

FINANCIAL LITERACY: HOW WE'RE FAILING THE NEXT GENERATION

By Warren A. Stephens



For people to fully embrace, participate in, and benefit from our free market system, they must be knowledgeable about both economics and personal finance. And while strides have been made toward increasing financial literacy here in the U.S., there is still more work that needs to be done.

According to the 2018 survey from the Council for Economic Education, only 25 states and the District of Columbia require that a high school course in economic education be offered; only 22 require a personal finance course. Since 2016, no state has added personal finance to their K-12 standards; and since 2014 there has been no change in the number of states that require standardized testing of economic concepts.

I believe the lack of diligence and discipline in education around personal finance and economics is one of the reasons that young Americans have a dismal view of capitalism—the backbone of our economy and the core of our national identity. According to a Gallup poll from last summer, there has been a 12-point decline in young adults' positive views about capitalism in the last two years. Americans aged 18 to 29 are now as positive about socialism (51%) as they are about capitalism (45%). This is a dramatic shift compared to 2010, when 68% viewed capitalism positively.

Also last year, Deloitte conducted a survey that showed Millennials believe that the bottom three priorities for a business should be profits, efficiency, and sales, while the top three should be generating jobs, improving society, and innovation. Every businessperson I know believes that generating jobs, improving society, and encouraging innovation are important, yet they all know that profits, efficiency, and sales make it possible to do those things that Millennials prioritize.

This disconnect between understanding what a business does and how it creates change is especially troubling given that Millennials are the dominant generation in the workforce. And it is something we as a nation can ill afford at a time when traditional business models are being challenged and the pace of change is greatly accelerated.

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Ironically, capitalism is seen more favorably elsewhere, according to the Pew Research Center's Global Attitudes and Trends study. A global median of 66% of people from developing and advanced countries believes people are better off under capitalism. And this view is particularly prevalent in emerging economies like Kenya, Nigeria, and Vietnam, where

growth has been ignited by expansion of the free market. Yet people, particularly young people, don't see it in our own country.

It is baffling to me how the country that produced such entrepreneurs as Henry Ford, Sam Walton, Steve Jobs, Oprah Winfrey, and Sara Blakely doesn't provide the fundamentals of financial literacy as part of its nationwide core curriculum. Success has been described as what happens when opportunity meets preparation, and education is part of preparation. Education helps level the playing field and allows for inclusivity and participation in our free enterprise system.

It's critical that we ensure that the next generation of citizens and leaders understand capitalism and are educated about economics and personal finance. Financial literacy empowers people to engage in the economy in positive ways, such as being more likely to save for retirement, to have emergency savings, to have less personal debt, and to be less likely to use high-cost methods of borrowing. All of this translates into not only a healthier economy, but also an enriched society.

I am proud of the pioneering work that has been done around financial literacy and economics education in my home state of Arkansas. Since 1962, Economics Arkansas has been training teachers to integrate principles of economics and personal finance into the classroom curriculum, from Kindergarten up through Grade 12.

In fact, Arkansas is one of the only states that require students to take classes in both economics and personal finance. We at Stephens have partnered with Economics Arkansas over the years because I believe it is essential to help children understand from an early age the benefits of our free market system.

As a country we have an obligation to help people understand, appreciate, and embrace capitalism. As New York Times

columnist Bret Stephens recently wrote about capitalism, “There's a difference between taming a horse and shooting it.” But you can't tame a horse if you don't understand it. We have seen the effect of a lack of understanding of capitalism in over-zealous regulation that has stifled economic growth. We are seeing the effects in young people entering the workforce ill-informed about the basics of business.

If people don't understand capitalism, the danger is that people will yield to the impulse to eliminate it—to take the horse out and shoot it, if you will. Let's acknowledge that's it our educational system that is flawed and in need of reform—not our economic one.

The impetus for “This Is Capitalism” was to help educate people about our economic system. Whether we're looking at historically significant figures or contemporary ones, the legacy they share is hope and hard work—and inspiration. Let's ensure that we honor that legacy by giving the next generation the knowledge and education they need and deserve.



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