

# Teaching Economic Policy Institutions

## RESEARCH REPORT

**Craig Berry**

*with Adam Barber, Christine Berry and Sabaa Jahangir*

**MANCHESTER CENTRE FOR ECONOMIC POLICY**

**Manchester Metropolitan University**

**May 2021**

## About Manchester Centre for Economic Policy

The Manchester Centre for Economic Policy is part of Future Economies, a university centre for research and knowledge exchange based at Manchester Metropolitan University. The centre brings together academics from a wide range of disciplinary backgrounds, alongside policy and business practitioners, to conduct research into local, national and global economic challenges, ranging from Brexit, financial crisis, devolution and local industrial strategies to mega-sporting events and trade governance. Future Economies has a particular expertise in political economy, economic policy and applied economics, and also encompasses Future Economies Analytics, the Centre for Policy Modelling and the Sports Policy Unit.

This project has been funded by the **Friends Provident Foundation**, an independent charity that makes grants and uses its endowment towards a fair and sustainable economic system that serves society. The Foundation connects, funds, invests and shares learning to shape an economy that works for all. The summits held as part of the project were undertaken in collaboration with **Rethinking Economics**, an international network of students, academics and professionals building a better economics in society and the classroom.

*All views expressed in this report are those of the authors, and are not necessarily shared by Future Economies, Manchester Metropolitan University, Rethinking Economics or the Friends Provident Foundation.*

## About the authors



Dr Craig Berry (project leader and main author) is Reader in Political Economy and Director of Manchester Centre for Economic Policy (part of Future Economies), Manchester Metropolitan University. He worked previously as Deputy Director of Sheffield Political Economy Research Institute, University of Sheffield, and has also worked at HM Treasury, the TUC and the International Longevity Centre. In 2017, he served as a member of the Industrial Strategy Commission. His books include *Pensions Imperilled* (2021), *The Political Economy of Industrial Strategy in the UK* (2021), *Developing England's North* (2018), *Austerity Politics and UK Economic Policy* (2016) and *Globalisation and Ideology in Britain* (2011), and he has published in a wide range of leading political economy and public policy journals.



Dr Adam Barber is a Senior Research Associate at Manchester Metropolitan University, and the author of *UK Banks and the Lessons of the Great Financial Crisis* (2021). Adam served as qualitative research assistant on this project.



Christine Berry is a freelance researcher and writer, and a trustee of Rethinking Economics. She is a Senior Fellow of the Finance Lab and Fellow of the Next System Project, and formerly Principal Director for Policy and Government at the New Economics Foundation. Christine's books include *People Get Ready!* (2019). Christine hosted and helped to organise the stakeholder summits.



Sabaa Jahangir is a Research Assistant at Manchester Metropolitan University. Sabaa served as quantitative research assistant on this project.

## Table of Contents

1. Introduction	5
2. Research design and methods	6
3. Main themes	7
3.1 A lack of coverage	7
3.2 The two tribes of economics	10
3.3 A lack of demand	11
3.4 A lack of expertise	13
3.5 Opportunity lost	15
4. Stakeholder summits	16
4.1 Summit on the Bank of England	16
4.2 Summit on the Treasury	18
4.3 Summit on student experience	20
5. Conclusion and next steps	22

# 1. Introduction

Economic policy seeks to alter and shape economic processes. We therefore need to understand the actors and institutions which determine policy frameworks and interventions (and indeed decisions not to intervene) in order to understand the economy. This is not a controversial statement; but it is, it seems, a challenging one for many in the academic discipline of economics, where economic policy institutions remain marginal to pedagogy.

This does not mean that the *functions* of economic policy institutions such as the Treasury (or finance/economy departments more generally) and the Bank of England (or central banks more generally) are not covered in a typical undergraduate degree in economics. However, the project starts from the premise that the *history, organisation, personnel, power, relationships and ideological agendas* of these institutions are not.

Furthermore, this is not a problem only for economics. Political science is invariably more likely to cover the role, organisation and objectives of policy-making institutions in more depth, since these are inherently political organisations in the UK. However, there are important questions around the discipline's pedagogy around *economic* policy institutions in particular, especially at undergraduate level. With these institutions marginalised, economics students cannot fully appreciate how the economy actually functions, and political science students overlook important relationships between political and economic power.

This is especially problematic given the last decade-and-a-half in the UK. This period has been characterised by extraordinary interventions by policy-makers to rescue (and partially reform) the finance sector, stimulate (and arguably 'rebalance') a stuttering economy, and respond to the profound threat of the COVID-19 pandemic to the UK's consumption-led economic model. In addition, policy-makers will increasingly be called upon to address economic disruptions caused by withdrawal from the European Union, and the looming climate crisis.

The project reported here has investigated pedagogical practice across the two disciplines in order to document and better understand the apparent marginalisation of economic policy institutions in undergraduate teaching. Ultimately, the project, which has been funded by the Friends Provident Foundation, aims the change current practice, rather than simply evaluate it, through the production of new teaching resources on economic policy institutions.

To this end, two online summits were held with academic experts, current and former policy officials, and other relevant stakeholders in order to discuss the content of new teaching resources. A third summit was held with current and recent undergraduate students; discussions at all three summits are summarised in this report. Given the relatively limited scale of this project, the new resources will focus only on the Treasury and the Bank of England – and so pedagogical practice on these bodies in particular shaped both the research and the stakeholder summits.

## 2. Research design and methods

The research phase of this project sought to answer two main questions:

- What are UK undergraduate students in economics and political science taught about economic policy institutions? Alongside this, we also considered, as far as possible, how much students are taught about economic policy institutions, and whether relevant content is core to degrees or part of optional modules.
- Why has the role, power and purpose of economic policy institutions been neglected in these disciplines?

The research consisted of three main methods. We began with a sample of forty British universities (which essentially included most of the country's largest universities, offering both economics and political science undergraduate degrees). The sample included roughly equal numbers of universities from the self-styled Russell Group of 'elite' institutions, the newer 'post-92' institutions, and 'mid-ranking' institutions in neither of these categories. The sample also included a spread of institutions from different regions and devolved nations roughly proportionate to population size (note that Northern Ireland was not included in the research, and that London and the wider South-East were treated as separate institutions).

