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Post-crash economics: have we learnt nothing?

A decade on from a worldwide financial meltdown, economics teaching is still stuck in the past, warns Maeve Cohen.

Maeve Cohen

Ten years ago, the behemoth investment bank Lehman Brothers collapsed. Its fall was the most high-profile symptom of the failings of economics practitioners, which collectively led to a global financial crisis. In the aftermath, countless articles, books and films were created outlining the hubris of economists and their inability to see the failings of their discipline. This led to much soul searching, defensiveness and disbelief.

A decade later, core questions still stand: was such a high level of confidence ever warranted? Why weren't economists able to predict or stave off the crash? How had they steered the world from prosperity into austerity?

Growing up in an old mining village in the north of England, I saw the consequences of economic events on ordinary lives. I left school at 16 and, when the crash came, I was funding a life of travel by working in cafes and bars. The collapse put an end to this lifestyle. I could no longer earn enough. After my father's business went under, I decided I needed to understand more about how our economic system works.

I went to university and was stunned by the irrelevance of what I was being taught. It was as if the crash hadn't happened. If this was how we were training our economists, it was no wonder our economic system wasn't working! My fellow students and I started a campaign for curriculum reform. In 2014, we released a report analysing the failings of the economics curriculum at our university, with a foreward by the chief economist of the Bank of England (see go.nature.com/2cqrifz). Within hours of its release, it had been downloaded more than 10,000 times. Dissatisfied students from around the world came together, eventually creating an organization called Rethinking Economics, which I now head.

Our book, *The Econocracy* (2016), surveyed 174 economics modules at 7 leading UK universities and found that fewer than 10% covered anything other than mainstream economics. Students in Denmark, the Netherlands and Norway have done similar reviews, with similar results. Undergraduate economists all over the world learn theories from textbooks that have barely changed since the 1950s. Those theories are based on individual agents, competing in markets to maximize narrowly defined 'economic utility' (for people) or profit (for firms). The principles are taught with the same certainty as Newtonian physics, and are as devoid of value judgements.

This is absurd. Clearly, there are values; mainstream economics values efficiency, markets and growth, and puts individuals over collectives. Yet, undergraduates are not taught to recognize, let alone question, these values — and the consequences are serious. Economists might disagree on specific predictions, but there are few disagreements about the methodology and the values it assumes.

I believe academic economists are increasingly aware of the shortcomings of their discipline. Although growth and markets remain central themes, students who enter graduate school are trained to re-examine and critique assumptions. Most realize that although their methods might be precise, consistent and derived from empirical data, social behaviour is messy and contextual. Few would argue that economics is now, or ever will be, on the same level as the natural sciences.

This humility does not necessarily extend to those who leave university after their degree, as the vast majority of economics graduates do. These are the people who go on to work in big business, governments and central banks, who shape policy and create our 'economic common sense'. So it was in 2008; so it still is today.

To build a better society, we need undergraduate education that is pluralist, critical and relevant to society. Students should learn mainstream economics, but it should be juxtaposed with the myriad other schools of economic thought, such as ecological economics (which embeds the economy in the environment, rather than thinking of it as an externality), feminist economics (in which gender relations, and unpaid domestic labour, are integral to how the economy functions) or post-Keynesian economics (which proposes, among other things, that the size of an economy is determined by what people are able to buy, rather than by what they produce). Teaching multiple schools of thought will reveal the assumptions, benefits and weaknesses of various theories. Students should also learn economic history, and have enough knowledge of politics and philosophy to contextualize policy outcomes, or at least to understand that the Great Depression of the 1930s influenced Keynes's thinking. They need to gain experience in handling real-world data and recognizing the strengths and shortcomings of data sets and sources.

What gladdens me is that the conversation about economics education has shifted. Many in the academic mainstream now acknowledge that there is a problem in undergraduate teaching. Unfortunately, the efforts and incentives for fixing it are still much too weak.

Academics are rewarded for publishing in top journals, not for revising core curricula. And to get hired by a leading university in the first place, their research must be published in a top journal, which focus mainly on mainstream economics. So even economics departments that want to create a more diverse curriculum end up ill-equipped to do so.

If we are to move beyond the dead hand of antiquated economics, we must create rewards, grants and accolades for training undergraduates better. It is time we taught economics students to practice humility, scepticism and caution from the very beginning.

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