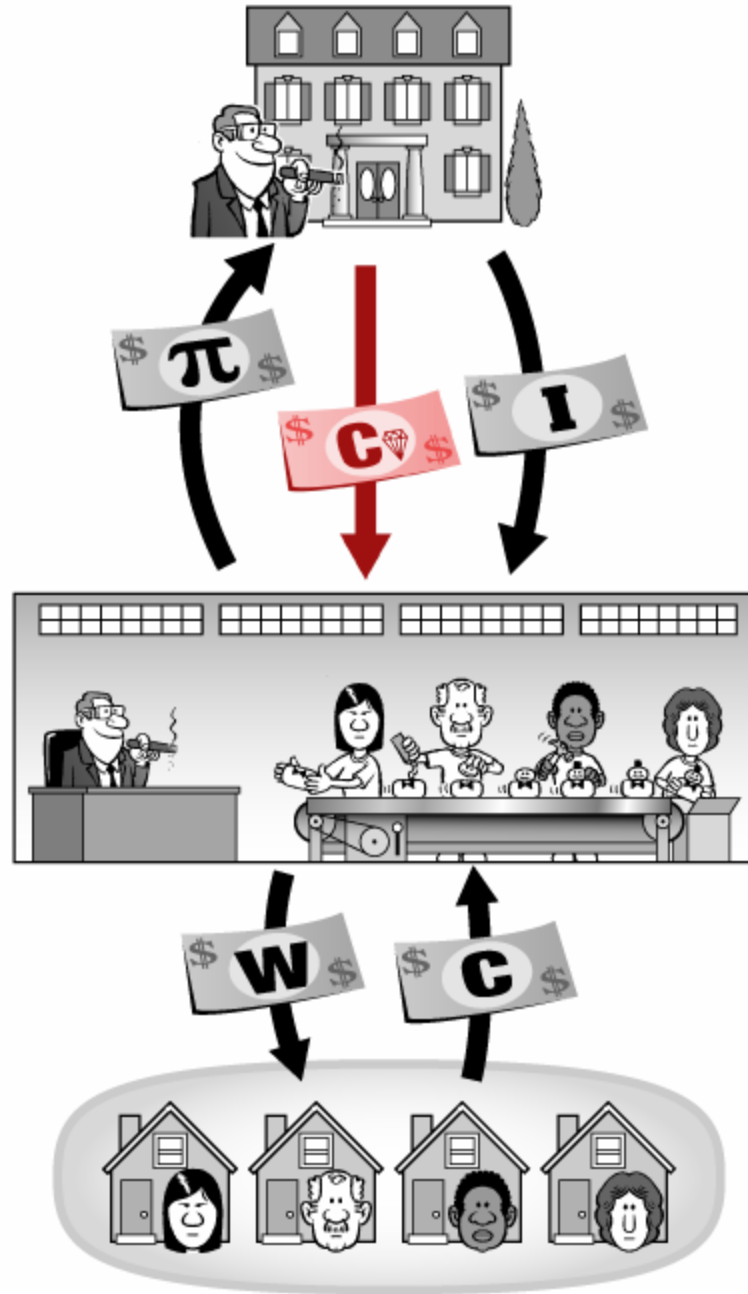


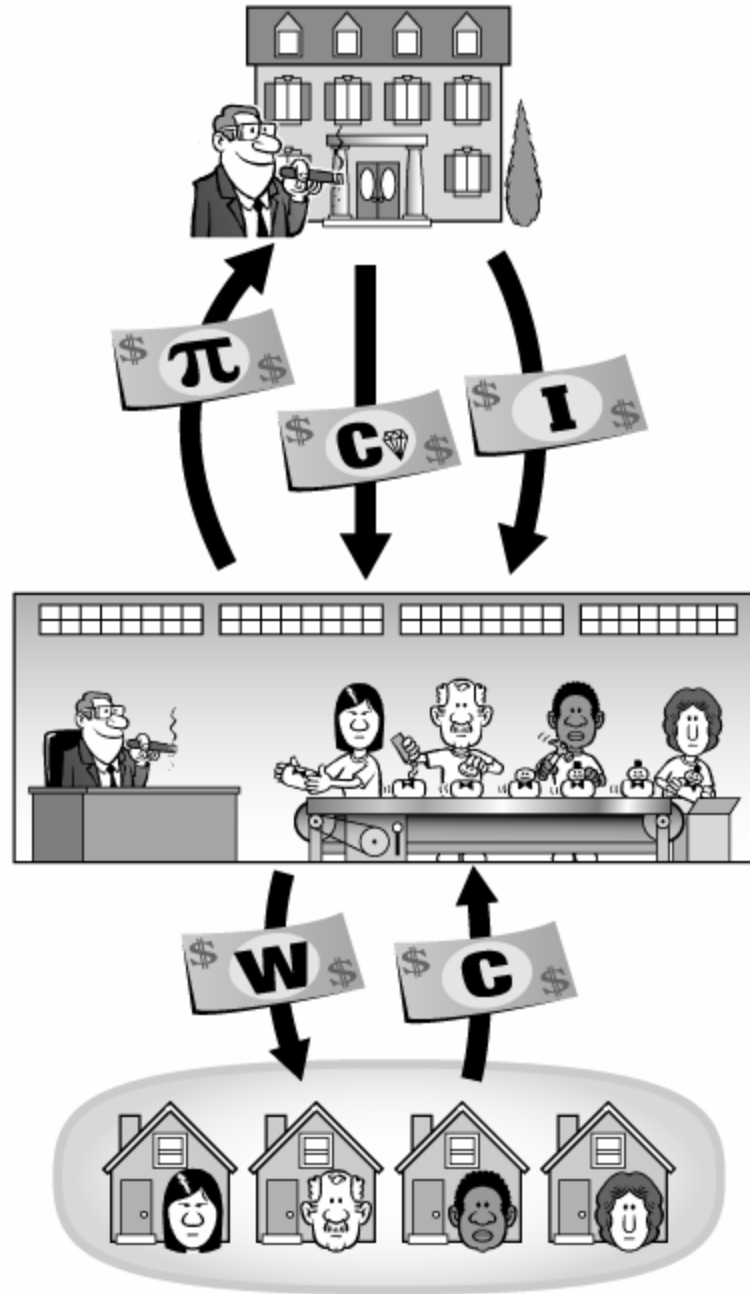


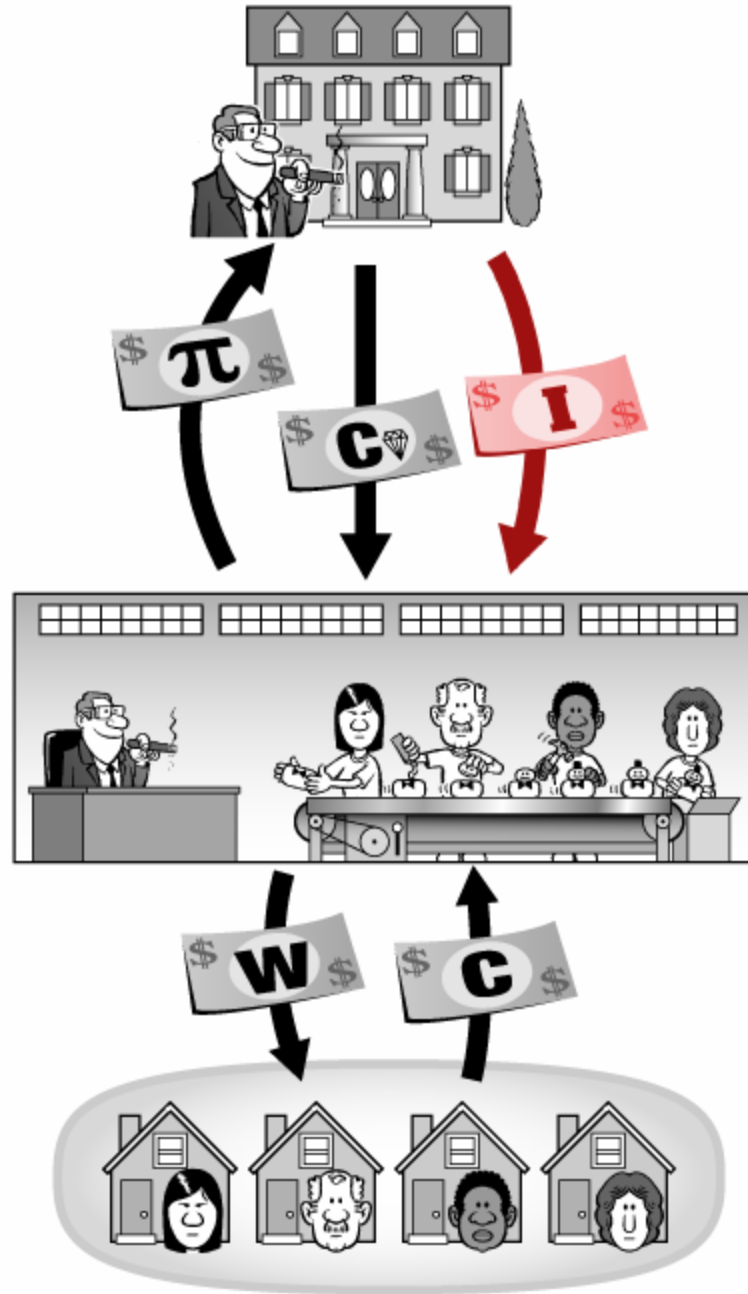






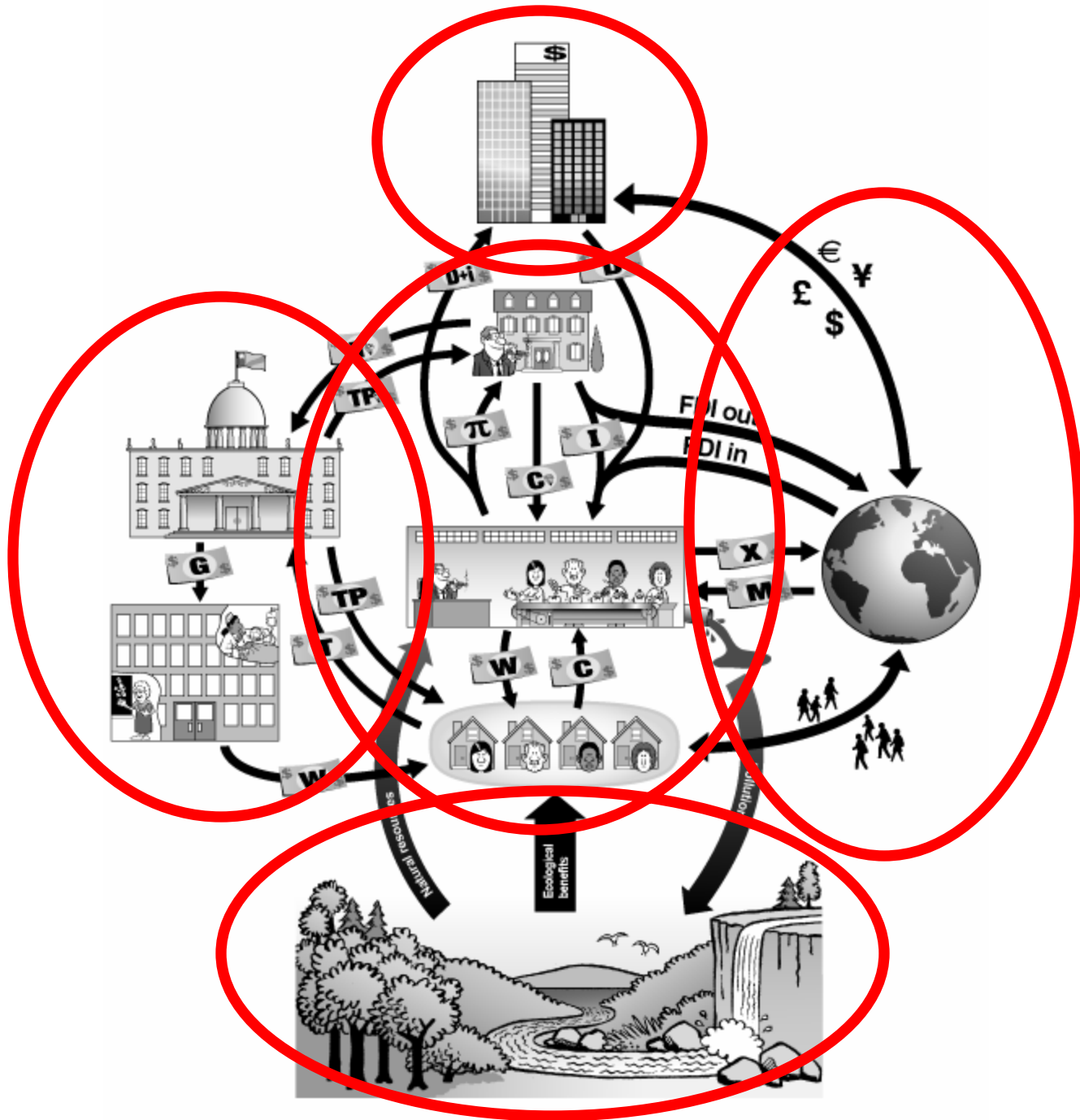






A More Complex, Flexible, Fragile System

- Competition
- Natural Environment
- Money, Banking, and Finance
- Government
- Globalization
- Instability



3. Does Capitalism Work?

- 'Yes' and 'No'
- System is creative and flexible
- System not likely to collapse of its own accord
 - finance - environment - global