We narrowed our empirical focus to pedagogical practice related to macroeconomics (in economics) and British politics (in political science), on the basis that these subject areas are those most likely to include material on the Treasury or the Bank of England, and related policy functions. In some cases, staff involved in teaching public policy or public policy economics (and related areas, in economics), and public policy or political economy (and related areas, in political science) were asked to participate in interviews or surveys (see below), where the staff mainly responsible for macroeconomics or British politics modules were unable or unwilling to participate.

Firstly, fifteen of the sampled institutions (selected in line with the sampling criteria on institutional status and geography) were chosen for documentary analysis, that is, preliminary analysis of the content of economics and political science degrees based on information available on the institution's website.

Secondly, ten of these institutions (again, selected in line with the sampling criteria on institutional status and geography) were chosen for interviews with academic teaching staff. (It was not possible to interview a relevant member of the teaching staff in either economics or political science at one institution included in the initial group of ten – a similar university from the larger sample was therefore included in the interview group, but not the documentary analysis group. Individual members of staff were approached for interview based on information about their teaching responsibilities included on personal web profiles.

In total, eighteen interviews were conducted as part of this research: nine each from economics and political science. Interviews were conducted on a semi-structured and anonymous basis. The response rate to interview requests was around 35 per cent (excluding the institution removed from the initial interview sample). Researchers made notes throughout the interview, but conversations were not recorded, principally because the researchers (Craig Berry and

Adam Barber) are also academics involved in teaching across economics and/or political science in a British university (and may have been perceived as representing ‘rival’ institutions). The interview notes were then subject to thematic analysis.

Thirdly, relevant teaching staff from the entire sample of institutions were approached to participate in an online survey, in order to collect quantitative data. Again, individual members of staff were approached for survey participation based on information about their teaching responsibilities included on personal web profiles. Survey design was informed by themes arising from the interviews (individuals who participated in an interview were excluded from the survey). Unfortunately, the response rate was significantly lower – around 12% – meaning that only 36 responses were received: 21 from economics, and 15 from political science. Roughly equal numbers of responses were received from individuals within the three institutional status categories; with the exception of discipline and institutional status, no other personal or identifying information was collected.

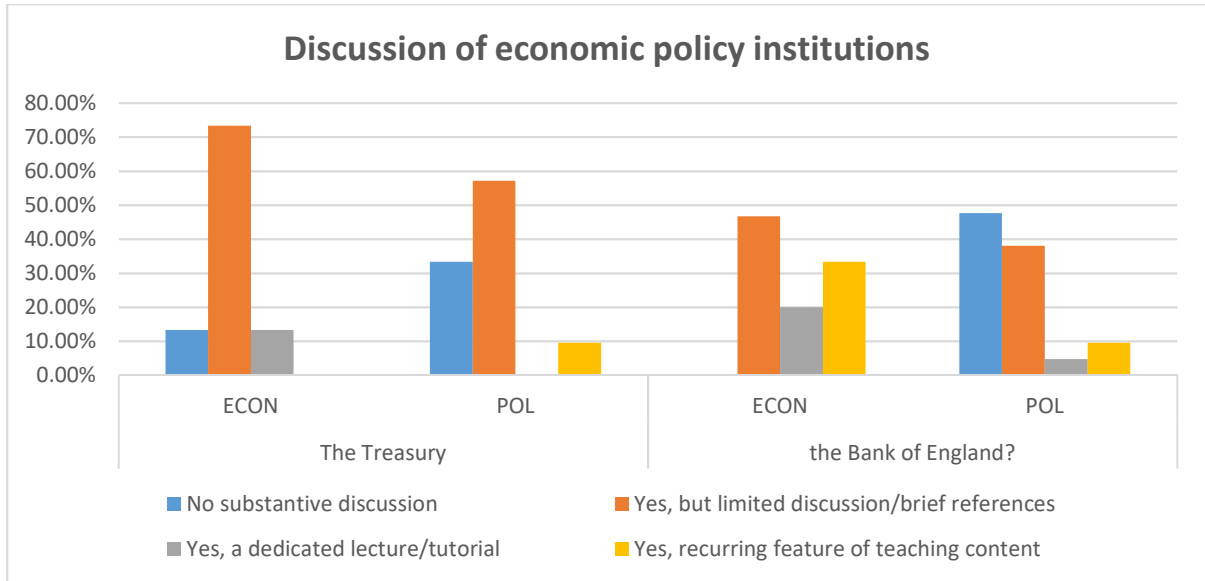
The low response rate allowed researchers (Craig Berry and Sabaa Jahangir) to produce only descriptive statistics. However, the survey also included a small number of open questions, tailored to the discipline of the respondent. Answers to these questions was assessed alongside the qualitative interview data, and subject to thematic analysis.

