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Economics and Economics Education

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Discussion Research ID	DPR-2026-1129
Year	2025
Field	Social Sciences
DOI	10.25159/1947-9417/18870
Author ORCID	0000-0003-2544-8277
Licence	CC-BY-SA
Original source	Education as Change
Permanent link	https://discussionpublishers.com/research/28ed8401-e2ae-4042-aec7-0afe6c789898
Publisher	Discussion Publishers discussionpublishers.com

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Cite as: Sherman Xie, Lu Dai, Lei Liu (2025). Economics and Economics Education. Discussion Publishers, DPR-2026-1129.

Economics and Economics Education: Crisis and Countermeasures

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Abstract

This commentary briefly reviews the intellectual history of macroeconomics in an informal way. It analyses mainstream economic theories and points out that they have failed to predict economic and financial crises because modern mainstream economics education is going astray. In response to the current crisis facing economics education, the commentary proposes reconstructing curriculum systems, innovating teaching methods, reforming evaluation systems, reshaping social responsibilities, and localising international experiences.

Keywords: model worship; instrumental rationality; value rationality; utilitarian trap; social responsibility

Education as Change
Volume 29 | 2025 | #18870 | 13 pages

https://doi.org/10.25159/1947-9417/18870
ISSN 1947-9417 (Online)
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Introduction

Economics, as a prominent discipline, has deeply penetrated other fields with its way of thinking and research methods, demonstrating strong interdisciplinary influence. This phenomenon not only broadens the scope of economic research but also promotes the development of related disciplines. The reason economics can widely permeate into other disciplines lies in its provision of a rigorous analytical framework and practical research tools. For example, core assumptions (such as rational actors) and analytical focuses (such as equilibrium and efficiency) of modern economics provide perspectives for studying complex socio-economic phenomena. At the same time, quantitative analysis methods of economics, while lacking the socio-political and interpretive implications of its qualitative counterpart, have injected new vitality into empirical research of other social sciences. In summary, the way of thinking and the research methods of economics are reshaping theories and practices in multiple disciplinary fields, promoting academic innovation and solving social problems. In the future, with the emergence of more interdisciplinary subjects, the impact of economics will further expand, providing important support for sustainable human development.

However, economics education worldwide may be heading in the wrong direction. This opinion piece will first briefly review the history of economic thought and then comment on the current state of economics education.

Brief History of Macroeconomics Thought

I once had a conversation with an economist. It went something like this:

> What is the purpose of our being? What? Is it none of your business? You said it is a philosophical question rather than an economic one. Oh, you mean this is not your problem? OK, maybe this problem is too big for you. Let's make it smaller. What is the purpose of economic growth? Blah blah; OK, you just said a lot; please sum it up. The ultimate goal of economic growth is to achieve human freedom. Good answer! But what is freedom? Does it include both physical and mental aspects? Blah blah; OK, I will consult philosophers and logicians. I just heard you say that economists would only deal with economic issues. Is not the question that I just raised related to the economy? Blah blah; OK, I will only ask you some questions within your knowledge range. Did economists predict the correct stock prices? Almost none. Did economists accurately forecast the financial crisis? Almost none. Does the scientific revolution have anything to do with economists? Almost none. Does the rise of the internet have anything to do with economists? Almost none. If I say that a group of entrepreneurs and technological innovators are pushing the world forward, how many benefit from economists? Almost none. What a strange thing! Since economists are so useless, why do they still swagger through the street, and even get a high appearance fee?

This question is too complicated. Let us recall the brief history of economists first. Adam Smith, the celebrated "founder" of economics, put forward the theory of labour division. David Ricardo proposed the idea of resource endowment, which is the

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comparative advantage theory. The two said the same thing, except that Smith's theory uses more imagery and Ricardo's is more abstract. The theories of Smith and Ricardo explained the economic growth/development of the following two hundred years. Whether it is industrialisation, trade, or industrial transfer, one of the main questions has been answered—How is national wealth generated? They invented the core theory, and Karl Marx had to find another way to ask a simple but revolutionary question: Wealth is present, but how can we allocate it? Smith and Ricardo began a quarrel; the former said distribution should be based on labour, and the latter said wealth should be distributed according to resource endowments. The capital takes the bulk, and the labour is exhausted and dead but has nothing. Why? Karl Marx asked so innocently. He put forward *Capital*, and the concept of the proletariat emerged. Later, the glorious and miserable history we all know followed. An innocent question led to a foul wind and a rain of blood. The revolutionary movements under various banners from the 19th century to the 20th century on a global scale were essentially battles for the distribution of wealth.

