

# Preface

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When I cleaned up the attic, I discovered something that I had forgotten. As a boy, I used to write down my address on schoolbooks and magazines as

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Town: Heerjansdam  
Country: Holland  
Planet: Earth

Somehow I lost this perspective when I grew up, only to recover it some four decades later when I was a member of the Bureau of the OECD's Economic Policy Committee's Working Party No. 1 on Macroeconomic and Structural Policy Analysis and to my frustration found out that the countries that were absolutely vital to solve the problem of global warming could not be formally engaged in the deliberations. I quit my job and became professor.

*Earth Economics* grew out of my teaching of open macroeconomics courses to MA students at the international Institute of Social Studies of Erasmus University, one of Europe's major development studies institutes. This book solves one of my problems. ISS students come from all countries around the globe and the level and quality of education is very heterogeneous, to say the least. Many of my students have worked after university and need a refresher. Giving an effective course in advanced macroeconomics is impossible with this kind of heterogeneity and therefore something needs to be done to get the students at the same starting level. (Incidentally, this is not a specific problem for ISS, but of all universities that have students from a great many countries with differing educational systems and levels of development as I learned when I was teaching monetary policy at Zürich university at the turn of the millennium.) For this reason I teach a crash course of basic macroeconomic principles at the beginning of the first semester at ISS in order to remedy deficient or absent knowledge. The purpose of the lecture notes on which this book is based is to close the knowledge gaps and for this reason the notes are useful both as an instruction text at the BA level and as a source for self-study. I try to explain everything

that may have gone unnoticed or unexplained, from index numbers to elasticities and from equilibrium concepts to exponential growth.

In a remedial course the closed economy abstraction is an extremely useful concept because it keeps things simple so that basic concepts can be discussed without too many complicating factors. For this reason all introductory courses and textbooks in macroeconomics and economic growth start with the closed economy. These discussions are abstract, boring and without reference to the real world. This is very demotivating for students and lecturers. The reason for this unsatisfactory topic in economics 101 is that no country exists with a closed economy so that no real world examples can be given. This book changes that and uses the closed economy that all my students know so well: Earth. It is very helpful that they can all relate to a place that they inhabit and because they are from so many nations, Earth is the only common meeting ground. Importantly, by studying the economics of Earth I can provide concrete examples from the start and, as will become clear, all key concepts can be illustrated by concrete data at the world level. The decisive benefit of studying Earth, however, is that (economic) policy issues can be introduced as soon as the relevant concepts have been discussed (in the usual textbook this has to wait until theory has been sufficiently developed to incorporate interactions with other countries). And actually, that is what is going to happen in this book. I invite you to study the closed economy in a real world and policy relevant context and learn a lot about macroeconomics and Earth at the same time.

Obviously, it is from an economic theoretic point of view important to realize that we can and actually should use the closed economy model to teach and understand economic developments at the world level: unlike many economists think, closed economy models do not only serve a didactic purpose, but actually make sense empirically. This is a nice point, but that is not the only goal that I want to achieve with this book. By teaching eartheconomics I frame the major issues in (economic) policy in a context that goes beyond nations, nationalities and nationalism. I want students to become earthlings.

Earth, December 12, 2012