### **3. Main themes**

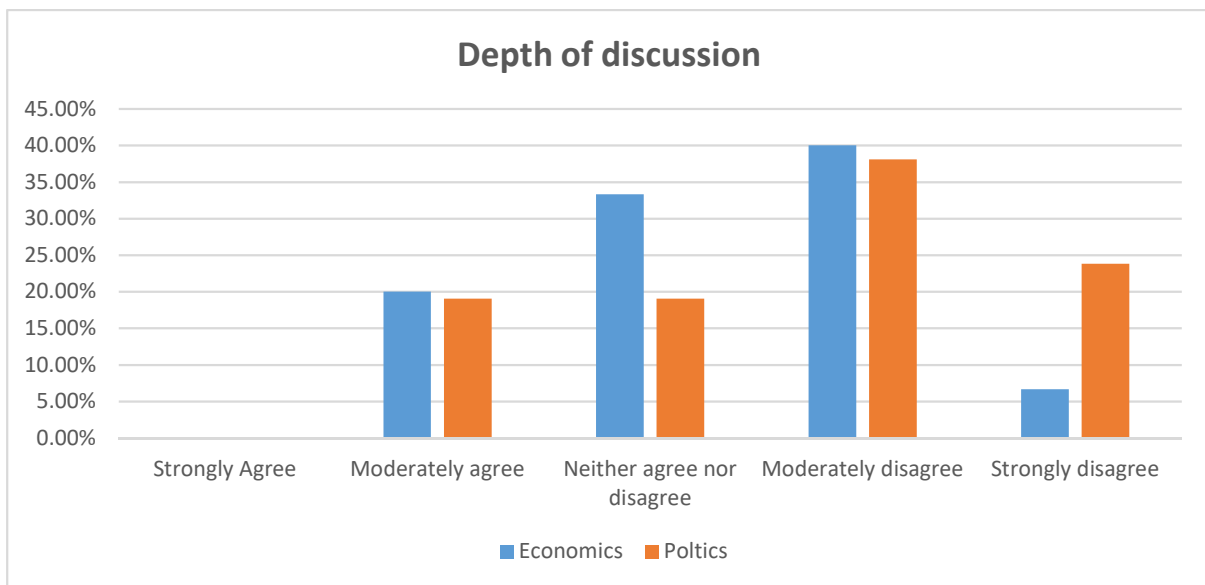
#### *3.1 A lack of coverage*

The most basic – and perhaps most important – finding of the research is that economic policy institutions are not covered in depth by undergraduate degrees in economics and political science in UK universities. The research design was not explicitly comparative, but it is possible to identify differences between degrees across the two disciplines where relevant. In this regard, economics is significantly more likely to include discussion of economic policy institutions than political science.

There are, however, a number of caveats to this secondary finding. Firstly, it should be assumed to undermine the primary finding: according to teaching staff across both disciplines, neither covers the history, organisation, personnel, power, relationships and ideological agendas of economic policy institutions in depth. The charts below offers survey data which underpins the dual finding. Second, while economics is more likely than political science to include discussion of economic policy institutions at undergraduate level, this applies only to macroeconomics (the main focus of the research on economics), rather than public choice and related subjects. Interestingly, within political science, British politics modules (the main focus of the research on political science) are less likely than political economy modules to include discussion of economic policy institutions (this does not, however, encompass UK policy institutions – as discussed further below).



**Figure 1: Collated responses by discipline to the survey questions: Does your teaching include substantive discussion of the Treasury / the Bank of England?**



**Figure 1: Collated responses by discipline to the survey question: Thinking about your discipline as a whole, to what extent to you agree with this statement: economic policy institutions are covered in sufficient depth within a typical undergraduate degree**

Third, within the discussion of economic policy institutions within economics degrees, the Bank of England (and central banks more generally) are heavily favoured over the Treasury (or finance departments more generally). While political science degrees are less likely to include discussion of economic policy institutions, where they do, they are more likely to focus on the Treasury, and indeed to cover the power, relationships and ideological agenda of the department in a critical sense.



Fourth, despite being less likely to include discussion of economic policy institutions, political science teaching staff are significantly more likely to perceive the marginalisation of economic policy institutions within undergraduate degrees as a problem. One interviewee described the issue as ‘the elephant in the room’, that is, something which the discipline knows it must address, but has been unable to do so.

Interestingly, while economists are more likely to report including discussion of economic policy institutions in undergraduate teaching content, interview conversations suggested that this was often understood simply as economic policy, as devised within institutional settings, rather than as discussion of the institutions themselves as a factor in shaping policy outcomes, and ultimately therefore economic life. This would suggest that many economists do not recognise that institutions perform such a role in a substantive sense, and as such implicitly reject the premise upon which this research is based. Interestingly, this is precisely what some of the ‘pluralist’ economists who participated in this research argued about their ‘mainstream’ disciplinary colleagues – as discussed further below.

Accordingly, the tables below show that only a small minority of respondents from the economics discipline include substantive discussion of the history or political power of the Treasury in their modules – and none reported including substantive discussion of the institution’s internal processes and/or personnel, or potential reform. The equivalent results for the Bank of England are slightly different, with some discussion or a significant amount of discussion of the topics listed below more likely – yet still none reported including substantive discussion of the institution’s internal processes or personnel. For political science, this pattern is reversed, with the history, power and internal processes and/or personnel of the Treasury more likely to receive attention than the Bank of England – with economists actually more likely to include discussion of the political power of the Bank (as they understand this concept, of course) than political scientists.

Discussion of specific topics (the Treasury)								
	The history of the institution		The political power of the institution		The institution's internal processes and/or personnel		Potential reform of the institution	
	ECON	POL	ECON	POL	ECON	POL	ECON	POL
No substantive discussion	67%	57%	47%	29%	87%	67%	80%	76%
Yes, but only to a limited extent	7%	14%	27%	19%	7%	14%	13%	0%
Yes, to some extent	13%	19%	20%	24%	7%	10%	7%	10%
Yes, to a significant extent	13%	10%	7%	29%	0%	10%	0%	14%

**Table 1: Collated responses by discipline to the survey question: In relation to the Treasury or equivalent institutions in other countries, does your teaching content include discussion of...**

Discussion of specific topics (the Bank of England)								
	The history of the institution		The political power of the institution		The institution's internal processes and/or personnel		Potential reform of the institution	
	ECON	POL	ECON	POL	ECON	POL	ECON	POL
No substantive discussion	33%	62%	20%	48%	67%	71%	47%	71%
Yes, but only to a limited extent	33%	10%	40%	14%	20%	5%	20%	5%
Yes, to some extent	27%	19%	20%	14%	13%	19%	27%	19%
Yes, to a significant extent	7%	10%	20%	24%	0%	5%	7%	5%

**Table 2: Collated responses by discipline to the survey question: In relation to the Bank of England or equivalent institutions in other countries, does your teaching content include discussion of...**

The question of *why* both economics and political science marginalises discussion of economic policy institutions will be discussed in more depth below. It is worth noting here, however, that one of the main explanations for this marginalisation offered by economists was the limited time and space available within the undergraduate degree curriculum. In short, other material matters more. One interviewee argued, for instance, that students could not be ‘overloaded’ with non-essential content, and a survey respondent remarked that while institutions ‘are a contributing factor’, policy outcomes ‘are affected by a large number of factors of which the detailed approaches and strategies of institutions are just one’. Many interviewees referred to the ‘trade-off’ between abstract and conceptual content on macroeconomic management – which had to be the core focus – and practical examples of policy in particular context, which may be useful in illustrating abstract and conceptual material. Many also referred to optional modules on economic history or economic philosophy where real-world policy choices could be discussed in more depth. A survey respondent remarked that ‘undergraduate teaching already struggles just to include the various models expected by academics, real world things like institutions and power don't get much of a look in’.

