PUBLIC POLICIES ON ECONOMIC EDUCATION

Elvira NICA[a*], Gheorghe H. POPESCU[b], Adina Teodora PAŞA[c]

[a] *Bucharest University of Economic Studies, Romania*
[b] *Bucharest University of Economic Studies, Romania*
[c] *Bucharest University of Economic Studies, Romania*

ABSTRACT
The main objective of this article is to analyse the public policies in the area of economic education in the European Union with the aim to identify the best practices that exist in the different countries. Furthermore, the purpose of this analysis is to point out the major phases in the development of the public policies in the area of economic education and the main factors that contribute to the positive results. The wealth of countries is often associated with the level of economic education of their individuals. Individuals that possess basic knowledge of economic education contribute positively to the increase of their household wealth which has a positive impact at the level of nations in general. Within this paper, we will analyse the evolution of the public policies in the area of economic education with a focus on the wealthiest countries in terms of the Gross Domestic Product (GDP) per capita in the European Union. The institutional framework of economic education provides the basis for the individuals to aquire basic economic knowledge in a well definied setup with involvelvement of actors that belong mainly to the public sector. In this paper, we will also analyse whether the design of public policies in the area of economic education should also take into account actors from the private sector or whether their involvement should only be considered at a later stage, as an additional tool to the basic economic knowledge acquired in school.

KEYWORDS: *public policies, institutional framework, economic& financial education, economic development.*

1. INTRODUCTION

The main role of the economic education is to make economics understandable to individuals. In this study, we will mainly concentrate on how the academic environment can better approach the individuals establishing as target group the primary and secondary education. The reasoning behind considering this target group is that primary and secondary education is free and compulsory in most countries within the European Union, which represents a strong advantage to teach to the young generation the basic notions of economics in order to contribute to the economic development of their households and, implicitly to the economic growth of their countries. Financial education is a major component of the economic education and, probably the most important. This topic (financial education) has drawn the attention of policy makers to start coordinating efforts of institutions, organizations and academia towards improving the financial knowledge of individuals starting from an early age. In addition, the poor results in the PISA 2018 (Program for International Student Assessment), tests which measure the ability of 15-year-olds to apply their skills and knowledge to real-life problem solving in reading, mathematics and science (OECD, 2020) have revealed that many 15-year-olds struggle with financial literacy, and, therefore the urgent necessity to start acting in this field. In some EU-27 countries, the governments have started to re-think the school curriculum in

* Corresponding author. E-mail address: *elvira.nica@ase.ro*

order to introduce financial education as separate and/or integrated subject at primary and secondary levels in schools. In addition, other stakeholders as Ministries of Finance/ National Banks/ private sector have started to work in partnerships with the Ministries of Education in order to develop teaching resources and methodology.
School plays a crucial role for the dissemination of financial education. Even if some studies claim that most teenagers discuss and ask for advice of their families and friends when it comes to take basic financial decisions (i.e. payments, debit cards, etc.), we strongly believe that financial education should be primarily taught in school. One of the strongest arguments in this sense is that not always family and friends are trained and skilled with the knowledge and updated information to be transmitted to the young generation. The lack of financial education brings along a gap in knowledge and confidence of individuals and has a strong impact on the decisions they take later in their adult life.

2. THEORETICAL BACKGROUND

The key role of economic education should not be underestimated by countries as economic education enables individuals to understand the economic phenomena by developing an economic perspective (Teulings, 2005). According to some authors (Atkinson et al, 2012), governments are interested in finding effective approaches to improve the level of financial literacy among their population. Moreover, various studies acknowledge the effect of financial literacy on personal finance and economic outcomes (Lusardi et al, 2014). Lower early-life schooling is linked with late-life financial knowledge (Herd et al, 2012). The stimulation of financial education represents the obvious way to remedy the low levels of financial literacy (De Beccker, 2020). It is however important to mention that despite the increased attention to the design of financial literacy programs, the professional development of teachers seems to be overlooked (Compen et al, 2019).
The classroom seems to be the most common channel of financial education in which participants pick up financial knowledge (Batty et al, 2015). In some EU-27 countries, financial education has already been introduced in the school curriculum at primary and secondary levels. These initiatives have also started inter alia as response to the poor performance results of the most recent PISA 2018 evaluation (OECD, 2020). Other authors consider that financial education policies should also focus on improving consumer protection in the financial markets and on reducing the risk of financial exclusion (European Economic and Social Committe, 2016).
We strongly believe that the different stages of developing public policies in financial education should take into account the real life experiences through the numerous studies carried out in the field in order to engage teenagers in financial education. Developing standards and providing trainings for professional educations should also play an essential role in the agenda of policy makers. Furthermore, although these policies should also take into consideration what is happening in the private sector to correlate the theory with the practice, any potential conflict of interest with the later one should be avoided.

