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# Promoting Economic Literacy in Massachusetts and Beyond

Margaret Brooks



A penny saved is a penny earned. If you dance, you have to pay the fiddler. You can't have your cake and eat it too. Despite growing up hearing these and other economics-related folk expressions, many of us never studied economics formally before reaching adulthood. If we were lucky, we learned our economics in college and we applied the concepts to our lives. If we were unlucky, we learned our economics lessons the hard way.

The traditional definition of literacy focuses only on reading and writing skills. In many societies, literacy has been the primary means of communicating the collective store of knowledge and experiences from one generation to the next. Literacy has always played an important role in educating citizens, thus enabling them to think and effectively interact with society.

It is also clear that in recent years, achieving literacy and education has become a much more complex process. Today's world is rapidly changing, with technological advance and globalization increasingly impacting consumer and producer decisions. The key question has become: What does it take to be an educated and literate person in the 21<sup>st</sup> century? In other words, how can we prepare our children to participate in and contribute to a profoundly-changing, global economic environment? People must be able to read, communicate, and financially assess the choices available to them through the Internet and other sources.

Economic literacy programs can prepare kindergarten through grade 12 students to make informed decisions about all of life's challenges: What goods and services should I buy? Should I use my current income, savings, or borrow to pay for my purchases? Should I become an entrepreneur, or for whom will I work? How will I invest my savings? Should I support higher taxes in my community in exchange for the promise of more government services? New definitions of literacy have arisen which include an understanding of personal financial decision-making and of how the economy works.

Children learn from a very young age that money provides their parents with access to goods and services. They learn to express their wants well before they understand the economic concepts of markets and opportunity costs. In the aggregate, this process generates a large indirect spending impact on the economy. Marketers know that young children, in effect, have the power to significantly influence their parents' spending. They target children's demand through strategically-placed advertisements and clever promotions.



Like the physician who prescribes a medicine that the patient must buy, young children can simply place their "orders" for desirable goods with their parents, who for the most part do the actual buying. Simply put, Johnny can ask for a train set for Christmas, but he does not have to worry about how much it costs. He simply waits to see if Santa can make it and deliver it to him on time. From his perspective, prices and income are not relevant to him, and not to Santa either. It is a disjoint process when the spender is different from the ultimate user.

Salem State-  
Bridgewater  
State Summer  
Content Institute,  
Boston Federal  
Reserve.  
August 2005.



Indeed, the entire consumer decision-making process can be mysterious to young children, partly because parents tend to shield the specifics of their incomes and household budget from the children. Parents may feel they are giving their children security by shielding them from economic realities. Yet, like reading and mathematics, economics is not a subject that can be mastered in a day. Economic educators have found that understanding of economics concepts is best built through a gradual process of studying and learning.

As our children reach adolescence and then adulthood, they are already making their own increasingly complex economic decisions. They may have gained extensive knowledge of how to use computers and the Internet, yet the timing of their economic and technological proficiencies may not coincide.

Consider the economic perspective of typical students entering college at age 18. They may be living away from home for the first time. However, they are not alone. Credit card companies are there to “befriend” them: setting up tables with free giveaways in campus centers, sending out mailings with special pre-approved offers, and enticing students with instant access to thousands of dollars in credit. After they accept these offers, there are a multitude of web sites on the Internet, from ebay.com to match.com to fulltiltpoker.com, all ready and willing to take their credit card numbers. Is today’s 18-year-old wise enough and informed enough to make good economic decisions when faced with these choices?

If young adults are formally learning economic principles for the first time in college as sophomores or juniors, is frightening to think that it may already be too late. By then they may be saddled with large amounts

of debt that will adversely affect their ability to start a household or buy a home after they graduate.

