



Why Should We Care About Economics Education?

Michael Ellerbrock

Economic decisions by individuals and public and private institutions can result in home mortgage foreclosures, credit card defaults, corporate bankruptcies, and doomed investment schemes. Economics is practiced by almost everyone, everyday.

During the recent presidential election, I saw candidate Ross Perot on television pledge to the American people to eliminate the Internal Revenue Service (IRS) if he were elected. Candidate Bob Dole indicated a willingness to at least reduce the size of the IRS. The morning after Perot's pledge, I asked my beginning economics class of college freshmen and sophomores how they felt about Perot's statement. Reactions were mild and mixed.

I then asked the class who they thought would gain and who would lose from elimination of the IRS. After I hinted that they should consider the role and purpose of the IRS, some students answered: cheaters would gain and honest taxpayers would lose. We then discussed which governmental institutions are responsible for the establishment and level of taxes.

As an economics educator, I was surprised and confused by Perot's proposal because if our nation were to rely solely on an honor system whereby citizens were expected to voluntarily pay their taxes with no threat of detection or audit if they did not pay at all or did not pay their fair share, then, clearly, honest people would suffer at the expense of the dishonest. Why would we want to allow such corruption and injustice?

I also find Perot's pledge troubling because he seems to be preying on people's economic ignorance regarding the role and purpose of the IRS. If Americans are angry about taxes, to whom should we complain? Who sets the level of federal taxes? The U.S. Congress and President, not the IRS (whose role is to *enforce* the tax code). Killing the IRS would be the moral equivalent of the peasants hanging the messenger for bearing bad news from the king.

Perot's campaign approach seemed ironic because, to his credit, he tried to use economic statistics and information in his public presentations. Of all of the candidates, Perot should have understood the consequences of his proposal if it were ever implemented.

The Problem: Economic Illiteracy

The debate over the IRS illustrates a serious social problem: widespread economic illiteracy among Americans of all ages. For example, a recent Gallup poll aimed at assessing the economic knowledge of adults and high school and college seniors found that:

- 50% cannot explain the meaning of a federal deficit;
- 60% do not know the purpose of profits;
- 70% cannot identify the most commonly used measure of inflation; and
- 75% cannot closely state the current rate of unemployment.

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Why such basic economic ignorance? Perhaps, because as the poll also revealed,

- 50% or more high school seniors have not studied economics;
- 70% of adults report having had no instruction in economics;
- 80% of the respondents rated their knowledge of economics as fair to poor; and
- 96% think that schools should teach more about how the economy works.

The national problem of economic illiteracy is apparently so widespread that few politicians, campaigning for office at any level, risk boring or confusing voters by discussing economic issues in any depth. The fact that other politicians shy away from economic issues is what makes Perot's pledge about the IRS so perplexing, at least to me. To a political scientist, Perot's effort to capitalize on voter's economic ignorance may make perfect sense.

The Stakes

The social costs of economic ignorance are substantial. All citizens function in various economic roles making economic decisions as consumers, workers, managers, employers, savers, borrowers, investors, entrepreneurs, voters, legislators, parents, scientists, and educators. In recent decades, the United States has suffered a steady increase in home mortgage foreclosures, credit card defaults, personal and corporate bankruptcy claims, failed or fraudulent investment schemes, under and over-insured families, and inadequate retirement planning.

Financial losses, not to mention the personal tolls from such emotional stress, amount to many billions of dollars annually. For example, The Bank of New York alone recently put \$350 million in its reserves to cover anticipated credit card losses.

A current national issue in need of widespread understanding is the calculation of inflation, which affects social security payments, plus many union contracts, sales contracts, and investment decisions. Almost half of Americans' incomes or benefits are tied to the rate of inflation as estimated annually through tabulation of the Consumer Price Index (CPI). Yet, the formula needs improvement (MacDonald, Will). It needs to take better account of changes in: consumer

spending patterns (what we buy), relative store prices (where we buy), relative weights assigned to various items (how much we buy), and quality improvements (why we buy). Critics argue that the CPI formula currently overstates inflation by about one percentage point per year; consequently, an additional spending of at least \$50 billion annually by the federal government is required, which will add an estimated \$634 billion to the national debt by the year 2006.

As we approach the 21st Century, the global economy faces a challenge: how can more of the 128 nations on earth advance agriculturally, industrially, and technologically to improve their citizens' quality of life? Will the top 20 to 30 economic powers be willing to share, at a reasonable cost, their resources with developing nations?

Another piece of this puzzle is international economics education. As many countries attempt the difficult cultural and economic transition from communism to capitalism, they need expertise and support in areas such as helping them design and build their social and economic infrastructure in the most environmentally compatible manner. Post-communist countries also need help in preparing economics teachers and curricula for their schools.

Part of the path to international development is domestic economics education. The more we can prepare youth to become better decision makers in all aspects of life, then the more wisely and efficiently they will manage our nation's precious and vital environmental assets, leaving more that we could all share.

Down Home?

