



educatio *catholica*

Teach Economics with Curiosity and Compassion

Peter Boettke

Distinguished University Professor of Economics and Philosophy
George Mason University
Fairfax, Virginia

*Rather than see economics as a technocratic discipline, we should teach economics as a branch of moral and social philosophy, and in doing so emphasize in our teaching a **complex coordination** based on the four pillars of truth, beauty, hope and compassion. Thereby, our students will come to appreciate the discipline of economics as a tool for the curious and the compassionate.*

>>>

Economics as a discipline has come increasingly under attack in recent years. In the UK, for example, there emerged a *CORE movement* to change the teachings of economics away from the dry and technical to one that included a more expansive discussion of moral philosophy. From Adam Smith to J. S. Mill, of course, economics was indeed a branch of moral philosophy known as political economy. But in the late 19th and early 20th century, political economy was transformed into economics – supposedly a science on par with the natural sciences in terms of what it could deliver.

At first, what it promised to deliver was the same as what it always had promised – insight and wisdom into the human condition in a world of scarcity. The core insight of political economy was the recognition of unplanned order. That individuals pursuing their own interest could produce a socially desirable outcome that was not in any part their intention. Smith's baker, brewer and butcher provided us with our dinner not out of concern with our nourishment, but with regard to their self-interest.

And the resulting social order with its complex coordination of economic activity resulted in individuals pursuing productive specialization, peaceful social cooperation through exchange, and the creation of wealth and generalized prosperity. This outcome did not result because of the orchestration of the political economists. They were a result of the system of natural liberty, and the job of the political economist was to understand the processes that brought about this beautifully complex order – the institutions that either hindered or promoted; the incentives that prodded human actors to move in this or that direction; the information required to guide them in their constant need to adjust to changing circumstances and opportunities. The social order existed and the job was to philosophically reflect on it, and gain an understanding of this order through reason and evidence.

But, if we conceive of economics as a science capable of prediction and control rather than merely philosophical understanding, then moral philosophy can be transformed into an engineering science, and that is what happened to economics in the 20th century. Now there are multiple reasons for this transformation, but I want to start by noting that serious social problems plagued even the most liberal societies, e.g., US and the UK.

These problems included, but not exclusively, issues related to poverty, ignorance, squalor, disease, and idleness. Cities were commercial hubs and vibrant cultural



centers, but they also exhibited deep disparities between individuals and the vagaries of our economic fates. If we could use the tools of economic science to address social ills directly, then perhaps the “visible hand” of government could correct whatever shortcomings the “invisible hand” of the market produced.

It is this idea that in extreme form led to the rise of socialist planning, in modern form to Keynesian demand management, and in mild form to the regulatory state. Rather than social understanding, economics was now tasked with social engineering. It has been that way more or less since the turn of the 20th century. And thus, the discipline is taught in this manner to students, and teaching economics that way attracts a technocratic mind.

As Nobel Prize winning economist Amartya Sen argues in his book *On Ethics and Economics* (1987), economics as a discipline focused almost exclusively on its engineering aspects and neglected its ethical aspects. He argued then that we should reorient ourselves as a discipline. His work reflects that, as did the work of other Nobel Prize winners such as F. A. Hayek and James M. Buchanan, but the economics profession as a whole didn’t follow Sen’s advice.

Instead, economics became increasingly technical focusing on mathematics and statistics as its main mode of argumentation, and focused exclusively on operational levers and engineering results. Two factors have led to the increasing attacks on Economics. First, the discipline of economics lags behind all other social sciences and many STEM disciplines in diversity and inclusivity. The discipline is male dominated for example, it also doesn’t have a large number of people of color practicing the discipline, especially among the elite in the field.

Second, the global financial crisis served as a wake-up call to politicians and citizens that economic life can go very wrong and very quickly. Covid-19 reinforced this. The by-product of these shocks was growing recognition of the social vagaries of income inequality, the role of monied interests in politics, and the complicity of mainstream economics in these outcomes either through its silence or its active pursuit of policies. Something has to change in the way we teach and practice the discipline of economics.

To many this just meant a return to a more interventionist government in economic affairs. But this position actually is extremely difficult to maintain against the facts, as the economic policies of the 2000s were not by any stretch of the imagination *laissez faire*, but instead characterized by monetary mischief, fiscal irrespon-

sibility, regulatory capture, and restrictions on trade and migration. There were, of course, pockets of relative freedom in the modern era of globalization as the people of China and India were integrated however imperfectly into the global marketplace with the result that in 2015 for the first time in human history less than 10% of the world's population was living in extreme poverty.

