EJW
A JOURNAL OF THE AMERICAN INSTITUTE FOR ECONOMIC RESEARCH

Econ Journal Watch
Volume 6, Number 3
September 2009, pp 352-358

Economic Notes from the Underground

Preference Falsification in Teaching

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ABSTRACT

Writing a course description is hard. In Irish universities (and elsewhere), the individual lecturer must hew to a course description designed by either the head of department, or a committee of senior colleagues. The writer of this course description must contend with a host of issues; what concepts are to be included? What should be discarded? At what level should the material challenge the students? All the while, the writer must consider those who came before her in writing the course description, and those who will come after. The outcome of this process is, naturally, a course shaped around a textbook.

In economics, one finds young professors teaching from the textbooks they squinted over not so long ago, replaying elements of their favorite lectures. Young professors want to stick rigourously to the course description, given to them by the Head of Department, because they wish to be good colleagues, not make any waves, and not make any presumptions with the students, who might damage their teaching evaluations. In Irish universities, changing the content of the course by more than 25% requires approval at the faculty level. The young professors must hew to the textbooks for guidance, because the course description is deliberately light on specifics. Often only keywords are present for guidance.

Because most textbooks are written from similar methodological standpoints, (E.g. in macroeconomics: Barro and Sala-i Martin 2003, Blanchard

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2005, Abel et al. 2007, DeLong 2002), the course content is, perforce, of a similar orientation. The course in macroeconomics, say, begins from the production function, adds the marginal conditions for productivities of capital and labour, and continues on to build a micro-founded macroeconomic model, where all the individual markets are in equilibrium, all the consumers maximize their consumption and saving profiles over time, and business cycles are simply the resultant outcomes of stochastic shocks to technology, labour, capital, and so forth.

Teaching exclusively from a neoclassical perspective is distressing for one who tends toward less conventional thought. Say one is a post-Keynesian. If one believes in the inability of unregulated markets to satisfy effective demand, if one does not believe the production function is a reasonable way of modeling economic activity, if one endorses the influences of fundamental uncertainty, asymmetric information, and psychological biases as underpinning economic decisions, then to teach a theory which assumes away these features of reality is contradictory. Here I'm assuming a polar position for the sake of argument: of course one can alloy the textbook with supplementary readings, spend time critiquing the model, or simply disregard the course description, and teach what one wants to. But let's say for the moment the young professor has to choose between rigourously upholding her personal views, or teaching verbatim out of a standard textbook. I should confess at this stage that my personal orientation would be post-Keynesian.

In this world, if one's preference is for a non-equilibrium macroeconomics, and one teaches equilibrium macroeconomics, then this activity can be referred to as preference falsification, in the sense of Kuran (1987, 54).

Preference falsification can occur in teaching when a personal intellectual compromise takes place with respect to the content of a class being taught. The professor publicly espouses a theory or mode of storytelling whose policy prescriptions are, in some cases, orthogonal to their private and professional views or attitudes.

Theory of Preference Falsification

The theory of preference falsification develops a framework in which individuals sometimes refrain from displaying privately held preferences or beliefs in order to appease, or curry favor with, a power group (Kuran 1987, 1990). Say the society in question is one's fellow economists, and the power group in question is the academic establishment.

Kuran's theory in its simple form posits a choice function, where the individual chooses between several options. In Kuran's original 1987 exposition, these options were different policies to be enacted by a government. Here, the individual must choose which content to teach her students. Kuran formulates a choice involving three factors.

Direct benefit:

> The direct benefit accruing to the individual of espousing a certain view. In public policy as in economic culture, the rub is that one's choice of espousal has very little effect on overall outcomes. That's when falsification becomes common. One cannot remake the culture that students and colleagues will otherwise swim in. Meanwhile, the direct benefits to the individual from teaching from the standard textbooks are obvious: the learning curve is flatter for the students, the level of preparation required for the instructor is lessened, the coverage of material is at the same level throughout, the exposition has been tested on many audiences and is therefore more polished, and the very existence of a textbook will reduce student uncertainty as to the content of the course.

Reputation:

> The individual's reputation will suffer by not adopting the viewpoint of the powerful group. The influence of one's reputation changes the choice function of our agent. The individual must decide whether to adopt a public preference. Several authors point to the marginalization of economists holding unconventional viewpoints in different teaching and research contexts (Kaul 2008, 134-138; Fine 1999, 182), so it may be assumed that teaching unconventional economics will impact one's reputation.

Integrity:

> Integrity is defined as the distance between one's private preferences and one's public preferences. The closer one's private and public preferences, the more integrity one retains, and correspondingly more utility from this factor. But how much value does integrity have to the individual?

Kuran explains that individual must make his or her decision comparing the expected consequences of public support for an option which may be far from his or her private view.

What has Kuran's model to do with teaching? Say an individual holds beliefs that the economy is not well characterised by a production function approach, or a growth-model approach, which mainstream textbooks by and large adopt. Then to profess that view in public is to falsify one's preferences, as the difference between the privately held view, and the publicly held view are sufficiently large as to cause some dissonance for the individual. This was my experience.

