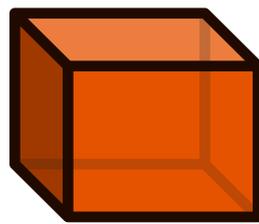


Economy Studies for Development Economics

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 development 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 Development Economics Courses.

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

For ideas and materials on teaching students about political-economic systems, 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

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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 Development 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

A key ingredient of development economics courses are mathematical models of economic growth, such as the Solow, Ramsey and AK models. But while significant parts of development economics courses are devoted to teaching neoclassical theoretical models, it is often less dominant than in other courses. Many courses also devote attention to discussing history, debates about policy questions, and real world knowledge related to today's main world problems. With this a broad range of topics are discussed, from poverty and inequality to industrialisation, urbanisation, education, institutions, finance, trade and globalisation.

Frequently used textbooks::

- Development Economics by Gérard Roland
- Development Economics by Debraj Ray
- Development Economics: Theory and Practice by Alain de Janvry and Elisabeth Sadoulet
- Essentials of Development Economics by J. Edward Taylor and Travis J. Lybbert
- Economic Development by Michael P. Todaro and Stephen C. Smith
- Economics of Development by Dwight H Perkins, Steven Radelet, David L Lindauer, and Steven A Block
- Handbook of Development Economics by Dani Rodrik and M.R. Rosenzweig
- Introduction to Economic Growth by Charles I. Jones and Dietrich Vollrath
- Economic Growth by David Weil
- The Economics of Growth by Philippe Aghion and Peter W. Howitt

Suggested additions and changes

Practical skills and real-world knowledge

A good amount of development economics courses already devote teaching time to real world knowledge by including case studies, discussing how institutions such as the IMF and World Bank work, and examining core

societal issues such as poverty and hunger. We applaud this and encourage teachers to extend the real world knowledge that they teach students by including more in-depth discussions of key societal problems and institutions, both global and local.

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

A range of analytical tools and approaches

While it is important to decolonise our thinking in every field, it is perhaps particularly important in the field of development economics. Important local, or national, thinkers on development should thus be treated as seriously as those appearing in the pages of standard textbooks. Within development economics, a key debate is between those who believe in a passive state and free trade, and those who argue for an active state and (infant industry) protection. These ideas find much of their origins in classical political economy and the historical school, but have also been further developed by economists using different approaches. Another important topic in development economics is institutions. Many economists have analysed which economic, political and social institutions best enable or preclude economic development. Finally, there are many other theories and ideas about economic development, coming from a wide range of approaches, such as ecological, behavioral, structuralist, and evolutionary economics. Students could benefit from becoming familiar with these ideas as well, even if only in a rough manner given the time constraints.

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

Teaching Materials

- *Economics After The Crisis* by Irene van Staveren, from 2015, chapters 12 & 15. This well-written textbook which in two chapters set out the neoclassical, post-Keynesian, social economic and institutional perspectives on economic growth, wellbeing and poverty.
- *The Economy* by The CORE Team, from 2017, chapters 1, 2, 16 & 21. This successful textbook contains chapters on historical development, technology, and growth.
- *Introducing a New Economics* by Jack Reardon, Maria A. Madi, and Molly S. Cato, from 2017, chapters 5 & 15. This ground-breaking textbook weaves together pluralist theory and real-world knowledge, and includes chapters on development and poverty.
- *Principles of Economics in Context* by Jonathan Harris, Julie A. Nelson and Neva Goodwin, most recent edition from 2020, chapter 32. This useful textbook, which pays particular attention to social and environmental challenges, contains a chapter on growth and development.
- *Capitalism: Competition, Conflict, Crises* by Anwar Shaikh, from 2016, chapters 12, 13, 14, & 16. This impressive and extensive book compares multiple perspectives on many traditional economic topics including business cycles.
- *The Routledge Handbook of Heterodox Economics: Theorizing, Analyzing, and Transforming Capitalism* by Tae-Hee Jo, Lynne Chester, and Carlo D'Ippoliti, from 2017, chapter 29. This broad and diverse book sets out a variety of theories on development.
- *Alternative Ideas from 10 (Almost) Forgotten Economists* by Irene van Staveren, from 2021, chapter 7. This book emphasizes often ignored and neglected ideas and contains a chapter on the ideas of Amartya Sen on capabilities.
- *The Handbook of Economic Sociology* by Neil J. Smelser and Richard Swedberg, from 2005, chapter 29. 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 role of technology in the economy.
- *Economics: The User's Guide* by Ha-Joon Chang, from 2014, chapter 11. This brief and accessible pluralist book contains a useful introductory chapter on poverty.

- DPR Debate: Should industrial policy conform to comparative advantage or defy it? by Ha Joon Chang & Justin Lin, from 2009. A highly interesting written debate by two leading development economists enabling students to get a sharp and more nuanced understanding of a key debate surrounding policy.
- Development Macroeconomics: Alternative Strategies for Growth by Basil Oberholzer, from 2020. This book aims to help identify effective macroeconomic strategies for growth by taking into account the multiple constraints that countries face.
- Socio-Economic Development by Adam Szirmai, from 2015. An impressive book dealing with a vast array of topics and ideas related to economic development in a systematic manner.
- Handbook of alternative theories of economic development by E. Reinert, J. Ghosh, and R. Kattel, from 2016. An impressive collection of essays covering developmental ideas, histories, and issues from all over the world.
- Beyond Growth: The Economics of Sustainable Development by Herman Daly, from 1996. A useful book written from an ecological perspective focusing on how economic development can become sustainable and move away from destructive growth.
- Economic Growth And Development by Hendrik Van den Berg, from 2012. A useful book bringing history, normative debates, and a wide range of theoretical approaches and topics.
- Beyond Development: Alternative Visions from Latin America by M. Lang & D. Mokrani, from 2013. A collection of essays bringing together a diverse set of ideas and perspectives on development.

Institutions and different ways of organising the economy

Institutions are a crucial aspect of development economics. The current teaching about institutions, which often has a neoclassical (or new institutional) focus on property rights and market mechanisms, could be enriched by looking more specifically at the complex institutional set-up of the (national or local) economy and institutional variety around the world. Just like our theoretical thinking needs to be decolonised, the way we understand how economies are, and can be, organised needs to be decolonised. There are many forms of economic organisation that are currently too often ignored in economics education. We therefore advise teachers to devote time to these other organisational forms, and in particular those that are locally prevalent/ relevant. This knowledge will help students better understand how economies are currently organised as well as how they could be organised in the future.

For more detail, see Foundations 5: Diversifying and decolonising economics, as well as Building Block 5: Economic Organizations & Mechanisms and Building Block 6: Political-Economic Systems.

