



Department of Economics

The Tasks of Economics Education

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Academic economics is primarily useful, both to the student and to the political leader, as a prophylactic against popular fallacies. – Henry Simons (1983, 3)

Introduction

Come August 2010, parents across the country will be saying good-bye to their kids setting off for college. Many of these students will travel great distances to attend college. Many of them will find living away from home to be a new experience. A subset of these fresh and eager young minds will find themselves sitting in an economics class. They will have purchased a textbook that costs close to \$100 (or at least access to an online version of it).

Most likely the textbook will be written by Gregory Mankiw, though if their professor is of a certain age it might be written by Campbell McConnell. If their professor is of a certain ideological bent, the textbook might be written by James Gwartney and Richard Stroup, or perhaps E. K. Hunt, or Joseph Stiglitz. If the professor prides himself or herself on being a conventional center-left non-ideological/technocratic professor of economics, the students might have to work through a textbook by William Baumol and Alan Blinder. If the students are very fortunate they will be asked to purchase a relatively new textbook by my colleagues Tyler Cowen and Alex Tabarrok. If they are extremely fortunate (I am undoubtedly biased here) they will have that rare

professor of good taste and judgment who assigns Paul Heyne's *The Economic Way of Thinking*.¹

Of the thousands of students enrolling in their first economics class in fall 2010, very few will have chosen *how* they would like to be taught economics, or by whom. For the vast majority, enrollment in a particular class will be simply a random act or a decision based on scheduling trade-offs. Any given student might wind up with a dynamic economics professor, or more likely, to be honest, a boring dud. The professor might be very well informed about current affairs; then again, he or she might have no idea what is going on in the real world, and might not care much about it either.

Because economics is often taught poorly, I find that, when I meet people who discover that I am an economist, I can pretty much count on one of three reactions from them: (1) "Ugh! That was my least favorite class. How can you study that?" (2) "Oh, that's interesting. Do you know where interest rates are going?" (3) "Yea. I really enjoyed my economics class"—which remark is usually followed by a set of policy questions and, more often than not, a set of policy pronouncements randomly left, center, or right.² In the aftermath of 2008, I have often met people who, upon learning that I am an economist, blame me and my colleagues for the current financial crisis and insist that economists know absolutely nothing of value. Rarely, and I mean really rarely, I encounter someone who says, "Oh, how exciting. I loved my economics teacher. He/she

¹ Since Paul's untimely death in 2000, David Prychitko and I have revised and updated his textbook for the past three editions (10th, 11th, and 12th).

² On a recent round of golf I was paired with a retired public school history teacher. When he found out I was an economics professor he asked me if I followed the teachings of Trotsky. I thought at first he was making a joke. But then he followed up with his theory of the Great Depression--"capitalism is immoral" – and the current crisis – "capitalists are thieves." I was then confronted with a choice: Try to hit a tee shot that didn't end up lost, or try to correct 50 years of bad thinking on the part of this man who had strong opinions that he was willing to share so easily. I chose to play golf and not debate him on the substance of economics and public policy. Sometimes, I thought to myself, you have to pick your battles.

really changed my life and the way I think about the world.” The few people who express an attitude of that sort are apt to be graduate students, or perhaps other colleagues, if graduate school hasn’t beaten all enthusiasm out of them. They are not apt to be people you just happen to meet in your neighborhood, at your church, or out in the community at large.

I have always been intrigued by this discrepancy. I had plenty of college classes outside of economics that to this day I remember with great fondness, for the professors’ teaching and for the knowledge I gained.³ But in economics it appears either that you get it or you don’t. If you get it, you work in the field; if you don’t, you hate what economists (as popularly imagined) stand for. Why?

