

COMPREHENSIVE PROGRAM REVIEW (2021)

THE ECONOMICS PROGRAM

Submitted by

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The economics program has the potential to play a key role in raising the academic quality of UW – Green Bay. This will not happen, however, without major support from the administration and the cooperation and understanding of academic programs across the university. As will be detailed below, through no fault of its own, the economics program faces extinction in the near future.

The importance of the economics discipline to the core mission of American institutions of higher education is testified by the strength of the economics major across the country. To begin, economics tends to be the largest major in liberal arts colleges, especially those of the highest quality. Economics is the largest major in eight of the top ten academically ranked liberal arts colleges: Williams, Amherst, Bowdoin, Middlebury, Pomona, Wellesley, Claremont McKenna, and Davidson Colleges.

Now one may attribute the appeal of the economics major in these colleges simply as a result of the lack of a business major at liberal arts colleges. In essence, students are believed to choose economics simply as the best substitute for a business degree. While true in part, it is far from the full story. In an article in the *Chronicle of Higher Education* (2009), David Colander of Middlebury College writes:

As part of a report on the economics major that I am working on for the Teagle Foundation, my students and I conducted a survey of more than a thousand students majoring in economics at more than 30 institutions. We found that only 19 percent of the respondents said that the job-training aspect of the economics curriculum had been very important to their choice of major. Moreover, only 36 percent said they were planning to work in business. The others were planning to go on to profession school or work for a nonprofit organization, or had no specific plans.

More broadly, economics is a key major at a wide range of public and private universities across the United States. Many larger institutions do not provide data on narrow majors but economics is one of the largest majors, if not the largest, at universities such as the University of Wisconsin – Madison, the University of Michigan, Harvard, Princeton, Yale, the University of Chicago, and many others. At UW – Madison, for example, economics majors have increased from 165 in 2000 – 01 to 537 in 2018 – 19, a 225 percent increase.

The most basic reason for the importance of the economics major at a large range of colleges and universities is simply that economics is an extremely broad discipline that focuses on the functioning of a set of social institutions crucial to human welfare, even existence. Simply put, given resource scarcity, all societies must decide how to best satisfy the private and collective needs and wants of their citizens.

Economics, however, is a key academic discipline for a second compelling reason. The rigorous course work of the economics curriculum with its emphasis on analytical and critical thinking combined with quantitative/data skills as well as a broad knowledge of the economy provides economics majors with an extremely strong foundation for high-paid employment in the private, public, or nonprofit sectors. Moreover, the economics major provides a strong springboard for success in law school, business administration, and public policy graduate programs.

The Economics Program and UW – Green Bay’s Mission

The economics program has long been closely linked to UW – Green Bay’s select mission. This is especially true with respect to the recently revised mission. UW – Green Bay’s select mission is to promote student success by providing a problem-focused education that promotes critical thinking, cross-discipline collaboration, economic development, entrepreneurship, social justice, and environmental sustainability.

Modern economics is a discipline that is highly analytical, empirically focused, and increasingly interdisciplinary. The economics curriculum in the United States is similar everywhere (Allgood, S. et al. (2015). The major typically consists of ten required courses. Students begin by taking two principles courses, then intermediate macro and microeconomic theory and introductory statistics course. These five universally required courses are followed by five electives to complete the major. Given the large number of subfields in economics (more than 60), the actual electives offered vary widely, although econometrics is now required at roughly 50% of programs. Economic theory is applied within a large number of upper-level topical electives. Key economic subfields include:

- International Economics (Trade and Finance)
- Money and Banking
- Environmental Economics
- Economic Sustainability
- Government Finance and Expenditure Analysis
- Labor Economics
- Economic Development
- Managerial Economics
- Health Economics
- Urban and Regional Economics

When the economics program was fully staffed, we were able to offer electives in all of the above areas as well as others. Clearly, the UW – Green Bay’s economics curriculum is linked to the university’s select mission.

Student Success

The study of economics provides excellent preparation for a wide variety of highly marketable, highly paid careers in private, public, and nonprofit sectors. Indeed, economics and business economics are the only two NonSTEM majors in the top 25 earning majors (Carnevale, A.P. et. al., 2015). Table 1 below provides a concise comparison of the median annual wages of college-educated workers (ages 25 – 59) for economics and key alternative majors.

Table 1. Median annual wages of college-educated workers, economics majors relative to key alternative majors

Major Group	Median annual wages of college-educated workers (ages 25 – 59) (2013\$)		Graduate degree wage premium (2013\$)	
	Bachelor’s	Graduate	\$	%
Economics	76,000	109,000	33,000	43
Finance	73,000	101,000	28,000	38
All business majors	65,000	87,000	22,000	34
All college majors	61,000	78,000	17,000	28

Source: Carnevale, A. P. et. al. (2015), *The Economic Value of College Majors*: Center on Education and the Workforce, Georgetown University, pp. 60 and 136.

