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What Should We Teach Our Children About Money?

Matthew Leitch, Visiting Lecturer, Southampton Business School

Tuesday, 04 July 2023



A Word From Today's Chairman

Mike Wardle
CEO & Head of Indices
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Today's Agenda




- 10:00 – 10:05 Chairman's Introduction
- 10:05 – 10:25 Keynote Presentation – Matthew Leitch
- 10:25 – 10:45 Question & Answer



Today's Speaker

Matthew Leitch
Visiting Lecturer
Southampton Business School





**What should we teach
our children
about money?**

Matthew Leitch

For FS Club 2023

Agenda

- Overview of conclusions
- Teaching about money in UK schools today
- Opportunities for improvement
- Truth & controversy
- A curriculum



Overview

- Relevant to schools, parents, and students (who could teach themselves).
- Opportunity to expand scope:
 - Not just for the student's benefit; if people know how to participate in an economy it should work better.
 - Also, there is an opportunity to protect people from manipulative rhetoric using basic factual knowledge.
- Recurring theme of long-term, cooperative economic relationships involving money.
- This talk introduces a longer, more detailed document (freely available after this webinar in PDF and EPUB2 formats).

Teaching today

- Growing interest in 'Financial education' in many countries.
- National Curriculum change (2014); little impact
- Renewed efforts by schools, charities, and campaigners in the last few years:
 - PSHE guidance
 - Guidance
 - A textbook
- Focus is on personal finance from a selfish point of view; opportunities to think bigger.

Opportunities for improvement

- Go beyond personal finance and small financial decisions; include some simple economics.
- Three major areas:
 - Personal decisions and positive contributions to society and our economy.
 - Vulnerability to political agitation and willingness to behave in ways that weaken our economy.
 - Vulnerability to fraud.

Personal decisions and positive contributions

- The existing approach focuses on the self-interest of the student.
- Does not mention:
 - the role of money in **facilitating cooperation**.
 - the idea that **doing useful things for others** is the key to getting a job, a career, and having enough money to enjoy life.
- National Curriculum and PSHE guidance is usually keen to tell students how to be good citizens but when the topic is money that stops!

A snippet from the suggested curriculum:

- “Why money is useful:
 - We are a naturally cooperative species and thrive on it.
 - We specialize and exchange.
 - Money builds on the reciprocity instinct (i.e. cooperation).
 - It is an accounting method for favours done for people.
 - It makes reciprocity more exact.
 - It enables reciprocity to work better between people who are not close friends, when a direct swap is not possible, and in n-way trades spread over time.”

Another snippet:

- “How to manage your money through life:
 - Seek work (paid or unpaid) that helps others. Do your fair share of the work needed for our lives.
 - Don't waste money or real resources such as time, water, energy, food; even small daily savings of money and real resources accumulate over a lifetime.
 - Try to build a financial reserve early for a smoother life. Save for retirement if you can.”

Vulnerability to political agitation

- Survey evidence from the UK: Clemens and Globberman, 2023.
- Compared to older respondents, young people more often agreed that economic systems are 'ideal'. This applies to 'Capitalism', 'Socialism', 'Communism', and 'Fascism'.
- (These aren't specific economic systems, and the UK does not use any of them. Ours is a 'social market economy'.)
- This probably reflects lesser knowledge.

Dysfunctional behaviours

- Vulnerability to left-wing rhetoric may lead to resentment, poor personal decisions due to poor understanding of how our economy works, and even aggressive/disruptive 'protests'.
- Vulnerability to right-wing rhetoric may lead to harsh economic behaviours (e.g. sharp practices) and a selfish attitude that also leads to poor personal decisions.



Countering the rhetoric

- Use facts that explain the extent to which most relationships using money focus on ongoing cooperation, not harsh competition.
- Both left-wing and right-wing rhetoric tends to underestimate the importance of ongoing cooperation and overstate the extent of harsh competition.



Another snippet:

- “Why it is morally fine to get paid (debunks attempts to smear people for getting paid to do something):
 - Being employed for money involves a mutual agreement to cooperate.
 - Being paid for doing something lets you do more of it.
 - Having more money means you have more influence and can use that for good.”

Vulnerability to fraud

- This is an area where existing teaching is quite good.
- But two simple points are missing:
 - If it seems too good to be true it probably is. (The role of greed in fraud schemes is not well explained.)
 - Crypto-tokens are a key area for young people today but do not get adequate attention.



Truth and controversy

- Money and economics have been intensively politicized for many decades. Most people hardly know what a neutral, objective discussion of money and our economy sounds like.
- Teaching in this area **MUST**:
 - be factually true and not misleading;
 - avoid negative bias; and
 - avoid loaded language.

Example: factual

- Explain what banks and insurance companies do and why they are valued (and so people are willing to pay for these services).
- How this contributes to society as a whole.
- Counters the angry rhetoric that financial services are nothing but exploitation of the workers or state tyranny operated through City elites.



Example: factual

- Explain what happens to money flowing through a big company and quantify the split of revenue between different stakeholder groups.
- Counters the rhetoric that presents shareholders as getting a massive cut relative to employees, which is rarely true. Shareholders get the 'leftovers' – not even that because they usually only get part of the 'leftovers'.

Example: neutral language

- Only one of these terms is neutral:
 - Disadvantaged
 - Deprived
 - Under-privileged
 - **With household income in the lowest decile**
 - Poor
 - Spongers
- Avoid all loaded language.

Example: neutral language

- ‘Socialism’ and ‘Capitalism’ are loaded terms developed in the 1850s by left-leaning writers.
 - ‘Capitalism’ puts all ills of an economy on shareholders (shown with cigars and top hats).
 - ‘Socialism’ sounds, well, nicer and more social.
- Neither refers to a specific economic system.
- The UK has a social market economy; a specific system and not a clear example of either.
- So, better to avoid the terms completely.

A curriculum

- The document linked to this webinar offers a curriculum with five sections:
 - The basics of work, money, and markets
 - How to make good choices
 - Businesses and their backers (i.e. investors)
 - The contributions of financial institutions
 - Government



Summary

- Compared to existing UK schemes there's still more that young people should know about money.
- There are factual points that can be made about money, the economy, and their role that will help them and society as a whole.
- A recurring theme is the importance of promoting long-term, cooperative economic relationships.
- Please read the detailed document if you are interested in knowing more.

References

- Clemens, J. and Globerman, S. (2023). *Perspectives on Capitalism and Socialism: Polling results from Canada, the United States, Australia and the United Kingdom*. Fraser Institute, Canada. Available at: <https://www.fraserinstitute.org/sites/default/files/perspectives-on-capitalism-and-socialism-polling.pdf>
- Department for Education (2014). *The national curriculum in England: Key stages 3 and 4 framework document*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/840002/Secondary_national_curriculum_corrected_PDF.pdf
- Leitch, M (2023). *What should we teach our children about money?* Soon available from Z/Yen / FS Club with the video of this webinar.
- PSHE Association (2020). *Programme of study for PSHE education: Key stages 1 – 5*.



Comments, Questions & Answers



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- Wed, 5 July (11:00-11:45) Economic Lessons From The J-value For Covid Response
- Mon, 10 July (11:00-11:45) Convenient Untruths: The False Narrative That Offshore Finance Is A Cause Of Widening Inequality In The UK
- Wed, 19 July (11:00-11:45) Strategy in Action: How To Own, Develop & Execute Your Strategy

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