



Why is Economic Education Important?

CEE's mission is to equip K-12 students with the tools and knowledge of personal finance and economics so that they can make better decisions for themselves, their families, and their communities. Most adults regularly use personal finance skills like spending, saving, managing credit, and investing, so they see the value in helping kids become financially literate. Conversely, many adults don't understand economics or see the value in K-12 students learning economics. So, why *is* learning economics important?

An overview of economic education in the US

CEE releases a biennial report, [Survey of the States](#), on the status of economic and personal finance education in K-12 schools in the United States. 2022's report revealed only 25 states require students to take a course in economics to graduate. This is notable progress since the report was first published in 1998, but the recent stagnation in economic requirements is troubling. Economics plays a critical role in creating informed citizens, and the lack of progress in ensuring our young people have the opportunity to study economics puts the students and our nation at a disadvantage for years to come.

How economics affects our lives

Economics affects all of our lives. It teaches us to think logically, use data smartly, and develop strong analytical and problem-solving skills. It helps explain choices as small as your personal day-to-day decisions and as large as foreign policy decisions. Some examples include:

Personal choices

- Should I make or buy lunch today?
- Do I want more vacation time or a higher salary?

Business choices

- Should I manufacture or import parts for the toys I'm selling?
- Should I rent a retail space for my store or buy a building for my store?

Government choices

- Should we offer financial incentives for moviemakers to film in my city?
- Should we use tax dollars to extend unemployment benefits?

Foreign policy choices

- What will I trade to make sure I have access to oil?
- Should I sell or give away COVID vaccines to other nations? Which nations?

These questions cover both micro and macroeconomic issues. Microeconomics is concerned with small scale systems like individuals and businesses while macroeconomics is concerned with decisions on a larger scale.

Economics can help us make hard choices

The field of economics examines the ways in which these kinds of choices are made and shows us that incentives and trade-offs drive choice in rational and predictable ways.

If you know basic economics, you can consider opportunity costs when making decisions. If you know advanced economics, you can model how policy choices will impact millions of citizens and design incentives to create greater wealth and security for whole nations.

Whether your passion is protecting the environment, reducing childhood obesity, making college affordable, or managing the federal debt, seeing your problem through an economic lens will help you understand the issue and identify potential solutions.

The magic of economic principles

Here are six useful principles we've learned from economists – and one awesome superpower!

People must *choose* because of scarcity. Most situations involve making choices. People evaluate the costs and benefits of different alternatives and choose the alternative that seems best to them.

People's choices involve costs. Costs do not necessarily involve money. The most important type of cost is opportunity cost: the next best alternative that people give up when they make a choice.

People respond to *incentives* in predictable ways. Incentives are actions or rewards that encourage people to act in a certain way. Incentives can be either positive or negative. When incentives change, people's behavior changes.

People create *rules* that influence individual choices and incentives. How people cooperate is governed by written and unwritten rules. As rules change, incentives—and consequently people's behaviors—change.

People gain when they *trade voluntarily*. People can produce goods and services at lower opportunity costs when they specialize in what they do best. Then they can trade what they produce for goods or services that would be more costly for them to produce. In this way, both sides gain.

People's choices have consequences that lie in the *future*. Important costs and benefits in economic decision making are those that will appear in the future. The study of economics stresses the importance of making decisions about the future because we can influence only the future; we cannot influence things that happened in the past.

The new field of **behavioral economics** illuminates cognitive biases, such as emotions and beliefs, that affect our economic decision-making and lead us to behave less rationally, but still in predictable ways. The magic of understanding economics is it helps you see the hidden side of everything—seeing the unseen. It's a superpower!

Economics teaches life skills

Economics is typically taught only to those who advance to college-level education—and who select economics as a course to be taken. We believe that economic thinking is a core skill—one that's necessary for understanding the world and making better decisions in it. Students who study economics develop strong analytic and problem-solving skills, along with business acumen needed to succeed in the professional world. We want all students to be exposed to economics throughout their K–12 learning years.

A teacher's view

Simon Jarcho, winner of the 2023 Alfred P. Sloan Foundation Teaching Champion Award, teaches economics, statistics, and math to grades 11-12 at [Avenues: The World School](#) in NYC. On the importance of economics, Simon shared, "Economic education and exposure to social sciences, provides students with a toolkit to better understand and engage with the world around them. By imparting upon students an awareness of incentives and how they impact decisions – from 'big picture' macroeconomic decisions that drive public policy down to daily choices about how we as individuals allocate our scarce resources – I believe that we empower young adults to be more civically engaged and better equipped to participate in productive discourse."

Wondering how economically literate you are? [Take our economics quiz](#) to see how you test against others across the nation.