Teaching the Introduction to Microeconomics Course in the Catholic Business Curriculum

Andrew Yuengert
Pepperdine University

In many ways the challenges of teaching microeconomics in a Catholic Business school are similar to the challenges of teaching microeconomics in a liberal arts college. The Teagle Foundation Report on the place of economics in a liberal arts education notes that teaching a student to “think like an economist” need not help him to “think like a liberally educated person.”

Too often “thinking like an economist” means adopting a very narrow view of decision making and applying it to a wide variety of problems; in the course of adopting this approach, economists (when they are not careful) can make it more difficult for students to think liberally – to reason about ends as well as means, to discern the hidden premises of rational choice theory, to determine the boundaries of “the economic way of thinking.” All too easily, the economic way of thinking becomes the only way to think clearly; all other ways are “emotional,” “anecdotal,” and “not rigorous.” This crowding out of liberally educated reason occurs without resistance in the economics profession, so economists themselves are often unable to think like liberally educated persons, and so cannot help their students to. As a result, economics students find themselves on the individualist side of the individualism/social determinism debate, unable to see their way across the divide.

A second, related challenge is the conflict between “depth” and “breadth.” Introductory microeconomics courses prepare business and economics students for further work in their majors. Not only must students be initiated into the worldview of economics, they must be introduced to a host of topics and concepts which are the foundation for deeper study. This challenge is secondary, however; it is only a conflict to the extent that economists are unable to recognize the value of a liberally formed intellect. If we teach economics without communicating to students that economic thinking is the only respectable kind of thinking, we will face a less sharp conflict between the need to prepare students for further study in economics and the need to expose their students to broader approaches to social problems.

It might seem that the challenge of teaching economics in a Catholic business school is greater than the challenge of teaching economics in a secular liberal arts program. On the contrary, there are resources in the Catholic University environment which are not available in the secular academe. The Catholic vision of education is more integrated and more humanistic than the modern liberal arts vision. The Catholic confidence that truth is one, and that the human person both individually and in community has some access to that truth (however much that access is arduous and fraught with mistakes), contrasts sharply with the world of socially constructed meaning unanchored in objective reality on offer in the modern academy. Because Catholic education offers a more integral worldview, the stakes are higher for the teacher of the introduction to microeconomics course: there is more to lose.

---

We will approach this topic in stages. In the first section, we must describe the sort of student sitting in the business classroom. Students in general (Catholic or not), and business students in particular, bring into the classroom attitudes and ways of thinking that offer both hope and hindrance. In the second section, I suggest what these students need from an introduction to microeconomics: economics, of course, but economics taught with a view to keeping intact the connections between economic thought and the philosophical tradition, between the economy and the rest of life. Section three suggests two aspects of microeconomics in which the conflict between humanistic and economic visions occur: in the stark separation between ethics and economics, established at the beginning of most economics courses, and in the presentation of the economic account of decision making. Section four suggests some practical means of encouraging students to reflect on the connections between economics and the Catholic vision of life.

1 What Our Students are Like

The descriptions of this section derive from my experience of teaching economics to new college freshmen: from informal discussions with them about economics and the good life, and from reading short student essays on topics on the boundary between economics and ethics. They are not the conclusion of survey research. In describing these students, I do not mean to criticize them; I am after all a product of the same culture they inhabit.

The culture from which our students (and we their teachers) come is organized to promote individual autonomy above all things. Every other human good (truth, beauty, religious experience, technical expertise) is organized around the preservation of and extension of the absolute autonomy of the person. Because “at the heart of liberty is the right to define one’s own concept of existence, of meaning, of the universe” (to quote Justice O’Connor in Planned Parenthood v. Casey), even truth and meaning must be tailored to each individual’s “dream.” The result is a worldview which is disintegrated along two dimensions; neither the self nor the framework of learning has an organizing principle—except, possibly, self-aggrandizement, although the repulsiveness of this principle of life compels some to attempt to live without reference to any fixed principle.