About a hundred years later, there was a professor at Cambridge named Alfred Marshall. Maybe he watched the gentlemen and ladies in the vegetable market waving two fingers while bargaining. Does not the market work like a pair of scissors? This is the inspiration for the famous vegetable market theory: He gave the gentlemen who sold a dish the name of "supply" and the ladies who bought the dish the title of "demand". The vegetable market theory standardised the study of economics. The theories of Smith and Ricardo could be packaged as the supply side. The core of the supply side concerns how to provide the population with land, technology, and other types of resources. This supply side has a good name—classical economics. This group is concerned with one thing: how wealth is generated. They answer that wealth comes from the division of labour and comparative advantage. The concept of supply and demand was born, and economists were awfully excited. Economics was originally a less critical branch of politics. With the idea of supply and demand, you can draw the supply and demand curve. With the supply and demand curve, you can introduce mathematical tools. Economists thus thoroughly remoulded themselves with mathematical (scientific?) thinking. Economics moved further and further away from politics and reality. Meanwhile, economics and mathematics drew nearer and nearer, and economics seemed paralysed without data.

The worst economic crisis in capitalist history took place at this time. It was called rather mischievously the Great Depression. It proclaimed the failure of the supply-side dreams of fortune. And it validated the foresight of Karl Marx; the gravedigger of the capitalist is just sleeping beside it. The ambition for fortune should not be built based on universal poverty, as was clearly seen when the Soviet collective farms were in full swing. As a kind of idea, socialism spread again in the West. On the occasion of another crisis, a white knight fell from the sky—the great John Maynard Keynes, who made future generations of economists love and hate him. His core idea is not to worry; if the effective demand is not enough, let the government pay. And so, to our collective sigh,

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the welfare state was born, or, to put it differently, the nemesis of free-wheeling and dealing in free marketeering, the spectre of state fiscal interventionism.

The question then becomes how the government pays. Keynesians like to talk about the story of broken windows. If the window is broken, the glass will be repurchased, and the glassmaker can produce it at total capacity. As for the efficiency of the government, that is not Keynes's concern; it is what political scholars need to pay attention to. Keynes's prescription seems raw. To justify himself, he proposed three laws. First, the proportion of food expenses of the rich will become less and less. Second, the bigger the factory is and the more workers there are, the lower the efficiency. Third, with too much debt, borrowing money is disliked, even at zero interest. Keynes woke everyone up and reached a consensus—a permanent and secret passage exists between the government and the market. If the demand side, like investment, consumption, and exports, is too sluggish, then increase the issued currency. Since then, Keynesianism has dominated the world—it has become a useful (good?) prescription for the economic crisis.

If the story was over at this point, it would be wonderful. Unfortunately, the excellent prospects were not extended. A series of incidents almost let Keynesianism be thrown into the trash. First, the oil crisis led to soaring global inflation; the second is the rise of monetarism and liberalism. During World War II (WWII), a young man named Friedrich von Hayek could not enter the war because of his Austrian nationality. Instead, he read all the books on liberalism in British history in the London School of Economics library and made many study notes. He gathered these reading notes into a book and chose a name destined to catch the eye of the world—*The Road to Serfdom*. Its core idea is that the government should not intervene, and the collective farms will be a human disaster. It was awkward once published. Churchill, the hero of WWII, was abandoned by his people. After the war, the British people were longing for socialism. By the late 1970s, when Mrs. Thatcher took office, the United Kingdom was almost a socialist society in terms of its economic structure. To what extent? If the workers took part in a strike, their family members could also receive strike subsidies. Hayek thought the United Kingdom was unacceptable and then ran to the United States and was sought after as a hero. Since then, Hayek has been the enemy of Keynesianism. Hayek was not educated as an economist, but he won the Nobel Prize in Economics in the 1970s. This clearly demonstrates how dissatisfied people were with Keynesianism.

