

What Skills Do I Learn With an Economics Major?

In Economics you learn about supply and demand, perfect and imperfect competition, taxation, international trade, price controls, monetary policy, exchange rates, interest rates, unemployment and inflation amongst many other topics to understand individual markets, the aggregate economy and government policies. This is a valuable knowledge on its own. However, arguably the most important skill developed in an economics major is not necessarily the specifics of the various theoretical models described in the classroom and textbooks. The most important skill is cultivating a way of thinking that requires a critical eye and a rigorous method of logical reasoning. Building models and thinking within the constraints of the assumptions of the models makes the Economist think carefully about the necessary conditions for a specific conclusion to be valid. By studying economic models, you are also developing the skill of learning new and complex things even when too abstract (e.g, utility, deadweight loss, economic surplus). If you can do this through an economics major you can do it regarding new products, fields, business models, strategies, industries and regions; which is a valuable skill for many job positions particularly those related to business.

Economics also look at many relations between variables: prices and quantities, revenues and elasticity, output and inflation, productivity and aggregate growth, education and salaries, trade and exchange rates, etc. The relationships between two variables studied in economics in many instances arise out of a chain of relationships of many other variables and connecting the dots is an important process in understanding economics. In this process the economics major develops a trained eye to understanding complex relationships and finding new relationships to explore.

For example, when discussing perfectly competitive markets we make several assumptions about the characteristics of the market and we analyze and learn about the implications of this specific kind of market. Then, we relax the assumptions of the model which leads to other kinds of market structures like monopoly, duopoly and monopolistic competition and we study why these markets are less desirable; clearly defining what “desirable” means (i.e., economic surplus). Reaching this conclusion requires a process of understanding relationships between variables and the behavior of market participants and connecting different concepts to come up with an evaluation of the market outcome. This is the type of mental legwork that the economist does to extract meaningful conclusions and is an exercise students go through the three years of economic core and elective courses. It is a process that sharpens your ability to think critically which is a valuable skill for solving problems.

Economics education also provides a particular perspective to analyzing many situations. Thinking about how economic incentives influence the behavior of individuals is a particular perspective by the economist. Focusing on the benefit and costs (particularly opportunity costs) of alternative choices the economist place trade-offs at the center of analysis which builds a valuable intuition for evaluating many business decisions and planning strategies. Furthermore, the economics major also provides various situations to analyze problems quantitatively by turning verbally described economic problems into mathematically workable problems. Finding numerical solutions to real problems is a valuable skill to master and working through these types of problems provides mathematical practice including solving systems of equations.

The statistics courses provide very useful tools to analyzing data and provides the opportunity to learn using spreadsheet software, like Excel; to manipulate, describe, summarize, and perform statistical tests on the data. It also teaches how to interpret survey data, make statistical inference about population characteristics, builds the foundations of the experimental design and make comparisons about the characteristics of multiple populations using sample data. Then Econometrics provides a more advanced statistical tool for forecasting, disentangling various factors affecting a dependent variable, testing theories and estimating economic equations (supply and demand, production functions, cost functions, etc.). In fact, econometrics is a very powerful tool to estimate the independent partial influence of one variable over another holding other factors constant. This has many applications from evaluating potential locations for a business, deciding between various modes of production, evaluating the effectiveness of alternative marketing strategies and analyzing the economic impact of government policy. The applications are endless and it is a very valuable instrument in your toolbox that most majors do not cover to the scope studied in Economics.

As you can see, there are many specific and general skills developed in an economics major. The diversity of these skills is what makes the economics major adaptable to many industries and positions. The complexity and rigor of economic models stimulate critical thinking which contributes to building an intuition to ask the right questions and solve problems analytically. And the technical skills developed by solving mathematical models and doing statistical analysis of data and applications of econometrics techniques provides a comprehensive toolbox for the economics major.