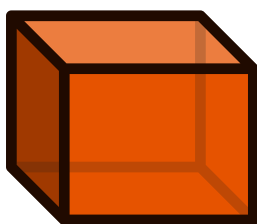


# Economy Studies for Economics 101

**New Ideas & Materials for Educators & Students**



**Economy  
Studies**

Sam de Muijnck & Joris Tieleman

Rethinking  
Economics

one  
OUR NEW ECONOMY



Amsterdam  
University  
Press

## The book Economy Studies

This booklet is part of a series based on Economy Studies, a project for re-envisioning and redesigning economics courses and programs. The project emerged from the worldwide movement to modernise economics education, spurred on by the global financial crisis of 2008, the climate crisis, and the COVID-19 pandemic. It envisions a wide variety of economics graduates and specialists, equipped with a broad toolkit, enabling them to collectively understand and help tackle the issues the world faces today.

This is a practical guide for (re-)designing economics courses and programs. Based on a clear conceptual framework and ten flexible building blocks, this handbook offers refreshing ideas and practical suggestions to stimulate student engagement and critical thinking across a wide range of courses.

### Key features

- 1 Adapting Existing Courses: Plug-and-play suggestions to improve existing economics courses with attention to institutions, history, values and practical skills.
- 2 Teaching materials: A guide through the rapidly growing range of innovative textbooks and other teaching materials.
- 3 Example Courses and Curricula: How to design pluralist, real-world economics education within the practical limits of time and resources.

## What others say about Economy Studies

*“A tremendous resource for both teachers and students of economics.”*

Prof. **Wendy Carlin** (UCL), director of the CORE Economics Education Project

*“Based on a thorough analysis, the authors argue for a radical rethink of how economics is taught. Whether you agree or disagree with some of the specific suggestions, this book is definitely worth reading.”*

**Claudio Borio**, Head of Monetary and Economic Department at the BIS.

*“This book is a tour de force. The mastery of the subject that the authors and their team display is astonishing. It was a source of inspiration for the development of the new program at the Vrije Universiteit of Amsterdam.”*

Prof. **Arjo Klamer** (EUR & VU)

## Why this booklet

In this booklet, we provide suggestions, content and teaching material for how to modernise and enrich introductory economics courses. In doing so we hope to assist educators in improving and adapting the courses they teach, as well as helping students make suggestions for how this could be done. It is important to note that we pose all these suggestions as potential sources of inspiration, not a checklist of all the things that necessarily should be included. After all, there is a practical limit to what can be taught within a single course.

Other booklets in this series available via [www.economystudies.com](http://www.economystudies.com):

- 1 Economy Studies for Students
- 2 Economy Studies for Program Directors and Deans
- 3 Economy Studies for Secondary Education
- 4 Economy Studies for Business Schools
- 5 Economy Studies for Public Administration & Law Programs
- 6 Economy Studies for Economics 101
- 7 Economy Studies for Microeconomics
- 8 Economy Studies for Macroeconomics
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- 17 Economy Studies for International Economics
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- 19 Economy Studies for Behavioural Economics

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## Reading Guide

To get an overview of the Economy Studies project as a whole, start with the Summary.

For concrete suggestions on topics and material to enrich your own course, go directly to Adapting Economics 101 Courses.

For tips on making students familiar with the different economic perspectives, take a look at Economic Approaches.

For ideas and materials on teaching students about introducing the economy, take a look at the Building Block chapters.

To see what you can do to help modernize economics education at your own university, see the Conclusion.

# Summary

*“I don’t care who writes a nation’s laws, if I can write its economics textbooks.”*

**Paul Samuelson**

## 1 Rethinking Economics Education

Humanity is wealthier, more connected and more technologically advanced than ever. Access to healthcare is rapidly expanding and poverty levels keep dropping in most parts of the world. At the same time, societies around the globe are facing a multitude of challenges. To name a few: climate change, biodiversity loss and resource depletion, growing inequalities and power concentrations, economic instability and soaring levels of private and public debt, ageing and migration, social polarisation and rising authoritarian nationalist populism. And, back on the table since 2020: pandemics.

Tackling such challenges requires a deep comprehension of the economy, which the current system of economics education does not sufficiently provide. Economists need a real-world understanding of how various industries work, how they are intertwined with each other, how economic power works, what roles states play and how these are embedded in our society at large. It also requires open minds which can look at issues from a variety of perspectives. A single theoretical framework cannot provide the answers to every question. A range of approaches which prioritise different methodologies, assumptions, units of analysis and outcomes, is necessary for gaining a good understanding of the economy and its issues. Economists need to be able to think critically, select the tools which are most relevant for the context and problem at hand, and understand the limitations and uncertainties of the conclusions that they draw from them. Finally, it requires an awareness and an explicit discussion of the moral dilemmas and normative trade-offs involved in economic decisions. In short, economists have a lot on their plate.

Economists also have a lot of influence, for good and for bad. Firstly, as key policy experts and advisors, economists largely run many of the most powerful public-sector organisations in the world: central banks, ministries of finance, social and economic affairs, the IMF and the World Bank. In the private sector, economists co-direct the behaviour of banks and other large companies. Secondly, the economic ideas that float around most prominently in our society exert an influence far beyond the formal advisory reports of professional economists, guiding decision-making of citizens everywhere. Economic thinking influences even those who do not become economists, as economists have a central role in the public debate and many citizens are taught basic economics in secondary or tertiary education.

The growing societal importance of economists and economic ideas has sparked a lively debate around the content and structure of economics education. A worldwide movement of students and academics calls for more pluralist, real-world focused and socially relevant programmes that would enable economics graduates to better understand and tackle the economic issues that the world faces today. This movement has accelerated over the last decade, spurred on by the global financial crisis of 2008, the climate crisis and the COVID-19 pandemic.

Under names such as Rethinking Economics, Netzwerk für Plurale Ökonomik, Institute for New Economic Thinking (INET), International Student Initiative for Pluralist Economics (ISIPE), International Confederation of Associations for Pluralism in Economics (ICAPE), Diversifying and Decolonising Economics, Economists for Future, Reteaching Economics, and Oikos International, these groups come together for dissent, discussion, self-education, action, campaigning, disseminating ideas and engaging with wider audiences.

Research by these groups indicates that many current programmes are not sufficient to prepare students for their future roles in society. They are often organised around the notion of ‘thinking like an economist’: training students to think exclusively from the neoclassical perspective and having skills in econometrics, while neglecting other valuable theoretical approaches and research methods. Furthermore, these analytical tools are taught in an overly abstract way and are presented as being value-free.

These groups and others have also produced a growing amount of innovative teaching material, beyond how economics programmes are traditionally structured. From online educational resources such as the open access CORE project and the bottom-up e-learning platform Exploring Economics, to multiple new pluralist and real-world focused textbooks. Many departments have introduced a wealth of new courses, or even started entirely new programmes.

## 2 This Book: Purpose and Overview

What has been missing so far in this field is an integral approach for constructing economics curricula and courses. This book aims to fill that gap. We bundle the ideas and materials of renewal and reform into a coherent multi-level vision for economics education: its overarching structure, its goals and its principles. We also provide the concrete building blocks for this in terms of academic content, including detailed overviews of teaching materials and practical suggestions. Finally, we translate these to the level of actual programmes and courses, providing a wide range of practical tools for implementation.

This entire book carries a CC-BY Creative Commons licence, which means that any part of the book may be freely copied, redistributed, remixed, transformed or built upon, without restrictions. As such, our proposal for a new integral approach to economics education can also be adopted and used partially, rather than being accepted as a whole. Each idea and suggestion can be judged and incorporated independently. You can totally disagree with principle 1 yet support principle 3. Or you might find little value in building block 5 and yet fall in love with building block 9. That’s the idea: it’s modular. Thus, the book as a whole can be used as a source of inspiration and overview of options for improving and renewing economics education.

### Part I: Foundations

The first part of the book, Foundations, sets out our philosophy and the three guiding principles that should underpin any economist’s education. In contrast to the currently common approach of teaching students to ‘think like an economist’, the Economy Studies approach is this: We envision an education where economics is not centred on a specific method of analysis or thought, but rather centred on a study matter, the economy. Economies can broadly be described as open systems of resource extraction, production, distribution, consumption and waste disposal through which societies provision themselves to sustain life and enhance its quality.

Based on this philosophy, we formulate three principles: Pluralism, Real-World and Values.

First, a discipline centred around a single subject matter requires a plurality of theoretical frameworks: one

single set of basic assumptions is not enough to understand such a multifaceted subject matter. Here it is important that students learn which ideas are compatible with each other and which are in conflict with each other. Some of these theories fall within the current economic mainstream, others exist on its fringes, and yet others are currently at home in other disciplines. It also implies a plurality of research methods, from basic statistics and regression analysis to interviews, network analysis and survey analysis. Such pluralism means that there is no single dominant framework, which might be more difficult for those receiving economic advice, but is ultimately beneficial for the quality of analysis and the resulting decisions.

Second, the notion of a programme centred on the subject matter of the economy implies a continuous and conscious orientation towards the economy as it exists in the real world. Students benefit from studying practical questions and gaining concrete knowledge, not just abstract analytical tools. For instance: How is the German car industry structured? What hurdles does the global energy transition face? What happens at a central bank? The Real-World principle ranges from studies of economic sectors and key institutions in the local or (inter-)national economy, to the histories of economies and case studies of specific economic challenges.

Third, we draw attention to the wide variety of normative principles and visions that can guide economic decisions and action, and which are often subtly embedded in economic theories. There is little sense in trying to 'solve economics problems' without considering what things exactly are worthwhile or problematic, and what values are at stake. Profits, sustainability, power, equal chances, equal outcomes, job creation, labour conditions, ownership, accountability, GDP growth, wellbeing – what should we focus on?

Economics has historically been, and is still, dominated by upper- and middle-class white men based in the Global North. This has consequences for each of the three principles. In terms of Real-World, it is important to pay attention to the lived economic realities of working-class citizens, women, minorities, and those living in the Global South. For Pluralism, we need to incorporate often ignored but valuable ideas and contributions of lower class, female, and non-western scholars. For Values, it is key to realise that people from different backgrounds have different priorities and values, and work to ensure that these are reflected in the questions we focus on and the theories and methods we use. In sum, we need to diversify and decolonise economics education.

The Foundations part ends with a chapter on didactics. Improving economics education is not simply a matter of changing what is taught, but also how it is taught. Various surveys among employers of economists show that more attention for communication and collaboration skills is needed. There are also worrying indications that economics classes often fail to facilitate open, critical, but also respectful, discussions. Finally, to make economics education more lively, interesting for students and connected to the real world, a greater variety of teaching and examination methods could be used. On all these fronts we provide practical suggestions.

The second part of the book is devoted to the Building Blocks. Where the Foundations part discusses the purpose and principles of economics education in general, the building blocks are more applied: ten thematic areas of knowledge and skills, which form the meat and bones of the Economy Studies course design method. Each of the ten building blocks covers an area of knowledge and set of skills that we see as essential for the education of future economists.

## Part II: Building Blocks

The second part of the book is devoted to the *Building Blocks*. Where the *Foundations* part discusses the purpose and principles of economics education in general, the building blocks are more applied: ten thematic areas of

knowledge and skills, which form the meat and bones of the Economy Studies course design method. Each of the ten building blocks covers an area of knowledge and set of skills that we see as essential for the education of future economists.

We start out with two building blocks that focus on acquiring basic economic knowledge, one conceptual and one focused on the real world. Introducing the Economy is about getting a feeling for economic matters, discussing what the economy is in the first place, why it is relevant, how it is related to other aspects of the social and natural world, and what societal roles economists have. Know Your Own Economy, on the other hand, has a more concrete focus as it is about knowledge of the actual (national and local) economy and its structures, institutions, and sectors.

