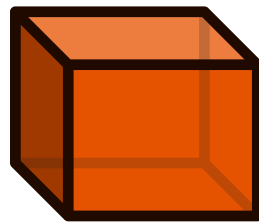


Economy Studies for Monetary Economics

New Ideas & Materials for Educators & Students



**Economy
Studies**

Sam de Muijnck & Joris Tieleman

Rethinking
Economics


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 monetary 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:

- 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
- 9 Economy Studies for Econometrics
- 10 Economy Studies for Labour Economics
- 11 Economy Studies for Public Economics
- 12 Economy Studies for Environmental Economics
- 13 Economy Studies for Development Economics
- 14 Economy Studies for Industrial Organisation
- 15 Economy Studies for Finance
- 16 Economy Studies for Monetary Economics
- 17 Economy Studies for International Economics
- 18 Economy Studies for Game Theory
- 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 Monetary Economics Courses.

For a sketch of how the theory part of a pluralist monetary economics course could look, see the Pragmatic Pluralism chapters.

For ideas and materials on teaching students about normative principles and visions, 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

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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

Adapting Monetary Economics 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

Courses on monetary economics, sometimes also called money and banking, focuses on what money, and its role in the economy, is. Policy concerns about how money can best be managed are central and inform what is taught. In contrast to many other courses, many monetary economics courses actively expose students to debates and disagreements within the academic discipline and policy circles. These courses generally distinguish classical (or neoclassical) ideas such as the (short and/or long run) neutrality of money, from Keynesian ideas that argue the real economy is strongly influenced by money and banks. In this way, a variety of (largely neoclassical) models and approaches, such as monetarism and the neoclassical synthesis with neo-Keynesian models, new classical and new Keynesian models, and occasionally post-Keynesian ideas, are discussed.

Frequently used textbooks::

- Monetary Economics by Jagdish Handa
- Monetary Economics: Policy and its Theoretical Basis by Keith Bain and Peter Howells
- Monetary Economics: Theories, Evidence and Policy by David G. Pierce and Peter J. Tysome
- Monetary Theory and Policy by Vincent Walsh
- The Economics of Money, Banking & Financial Markets by Frederic S. Mishkin, Kent Matthews, and Massimo Giuliodori
- Money, Banking, and the Financial System by Glenn Hubbard and Anthony P. O'Brien
- Money and Banking by Robert E. Wright and Vincenzo Quadrini

Suggested additions and changes

Practical skills and real-world knowledge

Every day we use money. Yet few, if any of us, really understand how it works. Courses on monetary economics could benefit from strengthening the link between the abstract theories and daily experiences. This could be done by teaching how the specific monetary system they live in works and which institutions it has and what their roles are. One could bring in case studies and discuss recent developments related to money and public debates concerning monetary issues. To go out of the classroom, one could visit the central bank, a commercial bank, or a government ministry. And to let students practice with real world applications, they could be given assignments about actual cases of issues that such organisations are dealing with, possibly in collaboration with those organisations.

For more detail, see Building Block 2: Know Your Own Economy and Building Block 9: Problems & Proposals.

A range of analytical tools and approaches

Monetary economics courses often already contain different models and theories. The courses could be further improved by also discussing fundamentally different ways of understanding money. Especially the credit and commodity theories of money are highly relevant for students to learn about. Additionally, it can be informative for them to learn about how cultural practices, such as earmarking money, influence how we see and use money in our personal and professional lives.

For more detail, see the section Money in the background material Pragmatic Pluralism.

Teaching Materials

- The Handbook of Pluralist Economics Education by Jack Reardon, from 2009, chapter 14. This useful book on how to diversify economics programs, includes a chapter full of ideas and suggestions for courses on money, credit and finance.
- Capitalism: Competition, Conflict, Crises by Anwar Shaikh, from 2016, chapters 5 & 15. This impressive and extensive book compares multiple perspectives on many traditional economic topics including money, prices and inflation.
- Introducing a New Economics by Jack Reardon, Maria A. Madi, and Molly S. Cato, from 2017, chapter 8. This ground-breaking textbook introduces money and weaves together pluralist theory and real-world knowledge.
- Economics After The Crisis by Irene van Staveren, from 2015, chapter 11. This well-written textbook sets out the neoclassical, post-Keynesian, social economic and institutional perspectives on money.
- The Economy by The CORE Team, from 2017, chapters 10 & 15. This successful textbook provides an introduction into mainstream ideas and empirical findings on money, credit, inflation and monetary policy.
- Principles of Economics in Context by Jonathan Harris, Julie A. Nelson and Neva Goodwin, most recent edition from 2020, chapters 26 & 27. This useful textbook, which pays particular attention to social and environmental challenges, devotes two chapters to money, banking and monetary policy.
- The Routledge Handbook of Heterodox Economics: Theorizing, Analyzing, and Transforming Capitalism by Tae-Hee Jo, Lynne Chester, and Carlo D'Ippoliti, from 2017, chapters 5, 7, 17, 18 & 19. This broad and diverse book sets out a variety of theories on monetary theories, value, money, and banking.
- Macroeconomics by William Mitchell, L. Randall Wray, Martin Watts, from 2019, chapters 9 & 10. This ground-breaking and much-discussed textbook written by three leaders of Modern Monetary Theory (MMT), introduces students to the different theories of money and currencies.
- The Handbook of Economic Sociology by Neil J. Smelser and Richard Swedberg, from 2005, chapter 16. This extensive and yet accessible book for non-sociologists, provides an impressive and useful overview of

the field of economic sociology, including a chapter on the sociology of money and credit.