Because our students are human beings, they are personally oriented toward integration, in spite of the culture they inhabit. Alasdair Maclntyre notes the primary need to construct an intelligible narrative of life, and intelligible narratives require some measure of integration. Everything in the culture militates against this yearning for integration. Each sphere of life has its own rules, its own ethic. Each person is free to construct his or her own meaning, so long as they do not appear to harm any other person. The overarching justification for this confusion is social peace and personal freedom. Since we have despaired of rational disagreement over ‘values’, we must organize our lives so that we never have to face our disagreements. Tolerance is the highest virtue. To attempt to address our moral disagreements is to invite irresolvable social conflict. The economist Lord Robbins sums up this despair about values: “if we disagree about ends, it is a case of thy blood or mine.”

---

As I noted above, students are oriented toward wholeness, and desire it, in the face of the culture’s contradictory demands for tolerance and ambiguity—demands which deeply affect their ability to seek integration. I have found that students are open to seeing the connections between who they are as business professionals and economists and who they are as persons. They may feel as if there is no alternative to being different people, with different mores, in different spheres of life, but they are intrigued by the possibility of an integral vision.

The same sort of disintegration faced by students on a personal level afflicts the framework of knowledge offered by the academy. The disciplines in the modern university seek different ‘truths’ with different methods, without any attempt to reconcile them. Because most students have little experience of strong disciplinary boundaries before college, many approach their freshman classes without a strong sense that one should approach reality differently as an economist, as a psychologist, or as a natural scientist. They bring all of their questions into all of their classes; they are naturally interdisciplinary. It is the college environment, and often the general education curriculum, that introduces them to impermeable disciplinary boundaries and methods. It is here that the economics professor does harm, by putting up boundaries between economics and other disciplines, between the economic approach and other approaches. The guardians of the other disciplines do likewise. Students will accept these boundaries, since they accord with the disintegrated world in which they live; nevertheless, they do not come into college expecting them. Notwithstanding the absence of an integrated account of knowledge on offer at the university, students will still be open to a comprehensive intellectual framework. Unfortunately, this comprehensive framework is often the narrow framework of one discipline applied comprehensively: sociology, psychology, biology, economics. Cardinal Newman noted the tendency of scholars, when faced with the lack of an overarching framework from which to see the landscape of truth, to treat their own disciplines as complete accounts of reality. This tendency toward disciplinary imperialism is rooted the human need for integration: “Though it is no easy matter to view things correctly, nevertheless the busy mind will be ever viewing. We cannot do without a view, and we put up with an illusion, when we cannot get a truth.”

I find two additional characteristics of our students a challenge in the classroom. These two characteristics are not, I think, due to the culture; they are instead a result of youth. First, my students are impatient with distinctions, and take little pleasure in distinguishing between a movement along a curve and a shift of the curve itself, for example. Second, they tend to think with their hearts—they are used to judging problems by how problems make them feel, and will evaluate a proposition in economics by how it accords with the identity they are exploring at the time: the environmentalist, the social activist, the free market advocate, the rebellious libertine. This second characteristic is encouraged by a culture which locates all authority in the individual and casts suspicion on reason, but it predates modernity—Aristotle noted his students’ impatience with the demands of reason, and their tendency to be led by their emotions.

2 What Students Need
The typical student walking into an introduction to economics class at a Catholic business school comes from a culture which insists on a disintegrated view of the person, so as to promote individual autonomy in all things. At the same time, this student is a human being, and as such is

---

oriented towards wholeness and integration in thought and life. He or she is also a teenager, impatient with distinctions, whose reason is sometimes held at bay by emotion. What do these students need from microeconomics?

The primary answer must of course be: ‘microeconomics’! We ought not lose sight of the fact that a microeconomics class, despite its flaws, contains many things that these students need. The economic approach to behavior offers a set of insights into the functioning and failures of markets and governments, and the consequences of human interdependence in the economy, which together provide a fruitful framework for understanding and analyzing the social order, and the role of business in that order. Most economists love the insights that economics can offer, and it is good to be taught economics by someone who loves it, just as teachers of literature and science should love their disciplines.

