

A. ASSIGNMENT RECAP

- Write a **1000-word article** about an assigned contemporary economic or social issue.
- Accompanying a **concept map** comparing two diverse perspectives on how best to tackle the nominated issue.

Suggested Structure:

1. **Statement of problem or issue (Suggested 150 words)**
2. **Comparative analysis of the 2 perspectives (Suggested 250 words)**
3. **Critical evaluation of the key economist's idea (Suggested 200 words)**
4. **Recommendations(Suggested 250 words)**
5. **Conclusions (Suggested 150 words)**
6. **Concept Map**

B. KEYWORD EXPLANATION

1. Classical Economics

- An 18th-19th century school founded by Adam Smith focused on how markets and capitalism operate through concepts like the invisible hand, emphasizing free markets and minimal government intervention.
- **Key concept - Invisible hand**
- The invisible hand refers to the automated nature of markets, where the decisions of self-interested individuals inadvertently promote the social good. Markets maximize efficiency when left alone.

2. Neoclassical Economics

- A 19th-20th century school based on marginal utility theory, rational choice theory and equilibrium analysis which formalized economics as a deductive mathematical science grounded in optimization.
- **Key concept - Rational choice theory**
- Assumes individuals act rationally to maximize utility/profits. People weigh costs and benefits rationally when making economic decisions. Provides a foundation for modeling behavior.

3. Marxian Economics

- A radical critique of capitalism pioneered by Karl Marx, analyzing class conflict, labor exploitation, historical materialism, crisis tendencies in capitalism, and advocating revolutionary socialism.
- **Key concept - Class conflict**
- Marx saw economic history as driven by conflict between social classes. He critiqued capitalism concentrating power and wealth, exploiting workers. Class dynamics shape society.

4. Austrian Economics

- The estimated parameter values from a regression model quantify the effect of each independent variable on the dependent variable.
- **Key concept - Opportunity cost**
- Every decision has an opportunity cost - the value of the next best-foregone alternative. Opportunity cost theory studies decision-making and advocates people thinking at the margin.

5. Post Keynesian Economics

- A school opposed to neoclassical economics that builds on Keynes' theories, incorporating ideas like fundamental uncertainty, endogenous money, and analyzing capitalism's instabilities.
- **Key concept - Fundamental uncertainty**
- Challenges rational expectations and focuses on true uncertainty in the economy, especially in investment and financial markets, that cannot be modeled probabilistically.

6. Institutional Economics

- A school focused on studying how socioeconomic institutions like laws, culture, and social conventions shape economic behavior and outcomes. Pioneered by Thorstein Veblen.
- **Key concept - Socioeconomic institutions**
- Analyzes how social, legal, political and cultural institutions shape economic behavior and outcomes. Calls for designing effective institutions.

7. Chicago School Economics

- An influential free-market school associated with the University of Chicago that advocates laissez-faire policies, deregulation, privatization, and rejects Keynesianism based on efficient markets and rational expectations.
- **Key concept - Efficient markets**

- Argues securities and commodity prices fully reflect all available information and are efficient. Provides intellectual basis for deregulation and free market policies.

8. Behavioral Economics:

- A school integrating psychology that studies systematic cognitive biases and limitations of rationality that impact economic decision-making and frequently lead to suboptimal outcomes.
- **Key concept - Heuristics and biases**
- Documents systematic biases and mental shortcuts that lead to deviations from perfect rationality assumed in neoclassical economics.

9. Feminist Economics

- A school highlighting gender biases in economics, analyzing the unpaid "reproduction economy", incorporating values into analysis, and advocating for egalitarian outcomes.
- **Key concept - Reproduction economy**
- Highlights the unpaid domestic and care work, predominantly done by women, that reproduces the labor force. Seeks to properly value this unpaid work.

10. Buddhist Economics

- A school guided by Buddhist principles criticizing materialism and consumerism, while advocating ethical business practices aimed at improving well-being rather than profit maximization.
- **Key concept - Mindful consumption**
- Critiques consumerism and calls for mindful, ethical consumption and business practices that reject profit maximization in favor of social well-being.

11. Globalization (Week 8)

- Evidence of increasing global economic integration like rising trade, investment, multinationals
- Globalization driven by technology, transport, capital mobility, multinationals, trade deals
- Benefits: efficiency, growth, jobs, lower prices per comparative advantage and trade theories
- Critiques: inequality, job losses, instability, power imbalances, democracy-sovereignty tradeoff
- Different schools value globalization differently:

- + Neoclassical see benefits, comparative advantage
- + Marxists cite unequal power, imperialism
- + Post-Keynesians skeptical of benefits
- + Institutionalists examine global governance needs
- Globalization's future uncertain after COVID - some see reshoring, others continued integration
- Contrasting views on managing downsides: local empowerment vs global cooperation.

12. Technology (Week 9)

- Technology as a driver of economic change, like past industrial revolutions
- Debates on impacts: destroy/create jobs? Increase/reduce inequality?
- Schools of thought provide different perspectives:
 - + Neoclassical: efficiency, growth
 - + Marxian: labor displacement, wealth concentration
 - + Evolutionary: innovation, creative destruction
 - + Behavioral: psychological manipulation
 - + Feminist: gender biases and discrimination
- Emerging technologies like blockchain promise decentralization but uncertain impacts
- Need for diverse perspectives to analyze digital transformation
- Managing downsides requires nuanced policies balancing interests
- Technology both a challenge and opportunity - potential for more inclusive innovation
- The key points capture the transformative power of technology and range of perspectives on its complex economic and social impacts, requiring pluralistic analysis and balanced policy responses.

13. Inequality (Week 10)

- Inequality in income and wealth has risen globally, though progress made reducing extreme poverty
- Perspectives differ on causes, impacts, and solutions to inequality:
 - + Classical/Neoclassical - necessary for growth, market determined
 - + Marxian - inherent in capitalism's class structure and exploitation
 - + Keynesian - can hurt growth, policies can reduce
 - + Institutional - shaped by labor relations and social institutions
- Measurements - Gini coefficient, Palma ratio, income shares

- Drivers - globalization, technology, policies, intergenerational transmission
- Impacts - social unrest, health, economic growth, poverty
- Responses - redistribution, progressive taxes, education access
- Balancing equality and incentives remains contested

14. Happiness (Week 11)

- Happiness economics studies well-being and life satisfaction, not just income and wealth
- Determinants: income (to a point), social factors, freedom, health, relationships, leisure
- Easterlin paradox - happiness stagnates despite rising incomes after a threshold
- Subjective wellbeing metrics used instead of just GDP
- Critique of consumerism and growth focus - localism emphasized
- Schools of thought provide different perspectives:
 - + Institutional factors shape societal happiness via governance, policies, social structures

Examples: Countries with stable governments that uphold the rule of law tend to provide a sense of security and predictability for their citizens

Impact: Citizens in such countries are less likely to experience political turmoil, violence, or arbitrary actions by authorities, contributing to their happiness and peace of mind

- + Behavioral economics - emotions and psychological factors matter, not just rationality

Examples:

Impulse Buying-Imagine someone goes to the supermarket with a shopping list and a budget in mind. While shopping, they see a display of their favorite snack near the checkout counter. Even though it's not on their list and it's expensive, they end up buying it because they feel a sudden craving and a sense of immediate gratification. In this case, their emotional impulse and desire for instant satisfaction override their rational budgeting plan