

Teaching Heterodox Economics in Principles of Micro.

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One challenge at the principles level is attempting to get students (who are probably taking the course because it is the one and only economics course they are required to take) interested enough to stay engaged during the course and hopefully convince them to choose to take more economics courses later.

Unfortunately, Principles-level textbooks are pretty uninspiring. Most introductory (level 1) textbooks assume that undergraduate students can only handle one (Neoclassical) version of econ theory, and principles textbooks are typically a step down, often little better than level 1 textbooks with the theory simplified even further or removed entirelyⁱ. None-the-less, some give enough of an opening for the professor to include a fair amount of discussion on heterodox viewpoints if he/she chooses to. Using outside material is an option, but also problematic since journal articles/ working papers aren't written with freshman liberal arts majors in mind.

As a heterodox macroeconomist now teaching Principles of Microeconomics at a small liberal arts college, keeping the students (and myself) interested in the material has become a major concern. This paper is the results of 2-semester long experiment undertaken in my first year of teaching Principles of Microeconomics.

1. Some Practical Points about Teaching Economics in a Small Liberal Arts College

Western New England College (WNEC) has just over 3,000 undergraduate students in total (2,406 full-time). Very few of these are Economics majors (check numbers): at the Principles level (Year 1 and Year 2 students), it is nearly a certainty that none of them will have declared Economics to be their major, or even their minor, at that pointⁱⁱ. For all Business degrees and a number of Arts & Sciences degrees students are required to take at least Principles of Microeconomics (EC111). As a result, numbers is not a problem: in 2008-2009, 12 sections of EC111 ran in the Fall semester, 9 sections in the Spring semester, which equates to nearly 600 students taking that course. 12 more sections are scheduled for Fall 2009-2010.

On a practical point, the first challenge is this: how to get students to actively engage in the subject when they are taking the course because their department tells them they have to (and never says a word about why)? The students won't come into the course knowing the connection between their chosen major and Economics. It is pretty much assured that the students' faculty advisors won't know either- across Universities, other departments are filled with people that had to take one principles course in Economics as undergraduates and were so turned off that they swore that they would never take another Economics course. Hardly a great marketing tool for why their advisees should be taking Economics.

The second challenge is this: of the students that have to take Principles of Microeconomics, relatively few are required to take Principles of Macroeconomics (EC112)- only students enrolled in a Business degree have to do so. Arts & Sciences students have already fulfilled their requirement by taking Principles of Microeconomics. They **could** take Principles of Macroeconomics, but they have to choose to do so. With few Economics majors, the department's ability to offer a range of upper-level economics courses kind of hinges on attracting students to the subject of economics at the principles level and by extension convincing them to take other economics courses as some of their upper-level general electivesⁱⁱⁱ. And this is a hard sell: as Hansen, Salemi, and Siegfried (2002) note: nationwide, 1998 enrollment data showed that of all undergraduate students enrolled at four-year

institutions, 40% completed at least one economics course; 19% completed only one course (as the authors note, in most cases this will have been either one Principles course, or a two-term sequence of Principles courses), and only 2% major in Economics.

2. Principles of Microeconomics Textbooks

There is very little to differentiate one Economics textbook from another (what Colander (2004a) calls 'The 15% rule' more-or-less guarantees this: '(a textbook) cannot differ from the standard presentation by more than 15% and still be seen as a mainstream book' (Colander (2004a), p. 30). A textbook which falls afoul of this rule will be either considered a niche text (and therefore have little marketing support) or not be published at all. As such, most textbooks contain one world view in it- a Neoclassical one. The assumption seems to be that this is what constitutes 'Economics', (any writer who thinks differently would most likely violate the 15% Rule) or that students can only handle one way of looking at things- any more would just confuse them. This has been debated for a long time: when writing about the teaching of Economics, Beach (1938) asks 'would it not be better to develop the power of discernment of the student by suggesting more than one theory?...Perhaps the most important job of the teacher in social sciences is to develop the students' power of discernment. The students must learn that one idea does not contain the whole truth; and when this is learned, the students' progress will be much quicker.' Stigler, in his discussion on Economics education, is even blunter: 'of all monopolies, that of opinions is worst' (1963, p. 654). But few textbooks have taken these ideas on board^{iv}. So we are left with textbooks which present the same form of Economics which has convinced so many undergraduates past and present to never take another Economics course again.

