

Andreas Dombret: Have we got a (lesson) plan? Economic education in Germany

Speech by Dr Andreas Dombret, Member of the Executive Board of the Deutsche Bundesbank, at the University of Münster, Münster, 3 November 2017.

* * *

Professor Wessels,

Professor Theurl,

Ladies and gentlemen,

Münster folk like ourselves have always got something up our sleeves. My party trick for you today is that I won't be talking about banks, nor about monetary policy. No, my surprise is that I will be sharing my thoughts on economic education in Germany – and of all the places to do that, I have chosen the University of Münster, where I dare say this topic won't be causing any sleepless nights.

But looking further afield, what's the state of play for economic education in Germany as a whole? That's a topic I think about a lot. And a divisive one, for that matter. You might remember this tweet by a 17-year-old schoolgirl around three years ago: "I'm getting on for 18 and clueless about taxes, rent or insurance. But I can analyse a poem. In four languages."¹

That post was retweeted tens of thousands of times in less than no time, and in the weeks that followed, it sparked extensive debate in newspapers, on television and in political circles. Some felt it vindicated their view that the education system is setting the wrong priorities, while others cautioned against asking too much of schools. My takeaway is that to all intents and purposes, this debate has been stuck in a rut for decades.

Three questions spring to mind in this regard:

- ♦ First, what's the state of play for economic education in Germany?
- ♦ Second, do we have a problem?
- ♦ Third, what does economic education need to look like today?

Before I continue, let me remind you that I am speaking here today as the member of the Bundesbank's Executive Board who is responsible for the Bank's economic education activities.

1. State of play

So what's the state of play right now? The calls for a better quality of economic education, and more of it, are nothing new. As far back as the 1970s, education policy makers and parents' associations were pointing their fingers at the deficits they saw. The German society for economic education, the Gesellschaft für ökonomische Bildung, for instance, was established in the summer of 1978 – by proponents of economic education from higher education and teacher training institutions. And the Standing Conference of the Ministers of Education and Cultural Affairs from Germany's federal states, the Kultusministerkonferenz, is on record as describing economic education as an indispensable component of general knowledge.

The reality of our education system, though, is quite different: education in Germany is a matter for the federal states, of course, which is why the curricula differ widely from one state to the next. Secondary schools teach economics-related topics inconsistently and in different subjects.

Those topics also crop up in mixed subjects, as they are known, like social sciences or politics and the economy. And they often have to make do without a fixed number of lessons. Dedicated economics courses can be offered in upper secondary school levels, but schools are under no obligation to do so.²

All in all, then, the offering is meagre. An opinion poll by the bank ING-DiBa, the results of which were published last week, revealed that not even 20 % of the current round of school leavers had received school tuition in financial matters. Four years ago, that figure was at least a little better, at more than 30 %.³

But should it be the job of schools in the first place to teach economics, finance and other economic education topics? It would be wrong to make schools responsible for everything, some would argue. That view isn't entirely off the mark – after all, the scarcity principle applies to the running of a school as well, so it's not possible to offer every subject.

But there are also some ideological misgivings, I'm sad to say. Some fear that the “neoliberal doctrine”, as some call it, might make inroads into school curricula. And a general aversion to economic matters might also have a bearing, to a degree. You don't talk about money, or so we've been told – and certainly not with young people, apparently. There's still no sign of that trend reversing, even after the global financial crisis.

Lastly, opinions differ over which particular economic topics should be taught. These three factors – scarce resources, a sense of being at risk and uncertainty – often play a part in eroding the enthusiasm for economic education reform before the ink has even dried on declarations of intent.

2. Have we got a problem?

But why should we even change the economic education situation in Germany? Have we got a problem?

Essentially, there are two types of economic education. The first revolves around the individual – internationally, it is known as financial literacy: empowering people to take responsibility for their own financial situation. This strand of economic education is directed at the customers of credit institutions – that is, at borrowers and investors, if you like.

The second type of economic education aims to help people understand the economy as a whole, and the target audience here is the general public.

A deficient understanding of financial relationships can very easily plunge an individual into misfortune. When several Italian banks were wound up a couple of months ago, it meant that quite a number of retail investors lost some of their pension pot, because they had invested in bonds issued by those banks without understanding the inherent risks or being properly made aware of them by the issuers. As it turned out, these individual investors got off lightly because selling these instruments to retail investors was standard practice throughout Italy, which was why the Italian government quickly came to the rescue and paid out compensation.