I have also found that economics forces young students to make distinctions, and to trace through the consequences of changes in the analysis. A student who masters the effect of a change in the elasticity of demand on the share of the tax burden on consumers is not just learning something about economics; he is developing habits of careful thought. The difference between credible threats and credible promises in game theory is important not only because it has consequences for strategic behavior, but also because it trains students to slow down, to focus, and to think things through. I used to be puzzled by the excitement of students upon encounters with marginal analysis for the first time; to many students, the economic habit of specifying all of the costs and benefits of a decision comes as a new revelation. Conversations with students about this lead me to conclude that, prior to taking economics, students have been in the habit of judging decisions with their emotions: if a decision feels right, then only benefits are tallied; if a decision feels wrong, then only costs are salient to the young decider. Much of the enchantment of cost-benefit analysis is not its technocratic promises, but its implicit advocacy of calm judgment of all benefits and costs.

We must not lose sight of the need to teach the principles of microeconomics in a principles of microeconomics class. The teaching of economics is a real intellectual good, fostering an understanding of the economy, of social interaction in general, and forming in students habits of careful thought. As important as these benefits are, there are dangers in the microeconomics course. The principal danger is a false separation between economics and other disciplines. There must be some separation, of course, or the term ‘discipline’ is meaningless. Economics is a separate science; its approach to social phenomena is partial, emphasizing individual agency and the unintended structure of social interconnectedness. To the extent that economics is taught within sight of other social science disciplines and the humanities, its approach and insights can become part of an integrated account of society. When economics is oversold—when impermeable barriers are erected between economics and other sciences, between economics and moral inquiry—economics becomes a self-contained world unto itself, able (and compelled) to explain all social phenomena, its account of human reason and choice the only rigorous, workable one. This is harmful to students; it reinforces their cultural prejudice that reasonable dialog between persons, between disciplines, between moral traditions, is impossible, and leaves them with a thin utilitarian account of their own choices.
The challenge of the microeconomics teacher is to preserve the goods that economics has to offer without sending the student further down the road to disciplinary isolation and personal disintegration.

3 Teaching Economics in Catholic Context – Drawing Connections, Avoiding Harm

Economics as currently taught makes two absolute claims that create needless divisions in the intellect. The first of these claims, the positive-normative distinction, is made baldly and absolutely in almost all textbooks. The second claim, that all decisions involve comparisons of costs and benefits which can be represented numerically, is not made as absolutely, but it is presented in such an unqualified way that it becomes a comprehensive claim about decision making. Neither of these claims is crucial for microeconomic theory, and both should be heavily qualified in the Catholic context.

The Positive-Normative Distinction

The positive-normative distinction is nearly as old as modern economics, although Adam Smith did not seek to separate scientific and moral claims in his work. In its simplest form it is the claim that the science of economics (how to get wealth, the outcomes of exchange, the roles of prices, for example) can be separated from ethics (whether one ought to become rich, the purpose of exchange, the morality of prices). During the twentieth century reign of positivism in economics, the positive-normative distinction became more closely tied to the fact-value distinction, which is how the distinction is presented to students today: “economics is about what ‘is’, and ethics is about what ‘ought to be’.” When this account is coupled with the emotivist claim that ‘values’ cannot be rationally discussed, positive economics appears to offer the added benefit of being a safe harbor from irreconcilable value disputes. By appearing to isolate themselves from ethics, economists assert their own objectivity. This promised objectivity can be tremendously attractive to students, who hope to find in economics unbiased perspectives on rancorous policy debates.

The positive-normative distinction is terribly oversold to students. It is not as airtight as advertised. There is of course some truth to the claim that economics is not simply applied ethics; it is also applied math, and the behavior of measured aggregates and the mathematical properties of certain models under certain assumptions are not matters of ethical judgment. Unemployment as defined rises in recessions, and lags in recoveries. Under certain assumptions, economic profits go to zero in the long run. Nevertheless, all of these results are contingent: measured aggregates like unemployment are formulated based on decisions about what it means to be unemployed—discouraged workers are not counted. The behavior of models of perfect competition is predicated on judgments about markets which can be colored by ethical considerations: the role of power in markets may be ignored, as well as the personal nature of exchange. Even the concept of ‘equilibrium’ carries with it claims about the natural order of things (which seek an ‘equilibrium’).