- Money Creation in the Modern Economy by Michael McLeay, Amar Radia and Ryland Thomas, from 2014. This article, by the Bank of England, helps students understand how money is created and debunks some popular misconceptions.
- Where Does Money Come From? by Josh Ryan-Collins, Tony Greenham, Richard Werner, and Andrew Jackson, from 2011. This accessible book introduces students to different ideas about money and helps students understand recent developments and the technical workings of the monetary system.
- A Handbook of Alternative Monetary Economics by Philip Arestis and Malcolm Sawyer, from 2006. This useful collection of essays introduces students to various different monetary theories, from Marx and Keynes their theories of money and credit to Minsky's financial instability hypothesis and theories about the endogeneity of money.
- The Social Life of Money by Nigel Dodd, from 2014. This accessible book, written by a leading sociologist, introduces students to the origins of money, its relation to capital and debt, and a variety of ideas on the social, cultural and political dynamics related to money.
- The Social Meaning of Money by Viviana Zelizer, from 1994. This influential book looks at money from a cultural lens, showing how people earmark money and how meaning making processes shape monetary behaviour.
- Money and Government: A Challenge to Mainstream Economics by Robert Skidelsky, from 2019. This useful book introduces students to the key ideas throughout history up to today on macroeconomics, money and the government.
- The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy by Stephanie Kelton, from 2020. This influential bestseller sets out the core ideas of Modern Monetary Theory in an accessible manner and argues for changing how we think about and do monetary and fiscal policy.

Institutions and different ways of organising the economy

The world of money is old and many different monetary systems have existed. Monetary systems are ever evolving and today we are also experiencing this change. To prepare students for their future career in this ever changing world, it is important that they become familiar with different monetary systems that have existed and those that might emerge in the future. Many policy debates concern the different ways in which money can be organised or managed, so in order to participate well in such debates one needs to be aware of the various options. This includes currently popular alternatives such as cryptocurrencies, but also more technical proposals for central bank digital currencies, and old ideas such as the *bancor* of Keynes. It is practically not possible to teach all options, so we would rather suggest selecting a few, so that students are at least exposed to a variety that gives them a sense of what is possible and what is advocated.

For more detail, see the section Money in the background material Pragmatic Pluralism.

Teaching Materials

- Modern Financial Systems: Theory and Applications by Edwin H. Neave, from 2009. A guide on how the financial system is organized, with particular attention to its market and nonmarket governance forms and the way in which different financial markets function.
- Comparing Financial Systems by Franklin Allen, Douglas Gale, and Julius Silver, from 2000. A comparison of how the financial systems of the US, UK, France, Germany and Japan are organized and the roles banks and financial markets have in them.
- The Financial System, Financial Regulation and Central Bank Policy by Thomas F. Cargill, from 2017. An extensive introduction into how the financial and monetary system is structured, with attention to the role of central banks, history, and the changing ideas on how the system should be run.

Societal relevance and normative aspects

Money is a complex and often technical subject, but at the same time it concerns everyone and is deeply political. Therefore, it is important to let students think about what the role of money is and should be in society, and how it should be managed and organised. These are big questions about which many visions have been written by more and less famous economists and thinkers. Courses on monetary economics could thus be enriched by including discussions about these competing visions for the future of money.

It is important to state here that the goal is to make students familiar with the various positions and present a balanced overview of arguments for and against. The goal is not to convince them of any particular position, as they need to learn how to critically think for themselves. Currently, some courses fail to live up to this goal as they aim to convince students of one standpoint or the other: teachers pass on their convictions that central banks need to be independent or that monetary policy makers should use the Taylor rule. We are neither for nor against central bank independence or the Taylor rule, we just want to make it clear that these are normative questions. Students need to learn to think independently based on balanced information and thus need to understand different points of view and the arguments behind each.

For more detail, see Building Block 1: Introducing the Economy and Building Block 10: Economics for a Better World.

Teaching Materials

- The Routledge Handbook of Ethics and Public Policy by Annabelle Lever and Andrei Poama, from 2019, chapter 14. This useful collection of essays treats many different normative aspects of policy making, including a chapter on the ethics of central banking.
- The Oxford Handbook of Ethics and Economics by Mark D. White, from 2019, chapter 17. This extensive collection of essays explores the many moral dimensions of economics, including a chapter on the ethics of money and finance.
- Principles of Sustainable Finance by Dirk Schoenmaker and Willem Schramade, from 2018. This useful book looks at finance in relation to environmental challenges and helps students understand how it can promote rather than counter sustainability.
- Climate change challenges for central banks and financial regulators by Emanuele Campiglio, Yannis Dafermos, Pierre Monnin, Josh Ryan-Collins, Guido Schotten & Misa Tanaka, from 2018. This insightful short article provides students with an overview of the issues and debates related to climate change and its (potential) impact on the financial system.
- The green swan: Central banking and financial stability in the age of climate change by Patrick Bolton, Morgan Despres, Luiz Awazu Pereira da Silva, Frédéric Samama, & Romain Svartzman, from 2020. This BIS report reviews how climate risks, and the radical uncertainty that comes with it, can be addressed through innovative monetary policy making use of forward-looking scenario-based analysis.
- The politics of central bank independence by José Fernández-Albertos, from 2015. This insightful review article provides an overview of the literature on the arguments for, and against, central bank independence, its consequences, variations and changing character.
- A Fresh Look at Central Bank Independence by Paul Wachtel and Mario I. Blejer, from 2020. This insightful article introduces students to the history of central bank independence as an idea and practice.
- Financial Citizenship: Experts, Publics, and the Politics of Central Banking by Annelise Riles, from 2018. This accessible short book helps students understand how monetary policy is made and argues there is a democratic legitimacy crisis that should be addressed.
- The End of Alchemy: Money, Banking and the Future of the Global Economy by Mervyn King, from 2016.

Written by the Governor of the Bank of England during the financial crisis, this book gives students an insider as well as critical view of the financial world.

- *Between Debt and the Devil: Money, Credit, and Fixing Global Finance* by Adair Turner, from 2015. Another highly influential policy economist reflecting on how finance is organized and how this could be improved.
- *The Production of Money* by Ann Pettifor, from 2017. This accessible book helps students understand how money is created, what role it plays in our economies, and assesses popular policy options, such as helicopter money and green quantitative easing.
- *The End of Banking: Money, Credit, and the Digital Revolution* by Jonathan McMillan, from 2014. This thought-provoking book argues that the digital revolution has fundamentally changed the world of money and that we no longer need banking.

History

Courses on monetary economics often already include some history of money and the ideas about it. We applaud this and encourage teachers to do so even more. By devoting more teaching time to history the danger of oversimplifying reality can be reduced and more of the complexity can be brought out. The history can be treated in separate lectures, but it can also be integrated in other ones by explaining the origins of a theory or applying it to a specific historical context.

