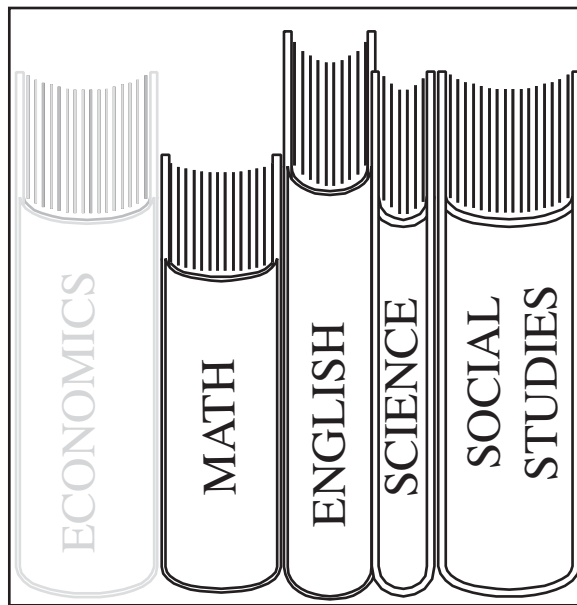


THE SORRY STATE OF ECONOMIC AND FINANCIAL EDUCATION IN WISCONSIN

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For a host of reasons, one might expect to find a strong emphasis on economic and financial education in Wisconsin's elementary and secondary schools. Appropriate economic and financial education would help young people to understand the market system within which the U.S. economy operates. It would help prepare them to make informed decisions, as citizens, about policy issues related to markets. And it would help prepare them to make informed decisions about savings, investment, spending, credit, and other matters crucial to their own financial management.

To be uninformed about markets and financial management has practical consequences for individuals, especially today when consumers face an increasingly complex array of new financial services and products about which they must try to make wise choices (Greenspan, 2003). There are public consequences as well, since individuals who struggle unsuccessfully to manage their financial affairs may experience debilitating problems that also impose costs on others. Money and financial problems in Wisconsin are the number one cause of divorce, a leading cause of suicide, and a main reason for the 105 percent



increase in personal bankruptcies the state has experienced since 1990 (Governor's Task Force on Financial Education, 2002, p. 4). Ripple effects from bankruptcies cost each Wisconsin consumer more than \$500 annually (Governor's Task Force, 2002, p. 4).

Despite the important interests at stake, however, economic and financial education get

short shrift in Wisconsin's system of public education. They are areas of study scarcely mentioned in state law, weakly addressed in state regulations, overshadowed in practice by educators' attachment to the study of government, shunned by teachers in training, and entrusted primarily to high school social studies teachers who have many other priorities and responsibilities.

What Americans Know about Economics

Ignoring economics and financial education in the schools cannot be defended on the grounds that such instruction would be super-

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fluous. On various measures of knowledge about both fields, American adults and young people do not perform well. Today the most widely used test of economic understanding is the Test of Economic Literacy (TEL) (Walstad & Rebeck, 2001). It assesses knowledge of content likely to be taught in a typical high school economics course. In a round of testing conducted in 1999 and 2000, the TEL was administered to more than 7,000 students in the United States. High school students in the sample who had completed a high school economics course scored 61 percent correct on the TEL; those who had not studied economics scored 41 percent correct. The between-groups difference in scores highlights one bright spot in this set of results: Instruction does seem to make a difference. On the other hand, scores were lowest in questions related to macroeconomics and international economics, suggesting that most students in both groups would have a weak basis for understanding ordinary newspaper or magazine articles about, for example, taxation and trade policy.

In Wisconsin, economics is regarded as a component of the state's Social Studies curriculum. State-level Social Studies tests cover history, geography, political science, and the behavioral sciences (anthropology, psychology, and sociology) as well as economics. Since economics is only one among the five areas tested, and since economics is less commonly taught than history and government, relatively few economics items are included in the statewide tests. As a result, data from state-level testing tells us little about economic understanding among Wisconsin's students. Not that economics is singled out for abuse in this respect. Given the state's amalgamated Social Studies tests, it is also difficult to learn from test scores how well students understand history, geography, or government.