At this time, another god assistant appeared—Milton Friedman. He found a flaw in Keynesianism—inflation. Once the government is accustomed to squandering money, it will not live independently. Keynes's three major laws can be characterised as perfect, but he never imagined that government spending would be unchecked. Friedman regarded Keynesianism as a scapegoat for stagflation. Whether based on the ideas of Hayek or Friedman, the most wanted thing was to cut off the secret passage between the government and the market, which Keynes played out. Friedman was the ruling owner of the Chicago School, and he declared the importance of less intervention by the

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government and more intervention by society. The government should not get involved in the economy and let the market choose freely.

History always repeats itself. The Washington Consensus, supported by the Chicago Liberal School, also suffered bankruptcy in South America. In the historical picture of the 1970s, economics studies gained prosperity because of stagflation, but it has gone downhill since then. A variety of academic schools surged. Schools of thought concerning monetarism, rational expectations, and supply revolution, among others, appeared. Economics was no longer as profound and logical as it had been with the classical school, which had keen insight into the change and evolution of economics and society. Economics often lacks real explanatory power, especially after being kidnapped by mathematical tools, which makes people sad.

To emphasise this theme and follow this main line of development, we sketched out the history of economic thought with a playful tone and combined it with the history of economics. However, the above description of the thinking of economists is not very accurate. For example, Alfred Marshall did not create the supply and demand curve, but his contribution to the supply and demand theory is undeniable. Therefore, the statement above may not be entirely precise but is not inherently wrong.

What is the biggest paradox in economics? If it was a completely free market and the government did nothing, there would be no need for economists because entrepreneurs see more and better than economists. Economists do not need to exist if it is a thoroughly planned economy because the government can arrange everything. What is the biggest paradox in the economy? As long as the economy is in crisis, everyone expects the government to save it, and economists will design various rescue programmes. What is the biggest paradox of liberal economists? Their worth depends upon the efforts of the Keynesians. What is the biggest paradox of Keynesians? They often make plans to rescue the crisis but always fall into a crisis of confidence (Hirschman 2013).

Economists may have summed up some rules, but people had followed them before economists summarised them. If physicists discover new particles, they may open a new revolution in science and technology. Discoveries by economists may be something the country cousin has long been tired of. Well-known economists, including Philip Fisher, have few people, if any, in the stock market who have not lost money. What is an economist? It is hard to define what economists are, like doctors and teachers. People who treat dental problems are called doctors, and people who do heart surgery are also called doctors. People who teach children in kindergartens are called teachers, and those who educate doctoral students on university campuses are also called teachers. Since the 1970s, real economics research has died, becoming a self-entertainment area within the economics circle. Poetry is dead; poetry research still exists. The traditional media is deceased; the journalism schools are still active. Young economists no longer explored the ultimate goal of economics analysis as the older generation did.

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Theoretical economics should not be divorced from real life. If academic research cannot explain real-world economic phenomena well, then we have to question the appropriateness of our theoretical research paradigm. Neoclassical macroeconomics and Keynesian economics have the same microeconomic(s) basis. However, the paradigm of the microeconomics on which they are based has serious flaws—there is too much emphasis on methods and means but ignorance of values and goals. The economic edifice built on this foundation is unstable, and the corresponding economic policies are imperfect. Is there a middle way between Keynesianism and neoliberalism? Shifting the focus from methods and means to values and goals, and transforming political matters into scientific affairs, may be a viable attempt to alleviate and eliminate the war between Keynesianism and neoliberalism. Reducing excessive reliance on mathematical logic may be the key to better comprehending and grasping causality in the real world, ultimately leading to the creation of a utopia on Earth.

Economics Education Is Going Astray

Modern economics education is going astray, which mainly manifests in five aspects: First, the excessive emphasis and reliance on mathematical models in economics education leads to a disconnect between economic theory and the real world. Second, the over-instrumentalisation of educational goals has led economics education into a utilitarian trap. Third, the monopoly position of the neoclassical economics paradigm results in significant deficiencies in the cultivation of critical thinking and diverse perspectives in economics education. Fourth, the loss of disciplinary orientation in economics education leads to inadequacies in interdisciplinary integration and the absence of social responsibility, thereby weakening its ability to address complex social issues and limiting students' comprehensive understanding of economic phenomena. Fifth, the structural contradiction between the supply and demand of education weakens the social function of economics education, not only affecting the quality of economics education but also restricting its contribution to social development.