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

Teaching Materials

- *A Companion to the History of Economic Thought* by Warren J. Samuels, Jeff E. Biddle, and John B. Davis, from 2003, chapter 26. An extensive and detailed collection of contributions covering many periods and developments in the history of economic thought, with one chapter devoted to the history of postwar monetary and macroeconomics.
- *Money and Government: The Past and Future of Economics* by Robert Skidelsky, from 2018. This well-written and insightful book introduces readers to historical and current debates about the state and macroeconomy, with particular attention to neoclassical and Keynesian ideas.
- *The Nature of Money* by Geoffrey Ingham, from 2004. This book provides an overview of different theories about the fundamental nature and working of money and credit in the economy.
- *Debt: The First 5000 Years* by David Graeber, from 2011. This bestseller explores the history and anthropology of money and debt, emphasizing its interaction with broader social institutions.
- *Globalizing capital: A history of the international monetary system* by Barry Eichengreen, most recent edition from 2019. A well written history helping students understand how money and finance have changed overtime, from the gold standard system and interwar instability to the Bretton Woods system and the last decades.
- *A Concise History of International Finance: From Babylon to Bernanke* by Larry Neal, from 2015. A detailed history of how finance has evolved over time, with particular attention to financial innovations, crises, government regulation, and international dynamics.
- *The Oxford Handbook of Banking and Financial History* by Youssef Cassis, Catherine R. Schenk, and Richard S. Grossman, from 2016. An impressive collection of essays on the history of finance, with its many different aspects, from banking types and varieties of financial markets, to financial crises and the role of the state.
- *Money: The true history of a made-up thing* by Jacob Goldstein, from 2020. This accessible introduction explores how money has emerged and evolved over time, from ancient and early modern history to recent

developments with digital cash and cryptocurrencies.

- *Crashed: How a decade of financial crises changed the world* by Adam Tooze, from 2018. A detailed and well-written account of the global financial crisis of 2007-2008 and the decade that followed it, with accessible explanations of the technical workings of finance, monetary policy, and theories about it as well as sharp descriptions of the role of politics and close up personal accounts of individuals making decisions.

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.

Pragmatic Pluralism: Overview

Key insights and ideas for thirteen core topics in economics, organised by selecting the most relevant theoretical approaches per topic and contrasting them with each other.

This chapter provides a map through the complex jungle of economic theories. There are many different theoretical approaches, and each aspect of the economy has been analysed by a number of different ones. However, it is neither feasible nor productive for students to engage with every possible angle for every topic. Hence, this chapter, together with *Building Block 8: Economic Theories*, sets out an alternative approach: pragmatic pluralism. That is, make a selection of the most relevant theoretical approaches for the topic that is taught.

The building block chapter sets out the general approach of *pragmatic pluralism* (see economy.st/bb8). This chapter instead focuses on the content, applying the pragmatic pluralism approach to several of the core topics in economics. The full chapter (see economy.st/pragmatic) covers the following thirteen topics:

- 1 Governments
- 2 Business Cycles
- 3 Consumption
- 4 Economic Development
- 5 Finance
- 6 Firms
- 7 Households
- 8 Inequality
- 9 International Trade
- 10 Labour
- 11 Markets
- 12 Money
- 13 Nature

To reiterate, the core logic of this approach to teaching economic theory is that whilst pluralism is an essential aspect of academia, we also need to be pragmatic to successfully apply it in practice. Rather than pursuing the extreme of either only focusing on one approach, or including every possible strand of thought for every topic, we propose a pragmatic middle ground: teaching a select number of approaches for each topic. In this way, it is possible to introduce students to the variety and diversity of economic thinking, whilst still having enough time and space to properly discuss each of the insights in detail with them.

“Reasonable people may have different theories of the way the economy works – different pictures in their heads of what connects one thing with another in the economic system.”

Solow (1983, p. 67)

Theory is the beating heart of all social sciences, including economics. It allows one to understand the components, processes and causal mechanisms characterising various social phenomena in a more structured and systematic manner. However, every topic can be understood from various theoretical perspectives, which can both complement and contradict each other.

Most contemporary economics programmes focus almost exclusively on neoclassical theory. In opposition, some other programs choose to focus entirely on another perspective. We believe, in contrast to both, that there is no single ‘correct’ or ‘best’ way to understand the economy as a whole. It is too large and complex to be captured by a single point of view.

Hence, we propose a fundamentally pluralist approach to teaching theory. It is essential to teach students a variety of approaches to give them a rich and broad understanding of the topic, the debate around it and learn to think critically and not to take things as absolute truths. Approaches should be judged on their merits, topic by topic: thinking critically and reflectively to decide which theoretical points of departure help us best to understand this particular corner of the economic system.

Including this pluralist discussion is crucial for the development of students’ vital critical thinking skills, through the investigation of links and contradictions between the insights learnt. For a pluralist economics education to be truly valuable, students must graduate not just with strong knowledge of a range of perspectives and methods, but also with a critical understanding of the limitations and blindspots of those tools. Without this, they will struggle to select the most relevant approaches to the task at hand, and to judge how much confidence to have in the conclusions that they reach. Active discussion also has the additional benefit of making sure that students are genuinely understanding the content taught to them, rather than just temporarily memorising it for an exam.

In Practice

So how does this approach work when applied to a topic?

Each topic is subject to debate between alternative views, and to make students familiar with these competing theories, for every topic the two main opposing perspectives are selected. But not all differing ideas and theories are necessarily in conflict with each other. There are also approaches which can supplement one, or both, of the main opposing perspectives, contributing to a richer understanding of the topic. Therefore, each topic also contains one main complementary perspective. On top of these three main theoretical approaches, there are many other useful ideas that students could benefit from by learning about. For this reason, we provide a short summary of other useful insights and ideas that could be included for each topic.

For each topic, we suggest a few particularly useful teaching materials. In the resource chapter *Teaching Materials*, we provide longer lists of suggestions.

