

Economics and the Future of Public Policy Education

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In every nation the objective of public policy should be to maximize the well-being of that nation's people. Public policy seeks to achieve that goal through appropriately managing the nation's resources and its domestic and international affairs.

I will call this the public policy challenge.

By well-being, I mean over the long-term and in a sustained and resilient way. Therefore, future generations are not disadvantaged unfairly to benefit only those currently alive. Moreover, when shocks occur, the nation has to have capacity to recover: it has to be resilient. Technology needs to advance so that productivity rises but without endangering humanity. I include in the definition of well-being consideration of uncertainty, in particular and at a minimum, the probability of the nation's survival in a perhaps anarchic, perhaps well-ordered geopolitical environment.

My idea of well-being includes in it space sufficient for the domestic population at the bottom of the income distribution to advance in society. Implicit in my statement is that the nation come to an understanding on how different parts of the population count in the ultimate objective, the well-being of the nation's people. Income disparities should not be so large that grievance against established social structures overwhelm the polity.

I do not underestimate the difficulty of each of these sub-tasks hidden in my use of the word “well-being”. For instance, to maximize the probability of a nation’s survival in an anarchic international system is itself already the subject of a vast amount of research in the field of International Relations. Other parts of the public policy challenge draw on considerations of global climate crisis and the environment, income inequality and social mobility, growth and resilience, and technology and AI. This conjunction is intentional. My point is that even if all these sub-tasks were solved, the public policy challenge remains. How do we maximize well-being overall through deliberately managing national resources and the nation’s domestic and international affairs?

It is difficult, however, to see how any reasonable objective to public policy can be other than some version of such a overarching challenge.

But if it is public policy officials tasked with solving this public policy challenge (and all the associated sub-challenges), it is public policy education that provides these officials the basics of what they will need to do their job. I will argue that to accomplish this, public policy education needs to provide, paradoxically, both pragmatic flexibility and firm principles. I suggest that a foundation of just three simple economic ideas provide a good mix of flexibility and principles, and thus go a long way in clarifying what public policy officials need to learn.

There is, however, a second set of reasons why I propose economic ideas as the way forwards. In my view, ideas-based training in economics is also one of the surest ways to undergird front-facing public policy. The next section provides three ways to understand why.

Alternative Models

Consider three (other) approaches one might apply to think about the future of public policy education.

First, should public policy schools be primarily a training ground for government officials and civil servants? Some nations have political systems that successfully surface governments who, in turn, do seek to solve the public policy problem. Other nations aren’t as fortunate. In the latter the public policy challenge remains but it is not going to be the government of



the day whose officials are working on the public policy challenge. Instead, it might be some combination of private industry, philanthropies, and civil society. These constituencies' need for tools might be even more urgent than in nations with well-functioning governments. In general, schools of public policy should not become schools of only government official or civil servants, or similar public administrators. Governments have no monopoly rights over the public policy challenge. Even when benevolent, governments should look to private-public partnership, not just on financial challenges but on all else that will advance the public interest. Public policy schools should not give a civil service or a government special claim over their operations: public policy schools serve the nation's people and, indeed, the peoples of all nations.

Second, should public policy education focus exclusively on practitioner training, and put aside blue-sky fundamental research and pedagogy? The public policy challenge has a long horizon. While there will always be immediate problems to solve, the public policy thinker must continue to look out for the well-being of generations to come, whose lived experiences will extend over half-centuries if not longer. An ailing nation is not like a human patient, whose bouts of illness might cover simply a matter of weeks. Thus, while public policy schools are sometimes compared to medical schools, the analogy is imperfect. Nations in need of better public policymaking are not the counterpart of a training hospital of sick people, to whom we send doctors and interns (practitioner-faculty and Masters students). Of course, just as patients require urgent treatment, so too the public policy challenge can sometimes call for immediate implementation. But more generally a better health-industry model for public policy might be the more modern of advancing health beyond the treatment of illness. Underlying principles and ideas become critical, rather than just immediate implementation.

