

Principals or Agents? Developing Citizenship through Business, Economics and Financial Education

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1 Introduction: different interests and different perspectives

Recent guidance (*QCA, 2001*) to schools regarding the introduction of Citizenship Education in England from August 2002 stresses the objectives of 'celebrating the diversity of the community' and 'learning socially and morally responsible behaviour'. This suggests that developing students' ability to see an issue from different perspectives and recognising different interests are key aspects of citizenship education. Diversity cannot be celebrated unless it is recognised and at least partially understood and that requires some grasp of the alternative perspectives to be found in different parts of society. Social and moral responsibility demands recognition of interests other than one's own. These objectives are critical to the development of an economic dimension to citizenship (*Davies, 2001*). Different economic ideas lead individuals to interpret events in entirely different ways, whilst individuals relying on the same economic perspective should recognise that the same economic event carries different implications for different interest groups within the economy.

This paper briefly reviews the way in which business, economic and financial education has helped, and should help, young people to develop their understanding of different interests and different perspectives on behaviour. These aims are central to the contribution of this subject area to citizenship education. Current evidence (*Davies et al. 2002*) suggests that, at present, young people are confused in their judgements about economic phenomena, reinforcing the sense that the curriculum has so far failed to address the issues adequately. The first section in the paper reviews recent curriculum policy in England and Wales, Scotland and Northern Ireland have their own curricula in which the issues have been approached in different ways. Section Two reviews the curriculum in practice by looking at the aims of examination syllabuses (specifications) and a range of initiatives that stand outside the examinations framework. Section Three responds to these two descriptive sections by arguing that previous policy has provided mixed support for the development of students' thinking and that a 'principal-agent' framework provides a good framework for developing a more coherent approach. The conclusions consider some implications for future research.

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2 Developments in Curriculum Policy in England and Wales

From August 2002 schools in England are required to teach all 14-16 year olds 'how the economy functions' as part of their citizenship education, whilst the European Charter for Small Business (*DTIa, 2001a*) declares that 'specific business-related modules should be made an essential ingredient of education schemes at secondary level and at colleges and universities'. At the same time the declared aim of the Financial Services Agency (a government appointed body) in England is to work 'to ensure that financial literacy is part of the education system preparing school students for adult life...focusing on the retail mass markets for financial products such as banking services, insurance and pensions, and on the needs of inexperienced and vulnerable consumers of financial services'. A report on business, economics and financial education, jointly commissioned by the Chancellor of the Exchequer, the Secretary of State for Education and Skills and the Secretary of State for Trade and Industry is expected shortly.

We might interpret this burst of initiatives as responses from government to the growing diversity and complexity of the economy and the demands that these place on states and citizens. Governments such as those in the UK would like education to prepare young people to be more willing and able to set up small businesses and better equipped to act as critical consumers and responsible citizens. The importance of the first of these objectives may be judged by the proportion of the private sector accounted for by small businesses. At the start of the year 2000 there were 3.7 million small businesses (under 50 employees) in Britain of which 2/3 were either sole proprietors or partnerships. These accounted for 43.6% of private sector employment and 37.2% of private sector turnover. In the words of the European Charter for small business 'Small enterprises are the backbone of the European economy. They are a key source of jobs and a breeding ground for business ideas. Europe's efforts to usher in the new economy will succeed only if small business is brought to the top of the agenda' (*DTI, 2001a*). In addition to their importance for employment and innovation, small businesses appeal to state and federal governments because they add to, rather than traverse, internal economic and political identity. The second objective suggests a concern that consumers may be at a disadvantage in the face of the power of large firms (with over 250 employees) and are sometimes puzzled by the range of choices presented to them. There were just 7,000 large firms operating in the UK in 2000, accounting for around half of all private sector employment and turnover. The third objective of education for citizenship, may amongst other things, reflect a concern that the global interdependence of much private sector production and consumption has a potential for eroding citizen's understanding of, and allegiance to, national agendas in political economy.

