THE RELEVANCE OF TEACHING ECONOMICS: THE EXPERIENCE OF POST-COMMUNIST BULGARIA

Zoya MLADENOVA

Abstract

The paper deals with the relevance of teaching economics in post-communist Bulgaria. The period of development of Bulgaria since 1990 is divided by the author into two sub periods. The author argues that during the first one – the transition from plan to market, the teaching of economics in Bulgaria lacked relevance, because the transition economy is different from the market economy. During the second period – the post transition, the problem about the relevance of university economics courses appears again, as a result of some shortcomings of modern economics. The criticism of economics and of teaching economics in the light of the last global crisis is revealed. A conclusion is made, that at present a process of reform of the economics curriculum has started worldwide and Bulgarian teachers need to be an active part of it.

The relevance of economics in the process of education should be one of its main characteristics and is reasonably considered very important. The essence of the idea refers to the understanding that the courses in economics, which the economists teach at universities, should give the students clear and reliable knowledge about the world, in which they live. The focus of this paper is on the issue of the relevance of economics courses at the university level of education from the point of view of a transition/post transition country, more particularly from the point of view of the experience in Bulgaria.

1. Teaching economics and the transition from plan to market

The transition to market economy started in Bulgaria at the beginning of the 1990s and it brought about a fundamental transformation not only in the economy and society, but also in the field of higher economic education. Part of the reform in high-

---

1 The article is based on a paper, presented by the author at the international conference “Teaching Economics in the 21st Century”, Berlin School of Economics and Law, November 26-28 2015, Berlin, Germany.

2 Department of General economic theory, University of Economics – Varna, Bulgaria. e-mail: zoya_mladenova@ue-varna.bg
er economic education and its orientation towards the requirements of the market economy was the introduction of the standard courses in economics (the theory of market economy) – Microeconomics and Macroeconomics. We, the teachers in economic theory in Bulgaria, began this reform from the year 1990, but within few years we started to realize that the standard courses in economics do not give an idea to our students about the world, in which they live, because the transition economy is different from the market economy. The solution to the problem was to introduce a parallel course in Economics of Transition.

Both tasks – developing and introducing courses in economics and a course in Economics of Transition, turned out to be not so easy. First, if we talk about the new courses in economics (new to the education system existing in Bulgaria), although worldwide there exist plenty of textbooks in economics (Microeconomics, Macroeconomics), to introduce the new lecture courses was pretty difficult because of some circumstances, which must not be disregarded. The transition to market economy in Bulgaria started very unexpectedly, which is popularly admitted by the researcher of the process (Nenovsky, 2011, p. 2), and the teachers in economic theory were completely unprepared for what followed. They lacked corresponding education – no one had university education in economics. The new courses in economics were based on a different methodology and way of thinking, compared to the Marxist Political economy, which was taught previously. Finally, only very few of the university lecturers knew English and had access to the available textbooks in economics. As a result, the introduction of the new economics courses (a process, which in Bulgaria became known as “the change of the paradigm in higher economic education”) took quite a lot of time and more or less occupied the whole first decade after the beginning of the transition.

The efforts of the majority of university teachers in Bulgaria to introduce the standard courses in economics until the end of the XX Century influenced considerably the introduction of a parallel course in the Economics of Transition. The problem was not discussed; most of the teachers did not even realize the necessity to teach Economics of Transition. Or did not have the capacity to do so, engaged with self-education in economics and with the teaching of economics. It must be admitted, however, that the preparation of a university course in Economics of Transition during the 1990s was an extremely challenging and difficult task. On the one hand, the theory of the transition from plan to market was under way of developing, because the transition is a unique process, which has no precedent in history. So, while the analysis of the process was still under way, it was necessary to teach the issue to the students. There were no textbooks available, at least during the first years of the trans-
formation process. It turned out also, that the course in Economics of Transition should be organized in a different way, compared to the courses in economics. The reason is, that while the theory of market economy (economics) is focused over the central idea about the market, the transition is a process, not a state of affairs, and as such the key transformation is the reform of property rights (the transformation of public property into private, or privatization), which should be the focus of a course in Economics of Transition. This in turn puts forward the problem about the methodology, on which a university course in Economics of Transition should be based.¹ All these circumstances together are responsible for the result that from more than 30 institutions of higher economic education in Bulgaria only in 4 of them courses in Economics of Transition have been introduced. These are Varna University of Economics, The University of National and World Economy in Sofia, The Business Faculty of the University of Sofia “St. Kliment Ohridsky” and the American University in Bulgaria in Blagoevgrad. In each of the Departments of Economics of the above mentioned universities only one teacher was engaged with the teaching of Economics of Transition.²

