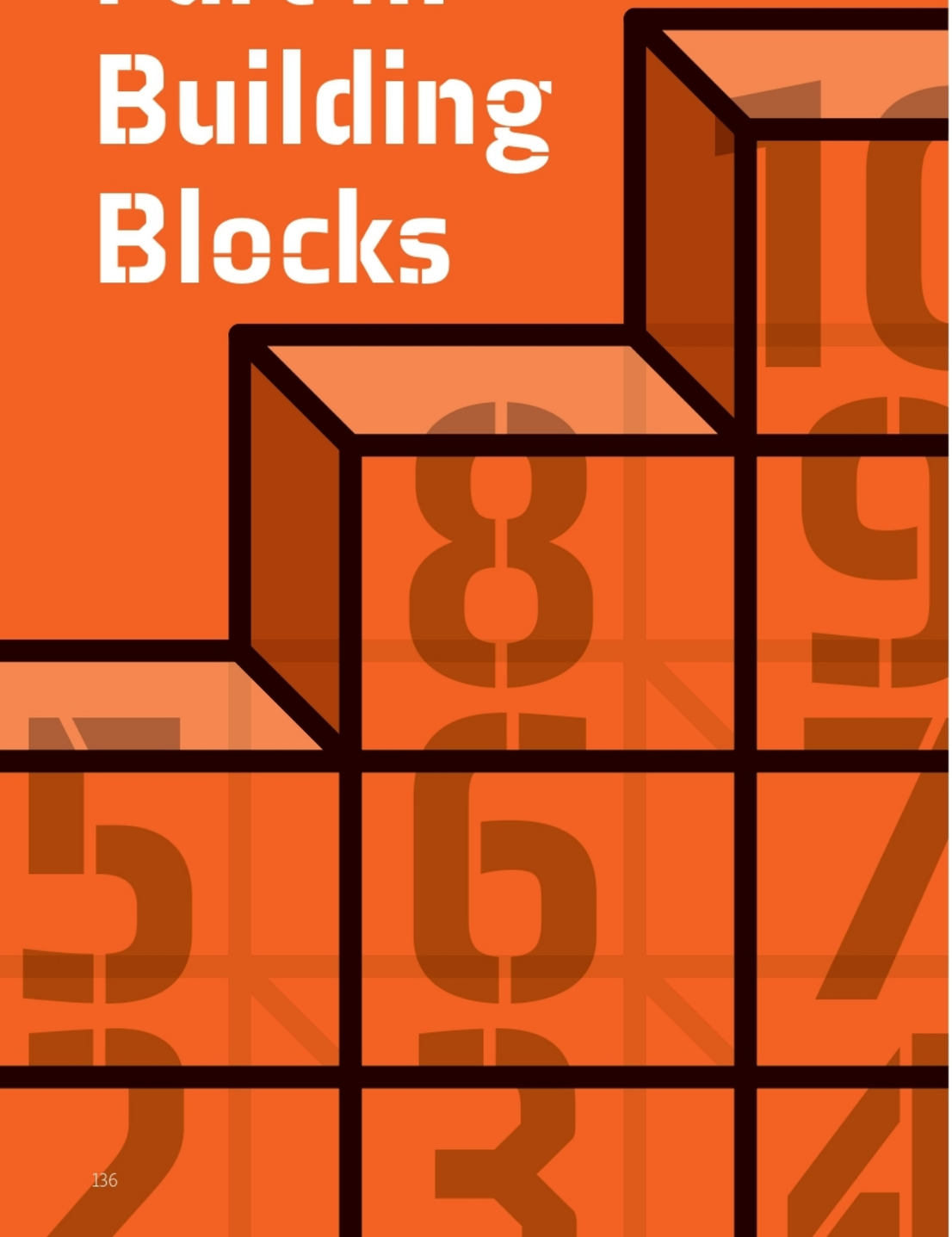
Part II: Building Blocks



Building Blocks

Introduction

This part of the book contains the meat and bones of our curriculum design method: ten thematic areas of knowledge and skills in economics. Each of the ten building blocks covers an area of knowledge or a skill that we see as essential for the education of future economists. These 'building blocks' 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.

This book is designed to help construct a curriculum that fits your specific situation, rather than to advocate one 'ideal' curriculum. Hence we have designed the building blocks to be useful for constructing anything from a single course to an entire bachelor programme. They can be shortened, lengthened, combined or altered according to the needs of the programme. We strongly believe that any full economics programme should touch on all ten of these building blocks in some form or other. Shorter programmes, like individual courses or semester-long minor programmes, might do better to pick and choose the most relevant blocks for their particular purpose.

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. Programmes may also combine various building blocks into a single course, or split a single building block up over a number of courses. See the chapter Getting Practical 5: Example Curricula for how this can look in practice.