I believe it is because we fail in our efforts to teach economics as an intellectually exciting and world-illuminating discipline. I often say that economics is a deadly serious discipline that tackles vital questions of wealth and poverty, of life and death; *and* that it is an amazing framework for thinking about human behavior in the real world, including all human endeavors; *and* that is entertaining and down-right fun.⁴ Admittedly, there seems to be something strange and counter-intuitive about economics. It is about freedom of choice, but within constraints; it is about human intentionality, but also the unintended consequences of human action. As Hayek (1988) has stated, “The curious task of economics is to demonstrate to men how little they know about what they imagine

³ My education at Grove City College was outstanding. I remember very fondly my classes in philosophy, political history, religious studies, legal studies, and psychological theories. I even enjoyed my classes in business. I just assumed this was the common experience of my peers, but twenty-five plus years of subsequent experience in higher education have continually challenged my presumption.

⁴ Chris Coyne’s *After War: The Political Economy of Exporting Democracy* (2007) provides an example of the power of economic scholarship to address deadly serious matters; Peter Leeson’s *The Invisible Hook: The Hidden Economics of Pirates* (2009) exemplifies scholarship brought to bear on unusual subject matter in a fascinating, entertaining manner.

they can design.” But it is also the case that economics in the hands of its finest practitioners is little more than applied common-sense. As Frank Knight (1951) pointed out, “The serious fact is that the bulk of the really important things that economics has to teach are things that people would see for themselves if they were willing to see. And it is hard to believe in the utility of trying to teach what men refuse to learn or even seriously listen to.” The tension between these two claims is largely a by-product of the way the discipline is taught and the way in which its teachings are applied to the realm of public policy in an inconsistent and ultimately ad hoc manner.⁵

Paul Heyne’s basic approach to economic education was a combination of KISS (keep it simple stupid) and a deep commitment to certain core principles of the discipline, which help in keeping the message simple. But a professor who strives for simplicity and a sharp focus must also believe firmly that simple economics is *not simple-minded* economics. A professor who cannot genuinely believe that will be inclined to teach nuanced theoretical propositions acquired from graduate school courses, even when doing so is not appropriate. Even for those not uncomfortable with basic economics, the incentives to be faced in trying to balance teaching responsibilities with the demand for publication for professional advancement may cause a drift toward teaching the principles course as if it were a watered-down version of the courses they took in graduate school.

⁵ Hayek postulates as well that we are hard-wired by our evolutionary past in small-group settings to have moral intuitions that are often at odds with the moral demands of the ‘Great Society’ – the social cooperation under the division of labor that characterizes modern commercial society. Thus, economics can be applied as common-sense, but its lessons are rejected as soon as they are heard, for at least two reasons: (1) moral intuition based on the intimate order that is used to judge behavior in the extended order; and (2) interest-group politics that cuts against economic logic to pursue of political logic of concentrating benefits on well-organized and well-informed interest groups in the short-run, while dispersing costs on the unorganized and ill-informed voters in the long-run.

This approach to teaching economics fails to communicate basic principles effectively; it also pitches the principles of the discipline in the most inappropriate way for the audience intended. If you emphasize the exceptions to the principles at the principles level, the students learn the exceptions, not the principles. Thus, students walk away thinking about monopoly, externalities, public goods, income inequality, macroeconomic instability, and the corrective government policies launched to address each of these “market failures,” rather than the role played by private property, relative prices, and profit-and-loss accounting in an economic system—i.e., structuring incentives, generating information that guide decisions, inspiring innovation, and providing disciplinary feedback on decisions.

In short, the principles class doesn’t cultivate an understanding among students of the gains from trade and the gains from innovation that explain the wealth and poverty of nations. Instead, it simply teaches a set of models and techniques of social control. The “worldly philosophy” of economics and political economy becomes the “dismal science” of optimal taxation, regulatory control, and macroeconomic fine-tuning. Both the science and its application are ill-served by these lame attempts at teaching the economic way of thinking and demonstrating its relevance. Perhaps more importantly, the students are ill-served as the stuff of economics is presented in as boring and, ironically, as arrogant a manner as possible.

