

Insideview

No Country Can Afford Economic Ignorance

INTERVIEW WITH MICHAEL KEMMER

At the 20th German Banking Congress in Berlin last April, German President Joachim Gauck bemoaned the lack of basic financial and economic knowledge. He said anyone wanting to understand the source of our prosperity, make use of personal opportunities and evaluate risks needed to keep themselves informed and become more knowledgeable about financial matters. Economic apathy and ignorance were dangerous. Dr. Kemmer, do you agree with him?

I absolutely agree with him. It's perfectly apparent that the financial education of young people is completely inadequate. In a youth survey, most recently conducted by the Association of German Banks in 2012, less than half of those who were questioned considered their knowledge of money and financial matters to be "good". Basic economic concepts are unfamiliar to many of them: not even 50% of young people can explain what inflation is. And 63% said they had little or no idea of what's going on in the stock markets. So it comes as no surprise that a lot of adults

have no understanding of these issues either. That many investors have lost sight of the relationship between risk and reward is a serious problem, as is the fact that a number of consumers are racking up huge debts without a thought for tomorrow and with no prospect of ever being able to pay them back. On top of that, expressions like economic data, central bank decisions, and foreign trade figures are a closed book to a lot of people. How are voters supposed to form an opinion about a party's economic and fiscal policies if key issues are alien to them? No country can afford widespread economic ignorance and irresponsibility.

How can we change this?

We need effective and efficient education in economics throughout Germany on a much larger scale than today. It's true that economics is already taught in German schools. But in most federal states, economics is just a tiny part of a far broader subject like civics or political science. That's nowhere near



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enough. Economic causes and effects are too complex to touch on sporadically. We're not talking about something you can pick up as you go along. That's why the Association of German Banks has long called for economics to have a firm place on the school curriculum as a subject in its own right. Our aim is not to train a generation of young stock market experts or specialists who can make sense of complex macroeconomic models. No – this is about communicating basic knowledge. Students should know what private retirement provision means, understand the challenges facing Europe's currency union, and be familiar with the principles on which our economic order, the social market economy, is based. They should become responsible citizens and consumers who are in a position to make informed decisions.

What exactly is the Association of German Banks doing to help?

We've described to policymakers how economics might be taught as a subject in practice.

A report commissioned by the Association of German Banks and prepared by the Institute for Economic Education in Oldenburg puts forward a set of educational standards and suggests what an economics syllabus might contain. The report, entitled "Strategy for making economic education part of general education", also sets out some initial ideas about a bachelor and master degree course in teaching economics. The proposal covers all levels and can, in principle, be applied to all types of school. The Association of German Banks has also co-operated with other associations in the Joint Committee of German Industry and Commerce to issue a set of standards for economics education as well as standards for training teachers of economics. And in our SchullBank program, we run student competitions and make teaching material available to support teachers and students.

Thank you for this interesting conversation.