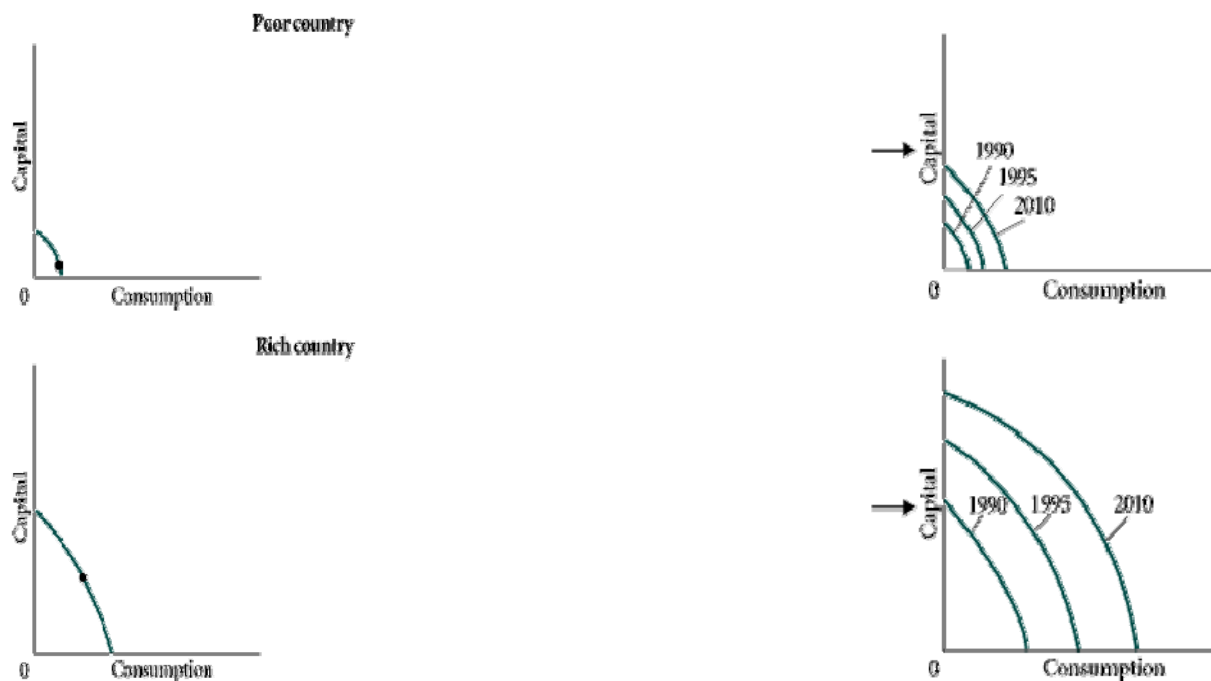
Hansen, Salemi, and Siegfried (2002) note some other problems with Principles texts: over time many topics have been added, but few have ever been removed (what Stigler (1963, p. 657) called 'the watered down encyclopedia...' approach, which '...does not teach students how to think on economics questions')^v, and they have become ever more technical in their presentation- as an example, McConnell (1998, quoted in Hansen, Salemi, and Siegfried (2002),

p. 464) compares a textbook published in 1946 (@ a dozen diagrams) with the average of a current textbook (200+ diagrams)^{vi}. As a result of both the added material and the overly technical approach, Hansen et. al. (2002) state 'many students leave the course with little lasting knowledge of economics fundamentals' (p. 464). Or, as O'Rourke (1998, p. 105) says 'this is how economics is understood after two semesters at most colleges: 1. There are a lot of graphs, 2. I'd better memorize them, 3. or get last year's test'. One knock-on result of this is that the students don't retain much what they have learned in one course and carry it forward into the next (i.e. it fails to improve the economic literacy of the students- and frightens other students away 'by its reputation as a technical course' (Hansen, et. al. (2002) p. 464).

This problem of retention is a key one for all students, not just those who will take additional economics courses. If the goal of a Principles course is to 'help students fit into society as intelligent economic citizens'^{vii} (Leland Gordon, in Blodgett, et. al., p. 417), then all students should come out of a Principles class with something more than O'Rourke's observation above that '...there are a lot of graphs...'

I don't have a solution in regards to a textbook- Part 2 of Colander (2006) discusses some ideas regarding Principles of Micro courses, it also (along with Colander (2004b) discusses some of what he strives for in his own textbooks. Hansen, et. al. (2002) also has some suggestions regarding the structure of a Principles textbook. The book that I am currently using is Case & Fair (2007). It is considered a fairly advanced Principles text, and it shares a lot of features common to other textbooks. It's certainly no worse than its competition, but in my eyes its slightly better than the average because it does use a lot of real world data (perhaps why it is considered a hard text)- as a result it either intentionally or unintentionally shows how elusive equilibrium is outside of a theoretical setting. And it occasionally provides material that I can briefly go over and link to later economics courses that they could take. A good example comes in Chapter 2, when we are covering Production Possibility Frontiers. Near the end of the section (p. 37), the book provides this graph:

FIGURE 2.7 Capital Goods and Growth in Poor and Rich Countries



A Principles level look at how the gap between rich and poor countries grows over time. And a link to the Development Economics course the students could take later.

