THE EFFECTIVENESS OF THE ECONOMICS ORIENTATION TUTORIAL: SOME FURTHER RESULTS

by
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In the September 2000 issue (Vol. 19, Issue No. 3, pp. 76-86) we raised the possibility that the poor student perception of economics at universities is, in part, related to the difficulty that contemporary students have in identifying economics with a business/commerce degree. Students, behaving rationally, focus on disciplines such as accounting, finance, business law and taxation, management and marketing when choosing their area of specialisation. This is because there are very few jobs for pass level undergraduate students with a major area of specialisation in economics (Millmow, 1995). This is not, however, the case for the small number of students who earn a good honours degree in economics. The job market for these students remains promising. However, economics departments cannot sustain themselves on the basis of their honours and post-graduate programs.

This suggests that lecturers need to modify their material to reflect the service function of economics. It also requires economics departments to address the poor perception of economics at school and at first year university. The best place to begin is at the commencement of their university studies. In an attempt to address this poor perception, the Department of Economics at the Caulfield Campus of Monash University introduced in 2000 a specific program, which focused on the role that economics can play in a business/commerce degree. This is of particular significance at the Caulfield Campus as it has traditionally emphasised business training. Prior to becoming a part of Monash University, it had established an outstanding reputation as a centre of the study of marketing.

This experimental program at the Caulfield campus is a part of the Faculty of Business and Economics transition program, in particular, the Orientation tutorial. As we explained in Ward, Crosling and Marangos (2000), the orientation tutorial takes place during the first week of the

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semester in all first year subjects across the five Australian campuses of the university.

In 1998 and 1999 the Subject Leaders of first year economics focused on differences in the learning environment at the university as compared to school. Following our initial research, reported in Ward, Crosling and Marangos (2000), we found that most students had a negative perception of the value of studying economics in a business/commerce degree. In an attempt to combat this poor perception, the Subject Leaders in first year microeconomics at the Caulfield campus shifted the focus of the Orientation tutorial to the nature of a business/commerce degree and the role economics plays in such a degree program. Assistant Lecturers were instructed to focus on the following four issues:

1. What is a business degree?
2. What subjects belong to this degree and why?
3. How does the study of a business degree help your career?
4. How does the discipline of economics fit into the degree?

By formally addressing the issue of why they are required to study economics, a situation that many first year students find puzzling, we sought to meet the question of perception head on during the first week of their academic studies. This, of course, required the training of our Assistant Lecturers as they led the discussion of these matters in the Orientation tutorial.

Following the Orientation tutorial, we conducted a survey of 116 students in first year economics. Students were asked four questions to which they could answer one of the following: the tutorial clarified their understanding of ... (a) a lot; (b) a moderate amount; (c) a little bit; or (d) negligibly if at all.

The questionnaire results are as follows:

Question 1: The tutorial clarified your understanding of what is a business degree?

	Percentage
a lot	15.7
a moderate amount	42.6
a little bit	36.5
negligibly, if at all	5.2

Question 2: The tutorial clarified your understanding of why individual subjects are part of a business degree.

	Percentage
a lot	14.9
a moderate amount	47.4
a little bit	35.1
negligibly, if at all	2.6

Question 3: The tutorial clarified your understanding of how studying a business degree can help you obtain a job.

	Percentage
a lot	18.4
a moderate amount	36.0
a little bit	39.5
negligibly, if at all	6.1

Question 4: The tutorial clarified your understanding of how the study of economics can assist you in studying for a business degree.