It can be concluded, that during the transition the students at universities in Bulgaria universally received theoretical knowledge, which at best gave them knowledge about their future (the market economy) but not about their present. The teaching of Economics of Transition was greatly underestimated, knowledge about the transformation from plan to market was rarely transferred to the students, which can be considered quite misfortunate, since the Transition is our near past, which continues to influence many processes which we witness today.

In 2007 Bulgaria became a full member of the European Union. This historical event was accepted in many circles in the country – political, business etc. and in the social sciences as well as the end of the Transition. The lecture courses in Economics of Transition were abandoned. What students listen to at universities in Bulgaria nowadays are only the standard courses in economics. The idea that the Transition is over with the full membership in the EU is however questioned by some economists, not only in Bulgaria, but also in other ex-communist countries.³ It is questioned also by some highly respected international institutions, for example the EBRD. The Bank continues to publish every year Transition Report; the Transition Report 2013 was obviously with a reason entitled “Stuck in Transition?” (EBRD, Transition Report 2013). The European Commission continues to exercise monitoring over some key areas and their development in Bulgaria the same way as it was before 2007, which is by far not accidental. The present Bulgarian economy continues to be specific (from
the point of view of the characteristics of market economy) which again puts forward
the problem about the relevance of what we teach.

Of course, it is out of question that the national economy is acquiring more and
more the features of a market economy. Even if we don’t go into the discussion prob-
lem about whether the Transition is over or not, it is no doubt that during the years
after 1990 a considerable progress has been achieved in the transformation from plan
to market. Gradually the Bulgarian economy is becoming a true market economy,
which today shifts the focus of interest in Bulgaria towards the theory of market
economy or economics and its relevance to contemporary reality.

The teaching of economics, however, came recently under a very serious attack
and a pressure for reform.

2. Current criticism towards the teaching of economics

The last global financial and economic crisis 2008-2009 had a very serious im-
 pact on economics and on the teaching of economics. Economics was subjected to a
severe criticism on the ground that it failed to predict the crisis. Not only that the
crisis turned out to be a devastating one, but it came as a surprise to society and to the
community of the economists. In a meeting with the staff of the London School of
Economics (LSE) on November 5 2008, the Queen of England expressed the discon-
tent of society towards economic science by asking the question: “Why no one saw it
coming?” This question was repeated by journalists, politicians, practitioners and
spurred a wave of criticism towards modern economics.

The economists also turned to this question and tried to find a satisfactory expla-
nation why economics failed to warn society about the upcoming economic disaster.

One of the first to answer the question of the Queen of England was Nobel lau-
reate P. Krugman (Krugman, 2009). In an article, published in The New York Times,
he wrote: “Few economists saw our current crisis coming, but this predictive failure
was the least of the field’s problems. More important was the profession’s blindness
to the very possibility of catastrophic failures in a market economy.” According to
Krugman, the main reason for the failure of economics to predict the crisis is the state
of modern economics, characterized by the excessive use of mathematics, dominance
of formal models, as a result of which economics has lost its connection with reality.
Krugman puts it in the following way: “....the economics profession went astray
because economists, as a group, mistook beauty, clad in impressive-looking mathe-
ematics, for truth. …economists fell back in love with the old, idealized vision of an
economy in which rational individuals interact in perfect markets, this time gussied
up with fancy equations.”
The same point of view was shared by other influential economists. In his famous book “Capital in the 21st Century” T. Piketty (2014, p. 32) writes down: “To put it bluntly, the discipline of economics has yet to get over its child-like passion for mathematics and for purely theoretical and highly ideological speculation, at the expense of historical research and collaboration with the other social sciences.”.

