

The Money Marathon-Why Our Country Needs Economics 101 (Are You Smarter Than a Fifth Grader?)

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A recent article in the *Wall Street Journal* entitled “Are You Smarter Than a Fifth Grader” written by Daniel Klien, June 8 2010 quotes a study done by Zogby International which asked eight basic economics questions of nearly 5000 respondents. Unfortunately, a large portion of the respondents did very poorly which has dangerous consequences for our country which be described below. Listed below are the eight questions. At the end of the article are the answers that are considered correct so that you can compare yourself against the survey group. Let’s see how many you miss. Possible answers are 1) strongly agree 2) somewhat agree 3) somewhat disagree 4) disagree 5) are not sure.

- 1) Restrictions on housing development make housing less affordable.
- 2) Mandatory licensing of professional services increases the prices of those services.
- 3) Overall the standard of living is higher today than it was 30 years ago.
- 4) Rent controls lead to housing shortages.
- 5) A company with the largest market share is a monopoly.
- 6) Third World workers working for American companies working overseas are being exploited.
- 7) Free trade leads to unemployment.
- 8) Minimum wage laws raise unemployment.

Respondents were also asked their political leanings. Rather than focus on correct answers the survey group looked only at wrong answers and therefore

did not consider the “are not sure” answer wrong. The results were interesting. Libertarians missed only 1.26 questions. Republicans missed slightly more at 1.69. Democrats however, missed 4.59 questions, which the WSJ author concluded was a very poor showing on basic economics.

The point of my article would not be to make a political statement about one party or another. Most everyone has good intentions and people’s answers may be influenced by their view of the world. However, if people are misinformed they can elect and influence our politicians who are responsible for significant decisions for all of us. The problem is that based on this survey, it may be fair to assume that more than half of our population doesn’t understand basic economics. This uninformed populace can elect and influence our politicians, who then can make policy decisions for us which, if misguided, can have significant detrimental effects on our country and the economy.

My recommendations would be that schools put more emphasis on requiring basic economics courses for all students. Ultimately then it would be reasonable for a populace educated in the basic of economics to ask politicians what economics background they have and examine their voting record based on sound economic principles. All of this may be a long way off but it needs to start somewhere. What can you do? Start by being sure your child takes economics in school. If you have not had economics yourself, get a book on economics from the library and read it. Change starts one person at a time

Correct answers: 1) agree 2) agree 3) agree 4) agree 5) disagree 6) disagree 7) disagree 8) agree

Note. If the correct answer is agree you also get a correct answer for somewhat agree. Likewise if the correct answer is disagree you also get a correct answer for somewhat disagree.

Remember every investor’s situation is unique and it is important to review your specific situation with a financial professional.

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