Teaching Materials

- Comparative economics in a transforming world economy by J. Barkley Rosser Jr. and Marina V. Rosser, most recent edition from 2018. A highly useful and broad book describing many varieties of advanced market capitalism, varieties of transition among socialist economies, and alternative paths among developing economies, with chapters on many countries, such as the United States, Russia, Sweden, China, India, Iran, South Africa, Mexico, and Brazil.
- The Developmental State by Meredith Woo-Cumings, from 1999. An informative collection of essays on the concept of the developmental state, with chapters devoted to its various aspects, its economics and different cases, such as India, Japan, Mexico, Brazil and France.
- A Handbook of Economic Anthropology by James G Carrier, from 2005. A useful collection of essays covering the broad field of economic anthropology, with chapters devoted to different forms of economic organization, world regions, and economic topics, such as labour, the environment, and the 2008 global financial crisis.
- Poverty and Development by Tim Allen and Alan Thomas, most recent edition from 2021. An impressive

collection of essays exploring the causes of poverty and the history, current challenges and future of development.

Societal relevance and normative aspects

Development is a highly important topic of debate that is characterised by a substantial amount of normative contestation. Many debates revolve around how to best and ethically achieve economic development, but others revolve about what the goal of economic development amounts to. This relates to debates about aiming for GDP growth, ecological sustainability, and human wellbeing, and the (in)compatibility of these.

Furthermore, some argue we should not use the term ‘development’ because it presumes the global North, or western countries, are ‘advanced’ while the global South, or non-western countries, are considered ‘backward’. As such, they argue that the concept of development inherently reflects Western-Northern hegemony and justifies rich countries telling ‘developing’ countries how to behave. These ideas are often referred to as post-development and decolonial/postcolonial theory, and have inspired institutions such as the Bolivarian Alliance for the Peoples of Our America (ALBA). As an alternative to the uniform policies designed by global technocratic institutions, they propose to start from local practices and design policy with the help of grassroots movements and direct democracy.

For more detail, see Foundations 5: Diversifying and Decolonising Economics as well as Building Block 1: Introducing the Economy and Building Block 10: Economics for a Better World.

Teaching Materials

- The Oxford Handbook of Professional Economic Ethics by George F. DeMartino and Deirdre McCloskey, from 2016, chapter 27. This insightful collection of essays explores the different aspects of ethics in economics, with one chapter devoted to the ethics of economic development.
- The Routledge Handbook of Ethics and Public Policy by Annabelle Lever and Andrei Poama, from 2018, chapter 38. This useful collection of essays on the ethics of public policy contains one chapter on development and climate ethics.
- Postcolonialism meets Economics by S. Charusheela and Eiman Zein-Elabdin, from 2004. A collection of essays exploring colonial and hegemonic aspects of classical and contemporary economics and how a postcolonial economics would look.
- Postdevelopment in Practice: Alternatives, Economies, Ontologies by Elise Klein and Carlos Eduardo Morreo, from 2019. This collection of essays explores the concept and practices of postdevelopment from multiple theoretical, social and geographical perspectives.
- Globalization and the Postcolonial World: The New Political Economy of Development by Ankie Hoogvelt, from 1997. This book introduces students to different perspectives on economic development and the historical postcolonial developments of Africa, the Islamic world, East Asia and Latin America.

History

Many courses on development economics already include some history. We encourage teachers to continue doing so and devote more teaching time to this. It can be particularly useful to focus on the history of the country and region in which the course is taught and compare this to other cases. In this way, students learn more about economic history and development in general, but also about the particularities of the country they live in and will likely work in in the future.

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

Teaching Materials

- *The Wealth and Poverty of Nations: Why Some are So Rich and Some So Poor* by David S. Landes, from 1998. A fascinating history of economic development around the world, discussing the various possible explanations for uneven development in historical context.
- *Kicking Away the Ladder: Development Strategy in Historical Perspective* by Ha-Joon Chang, from 2002. An influential and accessible book investigating how the developed countries became rich and how this differs from the stories we often tell about it.
- *The Economics of Poverty: History, Measurement, and Policy* by Martin Ravallion, from 2015. An informative history of both the idea and reality of poverty and policy attempts at reducing and eliminating it.

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 4: Economic Development

The economic discipline was born out of the question why certain places become rich and others don't. Ever since the 1776 publication of Adam Smith's classic "An Inquiry into the Nature and Causes of the Wealth of Nations", the question of what economic development is and what causes it has been at the centre of the discipline. Big issues within this field are: Should we have protectionism, or free trade? What is the role of cultural, political and legal institutions in economic development?

Main opposing perspectives

- Classical political economy: Free trade and laissez-faire
- Historical school: Infant industry protection

Main complementary perspective

- Institutional economics: Laws and politics are crucial

Additional perspectives and insights

- + Ecological economics: Consumption growth shouldn't be the goal
- + Evolutionary economics: Creative destruction
- + Marxian political economy: Technology and class conflict drive history
- + Structuralist economics: Development as international power struggle
- + Neoclassical economics: Modelling economic growth
- + Behavioural economics: Experimentally tested micro-interventions

Main opposing perspectives: Classical political economy and the historical school

To this day, there is a divide between those who think governments should use protection to develop their economy and those who argue in favour of free trade and laissez-faire policies. This debate has been playing out within academia and in the public debate for more than two centuries.

Before Adam Smith, mercantilist thinkers tried to understand how the small and previously insignificant country of the Netherlands with hardly any resources, could have become the wealthiest and most powerful country in the world in a short period. They observed that the Dutch consistently had a current account surplus as they imported low-value primary goods and exported high-value manufactured goods. Because of this, gold and silver flowed into the Netherlands and gave the Dutch government a seemingly endless amount of monetary reserves to use. Based upon this understanding, many different protectionist policies were conceived in order to enable other countries to achieve a positive balance of trade.

Adam Smith argued against these ideas and policies, claiming that free markets and free trade caused prosperity because it allowed the division of labor and productivity to expand. It is important to note here that Smith still saw an important role for the government, namely in providing good infrastructure, education and other public goods. He was, however, strongly against government policies, which focused on protecting industries because he argued this leads to rent extraction and unearned income. As such, his argument for the 'free' market was about making markets free from rent, rather than entirely free from government intervention.

The ideas of Smith and other classical political economists in turn triggered responses which attacked the idea that free trade was always beneficial for all countries involved. The German historical and American

schools argued instead that national systems which invested in industry and infrastructure were needed to create prosperity. An important contribution was the infant industry argument, which contends that young industries should be protected with tariffs and subsidies in order to allow them to become competitive in international markets, before exposing them to it. Free trade in this sense favours the most competitive countries and not allowing developing countries to use activist industrial, trade and technology policies to catch up in terms of productivity, according to this view amounts to kicking away the ladder for developing countries to grow. Over the last decades, the free trade approach was often associated with the idea of the 'Washington Consensus' as many powerful institutions were based in this city and promoted such a 'free-market' approach to development. The more protectionist approach, on the other hand, is frequently linked to the concept of the 'Beijing Consensus' which is characterized by an active developmental as well as authoritarian state, incremental reform, experimentation, and export led growth.