According to D. Colander and a group of economists from France, Germany and Denmark, economics overlooked the crisis because it disregarded key economic factors, which might lead to a credit crunch and a severe recession. The reason is that the dominant theoretical models are too abstract and simplified, they “fail to account for the actual evolution of the real-world economy” (Colander et al, 2009, p. 2).

A group of ten leading British economists in a letter to the Queen of England, in which they try to provide an answer to the question of the Queen, argue that modern economics has become largely transformed into a branch of applied mathematics, with little contact with the real world. According to the authors, the preference for mathematical technique over real-world substance has diverted many economists from the analysis of the real-world market economy. They, however, identify a deeper reason for the failure of economics: this is the education in economics. The ten economists uphold that the narrow training of economists – which concentrates on mathematical techniques and the building of empirically uncontrolled formal models – has been the major reason for the failure of the economics profession to give adequate warning about the economic crisis. The signatories point out: “Models and techniques are important. But given the complexity of global economy, what is needed is a broader range of models and techniques governed by a far greater respect for substance, and much more attention to historical, institutional, psychological and other highly relevant factors.”. The ten professors call for a broader training of economists, involving allied disciplines such as psychology and economic history, as well as mathematics.

Thus the criticism of economics, caused by its failure to predict the global crisis, was partly directed towards the teaching of economics.

The vision, that university education in economics needs to be reconsidered in the light of the last economic crisis, is supported by many economists (Shiller 2010; Passaris 2011; Reardon 2012). Immediately after the crisis the issue started to be discussed on the pages of The New York Times, Financial Time and Guardian, conferences have been organized by leading universities (LSE, conference “What Kind of Economics Should We Teach”, Jan. 20 2010) and by scientific organizations (World Economics Association, conference “The Economics Curriculum: Towards a
Radical Reformation”, March 2013) etc. So far as to the directions, in which university education in economics must be reformed, this problem is highly debated.

One of the aspects of the reform, upon which however there is a broad consensus, is that the teaching of economics must be brought closer to reality. The criticism towards economics as a scientific discipline (turned into a branch of applied mathematics) has its reflections in the discussion about the teaching of economics. Many university professors share the opinion that modern economics does not give the students a satisfactory knowledge about how the market economy really works. This means that the teaching of economics is recognized to be, at least partly, irrelevant to contemporary economic realities and needs to be improved.

Many suggestions have been launched how to bring the world back into the classroom. One of the ideas is to pay greater attention to economic history in the teaching of economics. P. Ormerod (2013, p. 3) is right, pointing out that “One of the problems with macro, indeed with almost all mainstream theory, is that it is essentially timeless. I use the word “timeless” here to mean that the theory is taught without reference to historical events. In this sense, it operates out of time. It is this which needs to be changed.” The idea is not to transform economic theory into economic history, but to use key events in economic history to illustrate theory. This approach has the advantage of emphasizing to students that theory needs to be able to explain empirical reality, it is not an abstract intellectual exercise.

The process of improving the economics curriculum requires acknowledging the academic value of inter-disciplinarity. The real-world economy is embedded in society. As a result, the economic system is closely connected with the political system, the legal system and with all social interactions. Teaching of economics, adequate to realities, requires these social connections and interactions to be considered in the subject of economics. “The contemporary requirement for inter-disciplinarity is a response to societal pressures in defining the new parameters for academic mutation and intellectual discourse. Inter-disciplinarity provides contemporary relevance and a pragmatic approach. There is no denying that civil society has become more complex and multifaceted and it is not possible to understand it from within the boundaries of one discipline.” (Passaris, 2013, p. 7).

