

1-1-2001

Educating Australian Economists

John Lodewijks

University of New South Wales

Follow this and additional works at: <http://epubs.scu.edu.au/jesp>

Recommended Citation

Lodewijks, John (2001) "Educating Australian Economists," *Journal of Economic and Social Policy*: Vol. 5 : Iss. 2 , Article 1.

Available at: <http://epubs.scu.edu.au/jesp/vol5/iss2/1>

ePublications@SCU is an electronic repository administered by Southern Cross University Library. Its goal is to capture and preserve the intellectual output of Southern Cross University authors and researchers, and to increase visibility and impact through open access to researchers around the world. For further information please contact epubs@scu.edu.au.

Educating Australian Economists

Educating Australian Economists

John Lodewijks
School of Economics
University of New South Wales

Abstract

This article examines the nature of postgraduate research training in economics in this country and some of the arguments and issues involved in replicating the American 'model'. The critical findings of the Commission on Graduate Education in Economics are discussed and the implications for Australia examined. The transmission of American research training to Australia represents a mixed blessing. Selectivity and sensitivity are essential in this transfer process in order that research training in this country meets a full range of desirable goals of a university education.

The Americanization of Australian Economics?

The centre of gravity in the world's scholarly community of economists in the last 50 years has (as in the case of so many other disciplines) been located in United States – more than two out of three Nobel prize winners in Economics are located there. A number of commentators have noticed the increased Americanization of Australian economics education in the post-war period. For example, Peter Groenewegen (cf. Coats 1996) has presented evidence of the Americanization of Australian economics beginning from the end of the 1960s. He clearly documents the increased importance of North American qualifications, the domination of North American texts, the increase in North American authors publishing in the *Economic Record*, Australia's premier economics journal, and the sharp increase in theoretical articles relative to Australian applied topics.

There are certain common characteristics of American-style professional economics. Students learn substantially the same theory as counterparts in other countries often using the same American texts. Maxwell (1999) has extensively explored this issue recently in this *Journal*). Postgraduate coursework is regarded as necessary preparation for research, university staff are expected to have doctorates, frequent publication in international journals is essential for professional advancement and there is an emphasis on mathematical modelling and econometric techniques. While the situation is changing, the British model is a more specialized first degree, a PhD involving submission of a thesis that amounts to a substantial monograph, and having a PhD is not necessarily a prerequisite for obtaining a teaching position. Postgraduate coursework was seen as not essential. The broader European experience also shows academics far more involved in undergraduate teaching and more policy oriented than their American counterparts.

There are some observers that lament the increasing Americanization of Australian economics. This view is very forcefully presented in Groenewegen and McFarlane (1990). These authors have written a controversial history of Australian economics.

The treatment is guided by a number of interrelated themes. The first organising theme relates to the question about whether there is, or should be, a distinctive Australian economics. Can a national economics be tolerated or should economic science be international and universalist? The authors argue that there did exist an Australian school of economics in terms of the problems selected for discussion and the mode of analysis. Distinctive contributions in this tradition were related to the peculiarities of specific Australian problems (p. 229). This uniquely Australian product became overwhelmed in the post-war period by contributions of a purely theoretical kind unrelated to Australian concerns, work that 'could just as easily have been produced in North America' (p. 189).

The second issue of concern relates to the international transmission of economic ideas. Many of the ideas prominent in Australian economic discussions were borrowed from abroad, with varying degrees of adaptation to local circumstances. Groenewegen and McFarlane commend examples of fruitful adaptation of imported ideas to Australian conditions and critical testing of overseas ideas before their application. The authors contend that earlier criticism of received doctrine contrasts sharply with today's often servile absorption of the latest American theoretical fashions.

The last three chapters of Groenewegen and McFarlane's book examine the post-war period and the growing professionalisation of economics in Australia. The authors examine contributions by Heinz Arndt, Trevor Swan, Murray Kemp, Max Corden, Wilfred Salter, Geoffrey Harcourt and Stephen Turnovsky. These chapters are the source of much controversy. The authors argue that after the 1960s the Americanization of the subject occurs with an increased flow of Australian students to North American graduate schools rather than England. This they lament, for the 'potentially fatal embrace of [economics]' growing Americanization' leaves little room for a continued distinctive Australian contribution to the subject (pp. 228, 232-240). Australian economics has been transformed into 'a minor sub-branch of the American Economic Association' (p. 237).

Groenewegen and McFarlane do not hide their disdain of modern Australian economics and the rise of mathematical, country-neutral, theory. They see this as a disease imported from the United States and are dismissive of American-trained Australian economists who accept market solutions in an uncritical way and do not seem to be aware of particular institutional and historical characteristics of the Australian economy (p. 225). In contrast, the authors argue that what was good about pre-1960 Australian economics was the scepticism about free market solutions to economic problems and support of government intervention and planning.

