

# 13. ECONOMIC LITERACY

©LITERACIES FOR THE DIGITAL AGE TO TEACH IN THE K-12 CLASSROOM

BY LEAH G. STAMBLER, PH.D.

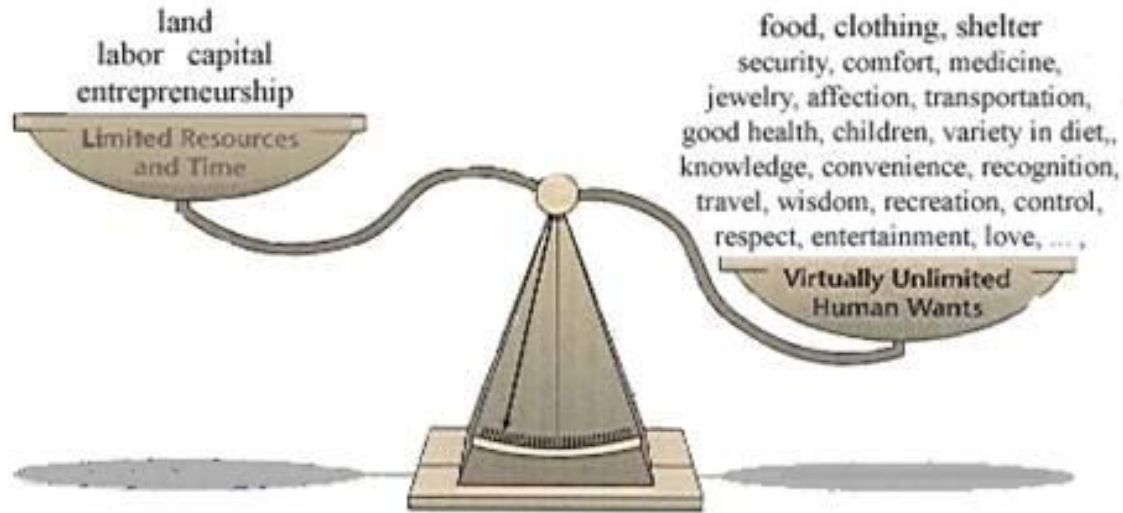
DEVELOPED FOR THE PIER INSTITUTE: GLOBAL YOUTH IN THE DIGITAL AGE

YALE UNIVERSITY, JULY 8-12, 2013

# THE FUNDAMENTAL ECONOMIC PROBLEM

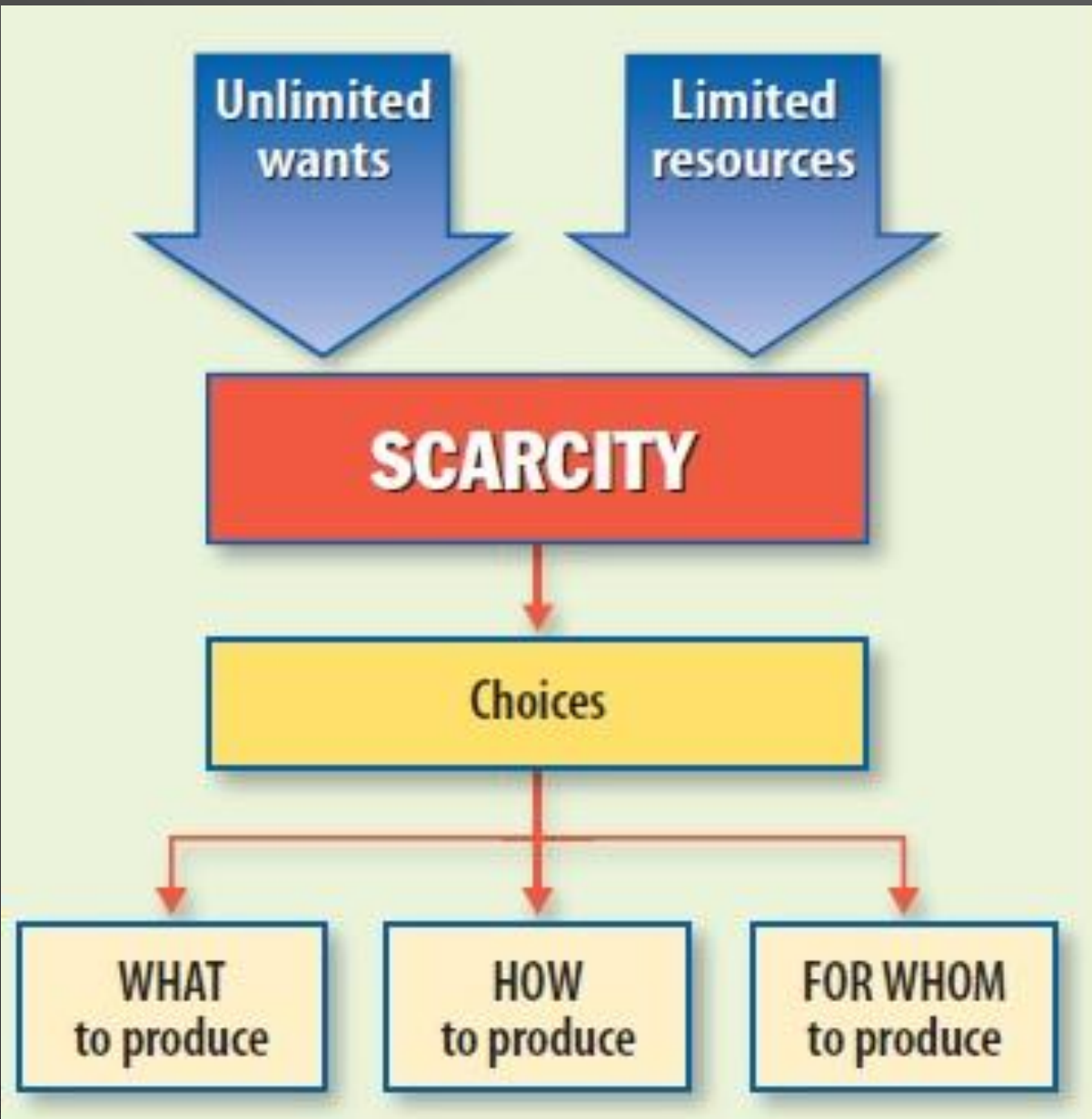
By [relivingmbadays](#) on August 25, 2012

## SCARCITY



- “People always desire and want more than what they have, ask people to make a list of things they want and you will find things one would never hope to obtain but still in the list.”
- “The fundamental economic problem facing all societies is that of scarcity. *Scarcity is the condition that results from society not having enough resources to produce all things people would like to have.*”
- “Scarcity affects every decision that we make.”

[http://gateresources.wikispaces.com/file/view/scarcity\\_image003.jpg/169295789/scarcity\\_image003.jpg](http://gateresources.wikispaces.com/file/view/scarcity_image003.jpg/169295789/scarcity_image003.jpg)



# ECONOMICS DEFINED

<http://relivingmbadays.wordpress.com/2012/08>

- “Economics is the study of how people try to satisfy their unlimited wants with limited resources.”

<http://relivingmbadays.files.wordpress.com/2012/08/scarcity.jpg>

# *The Standards in Economics Survey*

<http://www.councilforeconed.org/cel/results.php>

Campaign for Economic Literacy  
Standards in Economics: Survey of Students and the Public  
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[Money, Interest Rates and Inflation](#)

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[Test Scores of the General Public](#)

[Test Scores for Students](#)