The third and fourth building blocks deal with history: History of the Economy and History of Economic Thought & Methods. The fifth and sixth building blocks are more conceptually oriented, dealing with how economies can and have been organised, at micro and meso levels – Economic Organisations & Mechanisms – and at the macro level – Political-Economic Systems.

The seventh and eighth building blocks provide a broad and diverse analytic toolkit: Research Methods & Philosophy of Science and Economic Theories. These two, especially the latter, are relatively large. In most programmes, they will require more space than the other building blocks. Finally, building blocks nine and ten deal with practically contributing as an economist: Problems & Proposals is about analysing concrete economic challenges and formulating or evaluating proposed policies and actions, and Economics for a Better World asks how normative principles and visions can guide action to address the major challenges of our times, and helps students to be reflective of their own role as an economist

These building blocks can be used as templates to create stand-alone courses or modules, or they can be combined in courses. They can be re-ordered, combined or integrated in many ways to suit the specific needs of each programme. For instance, Building Block 3: Economic History could be taught as a stand-alone subject, or integrated with the fourth building block into a course History of Economic Thought and Reality, or integrated as a minor component in an existing Labour Economics course. In our ideal world, these building blocks would be combined to form a wide range of economics programmes. Different contexts and challenges require differently trained economists.

### **Part III: Tools**

The third part of the book, titled Tools, provides material that is directly actionable. It starts with Pragmatic Pluralism, a suggested format (including references) for teaching theory in a pluralist manner without drowning students in the enormous diversity of ideas out there. We list thirteen core economic topics and set out for each topic the two main opposing perspectives, a key complementary perspective and additional insights coming from other approaches.

Often there is no space in programmes for completely new courses but there is room for adjustment in some existing courses. In *Adapting Existing Courses*, we offer ready-to-use sets of suggestions and material to do so, for courses like Micro, Macro, Public Economics and Finance. The Curriculum Review Tool offers a clear starting point for applying our building blocks to an existing programme. This tool helps identify possible blind spots of a programme and suggests ways to strengthen it. The Example Courses that follow illustrate how the building blocks can be used to create completely new courses. The next chapter maps out several complete Example Curricula, demonstrating how the building blocks might be combined to form a complete bachelor or master programme in Economics.



While this book is primarily oriented towards full economics programmes in academic education, in the chapter Courses for Non-Economists we suggest limited packages of core economic ideas that may be useful for business schools, secondary school economics programmes, in an academic minor or for self-study. Finally, Learning Objectives offers tools for designing the learning objectives behind economics courses, starting not from the question ‘what does the teacher know best?’ but from ‘what do the students need to know, to be prepared for their future societal roles?’.

## Part IV: Online Materials

Economy Studies is more than a book. On the website, we offer an extended version of the Pragmatic Pluralism chapter, a broader range of Adapting Existing Courses topics, additional Example Courses and Example Curricula. We also provide background material on each of the Economic Approaches described in this book, as well as neighbouring sub-disciplines such as economic sociology and economic geography. In addition, we provide a more complete overview and discussion of research methods, coordination and allocation mechanisms, and the history of economic thought and methods. Finally, we offer much more extensive lists of teaching materials for each of the building blocks.

Online, we also work together with the INET Education Program, at the Institute for New Economic Thinking. This platform will host free educational resources online, accessible to students, teachers and the general public. This includes video lecture series, syllabi, teaching modules, lecture notes, readings, sample quizzes and exams. The platform will also serve as a center to build up an online community of teachers and learners, working together to improve the way economics is taught and learned. Each of the chapters in this book has a discussion page on that platform.

What kind of graduates would a program based on these ideas and materials produce? It is important to acknowledge that they would not have all the skills that current-day graduates have. Less mathematical sophistication, less expertise in econometric analysis, less knowledge of neoclassical theory. In exchange for these losses, students gain: A deeper understanding and more concrete knowledge of the economy in which they live and will work. An awareness and understanding of the various ways in which economic processes can be organised at the micro, meso and macro levels. Practical skills for investigating and tackling questions of economic policy: understanding the context, choosing the right tools, from a variety of theoretical and methodological approaches. And the ability to argue morally as well as analytically, and to clearly distinguish the two.

With this *creative commons* work, we hope to inspire economists and all students of the economy to rethink how we learn economics. The economic challenges we face as societies are enormous, so we desperately need well-prepared economic experts and a citizenry able to participate in economic discussions. Economics education has the vital task of preparing these people as best as possible.

This booklet provides a preview of the *Economy Studies* project. The full book also includes the complete set of building blocks, additional teaching materials, a curriculum review tool, example courses and curricula and suggestions for learning objectives. If you are interested to learn more, visit our website and buy or download the whole book, open access, or contact us.

[economy.st](http://economy.st)

# Adapting Econ 101 Courses

## General Approach to Adapting Existing Courses

Change often happens incrementally and slowly. In the economics textbook market, for example, there is an unwritten rule that new textbooks cannot differ more than roughly 15% from the standard textbook in order to be ‘acceptable’ (Colander, 2003).

While our book clearly breaks this rule and proposes more far-reaching and fundamental changes in most chapters, in this chapter we focus instead on how existing courses could be adjusted incrementally. By doing so, we hope to assist educators in improving and adapting the courses they teach without needing to rip them up and start again, as well as helping students make suggestions for how this could be done.

First, we set out the typical contents of current public economics courses. Second, we provide our suggested additions and changes. It is important to note that we pose all these suggestions as potential sources of inspiration, not a checklist of all the things that necessarily should be included. After all, there is a practical limit to what can be taught within a single course.

## Typical contents of current courses

Introductory courses in economics, often called Economics 101 or Principles of Economics, generally focus on teaching students to ‘think like an economist’. Usually, this means to learn to look at the world from a neoclassical perspective, as mainstream economists over the last decades have tended to do. To do this, courses often begin with the concept of perfect competition, normatively defined as optimal. Students learn the basic elements that make up models of perfect competition: profit-maximizing firms, ‘rational’ economic agents maximizing their utility, elasticities, and the price mechanism through which efficient and optimal equilibria are achieved. Then exceptions to the rule of perfect competition are introduced: externalities, public goods and imperfect competition. If macroeconomics is included, the focus is on the long-run growth and short-run fluctuations of GDP. Here monetary policy is central, and all policy decisions are framed in terms of their impact on GDP and inflation.

Frequently used textbooks::

- Economics by Gregory Mankiw and Mark Taylor
- Economics by Paul Krugman and Robin Wells
- Economics by Daron Acemoglu, David Laibson, and John List
- Modern Principles of Economics by Tyler Cowen and Alex Tabarrok
- Economics by Micheal Parkin, Melanie Powell, and Kent Matthews
- Essentials of Economics by Stanley L. Brue, Campbell R. McConnell, and Sean M. Flynn
- Principles of Economics by Karl Case, Ray Fair, and Sharon Oster
- Economics by Glenn Hubbard and Anthony P. O’Brien

# Suggested additions and changes

## Practical skills and real-world knowledge

When students start their economics program, they generally know very little of either economic theory or of the economy around them. Current introductory courses focus mainly on teaching students economic theory. We would argue that introductory courses should also pay attention to real-world knowledge and trigger students' interest to learn more about the economy they live in. This can be done discussing key indicators, institutions and sectors within the local and national economy.

For more detail, see Building Block 2: Know Your Own Economy.

## A range of analytical tools and approaches

Many economists, both in academia and outside of it, are moving beyond neoclassical economics. Education, and in particular introductory courses, are too often lagging behind. We need to modernise these courses by introducing students to newer perspectives, and also well-established perspectives that have been neglected by the mainstream in recent decades. Furthermore, the goal of introductory courses should not be to teach the details or technicalities of mathematical models, and should not focus exclusively on a single approach. Instead of teaching mathematical technicalities, the focus should be on grasping the core intuitions and ideas of the approach taught. And instead of teaching only one approach as if it were the only one, students should learn from the beginning to use several approaches side by side. Later courses can build on this basic knowledge of different approaches by teaching their more detailed insights on specific topics.

For more detail, see Building Block 7: Research Methods & Philosophy of Science, Building Block 8: Economic Theories and the background material Economic Approaches.

## Teaching Materials

- Economics: The User's Guide by Ha-Joon Chang, from 2014, chapters 1 and 4. This book provides a pluralist and accessible introduction into different economic approaches and what economics is.
- Rethinking Economics: An Introduction to Pluralist Economics by Liliann Fischer, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach Ward Perkins, Catriona Watson, from 2017. This collection of essays provides an accessible introduction into post-Keynesian, Marxian, Austrian, institutional, feminist, behavioural, complexity and ecological economics.
- The website Exploring Economics: [www.exploring-economics.org/en/](http://www.exploring-economics.org/en/). This website provides sharp and helpful introductions into the different economic perspectives and furthermore gives many useful overviews of related teaching materials, videos and existing (online) courses.
- Alternative Ideas from 10 (Almost) Forgotten Economists by Irene van Staveren, from 2021. This book emphasizes often ignored and neglected ideas, from important economists such as Knight, Myrdal, and Robinson.
- Handbook of pluralist economics education by Jack Reardon, from 2009, chapter 6. This useful book on how to diversify economics programs, includes a chapter full of ideas and suggestions for introduction principles and economics 101 courses.
- The ABCs of Political Economy: A Modern Approach by Robin Hahnel, most recent edition from 2014. This accessible book introduces students to the economy and a variety of economic thinkers on key topics, such as the microeconomics of markets, the macroeconomics of business cycles, finance, international economics, and efficiency and equity.
- Principles of Economics in Context by Jonathan Harris, Julie A. Nelson and Neva Goodwin, most recent edition from 2020. A useful textbook that treats much of the traditional content, but also consistently discusses the social and environmental challenges inherent in economic questions.

- *Economics After The Crisis* by Irene van Staveren, from 2015. This well-written textbook describes twelve central topics in economics at an introductory level, each from four different perspectives: the neoclassical, institutional, social and post-Keynesian perspectives.
- *The Economy* by the CORE Team, from 2017. This highly successful textbook, freely available online with additional resources, provides a treasure trove of empirical data, context and recent research.
- *Introducing a New Economics* by Jack Reardon, Maria A. Madi, and Molly S. Cato, from 2017. This ground-breaking textbook introduces many of the core issues in economics today and weaves together pluralist theory and real-world knowledge in an eminently readable way.

## Institutions and different ways of organising the economy

The economy is much bigger than just market exchange. Economies are made up of many types of organisations and mechanisms: markets, hierarchy, commons and others. It is important to start helping students realize this early on, making them familiar with the different ways in which economies are, and can be, organised. This can help prevent misunderstandings and the development of narrow-mindedness, such as overlooking unpaid labour and the non-profit sector in their thinking about the economy. Students in introductory courses should be presented with multiple mechanisms for organising economic activity, and the different political-economic systems behind them.

For more detail, see Building Block 5: Economic Organizations & Mechanisms and Building Block 6: Political-Economic Systems.