The Disconnect between Theory and Reality: Model Worship and the Lack of Explanatory Power

The issue of a disconnect between theory and reality in economics education is most evident in the excessive reliance on mathematical models, which has led to a lack of explanatory power. This phenomenon not only undermines the practical value of economics as a social science but also prompts deep reflection on the nature of the discipline itself.

Since the mid-20th century, economics has gradually transformed into a modelling-centric science with an increasingly pronounced trend towards mathematisation. While this transformation has enhanced analytical rigour, it has also brought about the risk of disconnection from reality. Economists, in their pursuit of internal consistency within models, often overlook external validity—that is, the models' ability to explain the real world. For example, dynamic stochastic general equilibrium (DSGE) models, despite

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dominating academic circles, have overly idealised assumptions such as perfect rationality and instantaneous market clearing, making them ill-equipped to handle complex economic phenomena such as financial crises (Stiglitz 2011).

The core mission of economics lies in uncovering economic laws and providing a basis for policy formulation. However, the current educational model places more emphasis on abstract theoretical derivations rather than solving real-world problems. Nobel laureate Joseph Stiglitz criticised mainstream macroeconomic models for failing to predict the 2008 financial crisis, which is a typical example of the disconnect between theory and reality (Stiglitz 2018). There is an overuse of mathematical tools in economics education, where many studies are formally exquisite but lack substantial content. Curve-fitting games have become the norm, leading economics away from its fundamental goal of explaining reality.

Economics' pursuit of mathematical rigour was not achieved overnight; instead, it underwent a gradual shift from empiricism to formalism. In the early 20th century, economic research emphasised observation and empirical evidence, requiring theories to be grounded in data and facts. At that time, "rigour" and "relevance" were inherently unified. However, after World War II, with the development of econometrics and the expansion of higher education, a group of economists trained in rigorous mathematics pushed for the technicalisation of the discipline. Although this transformation increased the level of formalisation in economics, it also planted seeds for the potential disconnection between theory and practice (Yanofsky 2016).

The Instrumentalisation of Educational Goals: Intra-Generational Competition and the Trap of Pragmatism

Economics education has come under widespread criticism in recent years for deviating from its original purpose and practical application needs. Among these criticisms, the problem of "the instrumentalisation of educational goals" stands out.

Economics education is increasingly becoming a tool for "academic credential competition" rather than a means to cultivate economic thinking. Students are trapped in endless competition, pursuing high scores and diplomas while neglecting deep understanding of knowledge and critical thinking. For example, universities worldwide have blindly expanded their economics and finance programmes, with course offerings overly focused on theoretical instruction. As a result, students may master complex models but struggle to apply them to real-world problems. This convoluted competitive model not only drains students' energy but also undermines the practical value of economics education.

Economics education places excessive emphasis on practicality and employment orientation at the expense of nurturing students' fundamental abilities. Students spend considerable time learning advanced theories such as investment-saving and liquidity preference-money supply (IS-LM) models or time series analysis, but fall short in basic

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skills such as writing business emails or data analysis. American scholar Bryan Caplan points out that the current education system suffers from a "signalling screening" issue, where students invest substantial resources in obtaining degrees whose acquired knowledge often fails to enhance actual productivity and instead exacerbates structural contradictions in the job market (Caplan 2018).

The Absence of Critical Thinking and Diverse Perspectives: The Monopoly of the Neoclassical Paradigm

Economics education is significantly lacking in fostering critical thinking and diverse perspectives, with the core issue being the monopolistic position held by the neoclassical economics paradigm. This single paradigm dominates curriculum design, research methods, and even academic evaluation systems, limiting students' understanding and comparison of different schools of economic thought.

The current economics education excessively focuses on neoclassical economics while neglecting other important schools such as institutional economics, post-Keynesianism, and Marxism. This singular perspective not only restricts students' theoretical horizons but also weakens their ability to analyse complex economic phenomena. For example, when explaining financial crises or income inequality issues, relying solely on market equilibrium models often fails to reveal deeper causes (Minsky 1986; Palley 2010).

The lack of cultivation of critical thinking in educational models is another significant problem. Students are fed established theories rather than encouraged to question and think independently, leaving them at a loss when facing uncertainties in the real world. The essence of critical thinking lies in posing questions and seeking answers through logical reasoning, an area where current education falls short.

The Loss of Disciplinary Identity: Lack of Interdisciplinary Integration and Absence of Social Responsibility

Economics education faces significant challenges in terms of disciplinary identity, which primarily manifests in inadequate interdisciplinary integration and the absence of social responsibility. This limitation weakens its ability to address complex economic issues and restricts students' comprehensive understanding of economic phenomena.

