Opinion **University College London**

Economics explains our world – but economics degrees don't

The curriculum is increasingly remote from what the experts now know, says Wendy Carlin

Wendy Carlin NOVEMBER 17 2013

This could be a golden age for economics. Recent advances in theory, economic history and quantitative methods have provided tools to address pressing issues of inequality of opportunity, financial instability and climate change. At airport bookshops, *Freakonomics, Why Nations Fail* and *Irrational Exuberance* compete with John Grisham's latest. Students flock to introductory courses.

So why are economists in the doghouse? Everyone now knows that we missed the boat in 2008. Trends in house prices and indebtedness were in the data but we did not pay attention to them. Nor did we later provide convincing explanations of what went wrong. Some economists advocated policies that contributed to the onset of crisis and exacerbated the resulting unemployment and economic insecurity. These failures may be traced to complacency among economists that a largely unregulated market economy would take care of itself.

But there is another reason for discontent with the discipline. Our students are among those flipping the pages of economics bestsellers and wanting to get involved in policy debates. They are not happy with what they are getting in class. They are embarrassed when they are no more able to explain the eurozone crisis or persistent unemployment than their fellow students in engineering or archaeology.

Their teachers are dissatisfied too. The department chair at a top university in Turkey lamented that students could handle any applied maths exercises thrown at them, but if asked about the economy "their reasoning is no different from the wisdom of taxi drivers, and sometimes a bit less well informed". Those who have employed our graduates are no happier, as was clear in a discussion of the topic at the UK Treasury last week.

Is economics out of touch? I do not think so. True, the past three decades have thrown up challenges quite different from those that economists confronted during the subject's heyday in the aftermath of the Great Depression. Financial instability tops the list in the public mind, but of no less importance in the long run are the problems of climate change, and growing inequalities of wealth and economic opportunity.

But economics is not fighting the last war. In the past three decades, experimental methods have shown that people are more fair-minded and moral, and less calculating than the so called Economic Man of the textbooks. The fact that we are nicer and not quite as clever as economists once assumed has direct implications for policies to address problems of financial instability, climate change, and economic disparity. The new research greatly expands the set of politically viable and economically effective policies to ensure a sustainable planet and to level the economic playing field.

Another example: improved techniques for computer modelling of complex interactions among millions of economic actors can help design policies to address financial volatility and environmental degradation.

For our students, though – especially those in the core courses of the curriculum – this is all a well-kept secret. We impose a curriculum that is increasingly remote from what economists now know, and more distant still from the pressing problems that drew our students to economics in the first place.

Nataly Grisales, writing in a student newspaper in Bogotá about her decision to study economics said: "A professor mentioned that economics would give me a way to describe and predict human behaviour through mathematical tools, which seemed fantastic to me. Now, after many semesters, I have the mathematical tools; but all the people I wanted to study have disappeared from the scene."

There's no need for Nataly to have been disappointed. Economists now have the data and mathematical and conceptual tools to put real people centre stage. That is why the curriculum project at the Institute for New Economic Thinking, which I head, is creating open access materials for a new curriculum. Digital technology and interactive teaching methods will introduce students to an empirical discipline. They will learn to use evidence from history, experiments and other data sources to test competing explanations and policies. This is a great time to be an economist. It is time we made it a golden age for students of economics.

The writer is a professor of economics at University College London

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