



National Council on Economic Education

What American Teens & Adults Know About Economics

*Executive Summary**

Prepared for:

The National Council on Economic Education

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* For full report, including Background and Methodology, see www.ncee.net.



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Executive Summary

The National Council on Economic Education (NCEE) was founded more than 55 years ago to address the gap between what young people needed to know about economics and what they were being taught in school. The results of this year's survey of students indicate that while progress has been made over the years, this gap still exists. A majority of high school students do not understand basic concepts in economics. This lack of knowledge has implications for young people's ability to manage their personal finances and to function well in today's global economy. However as indicated above, the survey does contain good news as well. Students' knowledge of economics has increased since 1999. In addition, the survey reveals that students – and adults – value an understanding of economics for all Americans. They also strongly endorse the importance of teaching economics in school, thus providing support for NCEE's primary mission.

More than nine in ten adults and students believe that it is important for the people of the United States to have a good understanding of economics. Virtually all adults believe that economics should be included in high school education. However, only half of high school students say they have ever been taught economics in school. Much of this instruction, when it does occur, appears to happen in 12th grade.



Executive Summary (Continued)

Economics is a subject of interest to a majority of adults. In contrast, only half of students say they are interested in economics. However, those who have taken an economics course are more interested in this subject than other students.

Despite this interest in and value of economics, most adults and students have not mastered basic economic concepts. Adults and students were given a 24 question quiz in economics and personal finance. The quiz covered the 20 economic content standards developed by NCEE, plus additional concepts related to personal finance. Based on this quiz, adults get a grade of 70 (C) for their knowledge of economics, and students' average score is 53 (F). Six in ten high school students and more than one-quarter of adults get a failing grade on the Economics Quiz. One-third of adults show a good understanding of the content specified in the standards and get an "A" or "B". One in eleven high school students does this well.

The content standards covered by the quiz reflect the essential principles of economics. The standards encompass concepts such as scarcity, allocation of goods and services, role of competition, role of money, and specialization and trade. In a global economy, understanding trade has particular resonance. On the quiz, adults and students were asked about the effects of limiting trade and the impact of the exchange rate on the purchase of goods and services.



Executive Summary (Continued)

Nine in ten adults and three-quarters of students correctly answered the question about the effect of limiting trade between countries. They performed less well on the question about the impact of the exchange rate on the purchase of goods and services. Two-thirds of adults and half of students answered this question correctly.

An area where both adults and students show room for improvement is their understanding of personal finance. Most adults and students underestimate the impact of a college degree on earnings. Only two in ten know that adults who are college graduates earn about 70% more per year on average than adults who are high school graduates only. Half of adults and even fewer students do not know that keeping savings as cash at home has the greatest risk of losing value due to inflation.

The quiz revealed some important gaps and room for improvement in American adults' and students' knowledge of economics. A gender gap and a minority gap exist. Fewer women than men show a good understanding of economics, and the same pattern is seen among students. Black and Hispanic adults and students are less likely than their White counterparts to get an "A" or "B" on the quiz. Education also plays an important role. Students who have been taught economics in high



Executive Summary (Continued)

school are more likely than others to get at least a passing grade on the quiz. Adults who have only a high school education are less likely than those with a college degree to have a good understanding of economics. Since knowledge of economic principles is important to all Americans, regardless of their education level, and since not all adults go to college, it is particularly important that economics be taught at the high school level or earlier.





Major Findings

- As in 1999, virtually all adults (97%) and high school students (93%) believe it is important for Americans to have a good understanding of economics.
- Virtually all adults (97%) believe that economics should be included in high school education.
- However, only 50% of high school students say they have ever been taught economics in school (either in a separate course or as part of another subject). Much of this instruction, when it does occur, appears to happen in 12th grade. Three-quarters of 12th graders say they have been taught economics, compared to only 42% of those in grades 9 – 11.
- Three-quarters (77%) of adults are interested in economics. Half of students (51%) are interested in economics.
 - Students who have been taught economics in school are more interested in economics (61% vs. 40%).
- On average, adults get a grade of 70 (C) for their knowledge of economics and personal finance, based on a 24 question quiz. Students' average score is 53 (F).