Despite these concerns, the American model continues to gain adherents in Australia. This article examines the nature of postgraduate research training in economics in this country and the some of the arguments and issues involved in replicating the American model.

The Commission on Graduate Education in Economics

A surprising source of critical examination of the American model of postgraduate training is the American Economic Association's *Commission on Graduate Education in Economics* (Krueger 1991; Hansen 1991; Kasper 1991). Members of the commission included Anne Krueger, Ken Arrow, Alan Blinder, Edward Leamer, Robert Lucas, Joseph Stiglitz and other leading economists in the profession.

The Commission was set up to examine the flood of complaints about the nature of PhD training. Concern related to the overemphasis on mathematical tools and techniques, the apparent lack of policy relevance and insight and awareness of social issues, and the failure to be explicit about underlying premises and the range of application of particular models. It was alleged that training had become too divorced from real world questions. There was also a perceived lack of creativity on the part of students and a demonstration of poor writing abilities and communication skills.

These concerns were heightened by the appreciable decline in the flow of American undergraduates into postgraduate economics training (albeit offset by an increased flow of international students). There had been a sharp decline in liberal arts graduates who now went on to do an economics PhD. It was suggested that the emphasis on techniques discourages those whose interest in economics is fuelled by social concerns of the consequences of economic problems. A narrow technocratic training may undervalue the importance of intuition and creative talents (Kasper 1991). Many students interested in public policy analysis, business, agricultural economics, institutional labour economics and industrial relations, health economics, social policy and law and economics were joining academic units outside of economics. These applied programs were producing their own PhDs. Even postgraduate students at elite first-tier institutions (MIT, Harvard, Columbia, Stanford, Yale and Chicago) were dissatisfied with their Ph.D experience (Klamer & Colander 1990).

Non-academic employers, who hire roughly 40 per cent of PhDs in the U.S., revealed, in this Commission's report, deep dissatisfaction with the training of PhD economists (Krueger 1991:1038). While employers acknowledged that postgraduates were better trained in technical areas such as theory and quantitative methods, they were less well trained in carrying out empirical and policy-relevant research and were unable to communicate effectively the results of their research. Employers expressed dismay that new PhDs possessed so little institutional knowledge of the economy and weak knowledge of economic data, its quality and its interpretation (Hansen 1991:1085). Non-academic employers urged that doctoral training give greater attention to writing and speaking skills, to the conduct of empirical research, and to the acquisition of real world knowledge and data. They felt that students were well prepared technically but limited in their ability to function effectively as professional economists in the non-academic sector. It was widely perceived that postgraduate programs concentrated their efforts almost exclusively on preparing students for academic, research-oriented jobs. The attitudes of non-academic employers and the growth of competitor programs indicated that economics training has become too removed from real economic problems. There was insufficient linkage between theoretical tools and real world problems, in the postgraduate training of economists.

Anne Krueger (1991) noted that the primary concern of postgraduate training in economics in America seemed to be to teach students how to publish in academic economic journals. However, the training was producing good technicians but

creating barriers to entry to those with different skills and backgrounds. Core courses often lacked breadth or balance and risked creating an excessively narrow image of the profession. There was a need to ensure that students' knowledge of economic problems and institutions enabled them to use their tools and techniques on important problems. More training in the relevance and application of the tools was needed, this report claimed.

The Commission on Graduate education further suggested that there should be a greater balance between mathematical and econometric technique and their application to problems and policy issues. Econometric classes should make frequent reference to real empirical issues in economics. There was not enough, it was suggested, attention to institutional facts, data, application and policy problems. Courses did not apply theory to specific problems or to empirical analysis. There was more tool development than tool use. A number of fields would appear to have drifted away from real world problems, data and institutions. Survey results revealed a widespread desire for less theory and technique and more attention to application-policy (Hansen 1991:1067). Core courses typically required more mathematics than most students used in their own research or dissertations. Why have students invest so heavily in mathematical skills when so little use is made of these skills in their dissertations and later work as professional economists?, asks Hansen (1991:1086).

Implications for Australian Postgraduate Training in Economics

In the U.S. many students end up taking two and a half years of course work prior to initiating research on their dissertations and in many universities the substantial treatise has given way to three shorter essays demonstrating the student's technical sophistication. However, the Australian PhD still follows the U.K model in having a minimum of course work. Departments of economics in this country have never had the student numbers and hence the resources to mount an extensive postgraduate sequence of course work at any one university. Australian PhD enrolments in economics cannot realistically justify the resources required to set up ten or more extensive courses specifically required for doctoral student training under the American system. At best, the leading departments can offer a years' worth of courses in microeconomic and macroeconomic theory and econometrics that can approximate the American offerings.