### 3.2 The two tribes of economics

The divide within economics on the nature and scope of the discipline has been well documented. Given that insufficient focus on ‘the real world’ is one of the main criticisms levelled at ‘mainstream’ economic, this research – in investigating the place of actually-existing economic policy institutions in undergraduate teaching – captured some of this debate between mainstream and ‘pluralist’ scholars.

Interviewees identifying with a mainstream or orthodox perspective on economics – which we can associate, at least implicitly, with neoclassical theory – upheld a specific and coherent account of the purpose of teaching in macroeconomics. Their role as educators is to provide

undergraduate students with the skillset necessary to identify and devise optimal economic policies. Many acknowledged some value in contrast optimal policies with real-world practice, but not at the expense of allowing for the accumulation of generalised knowledge that could be applied to any economic context.

Most interviewees acknowledged that it was useful to discuss the deviations from optimal outcomes for the economy (one interviewee gave the example of inequality), but the priority was developing the skills necessary to produce optimal outcomes. One interviewee suggested there was a risk of ‘indoctrinating’ students if real-world policy (rather than abstract models) was the focus of teaching – their role an educator was to explain how to devise the optimal solution, and allow students to make up their own minds about why policy-makers produce sub-optimal policies.

Some interviewees questioned the notion of an optimal policy outcome; there are always trade-offs between different options. However, they generally argued that it was not their job to help students understand why policy-makers see the trade-offs in a certain way. One interviewee explained that, for instance, while most macroeconomists disagreed with austerity after the 2008 financial crisis, their discussion of why UK policy elites opted to impose spending cuts at this time is limited to explaining how policy-makers had misunderstood the lessons of economic theory.

The mainstream understanding of the economics discipline clearly helps to explain the lack of coverage of economic policy institutions in undergraduate economics degrees: many (macro)economists have a largely technocratic understanding of economic policy, in which ideal policy outcomes are possible and should be pursued. Intervening factors which might prevent adoption of these policies – including policy-makers’ failure to master economic theory – are of course acknowledged, but they are not necessarily phenomena which the discipline of economics can incorporate substantively, at least not without undermining its core purpose.

It is precisely this technocratic outlook which was explicitly criticised by interviewees identifying with a pluralist perspective. One interviewee argued that mainstream scholars were not personally curious about or interested in political issues – specifically how policies affect different social groups – and therefore see little reason to reflect upon how or why economic policy is actually made. Based on interviews with mainstream economists, this is clearly an over-statement; however, it is perhaps fair to say instead that many mainstream economists do not see such issues as relevant to economics. Other pluralist interviewees identified the practice of research-led teaching as problematic; since mainstream economics research is highly specialised and largely apolitical, this is inevitably reflected in curricula. It is worth noting, however, that even economics departments which value pluralist perspectives do not cover the history, organisation, personnel, power, relationships and ideological agendas in depth – as relevant interviewees acknowledge (the reasons for this are discussed further below).

### *3.3 A lack of demand*

The rise of student campaigns since 2008 demanding reform of the economics curriculum in UK universities indicates that many students are keen for their degrees to include more material

on ‘real-world’ issues, arguably including the operations, power and agendas of economic policy institutions. However, this research suggests that such campaigns are not representative of current and recent economics undergraduate students. (This is not to suggest the campaigns are wrong-headed: their diagnosis may help to explain why some students do not choose to study economics who might otherwise have done so, and indeed it may be that some of their goals have already been achieved in recent years, thereby dampening criticism among more recent cohorts.)

According to economists interviewed as part of this research, few students have raised concerns about the marginalisation of discussion of economic policy institutions within their studies (many interviewees reported no evidence of any concerns being raised. Furthermore, among interviewees and survey respondents who *do* include such material on their modules, overwhelmingly they do so because it is (partially) relevant to the topic – not because their students demand or expect its inclusion. Only 7 per cent of survey respondent from economics reported they include discussion of economic policy institutions because students expected or demanded that they do so, and only 5 per cent reported that they did so because it was important to graduate employability. The results for political science (among those responding who do include relevant material) were identical. Some interviewees from economics reported that students like theoretical material to be illustrated by examples – but they considered that this expectation was already being met.

A similar finding arises from the political science research. However, political scientists were slightly more likely to report (in interviews and the survey) that material on economic policy institutions were included due to student demand or expectations. At the same time, they also tended to argue that additional, optional modules (i.e. political economy) were available to the minority of students this applies to.

In general, and as suggested by the survey results noted above, political scientists reported that modules which focused on institutional practices (whether focused on economic policy or otherwise) tended to be unpopular with students; undergraduates are more likely to favour modules focused on topical issues, political ideas, and party politics. Some reported that it would be unfair to students to focus on economic policy institutions – one argued they would first need an introductory ‘Economics 101’ module, and that most would resist this pathway. When presented with an example of a recent economic policy agenda (i.e. quantitative easing), virtually all interviews confirmed that this would be too complex to explore in depth at undergraduate level (although austerity was discussed frequently).

Most students lack a grounding in economic concepts and fundamentals of public administration. These are complex topics where the foundational knowledge needed to understand these institutions is usually lacking.

I think economic policy institutions are seen as quite a dry, technical, obscure and difficult topic that will not engage students as much as electoral/party politics.

*Responses to open survey questions by political scientists*

(The issue of political science students' ability to study economic policy issues of course intersects with the ability of academic staff to teach such topics – this will be discussed further below).

