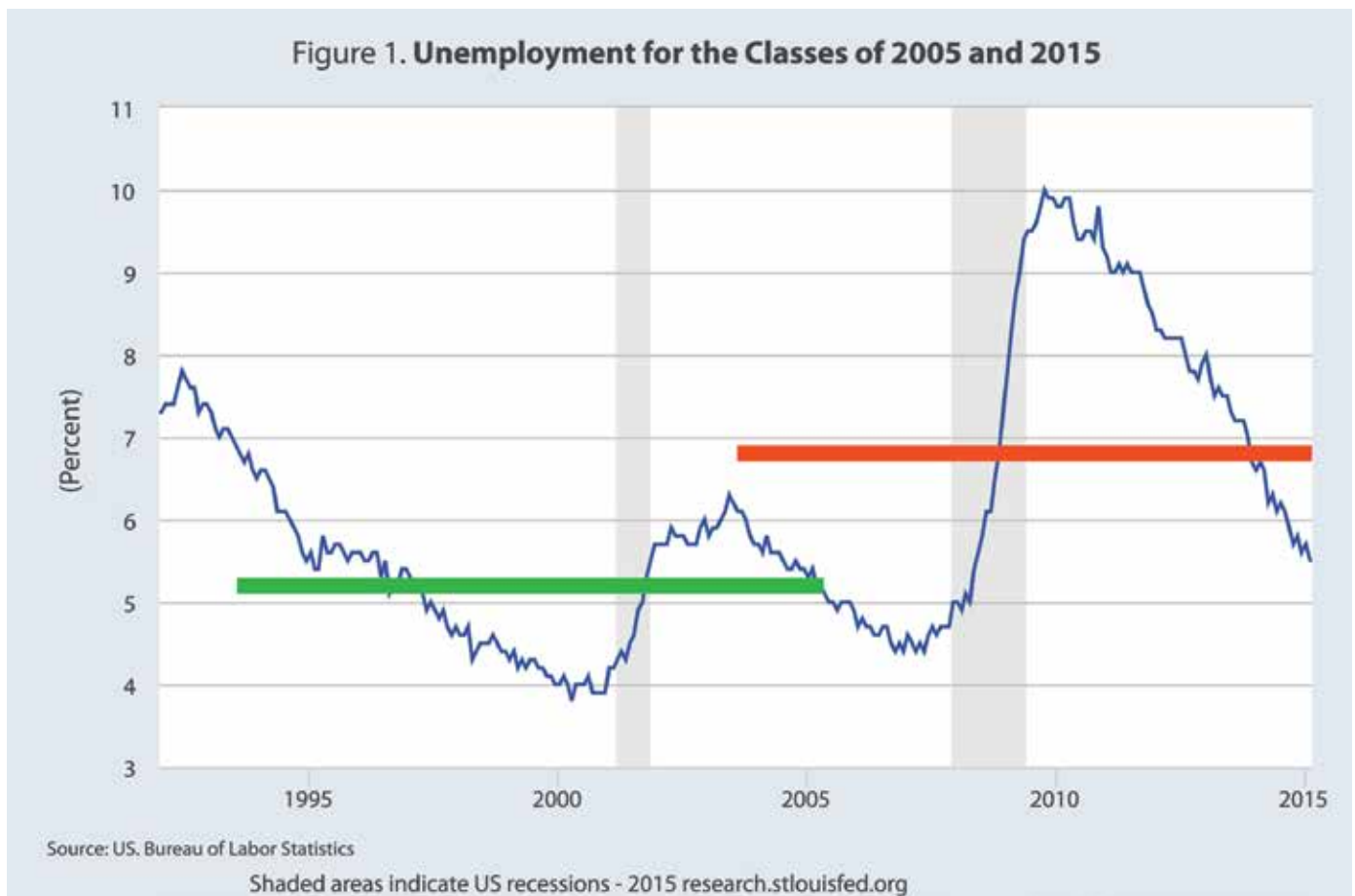


Considering the Times: Resources for Teaching Economic and Financial Literacy in Light of the Great Recession

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Think back 10 years to the spring of 2005. The unemployment rate, which had peaked at 6.3 percent in the aftermath of the 2001 recession, had settled back to 5.2 percent in March (2005). The stock market tech bubble had burst in 2000, derailing the market rally that had begun in the 1990s, but the market had roared back to life by 2005. Housing prices were rising, and people were leveraging their growing home equity to fund new waves of consumer spending. The graduating class of 2005 had experienced one relatively shallow recession during their school experience. Times were good.



The graduating class of 2005 entered school in August 1993. Over that period, the unemployment rate averaged 5.2 percent (green line). In contrast, the graduating class of 2015 entered school in August 2003; over that period, the unemployment rate has averaged 6.8 percent (red line).

Source: US. Bureau of Labor Statistics, Civilian Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis <https://research.stlouisfed.org/fred2/series/UNRATE/>, February 6, 2015.

