

ECONOMIC AND FINANCIAL EDUCATION

# FORGING AHEAD



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Rosanne MacCauley uses current events to illustrate the impact of economics on the lives her students at Coastal Georgia Middle School in Savannah.

# FORGING AHEAD

## FOR ECONOMIC AND FINANCIAL EDUCATION

In some Georgia schools today, many students are lucky enough to learn about money in elementary school, about economic incentives in middle school and about economic policy and personal finance in high school. In other schools, those not so lucky today could be the employees of tomorrow who don't know how to invest and save for retirement. They might be among the huge number of young people whose easy access to credit cards leads to overwhelming debt or bankruptcy. And they'll probably have no idea how the policies of their elected officials affect their own pocketbooks.

Economics is, in simplest terms, the science of decision making. And our schools need to help tomorrow's consumers, workers, investors and citizens learn to make good decisions in the complex financial world they will enter.

Georgia is ahead of many states in economic education. It is one of 14 states that require students to pass a high school course in economics to graduate, and the state's Quality Core Curriculum incorporates principles of economics from kindergarten through 12th grade. For more than 30 years, businesses, foundations and nonprofits

have supported economic and personal finance education with programs and funding.

But in this age of rapid change, if you're not forging ahead, you're losing ground. Outlining how to move forward to close Georgia's gaps in economic and financial education was the purpose of the Georgia Summit on Economic and Financial Education in September 2003 at the Federal Reserve Bank of Atlanta. This document summarizes the ideas put forth at that meeting. Our next task is to set in motion some steps, detailed at the end of this booklet, to achieve these priorities:

- We need a comprehensive economic education curriculum, with attention to personal finance, begun in kindergarten and capped by a strong high school economics course.
- We need to test what we expect our students to learn.
- We need to ensure teachers are prepared to teach economics.
- Those who educate adults about personal finance need to work together and measure their results.

Bank of America's Gene Godbold said at the summit, "It would be very easy for us to articulate a broad agenda and all feel good about it: broader economic and personal finance understanding amongst everybody. The hard part comes in that dirty word called execution."

I look forward to working with all of you to be sure that Georgia's students get the best education possible in economics and personal finance. ✦



**PAT BARRON**

First Vice President and  
Chief Operating Officer,  
Federal Reserve Bank of  
Atlanta,  
Chairman,  
Georgia Council on  
Economic Education



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In Henry County, all third-grade students participate in Mini-Society®, where they create a community, design a currency, and create goods and services to sell at market day.

# TOWARD A K-12 ECONOMICS CURRICULUM

## ECONOMIC EDUCATION NEEDS STRONGER ADVOCACY

Economic education expert William B. Walstad says it takes a high school course, a cohesive curriculum K-12, and strong advocates for economic education.

We know how to deliver economic education, said Bill Walstad, but schools need a clearly articulated economics curriculum from kindergarten through graduation.



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Imagine if most high school graduates never took a math or science or language arts course, or at most took only one semester. Would American parents or employers accept this? Clearly not.

Yet fewer than half of U.S. high school students take even one course in economics, according to William B. Walstad, a leading authority on economic education, in his keynote address to the Georgia Summit on Economic Education.

“The alternative is to learn from life experience, but life’s a pretty tough teacher,” he said, noting that mistakes in this arena can be painful. “The school of life for learning economics is often the school of hard knocks, and it is an expensive form of education.”

Walstad’s work over 25 years has earned him a place as the nation’s leading expert on K-12 economic education. Now director of the National Center for Research in Economic Education and chair of the Committee on Economic Education of the American Economic Association, he outlined three issues critical to improving economic, financial and business literacy in the United States:

**1** Economics must be taught in high school — not just through isolated concepts in other courses but also through a separate, required course.

“You’ve done a good job of that in Georgia: You’re ahead of the game with a required course,” Walstad said. “That course needs to be protected as basic economics because we can’t just take it and jam everything into it.”

**2** We must build a cohesive K-12 economics curriculum from isolated courses and scattered objectives throughout the rest of the curriculum. Walstad envisions a sequence of integrated courses that would develop economic, personal finance and business literacy to meet the challenges that confront students as they go forth into the world. Economic concepts would be the foundation, with their application illustrated through concrete examples in several subjects.