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 and 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 and 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.

Finally, a note on how the building blocks are related to the three principles as illustrated in the figure below. While the principles are present throughout the book, some building blocks are more strongly linked to certain principles than to others. The principle *Values* shows up most clearly in: *Building Block 10: Economics for a Better World* (BB10). The *Real-World* principle is most strongly expressed in *Building Block 2: Know your own Economy* and *Building Block 3: Economic History*, as well as *Building Block 9: Problems & Proposals*. As for Pluralism, it comes through most distinctly in *Building Block 4: History of Economic Thought & Methods*, *Building Block 7: Research Methods & Philosophy of Science* and *Building Block 8: Economic Theories*. As to combinations of principles, *Building Block 5: Economic Organisations & Mechanisms* and *Building Block 6: Political-Economic Systems* combine pluralist analytical tools with real-world knowledge. And finally, *Building Block 1: Introducing the Economy* combines all three principles.

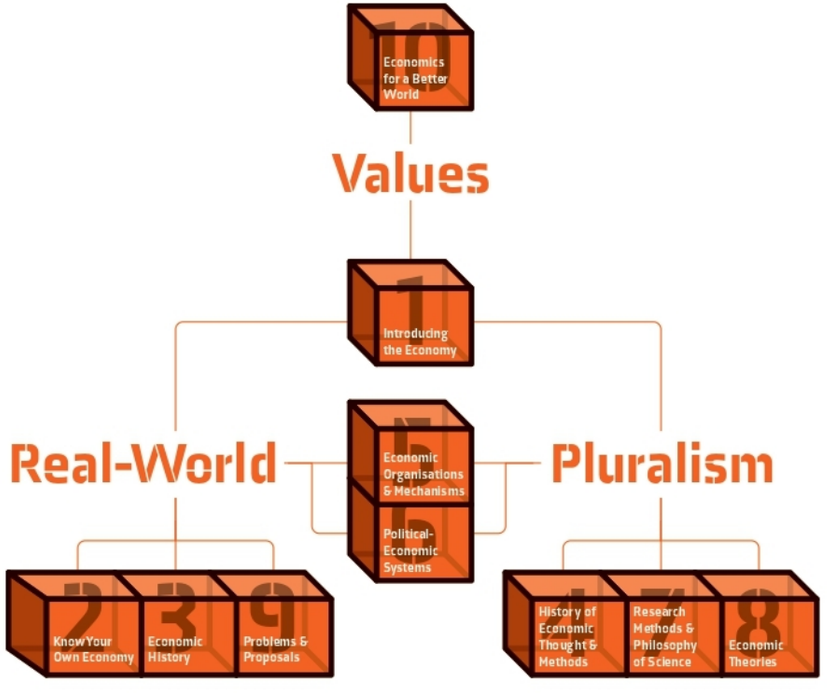
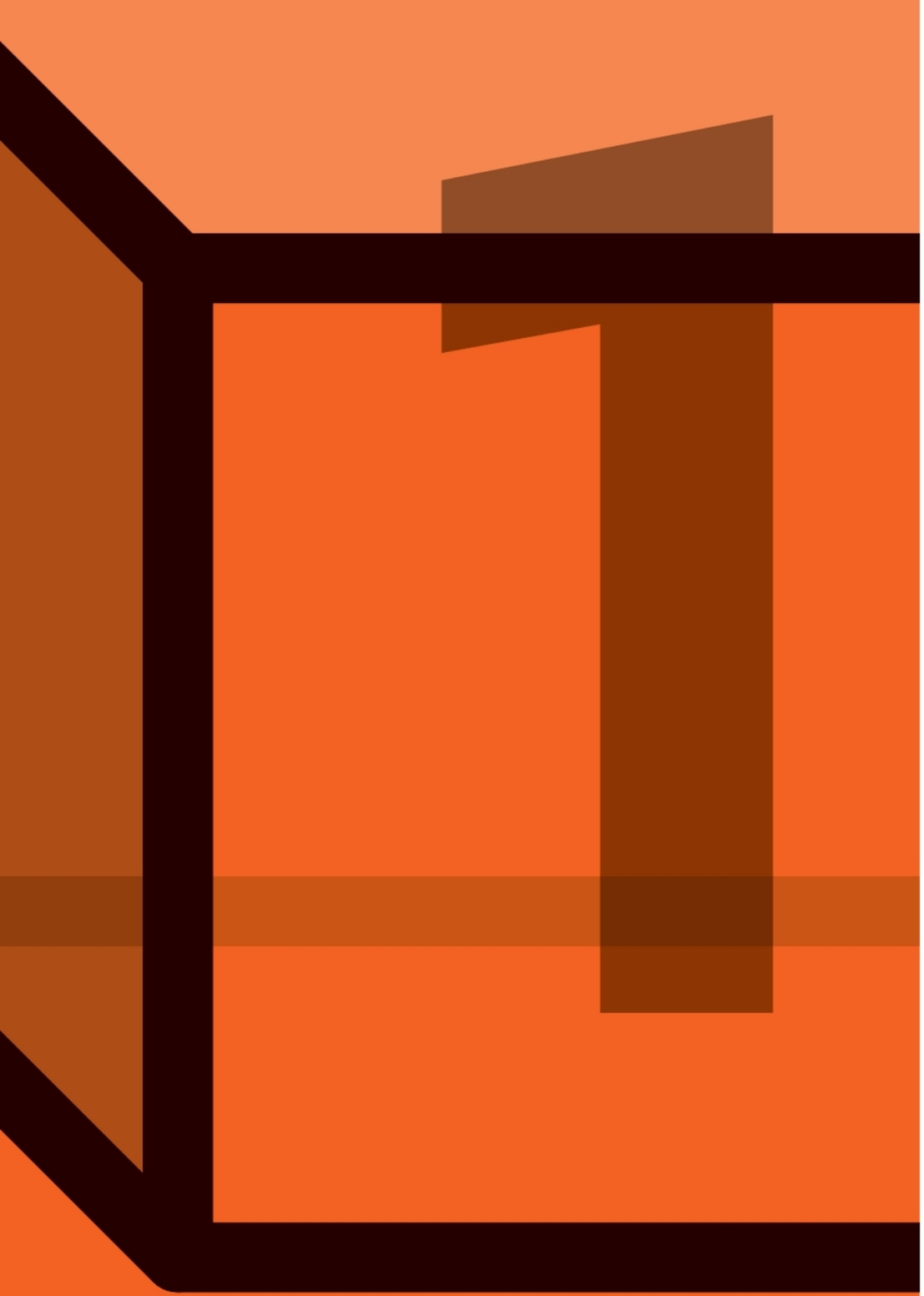