3. PRACTICAL ANALYSIS

In EU-27 countries, several initiatives have been implemented successfully at national level with the aim to increase the rates of financial literacy attainment especially among young people. In addition, a major effort has been put towards designing coherent public policies in order to achieve more results, which represents a key element for the success of the economic education in schools. Financial education is very low amongst individuals with lower income and less education (OECD, 2016). The economic education enable individuals to learn the basics of the economic environment and to face the challenges derived from it. At national level, countries should enforce their collaboration to design and implement comprehensive policies of economic education to solve the

accumulated gaps in financial education. In this respect, countries should encourage the different stakeholders from academia to have a more active collaboration that will make possible a fast improvement of the current situation. They should also encourage the development and the implementation of economic education public policies based on simplification of school curriculum and the incorporation of practical examples of everyday life. Policy makers should receive full professional support and advice from academia as through active participation of these stakeholders in the design and implementation of public policies, they can bring together what has been analysed in various studies in the field of economic education and what it is still to be transposed into practice. Moreover, examples of countries that have been successful in these initiatives should be taken into consideration when designing and implementing public policies in the area of economic education. Although, one-size-fits-all policy on economic education may not be a panacea mainly due to heterogeneity in education, the consideration of successful strategies in the design stage could contribute to the achievement of the desired targets in financial education attainment. In addition, the key element for success is to keep the distance to the economic events happening in the real word as short as possible. Following recent data (Eurostat, 2020), in the second quarter of 2020, the household saving rate at record high at 24.6% in the euro area (Figure 1) while household investment rate at record low at 7.9% (Figure 2). The decrease of consumption is behind the enormous increase of households' saving rate in the first quarter of 2020 (Eurostat, 2020). The analysis of these figures together reveals the fact that the low investment rate at household level is not due only because of the risk adversity to uncertainty caused by the Coronavirus pandemic, but also due to insufficient financial education. People that are not financially educated enough have a higher risk adversity to investment compared to the skilled ones. Some authors consider three types of savings target saving, precautionary saving, and retirement saving (Bouyon, 2016). We strongly believe that all of them need a sufficient level of financial education attainment, although at different levels. Therefore, a streamlined structure of the economic and financial education public policies is an imperative to the current needs of individuals. These policies should be both effective and reactive to the changes happening in the economic environment.