One of the curiosities around this thematic finding is that pluralist economists interviewed were less likely than mainstream economists to report that undergraduate students demand or expect discussion of economic policy institutions within their degree. This appears to be a source of frustration for many academics in this regard – and relates to the related issue of graduate employability outcomes. Pluralists are more likely to be employed by post-92 institutions, and these universities tend to embed employability within curriculum design to a greater extent than elite universities. As one interview explained, it would be unfair not to provide a 'regular' economics experience (that is, 'the maths and the models') to their more disadvantaged students, because this is the kind of education they will be expected to have received, when applying for graduate roles as economists (including further study within Russell Group institutions and, ironically, careers in the civil service).

It is important to stress that the finding about lack of demand among students is based on second-hand assessments by academics. There may be some incentive to under-state student demand, in order to justify current choices on curriculum design. Nevertheless, even if we largely accept this finding, it should not in-itself be used as justification for marginalising the views of students who are keen to learn more about economic policy institutions, especially if the reticence of the majority is based on a misplaced sense that such material would be too complex. Our job is to clarify the complexity.

### *3.4 A lack of expertise*

The research considered whether a lack of expertise on economic policy institutions constituted part of the reason for the topic's marginalisation within undergraduate teaching. As the table below shows, there appears to be very little recognition within the economics discipline that this might be the case. Among survey respondents who report that their teaching includes little or no substantive content on economic policy institutions, 100 per cent of respondents disagreed that this may be due to a lack of expertise.

This sentiment was generally also reflected in interview conversations, but the method allowed for further discussion. Again, the majority of economists interviewed argued the extent of expertise or specialist knowledge was not something that concerned them, although some offered greater acknowledgement of limited expertise, but made the case for additional modules – rather than core content on macroeconomics – delivered by specialists that could complement core teaching. Some interviewees argued that it may be possible to include more detailed material on the operation of economic policy institutions in teaching content, if the institutions were themselves more transparent about their internal processes.

Reasons for (lack of) content										
	Not Relevant to the Topic		It is potentially relevant, but there is insufficient time to include this content		It is potentially relevant, but students do not expect or demand this content		It is potentially relevant, but I do not have the expertise to deliver this content		This content is more relevant other modules/units	
	ECON	POL	ECON	POL	ECON	POL	ECON	POL	ECON	POL
Yes	30%	33%	20%	20%	0%	7%	0%	27%	10%	36%
Partially	20%	13%	10%	20%	10%	21%	0%	20%	20%	0%
No	50%	53%	60%	60%	90%	71%	100%	53%	70%	64%
Not applicable	0%	0%	10%	0%	0%	0%	0%	0%	0%	0%

**Table 3: Collated responses by discipline to the survey question: If your teaching content includes little or no substantive discussion of economic policy institutions, why is this content NOT included?**

The fact economists do not recognise a lack of expertise on economic policy institutions does not necessarily mean there is adequate expertise within the discipline: we do not always know what we do not know. Some of the qualitative data from the survey suggests this possibility, with one respondent arguing, for instance, that ‘most academic economists are, in effect, only mathematical modellers’, and another noted that teaching economic policy institutions ‘probably requires some knowledge of the politics and sociology of such institutions which I’m not sure is current within the economics profession’. The survey did not capture which disciplinary ‘tribe’ respondents identify with, but such statements are probably consistent with a pluralist critique of mainstream economics.

In contrast, the sense that political scientists lack the expertise to substantively include content on economic policy institutions in undergraduate degrees is more widespread within the economics discipline (as table 3 shows). One survey respondent reported that ‘many of those teaching political science do not feel that comfortable with economics’, and another said ‘the lack of expert knowledge in our programme is the main reason that we do not teach economic policy.’ One respondent went slightly further, arguing that ‘many colleagues are frankly scared of [teaching about] the Treasury and the Bank. And there is a wide range of interdisciplinary understanding required’, and another added ‘too few PhD students in the area are getting jobs and promotion’.

This data confirms a key finding which arises from interviewees with political scientists. There are, however, two secondary findings arising from interviews which are worth mentioning in this regard. Firstly, while confirming that many political scientists are uncomfortable discussing *economic* policy authoritatively, some interviewees argued that this is part of a wider problem, whereby political scientists know little about *policy in general*.

Secondly, many interviews argued that, while they do not personally include discussion of economic policy institutions as a core feature of their modules – which is a matter of regret for

some – they are confident that such material is covered elsewhere on a typical undergraduate degree, and/or available to students via optional modules. As table 3 shows, more than a third of survey respondents from political science who did not include relevant material reported this was due to the issue being covered by other modules. Essentially, interviewees suggested that political economy (or ‘International Political Economy’) options on a typical political science degree were the best place to discuss economic policy institutions.

There is a contradiction here. While many in political science seems to accept an understanding of economic policy as an exercise in technocracy – consistent with mainstream economics – divorced from the political realm, and involving expertise which they do not happen to possess, others insist that economic policy should be taught by political economy colleagues, who tend to be critical of mainstream economics.

### *3.5 Opportunity lost*

There was a view common to the economists and political scientists interviewed that, even if single-honours undergraduate degrees did not cover economic policy institutions in depth (rightly or wrongly), this is something that should be a core feature of joint-honours degrees in Politics and Economics, or Politics, Philosophy and Economics (PPE). Invariably, however, they acknowledged that it was not. The two or three disciplinary areas of these degrees are taught in isolation from each other, generally without any bespoke modules which cut across disciplines, which we might expect to include material on economic policy institutions.

This is surely a missed opportunity. Even if resolved, however, it would only benefit the small number of undergraduate students who choose to undertake joint-honours degrees – and there is little to suggest that such courses are growing in popularity.

The status of political economy within political science and, to some extent, economics is another missed opportunity. As noted above, many interviewees in political science believe that political economy modules are the most appropriate place for discussion of economic policy institutions, even if they agree that more generic modules should endeavour to include more content in this regard. However, political economists (based in political science) interviewed indicate that political economy modules rarely include any substantive discussion of UK economic policy institutions. This is partly because their scope is global, and may, as such, include material on international institutions involved in economic policy, such as the International Monetary Fund.

On the other hand, it is also because political economists do not see policy-making processes as their core focus; one interview understandably remarked that their subject of inquiry is the entire capitalist system, not necessarily the institutional manifestations of a capitalist political-economic order. It seems likely that mainstream political scientists understand relatively little about the sub-discipline of political economy – although this does not quite amount to a ‘tribal’ divide!

