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Teaching Economics Historically

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Abstract

This paper describes an experiment in teaching part of the first year economics course at ADFA/UNSW historically. This experiment is a response to both the decline of history of thought teaching and falling interest in economics. Course aims, topics, assessment, and student response are outlined. It is argued that the approach can be generalised, provided that certain issues are handled carefully.

INTRODUCTION

A common morning tea discussion topic at History of Economic Thought Society conferences is the declining possibilities for teaching history of thought courses in Australian universities. Similar trends overseas have been discussed by Cardoso (1995) and Blaug (2001). Typically in Australia the subject has been taught at third year level as an option, and the number of universities offering such courses has been declining steadily. Sometimes courses have been kept going by dedicated teachers who undertake them in addition to their normal load. Contributing to the decline has been the reluctance of economics departments to hire young specialist historians of economic thought, and the retirement of older specialists is often the trigger for removal of the course from the degree program.

Not unrelated to the decline of teaching of history of economic thought is the falling interest in economics itself among Australian undergraduates (e.g. Lewis and Norris 1997, Alvey and Smith 2000; Lodewijks 2001). Explanations include the technical difficulty of economics courses, the bad reputation of economics after the controversies over economic rationalism in the 1980s, and competition from newer courses such as management, marketing, public policy etc. A common thread in all these explanations is the narrowness and irrelevance of economics courses. Narrowness feeds technique for its own sake, narrowness was a large part of the economic rationalism debates, and much of the attraction of newer courses is their breadth and perceived relevance.

The purpose of this paper is to describe an experiment at ADFA/UNSW in teaching first year economics historically. It is a response to both the decline of history of thought teaching and falling interest in economics. Most of the paper will be devoted to describing the content and teaching methods of the history of thought component of first year economics at ADFA/UNSW as well as student response. The concluding section will consider whether this approach to teaching first year can be generalised.

1. FIRST YEAR ECONOMICS AT ADFA/UNSW

Aims

The aims of the first year economics course AECM1101 (from the course outline) include “developing understanding of the nature of economics; how it is shaped by historical forces and its

relationship to philosophy, theology and politics”, developing “ a sound grasp of basic economic theory”, “developing skills in applying economic theory” and “developing an appreciation of the limits of economics”.

The history of economic thought is presented as a foundation for the economics and management program – something students could reflect on in future economics and management courses as well as the first year unit of which it is part.

Topics Covered

The history of thought component runs for the first twelve lectures and three tutorials. Topics were:

Topic 1. Introduction

- Changing conceptions of economics. We consider various definitions offered by Smith, Senior, Whately, Robbins, Becker, Mankiw and Viner. The Australian adaption of Mankiw’s textbook is used for the remainder of the first year course and this discussion contextualises his view of economics.
- Critics of economics, from Carlyle and Tawney in nineteenth century Britain, to Michael Pusey in twentieth century Australia.
- Why study economics? Keynes’ views about the influence of economists, and the intellectual challenge of economics. Joan Robinson’s view that we study economics to avoid being misled by economists.

Topic 2. Before Adam Smith

- Aristotle and the Medieval Scholastics
- Hobbes, Petty, Locke and some moral philosophers who grappled with the problem of self-interest and social order.
- Mercantilism
- Physiocrats

Topic 3 Hume and Smith

- The division of labour
- Value, distribution and growth
- The Natural System of Liberty and the Invisible Hand.
- Smith on Policy

Topic 4 Malthus, Ricardo and Mill

- The Principle of Population
- Ricardo’s corn model as an example of an economic model, and its policy uses.

- Utilitarianism
- Mill's "homo economicus" . In this lecture we were privileged to receive a visit from "homo economicus" himself. The dusty Victorian gentleman staggered into the lecture theatre and was interviewed about his approach to life.

Topic 5 Marx

- Reactions to Marx, and the relevance of the fall of the Soviet Union to an evaluation of Marx.
- Historical materialism and ideology.
- Marx's analysis of capitalism.

Topic 6 The Marginal Revolution and Marshall

- Marginal analysis
- Supply and demand analysis
- Economics and policy

Topic 7 Keynes

- Keynes' rejection of the "classical view" and the principle of effective demand.
- Events and ideas in the development of economics

Topic 8 Twentieth Century Economics

- A (too) brief overview, considering work for which economists have won Nobel prizes.
- The economics profession and the state of economics today.

Reading

Students were encouraged to read Heilbroner's *The Worldly Philosophers* before lectures began, and most seemed to. Other readings were selections from primary sources (Smith, Malthus and Keynes –see below) plus some commentary on these works. The course reserve librarian estimated that around 80 of the 90 students read the primary sources, and most read at least some of the commentaries. Student comments in tutorials also indicated that that they had done the reading and thought about the issues raised.

Tutorials

The specific questions and readings for the three tutorials were:

Tutorial 1 – Adam Smith

Reading:

Smith A. *Wealth of Nations* extracts from Book I Ch1 and Book IV Ch2

Raphael D. *Adam Smith* OUP Past Masters

Grampp W. "What Did Smith Mean by the Invisible Hand?" *Journal of Political Economy* 2000
108/3 pp441-465.

