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CONTENT ARTICLE IN ECONOMICS

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The authors present suggestions by graduate students from a range of economics departments for improving the first-year core sequence in economics. The students identified a number of elements that should be added to the core: more training in building microeconomic models, a discussion of the methodological foundations of model-building, more emphasis on institutions to motivate and contextualize macroeconomic models, and greater focus on econometric practice rather than theory. The authors hope that these suggestions will encourage departments to take a fresh look at the content of the first-year core.

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Nothing defines economics like the courses in microeconomics, macroeconomics, and econometrics that form the backbone of graduate PhD programs, generally called the “core.” Recently, as part of a creativity workshop that brought graduate students from a variety of programs together to discuss how to introduce more creativity into economic research, we discussed what worked in the core and what did not.¹

While the students were generally satisfied with the training they were getting in the core, there was concern about whether it was doing all that it could do. The consensus was that the core should

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be designed to teach graduate students those aspects of economics that should be understood by all economists graduating today. While there are reasonable debates about what should be included in the core, most students felt that the current core does not provide that training. The workshop members addressed that question and came up with a number of suggestions for possible changes in the core to make it better meet the “common element” theme. We present them here as they relate to microeconomics, macroeconomics, and econometrics. We recognize that implementing change will not be easy, and we strongly believe that each department should be free to teach what it wants in the core. We offer our suggestions not with the expectation that they will be implemented, but rather to encourage within departments some discussions of the core, which often do not take place because of the pressures of time.

MICROECONOMICS RECOMMENDATIONS

Among the three portions of the core, students seem to be happiest with the microeconomics curriculum. All the students at the workshop generally agreed that most of the material covered is useful in all fields of economics and that it is material that all economists should know.

One recommendation is based on the observations that many students entering their graduate programs have a blurred understanding of the rationale for using seemingly unrealistic assumptions and models and that many students still find it hard to express their ideas in models after finishing their coursework. These concerns could be addressed if some part of the micro core courses discusses explicitly and epistemologically the purpose of building models. Rather than just teaching students models, courses should challenge students to write and solve a number of models of their own. An example is the core course that Gary Becker and Kevin Murphy teach at the University of Chicago. Unlike the courses at other schools of the students represented at the workshop, that course addresses modeling as a concept and skill of its own and assigns the students open-ended homework problems to which they must supply the model. We feel that a course in this style helps students to think more creatively and—if taught properly—would help them to understand both the strengths and limitations of models.

A second recommendation is to devote more time to teaching alternative approaches to microeconomics, for example, some more time in focusing on behavioral economics. Many students wanted a presentation of alternative approaches and a discussion of the empirical evidence in favor or against various theories and their underlying assumptions. Students felt that such a presentation would encourage them to engage more deeply not only with the newer material, but also with the more traditional material. This, in turn, would encourage diversity in students’ approach to research.

Adding something requires dropping something else. Although we did not look for specific sections of the micro sequence that should be eliminated, a majority of the students felt that some of the proofs in most schools’ current micro core sequence could be delayed until the time for micro theory field courses in the second year. Those proofs that remain in the core should be those that provide strong economic intuition and are based on economic forces. We are specifically not recommending that the core sequence be made easier, but rather we recommend that topics be chosen with more consideration for their usefulness to all economists.

MACROECONOMICS RECOMMENDATIONS

The core courses that most students see as problematic are the macroeconomics courses. Across institutions, students come out of their first-year macro sequences frustrated by the lack of context with which models are presented; they do not understand why they learned the models that they did or why those models are important. In comparison to other courses, students perceive the macro sequence to be poorly motivated and poorly structured. They find it difficult to relate what they learned in the courses to the real-world economy. The majority of students felt that the first-year core macro sequence should fulfill the following goals:

- Introduce all students to the questions and models studied by macroeconomists;
- Equip students who intend to specialize in macroeconomics with the basic tools they will need;
- Help students to understand and participate in public discussions about macroeconomic policy.

To better achieve these goals, we suggest that departments devote a substantial portion of the beginning of the sequence (3–4 weeks) to a discussion of current macroeconomic institutions and the history of macroeconomic thought. While most programs assume that students have this knowledge, the reality is that they often do not, and without it, it is difficult to put what they are being taught in perspective.

A discussion of context would motivate interest in (a) current macroeconomic issues such as inflation, the role of central banks, the existence of unemployment, fiscal policy, and national debt and (b) how economists can use macroeconomic models to answer these questions. Such a change would provide students with some much-needed context for the models that are presented to them and would leave them better prepared to relate what they learn in the course to the real-world economy. After students are presented with that context, the attention can turn to other modeling issues.

Many students felt that macro models are not central to economics in the same way as microeconomic models. Students felt that what should be common to all new PhDs is an understanding of macroeconomic institutions and policies and certain techniques that are used in macro. Currently, the institutions and policy discussions are not presented, while there is an overemphasis on particular models and techniques. Thus, some students could see less time being devoted to the macro core, with part of the content currently taught moved to the field courses. Such a reduction would allow an expansion of either (a) the micro or macro portion of the core, designed to get students to actually build models, or (b) the econometrics portion of the core, designed to show students how the models can be brought to the data.

ECONOMETRICS RECOMMENDATIONS

The increasing power of computers and the greater availability of data have removed many of the constraints on empirical research. Consequently, there has been an explosion of empirical research in economics, and the students believe the changing nature of the discipline ought to be reflected in the core curriculum.

First and foremost, the students argued that graduate training should aim to produce practitioners (and consumers) of econometrics rather than econometric theorists. The focus of the econometrics core should change accordingly. This statement need not imply a reduction in the rigor of econometric education. Rather, econometric training ought to be constructed around applied themes and to confront practical issues, instead of remaining abstract. The study of asymptotes, for example, should not totally crowd out small sample issues. Topics should cover the types of problems that students are likely to experience in their research and be heavily anchored in a wide variety of examples from the applied econometrics literature. Second, the students agreed that the scope of econometrics taught should encompass all methods practiced by a sufficiently broad set of economists, even if this requires increasing the amount of time allocated to econometrics within the core.

NOTE

1. The Creativity Workshop was organized by the American Economics Association Committee on Economic Education and led by David Colander, Avinash Dixit, and John Siegfried. It was funded by the Teagle Foundation, the Tobin Project, and the American Institute of Economic Research.