Many economics undergraduate degrees also include political economy modules (although the terminology is more variable). However, documentary analysis for this research strongly

suggests that such modules rarely include discussion of economic policy. Instead, their objective – which is quite different to the political economy found in political science departments – is to apply a mainstream economics understanding of human behaviour to the realm of policy-making, usually in areas other than economic policy.

## 4. Stakeholder summits

The second phase of the project involved a series of online summits with stakeholders to discuss how to overcome the problem – that is, the marginalisation of economic policy institutions within typical economics and political science undergraduate degrees – explored and documented by the research phase.

Two summits were held in January 2021 on, respectively, the Bank of England and the Treasury. The first summit involved experts (academics and other research professionals) on the Bank, central banking and/or monetary policy. The second summit involved experts (academics and other research professionals) on the Treasury, finance departments and/or fiscal policy. The summit on the Bank also involved several current and former employees of the Bank. The summit on the Treasury also involved several former Treasury employees, as well as current and former officials with experience of working with the Treasury via other government departments (no current Treasury staff attended, although several were invited).

Both summits were held on the online meeting platform Zoom, and ran for around ninety minutes. There were around 20-25 participants at each summit. Given the some attendees are employed in politically sensitive roles, all agreed to participate on the basis that the list of participants would not be publicised, and that contributions could be summarised and reported but not attributed to individuals.

The summit with students aimed to enable discussion of current and recent experiences on economics and political science degrees at UK universities. It was advertised via the research team's networks, and those of our partners Rethinking Economics. The summit was again held on Zoom, and lasted around an hour. Unfortunately, the summit only attracted a small number of participants, weighted heavily towards people with experience of economics degrees. The summit was a useful exercise, generating several important insights, but we do not consider that the group of attendees constituted a representative sample of current students or recent graduates across either discipline to any meaningful extent.

### 4.1 Summit on the Bank of England

There was a shared sense among summit participants that **the Bank of England's role was poorly understood**, with most non-experts assuming it only sets interest rates and being unaware of its wider responsibilities, particularly newer ones such as macro-prudential regulation. There was also felt to be a misconception that reserve requirements are the main



way the Bank regulates commercial banks, with the importance of capital and liquidity requirements poorly understood.

Our student workshop (discussed further below) seemed to verify these assumptions: when we asked participants what words they most associated with the Bank, ‘monetary policy’ was the clear frontrunner, with ‘inflation’ and ‘currency’ the two next most common, and nobody mentioning macroprudential regulation. This was despite the fact that most participants rated themselves relatively knowledgeable about the Bank’s functions (in contrast to feeling less knowledgeable about its history and internal processes). As one participant observed, and echoing one of the research themes discussed above, there is a risk that students ‘do not know what they do not know’, and are carrying assumptions which may in fact be mistaken.

A second key theme emerging from the summit on the Bank of England was the politics of the Bank – with participants identifying a need to **challenge the ‘myth’ that the Bank is a technocratic or apolitical institution**. Participants felt that a better understanding of the Bank’s theoretical assumptions – and the contested nature of these assumptions – would help to dispel this view. For instance, the idea of a ‘natural rate of interest’ which underpins the theory of inflation targeting; and the notion of ‘market neutrality’, described as ‘a founding myth of central banking’. Market neutral policies mean that Bank operations such as QE are heavily influenced by the shape of the wider economy – and thus reproduce its inequalities. There was some debate about whether the term ‘neoliberalism’ was helpful in understanding these assumptions, as part of a coherent ideological context. Some participants argued that neoliberalism was too loaded a term, and that it was better to identify the specific assumptions being exposed.

Related to this, participants felt that students should be encouraged to critically debate the Bank’s **role in British politics and its place in wider power dynamics**. On the one hand, some felt that students should be encouraged to question the extent of the Bank’s genuine independence from the Treasury (and indeed the City of London). A comparative perspective might be useful here – for instance, drawing on literature on the **theory and practice of central bank independence** to think about how the UK’s approach differs from other countries, both in terms of the government’s influence on the Bank, and the democratic accountability and legitimacy of the Bank itself. Participants observed the notably small role of trade unions in influencing the Bank as compared to other countries, e.g. Germany’s Bundesbank. The ‘varieties of capitalism’ literature might also help students to think about how the UK’s large financial sector and deep capital markets influence the nature of the Bank.

At the same time, some felt strongly that it needed to be understood as an **autonomous actor with its own institutional interests**, and with considerable power to shape the economy. Understanding the Bank’s internal structures and culture could help students to critically assess this – for instance, thinking about how knowledge and assumptions are (re)produced inside the institution, who makes decisions and how they get into these positions of power, and how lack of consensus is resolved. It should also be understood as a geopolitical actor in its own right, especially in times of crisis and conflict (e.g. Brexit or the 2008 financial crisis, which could be used as case studies). It was also noted that recent debates about climate change are shifting this landscape in interesting ways – with the Bank being forced to engage more with civil society, and coming under more pressure to justify its positions.

Participants also felt that **a longer historical perspective on the Bank’s development could help to illuminate these contemporary questions**. They noted that, where the Bank is taught at all, 1997 is usually treated as ‘year zero’ – resulting in a very limited understanding of its role and functioning. They felt that students should understand its origins as a private bank, and the series of regulatory developments that expanded its reach and linkages with the state – as well as how it has worked with and against governments of different stripes over time. This would help to demonstrate the historical novelty of the idea that central banks exist mainly to set monetary policy, and instead position the Bank as a political and economic institution that has shifted over time – and whose role is still changing today (notably with the evolution of macroprudential policy and debates about climate risk, as well as QE and the de facto rise of indirect monetary financing).

This history can also shed light on **contemporary debates in economic theory about the nature of money**. For instance, parallels could be drawn between these debates and the discussions that took place in 1844, when the Bank was given a monopoly on note issuance but not deposits, between the ‘currency school’ and the ‘monetary school’. Likewise, there is a debate about how far the abandonment of the gold standard changed the nature of money. A better appreciation of the Bank’s role in financing Britain’s wars and industrial development could help students to understand the nature of government debt itself. Importantly, **the Bank should be understood as a ‘world-historical institution’, with its role in the empire and the slave trade being highlighted**. One participant noted that this is currently a live debate within the Bank, and there are many staff members who would be keen to discuss this issue with students.

