

Financial Education: Some Observations on Enhancing Capability and Developing Functionality in Scotland and in the USA

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Financial education in schools is one way of answering a need for a focus on personal finance particularly after the financial crisis of ten years ago. Many countries have sought to strengthen their approach, as recognised by the Organisation for Economic Cooperation and Development, OECD, and in Scotland a values driven curriculum has embedded financial education under the heading of financial capability. Having followed developments in the USA and in Japan, among other countries, through changes in their approaches to personal finance in economics education, a greater affinity with social subjects and the needs of individuals to be able to function in stressful financial conditions has been observed. The capabilities approaches to social and personal development espoused by Amartya Sen and Martha Nussbaum provide useful framings for developing capability and functioning for learners in financial education but in Scotland, at least, the use of the phrase financial capability has been used for common sense reasons rather than a wish to use the social theory of the Capabilities Approach. The article explores some indicators of these shifts in emphasis in financial education.

Curriculum Context of Financial Education in Scotland

As with many other countries, Education leaders in Scotland have recognised that including financial education in its curriculum is important. This is evident in the inclusion of financial education in the current Curriculum for Excellence. This Curriculum was launched in 2004 with the publication of the document *A Curriculum for Excellence: The Curriculum Review Group* (Scottish Executive, 2004) and has been implemented and subject to development ever since. This particular curriculum reform was unusual in that it put ‘*values, purposes and principles*’ to the fore rather than leading with the more usual, and perhaps expected, expositions of new curricula that lead with statements of aims and objectives. There has been much debate and discussion in the intervening years about how to take forward the implementation of such a curriculum and there have been questions raised about underpinning philosophy and coherence (Priestly & Humes, 2010) as well as practicalities for implementation.

The original aspirational statements of purpose, stated as:

. . . helping children and young people to become:

- Successful learners
- Confident individuals
- Responsible citizens

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- Effective contributors,

are still presented as core but additions of contexts for learning; levels and stages; curriculum areas and principles of curriculum design have been developed. It is, however, more difficult to find emphasis on values in the current iterations of documents.¹ There is now more top down influence as well as the maintenance of the original intention to give teachers scope to exercise professional judgment and to make their own decisions according to local needs. This new curriculum did, and still does, try to reduce the separation of areas of learning that were so discrete that cross curricular ideas could not easily be pursued, advocating instead a breadth of learning where all teachers became responsible for wider aspects of learning and areas such as health and wellbeing and those aspects of literacy and numeracy that have relevance across all subject areas. Cross curricular aspects such as enterprise education and citizenship education became the responsibility of all teachers and subject specialists, in high schools particularly, were faced with balancing their subject responsibilities with the cross curricular expectations placed upon them. A good example of this blended approach is examined in a thesis on Global Citizenship Education in the Biology Classroom (Margiotta, 2018), where teachers working in this broad context seek balance between their subject and broader curriculum aims which blend across the usual subject divides.

At the time of the introduction of CfE, the high school subject of Economics was disappearing from the Scottish Curriculum. This phenomenon is explained in some detail (Fagan, 2010 in Yamaoka et al., 2010) in an edited text, *Comparative Studies on Economic Education in Asia-Pacific Region* (Yamaoka et al., 2010). The particular approach taken in Scotland must seem unusual in countries where educational curricula depend more on rigid subject based divisions for learning. Economics in university is still a highly subscribed destination for many school leavers and a background in economics is not necessary for taking up a bachelor's degree. Instead, there are topics in personal finance and in understanding necessary financial transactions to ensure learners' economic socialization, embedded in the curriculum. Aspects of financial education are to be found mainly in both the Benchmarks and the Experiences and Outcomes (E&Os) for Numeracy and Mathematics in the skill sets for Money.

These particular E&Os are indicated for each of the five stages below:

Early

- *I am developing my awareness of how money is used and can recognise and use a range of coins.*

First

- *I can use money to pay for items and can work out how much change I should receive.*
- *I have investigated how different combinations of coins and notes can be used to pay for goods or be given in change.*

Second

¹ Details can be found on the Education Scotland website at [https://education.gov.scot/scottish-education-system/policy-for-scottish-education/policy-drivers/cfe-\(building-from-the-statement-appendix-incl-btc1-5\)/What%20is%20Curriculum%20for%20Excellence?](https://education.gov.scot/scottish-education-system/policy-for-scottish-education/policy-drivers/cfe-(building-from-the-statement-appendix-incl-btc1-5)/What%20is%20Curriculum%20for%20Excellence?)

