

Understanding the Features and Outcomes of Economic Systems: A Missing Part in Economics Education

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Overview

• **Observations**

- Students not prepared to study and understand the rationale behind free markets, the free enterprise system, and capitalism as a way of economic organization
- Inability to define or articulate the features of economic systems such as capitalism or socialism, unawareness of their basic properties and institutional framework, focus on equality of outcomes, ignorance of production, and other economic aspects.
- Complete unawareness of different countries' experiences with capitalism, socialism, fascism, communism, feudalism, and their impact on economic performance, labor markets, price level, welfare, other macroeconomic phenomena.

Overview

- **At the National Level**

- 23% in U.S. understand socialism as equality of outcome for everyone
- Only 17% define socialism as government ownership or control of business and the economy
- About 10% perceive socialism as the provision of benefits/services
- 23% unable to provide any answer, 20% irrelevant answers

- **Motivation**

- Develop a uniform strategy to inform students by presenting the basics of existing economic systems
 - Emphasize the teaching of economic systems as a methodology to understand the interaction between markets and the government
 - Create a benchmark for comparison
 - Focus on comparative “capitalism”

Questions and Methodology

Questions

- To what extent are systems of economic organization covered in high school economics textbooks? Were they covered in the past?
- To what extent are systems of economic organization covered in college introductory economics textbooks? Covered in the past?
- Arguments for the inclusion of introduction to economic systems

• Methodology

- Survey of economics texts at the high school and college levels
- Teaching policy design

High School Textbooks

- **Most often used? (NCSS?)**
 - Economics in Our Times, Arnold
 - Economics, Principles and Practice, Clayton
 - Economics, Principles in Action, O'Sullivan/Sheffrin
 - Economics, Today and Tomorrow, Miller
 - Economics, McConnell/Brue/Flynn
 - Holt Economics, Pennington
 - Southwestern Economics, Wilson/Clark
 - The Study of Economics, Mings/Marlin
- **Other texts (in the past?)**
 - World History
 - United States History
 - Civics

College Introductory Economics Textbooks

- **Most often used**

- Acemoglu/Laibson/List
- Bade/Parkin
- Colander
- Cowen/Tabarrok
- Hubbard/O'Brien
- Mankiw
- McConnell/Brue/Flynn
- Parkin

- **Others (Essentials/Survey of Economics)**

- Brue/McConnell/Flynn
- Guell
- Mastriana
- **Welch and Welch**

Implications

- **Lacking or insufficient exposure of students to**
 - Basic presentation or discussions of the fundamental features/principles of economic systems and their evolution
 - Basic comparisons of those features and of the outcomes of the economic systems that have been adopted by countries so far
 - Basic reasons for which some countries had to transition from one system to another
 - Basic comparisons between the differing types of capitalism that most countries experience today

Implications

- **Is this important? Yes!**

- Understanding the evolution of economic systems is essential in developing an understanding of
 - the market economy whose mechanics are being taught today
 - the classical principles of markets, their driving force (cooperation) and the process within which they function (competition)
 - the absolute necessity of a secure institutional framework
 - the relevance of the rule of law, government size, regulatory efficiency
- Economics is comparative by nature; there's value in studying the theory and practice of existing systems (natural experiments)
- Teaching economic systems is an integral part of economics

Strategies

- **Suggestion 1: Chapter inclusion**

- Emphasis on economic systems as methodology.
- The first chapter in all introductory economics textbooks must briefly introduce students to the economic systems of the world
 - Traditional, Feudalism, Capitalism, Socialism, Communism, Fascism
 - Emphasis on comparative capitalism. Use the Index of Economic Freedom to discuss the varying types of capitalism today; interface between the private and public sectors
- Summary/list of the countries which experienced each of those
- Compare the outcomes of each economic system in terms of GDP per capita, inflation, employment, investment, taxes, etc.

Strategies

- **Strategy 2: Course organization**
 - Incorporate comparative economic concepts in all/most chapters
 - Emphasis on economic systems as methodology
 - Emphasis on comparative capitalism.
 - Design an assignment that will/can sufficiently cover the different economic systems together with the principles of economics
 - Country case
 - Comparative country case
 - Compare features and outcomes