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TEACHING OF ECONOMICS: A NEW APPROACH

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The present paper is designed to advance a number of tentative suggestions for a new approach to the teaching of economics. After a brief analysis of the limitations of present methods of instruction, the main part of the article is intended to show how some of these limitations may be overcome by starting the study of economics from the broad foundation of a contemporary-civilization course followed by extensive work in economic history and the evolution of economic thought.

I

Traditionally, the point of departure for the average undergraduate majoring in economics has been a course in economic principles which for all practical purposes meant an introduction into the theory of value and distribution. This elementary theory course has become the standard prerequisite for all subsequent work with the result that all students, even those who do not intend to specialize in economics, are compelled to absorb first a highly abstract and technical analysis of price and value. This approach to the study of economics, which reflects the conviction that value theory is at the same time the key and the framework for the analysis of economic problems, is based upon the implicit assumption that it provides the student with the tools of analysis necessary for the treatment of the practical problems covered in the specialized courses to be taken later on.

There seem to be two major objections to this approach to the study of economics by way of the theory of value and distribution. First, modern economic theory proceeds at such a level of abstraction and, moreover, deals with such complicated problems that the average student usually finds it quite impossible to grasp their full significance. To this point which has been raised recently by J. R. Hicks¹ I shall return presently. The second objection to the traditional approach to the study of economics is more fundamental in character. It is related to the often commented upon tension between equilibrium theory and economic practice which today seems to be greater than ever before. Under the influence of depressions, pressure groups and war, the relative unity which seemed to exist between traditional economic theory and the economic reality of *laissez-faire* during the 19th century has more and more disappeared. Whereas economic theory has remained fundamentally a study of supply and demand which are presented as more or less self-regulating forces tending toward equilibrium, economic life has been made more and more subject to deliberate action of monopolists and government planners. As a result, the student who starts

¹ J. R. Hicks, *The Social Framework, An Introduction to Economics*. Oxford, At the Clarendon Press, 1942, p. v.

his studies with the theory of value and price soon discovers what appears to him an unbridgeable gap between economic theory and economic policies which generates not only confusion but even opposition to economic theory as such.

What is perhaps more important, writers of textbooks for, and instructors of, the so-called applied courses in the economics curriculum have found it more and more difficult to co-ordinate their specialized inquiries with the preceding theory courses. Thus, instruction in the "applied" fields of economics dealing with practical problems has come to be devoted increasingly to a discussion of business techniques and public policies without much attention to value theory. No wonder, therefore, that students, particularly those who do not specialize in economics find it difficult and often impossible to discover the alleged systematic connection between the various studies pursued under the general title of "economics." It has even been suggested that what the student accepts as economics is a series of courses consisting of "overlapping, unrelated inquiries in which economic principles play an unimportant rôle."² This state of affairs has been commented upon critically on various occasions in the past. At the 1939 Round Table Conference of the American Economic Association which was devoted to the question of teaching economics, Professor W. W. Hewett summarized the views of earlier critics and remarked:

After completing his first course in principles, the average undergraduate majoring in economics leaves a field of inquiry that he never comes in contact with again in any penetrating form up to the day he graduates. In some institutions, and for some students, senior work in economic theory and the history of economic thought may bring him back once more to his half-forgotten freshman or sophomore year, but more often he must enter the graduate school for a re-introduction to economic science. He never quite discovers an integration of his work in theory with that of specialized fields. The usual course offerings seem to be the unhappy illegitimate offspring of a casual union of economic science with business technique.³

The question is how to account for these developments. Is modern economic theory incapable of acting as a unifying agent for the specialized inquiries? Or has the specialist who concerns himself more and more with practical problems merely given in to the demand for technical training in his field of specialization? There are strong reasons to believe that it is the inadequacy of economic theory which accounts for the present dilemma. Ever since its inception as a separate discipline systematic economic theory has been preoccupied with "a search for levels of equilibrium rather than an unfettered study of economic processes. Its study of processes hardly dares press beyond those . . . that can be shown to tend toward equilibrium or those aspects of broader processes which can be treated in terms of an equilibrium of the exchange-value sort."⁴ *Prima facie*,

² See W. W. Hewett, "The Use of Economic Principles in the Teaching of Applied Subjects," *American Economic Review*, vol. XXX, No. 2 (Part I), June 1940, p. 334.

³ *Ibid.* pp. 334, 335.

