

Trends & TudesSM

4 Volume

6 Issue

June

2005

Keeping you informed of current topics in youth and education research.

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What American Teens and Adults Know About Economics

For more than a decade, when American adults have been asked about the most important issues for the government to address, the economy is consistently among the top items on their list.¹ Over the years, specific aspects of the economy and personal finances also appear on the list. For example, in the past few months, Social Security has been the issue mentioned most frequently by American adults. Clearly, adults consider matters of the economy to be important. But how well do Americans—both adults and teens—understand basic concepts in economics?

Recently, Harris Interactive conducted a national survey on behalf of the National Council on Economic Education (NCEE) to address this question. Over 3,500 US adults 18 and older and over 2,200 US students in grades 9 through 12 participated. The survey consisted of a 24-question quiz in economics.

The quiz covered the 20 content standards in economics, developed and published by NCEE in 1997, plus additional concepts related to personal finance. The survey also included questions relating to adult and student attitudes about economics and economics education. A subset of the survey questions was included from the NCEE's 1999 survey, which Harris Interactive also conducted, on adult and student understanding of basic economics, enabling us to examine what has changed and what has remained constant since that initial survey. This research was featured in *The New York Times* on April 27, 2005.



A major finding of the survey demonstrates that having an understanding of economics matters to American teens and adults. As in 1999, over nine in ten (93%) high school students and virtually all (97%) adults believe it is important for Americans to have a good understanding of economics. Adults believe that this foundation should be laid in school. Nearly all adults (97%) believe economics should be included in high school education. However, only 50 percent of 9th through 12th graders say they have ever been taught economics in school. Half of students (51%) are interested in economics and teens who are interested in economics are more likely than others to have been taught economics in school (60% vs. 39%).

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YOUTH AND EDUCATION
The Harris Poll® PEOPLE

¹The Harris Poll® #28, April 14, 2005, "President's Job Ratings Fall to Lowest Point of His Presidency"

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Editorial: Our Take On It

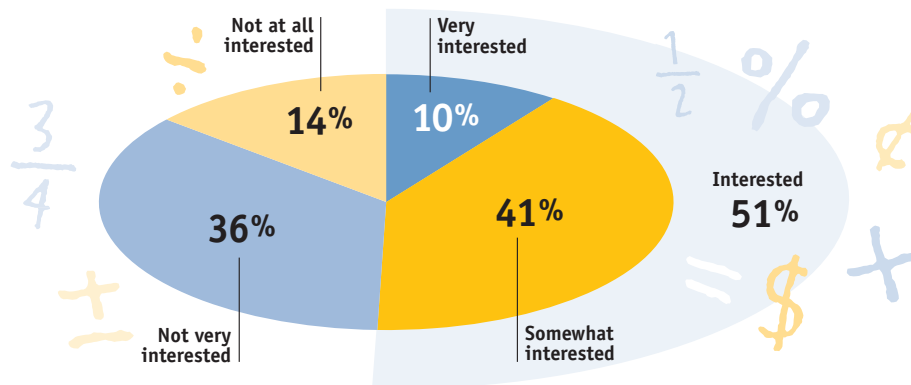
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According to the survey highlighted in this issue of *Trends & Tudes*, many students leave high school without having been taught economics and most leave without having a good understanding of the basic concepts in economics and personal finance. Only one-third of adults (34%) have a good understanding of economics and personal finance (scored an “A” or a “B” on the economics quiz), and these adults were more likely than others to be college graduates and to be over 50 years old. For adults, education and life experience play a role in their understanding of concepts in economics. Teens do not have the benefit of extensive life experience and the survey revealed that many are not being educated about economics in school. Yet teens are already beginning to make decisions regarding their personal finances and are participants in the economy. Our annual Harris Interactive YouthPulseSM report² sheds some light on the extent to which teens are involved in economic decisions; the report also highlights the point that they would benefit from a good understanding of the economic concepts underlying personal finance, economics and the consumer, money and interest rates, and government and trade.

How interested are you in economics?



Source: *What American Teens and Adults Know About Economics*; Fielded January 12-February 10, 2005; n=2,242 U.S. students in grades 9-12

The teens and adults in the survey also took a 24-question, multiple-choice quiz. We graded this quiz on a scale of 0-100. On average, adults received a grade of 70, a low “C,” for their knowledge of economics and personal finance; students’ average score was even lower — a failing grade of 53.

Which students have a good understanding of economics? That is, who is getting an “A” or a “B” on the economics quiz? Overall, 9 percent of high school students get an “A” or “B” on the quiz. The survey found that gender and racial gaps exist. Male students are twice as likely as female students to get an “A” or a “B” (12% vs. 6%) and white students are more likely than black or Hispanic students to get an “A” or a “B” on the quiz (11% vs. 3% vs. 5%). Although students who have some economics education are not more likely than others to get an “A” or a “B” on the quiz, they are less likely to get an “F” (55% vs. 66%).