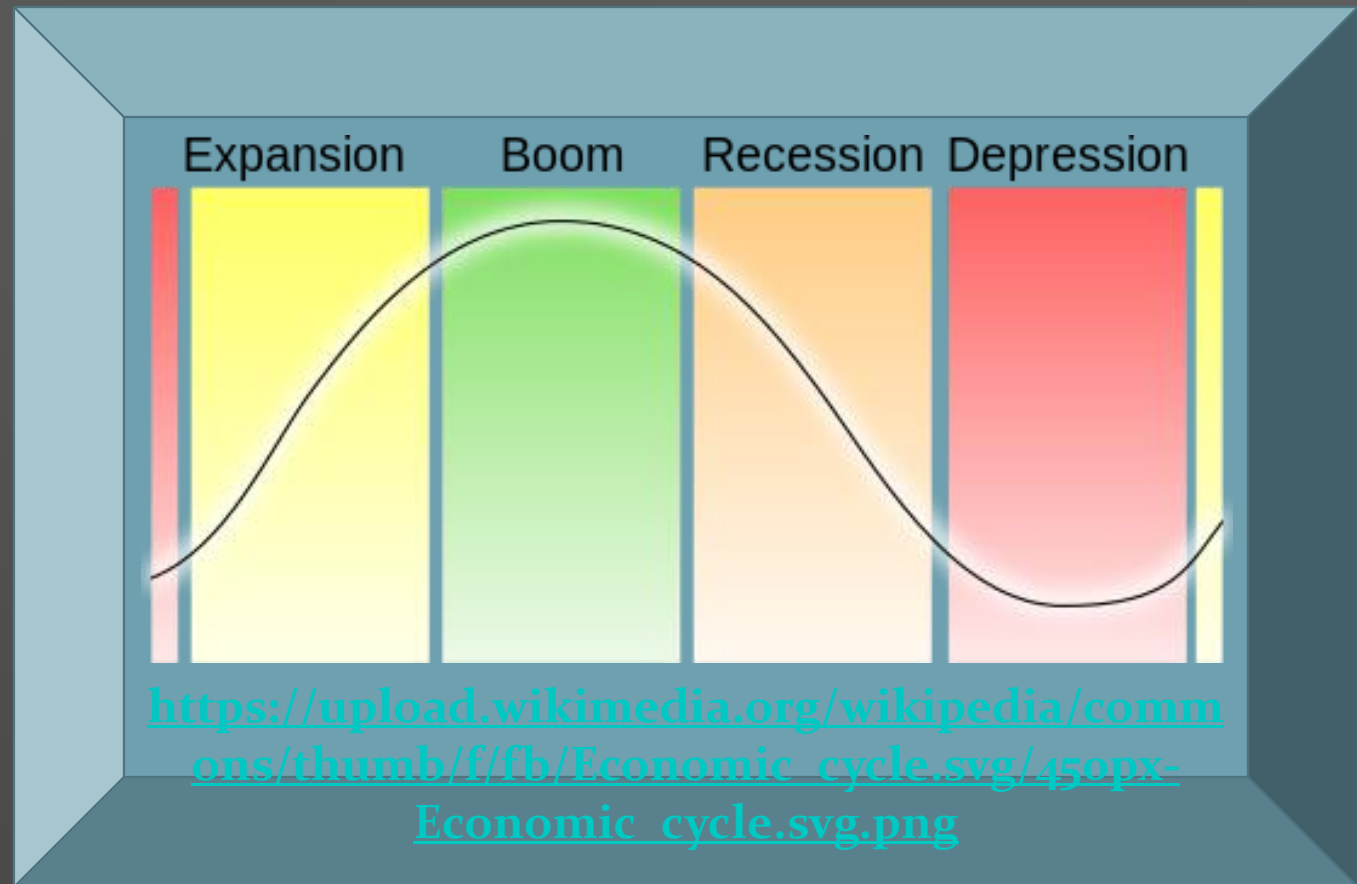


**CLICK ON THE  
UNDERLINED  
LINKS TO SEE  
THE CONTENT OF  
THE SURVEY**

# ECONOMIC LITERACY DEFINED

<http://pict.sdsu.edu/engauge21st.pdf>

- *“Economic literacy is the ability to identify economic problems, alternatives, costs, and benefits; analyze the incentives at work in economic situations; examine the consequences of changes in economic conditions and public policies; collect and organize economic evidence; and weigh costs against benefits.”*