⁴ J. M. Clark, "Economics and Psychology," in *Preface to Social Economics*. New York, Farrar and Rinehart, 1936, p. 93.

it would seem that the study of equilibrium includes the study of disequilibrium. However, if the study of equilibrium assumes the character of a search for levels of equilibrium "of the exchange-value sort", a critical and impartial analysis of the economic process as a whole becomes largely impossible. In fact, under these circumstances, any analysis of the broader aspects of economic life which cannot easily be expressed in terms of exchange values, and above all the study of disequilibrating factors, appear to lie outside the scope of economic science. In any event, the transition from equilibrium economics to the analysis of disequilibrium in modern economic life has so far proved to be extremely difficult.⁵ There is at present hardly any sector of economic life in which economic decisions are left to the free interaction of the unregulated forces of supply and demand. The specialist who concerns himself more and more with problems of practical policy looks in vain to the traditional theory of value and distribution as a body of doctrine providing a realistic and constructive interpretation of what is happening. In separating his special studies from value and distribution theory, the specialist draws merely the inevitable conclusion from the fact that many of the theoretical deductions of modern economics fail to throw sufficient light upon the particular subject matter of his course. Aware of, and perhaps dissatisfied with the limitations of value theory, the specialist is inclined to consider the existence of an introductory principles course as sufficient reason not to devote too much time to economic theory in the treatment of practical problems.

A final reason why the use of the elementary theory course as a first step in the study of economics fails to yield the best results is to be found in the fact that in order to be successful, value theory, or at least the search for levels of equilibrium in terms of exchange values, has to proceed at such a level of abstraction that many of the theoretical conclusions reached in this way have at best only a limited and indirect significance for the interpretation of the economic process and especially of economic policy. Under these circumstances it is perhaps not surprising that the introductory theory course, while providing a series of elegant solutions of interesting problems of value and distribution, has become an exercise in logic which fails, however, to realize its two most important objectives as an introductory course: to act as an effective unifying agent for the specialized inquiries and to arouse the student's curiosity to penetrate further into the theoretical understanding of the process of production and distribution. It is this deplorable situation of value theory which more than any other single factor must be held responsible for the unsatisfactory state of affairs in the teaching of economics.

II

What steps can be taken in order to overcome the limitations of present methods of teaching economics? Fundamentally, in the light of the foregoing analysis, it would appear that any improvement of the teaching of economics depends upon the elaboration of a new and comprehensive theory of political or

⁵ How difficult this transition is for a generation of economists brought up in the tradition of the search for levels of equilibrium is perhaps best illustrated by the resistance in some quarters, to "Keynesian economics" which, admits the possibility of persistent maladjustments between production and consumption in the unplanned market economy.

social economy. Instead of confining itself to a search for levels of equilibrium in terms of exchange values, economic theory will have to deal finally with the nature and causes of the wealth of nations. This would require above all a broadening of such basic concepts as wealth and production as well as a realistic study of the forces making for disequilibrium in present-day economic life. Economic practice and economic science are well on their way toward the elaboration of such a broader and more comprehensive system of economic thinking, but it can hardly be expected that the reformulation of an established system of knowledge can be achieved within a few years. Although the final formulation of the new system of political economy is likely to be the work of one mind in much the same way in which Adam Smith formulated the classical system of economic thought, the gradual elaboration of a new way of thinking about economic life requires the collaboration of many minds and, of necessity, this is a slow process.

This does not mean, however, that we have to await the elaboration of a new system of political economy before the present limitations in the teaching of economics can be overcome. Quite the contrary, the teaching of economics could be considerably improved by a reorganization of the economics curriculum with a view to impressing upon the student from the very outset the intrinsic integration of the social sciences both as far as their intellectual roots and their present subject matter are concerned. This implies above all the adaptation of the historical approach to the teaching of economics. Instead of starting with a general principles course which, no matter how elementary, deals with the economic problem in its most abstract form, the first step in the teaching of economics ought to be to demonstrate to the student the basic interrelationship between the economic and the so-called non-economic as well as the fact that economic institutions and problems can be fully understood only if they are seen as parts of the civilization in which they occur. This means that the student must be made to understand economic institutions and doctrines in the light of the problems and ideals of Western civilization. What is needed is not merely a combination of the conventional offerings in economics, government, history, and philosophy but rather a synthesis of these disciplines to serve as a broad foundation for the specialized inquiries that are to follow. This broad cultural synthesis can be achieved only by a course which, with the aid of the tools of analysis developed by economics, history, political science, cultural anthropology and perhaps sociology, succeeds in giving the student an understanding of the mutual interdependence among the various aspects of life that have become the subject matter of the different social sciences. Such a broad survey course would serve not only as an excellent introduction into the subsequent specialized work in economics, and, indeed, into that of any of the other disciplines of the social sciences, but it would at the same time help solve the most difficult task of a university: to combine a balanced general education with specialized training in some particular department of study.⁶

