

## Why Teach Economics in Kindergarten Through Twelfth Grade?

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### What Is Economics?

Skeptics question the claim that economics plays an essential role in the education of students in the elementary, middle, and secondary classrooms. Thinking back to a course they may have taken in college, replete with graphs and equations, they fail to see its relevance to them now and certainly can't understand how economics would relate to a kindergartner. So let's explain.

To begin, it is necessary to know what economics is. Resources are things that can be used to produce goods and services. A human being, a computer, and a barrel of oil are all resources . . . they can be used to produce something. The problem is that we don't have enough resources to have everything we want. So we have to choose how to use our resources, recognizing that using a resource for one thing means not using it for something else. Assume that a third-grader has two battery-operated toys: a squeaking pig and a barking dog. But she has only enough batteries to make one of them work. She must choose how to use the resources (the batteries). As a society, we have to make choices about how we use teachers, doctors, plumbers, factories, forests, Alaskan land, and all other resources. The question the economist asks is, "Are resources used in the best way possible?"

No graphs or equations are necessary to ask that question. And it is the asking of the question and consideration of competing uses of limited resources that is the essence of economics. As individuals and as a society, people are constantly using limited resources for particular purposes. Economics suggests that the question should always be asked as to whether this is the best use of those resources. This is the essence of benefit-cost analysis.

Economics also investigates and explains how markets work. Through the competition of buyers against buyers and sellers against sellers, market prices are determined. In a market economy, profit is the motivator and competition is the regulator. Many historical events can be clarified when students recognize the market forces at work both in product markets and in labor markets.

Finally, economics investigates the macroeconomy, analyzing the effects of government policy on employment, the price level, economic growth, and income distribution

## **Why Is Economics in the Social Sciences?**

Any event of the past has multiple aspects—historical, political, geographic, economic, sociological, religious, and so on. No incident can be thoroughly explained without examining the motives of the actors, the incentives that drove them, their goals, and the reasons that they took the actions they did as opposed to alternative actions. That is where an understanding of benefit-cost analysis is essential. To study the human experience without investigating the thought process of the individuals involved is to gain an incomplete picture. Economics is essential in any study of the human experience.

### **Analyzing the past**

Benefit-cost analysis can be used to investigate not only personal goals, but also historical decisions. Seen in this manner, the human experience becomes not simply a series of events and places and dates, but decisions made by individuals based on goals and alternatives. To understand these decisions, students must understand the goals and alternatives of the decision makers. The Battle of Hastings didn't just happen. After an exhausting victory over the Norsemen, Harold decided to engage William in order to secure the English throne once and for all. William chose the very risky path of crossing the channel with all of his horses. Using benefit-cost analysis to investigate the decisions of the two provides a rich understanding of Hastings and the personalities and

characteristics of Harold and William. It's difficult to understand the battle without that analysis.

Students can see the role that the quest for resources has played in the human experience. The cause of most wars is a struggle over resources overlaid with religious and nationalistic motives. Many migrations can be explained as a search for resources where migrants measured the hoped-for benefits of reaching a new place against the things they were giving up (opportunity cost) in leaving. In most cases, migration occurs when the opportunity cost of leaving is low, when the migrants have little to lose.

Markets played a key role in many past events. Markets for commodities such as sugar, cotton, spices, coffee, tea, opium, and oil, to name a few, have influenced the decisions of the past. The European search for a water route to the East or the search for a Northwest passage through the North American continent must include an economic explanation if students are to understand so many seemingly unrelated events of the respective periods. The Renaissance can't be understood without an understanding of the wool markets and the spice markets that helped to finance it.

Economic principles can be used to add a depth and dimension that can help students understand the past and use this understanding to make informed decisions about the present and future.

### **Understanding the present**

An understanding of the way the economy works can not only provide a compelling reason to do well in school but it can empower students by helping them answer questions about product prices and relative wages that confuse and frustrate many. An understanding of where prices come from, what they represent, and how and why they change can give students an understanding of markets and consumers' roles in those markets. In addition, it can help relieve the "victim" attitude as students learn that prices are determined by supply-and-demand and those who wish to influence prices can only do so if they have some way of influencing either supply or demand.

**Making informed personal decisions**

The most powerful analytical tool used by economists is benefit-cost analysis. To answer the question of best use of resources, students can learn to look at their goals and alternative ways of using their limited resources to achieve those goals. As they grow and mature, students make increasingly difficult and important decisions that will impact them throughout their lives. Rather than jumping into decisions, students who employ benefit-cost analysis are much more likely to avoid mistakes concerning sex, drugs, and rock and roll (or gangsta' rap or hip hop).

**Developing financial wisdom**

Benefit-cost analysis can be a helpful guide to financial success. Recognizing the power of compound interest, students will learn that making their money work for them usually yields benefits that outweigh the costs. Marginal analysis helps consumers decide which of many different items to buy as they investigate the added benefits and cost of different versions of a product. What are the additional benefits and additional costs of buying rather than renting a home? How much of a benefit will additional years of education gain in terms of higher income, and what will the students have to give up to gain additional education? What is the opportunity cost of using a credit card to pay for a large ticket item? A teenager needs to decide whether to buy a used car, a new car, walk, ride the bus, or ride her little brother's bicycle. All of these are examples of benefit-cost analysis with a little additional economics thrown in for good luck. An understanding of economics can provide an analytical framework for all decisions regarding purchases, work, savings, and investments. It is the analytical framework that is important; everything after that is simply application.

