



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

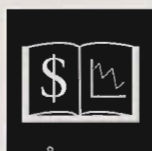
This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*



Economic Literacy

An Important National Goal

by Claudia
Parliament

*First in a
three-part
series on
economic
education*

A recent Gallup survey indicated that most adults and high school students do not understand the basic concepts behind economic issues facing this nation (Alstad and Larsen). For example, when asked the definition of the federal deficit on a multiple-choice question, more than 60 percent did not select the response that the federal deficit occurs when government spending is greater than government revenue. Sixty-five percent could not identify the most widely used measure of inflation—the consumer price index. In a self-assessment, 85 percent of the respondents rated their knowledge of economics as fair or poor. An encouraging survey result shows that 97 percent of the respondents want schools to teach more about how the economy works.

More than forty-five years ago, a number of respected economists and educators established the National Council on Economic Education. They realized that our youth had relatively little understanding of how our market economy functions even though they were expected to perform as productive workers, knowledgeable consumers, prudent savers, and informed investors.

Economists and educators affiliated with the National Council on Economic Education identified twenty-one major economic concepts to be incorporated into the curriculum (Saunders and Gilliard). The twenty-one concepts range from scarcity and choice introduced at the K–2 level, to international exchange rates and balance of payments introduced in grades 5–8, to monetary and fiscal policy introduced in grades 9–12. These identified economic concepts are reinforced, reviewed, and extended as students progress through the suggested framework.

For example, students in the early grades would learn that scarcity means not having all the goods and services that you want, while older students would learn that scarcity necessitates choice at both the personal and societal level. Similarly, students would first learn that fiscal policy involves the use of national government spending and taxation pro-

grams to promote price stability, employment, and reasonable economic growth. More advanced understanding would reflect that an expansionary fiscal policy may “crowd out” private spending if interest rates are raised by increased government demand for credit.

To increase the understanding of basic economic principles and to support economics in the K–12 educational system, the National Council focuses its efforts on training educators serving the K–12 grade levels. By helping educators become better teachers of economic concepts, thousands of students can achieve economic literacy. This is the best leverage to improve student understanding.



To effectively reach teachers, the National Council has established affiliated state councils in the majority of states. These state councils in turn serve as an umbrella organization for the network of centers for economic education established at universities and colleges within the respective states. Currently there are 275 centers for economic education. Each of these centers is directed by a faculty member with an interest in training educators to become better teachers of economics in the K–12 curriculum.

Center directors are usually economics, business, or education faculty. Typically the university pro-

vides release time from other duties to allow the center director to provide economic education to the community of educators. In addition to providing classes and workshops for educators, center directors also develop curriculum materials and support K-12 curriculum reform. Currently the state councils and centers are distributing interactive CD-ROMs containing National Council curriculum, teaching strategies, and the scope and sequence framework to each school in their respective state under funding provided by the National Science Foundation. This CD-ROM was designed to help teachers integrate economic principles into the K-12 curriculum, but it has also been found to be successful with students who want to improve their economic understanding.

Several land grant universities have established state councils and centers of economic education within their departments of agricultural economics (for example, Virginia Polytechnical Institute, University of Minnesota, Purdue University, North Carolina State University, and Iowa State University). In-service training of teachers is a natural extension of the outreach function of the land grant universities and it is certainly within the scope of these departments to increase the interest and level of understanding of economics among potential students.

State councils and centers for economic education based within land grant universities have taken the lead in developing K-12 curriculums in the areas of environmental economics, agricultural and

resource economics, and economic policy issues such as the federal deficit. Centers at both Virginia Tech and the University of Minnesota have developed K-12 curriculum materials on economics and the

Basic Economic Concepts

Fundamental Economic Concepts

- Scarcity and choice
- Opportunity cost and trade-offs
- Productivity
- Economic systems
- Economic institutions and incentives
- Exchange, money, and interdependence

Microeconomic Concepts

- Markets and prices
- Supply and demand
- Competition and market structure
- Income distribution
- Market failures
- The role of government

Macroeconomic Concepts

- Gross domestic product
- Aggregate supply and aggregate demand
- Unemployment
- Inflation and deflation
- Monetary policy
- Fiscal policy

International Economic Concepts

- Absolute and comparative advantage and barriers to trade
- Exchange rates and the balance of payments
- International aspects of growth and stability



VA Council on Economic Education

Economic Literacy Sample Questions

Which one of the following is the most widely used measure of inflation?

