

# Rebooting Economics 101

Dr Leonora Risse

Senior Lecturer in Economics, RMIT University

## National Chair, Women in Economics Network

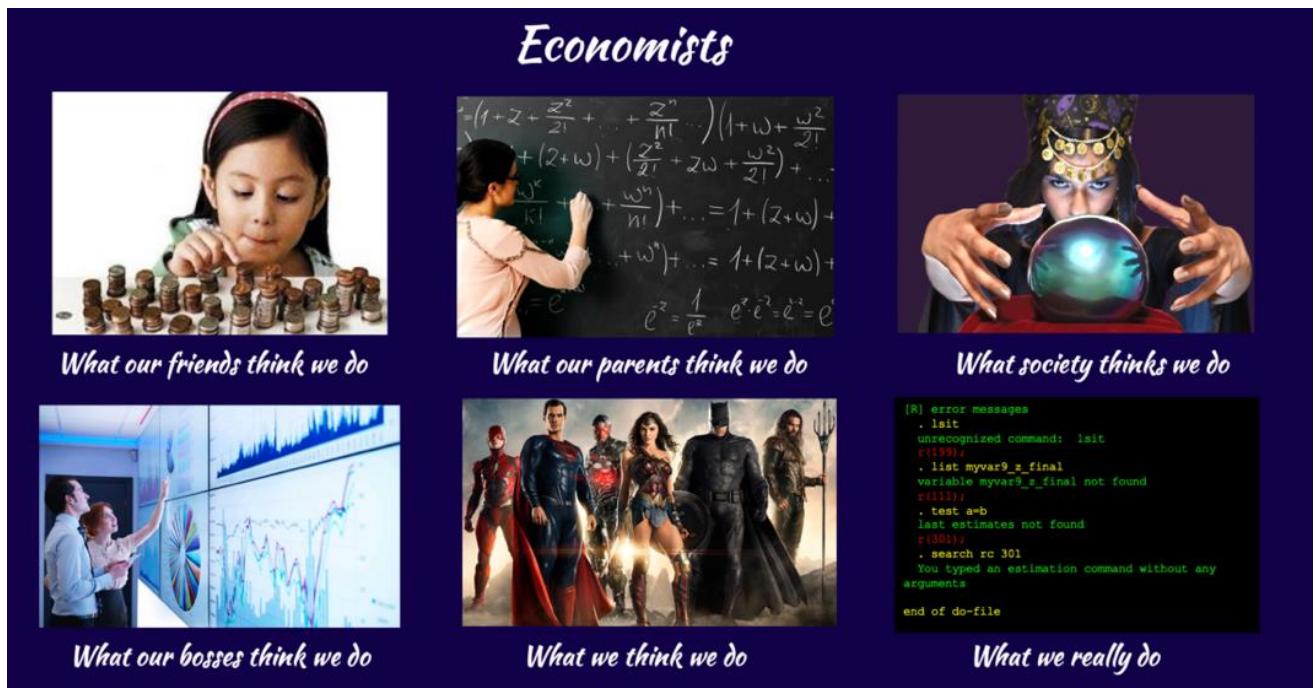
Published February 2022

There's strong awareness about the need for economics education to do a better job of reaching students and connecting to real world issues.

When offered the chance to redesign our introductory macroeconomics course at RMIT University, I took heed of the relevant research insights, collated a dynamic set of new resources, gathered together a terrific team of Tutors, and turned all this talk into action.

Our reimagined macroeconomics course delivers core concepts and frameworks, packaged up in the context of real world scenarios and problem-solving applications that resonate with students and matter to policymakers. The course delivers a broader picture of what economics is about, and a more diverse picture of the economic thinkers and leaders who are shaping the field.

I know there are many other forward-looking teachers, lecturers and educators out there who are striving to revitalise students' appreciation for economics in a similar way. Hopefully this adds a few extra sparks of inspiration to our collective efforts.



# The challenge

Student numbers in economics classrooms and lecture theatres around Australia have been [falling](#). Especially among females and students from lower socioeconomic backgrounds.

There are several possible factors behind this trend. One factor is [misperceptions](#) about what economics is really about. And a belief that economics is difficult, boring and irrelevant to society, especially compared to other more exciting new offerings in business and STEM.