What might be learned from a more focused program of testing? To gain at least a rough indication, we carried out a small-scale study of our own, using the TEL as a measure of student learning. At our request, in the second semester of the 2002 academic year, teachers (participating voluntarily) in three high

schools in southeastern Wisconsin administered the TEL to 333 high school students. Most of these students were enrolled in basic social studies classes, and almost none had taken a high school economics course. Their mean score was 16.02, or 40 percent correct; this is close to the national mean for students in basic social studies classes ($M = 16.05/16.88$). In other words, test results for one sample of Wisconsin students show a low level of economic understanding similar to the low level observed for other samples of students nationally.

What Americans Know about Personal Finance

A national survey of twelfth-graders' financial understanding has been conducted three times by the JumpStart Coalition — in 1997, 2000, and 2002. The 2002 survey (Mandell, 2002), administered to 4,024 twelfth-graders in 183 schools, included 31 items measuring knowledge about money, income, saving, and spending and credit, plus items about students' background and their use of money and credit. One typical question asks about responsibility for charges on a stolen credit card. On average, participants in the 2002 survey answered 50.2 percent of the questions correctly. The average score in 2000 was 51.9 percent correct; in 1997, it was 57.3 percent. Twelfth-graders' financial understanding, as measured by the Jump Start Survey, has been declining nationally.

In its 2002 survey, the JumpStart Coalition included Wisconsin in its national sample. Nine Wisconsin high schools participated, with 185 students completing the survey. The average score for Wisconsin students was 58.8 percent; the national average was 50.2 percent. That is the good news, relatively speaking. But scores of about 59 percent also mean that Wisconsin's twelfth-graders struggle unsuccessfully with a large portion of very basic content related to financial understanding.

Behavioral Indicators of Financial Understanding

Of course it could be the case that paper-and-pencil tests don't provide a valid measure of the knowledge and skills in question here,

given the varied, situation-specific circumstances in which people actually put economic and financial understanding to use. But other assessments based on behavioral evidence only underscore the gravity of the problem. A national survey commissioned by Northwestern Mutual Financial Network, for example, found a striking contrast between respondents' attitudes and their actions (Harris Interactive, 2001). Eight out of ten said they felt comfortable with the financial planning and preparation they had done for the future. Many envisioned early retirement. But 25 percent of them had no monthly savings for long-term goals; half did not pay off their monthly credit-card bills; 20 percent spent more than 75 percent of their monthly income each month; only 6 percent with 401(k) plans made maximum contributions; and 70 percent of job-changers did not roll over their 401(k) plans.

Among college students, credit management is a common problem. A recent report from the U. S. General Accounting Office (2001) shows that most college students have credit cards (three each, on average) and use them frequently. Most pay off their monthly balances. About 40 percent carry balances over, however, and the average credit-card debt among these students is \$2,748. In their remarks, participants in the GAO study generally agreed that they had not anticipated how difficult it would be to pay off their debts upon graduation. Reports from the University of Wisconsin Office of Student Financial Services show that the number and percentage of students with debt has been increasing steadily since 1990. According to the College Board, the average undergraduate with student loans graduated owing \$19,400 in 1998-1999.

What the State Says to the Schools about Economic and Financial Education

Through state law and rules developed by the Department of Public Instruction (DPI), Wisconsin conveys an official message about what is important in its K-12 education system. Overall, state policy showcases a sweeping array of curricular goals and an intricate web of procedures.

For example, state statutes Chapter 118, General School Operations, casts a wide net — touching on school district obligations regarding special observance days (September 16, Mildred Fish Harnack Day; October 9, Leif

Erikson Day), school conservation camps (they are permitted), first-aid kits (schools must have them), appropriate construction of school fences (they must not diminish the value of adjoining properties), and strip searches (they are prohibited). School districts are obliged, moreover, to ensure that students will gain "knowledge of the true and comparative content of food and health values of dairy products and their importance for the human diet." And school

What about compound interest? Might it be as important as the vitamin content of dairy products?

districts must address academic knowledge and skills through programs of study to develop basic skills, analytical skills, and basic knowledge, plus vocational skills, citizenship, and personal development.

The scope and texture of detail here prompt one to wonder about other matters. What about compound interest? Might it be as important as the vitamin content of dairy products? What about price systems and the relationship of prices to shortages and surpluses? Should students learn about that relationship, perhaps on a day when they are not remembering Mildred Fish Harnack? About such questions, school

districts will find no guidance in state law. In fact, Chapter 118 does not require school districts to provide programs of instruction in economics or financial education — not even as a stated subcategory of, say, basic knowledge, citizenship, or personal development.