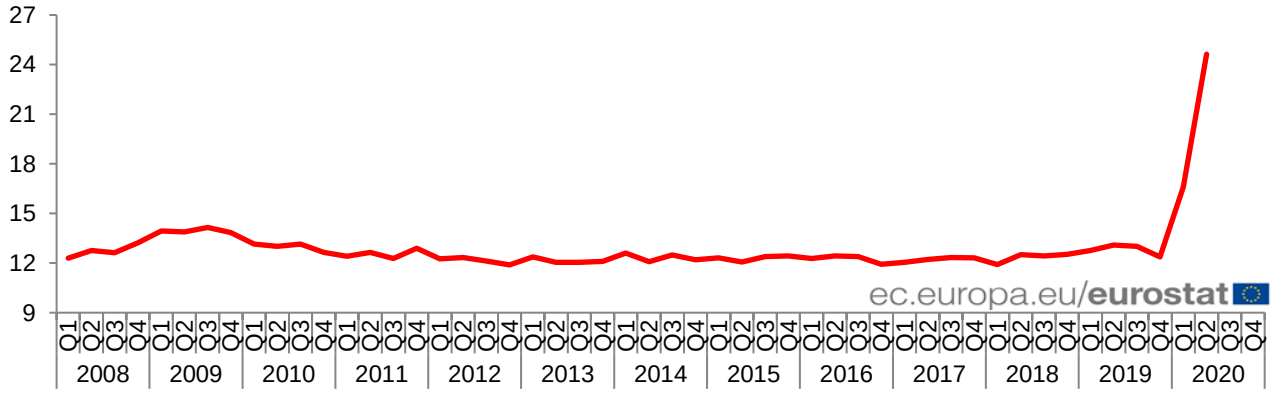


Figure 1. Household saving rate in the euro area (seasonally adjusted, %)
Source: Eurostat (2020)

We have limited our study to the national strategies for economic and financial education that exist currently in EU-27 Member States as we are based in Europe. Some of the countries that have introduced financial education in the school curriculum of their education system are also ones of the wealthiest countries in EU-27. More than that, we should consider whether these countries are rich (high-income) because their population know how to deal with their personal finances to obtain the maximum benefit or it is because they are rich they could afford to invest more in education. Our belief is that this is often a combination of both, although we should admit that the inclusion of

financial education in the school curriculum should imply a minimum investment in education. The high return of this investment makes it evident that the financial education is a key component towards the economic growth of countries. Although at times, policy makers may consider financial education as a replacement of financial regulation putting the emphasis on the individuals as consumers, both financial education and regulation should go hand in hand, protecting the inviduals (Hensley, 2019).

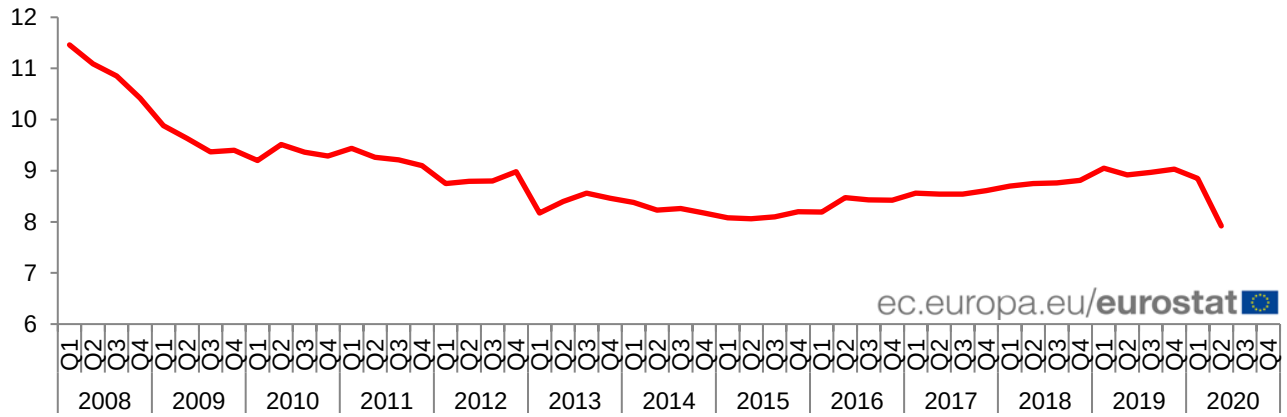


Figure 2. Household investment rate in the euro area (seasonally adjusted, %)
Source: Eurostat (2020)

Financial education is made up of three components (Figure 3): financial knowledge, financial behaviour and financial attitude.

