

Economics of the Real World

A project of the INET Economics Curriculum Task Force

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The economic crisis has provoked a crisis in economics. A cascade of critical articles and op-eds has appeared in the press asking why economics could not predict or prevent the Great Recession. Responding to this concern, Robert Skidelsky proposed that INET should explore ways in which the university economics curriculum could be reformed to produce more useful economists. This is the purpose of the INET Curriculum Task Force.

The problem has two main parts: why do we need a new curriculum, and what will that curriculum be? At a meeting in London in October, the UK members of the Task Force identified the dimensions of the problem and suggested a general philosophical framework for reform. Revised at a meeting with the US members in New York in November, this foundational analysis is presented in a separate paper, "Problems and Principles". From this platform the Task Force developed a concrete plan of action tackling the second part of the problem. This document outlines that plan.

The central idea of our reform is to reconnect the teaching of economics with the workings of the actual economy, and to begin that reconnection at the very beginning — with the undergraduate curriculum.

The members of the Task Force agree on the need to infuse the curriculum with historical, philosophical and institutional content. It is felt that the highly refined model-oriented approach currently dominating graduate teaching is inappropriate for the beginning student. Our aim instead should be to provide students with access to economic discourse at the level of, say, the *Financial Times*. "Disciplined eclecticism" — a sense of judgment about which tool, among a wide variety of possibilities, is appropriate for the problem at hand — is the defining characteristic of such discourse, and therefore the appropriate goal for economics education.

This ambition cannot be achieved with the addition of a course or two on the history of economic thought and economic history to the standard curriculum. What is needed is an infusion throughout the curriculum, from the first course to the last. That means a historically and institutionally informed approach to the entire subject. In order to translate this bold ambition into reality we have taken on the task of devising an ideal curriculum, from the ground up, and of producing concrete educational materials to support its delivery.

Market Failure

Economics education is an enormous industry, with enormous existing installed capacity — instructors, curricula, syllabi — that is understandably slow to change, even when the need for change is acknowledged. The point we wish to emphasize, however, is not the obstacles to change but the acknowledged need for it. Even before the global financial crisis, a survey of recent PhD graduates in economics concluded:

“At least half of our survey respondents report too little emphasis by their PhD programs on applying economic theory to real-world problems, on understanding economic institutions and history, and on understanding the history of economic ideas.” (Stock and Hansen 2004)

While the authors of the survey interpret their results as suggesting the need for changes at the margin in the content of PhD training we believe that the demand for change is more acute — from employers, academia and from the students themselves. INET can be the supply for that unmet demand.

The members of the Task Force believe that there are two main reasons for the lack of supply catering to this demand. First, the current model for delivery of curricular support materials depends heavily on the publishing industry, which has its own vested interest in built capacity. Second, it is uneconomic for individual instructors to produce materials that engage with real-world problems, since those problems are changing all the time so that materials become obsolete before the large investment in producing them can be amortized.

In short, we are confronted with a classic public-goods problem, where social benefit is larger than private benefit. The aim of the INET Economics Curriculum Task Force is to facilitate production of the needed public goods and to overcome the identified market failure.

What kinds of materials are appropriate? Educational and academic technology are in flux — the internet offers new, low-marginal-cost avenues for disseminating new information, and for conducting academic discourse. Our aim is to take maximal advantage of these new capabilities. Educational material does not necessarily need to be in printed in book form. Already, many leading universities and publishers are experimenting with various open-source initiatives that put existing course materials on the web. INET has no built capacity to defend; we can — and will — be bold. Determining the precise form of the new curriculum will be part of the committee’s work in the months to come, but the inclusion of a significant online component will be key.

An ideal curriculum

We begin by imagining an ideal curriculum from which individual instructors or programs might pick and choose according to their diverse needs and interests. Our full curriculum is entirely virtual; probably no one will adopt it in its entirety. Yet freeing our minds from the constraints facing actual programs of instruction, we find it relatively easy to sketch the broad outlines of an ideal curriculum, divided into three stages, or “years” of education.

First Year: Breadth. The purpose of the first year is to introduce students to the wide range of problems with which economics deals, as well as the wide range of problem-solving strategies that economics uses to get traction on those problems. Analytically, “Excel econometrics” and basic accounting concepts, for the firm and the economy, is what students need most at this stage. The point is to provide students with a wide array of useful and easy-to-use tools.

Among the range of possible microeconomic problems and concepts, we draw attention to the importance of risk and uncertainty, in order to keep problems of choice firmly connected to reality. Similarly, among the range of possible macroeconomic problems and concepts, we draw attention to the importance of banking and financial institutions and their balance sheet interconnections. In both micro and macro examples, the global character of modern production and exchange requires special emphasis, by contrast to the largely national character of regulatory and stabilization policy.