 - investment - labour relations
- Yet system consistently fails to meet human needs
- Ultimate constraint on capitalism is political, not economic

Capitalism's Report Card

C-





Just 5 examples of how the system fundamentally fails...

1.



SCAR SANDS

More than a million barrels of crude flow out of Alberta's oil sands plants every day. Environmentally, it's a disaster zone. There's no turning off the tap, but improvements in fire areas could limit the staggering scale of the ecological damage.

BY JESSIE GILBERTS - PHOTOGRAPHY BY GARY LIND



Tar Sands Math

Recoverable reserves: 200 billion barrels

Current price: \$135 / barrel

Cost of production: \$40 / barrel?

Risk: near zero

Gross profit: \$19 trillion

A photograph of a busy trading floor, likely the New York Stock Exchange. Traders are wearing red jackets and name tags. One trader in the foreground has a name tag that says "YRU 001". Another trader in the background has a name tag that says "BBG 001". The traders are looking in various directions, some with their hands raised, suggesting a period of high activity or volatility. The background shows the typical trading floor environment with monitors and other traders.

2.

**Losses to date of
sub-prime crisis:
\$250 billion**

**Government
response:
Leap into action!**



3.

**GDP produced by
telephone
solicitation:
many \$billions**

**Effect of telephone
solicitation on quality
of human life:
highly negative!**

4.

**Measles Initiative:
\$300 million (U.S) saves
500,000 lives per year**



5.