### Teaching Materials

- *Introducing a New Economics* by Jack Reardon, Molly S. Cato, Maria A. C. Madi, from 2018, chapters 10, 11 & 12. Three accessible and brief chapters, with accompanying classroom activities and questions, introducing students to what public goods, commons and firms are and how they can be governed, for example as a corporation owned by shareholders or as a cooperative owned by its workers or consumers.
- *Economics: The User's Guide* by Ha-Joon Chang, from 2014, chapter 5. A short well-written chapter on different economic actors and organisational forms, from multinational corporations, cooperatives, and labour unions, to governments and a variety of international organisations.
- *Organisations: A Very Short Introduction* by Mary Jo Hatch, from 2011. A brief, accessible and yet highly informative book full of scientific theories and ideas on what organisations are, how they can be structured, how they change, and their internal dynamics and interaction with markets and society.
- *Governing the Commons: The Evolution of Institutions for Collective Action* by Elinor Ostrom, most recent edition from 2015, chapters 1, 2 & 3. A sharp and rigorous discussion of commons, how they are different from markets and hierarchies, how we should theorize them and real-world examples that help us better understand how they can be successful.
- *Contemporary Capitalism: The Embeddedness of Institutions* by J. Rogers Hollingsworth and Robert Boyer, most recent edition from 2012, chapter 1. An instructive analytical introduction and overview of different coordination and allocation mechanisms, such as markets, public and private hierarchies, networks, communities and associations.

## Societal relevance and normative aspects

Before diving into details, students should develop an understanding why it is relevant for them to study economics and to learn that content. Without a sense of what it means to be an economist, what the economy is about, why we care about the economy and what the main economic challenges of today are, students will unlikely be motivated to fully engage and grasp the meaning of what they are taught. A good way to start an economics program is with the big picture.

For more detail, see Building Block 1: Introducing the Economy.

### Teaching Materials

- *Economics: The User's Guide* by Ha-Joon Chang, from 2014, chapters 1 & 2. Perhaps the most accessible and yet insightful introduction book into economics, with particular attention to why it is relevant to learn economics and what economics is in the first place.
- *Introducing a New Economics* by Jack Reardon, Molly S. Cato, Maria A. C. Madi, from 2018, chapters 1, 3, 4, & 5. An accessible textbook which introduces students to what economics is, how it is embedded in society and the environment, and major societal challenges, such as climate change, poverty, financial instability, and inequality.
- *Principles of economics in context* by Neva Goodwin, Jonathan M. Harris, Julie A. Nelson, Brian Roach, Mariano Torras, most recent edition from 2019, chapters 0, 1, 20, and 21. This economics textbook covers much of the traditional economic topics, but pays more attention to why studying the economy is relevant and concerns, such as human wellbeing, ecological sustainability, distributional equity, and the quality of employment.
- To help students get an idea of the main societal challenges of today, it can be useful to have them take a look at reports, such as the Sustainable Development Goals Reports, World Development Reports, and World Happiness Reports. It can also be useful to use more engaging types of materials, such as documentaries and coverage of political protests and debates. Furthermore, it can be interesting and useful for students to also be exposed to material on the key issues in the domestic, rather than global, economy.
- *Economists and Societies* by Marion Fourcade. This book presents a great historical overview of the societal role economists have had in the United States, Britain and France. For students of one of these countries, reading the introduction, conclusion and chapter devoted to their country can be very insightful in better understanding the role of economists in their society. For courses taught in other countries, it would help to find similar material on their own country. For us as Dutch citizens, for example, an useful additional resource would be the book *Telgen van Tinbergen: Het verhaal van de Nederlandse economen* by Harry van Dalen and Arjo Klamer, from 1996.

### History

History can be a great introduction to learning about the economy and varied approaches to understanding it. When introducing the different ways of thinking about the economy, one could, for example, briefly discuss how these ideas emerged and evolved over time. When discussing how the economy is, and can be, organised, one can use economic history to give students a sense of what has come before. A short but clear overview of the main developments in economic history and the history of economic thought can also help students greatly in contextualising the more specialised material in later courses. And regardless of the exact historical content students learn, it is worthwhile in itself if they learn to see things in a historical context right from the start.

For more detail, see Building Block 3: Economic History and Building Block 4: History of Economic Thought & Methods.

### Teaching Materials

- *Capitalism: A Short History* by Jürgen Kocka, from 2016. A concise and yet broad-ranging account of how capitalism developed from early merchants, colonialism and slavery to the recent wave of globalization and financialization, accompanied by discussions of capitalism's key thinkers, such as Smith, Marx, Weber, and Schumpeter.

- *Economics: The User's Guide* by Ha-Joon Chang, from 2014, chapters 2 & 3. Two short and well written chapters on how the economy has changed over the last centuries and how capitalism evolved.
- *Global Economic History: A Very Short Introduction* by Robert C. Allen, from 2011. A brief but insightful introduction into the economic history of the world with chapters on industrialization, the rise of the West, great empires, the Americas and Africa.
- *The Economy* by The CORE Team, from 2017, chapter 1.
- *The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers* by Robert Heilbroner, most recent edition from 1999. While first published in 1953, it remains perhaps the best introduction into the history of economic thought to this day. In a remarkably well-written and accessible manner it discusses the ideas of key economists and puts them into historical context.
- *Grand Pursuit: The Story of Economic Genius* by Sylvia Naser, from 2012. Another very accessible but more recent book introducing the history of economic thought through captivating narratives.

### What to take out

To create space for the above suggested additions, we advise to focus more on the key ideas and intuitions behind the taught models and devote less teaching time to their technicalities and mathematics. As teaching students to reproduce and work through mathematical models often takes up a large part of the teaching time, this would give the teachers the opportunity to devote more time to practical knowledge, the relevance, institutions, and history. Furthermore, a more even balance between neoclassical economics and other economic approaches could be achieved by decreasing the number of neoclassical ideas and models that are taught.

# Economic Approaches

## Companion to Building Block 8: Economic Theories

### Introduction

Most teaching time is currently devoted to economic theory. Little time is, however, devoted to letting students understand what economic theory is and what its basic foundations are. Therefore, we propose to always introduce perspectives before teaching the topic specific theory (which are the focus of Pragmatic Pluralism). This will help students become familiar with the core assumptions on which theories are based and prevent them from misunderstanding theories as direct representations of reality. Furthermore, this basic knowledge about the different perspectives helps students make sense of and situate the specific theories that are taught later in the program. Rather than seeing theory courses as an endless stream of seemingly random insights, it allows students to see the bigger picture and connect the dots.

Introducing all the approaches listed below is probably too ambitious for an introductory level course. We therefore advise to select the most important perspectives for the program as a whole. This can be determined by looking at the main topics that are being taught and what the most important perspectives for these are (in Pragmatic Pluralism we give suggestions for this). In a program focusing mainly on financial economics, for example, post-Keynesian, neoclassical, complexity, Austrian, cultural and behavioural economics seem to be the most relevant perspectives and could be selected for the introductory theory course.

The different economic approaches can be introduced by explaining to students, preferably with the help of examples, what their core assumptions are as well as a brief discussion of how the approach emerged and developed. Who were their key thinkers, what were their main concerns, in what intellectual and societal context did they operate, on which ideas did they build and which did they oppose, and what was their impact on economic thinking and society? In this chapter, we provide a brief description of the core foundations and history of the different individual approaches, accompanied by an overview of materials which delve deeper into them.

For every approach, we have listed the following key assumptions and practices: (1) its main motivation and goal; (2) what it considers to be the basic elements of economies; (3) what it considers to be the fundamental characteristics of human beings; (4) how it considers economies to change; (5) the research methods it generally uses; and (6) the policy recommendations it typically prescribes.

For the interdisciplinary approaches, coming mainly from sociology, the more normative aspects (1 and 6 in particular) are less clear. One could say that most economic sociological approaches try to emphasize and shed light on the social foundation of the economy and wealth creation, countering individualistic accounts of economic processes. But while normative discussions are more often made explicit in sociology, it is less policy focused and its approaches have less strongly associated values and policy recommendations as approaches within economics do. For this reason, key assumptions and practices 1 and 6 are not listed for social network analysis, the cultural approach and field theory.

While core assumptions of individual approaches are most important, similarities between various perspectives are also relevant. Some have, for example, argued that a number of approaches, such as



post-Keynesian, institutional, Austrian, Marxian and feminist economics, collectively also known as heterodox economics, have many core assumptions in common (Lawson, 2006; Lee, 2009). Each of these approaches, for example, thinks of the economy as a dynamic open system of social interactions situated in historical time characterized by fundamental uncertainty, in contrast to the neoclassical assumptions of hyper-rational atomistic individuals that with probabilistic risks are able to optimize their utility in formalistically defined market equilibria. Others, however, believe there is more diversity and fewer meaningful similarities between the different heterodox approaches, which makes such broad categories less helpful (Davis, 2008; Dequech, 2007). Irrespective of whom one agrees with, it is important to explore with students how the different approaches relate to each other. Therefore, we encourage to actively discuss the differences and similarities between approaches, especially in more advanced courses.

For each approach, materials are listed that are useful for introducing its core assumptions and history. There are, however, a couple of resources that are useful for introducing the majority of perspectives. Chapter four in *Economics: The User's Guide* of Ha-Joon Chang introduces most approaches in a highly accessible and brief manner, providing short descriptions of their core ideas in only one chapter. The textbook *Rethinking Economics: An Introduction to Pluralist Economics* as well as the online platform *Exploring Economics* provide more in depth introductions with chapters per approach.

### Approaches:

- Austrian School
- Behavioural Economics
- Classical Political Economy
- Complexity Economics
- Cultural Approach
- Ecological Economics
- Evolutionary Economics
- Feminist Economics
- Field Theory
- Historical School
- Institutional Economics
- Marxian Political Economy
- Neoclassical Economics
- Post-Keynesian Economics
- Social Network Analysis
- Structuralist Economics

## Austrian School

Key assumptions and aspects:

- Main concern: Negative liberty (freedom from government interference into individual's person and property)
- Economies are made up of: Individuals
- Human beings are: Individuals formed by customs and traditions
- Economies change through: Individual subjective choices
- Favoured methods: Deductive logic and praxeology
- Typical policy recommendations: Free markets and laissez-faire



The Austrian school came into existence during the marginalist revolution at the end of the 19th century in Austria. In opposition to the historical school of economics and Marxian political school, it tried to explain economic reality by deducing it from certain universal principles such as subjective value, spontaneous order and opportunity costs. It argues that individuals always know what is best for themselves. Because the world is complex and even unknowable to a large extent, unconstrained markets are viewed as the best institution as they convey crucial information through price mechanisms. The school became more distinctly organized as such after the Second World War when neoclassical economics went through its formalistic revolution and thus moved further away from the Austrian school; at first the two were very similar.

### Teaching Materials

- Austrian Economics on Exploring Economics, from 2016.
- Rethinking Economics: An Introduction to Pluralist Economics by Liliann Fischer, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach W. Perkins, & Catriona Watson, from 2018, chapter 3.
- Economics: The User's Guide by Ha-Joon Chang, 2014, chapter 4.
- A Companion to the History of Economic Thought by Warren J. Samuels, Jeff. E. Biddle & John B. Davis, from 2003, chapters 17 and 28A.
- The Oxford Handbook of Austrian Economics by Peter J. Boettke & Christopher J. Coyne, from 2015.
- An Introduction to Austrian Economics by Thomas C. Taylor, most recent edition from 2020.
- Advanced Introduction to the Austrian School of Economics by Randal G. Holcombe, 2014.