As a comprehensive social science, economics naturally requires close interaction with other disciplines such as sociology, psychology, and political science (Truc et al. 2023). However, the current educational system is overly specialised, neglecting the cultivation of interdisciplinary perspectives. For example, when analysing financial crises, relying solely on market equilibrium models fails to reveal deeper causes; incorporating insights from behavioural economics or sociology can provide a more comprehensive understanding.

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Moreover, many prominent economists throughout history, such as Adam Smith and John Stuart Mill, were cross-disciplinary thinkers whose research integrated diverse viewpoints from ethics, politics, and beyond. In contrast, modern economics education has gradually marginalised these multidisciplinary perspectives in favour of deep exploration within a single discipline.

The social responsibility of economics education extends beyond imparting knowledge; it should also guide students to pay attention to the complexities and uncertainties of the real world. However, existing curricula often focus heavily on theoretical derivations while lacking emphasis on practical policy issues. This results in graduates struggling to quickly adapt to workplace demands and being unable to propose effective solutions for addressing socioeconomic challenges.

For instance, when discussing major global issues such as climate change, an economic perspective is undoubtedly important, but without support from natural sciences, political science, philosophy, and other fields, it becomes difficult to develop comprehensive and effective response strategies. Therefore, economics education urgently needs to strengthen awareness of social responsibility, encouraging students to think about problems from multiple angles and propose innovative solutions (Gómez 2023).

The Weakening of Social Functions: Structural Contradictions between Educational Supply and Demand

Economics education plays a crucial role in nurturing talent and promoting socioeconomic development. However, its weakening social functions have become increasingly evident in recent years, primarily manifesting in structural contradictions between educational supply and demand. This issue not only affects the quality of economics education but also limits its contributions to socioeconomic development.

Traditional teaching, with its disconnect between theory and practice, focuses heavily on theoretical instruction while neglecting the cultivation of practical skills. Students may master complex economic models but struggle to apply them in solving real-world problems.

A curriculum design lagging in skill development fails to keep pace with market demands, resulting in graduates lacking practical skills, such as data analysis and market research. Consequently, they lack competitiveness in the job market.

High-quality educational resources are unevenly distributed and concentrated in a few top-tier universities, while ordinary institutions face relatively weaker teaching quality and faculty strength. This exacerbates educational inequality.

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Lack of innovative abilities is caused by rote learning, which stifles students' critical thinking and innovative spirit, leaving them unable to analyse and solve complex economic issues independently.

These structural contradictions directly weaken the social functions of economics education. First, declining quality of talent cultivation leads to graduates failing to meet enterprises' demand for applied talents, resulting in widespread high scores but low abilities. Second, insufficient practicality of research outcomes stems from academic studies overly pursuing theoretical depth at the expense of attention to actual economic problems. As a result, research findings often fail to translate into policy recommendations or practical guidance. Third, limited capacity to serve society arises from economics education's inability to respond to developmental strategies and societal needs effectively. For example, its roles in regional economic development and rural revitalisation remain limited.

Conclusion

In response to the issues stemming from a disconnect between theory and reality, lack of critical thinking, instrumentalisation of educational goals, and blurred disciplinary identity in economics education, this commentary proposes the following systematic reform suggestions:

1. Reconstructing Curriculum Systems: From Single Paradigms to Multidisciplinary Integration

First, it is necessary to break the monopoly of neoclassical paradigms by adding non-mainstream economics courses and strengthening economic history and thought history education. Economics education should incorporate schools such as institutional economics, evolutionary economics, and post-Keynesianism into required courses. For example, Cambridge University's Economics Department teaches Marxist economics alongside mainstream theories to help students understand the applicability boundaries of different paradigms. Harvard University requires all undergraduate economics students to take a mandatory course on "The History of Economic Thought", comparing historical contexts of theories from thinkers such as Smith, Marx, and Keynes to dispel blind worship of single theories among students.

Second, it is important to achieve modular interdisciplinary courses through constructing an "Economics+" curriculum cluster and mandating the inclusion of non-economics disciplines. Economics education should combine behavioural economics with psychological experiments (e.g., University of Chicago), ecological economics with climate science (e.g., London School of Economics), or even offer cutting-edge courses such as "Digital Economics and Ethics". The Massachusetts Institute of Technology (MIT) requires economics students to select at least two sociology or political science courses to cultivate systemic thinking.