- *I can manage money, compare costs from different retailers, and determine what I can afford to buy.*
- *I understand the costs, benefits and risks of using bank cards to purchase goods or obtain cash and realise that budgeting is important.*
- *I can use the terms profit and loss in buying and selling activities and can make simple calculations for this.*

Third

- *When considering how to spend my money, I can source, compare and contrast different contracts and services, discuss their advantages and disadvantages, and explain which offer best value to me.*
- *I can budget effectively, making use of technology and other methods, to manage money and plan for future expenses.*

Fourth

- *I can discuss and illustrate the facts I need to consider when determining what I can afford, in order to manage credit and debt and lead a responsible lifestyle.*
- *I can source information on earnings and deductions and use it when making calculations to determine net income.*
- *I can research, compare and contrast a range of personal finance products and, after making calculations, explain my preferred choices.*

There are other E&Os within other areas that allow embedding and permeating across the curriculum.

These aspects of numeracy and mathematics are, of course, not new in the Scottish school curriculum. As a secondary school teacher of Mathematics from 1975 to 1992 I can well remember the small but, I believe, important part of the school mathematics syllabus that was called Social Arithmetic.

This was part of the curriculum until the late nineteen eighties. Topics included:

- Money in the home — electricity and gas accounts, ready reckoners, discount;
- Money in the bank — current accounts, deposit accounts, interest, finding the rate of interest;
- Money in business — profit and loss;
- Money and the Household — income and expenditure, holiday travel, hire purchase and credit sales;
- Safeguarding money — savings and investment, compound interest, insurance;
- Money and the Council — local rates, Rate per £,
- Money and the Government — National income and expenditure, local rates, income tax, value added tax, (Scottish Mathematics Group, 1974)

Some items from the list would still be relevant to this day, some are obsolete because they were about structural systems that have been replaced, such as household rates and some because they have been superseded by technology, such as ready reckoners. There are now, of course, many more complex financial matters to be coped with in all of our lives providing greater challenge to learners

who may have a variety of barriers to their learning. When in use, however, this was a practical and focused way to support young people in developing necessary skills for their financial socialisation. These were useful topics for learners at that time and, although many of the students would have received information and support in understanding aspects of social arithmetic in their family environment, there were undoubtedly some for whom it would have been useful to take their knowledge home and support the family unit where circumstances might otherwise prevent this socialization happening at home. Scottish teachers have maintained a thread of practical purpose through the philosophical, ideological and even political developments of several redesigns of the Scottish Curriculum.

Approaches to Financial Education in Scotland

Interest in and emphasis on financial education and financial literacy had been receiving more attention in many countries for both school education and in adult learning environments in the early years of the twenty-first century. The Organisation for Economic Cooperation and Development put it thus in 2005:

Financial education is the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become *more aware of financial risks and opportunities*, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being. (OECD, 2005) (my emphases)

Interestingly, this was three years prior to the financial crash of 2008 that had such a wide reaching impact on the financial well-being of individuals and families, whether they had been aware of potential risks or not. In the last ten years, renewed interest in Financial Education can be seen, across many education systems internationally, being pursued with extra vigour as governments attempt to prepare to move on from the events that occurred and the special measures that were put in place in the immediate aftermath of the onset of the crisis.

In 2012 the OECD was ready to publish a review of the status of financial education in a group of countries:

As more and more of the responsibility for financial well-being and decision-making shifts from both the state and the private sector onto the individual, the need to *improve levels of financial literacy through financial education* becomes increasingly apparent. Indeed, and notably since the unfolding of the financial crisis, *financial literacy has been globally acknowledged as a key life skill* and as an important element of *economic and financial stability and development*. (Grifoni & Messy, 2012)
(my emphases)

The various approaches to national strategies for financial education are considered with the range of bodies involved indicating the serious approach being adopted.