The real-world market economy is evolving. It changes all the time, new phenomena constantly appear. The theoretical models however do not change, at least the fundamental ones. The teaching of economics, at least on undergraduate level, is static. In this way the evolution of market economy is left outside the teaching of economics. As a result of this approach some very important new economic processes and phenomena can be disregarded and the students may remain ignorant about them.
For example, the economy and economic policy have changed profoundly during and after the crisis of 2008-2009, but very little of these changes are reflected in the economics textbooks (Madsen, 2013).

Reconsideration is also needed in respect to the tools of analysis, applied in the pedagogy of economics. Some economists underline that mathematical techniques gain meaning from solving actual empirical problems, not as an end-aim by itself, and should be taught in that context. In order to increase the relevance of teaching economics students need to be taught inductive and empirical methods as well. This does not mean more of the statistical analysis of large data sets taught at university econometrics courses, but rather thinking about what evidence is needed to answer a specific question, and working out how to assemble it and collect data.

In April 2012 a conference was organized in the UK, sponsored by the Bank of England, with the objective to discuss the teaching of economics since the last financial and economic crisis. The conference reached some shared conclusions about the way young economists should be trained (Coyle, 2013). There was broad agreement that students need:

- Greater awareness of economic history and current real-world context;
- Better practical data-handling skills;
- Greater ability to communicate economics to non-specialists;
- More understanding of the limitations of modeling;
- A combination of deductive and inductive reasoning (Coyle, p. 20).

On the basis of the above analysis a conclusion can be made, that in the developed and developing countries with long traditions in the teaching of economics, at present a process of reconsideration of the university education is taking place. There is a wide recognition that in the teaching of economics a better balance is needed. In particular, the emphasis is on the mutual dependence of theoretical categories and empirical evidence. The relevance of the economics courses needs to be increased, especially in respect to the realities of the economy of the XXI century.

3. Teaching economics in the XXI century:
   the sustainable development issue

The relevance of economics should not be understood narrowly as only how it corresponds to the processes and phenomena of contemporary economic reality, but also how it reflects the problems which society is facing today.

From such point of view, the aim of this part of the article is to provide an illustration which justifies the criticism towards the teaching of economics, exposed
above. A small research is made for the purpose, using the example of the sustainable development issue.

The idea about sustainable development was launched first in 1987, in the famous report of the Commission Brundtland, but it received a serious support later, by the Global forum on sustainable development in Rio de Janeiro (Brazil) in 1992. Since then enormous efforts have been put forward by the United Nations to change the trajectory of development and to lead society on the path of sustainable development. Today the concept of sustainable development is an official and universally recognized concept for the present and future of modern civilization. At the same time the progress in changing the model (paradigm) of development and achieving sustainable development is pretty modest and until now quite disappointing. According to the prevailing estimates, the social and ecological parameters of development continue to deteriorate. Contemporary development continues to be unsustainable (Worldwatch Institute, State of the World 2014), which calls for urgent and decisive measures in order to change the model of development and provide a future for the next generations. Because of this it is reasonable to ask the question how economics, as part of social sciences, is reacting to this situation and the urgent necessities of social development. Is the issue of sustainable development part of the economics curriculum? Do the university courses in economics give the students knowledge about this vital problem of contemporary development?

If we turn our attention to the teaching of economics, the first place where we would expect to come across the idea about sustainable development is in the textbooks in Macroeconomics, more particularly in the definition of the goals of macroeconomic policy.\(^6\) It is well known that the concept about sustainable development is a new paradigm of development, which will not come into being as a result of the automatic play of the objective forces (mechanisms) in the economy and society. Sustainable development is something entirely different – it is a result and realization of a particular vision of mankind as to the world in which we all wish to live.\(^7\) The concept of sustainable development thus needs conscious and purposeful efforts. It will come true as a result of policies – policies and the activity of the institutions. From such point of view, if we expect to find the issue of sustainable development in modern economics courses, the first place to look at is the definition of the goals of macroeconomic policy.

