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ABSTRACT

Economic literacy and economic efficacy are addressed by examining basic goals and assumptions of economic education and by suggesting areas that need systematic attention and investigation. To clarify goals, an operational definition of economic literacy must be developed and used in a criterion-referenced testing instrument. A definition of economic literacy should include a distinction between literate and illiterate persons, distinguishing behavior, minimum amount of knowledge, specific analytical skills, and appropriate values and attitudes. Some testable student competencies could include distinguishing economic issues from other issues, identifying the economic system, articulating basic economic concepts, and evaluating economic actions and policies and recognizing their trade-offs. However, little study has been done on the cultural process by which people gain their economic knowledge and attitudes. Utilizing political science concepts and research, it is determined that efficacy influences knowledge and attitudes. Economic efficacy is a person's belief about his level of control over the economy. It is possible that (1) a low sense of economic efficacy correlates positively with disinterest in learning economics and (2) a high degree of economic literacy does not correlate positively with a high sense of economic efficacy. Examples of tests for economic efficacy are discussed. If researchers find that economic education programs do affect feelings of economic efficacy, then they must determine on what those feelings are based. For instance, efficacy could derive from naive trust, group identity, or individual competence. (ND)

Economic Literacy and Efficacy: Suggestions for Research

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by
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November, 1976

Economic Literacy and Efficacy: Suggestions for Research

> We shall not cease from exploration
> And the end of all our exploring
> Will be to arrive where we started
> And know the place for the first time...
>
> T. S. Eliot

It is the purpose of this paper to examine basic goals and assumptions in the field of economic education and suggest areas that need systematic attention and investigation. The two specific concepts that are addressed here are economic literacy and economic efficacy. It is the view of this writer that systematic attention to these concepts would be helpful in facilitating curriculum development in economic education.

Economic Literacy

This concept is as familiar to people in economic education as an old friend. We refer to it constantly as if we knew it well but economic literacy is a stranger. It is the golden fleece of economic education. Each person in the field goes on a quest to help find or develop the economically literate person. Unfortunately, economic literacy is a phantom and chameleon. It is elusive to pursue. It may be a figment of our imaginations and it seems to change form from time to time. We never seem to recognize it. To a labor official, people are economically illiterate if they don't understand how contract negotiations are conducted. To a business person, people are economically illiterate if they don't know what the average profit of corporations is. To an economist, people are illiterate if they can't recognize the interaction of supply and demand. To a consumer advocate, people are economically illiterate if they don't understand unit pricing. There exists little common agreement over what economic literacy really is. This should be corrected or we run a risk of acting as educational snakeoil salesmen: our remedies work for every ailment.

Attempts have been made to define economic literacy. Recently a national survey on economic understanding and attitudes was conducted for the Advertising Council. This study used this definition of economic literacy:

> The possession of basic understandings and skills needed by all individuals for intelligent management of their own business and financial affairs, and for responsible participation as citizens in the determination of public policy and the maintenance of the general welfare.

This is a well-thought-out, articulate statement, but it is not useful. It has all the precision of a sawed-off shotgun and the elusiveness of a greased pig. A curriculum developer, a teacher, and a researcher could not get a grip on it. The goal is not specified in any observable manner. No evaluative criteria are suggested. Therefore, one cannot differentiate between an economically literate and a non-literate person. W. Lee Hansen found this same problem when he tried to investigate the general level of economic literacy (1976, pp. 3-4). No operational definition existed and none was being developed. Hansen suggests that this is the first and most important problem the field must solve. Professionals in economic education cannot reduce economic illiteracy if they don't know what economic literacy is.

An additional problem exists. The term literacy has a narrow perspective. It suggests one is either literate or illiterate. There seems to be no middle ground. As an alternative, economic literacy should be viewed as degrees of understanding. No one is totally ignorant of economic issues and characteristics of the economic system. The goal of economic literacy must identify different levels of conceptual and analytical skill competence in economics. Economic literacy must become a significant, well-defined concept that can be used to make "more-or-less" distinctions among learners rather than a concept to make an "either-or" distinction. For example, a person may be a buyer or a seller at one particular point in time. He cannot be more or less a buyer or a seller. But that same person can be more or less economically literate at any point in time. Using economic literacy in this manner broadens the concept's use. It becomes a precise, more-or-less distinction useful to scientific inquiry and educational planning instead of an "either-or" concept useful only for gross descriptive behaviors referred to by speakers on the snakeoil speech circuit of obvious problems and easy answers.

