Editorial: Skepticism and Economics Education

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As a teacher, I have on occasion felt fraudulent about my profession. Part of my unease lies with the professionalisation of teaching because it can lead to fraudulent opinions about the causes of low student achievement. Following Taleb (2012), I define a fraudulent opinion as one with vested interests generalised to the public good. For example, an individual teacher has a vested interest in being well-paid and respected even if he is not effective in the classroom. Both effective and ineffective teachers have an incentive to lobby the government for better pay and work conditions. An ineffective teacher can blame low student achievement on poor working conditions, defective students, etc.—in essence, everything other than his own teaching quality. As a result, the ineffective teacher has a fraudulent opinion in respect to additional resources allocated to education. Therefore, professions invariably have tensions between self- and collective interests.

Another part of my unease lies with the observation that teaching suffers from an agency problem. In this regard, the teacher is an agent acting on behalf of a principal—society-at-large, the government, Ministry of Education, parents, and students. The agency problem arises because a teacher may have different goals than the principal: the teacher may wish to minimise teaching effort whilst pursuing a maximum financial benefit. Or, a teacher may have an informational advantage in respect to his ability and work ethic: a teacher knows how bad (or good) he is, but parents, students, and society-at-large are clueless as to a teacher’s qualities.

Thus, there is no doubt of the intrinsic value of education, whether formal or informal. My issue is with the belief that a primary objective of formal education and teaching is to create human capital—the knowledge and skills that workers acquire through education, training, and experience—for the making of business and hospitality services that will increase economic growth. Education, however, like freedom and well-being, is valuable in and of itself.

My goal is to question the efficacy of formal education within the context of a self-interested teacher. I start by examining the tension that exists between the self-interested teacher and society-at-large. I then analyse this tension in an uncertainty model where the teacher has more insight into the quality of his teaching than society-at-large. I conclude with an observation of quality uncertainty in my own subject area and suggest ways of ameliorating that uncertainty.

Self-interest and the Collective

I benefit directly from education, especially when it is compulsory, without bearing the downside when I, or the system I work for fails to deliver promised benefits of a morally and intellectually improved sentient being. In this sense, I have nothing vested in the game, which can lead to me taking unethical positions in respect to educational policy making.

For example, would I be open to the suggestion that structured education is iatrogenic? I, however, take solace with the point made by Smith (1776), “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest” (p. 18). In other words, self-interest and collective interest are one. Thus, by following my narrow self-interest, the collective interest benefits.

Arguably, the most serious problem with structured education is its domain-specificity: what students learned in the classroom stays largely in the classroom. Classroom knowledge lends itself toward ideas and ideal forms, and
the belief that what the teacher knows is worth knowing. The real world, however, is messy and largely unknowable and therefore beyond the understanding of the teacher.

More education does not appear to cause or lead to economic growth. Instead, the causation seems to run the other way: people spend more on education as they become wealthier. To some extent, Pritchett (2000) supports this notion. Using a standard Solow growth model (Mankiw, 2007), found that, on average across 91 countries, there is a large negative correlation between educational attainment and labour productivity. It is as if more education makes people lazy. Indeed, the latest OECD (2016) test results suggest that beyond a certain amount of spending per pupil—$50,000 over nine years, student achievement does not increase. It would appear that there is a limit to the degree that formal education aids and abets economic growth.

Perhaps, structured education fails to take advantage of the fact that learning is fun. As such, a teacher should not have to follow established curriculum, but rather jump from one topic to another in a random yet rational manner taking advantage of new information and opportunities as they arise.

Further, extrinsic motivators, such as grades and the promise of an ever-growing pay-packet, may do more harm than good. As it relates to pay-packets, Kahneman and Deaton (2010) suggest that, beyond $75,000, additional pay rises are neither the road to experienced happiness nor to the relief of unhappiness or stress.

Quality Uncertainty in Education

Another downside of education is that the act of teaching suffers from what economists call a principal-agent problem (Akerlof, 1970). The principal, as the term suggests, is the focus of the relationship, whilst the agent is supposed to act on behalf or in the best interests of the principal. However, self-interest gets in the way of an efficient outcome because of incentive misalignment.

Here, the principal is the consumer or buyer of educational services, that is, the student and her parents. The agent is the teacher or school, the seller of educational services.

The problem: There are good teachers and bad teachers, but it is difficult to tell the difference between the two. The problem is exacerbated by the fact that there is an asymmetry of information between the principal and agent in respect to the quality of education delivered by a particular teacher. This difficulty in distinguishing between good and bad teachers gives rise to uncertainty about the quality of instruction among all teachers. Cooper (2007) makes the point that bad teachers have an unfortunate pathogenic effect on the entire education system.

Analogously, the market for apple tarts does not suffer from this problem: an apple tart consumer can determine with minimal effort whether a particular baker is good or bad. And, more germane, one bad apple tart does not spoil the whole bunch.

