

# Rethinking the economics curriculum

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Disclaimer: The views expressed are entirely my own, and do not reflect those of the Department of Accounting and Finance, or those of De Montfort University.

# Overview

1. What is economics about?
2. What are students asking for?
3. The student projects
4. Approaches to curriculum reform
5. Some other ways to be a  
economist
6. What employers look for
7. How to get involved at University

# Q&A: What is economics about?

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Environment

Institutions

Banking

De-growth

Inequality

Taxation

Technology

Growth

Inflation

Prices

Unemployment

Markets

Competition

# What are students asking for?



# Some economists did see the crisis coming

Radical (Marxian crisis) theory; bubble detectors; SFC/accounting models; Hyman Minsky and Galbraith (institutional)

Bezemer (2009) identifies successful prediction by SFC economists... such as Keen, Hudson, Godley, Lavoie, Wray and Zezza.. based on four criteria i) a theoretical basis ii) transmission from housing to the whole economy, including an explanation iii) a public record of their claims iv) some accuracy in terms of the timing of the crisis

# The student projects

## INTERNATIONAL STUDENT INITIATIVE FOR PLURALISM IN ECONOMICS

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### МЕЖДУНАРОДНЫЙ ПРИЗЫВ К ПЛЮРАЛИЗМУ МНЕНИЙ В ЭКОНОМИЧЕСКОЙ ТЕОРИИ

В кризисе находится не только мировая экономика, но и экономическая теория также испытывает кризис, и этот кризис несёт свои последствия далеко за пределы университетских стен. То, чему учат в университетах, формирует сознания следующего поколения, задающего тренд и таким образом формирует облик общества, в котором мы живём. Нам, БО+ ассоциациям