In the UK as elsewhere, interest in financial education increased. The Westminster Government set

up an All Party Parliamentary Group in January 2011 to consider the status of financial education and a report was launched in December 2011. Key recommendations were made for a national strategy for primary and secondary schools that envisaged a cross-curricular approach between Mathematics and PSHE and recognised the need for well-informed teachers to deliver the curriculum.

In Scotland, as elsewhere in the UK, and in many countries worldwide, often at the insistence of Governments anxious to make citizens more financially robust and resilient in case of future crises, there was a renewed focus on what to include and how to teach about financial matters in schools. A Centre for Financial Education was established to coordinate policy, resources and support for teachers in developing learners' financial capability. A wide range of pupil and teacher materials was produced, some of which was provided as a result of partnership work with the Royal Bank of Scotland and a great deal more produced in-house. These resources were well regarded in schools and used to good effect in financial education learning and teaching. A very good example is the *On The Money* Series (Breslin et al., 2007). This comprises of a book of four stories written by four respected authors of literature for young people, exploring issues of financial responsibility for children. These four successful authors were commissioned to write stories that encompass financial matters in contexts that would be meaningful for school students. The resource was distributed free to schools throughout Scotland and was also published as an online resource. The approach used in the stories and extensive accompanying resources for their use provides a good example of the sort of cross-curricular work that is being embraced in Scottish Schools. As is the case across the Curriculum for Excellence, the intention is to show how subjects can be linked, just as they are in life and work. Inter-disciplinary learning has become important and so financial education has become more embedded in the wider curriculum.

The Centre subsequently became the Scottish Centre for Financial Education (SCFE) with a remit to support teachers in coordinating resources and making links to the wider curriculum. In this capacity, the SCFE set out a framework for financial capability linking financial education to the four core aspirations of Curriculum for Excellence as outlined above. Although the term 'financial capability' has emerged in UK documentation it has been taken up and used quite prominently in policy and curriculum documents in Scotland.

Figure 1. The four aspects of financial capability in the Scottish provision

Financial understanding—Developing financial understanding is the first step in ensuring that young people leaving school have the skills required to deal confidently with everyday financial issues. It will also help them to make informed decisions and choices about their personal finances.

(CfE link to Successful Learners)

Financial competence—This means being able to apply knowledge and understanding of financial matters across a range of contexts, using ICT where appropriate. Being financially competent includes being able to identify and tackle problems or issues with confidence and being able to manage financial situations effectively and efficiently.

(CfE link to Confident Individuals)

Financial responsibility—This means having a caring and responsible disposition with regard to the use of resources. Children and young people who budget wisely and plan for the future will be responsible citizens who look after themselves and their environment.

(CfE link to Responsible Citizens)

Financial enterprise—Financial enterprise is about being able to deploy resources in an imaginative and confident manner. Financially enterprising behaviour will involve making decisions based on informed thought and will enable children and young people to contribute effectively to the development of Scotland's wealth.

(CfE link to Effective contributors)

There are now many resources available to all those who are interested in financial capability in Scottish Schools and these can be accessed on line via a simple search for Financial Education in Scotland. I have been interested to know if the choice of the word capability, as in Financial Capability in the Curriculum for Excellence, was underpinned by any knowledge or awareness of the background to the Capabilities Approach, which is well-known from Social Theory. It would look to be an ideal situation for considering links to underlying theory but it seems that there was no conscious link and therefore the approach taken by Scottish policy and resource providers appears to be a meeting of good common sense with understanding of what would be useful for and in the perceived best interests of school students. It would therefore be worthwhile to examine the potential for developing a capabilities approach in this area of learning and teaching and to examine the potential of a capabilities approach incorporating elements of those developed by Amartya Sen and Martha Nussbaum to underpin a values approach to financial education that would support the use of the term financial capability.

Are economics educators culpable?