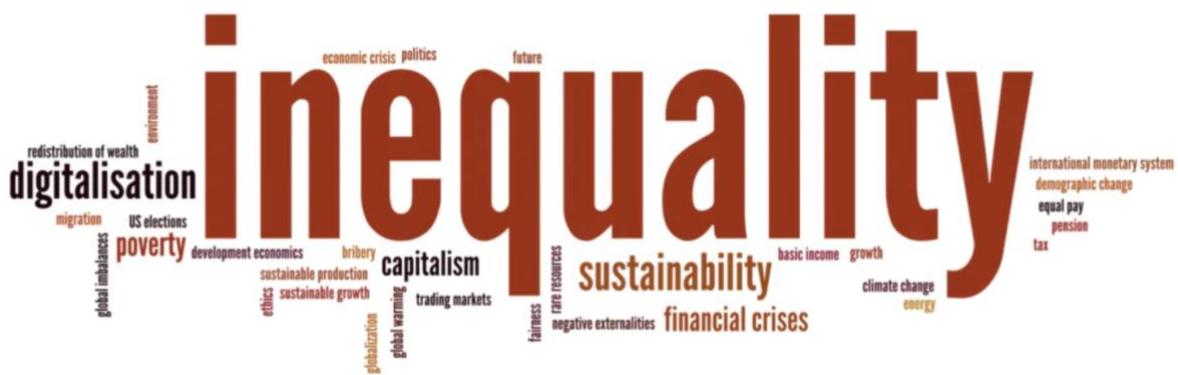
Leading researchers and educators in the field have [recognised the need](#) for the traditional economics curriculum to be refreshed and revitalised. The need to modernise our teaching to reflect new frontiers in economic thought and to better connect to the real world societal issues that are forefront in students' minds and confront policymakers, researchers and professionals today.

Climate change, inequality, poverty and the impact of technology on the future of work are the [issues that students care about](#). But these are topics that are often buried away at the end of economics textbooks or deprioritised as optional extras.

Our students are seeking a study pathway and career with meaning, fulfillment and purpose. Our students want to make a difference to the world.

As economists, we know that the study of economics provides us with a toolkit of skills and capabilities to make a difference to these big world issues. But we need to do a better job of communicating and demonstrating this to our students.

**What do students think is the most pressing problem for economists today?**



On the first day of their CORE course, we ask students 'What is the most pressing problem that economists should address?'. The word cloud above shows answers from over 8,000 students at 40 universities from 18 countries, collected between 2016 and 2020.

**Source:** CORE (Curriculum Open-access Resources in Economics)

The COVID-19 pandemic provided further ammunition to the need to revise traditional approaches to the teaching of economics, particular those that rest heavily on neoliberal principles of the free market. Attempting to teach students that market mechanisms could be relied on to stabilise the economy was not going to stack up against reality, as governments worldwide were pouring millions of dollars into resuscitating their economies and were relied upon to deliver essential health and medical services.

When offered the chance to redesign our introductory macroeconomics course at RMIT University, I embraced this opportunity to put all this talk into action. Under this new course curriculum and delivery, students learn the core concepts, theories and models of macroeconomics, but it's packaged in the context of real world scenarios and problem-solving applications that students can relate to. Our reimaged course is about bringing economics to life.

## Placing wellbeing at the heart of economics

Our first-year students were introduced to a clearer message about the purpose of economics.

The classic definition – “economics is the study of the allocation of limited resources to meet unlimited wants” – is technically precise but sparks little enthusiasm. Students want to know why does this matter? They need for the definition of economics to relate to their lives and the human experience.

The efficient allocation of resources is the “how”. In our course, we teach students that the ultimate goal of economics is to optimise human wellbeing. To improve quality of life. That provides us with the “why”.

This approach places wellbeing at the heart of our focus. In turns, this sets students up to consider the vast range of factors that matter for wellbeing, opening up the door for them to understand how economics extends to so many dimensions of life and society. Later, students learn about economic growth, as measured by [Gross Domestic Product](#), as one conventional measure of wellbeing, but it is not presented as the centrepiece of economic objectives, and students are made aware that GDP comes with many [limitations](#).