## Behavioural Economics

Key assumptions and aspects:

- Main concern: Fixing behavioural market failures to enhance allocative efficiency
- Economies are made up of: Individuals and institutions
- Human beings are: Boundedly rational (shaped by biases, emotions and heuristics) and reciprocal (not fully selfish or altruistic)
- Economies change through: Individual choices
- Favoured methods: Experiments
- Typical policy recommendations: Nudging people into more 'rational' behavior

Human beings are understood as boundedly rational, because of their limited cognitive capabilities. People use heuristics, such as rules of thumb and mental shortcuts, and are influenced by framing in their decision making. Behavioural economics can be said to consist of two groups. The first group, sometimes also referred to as old behavioural economists, with scholars such as Herbert Simon, George Katona, and Gerd Gigerenzer, propose an alternative framework in opposition to the dominant unrealistic neoclassical one as they argue human behavior follows fundamentally different logics. The other group, also known as new behavioural economists, with people such as Amos Tversky and Daniel Kahneman, tried instead to improve neoclassical economics by analysing departures from its assumptions about human behavior. Recently, new behavioural economics in particular has become influential both within academia and policy making with various 'Behavioural Insights Teams'.

### Teaching Materials

- Behavioral Economics on Exploring Economics, from 2016.
- Rethinking Economics: An Introduction to Pluralist Economics by Liliann Fischer, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach W. Perkins, & Catriona Watson, from 2018, chapter 6.
- Economics: The User's Guide by Ha-Joon Chang, 2014, chapter 4.

- Routledge Handbook of Behavioral Economics by Roger Frantz, Shu-Heng Chen, Kurt Dopfer, Floris Heukelom, & Shabnam Mousavi, from 2017.
- Behavioral Economics: Toward a New Economics by Integration with Traditional Economics By Masao Ogaki & Saori C. Tanaka, from 2018. .

## Classical Political Economy

Key assumptions and aspects:

- Main concern: The wealth of nations
- Economies are made up of: Classes
- Human beings are: Selfish (in class terms), but also have moral sentiments
- Economies change through: Capital accumulation and the division of labour
- Favoured methods: Abstraction and reason
- Typical policy recommendations: Free markets and free trade

With the rise of capitalism, classical political economy arose at the end of the 18th century to understand how it was possible that through private ownership and markets, goods and services were provided to people. Classical political economists systematically analysed the economy by looking at the tendency of markets to move towards equilibrium and the power struggles between landowners, capitalists and workers. They argued that labour is the source of all value in opposition to physiocracy, with its focus on agriculture, and mercantilism, with its focus on exports, money and extraction. Based on the labour theory of value, most classical political economists argued for free trade and free markets. After being highly influential during the 19th century, classical political economic thought moved to the background of economic thinking in the 20th century.

### Teaching Materials

- Economics: The User's Guide by Ha-Joon Chang, 2014, chapter 4.
- A Companion to the History of Economic Thought by Warren J. Samuels, Jeff. E. Biddle & John B. Davis, from 2003, chapters 7-9 & 11.
- Understanding 'Classical' Economics: Studies in Long Period Theory By Heinz D. Kurz & Neri Salvadori, from 1998.
- Classical Political Economy: A Survey of Recent Literature by William O. Thweatt, from 1988.

## Complexity Economics

Key assumptions and aspects:

- Main concern: Resilient and adaptive systems
- Economies are made up of: Complex systems of interaction between actors
- Human beings are: Shaped by heuristics, social comparisons and habits
- Economies change through: System dynamics, evolution and emergence
- Favoured methods: Agent-based and computational modelling
- Typical policy recommendations: Generate desirable (self-reinforcing or balancing) feedback loops and maintain sufficient buffers

Complexity economics is still a very young and developing approach. It has mainly arisen out of the application of methods from mathematics, physics and biology to economic problems. Econophysics, therefore, also overlaps with complexity economics. While only a relatively small number of people engage

with complexity economics, its status within the discipline is already quite high, as various prestige scholars and projects focus upon it. Humans are understood as rule followers, as they emulate others and are adaptive to changes in their environment. Not everyone follows the same ‘rules’, and ‘rules’ are not constant over time. Hence, the system is always subject to change.

### Teaching Materials

- Complexity Economics on Exploring Economics, from 2016.
- Rethinking Economics: An Introduction to Pluralist Economics by Liliann Fischer, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach W. Perkins, & Catriona Watson, from 2018, chapter 7.
- Complexity and the Economy by W. Brian Arthur, from 2015.
- Handbook of research on complexity by J. Barkley Rosser, from 2009.
- Econophysics: Background and Applications in Economics, Finance, and Sociophysics by Gheorghe Savoiu, from 2012.
- Complexity and the History of Economic Thought by David Colander, from 2000.

## Cultural Approach

Key assumptions and aspects:

- Economies are made up of: Socially and culturally embedded individuals
- Human beings are: Shaped by culture, norms and meaning-making processes around them
- Economies change through: Altering understandings and interpretations of economic activities
- Favoured methods: Qualitative research

The cultural approach is a broad category which is defined by its focus on the importance of culture in how economies work. As such, it pays attention to the meaning people give to things and how these meanings are constructed and influence economic life. The origins of this approach go back to the beginning of the social sciences, with scholars such as Max Weber, Bronislaw Malinowski and Marcel Mauss. It has many forms and names, such as the culturalist approach, cultural economics, anthropological economics, cultural sociology, and constructivist political economy, which each refer to something slightly different. It should however be noted that it does not refer to the economics of the culture industry, which is a topic, not a perspective. One could also argue that a recent development within this broad category is performativity theory, which revolves around the idea that economic ideas do not merely (aim to) describe the world, but actively shape (perform) it. A famous example, mentioned earlier, is the Black–Scholes model, which initially described derivatives markets poorly, but after it changed financial regulations and began to be used by many traders, it came to explain derivatives markets very well (MacKenzie, 2006).

### Teaching Materials

- Economic Lives: How Culture Shapes the Economy by Viviana Zelizer, from 2010.
- Constructing the International Economy by Rawi Abdelal, Mark Blyth, & Craig Parsons, from 2010.
- The Anthropology of Economy: Community, Market, and Culture by Stephen Gudeman, from 2001.
- Do Economists Make Markets? On the Performativity of Economics by Donald MacKenzie, Fabian Muniesa & Lucia Siu, from 2007. .

# Ecological Economics

Key assumptions and aspects:

- Main concern: Ecological sustainability
- Economies are made up of: Ecological and socio-economic systems
- Human beings are: formed through social processes and value immaterial aspects of life
- Economies change through: Material and energy flows
- Favoured methods: System dynamics
- Typical policy recommendations: Degrowth to stay within planetary boundaries

During the 1970s, ecological economics arose out of the incorporation of material and energy flows in economic analyses. The fact that human economic activity had caused climate change, made it clear that nature had to have a more central place in economics than simply as a resource. Human societies and their economies are embedded in the environment and therefore fundamentally depend on it. Well-being is not reduced to material consumption, but redefined more broadly and socially. Similarly, economic development is not reduced to growth in material production and/or consumption (or monetary / market). Ecological economics often positions itself in opposition to neoclassical environmental economics, arguing that the economy and market should follow the rules of nature and the biosphere rather than the other way around.

## Teaching Materials

- Ecological Economics on Exploring Economics, from 2016.
- Rethinking Economics: An Introduction to Pluralist Economics by Liliann Fischer, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach W. Perkins, & Catriona Watson, from 2018, chapter 9.
- An Introduction To Ecological Economics by Robert Costanza, John Cumberland, Herman Daly, Robert Goodland, & Richard Norgaard, from 2015.
- Handbook of Ecological Economics by Joan Martínez-Alier & Roldan Muradian, from 2015.

# Evolutionary Economics

Key assumptions and aspects:

- Main concern: Economic progress
- Economies are made up of: Evolving and emerging populations and actors
- Human beings are: Socio-historical actors who act on the basis of heuristics, routines and rules
- Economies change through: Technological and social innovation
- Favoured methods: Wide variety, from evolutionary game theory and regression analysis to network analysis and interviews
- Typical policy recommendations: Facilitate and generate entrepreneurship and innovation

Since the 19th century, evolutionary thinking has had substantial impact on various economic thinkers such as Thorstein Veblen, Joseph Schumpeter, and Kenneth Boulding. More recently there have been attempts to create a more coherent intellectual school called evolutionary economics. Although the impact of evolutionary economics on the discipline has so far been quite limited, it is recognized as providing important contributions and is often considered to be one of the promising approaches for the future. It is argued that people adapt themselves to their natural but also social environment. Based on evolutionary principles such as variation, selection and replication, it tries to understand how markets, firms, and national economies develop.

## Teaching Materials

- Evolutionary Economics on Exploring Economics, from 2016.
- Economics: The User's Guide by Ha-Joon Chang, 2014, chapter 4.
- The New Evolutionary Economics by Kurt Dopfer and Jason Potts, from 2014.
- Elgar Companion to Neo-Schumpeterian Economics by Horst Hanusch & Andreas Pyka, from 2007.
- Evolutionary and Neo-Schumpeterian Approaches to Economics by Lars Magnusson, from 1994.
- A perspective on the evolution of evolutionary economics by Richard R. Nelson, from 2020.
- Economics and Evolution: Bringing Life Back into Economics by Geoffrey M. Hodgson, from 1993.

## Feminist Economics

Key assumptions and aspects:

- Main concern: Gender equality
- Economies are made up of: Individuals and social groups
- Human beings are: Shaped by their intersectional identities (combinations of class, gender, ethnicity, and other social identities)
- Economies change through: Cultural and social developments
- Favoured methods: Wide variety, from survey and regression analysis to interviews and participant observation
- Typical policy recommendations: Supporting and rewarding unpaid care work and fighting discrimination

Since the 1960s, feminist thinking have had a tremendous impact on the social sciences. However, in economics, this process only started in the 1990s and is still marginal as compared to other social sciences. Nevertheless, feminist economists have made important contributions to the study of unpaid work, well-being, care, households and of course gender. Human beings are seen as products of social interactions, engaging in conflict, competition as well as cooperation with each other at different moments in time. Instead of focusing on the 'economic man' who engages only in market transactions, feminist economists study the entire fabric of provisioning, investigating the ways people organize themselves to make a living as interdependent social processes.

## Teaching Materials

- Feminist Economics on Exploring Economics, from 2016.
- Rethinking Economics: An Introduction to Pluralist Economics by Liliann Fischer, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach W. Perkins, & Catriona Watson, from 2018, chapter 5.
- A Companion to the History of Economic Thought by Warren J. Samuels, Jeff. E. Biddle & John B. Davis, from 2003, chapters 28B.
- The Routledge Handbook of Feminist Economics by Günseli Berik & Ebru Kongar, from 2021.
- Out of the Margin: Feminist Perspectives on Economics by Edith Kuiper, Susan Feiner, Jolande Sap, Notburga Ott, & Zafiriz Tzannatos, from 1995.
- Feminist Economics Today: Beyond Economic Man by Marianne A. Ferber & Julie A. Nelson, from 2000.
- Greed, Lust and Gender: A History of Economic Ideas by Nancy Folbre, from 2009.

# Field Theory

Key assumptions and aspects:

- Economies are made up of: Meso-level social arenas with shared meanings and rules, also known as fields
- Human beings are: Competing for better positions in fields with their social, cultural, economic, and symbolic capital
- Economies change through: Strategic power struggles between actors and alternations in the rules of competition
- Favoured methods: Wide variety, from network analysis and multiple correspondence analysis to historical analysis and participant observation.

Field theory, sometimes also called the political-cultural approach, is a young approach, at least in its application to economic topics, as its first studies were conducted during the 1990s. One could distinguish two main branches of field theory, one located in the US of which Fligstein is a core proponent, and the other in France in which Bourdieu is central. Fligstein's version of field theory overlaps significantly with the sociological neo-institutionalist approach. Not to be confused with institutional economics, these two approaches have some links, as both field theory and sociological institutionalism emphasize the importance of institutions, legitimacy and the focus of organizations on survival. The core idea of field theory is that actors (people or organisations) orient their behavior to one another within meso-level social orders, called fields. Fields could be seen as social arenas in which constant games of jockeying for position are being played. In this game, it is necessary for actors to understand both the shared meanings and rules of a field and what others are doing, in order to act themselves. The structure of the field and an actor's position in it, shape the actor's interests and way of thinking, but do not fully determine it as the actors have the freedom to pursue their own strategies within fields.