In each case, whatever the concept under study, it is vital to instill a sense of historical and institutional contingency — things need not be as they are, indeed have not always been so, and are not presently so in other places in the world. Economic history and comparative systems are helpful for this, but needed above all are political economy and history of economic thought. The point is that economic debate is, and always has been, a discussion about how things could be different from what they currently are.

Moreover, economic debate is always about more than economics. It is about justice, about truth, and about what constitutes a good life, all deep matters that have been under debate throughout recorded history. Persuasive economic argument must convince not only economists, but also other members of the society in which we live.

Second year: Competency. The purpose of the second year is to give the student the opportunity to develop competencies as an economic reasoner. Students become conversant not only in the currently dominant mode of economic analysis, but also in other modes, including in particular historical and rhetorical approaches.

Competency in the dominant paradigm—characterized by maximization, stable preferences and equilibrium—is essential. INET students must be able to engage with the rest of the discipline on an equal standing, and their qualifications must therefore be unassailable. The entire INET project, however, rests on the proposition that there are serious shortcomings with the dominant paradigm.

Competency in alternative paradigms (including historical and rhetorical approaches, but not yet fully specified by the ECC) serves two purposes. First, they are valid approaches to economic questions in their own right, current in the discipline and with their own intellectual pedigree. Second, they inform the economist's judgment about what approach to use in any given context

Competency in reasoning implies an audience, even if that audience is only oneself, and hence implies also competency in communication, both oral and written. Most graduates will not go on to become professional economists, but all will need to reason and communicate that reasoning. Students are therefore expected to be able to explain economic problems and solutions to a range of audiences.

Third year: Depth. If the first year is about breadth, then the third year is about depth. Here the student will have the opportunity to engage with specific topics at length and in depth, so as to experience the challenge and reward of independent research and independent thought. These third-year classes will bring the analytical competencies developed in the second year to bear on empirical and theoretical questions covering the range of the discipline.

The titles of these classes may not differ much from those currently offered to upper-level undergraduates—economics of development, economics of climate change, economics of education, the role of the state in the economy, economics and ethics, and so on—and the precise list will vary with faculty interests. Rather, our innovation is the commitment to disciplined eclecticism: by this point in their education, students will be fluent in a number of methodological approaches, and in this final year, will train their judgment and competence by using them on issues of genuine significance.

This rough outline will have to be adjusted to the specific requirements of the university system into which is imported. As it stands, it has been drawn up with the disproportionately influential American and British systems in mind. As the outline is fleshed out, the ECC will need feedback from other economics programs, particularly those in the developing world, to achieve a curriculum that is relevant across the globe.

What first?

Implementation of this ideal is our goal. There are two possible routes which can be pursued in tandem. The first is to offer licensed INET curricula to existing university departments. The second is to set up Schools of Economics, analogous to existing Schools of Government, teaching students from this curriculum. Both will rely initially on instructors and materials produced by existing graduate schools, who may well find such curricula alien. How do we get there from here?

The key is to engage, energize, and support the instructors. They self-report that their jobs require them to apply economic theory to real-world problems, to understand economic institutions and history, and to understand the history of economic thought. But they are left largely on their own to develop these competencies, while at the same time they face the professional imperative to publish or perish.

PhD economists do not all become instructors; in fact about half of them leave academia to do other things. What is interesting for our purposes is that the non-instructors, just like the instructors, also report a disconnect between what they learn in graduate school and what they need for their jobs, and on similar dimensions. Unlike the instructors, however, their jobs bring them into contact with the real world, so they get on-the-job the training that they did not get in graduate school.

We conclude that INET, as a first step, can make its most valuable contribution by providing for instructors an analogue to the on-the-job training that their non-instructor compatriots receive as a matter of course. Our goal is to provide high-quality materials that make it easy for motivated instructors to learn on the job the lessons they did not learn in graduate school, and to bring that learning into the undergraduate classroom.

Deliverables

In task force discussions, we explored a range of possible deliverables:

- Flesh out the sketch of an ideal curriculum, as a tentative map to orient ourselves going forward
- Produce sample on-line curricular modules for course adoption, as a way of exploring both substantive and technological innovation
- Produce and disseminate up-to-date videocasts that model application of economic theory to real-world problems
- Sample syllabi for new courses, economic history and history of economic thought

- Summer courses for instructors and grad students
- Speakers bureau providing campus visitors

In all of these dimensions, our strategy is experimentation. We intend to explore the potential of each, and then to evaluate what works and what doesn't. How will we know? The customer will tell us.

References

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