Table 1 indicates that economic majors at a median annual income of \$76,000 (2013 dollars) are substantially better paid than all college majors (\$61,000), all business majors (\$65,000), and somewhat better paid than business finance majors, a key subfield of economics (\$73,000).

Likewise, earning a graduate degree in economics provides the largest wage premium, a boost of \$33,000 (43%) relative to all business majors and all college majors. Relatedly, graduate degree attainment is relatively high among economics majors (41.3%) compared with finance majors (28.2%), and business management and administration majors (20%) (Carnevale, et. al., 2015)

Why Are Economics Majors So Highly Paid?

A key question is why workers with just a 4-year degree in economics do so well in the labor market. Clearly, economics is a broad field of study compared with fields such as accounting, marketing, nursing, social work, and so on. The basic answer is that the rigorous economics curriculum with its emphasis on analytical and critical thinking combined with quantitative/data skills as well as detailed knowledge of the economy provides economics majors an extremely strong foundation for future promotions, in particular into a broad array of highly paid managerial and related positions. As a result, the top 25 percent of economics majors (ages 25 – 59) with just a bachelor's degree earn more than \$115,000 annually (Carnevale, et. al., 2015).

Managerial positions, however, are not only in the private business sector but also in various levels of government (federal, state, local) as well as the growing nonprofit sector of the U.S. economy. For example, approximately two-thirds of hospitals in the U.S. are private, nonprofit institutions. Economic analysis is just as relevant to government and nonprofit institutions as it is for private business. Clearly, the managers of government agencies and nonprofit institutions must make complex decisions on the array and quality of services to produce for their client base within a strict budget constraint.

Success of Economics Majors at UW – Green Bay

One concise measure of a quality the economics curriculum at UW – Green Bay is the success of our majors who have completed graduate economics programs at other universities such as Ohio State University, Texas A&M, University of Georgia, Vanderbilt, the University of Arizona, and the University of California – Santa Barbara.

The Economics Program and Interdisciplinarity

Since its founding in the 1960s, UW – Green Bay has had a core of interdisciplinary programs and cross-discipline collaboration remains a key component of the university's select mission. It should be noted in this context that while economics is a strong, vibrant, and growing discipline across American universities, the economics discipline has become an increasingly interdisciplinary social and behavioral science. To make this point concisely, we need only to look at the list of Nobel prize laureates in economics since 1969. About one-third of the Nobel prize laureates have received their awards for scholarship clearly outside the traditional boundaries of economics. Some notable examples:

- Gunnar Myrdal and Friedrich von Hayek (1974) for their research on the interdependence of economic, social, and institutional phenomena
- Kenneth Arrow (1972) and James Buchanan (1986) for their research on economic and political decision making
- Amartya Sen (1998) for his contributions to normative economics and philosophy

- Robert Fogel and Douglass North (1993), Economic historians for their rigorous empirical research on economic and institutional change
- Ronald Coase (1991) for his research developing and advancing the subfield of law and economics
- Gary Becker (1992) for his research on the boundaries of economics and sociology
- Elinor Ostrom (2009), a political scientist, for her penetrating analysis of economic governance, in particular of common property resources.
- William Nordhaus (2018) for his research integrating climate change into long-run macroeconomic analysis.

Currently, the most notable example of interdisciplinarity is the robust subfield of behavioral economics which integrates key psychological insights into economics to focus on human decision-making in a broader context. The three key contributors to the development of behavioral economics are three Nobel laureates: William Simon (1979), Daniel Kahneman, a psychologist, (2002), and Richard Thaler (2017).

Behavioral economics combines economic modeling with insights from human psychology to try to understand why people often make less than optimal economic choices. Some key insights introduced into economic models include limited information, emotions, human biases, concerns about fairness, and so on. Behavioral economics insights are clearly relevant in key markets such as financial markets, labor markets, and many others. Most modern economic textbooks integrate behavior economics into mainstream economic theory.

Significant Challenges for UW – Green Bay’s Economics Program

The greatest challenge to the economics program is the existential threat caused by the drastic decrease in student enrollment for upper level economics courses since 2014 – 2015. This is coupled with a decrease in economics majors from 52 in 2014 -15 to 22 today. The decrease in the number of minors has been even more severe, dropping from 141 in 2014 – 15 to 13 today.