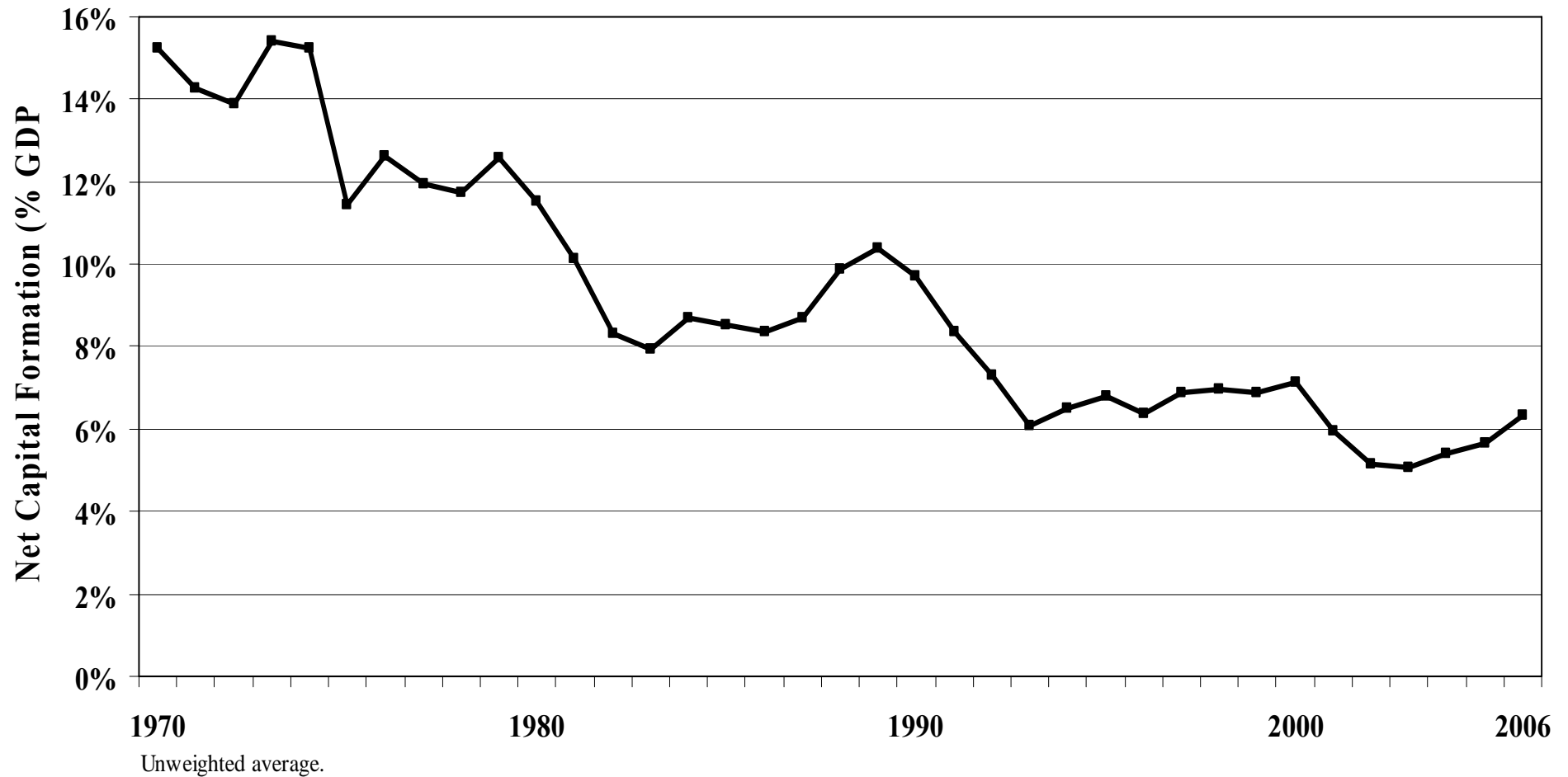
**Investment,
Productivity,
Prosperity**

(...capitalism's own terms!)