## Teaching Materials

- Varieties of Field Theory by Daniel Kluttz & Neil Fligstein, from 2016.
- Markets as Politics: A Political-Cultural Approach to Market Institutions by Neil Fligstein, from 1996.
- What is field theory? by John L. Martin, from 2003.
- The architecture of markets: An economic sociology of twenty-first-century capitalist societies by Neil Fligstein, from 2001.
- The Social Structures of the Economy by Pierre Bourdieu, from 2000.

# Historical School

Key assumptions and aspects:

- Main concern: National economic development
- Economies are made up of: Nations
- Human beings are: Citizens of a nation
- Economies change through: Political decisions along national-cultural specific paths of development
- Favoured methods: Inductive statistical and archival analysis
- Typical policy recommendations: Infant industry protection, public infrastructure investment and social policy

The German historical school, together with the partially overlapping American school (or national system), arose as a reaction to classical political economy which argued free markets and free trade create prosperity. Furthermore, it was opposed to the deductive approach which had become dominant within classical political economy, and developed inductive historical and statistical approaches to studying the economy. Human beings were understood as part of cultural and historical specific nations. To understand how people behave

and economies work, one thus has to look at the history of a specific place instead of just making assumptions about individuals that are supposed to be universal. Germany was the centre of academic life during the 19th century, in doing so it inspired an English (and French) historical school of economics and institutional economics in the US. But because of the rise to power of the Nazi's and the Second World War, the influence of the historical school was abruptly ended.

### Teaching Materials

- A Companion to the History of Economic Thought by Warren J. Samuels, Jeff. E. Biddle & John B. Davis, from 2003, chapters 14.
- The German historical schools in the history of economic thought by Peter Senn, from 2005.
- The German Historical School: The Historical and Ethical Approach to Economics by Yuichi Shionoya, from 2000.

## Institutional Economics

Key assumptions and aspects:

- Main concern: Economic development
- Economies are made up of: Individuals and institutions
- Human beings are: Shaped by social rules, culture, instincts and habits
- Economies change through: Changes in institutions
- Favoured methods: Inductive statistical and qualitative analysis
- Typical policy recommendations: Regulate capitalism and prevent corrupt and extractive practices through legal institutions and societal countervailing forces

Institutional economics arose in the beginning of the 20th century out of the desire to make economics an empirical science. Instead of assuming that people behave according to universal and ahistorical principles, they argue that people derive habits and value-orientations from their institutional environment, which they in turn influence through their interactions with other people. The economy is, therefore, studied holistically, instead of looking at isolated individuals and markets. During the interwar period, institutional economics obtained great importance. After the Second World War, however, it was pushed to the margins of the discipline by the dominance of the neoclassical synthesis. Since the 1970s, there has been an attempt, under the name of new institutional economics, to include institutions in a neoclassical framework by thinking about institutions as transaction costs minimizers. This has caused institutional economists, who do not start from neoclassical assumptions, to call themselves original or old institutional economists.

### Teaching Materials

- Institutional Economics on Exploring Economics, from 2016.
- Rethinking Economics: An Introduction to Pluralist Economics by Liliann Fischer, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach W. Perkins, & Catriona Watson, from 2018, chapter 4.
- Economics: The User's Guide by Ha-Joon Chang, 2014, chapter 4.
- A Companion to the History of Economic Thought by Warren J. Samuels, Jeff. E. Biddle & John B. Davis, from 2003, chapters 23 and 28C.
- Institutions in Economics: The Old and the New Institutionalism by Malcolm Rutherford, from 1999.
- The Institutionalist Movement in American Economics, 1918-1947: Science And Social Control by Malcolm Rutherford, from 2011.
- The Evolution of Institutional Economics: Agency, Structure and Darwinism in American Institutionalism by Geoffrey Hodgson, from 2004.



# Marxian Political Economy

Key assumptions and aspects:

- Main concern: A classless society
- Economies are made up of: Classes
- Human beings are: Productive, creative and formed by their social context
- Economies change through: Class struggle, capital accumulation and technological progress
- Favoured methods: Dialectical method and historical materialism
- Typical policy recommendations: Collectivising the means of production

Marxian political economy arose out of the attempt of Karl Marx to bring together English classical political economy, German Hegelian philosophy and French socialist thought. Humans are understood as creative beings who realize their ideas through their work. Within the capitalist system, the class struggle between workers and capitalists is dominant. The drive for private profit leads to continuous technological advances and accompanying economic instability. Since the existence of Marxian political economy, it has been one of the emblematic heterodox approaches in most capitalist societies and a mainstream approach in socialist economies. Furthermore, it has not only been an influential school of thought in economics – Marxian scholars can be found in every social science discipline.

## Teaching Materials

- Marxian Political Economy on Exploring Economics, from 2016.
- Rethinking Economics: An Introduction to Pluralist Economics by Liliann Fischer, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach W. Perkins, & Catriona Watson, from 2018, chapter 2.
- Economics: The User's Guide by Ha-Joon Chang, 2014, chapter 4.
- A Companion to the History of Economic Thought by Warren J. Samuels, Jeff. E. Biddle & John B. Davis, from 2003, chapters 10 and 28E.
- Routledge Handbook of Marxian Economics by David M. Brennan, David Kristjanson-Gural, Catherine P. Mulder, & Erik K. Olsen, from 2017.
- Radical Political Economy: A Concise Introduction by Charles A. Barone, from 2004.

# Neoclassical Economics

Key assumptions and aspects:

- Main concern: Efficient allocation of scarce resources that maximizes consumer welfare
- Economies are made up of: Individuals
- Human beings are: (hyper)rational, self-interested and atomistic individuals with fixed and given preferences, also called the 'homo economicus' and 'economic man'
- Economies change through: Individual optimizing decisions
- Favoured methods: Equilibrium models and econometrics
- Typical policy recommendations: Free market or government intervention, depending on assessment of market and government failures

Neoclassical economics arose out of the marginalist revolution, during the long depression which started in the 1870s. Neoclassical economics was largely a reaction against Marxian political economy as it argued that markets create harmony, not conflict. Human beings were assumed to be rational and selfish, as their decisions are solely motivated by expected utility maximization based on their given and stable preferences. Mathematically deduced from these assumptions about individuals, an analysis of market equilibria arises. These markets work mainly through price mechanisms; their efficiency as well as their potential failures are



analysed. Neoclassical economics quickly became an important strand of thinking after its birth in the late 19th century, and after the Second World War it became the dominant theoretical approach in most countries. The increase in its practitioners gave rise to many different sub-branches of neoclassical economics, such as general equilibrium and neoclassical growth theory. Sometimes neoclassical economics is lump together with neoliberalism. While there is overlap between neoliberal thought and neoclassical sub-branches, such as monetarism and new classical macroeconomics, the two are not the same. Many economists, among which neo-Keynesians for example, use and build on neoclassical (microeconomic) models to oppose neoliberal ideas. To this day, neoclassical economics remains a highly influential approach, in research, policy making, and especially education. Many have been arguing for, or predicting, its demise for already a couple of decades. New approaches, such as behavioural, evolutionary and complexity economics, are often thought to replace neoclassical economics as core of the mainstream discipline. Whether this will indeed be the future remains to be seen.

### Teaching Materials

- Neoclassical Economics on Exploring Economics, from 2016.
- Economics: The User's Guide by Ha-Joon Chang, 2014, chapter 4.
- A Companion to the History of Economic Thought by Warren J. Samuels, Jeff. E. Biddle & John B. Davis, from 2003, chapters 16, 18-21, and 24-6.
- What is Neoclassical Economics? Debating the origins, meaning and significance by Jamie Morgan, from 2015.
- The Making of Neoclassical Economics by John F. Henry, from 1990.

## Post-Keynesian Economics

Key assumptions and aspects:

- Main concern: Full employment
- Economies are made up of: Individuals and classes
- Human beings are: Following rules of thumb and habits because of fundamental uncertainty
- Economies change through: Animal spirits and government intervention
- Favoured methods: Stock-flow consistent models and econometrics
- Typical policy recommendations: Stabilization of effective demand through active fiscal policy

Building on older underconsumption theories, Keynesian economics arose during the 1930s in order to explain and develop ideas to solve the economic depression. In doing so, it considerably overlaps with the Stockholm school. Keynesian economics argues that people compare themselves to others and build their decisions partly on rules of thumb and habits, because of psychological reasons and fundamental uncertainty. Effective demand, consumption and investment, therefore depends to a large extent on animal spirits and herd behavior. In the post-war period until the stagflation of the 1970s, it was highly influential, especially its neo-Keynesian (sometimes also called old Keynesian) branch which synthesized Keynes' ideas with neoclassical microeconomics, this period is therefore often called the neoclassical synthesis. After the 1970s, post-Keynesians (sometimes also called Cambridge Keynesians), who radically broke with neoclassical economics as they constructed a fundamentally new approach to economics with Keynes as main inspiration, became organized as a distinctive heterodox approach. At the same time, new Keynesians introduced imperfections in then influential neoclassical models of new classical macroeconomics, and in doing so came to Keynesian (pro government intervention) rather than new classical (free market) conclusions (but theoretically they are furthest removed from Keynes' own work and thinking).

## Teaching Materials

- Post-Keynesian Economics on Exploring Economics, from 2016.
- Rethinking Economics: An Introduction to Pluralist Economics by Liliann Fischer, Joe Hasell, J. Christopher Proctor, David Uwakwe, Zach W. Perkins, & Catriona Watson, from 2018, chapter 1.
- Economics: The User's Guide by Ha-Joon Chang, 2014, chapter 4.
- A Companion to the History of Economic Thought by Warren J. Samuels, Jeff. E. Biddle & John B. Davis, from 2003, chapters 22 and 28D.
- The Oxford Handbook of Post-Keynesian Economics, Volume 1: Theory and Origins by Geoffrey Harcourt & Peter Kriesler, from 2013.
- Post-Keynesian Economics: New Foundations By Marc Lavoie, from 2014.
- Keynes: A Very Short Introduction by Robert Skidelsky, from 2010.

## Social Network Analysis

Key assumptions and aspects:

- Economies are made up of: Social networks
- Human beings are: Embedded in social structures and relations
- Economies change through: Developments in interpersonal ties
- Favoured methods: Network analysis and graph theory

Social network analysis originated in the beginning of the 20th century in sociology, but has only been systematically applied to economic topics since the 1980s. In doing so, it helped initiate a revival of economic sociology. More recently, it has inspired economists to focus on networks, done often under the name “the economics of networks”. Social network analysis also has some overlap with complexity economics and interacts with the broader academic field of network science. Social network analysis applied to economic topics looks at how economic life is embedded in social life. Instead of analysing economies as if individuals operate rationally as atoms in markets, the focus lies on social relations and structures in which people interact with each other. As such, social network analysis neither focuses on individuals and their characteristics (such as preferences and rational or irrational behavior), nor on collectives (such as classes and nations). Instead it looks at how networks are structured by analysing the relations (also called ties, edges or links) between the nodes (which can be people, organizations or things).

## Teaching Materials

- Social Network Analysis by John Scott, from 1991.
- The Impact of Social Structure on Economic Outcomes by Mark Granovetter, from 2005.
- Economic Action and Social Structure: The Problem of Embeddedness by Mark Granovetter, from 1985.

