A Comment on House Bill 4482: - AN ACT TO DECLARE THE SECOND WEEK OF NOVEMBER EVERY YEAR AS ECONOMIC AND FINANCIAL LITERACY WEEK

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Economic and financial literacy enhances the quality of life of individuals. It constitutes a core life skill and equips individuals in assessing situations, identifying alternatives, and making informed decisions, particularly, in the face of risk and uncertainty in the environment. Ultimately, the ability to navigate through life - with its uncertainties and all - while equipped with economic and financial literacy raises the quality of life, whether measured in monetary (e.g., income) or non-monetary terms (e.g., happiness, satisfaction, or security). The economic literature presents evidence on how financial literacy helps in improving sound saving decisions (Lusardi 2008), improves retirement security (Lusardi and Mitchell 2011) and how financial literacy and schooling attainment improve wealth outcomes (Berhman et al. 2012). The explanatory note of the bill cites specific examples to illustrate this point.

A concrete example of non-monetary benefits is better voting outcomes. Literacy, in general, has been found to predict an increased voting participation (Kaplan and Venezky 1994). We argue that economic literacy might help improve electoral choices because an electorate that has a basic understanding, or at least appreciation, of economic issues and concepts is a more discriminating one. Economic issues - particularly, jobs - figure prominently in the platforms of candidates running for political office. A more economically enlightened citizenry could be in a better position to discern whether a candidate's proposed policies are economically beneficial or not to the nation and to vote accordingly. They could also be less likely to pressure politicians to propose 'populist' economic measures that would impose greater costs on the country as a whole than the benefits accruing to specific sectors only. Thus, the country has an interest in having a more economic literate citizenry.

Meanwhile, financial literacy is critical in helping create awareness among the populace, particularly Overseas Filipino Workers (OFWs). Local studies have shown that the OFWs generally have difficulty saving and investing and participate in developing their local economies.

On a larger scale, economic and financial literacy ensures that economic growth is inclusive and sustainable. After all, financial knowledge is a form of human capital (Lusardi and Mitchell 2013). As such, we expect economically and financially literate workers to be more
productive at work and presumably, have higher paying jobs. In addition, investments in broader financial and economic literacy are now considered among the critically important inputs in strengthening economic governance, promoting consumer protection, and empowering citizens in the marketplace and in democratic societies (e.g. US Treasury and OECD 2008; Rutledge 2010; Carpena et al. 2011). In the context of present efforts to promote good governance through more open government and freedom of information, the literacy of citizens in economic and financial matters could dramatically strengthen and improve participatory governance in our country.

Nevertheless, the 2012 Family Income and Expenditure Survey suggest possible widespread financial illiteracy among Filipinos: less than 23 percent of households have savings and less than 1 percent of households reported to have returns from investments. Thus, concrete steps need to be undertaken to promote economic and financial literacy.

The current education system - or at least, high schools, which majority of Filipinos attend - does not effectively promote economic and financial literacy. Emmanuel de Dios argues, in a 13 April 2014 article published in Businessworld, that the way high schools teach economics to teenagers, which is "academic economics," is not "age-appropriate." Rather than focus on abstract and complex concepts, "...an age-appropriate program for economic and financial literacy ought to deal with more existential questions such as: what young people can expect to earn from careers based on their life-goals, skills, and achievements; why prudent budgeting and prioritization of expenses matters and what it entails; the crucial importance of planning a financial future and role of saving; the responsible use of borrowing and credit; rules for wise financial investment (including how to avoid getting ripped off); and the various uses and options for insurance (medical, life and accident, retirement)."

This observation implies at least two things: first, a need to assess and revise the high school economics curriculum, and second, a need to create alternative venues and mechanisms for literacy enhancement.

The proposed bill directly addresses these requirements for ensuring that the population has sufficient skills to support inclusive and sustained growth. It mandates the allotment of one week by (i) government agencies to engage in activities to celebrate the Economic and Financial Literacy Week; (ii) high schools and higher education institutions to conduct "consciousness-raising and knowledge-expanding activities on economic and financial literacy, including but not limited to conducting economic and financial management classes, setting up literature corners on economics and finance, and organizing fora and trainings, (iii) the Philippine Information Agency for providing airtime for programs that raise economic and financial literacy. There is a clear gap on these information efforts as private entities and individuals have taken this as a business opportunity through seminars on economic and financial literacy. These seminars are often full with entrance prices ranging from a low of P250 to a high of P1,000.

The proposed bill identifies the Philippine Economic Society as one of the lead institutions in encouraging the private sector to participate in activities of the Economic and Financial
Literacy Week. We thank the authors of the bill for defining a key role for our organization, which is the oldest and largest network of professional economists in the country. The PES was founded in 1962 and has, to date, over 800 members (any individual with at least a bachelor’s degree in Economics). Its Board of Trustees has 13 members - majority are affiliated with the country's top universities and has at least 1 representative from government and the private sector.

Its main activity is an annual meeting, which typically gathers about 500 practitioners from government, business, and the academe. The meeting provides a venue for discussions of international and national economic challenges, industry analyses, sectoral developments, business environment, new firm strategies, among others. We adopt a theme that fits current economic trends, highlights recent successes, and highlights future challenges.

The meeting is a whole day event that begins with a keynote speech, followed by 1-2 panel sessions, and then by 10-12 parallel sessions where a total of 35-45 research papers of varying topics and methods are presented. Arguably, the amount of new economic and financial information shared and disseminated is significant. The participation of media practitioners also helps in rapidly expanding the reach of the meeting.

The meeting is also an opportunity to engage the Junior Philippine Economic Society, an umbrella organization of economics societies in various universities in the country. The participation of these college students - either as volunteers, paper presenters in student sessions, or simply as attendees - is a powerful way of promoting economic and financial literacy among the youth.

Historically, the PES annual meeting is held in November. With the passage of the bill, the PES will endeavor to hold this meeting on the designated Economic and Financial Literacy Week and support the related activities of government agencies, high schools and higher educational institutions, and the Philippine Information Agency, thereby increasing our reach and intensify participation of the proposed bill's target population.

References