The Basic Economic Way of Thinking

One of the great joys of teaching basic economics is taking students who are completely innocent of the economic way of thinking and getting them to see that they

are “all doing it, but none of them know they are doing it.”⁶ When I introduce the basic ideas of marginal benefit and marginal cost decision calculus to my introductory class, I draw the curves and label them correctly (marginal benefits declining, marginal costs rising), and then I ask, “How many of the young ladies in the room have been on a date?” Several hands are raised. I continue: “How many of you married that guy?” This is usually followed by some chuckles. And continue: “How many of you went on only one date with him?” Hands rise and the murmur in the room is audible. So I say, “OK, I see. The marginal costs of going out with ‘Ed’ another time exceeded the marginal benefits of another date with him.” I elaborate: Most guys are neither the guy you want to marry after one date, nor are most of them the guy you want to run away from for the rest of your life. Instead, with the guy in question, you probably go on three, five, or ten dates. Then I usually invoke my niece Jessica, who often turns to boys she dates and says, on their break-up day, “Look, you are a great guy; you are just not good boyfriend material.” In such a case, her experiences with “Ed” reached a point of “optimality” at say, five dates; she chooses not to go on a sixth date because the marginal cost of the experience would exceed the marginal benefit. Jessica is not unique in this respect. They are all doing it, but none of them know they are doing it. The economic way of thinking gives us a language to analyze their behavior in a systemic manner.

The economic way of thinking begins with understanding that human choice in all walks of life is always exercised against a background of constraints. The most fundamental constraint is the fact of scarcity—not material or merely financial scarcity,

⁶ In his classic work, *The Common-Sense of Political Economy* (1910), Wicksteed chose the actual quote from the German poet Goethe that I have paraphrased above as the epigraph for the book. One way to read Tyler Cowen’s recent book, *Discover Your Inner Economist* (2007), is as a modern example of this style of presenting economic reasoning to those who are largely innocent of the discipline.

but the logical fact of scarcity. Poverty and scarcity are not identical, and it is important to stress this point. Bill Gates must make choices just as you and I do; he also makes his choices against a background of constraints, and his choices reflect his trade-offs. But we do often identify the additional constraints that include financial constraints, technological constraints, time constraints, and resource constraints.

The reality of choice within constraints implies that we face trade-offs in making decisions. Substitutes abound. We are always choosing between alternative courses of action, and in making those choices we require various tools to aid us in assessing the trade-offs. We choose one path for an expected return, and we forgo an alternative with an expected cost. We need aids to assess the opportunity cost of our course of action. The exchange ratios established in the market come to us in the form of relative monetary prices that we can use to think about the alternatives. An introduction to monetary prices used in this way would emphasize, on the one hand, how the subjective assessment of trade-offs for some can become objective information about the market, which can then be used by others as they make their subjective assessments of trade-offs in economic decision making. An adequate introduction would also emphasize, on the other hand, the role played by property, prices, and profit/loss in coordinating economic decisions.

Both aspects of this subtle understanding need to be communicated to students if they are to understand market theory and the price system, the power of the market to coordinate the plans of buyers and sellers, the impossibility of rational economic calculation under collective ownership and the absence of a market for capital goods, and the economic instability of interventionist measures with price controls, regulations, and restrictions. Students must gain the same insight, I should add, to understand their own

participation in the market—buying and abstaining from buying, as consumers; keeping alert to opportunities for mutual gain as traders and as entrepreneurs; and exercising creativity (in the discovery of innovative production processes, which provide cost savings, or in imagining new products, which better satisfy consumer demand) as entrepreneurs, managers, and enterprising business owners.

Basic economics teaches us that individuals, while not lightning-speed calculators of pleasure and pain, nevertheless are purposive actors who weigh costs and benefits in decisions and strive to do the best that they can, given their situations (which include not only their constraints and specific contexts but also their cognitive limitations). This is, in short, what economists mean when they say that individuals engage in rational choice, or that individuals act in a self-interested manner. It does not mean that they are robotic in their choices, nor does it mean that they are atomistic, selfish actors. It does mean that they have ends and that they employ the means available to them to achieve those ends. They will pursue mutually advantageous exchanges with other economic actors. The prospect of great gains to be realized through specialization and exchange will guide them. They will focus on supplying goods and services they can produce at a low opportunity cost, and they will exchange their products for goods and services they could produce only at a high opportunity cost. In such exchanges, mutual gains from trade are realized, and the composition of the division of labor in society emerges.