However, since the mid 1980s the dominant response of education policy in England to globalisation and perceived international competition has been to aim to raise average standards of attainment, particularly in core subjects. This concern has been apparent in statements from government about the need to raise educational attainment to produce a more skilled workforce which will, in turn, enable the country to compete more effectively in the international marketplace. A key presumption in this reasoning is that a highly skilled workforce will encourage global firms to locate high value-added production in the UK. The consequences of this dominant aim in the 1980s and 1990s was the introduction in England and

Wales of a core curriculum for all. An extensive National Curriculum was introduced in primary and secondary schools from 1986. It is interesting that business, economic and financial education is re-emerging in government priorities during a period when the scope of the National Curriculum in the 14-16 curriculum is being reduced and the government is returning to viewing continuity of education for students aged 14-19 as a key to curriculum planning. This interest is best seen as a re-emergence of earlier (*e.g. DES, 1977; Rumbold, 1990*) concerns.

3 Curriculum development in business, economics and financial education

During this period a curriculum for business, economics and financial education has been provided through two separate strands of policy. First, students aged 14-19 have been able to choose courses leading to public examinations in business studies and economics. These courses have been governed by national criteria governing syllabus aims, content and assessment. A government agency (the Qualifications and Curriculum Authority) has monitored adherence to these criteria. These courses were explicitly excluded from the legislated, compulsory curriculum introduced by the Education Reform Act in 1986. As a result, the growth of business studies as an examination subject for 14-16 year olds was brought to a halt (*Davies, 1994*) when the National Curriculum requirements were implemented for this age group. In addition, a variety of opportunities for the development of some aspects of business, economic and financial education have been provided on a 'cross-curricular basis'. These opportunities included personal financial management within a non-examined personal and social education, specific activities such as industrial visits and 'mini-enterprise simulations focused on 'industrial practice' and activities within timetabled subjects that were designed to promote economic understanding. In the late 1980s the government made an effort to co-ordinate these opportunities under the banner of 'economic and industrial understanding'. However, this quickly disappeared from government priorities under the urgency to make sure that the core curriculum was working successfully. Consequently, this second strand of curriculum provision has developed in an unregulated and generally uncoordinated fashion. The aims and content of this provision have reflected the intention of individual projects and the organisations that have promoted them. For example, industry-related activities have been promoted by funding and support from the Department for Trade and Industry rather than the Department for Education and Skills and Financial Education has been strongly promoted by, amongst others, one of the main clearing banks.

This section reviews the way in which the aims of each of these strands in the curriculum have developed. In particular it examines the way in which curriculum development has attempted to address the issues of enabling students to identify and appreciate different interests and different perspectives on business, economic and financial behaviour. Curriculum development in economics and business in England in the 1980s and early 1990s tended to give the interests of producers precedence over the interests of consumers. Hodkinson (*1994*) cites examples of how this bias operated in the introduction of economic and industrial understanding as a cross-curricular theme, whilst Chambers and Squires (*1990*) examine the bias in the development of business studies. An indication of the impact of economics teaching on the thinking of 16-19 year olds can be found in the

findings of Ashworth and Martin (1995) whose survey results indicated that students were likely to feel more positive about market solutions after studying economics.

Examination syllabuses in Business Studies have explicitly aimed to deal with this problem and this is reflected in a change in the expression of aims in syllabuses (now referred to as specifications). Although there are three examination boards setting examination syllabuses for students in England, the aims for these syllabuses are broadly determined by national criteria. The following quotations from specifications from particular examination boards are, therefore, indicative of the aims of courses offered for study by 14-19 year olds in England. Prior to 2001 the aims of a specification for GCSE Business Studies (14-16 year olds) from one examination board included:

- develop knowledge and understanding of the major groups and organisations within and outside business and consider ways in which they are able to influence business objectives, decisions and activities; and
- develop knowledge and understanding of how the main types of business and commercial institutions are organised, financed and operated and how their relations with other organisations, consumers, employees, owners and society are regulated. (OCR, 2001a)

A new specification introduced by this examination board for post-2001 courses following a national review of course criteria included, in addition to these aims:

- Appreciate the perspectives of a range of stakeholders in relation to the environment, individuals, society, government and enterprise. (OCR, 2001b)

