Economic Literacy: Getting Beyond Supply and Demand

Jim Stanford
Economist, Unifor
September 2015

economicsforeveryone.ca

@JimboStanford
Economic Literacy

- Teach people about how the economy operates, and how they can do better in it.
  - Often focuses on personal financial affairs ("financial literacy").
- Has become a popular priority for many governments.
  - Eg. National Taskforce on Financial Literacy
Abuses of Economic Literacy

- Narrows our scope of agency:
  - We are consumers/savers, not workers/citizens.
- Advertises products & services.
- Misinforms about economic behaviour.
  - Popular focus on “greed” and “incentives.”
- Promotes risky, harmful choices.
  - Emphasis on small-business start-ups.
- “Blames the victim” for misfortune.
- Absolves government of responsibility.
- Justifies an unacceptable state of affairs.

It’s all a matter of economics...

Laws of supply and demand...

People are naturally selfish...

We just can’t afford those things anymore...

It’s inevitable...
Standard Analysis

Demand

Supply

P*

Q*

Standard Analysis

Demand

Supply

Pm

Unemployment
**What's Wrong With This Picture?**

1. Employment is a “derived” demand.  
   - Purchased to produce something else.
2. Demand for labour depends on demand for what labour makes.
3. Labour demand curve cannot be drawn.
4. Labour supply curve is not predictable.
5. Labour is not “produced,” it is reproduced.
6. Employers want work, not workers.
7. Labour is alive, has agency.
8. Unemployment is a normal outcome.  
   - Long before minimum wages were invented.

**Beyond “Supply and Demand”: My Themes**

1. Demystify, de-privilege economics and economists.  
   - Reveal contingent and political nature.
Economic “Literacy”

“The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.”


Beyond “Supply and Demand”: My Themes

1. Demystify, de-privilege economics and economists.
   - Reveal contingent and political nature.
2. Emphasize economic content of everyday life.
3. Affirm centrality of work, production, and reproduction.
4. Emphasize the real economy, instead of the financial (“paper”) economy.
Financial “Literacy”

“Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower’s bank account, thereby creating new money.”

“The process by which banks create money is so simple that the mind is repelled.”
- John Kenneth Galbraith, 1975

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5. Debunk traditional frame of “scarcity” (a.k.a. austerity).
A Basic Economics Lesson

• Where does “value-added” truly come from?
• All production starts with the gifts of nature.
• All value-added is then created by work:
  - Physical labour (brawn) or mental labour (brains).
  - Direct labour (production) or indirect labour (production of tools).
  - Wage labour or salaried (“professional”) labour.
  - Private sector labour or public sector labour.
• Work involves transforming what we find in nature to make it more useful.

Where Does Value-Added Come From?

WORK
What is Truly “Scarcity”? 

- Not “money” (created out of thin air).
- Not “capital” (money used to start production).
- Not “revenues” (government budgets).
- Ultimately, the only things limiting us are nature and our capacity to work:
- Productive human activity generating useful goods and services.

...and our ability to ensure the fruits of our labour are used to better the human condition.

The “Scarcity” of Labour...
The Myths of Austerity

• We are capable of producing more than ever.
• Recession caused deficit (not “overspending”).
• Austerity “solves” deficit by cutting spending, employment.
  – But that worsens the recession.
• At best, austerity swims against the tide.
  – Cutbacks offset in part by macro contraction.
  – At worst, austerity can reinforce recession and worsen the deficit.

Economic Literacy in Formal & Informal Settings

• Critical approaches to formal economics instruction (secondary, post-secondary).
• Community / popular education.
• Economics for trade unionists.
  – Week-long course in Unifor Paid Education Leave program.
Beyond “Supply and Demand”: Pedagogical Techniques

• Link economics learning to the workplace.
• Accessible language & presentations.
• Mobilize expert knowledge ... with caution.
• Emphasize social & political content of all economic choices.
• “If you could change one thing.”

Conclusions

• Working people are strongly interested in economic literacy.
  - Learned in a non-elitist, non-technical manner that respects their knowledge, lived experience, and productive role.
• Economic literacy works best when it empowers people to demand and win more from the economy.
• Usually that has nothing to do with “supply and demand.”

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