

Opinion

Economic Surplus

Published On 6/2/2008 2:59:49 AM

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None

The following op-ed will appear in a print edition of The Crimson the week of June 2.

Why does everyone at Harvard concentrate in economics?

Well, not exactly everyone, but a sizable fraction of the student body. Economics is the largest undergraduate concentration, accounting for more than 15 percent of the senior class. Government is second, with almost 13 percent, and psychology is third, with over six percent.

Why is economics so popular? I can think of five possible reasons.

One is that economics is a passing fad, spurred by market-oriented policies in Washington and visions of well-paying jobs on Wall Street. The facts do not support this view. Economics has been one of the largest concentrations, if not the largest, for many decades, both at Harvard and at peer institutions. Notable Harvard economics graduates include Robert E. Rubin '60, Ben S. Bernanke '75, and Steve A. Ballmer '77—each of whom graduated before hedge funds were invented.

A second theory is that economics is the path of least resistance. A student might major in economics because a friend or teammate does—a “herding” effect—or because economics has fewer requirements than many concentrations (10 courses, and 12 for honors). But in recent years, the department has made the concentration tougher, requiring calculus and econometrics on top of statistics, and the number of concentrators has gone up, not down. The grading curves in core economics courses are also among the toughest on campus. Herding, moreover, fails to explain the fact that economics is a leading major at virtually all liberal arts institutions. Something more fundamental must be at work.

A third possibility is that Harvard economics faculty and teaching fellows are particularly brilliant classroom teachers who outshine even their Harvard colleagues in other departments. Nice thought, but it doesn't explain the popularity of economics over time or at other universities.

A fourth explanation is that economics is a practical and marketable degree. Many economics graduates land starting salaries in six figures. Economics is good training for business school, law school, or a career in public policy. With the growth of health

economics as a field, even some pre-meds sensibly consider our department. The list of successful people with economics backgrounds spans many walks of life: Ronald Reagan, Gerald Ford, Diane von Furstenberg, Warren Buffet, Donald Trump, Kofi Annan, Sandra Day O'Connor, Arnold Schwarzenegger, Meg Whitman—even Gene Kelly, Mick Jagger, and Tiger Woods!

A fifth possibility is that students find economics interesting and useful for answering fundamental and important questions. What are the constraints on human behavior and happiness, and how can people attain their goals in the face of these constraints? When do private actions lead to widely beneficial outcomes, and when might government improve on these outcomes? Last year, 10 of our concentrators found these questions so compelling that they planned to pursue graduate study in economics.

My conversations with hundreds of undergraduates at Harvard indicate that these final two reasons are the key factors behind economics' popularity. Students often say that in contrast to most settings, choosing a concentration does not involve a tradeoff: economics is both practical and interesting. Economics majors can have their cake and eat it too.

Whatever the explanation, should this high demand for economics raise concerns?

One issue is that some of the department's classes are too large. The ratio of majors to faculty exceeds 14 in economics but falls below five in many departments. Student demand is only one factor determining how faculty slots are allocated, however. As the late FAS Dean Jeremy R. Knowles put it, one can imagine a university without philosophy majors, but not without a philosophy department. Class sizes will inevitably be greater in the larger concentrations.

Another potential concern is that the prevalence of economics reflects pre-professionalism instead of the liberal arts ideal of intellectual inquiry. Never mind that Harvard started out largely as a pre-professional school (the profession then was being a Protestant minister). Some students may choose economics because they believe it is good preparation for a business career, but the department's courses emphasize economics as an intellectual pursuit. This is an annoyance for some students, but in our view the right approach for a liberal arts university.

The economics department is delighted that our field commands such strong student interest. We believe an "economic understanding" of the world is essential to civic engagement, productivity in the work place, and good personal financial management. Indeed, this mission—preparing students to be engaged citizens and leaders—is mirrored in the preamble of Harvard's newly adopted General Education curriculum.

We economists would never insist that all undergraduates study economics, but we welcome all those who choose to. The economics department is proud to offer a product that attracts so many customers.

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