Economic Literacy: A Criterion-Referenced Concept

An operational, observable definition of economic literacy should be used in economic education. This definition should be used in the development of a criterion-referenced testing instrument. Previous test instruments developed by the Joint Council on Economic Education have been norm-referenced tests. Norm-referenced tests do not provide necessary insight into what an economically literate person is like.

When these tests were developed no decision was made on what constitutes the learning threshold level that people must achieve to be identified as literate--is it 50%, 60%, 90% or 100% of the questions correct? This judgment is avoided. A wise decision, because the tests would not yield the information that would allow such a professional judgment.

New evaluation instruments should be devised, but several questions must be asked before those tests are developed.

- What distinguishes an economically literate person from an economically illiterate person?
- What different behavior would one observe after the person became literate?
- What minimum amount of knowledge do we want all students to understand?
- What specific analytical skills should they be able to use along with their economic knowledge?
- What values and attitudes should students examine as a result of participating in economic education programs?

After these questions have been answered, a functional definition (description) of an economically literate person could be developed. This description could be put into a series of statements such as the following:

1. An economically literate person would use economic terminology correctly.
2. An economically literate person would use the concept of opportunity cost as a criteria for economic decision-making.
3. An economically literate person will recognize that every action

has inherent costs and benefits.

4. An economically literate person would draw a conclusion consistent with economists if asked an economic question where consensus existed among economists.

5. An economically literate person would differentiate between conclusions reached on the basis of empirical evidence and conclusions reached on the basis of preconceptions.

6. An economically literate person would use logical reasoning to develop a conclusion regarding an economic issue.

7. An economically literate person would demonstrate general literacy skills of reading, writing and calculation.

8. An economically literate student would recognize any judgment made on limited information and realize that the judgment would be subject to qualification given new information.

9. An economically literate person would enjoy participating in discussions related to economic topics.

W. Lee Hansen has already identified some of the competencies involved in economic literacy (1976, p. 31). His examples are:

a. Students must be able to distinguish economic issues from other kinds of issues.

b. Students must be able to indicate the various steps in practicing a reasoned approach.

c. Students must be able to identify broad outlines of the economic system and recognize the interdependencies in the system.

d. Students must be able to articulate correctly the basic economic concepts.

e. Students must know the criteria for evaluating economic actions and policies and recognize the trade-offs which they entail.

f. Students must be able to take every-day economic issues and apply the various elements listed above to reach an understanding of the issues and then make a personal judgment about them.

These sketchy suggestions are not an adequate articulation of student competencies involved in economic literacy. There is no reference to levels of competencies, or to details of an evaluation procedure. They only serve as examples that an operational definition of economic literacy is an obtainable goal. But this responsibility cannot be ignored if a clear understanding of the task for economic education is to be achieved. Now it is time for people interested in economic education to assume this responsibility. If this task is accomplished, curriculum projects can be developed which increase the level of economic literacy. The mythical, formless mysterious quality of the goal would be stripped away.

Economic Efficacy

A second issue needs sharp attention. Little or no work has been done on the cultural process by which people gain their economic knowledge and attitudes. Educators do not know how people form their conceptual image of the economic world and what may influence their feelings toward the economic process. This is a question of efficacy and it may be an area of critical importance because feelings can inhibit, prevent or enhance the effectiveness of all economic education programs.

It would be possible to gather useful data on this subject if concepts and research instruments were borrowed from political science. Political scientists have been concerned with voter attitudes and behavior for decades. In their studies they have found that a "sense of political efficacy" is an important indicator of a voter's participation in the democratic political process. A central theme in the studies on political socialization, efficacy, learning and participation is that responsible citizens must assume active roles in a modern democratic political system. Active involvement is critical to make the system responsible and stable. But, citizens will not choose to invest the time and energy in participation unless they have developed feelings of confidence that such an expenditure of effort will prove worthwhile. It is this feeling of confidence that has been identified as "political efficacy." Campbell defines this sense of political efficacy (1960, p. 87) as:

> The feeling that individual political action does have or can have an impact on the political process, i.e., that it is worthwhile to perform political acts with the feeling that political and social change is possible and that the individual citizen can play a part in bringing about this change.

This concept could be applicable to understanding the economic actions of people. The concept of economic efficacy could be defined in paraphrase form as:

> The feeling that individual knowledge and economic action does have or can have an impact on the economic system, i.e., that it is worthwhile to acquire economic knowledge and perform economic activities consistent with that knowledge with the feeling that the outcome will be beneficial to one's personal economic situation and the national economy.