Third, should public policy education concentrate on the invisible background nuts and bolts, not letting in daylight on how it makes the system work? Pretty much everyone argues for transparency and accountability. My argument is that those criteria should apply even more emphatically to public policy generally.

Academic economics training is often criticized for not giving

students genuine understanding of how the economy works in reality, but concentrates instead on getting students “to think like an economist”. The charge is that (capitalized) Economics training is overly inward-looking, focusing on mathematical axioms, and on norms and conventions within the discipline, rather than fully engaging with the economic challenges of genuine lived experiences. This, however, is not unique to Economics. So too the academic discipline of Public Policy focus on policy design, capacity cycles, and subsystems, among others, is inward-looking, and carries no immediate translation to public policy reality. Econometrics and general equilibrium analysis, similarly, which all Economics students have to master, are greatly valued within the discipline, but have no immediate translation to reality. Stretching the analogy, Public Administration and Public Management are critical parts of public policy education, but they concern the inner workings of public policy organizations. However important inner workings might be, they do not represent how a discipline, profession, or school is understood by society.

This difference might be brought out by comparison with large private-sector organizations. Take Apple Inc. Apple succeeded because it gave humanity the iPhone, the iPad, and the Mac. Apple itself says it seeks “to bring the best user experience to customers through innovative hardware, software, and services”. Billions of people instantaneously recognize and understand Apple’s mission in how the company engages with them through its products. Indeed, this is the basis for Apple’s success. Only the tiniest fraction of humanity cares about how Apple organizes its internal corporate structure, how its managers and administrators streamline production processes, how its global supply chain is honed to razor-sharp efficiency. Even when that last is disrupted by geopolitical rivalry or trade disputes, attention is on not specific details but the bottom-line of price change and supply delays.

This does not say the inward-oriented details don’t matter. On the contrary, it is vitally important that those work well. But it is an industry’s public-facing provision by which the organizations in that industry are judged. So too public policy education: What does the public understand about what public policy provides? How is public policy innovative in bringing to the public better lived experiences? However superbly public

policy schools train inward-oriented officials and bureaucrats, it is the front-facing outputs provided by public policy practitioners that, by definition, is how public policy will be judged.

This section has argued that the ideas we teach in public policy schools need to provide foundation for front-facing public policy. The next section, besides laying out the economic ideas that matter, will also show how those ideas provide the bridge for public policy practice to provide front-facing public policy.

Useful Economics

I focus on three key ideas. They come from economics, but the concepts don't require deep economic analysis to understand or remember. To apply them in practice, however, does require proper training. But then it is that proper training that public policy education provides.

One. If you want something done, you have to give people a reason to do it.

Incentives don't just matter. Incentives are why things happen. Think of the people you seek to engage as having a natural state of inertia. If, for instance, you want people to save water, they have to see something in it for them to take the steps you propose they take. Under certain circumstances that incentive can come from educating them to a higher purpose ("it conserves energy, keeps the nation secure, helps save the planet"), or from their paying for the water to a point where they cannot afford, say, popcorn when they're at the movies. Either way, once they have a reason they understand and feel, they will adjust.

This principle is why people's behaviours change when changes occur in tax rates and industrial regulation, criminal punishment, monetary policy and interest rates, trade tariffs and industrial policy subsidies, textbooks and mosquito nets, induce changes in people's behaviour ("when the rules change, people's behaviour and expectations also change"). To understand how exactly they change and in which direction in complicated situations, well, that's the knowledge that economics courses provide.

A corollary to this idea is that many good things happen not because people are charitable, but instead the opposite, it does not matter if they are

or are not. Adam Smith, 250 years ago, said “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.” Precisely when people are not randomly good-hearted but instead looking out for their self interest, are we able to make precise predictions about the effects of policy.