The exercise of choice within constraints; the mutually beneficial aspect of exchange; the importance of property rights, incentives, prices, and information; the lure of profit and the penalty of loss; the spontaneous emergence of social cooperation under the division of labor—these basic principles comprise the core that beginning students

must grasp as prerequisites for a more complete understanding of how a market economy works.

The great economist Henry Simons argued (as reflected in the epigraph to this paper) that the primary purpose of economics as a discipline is to provide a prophylactic against popular fallacies. The insights needed to combat popular fallacies, Simons claimed, have to do with the role of prices and the adjustment of relative prices in bringing about the required adjustments that enable economic actors in to realize mutual gains and push the economic system toward its market-clearing position (where all the gains from exchange and innovation at any point in time are realized). As Frank Knight (1960) often stressed, an exchange is an exchange is an exchange. An exchange is mutually beneficial; otherwise it would not have been made. In a free market economy, economic interaction is a positive-sum game. That is, the interests of the players do not necessarily conflict; one player's gain does not entail another player's loss. Politics, on the other hand, is at best a zero-sum game, in which interests do conflict and one player's gain is another player's loss. (Politics can also be a negative-sum game, visiting mutual harm on the players, if the churning or rent-seeking state is unconstrained).

Most popular fallacies are rooted in confusion over this basic point about exchange relationships. And a failure to understand the machinations of politics, even under democracy, leads many people to believe the opposite—that markets are zero-sum or negative-sum games, while politics represents a positive-sum game. From this perspective, politics is viewed as a corrective to market failures, operating through the basic legal framework it provides, the fiscal policy it enacts to stimulate aggregate demand, and the government policies it designs to promote economic growth and

development. In this sense, government is the solution, while the market system is the problem.

These popular fallacies are a function of ignorance of the basics of economics; they are also fostered by the special pleading of interest groups. Teaching economics at the principles level will be effective to the extent that it communicates to the students the ubiquitous nature of trade-offs that individuals must negotiate, the role played by private property rights in structuring incentives, the role played by prices in communicating information to economic actors, the role played by the lure of profit in spurring innovation, and the role played by losses play in disciplining decisions and reallocating scarce resources to higher-valued uses. Sound economic policy embodies these basic principles; popular fallacies deny or ignore them.

Tools Economic Actors Use, and the Way Economists Understand Them

It is important to distinguish between economic actors and the economists who try to understand the behavior of economic actors. Here is a favorite thought experiment of mine—one I often share with my students. Imagine that you are in New York City or Washington, D.C. What would have a greater impact on your life—if all the economists went on strike, or all the garbage-men? The students immediately (and inevitably) get the point. Garbage men are more important for your day-to-day living than those of us who study the economy for a living. But the thought experiment also suggests a broader point. Economic life exists without economists. If there were no economists, there would still be trading, specialized production, constant seeking of economic advantage, and a strong desire to avoid losses. Individuals would want to buy low and sell high, and

they would know they should avoid buying high and selling low. They would not need an economist to tell them this.

Economists came along after the existence of the phenomena they try to understand. In other words, economists emerged in a philosophic effort to understand an already-existing practice. This point has broad implications for the nature of the discipline, even though we do not usually address them in introductory courses.⁷

In market economies, one vital activity economic actors engage in is rational calculation about alternative uses of scarce resources. Again, no economists were needed for this practice to evolve. All it took was private property and free pricing. Economic systems that do not permit private property and free pricing will distort the process of economic calculation and ultimately render it impossible for economic actors to engage in. This is the decisive objection to socialism as an economic system. It must forgo the intellectual division of labor in an economy by keeping economic actors completely in the dark about the fundamental questions of what is going to be produced, how it is going to be produced, and for whom it is going to be produced. Economists cannot answer those system-wide questions in the abstract, but the systemic study of economics helps us to understand how those questions *are in fact* answered as the by-product of thousands, hundreds, even millions of individuals who strive to improve their lot in life—pursuing opportunities for mutually advantageous exchange, channeling their creative energy in the pursuit of innovation in arts, commerce, and science. The “miracle” of modern economic growth and development did not spring from the brow of any genius; it was instead the outcome of a shift in the institutional environment, a shift that encouraged

