

Executive Summary

2003 Economic Literacy Survey

HAWAII COUNCIL ON ECONOMIC EDUCATION

The Hawaii Council on Economic Education completed a survey with SMS Research in July 2003 to assess the economic and financial literacy of Hawaii's workforce, age 16 and over. Overall, the typical respondent scored 65 percent on the survey, answering 12.96 of 20 questions correctly. Question topics ranged from the effects of rent control to the distribution of gains from international trade to the function of money.

A disconcerting finding was that 27 percent could not answer even half of the question correctly. In a more positive light, about 32 percent correctly answered 75 percent of the survey. Interesting demographic results include ethnicity and age differences. Individuals identifying with Caucasian or Chinese ethnic backgrounds did quite well, answering 14.99 and 14.57 (respectively) out of the possible 20 correctly, while individuals identifying with Filipino or Hispanic ethnic backgrounds answered less than 10 correctly on average. Of equal concern, individuals identifying as native Hawaiians or part native Hawaiians answered only 11.30 of the 20 questions correctly. It seems evident that these populations could benefit from additional economic and financial education.

As for the age distribution, the younger groups, ages 16-19 and 20-29 on average answered only 10.36 and 11.88 out of 20 correctly, while the older groups, 30-39, 40-49, and 50-59, performed above average, with mean scores of 13.20, 13.78, and 13.42, respectively. This outcome is not particularly surprising as age brings forth experience, and the confrontation of economic and financial choices. The younger groups have not yet been faced with the same sort of major financial decisions as their elders, so it is reasonable that they would possess less knowledge in these areas.

One final demographic finding worthy of mention is the relative performance of respondents who took a college course in economics. As expected, those who took an economics class in college answered well above the mean at 14.73 questions correct, while those who did not scored an average of 11.97 questions correct.

One particularly surprising result was obtained when respondents were asked about the function of the stock market. Almost a fourth of the survey sample (94 out of 409) answered "do not know" when asked about the function of the stock market. Another question of note concerned the effect of increased competition in an industry. Economic theory tells us that an increase in competition in a particular industry should, everything else unchanged, result in lower prices and higher quality. However, more respondents (173) believed that quality would fall, compared to the 153 who correctly answered that quality would increase. Perhaps the most unexpected responses were to the question concerning inflation. While 168 respondents understood that people who borrowed money at a fixed rate of interest would benefit from inflation, another 127 thought banks that loaned at a fixed rate would gain, while another 33 believed that people living on fixed incomes would have an advantage during inflationary times.

Overall, the survey suggests that Hawaii's workforce has a modest understanding of economics and basic finance. While the results don't have the engines leaving the firehouse yet, they do indicate there are significant gaps in knowledge. Emphasis should be placed on providing improved economic and financial education within underserved minority communities and on enhancing both the quality and quantity of economic and financial education in Hawaii's private and public schools.

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*** Correct Answer

Q1. For most people, the largest portion of their personal income comes from:

	Percent
Wages and salaries from their jobs***	90.2
Interest from stocks and bonds they own	1.5
Rent paid to them from property they own	1.0
DON'T KNOW	7.1
REFUSED	0.2
Total	100.0

Q2. When a person rents an apartment, who benefits from the transaction?

	Percent
Only the person renting the apartment	0.7
Only the landlord	23.7
Both the person renting the apartment and the landlord***	68.5
DON'T KNOW	7.1
Total	100.0

Q3. When deciding which of two items to purchase, one should always:

	Percent
Choose the item that costs less	3.4
Choose the item with the greatest benefit	5.9
Choose an item after comparing the costs and benefits of both items***	85.1
DON'T KNOW	5.1
REFUSED	0.5
Total	100.0

Q4. In the United States, who determines what goods and services should be produced?