⁶ See John Macmurray, "Functions of a University," *Public Affairs* vol. VIII, No. 2, p. 83 (published by Institute of Public Affairs, Dalhousie University, Halifax, Nova Scotia 1945).

As far as the teaching of economics is concerned a contemporary-civilization course is likely to produce the best results if it acquaints the student, in the light of original and contemporary source material, with a number of topics of which the following may serve as illustrations: medieval economic society and the beginning of modern capitalism; the doctrine and program of mercantilism; criticism of mercantilism; the doctrine and program of economic liberalism; the Industrial Revolution; criticism of economic liberalism; protectionism and the growth of state intervention. To repeat, this enumeration must be understood as indicative only of the possible range of topics which might be covered by the contemporary-civilization course; it does not imply that a special "economic" section of the course should be devoted to a survey of the development of economic institutions and doctrines. On the contrary, the source material as well as the class discussion covering the growth of economic institutions and thought must be fully integrated into the rest of the contemporary-civilization course which is an introduction not only into Western economic institutions and ideas, but into Western civilization as a whole.⁷

After the general survey of the growth of modern economic institutions and doctrines, it would be the further function of the contemporary-civilization course to make the student familiar with the general structure and operation of the American economy. This could be achieved best by a partly descriptive-quantitative and partly analytical study of the productive process as a whole. That is to say, after a descriptive and quantitative study of production, consumption, investment and the factors of production, an attempt should be made to analyze the performance and over-all efficiency of the economy in terms of national income.⁸ The use of the national-income concept instead of value theory as the central and organizing principle for the analysis of the economic process has considerable advantages which are due to the fact that the student is accustomed, at an early date to view the economic process as a whole, or, as J. R. Hicks puts it, in terms of "social accounting."

⁷ It is impossible within the scope of the present article to outline the methods and contents of the contemporary-civilization course in greater detail. The general principle of such a course as an integral part of college education has found increasing recognition and acceptance after it was first introduced at Columbia College almost 27 years ago. For the most recent discussion of the general nature and contents of the Columbia Contemporary-Civilization course, see L. M. Hacker, "The Contemporary-Civilization Course at Columbia College," *American Economic Review* vol. XXXV, 1945, No. 2, pp. 137-147; see also Jacques Barzun, *Teacher in America*, (Boston: Little, Brown and Company, 1945,) ch. 12. For an earlier discussion of the same subject see Horace Taylor, "Seventeen Years of the Contemporary Civilization Course at Columbia," *Proceedings of the Middle States Association of History and Social Science Teachers*, No. 34, 1936, pp. 78-85.

⁸ This partly descriptive-quantitative and partly analytical approach to the study of the economic process was used with considerable success by the National Resources Committee in its volume *The Structure of the American Economy*, (Washington, G.P.O., 1939). More recently J. R. Hicks (*op. cit.*) has made it the basis of a more systematic introduction to economics without using the traditional theory of value and distribution approach. See also in this connection J. R. Hicks and A. G. Hart, *The Social Framework of the American Economy*, New York, Oxford University Press, 1945.

The next question then is what should be the second step in the teaching of economics after the contemporary-civilization course has made the student familiar with the growth of modern economic society and its operation and performance in terms of national income. Should the course be followed by the traditional theory course or is it more fruitful to continue with the historical approach to the teaching of economics by a systematic study of economic history and the evolution of economic thought. Here again, it seems that the historical approach is likely to be more successful primarily because of pedagogical reasons. The theory course will yield the best results if it is taken after the student has acquired first a thorough knowledge of economic history and after he has become familiar with the way in which changing economic conditions have given rise to new methods of thinking and the formulation of new principles. This means that the contemporary-civilization course ought to be either co-ordinated with, or followed by extensive work in economic history and the evolution of economic thought.