# ECONOMICALLY LITERATE STUDENTS

<http://pict.sdsu.edu/engauge21st.pdf>

- **Can evaluate** costs, benefits, and the limitations of resources, using this knowledge to make informed choices as consumers, producers, savers, investors, and citizens.
- **Are able to evaluate different methods** for allocating goods and services by comparing the costs and benefits of each method.
- **Can identify economic incentives** that affect people's behavior and explain how incentives affect their own behavior.
- **Understand how** competition, trade barriers, shortages and surpluses, and the interaction between buyers and sellers can **influence prices.**

# ECONOMICALLY LITERATE STUDENTS

<http://pict.sdsu.edu/engauge21st.pdf>

- **Are able to describe the roles** of various public and private economic institutions, including the Federal Reserve.
- **Understand the basics** of income and its distribution, interest rates, inflation, unemployment, investment, and risk.
- **Can identify and evaluate** the benefits and costs of alternative public policies, and assess who enjoys the benefits and who bears the costs.
- **Understand the value** of entrepreneurialism and the roles of small and large businesses in the U.S. economy.

# INTERACTIVE TOOLS THAT TEACH K-12 STUDENTS ECONOMIC LITERACY

- <http://www.econedlink.org/interactives/economic-interactive-search.php> EconEdLink maintains a large library of online interactive tools for teaching economics, personal finance and entrepreneurship in grades K-12. These interactive tools include videos and game-like activities.
- Browse our interactive tools by Title, Grade, or Date published. Use the search tools located on the side of the page to narrow the results by concept, grade and/or type.



# LESSON PLANS THAT TEACH ECONOMIC LITERACY FOR K-12 STUDENTS FROM THE COUNCIL FOR ECONOMIC EDUCATION

- <http://www.econedlink.org/lessons/economic-lesson-search.php>  
**Online Economic Lessons; EconEdLink maintains a large library of online economic lessons for K-12 teachers & their students. B**
- Browse EconEdlink online economic and personal finance lessons by Lesson Type, Concept, Standard, Grade, Interactive Resource, Author or word search. Please choose how you would like to view the lessons by clicking on the appropriate indicator.