Becker and Watts (1998) and Becker, Watts and Becker (2006) provide a lot of ideas on methods of delivery of material. I only want to touch on one which I have incorporated into my Principles class: student writing as a means to increase retention of knowledge- something that is commonly covered in an overarching program called 'Writing Across The Curriculum' or 'Writing In The Disciplines'.^{viii} As part of this, Western New England College has a requirement that all courses include a writing component within it. What I utilize in my Principles course is a series of 'low-stakes' writing assignments^{ix}- once a week, students write a 5-minute paper on a key topic that we have covered. They choose the topic- the paper has to have a definition of the topic and an example that is not from the text. I tell them in the first class, if I achieve nothing else, they will have read up on 12 topics from the book by the end of the semester. Of

the 12 writing assignments. This counts for 40% of the total grade in the course, with the remaining 60% coming from a series of three exams.

The writing assignments have proven popular with the students- on anonymous questionnaires that I distribute at the end of the course^x the writing assignments are usually pointed to as something that helped their learning and comprehension. The other thing that I do throughout the course is tell stories- real world examples that touch on whatever topic we are covering. It isn't a conscious thing- it's how I've always taught, and it is also how I related to this stuff in the first place as an undergraduate. It's also a great way to introduce competing views on the issues covered in the book^{xi}. This has also proven popular, with comments on the questionnaires like 'I liked how some of the material was common sense', 'I liked the in depth discussion about local and world events that portrayed the subject matter' and 'I liked the stories that Prof. Petrick told us to help us relate the material to real life situations'.

The last thing that I do is a writing component which counts for 10% of the total exam mark, due at the end of the semester. The actual topic is the origins of the current financial crisis. The reading assigned are: Kregel (2008), Wray (2008), Rajan (2008) and notes from a roundtable discussion at UMASS (listed in the bibliography as Crotty et. al. (2008). Not easy papers, and not dealing with a Principles of Microeconomics question. But the questions that I ask them to answer are:

Questions for EC111 Exam Writing Component:

1. From Jan Kregel's paper and the notes from Jim Crotty's talk (from the PERI notes): What was the 'old style' or lending for banks (before the credit crisis)? What kinds of information were banks using to base their decision on the credit-worthiness of lenders?
2. From all 3 main papers (Kregel, Rajan and Wray), supported by Crotty's talk: How does to 'Originate and Distribute' style of lending change a bank's decision on whether or not to lend to a borrower? Pay particular attention to two things: a. how were bankers earning their fees with each style of lending, and b. where the risk (that the loan will be unpaid) goes with each style of lending: does it stay with the original lender or is it passed on to another party?
3. From 2, what is the opportunity cost of lending in each style of lending?

4. Given the information that banks were analyzing in their lending decision, and the opportunity cost of lending in the 'Originate and Distribute' model: Was the massive increase in mortgage lending a rational behavior for the banks?

These questions are asking about a bank's decision to lend. Since loans are the 'output' sold by banks, we can use material regarding firm's output decisions to analyze this. Use the textbook and lecture notes to help, but your answers have to specifically be found in the papers listed above.

Also, remember that there are additional resources online that provide evidence to help you in answering these questions^{xii}.

The answers to these questions were truly outstanding- the students took the time to read some difficult papers to answer these questions- and their reasoning in their responses was very sound- regardless of their position on whether or not banks were rational in their sub-prime lending: some said yes, because of the incentives in the industry, other said no because regardless of short-term incentives they should have known that what they were doing would eventually be ruinous for the banks, and tailored their lending accordingly- each student justified it through the material that they had read. Even one student who appears to think that Libertarians are some sort of Communist plot engaged in the material - even if he couldn't quite allow himself to conclude that a market failure justified regulation and oversight by the government, he was still fairly scathing about the set of incentives that prevailed in the mortgage industry that led up to the financial crisis.

This writing assignment led the head of the economics department to send an email to all students currently enrolled in Principles of Microeconomics and their advisors:

New Topic: THINK ABOUT A SECOND ECONOMICS COURSE *

Some students who are taking Economics 111 (Principles of Economics I) this semester are not required by their school or major to follow it up with Economics 112. This post is addressed to them and their advisers.

IF you are currently taking EC 111, you have fulfilled the prerequisite requirement for EC 112 - the second semester of the two-semester sequence of PRINCIPLES OF ECONOMICS.