A nuanced version of the debate is how much developing countries should conform, or defy, their comparative advantages and the government should play a limited role facilitating the private sector aimed at making small steps in industrial and technological upgrading, or the government should pursue more activist infant industry protection to achieve bigger leaps of development (Chang & Lin, 2009). Both sides recognize the existence of market failures as well as government failures, thus recognizing the need for, but also difficulty of, effective government action to achieve industrial and technological upgrading. The debate is about where the right balance lies between deviating enough from comparative advantage so that learning and long-run growth take place, and not deviating too much from comparative advantage so that learning and short-run efficiency costs remain moderate. Relatedly, there is also a debate about whether balanced growth, inspired chiefly by Ragnar Nurkse which aims to develop all sectors simultaneously, or unbalanced growth, inspired by Albert Hirschman which advocates to concentrate investments in a few sectors, is more effective in developing an economy.

Main complementary perspective: Institutional economics

Institutional economics provides key insights into how economies develop by looking at their political, economic and social institutions. An important contribution was made by Veblen, who distinguished between two main spheres: industrial and pecuniary activities. This became known as the Veblenian dichotomy. Within economies, Veblen argued that the former sphere has as goal to create output by combining inputs, while the latter is simply focused on enriching itself through predatory behavior. On a more abstract level, one can think of the former as being instrumental and about technology and workmanship, while the other is ceremonial and about social institutions and salesmanship. The interaction between these two spheres determine the level and form of economic development. A more recent contribution by Acemoglu and Robinson builds on the ideas of Veblen about predatory institutions, as they argue that economic development depends on the inclusiveness of political institutions. Non-elitist democratic structures are seen as fostering meritocracy and the rule of law, which create incentives for productive and innovative behavior. Relatedly, Douglass North focuses on how the historical development of property rights and enforcement of contracts reduced transaction costs, in other words the cost of carrying out an economic exchange. Other scholars focus on the legacy and lasting impact of colonialism and slavery, and how these were key in the development of rich capitalist centres.

Many institutional economists go beyond the idea that there is only one road to economic development. This has created a literature around the idea of varieties of capitalism which argues that there are multiple versions of capitalist economies that are successful, the most famous being the liberal and coordinated market economy. These varieties are assumed to come about because of national institutions, such as vocational training and education, corporate governance, and industrial and inter-firm relations. Hollingsworth &

Boyer look at how different institutions create, often at a regional level, social systems of production, such as diversified quality mass production. Important among these institutions are trade unions, employers' associations, national political structures, and multinational corporations. In doing so, they go beyond grand national typologies and analyse in detail how processes, such as globalization, change how economies look and operate.

Additional perspectives and insights

Marxian political economy: The theories discussed so far assume that economic development is, or could be, a smooth peaceful process which creates prosperity. Marxian and evolutionary economists, however, argue that development is a very rough and turbulent process with many victims as well as victors. Marxian political economists argue that material conditions determine the historical development of societies, and thus place a lot of emphasis on technological developments and class conflict, respectively called the means and relations of production.

Evolutionary economists, such as Joseph Schumpeter, build on these ideas as they focus on how innovation comes about and what its consequences are. In particular, the idea of creative destruction, which describes how innovation causes some firms to grow while it destroys others, is important. Entrepreneurs can gain competitive advantage and extra profit by creating new production technologies, products and markets. An important insight here is that innovation is not only technological, but also social. A key point of debate is whether to view technological development as exogenous and something that is very difficult, if not impossible, to influence, or as endogenous and something that could and should be stimulated and shaped according to preferences of the population.

Neoclassical economics: has focused on mathematically modelling long-run GDP growth. The most famous of such models is the Solow-Swan model, which itself builds on the earlier post-Keynesian Harrod-Domar model. Key factors explaining economic growth in the neoclassical growth model are the savings rate, and population and productivity growth. Later the Ramsey-Cass-Koopmans model was developed to provide neoclassical microeconomic foundations for the savings rate. More recently, Hausmann, Rodrik and Velasco developed the Growth Diagnostics approach which provides a framework for identifying the factors that are holding back economic growth. They assume that private investment and entrepreneurship lead to economic growth and developed the decision tree below showing possible causes.

Structuralist economics: While most theories of economic development, most notably modernization theory, look at processes on the national level, structuralist economics, also often called dependency theory, looks at the international level. Instead of assuming that countries isolated from each other develop through similar stages, the connections and power relations between countries are understood to be crucial for their development. The development of rich countries is thus fundamentally linked to the underdevelopment of poor countries, as the international power dynamics enriches the rich countries and impoverishes poor countries. The long histories of imperialism and colonialism play an important role in this, but many scholars argue that these global inequalities are relevant to this day. A less obvious reason for this, compared to the military and political dominance of rich countries, is that 'terms of trade' are structurally declining for developing countries. While rich countries produce high value industrial products, poor countries are specialised in low value raw materials and agriculture, and thus poor countries are continually disadvantaged.

Many of the earlier structuralist economists, sometimes called classical developmentalists, argued that developing a country requires developing new economic sectors through import substitution industrialisation. More recent structuralist economists, also known as new developmentalists, have instead

argued for export-led and profit-led growth strategies associated with the ‘Beijing Consensus’, rather than domestic-led and wage-led ones which are linked to the ‘Mumbai Consensus’. For this to succeed, they argue it is critical for a developing state to combine strategic industrial policy with ensuring the exchange rate is not overvalued for long periods of multiple years as this would cause demand to fall. Furthermore, they argue that state ownership and economic planning is desirable in non-competitive sectors, while market coordination should be pursued in competitive sectors, using China as an example of how this approach can look in practice.

Ecological economists push us to ask again what economic development is. Growth of material production and commodified consumption is rejected as the (ultimate) aim of economic development. Instead, they argue we should focus on improving our lives in a way that does not destroy nature. Therefore, the focus should not be on maximizing the value of market transactions (GDP), but on increasing human well-being in a sustainable manner. Some argue we need to embrace degrowth, advocating reductions in consumption and production, while others argue we need to be growth agnostic, not caring about the level of economic activity and solely focusing on enhancing human wellbeing ecologically sustainably. A related approach was developed amongst others by among others Amartya Sen and Martha Nussbaum, which focuses on enabling people to develop their capabilities. This capability approach inspired the Human Development Index which contains income, health and education measures. Finally, there are scholars who argue to abandon the concept of development, therefore often referred to as post-development theorists. They see development as an oppressive Eurocentric conception of modernization in which the global North is positively portrayed as the ideal and “advanced” and the global South as “backward” and “primitive”. Instead of believing in universalist policy advice by international agencies, they advocate for the promotion and defence of local grassroots movements with their unique cultural understandings of development.

Behavioural economics: While most of development economics has a macrofocus, many recent studies in economic development by scholars, such as Abhijit Banerjee, Esther Duflo, and Michael Kremer, focus on the micro-level. With the help of field experiments, and in particular randomized control trials, they, for example, investigate which ‘micro-interventions’ are most effective in alleviating poverty. Particular emphasis is placed on understanding how the poor think and make decisions. With this knowledge, they hope to create better designed small interventions to marginally improve the welfare of the poor, as opposed to large-scale developmental plans and market-based solutions.