# SAMPLE LESSON PLANS THAT TEACH ECONOMIC LITERACY



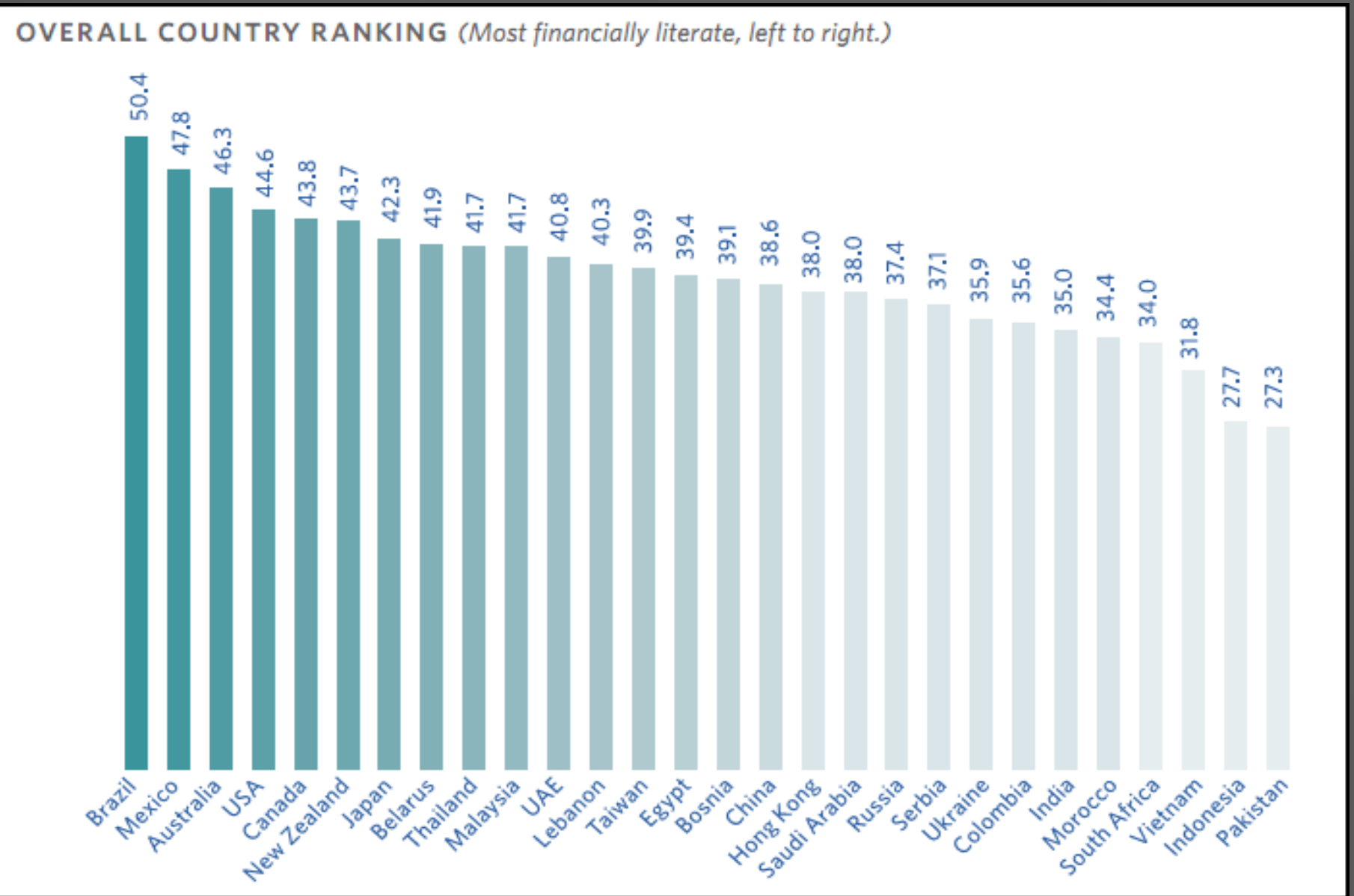
- **SAMPLE KEY CONCEPTS:** Division of Labor, Entrepreneur, Factors of Production, Innovation, Labor, Production, Productive Resources, Productivity, Resources, Specialization
- <http://www.econedlink.org/lessons/index.php?lid=668&type=educator> Henry Ford and the Model T: A Case Study in Productivity (Part 1) ), econedlink, Economics & Personal Finance Resources for K-12, Council for Economic Education [CEE]
- <http://www.econedlink.org/lessons/index.php?lid=676&type=educator> Henry Ford and the Model T: A Case Study in Productivity (Part 2), econedlink, Economics & Personal Finance Resources for K-12, Council for Economic Education [CEE]
- <http://www.econedlink.org/lessons/index.php?lid=692&type=educator> Henry Ford and the Model T: A Case Study in Productivity (Part 3) econedlink, Economics & Personal Finance Resources for K-12, Council for Economic Education [CEE]

# COMPARATIVE RESEARCH ABOUT FINANCIAL LITERACY (FLAT World)

- STATEMENT OF A PROBLEM: “Across the world, people are being asked to assume more responsibility for their financial well-being.”
- RESEARCH QUESTION: How prepared are individuals to take on this greater burden and to process the economic information needed to make informed decisions about their current and future finances?
- FINDINGS: “In short, they are not prepared. To paraphrase the title of the bestselling book by Thomas Friedman about our FLAT World (an acronym in this case for Financial Literacy Around the World), we are also flat when it comes to consumers’ knowledge of basic financial concepts. This Brief describes key findings about financial literacy in eight countries.”
- SEE DATA and DETAILS. CLICK ON THIS URL:  
<http://www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p240590.pdf>

Visa World Financial Literacy Survey 2012 released; conducted between February and April 2012 with 25,500 participants in 28 countries.

