

ENV 347H: The Power of Economic Ideas 2017

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Time: Tuesday 10am -noon

Location: MP 134

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Introduction

From Keynesianism to trading greenhouse gas permits, the principles of economics have had far greater impact than those of any other academic discipline. The course examines that power in the field of environmental policy, including the battle by ecological economics to introduce new ideas such as the importance of scale, the zero discount rate and inherent value.

Economics exerts its influence on environmental policy through three sets of ideas: (1) the doctrine of “laissez-faire” or “free competitive markets”, which sets the context for all public policy-making; (2) the general principles of “welfare economics”, especially as reflected in benefit-cost analysis and the techniques that have been developed to estimate the economic value of environmental impacts; and, (3) the specific use of the concept of “externalities”, for example, in the trading of emissions permits. This influence is exerted through an ideology which has been characterized by a continual adaptation of economic ideas to changing political and macroeconomic circumstances. The course examines the key substantive economic ideas and the process of ideological accommodation as well as relevant alternative ideas, especially those of ecological economics, and their relationship to the dominant economic ideology.

The course is designed for students with little or no training in economics. Students who have taken economics courses are also encouraged to take the course but should expect to be exposed to ideas not taught in mainstream economics. This does not mean that this a survey course of dissenting and minority views of economics (e.g. Wicksell, Commons, Kalecki, Robinson); only those ideas that are relevant to environmental issues are examined.

The role of economic ideas in several significant public policy decisions will be examined, including:

- the Kyoto Climate Change protocol and Carbon Taxes;
- tradeable emissions permits (the US *Clean Air Act* and the more recent Ontario regulations under the *Environmental Protection Act*);
- budgetary reductions targetted on environment-related programs;
- “green” taxes (e.g. the Ontario tax for fuel conservation, tipping fees); and,
- deregulation and privatization of water and sewage and electrical infrastructure.

As an Ontario Public Servant for more than 20 years, most of which in senior policy capacities, the instructor is able to bring first-hand knowledge of many of these decisions and the role played by economics.

Objectives

The objectives of the course are that, irrespective of starting knowledge of economics, students will:

- show a demonstrated understanding of key economic ideas; and,
- show a demonstrated understanding of how these ideas have influenced policy.

Assignments:

Attendance and surveys – 5%

Readings log, 30%

Think piece, 25%

Major paper, 40%

Evaluation criteria:

The primary criteria used in evaluating written work will be:

1) *Mechanics:* Your work must be completely free of grammatical errors, spelling errors or major factual errors. References can be in any style but the same format must be used consistently and they must be accurate.

2) *Writing style:* Your papers should be written in a clear and unambiguous style which assists, rather than impedes, communication with the reader.

3) *Structure:* Your written work should have a clear focus, provided by the research question, and a structure which logically flows from that focus.

4) *Precision and accuracy:* Precision means saying exactly and specifically what you mean, avoiding ambiguity and vague generalities. Accuracy refers to absence of major factual errors.

5) *Analysis:* Your analysis should display understanding of the topic and, based on that understanding, originality of thought.

All written assignments are to be submitted through the course website.

Lateness and remarking: All written assignments received after the due date will be penalized 0.5% per day of lateness. Students who wish to have an assignment remarked should approach the Teaching Assistant to discuss the assignment. If the student is not satisfied the instructor will remark the assignment.

Handing in assignments: assignments will be handed in via the course website.

For the ***readings log*** these criteria are applied to a specific structure, *viz.* each reading is summarized concisely in two parts; a description of the main point the student took from the reading and, their response to it. This is not an “annotated bibliography”. A

minimum of six readings are chosen from the course reader. The log is due on week 9 (November 14). Total words; 3,000-3,500.

The *Think Piece* (**deadline, week 4, October 3**) will require students to reflect on the coursepack selection by Thomas Piketty. There is no set structure for these reflections. The emphasis in this assignment is on the students' thoughts in relation the chosen ideas from the reading, not on building and defending a thesis. Total words, 2,000-2,500.

