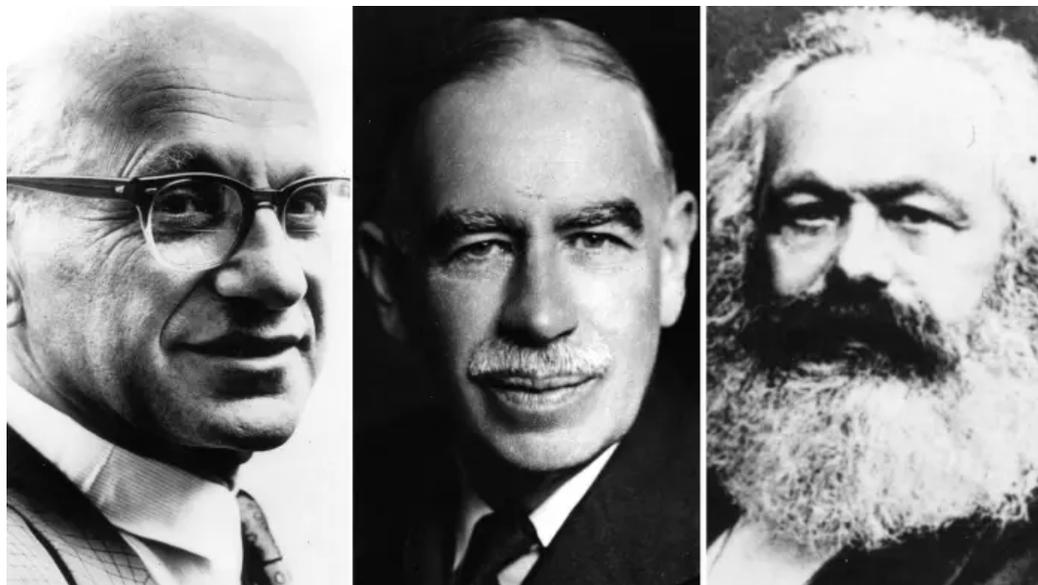


Opinion **Education**

How to fix university economics courses

A syllabus that does not integrate the insights of other disciplines fails students



Economists Milton Friedman, John Maynard Keynes and Karl Marx: Pluralism can be advanced by marshalling the insights of differing schools of thought © FT Montage/Getty
 Samuel Bowles
 YESTERDAY

Economists are under attack for a lack of “pluralism” in their undergraduate curriculums. Insufficient attention, critics say, is given to contrasting schools of thought — Keynes versus the monetarists, Marx versus the Neoclassicals — and to the lessons of history and the other social sciences.

The critics are right. Undergraduate economics instruction tends to be narrow in both respects, and our students are the worse for it. Problems arise, however, when it comes to remedies: the critics have a limited conception of pluralism, and a tendency to overlook recent developments in the discipline.

We should distinguish between two variants of pluralism. In one, pluralism by juxtaposition, differing approaches are contrasted, with students encouraged to see the study of economics as a kind of paradigm tournament. But pluralism can also be advanced by marshalling the insights of differing schools of thought and academic disciplines into a common paradigm. Call this pluralism by integration.

The lack of pluralism of either kind can be traced to the benchmark model used in most economics teaching. If the paradigm case is a selfish “homo economicus” buying and selling in perfectly competitive markets in which supply always equals demand, then it is hard to see what the insights of other academic disciplines or schools of thought could contribute. But this benchmark has long been superseded in the economics used in research and policy advice.

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Over the past five years, learners, teachers and researchers have collaborated on the [Core](#) project, developing an introduction to economics using a more current benchmark that incorporates pluralism by integration.

To see why a new benchmark matters, consider how Core treats the company and the labour market. It starts with the fact that employer and employee have conflicting interests about effort expended at work. The idea that the labour contract cannot ensure that an employee works hard or well is a

staple of the modern microeconomics of incomplete contracts. But it comes straight from Karl Marx. The reason the contract is incomplete, students discover, is that information is both local and scarce. This insight is the cornerstone of the economics of Friedrich Hayek.

Core students then learn from Chicago economist [Ronald Coase](#) that “the distinguishing mark of the firm is the suppression of the price mechanism”. Wages and the amount of work done are determined by the power exercised by the employer and by employees' work ethic — not simply by market competition.

Sociology, [psychology](#), political science and law are integral to understanding how this model works. Students learn that Herbert Simon, whose degree was in political science, provided a mathematical model of this process more than half a century ago.

One result of this approach, also commonplace in modern economics, is that in the labour market demand will generally fall short of supply, and the resulting unemployment is due to the incomplete nature of the labour contract. Integrating Coase, Hayek, Marx and Simon, as well as recent research, provides a model that students can then use to analyse the [gig economy](#), the effects of minimum wages or the economic performance of nations with different labour market institutions.

Now imagine instead that the labour market and the company were represented as they are in the standard textbook benchmark model. There, the company is supposed to purchase work from the employee in a transaction no different from its purchase of kilowatts of electricity. There is no unemployment and there are no conflicts of interest over work, no point in the exercise of power over the worker by the employer, and social norms play no role.

In this imaginary world, Coase, Hayek, Marx and Simon, and other disciplines, are irrelevant. Core's pluralism, by contrast, shows students that useful insights can come from many sources and provides tools allowing them to address pressing economic problems of today.

The writer is research professor at the Santa Fe Institute. Wendy Carlin of University College London also contributed

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