

# People Centered Economics

## Objectives for class 2

- Discuss what elements cause the difference in shelter cost in different locations
- Look at Toys"R"Us article to get a glimpse of the magnitude of NYC commercial location cost
- Recap last week's class
  - meaning of "People Centered Economics"
    - ✓ meeting human needs
    - ✓ right to live
    - ✓ "To discover the conditions which allow every individual to find a fulfilling life is the true goal of economics."
  - unmet needs - "the great enigma of our times" (from P&P Introduction, "The Problem")
    - ✓ lives compromised/shortened/ended
    - ✓ all our social problems stem from unmet needs (do you agree?)
    - ✓ we are seeking the root *cause*, to remove which is the *solution*
    - ✓ "Taking the world as a whole, is there enough for everybody?" If the consensus is yes, the problems of poverty must be in sharing (distribution) not production.
  - HG's 2 axioms
    - ✓ 1) least effort 2) desires unlimited
      - e.g. see Maslow's hierarchy of needs
      - e.g. desire for others' well-being
    - ✓ these realities of humans are what drives society forward - science, inventions, ...
  - HG's 10 defined Terms
    - ✓ in order to think clearly, it's necessary to be clear about meanings of words we use
    - ✓ "Wealth" (material+labor+satisfies+exchangeable) = goods
      - "Capital" is a **subset** of "Wealth" (see below under the 3 ingredients)
      - land, money, stocks & bonds, ... are **not** "Wealth" or "Capital" in HG's usage
        - all "Land" is an ingredient of "Wealth" production
        - money, financial instruments, etc. are **claims** on "Wealth"
    - ✓ be aware when you or others use the same words in different senses
  - Terms: Classical Economics' 3 INGREDIENTS of "Wealth" ("factors of production")
    - ✓ "Land" = all natural opportunities, entire material universe except people/products
    - ✓ "Labor" (the ACTIVE factor) = all human exertion in producing wealth (goods)
    - ✓ "Capital" = wealth used to produce more wealth; tools/buildings/merchandise
  - Terms: Costs of production = Costs of the 3 ingredients ("avenues of distribution")
    - ✓ be clear about George's use of
      - "Rent" (= return to "Land" holder) and
      - "Wages" (= return to all kinds of "Labor", mental and physical)
      - "Interest" (= Return to "Capital" - i.e. Return to Capital Goods)

- ✓ remember: George's use of the words "rent" and "interest" differs sharply from common everyday use of these words
- Consider topical examples: infrastructure improvements - who pays, who benefits?
  - 7 line extension, 2nd Avenue subway, East River ferry (see diagram)
  - new subway lines 1908
  - is there a more fair, equitable way to finance these improvements?
- Consider a simple model of society
  - nothing can happen, and nobody can live, without access to natural resources
  - as society grows, what happens to the cost of this ingredient of production?
  - understand the "Law of Rent" as stated by e.g. Ricardo, JS Mill, and George
    - ✓ "Rent" (aka "land rent" or "economic rent") is a differential in productive capacity
      - landowner qua landowner does not determine the productive potential of "Land"
    - ✓ this "Law of Rent" implies that wages are not determined by productivity, but by the "Rent line"
    - ✓ It estimated that this Cost of Nature's givens is at least 1/3 of the entire economy.
- Understand substitutability of "Labor" and "Capital"
  - "Labor" and "Capital" divide what is left after the return to "Land."
  - Tools - assist and substitutes for labor. Arbitrage - if "Labor" expensive, use tools, etc. Where "Labor" is cheap, people will use "Labor" (developing countries).
  - Return to "Labor" equates with return to "Capital" over time.
  - Discover what sets differences in wage rates for various occupations.
- Watch Annie Leonard's 9 minute "Story of Solutions" video
  - ✓ 5:28 transformational solution: changes the Goal
- Understand the primary root *cause* of:
  - the "business cycle" i.e. recurring recessions and depressions, the alternating "boom and bust"
  - the persistence of poverty despite increasing wealth (material "progress")
  - (as summed up in Book V of Progress and Poverty, "The Problem Solved")
- Introduce the Remedy = (1) pay the community for the value of the natural resources taken (2) abolish all other taxes.
  - infrastructure example - now, lets try to get who benefits = who pays
- At home this week: Imagine a world in which the full market Cost of Nature's givens was returned to the public (a User's Fee) and the fruits of all our labors were ours to keep (no taxes!)
- Some references (there are many more):
  - Alanna Hartzok, "The Land Ethic: How to Address Inequality and Financial Instability" (2009 article)
  - cooperativeindividualism.org | LAND QUESTION (quotations historic and contemporary)
  - Thomas Paine, Agrarian Justice (1795 pamphlet, paragraphs 1-20 ending with "... it is a right, and not a charity, that I am pleading for")
  - Thomas Spence, "The Real Rights of Man" (1775 lecture)