There are indeed gaping holes in the public's general knowledge, including in day-to-day financial matters.⁴ The opinion poll I mentioned earlier reveals that Germans feel less financially educated than citizens from most other European countries.⁵

Former Bayern Munich and Germany goalkeeper Oliver Kahn once neatly summed up this deficient practical knowledge among his then team-mates when he said: “When no-one is talking about stocks and shares, just like none of us are doing right now because we are each nursing painful losses, then that's the right time to buy. But if everyone's chattering and saying, ‘Just take a look at what I've earned,’ then you might want to think about selling. It's what I jokingly call the

‘team indicator’, and it’s a fantastic counter-indicator.”⁶

But we don’t necessarily need to look at Germany to see this phenomenon in action. The G20, under German presidency this year, has reiterated its commitment to boosting financial literacy levels worldwide.

But what is more crucial still, in my eyes, is an ability to grasp the economy and financial system as a whole. Economic education and participatory democracy are two sides of the same coin. Given the huge bearing which the economy has on our lives, economic education is an exceedingly important means of putting an electorate in a position to make well-founded decisions.

If voters do not fully understand the economy, the potential repercussions can be well and truly devastating. Without a firm grasp of how the economy works, a situation can easily arise where people are led astray by seemingly straightforward, but ultimately misguided answers. Just take the current hotly debated topic of protectionism which many, it would appear, consider to be the ideal solution for a wide array of problems in the economy.

3. What does economic education need to look like today?

There are a great many reasons, then, why we should boost economic education. But if we’re looking to alleviate today’s deficits, simply making a general commitment to economic education will not suffice. No, what we need instead is a clear goal and a viable path to lead us there.

Needless to say, I haven’t got a made-to-measure economics curriculum up my sleeve – though I’m sure that really would have taken you by surprise – so a couple of general considerations will have to suffice for now.

Let’s kick off with school. I firmly believe that economics should be a separate school subject – it shouldn’t just make a brief appearance in other school lessons. Incidentally, the criticism levelled at this idea of making economics a standalone school subject is less about the pros and cons of a separate subject and more about the concerns I mentioned earlier that teaching economics at school might sway the social consensus in one particular direction. I will address these concerns in greater detail later in my speech today.

Generally speaking, we won’t succeed in carrying this debate forward if we don’t take problems and criticism seriously. For instance, we shouldn’t overburden the curriculum – the “dosage”, as it were, needs to be manageable, just like in any other school subject. There are plenty basic principles and abilities which can be taught to school pupils – principles such as the scarcity of goods and the economic choices it forces agents to make, or the ability to comprehend economic processes. The trade-off between risk and return is something else which shouldn’t only be familiar to investment bankers or professional traders – the retail investors of the future, especially, also need to get a basic feel for it. I also think that economics should be a fun subject – it needs to centre around real-life, everyday situations, not just complex economic models.

Like in any other school subject, it’s good to know how knowledge can be put to practical use in real life: how contraception works is part of biology lessons, and how to write a job application is taught in German. But there’s no need to go as far as making the school subject of economics nothing more than a “self-help” course.

And what about the claim I mentioned earlier that economics lessons might be misused as an ideological vehicle? It is beyond doubt that there are different strands of thinking in economics, just as there are in any other field of knowledge. And one of the key takeaways from the recent financial crisis, in my view, is that we shouldn’t become enamoured with any one single model or line of thinking. Because it might be wrong. What’s important is to be aware that there is more

than one line of thinking and more than one model out there. And that's something which could be readily taught in a school subject like economics.

This year's winner of the Nobel Memorial Prize in Economic Sciences, Richard Thaler, has also remarked that the branch of behavioural economics he has played a large part in bringing to the mainstream makes no claim to absolute validity, saying: "All economics will be as behavioural as the topic requires."⁷

As far as school education is concerned, this means that on no account should economic ignorance be replaced by an unthinking one-dimensional perspective. Dogmas can and indeed should themselves become part of the curriculum – not just at schools but at universities, too.

Yet while appreciating that economic education warrants a higher status in schools, we should not forget one thing. Economics is a highly complex topic – as I'm sure you will agree. Just as biology lessons do not produce fully trained biologists or maths classes mathematicians, so, too, will economics lessons not serve up economists. School-level education is no substitute for the study of economics. But what it certainly can do is prepare students for it. And what is perhaps even more important is that it can arouse interest – interest in the workings of the economy and what it means for every one of us.

