



The Importance of Teaching Teachers

Effective teacher training on economics and finance is invaluable to implementation of Fed policy

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This fall I have the honor of hosting and speaking to economics and personal finance teachers at a significant event—the 50th anniversary celebration of the Minnesota Council on Economic Education (MCEE). I always look forward to public events like this, in part because they help me meet an important responsibility—communicating clearly about the substance and logic of Federal Reserve System policy decisions. But speaking with teachers and the MCEE will be especially rewarding to me, because they are the unsung but vital allies in the Federal Reserve System’s efforts to communicate about policy.

Effective policy implementation requires public support and, therefore, public understanding. Public understanding of policy decisions, in turn, requires clear communication between policymakers and the public. In my view, the bulk of the responsibility for clear communication falls on policymakers themselves. With this in mind, I have strongly supported Federal Reserve System initiatives toward greater transparency about our decisions and the logic behind them, and in my speeches and articles I try to clearly outline my own thinking about policy.

Although policymakers have the primary responsibility for effectively communicating their decisions, the task becomes easier when the general public has a basic grasp of economic and financial principles. In my frequent dialogues with audiences in the Ninth Federal Reserve District, I am often impressed by their interest in and understanding of policy issues. Their perceptiveness bolsters my belief in the importance and possibility of clear communication about policy. Everyone benefits from a better public understanding of basic economic concepts. It helps policymakers in their efforts to successfully convey policy decisions, and it allows voters to more effectively hold policymakers accountable.

These benefits should not be taken for granted, however. They are the result of an effective system of general education that relies on elementary, secondary and college teachers to provide training in economics, personal finance and related social sciences. With that in mind, I want to express my sincere appreciation not only to the instructors who teach these concepts, but especially, in the context of the MCEE’s 50th anniversary, to those who support and prepare them to teach.

More broad than deep

The objective of general economic and personal finance education is more broad than deep. In particular, it need not aim at preparing students to be professional economists, even though some of them will follow that path. I know this from experience. Despite having little exposure to economics instruction until I was a college undergraduate, I was not disadvantaged in my subsequent pursuit of an economics Ph.D. It remains the case that many successful professional economists and current economics graduate students had little formal training in economics before college or, in some cases, graduate school. In other words, the primary aim of K-12 education in economics and finance is to prepare students to be thoughtful individuals, good citizens and intelligent workers, but not necessarily economists.

These aims can be largely met by successfully conveying a small set of basic economic and finance concepts. We economists are notorious for our arguments and disagreements, of course, but the fact is we generally agree on the basic concepts that underlie economic reasoning. Fortunately, economists and economic educators have already translated these core concepts into standards for K-12 instruction, including the *Voluntary National Content Standards in Economics* from the MCEE's national partner, the Council for Economic Education¹ and the Minnesota Department of Education's proposed new social studies standards.²

So the good news is that these concepts and more have already been written into proposed or actual standards for K-12 social science education, and there are additional proposed and actual standards in personal finance. In other words, appropriate specific objectives for K-12 economic and personal finance education are pretty well understood.

The challenge, however, is to meet those objectives. Although parents and other mentors and nonschool experiences play an important role, especially in personal finance learning, effective K-12 teaching is critical to achieving a broad base of public understanding of basic economic and finance concepts. The mission of the MCEE and its sister organizations stems from the idea that effective teaching is based on good material and a well-prepared instructor.

The MCEE has long provided a full range of materials organized to help teachers teach to standards, including full curricula and lesson plans from the Council for Economic Education, other state councils on economic education and organizations such as Junior Achievement and the National Endowment for Financial Education. On its own, the MCEE has taken a leading role in delivering materials and hosting student competitions for the Cargill Global Food Challenge, a curriculum that teaches students how supply and demand factors interact to determine equilibrium prices and quantities in a global market while also covering policy issues related to agriculture, trade and food security. The widely used *Seas, Trees, and Economies* environmental economics curriculum was developed by Curt Anderson, director of the MCEE's center at the University of Minnesota Duluth. Anderson and the MCEE are also in the process of disseminating a new set of personal finance materials. For classroom teachers developing their own materials, the MCEE provides workshops and mentoring as well as awards for outstanding new lesson plans in economics and personal finance, funded by 3M and Thrivent, respectively.

Preparing teachers

Teaching materials are important, but only if they are taught, and especially if they are taught by a well-trained teacher. Ideally, all teachers would be trained in the content and pedagogy of their subject areas in their undergraduate or graduate courses, but the reality is that many K-12 teachers teach subjects they did not study extensively in college. When the subject is economics or personal finance, a common reaction is panic, often followed by a call for help to the MCEE or a similar organization. To meet the needs of both new and experienced teachers at all grade levels, the MCEE offers an array of courses, ranging from *Using Children's Literature to Teach Economics and Personal Finance* to *Enhancing the Social Studies Curriculum with Economics* and *Preparing to Teach High School Economics*.