The topics presented below could be, and often already are, taught in individual courses. They can also be combined, especially when there is significant overlap such as with Finance and Money for example, although this does of course shorten the teaching time that can be devoted to each topic and its insights. As to determining the relative teaching time to the various perspectives, the following rule of thumb could be useful: the first half of the course is devoted to the two main opposing approaches, the third quarter to the complementary perspective and the last quarter to the other useful insights. As with every rule of thumb, the specific case and context should be taken into account and we advise teachers to determine the relative teaching time devoted to each insight taking the local situation into account.

Cautionary Notes

Before we go into the specific ideas and insights, we want to provide a short recap of the cautionary notes, which are described in full in *Building Block 8: Economic Theories* (see economy.st/bb8).

Firstly, the following overview should be viewed as only one possible example of a pragmatic pluralist approach to teaching economic theory. An overview such as this one should never be set in stone, as the discipline itself is also constantly evolving. While some approaches, such as complexity economics, currently have relatively few insights listed in the overview, this might change over the coming years as more scholars will further develop this approach and apply it to different topics.

Secondly, the overview could easily be expanded to allow for more detail and nuance or a wider range of perspectives or topics. The examples have been written to suit the time constraints of an individual module. The framework could be adapted for a relatively brief programme, such as an economics major in a liberal arts programme, by selecting fewer perspectives for each topic and including fewer topics and possibly combining them into individual modules. Equally, if the available teaching time is greater, for example with a theory-oriented four year undergraduate economics programme, more topics, insights and a greater range of perspectives could be included.

Thirdly, our economics education and own reading has shaped the topics and perspectives that are presented below. This is greatly influenced by living and studying in the Netherlands, and Europe more broadly, and the strong bias in the discipline as a whole towards economic thinking from the Global North. We strongly believe that economics curricula need to be decolonised and with this book we try to contribute to this. To help us do so, we have asked students and professors from all over the world, as well as organizations active on this issue, such as *Diversifying and Decolonising Economics*, for advice. Nevertheless, it is important to say that this is not an area that we personally have particularly strong knowledge in and feel that more could, and should, be done in this regard. We therefore welcome all suggestions on how the content in this chapter, and the rest of the book, could be enriched and improved by including other topics, perspectives and insights.

Finally, this technique of putting approaches as well as topics in separate boxes is only a heuristic for identifying the most important ideas and insights to teach. Many of these approaches and topics are strongly interlinked and can be difficult, or even impossible, to truly separate from each other. As a result, individual thinkers and their ideas can be difficult to put into a single box. For instance, Joseph Schumpeter built on classical, historical, Marxian, Austrian and neoclassical ideas, and is often seen as a key inspiration for evolutionary economics, which is therefore also sometimes called Schumpeterian economics. It is important

that students learn about these links and become familiar with how both the ideas and the topics are connected.

With these cautionary notes in mind, we hope this overview can be of some help in putting the pragmatic pluralist approach in practice and adapting economic theory courses.

Core Theoretical Insights Organised by Topic

Below we have put the thirteen economic topics (along the top) and sixteen theoretical perspectives (down the side) in a table to give an overview of how our pragmatic pluralist approach works.

It would be possible to fill in every box (representing a combination between a topic and an approach) to create what could be described as ‘indiscriminate’ pluralism. We think that for research purposes, such an approach could be very useful as it could generate new insights by utilising approaches previously not applied to a topic. However, for education we would not advise such an approach, as it would be impossible to teach every possible perspective on a given topic in a meaningful way, given the limited teaching time available. Instead, we advise teachers to focus on the main insights into their chosen topic. In other words, when teaching an economics course, they should focus on the combinations of the topic and perspectives that are most important. For every topic, we have noted to the two main opposing perspectives with ■, the main complementary perspective with □, and the perspectives that can provide smaller but still valuable additional insights with +. In this way, many boxes stay empty. This does not mean that the perspective has nothing to say on the topic, as it often does. But economics education requires us to make choices as to what to teach and what not. In this overview, below we have presented an attempt at making such choices, asking which insights help us understand the world the most. Sometimes there are cases in which perspectives share a certain insight. This is discussed in the explanations of the insights, but for brevity each insight is attributed to a single perspective in the table.

	Governments	Business Cycles	Consumption	Economic Development	Finance	Firms	Households	Inequality	International Trade	Labour	Markets	Money	Nature
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				+					□				
Other	+		+			+		+	+				+

- Main opposing perspective
- Main complementary perspective
- +

Pragmatic Pluralism 12: Money

Money rules the world, or at least it often seems to. We all use it every day, so we often assume that we know it very well. But what is money in the first place? This seemingly easy question has triggered countless debates for many centuries. At the core of these debates is whether money is something purely technical and instrumental, or whether it fundamentally shapes, and is shaped, by social and power relationships. Another key insight is that cultural practices influenced how we see and use money.

Main opposing perspectives

- Post-Keynesian economics: Credit theory of money
- Austrian school: Commodity theory of money outcome

Main complementary perspective

- Cultural approach: Earmarking money

Additional perspectives and insights

- + Historical school: State theory of money

Main opposing perspectives: Post-Keynesian economics and the Austrian school

The two main contrasting views on money are the credit and commodity theories. The former sees money as a fundamentally social arrangement of debt and credit, while the latter views money as a purely instrumental object that can act as a means of exchange.

The commodity view, also called metallism, was first proposed by Aristotle and is further developed by classical, Austrian and neoclassical economists. The commodity approach argues that money spontaneously originated to replace barter as it is more efficient to use money as a medium of exchange. In this perspective, money is neutral and has no effect on the real economy (at least in the long run). This idea of seeing money as a veil is often referred to as the classical dichotomy.

The credit view, first put forward by Plato and further developed by post-Keynesian, as well as Schumpeterian, economists, instead views the real and monetary economy as fundamentally interconnected, also in the long run. Money in this perspective is understood to have originated from social obligations in the form of debt and credit. Most recent historical and anthropological evidence tends to support this view of the origins of money.

Main complementary perspective: Cultural approach

The cultural approach investigates how historically situated understandings and norms related to money evolve and influence its role in society. In this perspective, money is not something impersonal, homogenous, objective or purely quantitative. In fact, money has highly personal, heterogenous and subjective meanings for people. Cultural practices, rules and habits around money are therefore of great importance. Official money may be legally or financially entirely uniform, but people will create special monies to mark off different activities and social relations. This practice is called earmarking as people designate certain monies for particular purposes.