# The student projects

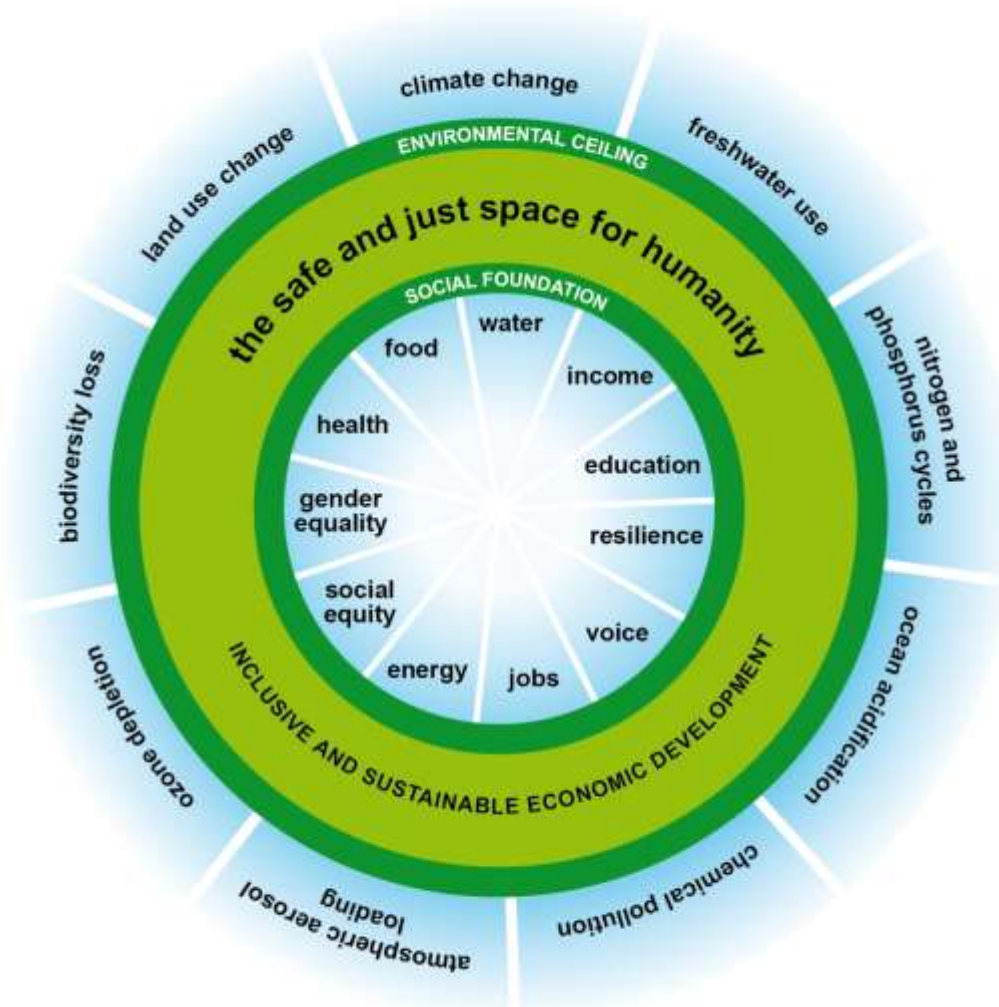




# Approaches to curriculum reform

- i. Schools of thought: Austrian, ecological, feminist, institutional, post-Keynesian and so on (such as the Birmingham School in the 1850s, a pre-Keynesian school)
- ii. Problem-based: why is there persistent unemployment? Why are some countries rich and others poor? Does growth always increase inequality? Should banks be broken up? Are the Chinese consuming too little or the Americans consuming too much?

# Other ways to be an economist



Kate Raworth:  
'doughnut  
economics'

<http://www.kateraworth.com/doughnut/>

# Other ways to be an economist: Post-Keynesian

- Money is endogenous
- Money is not neutral
- Equilibrium is a special case... multiple equilibria exist
- Post-Keynesians emphasise uncertainty and heuristics
- Many (non-financial) actors are liquidity constrained
- Complex, dynamic systems have emergent properties
- Marginal costs often fall
- Monetary expansion is a vital component of a growing economy
- Greater attention should be paid to profit retention (Kalecki)

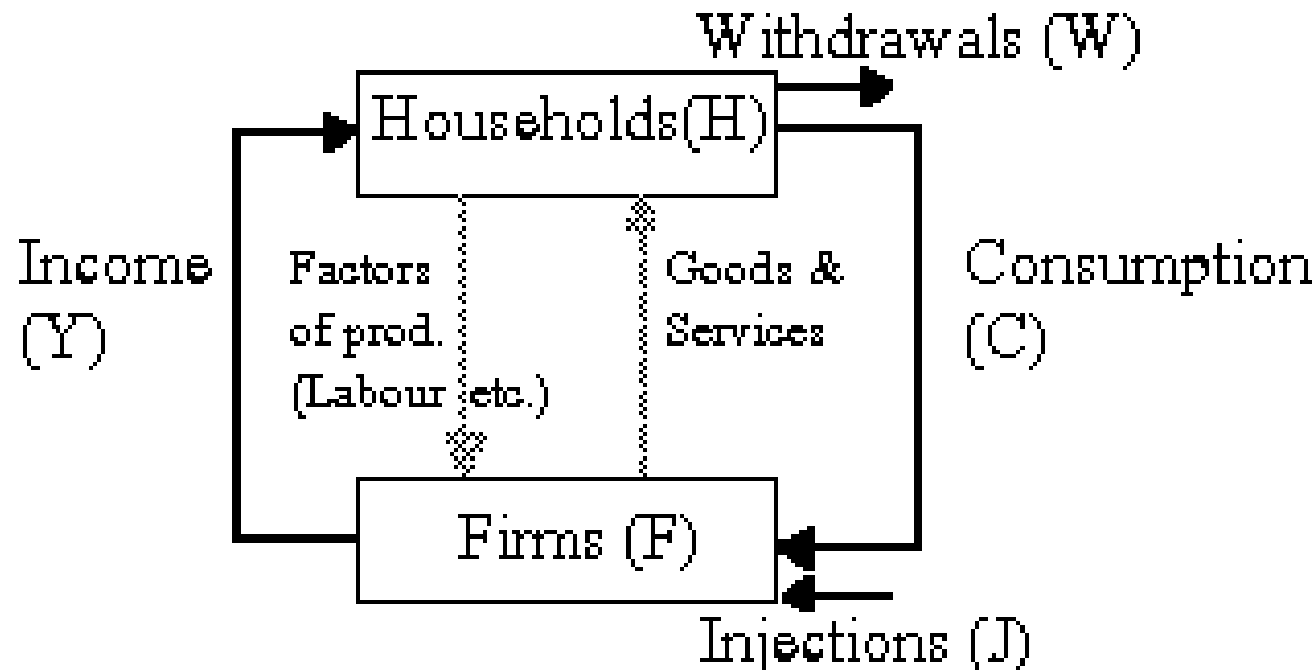
For an overview, read 'Debunking Economics' by Steve Keen