Teaching Materials

- Chapters & Papers:
 - Economics After The Crisis by Irene van Staveren, from 2015, chapters 12 & 15. This well-written textbook which in two chapters set out the neoclassical, post-Keynesian, social economic and institutional perspectives on economic growth, wellbeing and poverty.
 - The Economy by The CORE Team, from 2017, chapters 1, 2, 16 & 21. This successful textbook contains chapters on historical development, technology, and growth.
 - Introducing a New Economics by Jack Reardon, Maria A. Madi, and Molly S. Cato, from 2017, chapters 5 & 15. This ground-breaking textbook weaves together pluralist theory and real-world knowledge, and includes chapters on development and poverty.
 - Principles of Economics in Context by Jonathan Harris, Julie A. Nelson and Neva Goodwin, most recent edition from 2020, chapter 32. This useful textbook, which pays particular attention to social and environmental challenges, contains a chapter on growth and development.
 - Capitalism: Competition, Conflict, Crises by Anwar Shaikh, from 2016, chapters 12, 13, 14, & 16. This impressive and extensive book compares multiple perspectives on many traditional economic topics

including business cycles.

- The Routledge Handbook of Heterodox Economics: Theorizing, Analyzing, and Transforming Capitalism by Tae-Hee Jo, Lynne Chester, and Carlo D'Ippoliti, from 2017, chapter 29. This broad and diverse book sets out a variety of theories on development.
- Alternative Ideas from 10 (Almost) Forgotten Economists by Irene van Staveren, from 2021, chapter 7. This book emphasizes often ignored and neglected ideas and contains a chapter on the ideas of Amartya Sen on capabilities.
- The Handbook of Economic Sociology by Neil J. Smelser and Richard Swedberg, from 2005, chapter 29. 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 role of technology in the economy.
- Economics: The User's Guide by Ha-Joon Chang, from 2014, chapter 11. This brief and accessible pluralist book contains a useful introductory chapter on poverty.
- DPR Debate: Should industrial policy conform to comparative advantage or defy it? by Ha Joon Chang & Justin Lin, from 2009. A highly interesting written debate by two leading development economists enabling students to get a sharp and more nuanced understanding of a key debate surrounding policy.
- Growth diagnostics by Ricardo Hausmann, Dani Rodrik, & Andrés Velasco, from 2004. A useful article bringing together many ideas about what is important for economic growth.
- Rethinking the Growth Diagnostics Approach: Questions from the Practitioners by Jesus Felipe and Norio Usui, from 2008. An interesting article critically discussing the growth diagnostics and its limitations.
- Books:
 - Development: A Very Short Introduction by Ian Goldin, most recent edition from 2018. A brief but nevertheless insightful way to bring students in to the world of development, with attention to growth differences, aid, sustainability and globalization.
 - Handbook of alternative theories of economic development by E. Reinert, J. Ghosh, and R. Kattel, from 2016. An impressive collection of essays covering developmental ideas, histories, and issues from all over the world.
 - Beyond Growth: The Economics of Sustainable Development by Herman Daly, from 1996. A useful book written from an ecological perspective focusing on how economic development can become sustainable and move away from destructive growth.
 - Kicking Away the Ladder: Development Strategy in Historical Perspective by Ha-Joon Chang, from 2002. An influential and accessible book investigating how the developed countries became rich and how this differs from the stories we often tell about it.
 - Why Nations Fail by Daron Acemoglu and James A. Robinson, from 2012. A best-selling book building on new institutional insights on development, focusing on the distinction between inclusive and extractive institutions.
 - New Structural Economics: A Framework for Rethinking Development and Policy by Justin Yifu Lin, from 2010. A useful collection of essays including reactions by prominent scholars introducing students to recent scientific and policy insights.
 - Beyond Development: Alternative Visions from Latin America by M. Lang & D. Mokrani, from 2013. A collection of essays bringing together a diverse set of ideas and perspectives on development.
 - Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty by Abhijit V. Banerjee and Esther Duflo, from 2011. A popular book describing developmental literature using the randomized control trial approach.
 - What Works in Development? Thinking Big and Thinking Small by Jessica Cohen and William

Easterly, from 2009. A daring collection of essays aiming to arrive at a consensus with a broad collection of mainstream scholars on which approach is most effective, asking the question whether we should focus on thinking big by looking at institutions, macro policies, and growth or rather thinking small by relying on micro interventions?

- *Economic Growth And Development* by Hendrik Van den Berg, from 2012. A useful book bringing history, normative debates, and a wide range of theoretical approaches and topics.
- *Development Economics: Theory, Empirical Research, and Policy Analysis* by Julie Schaffner, from 2013. This book provides a wide overview of the various aspects of development and brings in insights from increasingly popular approaches, such as behavioral economics and new institutional economics.
- *Development Macroeconomics: Alternative Strategies for Growth* by Basil Oberholzer, from 2020. This book aims to help identify effective macroeconomic strategies for growth by taking into account the multiple constraints that countries face.
- *Socio-Economic Development* by Adam Szirmai, from 2015. An impressive book dealing with a vast array of topics and ideas related to economic development in a systematic manner.

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.