Within behavioural economics, this practice is referred to as mental accounting and is often understood as irrational behaviour. They argue earmarking money is irrational because it does not follow the rational man, as described by neoclassical economics, which pools all money. From this perspective, the practice of

earmarking money thus leads to inconsistent choices because of different monies, or mental accounts.

Additional perspectives and insights

There is also another theory of money, which originates from the **historical school**, which sees money as being created and controlled by governments who can issue their currency and require citizens to pay taxes in them. This theory is known by various names, such as the state theory of money, the theory of tax-driven money, and chartalism. The credit and state theory overlap as they both see money as a social claim to abstract value. The credit theory, however, focuses more on the role of finance, while state theory pays more attention to the role of government.

The two perspectives are also often combined as, for example, recently has been done by modern monetary theorists. The debate between the commodity view on the one hand, and credit and state views on the other, has returned many times in history, such as during the Methodenstreit between Austrian and historical economists at the end of the 19th century, between neoclassical and Keynesian economists in the 1930s, and more recently between (monetarist) neoclassical and modern monetary economists.

Teaching Materials

- Chapters & Papers:
 - *Capitalism: Competition, Conflict, Crises* by Anwar Shaikh, from 2016, chapters 5 & 15. This impressive and extensive book compares multiple perspectives on many traditional economic topics including money, prices and inflation.
 - *Introducing a New Economics* by Jack Reardon, Maria A. Madi, and Molly S. Cato, from 2017, chapter 8. This ground-breaking textbook introduces money and weaves together pluralist theory and real-world knowledge.
 - *Economics After The Crisis* by Irene van Staveren, from 2015, chapter 11. This well-written textbook sets out the neoclassical, post-Keynesian, social economic and institutional perspectives on money.
 - *The Economy* by The CORE Team, from 2017, chapters 10 & 15. This successful textbook provides an introduction into mainstream ideas and empirical findings on money, credit, inflation and monetary policy.
 - *Principles of Economics in Context* by Jonathan Harris, Julie A. Nelson and Neva Goodwin, most recent edition from 2020, chapters 26 & 27. This useful textbook, which pays particular attention to social and environmental challenges, devotes two chapters to money, banking and monetary policy.
 - *The Routledge Handbook of Heterodox Economics: Theorizing, Analyzing, and Transforming Capitalism* by Tae-Hee Jo, Lynne Chester, and Carlo D'Ippoliti, from 2017, chapters 5, 7, 17, 18 & 19. This broad and diverse book sets out a variety of theories on monetary theories, value, money, and banking.
 - *Macroeconomics* by William Mitchell, L. Randall Wray, Martin Watts, from 2019, chapters 9 & 10. This ground-breaking and much-discussed textbook written by three leaders of Modern Monetary Theory (MMT), introduces students to the different theories of money and currencies.
 - *The Handbook of Economic Sociology* by Neil J. Smelser and Richard Swedberg, from 2005, chapter 16. This extensive and yet accessible book for non-sociologists, provides an impressive and useful overview of the field of economic sociology, including a chapter on the sociology of money and credit.
 - *Money Creation in the Modern Economy* by Michael McLeay, Amar Radia and Ryland Thomas, from 2014. This article, by the Bank of England, helps students understand how money is created and debunks some popular misconceptions.

- Books:
 - *Where Does Money Come From?* by Josh Ryan-Collins, Tony Greenham, Richard Werner, and Andrew Jackson, from 2011. This accessible book introduces students to different ideas about money and helps students understand recent developments and the technical workings of the monetary system.
 - *A Handbook of Alternative Monetary Economics* by Philip Arestis and Malcolm Sawyer, from 2006. This useful collection of essays introduces students to various different monetary theories, from Marx and Keynes their theories of money and credit to Minsky's financial instability hypothesis and theories about the endogeneity of money.
 - *The Social Life of Money* by Nigel Dodd, from 2014. This accessible book, written by a leading sociologist, introduces students to the origins of money, its relation to capital and debt, and a variety of ideas on the social, cultural and political dynamics related to money.
 - *The Social Meaning of Money* by Viviana Zelizer, from 1994. This influential book looks at money from a cultural lens, showing how people earmark money and how meaning making processes shape monetary behaviour.
 - *Debt: The First 5000 Years* by David Graeber, from 2011. This bestseller explores the history and anthropology of money and debt, emphasizing its interaction with broader social institutions.
 - *Money and Government: A Challenge to Mainstream Economics* by Robert Skidelsky, from 2019. This useful book introduces students to the key ideas throughout history up to today on macroeconomics, money and the government.
 - *The Nature of Money* by Geoffrey Ingham, from 2004. This book provides an overview of different theories about the fundamental nature and working of money and credit in the economy.
 - *Concepts of Money* by Geoffrey Ingham, from 2005. This book is a collection of classic essays on money and includes chapters by Austrian, Marxian, Keynesian and cultural economists and scholars.
 - *Money (The Art of Living)* by Eric Lonergan, from 2009. This accessible book, written by a hedge fund manager, helps students what money is and how it functions in today's economy.
 - *The Economics of Central Banking* by Livio Stracca, from 2018. This book introduces students to how central banking works and discusses key questions and debates related to the dominant mainstream models, the zero lower bound, financial stability, globalization and digitalization.
 - *Marxist Monetary Theory: Collected Papers* by Costas Lapavistas, from 2016. This book introduces students to Marxian thinking about money and monetary policy.
 - *Monetary Economics: An Integrated Approach to Credit, Money, Income, Production and Wealth* by Wynne Godley and Marc Lavoie, from 2006. This book, written by two key post Keynesian economists, introduces students to different theories and models of money and monetary dynamics.

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.