The Major Paper must be on some aspect of ecological economics or conventional environmental economics, either from a selected list of topics or by agreement with the instructor. Total words; 2,500-3,500. The paper is due December 4.

Attendance and Surveys – weekly attendance will be taken and students will be expected to complete two short surveys through the course website.

Weekly Topics

Week 1 (September 12)

Introduction and overview

- Economics and ideology
- Key ideas of economics

Week 2 (September 19)

Historical review of key economic concepts

- Laissez-faire and “Say’s Law”
- Production function
- Opportunity cost
- Demand schedule
- The auctioneer
- The Pareto principle
- Keynes and macroeconomics

Week 3 (September 26)

Key concepts of environmental economics

- Externalities
- Pigovian Tax
- Coase “Theory”
- Discounting
- Hotelling Rule

Week 4 (October 3)

Key concepts of “ecological” economics

- Steady-state economics
- Ecological footprint and carrying capacity
- Satellite GDP accounts
- Ecological services
- Environment as a production factor; public goods

Week 5 (October 10)

Economics and modern society: what is “capital”?

- Baran & Sweezy: the Marxian account
- Galbraith’s analysis
- Katouzian: ideology and method
- Piketty

Week 6 (October 17)

Economics and politics

- Bazon – the paper economy
- Caro – politics and financial power

Week 7 (October 24)

How economics fuelled the neoconservative wave of the last twenty years

- Budget setting
- Inflation
- Debt and deficits

Week 8 (October 31)

How the ascendancy of neoconservatism affected the environmentalists’ agenda

- deregulation
- voluntary regulation
- economic instruments vs Command and control

November 7

No class – Fall Reading Week

Week 9 (November 14)

Privatization and deregulation of water and sewer and electric utilities(1)

- Break up of Ontario Hydro

Week 10 (November 21)

Privatization and deregulation of water and sewer and electric utilities(2)

- Walkerton
- Break up of Ontario Hydro
- Neglect of infrastructure

Week 11 (November 28)

Defeat of the carbon tax

- the Kyoto “debate”

Tradeable permits and the Coase “theory”

- US Clean Air Act
- Ontario regulations

Week 12 (December 5)

Wrap-up class

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Accessibility Needs:

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact

Accessibility Services as soon as possible:

disability.services@utoronto.ca or <http://studentlife.utoronto.ca/accessibility> .

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PLAGIARISM

Please note that according to the University's Code of Behaviour on Academic Matters, it is an offence for a student to:

1. "represent as one's own any idea or expression of an idea or work of another in any academic examination or term test or in connection with any other form of academic work, i.e., to commit plagiarism."
2. "submit, without the knowledge and approval of the instructor to whom it is submitted, any academic work for which credit has previously been obtained or is being sought in another course or program of study in the University or elsewhere."
3. "submit for credit any academic work containing a purported statement of fact or reference to a source which has been concocted."

See "Code of Behaviour on Academic Matters" on the U. of T. Governing Council website at this address: <http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>

See also the handout "How Not to Plagiarize," Margaret Proctor, 2009, available online at <http://www.writing.utoronto.ca/advice/using-sources/how-not-to-plagiarize>

Cases of suspected plagiarism will be addressed in accordance with the procedure established by the Code of Behaviour on Academic Matters.

3. Message on Academic Integrity

Academic integrity is fundamental to learning and scholarship at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the U of T degree that you earn will be valued as a true indication of your individual academic achievement, and will continue to receive the respect and recognition it deserves. Familiarize yourself with the University of Toronto's Code of Behaviour on Academic Matters

(<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>). It is the rule book for academic behaviour at the U of T, and you are expected to know the rules. Potential offences include, but are not limited to:

- In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement
- Copying material word-for-word from a source (including lecture and study group notes) and not placing the words within quotation marks
- Submitting your own work in more than one course without the permission of the instructor
- Making up sources or facts
- Including references to sources that you did not use
- Obtaining or providing unauthorized assistance on any assignment including:
 - working in groups on assignments that are supposed to be individual work
 - having someone rewrite or add material to your work while "editing" • Lending your work to a classmate who submits it as his/her own without your permission