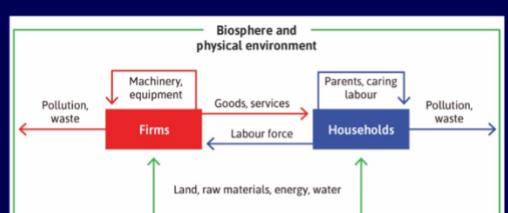
We equip students with an understanding of the fundamental structure of the economy, expanding the scope of the traditional "circular flow of income" model to encompass

- unpaid economic activities that take place within the household (where human capital is produced, nurtured and replenished)
- the environment (which considers the sustainability of natural resources and the impact of human activity on wider ecosystem)
- the role of cultural norms (such as the impact of racial discrimination and attitudes towards gender roles on people's economic opportunities).

This more complete picture of the economy draws on progressive insights of economists such as [Marilyn Waring](#), [Kate Raworth](#) and [Diane Coyle](#), and of [Wendy Carlin and Samuel Bowles](#) who created the CORE curriculum.

Economics explores how people interact with each other and with their natural surroundings in producing their livelihoods

Source: CORE



This diagram is called the “circular flow of income” Our diagram also takes into account :

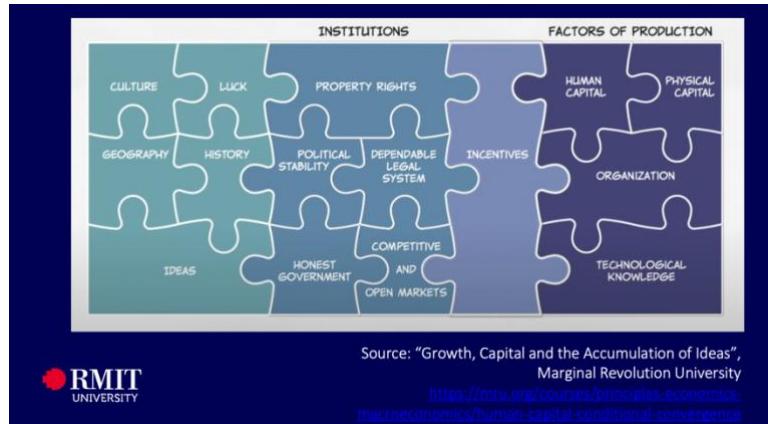
- humans' interaction with the biosphere and physical/natural environment
- the resources that households and firms invest in to sustain themselves

Our students learn how to read and analyse the economy by following the fluctuations of economic indicators in real time. Beside economic statistics from data agencies, they learn to track the underlying factors that drive economic behaviour, such as consumer confidence. They learn to consider a more holistic array of measures of wellbeing, such mental health indicators and multidimensional indices of happiness, poverty and human development.

When it comes to understanding the drivers of economic prosperity, our course dives into human capital, innovation and technology as key ingredients for long-term growth. Students learn about models of long-term economic growth in the context of inequality between countries and how developing countries can achieve a better quality of life.

We use country case studies from the Asia-Pacific region to illustrate the myriad of other factors that sit in the background to our growth models, including open markets, demographic change, cultural norms, and political integrity and stability.

Students learn about globalisation through a picture of Australia's trading patterns with the rest of the world. We explore the role of migration, and the impact of closed borders and the supply chain disruptions that have ricocheted throughout the global economy. Our students – many of whom are joining us internationally – learn from each other as they bring their own stories and personal experiences to our learning activities.

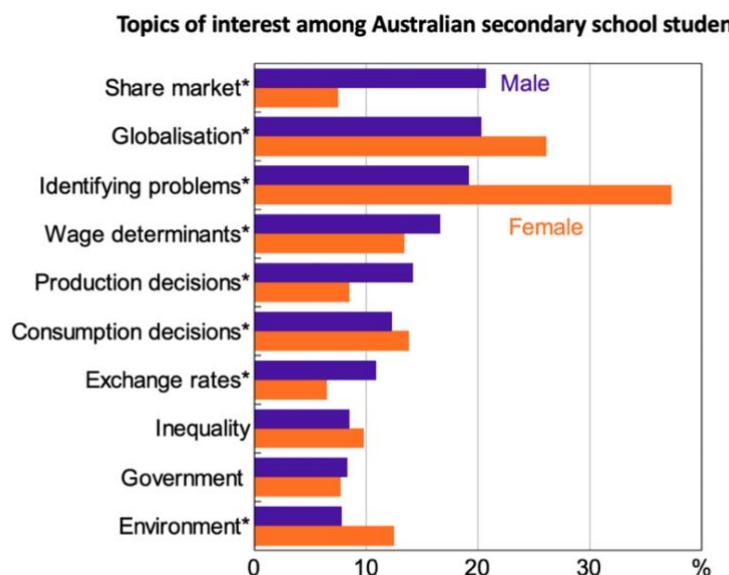


## Our problem-solving mission

The second part of the course builds students' understanding of the real world problems that economics can contribute towards solving. Each week of the course explores a real world economic challenge: unemployment, costs of living; economic inequality; environmental sustainability and economic shocks.