## Structuralist Economics

Key assumptions and aspects:

- Main concern: Economic growth in developing countries
- Economies are made up of: Economic sectors, institutions and social classes
- Human beings are: Shaped by social and cultural structures around them
- Economies change through: Government policy and sectoral developments
- Favoured methods: Econometrics and historical analysis
- Typical policy recommendations: Import substitution industrialization

Structuralist economics emerged in Latin America during the 1950s out of a quest to better understand global inequality and how developing countries could grow. The Ricardian and neoclassical theories of comparative advantage did not seem to be able to explain why many developing countries experienced so many difficulties growing. While the use of military force had previously been crucial for colonial oppression and economic extraction, structuralist economists tried to understand how unequal development could continue through more invisible processes. A key insight economists, such as Raúl Prebisch, developed was that the economic structures of countries, such as sectoral specialization patterns, technological capacities, and the institutional arrangements concerning labour, financial and international commodity markets, were crucial in these matters. Unequal economic development is possible because of contrasting international economic structures, with a hegemonic industrial centre and a dependent agricultural periphery. A key source of inspiration for structuralist economics was Keynesian economics, but many other strands of economic thinking such as historical, institutional, neoclassical and Marxian economics, also influenced the approach. There is also overlap with other approaches, such as world system and dependency theory, which also emphasize unequal global economic relations, although they build more on Marxian ideas.

### Teaching Materials

- The structuralist tradition in economics: methodological and macroeconomics aspects by Fabrício Missio, Frederico G. JayMe Jr, & José L. Oreiro, from 2015.
- Growth and Policy in Developing Countries: A Structuralist Approach by Jose Antonio Ocampo, Codrina Rada, & Lance Taylor, from 2009.
- New Structural Economics: A Framework for Rethinking Development and Policy by Justin Yifu Lin, from 2010.
- Developmental Macroeconomics: New Developmentalism as a Growth Strategy by Luiz Carlos Bresser-Pereira, José Luís Oreiro, & Nelson Marconi, from 2014.

# Building Blocks: Overview

The meat and bones of the Economy Studies course design method are the ten building blocks. Each of these building blocks covers an area of knowledge or a skill that we see as essential for the education of future economists. They can be used as templates to create courses, of generally six to ten weeks each. One can also pick and choose elements of the different building blocks to combine them into a broader course, or split up a building block into several courses.

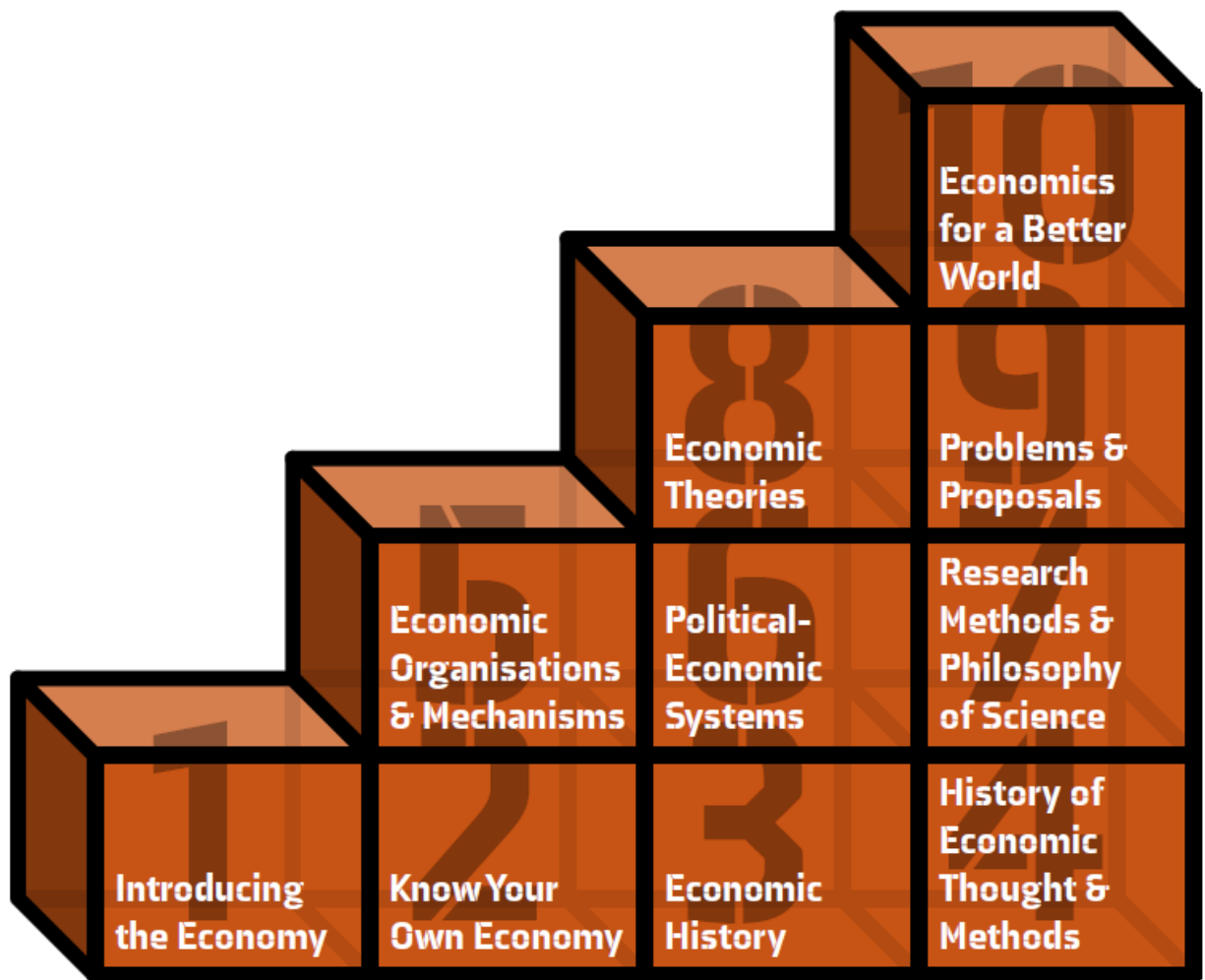


Figure 1: The ten building blocks that form the core of this book. The order of the numbers is not necessarily the order in which they should be taught. Their relative size varies, with building blocks 7 and 8 generally taking up much more space than the others.

The first two building blocks focus on helping students to develop a feeling for economic matters and teaching them basic conceptual and real-world economic knowledge. *Building Block 1: Introducing the Economy* discusses the definition and relevance of ‘the economy’ and how it is related to other aspects of the social and physical world. *Building Block 2: Know Your Own Economy*, explores actual national and local economies and their structures, institutions and sectors.

With this basic knowledge in hand, we explore the history of economic thought and of the real-world economy. *Building Block 3: Economic History* explores the fascinating and diverse history of economic events and developments. *Building Block 4: History of Economic Thought & Methods*, in contrast, is about the remarkable

and complex history of ideas about the economy. Together, these chapters provide a crucial foundation for students' further education.

Besides knowing basic economic concepts, facts and history, it is key that economics students learn how economies can and have been organised, at micro-, meso- and macro-levels. *Building Block 5: Economic Organisations & Mechanisms* investigates the different forms of economic interaction and organisation that operate at each level and together make up an economy. *Building Block 6: Political-Economic Systems* reviews the complex structures, institutions and power relations that form the overarching structure of an economy.

Another core element of a good economics education is a broad and diverse analytic toolkit, filled with relevant methods and theories. *Building Block 7: Research Methods & Philosophy of Science* is about both quantitative and qualitative data collection and analysis methods. In *Building Block 8: Economic Theories* we propose a 'pragmatic pluralist' approach to teaching theories by focusing on only the most important insights for every topic. These two building blocks will likely take more space in most programmes than the others, as the centre of gravity of an academic education lies in methods and theories.

The last two building blocks are largely concerned with the productive application of economic ideas in the real world. Economics education should be preparing the economic experts of tomorrow for their future roles in society. *Building Block 9: Problems & Proposals* deals with the practical skills necessary for the work of almost all economists: analysing real-world problems and working on proposals to address them, whether in a company, government agency, think tank or academic department. *Building Block 10: Economics for a Better World* deals with the values involved in decision making, asking what normative principles and visions can guide actions to address the major challenges of our times.

# Building Block 1: Introducing the Economy

**Getting a feeling for economic matters. What is the economy, why is it important, how is it embedded in the larger social and natural world, what are the main current societal challenges, and what roles do its experts, economists, have?**

*What:* Economics education is about preparing the next generation of economists for their future roles in society. Therefore, it is crucial that economics programmes help students to develop their understanding of how the economy is embedded in the wider social and ecological world. It is about asking seemingly simple questions that go to the core of what economists are concerned about: What is the subject-matter of the study, why is it relevant, how does this relate to other fields, and what does it mean to become an economist?

*Why:* Introducing the subject-matter of the economy and its relevance is foundational for any economics programme. This basis informs the entire programme and every course students will take. Clearly introducing students to the subject-matter of their study allows them to see the bigger picture and put the different elements of the programme in context. Furthermore, it motivates students and helps them understand why studying economics is worthwhile. In contrast, failure to properly introduce and contextualise the general subject matter will lead to demotivated students and fundamental misunderstandings throughout the programme.

*Contrast with current programmes:* Currently, economics programmes usually begin with teaching mathematics or highly abstract models. As such, an introduction to the field as a whole is often missing. When a more general introduction is given, it often focuses on thinking like an economist, that is, thinking in neoclassical models, which is described as ‘the correct way’. We believe that instead of convincing students to follow a particular point of view or study methodology (see also Foundation 1: The Philosophy of Economy Studies), an economics education should start by introducing the field of study more broadly and in particular the topic of study: ‘the economy’.

## Sections:

- 1 What is the Economy?
- 2 Ecological and Social Embeddedness of the Economy
- 3 Reasons to Study the Economy
- 4 The Main Current Societal Challenges
- 5 The Role of Economists in Society

*“Let’s start at the very beginning*

*A very good place to start*

*When you read, you begin with A-B-C*

*When you sing, you begin with do-re-mi”*

**Maria von Trapp – The Sound of Music**

In economics, models play an important role. However, before studying a conceptual model of something, it is important to clearly scope and define what exactly it is that one is studying as also outlined in the chapter Foundation 1: The Philosophy of Economy Studies. This first building block therefore introduces the subject-matter of economics: the economy. It helps students to grasp what it is they are studying, why it is such an important topic, and how the economy is interrelated with other aspects of our world. Furthermore, in this building block, students explore the question of what we seek in our economy, are introduced to the most important challenges of today, and take a look in the mirror: what does it mean to be an economist and what do and don’t they do?

This building block primarily aims to raise questions, rather than provide answers. Before delving into various forms of knowledge, theories and methods, students need to be motivated, to feel grounded in the field, and to have a basic delineation of what it is they will be doing. We therefore suggest using this building block early on in programmes. It touches on many subjects which are covered in more depth in other building blocks, and does so intentionally as a high-level introduction to gain a good overview; to understand ‘the big picture’.

## 1 What is the Economy?

When we personally started our studies in economics, we had a rather vague idea of what the field entailed. We were aware that it had something to do with money, companies and politics, and that it was crucially important for the functioning of society. That was about it. Such a deep lack of awareness, we think, is fairly standard for beginning students, as high-school economic programmes often focus more on business topics. Therefore, it is crucial to introduce students to the thing they are supposed to become experts on. Without such an introduction, students would, and do, learn about specific topics and methods, without understanding why they learn these things and of what larger whole these are part. A shared understanding of the subject-matter should therefore be built, as soon as the programme begins.