On tests and exams:

- Using or possessing any unauthorized aid, including a cell phone
- Looking at someone else's answers
- Letting someone else look at your answers
- Misrepresenting your identity
- Submitting an altered test for re-grading Misrepresentation:
 - Falsifying or altering any documentation required by the University, including doctor's notes
 - Falsifying institutional documents or grades You can get further guidance on academic integrity from the website of the Office of Student Academic Integrity at: www.artsci.utoronto.ca/osai/students.
That website will also provide you with the form to be used to submit cases of suspected academic offence to me, the Director (not to Academic Associate Director or Undergrad Advisor).

Readings:

1. General

There is also a course reader (“coursepack”) which is available through the Library at <https://cr.library.utoronto.ca/librarytab> ; some of the recommended readings are on the course website.

The works below are all drawn upon in the weekly topics; some are appropriate for several topics. Those marked by an asterisk are included in the course reader.

- Baran, Paul A. and Sweezy, Paul M. (1966) Monopoly Capital (New York, Modern)
- Bazon, David (1960s). The Paper Economy (New York, Vintage)* (*chapters 8 and 9*)
- Caro, Robert (1974) The Power Broker (New York, Knopf)* (*chapter 35*)
- Coase, Ronald (1992) The Institutional Structure of Production **American Economic Review** 82(4) Sept 713-719 (Nobel Lecture)
- Costanza, Robert(ed) (1997) Ecological Economics (Cheltenham, Mass., Edward Elgar)* (*selections*)
- Daly, Herman (1999) Ecological economics and the ecology of economics (Washington DC, Island press)
- Friedman, Milton (1960) Capitalism and Freedom (Chicago, University of Chicago)* (*selections*)
- Galbraith, John Kenneth(1992) The Culture of Contentment and (1973) Economics and the Public Purpose (both Houghton-Mifflin)* (*selections*)
- Gilder, George (1981) Wealth and Poverty (NY Basic)
- Georgescu-Roegen , Nicholas R.(1971) The Entropy law and the Economic Process (Harvard U Press)
- Greider, William(1987) The Secrets of the Temple (NY, Simon & Schuster)
- Katouzian, Homa (1980). Ideology and Method in Economics (London, Macmillan)* (*selections*)
- Keynes, John Maynard (1930) “Economic possibilities for our grandchildren” in Essays in Persuasion (London, Macmillan) and (1936) The General Theory of Employment, Interest and Money (New York, Harcourt, Brace)
- Martin, James Stewart. (1950). All Honourable Men (Boston, Little-Brown)* (*selections*)
- McLellan, David (1986)Ideology (Milton Keynes, Open U Press), chapter 1
- Marshall, Alfred (1907) Principles of Economics (London, Macmillan)
- Pearce, David (1998) Economics and Environment (Cheltenham, mass., Edward Elgar)* (*selections*)
- Piketty, Thomas Capital in the Twenty-first Century (Bellknap/Harvard, Cambridge MA, 2014)*
- Smith, Adam(1993) The Wealth of Nations.(orig. pub 1776) (Oxford U press)
- Victor, Peter A., Managing Without Growth: slower by design not disaster (Cheltenham, Elgar, 2008) *

2. Weekly

These readings are organized under the following headings; recommended and further, more technical. The latter are provided primarily to provide resources to allow individual students to pursue ideas of interest, for example, in the development of a major paper

topic; it is not expected that all students will read all or even most of these works. Those marked with an asterisk are included in the reader and are required.

