

Economic ABCs

The Federal Reserve's Role as an Educator and a Promoter of Economic Literacy

BY CHARLES GERENA

Reading, writing, and arithmetic have long been considered the pillars of a good education. With the technological changes of the 1990s, science and computer skills quickly became part of that foundation.

In contrast, economic and financial literacy has seemed less critical. A 2002 survey by the National Council on Economic Education found that just 14 states require high school students to take economics. North and South Carolina are the only Fifth District states with such a graduation requirement. Even fewer states mandate that students learn about personal finance.

That's a big mistake, according to advocates of economic and financial literacy. They argue that knowing how to navigate an increasingly complex economy is just as important as being able to read a warning label, sign a contract, or calculate income taxes owed to Uncle Sam.

[And] we need to be savers and investors. In all of these roles, we have to understand how the economic system works and [what the] basic financial concepts [are]."

A better understanding of economics and personal finance also creates more informed politicians and voters. "In today's world, our nation's economic policies can either unleash the creative energies of average citizens and raise the quality of our lives or do the opposite ...," noted J. Alfred Broadus, president of the Federal Reserve Bank of Richmond, in a 1997 speech to the South Carolina Council on Economic Education. "Poor economic outcomes...are the result of poor economic policies, and poor economic policies...usually rest on economic half-truths or worse."

That is one reason why economic and financial literacy has been an important priority for the Federal Reserve System. In addition to working behind the scenes to foster stability in the nation's monetary, financial, and payments systems, the Fed informs policymakers and the general public about these systems and their importance in our daily lives.

Front and center in these public outreach efforts are the Economic Education staffers at each Federal Reserve Bank. At the Richmond Fed, a group of educators partner with various organizations to promote economic and financial literacy, both inside and outside of the classroom.

David Isaacs knows first hand how the Richmond Fed reaches out to students throughout the Fifth District, from kindergartners in Maryland



Richmond Fed President Al Broaddus talks with students at John Phillip Sousa Middle School in Washington, D.C.

"You are talking about knowledge and skills that people need every day," says Dr. Carol Jarvis, executive director of the Maryland Council on Economic Education. "We are consumers. For most of our lives, we go to work.

to college seniors in South Carolina.

Isaacs liked following the stock market on television. But he felt that his high school classes at Trinity Episcopal in Richmond didn't feed his interest in business and economics. His sophomore economics teacher suggested he join the school's team for Fed Challenge, a nationwide competition held annually since 1995.

After Isaacs went to his first Fed Challenge meeting, he was hooked. "I went in knowing nothing and really got into it," he recalls. "[Now] I have a better understanding of what is going on than a lot of people, even my parents."

The Federal Reserve uses Fed Challenge to make the "dismal science" of economics more appealing and accessible to students like Isaacs. Each group of five high schoolers researches and analyzes economic data, then prepares a 15-minute presentation that recommends a monetary policy action for the Federal Open Market Committee.

"Most of them do a mock FOMC meeting and pretend they are members of the Board of Governors," says Margaret Ray, an economist who works on the Richmond Fed's Economic Education team. After the detailed presentations, judges pepper students with equally detailed and challenging questions for 10 minutes.

The heat of competition helps students get excited about studying economic theory. "If it's a class, you learn just what you are supposed to learn. When it's a competition, you can go as far as you want," describes Isaacs, who competed in Fed Challenge three years in a row. "The competition was what kept our team interested in pushing hard to pick up whatever [information] we could."

Building upon the success of the national high school competition, the Richmond Fed started a regional College Fed Challenge in 2001. Since then, many universities in the Fifth District have used the event as a learning tool, from smaller institutions like St. Mary's College of Maryland to urban behemoths like Virginia Commonwealth University (VCU).

State Of Economic Education

As of 2002, North Carolina and South Carolina are the only Fifth District states to require an economics course to be taught in public schools, and no public school in the region must offer a class in personal finance. Yet, all Fifth District states have included economics in their academic standards for the classroom. Only Maryland and North Carolina have standards for teaching personal finance.

	Schools Must Include Economics Course	Students Must Take Economics Course	Schools Must Include Personal Finance Course	Students Must Take Personal Finance Course
D.C.	No	No	No	No
Maryland	No	No	No	No
North Carolina	Yes	Yes	No	No
South Carolina	Yes	Yes	No	No
Virginia	No	No	No	No
West Virginia	No	No	No	No
Number of U.S. States With Requirements	17	14	4	4

SOURCE: *Survey of the States*, National Council on Economic Education, April 2003

The Richmond Fed supports other academic competitions as well. All three of its offices in Baltimore, Charlotte, and Richmond annually solicit essays on economic topics from 11th- and 12th-graders. Last spring, the Baltimore office hosted Maryland's first state finals for the National Economics Challenge, which was staged locally by the Maryland Council on Economic Education (MCEE).

Such events "give students a chance to show what they know and to compete in an academic environment," notes Jarvis. Also, they are meaningful to students because of where they are held. "The Federal Reserve... is a very attractive venue for kids. It makes them feel really special to get a chance to go there."

The doors to the Richmond Fed open to students in other ways. Every year, high school and college interns work in different departments, including Economic Education. "We view the internship as going two ways — there are things that interns help us do, but we also are teaching them," says Ray.

In addition, she points to a program called "A Day at the Fed." More than 30 college seniors from Virginia Union University and VCU came to the Rich-

mond office in March to learn about the Federal Reserve and potential job opportunities.