Additionally, many college students are facing complex workplace decisions for the first time in their lives. Should they take jobs on campus that may pay less, or should they commute to more distant locations, which require automobiles and insurance? What happens to academics when an employer demands last-minute, late-night work hours? Ideally students should weigh the costs and benefits of their work and consumer choices, balancing the need for more income with the need for time for study. This evaluation process requires an economic way of thinking.

Young adults face economic choices such as these even if they do not go to college at age 18. Some never graduate from high school. Some graduate from high school and go right to work. Some graduate from high school and go to trade school. Others work for a while before going to college. Like the 18-year old college students, they too are plunging in and participating in the marketplace. They are making economic decisions about working, consuming, and borrowing that can impact their lives for years to come. Whatever economics training they received in their elementary-middle-high schools could be critical to their success.

According to the recently publicized results of the 2005 NCEE/Harris Poll on economic literacy, many children apparently do not understand the importance of learning economics until they become adults: “Economics is a subject of interest to a majority of adults. In contrast, only half of students say they are interested in economics...Despite this interest in and value in economics, most adults and students have not mastered basic economics concepts.”<sup>1</sup> Thus economics lessons need to be learned early on, and throughout a child’s k-12 educational experiences.

Internationally, the United Nations Educational, Scientific and Cultural Organization (UNESCO) has been active for over 60 years in monitoring and promoting literacy across the globe. Their estimates show that 774 million adults still cannot read, and 100 million children do not have access to school.<sup>2</sup> However, even these numbers may understate the true scope of problem. Self-reporting measures of literacy such as these have proven to be unreliable, and in many cases, people who claim to be able to read are unable to do so when asked. In addition, quantitative skills are increasingly being recognized as an important component of being a literate person in today's world.

In response to these concerns, UNESCO has been developing wider instruments that allow for the measurement of literacy both in a traditional sense, such as reading documents, and in terms of quantitative or economic skills, such as calculating interest on a loan. Additionally, experts are now favoring approaches that measure literacy on a continuum, rather than as a "literate-versus-illiterate" dichotomy. It is interesting to note that the International Adult Literacy Survey, conducted in twenty developed countries in three phases (1994, 1996 and 1998), showed that even with this new measure, many adults in developed countries have relatively weak literacy and quantitative skills. Economic educators are not surprised, and they see "spreading the word" about economic and financial literacy as an opportunity to help improve people's lives across the globe.

Within the United States, the National Council on Economic Education (NCEE) has been working since 1949 to make sure children obtain economic skills and knowledge while they are young and still in school so they can make informed choices throughout their lives. They offer a wide range of materials for teaching and assessing learning. Much like Jessica Seinfeld's new cookbook *Deceptively Delicious* gives recipes for slipping vegetables into pastries, NCEE provides educators with lessons that "slip" economics concepts into more standard k-12 subjects such as history, geography, and mathematics.

In addition to curriculum development, NCEE provides grants to help states carry out economic education programs, and it sponsors annual conferences so that economic educators can meet and share ideas. Over the years, NCEE has built a strong network of affiliated Councils and Centers throughout the country. Interestingly, Massachusetts was among the first Councils on Economic Education formed in the United States.

The Massachusetts Council on Economic Education (MCEE) has been housed at several Massachusetts colleges and universities during its long history, including most recently Boston University and the University of Massachusetts Lowell. In September 2007, the MCEE Board voted to move the MCEE offices to Bridgewater State College, Hunt Hall, in response to an invitation from Provost and Vice President Nancy Kleniewski, and in light of the ongoing support for economic education that the College has provided over the last fourteen years. MCEE Board Chairman Daniel McCarthy, former Federal Reserve Bank President Cathy Minehan, and several other key business and banking leaders have served on the Board for a number of years. Their expertise and long-standing commitment to statewide economic education will undoubtedly help the organization to become even stronger and more visible, as evidenced on the MCEE web site, [masseconomiced.org](http://masseconomiced.org).