A second consideration arises from the fact that I know far more about my inability and unwillingness to produce good teaching than my students or their parents. This asymmetry brings into question uncertainty about the quality of my teaching and indeed the entire educational system; economists call this phenomenon market failure. Together, asymmetric information and quality uncertainty lead administrations to institute various measures to reduce quality uncertainty, such as external accreditation and branding.

Quality Uncertainty: The Problem with Teaching Economics

Nowhere is the dismal performance of teachers greater than in the dismal science of economics. Ferraro (2005) surveyed participants, largely with advanced degrees from top-30 economics departments, at an academic conference; most had taught economics. Survey participants were asked a standard four-option multiple choice question on a central idea in economics: opportunity cost. Only 21.6% of participants got the question correct—a dart-throwing chimpanzee would have a better chance of getting the correct answer. A separate experiment
conducted on undergraduate college students reveals that students without any economics background answered the opportunity cost question correctly more often than students who had completed at least one economics course.

Clearly, one has to consider if economics education suffers from iatrogenesis: harmful unintended side effects. The biggest source of harm emanating from introductory courses could well be that they cover too many topics. By focusing less on coverage and more on learning, teachers could improve economic literacy by focusing on the application of economics to a student’s personal, professional, and public life. To paraphrase Kahneman (2011), the test of learning economics is whether your understanding of situations you encounter has changed, not whether you have learned a new fact.

Hansen et al. (2001) suggest that students can learn facts about theories or case studies about an interesting economic event, such as the recent failure of price controls in Venezuela. The Venezuelan government imposed price controls on basic goods resulting in shortages of these key items. As a result, Venezuelans are either buying on the illegal market or crossing the border into neighbouring Colombia to purchase these same items at market prices that are higher than the controlled prices in Venezuela. Despite this averse outcome, Venezuela’s government maintains its belief in price controls. In other words, it is difficult for economic models to trump beliefs.

Similarly, in the aftermath of a hurricane, most people believe that the government should prohibit businesses from raising prices on batteries, portable generators, slate, tarpaulins, and other essentials. But, such prohibition flies in the face of a basic economic principle: prices send signals and provide incentives to buyers and sellers. High prices provide incentives to buyers to conserve and to sellers to supply more. Economists, thus, disapprove of such price controls because markets are usually better at getting hurricane supplies into the hands of those who can make the best use of them. But despite having completed an economics course, most people approve of price controls. It would appear that learning economics does not help you avoid the pitfalls in everyday decision-making.

It is not that teaching economics is a waste of time. An individual without any knowledge of economics is at a disadvantage to someone with some knowledge. But, it is difficult to believe that an individual in our society could have no knowledge of economics. Most people have encountered many of the principles taught in an introductory economics course. Students in their everyday lives are often at an advantage over their teachers who suffer from theory-induced blindness: once you have accepted a theory and used it as a tool in your thinking, it is extremely difficult to notice its flaws (Kahneman, 2011, p 277).

For example, all students have faced a trade-off between competing ends—whether to go to a movie or a concert—and evaluated those ends in terms of opportunity cost—the net benefit of choosing one end over another. Teachers of economics often suffer from lecturing birds how to fly syndrome (Taleb, 2012). They assume that students have no knowledge of the subject and consequently try to teach that which the student already knows from the most effective of learning styles—trial and error.

So, how can we avoid fraudulent opinions around student achievement? As a start, we could acknowledge our limited understanding of how brains learn and base our teaching styles on how people actually learn. Such recognition would help educators avoid unscientific and naïve interventions into the learning process. General acceptance of the learning-styles hypothesis is a case in point.

Secondly, teachers need regular feedback about their effectiveness. Golman, Hagman and Loewenstein (2017) point to active information avoidance of student opinion surveys (SOS) as one of the barriers to improved teaching methods, notwithstanding the systemic problems associated with SOS. Active informational avoidance could take the form of physically ignoring SOS or filtering out the negative comments. Narrow self-interest would appear to be the culprit: the anxiety and stress associated with discovering that one’s long-held teaching methods are working against student achievement maybe more than most can bear. As such, active informational avoidance is an example of confirmation bias. A faculty member may rationalise poor SOS results by attributing them to flawed students.
Another source of feedback is regular evaluations by peers and supervisors on the quality of instruction. Feedback could take the form of biweekly informal emails, written notes, and meetings rather than a reliance on annual or semi-annual formal observations.

The field of education is still in its infancy. Pedagogy and curriculum that rely more on anecdote and tradition than empirical and scientific foundations will inhibit the field’s evolution. Recall that it was not long ago that doctors routinely used bloodletting as a cure for illness and disease. The field of education is, arguably, at a similar evolutionary stage; it is in need of empirical and scientific disruption in the way that teachers are hired, professionally developed, and evaluated. For this reason, I remain optimistic about the future.

References