Currently, concepts related to economics may be dispersed throughout the K-12 curriculum, but they need to be sequenced into a cohesive path. For instance, high school students might take scattered courses in personal finance, entrepreneurship or career



A good teacher can turn the Stock Market Game™ into a tool to help students learn about concepts such as financial markets, profit and loss, and personal finance.

education. Students might learn about economic motives in government and history classes. Even the youngest students have the chance to connect basic economic concepts to what they are learning, but the opportunities often pass without making explicit connections.

“Economic education is more than just a one-semester course in economics,” Walstad said. “It is the application of economic concepts and principles for improving students’ understanding of personal finance, business, careers and public policy.”

Walstad recommended that states set up “gap” task forces to identify courses that could help build this coherent K-12 curriculum in economics.

**3** We must be stronger advocates for economic education. We need a more convincing case and a better strategy to take it to the

public. The many organizations working on behalf of economic and financial education — the National Council on Economic Education, Junior Achievement, Jump\$tart and the Federal Reserve Banks, for instance — should advocate their own agenda but also work together toward a whole greater than the sum of its parts.

### **NOT REINVENTING THE WHEEL**

Walstad reminded attendees that substantial progress has been made in many areas. We have good content standards for what students should learn. We have good instructional materials. Essential in-service training for teachers is provided by the National Council and the Georgia Council on Economic Education.

So the critical issue is not how to deliver economics education. The pieces will fall in behind a more coherent K-12 economics curriculum, Walstad said; more teachers will flow into in-service training, states will require stronger economics backgrounds of their certified teachers and testing will improve. ✦

# CURRICULUM PAST AND PRESENT

## GEORGIA REQUIRES MORE THAN MANY STATES

Students need more exposure to basic economic concepts as well as to personal finance skills. Economics and personal finance complement one another and should not compete for a place in the curriculum. With limited time in the curriculum, how can we capture the synergy between financial and economic education?

David Martin, the executive director of the Georgia Council on Economic Education, has been involved in economic education in the state since the early 1970s. He related the history of Georgia's curriculum and testing requirements for economics and personal finance.

In 1976, the state mandated three new high school courses: economics/business/free enterprise, personal finance and career education. But the personal finance and career education courses barely got off the ground. Career education was to be integrated into every class, Martin recounted, and personal finance, not considered a rigorous course, was squeezed out by other subjects in the curriculum. Personal finance didn't have a champion, he said, because the different departments that taught it did not make it a top priority.



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Sallie Adams Daniel of Troutman Sanders (left) moderated a curriculum panel of David Martin of GCEE, Hilary Hunt of Jump\$tart, and Carol Penland of Campbell High in Cobb County.



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The Summit brought together business leaders, educators, and non-profit leaders.

One complexity in the relationship among the different strands of economic education, he said, is that teachers of different backgrounds have traditionally taught these different subjects. Vocational teachers teach career education. Social studies teachers most often teach economics. And family and consumer science or business education teachers teach personal finance.

“What we’re trying to create is good lifelong decision makers. That’s what economics teaches,” Martin said, emphasizing that economics and personal finance are integrally related. “In our democratic society, we make a lot of choices, but how smoothly society operates depends on us making good, rational decisions.”

In the 1980s, Georgia’s Quality Core Curriculum integrated objectives in economics, personal finance and careers throughout the curriculum and capped it off with the required high school course in economics. Today, Martin said, there are economics and personal finance objectives throughout the QCC, and personal finance examples often illustrate economics in the required high school economics course. Schools sometimes offer personal finance as an elective or a local school system requirement.

## **GETTING MORE PERSONAL**

### *Students Need Personal Finance*

Hillary Hunt of the Jump\$tart Coalition urged that personal finance be purposefully integrated into all levels of the curriculum in economics, business, math and other subjects. The four content areas Jump\$tart emphasizes are income, money management, spending and credit, and saving and investing.

“What we’re trying to create is good lifelong decision makers. That’s what economics teaches.”

David Martin

“The high school course [in economics] is a good first step, but bad habits start early,” she said. “Personal finance still has back-of-the-book, last-chapter status.”