My experience of preference falsification

A confessional piece such as this requires the enumeration of sins. It should be obvious by now that I am not a mainstream economist, or the situation would not have presented itself. My first impulse when I was told to teach a course on International Monetary Economics was to reach straight for the standard text in the area, namely, Mishkin (2004). I quickly found that this text, although clearly written, and accompanied by Powerpoint slides, notes, and other supporting materials, did not represent the type of content I wanted to teach the students. I chose a much more difficult and pedagogically challenging book by Godley & Lavoie (2007), written from the stock-flow consistent, post-Keynesian perspective. The choice of textbook, which created the skeleton of the course and decided much of its content, created several problems right away.

Direct Benefit: The first problem was the absence of a direct benefit to either myself or the students from an instructional point of view. From an intellectual point of view, the benefits of stock-flow consistent modeling were that these models do not rely on the neoclassical production function, which avers an economy's output is the result of a convex combination of labour and capital to produce efficient markets which clear through the equalisation of the marginal productivities of each input.

Using the production function approach, production is assumed to be instantaneous—there is no time in the neoclassical model. There can be no involuntary unemployment in this schema, and national income will be distributed amongst the workers and capitalists according to their share in the productive process, which delineates the division between wages and profits. 'Sticky' price neoclassical models can accommodate less than optimal outcomes, but even these simply result in a lower employment equilibrium, mainly because of search frictions and menu costs.

The other distinguishing feature of stock-flow consistent modeling is its conception of the firm as a separate actor in the economy, rather than a collection of individuals with capital and labour to rent. Faced with high levels of uncertainty regarding their future decisions, and based on expectations of future sales and profits, firms choose production, employment, and investment schedules in an environment that requires credit in the form of loans, stocks, and bonds. Each stock-flow consistent model assumes production and consumption unfold over time, thus, in every model, the need for finance, or an endogenous description of money, is both systemic and foundational. Firms, the government, and households cannot exist in this schema without a banking sector. The Godley and Lavoie conception of the economy is characterised by a movement of stocks and flows of economic variable through time (Godley & Lavoie 2006, 6). This incorporation of historical time and its characterization requires modeling by difference and differential equations, and does not, perforce, lend itself to analytic solutions. The methodology must be based upon simulation of economic fundamentals, 'stylised facts', and behavioural assumptions.

Despite the intellectual benefits I gained from teaching material I happened to believe in, from an instructional point of view, formalizing a series of stock-flow consistent models of ever greater complexity was a cumbersome process involving difference equations, which the students had to be taught before any macroeconomic facts could be presented to them.

The learning curve was quite steep for this type of instruction, and there are no learning resources accompanying the text, unlike Mishkin (2004). In a post-Keynesian class, one must spend time explaining the rationale for the choice of material as well as showing how it relates to other coursework done in the students' previous courses, which eats into time. The direct benefit does seem to slip away as all these costs are considered and incurred, week after week. The confusion many students felt was reflected in a below average evaluation of the course. The qualitative comments given by the students were concerned mainly with the uncertainty of examination questions, and impracticality of the modeling methodology.

Reputation: My 'reputation', so far as I can tell, has not been overly affected or damaged by the use of these non-standard models, though my colleagues openly questioned why I was teaching this course in a heterodox manner, and because I am at the start of my career, I don't have a reputation to damage. But then there is an opportunity cost in the alternate, conventional reputation I might otherwise cultivate. The one area where the choice of material has mattered is the scrutiny my course outlines are now given. The individual and highly detailed course *outline*, written by the individual lecturer, must 'match' with

the course description and the course's learning outcomes written by the department Head or committee.

Integrity: Have I shown integrity in terms of equating my personal beliefs and private actions? I don't think so. At every stage I was keen to show the students stock-flow consistent models in relation to more standard open economy models like IS-LM-BP and dynamic stochastic general equilibrium (DSGE) models, which served only to confuse the students. I confess that fully representing my own beliefs would mean disregarding standard approaches to the study of international macroeconomics, and so in this manner, I did not show integrity as a professional economist.

There, I said it. I feel better.

The key is the difference between the privately held belief of the individual and his or her publicly revealed belief. Kuran's model suggests that the distance between the two beliefs must be relatively large to outweigh the reputation and direct-benefit effects, which come from teaching in a neoclassical framework. The only route out of this impasse is the intelligent creation of a toothless course description.

What to Do?

Let's return to our course description writer, who is writing a general layout of content for other junior members of faculty to teach from, trying to balance academic freedom with reasonable quality assurance as to academic content. As mentioned above, any course on monetary economics should contain a description of, say, theories of interest rate determination and international monetary institutions. Few card-carrying economists would dispute this inclusion. However, not so much agreement will be found on *which* theories of interest rate determination are to be taught, and which readings to describe those monetary institutions are to be assigned.

The judicious semantic easing of course description requirements allows the heterodox economist to reduce the distance between his or her privately held (and perhaps heterodox) views and the more public statements of economic 'truth' a professor must impart to his or her students. A simple nod to other schools of thought through secondary references in the course description allows some opening to teach different approaches. The professor can also explain to the student the difficulties involved with teaching alternative approaches, to increase student buy-in to the idea of the course. The power is in the course description writer's hands. At a stroke, she can open the door to alternative approaches, and with the same stroke, she can close them. Meanwhile, whatever the course

description writer may do, the actual professor can attempt to make her students aware of the difficulties she faces with regard to the delivery of the content, and in so doing, make partners of her students in this intellectual enterprise.

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