## 4.2 Summit on the Treasury

As with the Bank of England, participants felt that **students needed a more rounded understanding of the Treasury’s role** – in particular, that it has considerable influence over departmental policy across government that stretches far beyond fiscal policy, for example its role in overseeing cost-benefit analysis of expenditure across government.

Students should also understand the **international uniqueness of the Treasury’s dual role as economics and finance ministry**. As one participant put it, the Treasury ‘views itself as the final arbiter on the validity of all policy in all areas... [and] no other country’s finance ministry has anywhere near this amount of power’. Although debates occasionally surface about whether the Treasury should be broken up (most recently with the Kerslake Review), the department always seems to ward them off successfully. One participant suggested infographics producing by the Institute for Government, showing ‘machinery of government’ changes, could be useful for students in illustrating HMT’s continuity of form compared with other, less powerful departments.<sup>1</sup>

A considerable amount of discussion revolved around **the politics of the Treasury’s powerful role**. Students could be aided to understand the Treasury’s unique role within the UK’s wider governance landscape – reflecting on the ways in which it exerts power in that landscape, and the assumptions and institutional interests that underpin this. There were strikingly different views on these questions between participants, indicating a contested

debate that students could be encouraged to think critically about. For instance, should the Treasury be understood as being driven by political demands, subordinate to the Chancellor of the day – or as a powerful institution in its own right, protecting its own interests and able to constrain the government’s room for manoeuvre? One participant suggested that ‘a strong Chancellor typically leads a strong Treasury’, and could push the Treasury to act against its instincts, while another noted that the clout of the Treasury itself makes it ‘hard to be a weak [Chancellor]’.

A related, recurring area of discussion was the **question of ‘the Treasury view’ – whether it exists, and if so, whether it has been consistent over time.** Again, there was some disagreement on this question. Some participants felt that the Treasury held a strong policy preference for non-intervention and fiscal restraint, and that this was linked to intellectual assumptions which were deeply embedded in its institutional culture; for instance, the microeconomic assumptions reflected in the Green Book, and a perceived bias against (Keynesian) macroeconomics. These assumptions were felt to be internationally ‘exceptional’.

Disagreement with this notion came from various quarters. On the one hand, there were those who felt that the Treasury was more pragmatic and experimental than this implied, and that its stance on public spending had shifted over time depending on the political context. Some felt that ideology was used as a *post hoc* justification for political decisions. On the other hand, one participant suggested that HMT was **less wedded to the Treasury view than to ‘the Treasury Interest’** – it could be fiscally expansionary or fiscally conservative as long as it was ‘calling the shots’, but was extremely reluctant to share power. Indeed, they suggested that the UK’s highly centralised governance model was not just a cause of the Treasury’s outsize power but also a consequence – since the department itself had held back devolution under successive governments by its reluctance to give up central control of tax and borrowing powers. (Again, one other participant disagreed with this view, suggesting the Treasury was willing to share power with those who showed the requisite ‘maturity’.) Students could be encouraged to debate these questions critically, perhaps using particular historical case studies or sources as a starting point for discussion.

It was suggested that **understanding the Treasury’s internal operations and institutional culture could help students to think about how the Treasury view is reproduced.**

Participants stressed that the Treasury has less economic expertise than is often assumed and grants high levels of power to inexperienced and junior officials – the idea that the Treasury is ‘full of economists’ and ‘they know what they are doing’ were cited consistently as the top myths to be busted. The department also has very rapid turnover of staff, which might seem paradoxical given the suggestion that it operates according to strongly entrenched assumptions. However, one participant suggested the opposite was true: the Treasury view acts as an anchor point for staff who may lack knowledge or authority on the policy areas they are asked to engage with. It was also suggested that students could examine divisions within the Treasury itself, and how persistent they have been over time.

Students could also be encouraged to expand this perspective by thinking about **the ideological ‘inflows’ and ‘outflows’ to the Treasury.** For example, it was noted that the model whereby Treasury officials are seconded for short stints in other departments helps to explain how a Treasury agenda is ‘exported’ across Whitehall. This could be complemented

by studying the Treasury's connections to other institutions (e.g. the Office for Budget Responsibility and the Institute for Fiscal Studies) – how 'expertise' and assumptions are reproduced in these institutions, how Treasury views percolate outwards, and how this shapes wider political discourse. In terms of inflows, comparisons were made between France's 'Grandes écoles' which act as training grounds for the French civil service, and the types of graduates recruited to the Treasury in the UK. Students could also examine the historical links between the Treasury and the City of London, making international comparisons with the United States, as well as countries where the influence of finance capital is less decisive.

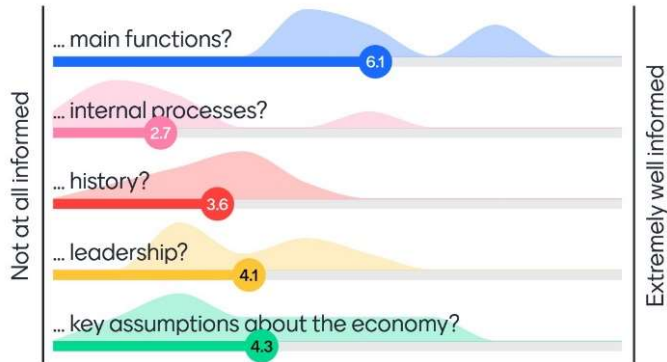
Finally, there was some discussion about the **best historical sources to draw on** for teaching. From 1976 onwards, there is no official history of the Treasury: participants suggested drawing on archives including Margaret Thatcher and Geoffrey Howe's papers (digitised at the National Archives) – which include notes from Treasury officials giving instructions and advice. On the other hand, one participant argued that we do not have enough insider accounts of the Treasury: it is a 'black box and has become more of a black box over time' – in contrast with the Bank of England.