Jump\$tart’s 2002 survey of K–12 financial literacy shows a deplorable rate of financial literacy, she said, with almost half of high school seniors failing a Jump\$tart test. And as soon as they from graduate high school, the challenges begin. The average college freshman receives eight credit card solicitations the first week, and colleges are hiring credit counselors because the most frequent reason students leave campus is non-college-related debt, she said.

“We don’t just hand students the keys and say go drive,” Hunt said, illustrating the dangers of sending students into the world unprepared for their personal financial futures.

### **MAKING THE ABSTRACT PERSONAL**

Teachers Use Finance Topics in Basic Economics

Carol Penland’s approach is to teach economics using personal finance to illustrate otherwise abstract economic concepts.

Penland, a 28-year veteran of Cobb County high schools, says she places economic concepts on a personal level that her students can grasp. “What do you care about GDP if you don’t see the relationship to you?” she asked.

A longtime advocate of economic and personal finance education, Penland says that as a teacher, “where the rubber hits the road,” she sees up close the importance of students understanding the basic concepts and the specific skills.

“Many students getting out of high school are not prepared for what they’re going to face. They have no idea about budgeting and learning to live within your means and using credit wisely,” she said. “It doesn’t matter how well you can read or write if you have to face that bankruptcy judge. And if we can do something to help students avoid that, then I think we’ve done our job.”

“I would like to have back my own personal finance course, but I understand that our resources are limited. So we teach economic theory, but we’re trying to use personal finance applications as often as we can,” she said. ✦



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## PREPARING TEACHERS

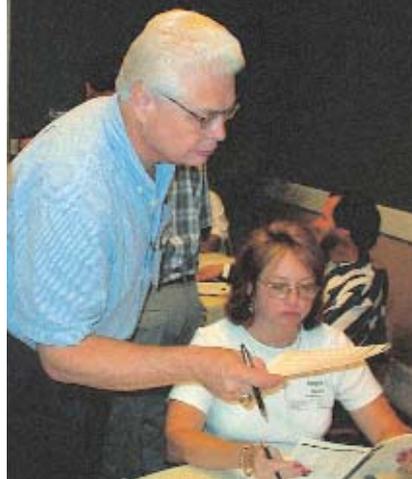
In their college work, teachers are not generally prepared to teach economics or personal finance. How can we strengthen teacher training to improve classroom instruction?

The three Georgia agencies that govern what teachers learn and what they teach came together to discuss this issue: the state Board of Education, which establishes the curriculum local schools hire teachers to teach; the university system, which prepares the teachers; and the Professional Standards Commission, which specifies and certifies what teachers must know to teach.

“A teacher can teach economics without having any background in economics,” said University System of Georgia Regent Elridge McMillan, president emeritus of the Southern Education Foundation, in introducing this panel. “This has an impact on student performance which must be addressed.”

LEFT: Julie Weisberg of the Georgia Professional Standards Commission (left) discussed teacher preparation standards with Elridge McMillan of the Southern Education Foundation, State Superintendent of Schools Kathy Cox and University System Chancellor Thomas Meredith.

Most teachers assigned to economics have little or no background in the subject and must gain it through workshops or college-level courses.



## SETTING THE BAR

Agencies Must Work Together to Strengthen Standards

Julie A. Weisberg, senior education program specialist with the Georgia Professional Standards Commission, explained the role of the PSC in college-level preparation of teachers.

“We know that the best teachers are the teachers who know their subjects and are well prepared with good teaching skills,” she said.

What teachers are required to learn is based on a set of standards in turn based on national teacher accreditation standards and on standards of national content-area organizations. In economics, these organizations are the National Council for the Social Studies and the National Council on Economic Education, whose standards “pretty much match,” Weisberg said. “What NCEE says students should know, NCSS says teachers should be able to teach.”

The PSC balances these standards with competing interests such as the hiring market. For example, No Child Left Behind legislation requires that teachers — including social studies and economics teachers — be “highly qualified” by 2006.

“How do we define ‘highly qualified?’” Weisberg asked. “If we do that by saying they have to have a major in economics, schools won’t be able to find highly qualified teachers. But if we say just a broad-field social studies certificate, we deal with the supply issue but not with content.

“All of those things come together to produce the standards PSC adopts,” she said. “It’s a complicated process, with many interests at play.