<http://indiamicrofinance.com/visa-world-financial-literacy-survey-2012.html>



# Key Findings of the VISA Financial Literacy Survey 2012

## [Visa Financial Literacy Survey-pdf](#)

- Chinese respondents were the best at saving, with an average of 3.9 months of expenses saved
- The remaining top five in terms of months' expenses saved were Taiwan, Hong Kong, Japan and Canada, with an average of more than 3 months of expenses saved.
- Pakistani respondents had the least saved, with 0.8 months of expenses set aside.
- **In the U.S., the average person had 2.9 months of expenses saved.**
- Mexico and Brazil topped the list of places that parents talk to their kids about money often, with Mexicans talking to their kids at least 41.7 days a year and Brazilians 38.1.

# Key Findings of the VISA Financial Literacy Survey 2012

## [Visa Financial Literacy Survey-pdf](#)

- Indonesian respondents talked to their kids about money the least—5.5 days a year.
- American families talked to their kids about finances 25.8 weeks out of the year.
- Brazilian respondents believe that financial education should start the earliest, with most believing that the government should require schools to start providing financial education when children are 9 years old.
- Vietnamese respondents believed that the government shouldn't require financial education in schools until children were 14.4, the oldest average age.
- **In the U.S., the average age when people felt the government should require kids to start learning about money was 11.9.**

*The Question Asked : To what extent would you say that teenagers and young adults in (Country) understand money management basics and are adequately prepared to manage their own money?*

[Visa Financial Literacy Survey-pdf](#)

## 28 COUNTRIES REPORTED IN THE SURVEY

- |                 |                  |                   |
|-----------------|------------------|-------------------|
| #1 VIETNAM      | #11 RUSSIA       | #21 NEW ZEALAND   |
| #2 INDONESIA    | #12 U.A.E.       | #22 HONG KONG     |
| #3 INDIA        | #13 SAUDI ARABIA | #23 CHINA         |
| #4 COLOMBIA     | #14 MALAYASIA    | #24 THAILAND      |
| #5 MEXICO       | #15 EGYPT        | #25 TAIWAN        |
| #6 SOUTH AFRICA | #16 SERBIA       | #26 CANADA        |
| #7 JAPAN        | #17 PAKISTAN     | <b>#27 U.S.A.</b> |
| #8 BELARUS      | #18 MOROCCO      | #28 BOSNIA        |
| #9 UKRAINE      | #19 AUSTRALIA    |                   |
| #10 LEBANON     | #20 BRAZIL       |                   |

# A VITAL COMPONENT OF ECONOMIC LITERACY FOR K-12 STUDENTS: FINANCIAL LITERACY

- “To prepare young people for life outside the school walls, some states and school districts are mandating that graduates understand budgeting and personal finance.”  
<http://www.ascd.org/publications/newsletters/education-update/feb09/vol51/num02/Financial-Literacy.aspx>
- **CLICK ON THE FOLLOWING URL TO SEE 42 PAGES OF THE *NATIONAL STANDARDS FOR FINANCIAL LITERACY*, Council for Economic Education, Copyright © 2013, Council for Economic Education, ISBN: 978-1-56183-734-2**  
<http://www.councilforeconed.org/wp/wp-content/uploads/2013/02/national-standards-for-financial-literacy.pdf>



# SUMMARY OF THE NATIONAL STANDARDS for FINANCIAL LITERACY

<http://www.councilforeconed.org/wp/wp-content/uploads/2013/02/national-standards-for-financial-literacy.pdf>

- **I. Earning Income** Income for most people is determined by the market value of their labor, paid as wages and salaries. People can increase their income and job opportunities by choosing to acquire more education, work experience, and job skills. The decision to undertake an activity that increases income or job opportunities is affected by the expected benefits and costs of such an activity. Income also is obtained from other sources such as interest, rents, capital gains, dividends, and profits.
- **II. Buying Goods and Services** People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic well-being by making informed spending decisions, which entails collecting information, planning, and budgeting.