An important first step in economics programmes is to introduce the core concepts defining what the economy is: the systems of resource extraction, production, distribution, consumption and waste disposal through which societies provision themselves to sustain life and enhance its quality. To develop a feeling for how these processes can be organised, it can be useful to discuss the major actors and institutions of an economy. That is, the government, big and small private companies, cooperatives, labour unions and employers associations, households, banks, regulatory and civil society organisations. Other aspects of the economy one can introduce to students are the primary, secondary, tertiary, quaternary and quinary sectors, as well as the formal and informal sectors. There is no need here to go deeply into theory or empirics, it is much more important that students begin to understand how these various entities and concepts relate to each other and form a larger system.



Economics programmes should start by helping students to get a feeling for economic matters. This can, for example, be done by taking the economic sections of newspapers and discussing recent economic events. A more conceptual introduction into what the economy is can be given with the material listed below. A useful material could be 'Economics: The User's Guide' by Chang, as it provides an accessible bird-eye overview of the economy.

A valuable exercise in economic awareness is the following: let students analyse and describe the provisioning processes they engage in and encounter in the course of a single day. For instance, students might realise that they perform a lot of unpaid work to take care of themselves, such as preparing food, cleaning, washing, and that such work is also performed by family members and friends. When they go to a shop to buy something, they would have to ask themselves how that company operates and where it gets its inputs from. If the student pays by card, the bank also plays a role in his or her economic activity and becomes part of the exercise.

Another aspect might be that these daily provisioning processes are embedded in an institutional framework of standards, labels and regulation by government or consumer associations which play a role in economic coordination. When the student comes to class for a lecture, for example, various questions arise: how is education organised, who performs what work and how is it financed? A link can then be made with other processes, as the education is (partially and indirectly) financed through the taxes paid on the product that was bought earlier in the shop.

If the student goes to a local sports club, which runs a competition as a volunteer-based association, this provides another type of economic setting to analyse. In terms of exercises, this could be coupled with a weekly assignment to analyse a student's own economic daily life, making use of the concepts introduced that week.

In general, we suggest briefly touching upon the various constituent elements of economies, but saving the details for building blocks 2, 5, 6 and 8. This first building block should provide a bird's eye overview of the system as a whole.

## 2 Ecological and Social Embeddedness of the Economy

The economy does not exist in a vacuum. It is embedded in the ecological and social world with much (and ever-changing) overlap and interaction. Without understanding what this embedding looks like, it is very hard to understand the economy itself. In addition, an understanding of this embedding greatly facilitates the application of economic knowledge. Finally, it helps motivate students, who often come to the programme carrying concerns about larger societal and environmental issues (such as international development, climate change, pandemics, and human well-being or happiness). They know that economic dynamics greatly determine such issues, and hope to gain an understanding of how, exactly, these systems are related and what can be changed.

Since this first building block can only provide a brief vista on the embeddedness of the economy, its main goal is to get students thinking and questioning. More detailed answers will come later in the programme. Several of the theoretical approaches discussed in Building Block 8: Economies Theories, and Tool 1: Pragmatic Pluralism offer useful starting points to stimulate students' questions.

For instance, institutional economics provides insights into the ways economic dynamics are interrelated with



social and legal systems. Feminist economics has important insights on not only economic gender dynamics, but also care work and unpaid work in general. And ecological economics provides easily grasped theoretical models to show how economic activity is situated within life-supporting ecosystems. In terms of the interface between economy and ecology, there are several other emerging fields, of which industrial ecology seems particularly promising.

Economic sociology studies the social processes within the economy and how the latter is embedded in larger societal structures. Political economy focuses on the interaction and connections between politics and the economy. Economic anthropology analyses how people understand and make sense of economic life and how this is connected to larger cultural and meaning-making processes in human societies.

In discussions on the embeddedness of the economy, the question of boundaries may arise: what do we still consider 'the economy'? As in every field, the exact boundaries are widely debated, as discussed in the chapter Foundation 1: The Philosophy of Economy Studies. While exploring these debates could be interesting, it is more important that students develop a rough understanding of the interfaces between the ecological, social and economic realm. For example, care work, institutions and ecosystems are essential for the workings of economies, but cannot be reduced to being simply economic phenomena. We suggest that economics education focuses on how these things shape the functioning of the economy, leaving the entire ecological and social realm to other scholars to study.

A good start is basic instruction in the economic strands of ecological, feminist and institutional economics as well as related fields such as economic sociology and political economy. If the lecturer does not have training in these fields, we suggest using introductory chapters of the respective textbooks and recorded lectures. In addition, it can be useful to have scholars from these fields give guest lectures: biologists, sociologists and political scientists. This is generally most productive when these lecturers have experience with working on interdisciplinary teams with economists, so that they can also explain how the economists can contribute to better understanding the world.

Again, it can also be very fruitful to ask students to debate these matters for themselves: how is the economy related to the social and ecological world? Getting students to develop their thinking on this simple question will most certainly make for lively workshop classes, and lead to increased motivation and curiosity later in the programme.

### 3 Reasons to Study the Economy

Why do we study the economy, other than as a purely intellectual pursuit? What makes this field of knowledge such a socially vital one? Many economics programmes fail to discuss their own *raison d'être*. We believe this is a serious omission. Students will be far more motivated if they are prompted to think about the possible purpose(s) of their work, and consequently about their own place in society.

Here, a useful distinction is between goals, more broadly, and measurements, more specifically. As for goals, we try to understand the economy, so that we can alter economic resource extraction, production, distribution, consumption and waste disposal processes such that societies are better able to provision themselves to sustain life and enhance its quality. Where 'better' can be more abundant, fair, reliable, sustainable, healthy, fun, or meaningful, or so that we or our family, company, town, or country, can gain more relative wealth, security, independence, power or social cohesion. In chapter Foundation 4: Values we discuss these different interpretations of goals of an economy in more detail. Subsequently, to see whether we are

attaining those goals, we need measurement tools, such as Gross Domestic Product, the Human Development Index, the Gross National Happiness Index, the Better Life Index, and the Genuine Progress Indicators.

Self-evident as these ‘goals’ of economic policy may seem, they need to be determined by societies at different levels and may conflict or at least vary so much that universal measuring sticks do not suffice. If we leave this undiscussed, it will be difficult for students to realise when they are giving normative advice, and how to chart their own course in these waters. Rather than teaching general ethical theory (for example utilitarianism, deontology and virtue ethics), we propose to directly focus the philosophical lens on economic questions. Presenting and confronting students with concrete cases in which normative goals conflict with each other can be very useful in developing professional skills. In this way, besides becoming familiar with normative debates and arguments, students learn how economic decisions are often about considering multiple goals and finding the best compromise.

It may be useful to teach this section of the building block in conjunction with the previous one, on ecological and social embeddedness of the economy. We encourage teachers to also use their personal passions and interests to convey to students why the economy is so important. Another approach could be to let students debate among themselves why the economy is important and what economic outcomes they think are crucial.

It is important here to clarify the relationship between goals and measures: we need measures, but for some goals, this is trickier than for others. Monetary indicators, such as GDP and profits, have been further developed than social and ecological indicators. However, given the increasing relevance of the latter, it is important to introduce students to newly developed measurements of economic success.

The point of this building block is not to be exhaustive, showing or discussing all possible economic goals. Rather, it is to open students up to thinking consciously about them, to name and discuss them explicitly, and to learn to recognize (and step beyond) their personal values. For instance, deep ecology enthusiasts should learn why global competitiveness may be worth striving for, and vice versa. The textbook *Principles of economics in context* could be particularly useful to give students an idea of the different reasons why studying the economy is relevant.

## 4 The Main Current Societal Challenges

An important role for economists is to help society understand and deal with many of its most difficult challenges. While the ‘goals of the economy’ discussed above are more or less timeless, the challenges in this section are specific to this generation. If future generations of economists are to fulfil this role, they need to be well acquainted with these challenges. In addition, knowing the various challenges our world is facing will help motivate students to apply themselves to more theoretical material, such as research methods and the details of theory. It will give them concrete issues to which they can apply these methods and theories and also guide them in their choice of electives and their own research subjects, further into the programme.

We distinguish two major societal challenges that students should understand, which are increasingly interrelated: human wellbeing and ecological preservation. Starting with the former, many traditional economic concerns are social and still highly relevant today such as poverty and hunger. Keynes (1930) termed this ‘the economic problem’: freeing us up from material worries, to focus humanity’s energies on more interesting pursuits. This ‘economic problem’ goes beyond mere productivity. There are growing concerns about inequality and social polarisation, financial and economic instability, psychological and health issues, unemployment, automation, digitalisation, market concentration and concentration of political power,

political anger, populism, nationalism and migration.

The other set of challenges is ecological. According to many scientists, we live in the ‘Anthropocene’, a time when humanity has the power to change the physical world at a systemic scale (Lewis & Maslin, 2015). We are running an increasingly grave risk of undermining the ecological foundations of our life world. Economists need to play a large role in determining how we can prevent catastrophic climate change and slow or preferably stop the rapid destruction of biodiversity, poisoning of the oceans and so forth – problems that are caused by our increasingly powerful production technology, unceasing growth of material consumption and detrimental waste disposal. Students should have basic knowledge of such issues.

We suggest presenting a broad fact-based overview of both types of challenges: covering where the world currently stands and what the key influencing variables and uncertainties are. For this, reports, such as the Sustainable Development Goals Reports, World Development Reports, and World Happiness Reports could be of use, but more engaging material, such as documentaries, and materials on domestic issues can also be helpful.

We believe it is crucial to introduce students in the beginning of the programme to these issues and advise linking them to discussion on the goals and visions for the economy. Emphasis should be placed on broad and concrete knowledge of the current problems, to motivate students and to help them to put information they later acquire in context. As with other aspects of this building block, the point is not to provide a complete overview or to go far in depth, but rather to introduce students to a new way of thinking and a strand of knowledge that they can later deepen.

## 5 The Role of Economists in Society

*“... do not let us overestimate the importance of the economic problem, or sacrifice to its supposed necessities other matters of greater and more permanent significance. It should be a matter for specialists-like dentistry. If economists could manage to get themselves thought of as humble, competent people on a level with dentists, that would be splendid.”*  
John Maynard Keynes (1930, p. 7) An i

We mentioned a number of times already that economists have an important role to play in achieving the goals of the economy and dealing with the challenges of society; how do we do so? Sometimes economists seem passive commentators to the developments in the world. At other moments, they seem to be the ones calling the shots and determining the direction of actions. This started perhaps with the Physiocrats in 18th century France, and has not abated since, with the prime examples being the central planners of the USSR economy and the free market zealots that led deregulations and shock therapy in the 1980s and 1990s. While the role of economists in society is a complex and sometimes indirect one, it is clear that we are a highly influential professional group especially in today’s world where economic considerations have come to determine so much of our political decision-making.

This is not to say that economists should stick to their personal square millimetre of research territory. Economists have valuable knowledge and insights and can contribute importantly to a healthy public debate and smart policy. However, there are limits to an economic understanding of the world, and limits to the amount of (social) engineering possible. Therefore, it is important that students learn early on to reflect on their societal roles as social scientists, policy makers and educators.

Humility and a focus on the real world are a crucial part of this. 97% of economics students will never go on

to the finesse and accompanying modesty of detailed research work within academia, but rather become practitioners (Colander & McGoldrick, 2010; de Goede et al., 2014). This majority needs to be trained in the limitations of their perspective for when they staff many of the country's most important institutions, such as the central bank and the ministries of finance, economic and social affairs. Visiting these institutions where economists work or inviting employees for guest lectures can help provide a realistic understanding of the role of economists in the real world. A better idea of the kind of professional activities they will experience in the future also allows students to better understand the relevance of what they are being taught.