There is some value in the positive-normative distinction, but not as it is currently presented to students. Yves Simon stated its true value best:

An attitude of ethical neutrality, understood in a purely pedagogical sense, may be a wise defense against the eagerness of practical minds not yet convinced that the
true rules of action have to be sought with much patience through indirect procedures in which the purposes of action seem to be lost sight of. The bad thing is that not a few professors fail to see the difference between a pedagogical indication and an objective necessity.\(^6\)

If the positive-normative distinction is presented as a useful attitude, a “pedagogical indication” instead of “an objective necessity,” it can be useful to students. It promotes the norm of objectivity in economics, allowing us to separate judgments of the truth or falsity of logical and empirical claims from judgments of their moral goodness or badness.\(^7\) It is a warning against wishful thinking, against closing the mind to the truth or falsity of propositions because they are undesirable or controversial.

The positive-normative distinction is useful for training students that tracing out the implications of assumptions is not the same thing as accepting them as assumptions, and that empirical propositions ought not to be accepted or rejected on moral grounds. It is a plea for a sort of practical objectivity. Unfortunately, much more is made of the distinction than is justified. The distinction as it is employed blurs the lines between ethical judgment and economic analysis more than it sharpens them.

Nowhere is this more evident than in the economics of policy: antitrust policy, environmental policy, the role of government, and the value of free markets. In all of these analyses the metric of value placed on consumption is willingness to pay, defined as the most a person will pay for a particular product. Monopolies are inefficient because there are some consumers who are willing to pay more than the marginal cost of a particular product, who nevertheless do not get it. Competitive markets are efficient because everyone who is willing to pay more than the marginal cost of a good receives it. Rarely are questions about willingness to pay as a measure of value raised, although it is a critical foundation for welfare claims.

Different consumers may have different willingnesses to pay for reasons we find morally unobjectionable, but some differences arise out of differences in income. As John Paul II notes in *Centesimus Annus*, some human needs are not ‘solvent’—not backed up with purchasing power.\(^8\) Moreover, when people desire goods which do them harm, or use their purchasing power on consumeristic desires, their behavior calls into question the value of willingness to pay as a metric of policy value. Willingness to pay has some merit as a measure of value, since it to some extent captures the good of consumption as valued by consumers, but it is imperfect.\(^9\) A discussion of these flaws should be part of the microeconomics class.

Teachers of Microeconomics should not use the positive-normative distinction to wall off economics from ethics. The boundary between economics and ethics is permeable, and the most

---


\(^8\) John Paul II, Encyclical Letter *Centesimus Annus* (May 1, 1991), para. 34.

interesting parts of economics straddle the boundary: explanations of the promise and limitations of markets, optimal tax policy, and pollution regulation, for example. The careful teacher will make clear just how contingent policy advice is on moral premises – the moral weight given to willingness to pay, the rights of the person, the nature of the common good and the role of the government in pursuing it. Policy advice is also contingent on judgments about the nature of the actual market environment – the applicability of the assumption of perfect competition, the nature of the information resources of the economic actors, the interests of the regulators. There need not be any conflict between the rigor of the economic analysis and an open acknowledgment of the place of ethics in economic judgment and policy. Indeed, the economics class which places ethics in its proper place will be more, not less rigorous, because it brings to light the connections between economic arguments and their ethical premises.

The Economic Model of Decision Making

The economic account of choice is disarmingly simple and common-sense: calculate the marginal costs and benefits of an action, and take that action only if the marginal benefits are greater than the marginal costs. As I argue above, the habit of thinking about costs and benefits is attractive to most students, many of whom have not thought carefully about their actions before. Like the positive-normative distinction, the economic model of decision making is oversold. The model is narrow and simplistic, and a mathematical expression of utilitarian principles. The comparison of marginal benefits and marginal costs is only possible when benefits and costs can be expressed in a common metric. Consumers who do not know what they want, or who know what they want but do not know what goods will provide it, cannot calculate costs and benefits. In spite of these gaps in the economic model, it is often promoted as the only rational way to make decisions. Economics itself has been defined as the science of decision making.

The economic model of decision making is utilitarian: it assumes that preferences pre-exist the decision problem, that all human goods are rankable, that there is no inner conflict over choice, and that human practical reason is equivalent to optimization. If this model is taken too seriously, not as a shorthand description for how people behave but as an ideal of decision making, it will distort not only the student’s understanding of human behavior in markets, but also his understanding of his own nature as a decision maker.