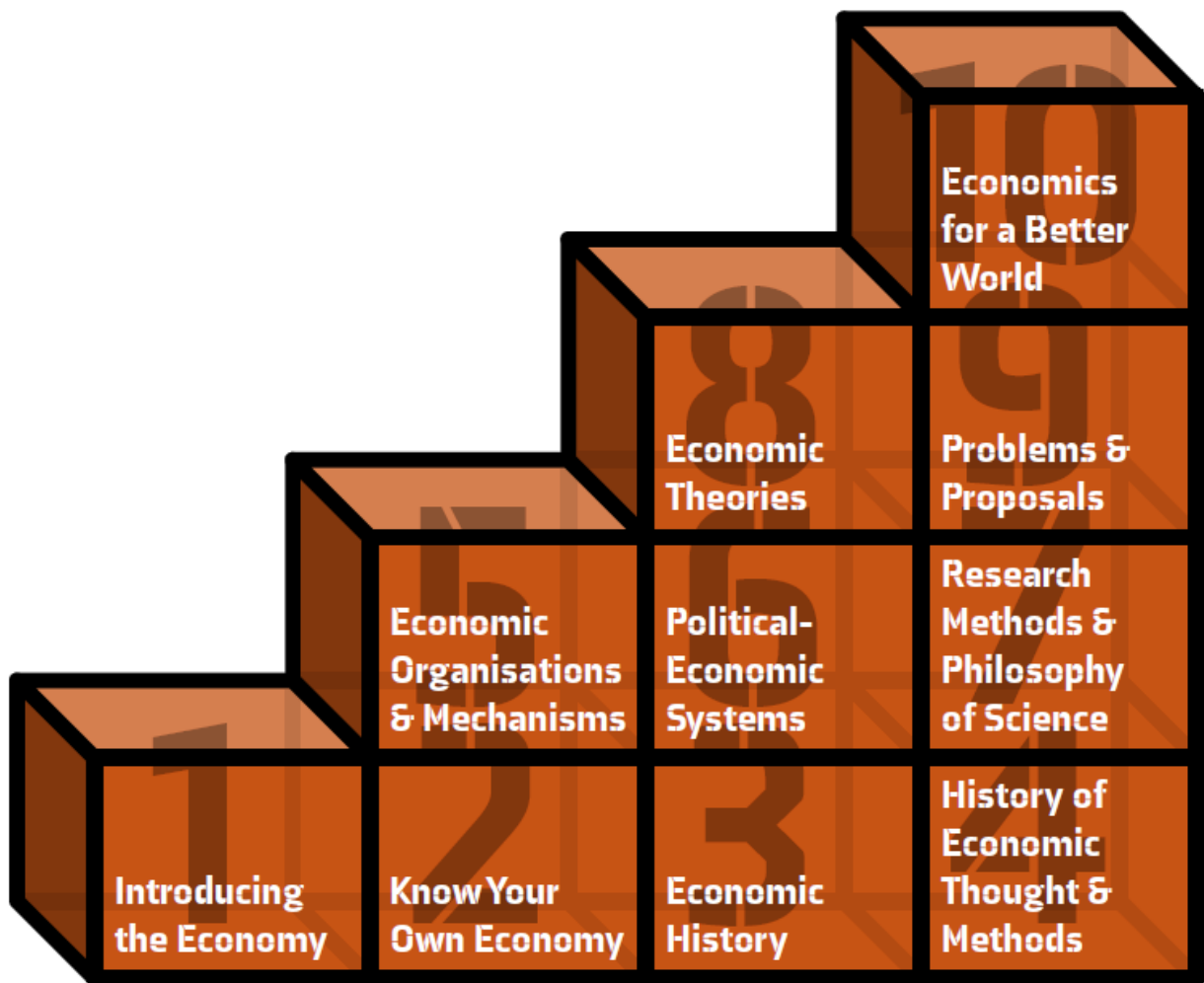


Figure 1: The ten building blocks that form the core of this book. The order of the numbers is not necessarily the order in which they should be taught. Their relative size varies, with building blocks 7 and 8 generally taking up much more space than the others.

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 10: Economics for a Better World

What normative principles and visions can guide action to make the world a better place and address the major challenges of our times?

What: This building block is about normative ideas in economics. That is, the underlying ideals guiding economic thinking and decisions, such as equity, efficiency, liberty and solidarity. It also includes visions for how the economy could and should look, ranging from concrete policy proposals to visions of differently organised economic systems.

Why: It is crucial that students are taught about the normative aspects of economic thinking. It helps them deal with normative issues in a more conscious and sophisticated way. This is especially important because it prepares them for their later work in which they will have to inform non-economists on the normative dilemmas of economic decisions. If they are never taught to think about and explain these issues, it is very likely that as graduates they will be blind to them. Or that if they do address them, they will likely do so in an inconsistent and haphazard manner. Students thus have to gain experience with normativity during their education.

Contrast with current programmes: Current programmes generally have two approaches to normativity. Some try to ignore it, along the lines of: ‘There is normative economics, and there is positive economics; here we only deal with positive science’. We think this is an unrealistic and damaging approach, as it in no way prepares students for their future roles in advising others to make decisions. The other frequently found approach is to tuck away all normative aspects in a separate course on ethics. Though more helpful, this is not enough. Besides learning general ethical philosophy, students need to understand its role in economic questions. We suggest teaching normative aspects in a more integrated and applied way, making students aware of normative aspects of theories when they learn them and teaching them to spot the more normative elements of policy advice.

Sections:

- 1 Normative Principles for Decisions
- 2 Visions for the Economy
- 3 Practical Suggestions

“The choice between different social arrangements for the solution of economic problems should be carried out in broader terms than this [comparisons of market values] and that the total effect of these arrangements in all spheres of life should be taken into account. As Frank H. Knight has so often emphasized, problems of welfare economics must ultimately dissolve into a study of morals.”

Ronald Coase (1960, p. 43)

The ultimate goal of economics, apart from sheer fascination, is to contribute to a better world. How such a better world looks however, is hotly debated. In fact, normative discussions about economic questions are often at the centre of political debates. Economic questions are thus not simply a matter of intellectual curiosity or academic interest, they are key societal issues. Economists have the vital role of supporting society in making decisions and taking actions concerning these economic questions.

As explained in Foundation 4: Values, it is not the job of the economists to make these decisions, but it is our job to inform and support others in making economic decisions, shedding light on their normative and analytical aspects, as well as their implications in the real world. This requires that economics students learn about the normative aspects of economic questions, the focus of this building block.