Virginia is not immune to the problem. Like most states, Virginia has historically required high schools to offer an economics course. It is, however, only an elective class, not a required part of each student's curriculum. Consequently, since about half of our high school graduates do not attend college and since economics is also an elective course in many college degree programs, we have many citizens with little or no economics education.

To make matters worse, it is regrettably true that for many of the other citizens who have actually studied economics in high school or college, the course was

oftentimes presented in such a dull or abstract manner that it squelched students' understanding and interest in using the material in their lives. Or, by overemphasizing the doomsday "Malthusian doctrine"—that global starvation is inevitable because population growth will outpace agricultural productivity—in spite of the facts (Shabman), teachers discouraged students from pursuing further studies in economics. Hence our discipline's pessimistic nickname: the dismal science.

Virginia's Good News

Some good news in Virginia is that the Commonwealth's new Standards of Learning (SOLs) require secondary schools, beginning in the Spring of 1997, to integrate economics into one of the nine-week segments on social studies. This action is commendable, though most of that instruction will be done by civics or history teachers with little or no formal training in economics. Also, at the elementary level, the SOLs require teachers to introduce basic economic concepts throughout the curricula.

The Virginia Council on Economic Education (VCEE) helped develop the economics SOLs, with input from teachers, school administrators, state specialists, parents, business persons, legislative leaders, and university faculty. The VCEE is a non-profit organization housed in Richmond (804-828-1627) whose mission is promoting economic literacy by helping teachers learn and teach economics. Its approach is to "train the trainers" in order to maximize the impact of its efforts. The VCEE's philosophy is to present a balanced view of economic systems, without rigid ideology.

Affiliated with the VCEE are 12 university Centers for Economic Education, including one in the Department of Agricultural and Applied Economics at Virginia Tech. The VCEE is affiliated with the National Council on Economic Education (NCEE) which produces a variety of teaching materials and educational programs for use by the 260 university centers around the country. The NCEE recently released "Virtual Economics," an interactive CD-ROM (funded by the National Science Foundation) with a user-friendly gallery of economic education resources. On the international level, the NCEE is currently teaching teachers in Lithuania and helping them develop curricula on the structures, principles, merits, and weaknesses of market-based economies.

The Virginia Tech Center for Economic Education (540-231-7722) offers statewide assistance to K-12 schools and adult organizations on general economics, environmental economics, the nationally computerized Stock Market Game, Commodity Challenge (sponsored by the Chicago Board of Trade), Virtual Economics, teaching personal finance and consumer economics (in cooperation with the Virginia Consumer Credit Counseling Service), Economics in Children's Literature, Workplace Economics, Youth Entrepreneurship, Economics and Geography, Economics and U.S. History, and Health Care Economics. The Center reflects Virginia Tech's Cooperative Extension mission to extend higher education beyond the campus.

The 124 teachers and extension agents who have participated in the Center's summer institute "Teaching Environmental Economics" have written three sets of K-12 teaching modules that have been published by Southern States Cooperative and distributed free-of-charge to all 1,800 schools and 107 extension units in the Commonwealth. The institute has been jointly sponsored by the VCEE, Virginia Power, The Virginia Environmental Endowment, the U.S. Environmental Protection Agency, Virginia Cooperative Extension, and Virginia Tech.

Environmental issues are a popular topic among youth and thus offer teachers a captivating and powerful tool for introducing economic concepts and principles into their thinking. The goals of the institute are to help educators understand how economists conceptualize environmental problems, utilize market forces in the search for solutions, and evaluate various policy alternatives.

The Next Millennium: Some Common Ground

A healthy development regarding our preparation for the 21st Century is the growing awareness among educators of the need to integrate economics, ecology, and ecumenism in order to find workable solutions to complex problems and prepare effective leaders with a holistic vision. Significant progress toward integration has been made in recent decades, much of it founded on the principle that these three key disciplines share a common root in the notion of a household.

Derived from the early Greek term *oikos* which means "household," economics, ecology and ecumenism

involve the study of the wise management of a household's financial, physical and personal resources amidst a plurality of values, respectively. Each discipline teaches that all things are connected and thus all living creatures are partners who share a common destiny (or face a common peril) while on this earth. Our solutions to complex social and environmental problems must therefore be consistent across the three perspectives by integrating the wisdom of each. Effective economics education for all citizens is a vital and necessary step in which everyone must become involved.

References

MacDonald, T. M. "Consumer Price Index Overstates Food-Price Inflation," *Food Review*. Washington, D.C.: USDA, ERS 18, No 3(Sept.-Dec. 1995):28-32.

Shabman, L. A. "A Cautiously Optimistic View of the Fate of the Earth." Paper presented at the World Watch Seminar, Blacksburg, Va., Nov. 1991.

Will, G.F. "Inflation Inflated," *Newsweek*. Sept. 30, 1996, p. 92.

NOTICES

**There will be a proceedings from the *Virginia Farmers Adjusting to the 1996 Farm Bill* conference available in January. Contact the REAP office for a copy.

**Also available in January or February will be a REAP Report on the history of the development of the confined animal feeding operation permit and the lessons learned in the process of its development. Contact the REAP office for copies.

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