- The consumer price index
- The index of Leading Economic Indicators
- The prime rate
- The Federal Funds rate

Economic growth is measured by a change in which of the following?

- The money supply
- The Producer Price Index
- The Gross Domestic Product
- The balance of payments

When is there a deficit in the Federal Budget? Is there a deficit when

- Government spending is greater than tax revenues
- U.S. imports are greater than U.S. exports
- The total demand for money is greater than the total supply of money

What is an example of monetary policy? Would it be a change in

- Federal government spending
- The discount rate
- Corporate profits

Who sets monetary policy in the U.S.? Would it be

- The President
- Congress
- The Federal Reserve
- The U.S. Treasury

What is an example of fiscal policy? Would it be a change in

- Federal income tax rates
- The discount rate
- The prime rate

Who makes fiscal policy in the U.S.?

- The President
- Congress
- The Federal Reserve
- The U.S. Treasury

environment that are widely used in teacher training and secondary-level classrooms.

Councils and centers led by directors with cooperative extension appointments at land grant universities are also increasing the use of economic concepts and principles in their respective 4-H youth programs. For example, the National Council curriculum, *Choices and Changes*, helps students use economic concepts and reasoning in their decision making. Students learn that careful consideration of costs and benefits leads to more effective decisions and that they have the power to improve their future employment opportunities by investing in their own skills and knowledge (human capital). Youth learn that work is any effort that provides a service or benefit to others, not just a job that receives pay. Originally designed for use in grades 2–8 for students at risk of dropping out of school, the curriculum is effective with all youth and the materials are relevant for 4-H club members.

Claudia Parliament is a professor of applied economics and an extension economist at the University of Minnesota.

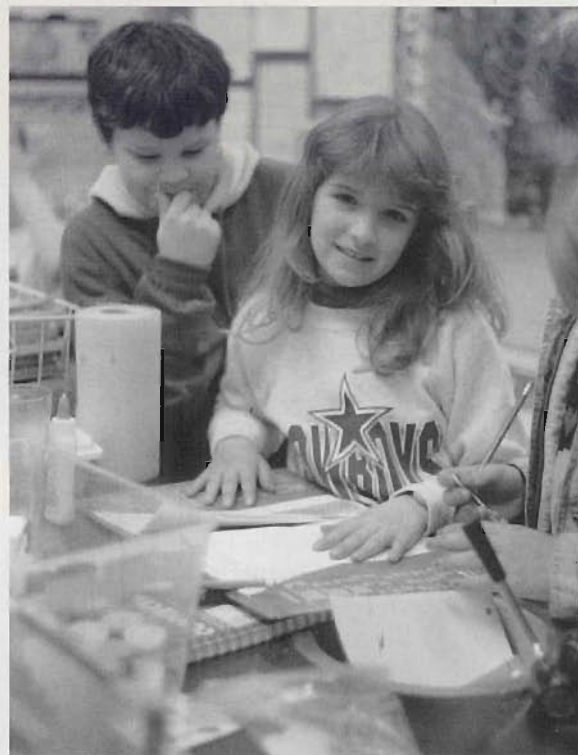
As part of their outreach mission, land grant university departments that include agricultural, resource, consumer, or applied economics can work to increase economic understanding among our youth. The current state councils and centers located within these departments have found significant financial support from local corporations and foundations for their efforts. The state councils and centers based at land grant universities have developed networks among other institutions with centers for economic education in their state, which serve as important examples of cooperative efforts among post-secondary educational institutions. ■

■ For more information

Walstad, W., and M. Larsen. "A National Survey of American Economic Literacy." National Center for Research in Economic Education, University of Nebraska-Lincoln, September 1992.

Saunders, P., and J. Gilliard. *A Framework for Teaching Basic Economics Concepts with Scope and Sequence Guidelines, K-12*. New York: National Council on Economic Education, 1995. Previously published as *A Framework for Teaching the Basic Concepts*, New York: National Council on Economic Education, 1993, 1984, 1977.

To receive information on the state council and centers in your state, contact the National Council on Economic Education, 1-800-338-1192.



VA Council on Economic Education