For comparison, when I was a college student learning economics that figure was closer to 40% of the world's population was living in the misery of extreme poverty. The bottom billion were able to join the great escape from the Malthusian trap due to the relative freedom afforded by globalization. But this era was not perfect by any stretch, and there remain those lagging behind, and their vulnerable status was made that much worse with the events of 2020-2022 as the global pandemic effectively shut down the global marketplace.

While I agree that economics must be taught differently for the 21st century, and it must be more diverse and inclusive, and more engaging with broader issues of a moral nature, it is my firm belief that rejecting the basic principles of economic would be the worse way to accomplish the goal. Instead, we must make the learning of economics an intellectual adventure for our students. And we will do that, I contend, by stressing that economics is a tool for the curious, and a disciplining of their compassion so that they can pursue effective courses of action that actually achieve good rather than merely make them feel good. How do we do that?

1. *Teach the hard truth of economics.* We live in a world of scarcity, scarcity implies that there are never solutions only trade-offs, we must learn how to negotiate these trade-offs, and in a commercial society the aids to the human mind in negotiating come in the form of property rights, relative prices, and profit-and-loss accounting. Outside the realm of the market, we still live in a world of scarcity, and we still need to negotiate trade-offs, but in the absence of property, prices and profit-and-loss, what devices will we use and how effective are they in their operation. Economics with its ability to systematically study how alternative institutional arrangements impact incentive structures enables us to explore these questions. Economics is indeed a science, a unique science, but a science nevertheless.
2. *Cultivate an appreciation for spontaneous order.* Perhaps the most important lesson an economics instructor can get across to their students is the beauty and awe of the spontaneous order of commercial society. How the complex division of labor emerges from the exchange relationships pursued throughout the system, and how the resulting coordination of economic activity



through time steers individuals into productive specialization, peaceful social cooperation, and wealth creation. Though none of us knows how to make a woolen coat, a pencil, or a laptop computer, these goods (and innumerable others) are available to us to acquire with convenience through market transactions. It is this mystery of the mundane that we must get our students to see, to spark their curiosity about, and to cultivate in them an appreciation for spontaneous order.

- 3 *There is indeed hope.* An appreciation of spontaneous order does not mean that human efforts cannot be directed in a manner that leads to improvement. It instead suggests where we will expect that improvement to come from. The great economist Frank Knight used to say to call a situation hopeless is to call it ideal. His student James Buchanan (and my teacher) stressed the corollary that since obviously we are not in the ideal there remains hope for effective change. But the change will come from (1) changes in the rules of the game under which we interact with one another to ease the process of pursuing productive specialization and peaceful social cooperation through exchange, or (2) entrepreneurial innovation that transforms yesterday's problems into today's solutions through alertness to new opportunities, or creative innovations that transform the process of exchange and production. Economics teaches us that there is indeed hope for a better future, and our students need to understand this hope for the betterment of the human condition through progress.
4. *And finally economics is an ally to compassion not an enemy.* Too often critics of economics portray the discipline as cold-hearted with respect to the poor and vulnerable among us. This is simply a mischaracterization of economics. Adam Smith taught that no nation could be said to be thriving in which its citizens are living in poverty and misery. Economists from Adam Smith to J. S. Mill; from Alfred Marshall to Milton Friedman have placed a premium on the welfare of the least advantaged in judging policy alternatives. The difference between economists as say those in the humanities with regard to their stated concern with the poor and vulnerable is not in the aims, but in the means. And, economics with its tools of reasoning and analysis of evidence can effectively shift the policy debate from actually achieving those aims rather than merely feeling good about holding those aims. The process of economic development lifts the least advantage up from a struggle for survival to a life of dignity, respect and opportunity. Economics teaches effective compassion.

If we teach economics with these four pillars in mind – *truth, beauty, hope, compassion* – I sincerely believe we will address both the concerns raised by critics, and also excite the intellectual imaginations of our students. Tap into the natural curiosity of the young, give content to their desire to change the world for the better, and train their compassion to be effective reformers, and the discipline of economics will once more reflect the worldly philosophy that characterized the grand traditions of political economy and social philosophy as practiced in its finest moments.