There have been informal proposals floated for departmental cooperation and sharing of resources to mimic the American programs. For example, one proposal involved several universities putting together a combined PhD program where each separate institution would offer a core set of theory and econometric subjects but in which students could then select field courses from any of the universities involved. Students could then write their dissertations, and obtain their degree, from any of the universities involved, presumably in areas that the staff concerned had a special expertise in, and transfer course credit for any subjects completed at the other participating universities. This proposal did not proceed. We might expect that logistically it could only work with universities in close geographical proximity or if concentrated short courses were available outside the normal teaching periods. However, future improvements in communications technology and the Web may change all this.

Proponents of the above proposal see the creation of an American-style PhD program on Australian soil as highly desirable. Others have argued for greater cooperation between Australian departments of economics more on the basis of sharing scarce skilled supervision resources and to improve the quality of the training. Maxwell (1992) has made a case for having just two major graduate schools of economics in this country. Furthermore, he argues that they should differentiate their output. One could emphasise writing, interpretation, communication and policy skills. The other could specialize in technical skills. Alternatively, there could be formal cooperation between graduate programs in each of Australia's major cities. Collaborative coursework programs have already been explored in Adelaide and Perth. We might then end up with six doctoral programs – the Australian National University and five combined city programs (Maxwell 1992:185). Currently a small number of universities account for a disproportionate number of research students in economics – 1998/1999 numbers show that just six universities account for just under half of all PhD enrolments.

A concentration of PhD programs in a smaller number of institutions, with the range of expertise in both core and applied fields to exploit the economies of scale and scope that exist in the provision of PhD courses, is seen as desirable by many observers. A supplement to this concentration can be provided by the expertise in special fields in the other smaller institutions.

A related issue of concern is the increased number of economics PhD enrolments at the 'new' universities in Australia. There are serious concerns here about the quality of supervision and research resources available to these students. There are lots of scary anecdotes here. A postgraduate director at one of these 'new' universities does not himself have a PhD or any scholarly publications or apparently any interest in research. At another 'new' university the PhD enrolment is made up of all the current staff, each staff member supervising another staff member, with no member of staff at present having a PhD. In these circumstances, proposals for consolidating PhD programs in the more established universities gains greater credence as do initiatives for greater sharing of resources via research teams and cooperation among departments and among universities.

Intellectual Diversity

While there is an argument for the concentration of research resources, a danger is the possibility of inadequate diversity in the research training provided by these select, larger institutions. There are also grounds for believing that existing departments show excessive uniformity in course offerings and research supervision. There is little evidence of departmental specialization in certain fields or attempts to differentiate themselves from other departments despite economists' attachment to concepts such as specialization, comparative advantage and economies of scale. Monash has a reputation for econometrics, and the Australian National University for labour economics, but often that reputation is based on one very influential researcher. Yet the evidence seems to show that frontier research in any specific area tends to take place in a very limited number of highly-focused centres. There is a need for a critical mass of researchers around high quality research performers in each

department. These peer group effects appear very important and create desirable spillover effects for PhD students working in this area, who in turn learn from each other. Teams of researchers focused in a specific area are likely to be more productive in terms of publications and research supervision. The main constraint on such specialization is the need to service the undergraduate program, yet the overall impression is that existing departments imitate each other rather than striving for diversity.

A related concern is the breadth of coverage in economics. Neoclassical dominance has prevented neither heterogeneity within neoclassical economics nor heterogeneity within economics as a whole. Nonetheless, heterodox traditions of thought are rarely covered. Yet economics as practised is diverse and this is the basis for the discipline's vigor and richness. We need only mention developments in the literature relating to public choice, theories of organizations and hierarchies, evolutionary modelling, new institutionalist economics, experimental economics, and law and economics. Contributions in nonlinear dynamics, adaptive processes, and computational, evolutionary methods are increasingly being made. In this context we might quote the title of a recently published book by a University of Queensland Lecturer who won the 2000 Schumpeter Prize: 'The new evolutionary microeconomics: complexity, competence and adaptive behaviour'. It is not clear that course offerings and supervision has kept up with this diversity. In defence of staff, the vast increase in the economics literature in the last few decades makes it almost impossible to keep up with the entire subject of their courses. It is much easier to keep up with developments of a particular set of formal models and to teach these models instead of the subject as a whole. It has been calculated that during the twentieth century, the number of scientific publications has increased an average of six to seven percent a year – this represents a doubling time of only a little more than a decade (Cole, Barber & Graubard 1994:87).

