Abstract

Economics, which has failed to predict and resolve the 2008 financial crisis, has faced much criticism. Especially, skeptical voices on the core assumptions of economics: economic rationality (Homo economicus) and the autonomous mechanism and stability of the market, have been raised. Also, it has been criticized of focusing only on mathematical models and overlooking the complexity and uncertainty of reality.

Secondary school economic education aims to cultivate economic citizenship that can make rational decision based on economic knowledge in reality. Therefore, economics plays a very important role in economic education in terms of being its core content; economics having faced much criticism, economic education also has to set a new direction after the financial crisis.

Having recognized these problems, this study aims to discuss what economic education after the financial crisis should be and how it could be taught.

First is to introduce pluralism, which insists to depart from mainstream economics monoism and to deal with minor economic issues. Students will be able to develop critical thinking skills while learning a variety of competing economic theories and analyzing and interpreting the real economy based on them.

Second is to start a full-fledged discussion on bringing economic ethics into classroom. The necessity of economic ethics has long been discussed, but it is not being handled in the actual education field due to various problems. Because financial crisis is closely related to ethical issues such as human greed and injustice, it is necessary to fully attempt to discuss economic ethics at school.

Finally, such changes in the content area of economic education inevitably lead to changes in the teaching method. The existing lecture-based education is not adequate for class based on pluralistic theories and has difficulties on addressing economic ethics related to affective attitude properly.

Therefore, it is necessary to break from lecture-based education that focuses on transferring economic knowledge and to introduce various learning methods such as discussion, cooperative learning, and project-based learning.

In face of criticism of economics, secondary school economic education centered on economic knowledge also faced new challenges. In order not to suffer repeated economic crises, it is necessary to prepare for the future based on reflection on past failures.

The best way is to educate students. In a society where complexity and uncertainties are prevalent, to raise students into economic entities that can make rational decisions based on various information, classroom economic education should be improved.

I hope that more concerns and discussions on the contents and methods of economic education will be actively pursued.

[Keywords] Financial Crisis, Economic Education, Economic Ethics, Pluralism, Teaching Method
1. Introduction

The global financial crisis, which began in 2008 with the collapse of the US real estate market, has brought about a painful lesson. The collapse of the US financial market began with the Wall Street's greed, people's ignorance on economy, and misguided policies. World financial market, which was intertwined like a spider web as a result of globalization and financial liberalization, was greatly shocked and began to collapse; financial market wobbled also in Korea, where not much money has been invested in derivatives, which was in the core of the crisis. The collapse of financial market rapidly spread to the real market, and world's economic growth was greatly decreased.

In the context of financial crisis, which is often referred as the largest economic event since The Great Depression, economics has failed to exert great influence. The goal of economics is to predict the future by analyzing and explaining the real economy and finding the principles behind it. However, from the beginning to the end of the financial crisis, economics has failed to achieve its goal and has therefore faced much criticism. Economists who failed to predict the financial crisis and provide useful advices were portrayed as an arrogant and underspecialized group[1]. Criticism on the rational economic persons assumption of the mainstream economics and the completeness of the market have persisted, and economists themselves have begun to makes reflections on the powerlessness of economics.

As economics has encountered such criticism, discussion on what to and how to teach in economic education, which is based on economics, has been active. There has already been much discussion on the meaning and characteristics of economic education. Many economic education experts are in consensus that secondary school economic education cannot be equalized with college-level economics education, which conveys principles and concepts of economics. However, secondary school economic education has even until recently been focused on transferring the content knowledge of economics. Yet, as economics showed its powerlessness in front of global economic crisis, criticism on the efficacy of economic education that has centered on conveying the concepts and principles of economics has been continued. In this situation, it is of great importance to discuss what should be addressed in economic education and how it should be conveyed. Being aware of these problems, this study suggests some directions that economic education after financial crisis should follow.

2. Criticism on Economic Crisis and Economics

Criticism on the contents and methodology of economics has persisted. First of all, mainstream economics insists that the market and economy maintain a stable state due to the power of the market itself. Therefore, in most economic models, there is no systematic crisis situation in which problems in one area has lasting adverse effects on the economy as a whole. However, the problems raised from the US subprime mortgages in 2008 shook up not only the US financial market but the whole global financial system. Economic models that adhere to the power of returning to the market equilibrium failed to predict such phenomenon and to suggest countermeasures to cope with such problems[2].