Given the recent financial meltdown, the jump in unemployment which is clearly a harbinger of even higher levels in November, December and January -- with a recession that threatens to match the record of the postwar period (10% unemployment in 1982) -- the subject matter of EC 112

(macroeconomics -- the economy as a whole -- the problems of inflation and unemployment) is something EVERYONE is probably interested in.

THUS -- even if you are not required to take EC 112 by your major, I think everyone who has already taken EC 111 would greatly benefit by taking it THIS SPRING.

I can guarantee you that you will spend a significant amount of time discussing the CAUSES of the current problems as well as engaging in detailed discussions of possible SOLUTIONS to the current problems.

And of course the beauty of having this choice is YOU HAVE ALREADY TAKEN EC 111 so you know what economics is all about anyway, and all those scary stories about it being too hard and loaded with difficult technical stuff has been proven to be quite overblown. Yes it is challenging -- but NO it is not "too hard" -- and anyway, as citizens, we owe it to ourselves to become as informed as possible --

even if it's "a little hard"...

Please do not hesitate to speak to any member of the DEPARTMENT OF ECONOMICS about EC 112 and how they plan to integrate discussion of the current economic problems into that class.

And while I'm on the subject of Economics -- even the first semester courses, EC 111 and 106 will also be discussing the current economic problems -- though not as in depth as in EC 112 (but you can't take 112 unless you take 111 first!)

Sincerely,

The Department of Economics

And there is some evidence that students took notice- in the second semester, the classes of Principles of Macroeconomics (EC112) had more students than usual. We can't always rely on a global financial crisis that is ubiquitous in the news to capture students' attention. But we may as well take advantage when one is happening- which I believe Marx estimated should happen every 7-10 years. This is the first year that I have taught Principles since I was a PhD student, so I am still working out the details. I'd like the material to be more 'hands-on' and less lecture-based, something that also comes across in some of the questionnaires as something students would like as well. Any comments/suggestions are more than welcome.

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<http://mendota.english.wisc.edu/~WAC/>

ⁱ In the case of Mankiw (2008), this principles text appears to be an 'dumbed-down' **intermediate** textbook.

ⁱⁱ A point driven home while I was guest teaching a Principles of Macroeconomics class at WNEC during my second round of job interviews on campus. In a class full of second-year students I started by asking how many people were economics majors. 4 people raised their hand- the head of the economics department and three other members of the department who were observing the lecture as part of the interview process.

ⁱⁱⁱ With a few exceptions: at the upper level, Accounting students and Finance students are required to take Money and Banking (Finance students could opt for Intermediate Macroeconomics instead), International Studies students have to take Development Economics or International Monetary Economics, depending on their concentration. Add in a small number of Economics majors, and Money and Banking runs every year, the others at least once every other year...but still with room for more students. Other offerings that don't have a captive audience: for example, American Economic History, Urban Economics, Environmental Economics, Economics and Government, run far less often and are often cancelled due to lack of students

^{iv} Himmelweit, Simonetti, and Trigg (2002) buck this trend- this might be why there was only one edition even though it's an excellent book. Slooman (2006) sets up at least his Macroeconomics section as Keynes vs. Friedman (in a very simplified way) in parts. Sadly, neither is a Principles level text

^v I would add that a lack of discussion about alternate perspectives in the text only adds to this lack of knowing 'how to think' - both Stigler (1963) and the earlier quote from Beach (1918) are stressing the need to develop the student's ability to think critically. This is difficult to do when only one point of view is presented.

^{vi} This is also hardly a new complaint, even in the 1940s: George Stigler (in Blodgett, et. al (1941), p. 419) notes 'There is too much technical analysis in the courses with which I am familiar'

^{vii} As Stigler (1970, p. 7) states 'that the public does concern itself most frequently with economic questions...is a true and persuasive reason for its possessing economic literacy.'

^{viii} Writing Across The Curriculum (WAC) is a cross-discipline concept, with the main idea being to introduce writing components into courses in order to assist student learning and understanding of material, as well as to improve students' writing abilities over time. Hansen (1998) discusses incorporating WAC into Economics courses at various levels. A lot of general material can be found online at **The WAC Clearinghouse** at Colorado State and **Writing Across the Curriculum** at the University of Wisconsin-Madison, among other sites

^{ix} As opposed to 'high-stakes writing', such as a term paper.

^xWhich asks 3 questions: what did you like about the course, what didn't you like, and what would you change about the course- there are also much more detailed SUMMA evaluations that the University does as well, but I get better information from my questionnaire

^{xi} George Stigler (in Blodgett, et. al (1941), p. 419) says that one of the general objectives of a Principles class is 'to engage in discrete propaganda for 'good' (economic) policies'- who am I to argue with a Nobel prize winning economist?

^{xii} I provide links to a few BBC video reports, a glossary of terms (also from BBC.co.uk), and Cassidy (2008)