Much of the most interesting work done out of the mainstream extends across the boundaries of the traditional disciplines. Vernon Smith (cf. Medema & Samuels 1996:216-217) has noted that, across a broad spectrum of bargaining, public good and other experiments conducted, people achieve more efficient outcomes than is predicted by non-cooperative game theory. Indeed, life would be much more difficult if people were as uncooperative as economic theory presumes. Trying to explain why economic theory fails to account for this behaviour requires, argues Smith, a more detailed study by economists of anthropology, cognitive psychology and linguistics. Stephen King (1998:94) mentions the rich cross fertilisation between economics and political science. Research in decision theory crosses the boundaries between philosophy, psychology and economics. New journals in these areas have been established. Note the contribution of Julian Lamont in the Philosophy Department at the University of Queensland with the journal of *Politics, Philosophy and Economics* or the work of Peter Earl in New Zealand on the *Elgar Companion to Consumer Research and Economic Psychology*. Urgent public policy problems, from poverty to unemployment to environmental degradation, have led to calls for multi-disciplinary approaches. Unfortunately, professional rewards are disciplinary-based. It may be permissible if political science borrows from economics but less so if economics borrows from psychology. A staff member may incur the displeasure of colleagues if seen consorting with less respectable disciplines (DeNeef & Goodwin 1995). Economics training rarely goes outside its narrow disciplinary focus but a broadening

to other social sciences may well attract additional students to the subject (Alvey & Smith 2000). It should also be noted that using lists of core journals for ranking of academics for appointments and promotions poses a risk to academic diversity within the profession. A variety of applications of economics to interdisciplinary areas does not easily find a place in the more established journals. This interdisciplinary collaboration is often being done in the new universities, rather than the more established departments.

What does the future hold?

The future will be heavily shaped by funding criteria. It may be desirable to concentrate PhD students in a small number of institutions but they are increasingly being used as a less expensive teaching resource. Departments will not give them up lightly. Research higher degree *completions* have been given greater weight in funding formulas. This may lead to greater competition among departments for these students and indeed, the poaching of existing PhD students half-way through their degree by rival departments. Perhaps we can no longer encourage our best students to go to North America as we did in the past.

Two recent papers (Colander 2000; Thaler 2000) have provided scenarios of what economics postgraduate training might look like in fifty years or so. Colander suggests that as a result of internal tensions in the profession, some of which have been highlighted in this article, and advances in information technology, both the structure and content of economics training will change fundamentally. Virtual universities, with collections of scholars from around the world who join in an accredited program of study, will displace geographically based programs. Many established universities will cease operations, with only a smaller number of prestigious institutions remaining. Academics will be associated with a large number of virtual universities and paid a part of their salary from each. Students may reside at two or three institutions during their studies to work with specific mentors. The rise of virtual universities will mean a de-Americanization of postgraduate training and there will be increased specialization with the boundaries between economics and law and medical schools, public policy and business schools, and engineering schools, disappearing.

Training of students, suggests Colander, will concentrate more on those aspects of economics relevant to their proposed field combined with practical experience in an institution in that area. Students will be trained to use tools, not to derive them, and be known as 'health economists' or 'public finance specialists' rather than just as 'economists'. Thaler believes that the future holds a closer union between economists and psychologists, sociologists and anthropologists. Economists will increasingly study human cognition and thereby gain a richer understanding of economic behaviour. One should not underestimate the difficulties involved: 'Building models of rational, unemotional agents is easier than building models of quasi-rational emotional humans' (Thaler 2000:140). Yet Thaler believes that postgraduate training will increasingly focus on issues of human cognition and produce far better economics as a result.

Concluding Remarks

There are clearly some mixed blessings associated with the transmission of American economics to Australia. On the one hand a rigorous training in modern economic theory and mathematical and econometric techniques is essential for publication in top ranking journals. Fox and Milbourne (1999) surveyed 150 academic economists. This sample represents about one-third of the population of academic economists in Australia. The survey results revealed that eighty-three per cent of those without a PhD had zero published output, compared with 26 per cent for PhD holders. Sixty four per cent of staff who had a PhD had not had any coursework component while 68 per cent of the top research achievers in the profession had completed some course work (p. 261). It is then not surprising that postgraduate students are asking for more coursework in their PhD degrees.

However, Americanization also downgrades research on Australian problems which may not be of interest to the top end of the hierarchy of international journal publications. Academic publishing incentives are then pitted against detailed empirical research in local, applied topics which cannot find a place in leading journals. The Milbourne and Fox study of the research output of Australian economics departments, which focussed on internationally recognized journals, found that the list of the top 35 journals did not contain a single Australian journal. They had to smuggle the *Economic Record* into the list.