In the United States, where there has for many years been a strong emphasis on economic education across all school levels, there have been interesting developments that have moved many educators to examine ways of developing personal finance through financial education. One year after the financial crash of 2008, at a conference for economics educators, a representative of one of the conference's largest sponsors, a US based multinational bank, spoke to the delegates in an opening address. The speaker generally praised the efforts of teachers of economics for their successes in test results but went on to express the view that the financial crisis would not have happened, or would have had less impact, if economics educators had been doing a better job in school economics learning. After some moments of jaw-dropped incredulity, which did not seem to be shared widely, or even noticed as unusual across the delegates, who seemed to accept this scenario uncritically, there was time to ponder some potential issues with this esteemed banker's logic. Was he referring to the high-level finance actors who instigated the problems or to the long suffering populace who were unprepared and could not save themselves from financial catastrophe. Undoubtedly there are multiple root causes of the actual crash, but it does seem likely, given their high positions in their respective financial institutions, that those investment bankers, and others who had been close to the centre of the miss-selling and risk

avoidance strategies that precipitated matters, had more than likely been taught and learned about the theory and practices of economics rather well. What was apparently absent was any sense of moral or social responsibility. Their values systems were clearly devoid of any potential to mediate their actions in relation to the common good or consideration of the impact on financially vulnerable individuals. Nor have we seen much remorse or responsibility taken for the impact of the crisis on every sector of society and particularly the low-waged or unemployed.

It seems unfair, or even misguided, to lay blame with economics educators for failing to instill social responsibility or compassion in school aged learners—those teachers who were, for their part, disseminating the long accepted and received wisdom of economics educators. Perhaps this is part of the problem. Economics educators have focused on the range of economics topics thought necessary for learners taking up roles in the workplace and for understanding many large issues with which we are faced in our lives as members of society (Lipsey & Chrystal, 2011). It is possible that economics educators may indeed have been at fault to some extent for focusing on these economics issues for all learners regardless of need. The personal sector of the economy, looking at people and households as economic agents (Mackintosh et al., 1996), may hold more relevance for a large proportion of economics school students such as can now be found in the contents of contemporary financial education courses. However, they can hardly be thought to be culpable for the subsequent failure of their learners' to cope with ensuing financial catastrophe, nor can they be expected to have provided different learning contexts when they were following the directives of their educational policy leaders in economics education.

It is interesting to note that in subsequent years of the same conference, presenters began to demonstrate that many were combining economics education practice with wider elements of social subjects in their teaching and were using resources that located economics learning in social studies contexts. In effect, they were moving towards a more behavioural type of economics (see Thaler, 2016) for educational purposes, taking into consideration the capabilities of individuals for making economic or financial decisions and recognising the limitations that their circumstances could bring to bear on the financial choices that could be made from those likely to be available.

Financial education and human flourishing

Looking back over experiences of meeting economics educators and financial educators it seems that for a long time there was a potential for oxymoron in the combining of the terms financial education and human flourishing. Efforts to help learners to be more resilient and to build self-efficacy in dealing with matters of personal finance seem to be developing, however, in Scotland and in the USA, in relation to personal finance. Commenting on the curriculum in Scotland in writing, as also above here, Fagan (2011, in Lucey & Laney, 2011) referred to the developing contexts for using financial literacy in the form of financial capability for supporting young people to develop in their social functioning:

There is an opportunity here for teachers to support young people in [a] acquiring necessary financial capability and (b) raising and exploring issues of responsibility and concern for the common good - both of which contribute to a wealthier but also morally healthier society. (Fagan, 2011)

Writers in the USA are also exploring broader perspectives for financial education. Lucey, Agnello and Laney (2015) produced a text that recommends a variety of approaches that can be used in delivering the regular content of financial literacy courses while using these as a vehicle for addressing issues of human flourishing for individuals as well as considering a common social good:

A thick view of financial literacy recognizes that one's financial choices and decisions occur within a social system and affect the lives of other participants in that system. People make financial choices that affect the lives of themselves and others. These decisions result from their degree of care or control that one experiences towards society.

(Lucey et al., 2015)

Textbooks such as this can contribute to supporting teachers in preparing their programmes and lessons and engaging with learners through the lenses of human functioning and flourishing in order to be able to work productively with learners.

Why Focus on Capability?

The above-mentioned approaches to financial education take into account the developmental needs of learners and of wider society and thus have resonance with theories of capabilities that have been put forward in research literature. The Capabilities Approach is a theoretical framework that is built upon two main claims.

