



RESERVE BANK OF AUSTRALIA

# Teacher Immersion Event 2023

Education



RESERVE BANK OF AUSTRALIA

# Promoting Economic Literacy, and New Teacher Resources from the RBA

Madeleine McCowage and Alex Symonds  
Public Access & Education, RBA

Education



# Economic literacy – what is it, and why is it important?



# Financial literacy – a mature field

*A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing*



# Financial literacy – a mature field

*A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing*

- Capability to understanding and manage personal financial affairs
- Definition is little contested
- Its study is more mature
- Government agencies devoted to measuring and achieving it



# Financial vs. Economic literacy

- Financial literacy: ability to understand and manage one's own financial affairs
- Economic literacy includes understanding one's own situation, as well as the broader economic context and situations of others



# Financial vs. Economic literacy

---

**Financially literate person**

Understands what is an interest rate, how it affects mortgage payments

Manages inventory, prices and sales in a business

Manages tax affairs

---

**Economically literate person**



# Financial vs. Economic literacy

---

**Financially literate person**

---

Understands what is an interest rate, how it affects mortgage payments

Manages inventory, prices and sales in a business

Manages tax affairs

---

**Economically literate person**

---

Understands why the RBA has raised interest rates, how that affects the economy

Understands why we have a market-based system, how that differs to central planning

Understands why the tax system is designed a certain way, costs and benefits of changing it





# The benefits of economically literate citizens

- Makes more informed choices
- Better understands the world around them
- Can influence the public discourse, actions of government
- Citizens need to be able to assess economic issues that affect them; they cannot easily outsource this assessment



# Difficulties in defining economic literacy

- Economics is a broad discipline



# Difficulties in defining economic literacy

- Economics is a broad discipline
- It may be context-dependent



# Difficulties in defining economic literacy

- Economics is a broad discipline
- It may be context-dependent
- How do we choose and weight the understanding of different economic concepts?



# Difficulties in defining economic literacy

- Economics is a broad discipline
- It may be context-dependent
- How do we choose and weight the understanding of different economic concepts?
- Economics is not value-free



# Working towards a definition of economic literacy....



# Our definition

*Someone attains economic literacy if, years after they have been taught, they can apply the four essential principles of economics in situations relevant to their lives and different from those encountered in the classroom.*

*They will use these principles as the basis of economic analysis and decision-making, and they will understand the basic aspects of seven core economic topics that explain the economic system in which they participate.*



# Our definition

*Someone attains economic literacy if, **years after they have been taught, they can apply the four essential principles of economics in situations relevant to their lives and different from those encountered in the classroom.***

*They will use these principles as the basis of economic analysis and decision-making, and they will understand the basic aspects of seven core economic topics that explain the economic system in which they participate.*





# Our definition

*Someone attains economic literacy if, years after they have been taught, they can apply the **four essential principles of economics** in situations relevant to their lives and different from those encountered in the classroom.*

*They will use these principles as the basis of economic analysis and decision-making, and **they will understand the basic aspects of seven core economic topics** that explain the economic system in which they participate.*



# Four essential principles

## ‘How to think’

- Cost-benefit
- Opportunity cost
- Marginal principle
- Interdependence

# Seven core topics

## ‘What to know’

- Scarcity
- Economic behaviour
- Allocation of goods and services
- Structure and operation of markets
- Factors of production
- The economy as a whole
- Government and economic institutions



# Four essential principles

## ‘How to think’

- Cost-benefit
- Opportunity cost
- Marginal principle
- Interdependence

# Seven core topics

## ‘What to know’

- Scarcity
- Economic behaviour
- Allocation of goods and services
- Structure and operation of markets
- Factors of production
- The economy as a whole
- Government and economic institutions



# Four essential principles

## ‘How to think’

- Cost-benefit
- Opportunity cost
- Marginal principle
- Interdependence

# Seven core topics

## ‘What to know’

- Scarcity
- Economic behaviour
- Allocation of goods and services
- Structure and operation of markets
- Factors of production
- The economy as a whole
- Government and economic institutions



# Introducing new teacher resources



# The Bank is focused on developing teacher resources...



PAE has traditionally focused on Year 11 and 12 Economics teachers and students – with resources that are highly valued & frequently used (including by me)