“We need the guidance of the professional community in developing the standards to evaluate teachers,” she said. “Right now they are more theoretical than practical. We need guidance for economics teachers and a broad-field social studies teacher. We need to work very closely together to formulate changes to those standards.”

## GETTING GROUNDED

Teachers Need Fundamental Economics

Kathy Cox, Georgia Superintendent of Schools, put forth several ideas for how economics teachers might gain the fundamental knowledge of economics she found so important when she was a social studies teacher teaching economics.

“We know that the best teachers are the teachers who know their subjects and are well prepared with good teaching skills.”

Julie A. Weisberg

While the Georgia Council on Economic Education does a great job training teachers on specific economics teaching programs, they still need the basic theory only college-level courses can afford them, she said.

“We need to offer college-level courses to economics teachers, and we need to do it free of charge,” she said. “HOPE [scholarships] can be used by teachers in critical fields to go back and get content, but those critical fields never include social studies. Our finest teachers have to use their own money to advance their knowledge in their fields if it’s not identified as a critical field.”

### WORKING TOGETHER

Universities Work to Prepare Quality Teachers

University System of Georgia Chancellor Thomas C. Meredith, also a former social studies teacher, emphasized the importance of partnership between the university system and the state board of education in preparing teachers for the classroom.

Meredith referred attendees to the University System’s “Regents’ Principles for the Preparation of School Educators,” which include

- **Quality Assurance** — The University System will guarantee the quality of any teacher it prepares.
- **Collaboration** — Teacher preparation programs will collaborate with schools to increase student achievement, mentor new teachers, collaborate on teacher development and increase school-based research on teacher preparation.
- **Responsiveness** — The University System will encourage new and innovative teacher preparation programs and will also work with the Department of Education and the Professional Standards Commission to bring an end to out-of-field teaching in Georgia. ✦

RIGHT: Georgia’s universities and state Board of Education must work together to prepare the best teachers for the classroom, said University System of Georgia Chancellor Thomas Meredith.



# KNOWING VERSUS DOING

## DOES ADULT FINANCIAL EDUCATION WORK?

A growing number of organizations concerned about adult financial literacy are offering financial education programs for adults. How can we be sure that economic and financial knowledge translates into wise life choices? How can we measure success and determine what leads to changes in behavior and what doesn't?

RIGHT: Suzanne Boas (left) of the Consumer Credit Counseling Service, Jeanne Hogarth of the Federal Reserve Board, Eugene Godbold of Bank of America, and Angela Lyons of the University of Illinois at Urbana-Champaign made the case for measuring the success of adult financial education programs.

Jeanne Hogarth of the Federal Reserve Board shifted the focus to lifelong personal finance education for adults. Does this kind of education work, she asked, and how do we know?

Many financial education programs show positive behavior changes. Hogarth cited credit counseling that improved credit scores, homeownership counseling that lowered delinquency rates, employee education programs that increased 401K participation and other programs that increased savings rates and decreased debts.

One of the challenges in documenting what works in adult personal finance education is that participants are not randomly assigned but are self-selected individuals who want to change their behavior. Another, Hogarth said, is following people's behavior and success over time because tracking participants who move or change jobs becomes more difficult over time.

Hogarth reported on the connection — and disconnections — between knowledge and behavior in one study. What do people know as opposed to what they do? For instance, 94 percent of



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people in the survey knew they should have an emergency fund, but only 63 percent had one. Eighty-one percent knew the kind of information included on a credit report, but only 58 percent reviewed their own. And while 92 percent knew that the earlier they start saving for retirement, the more money they will have, only 63 percent had any retirement account.

We know that financial education programs are making a difference, Hogarth said, when people change their behaviors, credit scores and savings rates go up, bankruptcies go down and participants feel confident and prepared for the major financial events in their lives.

## WHAT WORKS?

### CCCS Bases Programs on Research

Suzanne Boas of the Consumer Credit Counseling Service of Greater Atlanta said her organization finds in its clients a real disconnect between knowing and doing. They generally know what they should be doing — but don't.

When resources are limited, research is important to be sure you're having an impact, Boas said.

One study followed CCCS clients during three years and found that the ones with the most severe problems had the most improvements and that counseled clients in general had significant

# When resources are limited, research is important to be sure you're having an impact.

improvements. Another showed that face-to-face counseling for first-time home buyers reduced 90-day delinquency rates by 34 percent and classroom counseling reduced delinquency rates by 26 percent.