1. What is the problem of reconciling individual self-interest with social order?
2. What was Adam Smith's solution to the problem?
3. What ethical and theological assumptions underlie Adam Smith's work?
4. Illustrate how Smith's general approach to self-interest and social order led him to particular policy conclusions. How consistent was Smith?

Tutorial 2 – Malthus

Reading:

Extracts from Malthus *A Summary View of the Principle of Population*

Winch D. *Malthus* OUP Past Masters

1. Outline the Malthusian principle of population.
2. What assumptions about human behaviour and the productivity of land are implicit in the principle of population.
3. List the similarities and differences between Adam Smith's and Malthus' views on population. Can you see any links between the different economic circumstances and the different theories?
4. How did Malthus link the principle of population to the debate about the Poor Laws?
5. Does the principle of population create ethical and theological problems, and what is Malthus' response?

Tutorial 3 – Keynes

Reading:

Keynes "The General Theory of Employment" *Quarterly Journal of Economics* February 1937

Skidelsky R. *Keynes* OUP Past Masters

1. Outline the Keynesian theory of effective demand.
2. What are the similarities and differences between Keynes' approach and previous economic theory?
3. How important do you think economic circumstances (e.g. the Great Depression) were to the formulation of Keynes' theory?
4. What are the policy implications of Keynes theory?

Assessment

There is a 50 minute in-class essay worth 15% of the course mark, and essay questions on the final examination. Part of the reason students did so much of the reading was that the assessment was designed to reward reading very specifically. The in-class essay questions were taken from the tutorials, and related directly to the readings.

Student Response

Most students seemed to like the section on the history of thought, (60% gave the gave it either the highest or next highest rating in the student evaluation of teaching) but some disliked it (17% gave it the lowest or next lowest rating). In talking with students during the course, those who disliked it tended to be students who had made up their mind before the course to major in management rather than economics, and who disliked other parts of the first-year economics course.

A representative sample of student comments from the WebCT forum on the course were:

“Studying the history of economic thought gives understanding of how and why past policies have developed”

“Understanding past economic thought, the environment in which it was conceived and the effects of time and knowledge on that thought do help us understand the economics of today”

“I was wondering what we can learn from ...a bunch of blokes who never even saw a tractor”

“It is good to study this as we need to know what economics is and where it came from and how it has grown into the modern-day version.”

“As much as I would rather get on with the nuts and bolts of it, I think the history component is important”

An important statistic for heads of department is the proportion of students going on to the second-year courses leading to an economics major, and both the number and proportion of student going on rose in the year the history of thought section was introduced. This increase occurred at a time when ADFA/UNSW was expanding its offerings of management subjects.

2. CAN IT BE GENERALISED?

The history of thought component came about when I was asked soon after moving to ADFA/UNSW at the end of 2000 by my Head of School, Professor Peter Hall to be convenor of the first semester first-year economics course *AECM1101*. I had tried something similar as a special admissions preparation course at the University of Sydney (for mature-age students and others who could not gain entry directly to the Faculty of Economics) some years previously. Peter has supported other staff trying new things, and was willing, despite some reservations, to allow me to restructure the course in this way. At ADFA/UNSW our agreement with Defence requires us to provide “a balanced and liberal university education in a military environment” and this mandate, together with the economics major being taught within the arts degree, and a broad minded and

supportive Head, meant that we had particular advantages in restructuring the course. However in most economics departments Heads of School are not exactly overwhelmed with volunteers to teach first year, and this gives a historian of economic thought wanting to try something like this some bargaining power.

Besides the opportunity to try it, another issue about generalisability is the quality of students. At ADFA/UNSW students are bright and very highly motivated. The entry requirements for officer cadets are tough in many ways, including academic. This is indicated by the number of students attaining UNSW first-class honours, and one of our School's honours students last year winning a Rhodes Scholarship, after another ADFA student had won the previous year. Personally, I have never experienced first-year students who read extensively for tutorials, and join so enthusiastically and thoughtfully in discussions. Quality of students may well be the biggest problem in trying something similar at other Australian universities.

Most ADFA students tend to be from English-speaking backgrounds, and one of the overseas officer cadets had great difficulty with the history of thought component. Teaching this material relied heavily on reading, and the approach may have to be modified in situations where there are large numbers of students with English difficulties.

At ADFA I was also privileged to have colleagues on the first-year course, especially Jung-Soo Seo and Sharon Jackson, who were willing to give the change a go despite their own lack of experience in the history of economic thought. There was a substantial amount of additional reading and preparation to deliver the tutorials on the history of thought compared to a conventional first-year economics course.

All these issues need to be carefully considered in transferring what we did at ADFA to other contexts. Based on the results I believe that a more historical approach to teaching first-year economics is a way forward in maintaining undergraduate exposure to history of economic thought, and can also help arrest some of the general drift of students away from economics courses. It is also great fun to teach and I'd love to teach the whole of the first-year course this way.

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