

# Consultation on the Background Paper for Leaving Certificate Economics: Submission by the Irish Economic Association

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## Introduction

The Irish Economic Association welcomes the review of the Leaving Certificate Economics curriculum. Like the authors of the consultation document, we feel that too much time has passed since the subject was introduced in 1969 and partially revised in 1981. Having carefully considered the consultation document, we make the following points.

## Comments on Curriculum Content

1. There is no reason to try to maintain a 50-50 split between Microeconomics and Macroeconomics. We suggest instead a 2/3 Microeconomics to 1/3 Macroeconomics split, which is much closer to the division one observes in economics in general. Such a split is reflected in the key concepts detailed at point 8 below.
2. The recent crisis has sparked a lot of self-criticism of economics education; see for example <http://ineteconomics.org/education/curriculum-committee>. A recommendation that comes up repeatedly is the importance of incorporating economic history and the history of economic thought into the undergraduate curriculum. We therefore recommend that some economic history be incorporated into the Leaving Certificate Economics curriculum. We suggest a brief overview of the main developments in economic history since the foundation of the state (self-sufficiency followed by opening up of trade; membership of the EU; breaking with sterling; joining the euro; several severe recessions; the Celtic Tiger; the property bubble and subsequent crash) and of the international events that have led to advances in economic thinking (e.g. the US great depression; the oil crises; the failure of communism in eastern Europe; the recent financial crisis). The fact that different economists proposed different solutions to the problems caused by these events will also allow students to understand that there may be several solutions to one problem, and to think critically about solutions that are proposed.
3. Students should acquire basic financial literacy that can apply to their personal finances as well as to understanding the role of the financial sector in economies. They should understand the main characteristics of financial products, and also key concepts in cost-benefit analysis – such as discounting, net present value and the risk-return trade-off.

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4. We agree with the inclusion of sustainability issues in the course; we think that they would best be incorporated into the relevant sections of the course, rather than as a standalone module. For example, the problem of environmental sustainability is an ideal application of the point that market failure may require government intervention. Macroeconomic sustainability can be incorporated into the material on business cycles. Finally, political sustainability can be thought of as related to the distributional effects of government policies, so we believe that the incorporation of material on the income distribution is important.

5. We do *not* agree that it is important that entrepreneurship be incorporated into the course. Entrepreneurship may well be suited to inclusion in a course of Business Studies, but it is never, to our knowledge, taught as part of an Economics curriculum.

6. The basic economic principles underlying the markets for goods and services are the same across sectors. While some elements of agricultural economics could be included in the discussion on market interventions (price floors, quotas etc.), we do not believe that a section entirely concerned with the agricultural sector is warranted by the sector's importance in the Irish economy. A more appropriate section would focus on sectoral issues in the Irish economy, including agriculture as one component.

7. There is a more compelling argument for a separate section on the labour market, both because of its importance and because it works differently to other markets. Such a section would be a natural location for the discussion of distributional issues mentioned in point 4 above.

8. We believe that in designing the curriculum, some broad learning outcomes that students should come away with should be kept in mind. We were particularly impressed with the approach taken in the New Zealand curriculum of noting a range of key concepts to be emphasized. We suggest a modified version of these key concepts for the Irish curriculum.

#### Key Concepts:

- Economics is a way of thinking that can help people understand issues they face in everyday life
- Scarcity results in choices with opportunity costs
- Values influence economic choices
- Trade can benefit all parties involved
- Markets provide incentives and ration scarce resources
- Perfectly competitive markets are efficient
- Market failure may require government intervention
- The benefits of market activities may not be equitable
- Government intervention may involve an equity-efficiency trade-off
- Good decision making takes account of all costs and benefits of an action
- Economies experience economic cycles
- Fiscal and monetary policy allow central banks and governments to smooth economic cycles
- Government policies can affect the productive capacity of an economy
- Membership of the European Union changes the choices available to individuals, firms and governments and provides a framework for the conduct of government policy

- Uncertainty and risk drives much economic activity

### **Comments on Assessment**

We agree that reform of the assessment of the subject can lead to greater capacity for critical thinking and for information processing. List-based answers, in particular, should be avoided.

We make the following observations:

1. A project that requires students to search for, assemble and assess published statistics on an issue or relating to a particular economy would develop useful skills of information processing and analysis.
2. Analysis of a case study would test students' ability to bring separate parts of the course together to problem solve. In our experience, case studies are most useful when written in such a way that there is no one correct answer – although there will clearly be incorrect answers – and students should be made aware of this.
3. In the written examination, we strongly recommend that exam questions do not require students to simply list a particular set of answers without regard to what is economically important. Students should be expected to distinguish between what is important and what is not. We strongly suggest the examination move away from 'list' type questions and answers. The rote learning off of key graphs in the industrial organisation component of the current curriculum, for example, explains why these questions are the most popular.

### **Other issues**

The need for a new syllabus arises because the current one hasn't changed, apart from some minor changes, since 1969. Even if this delay is not repeated, it seems likely the new syllabus will be retained for a significant period of time. This is understandable since there are costs to replacing a syllabus. Nonetheless, we would encourage the committee to think of ways of future-proofing the new syllabus. Inevitably the world students will encounter in fifteen or twenty years' time will be very different from the current one.

For example, it should be straightforward to ensure that examples are regularly updated to maintain the relevance of the material to future students and which will engage them intellectually. This is a challenge for those teaching at any level since inevitably those who teach are older – and often much so. For example, it would be important that the syllabus reflects developments in information technology particularly the internet. In a discussion of externalities, for example, reference to the internet, would be more relevant than the traditional reference to polluting firms. E-commerce is now a pervasive feature of people's lives and would be worth featuring. In this regard we would also encourage the committee to consider ways in which the expertise of third level economists can be drawn on periodically, informally or otherwise, to help refresh the syllabus.