“We feel that studies like this, while expensive to undertake, are really important in grounding the kind of work we do and the way we deliver service,” she said.

## OVERCOMING CHALLENGES

Providers Need Tools, Funding

Angela Lyons of the University of Illinois at Urbana-Champaign discussed

common challenges to implementing good evaluation of adult personal finance education programs:

- Limited resources make it difficult to follow people over time to measure behavior changes because such evaluations take time and money.
- Nonprofits that develop education programs must take care to balance their own objectives with those of the organizations that fund their programs.
- The people who lead financial education programs don't necessarily have the expertise to measure the success of their programs.
- Personal finance educators need evaluation tools that show what they should evaluate and what they can do with the numbers, and they need more ways to interact and share best practices.

With colleagues at the University of Georgia, Lyons is developing an evaluation tool kit for financial educators that will help them overcome some of these challenges. ✦

There's often a disconnect between what consumers know they ought to do and what they actually do.



**EDWARD M.  
GRAMLICH**Federal Reserve  
Board Governor

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# THINKING OUTSIDE THE BOX

In his luncheon address to the Georgia Summit on Economic and Financial Education, Federal Reserve Board Governor Edward M. Gramlich encouraged financial education providers to find ways to measure the effectiveness of their programs.

At a time when financial education is receiving “an unprecedented amount of attention and funding from businesses and a wide range of organizations,” Gramlich said we must remember that

financial education aims not only to increase consumer awareness but also to change actual behaviors. He encouraged attendees to learn from other disciplines’ research on changing consumer behavior, citing studies of health care, nutrition education, crime prevention and adult literacy campaigns.

“You have to follow people over time and check their financial status,” he said. ✦

# CLOSING THE GAPS

## WHERE DO WE GO FROM HERE?

**Protect the high school economics course.**

It's the best thing Georgia has going for economic and financial education, and we need to be sure to solidify its place in the curriculum. Already stretched to impart key economic concepts in one semester, the course must retain its focus on economics and not become a repository for learning objectives from other areas.

**Examine the issue of when the high school economics course should be taught.**

Some teachers teach it in the ninth grade and others in 12th. Both positions present challenges for testing or graduation requirements. For instance, seniors are better equipped to comprehend important economic concepts and see the relationship to their own maturing lives, yet they risk not graduating if they wait until spring semester to take the required course and don't pass it.

**Establish a "gap" task force.** This force should identify courses that could help build a comprehensive curriculum that unifies economic, personal finance, business and career learning from kindergarten through graduation. We have assurances that economics is embedded in the revised QCC and that personal finance was given good con-



sideration. A task force should examine this updated curriculum for opportunities to form a cohesive K–12 economics curriculum.

**Support efforts to teach personal finance.**

Encourage personal finance examples as best applications to illustrate economics in the required course. Through legislation, teacher bonuses and school recognition programs, introduce incentives that reward teachers and local schools. Research is needed to find out how many students are taking a stand-alone course and whether there are any local requirements for personal financial education.

**Encourage fair and rigorous testing of the required curriculum at the appropriate levels.** Economics is tested systematically on national tests in the elementary grades, where there is currently not much instruction in the subject. But the Georgia High School Graduation Exam does not include economics although it is a required course. A new end-of-

course test for the required economics course takes effect this school year.

**Strengthen the requirements for teachers to teach economics and personal finance.**

Bring together the Professional Standards Commission, the state Board of Education, the Board of Regents, the Georgia Council on Economic Education and other key stakeholders to discuss this complex issue.

**Measure the success of the many programs that exist by clearly defining goals at the outset.** Shift the focus in adult personal financial education from creating new curricula. Identify corporate funding resources that would enable research organizations to conduct a study of the effectiveness of current personal financial education programs.

**Continue to work together to share best practices in adult personal financial education.** Help programs find ways to conduct better research on long-term behavior change. ✦

Campbell High economics teacher Brett Hardin represents the best of Georgia economics teachers: he is a National Board Certified teacher who teaches International Baccalaureate and Advanced Placement Economics with skill and passion.



**Georgia Council On  
Economic Education**

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