Investigating the idea of economic efficacy could be a step in developing a theoretical structure to explain economic socialization, learning and participation. It may be time to return to the most fundamental question of economic education. How and what do children learn when

is it most fundamental?

they are not in schools? How do the attitudes, skills and knowledge acquired outside schools influence school learning? In this case, how does it influence their interest and ability to learn economics? Like political education programs, all economic education programs try to improve citizen economic understanding because the stated assumption is that a modern private enterprise economy needs an informed citizenry to solve its problems and control its direction. This accurate knowledge of the system and active involvement of citizens will help the economy remain healthy, responsible to human needs and stable in operation.

By pursuing this inquiry, one may find that the central problem of economic education may not be illiteracy. As one survey has found (Compton Advertising, Inc., 1975), U.S. citizens possess a great deal of economic knowledge. Their knowledge is quite fragmentary but they are not economically illiterate. Could it be that citizens lack a deep feeling of commitment to the system as it presently operates? Do they feel powerless over their economic fate and the economic fate of the country?

If this is the case, no amount of standard information from the discipline of economics will change this attitude. In fact, an academic study of the impersonal workings of the marketplace may reinforce their low levels of efficacy. If people accurately understand the slight influence individuals have over a market economy it may explain why they turn to powerful groups (business lobbies, unions or government officials) and ally with them to solve economic problems even though they are aware this is not the most economical way to solve the problem. Citizens may feel that any other action has little chance of success.

The concept of economic efficacy has not been systematically investigated in economic education. It should be. Studies in political science have shown that the development of perceptions of efficacy begin at very early ages. By grade 3 most children had begun to develop a low sense of political efficacy which increased dramatically to grade eight. A large increase occurred between grades 4 and 6 (Easton and Dennis, 1967, Hess and Torney, 1967). If feelings of economic efficacy parallel the development of feelings of political efficacy, it would be important for curricular programs to focus attention on economics during the time the children's feelings of efficacy are growing. This would capitalize on positive student attitudes and natural curiosity.

In like manner it should be possible to transfer this concept to adult economic affairs. Economic efficacy could be defined as a person's belief about the level of control or power he or she has over what happens in the economy. It seems likely that people will have different levels of efficacy depending on their own circumstances and socialization experience. It would also seem likely that individuals may perceive that they have different levels of efficacy toward their own economic behavior and the operation of the larger economy. Several hypotheses regarding these attitudes could be investigated and may influence curriculum development. Here are two hypotheses for consideration:

1. A low sense of economic efficacy will correlate positively with a disinterest in learning economics.
2. A high degree of economic literacy does not have a positive correlation with a high sense of economic efficacy.

If the first hypothesis is correct, it suggests that an economic education program will have little success with students who have low economic efficacy. Their dislike for learning economics may have nothing to do with the quality of the curriculum materials and strategies offered. Students may not be interested because they feel the learning experience is not useful to them. This is a determinant of demand that developers must consider in producing economics materials. It may be influenced by the consumers' sense of importance, priority and relevance. This same investigation should be conducted with teachers, principals, parents and school board members and superintendents. This information would lend insight into the problem of implementation as the educational bottleneck for curriculum change.

The second hypothesis is quite interesting in its implications. It is generally assumed that greater knowledge would bring an increased commitment by citizens to the type of economy that presently exists. Often the case is made that if people better understood the economy's operation, people would have a deeper commitment to it and to the interest groups involved in it. That may not be so. Knowledge does not always bring appreciation and acceptance. Increased awareness of economic activities may reduce one's sense of efficacy and reduce the commitment people already have to the system. As citizens learn how the impersonal market works and the inability of one individual or a small group to have any impact on it there may be a reduction in levels of economic efficacy. As people become aware of the concentration of power existing in corporations, unions and government agencies, they may have their personal feelings of influence reduced.

The final task of this paper is to quickly outline what instruments could be used to investigate these hypotheses and to describe some parallel analysis that has already been done.

To gain information on economic efficacy, instruments of investigation from political science could be borrowed. One simple test of economic efficacy patterned after Angus Campbell's political efficacy test might read like this:

> On each of the following statements, would you agree strongly (4), agree somewhat (3), disagree somewhat (2), or disagree strongly (1)? Put the number assigned to your answer (4, 3, 2, or 1) in the blank provided.
>
> 1. People like me have little to say about the national economy. ___
> 2. The only economic influence a citizen has are his personal consumption decisions. ___
> 3. I don't think national officials care much what citizens like me think about the economy. ___
> 4. Sometimes economic policy seems so complicated that a person like me can't really understand what is going on. ___

A second test could be adapted from the Easton and Dennis, and Hess and Torney studies (1967). This test would investigate four related ideas: the extent to which the economy and large economic institutions are responsive to the desires of individual citizens; the amount of power the individual feels he or she has to influence the economic system; the existence of means of influencing the economic process; and the extent to which the economic process is open to influence by citizens. The test is meant for children and the paraphrased questions could read as follows:

1. Buying things is the only way that people like my mother and

father can have any say about how the economy operates.