Students’ Economics Quiz Scores

	Total	Gender		Race/Ethnicity			Were Taught Economics	
		Male	Female	White	Black	Hispanic	Yes	No
Base	2,242	978	1,264	1,693	114	169	1,128	1,114
	%	%	%	%	%	%	%	%
A/B	9	12	6	11	3	5	10	8
A	3	5	1	4	1	1	3	3
B	6	7	5	7	2	4	7	5
C	17	20	14	18	9	18	19	14
D	14	14	14	16	11	9	16	12
F	60	54	67	56	77	68	55	66
Average Score	53	56	49	55	45	50	56	50

Source: *What American Teens and Adults Know About Economics*; Fielded January 12-February 10, 2005; total n=2,242 U.S. students in grades 9-12

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Teens today are spending and saving. Harris Interactive's YouthPulse report projects that the annual spending of 13- to 17-year-olds is over \$30 billion, with median annual savings of \$478. They are receiving their income from a variety of sources. One-third (33%) of 13- to 17-year-olds receive money for doing chores or household work, 24 percent work at a paid job and 26 percent receive an allowance from their parents. Many of the purchases that teens make are with little or no guidance from their parents. Three in ten teens (29%) say that their parents know nothing or only a little about what they spend money on.

Teens do look to their parents for guidance about saving money and investing. Nearly half (46%) of 13- to 17-year-olds would most likely discuss saving and investing with their mother and 36 percent would most likely discuss this with their father. Fewer teens (14%) would prefer to turn to their friends for advice on this issue. Teens' primary method of saving is a savings account. Six in ten (58%) teens have a savings account. About one in ten teens have bonds (12%), a checking account (10%), certificates of deposit (9%) or stocks (9%). Although a majority of teens have a savings account and 67 percent saved at least some money in the previous week, the NCEE survey revealed that most high school students do not know about the type of

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The 1999 and 2005 student quizzes contained a common core of 14 question items. We compared students' quiz scores based on this common core of items and found that students' economic knowledge has increased. In 1999, 11 percent of students scored an "A" or a "B." Today, 21 percent of high school students scored an "A" or a "B" on this subset of the quiz.

This year's quiz results demonstrate that there is considerable room for improvement in students' understanding of basic concepts in economics and personal finance. Education is a vital step in closing that gap. Almost every adult believes that students should be taught economics in school, but only half of high school students say that they have been taught economics—a number that has declined since 1999.

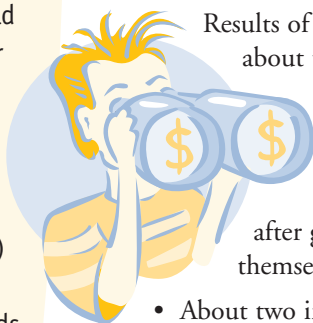
More information on the study, including the full report, is available at the National Council on Economic Education's website: <http://www.ncee.net/>

Recent Research for Public Release

Annual Survey Finds College Upperclassmen Are More Optimistic About Achieving Financial Security Soon After Graduation

According to the second annual survey by Citi Credit-ED®, Citi's award-winning financial literacy program for young adults, the nation's college upperclassmen today have high financial and lifestyle expectations immediately after graduation, combined with a hearty appetite for consumerism. The online study, conducted by Harris Interactive, shows that though students are extremely optimistic, there is a significant disconnect between perceived and real credit knowledge, and that credit education is still needed.

An Optimistic Financial Outlook



Results of the survey reveal that today's college upperclassmen are more optimistic about the US economy than last year and for the coming year than young adults, baby boomers and mature adults. College juniors and seniors are more optimistic about achieving early financial independence—despite the fact they expect no higher salary and just a slight decrease in the amount of debt compared to last year. The survey also finds that, after graduation, upperclassmen plan to spend their disposable income on themselves for instant gratification buys rather than retirement:

- About two in five (42%) upperclassmen expect to be financially secure—that is, afford the lifestyle they want with little debt—within three years after graduation, compared to a third (35%) a year ago.
- Similar to last year, about three out of five juniors and seniors today expect to have no credit card debt upon graduation and a year after graduation.
- 22% of upperclassmen plan to spend leftover money on entertainment or personal items, compared to 15% last year.
- Only one in five (22%) upperclassmen plan to save or invest any money left over after expenses, compared to 30% last year.

After graduation, many college students may encounter a different reality when it comes to their financial situation. According to a recent *Time* magazine poll, among adults aged 21-29, nearly half (46%) are concerned about making ends meet. Only 15 percent of these

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investments with the greatest risk of losing value due to inflation. Four in ten students (37%) think that buying stocks or investing in money market mutual funds have a greater risk of losing value than keeping their savings as cash hidden in a mattress or piggy bank.