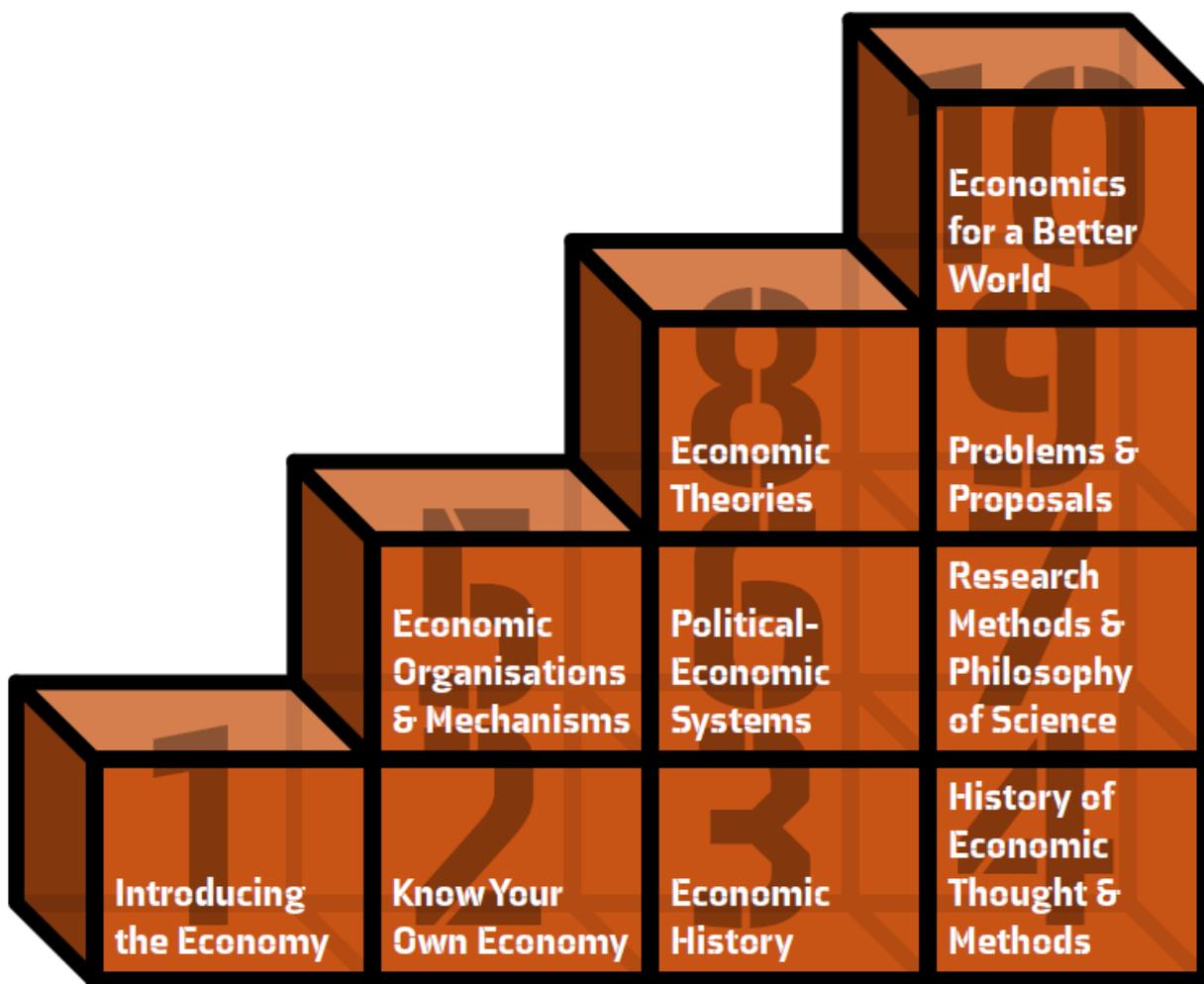


Figure 1: The ten building blocks that form the core of this book. The order of the numbers is not necessarily the order in which they should be taught. Their relative size varies, with building blocks 7 and 8 generally taking up much more space than the others.

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 6: Political-Economic Systems

The macro-structures of economies – how economies are organised, which institutions they have and what their power relations look like.

What: This building block is concerned with the macro-structures of economies. It focuses on how economies are organised, which institutions they have and what their power relations look like. Economies are highly complex configurations of structures and institutions. Throughout history, there have been a number of evolutions and revolutions that have fundamentally changed how economies are organised. Furthermore, there is huge variety in how economies function across geographies.

Why: The ways in which the production and distribution of goods and services are organised shapes people's lives. Therefore, it is crucial that students learn about the different macro political-economic systems, both as concepts and as their real-world manifestations. This will help them think about how economies as a whole might function and what dynamics they might have. It will also help them better understand how the different parts operate and interact with one another.

Contrast with current programmes: Currently, political-economic systems are rarely discussed. Instead, the focus is on models of markets. While knowledge of the workings of markets is very important, it is also important to understand the larger systems which those markets are part of as these interact and influence each other. Furthermore, economies consist of more than markets as discussed in Building Block 5: Economic Organisations & Mechanisms. How these various parts are combined and interact with political systems is the subject of this building block.

Sections:

- 1** Political-Economic Systems as Concepts
- 2** Political-Economic Systems in the Real World
- 3** Practical Suggestions

“[As an old Polish joke goes:] Under capitalism, man exploits man. Under communism, it is just the reverse.”

John Kenneth Galbraith (1981, p. 306)

A political-economic system is the institutional configuration and social structure of an economy. To put it another way, it is the overarching way an economy is organised: combinations of and interactions between the different organisational forms and mechanisms as described in Building Block 5: Economic Organisations & Mechanisms. How are goods and services produced, distributed, consumed and disposed of? How are the factors of production, land, labour and capital allocated and coordinated? What do power relations look like and how do they function?

In the real world, political-economic systems are highly complex, with many different (and possibly even contradictory) elements and aspects. Therefore, it is useful to teach students abstract concepts that enable them to think more clearly about actual political-economic systems. As such, this building block consists of two main elements: theoretical concepts and real-world knowledge.

1 Political-Economic Systems as Concepts

There are many ways of conceptualising political-economic systems. A prominent dichotomy is that of capitalism versus socialism, which in the form of the Cold War defined much of the 20th century. While these two concepts are still highly useful, it is crucial not to fall into a Cold War mindset, painting ‘the other side’ as essentially evil while maintaining that your side is good and only has strengths (irrespective of which side you would be on).

The goal here is to be more analytical and to give students the tools to systematically analyse and think about political-economic systems. For this reason, it is important to stay away from straw men which idealise or demonise particular systems. Students need to learn to see the complex and more nuanced nature of political-economic systems, each with blurred boundaries and both strengths and weaknesses. We therefore also advise refraining from using mainly ideological notions, such as (un)just, (un)free or (un)fair, as analytical concepts to describe economies. This is not to say that normative evaluation is not relevant. In fact, Building Block 10: Economics for a Better World is largely devoted to this. It is, however, important to do so explicitly and not mispresent normative evaluation as analytical description.

The universe of political-economic systems is larger than the dichotomy between capitalism and socialism would suggest. These two concepts mainly characterise recent history. How to best conceptualise these other systems can be debated, but Wolf (1982) and Chase-Dunn & Hall (1997) offer a useful conceptual framework. Their framework attempts to understand the different kinds of economies that have existed throughout human history, rather than focusing only on the recent history of the Global North.

The typology for political-economic systems developed by Wolf and Chase-Dunn & Hall is connected to the more micro-focused concepts of the coordination and allocation mechanisms (see also Building Block 5: Economic Organisations & Mechanisms). All political-economic systems consist of multiple mechanisms, but generally one mechanism is dominant. Here the way factors of production (land, labour and capital) are allocated and coordinated is particularly important. When the market mechanism is dominant, people

generally describe the political-economic system as capitalist. Alternatively, when hierarchical redistribution is dominant, the political-economic system can be described as tributary. Contexts in which reciprocity is the dominant mechanism, can be described as kin-ordered (family and community-based) political economies. We address socialism later, as it is hotly debated, including the question of what mechanism is dominant in socialist systems.

This framework partially overlaps with the common division in market, planned and traditional economies. This classification is, however, largely based on recent western history, and the category traditional economies is somewhat of a leftover category: it simply refers to all kinds of economies that are neither market nor planned, despite their many differences. The concepts are ideal types of economic systems which are assumed to function according to only one coordination and allocation mechanism, be it the market, hierarchical distribution or more traditional mechanisms such as reciprocity. The literature does, however, recognise that real economies exhibit more than one mechanism and, therefore, are often referred to as mixed economies. While many studies using these concepts contain valuable insights, we think it might be more helpful to use the more nuanced concepts described above, as they offer students a better understanding of the structures and institutions that make up economies.

At the same time, it is critical to emphasise to students that these are merely classifications. They are not exhaustive nor mutually exclusive. Rather than memorising the different categories, it is most important for students to think about what variables differentiate the categories and what the implications of this are. In the section below, we discuss each type of political-economic system briefly. We dedicate most attention to capitalism, as most countries today could be best described as such.