The pre-2001 aims suggest unproblematic knowledge. They pose the problem for learning and teaching as enabling students to grasp patterns of organisation and influence that may be taken as given. There is no indication in the first set of aims that interests, let alone perspectives, may conflict as well as harmonise. The revised aims explicitly introduce the concept of stakeholders. This increases the likelihood that students will be required to consider more complex bases for evaluating business behaviour, but the interpretation of this aim is still a bit ambiguous. That is, the statement does not distinguish between interests and perspectives: the ways in which different groups are affected by a particular event and the ways in which different people may perceive an event. Consequently, the wording of the aim does not make it clear whether students are to be taught that perspectives and interests are the same or different. The specification from another (AQA) examination board includes the identical aim referring to stakeholders' perspectives, but expands upon this with the following statement:

- By viewing business from several perspectives, open-mindedness in the interpretation of situations and issues and the formation of judgements are promoted. (AQA, 2001)

The phrase 'interpretation of situations' indicates that an understanding of different perspectives (rather than simply different interests) will be required.

Specifications for courses leading to examination in economics in England and Wales must satisfy different criteria from those devised for business studies. Amongst the criteria for specification aims is the requirement that the specification should:

- Develop knowledge and understanding of market and non-market solutions to economic problems and an appreciation of the interdependence and dynamics of economic behaviour. (EdExcel, 2001)

This aim suggests that students should appreciate that an economic problem could be resolved in different ways, but it stops short of any explicit reference to difference in perspective that lead one person to conclude that a market solution would be more desirable whilst another person might conclude that a non-market solution would be preferable. Different types of solution can be viewed from the same perspective. Nevertheless, we can see from these specification aims that examination boards and the government body (the Qualifications and Curriculum Authority) charged with overseeing the drafting and implementation of these specifications, are striving to address the principal-agent issues implicit in any aims for a curriculum in business, economics and financial education.

However, schools have also been encouraged to provide a curriculum in aspects of business, economics and financial education in ways that do not require students and teachers to devote regular time in the school week to learning and teaching on courses leading to formal examinations. For example, schools have been encouraged to develop 'industry links' in the form of providing work experience for students, visits to businesses and visits from 'industrialists'. This strand has now become associated with the phrase 'enterprise education'. The following extract from the guidance to schools provided in the 'National Curriculum Handbook' indicates the purpose and practice expected of such education:

"Changing patterns of work mean that many young people will consider self-employment at some point in their working lives. Pupils should therefore develop skills and attitudes that will prepare them for this as a career option. Many aspects of the curriculum at all key stages provide opportunities for developing enterprise and entrepreneurial skills.

Enterprise can be associated with a set of attributes, skills and attitudes that enable people to create and thrive on change. Enterprise education enables pupils to develop confidence, self-reliance and willingness to embrace change. Through participation in mini-enterprises pupils can practise risk management, learning from mistakes and being innovative.

Entrepreneurialism is the creation of wealth through the development of new and small businesses. Opportunities can be provided for pupils to learn about and explore the role of individuals in sustaining and developing the economy and society and to develop the entrepreneurial characteristics of tenacity, independence, innovation, imagination, risk-taking, creativity, intuition and leadership."

(The National Curriculum Handbook for secondary teachers in England)

In a similar vein, guidance from the Department for Trade and Industry (*DTIb, 2001*) refers to the knowledge, skills and attitudes to be developed by enterprise education, but makes no reference to understanding and includes amongst its aims 'being positive about enterprise'. The omissions from these aims are interesting because they contrast with those found in business studies specifications and because whilst examination courses in business studies are options for students, some participation in 'enterprise education' through work experience is compulsory. However, this very limited compulsory element falls noticeably short of the expectations of the European Charter for Small Business which suggests that:

"Europe will nurture entrepreneurial spirit and new skills from an earlier age. General knowledge about business and entrepreneurship needs to be taught at all school levels. Specific business-related modules should be made an essential ingredient of education schemes at secondary level and at colleges and universities.

We will encourage and promote youngsters' entrepreneurial endeavours, and develop appropriate training schemes for managers in small enterprises."

(DTI, 2001a)

The aim of financial education found in current guidance to English on 'personal, social and health education' (which is also required to be taught to all students) also suggests that relevant knowledge is unproblematic. Students are to be taught:

"to use a range of financial tools and services, including budgeting and saving, in managing personal money"

(OCA, 2001b).