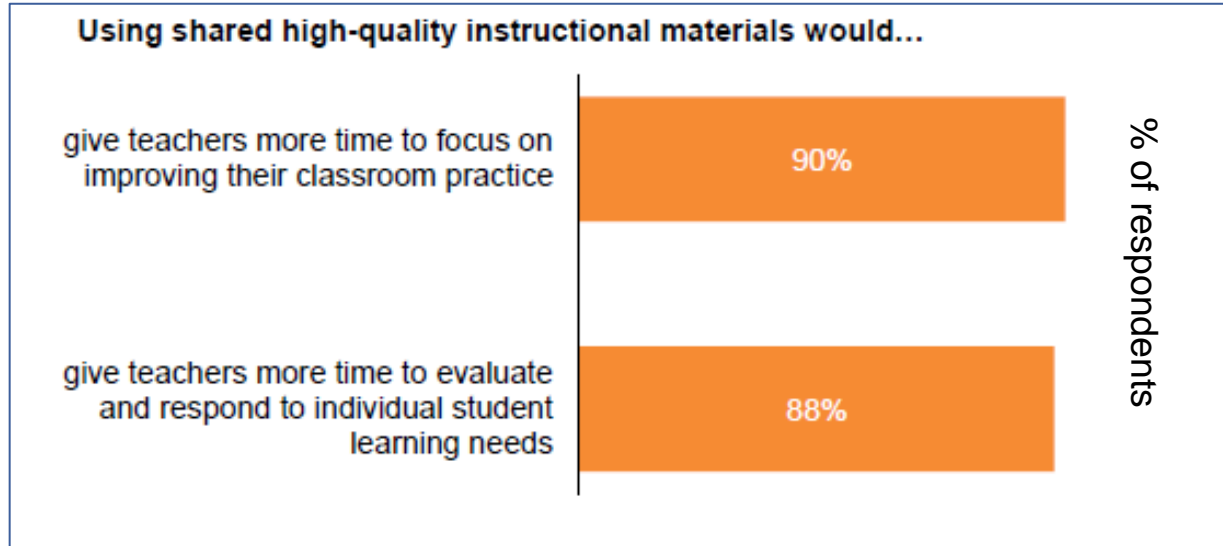
Since 2020, we have expanded the scope to include Year 9 and 10 students – aiming earlier, increasing the pipeline



We are developing a suite of resources focused on developing economic literacy



...and we know teachers want access to more resources...



Source: Grattan 2022



# ...but what resources best serve *Australia's* teachers?

- investigate the role of consumers, business, government, financial institutions and the overseas sector in the five sector circular flow model (ACHEK027) ✨ 📄 ✨
- explain the interdependence between different sectors of the economy, for example the role of the government in protecting consumers, the role of the financial sector in facilitating business investment ✨ ✨
- investigate the business cycle and its impact on the economy ✨ ✨

**NSW – typically years 9/10**

## Year 10

### Economic performance and living standards

Indicators of economic performance (e.g. economic growth rates, unemployment trends, inflation rates, human development index, quality of life index, sustainability indexes) and how Australia's economy is performing

The links between economic performance and living standards, the variations that exist within and between economies and the possible causes (e.g. foreign investment, employment rates and levels of debt)

The distribution of income and wealth in the economy and the ways in which governments can redistribute income (e.g. through taxation, social welfare payments)

**WA – Year 10**





# *And* what makes an effective teaching resource?

- There is no accepted metric for a quality classroom resource
- Based on research to date, we could focus on:
  - Aligns to standards
  - Comprehensive
  - Engaging and accessible
  - Credibility of source
  - Teacher involvement

(Grattan 2022; Bulger et al 2017; Chingos and Whitehurst 2012; [AERO 2021](#))



# Our solution: marrying our work to concepts, not curriculum points

## Curriculum-based

- Lack of consistency
- Subject to change
- Where is the Bank's strength in developing resources?



