Work in Progress

Integrating Children's Literature into the Teaching of Economics Introduction

Economics is the study of production, distribution, exchange, and consumption of the goods and services that people need or want under conditions of scarcity (Parker, 2009).

In 1999, the National Association of Economic Educators (NAEE) tested adults and high school students to ascertain their skill set as it related to fundamental economic concepts. Half of the adults and two-thirds of the high school students failed the test (Sunal & Haas, 2008). Results demonstrated a lack of understanding of basic economic concepts such as, money, inflation, and scarcity. Studies like this indicate a need for economic literacy and perhaps an increased emphasis on economics curriculum development in our nation's schools. There is a growing recognition from educators and economists that in order for our students to become effective citizens, they must develop a basic understanding of economic world in which they live (Day, H.R., Flotz, M., Hayse, K., Marksbary, C. Sturgeon, M. Reed, S., 2002).

In 1997 *The Voluntary National Content Standards in Economics* were published under the leadership of the National Council on Economic Education (NCEE). These standards were authorized and funded by the Goals 2000 legislation of 1994. The 20 standards were written to provide "benchmarks" at grades 4, 8, and 12 that describe what students are expected to know and be able to do in economics. They identified concepts which provide the basis for understanding economics and making sound economic decisions. These standards are found in figure 1.1 below:

Figure 1,1 National Council on Economic Education National Standards

Standard 1: Scarcity

Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.

Related concepts: Capital Resources, Choice, Consumer Economics, Consumers, Goods, Human Resources, Natural Resources, Opportunity Cost, Producers, Production, Productive Resources, Scarcity, Services, Wants, Entrepreneurship, Inventors, Entrepreneur, Factors of Production

Standard 2: Decision Making

Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Many choices involve doing a little more or a little less of something: few choices are "all or nothing" decisions.

Related concepts: Decision Making, Profit Motive, Benefit, Costs, Marginal Analysis, Profit, Profit Maximization, Cost/Benefit Analysis

Standard 3: Allocation

Different methods can be used to allocate goods and services. People acting individually or collectively must choose which methods to use to allocate different kinds of goods and services.

Related concepts: Economic Systems, Market Structure, Supply, Command Economy, Market Economy, Traditional Economy

Standard 4: Incentives

People usually respond predictably to positive and negative incentives.

Related concepts: Choice, Incentive

Standard 5: Trade

Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations.

Related concepts: Barriers to Trade, Barter, Exports, Imports, Voluntary Exchange, Exchange, Exchange Rate

Standard 6: Specialization

When individuals, regions, and nations specialize in what they can produce at the lowest cost and then trade with others, both production and consumption increase.

Related concepts: Division of Labor, Production, Productive Resources, Specialization, Factor Endowments, Gains from Trade, Relative Price, Transaction Costs, Factors of Production, Full Employment

Standard 7: Markets and Prices

A market exists when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services.

Related concepts: Market Structure, Markets, Price Floor, Price Stability, Quantity Demanded, Quantity Supplied, Relative Price, Exchange Rate

Standard 8: Role of Prices

Prices send signals and provide incentives to buyers and sellers. When supply or demand changes, market prices adjust, affecting incentives.

Related concepts: Non-price Determinants, Price Floor, Price Stability, Supply, Determinants of Demand, Determinants of Supply, Law of Demand, Law of Supply, Price Ceiling, Substitute Good, Price

Standard 9: Competition and Market Structure

Competition among sellers lowers costs and prices, and encourages producers to produce what consumers are willing and able to buy. Competition among buyers increases prices and allocates goods and services to those people who are willing and able to pay the most for them.

Related concepts: Market Structure, Non-price Competition, Levels of Competition

Standard 10: Institutions

Institutions evolve and are created to help individuals and groups accomplish their goals. Banks, labor unions, markets, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy.

Related concepts: Legal and Social Framework, Mortgage, Borrower, Interest, Labor Union, Legal Forms of Business, Legal Foundations of a Market Economy, Nonprofit Organization, Property Rights, Banking

Standard 11: Money and Inflation

Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services. The amount of money in the economy affects the overall price level. Inflation is an increase in the overall price level that reduces the value of money.

Related concepts: Exchange, Money Management, Money Supply, Currency, Definition of Money, Money, Characteristics of Money, Functions of Money

Standard 12: Interest Rates

Interest rates, adjusted for inflation, rise and fall to balance the amount saved with the amount borrowed, which affects the allocation of scarce resources between present and future uses.