In other words, in contrast to many of the other building blocks which focus mainly on descriptive or analytical ideas and knowledge, this building block focuses on normative ideas. It is about teaching students to identify the underlying values and moral dilemmas involved in economic issues and to explain these clearly to non-economists. These skills enable economists to minimise their own normative biases in their work and identify weak points in normative arguments and reasoning.

This chapter starts with a section on teaching students to spot and critically assess the normative elements embedded in analytical tools, such as models and measurements. The next two sections are more applied and focus on ideas that can guide action. The second section has a more short-term focus and looks at normative principles on which decisions can be based. The third section has a more long-term perspective focusing on visions of how the economy should look.

1 Normative Principles for Decisions

To be able to make a decision, one has to apply normative principles, be it consciously or not. Since the ultimate goal of economics is to help the world make better economic decisions, it is important that students become familiar with the normative aspects of decisions. By being able to uncover relevant normative principles and clearly articulate how they relate to the issue at hand, economists can inform others to better understand the decisions they have to make.

These normative principles are often called ‘welfare criteria’ in economics. It is, however, important to note that maximising the welfare or utility of individuals is only one such normative principle. The different economic approaches described in the online resource Economic Approaches (economy.st/approaches) provides an overview of the assumptions underlying different economic theories. Other principles than welfare include fairness, legitimacy, security, stability, and reciprocity. These principles differ in their translatability into mathematical form and their applicability in practice.

Of particular importance is how normative principles deal with the pros and cons of decisions. Within welfare economics, the principles of Pareto efficiency, ‘do no harm’, and Kaldor-Hicks efficiency, ‘hypothetical compensation’, are well known. These are only two among many principles on which normative assessments can be based. Solely within the utilitarian tradition already, there are, for example, also those who argue the average or minimum utility should be maximised.

Besides utilitarian principles there are also other ideas about how to deal with moral dilemmas, such as the precautionary principle and inalienable rights and liberties. Students need to become familiar with these different ways of approaching normative trade-offs, as they are relevant for many real-world problems.

The goal here is not to teach students how they should independently make value judgments, but to learn how to identify underlying normative assumptions and trade-offs and clearly communicate them to non-economists. Or in Huei-chun Su’s words (2012, pp. 378-379): “Normative economics in this sense is primarily concerned with exploring the way of making an evaluation, but it does not have to commit to endorsing the evaluation. In this way, normative economics only relates to value judgements but does not make value judgements.” It is not about teaching students ‘what is right’, it is about teaching them how to clearly see where and how value judgments are being made throughout the analysis.

Since it is not economists themselves who should make normative decisions, students should learn how the general population sees certain central normative trade-offs. This can be done by looking at interviews and surveys of citizens, or letting students conduct new ones. Of course, it is not a matter of learning survey data by heart, nor should students internalise majority opinions on a certain issue as ‘the right view’. Rather, learning the habit of looking at the normative choices of people can help students to realise the range of value-judgements that may exist beyond the ‘common sense’ they personally are used to or automatically adopting the values or interests of their employers – looking outside their own values bubble, as it were.

How can this be done? A course on labour economics, for example, generally covers the topic of unemployment and frequently also discusses the related policy options. When discussing these different social policies, one could explicitly identify the normative questions involved in the different aspects of those policies. Kuhn et al. (2020) and Nicoli et al.

(2020), two papers related to one research project, identified the following six questions as main normative issues concerning EU social policy:

1. How generous should the unemployment benefit levels be?
2. Should there be training and education opportunities for unemployed citizens?
3. How much between-country redistribution should there be?
4. How much tax are you willing to pay and should there be progressive, proportional or regressive taxation?
5. Should it be centrally administered by the EU or decentrally by national governments?
6. How much job search effort do unemployed citizens need to do to be able to get benefits?

Surprisingly they found that the majority of the EU population is in favour of such an EU unemployment scheme. But citizens' support depends heavily on the choices made concerning the normative issues mentioned above. Most EU citizens prefer decentralised implementation, more generous programmes, requiring education and training opportunities as well as job search effort conditions, and low as well as progressive taxation. The point here is not that these are the 'right' moral positions, but rather that these are simply the normative choices most EU citizens would make. By looking at the results of such surveys students become aware of the normative choices citizens prefer and develop a feeling for what is generally considered important.

2 Visions for the Economy

Next to the normative elements embedded in analytical tools and normative principles for decisions, normative visions and ideas on economies are relevant for economics education. Such economic visions are often at the core of political ideologies and the directions in which societies develop. These visions can range from short-term concrete policy proposals to idealistic visions of utopian economic systems. These ideas about how to structure and organise an economy are thus crucial for any economist to be familiar with. Again, this should not be aimed at turning economics students into believers of those visions. Instead, the goal should be to make students knowledgeable about the wide variety of visions, so they can develop a good understanding of them and are able to inform non-economists about them.

The central challenges of an age generally define its normative discussions. The main societal challenges of our time seem to be climate change, pandemics, rising levels of public and private debt, cultural clashes between nationalism and cosmopolitanism, growing inequality and a concentration of economic power. It is key to teach students something about the range of economic visions on these topics.

Taking climate change as an example, it would be useful to expose students to debates between the ideas of green growth, degrowth as well as growth agnosticism. Green growth is based on a future vision in which ecological sustainability is accompanied with a further rise in GDP, often linked to a strong belief in technological progress (Allan & Meckling, 2021; Meckling & Allan, 2020; OECD, 2021). Opposing this idea, the degrowth perspective envisions a sustainable future in which GDP has declined, because they argue it will not be possible to fully decouple GDP growth from resource use and carbon emissions (Haberl et al., 2020; Hickel, 2020; Hickel & Kallis, 2020). Then there are those who want to shift the focus of the debate because they argue GDP is not a particularly relevant topic or economic goal. Instead, they argue that human wellbeing should be the goal of economic activity, making them focus on the relationship of sustainability with wellbeing, rather than with GDP (Van den Bergh, 2011; Van den Bergh & Kallis, 2012). As such, they are growth agnostic, being indifferent to GDP's development and focusing instead on human wellbeing.