To achieve all this, advanced-level school courses in economics need to be geared more to university studies. By that I mean, first, that in courses dealing with economic topics, the material needs to be handled to an adequate extent from the economic angle. After all, learning a subject essentially means approaching a given problem methodically. Second, courses with a similar content should be offered in schools throughout Germany's federal states. Because school pupils who are about to enter university should not have completed levels of class content which differ fundamentally from one federal state to the next. And it goes without saying that the same applies to teacher training. No one would want to learn Spanish from a teacher who obtained all of his or her knowledge on the subject in two afternoon training sessions. The bar therefore needs to be raised when it comes to training economics teachers, too.

4. Examples that are catching on

Of course, fostering an appreciation of economic education does not stop at the school gates. Extracurricular initiatives are also needed. For example, the German young researchers contest (Bundeswettbewerb "Jugend Forscht") awards prizes to talented youngsters in the natural sciences and in the working world. Why not in the field of economics as well? Allow me to make a specific suggestion today, namely to introduce a nationwide contest for young people researching economic and financial topics.

Indeed, there also needs to be input from beyond the confines of the school system, be it in terms of talent promotion or "economic education for all". Because whether we like it or not, the lack of economic education is making itself felt in all spheres of society.

The Bundesbank takes the matter of economic education extremely seriously. After all, monetary policy can only be successfully communicated if the general public have a basic grasp of terms such as inflation or interest. Here in North Rhine-Westphalia alone, the Bundesbank last year ran almost 300 economic education events which attracted around 7,500 participants. Throughout Germany, in 2016 we held some 1,600 events, with over 53,000 people taking part.⁸

To reach out to young people in particular, the Bundesbank offers a wide array of educational materials that are designed for use in a school classroom setting.

These materials range from offerings for kindergartens and primary schools – for instance, play and counting money or the "Kinderfunkkolleg", a money-themed course of audio lectures for children, which we developed in cooperation with the Frankfurt-based TV and radio

broadcaster Hessischer Rundfunk.

Another educational resource the Bundesbank provides is “Geld und Geldpolitik” (Money and monetary policy), a book aimed at the upper secondary school level.⁹ And I am especially excited about our school textbook “Geld Verstehen” (Understanding money), due to be published next spring. This book is aimed at lower secondary school pupils and will be supplemented by a “teacher’s guide” with suggestions on how teachers can plan their lessons. This, we hope, will address the problem I mentioned earlier, namely that economics is often taught by teachers who have not studied the subject and are therefore grateful for support in their preparations. In addition, we have developed a media package for lower and upper secondary school levels in cooperation with the Medieninstitut der Länder (the federal states’ media institute).¹⁰

We at the Bundesbank are especially proud of our new Money Museum in Frankfurt, which was reopened last December after a complete overhaul. The result is a unique venue that makes learning an experience and where visitors of all ages can discover a great deal about money and monetary policy in an informal and entertaining manner. The museum complex includes rooms for seminars and workshops where we offer school classes in particular talks on selected topics. We expect the total number of visitors this year to be in the region of 50,000.¹¹

Fortunately, the Bundesbank is not the only institution that is committed to making a contribution to economic education. The German savings banks’ “Sparkassen-SchulService”¹² and the “Schul|Bank” portal of the Association of German Banks,¹³ to name but two, likewise offer a wide range of teaching resources, competitions for school pupils and other forms of support.

Similar flagship projects are to be found in the media sector. These include, for example, the offerings of two German newspapers, “Handelsblatt macht Schule”¹⁴ and the “F.A.Z. Schulportal”.¹⁵ It is gratifying to note that at the interface to economics studies, too, a number of points of contact are available for both inquisitive school pupils and first-year students. I am thinking here, for instance, of the initiative launched by the Verein für Socialpolitik (German Economic Association), which enables keen youngsters to take part in economics conferences and organises workshops for this specific target group.¹⁶ These initiatives and many others like them help make up a rich array of educational opportunities. Allow me to expressly acknowledge this work at this juncture.

However, many of the extracurricular learning opportunities depend on schools asking for them. Thus, schools are and will remain at the heart of education activities. That is why I would urge schools in Germany to anchor economic education much more firmly in the curriculum than is the case at present.

5. Conclusion

Ladies and gentlemen,

Critics’ voices want to be heard, and so they should be. However, I believe that many of the points they raise can be remedied. In the debate about economic education we dare not succumb to ideological trench warfare. It is my belief that by adopting an excessively defensive attitude, we do more harm than good with regard to what we are actually seeking to achieve – namely a broad level of general knowledge as befits a free society.