Major Findings (Continued)

- Overall, adults are more likely than students to correctly answer questions on a range of concepts. The only questions which show little or no difference between adults' and students' performance are: source of personal income, relationship between price and quantity demanded, and the impact of a college degree on earnings.
- Adults and students show the greatest knowledge in the area of "Economics and the Consumer". The following summary shows the percentage of questions in each area correctly answered by at least 75% of adults or students:

Number of Quiz Questions Answered Correctly By At Least 75% of Respondents

	<u>Adults</u>	<u>Students</u>
Economics & the Consumer (5 questions)	4 out of 5	3 out of 5
Factors Pertaining to Production (5 questions)	3 out of 5	2 out of 5
Money, Interest Rates and Inflation (4 questions)	1 out of 4	0 out of 4
Government and Trade in Economics (6 questions)	1 out of 6	0 out of 6
Personal Finance (4 questions)	1 out of 4	0 out of 4



Major Findings (Continued)

Who has a good understanding of economics?

- 34% of adults and 9% of high school students get an “A” or “B” on the Economics Quiz.
- Males are more likely than females to get an “A” or “B” (adults: 51% vs. 17%; students: 12% vs. 6%)
- Economic understanding increases with age. Ninth – tenth graders are least likely to get an “A” or “B”, while adults 50 years and older are most likely to get an “A” or “B”:
 - 8% of 9th – 10th graders get an “A” or “B”
 - 10% of 11th – 12th graders get an “A” or “B”
 - 25% of 18 – 34 year olds get an “A” or “B”
 - 34% of 35 – 49 year olds get an “A” or “B”
 - 38% of 50 – 64 year olds get an “A” or “B”
 - 42% of 65+ year olds get an “A” or “B”
- College graduates are 4 times more likely than those with only a high school education to get an “A” or “B” on the quiz (61% vs. 15%). Twelfth graders are just as likely as adults with only a high school education to get an “A” or “B” on the quiz (14% vs. 15%)
- Students who are interested in economics are more likely to get an “A” or “B” (11% vs. 7%)



Major Findings (Continued)

Who is failing?

- 28% of adults and 60% of high school students get an “F” on the Economics Quiz.
- Females are more likely to get an “F” than males (adults: 42% vs. 15%; students: 67% vs. 54%)
- Economic understanding increases with age. 9th – 10th graders are most likely to get an “F”, while adults 50 years and older are least likely to get an “F”:
 - 66% of 9th – 10th graders get an “F”
 - 53% of 11th – 12th graders get an “F”
 - 35% of 18 – 34 year olds get an “F”
 - 30% of 35 – 49 year olds get an “F”
 - 25% of 50 – 64 year olds get an “F”
 - 18% of 65+ year olds get an “F”
- Those with only a high school education are 5 times more likely than college graduates to get a failing grade (46% vs. 9%)
- Students who have not taken economics are more likely to get an “F” (66% vs. 55%)
- Students who are not interested in economics are more likely to get an “F” (71% vs. 51%)



Survey Methodology

- Harris Interactive® conducted the online survey for the National Council on Education (NCEE) between January 12 and February 10, 2005 among a nationwide sample of 3,512 U.S. adults aged 18+ and 2,242 U.S. students in grades 9-12.
- Data were weighted to represent the total U.S. population of adults aged 18 and over, and the total U.S. population of 9th – 12th grade students.
 - Adult data were weighted on the basis of age, gender, education, race/ethnicity, region and income.
 - Student data were weighted on the basis of grade level, gender, race/ethnicity, region, urbanicity and parent education.
- Data for both adults and students were also propensity weighted to adjust for respondents' propensity to be online.
- Though online samples are not probability samples, in theory, with probability samples of this size, one could say with 95% certainty that the results for the adult sample have a sampling error of plus or minus 2 percentage points, and sampling error for the student sample is plus or minus 3 percentage points.

Note: Percentages reflect weighted data. Bases are unweighted.



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