

Getting a Good Economics Education

Our Economy: How It Works, by Elmer U. Clawson. Menlo Park, California: Addison-Wesley, 1980. 336 pp.

IN 1975 the Gallup Poll, commissioned by Harding College, ran a national survey of college students on their perceptions of 11 different professions, including that of business executive. Only 19 per cent of the sample gave businessmen a "high" or "very high" rating. By way of contrast, college instructors scored a rating of 69 per cent on the same scale.

The question emerges, then, to what extent has the college campus been conditioned by attitudes formed prior to attending college—and most especially the prerequisite high school education relating to economics? Enough to say that as of, say, a decade ago economics was but an elective course in most of the nation's high schools, and an infrequently chosen one at that. But as of 1978, in a growing trend, some two dozen states have now mandated at least a one-term course in economics for every high school student. The state of Tennessee, not untypically, says in its statutes that the required course in economics should be on "the essentials of free enterprise."

So it is good to report that Dr. Clawson, Director of the Center for the Development of Economics Education at the University of the Pacific, has produced a workmanlike and very teachable text for secondary school students. It is a handsome book, up-to-date,

illustrated, with suggested student activities and a glossary. The book project reflects the input of literally scores of high school social studies teachers and the support of the Foundation for Teaching Economics in San Francisco. It includes a teacher's guide, which opens with the following statement:

Our Economy: How It Works was developed and field tested in junior and senior high school classes. Students in this age group are already active participants in our economic system. Virtually all students are consumers, while others are becoming wage earners for the first time. Many students have savings accounts and others own stocks and bonds. Students at this level are also looking to the future and beginning to formulate and refine career plans. By building on the student's personal experiences and broadening exposure to the "working world," it is possible to take advantage of the opportunity to help students develop a deepening understanding of our economic system.

Our country is committed to an economic system that places the major emphasis on individual decision making. In making decisions students

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weigh the costs and benefits of the alternatives they are able to identify. The choices that students make will have a major impact on the quality of their lives. But it does not stop there—their decisions influence the system, and in turn they are influenced by the system. If decisions are based on understanding and logical reasoning, students may be able to manage their own affairs wisely. Further, these decision-making skills can be applied to solving the economic challenges we face as a society.

Mr. Clawson breaks down his material into eight chapters—"Understanding Our Economic System," "From Canvas to Cutoffs: The Jeans Story," "From Wheat to Bread," "The Story of Paper," "Energy for Economic Growth: the Story of Petroleum," "Money and Banking," "The Role of Government in the Economy," and "Our Economic System and Your Part in It." Each chapter has a summary paragraph or two, explaining in summary fashion just what had been covered.

Mr. Clawson stresses free enterprise throughout the book, winding it up by reminding the student that his choices include those covering a career, whether to start his own business, how to use his income, how to invest his savings, and how to own and use property.

He explains that his use of the stories of jeans, bread, paper, and gasoline is due to their importance in the life of the typical high school student and their illustrative value in explaining the application of economic principles, including the principle of scarcity. (As Mr. Clawson well notes: "One of the basic economic realities is that there just is not much of everything as everybody wants.")

Again, he wisely says that every society, whether it is a small tribe or a large industrial nation, must answer three basic economic questions:

1. What goods and what quantity of each should be produced?
2. How should goods be produced?

3. Who is to receive the goods and services that are produced?

These questions, in turn, play up underlying economic principles—the no-free-lunch fact that none of the requisite factors of production—land, labor, capital, and entrepreneurship—is free; the principle of specialization or division of labor, enabling far greater productivity in the production of wealth; the fact that saving and savings play vital roles in the creation of invested capital, which, in turn, greatly strengthens productivity; the principle of supply and demand in price determination, and so on.

Yet while the Clawson textbook goes far in advancing economic understanding for high school students, one wonders if it goes far enough. Some of the great economists—Adam Smith, Karl Marx, John Maynard Keynes, and Milton Friedman—might merit discussion. In his discussion of the U.S. individual income tax, Mr. Clawson does not mention that it is a progressive tax (with most of the middle class now reaching the 25 per cent or higher brackets). Similarly, in his chapter on money and banking, Mr. Clawson does a good job of explaining how money and credit are created and how, when money and credit are created excessively (vis-a-vis production), the result is inflation. But at no time does Mr. Clawson explain the historical role of the gold standard—that, for example, inflation was either non-existent or minimal throughout the Western world during the hey-day of the gold standard up to the outbreak of the First World War. And while Mr. Clawson gives prominence to the role the consumer plays in determining the answers to those three basic economic questions, the consumer as sovereign of the marketplace could be stated more emphatically.

These suggestions for future editions should not be construed as in any way disqualifying consideration of the Clawson book for adoption. Again, it is a superior book, which can play a constructive role in understanding our business system.