One solution would be to focus on giving economic education the status it deserves by making it a subject in its own right. The key components worthy of particular attention, in my opinion, would then be:

- ♦ teaching fundamental concepts such as the shortage of goods, capital and labour,
- ♦ bringing the subject closer to everyday life, although this should not be misunderstood as

- relegating the subject to “self-help” advice on coping with day-to-day problems,
- ♦ as well as a critical engagement with economic dogmas and economic history.

Extracurricular initiatives also need to be stepped up. Specifically, I would propose creating a young researchers competition for economic and financial topics, too.

At the end of the day, whether or not every one of you agrees with every point I have made is of secondary importance. But it would be downright wrong to simply agree that economic education is important and leave it at that. For if we did that, countless pupils in Germany would see their economic skillset continue to fall short of their potential – and in saying this, I don't only mean with regard to their understanding of taxes, insurance and rent but also the knowledge they need as citizens.

No one ought to be intimidated by questions concerning financial provisioning or globalisation. On the contrary, everyone should be given the means to seek answers. Whether or not people can then communicate these answers in four different languages strikes me as being a luxury problem.

Thank you for your attention.

-
- ¹ Naina Kümmer (nainablaba), tweeted on 10 January 2015 at 3:49 a.m.
 - ² Report by the Standing Conference of the Ministers of Education and Cultural Affairs dated 19 October 2001 in the version dated 27 June 2008.
 - ³ See ING-DiBa online opinion poll, run by Ipsos in August 2017, persons surveyed: financial decision makers aged 18 and over. International N = 12,708, Germany N = 1,010. Cited inter alia in the *Börsen-Zeitung* on 26 October 2017: “Deutsche sehnen sich nach Finanzbildung”.
 - ⁴ See Wobker, I., P. Kenning, M. Lehmann-Waffenschmidt & G. Gigerenzer (2014). What do consumers know about the economy? *Journal für Verbraucherschutz und Lebensmittelsicherheit*, 9(3), pp. 231–242.
 - ⁵ See ING-DiBa online opinion poll, run by Ipsos in August 2017, persons surveyed: financial decision makers aged 18 and over. International N = 12,708, Germany N = 1,010. Cited inter alia in the *Börsen-Zeitung* on 26 October 2017: “Deutsche sehnen sich nach Finanzbildung”.
 - ⁶ See *Die Welt* dated 16 January 2001, interview with Oliver Kahn, “Joschka Fischer sollte ein Beispiel sein”.
 - ⁷ See *New York Times* of 9 October 2017, interview with Richard Thaler, “Nobel in Economics Is Awarded to Richard Thaler”, available online (31 October 2017) at: www.nytimes.com/2017/10/09/business/nobel-economics-richard-thaler.html.
 - ⁸ See Deutsche Bundesbank, “Sharing central bank knowledge” – the Deutsche Bundesbank's economic education activities, Annual Report 2016, pp. 33–42. Digital version available online (31 October 2017) at: www.bundesbank.de/Redaktion/EN/Downloads/Publications/Annual_Report/2016_annual_report.pdf?blob=publicationFile#page=33.
 - ⁹ The result is a unique venue that makes learning an experience and where young and old can discover a great deal about money and monetary policy in a relaxed and entertaining manner. Digital version available online (31 October 2017, German only) at: www.bundesbank.de/Navigation/DE/Service/Schule_und_Bildung/Geld_und_Geldpolitik/geld_und_geldpolitik.
 - ¹⁰ See Deutsche Bundesbank und FWU-Medieninstitut der Länder, media package “Preisstabilität”. Information available online (German only) at: www.bundesbank.de/Redaktion/DE/Standardartikel/Service/Schule_und_Bildung/neues_medienpaket.html.
 - ¹¹ See the Money Museum of the Deutsche Bundesbank online at: www.bundesbank.de/Navigation/EN/Bundesbank/Money_museum/money_museum.html.
 - ¹² See “Sparkassen-SchulService” online (German only) at: www.sparkassen-schulservice.de/

¹³ See “Schul|Bank” online (German only) at: schulbank.bankenverband.de/

¹⁴ See “Handelsblatt macht Schule” online (German only) at: www.handelsblattmachtschule.de/home.html

¹⁵ See “F.A.Z. Schulportal” online (German only) at: www.fazschule.net/

¹⁶ See “Faszination Wirtschaftswissenschaften für SchülerInnen/Studieninteressierte/StudienanfängerInnen”, Initiative of the Verein für Socialpolitik online (German only) at: fs2017.univie.ac.at/faszination-wirtschaftswissenschaften/