We learn from the experience of Global Financial Crisis, the 1990s Recession, and of course the momentous chapter of history that we are living through at the moment. We even look back at the economic impacts of the 1918 Spanish Flu to see how history is repeating itself and the value of learning from the past.

The problem-solving element of economics is a key for achieving greater diversity in the field. Surveys of school students have found that "identifying problems" is the most common motivating factor that drives female students' interest in economics. An interest in identifying and solving problems ultimately reflects a quest to try to improve society in some way. To make the world a better place. These are the students we want to attract to our profession.



**Source:** Reserve Bank of Australia (2021). Graph published in "What Is Driving Participation and Diversity Trends in Economics? A Survey of High School Students" by Tanya Livermore and Mike Major, RBA, Research Discussion Paper 2021-06.

\* Denotes statistically significant difference at the 5 per cent level after controlling for school type, socio-economic status and language.

## Our problem-solving toolkit

The final part of the course equips students with a toolkit of economic policy levers for addressing these real world problems.

Students learn the mechanisms of fiscal policy and monetary policy by following the Treasurer's Budget announcements and the Reserve Bank's monthly cash rate decisions.

We use the [GFC](#) as a case study into the role of regulation and macroprudential policy as part of our problem-solving toolkit.

Students look at the outcomes of the [Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry](#) to learn about the role of ethics and morals as critical ingredients for a well-functioning financial system.

We look at the pros and cons of policies to incentivise innovation, using the global vaccine rollout as a case study.

We look policies to prepare for the evolving structure of the economy, including skill forecasts for the future and transitioning to a green energy economy.

The assessment tasks in this course allow students to bring their own experiences and interests into their studies. They are required to gather economic data and apply the economic frameworks learnt in class to produce their own analyses. These take the form of delivering a business presentation, preparing a policy brief, and writing a consultancy report analysing the economy of their country of choice. Providing students with this form of autonomy and creativity engages elements of [andragogical](#) (in contrast to pedagogical) teaching practices which is befitting of the age, maturity levels and intrinsic motivation of students at university level.

Students build self-awareness through self-reflection tasks where they are asked to identify the human capital skills that they have developed throughout the course. Among their new capabilities, they identify valuable traits of resilience, self-discipline, determination, resourcefulness, and discovering deeper confidence in their own abilities. This is an uplifting indication that our students are turning the challenges of the pandemic into their strengths.

## Diversity of topics and thinkers matters

One of the reasons that potentially discourages females, students from lower socio-economic backgrounds, and other under-represented cohorts from entering and continuing with economics is a sense that their interests, life experiences, perspectives and values are not reflected in the field.

They don't "see themselves" among the topics being discussed, the voices being quoted, and thought leaders being elevated by the profession.



This course consciously sought to overturn this by ensuring that the contributions of female economists and economists from culturally under-represented groups were clearly presented to students. Their expertise often brought fresh perspectives and expanded traditional economic wisdom in ways that students found more meaningful, relatable and purposeful.

What inspires economists to make the world a better place?  
Interview with economist Esther Duflo

Learning from real-world economists  
We're going to start our lecture with a conversation with Kaixin Owyong who works as an economist at NAB, and previously at the Reserve Bank of Australia

Other ways to measure aggregate production, wellbeing and prosperity  
"GDP measures the wrong things – here's something better" Professor Marilyn Waring  
<https://www.youtube.com/watch?v=zIvghFFH7zw>

Other ways to measure aggregate production, wellbeing and prosperity  
"Meet the doughnut – The new economic model that could help end economic inequality" by economist Kate Raworth  
<https://www.weforum.org/agenda/2017/04/the-new-economic-model-that-could-end-inequality-doughnut/>

Are there potential downsides to globalisation?