The DPI also informs school districts about state policy, through regulations published in the Administrative Code. The Code also casts a wide net, and it speaks pointedly and forcefully about some curricular areas. PI 8.01, for example, specifies in considerable detail how school districts are to fulfill their obligations regarding environmental education: “Environmental objectives and activities shall be integrated into the kindergarten through grade 12 sequential curriculum plans, with the greatest emphasis in art, health, science, and social studies curriculum.” About economics, however, the Code says little. It mentions (PI 26.03) study “of the practical applications of economics and American economic institutions, including entrepreneurship education,” as a subcategory of a career planning rubric, which in turn is one component of the state’s Education for Employment program. But the reference to economics in this brief, subordinate notation is devoid of substance. It does not identify concepts, principles, or particular economic institutions teachers should introduce and use in application exercises, nor does it specify anything about where, when, or how extensively such exercises should be carried out. And it does not mention personal finance at all.

Wisconsin’s Model Academic Standards

Another important source of the state’s curricular priorities is Wisconsin’s Model Academic Standards in Social Studies (DPI, 1998). The DPI maintains that the Standards represent the state’s commitment to providing strong programs of economics and financial education.

On the face of it, this claim seems plausible. Economics has a prominent place as one of five sub-categories in the overall listing of Social Studies Standards (Geography, History, Political Science and Citizenship, Economics,

and Behavioral Sciences), and its substance is spelled out in some detail in a companion set of content standards and performance standards for three grade levels (DPI, 1998, pp. 92-95). This represents a step forward. Still, the overall record of follow-up activity associated with the Standards shows that the initiative thus far has failed to secure a firm place for economics and personal finance in Wisconsin’s schools.

This point is borne out by patterns of course-taking in Wisconsin’s high schools. The Model Academic Standards were approved in 1998. School districts have had four years to align their course requirements to the Standards. What has the effect been on course-taking in economics? To find out, we looked at annual surveys of high school course-taking, beginning with enrollments in economics courses compared to enrollments in other courses. Results are shown in Table 1. Total high school enrollment (grades 9-12) for 2000-2001 was 284,736. About 7 percent of Wisconsin’s high school students, therefore, were enrolled in an economics course. Far more students were enrolled in English, science, and mathematics courses, including mathematics courses (such as algebra 2 and geometry) for which students must ordinarily meet prerequisites. At first this result may seem unsurprising, since graduation requirements typically drive enrollments in these other subjects. But more students also enrolled in Spanish I (12 percent) than in economics, and about twice as many students (14 percent) enrolled in concert band.

We also looked at enrollments in a handful of other courses likely to contain content in economics and personal finance. Table 2 shows the results. Enrollments summed for economics and four economics-related courses come to 43,532, or 15 percent of the total. That sum equals about 28 percent of the composite figure for U.S. and world history. By a margin of one percent, however, it exceeds the concert band enrollment.

As noted above, patterns of variation in course-taking may reflect school districts’

TABLE 1 WISCONSIN HIGH SCHOOL ENROLLMENTS IN SELECTED COURSES IN THE GENERAL CURRICULUM COMPARED TO ECONOMICS, 2000-2001

General Curriculum Enrollment in Selected Courses, Grades 9-12	Number of Students Enrolled
Algebra, Year 1	70,565
Algebra, Year 2	47,487
Geometry	63,788
English Language Arts	167,888
Literature	74,516
Biology 1st Year	81,963
Chemistry	37,781
U.S. History Year 1	41,883
U.S. History Year 2	33,320
U.S. History Survey	27,500
Spanish I	34,706
Concert Band	40,002
Economics	20,128

Source: Wisconsin DPI 2000-2001 Enrollment Summaries

TABLE 2 WISCONSIN HIGH SCHOOL ENROLLMENTS IN BUSINESS AND ECONOMICS COURSES LIKELY TO INCLUDE ECONOMICS AND FINANCIAL EDUCATION

Title of Course	Number of Students Enrolled
Economics	20,128
Business Organization/Management	9,129
Consumer Economics/ Personal Finance	7,504
American Enterprise	4,840
Entrepreneurship	1,931
Total	43,532

Source: Wisconsin DPI 2000-2001 Enrollment Summaries

graduation requirements. Perhaps few students take economics courses because few school districts require them to. To learn more about that possibility, we conducted a telephone survey in 2000 of 374 Wisconsin School districts with high schools. For each district we asked a school administrator or curriculum director whether courses in economics (and

government) are required for graduation. Results show that about 17 percent of Wisconsin school districts require students to take an economics course in order to graduate. By contrast, 70 percent require a course in government.