Related concepts: Interest Rate, Monetary Policy, Real vs. Nominal, Risk, Investing, Savers, Savings

Standard 13: Income

Income for most people is determined by the market value of the productive resources they sell. What workers earn primarily depends on the market value of what they produce.

Related concepts: Human Resources, Derived Demand, Functional Distribution of Income, Labor, Labor Market, Marginal Resource Product, Personal Distribution of Income, Wage, Aggregate Demand (AD), Aggregate Supply (AS), Demand, Prices of Inputs, Functional Distribution

Standard 14: Entrepreneurship

Entrepreneurs take on the calculated risk of starting new businesses, either by embarking on new ventures similar to existing ones or by introducing new innovations. Entrepreneurial innovation is an important source of economic growth.

Related concepts: Taxation, Costs, Costs of Production, Entrepreneur, Risk, Taxes, Cost/Benefit Analysis, Innovation, Entrepreneurship, Inventors

Standard 15: Economic Growth

Investment in factories, machinery, new technology, and in the health, education, and training of people stimulates economic growth and can raise future standards of living.

Related concepts: Incentive, Interest Rate, Opportunity Cost, Production, Technological Changes, Trade-off, Trade-offs among goals, Human Capital, Intensive Growth, Investment, Physical Capital, Productivity, Risk, Standard of Living, Economic Efficiency, Economic Equity, Economic Freedom, Economic Growth, Economic Security, Investing, Business, Businesses and Households, Factors of Production, Health and Nutrition, Savers, Savings, Stock Market

Standard 16: Role of Government and Market Failure

There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also have direct or indirect effects on peoples' incomes.

Related concepts: Externalities, Income, Natural Monopoly, Redistribution of Income, Role of Government, Taxation, Transfer Payments, Bonds, Distribution of Income, Income Tax, Maintaining Competition, Monopolies, Negative Externality, Non-clearing Markets, Positive

Externality, Property Rights, Public Goods, Maintaining Regulation, Taxes, Regulation, Government Expenditures, Government Revenues

Standard 17: Government Failure

Costs of government policies sometimes exceed benefits. This may occur because of incentives facing voters, government officials, and government employees, because of actions by special interest groups that can impose costs on the general public, or because social goals other than economic efficiency are being pursued.

Related concepts: Cost/Benefit Analysis, Benefit, Costs, Special Interest Group, Barriers to Trade

Standard 18: Economic Fluctuations

Fluctuations in a nation's overall levels of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies, and others in the economy. Recessions occur when overall levels of income and employment decline.

Related concepts: Gross Domestic Product (GDP), Macroeconomic Indicators, Nominal Gross Domestic Product (GDP), Per Capita Gross Domestic Product (GDP), Potential Gross Domestic Product (GDP), Real Gross Domestic Product (GDP), Circular Flow

Standard 19: Unemployment and Inflation

Unemployment imposes costs on individuals and the overall economy. Inflation, both expected and unexpected, also imposes costs on individuals and the overall economy. Unemployment increases during recessions and decreases during recoveries.

Related concepts: Types of Unemployment, Causes of inflation, Consumer Price Index (CPI), Deflation, Labor Force, Unemployment, Unemployment Rate, Inflation

Standard 20: Fiscal and Monetary Policy

Federal government budgetary policy and the Federal Reserve Systems' monetary policy influence the overall levels of employment, output, and prices.

Related concepts: Inflation, National Debt, Tools of the Federal Reserve, Discount Rate, Federal Budget, Fiscal Policy, Monetary Policy, Open Market Operations, Reserve Requirements, Budget, Budget Deficit, Central Banking System, Budget Surplus, Causes of inflation

Source: National Council on Economic Education (1997). The Voluntary National Content Standards in Economics. New York: Economics America.

Economic Concepts and Elementary Age Children

Elementary age children at all grades, at all ability levels, and from all socioeconomic levels can learn economics (Sunal & Haas, 2008). Economists and educators have worked together for years and have agreed on what aspects of economics to teach and how to effectively deliver that instruction. They believe the following:

1. Children need to develop an understanding of basic economic concepts in lieu of learning heavy doses of factual knowledge,

2. Instruction should focus on helping children develop fundamental understanding of a limited number of economic concepts and their relationships,
3. Children should learn how to systematically and objectively engage in economics thinking;
4. Children will develop into responsible adults as a result of achieving competence in understanding economic issues (Saunders, 1992).