### 4.3 Summit on student experience

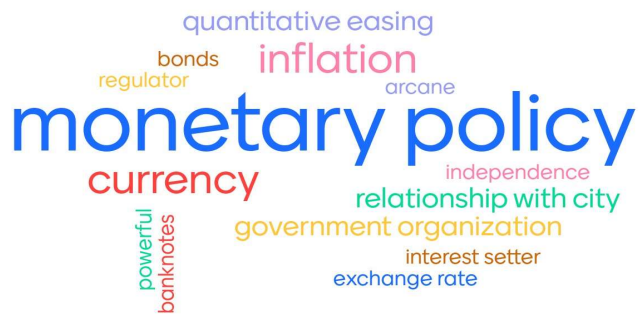
As noted above, student participants rated themselves as moderately knowledgeable about the functions of economic policy institutions such as the Bank of England and the Treasury, but much less so about their theoretical assumptions, history, leadership or internal processes. The overall impression was that the students attending the summit did not feel they had been equipped to take a critical approach to understanding *why* these institutions behave as they do, rather than simply *what* they do. As discussed above, their knowledge about the 'what' may also be more partial than they realise. Where economics students were taught about public policy institutions at all, they said, it was often through the prism of neoclassical models, which were presented as fact.

Meanwhile, political science students felt that economic policy tended to be seen as something technocratic, and therefore not relevant to the study of politics. When issues around economic policy or political economy was taught, it was often through a historical lens (whether theoretical or practical) and did not, it seems, equip students to understand contemporary economic policy debates. The need to learn a technical 'language' to engage in discussions about economics – and a perception that economics means maths and is therefore intimidating – might also be off-putting for students. Perhaps for this reason, participants felt that economics students were more interested in learning about politics, than vice versa. Using media articles might be a way to overcome this by linking discussions to contemporary, accessible political debates – with the Bank of England growing in prominence as a political actor, there are plenty of opportunities to do this.

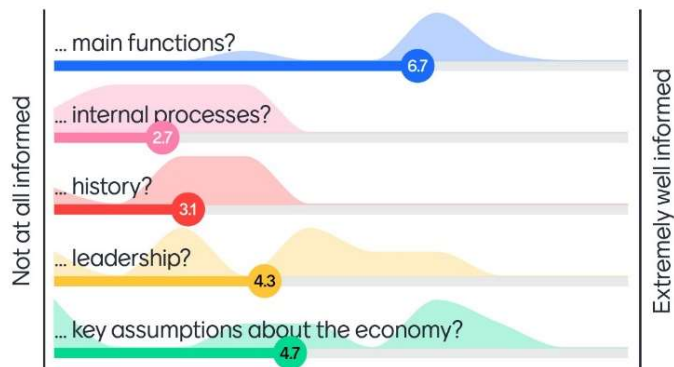
## How well informed do you feel about the Bank of England's...



## What are the first words that come to mind when you think about the Bank of England?



## How well informed do you feel about the Treasury's...





**Figures 3-6: Results of Mentimeter exercises undertaken as part of the summit with students**

## 5. Conclusions and next steps

It is not the place of this project to adjudicate on the merits of the ontological and epistemological frameworks dominant or prevalent within economics or political science in UK universities. However, this project starts from the assumption that the history, organisation, personnel, power, relationships and ideological agendas of economic policy institutions help to shape economic and political processes, and should therefore feature in undergraduate teaching in both disciplines.

This research has documented a degree of resistance, especially in economics, to such a position. Individual academics are of course entitled – indeed expected – to focus pedagogically on analytical approaches which they believe best account for economic processes and outcomes. However, this does not mean that spaces within undergraduate degrees as a whole cannot be found to explore alternative ways of understanding the economy, or simply for exploring a greater range of explanatory factors in more depth. Moreover, many of the mainstream macroeconomists interviewed agreed that including more material on economic policy institutions would be beneficial to students, albeit there was insufficient time to do so on their modules.

There is less resistance in political science to the notion that economic policy institutions matter substantively, and that the impact of their operations and decisions on economic life mean they constitute an important part of the political realm. Yet the topic remains marginal. There is a sense that some political scientists lack the expertise necessary to teach material on economic policy institutions – a problem for which they can hardly be blamed individually. There is a sense, also, that undergraduate students in political science are less keen on studying issues related to economic policy.

Again, however, this does not mean that the discipline as a whole should not seek to rectify this marginalisation, not least for the benefit of the students who are in fact keen to focus on economic policy institutions (even if they are in the minority).

Many in political science contend that political economy modules are the best place for issues around economic policy to be taught. Yet political scientists and political economists remain awkward bedfellows. Political economy is itself marginal to undergraduate teaching in political science, and modules tend to focus on international institutions. In economics, political economy modules – underpinned by an analytical framework aligned with mainstream economics – rarely focus on economic policy. No criticism of political economy as practiced within political science or economics is intended here: the key inference is that we need more of it, offering an alternative perspective on the main questions which animate degrees in both disciplines.

Of course, this project cannot offer a detailed blueprint for how to better integrate material into undergraduate degrees in either discipline. There is both a principled case for integration of material on economic policy institutions into core modules, and perhaps a more pragmatic case for offering a greater range of optional modules for students interested in this issue. Whatever path is chosen, it is essential that high-quality and accessible learning resources on economic policy institutions are available. Developing resources in this regard constitutes the next phase of this project. The resources will be designed, in the first instance, to supplement teaching resources available via core modules on macroeconomics and British politics, to provide an introduction to topics which individual lecturers may not have adequate time or expertise to introduce themselves.

## Acknowledgements

The authors are grateful to the Friends Provident Foundation and Rethinking Economics for supporting this project, and to all research and summit participants.

## Notes

1. See <https://www.instituteforgovernment.org.uk/blog/government-reshuffle-december-2019-live-blog?page=4>.

**Manchester Centre for Economic Policy  
Future Economies  
Business School  
Manchester Metropolitan University  
Oxford Road  
Manchester  
M15 6BH**

**<https://www2.mmu.ac.uk/future-economies>**

**[https://twitter.com/mmu\\_futureecon](https://twitter.com/mmu_futureecon)**