During the good times, most people paid little attention to the Federal Reserve System or the economy in general. Alan Greenspan had been dubbed “the Maestro” for his seeming ability to orchestrate year-after-year of solid economic growth, low unemployment, and low and stable rates of inflation. Some economists labeled the period “the Great Moderation,” believing that economic policymakers had developed the tools necessary to fine-tune the economy, when needed, to accomplish economic goals. When things are working well, people tend to ignore them.

With the onset of the financial crisis, people realized that they lacked understanding of our complex economic systems. Central bankers and economists were suddenly the stuff of talk shows and news programs; Ben Bernanke was named Person of the Year in 2009 by *TIME* magazine. Conversations turned from discussing RBIs and ERAs to GDP and CPI and wondering about QE (Quantitative Easing) and TARP (Troubled Asset Relief Program). Those who were economically literate understood the connections between financial markets and the “real” economy; they had a leg up on the rest of the population in their understanding of the times.

Now fast forward to the present. We have lived through difficult economic times (read: understatement). The Great Recession of 2007–2009 was dubbed Great Depression 2.0 early on, and the comparisons continued for years. Former Federal Reserve Chair Ben Bernanke recently reflected on the financial crisis that sparked the Great Recession this way: “September and October of 2008 was the worst financial crisis in global history, including the Great Depression.”¹ Consider how these events have shaped our students’ understanding of the world. The graduating class of 2015 have spent a good part of their formative years living in times of economic and financial struggle—an entire generation of young people will associate their formative years with terms and phrases such as long-term unem-

ployment, recession, wage stagnation, toxic mortgage, and financial market melt-down.

As we look back on that tumultuous period, it is evident that a solid understanding of economic systems is fundamental to living in the modern world. And, the ability to apply economic knowledge is essential. Economic decision-making is where theory, knowledge, and real life intersect. Economics provides a foundation and a framework for making financial decisions. Put differently, the “science of choice” provides the philosophical tools needed to weigh costs and benefits and make critical decisions about budgeting, saving, and investing.² Students who learn these essential skills will reap benefits. Lusardi and Mitchell (2014) suggest that financial knowledge is a specific type of human capital, and those who acquire it will be rewarded with above-average expected returns on their investments.³ But the benefits of economic and financial literacy are not merely individual; they extend to the broader economy. As such, consumers who can discern financial choices and plan for the future help not only themselves, but they also provide a more stable financial system for all. “As the recent financial crisis illustrates,” Bernanke said in 2012, “consumers who can make informed decisions about financial products and services not only serve their own best interests, but, collectively, they also help promote broader economic stability.”⁴

In fact, beyond basic economic reasoning and financial literacy, economics has much to say about key issues of our day: immigration, inequality, and the environment. And, the Federal Reserve System has resources to support economic and financial literacy education using effective and relevant pedagogical practices.

Financial and Econ Ed at the Fed

The Federal Reserve System is the central bank of the United States. The system includes 12 Federal Reserve Banks (and their associated branches)

located throughout the country, with oversight by the Board of Governors in Washington, D.C. The diverse structure is designed to ensure that the interests of Main Street are represented along with those of Washington, D.C., and Wall Street. The Federal Reserve realizes the importance of economic and financial literacy to financial stability. In addition to fulfilling its responsibilities to supervise and regulate banks, support the payment system, provide banking services to the federal government, and conduct monetary policy, the Federal Reserve System provides support for financial literacy. This support includes education programs, online resources, audiovisual materials and print materials. These programs, audiovisual materials, and most print materials are free. In addition, many of the Reserve Banks have museums or exhibits that are available for classroom visits.

Here are some highlights of some of the materials available:

FRED™ and GeoFRED™ Data Tools

Federal Reserve Economic Data (FRED) is a Federal Reserve website where more than 200,000 time series are available—aggregated from various sources including the Bureau of Labor Statistics (BLS), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD). Any economic data you need is at your figure tips and you and your students can use the data to create and store interactive graphs and maps—and it is all free. <http://research.stlouisfed.org/fred2/> and <http://geofred.stlouisfed.org/>

FederalReserveEducation.org

This comprehensive website offers an easy way for educators to access all of the Federal Reserve’s educational resources in one easy location—and even find the closest Reserve Bank for programming, assistance, tours, and local contacts. www.federalreserveeducation.org

Here is a district-by-district look at key resources available from Federal Reserve Banks:



District 1: Federal Reserve Bank of Boston

Show Business: The Economic\$ of Entertainment

Show Business is the Federal Reserve Bank of Boston's learning activity on economics and the entertainment industry. The goal is to provide an additional tool for teaching and learning about basic economic concepts. The online program even manages to sneak in some economic history. www.bostonfed.org/education/online/fed-trivia/index.htm