⁷ A simple way to understand the methodological differences between Mises and Hayek, on the one hand, and the mathematical and statistical approach to economics, on the other, is to emphasize this starting point of the discipline and the human dimension that permeates economic life.

trade and enabled entrepreneurial ventures in arbitrage and innovation. As recently argued by economic historian Joel Mokyr (2010), the critical point was the convergence of various philosophical and institutional changes that encouraged critical thinking and turned scientific innovations into commercially-useful knowledge. Advances in engineering science were translated into commercial innovations that satisfied consumer demands to a greater extent than had previously been imagined, and at lower cost. The “hockey stick” of economic growth—the upturn from a flat plane—that was experienced in the West is thus explained; and, by implication, so is the failure to experience comparable growth outside the countries of the West.

To reiterate, economists did not orchestrate the economic growth of the West. Where “economic planners” did make large-scale efforts to orchestrate growth—in the former Soviet Union, Africa, and Latin America—the results were not generalized prosperity; they were systemic poverty and political tyranny. Conveying this history to beginning students in an intelligible manner is one of the vital tasks of the economics teacher. That a lot of bad thinking stems from a failure to understand this history is a central message in Deirdre McCloskey’s fascinating *Bourgeois Virtues* (2006).

Economists are not responsible for the wealth of nations, but they can be responsible for the poverty of nations. This is an ironic twist that students must come to understand. Economists err if they forget that economic life existed before them, and that it operates, for the most part, independently of them. Economists also err if in their work they keep realms of knowledge hermetically sealed in separate bins of scientific/philosophic exploration and market experimentation and innovation.

Again, this is a nuanced position that is not necessarily a suitable topic for basic economics courses, but the underlying point has been stressed by F. A. Hayek and Robert Lucas in their Nobel Prize winning work, respectively. Hayek emphasized the difference between the knowledge embedded in an economy and the knowledge of the economist studying the economic system. A theoretical understanding of embedded economic knowledge does not necessarily mean that that knowledge will be available in a useable form to the economist or policy expert. Hayek's argument is that contextual knowledge in the possession of economic actors, and utilized by them, far exceeds (in importance and relevance to the coordination of economic activities) the abstract, theoretical knowledge that economists have at their disposal, derived from models of optimal control.

Lucas emphasized a slightly different point. He put a knowledge constraint on economists and economic actors. Hayek stressed the point that economists don't possess the contextual knowledge that economic actors possess; Lucas stressed the point that it is a methodological error to assume that economists have knowledge that is superior to that of economic actors. Whatever theoretical knowledge economists possess (e.g., the relationship between the quantity of money and the price level in an economy), economic actors will know it implicitly if not explicitly. Thus, policy designs are fundamentally flawed if they assume that economic actors are ignorant of theoretical formulations—formulations which are economically beneficial for economic actors to know. This is, in essence, the rational expectations hypothesis and the core argument in the New Classical paradigm in macroeconomics.

Economic actors use the tools of reasoning the market economy provides for them: property rights provide incentives to economic actors; relative prices guide economic actors in their decisions; and profits and losses direct the uses of resources, encouraging innovation and spurring economic growth. The economist, on the other hand, possesses theoretical knowledge about how these tools are used by economic actors. Economists thus are best understood as *students* of society. Efforts to view them instead as *saviors* of society, armed with comprehensive plans and policy designs, more often than not result in frustrated efforts by governments to improve the economic welfare of their citizens (see Boettke and Coyne, 2006).

My teacher James M. Buchanan used to say, “It takes varied reiteration to force alien concepts upon reluctant minds.” So perhaps I should be forgiven for repeating myself regarding the basic lessons of economics. Trade-offs abound; property, prices, and profits must do their job in coordinating economic activities; freedom of trade enables individuals to realize gains from systems of specialized production and exchange; and politics, while it provides a basic framework of law and order, is not to be viewed as a corrective for economic ills. One of the great ironies of economic knowledge is this: we do not need to *understand* economics in order to *experience* the benefits of freedom of exchange and production, but we may very well need to understand economics in order to *sustain and maintain* the institutional framework that enables us to realize the benefits that flow from freedom of exchange and production. Economic ignorance fueled by scientism and special-interest pleading unleashed by unconstrained democracy have proved that economic liberalism is vulnerable to specious criticisms. Popular fallacies have substituted for basic economics in the public imagination. Our task as educators is

counter the ignorance and expose the special pleading for what it is. Since Henry Simons taught generations of students at the University of Chicago, our task as economic educators has grown more complicated rather than less.