As with everything else, there are multiple levels to which one can take this reasoning. Technical economics will describe this in terms of how optimization implies first-order tangency conditions, with marginal utility equals to marginal cost equal to marginal revenue, from which one can then read off the exact nature of change. This is a critical part of public policy analysis but it should not overshadow the first step of its argument: Give people reason to go along with what you propose.

Two. You can’t have everything.

This is a simple idea that children are routinely taught but that the public sometimes forgets. With a given quantity of resources, fixed each year even if over time resources can grow, public policy cannot deliver everything that everyone wants. If you want to raise trade barriers so your nation imports less, prices will rise. If you borrow so you can spend more, in the future you will have to pay it back and therefore have less then. If you want good trade relations, you might need to make less awkward your stance on political differences.

The hard truth is seeking to improve well-being comes with tradeoffs, and societies have to compromise. Priorities must be established, and public policy officials cannot overpromise.

The technical version of this principle has a further unexpected payoff. This is that to achieve multiple objectives you need the same number or more of instruments to wield. If this is not immediately obvious to the reader, well, again, this is what technical training in economics explains.

Three. Without demand to match, boosting supply doesn’t create wealth or jobs. It only causes waste and unemployment. Correspondingly, without supply that matches, increasing demand only frustrates and disappoints.

A great deal of thinking on economic development concentrates on capacity-building: raising education and training standards; improving public health through mosquito nets and medicinal tablets provision;

putting in place improved infrastructure. These are all good things to do. No nations have developed without these. However, they are only necessary, not sufficient, for development. Those nations that succeeded from implementing these did so at a time when the global economy provided sufficient demand to absorb this added production, and in turn richly compensated the developing economies for providing that supply. When globalization and multilateralism falter, and demand is no longer elastic, continuing to increase supply in this way becomes instead “over-capacity”. At best, inventories accumulate; more typically, waste and unemployment result.

Symmetrically, consider how in many nations a growing middle class is intent on raising its living standards by increased consumption. But this middle class will be frustrated if then no goods and services are actually available to it at affordable prices. Frustration leads to grievance; grievance leads to disillusionment; disillusionment leads to populism and political instability.

I promised three ideas. There is actually a fourth. It is practically a tautology, even if its ramifications are deep. This is that if exchange is mutually agreed upon, everyone’s well-being improves from the exchange taking place. As long as the parties involved are not identical to one another, people will see something they don’t have but that others do. Exchange will then indeed be mutually agreeable.

This idea is actually 200 years old, and associated with the great economist David Ricardo. It is the law of Comparative Advantage.

This section has presented three (or four, adding in the near-tautological) basic economic ideas around which public policy and its training can be organized. The ideas themselves are constant, but they are applicable in a pragmatically flexible way. The ideas are simply good sense and easy to remember. Their implications are deep, and they go a long way in formulating many variants of public policy. They are transparent for the general public to understand, and so public policy can be explained to the public, with high accountability.

While the ideas are themselves simple, understandable, and powerful, they have a deep logic that is fully explicable and implementable pretty much only with economics training. While public policy education might



go a long way without economics training, it can get there a lot faster and more reliably with such training.

Conclusion

As with any institution, a public policy school needs to be both sensitive to changing circumstances and maintain a core of beliefs, ideas, and practice. How does public policy education strike this balance between pragmatic flexibility and firm principles? My suggestion is that public policy education needs to set down an objective — a public policy challenge — that can continue to be its guide as circumstances evolved. I have provided one statement on that challenge that I believe works, but I am keen to see how others might do so as well.

I then argued two propositions. One, public policy in practice is, on the one hand, inward-looking (administration, management, implementation) and, on the other, front-facing (generating products that the public can understand and buy into). Both are needed, but public policy education will succeed and endure rests on how well it does front-facing public policy.

Two, I showed how economics training delivers front-facing public policy.

Economics training certainly helps in public policy education. But whether or not economics is essential to public policy education can be assessed only if some other similarly self-consistent discipline appears and can provide an argument similar to what I have done. I don't see others do so as coherently. So, for now, I see economics to be, not just helpful, but central in public policy education.

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