District 2: Federal Reserve Bank of New York

Math x Economics

Math x Economics is a one-day program for college-bound juniors and seniors in high school who are exceptionally talented in mathematics. The program's mission is to encourage students from backgrounds underrepresented in the field of economics to pursue careers in economic policy and research. www.ny.frb.org/education/math_xcon.html

District 3: Federal Reserve Bank of Philadelphia

The Federal Reserve and You

Designed with classroom flexibility in mind, The Federal Reserve and You is a free video composed of seven segmented chapters that will walk your students through the purposes and functions of the Federal Reserve System and give

them overviews of money and banking and the history of central banking in the United States. The on-screen hosts explain it all with the help of detailed animation and interviews with Federal Reserve leaders. You can either stream the video or order a DVD copy for your classroom. www.philadelphiafed.org/education/federal-reserve-and-you/index.cfm

District 4: Federal Reserve Bank of Cleveland

Escape from the Barter Islands

Escape from Barter Islands is an online interactive game designed for middle school students. By playing the game, students are able to understand why we have money, how money facilitates trade, and why people trade. www.clevelandfed.org/learning_center/online_activities/barter_island/

District 5 and District 12: Federal Reserve Banks of Richmond and San Francisco

What's Next: Life After High School

This new, interactive resource helps high school students navigate their first major financial decisions—what path to pursue after high school. <http://investinwhatsnext.org>

District 6: Federal Reserve Bank of Atlanta

The Fed Explained

In one convenient location, the Fed

Explained offers a range of content that explains the role of the Federal Reserve System and helps a general audience understand the fundamentals of the economy. Using vibrant graphics and numerous examples, full-action animated videos describe basic economic concepts such as inflation and gross domestic product as well as the structure and functions of the Fed. <https://www.frbatlanta.org/about/FedExplained.aspx>

District 7: Federal Reserve Bank of Chicago

The Fed Museum iPad App

This new education-focused app allows users access to a wide range of information about currency, economic history, supervision and regulation, the structure of the Fed, and the Federal Open Market Committee. www.chicagofed.org/webpages/utilities/ipad/fed-museum.cfm

District 8: Federal Reserve Bank of St. Louis

Economic Lowdown

The Economic Lowdown is a collection of free resources for teaching personal finance and economics in K-12 classrooms. The site includes online learning modules, videos from the Atlanta and St. Louis Feds, interactive whiteboard lessons, podcasts, and traditional lesson plans. Working through the instructor management panel, teachers can assign online modules and videos to students and utilize built-in tools to track student progress and assess understanding. www.stlouisfed.org/education

District 9: Federal Reserve Bank of Minneapolis

Student Essay Contest

The Federal Reserve Bank of Minneapolis runs a yearly essay contest for high school students in the Ninth Federal Reserve District that focuses on economic topics. Check out the current and previous topics on the Minneapolis Fed website. www.minneapolisfed.org/community_education/student/essay/

District 10: Kansas City

Core Concept Cards

Core Concept Cards provide a strong foundation of economic and personal finance vocabulary for secondary students. Games, activities and online interactives are available to help students develop an economic way of thinking and advanced money management skills. www.kansascityfed.org/education/

District 11: Federal Reserve Bank of Dallas

Everyday Economics

The Dallas Fed's Everyday Economics is a series of publications explaining fundamental economic concepts for high school students. Topics include entrepreneurs, globalization, international trade, money, labor, capital, free enterprise and the Fed. The series is designed to supplement instruction in the second-

ary classroom. www.dallasfed.org/education/classroom.cfm?tab=0##dallastabs

The Federal Reserve Banks continually add to their collection of education resources, so it is worthwhile to check their websites often.

Conclusion

The recent financial crisis and the resulting recession have impacted people in real and unfortunate ways. Recession, unemployment, foreclosure, and bankruptcy are not mere textbook concepts—they are a reality for an entire generation of students. Through the experience, it has become clear that economic and financial literacy are critically important, and the Federal Reserve System has resources available to support the needs of classroom teachers and their students. 🌍

Notes

1. Pedro Nicolaci Da Costa, "Bernanke: 2008 Meltdown Was Worse Than Great Depression," *The Wall Street Journal* (Aug. 26, 2014), <http://blogs.wsj.com/economics/2014/08/26/2008-meltdown-was-worse-than-great-depression-bernanke-says/>.
2. National Standards for Financial Literacy, Council on Economic Education, 2013, www.councilforeconed.org/resource/national-standards-for-financial-literacy/.
3. Annamaria Lusardi and Olivia S. Mitchell, "The Economic Importance of Financial Literacy: Theory and Evidence," *Journal of Economic Literature* 52, no. 1(2014): 5-44.
4. At the Conversation with the Chairman: A Teacher Town Hall Meeting, Federal Reserve Board, Washington, D.C., www.federalreserve.gov/newsevents/speech/bernanke20120807a.htm

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The opinions expressed in this article are those of the authors and not those of the Federal Reserve Bank of St. Louis or the Federal Reserve System.



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