There is no hint in this language of the concern expressed by the Financial Services Authority for 'vulnerable consumers', no hint that someone might try to sell you a bad financial deal.

4 Principals and Agents

This brief review of recent curriculum development in England and Wales illustrates some of the problems in developing a curriculum for business, economics and financial education. Education policy that encourages a proliferation of uncoordinated activities in this field is likely to result in a curriculum with conflicting aims and which fails to satisfactorily address the issues of multiple interests and perspectives introduced at the beginning of this paper. This section uses a 'principal-agent' framework to suggest a way in which these issues could be addressed and indicates how this would improve upon the current situation in England and Wales.

The multiple purposes of business, economic and financial education maybe regarded as preparing students to act as principals and agents with respect to economic activity. Enterprise education focuses on preparing young people to take on the role of an agent, managing the production of goods and services. Business studies specifications in England also formerly adopted this stance. From an economic point of view, the quality of that

management must be judged on the basis of the satisfaction brought to the owners of the resources and to consumers: the principals on behalf of whom the production is carried out. Current business studies specifications incorporate this economic perspective, requiring students to examine the interests of customers and shareholders as well as the interests of business managers. Financial education (whether in terms of shareholding or consumer education) concentrates on preparing young people for the role of a principal. Preparing young people to act as a shareholder or preparing them to act as a consumer neglects other interests and is, therefore, an inadequate basis for education in business, economics and finance. The review of recent experience shows that, in England and Wales, examination courses are currently attempting to address these issues but the mixture of non-examination initiatives are not. The concept of 'stakeholder' (*Giddens, 2000*) is being widely used in examination specifications as a means of conveying the different interests.

However, there is a second level problem (difference in perspective) that is currently only weakly addressed even by examination syllabuses in England. That is, education may assume either that the interests of principals and agents are aligned or that they are in conflict. The principal-agent framework is more helpful than the 'stakeholders' concept here because it draws attention to two possible characteristics of any economic activity (i) where the interests of principals and agents are aligned (in so far as principals will reward agents for meeting their interests more efficiently); or (ii) where the interests of principals and agents are opposed (in so far as either is able to exploit opportunities to increase their share of the benefits from production). When markets work efficiently they will align the interests of principals and agents and an education that encourages students to believe that this a natural state of affairs is likely to encourage this perspective. This perspective appears natural to critics of the 'stakeholding' concept (*see Hutton et al., 1997*). When markets do not work efficiently they cannot be relied upon to align the interests of principals and agents and a case for government intervention emerges if it can be argued that government failure will be less damaging than market failure. Therefore, all curriculum provision for business, economic and financial education ought to aim to help students to:

- Understand the interests of a range of stakeholders in relation to the environment, individuals, society, government and enterprise; and
- Evaluate market and non-market solutions to business, economic and financial problems

5 Conclusion

However, we do not know the extent to which these aims are realisable. That is, how far can teaching improve the quality of young people's grasp of different interests and different perspectives? Moreover, if students develop a better grasp of different interests or perspectives in one area of business, economic and financial behaviour will they transfer this improvement to their thinking about other such contexts? *Hodkinson (1994)* points out that phenomenographic research suggests that such improvements in students' thinking are not easily realised. These questions set out an important agenda for research. Further research could help to (i) generate descriptions of levels of students' thinking about different interests and different perspectives; (ii) discover whether such levels of thought are transferable across contexts; and (iii) indicate how the quality of students'

thinking might be improved according to such criteria. Some initial work on the quality of students' judgements in geographical education ([Davies, 2002](#)) provides a basis for believing such research could yield fruitful results. Davies' research focused on evidence from 14 year olds' writing in geography. He suggested levels of thinking in judgements that progressed from 'relating criteria to interest groups', 'treating conflict as endemic between two groups', 'recognising that how variations in variables make it difficult to apply sweeping judgements' to 'recognising that different interest groups may weight a criterion on different, sometimes conflicting ways'. It may be that analysis of students' writing and conversation in business, economic and financial education would lead to quite different categorisation of levels of quality. However, it is interesting to note that differences of interest and perspective also emerge within geographical education. One possibility is that these levels of quality are characteristic of the development of social science thinking in young people.

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