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2. Innovations in Teaching Methods: From Theoretical Imposition to Practice-Driven Approaches

First, economics education should embed real-world scenarios in classroom experiences by establishing university-enterprise cooperative laboratories that combine case studies with field surveys. Drawing inspiration from Jindal Global University in India, students should be required to participate in local slum economic investigations to validate poverty trap theories using data, or simulate central bank monetary policy formulation to analyse the impact of interest rate hikes on small businesses. Stanford University collaborates with Silicon Valley enterprises to establish a "Digital Economy Laboratory" where students directly engage in optimising pricing algorithms for platform economies.

Second, economics education should promote the "problem-debate-reconstruction" teaching method by designing open-ended questions to foster critical thinking. For instance, the University College London (UCL) sets up debate sessions on macroeconomics courses focusing on fiscal austerity vs. expansion policies, requiring students to base their arguments on cases such as Greece's debt crisis and Japan's Abenomics. Standardised examinations should be abolished in favour of writing policy evaluation reports. University of California (UC) Berkeley requires students to use econometric tools to analyse the impact of minimum wage laws on San Francisco's catering industry and submit reports to the mayor's office as references.

3. Reforming Evaluation Systems: From Examination-Oriented to Competency Certification

First, economics education should establish diversified assessment mechanisms. It should record the entire process of student participation in research projects, policy consultations, and social surveys, replacing the one-time final examination grading system. Tilburg University in the Netherlands has incorporated dynamic portfolio assessments into its master's programme in economics. Industry certifications should replace credits. Curricula should align with professional qualifications such as Chartered Financial Analyst (CFA) and World Bank data analysts to connect coursework with employment needs directly.

Second, it should redirect academic research values. It could adopt the mechanism of the University of Cape Town in South Africa by setting up a "Real-World Problem Research Fund" that requires teachers to provide proof of demand from stakeholders (such as local governments and non-government organisations [NGOs]) when applying for research topics, ensuring research remains grounded. It could include the adoption of research findings by governments and application by enterprises in teacher promotion review criteria, which Seoul National University's Economics Department has implemented.

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4. Reshaping Social Responsibility: From Instrumental Rationality to Public Value

First, economics education should institutionalise ethical education. It should offer compulsory courses in economic ethics, such as Oxford University listing "Markets and Morality" as a core undergraduate course discussing ethical boundaries of monopolies, climate debts, etc. Compulsory social practice credits require students to complete at least 200 hours of practice in poverty alleviation agencies, environmental organisations, or rural cooperatives, similar to Indonesia University's Economics Department's "Rural Economic Revitalisation Programme".

Second, it should build platforms for public policy participation. Economics education could establish think tanks involving "students-government-businesses". Inspired by the model of Sciences Po Paris, it could organise student teams to write industrial policy reports for local governments, whose outcomes enter decision-making discussions. Access to data and tools should be democratised. Simplified versions of economic modelling software (such as "CGE [computable general equilibrium] Models for Everyone") should be developed and provided free of charge to community organisations to promote the popularisation of economic knowledge.

5. Localisation of International Experiences: Avoid Simple Transplants

First, economics education should develop characteristic courses tailored to developing countries. It should focus on informal economies and inclusive growth. The Autonomous Technological Institute of Mexico (ITAM University) offers a course titled "Street Economy and Urban Governance", studying survival strategies of two million street vendors in Mexico City—a type of experience that can be borrowed for economic research in other developing countries. Direct translations of Samuelson textbooks should be abandoned and instead indigenous economics textbooks that theorise various unique local experiences should be compiled.

Second, economics education should localise responses to global issues. Southeast Asian universities jointly conduct research projects such as "Mekong River Basin Climate Migration Economic Adaptation", a model applicable to economic transformation studies in ecologically vulnerable areas across nations, enhancing regional economic resilience.

Reforms in economics education do not negate mathematical models or theoretical rigour but aim to reconstruct its ability to serve real-world problems. Through transformations in curriculum diversity, practical methods, comprehensive evaluations, and public responsibilities, economics can return from being "blackboard economics" back to "real-world economics", truly cultivating compound talents capable of both deconstructing complex models and perceiving societal problems.

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