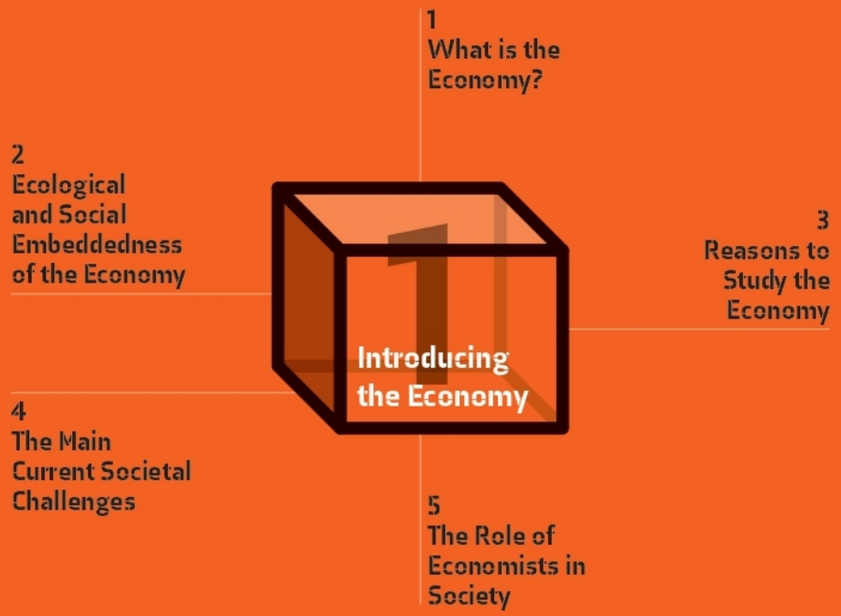
Figure 2: @@@@@



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 role 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 seen as 'the correct way'. We believe that instead of convincing students to follow a particular point of view or study methodology (see also the chapter *Philosophy*), an economics education should start by introducing the field of study more broadly and in particular the topic of study: 'the economy'.

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 – 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 *Foundations 1: 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.

In this book we broadly define the economy as systems of resource extraction, production, distribution, consumption and waste disposal through which societies provision themselves to sustain life and enhance its quality. 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. 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. An 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 such as 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 *Getting Practical 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 *Foundations 1: 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 such as 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.

Interdisciplinary Economics provides an overview of five neighbouring sub-disciplines, such as economic sociology.
economy.st/interdisciplin

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 *raisons 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 *Foundations 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 (GDP), 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 single 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)

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 they 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 in the 1980s. While the role of economists in society is a complex and sometimes indirect one, it is clear that they 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.

A presentation and reflection on literature can further augment this 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 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, 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.

The website provides a wider range of teaching materials for this building block.
economy.st/bb1