Kin-ordered Political Economies

Most early human societies can be described as kin-ordered political economies. In these economies, processes are mainly structured by the mechanisms of reciprocity, trust due to family and community relations, and moral norms and obligations. Inequality was generally limited in such economies. Differences between people were mainly based on their personal behaviour, relation to the group, and successes and failures, as inheritance and accumulation of vast riches played a very limited role in these economies.

Although it is true that many of these economies had limited technological capabilities, practising hunting, gathering and horticulture, it cannot be said that living conditions were always bad. They were heavily dependent on nature and the seasons. Some economies were plagued by uncertainty and shortages, others knew stability and abundance. There are also indications that working days were frequently relatively short, spending substantial amounts of time on leisure activities, as well as communal rituals and feasts (Chase-Dunn & Hall, 1997; Nolan & Lenski, 2003).

While very few political-economic systems today could be described as being kin-ordered, this has been the main form of economic organisation throughout most of human history. In addition, learning about these concepts does help us to think more flexibly about what kind of economic arrangements are possible. As such, teaching students about them is less about understanding the realities that directly surround them, and more about enabling students to think outside of today's structures and understand what economic options exist.

Tributary Political Economies

Tributary political-economic systems are dominated by hierarchical redistribution, generally based on legal systems and organised military power. In many cases, most of the population is engaged in subsistence farming, while elites extract surpluses with the help of political and military means. As most of written history

is characterised by tributary systems, there have been many varieties of it. European feudalism, for example, was a politically fragmented version of a tributary system, while most Chinese dynasties were more centralised versions of tributary systems with stronger imperial bureaucracies.

While one specific mechanism dominated these systems, they did also contain several others. Trade, for example, has a long history and the market mechanism was also well present in many primarily tributary systems. The crucial difference with capitalist economies is that those markets were mainly focused on products, and luxury goods in particular (Chase-Dunn & Hall, 1997). These consumer markets did not play a dominant role in the allocation of land, labour and capital. So while merchants definitely did exist in these societies, they had a rather limited position. Besides hierarchies and markets, these economies were also often organised through commons and associative arrangements. Natural resources in particular have historically been mainly organised through the commons. The associative arrangements were frequently found to structure occupational, religious, communal and neighbourhood organisations (Van Bavel, 2016).

Capitalist Political Economies

Capitalism describes a political-economic system in which market mechanisms are dominant, as not only goods and services, but also land, labour, and capital are bought and sold on markets. The political-economic system derives its name from the fact that capital goods, also called ‘the means of production’, are largely privately owned, by a class of individuals known as the capitalists. Capitalists aim for profit and accumulate capital by hiring workers and selling the produced products to consumers. Given the importance of capitalism for the current world economy, it is important for students to develop an accurate and deep understanding of capitalism as a concept, including its main institutions and varieties.

What should students be taught about this topic? This question has been at the centre of entrenched economic debates since Bernard Mandeville’s *The Fable of the Bees* (1705) and later Smith’s foundational text *The Wealth of Nations* (1776). Most authors agree on what the core dynamics of the capitalist system are. The central profit motive, endless accumulation of capital and drive for economic growth, private ownership of the means of production, wage labour, ever higher levels of specialisation, relentless competition for market dominance, continuous expansion into new sectors and new markets, increasing commodification of natural and social life, recurrent financial and economic crises, and rapid mass-marketing of innovations, are all generally recognised properties of capitalism (Ingham, 2013; Keynes, 1936; Marx, 1867; Schumpeter, 1942; Shaikh, 2016).

Great economic thinkers, whether they are perceived as being left- or right-wing, from Smith and Marx to Keynes and Schumpeter, did not confine their analyses to ideological comfort zones and instead focused on understanding capitalism with both its strengths and weaknesses.

This is not to say that there is just one way of viewing capitalism. Various thinkers understand these core properties in very different ways. For instance, although almost every economic thinker recognises the importance of market competition as a core feature of the system, neoclassical economists understand this in a radically different way to classical, Marxian and evolutionary economists. Neoclassical economics views market competition as a harmonious outcome and optimal equilibrium, while the other three approaches see it as a ruthless process (see Building Block 8: Economic Theories for more detail). Needless to say, we propose that the various thinkers should be taught in conversation with one another.

To give students a good understanding of what capitalism is, it is useful to discuss its core institutions as also discussed in the useful introduction book *Capitalism* by Ingham. We suggest starting with the following four:

private property, factor markets, capitalist firms, and credit-based banking systems. Here, we discuss each briefly.

While the concept of owning your own things might be as old as humanity, private property as we know it today is far more recent. In contrast to what is often called personal property, private property does not only refer to items people use frequently in their daily lives, but can practically refer to everything, ranging from a piece of land on the other side of the world to an idea about how to produce something more efficiently. In both cases you have exclusive ownership and it is illegal for others to use it.

These private property rights do not exist without being actively protected (ultimately through violence). This is one of the crucial roles of the state in capitalism. It is worthwhile to spend some time on the specific rules around property, as these can differ substantially. A useful concept here is bundles of rights: ownership gives you certain rights, but not others. You might own a house, but not be allowed to run a factory there. More generally, all sorts of complicated contracts, combinations and separations of rights are possible.

One of these rights is generally to sell the item. This brings us to the second core institution: markets. Markets for goods and services have existed throughout much of history. The historical innovation of capitalism was that it allowed for the large-scale buying and selling of land, labour and capital through markets. These three factors of production have unique characteristics compared to goods and services. Karl Polanyi (1944), for example, deemed these ‘fictitious’ commodities because, in contrast to goods and services, land, labour and money are not, and cannot be, produced for the market.

The third core institution of capitalism has given it its name: the fact that the dominant economic organisations are capitalist firms. A firm is capitalist when the owners of the capital, the capitalists or shareholders, have the power to make the decisions and direct the organisation. The typical capitalist firm is run through wage labourers, supervised in a hierarchical structure by managers. The products that are produced by the firm are the sole property of the capitalists, as the workers and managers only have the right to their wages. These commodities are sold on markets in order to make a monetary profit for the capitalists, thus putting the profit motive at the core of these economic organisations.

Fourth, while capitalism did not invent money, in a way the system puts it at the centre of societal life. Credit-based bank systems in particular are a distinctive feature of capitalism. In these systems, debt is transferable in the sense that money, nothing more than an IOU (referring to “I Owe U [You]”), can be used as means of payment to third parties. This money takes various forms, but the lion’s share is actively created by banks by issuing credit, thereby injecting the economy with new purchasing power. According to Schumpeter (1911), it is precisely this characteristic of capitalism that makes it so dynamic.