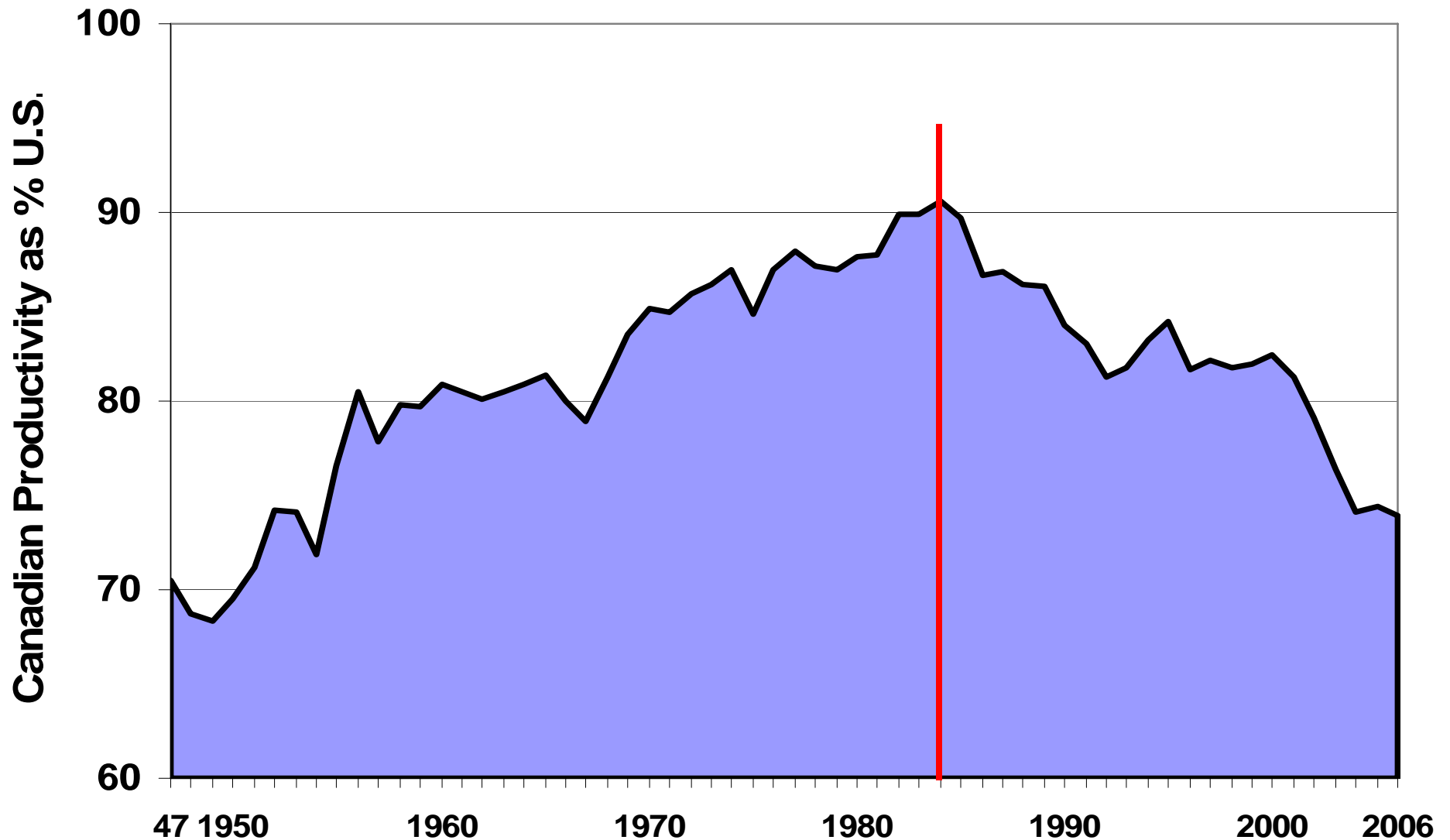
Capitalism's Investment Slowdown *(p. 149)*