The post-war formalization of economics has led to concerns about the imbalance between learning tools and applying those tools to real problems. A related concern is that there may be more depth than breadth of training. Students may obtain their doctorates without any appreciation of economic anthropology or economic psychology or evolutionary economics or the law and economics literature, or indeed the history and philosophy of their discipline. The technocratic narrowing of the discipline, most notable in the American context, crowds out the more applied, institutional and empirical investigation of pressing public policy issues. We note the sparsity of academic economists in public economic debate in Australia in the last five years or so. The narrowing of economics training may mean that the training is not meeting a full range of desirable goals of a university education, nor allowing postgraduates to contribute in a broader sense to Australian society.

Acknowledgements

I have benefited from a discussion of some of the ideas raised in this paper with Alex Millmow. I am grateful to two referees of this *Journal* for their comments.

References

- Alford, K. 1996, 'University Economics Training: In Flight from Reality?' *National Economic Review*, no. 35, April, pp. 44-54.
- Alvey, J. & Smith, L. 2000, 'Perception of the causes of recent declines in enrolments in economics studies in antipodean universities' *Journal of Economic and Social Policy*, vol. 4, no. 2, Winter, pp. 1-13.

- Coats, A. W. 1997, *The Post-1945 Internationalization of Economics*, Duke University Press, Durham.
- Colander, D. & Coats, A. W. (eds), 1989, *The Spread of Economic Ideas*, Cambridge University Press, Cambridge.
- Colander, D. 2000, 'New Millennium Economics: How did it get this way, and what way is it?', *Journal of Economic Perspectives*, vol. 14, no. 1, Winter, pp. 121-132.
- Cole, J. R., Barber, E. G., & Graubard, S. R. 1994, *The Research University in a Time of Discontent*, Johns Hopkins University Press, Baltimore.
- DeNeef, A. L. & Goodwin, C. D. (eds), 1995, *The Academic's Handbook*, Duke University Press, Durham.
- Fox, K. J. & Milbourne, R. 1999, 'What Determines Research Output of Academic Economists?' *Economic Record*, vol. 75, no. 230, Sept, pp. 256-267.
- Groenewegen, P. & McFarlane, B. 1990, *History of Australian Economic Thought*, Routledge History of Economic Thought Series, Routledge, London and New York.
- Hansen, W. L. et al. 1991, 'The Education and Training of Economics Doctorates', *Journal of Economic Literature* vol. 29, Sept, pp. 1054-1087.
- Hansen, W. L. 1999, 'The Link from Graduate Education in Economics to the Labor Market', *Journal of Economic Perspectives*, vol. 13, no. 3, Summer, pp. 147-152.
- Kasper, H. et al. 1991, 'The Education of Economists: From Undergraduate to Graduate Study', *Journal of Economic Literature*, vol. 29, Sept, pp. 1088-1109.
- Klamer, A. & Colander, D. 1990, *The Making of an Economist*, Westview Press, Boulder.
- Krueger, A. O. et al. 1991, 'Report of the Commission on Graduate Education in Economics', *Journal of Economic Literature*, vol. 29, Sept, pp. 1035-1053.
- Krueger, A. O. 1993, 'The Training of Economists', In Stephen King & Peter Lloyd (eds) *Economic Rationalism: Dead end or way forward?* Allen & Unwin, St Leonards.
- Krueger, A. O. 1999, 'Implications of the Labor Market for Graduate Education in Economics', *Journal of Economic Perspectives*, vol. 13, no. 3, Summer, pp. 153-156.
- Maxwell, P. 1992, 'Educating Economists outside the United States' in Colander, David & Reuven Brenner (eds), 1992, *Educating Economists*, University of Michigan Press, Ann Arbor, pp. 173-185.
- Maxwell, P. 1999, 'The economics principles text: its evolution and influence in Australia', *Journal of Economic and Social Policy*, vol. 3, no. 2, pp. 117-132.
- Medema, S. G. & Samuels, W. J. (eds), 1996, *Foundations of Research in Economics: How Do Economists Do Economics?* Edward Elgar, Cheltenham.
- Siegfried, J. J. & Stock, W. A. 1999, 'The Labour Market for new PhD Economists', *Journal of Economic Perspectives*, vol. 13, no. 3, Summer, pp. 115-134.
- Thaler, R. H. 2000, 'From Homo Economicus to Homo Sapiens', *Journal of Economic Perspectives*, vol. 14, no. 1, Winter, pp. 133-141.