## Consultation on the Draft Leaving Certificate Economics Specification: Submission by the Irish Economic Association

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Introduction:

The Irish Economic Association (IEA) welcomes the invitation to review the Draft Leaving Certificate Economics Specification. While the association has some concerns and comments which we will outline in more detail below, we should start by stating our view that the new proposed structure is a vast improvement over the existing model. We are pleased that a number of the IEA’s original recommendations, such as special consideration to be given to the labour market, that the issue sustainability be integrated within other features of the course and that the assessment incorporate a research report with data analysis have all been adopted in the revised specification. However, we believe the failure to incorporate some of our other suggestions, such as a recognition of the role of economic history in shaping current policy, is a missed opportunity, which we will return to during our main discussion below.

Main concerns:

Overall the IEA are satisfied with the 5 main strands of study identified in the revised document. These strands represent a useful overview of the key issues in economics and students familiar with material covered under these headings will have a strong foundation in economics.

However, we feel that making economics relevant should be a key objective of the new revision. In this respect the revised curriculum seems curiously timeless and makes no reference to recent events. While we acknowledge that those in charge of designing a new curriculum want something that will last a long time, the recent crash is going to be a defining event for a long time and should appear somewhere in a modern syllabus. A syllabus taught through a series of hypothetical examples is likely to turn out to be very dry. There is no reason for this – economics is everywhere and students should be encouraged to look for it when learning the subject and not just in the final exam. It is essential that this relevance is also reflected in the textbook used/recommended by teachers. We have seen textbooks that are widely used for Leaving Certificate Economics that are almost entirely devoid of any discussion of real world events or research conducted by economists. Changing this emphasis should be a key priority of the new curriculum.

In addition, we feel there are some key issues have been omitted.

1. **Inequality:** While market forces can result in an efficient allocation of resources, the final allocation can be unequal. It is important that students recognise this. Furthermore changing market forces, institutional settings and government policy can often lead to changes in inequality over time. A proper understanding of the forces determining inequality at a point in time (for instance an unequal distribution of skills) as well as changes in inequality (through say increased globalisation, skill biased technological change, decline in union power) should form a key component of any Leaving Certificate Economics Syllabus.

At the moment the only concrete reference we could find to inequality was in section 1.3 where it listed in a long list of issues related to sustainability. There is some mention of inequality as a policy objective in the preamble to strand 4, but nothing in the specific discussion. Tax is not only used to smooth business cycles but also to redistribute income – and in Ireland, this redistributive function is particularly active, so it seems a strange omission.

This enhanced discussion of inequality could be managed within the current structure. One could add an extra sub-strand to section 3.2 on the labour market to show how differences in skills/human capital can lead to differences in wages (through differences in labour demand curves). This could also facilitate a discussion of human capital development and unequal access to education – indeed the financing of human capital and the constraints facing some families in this respect could also be included in section 3.3 as an example of market failure.

We also suggest adding a section into Strand 4 – say 4.5 – that would address taxation and redistribution.

Students need to be given some understanding of how inequality is measured e.g. decile ratios, standard deviation, Gini coefficient. We believe that knowing how to measure inequality is as important as say knowing the Herfindahl index.

Finally, the potential for inequality to arise as a result of globalisation should be acknowledge in section 5.2.

1. **Economic History:** A discussion of the of the role of economic history in helping students understand current policy could easily be included as a module at the end of Strand 4 – say 4.6 – that would describe the economic events that have shaped thinking about economic policy. Students would have the tools to understand this material at the end of this section. This would further help engage students by helping them to see macro policy illustrated by real world events.

While it may be hard, due to limited time, to include a detailed discussion of specific episodes of historical importance, a general discussion of the importance of understanding economic history, illustrated with some examples of how real world events have shaped our understanding and policy responses, should be possible. Possibilities for discussion could include the Great Depression, the crisis of the 1950s and the subsequent Whitaker/Lemass economic plan.

We also have some comments on the overall organisation of the syllabus.

Section 1.1: This section should include a proper definition of rationality.

Becker’s Nobel prize lecture defines rational behaviour as “Individuals maximising welfare, as they conceive it, whether they be selfish, altruistic, loyal, spiteful or masochistic.” Although the idea of rationality is under challenge from some economists (a point mentioned in the new syllabus) it is still the mainstay of modern economics and should feature in a description of the economic way of thinking. It is also a target for critics of economics who wrongly equate rationality with greed. It is essential that students be presented with the appropriate definition right at the start of their learning.

Section 1.2 Comparative advantage is the basis of exchange and specialisation. However, at present this concept is not introduced until the very end of the syllabus and even then seems to be limited to the notion of international trade. The notion of comparative advantage is much broader than this and should be have a more prominent role early in the syllabus. We suggest including it in section 1.2 when discussing scarcity and choice.

Section 2.2 and 2.3: We propose introducing students to the concepts of consumer surplus (section 2.2) and producer surplus (section 2.3). This will help in the discussion of market failure later in the syllabus.

It would seem more logical if all the material on government intervention was in one section; at present, the discussion is divided between Section 2.4 (Government Intervention in the Market) and Section 3.3 (Market Failure). Yet there is no single reason for government intervention. Sometimes governments intervene because they don’t like the market outcome (so they have price caps or floors or quotas or progressive taxes) and sometimes they intervene because of market failure (e.g subsidised health insurance). This distinction should be made more clearly and the alternative reasons for government intervention identified and discussed at the end of section 3.

Section 3.2: It would be useful to include a discussion of trade unions and their possible impact on the labour market.

To make room for any new material we feel that some topics could be very easily be removed from the syllabus.

Section 3.3: The discussion of merit goods is unnecessary and should be replaced by a discussion of public goods.

Section 5.1: The discussion of the Rostow stages of growth is a very old concept and no longer part of mainstream economic thinking on growth. It should be removed from the syllabus.

Section 5.1: some of this discussion of growth seems misplaced in a section on international economics. Our assumption is that the Solow growth framework would be used to discuss insights into the determinants of growth in the short and long-run (investment, technological change..). A formal presentation of the Solow growth model would be beyond the scope of many of those studying leaving certificate economics. In fact to the best of our knowledge, this model is excluded from the majority of introductory third level economics courses that we offer in Ireland. Students are only introduced to the Solow growth model in the second year of their third level study programme; as a result it would seem out of place on a Leaving Certificate Economics course.

It would be more appropriate to avoid explicit mention of the Solow growth model and provide a discussion of the determinants of growth, as they relate to the aggregate production function.