I see my role, as the new MCEE President, to work with the Board and with local, state, and regional educa-



**Economics Challenge 2006 State Champs. Belmont High Team with teacher Mat Glauninger.**

tors to provide collaborative leadership for economic education initiatives throughout Massachusetts. A primary goal of the organization is to provide teachers with economics-content based materials and training so that they may effectively teach these concepts to their students as mandated in the Massachusetts History and Social Science Frameworks. For instance, Massachusetts expects second graders to be able to "give examples of people in the community who are both producers and consumers."<sup>3</sup>

Bridgewater State College has had an NCEE-affiliated Center for Economic Education since 1993, and it is currently headed by Interim Director George G. Watson Jr. The only other Center for Economic Education in Massachusetts is located at Salem State College,

*Massachusetts Council  
on Economic Education*

**MCEE**

and is headed by Director Dorothy Siden. Dr. Siden is Chairperson of the Economics Department at Salem State and she has been active in promoting economic education on the North Shore. For instance, in 2005, Bridgewater and Salem State College Centers collaborated to offer a successful Summer Content Institute Massachusetts Department of Education on local economic history. One of my most important goals as MCEE President is to build a strong statewide network of Centers located throughout Massachusetts.

From a personal perspective, I have been most gratified to see the excitement and pride of Massachusetts students as they participate in team contests to test their economic knowledge. For the past three years, I have been the Principal Investigator for three \$3,000 NCEE grants, obtained through Bridgewater State College, that have paid for publicity, student trophies and t-shirts, and other related expenses relating to the Massachusetts Economic Challenge. Massachusetts is one of approximately 35 states that participate in the NCEE-sponsored economics competition for high school students. The Federal Reserve Bank of Boston hosted the Massachusetts Economics Challenge for the last two years, providing leadership, particularly from Scott Guild, Director of Economic Education, along with logistical support including meeting spaces, lunches, and the all-important buzzers. This has been a very visible statewide effort to promote economic literacy as teachers work with their classes all year to get them ready for the competition tests in microeconomics, macroeconomics, and international/current events. Interest has been steadily growing, and the most recent competition, held in March 2007, attracted over 140 students from across the state. The winning team from Belmont High went on to win the regional competition, and then became finalists in the national competition. Next year's 2008 Massachusetts Challenge will be held again at the Federal Reserve Bank of Boston on March 31, 2008.

Other exciting upcoming events include a statewide series of Virtual Economics teacher workshops funded through an Excellence in Economic Education \$10,000 grant, as well as Making-a-Job and Mini-Society Entrepreneurship summer workshops for teachers funded by two additional grants from the Ewing Marion Kauffman Foundation and NCEE. Teachers will learn about age-appropriate classroom activities for their students, include developing building and marketing their products; creating a bank and printing currency; and

completing job applications and business plans. With an emphasis on hands-on training in markets, programs such as these bring economics alive in the classroom.

Building community partnerships is an important part of the process too. Many Massachusetts business, education, and government leaders see the teaching of economic and financial literacy to our children as a growing priority. For instance, in November 2007, Treasurer Cahill's office sponsored a Youth Financial Education Forum for principals and other education leaders at Suffolk University. MCEE collaborated with other group leaders on the planning of the event and was an invited participant at the information tables. Although the advent of new casinos in Massachusetts will undoubtedly bring new economic development dollars to the state, it will also offer new reasons to teach our children about financial responsibility and understanding risk.

Thus, being a literate person in the 21<sup>st</sup> century means much more than being able to read and write. It also means being able to intelligently assess one's opportunities and choices, and being able to make informed decisions. Luckily, Bridgewater State College is working to actively promote economic and financial literacy so that Massachusetts children will not have to learn the "easy come, easy go" and "a fool and his money are soon parted" lessons the hard way.

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- 1 ncee.net, What Americans Know about Economics, Executive Summary, p. 3.
  - 2 unesco.org, Education, Literacy links
  - 3 <http://www.doe.mass.edu/frameworks/hss/final.doc>. p. 16

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