Week 1

Keynes, John Maynard (1936), *op. cit.*, pp. 372-84
Galbraith, John Kenneth (1992), *op. cit.* pp.1-13,78-94*
Daly, H., "Elements of Environmental Macroeconomics" in Costanza, Robert (ed) (1991) Ecological Economics (New York, Columbia U Press)*
Bazon, David, *op.cit.* pp171-93*
McLellan, David (1986)Ideology (Milton Keynes, Open U Press), chapter 1

Week 2

Caro, R., *op.cit.*, Chapter 35*
Friedman, M, *op.cit.*, pp 7-21,166-68*
Martin, J.S. *op.cit.*, pp 3-16,289-300*
Galbraith, John Kenneth (1973), *op.cit.*,*
Levine, David(1995) Wealth and Freedom (Cambridge U Press), "Chapter 4:The self-regulating market"
Mansfield, Edwin (1970) Microeconomics (New York. Norton) pp 304-5,318-31
Heilbroner, Robert and Thurow, Lester B. (1982) Economics Explained Prentice-Hall; Englewood Cliffs, Chapter One
Gilder, G., *op.cit.*,pp75-85
Baran, M and Sweezy, P., *op.cit.*,pp 53-78
Schumpeter, Joseph (1942) Capitalism, Socialism and Democracy (New York, Harper Bros), ch VI

Further, more technical

Becker, Gary (1992) Nobel lecture: the economic way of looking at behavior **J Political Economy** 101(3) 385-406
Debreu, Gerard (1984) Economic theory in the mathematical mode **Scandinavian J of Economics** 86(4) 393-410 (Nobel lecture)

Week 3

Pearce, David *et al* (1989) Blueprint for a Green Economy (London, Earthscan) pp. 1-27*
Hahn, Robert and Stavins, Robert (1992) Economic incentives for environmental protection: integrating theory and practice **AEA Papers and Proceedings** May pp464-8
Victor, Peter A., *op cit.* *

Further, more technical

Polanyi, Karl (1957) The Great Transformation Beacon Press, Boston; Ch 4

Week 4

Sagoff, Mark, *Ecological Economics: A Cautionary tale*
<http://thebreakthrough.org/index.php/journal/past-issues/issue-2/the-rise-and-fall-of-ecological-economics/>

Daly, Herman,(1991) *op.cit.* *
Christensen, Paul (1991) Driving forces, increasing returns and ecological sustainability in Costanza, R (ed) (1991) *op cit**
Costanza, Robert, *op.cit*
Osberg, Lars and Sharpe (1998), Andrew An index of well-being for Canada Conference paper, **Center for the Study of Living Standards**
Pearce, David, *op.cit.* (1998)*
Breslow, Mark (1996) Is the US making progress? **Dollars and Sense** Mar/Apr 16-21
Rees, William(1997)Let's assume we're sustainable **Dollars and Sense** May/June 38-9

Further, more technical

Georgescu-Roegen, Nicholas R. *op.cit.*
Houldin, Russell W. (2000) Nature's Wages:a factor-based alternative approach to environment –economy integration **New Zealand Economic Papers** 34(1) 111-128
Hamilton, Kirk (1989) Natural Resources and National Wealth, **Statistics Canada** monograph
Ibid (1996), Pollution and pollution abatement in the National Accounts, **Review of Income and Wealth** 42(1) March, 13-33
Norgaard, Richard (1990) Economic Indicators of Resource Scarcity; a critical essay, **J Environmental Economics and Management** 19 19-25
Westman, Walter E. (1977) How much are nature's services worth? *Science* 197. 960-64
Söderbaum ,Peter (1990) Neoclassical and institutional approaches to environmental economics **J Economic Issues** XXIV 2 481-93
Vitousek, Peter M. *et al* (1986) Human appropriation of the products of photosynthesis **Bioscience** 36(6) June 368-73
Dietz, Frank J. and van der Straaten, Jan (1992) Rethinking environmental economics; missing links between economic theory and environmental policy **J Economic Issues** XXVI (1) March 27-51

Week 5

Piketty, Thomas, *op.cit.* *
Galbraith, John Kenneth (1973) *op. cit.* pp. 3-18,38-51*
Galbraith, John Kenneth (1978) The defense of the multinational company **Harvard Business Review**, March-April, 83-93
Bork, Robert(1978) The assault on the coporation **Across the Board** , 50-54

