



4 Economic Vs Financial Literacy

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Who We Are:

- Social Planning Network of Ontario (SPNO) Host of the Knowledge Network for Student Well-Being (KNSWB) Equity and Inclusion Community of Practice with a focus on Low-Income Students and Families.

Objectives

- To bring knowledge and awareness on the inequitable and exclusionary experiences of students from low income families to educators at the local level in our communities (teachers, principals, superintendents, trustees).
- To build a base of awareness and commitment among educators, parents and students in our communities that could advocate for systemic change in the education system to end/reduce inequitable and exclusionary treatment for low income students and families.
- To interrupt biases, assumptions and commonly held misconceptions of low-income students and parents which serve to undermine student achievement, well-being and meaningful parent engagement.

What is Financial Literacy?

Financial literacy education is the teaching of money management skills, knowledge and dispositions.

What is the promise of financial literacy education?

Financial literacy education promises a number of benefits:

- Assist individuals understand a growing proliferation of complex financial choices and products.
- Improve the economic insecurity of disadvantaged groups and reduce poverty.
- Reduce economic inequality.
- Reduce or restrain government spending on social services (e.g. unemployment insurance and welfare) through improving individuals' financial autonomy and self-sufficiency.
- Nation states will grow in wealth and prosperity, and there will be fewer economic crises (the accumulation of capital will be a much 'smoother' process).

The State of Financial Literacy Today

Financial literacy education has grown in popularity since the 1990s with public and private initiatives expanding around the globe. Since 2012, financial literacy has been included alongside reading, math and science in the Organization for Economic Cooperation and Development's (OECD) influential Programme for International Student Assessment (PISA).

In Ontario, the Education Ministry promotes the integration of financial literacy in all subject areas from grades 4 to 12 through its financial literacy 'scope and sequence' documents created in 2016.

The Ontario government is also planning to include a mandatory financial literacy component in a revamped grade 10 civics course.

What is Economic Literacy

Economic Literacy provides a way to look at whether, as citizens, we have the tools and understanding necessary to form an informed, critical view on economic options open to us in our democracy. (Norrish, 2017)

The Problem with Financial Literacy?

A core problem with the discourse supporting an expansion of financial literacy education is that it presents financial problems such as rising inequality and growing precarity as individual problems solved by better financial consumer or investor behaviour. This is not only an ineffective response, it is harmful. It reduces education to the transference of skills, knowledge and dispositions assumed needed to succeed in the global market as constructed; it positions individuals as consumers and investors rather than citizens; and it blames those individuals and groups living in financial precarity for their financial instability/poverty.

Little Evidence that financial literacy education improves consumer's knowledge/ behaviour

- ◆ In her review of the literature, Lauren Willis (2008) found little evidence that financial literacy improves financial knowledge. She pointed out that many financial products are too complex and the financial landscape is changing so quickly it is not feasible to expect even knowledgeable consumers and investors to make optimal choices.
- ◆ That financial literacy is popular despite a lack of empirical (and at times logical) support is unsurprising to Laura Pinto (2013), who writes that narratives and metaphors mobilized by special-interest coalitions largely shape support for and the construction of financial literacy

Financial literacy education is not a solution to poverty.

- ◆ The promise of financial literacy and other related education initiatives from coding to STEM and entrepreneurship is that we can return to the post-world war II dream of a rising middle-class *sans* its hyper exploitation of marginalized groups at home and abroad.
- ◆ However, without countervailing forces in civil society and the state -- e.g. robust, popular social democratic ideals and organizations -- capitalist economies empirically tend towards greater inequality (Picketty, 2014).
- ◆ 'Human capital' solutions (like financial literacy education) have failed to halt increasing economic precarity and insecurity and will continue to fail, in whatever form they appear (Harris, 2017; Arthur, 2019).

People in Poverty only have Poor Financial Choices Available to them

- ◆ The problem is not individuals' lack of financial knowledge or the way in which the options individuals can choose from appear. **The problem is that too many have only 'bad' financial choices available to them.**
- ◆ Growing numbers of students have little option but to take on debt to attend post-secondary education; too many workers have little option but to take on precarious, low-waged work that offers few benefits; and too many families have trouble making ends meet given rising housing and childcare costs (Arthur, 2018).

Financial literacy education is not only ineffective, it is harmful

- ◆ FL is only one iteration of a host of educational initiatives (e.g. 'Grit', 'STEM', Entrepreneurship', 'Resiliency', etc.) which are informed by an overriding meritocratic message that blame individuals for structural poverty, inequality and precarity. It promotes the idea that ignorance and bad habits, are the ultimate determinants of an individual's financial situation. **This message, reiterated over and over, masks the actual, structural causes for generational increases in insecurity and poverty in the developed world.**
- ◆ The larger meritocratic discourse (which FLE contributes to) has fueled generational increases in '**socially prescribed perfectionism**' (the belief you have that others think you are not good enough) which is correlated with increases in anxiety, feeling that one has little control over one's life, suicide ideation and social disconnection (Curran & Jill, 2017). Meritocratic discourse has also been shown to increase marginalized individuals' risky and problematic behavior and lower their self-esteem - a likely result of the internalization of negative, popular stereotypes that 'explain' marginalized groups challenges in a supposed 'fair', meritocratic society where everyone has the means to achieve the 'Canadian' or 'American Dream' (Godfrey, Santos, & Burson, 2019).

What is the solution?

- ◆ "The historically anomalous middle class in the West was not created because the post World War II generation was thrifty and prudent in their investments or because growth lifts all boats. Rather it was a strong union movement, robust social democratic parties, massive public investment, limited global competition and hyper-exploitation of those gendered and racialized groups not privy to the labour-capital compromise that enabled an increasing number of workers, primarily white males, to enjoy relative financial security" (Arthur, 2014 pg. 41).
- ◆ **We need radical experimentation in initiatives to more equitably distribute work and resources but also 'democratize our economy'**. This includes: expanding universal public education/healthcare; nationalizing banks and directing investment more democratically; embedding environmentally sustainable development into all economic practices; providing a universal guaranteed income, shorter work weeks; more equitable leisure time practices. (Wright, 2010)

Economic literacy and political illiteracy

- ◆ Far more concerning than financial literacy is the widespread political illiteracy that exists amongst citizens and the impoverished debates we see in the media and government,
- ◆ Ontario is set to exacerbate this illiteracy by using the grade 10 civics course to teach financial literacy and entrepreneurship rather than the civic skills and knowledge needed to address the significant environmental, economic, political and social problems we face today. Instead of FL we need to teach **critical political economic literacy** to empower individuals and support them to become critical citizens who can take up responsibility to alter structural economic and political conditions which create economic insecurity, environmental catastrophe and inequity.
- ◆ In contrast to financially-literate consumers who cannot think beyond the present consumer choices, politically and economically literate citizens understand: the political nature of financial problems; the benefits, drawbacks and challenges of differing economic systems; and can work with others to imagine, construct and experiment with economic and democratic practices which support more equitable distribution of our collective resources and improved civic engagement.

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