The Federal Reserve, monetary policy, and economics in general aren't a mystery to students alone. Teachers are often in the same boat, cast adrift in a sea of information and complex concepts that can be easily misunderstood.

Leah Tesney, education program manager for the Virginia Council on Economic Education (VCEE), has seen this problem in the Old Dominion. "We have some teachers from out of state who may have been in a school system that required economics, or they may have gone to a college that required them to take economics," says Tesney. "But in Virginia, we don't require high school students to take a course in economics" and not all colleges require economics coursework for certification. "[Yet] teachers are expected to teach [the subject] once they get into the classroom."

To bridge the knowledge gap, the Richmond Fed's Economic Education department produces a variety of resource materials. Some of its more popular products include bookmarks that chronicle important people in

America's economic past, an Economics Concepts calendar that it co-produces with the MCEE and the VCEE, and lesson plans that are coordinated with state educational requirements.

The Richmond Fed also publishes *Econ-Exchange* for K-12 teachers. The biannual publication is co-produced with the E. Angus Powell Endowment for American Enterprise, a Richmond-based organization that promotes economic literacy among young people.

According to Rebecca Shepherd, executive director of the Powell Endowment, her organization and the Richmond Fed choose an economics topic for an issue, then solicit innovative approaches for teaching that topic from their network of educators. Past topics have included information technology, banking, and international trade.

Shepherd says that more resource materials like *Econ-Exchange* are available today than in the past. Still, overwhelmed teachers may be unable to take advantage of them.

"Teachers don't have much time," notes Tesney. "If we sent them a curriculum in the mail, it would very likely sit on a shelf."

So, the Federal Reserve provides practical, hands-on instruction to help teachers apply materials in the classroom. This year, the Richmond Fed collaborated with the MCEE and VCEE to present several free workshops in Maryland and Virginia.

Carol Jarvis of the MCEE describes one activity conducted at a recent workshop on monetary policy. Gordon Woelper, a senior manager at the Richmond Fed's Baltimore office, split teachers into groups and provided information to help them decide whether interest rates should be raised or lowered. "[The activity] gave them a sense of the kind of data that has to be analyzed, and an opportunity to see if they understand what's happening when monetary policy is being decided," explains Jarvis.

The Richmond Fed also works with the Powell Endowment to present workshops and a national conference for AP Economics instructors. One

such workshop in Richmond last March catered to teachers at urban elementary schools in the Fifth District.

Vance Page, assistant director of the Darrell Green Youth Life Learning Center in Washington, D.C., says the course helped him understand how money works. Learning this concept "will help us teach and develop in our youth an understanding and appreciation for money, work, wealth, financial security, and responsibility."

So far, students have responded well to the 12-week economics course that Page developed after the March workshop. "They were thrilled to have their instruction linked to everyday life and daily application," he describes. "They were so eager to learn and so hungry and thirsty for knowledge they went home ... and practiced on family and friends."

The classroom isn't the only venue for the Federal Reserve System's educational activities. Most Reserve Banks offer tours where students and teachers, as well as other groups, can learn firsthand about check processing, banking supervision and regulation, and other activities.

Additionally, seven Reserve Banks operate some type of museum or visitor center with exhibits about currency, banking, or the Federal Reserve. In August, the Richmond Fed added an interactive audio tour to its 23-year-old Money Museum.

Every Reserve Bank is involved in a financial literacy campaign initiated in May by the Federal Reserve Board. Television and radio stations began airing a public service announcement starring Board Chairman Alan Greenspan. In the following month, Greenspan and Broadus shared their wisdom with middle school students in Washington, D.C. Other aspects of the campaign have included enhancements to the Federal Reserve's financial education Web site, and a poster designed by a system-wide committee of Economic Education staff that discusses how schooling positively affects future earnings.

Even if these and other efforts succeed in helping people make better

decisions, some Fed watchers argue that the Federal Reserve doesn't need to be involved in economic education. The economy has worked well without the majority of people being fully aware of the ramifications of their choices. Besides, other public and private institutions can fill any knowledge gaps.

Not surprisingly, Margaret Ray disagrees with this assessment. "We might have had a well-functioning economy given our previous level of education, but things are changing," counters Ray. She believes the market is failing to provide a sufficient level of economic education, and the Federal Reserve has the expertise and the resources to call upon.

Indeed, Jarvis notes that teachers value the Federal Reserve as a unique conduit for information. "They get to ask people on the front lines ... about the Fed and monetary policy. That adds credibility [to the information] because you are getting it from the horse's mouth."

Besides fulfilling a need in the marketplace, Ray says the Federal Reserve has a vested interest in providing economic education. "In order for monetary policy to work, people have to have a minimal understanding of the way things work," she asserts. "We can't affect interest rates—and have it affect consumer confidence and behavior—if people don't know about things like compound interest rates and savings." **RF**

READINGS

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Pearlman, Russell. "Whiz Kids." *Smart Money*, July 2003, pp. 108-110.

Survey of the States: Economic and Personal Finance Education in Our Nation's Schools in 2002. New York: National Council on Economic Education, April 2003.

For more information on the Richmond Fed's Economic Education department, link to www.rich.frb.org/econed/. The central Web site for the Federal Reserve's educational efforts can be found at www.federalreserveeducation.org/.