The reason for these drastic decreases for the economics program are clear. Since the early 1980s, little demand has arisen from the interdisciplinary programs on the Liberal Arts and Sciences side of the university or from the Education or Social Welfare Programs. Essentially, the only exception is the Public and Environmental Affairs Program that has required their majors to take one basic course in economics (ECON 203, Microeconomic Analysis) and the students with an emphasis in environmental policy and planning must take ECON 305 (Natural Resource Economic Policy). Consequently, the demand for economics courses, historically and overwhelmingly, came from the **Business Program requirement that all business majors complete a minor in some field.** Until a few years ago, business majors numbered some 400 to 500 per year. Given this requirement, a significant fraction, approximately 120 to 140 business students, chose economics as a minor, and a few students decided to double major in business and economics. The business program, however, decided to eliminate the above

requirement in 2014 – 2015 and the drastic decline began in both economics majors and minors.

In addition to the major cause noted above, the demand for economics majors and minors has also been harmed by major changes to the university's general education requirements about a decade ago. Previously, the general education program required all students to take at least 9 credits of social science courses but this was reduced to 6 credits in different fields. In the past this requirement led many students to choose one or both of ECON 202 and ECON 203, as well as introduced a very broad array of students to economics. Since only a few high schools required any economics, this exposure to economics in their early college careers led some students to decide to major or minor in economics. A related challenge to a viable, high-quality economics program is the major decrease in economics faculty that coincided with the drastic decline in economics majors and minors. Since around 2010, the economics program has experienced three faculty retirements and one, recently tenured faculty member, left to join her husband at another university, reducing the faculty from 5 to 2. About 8 years ago, the economics department was able to make an outstanding hire of a foreign national who was a truly excellent teacher and was also able to publish in high-quality economics journals. This person, however, had to leave the university since as a foreign national the U.S. Labor Department required a higher salary than the Dean was willing to pay.

The remaining economics faculty at UWGB for four years now have been John Stoll and Tom Nessler. We have been able to hold together the economics major, just barely, because both of us have experience teaching a wide array of courses and, fortunately, happen to complement each other very well. As upper-level courses are cancelled due to low enrollment, or not offered due to a need to service general educational and business program needs at the lower-level, the viability of the economics program is lessened. Program requirements have been streamlined, some course deactivated, and further changes are being considered. But, given the broad nature of the economics curriculum and the quantitative and data skill sets required for a quality program, the status quo is not a viable option, even in the short run.

Saving the Economics Program

Given the arguments above demonstrating that economics is a core discipline across American institutions of higher learning, and given the student success it engenders, letting the economics program simply disappear from a major branch of the University of Wisconsin would seem to harm significantly the academic quality and reputation of UW – Green Bay. What is to be done?

As indicated above, changes in university and program requirements a few years ago have led to a drastic decline in economics majors and minors. To reverse this decline and build a quality economic program for the future will require changes in where the economics faculty are placed in the structure of the university.

At present, the two economics faculty members are members of the Public and Environmental Affairs Program. There is, however, no compelling reason for this placement given recent changes in the structure of the university. The only realistic possibility to raise the demand for economics is for the two economic faculty lines to be moved to the Cofrin School of Business where the need for economics training is more strongly recognized. Recently, the business school has given indication that they will work with the economics faculty to increase the exposure of business students – numbering over 1,000 – to key economics courses. Clearly, courses such as Money and Banking, Managerial Economics, Environmental Economics, Contemporary Labor Economics, and International Economics (Trade and Finance) would be highly complementary and of considerable value to many business students.

Our longer-run goal – three to four years – is to increase the number of economics majors and/or double-majors in business and economics to between 100 and 200 students. This longer-run goal, of course, would require at least four tenure-track economics faculty in total. Concomitantly, our goal is to have a small, but vigorous, high-quality economics department housed within the business school.

Moreover, this longer-run goal seems realistic. For example, for many years the economics department at UW – Eau Claire has offered a B.B.A in Business Economics and has long had more than 120 business economics majors. This is a strong possibility for consideration within the Cofrin School. Of course, even though housed in the Cofrin School, the plan is to continue offering a B.S. degree in economics to those desiring a broader degree than one focussed upon business, for example, students desiring graduate study in business and public administration, environmental policy, or potential law students. Economics in recent decades has become perhaps the best undergraduate major for law school. One study indicated that law school graduates who had the highest paid careers were economics majors (Black, et. al., 2003).

Finally, it needs to be stressed that establishing an economics department within the business school is essential for hiring decisions. Given the quantitative and data skills now needed in the era of data science and artificial intelligence, it is essential to be able to pay salaries sufficiently high to attract and retain a quality faculty with these high-demand skills. Moreover, given that the economics faculty will remain small – four or five members – it is essential that great care be taken to build a body of faculty with complementary knowledge bases with respect to theory and major economic subfields, as well as quantitative skill sets. In addition, building a small but high-quality economics faculty will also enable the economics program to offer more experiential, real-world learning and applied research opportunities to our students.

References

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