Many teens are saving for big-ticket items. Four in ten (39%) are saving money to buy a car and 35 percent are saving money for college. Half of teens (47%) worry that college will be too expensive for them and 53 percent believe that money is very important when it comes to getting a good education. In fact, students are most likely to think that money is very important with regards to education than in other areas of life. Fewer than half of teens believe that money is very important when it comes to choosing a job (45%), succeeding in life (41%) or feeling secure (37%). The role of money is even less important in other areas. One-quarter or fewer believe that money is very important when it comes to looking good (25%) or being happy (23%).

The YouthPulse findings indicate that based on their own personal experiences and observations of their family, teens are developing ideas about the role that money plays in people's lives. Through the purchases they make, their plans for savings and their first

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adults say they are "most of the way" to being fully independent of their parents or relatives; 20 percent are just getting started.

Credit Knowledge and Credit-Related Behavior

While the Citi Credit-ED/Harris Interactive survey finds that the majority (90%) of college upperclassmen today recognize and value good credit as an important financial goal, their credit-related behavior tells a different story:

- The majority of upperclassmen (72%) have not requested a copy of their credit report.
- About a third (32%) have missed or been late on a credit card payment.
- A quarter (24%) have written a check that bounced.

Furthermore, most upperclassmen (80%) feel knowledgeable enough to manage their finances after graduation, yet almost half of those who feel knowledgeable still make significant credit mistakes, revealing that more financial education is needed:

- Just over half (52%) believe their spending habits now will NOT impact their credit report in the future.
- Over a third (37%) think opening unnecessary, new credit cards will NOT lower their credit score.
- Nearly three in ten (28%) do NOT save money for future purchases.
- Nearly a quarter (22%) think using a debit card will help them build a credit history.

To read more about this program, please visit <http://www.Students.UseCreditWisely.com>

What Do Kids and Teens Think?

This month, we offer responses – in young peoples' own words – to the following question:

What is your least favorite part of the school day?

"Being alone or being made to feel stupid."

"Right after lunch because I get sleepy."

"The very beginning. I'm still half asleep. We have to be in class by 7:15."

"Getting beat up."

"I like all parts of my school day."

"I don't know... being in class when I don't have my work done I suppose."

"I don't have a least favorite."



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jobs, teens are making decisions that would benefit from understanding economic principles and how the economy works. The results of the NCEE's economics quiz reveal that most high school students do not yet have this basic foundation.

² 2004 YouthPulse survey conducted online between June and July 2004 among 2,148 U.S. youth ages 8-21, including 767 13-17 year olds.

Trends & Tudes Poll Vault

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For more information, please contact us at:

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AutoYOUTHSM Brings Together Youth and Automotive Expertise – With Powerful Results

In a joint effort between our Youth Research and Automotive & Transportation Research groups, Harris Interactive presents the first annual study providing in-depth market knowledge in this area. AutoYOUTH's study design and survey was co-designed with extensive OEM, advertising agency and supplier feedback, and answers key questions, including:



- How much influence do young adults and teens exert on their family's vehicle purchase decision?
- How are brand preferences formed with young adults and teens?
- What role do parents play in a young adult's vehicle purchase decision?
- What media do young people utilize – magazine, cable TV, network TV, newspaper, Internet and/or radio – when getting informed about a new vehicle?

AutoYOUTH surveys over 3,000 US panelists each year from its own Youth and Automotive Insights panels, particularly US Generation Y-Millennials from ages 13 through 30. To learn more, please contact us at 877.919.4765 or info@harrisinteractive.com.

CollegePulse: A New Research Solution for Higher Ed Marketers

Harris Interactive and Hobsons, the leading provider of recruitment solutions to colleges and universities, have formed a strategic alliance giving higher education marketers more insight than ever into the college decision-making process. CollegePulse includes a full suite of research offerings by Harris Interactive, paired with the unmatched experience of Hobsons. To learn more, please contact Clay Bond, Hobsons National Sales Director, at 800.927.8439 Ext. 6048 or cbond@hobsons-us.com.

Get Smart!

Did you know that Harris Interactive conducts up to five free webinars a month? Spanning a variety of business issues facing a handful of industries, these 1-hour interactive sessions allow you to catch up on the latest research advancement, proprietary industry findings, and best practices. Register for one or more sessions at <http://harrisinteractive.webex.com>. Visit often as our schedule changes weekly.

Contact Us

To make suggestions regarding this newsletter or to discuss a business issue involving youth or the people and issues that influence today's youth, please contact us at 877.919.4765 or info@harrisinteractive.com.

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