Capitalism touches more than just the economic aspect: it is an important component of a society’s overarching political-economic system. This should be part of the classroom discussion. For instance, there is the frequent misconception that capitalism and democracy are the same thing. While they can go together, history shows that they often exist without each other. In fact, there is a long history of thought that argued the two are incompatible, both by proponents and opponents of capitalism (Almond, 1991; Bowles & Gintis, 2012; Friedman, 1962; Lindblom, 1982; Schumpeter, 1942). The reason for this is that democracy is based on the principle of political equality, while capitalism, left unchecked, can yield large economic inequalities, which over time translate into political inequalities as well (Bartels, 2016; Gilens, 2012; Gilens & Page, 2014; Schakel et al., 2020). Similarly, the complex relationships between capitalism and slavery, capitalism and colonialism, and capitalism and patriarchy are important to discuss with students.

Finally, this is also connected to a larger point: there are many varieties of capitalism. Students should learn about the contrasting way in which capitalist systems have been structured. For instance, think of the differences between the early modern Dutch economy and the current day Indian economy. Both, however, are capitalist political economies. The literature on the varieties of capitalism was initially centred around the concepts of liberal and coordinated market economies, to respectively describe Anglo-Saxon and north-western European countries based on their differences in industrial relations, vocational training and education, relations with employees, corporate governance and inter-firm relations. Recently, researchers have tried to expand the number of concepts to also capture Asian and Latin American varieties of capitalism, with concepts such as hierarchical market economies. These concepts could be useful to link to material focusing on comparative discussions of political-economic systems in the real world.

Socialist Political Economies

Socialism is generally understood in opposition to capitalism, as an economy that is collectively run and in which the means of production are in social ownership. In the real world, capitalism and socialism are, however, not necessarily each other's opposites as there are also complex combinations of the two, such as in China or Scandinavia. The main misconception about socialist economies is that they are necessarily highly centralised state economies. Socialist economies can also take decentralised forms, such as through autonomous cooperatives. As such, it is important not to fall for the strawman image of socialism as necessarily a completely dictatorial-run bureaucracy in which everything is centrally planned: that is state socialism or totalitarian socialism.

Just as it is important that students are aware of the varieties of capitalism, students should become familiar with the varieties of socialism. The economy of the Soviet Union had a different structure from the Yugoslav economy with its powerful worker councils, which was once again different from the Chinese or Cuban economy. Comparative case studies are an excellent way to help students see this.

There is a lot of debate on whether these so-called socialist economies are truly a different type of political-economic system. Some people contend that, although the goal of these systems was to break free from capitalism, they in fact remained stuck in the capitalist world system, and simply instituted a state-controlled version of capitalism (Howard & King, 2001). Others argue that these socialist economies are fundamentally different from capitalism, but that the systems in effect are tributary as they see hierarchical redistribution as the dominant mechanism (Chase-Dunn & Hall, 1997). Others yet argue that the logic of these systems is different from both capitalist and tributary systems, as socialist structures (should) have their own dynamics to them (Wolff, 2012). One such variant is the definition of socialist systems as economies in which allocation and coordination decisions are made democratically by the people they affect, for example through self-managed worker cooperatives.

Giacomo Corneo in *Is Capitalism Obsolete? A Journey Through Alternative Economic Systems* provides an useful and systematic overview of the different socialist economic systems, such as associationalism, planning, self-management, market socialism and shareholder socialism. While the book has some limitations as it is written from a neoclassical perspective, it provides a good overview of arguments for and against the various economic systems and as such can be informative for students.

Our point here is not to take a position in this debate, but rather to point out that it is helpful to expose students to this debate, so they can make up their own mind as to how they think socialist economies can be best understood.

Normative Debates on Political-Economic Systems

Beyond a technical understanding of the main structures and dynamics of various political-economic systems, students need to learn to navigate the main normative arguments for and against them. In this box, we will set out a brief overview of these debates regarding capitalism, as an example. We discuss both capitalism in general and particular varieties of capitalism.

Hirschman (1982), and updated in 2007 by Fourcade and Healy, identified the following three fundamentally different moral positions, respectively arguing capitalism is (1) civilising; (2) destructive; and (3) feeble.

The civilising view is very important in the liberal tradition. It claims that capitalism not only leads to economic growth and efficient outcomes, it also causes people to behave more rationally, cooperatively, freely, creatively and morally. Thus, capitalism is more than a way of organising economic systems: it changes the social morality of a society away from armed power struggles and towards more productive and harmonious forms of competition.

Those that are more critical of capitalism, on the other hand, argue that capitalism is destructive: it causes people to behave hedonistically, selfishly, short-sightedly and wastefully. Instead of creating a harmonious world as the civilising view argues, the destructive view argues capitalism creates alienation, exclusion, coercion, subordination, deception, inequality and exploitation. Note, however, that both the civilising and destructive view assume that capitalism is a very powerful political-economic system which fundamentally shapes the societies it manifests itself in.

The feeble view argues, instead, that capitalism is not inherently good or bad. Rather, its effects depend on the kind of social and cultural institutions within which it is embedded. Some, for example, argue that capitalism only creates positive outcomes in certain cultures, in this case amongst Protestants, while it creates negative outcomes in other cultures, for instance Catholics. Others argue it is about choosing the right policy mix, such as fair and enforced property rights, and thus think it is quite possible to move from a negative version of capitalism to a positive version. Finally, there is also a more differentiated view, which argues that there are multiple successful varieties of capitalism. While the Anglo-Saxon liberal and European continental coordinated market economies, for example, function differently in terms of flexibility of labour markets and patience of corporate governance, they can both lead to economic success. In each case, whether they emphasize cultural legacies, having good political institutions, or having a prospering variety of capitalism, the point is that capitalism in itself is not desirable or undesirable, but that it depends on which forms of economic organisation and mechanisms of coordination and allocation are dominant where, and what institutions these are embedded in.

2 Political-Economic Systems in the Real World

Theoretical concepts are useful tools to understand political economic systems, but learning about how they manifest themselves in the real world is what really matters. While the theoretical concepts of kin-ordered, tributary, capitalism and socialism are clearly differentiated from each other, actual political-economic systems are usually diverse and complex combinations.

Comparative economics is of great value here, as it explores how different economies are structured, generally at the national or regional level. Besides such knowledge of how various economies are organised, it is important to take a global perspective too and examine how different national and regional political-economic systems interact with one another and with international institutions to form, for instance, transnational structures of capitalism.

Comparative Economics

Comparative economics is the study of political-economic systems in the real world, as opposed to the ideal types of theory. This approach will not only allow students to see that every situation is different, but will also teach them to see similarities between different cases. When studying different economies, we suggest choosing a mixture of economies with various degrees of development and in various parts of the world.

Rosser & Rosser (2018) is a suitable book for this as it discusses multiple countries of each category. First, the authors give an overview of comparative economics and theories about different economic systems. Second, they discuss the varieties of advanced capitalism with the cases of the US, Japan, France, Sweden and Germany. Third, they explore the varieties of transition among socialist economies with the cases of Russia, Poland, China, and North and South Korea. Finally, they analyse alternative paths among developing economies, in particular India, Iran, South Africa, Mexico and Brazil. In doing so, the reader becomes familiar both with different economic systems and with the varieties of each of those economic systems. The particular histories and traditions of economies are of crucial importance for what political-economic systems look like – this broad overview can give students an idea of the various forms they can take.