While mainstream economics view the equilibrium price determined in the market as the result of rational choices of economic agents, in reality, prices are determined by the intervention of irrational factors in many cases. As evidenced by various experiments in behavioral economics, most of the people do not make every decision based on perfect rationality. Also, various and unpredictable factors that arise in real economy do not allow the economy to work as described in economics textbooks[3].

In economics, representative agent is assumed while explaining the distribution of scarce resources. These agents try to maximize utility in the financial domain and are regarded as being able to suggest correct alternatives to all possible future situations. Economists have seen it possible to produce appropriate alternatives with rigorous and complex mathematical formulas. Nevertheless,
there is a lack of empirical data compared to a large number of mathematical formulas, and therefore, there has been a problem that it has been mainly dependent on simulation. As Schneider pointed out, standards for economics was alienated from reality by approaching the problem through modeling and abstraction[4]. Also, while they tried to distinguish possible problems using rigorous and complex formulas, it is nearly impossible to apply all the factors existing in reality into equations. If all the possible factors could have been taken into consideration, it would have been very helpful in overcoming the 2008 financial crisis. In reality, however, even the amount of losses generated from a large number of derivatives was barely figured out.

3. Economic Education after Economic Crisis

The aim of economic education is to cultivate decision-making ability that can resolve the impending economic problems based on concepts, principles, and theories of economics and to raise democratic citizens who can make rational decisions. Teaching knowledge on economics in economic education is a very important job, and economics and economic education are closely interrelated. Therefore, as criticism and reflection on economics after the financial crisis has been heightened, discussions on how to deal with economics in economic education has been actively carried out[5]. Such aspect can be divided into the following three categories.

3.1. Reinforcing economics-centered economic education

Among various assumptions of economics, the one that is recently facing much criticism is that people are rational beings. People can make rational decisions in a given situation based on a variety of information. However, as easily observed in reality, people are not unlimitedly rational, and here lies the causes of economic problems. Therefore, conducting education to enhance people’s rationality can be a good way of responding to economic problems. In this context, it can be argued that economics-based economic education should be reinforced. Complex problems in reality can be resolved through education that strengthens economic rationality[6][7]. In this perspective, the 2008 financial crisis could be attributed to irrational decisions of economic entities that were not equipped with economic rationality. From this point of view, in the current era in which uncertainty is prevalent, it is necessary to know more deeply about economics to overcome economic crisis.

3.2. Reinforcing economic problem-based economics education

While criticizing economic education focused on teaching economics, some maintain positions that economic education based on economic problems should be strengthened. In terms of the goal of raising a rational economic persons, it has no difference from the assertion above. However, if economic education is biased on knowledge of economics, it is very likely to be away from the ultimate goal of economic education as a part of social studies education. Therefore, while maintaining the goal of economic education intact, in order to foster the abilities to solve economic problems encountered in everyday life and to do correct decision-making, civic education goals are added and various attempts in teaching methods are done. In conjunction with constructivist education and student experience-centered education, the emphasis is on developing students’ ability to construct knowledge of economics and to make rational decision through experiences. From this point of view, less relevant to the students’ lives or overly theoretical contents need to be removed from the classroom and new contents such as financial education can be added. Nowadays, economic education in schools emphasizes inquiry activity linked to students’ everyday life, which is aimed at economic education centered on economic problems.

3.3. Critical approaches to economics

There is also a movement to recognize the fundamental problems of economics itself, which has been criticized since the financial crisis, and seek educational alternatives. The emergence of behavioral economics reveals
that it is quite difficult to become a rational person assumed in economics in reality. On the other hand, as the global economic crisis continues, we are faced with criticism that economics is failing to do its job[8]. If the assumptions of economics are broken and cannot help to solve real problems, the meaning of economics education with the goal of cultivating rational economic persons based on economics is bound to fade inevitably. Therefore, it has been argued that in the actual education field, the limitations of economics must be recognized and contents that were not covered in the existing economic education, such as public choice theory or behavioral economics which reflect reality should be dealt with. In addition, the idea that not only the content of mainstream economics should be covered but economic theories should be taught more broadly to become a pluralistic economic class has appeared, and discussions about alternative economic education are widely carried out[9][10].

