

# TALK ABOUT TEACHING AND LEARNING

## Teaching in a Crisis

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How do you teach when your subject is in the news? And how do you teach your subject when your subject is under fire? Economic, political, or health crises offer opportunities for bringing real-life issues into the classroom, but they also pose enormous challenges. Students often demand answers to questions, and solutions to problems, that may not readily exist, especially when the questions and the problems are new and pressing. Moreover, students expect professors not only to address the practical issues but also to justify their choice of answers and solutions by reference to well-established and reliable theoretical models. What is an instructor to do in order to meet such high expectations?

In the spring of 2009 I coordinated a course on the economic and financial crisis, where we, like many faculty teaching in many different disciplines, had to answer these questions. A different Wharton or SAS faculty member lectured each week on topics ranging from the causes of the crisis in the United States and around the world to its impact on the housing market, the venture capital industry, the automobile industry, pension funds, and the retail sector. Each faculty member referred in his or her lecture to possible strategies to overcome the crisis and to prevent a similar meltdown in the future. About 250 undergraduate and graduate students attended the lectures, completed weekly readings, wrote reaction papers, and, most importantly, posed tough questions. The class is currently being offered again.

In my experience, the present economic and financial crisis exhibits two characteristics that make it difficult to teach a class devoted to its causes and consequences, and to the policy solutions. Perhaps the most important is that the students themselves were affected by the crisis in a number of ways. Many were graduating at the end of the semester, and were feeling the pain of a tough labor market. Others had family members or friends who lost their jobs or large chunks of their savings. A few faced difficulty funding their studies at Penn. Most admitted being affected by the never-ending stream of bad news. The general gloom turned into an outburst of optimism whenever a faculty member reassured the audience that there was light at the end of the tunnel or that green shoots had started to appear here and there. I personally found it very hard to deal with a situation in which I have a fairly stable and secure job, with excellent benefits, while many of my students will be facing a difficult job market for years to come. I continue to think that when your subject is in the news, it is easy and educationally productive to bring it into the classroom for analysis and discussion. My experience last semester, though, was that too much reality is sometimes difficult to cope with. I frequently felt overwhelmed by the rapidly shifting developments in the United States and around the world, finding it hard to answer students' questions with the usual authority and confidence. I found myself admitting 'I don't know' far more often than usual. It was, in many ways, a humbling experience.

The second peculiarity of the economic and financial crisis is that it has shaken the foundations of some long-standing models and theories of how the economy, the financial sector, and business in general work. It is no exaggeration to argue that one of the many victims of the crisis has been our belief in the strength of the market economy and the system of free enterprise. The criticisms have not generally attacked the virtues of the overall capitalist edifice, but they are severe enough to invite reflection and debate about the ways in which we organize ourselves to cater to our everyday needs. Even worse, I often get asked the question of whether the way in which business schools teach finance, accounting or management has contributed to the crisis. The challenges such thorny issues represent, however, also offer an opportunity: they help us to encourage students to reexamine our fields and to explore what we value about our own disciplines.

The fact that the seeds of the crisis were planted in the financial sector has brought into sharp focus one of the most controversial topics, namely, the balance and interrelationships between the real economy and the financial economy. Notwithstanding the fact that many students in the class will end up working in the financial sector, in their questions and written papers a non-negligible proportion of them displayed some skepticism about the value that financial activity adds to the economy. This issue has historically been the launching pad to fame of many a demagogue or populist. I personally felt last

semester that it was important to assert in the classroom the fundamental principle that it is simply unimaginable to generate the levels of economic affluence we have grown to enjoy without a vibrant financial system, and I think that the four lecturers who dealt with this topic did a great job at establishing the importance of finance while recognizing its limitations. One of them, Professor Franklin Allen, noted that the crisis will have implications for research and teaching in financial economics, pointing out that perhaps the field went too far in thinking that the so-called "efficient market" hypothesis could explain how financial markets work, and provide a solid foundation for policymaking and regulation (or the lack thereof). Finance theory, he argued, has long been evolving to incorporate agency problems and behavioral aspects that make less strident assumptions about human behavior in the face of economic incentives. My sense is that the students reacted positively to this lecture precisely because they perceived not only that the professor identified a key problem in the teaching of finance, but also that he was able to articulate a viable and sensible alternative. At the end of the lecture, most students left the room reassured that we need solid, innovative and well-functioning financial markets, and that we certainly need finance scholars informing us as to the best way to organize this crucial part of the economy.

Accounting is another academic discipline which has come under scrutiny as a result of the crisis. In the class, we also covered this topic, and sought to dispel the accusation that accounting was a root cause of the meltdown. As in the case of finance, the students came to the classroom with a rather critical view of the role that certain accounting practices and regulations had played in the crisis. Once again, the professor in charge of that lecture, Cathy Schrand, did a wonderful job at showing how more and better accounting theory, not less, is needed to avoid corporate catastrophes in the future. She persuaded the audience that, as in the case of finance, not only have accounting scholars alerted us to the unintended negative consequences of certain practices and regulations, but they have also made sound proposals to ensure that the companies and the financial system as a whole operate on a more solid footing.

The crisis has roots and manifestations not only in finance and accounting but also in the area of leadership. I found the debate about failures in leadership and organization perhaps the most fascinating of the ones that took place in the classroom. It is quite clear that some of our most respected financial institutions had not only become too large to fail but also too large to manage. The students voiced their concern that perhaps complex industrial organizations and financial institutions cannot be effectively run and overseen by a relatively small group of executives. We discussed the extent to which theories of charismatic leadership and models of performance-based compensation have come under attack, and justifiably so. We realized that it will take years to rebuild a sound theoretical base for the design of effective organizations, whether in the financial sector or in the real economy. On the day that leadership was discussed, Professor Michael Useem shared with the students multiple examples of leaders, both big and small, who failed during a critical moment. He also laid out the foundations for building more effective leadership systems. Like finance and accounting, organizational and leadership theory needs to extract lessons from the crisis. The last couple of years clearly show that we need more, not less, research in these crucial areas.

While the crisis reaffirms the relevance of the business disciplines, it also calls into question the way in which they are taught at business schools. Journalists often ask me the question of whether business schools should be held partly responsible for the debacle. This issue came up in class as well, with some students demanding that faculty exercise more care when recommending the use of certain models or theories. While I do not think it makes sense to blame universities, business schools or specific faculty for the crisis, it is our responsibility as educators not only to teach theories, models, and techniques, but also to alert our students to their underlying assumptions and limitations. Perhaps the most important lesson I drew from the experience last semester was that, as scholars and teachers, we need to be ready to embrace debate about our own disciplines, and to be open to criticism about our favorite theories of how the world works.