Presenting and reflecting on literature can help students deepen their understanding. This is also an excellent opportunity to encourage students to develop their essay-writing and debating skills. Below are a number of suggestions for book chapters and papers which could form the readings for such exercises.

## Teaching Materials

- *Economics: The User's Guide* by Ha-Joon Chang, from 2014, chapters 1 & 2. Perhaps the most accessible and yet insightful introduction book into economics, with particular attention to why it is relevant to learn economics and what economics is in the first place.
- *Introducing a New Economics* by Jack Reardon, Molly S. Cato, Maria A. C. Madi, from 2018, chapters 1, 3, 4, & 5. An accessible textbook which introduces students to what economics is, how it is embedded in society and the environment, and major societal challenges, such as climate change, poverty, financial instability, and inequality.
- *Principles of economics in context* by Neva Goodwin, Jonathan M. Harris, Julie A. Nelson, Brian Roach, Mariano Torras, most recent edition from 2019, chapters 0, 1, 20, and 21. This economics textbook covers many of the traditional economic topics, but pays more attention to why studying the economy is relevant and concerns, such as human wellbeing, ecological sustainability, distributional equity, and the quality of employment.
- To help students get an idea of the main societal challenges of today, it can be useful to have them take a look at reports, such as the Sustainable Development Goals Reports, World Development Reports, and World Happiness Reports. It can also be useful to use more engaging types of materials, such as documentaries and coverage of political protests and debates. Furthermore, it can be interesting and useful for students to also be exposed to material on the key issues in the domestic, rather than global, economy.
- *Economists and Societies* by Marion Fourcade, from 2009. This book presents a great historical overview of the societal role economists have had in the United States, Britain and France. For students of one of these countries, reading the introduction, conclusion and chapter devoted to their country can be very insightful in better understanding the role of economists in their society. For courses taught in other countries, it would help to find similar material on their own country. For us as Dutch citizens, for example, a useful additional resource would be the book *Telgen van Tinbergen: Het verhaal van de Nederlandse economen* by Harry van Dalen and Arjo Klamer, from 1996.

# Conclusion

In this concluding chapter, we briefly review what this book has offered and then look ahead, offering practical suggestions and ideas for economics teachers and professors, programme directors and students.

## 1 A New Vision for Economics Education

Our rapidly changing world is faced with many economic challenges, such as increasing debt levels, staggering inequalities and serious forms of ecological breakdown. These challenges are complex and cross multiple dimensions of our social and natural systems. To face these troubles, therefore, it is not nearly enough for economists to hold knowledge in formal, theoretical abstractions. Whilst these may be sophisticated, they only reflect a fraction of what is actually going on in the real world. We need broadly-trained economists with an understanding of the real-world economy. We need economists who know for example how the main industries work, who can grasp the interfaces between state and corporate systems and who see how economies are embedded in the society and ecology at large.

This requires open minds which can look at issues from a variety of perspectives. Given the multifaceted nature of economic systems, no single theoretical framework or methodology can answer all questions, or capture all of its dimensions and mechanisms. Instead, economists need the ability to think critically and evaluate the appropriateness of a range of fundamentally different approaches. In doing so, they also need to be able to clearly distinguish and explicitly discuss the moral dilemmas and normative trade-offs involved in economic decisions.

This book sets out a concrete path towards building such a pluralist and real-world based economics curriculum. While we envision a large diversity of possible economics programs, we suggest that all programs would be improved by following these three organising principles: a pluralist toolkit of theories and methods, sufficient real-world economic knowledge and practical skills, and active training in the consideration of moral and social questions. To flesh out these principles, we propose ten concrete Building Blocks: practical material for the creation of courses. These Building Blocks include introductory material, history of economic thought and reality, forms of economic organisation, research methods, theoretical approaches, normative ideas, practical skills and knowledge of the real economy.

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What kind of graduates would a program based on these ideas and materials produce? It is important to acknowledge that they would not have all the skills that current-day graduates have. They would have less mathematical sophistication, less expertise in econometric analysis, and less knowledge of neoclassical theory. In exchange for this, students would gain a deeper understanding and more concrete knowledge of the economy they will live and work in. This includes:

- An understanding of the linkages between the economy, the environment and society.
- The ability to analyse different types of economic topics and problems, by using a variety of theoretical and methodological approaches.
- An integral understanding of how various smaller mechanisms make up larger economic systems.

- Practical skills for investigating and resolving questions of economic policy: both understanding the context and choosing the right tool.
- The ability to argue morally as well as analytically, and to clearly distinguish the two.

In short, such programmes would produce academically-trained professional economists: broad thinkers and practical scholars, rather than students who are trained to write academic research papers.

## 2 Change Is Necessary and Possible

It will not be easy to build such programmes. We fully realise that these changes cannot be introduced overnight. Surprisingly rare is the academic economist who can teach even a basic introductory course on their national economic sectors and institutions. The structure of the discipline - highly internationalised, methods-centred and organised around a single pyramid structure of journals - does not facilitate the creation of such knowledge. The same applies to pluralism in economic theory: the decades-long marginalization of valuable schools of thought has left us with a dearth of suitably trained academics.

In addition, academic programmes tend to have a strong path-dependency. Most are only updated infrequently and changed piecemeal. Long-running courses have to be adjusted, the order of courses stacking on top of each other has to be reconsidered, new courses have to be developed and new expertise has to come into the economics departments. In many countries, national or international frameworks regulate academic programme content. In short, this is a long road, but one that we believe is both necessary and possible.

The changes we propose are necessary. The devastating impact of our economy on the life-sustaining ecological systems of this planet is increasingly visible, making the realistic study of that economy all the more urgent. The unprecedented centrality of the economy in our society and the big role of economic ideas in political decision-making make it all the more vital for economists to be firmly rooted in the real world, to have a pluralist perspective and to be trained in distinguishing the moral tangles inherent to economic questions. We need to prepare a new generation of economists, and we should start this work now.

And the changes we propose are possible. Indeed, they are happening, thanks to the energy of a growing worldwide network of students and academics. More and more pluralist and real-world textbooks, course formats, readers, best practices and other materials are becoming available (see the online *Teaching Materials* resource chapter for many examples). Increasingly, faculties are teaching economics primarily as a subject-based pluralist discipline, rather than a method-centred monist approach. Economic faculties are hiring academics from other theoretical schools and other disciplines, thus reversing the narrowing of the past decades and enriching both students and colleagues with fresh insights. Various universities are starting to experiment with teaching-based career tracks, enabling staff to focus on developing better teaching materials rather than spending every free minute on trying to get published in mainstream academic journals. Pluralist programs are springing up inside and outside of traditional economics departments, throughout the academic world. Perhaps most importantly, more and more faculties are opening up to the idea of widening their student's view beyond the traditional theories and methods.



### 3 Calls to Action

But while there are hopeful signs of change, this is only the start. We need more students, teachers, programme directors and deans to make a difference and help ensure that the economists of the future are prepared for their roles in society. So what can each of us do to bring economics education to a higher plane?

**Students**, be critical of what you are learning. Do not just ask: “*Is this part of the exam?*”. Instead, ask: “*Does this reflect the real world?*”, “*In what other way could one also look at this issue?*”, and “*What are the moral dilemmas surrounding this case?*”. Look up the course you are following in chapter *Tool 2: Adapting Existing Courses* and discuss the suggested additions and changes with your teacher. Design your own ideal course with the tool of chapter *Tool 4: Example Courses* and campaign to make your dream into a reality. Talk to your lecturers and find out who is interested in your ideas. Build public support by publishing an open letter or petition that advocates for the creation of this new course.

Get in contact with the programme committee and apply the *Tool 3: Curriculum Review* to your programme to see what could be improved. Build, or join, a local team of critical students. Organise a reading group or an event. If you want, you can get affiliated with the international Rethinking Economics network and benefit from the experience, contacts and resources of a large worldwide network of student groups. Doing it together will not only help you last longer and achieve more impact, it will also be more fun.

**Teachers**, think about what you are preparing your students for. Less than 3% of them will become academic economists, the rest will work inside government agencies, policy institutes and think-tanks, (central) banks and other financial corporations, private sector and not-for-profit companies, NGOs and campaign groups, and journalistic entities. As such, they will work on tackling practical and real-world problems, rather than publishing academic articles. So, confront your students with the messy and complex real world, let them practice tackling actual cases, start lectures with today’s newspaper, ask guest speakers from the relevant field, and let students go out of the classroom and see it with their own eyes.

Stimulate open discussions and active participation from students, bring in literature from other disciplines, actively expose the weaknesses of the theories you are teaching. Make normative assumptions explicit and let students struggle with the resulting moral dilemmas. Make sure that you are not just pushing through a textbook; be proud of your role as a teacher and use it. Make use of the suggestions provided throughout this book, and in particular in *Tool 2: Adapting Existing Courses*. Kick-start discussions, play devil’s advocate. Trigger students to start thinking, critically and independently.

Most academics reach many more people through their teaching than through their academic papers. Yet today, teaching is underappreciated and under-rewarded. Often, the time allocated for teaching is not nearly enough. Please speak out about this. Challenge that status quo, with the students as your allies.

**Deans and programme directors**, support and facilitate good teaching. Make sure that your faculty have enough resources and time available for teaching. Enable them to constantly improve their teaching and update the taught material. Give students a voice and role in designing and adapting the courses. And ask yourself: how is our program built? Was it created through a departmental power struggle about which professors’ specialisation is more important and deserves most space in the programme? Or is it carefully designed based on a clear idea of the societal roles students are being prepared for?

Do not be afraid to deviate from the standard programme at other universities. Variety in programs makes economics education stronger, not weaker. Take a look at the chapter *Tool 5: Example Curricula* and draw

inspiration from other innovative programmes. And try your hand at the Curriculum Review Tool, to see where in your programme there might be gaps in terms of relevant knowledge or skills. You could also ask teachers or students to run this analysis, and set up a series of meetings to discuss the outcomes. Or you could ask members of the international Rethinking Economics movement to organise a workshop or conference to further explore how the programme could be improved. Attention and open discussion about how to better economics education can only be positive, contributing to better prepared future economists.

**Governments**, create the right conditions for good economics education. Look at how resources for teaching and research are distributed. Does this encourage relevant, open-minded and interdisciplinary research and teaching, or does it encourage scoring on the intellectual square millimetre through a competitive ‘publish or perish’ system? Are universities stimulated to offer their faculty career options focused on education and reward good teaching? Governments could also follow the French example (2014) and initiate an independent and in-depth investigation of the state of the economics education in the country.

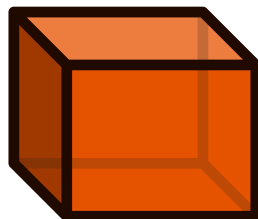
Climate change, inequality, economic instability, ageing, power concentration, pandemics, biodiversity loss, social polarisation, resource depletion, migration, poverty; these are core challenges for the world of today and tomorrow. Economists have a central role in society and need to tackle these challenges head-on. Reforming and modernising economics education is therefore of great importance not only to the students and teachers directly involved in it, but also to society as a whole. Let’s build better courses and programmes, together.



# Ready to get started?

This book is free and open access. We hope it serves you. Here are three things you can do to help this movement for renewing economics education:

- 1. Send this or another booklet to three colleagues/students: [economy.st/short](http://economy.st/short)**
- 2. Contact us to organize a workshop at your faculty: [economy.st/workshops](http://economy.st/workshops)**
- 3. Subscribe to the newsletter: [economy.st/news](http://economy.st/news)**



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