Positive Economics, Normative Economics, and the Art of Political Economy

There is a science of economics. It is important that students come to understand that. Economics is not mere opinion. The economic way of thinking helps individuals reach informed opinions. The best way I have found to teach the scientific and objective nature of economic analysis is what I call “the devil test.” Using the example of minimum wage laws or rent control, I try to demonstrate to students that *the analysis* could be agreed upon by either an angel or the devil, but the angel and devil would differ on the normative implications. In both instances of restrictions on market pricing to allocate resources (jobs and housing), the economic analysis demonstrates that the least advantaged are disproportionately made worse off. The angel, of course, finds this abhorrent, while the devil takes great pleasure in the outcome. But since the analysis of the situation is agreed upon by both, you know you are talking about an objective analysis and not the subjective policy preferences of the economist when you discuss the economics of price controls.

So that the students don't think I have pulled a trick on them, I often follow this up with the story of the good friends, and in many ways the co-founders of the study of political economy, David Hume and Adam Smith. I use the example of their “economic” analysis of state support of religion and religious education, and the seemingly counter-intuitive results their analysis produces. Smith observed that in countries where religious

institutions were strongly supported by the government, and religious leaders received salaries and operating funds from the government, the level of religiosity was lower than in those countries where religious institutions had to compete for funding from the believers. Smith reasoned that the incentives for religious leaders who were secure in their funding differed from the incentives for those who had to compete for funds. Religious competition would lead to more entertaining sermons, more pastoral engagement with parishioners—in short, more religiosity. Hume observed the same factual starting point and provided a similar analysis to explain the situation. However, Hume was a religious skeptic and desired less religiosity in society; therefore *he advocated state-sponsorship of religion*. Smith was not a religious skeptic; therefore *he argued in favor of competition in religious activities*. Note that both analyzed the situation with the aid of rational choice theory and incentives, and a theory of competition and spontaneous order, but they differed in their normative assessments. The analysis the provided by the economic way of thinking is independent of the normative position of the analyst. It is a mistake of significant proportions not to make this point clearly in introducing students to the economic way of thinking.

John Neville Keynes (the father of the more famous Keynes) divided economic knowledge into positive economics, normative economics, and the art of political economy. It is from the senior Keynes (1891) that we get the useful dichotomy between positive economics, as dealing with what is, and normative economics, as addressing what should be. Welfare economics and concepts such as efficiency are (or at least can be) subtopics of positive economics; but when we engage in comparative assessment of states of affairs, the normative element almost by necessity comes into play. This is true

whether we are talking about “rationality” as a benchmark concept (as is often the case in behavioral economics) or “competitive equilibrium” as a benchmark concept (as is often the case in conventional textbook economics and, in particular, in discussions related to industrial organization, anti-trust legislation, and economic regulation).

The art of political economy emerges in the application of positive and normative economics to the realm of public policy. Political economy is, as the label implies, more art than science at this level. But it nevertheless makes use of scientific knowledge in applications ranging from mundane policy questions concerned with price controls, international trade, and macroeconomic instability to esoteric and ideologically charged questions associated with exploitation, injustice, and the choice between capitalism and socialism. To describe the intellectual interrelationship between economics and social philosophy, I try to show my students that political economy can become a value-relevant discipline only to the extent that economics can supply it with value-neutral analyses.