# Other ways to be an economist: accounting approaches

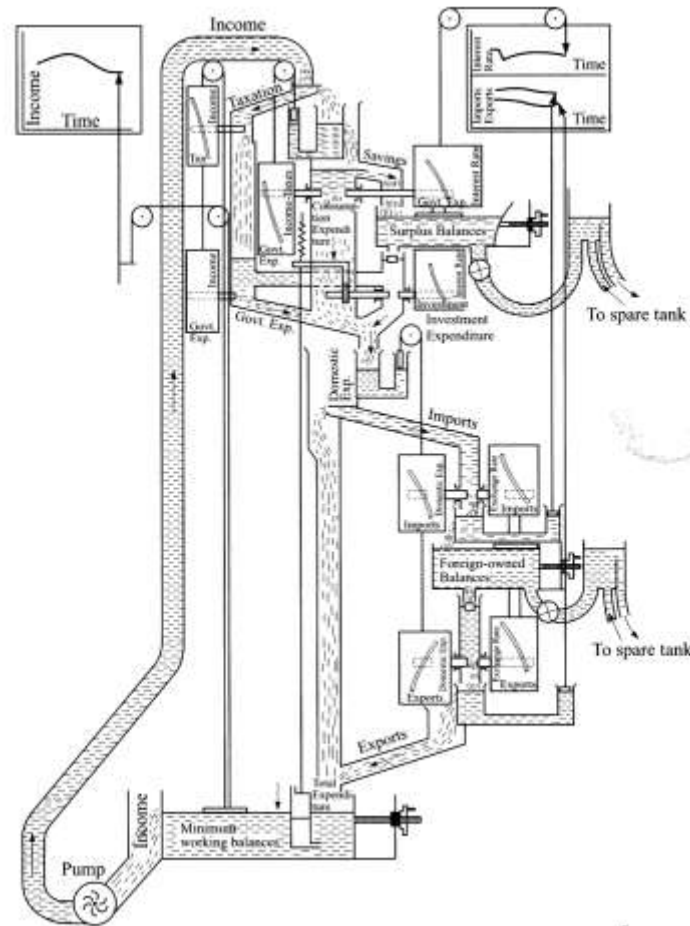
The thing is to a very large extent an exercise in accounting – or perhaps logic is a more congenial word... our claim is, I suppose, simultaneously a very modest and a very extravagant one. On the one hand we are sorting out a ghastly muddle and showing how, if you set up a complete system with a representation of all stocks and flows in a fully consistent manner, you close down a whole lot of options which otherwise appear to be open. The extravagant claim is to have as it were “swallowed” monetarism, using such insights as it brings to re-establish something very much like the “crude” Keynesian position, by which policy was generally regulated in the 50s and 60s.