Where economics is not required, it attracts about as many students as concert

band. And it is required in about one-fourth as many districts as those in which students are required to study government. As against these data, the Standards initiative remains a nominal achievement.

The Courses Teachers Don't Take

Teacher-training programs in Wisconsin are governed by DPI program-approval rules. These rules specify knowledge and skills that must be imparted in teacher-training programs. PI 34.15 (2) states that prospective teachers are required to know the content represented in Wisconsin's Model Academic Standards. Economics is a component of the Standards. Do Wisconsin's teachers-in-training learn enough about economics to understand the economics content of the Standards? If they do, it must be because they take economics and/or business courses in their preservice programs. To find out how often that happens, in one university program, we conducted a transcript analysis at UW-Madison in October 2002, using the following sample:

- Transcripts from the 50 most recent secondary education Broad Field Social Studies majors to have completed their teacher-training programs at UW-Madison; and
- Transcripts from 132 elementary education (grades 1-9) majors, randomly selected from a pool of teacher-training program graduates going back to 1998.

Our main finding can be expressed in a simple generalization: Most of the students whose transcripts we examined had taken no courses in business or economics. Seventy-two percent of the Broad Field Social Studies majors took no courses in business or economics. Sixteen percent took one course; four percent took two courses; four percent took three courses; and two percent took six courses. By contrast, 86 percent of the Broad Field Social Studies majors took at least one course in environmental studies, and 10 percent took two courses or more.

The elementary education majors were even less likely to have taken business/economics

courses. Eighty-one percent of them took none at all. Fourteen percent took one course; four percent took two courses; and two percent took three courses. By contrast, the profile is very different for environmental studies courses: 83 percent of the elementary education majors took one or more courses in environmental studies.

These data also highlight the weak impact of the Standards initiative to date. Graduates from one premier teacher-training program in the state generally will have studied economics no more than the K-12 students who will sit in their classrooms. This is the case even for those (in social studies education) likely to assume primary responsibility for teaching economics. We know of no reason to believe that the profile would be different for graduates from other programs. DPI program-approval rules co-exist peacefully with this outcome, despite the Standards.

Leadership from an Unexpected Source

Professional educators crave approbation and complain regularly when it seems not to be forthcoming. This being so, one might expect educators to step forward eagerly as leaders in support of causes held in high esteem among the public generally. Strengthening programs in economics and financial education is surely one such cause. But professional educators in Wisconsin, including DPI officials, have not stepped forward in this manner. The leadership role has been assumed instead by the Department of Financial Institutions.

In January 2002, working in tandem with the Wisconsin Department of Financial Institutions, Governor Scott McCallum appointed a Task Force on Financial Education. After reviewing documents and presentations from state and local experts, the Task Force concluded that Wisconsin's economic future hinges on its businesses' and citizens' ability to understand fundamental financial tools and to act as leaders in the adoption of innovative financial methods and products (Governor's Task Force on Financial Education, 2002, p. 4). Toward that end, the

Task Force issued several recommendations, including the following:

- Financial education standards should be developed and incorporated into the economics component of Wisconsin's Model Academic Standards.
- Assessment of students' financial understanding should be strengthened — either through adoption of a new standardized test in personal finance and economics or by strengthening the current assessment system to include more questions on economics and personal finance.
- While personal finance and economics should be addressed at several places throughout the K-12 curriculum, each school district in Wisconsin should offer at least one course in personal finance and require students, beginning in 2008, to complete it in order to graduate from high school.
- A public/private entity should be established and authorized to take the lead in developing model programs for use in helping school districts as they develop courses in personal finance and economics.
- Teacher certification rules should be made flexible enough to allow teachers from related fields to teach financial and economic education courses.

Conclusion

Wisconsin takes pride in its reputation for leadership in public education — from foreign language instruction for elementary school pupils early in the twentieth century to more recent initiatives in inter-district transfer pro-

grams, School to Work, Project SAGE, and voucher and charter school programs. Well and good, so far as that goes. But it is now past time for legislators and educators catch up with the real world they have so often valorized in other campaigns. Whatever else it includes, the real world is a world of markets and financial transactions. In such a world it is absurd to maintain school systems as economics-free zones. Action on the recommendations of the Governor's Task Force would be a good way to begin correcting the absurdity.

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