- 'An economist describes the pros and cons of globalisation', Gita Gopinath, Chief Economist, World Economic Forum <https://www.weforum.org/agenda/2013/04/an-economist-explains-the-pros-and-cons-of-globalisation-in-21094467/>



RMIT UNIVERSITY

Fostering innovation

- Harvard economist Professor Stefanie Stantcheva discusses how interactions with other people can be a source of innovation <https://youtu.be/l5whrmhwtE>



RMIT UNIVERSITY

Fostering innovation

- Professor Mariana Mazzucato (Professor of Economics of Innovation and Public Value and Founder/Director of 'Institute for Innovation and Public Purpose' at University College London) spells out a role for governments as part of the innovation process

- 'We Must Reimagine Governments as Creative Agents' <https://www.youtube.com/watch?v=KirmbeO5myk>

- Highly recommend learning from Professor Mazzucato in this presentation 'Government investor, risk-taker, innovator' <https://www.youtube.com/watch?v=3r1PslsbBg>



Innovation and inequality

- Harvard economist Professor Raj Chetty and MIT economist Professor John Van Reehan have studied the loss in innovation that arises due to inequality of opportunity – a phenomenon called "Lost Einsteins" or "Lost Marie Curies"

- The Lost Einsteins [https://www.youtube.com/watch?v=mcq6NQ3\\_7hA](https://www.youtube.com/watch?v=mcq6NQ3_7hA)

- Innovation needs inventors [https://www.youtube.com/watch?v=mcq6NQ3\\_7hA&t=10m0s](https://www.youtube.com/watch?v=mcq6NQ3_7hA&t=10m0s)



RMIT UNIVERSITY

To gauge the impact of exposing students to a wider profile of economists and thinkers than is typically found in an economics curriculum, students are asked, as part of their learning activities, to choose a real world economist who they hypothetically would like to interview. They are asked to imagine they are planning an event for the Economic Society of Australia and design interview questions for their guest economist that relate to our course content.

Encouragingly, the chosen economists proposed by our students were far more diverse in gender, cultural background, geography, sector of work, field of expertise and philosophical persuasion than the usual line up of "Famous Economists". This speaks to the success of the course in opening up students' eyes to the breadth of topics and dynamic people who are part of the economics profession.

## What were the results?

Our students clearly recognised the strong practical relevance of the concepts and models that they learn in this course. This translated into a positive learning experience, as expressed in their own words:

*"I loved that we were constantly shown how the topics we are learning are playing out in real time during the COVID-19 pandemic."*

*"I have truly learnt so much and was blown away by macro really being about wellbeing and equality over 'money makes the world go round'."*

*"The best aspect of this course was learning about the economy during the pandemic. I was literally learning history as it was happening."*

*"As a student who has never studied or been interested in Economics, this course has really made me interested and more aware of this subject and its role in society. Although having no background knowledge of this course, it was really rewarding to complete and there is so much*

*knowledge that I never had about economies and governments. [The lecturer] was invested in her students and the experiences she was giving us."*

Our teaching staff were also highly cognisant of how our course content was vividly coming to life for students in the world around them:

*"I believe that students realised how lucky there were to actually be taught economics during this time. I mean they experienced all phases of the business cycle, supply and demand side shocks, fiscal and monetary policies, as well as wellbeing and inequality whilst being taught these concepts. Can't get better than that really."*

A true indication of the success of the course from this student, who personally reflected:

*"I felt like I became an economist."*

Our first-year macroeconomics course at RMIT reaches around 1,300 students each semester, and has been delivered for three semesters so far. As their Lecturer, along with my team of Tutors, I feel proud of our students – I know they will carry this newfound knowledge and skillset with them, whatever their career destination.

And if we can empower and inspire more students with an understanding of the widespread usefulness and value of economics – and how we can use our economics toolkit to not only make sense of the world, but to make it a better place – we'll be looking at an even brighter economic future.

## Resources for students

If you are looking for ways to communicate to your students the wide breadth of economics, and the relevance of economics to everyday life and tackling real world problems, the Women in Economics Network in Australia offers these resources:

[What is economics all about? And where can it take you?](#)

[Economics... Understand the world around you](#)

[Career Journeys of Australian Economists](#)