

Economic education key to U.S. prosperity

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A mother called her son at college to tell him that he had overdrawn his bank account. "That's funny," he said. "I still have lots of checks left."

The story is apocryphal and exaggerated, but the problem is real: Many students have graduated from high school without the financial knowledge needed to cope with the modern world.

This shows in the current mortgage crisis, where people bought houses they could not afford, or failed to understand the mortgages that they signed. Not only they, but also the whole country, are now suffering as a result.

When we increased graduation requirements, there was a lot of coverage about the increase in the math and science requirements. Few noted that there was an increase in social studies requirements to three years: one year of World History, one year of American History, a half year of Government and a half year of Economics.

The economics requirement will be crucial to help students prepare for the financial decisions that they will be making as adults. But even more important is the basic knowledge of economics that our citizens must have if our country is to have a successful economic future.

This is because citizens who are not educated on how a free-market economy works become vulnerable to the appeals of demagogic economic populists. In his recent book, Alan Greenspan has a good discussion of this problem:

" . . . Market capitalism is a broad abstraction that doesn't always conform to untutored views of the way economies work. I presume markets are accepted because of their long history of creating wealth. Nonetheless, as people often complain to me: 'I don't know how it

works, and it always seems to teeter on the edge of chaos.' " . . .

"Economic populism imagines a more straightforward world, in which a conceptual framework seems a distraction from evident and pressing need. Its principles are simple. If there is unemployment, then the government should hire the unemployed. If money is tight and interest rates as a consequence are high, the government should put a cap on rates or print more money. If imported goods are threatening jobs, stop the imports."

Early in the 20th century, Argentina had a prosperous economy, similar to Europe's. But then an economic populist, Juan Peron, got elected and wrecked the economy, making Argentina a very poor country ever since.

This could happen in the United States.

Greenspan predicts that by 2030 our country's gross domestic product will be three-fourths higher than it is now. But he has four "wild cards" that could prevent this: (1) a nuclear detonation on U.S. soil, (2) a flu pandemic, (3) failure to agree on a non-inflationary solution to Medicare's physical imbalance and (4) a dramatic revival of protectionism.

An economically uneducated population is especially vulnerable to an economic populist, who could ruin America's economy, as Peron ruined Argentina's economy.

In Arizona, we are doing our part now, by requiring that all of our high-school graduates are educated in economics.

The writer is Arizona's superintendent of public instruction.