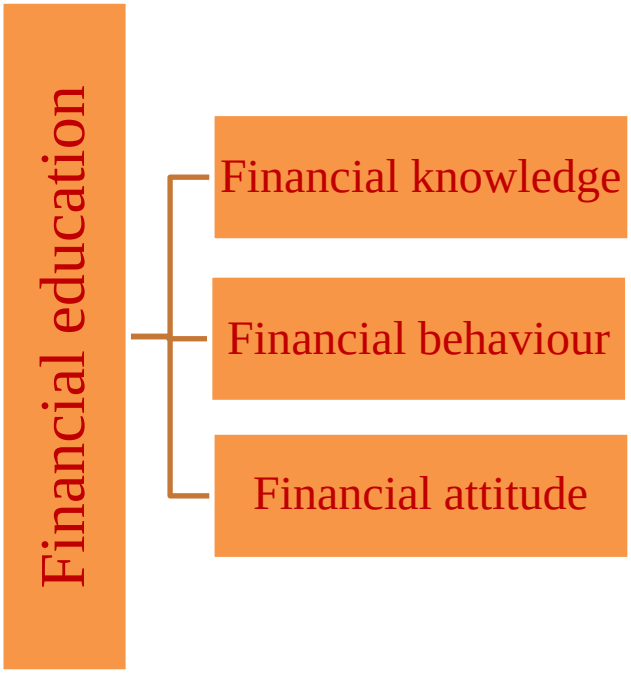


Figure 3. Components of financial education
Source: Own contribution (2020)

Financial knowledge is the ABCs of finance (i.e. notions like inflation, simple and compound interest, risk diversification, etc.). Financial behaviour means budgeting, active savings, shopping for financial products, etc. Financial attitude is related to short term living versus planning attitudes towards money spending. We have started our study by analysing the countries with the highest income per capita

(GDP/ capita) with the EU-27, which are Luxembourg, Ireland, Denmark, Sweden and the Netherlands (Eurostat, 2020). Our focus in this study is to highlight the development of public policies in the area of financial education mainly in these countries. Moreover, other relevant best practices are also revealed.

The country that counts with most developments in the area of financial education is the Netherlands. In the Netherlands, basic financial education notions are included in primary education (calculations with money) and in secondary education (household economies) (OECD, 2017). In addition, the Netherlands has created a national digital platform «MoneyWise», designed to teach financial behaviour within the country on a voluntary basis. The school and the teachers establish teaching priorities of financial education (MoneyWise, 2019) without the obligation of a final exam. Since 2018, the country has started the revision of the school curriculum at primary and secondary levels with the aim to revise the national core objective and to submit proposals (Amagir, 2020). The second country analysed in our study is Sweden. In Sweden, financial education is an ongoing project as it is part of the school curriculum from the first grade onwards (European Economic and Social Committe, 2016). Knonofodgen, equivalent to the Ministry of Finance provide financial skills starting from an early age. They have designed a special subject in schools called «Household and finance» as a prevention tool to avoid over-indebtedness in managing the household budget. Kronofogden is responsible for designing the topic/subject programme and instructions to teachers.

In Italy, Ministry of Education has signed memorandums of understanding with different actors inter alia the Bank of Italy in order to include economic and financial education content in the national school curriculum. Furthermore, the Italian government included financial education in the Reform of the Italian Education system under Law 107/2015 (Agasisti et al, 2020). In addition, one year later, the Italian government approves a law related to financial, insurance and social security education under Law 237/2016, which contemplates the Planning and Coordination of Financial Education Activities Board. This board is headed by Anna Maria Lusardi, one of the six academics cited in The New York Times on creative proposals to change the financial system as indicated by The New York Times (2010).

3. CONCLUSIONS

Financial education is an essential tool for the welfare of individuals and nations. International organizations are helping national goverments to achieve an adequate level of financial literacy with the aim to increase the financial education attainment. Financial education as one of the main component of economic education contributes to the economic growth of countries and avoids social, economic & financial exclusion. Providing financial education at school, preferably from an young age, leads to significant improvements in individuals' budgeting behaviour (Bruhn et al, 2016), which significantly influence their financial decisions later in life. Furthermore, national authorities should consider making financial education a compulsory part of the school education curriculum (European Commission, 2017). As result of our study, we consider that financial education should be integrated in the school curriculum at the primary and secondary levels as primary and secondary education are free of charge and compulsory in most of the EU-27 coutries, which makes easier for policy makers to reach this target group. Furthermore, the inclusion of financial education in the school curriculum as integrated or standalone subject is still to be considered at national levels. To conclude, the extensive research studies and best practices in this area should alse be taken into account as reference in the development of coherent public policies to adress the lack of financial knowledge and skills.

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