2. Sometimes I can't understand how the economy works.
3. What happens with the economy will happen no matter what people do. It is like the weather--there is nothing people can do about it.
4. The economy is run by large corporations and large unions and they do not care about us ordinary people.
5. My family doesn't have any say about how the economy operates.
6. I don't think that important people in the economy (business leaders, labor leaders, government officials) care much what people like my family think.
7. Citizens don't have a chance to say what they think about the economy.
8. How much do each of these people help decide how the economy should be run? (rich people, unions, President, newspapers, churches, average person, police officer, big companies)

This test could be applied to a variety of groups to see what their relative level of efficacy was. These groups should include students with good test scores in economics, students without economic education experiences, students with poor economic education experiences, high income people, low income people, blue collar workers, white collar workers, whites, non-whites, males, females, high school dropouts, high school graduates, vocational school graduates, college graduates, parents, teachers, business executives, government officials and economists. The potential groups to be surveyed are almost endless. But these data could be very valuable to use to provide guidance to a development of an economic education curriculum and for use in the economic curriculum itself. It would be important to see if students who participate in economic education programs have their feelings of efficacy changed. If no impact was found, that would need explanation. If change did occur, was it positive or negative, and what seems to be the explanation for the change?

Finally, if researchers found that the economic education programs do have an impact on personal feelings of economic efficacy it would be important to find out what these feelings are based on. There can be several rationales on which people can base the feelings of efficacy. Robert Hess (1971) suggested the following rationales. His examples have been changed to economic situations.

Naive trust. This is typical of children and of some adults. This is just a blind faith in the effectiveness of the system, its benevolence and responsiveness.

Faith in the System. Feelings of efficacy may be based on the belief that efficacy is guaranteed by the system itself: It is obligated to respond. This belief comes from the individual's perception or knowledge about the system and could be conceivably based on misinformation. According to this belief, the responsiveness of the system comes from its natural operation and procedures rather than from the ability of the individual to manipulate it. The theory of a competitive, free market economy is based on this sense of efficacy. If no one controls it, it will naturally help everyone.

System Efficiency. In this view, the responsiveness of the economy is based on its characteristic as an efficient system network. This responsiveness of the economy is indicated by its efficiency in serving the individual citizen and administrative inefficiencies would not be permitted to interfere with the economy's response to individual needs. You believe you will get what you order from the Sears, Roebuck store shortly after you order because that is part of an efficient operation of the economy. If mistakes and administrative problems are made, this feeling of efficacy is damaged. If the problem occurs frequently it will damage an individual's positive sense of economic efficacy.

Group Identity. This is a sense of identify with a powerful and influencial group such as a labor union, a large corporation, a large professional group or an organized consumer group. In group-based efficacy, the individual derives his sense of personal skill or competence from membership in a larger group. The basis of the group's power may be its size, or it may be related to its prestige or economic connections.

Individual Wealth and Power. This power or wealth gives one access and power in influencial areas of the economy. That experience enhances one's feeling of efficacy. This is evident in the power of a George Meany or a Nelson Rockefeller.

Individual Competence. The sixth type of efficacy grows out of a sense of individual competence and experience, a confidence in one's ability to manipulate the economic environment, to effect change to get things done through some kind of action.

It would be important to see which type of efficacy economic education programs influence when people participate in the learning experience. If materials tend to reinforce naive trust and nothing more, programs should be reappraised. Placing a religious type of faith toward the economic system into children is not the best way to help them face the future. On the other hand, if the education program helps them develop a confidence in their individual competence to make an impact, we may have stumbled onto a forceful and useful curricular program.

Conclusions

First, people interested in economic education must clarify their goals. This should be done by developing an operational, functional definition of economic literacy. This would help coordinate development efforts. It would also clarify student competencies that all economic education curricula should help students acquire.

Second, a better understanding of client attitudes toward economics must be gained. The process of economic socialization is quite sheltered from professional investigation. The major influences that shape people's values toward economic activities are not known. Nor is it known when people are most receptive in attitudes and maturation to acquire and use economic knowledge.

Finally, this paper concentrated on the concept of economic efficacy. How do people gain the attitudes about their influence over economic affairs? Which groups of people have the highest levels of efficacy? Which people have the lowest feelings of efficacy? What influence do feelings of economic efficacy have on how people learn from economic education curricula? Does economic knowledge contribute to positive or negative senses of economic efficacy?

These questions remain to be answered.

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