. . . first, the claim that the freedom to achieve well-being is of primary moral importance, and second, that freedom to achieve well-being is to be understood in terms of people's capabilities, that is, their real opportunities to do and be what they have reason to value. (Stanford Encyclopedia of Philosophy, online)

The two main philosophers who can be attributed with expounding the Capabilities Approach are Amartya Sen and Martha Nussbaum. Sen, an economist as well as a philosopher and social theorist, outlined the 'functionings' that he thought to be necessary for individuals to be able to live and grow and on this basis developed a capabilities framework (Sen, 1999). In presenting his capabilities as a framework rather than as a theory left the way open for its development in different circumstances to match the needs of the learners and the particular constraints that may affect their functioning. This work was expanded in collaboration with political philosopher Martha Nussbaum. Nussbaum went on to offer a more detailed outline of what she titled the Capabilities Approach and provided a set of core capabilities (Nussbaum, 2011, 2004), the use of which she advocated for all responsible for democratic development (See Appendix).

These two approaches are described as a 'thin' version from Sen and a 'thick' version from Nuss-

baum (Carpenter, 2009). Sen proposed that economic growth or consumption of goods may not be the only, or even discernible markers of progress in development for individuals but that other non-market activities such as social activities or caring work should also be taken into consideration. Nussbaum identified from Aristotelian philosophy a set of ten universal, normative capabilities that represent personal freedoms that are so basic that they generally legally protected. These may be viewed as needs, although they are also related to values. It is suggested that they can be used in a variety of ways including; to assess individual well being; to evaluate and assess social arrangements; or to inform the design of policies for social change. The tenth on the list of Nussbaum's capabilities, *Control over one's environment*, (See Appendix) seems particularly apt in relation to financial education and the most directly related but all of the capabilities on the list can be considered to have relevance.

Associating financial education to these broader aims for learners that foster capability for basic economic functioning while considering the conditions that may influence the context beyond the learning and teaching of enlightened teachers is a sound justification for using the title financial capability. US educators who are recognizing a need to embed financial education into social studies contexts and the Scottish curriculum that rests on a values basis are addressing the need for capability thinking in their classrooms.

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Appendix

Nussbaum's Capabilities

1. *Life*. Being able to live to the end of a human life of normal length; not dying prematurely.
2. *Bodily health*. Being able to have good health, including reproductive health; being adequately nourished; being able to have adequate shelter . . .
3. *Bodily integrity*. Being able to move freely from place to place; being able to be secure against violent assault, including sexual assault; having opportunities for sexual satisfaction and for choice in matters of reproduction.
4. *Senses, imagination, thought*. Being able to use the senses; being able to imagine, to think, and to reason—and to do these things in a way informed and cultivated by an adequate education; being able to use imagination and thought in connection with experiencing, and producing expressive works and events of one's own choice; being able to use one's mind in ways protected by guarantees of freedom of expression with respect to both political and artistic speech and freedom of religious exercise; being able to have pleasurable experiences and to avoid nonbeneficial pain.
5. *Emotions*. Being able to have attachments to things and persons outside ourselves; being able to love those who love and care for us; being able to grieve at their absence, to experience longing, gratitude, and justified anger; not having one's emotional developing blighted by fear or anxiety.
6. *Practical reason*. Being able to form a conception of the good and to engage in critical reflection about the planning of one's own life. (This entails protection for liberty of conscience.)
7. *Affiliation*. Being able to live for and in relation to others, to recognize and show concern for other human beings, to engage in various forms of social interaction; being able to imagine the situation of another and to have compassion for that situation; having the capability for both justice and friendship. Being able to be treated as a dignified being whose worth is equal to that of others.
8. *Other species*. Being able to live with concern for and in relation to animals, plants, and the world of nature.
9. *Play*. Being able to laugh, to play, to enjoy recreational activities.
10. *Control over one's environment*. (A) *Political*: being able to participate effectively in political

choices that govern one's life; having the rights of political participation, free speech and freedom of association. (B) *Material*: being able to hold property (both land and movable goods); having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human being, exercising practical reason and entering into meaningful relationships of mutual recognition with other workers.