4. Suggestions on the Directions of Economic Education

Based on the above discussions, my suggestions on the contents to be included in economic education after the financial crisis are the following:

4.1. Try pluralistic approaches

The current curricula and textbooks of secondary school economics education are based on the neoclassical school economics which was created by compromising the claims of the classical and Keynesian schools. In the situation in which mainstream economics is being criticized, it is problematic that the contents of the secondary economics textbooks consist only of the theories of the neoclassical school. As already reviewed, assumptions of neoclassical economics such as economic rationality, market completeness, and predictions through mathematical approach, failed to diagnose and solve the financial crisis because they did not reflect reality. Therefore, it is necessary to deal with various economic theories along with mainstream economics. For example, Cohn made it possible to lead controversial lessons while simultaneously teaching mainstream economics and the contents of minor economics[9].

This pluralistic view sees economics as a multi-polarized discipline, and sees that critical thinking ability can be improved by looking at phenomena from the viewpoints of conflicting disciplines[10]. Improving critical thinking means raising decision-making power in the uncertainty-prevalent world. While economic education centered on delivering knowledge on mainstream economics aims to develop problem-solving ability that finds answers settled in economics, the goal of the pluralistic view is to find solutions by considering various theories in complex problematic situations. It makes possible to approach problem situations creatively, rather than looking for settled answers[11]. Such a pluralistic approach is consistent with the goal of economic education, which is to train economic citizens who can make rational judgments based on economic knowledge.

4.2. Intensification of debates on economic ethics

Like mathematics and physics, economics, which has many characteristics as a positive science, has tried to find laws in economic phenomena and to explain and predict reality based on them. In this process, economics has become a rational and objective academic discipline, and interest in ethical areas such as fairness, altruism, and justice has been reduced. Also, by assuming economic entities as having rational selfishness, it neglected the effect of many factors related to human behavior on individual behavior. This is because the efficiency of resource allocation can be attained by only demonstrating rational selfishness within the framework of socially determined laws and regulations. For this reason, ethical issues have been separated from economics and have been treated as an independent realm[12].

Not only the financial crisis, in which big banks’ greed and the psychology of those who expected ‘free lunch’ played a major role, but many economic crises we have experienced are directly or indirectly related to the
absence of ethics[13] In the cases of Korea, there are still many problems due to the lack of discussions related to economic ethics in the process of unprecedented economic growth. Rather, following ethics in the process of generating and resolving economic problems has been perceived as a loss in a capitalist society. These problems are predicted by economics and ethics turning their back on each other.

Many economic education specialists regard economic ethics, values considered to be socially desirable, and social justice, etc. as factors of economic citizenship. However, economic ethics are rarely dealt with because they have not been specifically addressed in curricula or textbooks. Given the human desire and infinite selfishness were behind the financial crisis, economic ethics education can no longer be postponed in the field of education.

4.3. Diversification of teaching methods

Classical teaching methods to acquire, understand, and apply knowledge can be a good fit for solving economic questionnaires, but it is inadequate for students to apply the lessons learned in class to everyday life. Many studies have already criticized lecture-centered economics classes aimed at knowledge transfer. It is necessary to change the teaching methods in order to introduce pluralistic economics theories as discussed above, and to allow students to understand and critically analyze economic phenomena based on such competitive theories. The greatest advantage of pluralistic education is known as student participation[14]. On the other hand, the issues related to economic ethics are controversial and have the character of decision making based on social consensus. In this respect, a suitable way to teach economic ethics is known as discussion-oriented education[15]. Therefore, now that the meaning of the class that conveys the concepts and theories of economics has faded, the goal of economic classes should be achieved by using various teaching methods. For example, through discussion, cooperative learning, project learning, etc., students can develop their ability to solve economic problems that arise in various and complex contexts.

5. References
5.1. Journal articles


5.2 Books


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<tr>
<td><strong>Kim Tae-hwan</strong> / Seoul National University High School Teacher</td>
</tr>
<tr>
<td>B.A. Seoul National University</td>
</tr>
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<td>M.A. Seoul National University</td>
</tr>
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Research field

Major career
- 2009~2013. Cheong Shim International Academy, Teacher
- 2014~present. Seoul National University High School Teacher