In order to find out how the goals of macroeconomic policy are defined today, I did a research within the following most popular and widely used textbooks in Macroeconomics (Economics):
The result of the search is the following: sustainable development is not present among the goals of macroeconomic policy. The goals of macroeconomic policy continue to be defined in the textbooks in a traditional way: focused on economic growth, high employment (low unemployment respectively), price stability and balances in international relations.

An objection can be raised here that we cannot make judgments in respect to the relevance of economics to the fundamental problem of contemporary development – that of sustainable development, only on the basis of the textbooks, because the textbooks normally lag behind scientific development. A well known fact is that the new ideas normally develop first as new scientific ideas, and only afterwards and with a delay they are transferred from the field of science to the field of education. As such, the next question to ask is: does economics (the neoclassical theory) deal with sustainable development in scientific research?

In order to provide an answer to this question, I did a second research. I looked into the published papers (the contents) of five of the leading journals in economics for the last ten years: from 2006 till 2015. The list of these journals is presented below.

1. Quarterly Journal of Economics
2. Journal of Political Economy
3. Econometrica
4. American Economic Review

The investigation allows the following conclusion to be made: the scientific problem “sustainable development” is missing from the list of articles published in the above mentioned journals during the period under consideration. However, there are available publications which refer to some aspects of sustainable development, such as climate change, pollution, ecological policy, but it should be pointed out immediately that these publications are very little in number or they are a rare phe-
nomenon on the pages of the enumerated journals. A conclusion can therefore be made: the sustainable development does not rank among the priority research problems within the neoclassical paradigm, it is far from that. On the contrary – if it exists as a scientific problem in this theoretical stream, it is left somewhere at the periphery of research interest, or if I allow myself to be more direct, the issue is not perceived by the neoclassical economists.

The way the situation was described above does not allow us to make an inference that the issue of sustainable development is missing from the teaching of economics, because the process of education is normally delayed compared to scientific research. The opposite is true – sustainable development is missing from the science “economics” and as a result of this it is missing from the teaching of economics. Modern economics (as a scientific subject and as a university subject) is completely disregarding the most important and crucial problem of contemporary development – that of sustainable development. And as the situation is, we cannot expect that the issue will appear in the textbooks, at least not in the near future.

The question why sustainable development is missing from the research agenda of economics is a very serious and at the same time a very important one, which refers to fundamental theoretical and methodological problems. A brief answer to this question can be restricted, according to the author, to the following two explanations:

First, as it was pointed out above, the concept about sustainable development was launched first in 1987. Almost 30 years have passed since that moment, but there continue to be some ambiguities around the concept, which itself continues to develop. A very important step in this direction was the decisions of the Global Forum of the UN for sustainable development in Rio de Janeiro in 2012. It was then decided to unite the Millennium development goals for the period 2015-2030 with the Goals of sustainable development (UN Conference on Sustainable development, 2012), an objective which is already fulfilled. Even though the concept about sustainable development continues to develop, it is obvious that the analysis of this concept requires the united efforts of all social sciences, or that it requires an interdisciplinary approach. For now, however, there are no signs that economics has started or will start to develop in this direction.