	Percent
Producers and government	4.6
Consumers and government	7.1
Producers, consumers and government***	74.8
DON'T KNOW	13.0
REFUSED	0.5
Total	100.0

Q5. If the price of beef doubled and the price of poultry stayed the same, people would most likely buy:

	Percent
More poultry and less beef***	67.5
Less poultry and more beef	3.9
The same amount of poultry and beef	21.3
DON'T KNOW	6.6
REFUSED	0.7
Total	100.0

Q6. The resources used in the production of goods and services are limited, so society must:

	Percent
Make choices about how to use resources***	46.5
Try to obtain additional resources	19.3
Reduce their use of resources	21.0
DON'T KNOW	13.2
Total	100.0

Q7. An increase from 5% to 8% in the interest rate charged by banks would most likely encourage:

	Percent
Business to invest	10.3
People to purchase housing	8.6
People to save money***	65.0
DON'T KNOW	15.6
REFUSED	0.5
Total	100.0

Q8. Mexico grows fruits and vegetables and Argentina produces beef. If Mexico voluntarily trades fruits and vegetables in exchange for Argentinean beef,

	Percent
Both Mexico and Argentina benefit from the trade***	79.7
Both Mexico and Argentina lose from the trade	2.7
Mexico benefits and Argentina losses from the trade	5.6
DON'T KNOW	12.0
Total	100.0

Q9. The stock market is an example of an institution within our economy that exists to help people achieve their economic goals. The existence of this institution:

	Percent
Results in an increase in the price of stocks	7.1
Brings people who want to buy stocks together with those who want to sell stocks***	60.1
Help predict stock earnings	9.5
DON'T KNOW	23.0
REFUSED	0.2
Total	100.0

Q10. A large increase in the number of fast-food restaurants in a community is most likely to result in:

	Percent
Lower prices and higher quality***	37.4
Lower prices and lower quality	42.3
Higher prices and higher quality	8.3
DON'T KNOW	11.7
REFUSED	0.2
Total	100.0

Q11. Which one of the following statements about the function of money is wrong?

	Percent
Money makes it easier to save	11.7
Money make trading goods and services easier	25.4
Money holds its value well in times of inflation***	49.1
DON'T KNOW	13.4
REFUSED	0.2
Total	100.0

Q12. A person who starts a business to produce a new product in the marketplace is known as:

	Percent
A manager	2.2
A bureaucrat	1.2
An entrepreneur***	87.5
DON'T KNOW	8.3
REFUSED	0.7
Total	100.0

Q13. The manufacturers of “XYZ” winter sportswear have their manufacturing plants running night and day, but they are unable to produce enough sportswear to satisfy demand. If “XYZ” manufacturers cannot increase production and demand continues to increase, the price of XYZ winter sportswear will:

	Percent
Increase***	76.8
Decrease	6.6
Stay the same	7.8
DON'T KNOW	8.6
REFUSED	0.2
Total	100.0

Q14. Which of the following are most likely to be helped by inflation?

	Percent
People living on fixed incomes	8.1
People who borrowed money at a fixed rate of interest***	41.1
Banks that loaned money at a fixed rate of interest	31.1
DON'T KNOW	19.3
REFUSED	0.5
Total	100.0

Q15. If your city government sets a maximum amount landlords can charge in rent, what is the most likely result?

	Percent
There will be more apartments available than people want to rent	10.0
There will be fewer apartments available than people want to rent***	57.5
The number of apartments available will be equal to the number of people than want to rent	17.1
DON'T KNOW	14.9
REFUSED	0.5
Total	100.0

Q16. Which of the following would be most likely to accelerate innovation in the computer industry?

	Percent
Placing a tax on all new inventions in the computer industry	2.7
Increasing government regulation of the computer industry	6.8
Investing in more research and development in the computer industry***	80.4
DON'T KNOW	9.3
REFUSED	0.7
Total	100.0

Q17. When governments supply products and services, these products and services usually benefit:

	Percent
More than one person at a time whether they have paid for them or not***	50.6
Only the people who pay for these products and services	11.0
Business at the expense of consumers	21.5
DON'T KNOW	16.4
REFUSED	0.5
Total	100.0

Q18. If the United States stopped importing automobiles from Country X, who would be most likely to benefit?

	Percent
Automobile manufacturers in Country X	7.1
Consumers in the United States	7.3
Automobile manufacturers in the United States***	78.5
DON'T KNOW	6.8
REFUSED	0.2
Total	100.0

Q19. If the gross domestic product of the United States has increased, but the production of goods has remained the same, then the production of services has:

	Percent
Increased***	43.0
Decreased	15.4
Remained the same	17.1
DON'T KNOW	24.0
REFUSED	0.5
Total	100.0

Q20. When the federal government's expenditures for a year are greater than its revenue for that year, the difference is known as:

	Percent
The national debt	23.2
A budget deficit***	56.7
A budget surplus	5.6
DON'T KNOW	14.2
REFUSED	0.2
Total	100.0