**Wynne Godley 1983, personal correspondence with James Galbraith**

# Accounting approaches: Keynes' Circular Flow Model



# Accounting approaches: Phillips' Hydraulic Computer (1949)



# A more complex accounting framework

	Banks		Households		Government	Businesses		
	Current	Capital	Current	Inv	Current	Current	Inv	
Create loans	res							S-I-
Loan payment								0
Investment gains								0
Wages								0
Refinance								
Wage, loan and investment taxes (including machinery)					.			
Initial spending					.	.		0
Secondary government spending					.	.		0
Total spending					.	.		M-X
Close circuit			=					M=X

Q&A: What does an  
accounting approach tell us  
about the UK economy?



# What employers (of economists) look for (SBSE Survey, 2012)

% of vote	Essential	Desirable	Total	
Macro-economics		82	15	97
Standard Data Skills		85	11	96
Micro-economics		67	28	95
Money & banking		46	49	95
Data sources		62	32	94
Econometrics		35	56	91
International Trade		38	50	88
Economic History		40	47	87
Financial Economics		41	53	84
Behavioural Economics		28	56	84
Financial History		21	60	81

# How to get involved

- Follow the University societies
- Follow research institutes and commentators
- Write for a student Blog
- Go to an open meeting
- Organise your own society





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# Accounting approach predictions

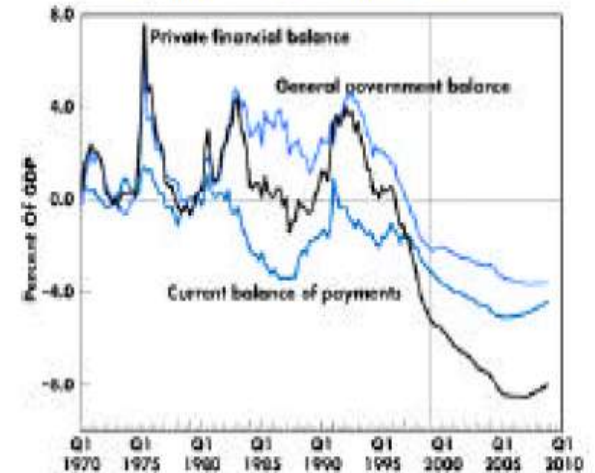
‘Seven unsustainable processes’ (Godley, 1999) and Zezza/Levy Institute (2009)

Figure 1. U.S. Real GDP (Annual Growth Rate)



Sources: B.E.A. and author's calculations

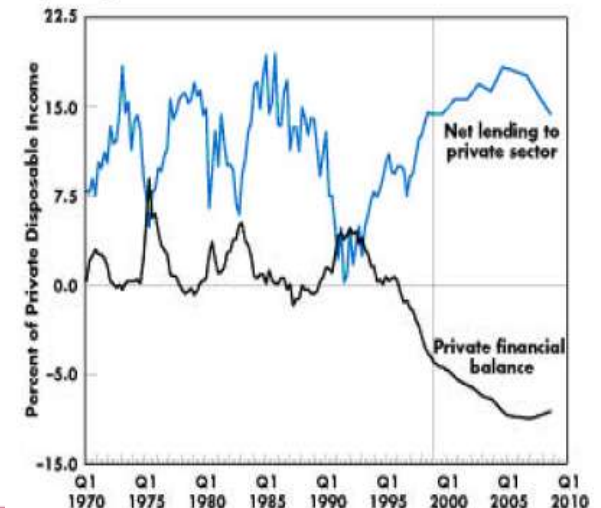
Figure 12 The Three Major Financial Balances, Actual 1970-1999Q1 and Projections Implied by CBO



Note: Data after 1999Q1, where the vertical line is now drawn, are author's projections.

Source: Citibase, Flow of Funds, and author's projections.

Figure 13 Private Financial Balance and Growth of Nonfinancial Debt, Actual 1970-1999Q1 and Projections Implied by CBO



Note: Data after 1999Q1 are author's projections.

Source: Citibase, Flow of Funds, and author's estimates.