Further, more technical

O'Connor, James (1998) Natural causes: essays in ecological marxism New York; Guilford

Week 6

Bazon, David *op. cit.* *
Katouzian, Homa, *op.cit.*, pp.10-44*
Caro, Robert, *op. cit.* *
Martin, James, Stewart, *op.cit.* *
Greider, William, *op.cit.*

Week 7

Orr, Doug(1994) Banks in control:how the Fed frustrates fiscal policy, **Dollars and Sense** April p28

Rosenbluth, Gideon(1992) The political economy of deficit-phobia, from, Allen, Robert C. and Rosenbluth, Gideon (eds) False Promises (Vancouver, New Star Press)

Further, more technical

Jaffe, Adam et al (1995) Environmental regulation and the competitiveness of US manufacturing: what does the evidence tell us? **J Economic Literature** XXXIII March 132-163

Meyer, Steven (1992) Environmentalism and economic prosperity MIT (+Update 1993)

Jorgensen, Dale and Wilcoxon, Peter(1991) US environmental policy and economic growth American Council for Capital Formation (Draft)

Week 8

Porter, Michael and van der Linde, Claas (1995) Toward a new conception of the environment-competitiveness relationship, **J Economic Perspectives** 9(4) Fall 97-118

Repetto, Robert et al (1992) Green Fees: how a tax shift can work for the environment and the economy, World Resources Institute, Chapter I

Pearce, David, (1998)*op.cit**

Hahn, Robert A. and Stavins, Robert N. (1992) Economic incentives for environmental protection; integrating theory and practice **American Economic Review Papers & Proceedings** 82(2) May 464-8.

Macdonald, Douglas (2002) "The business response to environmentalism" in Van Nijnatten, Debora L. and Boardman, Robert (eds) Canadian Environmental Policy, Oxford

Further, more technical

Palmer, Karen, Oates, Wallace and Portney, Paul (1995) Tightening environmental standards: the benefit-cost or the no-cost paradigm? **J Econ. Perspectives**9(4)Fall 119-32

Weeks 9 and 10

Corry, Dan (1996) The Issues Raised by the experience of utility privatization in the UK *Annals of Public and Cooperative Economics* 67(3) 357-85

Roger Colton "Competition Comes to Electricity" **Dollars & Sense** Jan/Feb1997 16-21
The Economist "Chopping Up America's Power" Editorial May 3 1997

Further, more technical

R Chute & R Jennings "Ontario's Role in Nuclear Energy" in Doern B, Dorman A and Morrison R (eds) **Canadian Nuclear Energy Policy** (Toronto, University of Toronto Press, 2001) 129-46

Week 11

Pearce, David, *op.cit.* (1998)*

Middleton, Nick (1999) The Global Casino, Ch 11 Oxford

Mark, Jason (1998) Who's in the driver's seat? Industry, government and the car of the future **Dollars & Sense** *July/August* 16-19,40.

Further, more technical

Elffers, Henk and Sommerhalder, Ruud (1995), Room for a radical shift from private income to environmental taxation? **Australian Tax Forum** 12, 51-65

Repetto et al (1992) *op.cit.*, Chapter IV

Hamond, M. Jeff et al (1997) Tax waste, not work **Challenge** 40(6) Nov-Dec 53-60

Daly, Herman, *op.cit.*

Tokar, Brian (1996) Trading away the earth **Dollars and Sense** Mar/Apr 24-29

Coase, Ronald (1992) The Institutional Structure of Production **American Economic Review** 82(4) *Sept* 713-719 (Nobel Lecture)

Week 12

Greider, William (1997) Who governs globalism? **The American Prospect** 30 73-80

Costanza, Robert *et al* (1997) The value of the world's ecosystem services and natural capital **Nature** 387, 253-71

Fox, Justin (1999) What in the world happened to economics? **Fortune** March 15, 91-102

Further, more technical

Norgaard, Richard and Howarth Richard (1989), Sustainability and discounting the future in Costanza, Robert (ed.) *op.cit.*