Second, the neoclassical theory has always developed as a positive science, whose purpose is to study the objective trends and mechanisms in economic life. Within its boundaries economics does not have a theory of development, which allows an active role for people – so very much active as to allow a change in the trajectory of development (which sustainable development presumes).
The consequences of the fact that sustainable development is missing from the teaching of Economics should be taken seriously. As was pointed above, sustainable development requires a change in the individual and public consciousness, requires a new way of thinking and a new valuation system, for the establishment of which the education system is very important. Realizing this, in 2005 the United Nations initiated a Decade of education for sustainable development 2005-2014 (UN, UN Decade of Education for Sustainable Development, 2005). Education was identified as “the engine of change”. During the World Forum on sustainable development in Rio de Janeiro in 2012, a new initiative of the UN started, named “Sustainability in higher education”, which calls for actions on behalf of universities in order to assist and foster the transition to sustainable development. Economics courses are taught in thousands of universities all over the world, which means that economics influences the mind and way of thinking of many people. The fact that economics completely disregards the problem “sustainable development” means that for now the discipline stays aside the most urgent and compelling problems of contemporary development. Economics cannot be qualified as a discipline or a branch of science, which contributes for the change, which today is needed so much in order to carry out the transition to a sustainable model of development. The social function and role of modern economics is as a result seriously undermined.

Conclusion

The analysis above reveals that the teaching of economics in Bulgaria during the transition from plan to market lacked relevance, because the realities of the transition economy are different from the realities of market economy. In the post transition period the problem about the relevance of the university courses in economics appears again, because modern economics does not correspond very well to the processes and problems of the XXI century. University professors from all over the world are engaged at present with the reform of the economics curriculum. The teachers in economics in Bulgaria must be well informed about this process and be included actively in the improvement of the academic courses.

End Notes

1 It was not until the end of the first decade after the beginning of the transition, when the first results of the change of the economic system from plan to market were reported, that there came the understanding that the main shortcomings of the transition so far come from the underestimation of the role of institutions and institutional transformation. (See for example UN, ECE, Economic
Survey of Europe, 2003, № 1; WB, Transition. The First Ten Years. Analysis and Lessons for Eastern Europe and the Former Soviet Union, 2002). This put forward the problem about the applicability (limitations) of the neoclassical methodology to the analysis of the Transition (economic reforms in the majority of transition economies were based on this theory and methodology), about the role of institutional analysis etc.

At the Varna University of Economics it was the author of this paper. I first presented the course Economics of Transition to American students – in 1995/1996 I taught this course at the University of Texas in Austin, USA, where I was a visiting professor under the Fulbright program for academic exchange. When I returned to Bulgaria, I offered the course to the Bulgarian students as well.

G. Kolodko in Poland (Kolodko, 2010), L. Csaba in Hungary (Csaba, 2009), Z. Mladenova in Bulgaria (Mladenova, 2012) and others.

Among them are G. Hodgson, S. Dow, P. Earl, J. Foster, G. Harcourt etc.

A problem which is traditionally present in many Macroeconomics textbooks. In some textbooks the goals are defined as “priorities” of macroeconomic policy.

The title of the outcome document of the last Global forum on sustainable development in Rio de Janeiro in 2012 is indicative in this respect: it is “The Future We Want”.

A more detailed information in respect to articles, which deal with some specific aspect of sustainable development (climate change, pollution, ecological policy) reveals the following picture: for the last ten years there is not a single article with such title in Quarterly Journal of Economics and Review of Economic Studies. There is only one article of such character in Econometrica and two articles in Journal of Political Economy. In The American Economic Review after 2010 one can find few papers on the subject.

The 70th Session of the General Assembly of the United Nations which took place at the end of September 2015, approved the new development agenda for the period 2015-2030. It is available in the document “Transforming Our World: the 2030 Agenda for Sustainable Development”, in which 17 integrated objectives of sustainable development have been defined.

I join that group of scientists, who are persuaded that the concept of sustainable development requires in the first place seriously reconsidering the relationship between mankind and nature. It requires rethinking of the role of human civilization in the surrounding world. Sustainable development presumes new concept about development and new criteria for the valuation of progress. To integrate
successfully the economic, social and ecological goals of development requires also a new way of thinking and fundamental transformation of individual and public consciousness. In order to face all these problems, interdisciplinary approach is necessary.

References

7. Letter to the Queen – http://www.journaldumanss.net/?Her-Majesty-the-Queen