Sustainable Development: Theory & Policy

Week 2
Evolving Conceptions - Causes & Consequences

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17.181-17.182
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1. Introduction - Core Concepts

2. Analytical & Empirical Challenges
2.1 Introduction – Core Concepts

Concepts of the Market
Matters of Rationality
Paradigm shifts in Development Economics

How Views have Changed - Phases over Time since WW II
Perspectives on Political Economy

Three Dominant Traditions
Political & Economic Organization - Commonalities

• Both are devised to maximize wealth by exploiting the gains from trade as a result of specialization
• Both involve constraints on behavior due to rules and regulations
• Both have procedure to detect deviations from and enforce compliance
• Both articulate moral and ethical behavioral norms to reduce enforcement costs.
Property Rights

The New Issue – A Reminder
Two views: legal vs. economic notion of property rights

- Property rights are not absolute, but can be changed.
- All governments play a major role with regards to property rights; they also maintain legal lights to various properties etc. and participate directly in the economy.
- When will new rights be created?
2.2 Analytical & Empirical Challenges

Generic Dilemmas
A Purely Economic Model-

Comments:

- Visualizing the standard production function
- Note nature of variables-
- Note nature of relationships
- Note the system boundary-

The Ecology-Economy Model

Comments

• Note system Boundary
• Note temporality
• Note complexity