When I teach about benefits and costs, I highlight the shortcomings of this conception of decision making in two ways. First, I use the discussion of sunk costs to encourage the students to see some shortcomings of the model. Undue attention to sunk costs is one of the canonical mistakes in economics: they are supposed to be irrelevant to rational decisions. Why, then, do we sometimes take sunk costs into account to motivate our decisions? I ask students to identify some of these situations, and to explain why it might make sense to keep sunk costs in mind. For example, the student who reminds herself how much tuition money she is spending as a way to get herself out of bed and to an early class is reminding herself that at a point in time in the past she thought it would be worth the cost, and that she would go to her early class. Rationales like this highlight the internal conflict involved in choice: the student sleeping in is conflicted, and is acting on preferences that conflict with preferences she had at a more reflective time (at the beginning of the semester).
I should note that there is much interesting work in economics that addresses the limitations of the economic model of decisions, incorporating self-control problems, rules of thumb behavior, and various biases in judgment. This is exciting work, but little of it has made its way into the introductory classroom.

The economic model of the person gives the false sense that all benefits and costs can be expressed on a common scale, for easy comparison. Because the flaws in these utilitarian claims are subtle, this position seems plausible. The argument goes like this: people may not make explicit numerical calculations of utility when they choose, but as long as they choose in a consistent way,\textsuperscript{10} we can describe their behavior ‘as if’ they are assigning numbers to costs and benefits, and these numbers have real meaning. Thus, if someone chooses to move away from his family so that he can take a job that pays $30,000 more in another state, he must value his family relations at less than $30,000.

The fact that someone chooses a new job with higher pay, and as a result moves far away from family, does not warrant an assignment of numerical values to the family ties. Certain goods of marriage – fidelity, children – are simply not comparable to money goods. Nevertheless, decisions must often be made whose costs and benefits are incomparable – the father or mother leaves the country to find work, and does not bring spouse or children along. To assume, because a decision is in fact made (and that tradeoffs are in fact involved) that numerical values can be assigned, is to blind oneself to crucial aspects of human judgment: the basic goods at stake in human choice, the effect of choice on the development of character, the uncertain comparisons of goods, and the difficulty of choosing well.

The cost-benefit framework of economic decision making is useful as a shorthand model of economic decisions, and it encourages students to take into account all costs and benefits in their own decisions. The model should not be oversold, however; the economics teacher should highlight the limited value of the economic model as a decision making tool – its failure to incorporate the need to reflect on what goods are worth pursuing, the drama of persistent internal conflict and self-control problems, and the impossibility of comparing certain kinds of goods. In classrooms in Catholic universities, at least, economics should not be a “science of decision making.” The practical wisdom (prudence) of the Catholic tradition is much richer than the utilitarian framework can handle. If students come away from introductory microeconomics as utilitarian decision makers, they will be cut off from a much richer, more integrated view of themselves and others.

\textsuperscript{10} Choices are ‘consistent’ when they satisfy the axioms of completeness and transitivity. For a discussion of this, see any intermediate microeconomic textbook, in the chapter on consumer theory.
Appendix

Principles of Catholic Social Teaching and the Principles of Microeconomics Class

Catholic Social Teaching seems to be a tangle of anthropological and theological principles, virtues, justice claims, and applications, but at its heart are three principles: the Dignity of the Human Person, the Social Nature of the Person, and the Reality of Sin. These principles ground the Catholic understanding of what human beings are, and what is good for them.

_The Dignity of the Human Person:_ Every human being is made in the image of God. “Being in the image of God the human individual possesses the dignity of a person, who is not just something, but someone. He is capable of self-knowledge, of self-possession, and of freely giving himself and entering into commitments with other persons.”\(^{11}\) This principle has enormous implications: the human person is the protagonist of society. Society ought to be evaluated in terms of what individuals can do for themselves and for others, not simply by what happens to them. The freedom of the individual to act is crucial to human happiness: a well-kept slavery is a greater affront to human dignity than the poverty of a free person. Nevertheless, human beings ought to have access to all of those things which constitute happiness: material goods, friendship, education, religion. Material goods cannot be excluded from this list, since humans are both spirit and matter. What happens to our bodies happens to us.