	Percentage
a lot	19.3
a moderate amount	43.9
a little bit	35.0
negligibly, if at all	1.8

The response by students was very encouraging in the light of the experimental nature of the program and the lack of experience with these issues on the part of many of our Assistant Lecturers. Despite this, the positive response was high. In the first question, "The tutorial clarified your understanding of what is a business degree", 58.3% replied positively. In question two, "The tutorial clarified your understanding of why individual subjects are part of a business degree", 62.3% replied positively. In the third question "The tutorial clarified your understanding of how studying a business degree can help you obtain a job", 54.4% replied positively. The positive response of 63.25 of our students to the fourth question of "how does economics assist you in studying for a business degree", gives us some confidence that, with appropriate explanation and discussion, the new generation of students studying a business or commerce degree will recognise the place that economics plays in their overall degree. We were quite surprised that less than 2% answered "negligibly if at all" to this question. We will continue to develop this model as part of the Faculty's Orientation tutorial program next year.

What is the significance of this result? Hopefully, that the claimed negative perception of economics, as reported in our earlier research, can be successfully addressed. In our view, the best strategy, which requires a cultural shift in many departments of economics, is to recognise the service role of economics for most of our students and to emphasise the complementary nature of economics to disciplines such as accounting, finance, business law, marketing and management. This requires lecturers to modify their material to reflect the complementary nature of economics for business subjects. Moreover, this approach can be facilitated by hiring tutoring staff that have training in one or more of these disciplines, in addition to economics. As it has been pointed out, specialist training is required for Assistant Lecturers to meet the challenge of linking economics with the business disciplines during the tutorial. However, by hiring staff that have training in one or more disciplines in addition to economics, the training cost is substantially reduced. We have implemented this approach. This does not require any lessening of the analytical and critical thinking strengths of economics. Clearly, they make an extremely important contribution to overall business training. Thus, our goal is to ensure that new students understand how economics fits into a business/commerce degree, and how the different subjects they are studying complement each other.

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ON BANK INSTABILITY: A FINAL REPLY TO NEAL

by
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Neal (1979) has argued that Australia's new financial system has the potential to breed systemic instability in that bank-specific runs are contagious and are thus easily transformed into systemic runs. The essence of her argument is that increased bank competition combined with a weakening of the RBA's ability to provide a timely lender of last resort (LOLR)—due to the transfer of prudential regulation from the RBA to the Australian Prudential Regulatory Authority (APRA)—have left banks exposed to systemic instability. Underlying her view is that banks are inherently fragile: banks operate in a fractional reserve system and are prone to holding too many default prone assets relative to capital (under-capitalisation). Institutional support is thus essential to reducing systemic instability. In response, I put an alternative view and argued that fragile banking and thus systemic instability is not the inevitable outcome of recent institutional changes (Coombes, 1999). In putting this argument I drew on free banking theory.

In a free banking regime, there is no need for a central bank so that banks issue convertible bank notes, that is private money. The principle of adverse clearings prevents free banks from issuing more notes than the non-bank public's demand for such notes: a bank that expands its loan base accumulates debit balances at the clearing house, to be honoured in base money (historically gold), if the non-bank public do not wish to hold the expanding bank's money. Since this principle is applicable to deposits that are denominated in central issue (Glasner, 1989), it acts to limit the size of competitive (deregulated) bank balance sheets (see Coombes, 1999, p. 50).[1]

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1. Since I am (and was in Coombes (1999)) referring to deposits in a contemporary setting the convertibility issue raised by Neal (2000), while relevant to the free banking debate, is irrelevant to the point I make about the stability of Australian banks. Nonetheless, from a free banking perspective, satisfying the relative demand for private issue by "cranking up the printing press" does not mean, as Neal (2000) claims, partial convertibility because convertibility is contractually wedded to bank notes (and deposits); there is a difference between partial convertibility and fractional banking. Nor does it mean that free banks can simply put notes into circulation without regard to the non-bank public's desire to hold them. She infers far too much from my (Coombes, 1999) references to the printing press; notes are simply printed when demanded. Reference to the printing press was used as a device to emphasise that the demand for central issue, at the expense of deposits, is one source of multiple expansions in bank balance sheets: central issue is held as reserves whereas private notes are not (Selgin). Neal (2000) also misrepresents Dowd in that he is committed to convertibility because that is what pins the price level down in a free banking regime.