Scott Wolla's story illustrates that the results can be impressive. Wolla became a social studies teacher at Hibbing (Minn.) High School in 1996. When the opportunity to teach economics

opened in 2001, Wolla volunteered, but soon decided he needed help, despite having a degree in social studies education. Like many others in this situation, he turned to the MCEE for instruction on suitable materials and lessons plans. Before long, he was not only confident, but proficient. Wolla coached his students to the national championships in the Council for Economic Education's Economics Challenge competition three times, culminating in a national championship in 2006; his students have also won the Cargill Global Food Challenge.

Wolla went on to develop his own lessons plans, winning the MCEE's 3M Innovative Economic Educator award in 2003. In 2006, he was named Minnesota's high school social studies teacher of the year and won MCEE's 3M Economic Educator Excellence award for career achievement. Along the way, Wolla completed a master's degree in economics for educators. He now serves as one of my colleagues, as an economic education specialist at the Federal Reserve Bank of St. Louis.

The transition from panic to proficiency taken by Wolla has been repeated by many others; a number of his fellow recipients of the MCEE's 3M and Thrivent Innovative Educator awards have related similar tales. But the case is backed up by research as well as anecdotes.

A recent study by Wendy Way and Karen Holden of the University of Wisconsin documents a gap in readiness to teach personal finance among K-12 educators from across the country.³ Almost 90 percent of the K-12 teachers who responded to Way and Holden's survey expressed moderate to strong agreement with the idea that "students should be required to take a financial literacy course or pass a literacy test for high school graduation," and about 30 percent had actually taught financial literacy concepts (usually integrated into a course on another or broader topic). Nonetheless, the respondents reported a large gap in knowledge about how to teach personal finance. Only 3 percent of K-12 teachers had taken a college course that covered how to teach personal finance, and just 7 percent to 11 percent felt well qualified in areas such as integrating financial literacy concepts into their disciplines, developing examples to explain financial literacy concepts and assessing students' financial literacy understanding. These findings corroborate the

anecdotes of panic that lead many new teachers of economics and personal finance to seek out the MCEE and its affiliates.

Proficient students

Research also supports the anecdotes of student proficiency achieved through teacher training on economics and personal finance pedagogy. Two scholars associated with the MCEE's center at St. Cloud State University, Rich MacDonald and Ken Rebeck, teamed with the University of Nebraska's William Walstad to assess how much a well-prepared teacher using a well-designed curriculum could enhance students' acquisition of personal finance knowledge.⁴ They worked with 15 teachers in four states who were trained to use the Council for Economic Education's *Financing Your Future* curriculum.

After being trained, these teachers used the curriculum to instruct hundreds of students. Those students and a control group of similar students who received no instruction were tested both before and after the instruction, and the results were clear. Before instruction began, both groups of students correctly answered just under 50 percent of the test questions. Afterward, performance was unchanged for the control group, but rose to almost 69 percent correct for the students receiving instruction, a statistically significant improvement.

In short, well-trained teachers using sound curricula make a difference. That logic lies behind the Federal Reserve Bank of Minneapolis' long partnership with the MCEE, the Montana Council on Economic Education and other economic and personal finance education organizations. Our senior officers and economists have worked with the MCEE and others since at least the 1960s. We value the opportunities the MCEE provides for talking with K-12 educators about macroeconomics, monetary policy, financial supervision and the role of the Federal Reserve System, as well as its help in publicizing and building participation for our annual economic essay contest. And each April we are honored—and honestly, get a huge kick out of—hosting teams from across Minnesota in the final rounds of the MCEE's two state high school quiz-bowl-like championships, the Economics Challenge and the Personal Finance Decathlon.

So, on behalf of the Federal Reserve Bank of Minneapolis, let me thank all of those who teach economics and personal finance as well as those who support, prepare and train them, with a special nod to our long-term partner, the Minnesota Council on Economic Education, on the occasion of its 50th anniversary celebration this October. Let's keep working together to prepare students to be thoughtful individuals, good citizens, intelligent workers and, sometimes, economists. **R**

Notes

¹ Online at

www.councilforeconed.org/ea/program.php?pid=19

² View the Minnesota Department of Education's social studies standards at education.state.mn.us/MDE/Academic_Excellence/Academic_Standards/Social_Studies/index.html.

³ Way, Wendy L., and Karen C. Holden. 2009. "Teachers' Background and Capacity to Teach Personal Finance: Results of a National Study." *Journal of Financial Counseling and Planning* 20 (2).

⁴ Walstad, William B., Ken Rebeck and Rich MacDonald. 2010. "The Effects of Financial Education on the Financial Knowledge of High School Students." *Journal of Consumer Affairs* 44 (2).