A common criticism of economics is that we economists know the price of everything but the value of nothing. This criticism, while it possesses a nice literary ring, doesn't really ring true.⁸ Economists understand that human beings do not eat growth rates, and instead what matters is steady improvement along a variety of measures of human well-being. What is desired is the opportunity for individuals to live a flourishing life. Human flourishing takes into account subjective components of human choice as well as objective components that provide sound bases for making those choices. Ultimately, it becomes necessary to discuss the connection between the institutions of a free society and the individual's freedom to make choices. Still, in working with

⁸ See the concluding chapter and appendix to my *Calculation and Coordination* (2002) for a documentation of the correlations between economic growth and various measures of human well-being.

students, I find it important to stress that economic analysis per se is not a normative science, but a positive science. I repeat, over and over: economics cannot tell you whether profits are deserved or not, but economics can tell you the consequences of your answer to that question. The relevant analysis has evolved over centuries of economic thinking. It has yielded important empirical results relating to the “big questions” about wealth and poverty and human well-being. The analysis and the results to date are such that our introductory student should walk away from an economics course with a sense of what the state of play is in the discipline of economics.⁹ Models are tools for economic reasoning, not the subject of economics. Too often students today walk away from an economics course in which they learned models, were tested on models, and now know a laundry list of models, but have no clue what economics as a subject is all about.¹⁰ The models-intensive approach teaching economics selects a certain type of student to pursue the serious study of economics, and weeds out others.

The way we teach a subject is not neutral with respect to who becomes the next generation of students and teachers of the subject. The relationship of the instructional approach to the grooming of students and teachers creates a perpetual cycle. The current result, I contend, is that students who have strong mathematical aptitude, and perhaps an

⁹ At NYU I taught an Honors Economics Principles course, designed for NYU’s best and brightest students. It was a very elite group of students indeed, and their post-graduate careers have proven that assessment correct as they have moved on to significant careers in finance, law, and computer science. In this course I used Adam Smith’s *The Wealth of Nations*, Alfred Marshall’s *Principles of Economics*, and Joseph Stiglitz’s *Economics*. My idea was to encourage the students to think about continuities and discontinuities in the history of the discipline of economics.

¹⁰ I recently learned of a large-section principles class at an elite institution of higher education where on the final exam the average score was 68 out of 200. The professor of the class was quite proud of his weeding-out powers, but apparently oblivious to the thought that if the average score among the best and brightest students is 34 percent, then of the three competing hypotheses --(1) the material is too difficult for the students; (2) the material was taught poorly; and (3) the test was ill-designed for the material taught-- the least likely is that the material in a principles of economics class is too difficult for students all of whom scored 1,500 or higher on their SATs.

engineering mentality (problem-solution), are selected into the discipline, while those possessed of a more interpretive aptitude, and a philosophical mentality (question-answer), are weeded out. As the cycle has progressed through the 20th century, the worldly philosophy of political economy has been pushed aside in favor of the social physics of economics.

Exclusivity in either direction skews economic discourse, ultimately in an unproductive direction. In other words, economics and political economy require both logic and interpretation, an ability to grasp problems and offer solutions, and an ability to ponder deeper questions and offer tentative answers in an ongoing conversation that constitutes a progressive civilization. One of the really important lessons I try to get across to my students is the role that economics plays in the interplay between political economy and social philosophy. Economists must be willing to learn from and engage historians, philosophers, political scientists, sociologists, and other scholars. The economist must be a life-long learner. There is nothing worse than an economist who knows only economics—except perhaps a moral philosopher who knows no economics at all.

Conclusion

I consider the teaching of economics to be a “calling.” In many ways the primary justification of our compensation as economists is the didactic role we play in society. It is not our job as teachers to impart a political ideology or even to cultivate a preference for a certain set of public policies. Instead, our task as economics teachers is to effectively communicate to our students the basic principles of economics so that those

students may become informed participants in the ongoing process of democratic self-governance. Those basic principles are rooted in the logic of purposive human choice, in the exchange relationships that constitute the market economy, and in the spontaneous ordering of economic activity that results from leaving individuals free to choose within a private property market economy. If we are effective in our educational task, then economic literacy will be improved and we will have done our part in cultivating the capacities required for a self-governing citizenry in a society of free and responsible individuals. If we fail, then our theoretical and empirical efforts will be of little value to the enterprise of understanding, let alone improving, the human condition.

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