# Our solution: marrying our work to concepts, not curriculum points

## Curriculum-based

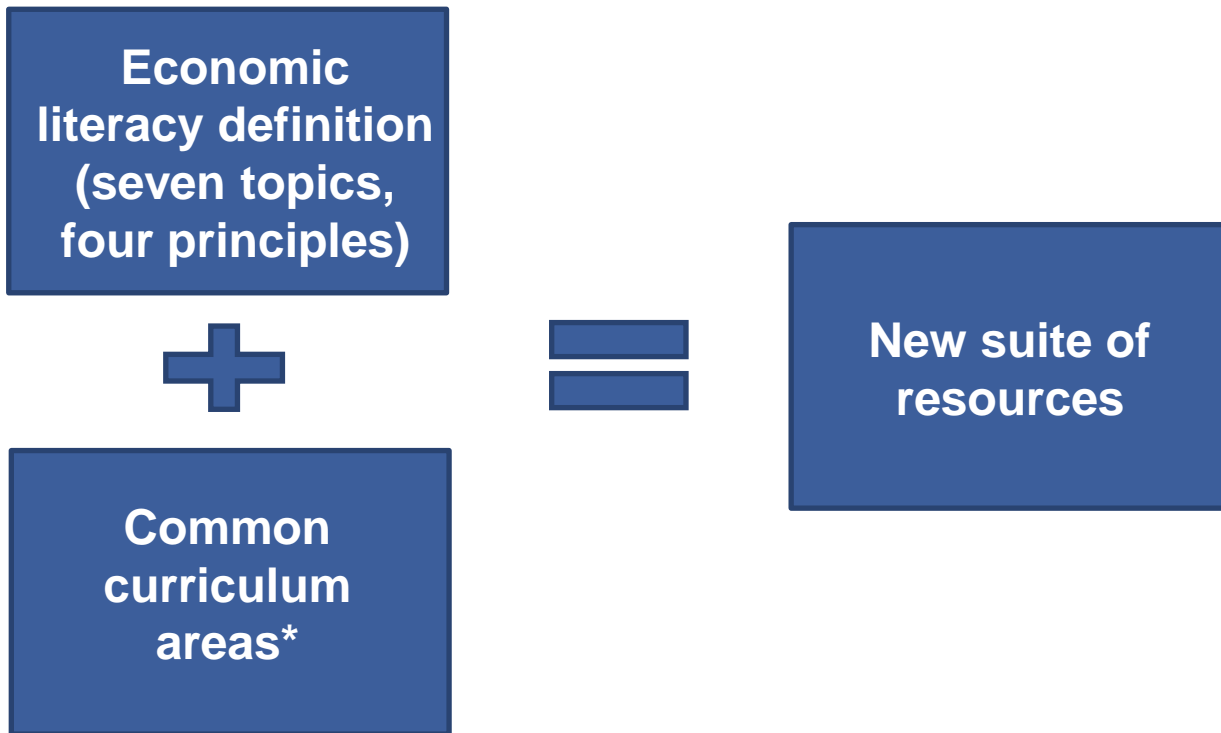
- Lack of consistency
- Subject to change
- Where is the Bank's strength in developing resources?

## Threshold concepts

- Developing resources focused on core or "threshold" economic concepts that arose in syllabi nationwide (Years 7-12)



# What should the threshold concepts be?



\*as identified by the Bank



# Structure of the resources

- Teacher guide:
  - Teacher overview: Story of the section
  - Sparking thinking
  - The underlying economics
  - Applying the economics
- Lesson slides
- Worksheets
- Updated curricula links (state-specific)



# Example resources



## The Economic Problem

This guide is focused on a core principle of economics: the economic problem.

The economic problem is about the challenge of trying to satisfy unlimited wants with limited resources.

### Teacher Overview

- Resources are the things that allow us to produce goods and services. Resources are also known as the factors of production, though in this guide we will use the term 'resources'. The key resources in economics are land, labour, capital and enterprise. These are covered in more detail in the [Resources teacher guide](#).
- So we have unlimited wants and a limited amount of resources to meet these. This is known as a situation of scarcity, where scarcity relates to 'scarce resources'. As a result, society cannot have it all; instead, individuals, businesses and governments face scarcity and have to make choices. How do we make these choices? Economists use cost-benefit analysis.
- Costs are the downsides of a particular choice. This could include the loss of time, money, and access to goods and services.
- Benefits are the positives of a particular choice. This could be access to a higher salary or a cheaper product, or gaining time.

We evaluate the total costs and benefits of choices and generally take action where benefits exceed costs. What we consider a 'cost' or 'benefit' is subjective and can differ across individuals and societies.

Incentives can play a role in influencing how individuals, companies or governments act; they can encourage or discourage people from pursuing different courses of action. For example, a government may be keen for people to do more of certain things and avoid others. This relates to the role of economic incentives, which are the additional rewards or penalties (whether financial or otherwise) people receive from engaging in more or less of a particular activity.





# Example resources

## Sparking thinking

### Consider these two scenarios.

1. You're waiting in line at the school canteen, looking forward to ordering your favourite item. But when you get to the front of the line...they have sold out of the dish.
2. The Australian Government wants to provide everyone in the country with a new t-shirt every day, to save the population having to do so much laundry. Essentially it is promising 'unlimited' t-shirts. Keep in mind that Australia's population is approximately 26 million people.

Scenario	Question for Student	Potential Responses
Canteen example	Why have they sold out?	More people have ordered the dish than the canteen has ingredients for or time/space to make.  The canteen would like to make more food. It would like to serve more students and earn more revenue. But the canteen cannot meet this demand with its limited resources – the dish's ingredients, as well as the time and space needed to cook it.
T-shirt example	What obstacles could the government face in trying to achieve its goals?	Delivering this objective would mean the government needs to make around 25 million t-shirts each day – over 9 billion t-shirts each year.

## The underlying economics: Resources and scarcity

Let's start with the concept of resources. Resources are the things that go into making goods and services. They are 'inputs' to production.

In economics, we have four categories of resources: land, labour, capital and enterprise. Let's look at some examples of these and how we might use them in producing our t-shirts or dishes in the canteen .



# Conclusion

- The RBA is committed to understanding more about economic literacy, and helping raise economic literacy in Australia
- Our new teacher resources are an important step in supporting economic literacy with direct links to curricula around Australia