The Global Economy

Besides looking at specific countries and their political-economic systems, it is also useful for students to become familiar with the concrete institutions and structures of the global economy. Naturally, the global economy consists of the countries that are studied in the comparative approach, so we propose to build on this knowledge in courses. A basic understanding of the political-economic systems of China and the US, for example, makes it a lot easier to understand how these two countries interact in the global economy and how this influences other countries.

It is also valuable to look at more and less intensive collaborations and coalitions of countries and how they work internally and interact. Two key international coalitions are the Organization for Economic Cooperation and Development (OECD) and the Organization of the Petroleum Exporting Countries (OPEC). There are also multiple regional collaborations, such as the European Union and its Eurozone, the Association of Southeast Asian Nations (ASEAN), the Community of Latin American and Caribbean States (CELAC), and the African Union. Finally, more loose collaborations between countries, such as the G7 and G20, are also of importance for the global economy.

When discussing such international collaborations, it is also important to pay attention to the power relations between countries. While outright colonialism and imperialism are largely phenomena of the past, international power imbalances and struggles are still highly relevant. Students should develop, at least, a basic understanding of these. They can, for example, be found by comparing foreign aid flows with other financial flows (United Nations, Economic Commission for Africa, 2015).

Furthermore, international institutions are important actors to analyse, each with their own dynamics and affecting specific aspects of the economy. In particular, it is useful to discuss intergovernmental organisations, such as the United Nations (UN), World Trade Organization (WTO), International Monetary Fund (IMF),

and International Chamber of Commerce (ICC). Public banks such as the World Bank, Bank for International Settlements (BIS), Asian Development Bank (ADB), and the China Construction Bank (CCB), also play a key role in the global economy that needs to be understood.

When discussing these institutions, it is valuable to focus not only on their formal structure and mission, but also to look at the power relations upon which they are built, and to discuss which ideas are dominant within them. For example, presenting the history of the dominant ideas within the IMF, including recent changes as a result of the Global Financial Crisis, helps students' understanding of how the world economy functions. Similarly, the growing importance of China, Russia and Brazil in the global economy has changed the functioning of the UN and WTO.

Economic power lies not only with countries and their political institutions. Private companies in the form of multinational corporations are key actors in the global economy. Of particular interest are the financial firms operating at a global level, making the financial dynamics of different countries and currency areas strongly interrelated, as has become particularly clear since the Global Financial Crisis of 2007-2008. Therefore, it would be worthwhile to make students familiar with the most important global financial centres, such as Wall Street in New York, The City of London, Hong Kong, Tokyo and Singapore.

3 Practical Suggestions

When teaching students about political-economic systems, it can be helpful to keep the following things in mind: the level of difficulty and the different ways to learn about political-economic systems.

In terms of the level of difficulty, political-economic systems are by nature highly complex entities and there is a virtually endless amount of material on them. As such, they might seem to be a topic only for the more advanced levels. We believe this is not necessarily so. There is a great amount of accessible written, as well visual, material on political-economic systems, and capitalism in particular.

One could, for example, use the brief book *Capitalism: A Very Short Introduction* by James Fulcher and let students watch some documentaries to give them an idea of the concept and of what different kinds of economies around the world look like. There are many documentaries on political-economic systems, and on capitalism in particular, such as *Capitalism: A six-part series* by Ilan Ziv, but also the old classics *Age of Uncertainty* by Galbraith and *Free to Choose* by Friedman. Globalisation, particularly the role of China, has also received a lot of attention with documentaries such as *The New Silk Road* by Deutsche Welle and *China: Power and Prosperity* by the US Public Broadcasting Service. These are just some suggestions, but there is a wide variety of documentaries that can be used in courses.

In more advanced courses, one could go in more detail and look at various economic processes that work differently in different (varieties of) political-economic systems. Examples and case studies are very useful here. For instance, discussing how countries and economies reacted to the COVID-19 virus and how this relates to their political-economic systems can be an interesting and enlightening exercise.

In terms of the different ways to learn about political-economic systems, students will benefit most from making connections between the world around them and the things they learn in class. This can be done by connecting topics to recent developments and the news, going on field trips with the class and by bringing them in contact with people living in different political-economic systems.

In addition to direct experiences and academic material, it can be helpful to expose students to popular material. There is a vast catalogue of art, literature, movies and music that deals with political-economic systems. From the classic novels of Charles Dickens, Leo Tolstoy, George Orwell and Hannah Arendt to the more recent visual street art *Shop Until You Drop* by Banksy and the film *Margin Call*. These are likely to enhance students' understanding of political-economic systems in different ways and speak differently to them than textbook materials do. At the same time, especially for the analytical side of political-economic systems, more traditional ways of teaching such as assigning readings and lectures are irreplaceable. The most promising way of teaching seems to combine these various aspects, bringing together analytical work, experiences and art.

Teaching Materials

- *Capitalism* by Geoffrey Ingham, from 2008. A highly insightful introduction into capitalism with chapters on key ideas from Smith, Marx, Weber, Schumpeter and Keynes, and core institutions, such as market exchange, the enterprise, money, capital, financial markets and the state.
- *Capitalism: A Very Short Introduction* by James Fulcher, most recent edition from 2015. A brief and yet useful book on capitalism's definition, historical evolution, varieties, global networks, and recurring crises.
- *Socialism: A Very Short Introduction* by Michael Newman, most recent edition from 2020. A similarly brief and yet useful book, but then on capitalism's main rival socialism, with chapters on its varieties around the world, historical traditions and more recent developments.
- *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.
- *Comparative economics in a transforming world economy* by J. Barkley Rosser, Jr. and Marina V. Rosser, most recent edition from 2018. A highly useful and broad book describing many varieties of advanced market capitalism, varieties of transition among socialist economies, and alternative paths among developing economies, with chapters on many countries, such as the United States, Russia, Sweden, China, India, Iran, South Africa, Mexico, and Brazil. It is particularly useful for students to learn about their own country. If this country is not included in the book, as is the case for us as Dutch citizens, it can be useful to supplement the book with teaching material on the national political-economic system.
- *Rise and Demise: Comparing World-Systems* by Christopher Chase-Dunn and Thomas D. Hall, most recent edition from 2018. A concise analytical overview of the political-economic systems that have characterised human history, with chapters on concepts and definitions, theories of change, cases and periods.
- *International Organizations: Politics, Law, Practice* by Ian Hurd, most recent edition from 2020, chapters 1, 5, 6 & 7. A leading textbook on international organisations with chapters on various key economic international organisations, such as the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank, and the International Labor Organization (ILO).

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.

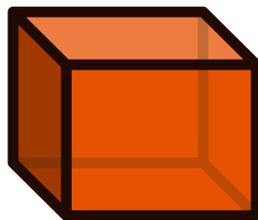
Ready to get started?

This book is free and open access. We hope it serves you. Here are three things you can do to help this movement for renewing economics education:

1. Send this or another booklet to three colleagues/students: economy.st/short

2. Contact us to organize a workshop at your faculty: economy.st/workshops

3. Subscribe to the newsletter: economy.st/news



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