With a broad introduction into contemporary civilization and a systematic study of economic history and the evolution of economic thought, the average student ought to be adequately prepared to take up the study of any of the special-problem courses that make up the traditional economics curriculum. If, however, the instructor in some of these specialized courses feels that his students are still in need of a clarification of certain essential concepts and tools of analysis, it will not take much time to provide such a clarification either by way of a brief introduction to the course or whenever the need for it arises. Should such an *ad-hoc* clarification of essential concepts and tools of analysis be considered a shortcoming of the suggested reorganization of the economics curriculum, it should be evaluated in the light of the advantages likely to be derived from the adaptation of the historical approach to the teaching of economics.

Which particular problem areas ought to be selected for special study at the college level is a question which it is neither possible nor necessary to answer in general terms. Whether it is necessary, for instance, to offer a general course in war economics or, for that matter, in "post-war economics" depends largely upon how adequately the economic impact of war is being dealt with in other courses such as those dealing with public finance, money and banking, labor, international economic relations, etc. In any event, the main purpose of each of the special courses ought to be not only to convey to the student a certain amount of technical knowledge but to make him understand the bearing which the special topic has for the analysis of the operation of the economic process as a whole.

It is after the student has taken these specialized courses that he ought to be introduced into systematic economic theory with a view to giving him at the college level a final unification of his knowledge. The purpose of such a theory course would be not merely to present the results of the student's previous work in economics in the most general form but to acquaint him with the nature and significance of theoretical knowledge as such. Such an introduction into the logic of method in the social sciences, which thus far has been largely neglected

in the teaching of economics, would have the result of freeing the student, from the very outset, from harmful misconceptions regarding the relationship between theory and practice and would, at the same time, open the way for his more advanced work in economics at the graduate level.

The foregoing suggestions for a new approach to the teaching of economics may now be summarized briefly: Instead of beginning the study of economics with the unnecessarily complex and abstract theory of value and distribution the first step in the teaching of economics ought to consist in a general introduction into contemporary civilization. As far as the student of economics is concerned, this contemporary-civilization course must aim at emphasizing the mutual interdependence of the "economic" and the "non-economic" by using a definitely historical approach and by employing the tools of analysis developed by economics, history, political science and cultural anthropology. The second step in the teaching of economics which could easily be co-ordinated with the contemporary-civilization course ought to be systematic work in economic history and the evolution of economic thought. With the habits of work and methods of analysis developed in the contemporary-civilization course and the subsequent historical courses, the student can be expected to be adequately prepared for the study of such subjects as public finance, labor problems, international economic relations to mention only a few of the more important topics in this connection. The last step in the study of economics at the college level would then be a final theory course designed to present the results of previous economic analysis in the most general (theoretical) form together with an introduction into the logic of method in the social sciences.

In conclusion, may I indicate briefly what I consider to be the most important advantages of this approach to the teaching of economics:

- 1) By approaching the study of economics historically, that is by viewing economic problems as parts of a dynamic process of change, the student is made to see economic phenomena as integral parts of socio-economic reality.

- 2) Instead of beginning his studies at a relatively abstract level, the student proceeds gradually to the final theory course which thus becomes a truly unifying agent for the knowledge acquired in the preceding years.

- 3) Both the specialized courses and the final theory course are likely to become more meaningful for the student because they can be based upon a wealth of concrete problems and illustrations drawn from the preceding work in the contemporary-civilization course and the subsequent historical studies. As a result, it is reasonable to expect that the teaching of economics will arouse more than hitherto the student's interest and curiosity⁹ a result which is bound to more

⁹ It is hardly necessary to stress the importance of this point. I am far from suggesting that the student's desire to learn and his natural curiosity should be stimulated by permitting him to determine the content of education. However, it will be readily agreed that educational procedures and curricula which do not stimulate the average student's interest or even tend to discourage his curiosity about the subject under discussion miss one of their greatest opportunities. This has always been true but it will become of special importance in the post-war period when colleges are expected to provide additional education for thousands of returning soldiers. The response of these veterans to the traditional offering of courses in economics starting with the usual principles course is likely to prove a disappointing experience for both students and teacher.

possible a more advanced level of instruction and a more rapid rate of progress in each of the specialized courses.

4) By starting the study of economics from the broad basis of a contemporary-civilization course students in economics will obtain a balanced education combining a background of general culture with specialized knowledge without running the danger of becoming narrow specialists.

5) Finally, students not specializing in economics would find it possible to acquire a good foundation of economic knowledge in both the historical courses and the specialized courses without having to go through the highly abstract and unduly technical prerequisite course in economic principles.