# SUMMARY OF THE NATIONAL STANDARDS for FINANCIAL LITERACY

<http://www.councilforeconed.org/wp/wp-content/uploads/2013/02/national-standards-for-financial-literacy.pdf>

- **III. Saving** Saving is the part of income that people choose to set aside for future uses. People save for different reasons during the course of their lives. People make different choices about how they save and how much they save. Time, interest rates, and inflation affect the value of savings.
- **IV. Using Credit** Credit allows people to purchase goods and services that they can use today and pay for those goods and services in the future with interest. People choose among different credit options that have different costs. Lenders approve or deny applications for loans based on an evaluation of the borrower's past credit history and expected ability to pay in the future. Higher-risk borrowers are charged higher interest rates; lower-risk borrowers are charged lower interest rates.

# SUMMARY OF THE NATIONAL STANDARDS for FINANCIAL LITERACY

<http://www.councilforeconed.org/wp/wp-content/uploads/2013/02/national-standards-for-financial-literacy.pdf>

- **V. Financial Investing** Financial investment is the purchase of financial assets to increase

income or wealth in the future. Investors must choose among investments that have different risks and expected rates of return. Investments with higher expected rates of return tend to have greater risk. Diversification of investment among a number of choices can lower investment risk.

- **VI. Protecting and Insuring** People make choices to protect themselves from the financial risk of lost income, assets, health, or identity. They can choose to accept risk, reduce risk, or transfer the risk to others. Insurance allows people to transfer risk by paying a fee now to avoid the possibility of a larger loss later. The price of insurance is influenced by an individual's behavior.

# LESSON PLANS TO TEACH FINANCIAL LITERACY

<http://wimedialab.org/finance/links.html>

- Lessons and Links  
CLICK ON EACH UNDERLINED LINK. These links will take you to video clips, lesson plans, or activities to help you teach each standard.
- [Why Teach It?](#)
- [Link It](#)
- [Parent It](#)
- [Standard A](#) | [Standard B](#) | [Standard C](#) | [Standard D](#) | [Standard E](#) | [Standard F](#) | [Standard G](#)

# ECONOMIC LITERACY SOURCES

- <http://www.readwritethink.org/classroom-resources/lesson-plans/exploring-consumerism-where-intersect-1114.html> Lesson Plan Exploring Consumerism Where Ads and Art Intersect
- <http://www.readwritethink.org/parent-afterschool-resources/activities-projects/great-save-exploring-costs-30169.html> Activity The Great Save: Exploring Costs and Savings
- <http://pict.sdsu.edu/engauge21st.pdf> enGauge® 21st Century Skills: Literacy in the Digital Age, Financial Literacy P. 22
- <http://wimedialab.org/finance/links.html> Lessons and Links These links will take you to lesson plans or activities to help you teach each standard. Financial Literacy: TEACH IT! © 2009 [Wisconsin Educational Communications Board](http://www.wisconsin.gov)

# ECONOMIC LITERACY SOURCES

- <http://www.econedlink.org/> EconEdLink is the leading source of online economic & personal finance lessons & resources for educators, students and afterschool providers.
- <http://relivingmbadays.wordpress.com/about/relivingmbadays> MBA Notes | Articles | Help; Mubina Kazi (Owner of the Blog) [Blog at WordPress.com](#). [The Retro-Fitted Theme](#). August 2012
- <http://www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p240590.pdf> *Financial Literacy Around the World (FLAT World)*, April 2013 Annamaria Lusardi, The George Washington University School of Business and Director, Global Center for Financial Literacy