These economic visions are likely to shape the coming future as they are already influencing political movements and policy decisions. Students need to learn at least their outlines. Besides having strong links to societal challenges, these economic visions are also deeply connected to economic organisations and mechanisms (Building Block 5) and political-economic systems (Building Block 6). Therefore, it is important that students become familiar with the various moral views on ways of organising economies. Given that most economies are currently mainly organised along capitalist lines, it is perhaps no surprise that normative discussions about capitalism are particularly relevant. However, in a master's programme specialising in labour economics for example, it would be particularly important to expose students to the different normative visions on how labour should be organised and rewarded.

In sum, students should learn about the different visions that exist about how the economy could or should look. In addition, it seems particularly promising to connect these discussions about normative ideas to societal challenges as well as ways of organising economies.

3 Practical Suggestions

Firstly, meaningful normative discussions require shared reference points: a solid grounding in analytical and real-world knowledge. For instance, when discussing the different visions on the future concerning climate change, it pays to first discuss with students what climate change is and how it has evolved so far.

- What are the main causes of climate change?
- How far are we from reaching the various planetary boundaries (and by how much have we already exceeded some of them)?
- How much of our natural resources have already been depleted and how much is left?
- What are the future scenarios climate scientists think are likely?
- Which sectors and countries have been mainly responsible for the emissions?
- What is the state of the different sources of energy?
- etc.

Without such knowledge, students would not learn how to form informed, rather than purely ideology-driven, opinions.

Secondly, we think this building block provides the perfect opportunity to let students practise their communication skills, both in written and spoken form. The most direct method would be to ask students to write essays and debate about the normative positions they believe in. Additionally, it can be very useful to make students defend normative positions that are not their own. This forces them to consider the strengths of positions that they personally disagree with, and the weaknesses of the position they hold themselves. It is a particularly relevant skill for their careers, as being able to understand others' normative ideas is often a lot more important than convincing others of yours.

Another way to do this could be to give students the assignment to prepare a written argumentation on a normative question and hand this in. Based on their answers, every student is linked to another student who views the issue from a different perspective and arrives at another conclusion. Thereafter, every couple gets a limited timeslot, for example one hour, to explain to each other their argumentation and reasoning. Directly after this, students have to write down the argumentation of the other as best as they can, thereby testing how well they understand their opponents' reasoning. Finally, the teacher compares the original assignments with the written recounts, assessing how many of the key arguments match. Each couple receives one grade so that both their explaining and listening skills are rewarded and teamwork between (intellectual) opponents is stimulated.

Some interesting questions to discuss could be the following:

- Is material consumption the goal of the economy?
- What level of inequality is justifiable if it contributes to economic growth?
- Is alienation a justifiable side effect if the work creates economic growth?
- Do owners or shareholders have the sole moral right to make decisions in firms or should other stakeholders, such as workers and consumers, have a say on decisions as well?
- What should be commodified, and what do we find too sacred or too dangerous to trade or manage commercially? Consider for example, organs, humans, human time, education, housing, citizenship,

mind-altering substances, weapons, land, medicine, ideas, techniques, prisons, the right to pollute, or political office.

- Should trade in these items be forbidden, regulated through limiting rules or market mechanisms, or left free? Sandel's *What Money Can Buy* provides great material for such discussions.

Furthermore, taking controversial positions should not be punished, but nor should students be pushed to choose an ideology to believe in. It should be perfectly fine if students take nuanced and complex positions that are not easily put in ideological boxes. So when giving such randomly assigned normative positions, we think it is important to not only assign ideologically stereotypical positions.

Finally, and connected to the point above, it can help to link such exercises to real historical or recent cases to ground them in reality and link them to specific contexts. This is also what they will be doing in their careers, so it only makes sense to give them experience in doing so.

Teaching Materials

- *The Oxford Handbook of Ethics and Economics* by Mark D. White, from This extensive collection of essays explores the many moral dimensions of economics, from different ethical theories and the ethics in schools of thought, to the ethics of money, labour markets, risk, law, civil rights and ecological sustainability.
- *Economic Analysis, Moral Philosophy, and Public Policy* by Daniel Hausman, Michael McPherson, and Debra Satz, most recent edition from 2016. A great introduction into normative economics, covering its many areas and topics from welfare economics and utility theory to liberty, equality and justice.
- *A Guide to Ethics and Public Policy: Finding Our Way* by D. Don Welch, from 2014. A brief but insightful book providing a broad framework for evaluating policy proposals and outcomes, organised around five moral principles: benefit, effectiveness, fairness, fidelity, and legitimacy.
- *The Oxford Handbook of Professional Economic Ethics* by George F. DeMartino and Deirdre McCloskey, from 2016. This insightful collection of essays explores the different aspects of ethics in economics, with special attention to ethical issues related to economic theory, research and policy advice.
- *Political Ideologies: An Introduction* by Andrew Heywood, most recent edition from 2021. A useful and accessible introduction into a wide variety of political ideologies, from liberalism, socialism, and conservatism to feminism, nationalism, and green ideology, that shape much of our normative thinking on the economy.
- *Moral Views on Market Society* by Marion Fourcade and Kieran Healy, from 2007. An insightful overview paper on the key different normative perspectives on capitalism, enabling readers to better understand and place ideas and arguments prevalent in many debates about the economy.
- *Is Capitalism Obsolete? A Journey Through Alternative Economic Systems* by Giacomo Corneo, from 2017. A systematic and sharp overview of different (mainly socialist) economic systems that helps students think analytically about their allocation and coordination mechanisms and informs them about the possible ways of organising economies and the arguments for and against the various options.
- *What Money Can't Buy: The Moral Limits of Markets* by Michael J. Sandel, most recent edition from 2012. A highly influential and well-written book reflecting on the moral place of markets in society and asking the key question whether everything should be up for sale. The Institute for New Economic Thinking has also launched a video series on the book and topic: <https://www.ineteconomics.org/perspectives/videos/what-money-cant-buy>
- *Thrive: Fundamentals for a New Economy* by Kees Klomp & Shinta Oosterwaal, from 2021. This collection of essays introduces students to various visions for how the economy could be run, from regenerative, wellbeing and common good economics, to doughnut, buddhist and degrowth economics.

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.

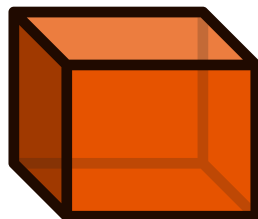
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