The Investment Slowdown

G-7 Economies, 1970-2006

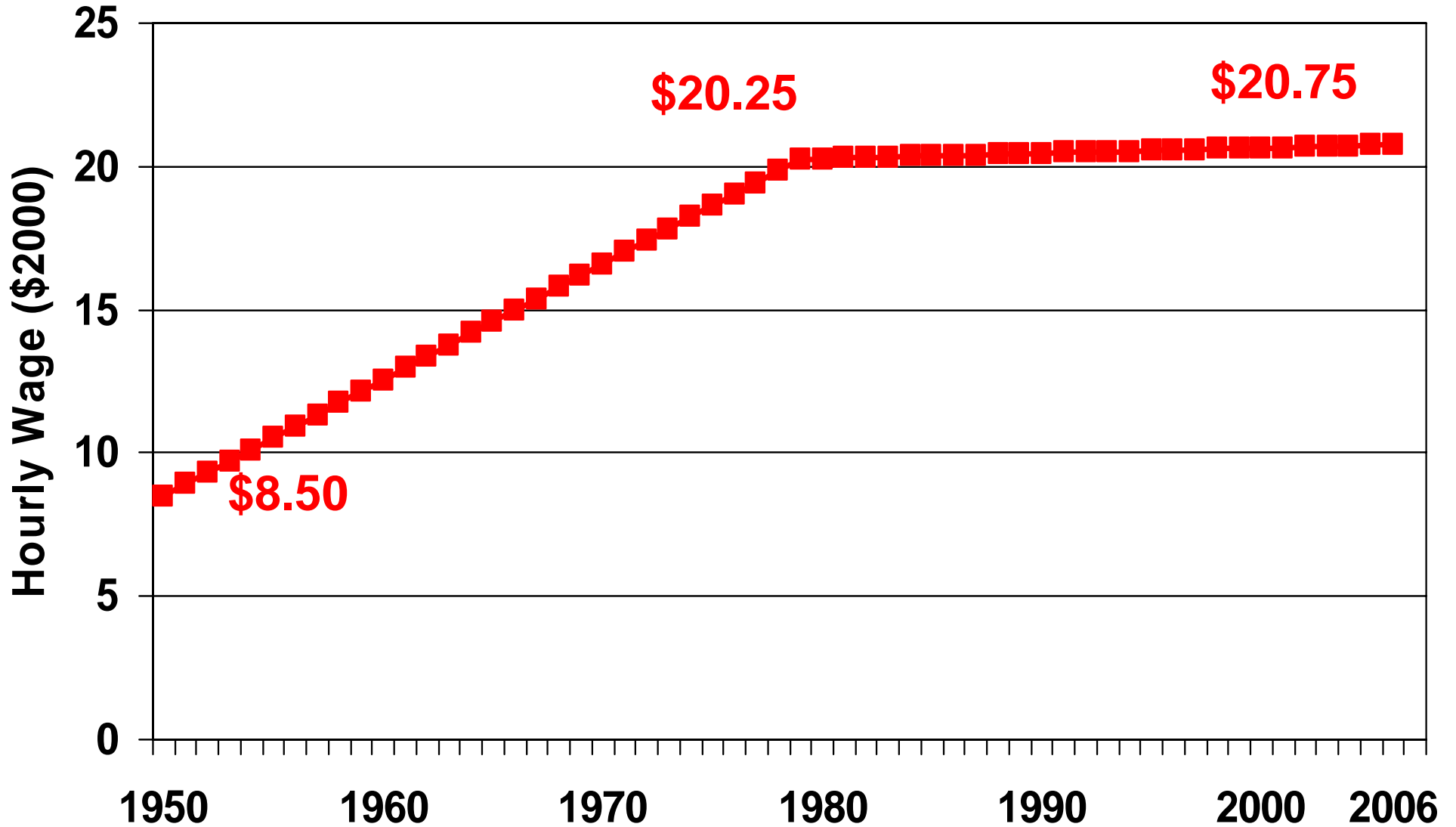


Canada's Productivity Slowdown




Source: C.S.L.S.

Canada's Stagnant Living Standards



4. Can We Do Better?

- Challenge the legitimacy & credibility of the status quo
 - ... including on its own terms
- Make proposals for improving the equity and efficiency of the current system
 - ... “high-investment sustainable economy”
- Build our capacity to do things differently in the long-run
 - ... importance of democratic governance



**Track 1:
Improve
current
system**

**Track 2:
Gradually
build
capacity to
“do it
ourselves”**

The Good News

- It's not a problem of scarcity
- It's not a problem of motivation
- It's a question of our priorities, and our power to enforce those priorities
 - to organize our work
 - to meet human needs



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- Excerpts
- Lesson plans
- Resources
- Glossary
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- Feedback

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