**Preparing for the future**

It is even more important that students apply the principle of supply-and-demand to labor markets and begin to realize the importance of developing skills that are in high demand and low supply. This is not a theoretical exercise; it is survival for many students. An understanding of labor markets in a global setting can help students set goals and work toward those goals.

The most important resource that students have is their human capital—their skills and knowledge—and school provides them with the opportunity to improve that human capital so that they can have control over their lives when they leave school. So the first reason that students should learn economics is to help them make the connection between hard work and success in school and in life. Economics is not as important as reading and math; it is more important because it gives students a reason to learn to read and to conquer algebra and other math skills. Given a high school dropout rate of over 50 percent among African American and Hispanic students in some parts of the country, the importance of helping students make this connection early and often should be obvious.

To help students make this connection, it is necessary that they understand the economy they are going to enter. It is difficult to play a game and impossible to win without knowing the rules. Economics teaches the rules of the game. Many students leave high school not understanding that they must have skills and knowledge to sell in the labor market if they intend to succeed. Whether they plan to work for others or to work for themselves, they will not succeed without powerful human capital; they must have something to sell that others want to buy. If they don't understand this fundamental rule of labor markets, they are likely to waste their efforts in school, failing to develop both the hard academic and applied skills and the soft skills such as integrity, responsibility, and teamwork. Economics can "show them the way."

As they develop a sense of the importance and value of their human capital, students can learn two other important lessons. First, they can begin to understand their importance to the American economy. They are clearly the most important resource this economy has. If they fail to develop their human capital, the economy falls apart. The country depends on them. This lesson can have a positive impact on their evaluation of their self-worth. The second lesson that comes through loud and clear is that the development of their human capital is up to them. Neither teachers, nor parents, nor school administrators can develop their human capital for them; students are

responsible. Their education is both for them and by them. The wider concept of responsibility can be applied to all aspects of their lives.

To answer the question of efficient resource use, students must have a goal toward which they apply their human capital. Economics encourages goal setting. *Am I using my human capital correctly to help me become a plumber? Am I learning the math needed to achieve that goal?* Similarly for an artist, a nurse, a teacher, an entrepreneur, or any other profession, a goal must be in place. Economics helps students focus on a goal and a path to achieve it.

But the goal can be much more than simply preparing for work. Throughout their K–12 school years, students should be encouraged to think of the kind of life they want. They should be encouraged to think about their priorities in terms of financial success, family life, leisure, peer acceptance, and many other goals. Are they willing to sacrifice family life for financial success, fame for fortune, leisure for promotion? Do they want to save the world from hunger, disease, or discrimination? Whatever their goals, are they developing the human capital necessary to achieve those goals?

### **Voting more carefully**

As members of a democratic society students should understand the decision-making process of policymakers. If they understand that each decision on the use of limited resources means taking those resources away from their best alternative use, if they understand the incentives of policymakers and the way in which particular policies influence those incentives, and if they investigate the potential unintended consequences of proposed policies, they will be more careful and informed voters. Using economic analysis, they will investigate all sides of an issue, recognize personal biases, delve into the motives and incentives that drive people's actions, and identify the distribution of the gains and losses from particular policies. They will understand that most policies may have benefits that outweigh the costs, but that it is important to

investigate the distribution of those benefits and costs. They will be more enlightened citizens

### **Becoming a global citizen**

The global economic and financial crises of 2009 illustrate the interdependence of world economies. By now, it should come as no surprise to students that hard times in the United States mean hard times for other nations, and hard times for other nations mean hard times for the U.S. So, on a macro level, the point is obvious. But students should also understand that the nature of trade in the world economy today is very different from the products traded in the past. The U.S. is an information-based economy. While goods are certainly produced and traded, much of what the U.S. produces and sells is digital. So, even if preventing foreign products from entering this country to protect American jobs were a good idea, the nature of the “products” makes it difficult to do so. This is a world of intertwined economies, and only the most drastic and counterproductive measures can stop the economic integration. So the question then becomes, not how economies can be separated (since they can’t be), but how those workers who lose their jobs to overseas production can be compensated. In addition, society must decide how to prepare youngsters with the human capital to survive and prosper in this international environment.

Since the world is becoming more closely integrated, students should investigate the impact of globalization on world efficiency, income distribution, women’s rights, child labor, the environment, and endangered species. Students should investigate why some nations are rich, why some are poor, and why some are very poor in order to address the problems of hunger, poverty, disease, illiteracy, infant mortality, and many others.

### **Conclusion**

Based on the foregoing, it should be clear that teaching economics in the social studies will enable students to analyze the past, understand the present, and prepare for their future, making informed personal decisions, voting carefully using available information,

making wise financial decisions, and becoming global citizens. And the good news is that many teachers are, in fact, using economics to help their students do all of these things. The challenge is to begin in kindergarten and to help students develop and practice the skill of economic reasoning throughout the K–12 curriculum so that they are prepared to “meet the world.” We don’t begin teaching mathematics or language arts in the twelfth grade, nor should we begin teaching the skill of economic reasoning in the twelfth grade; it is just too important.