_Social Nature, the Common Good:_ God is a community of persons, and because humans are made in His image, human beings are _by nature_ oriented toward society and those goods which can only be pursued in concert with others. Accordingly, to evaluate the quality of human prosperity, we must take into account the quality of human relationships in community. Although the common good is not simply the sum of individual goods (a social welfare function), the ultimate purpose of the common good—the end of the social order—is the person. Common goods are supposed to be good for persons; for a government to sacrifice the good of one subset of people for the sake of some common good violates the principles of the common good itself, by treating persons as objects, violating their dignity.\(^{12}\)

_Original Sin:_ I must admit that most descriptions of the principles of CST do not include the effects of original sin, but I consider this a blind spot in the Tradition: the implications of human sinfulness for both understanding the social order and acting within it have not yet been fully developed in CST. Original sin, as it is understood in Catholic moral theology, must significantly affect CST’s account of the person. Of course there are statements to this effect in the encyclicals,\(^{13}\) but the principle has not been fully developed. The fact of the Fall is a challenge to the economic account of the person, in which there are no good and evil choices, but

---


\(^{12}\) For an explanation of the common good, and how it cannot be simply the sum total of individual goods, see Andrew Yuengert, “The Common Good for Economists,” _Faith & Economics_ 38 (Fall 2001): 1-9.

\(^{13}\) Benedict XVI, Encyclical Letter _Caritas in Veritate_ (June 29, 2009), para. 34, and John Paul II, Encyclical Letter _Centesimus Annus_, para. 25.3.
it is an opportunity for economics to offer its insights into the ways in which the mixed motives of economic agents interact to bring about systemic outcomes which are often unintended.

Most of the other principles of Catholic Social Teaching are rooted in some way in these three.

*The Creative Dignity of Labor:* Human Work is a participation in the creative plan of God, a realization the Image of God in us; we are to meet our needs and build up the culture through work. Unemployment is an evil not just because of its material consequences, but because of its spiritual effects. Thus the material measures of the value of work (marginal revenue product) are insufficient measures of the normative value of work. Because work is such a foundational constituent of human dignity, we infer from it the right to employment and the just wage. Business enterprises are not simply profit-generating organizations: they are communities of work.

*The Right to Property:* human agency in this material world requires some measure of control over material things. Property that one can call one’s own provides a sphere in which individual agency can be carried out.

*The Universal Destination of Goods and Property:* Since the material world was given to the human race as a whole, the right to property is not absolute. In owning and making use of property the individual must take into account not only his own interests, but the common good.

*Social Justice:* A firm and enduring commitment to the common good. The common good is not the business of one particular person; it is the business of a community. The demands that common goods make on our consciences are different from the demands our individual relationships make. For example, on the individual business level I am bound by conscience to be honest in my dealings with others, and to treat workers and customers with dignity. The common good of the community includes more than this: the regulatory structure of markets, the infrastructure of commerce, the counterweights to market power, for example. These aspects of the common good are the objects of social justice.

*Solidarity:* In the same way that love goes beyond justice at the individual level, and perfects it, the common good needs more than the dutiful commitment implied by social justice. It requires solidarity, or social charity. Social justice is the moral requirement; solidarity is the love which compels individuals to pursue social justice.

*Subsidiarity:* “A community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to co-ordinate its activities with the activities of the rest of society, always with a view to the common good.”

---

14 Note that I am not suggesting that marginal revenue product is unimportant or irrelevant, but that it is an insufficient measure of labor value for policy analysis.

communities like this one further down. The principle of subsidiarity safeguards freedom and responsible agency (which are most effectively exercised in local communities) from excessive centralization.

*Preferential Option for the Poor:* Because the human dignity of the poor is most often at risk in the economy, because of their lack of access to material goods and opportunity, they are a particularly important focus of our concern.

Of course, there are many more principles: the mutual rights and duties of workers and employers, the globalization of the common good, the evaluation of socialism and capitalism, the problem of consumerism, to mention a few. An excellent summary of these principles is found in *An Introduction to Catholic Social Teaching,* by Rodger Charles.\(^{16}\)