Traditionally, primary-level economics lessons/units focus on themes like “the farm” or “the market”. In the upper grades, economics usually has been presented as a part of historical units or area studies. For example, during a unit on the American colonies, students learn about trade routes, during a unit on Saudi Arabia, students learn about oil production (Zarillo, 2008). Armento (1987), Berti and Bombi (1988) and Brophy and Alleman (2002) have examined how children acquires economic concepts. Conclusions from this research suggest:

1. *As children grow older their economic thinking becomes more abstract and flexible.* Younger children are extremely literal and concrete in the way they perceive economic activity. For instance, when asked to explain the exchange of currency at a store, young children state that it is a type of ritual without economic meaning, that the exchange is required by law, or that the store is a place where money is made. They also think that the cost of an item is determined by the size of the price tag and that the value of money is determined by the size and color of the currency or coin.
2. *Mature reasoning in children does not emerge at the same rate for all economic concepts.* Abstract thinking comes earlier for some aspects of economics than others. For instance, although young children usually are aware of their family’s relative poverty or affluence, they often fail to realize the relationship between work and income. As

children grow older, the economic relationship of labor and compensation becomes clearer and is generalized to all jobs. Students in the upper intermediate grades and middle school can understand the relationships among the parties in an economic system (e.g., jewelry salesperson depends on goldsmith, who depend on gold miners), provide explanations for economic phenomena (e.g., why an airline slashes fares), and state the implications of economic policies (e.g., a temporary embargo on Japanese-manufactured cars could lead to fewer jobs in U.S. auto dealerships).

Economics: The Curriculum

Almost all social studies texts used our nation's classrooms have economic content. Primary texts have focused on production and distribution of common goods, such as, food available in supermarkets and clothing in department stores. Upper grades have embedded economics in units of study. As mentioned earlier, *The Voluntary National Content Standards in Economics* published by the National Council on Economic Education (NCEE) identified concepts which provide the basis for both understanding economics and making sound economic decisions. In 1994, *Expectations of Excellence: Curriculum Standards for Social Studies*, produced by the National Council for the Social Studies, also attempted to define the scope of economic content children should learn. Of the 10 strands in the NCSS standards, one (Strand7, Production, Distribution, and Consumption) is devoted to economics.

Both sets of standards expect elementary students to acquire a great deal of basic economic knowledge and to perform economic analysis. Both sets of standards also expect children to think critically about the economic content they learn. For example, children should be able to:

- Compare economic systems according to who determines what is produced and distributed;
- Explain historical events from an economic perspective; and
- Use economic reasoning to evaluate policy proposals for contemporary issues like unemployment and pollution.

Integrating Economics Education with Children's Literature

Complex vocabulary, unfamiliar writing styles and organization, topics with which students have had little experience, and abstract concepts can make textbooks dealing with economics especially challenging for students to read. One solution to this situation is to use trade books in the classrooms to supplement the assigned text. Quality children's literature can provide the depth and coverage missing in the core textbook. As economic concepts are taught within the context of literature, students realize that economics is a real and interesting part of the world around them (Day, H.R., Flotz, M., Hayse, K., Marksbary, C. Sturgeon, M. Reed, S., 2002). Writers of trade books have more flexibility than textbook writers. They can bring to the pages of their books richness of background, originality of style, and creativity that is often missing in textbooks (Gunning, 2012).

Since students and teachers enjoy stories, using literature is a very motivational teaching technique. When using trade books, teachers are challenged to develop activities that are interactive, reflecting the belief that students learn best through active, highly personalized experiences with economics. The goal of instruction should be the application of economic understanding to real-world situations in trade book lessons (Flowers, B.J., Kugler, P., Meszaros, B.T., Stiles, L., & Suiter, M.C., 2005). Van Fossen (2003) recommends using stories in trade books to examine the impact of economics on the lives and actions of people, families, groups and nations. Several resources are available to teachers who are interested in incorporating children's literature into economic education. The National Council on Economics has published the following documents which address literature integration into the study of economics at the elementary grade level:

1. The Classroom Mini Economy by Harlan Day and David Ballard
2. Teaching Economics using Children's Literature by Harlan Day, Maryann Flotz, Kathy Hayse, Callie Marksbary, Mary Sturgeon, and Suellen Reed.
3. Social Studies through Children's Literature by Anthony Fredericks
4. More Social Studies through Children's Literature by Anthony Fredericks
5. Much More Social Studies through Children's Literature: A Collaborative Approach by Anthony Fredericks
6. Social Studies Instruction Incorporating the Language Arts by Joy Anne Hauge Morin
7. The Power of Picture Books in Teaching Math, Science, and Social Studies by Lynn Columba, Cathy Kim, and Alden Moe

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