



The effect of financial education on literacy and
behavior: evidence from the field (and from the lab)

Agar Brugiavini, Danilo Cavapozzi, Mario Padula, Yuri
Pettinicchi

Discussion by
Hans Bloemen (VU University, TI, Netspar)

1. General: motivation & summary

- Financial education > Financial literacy, behavior
- Important issue: individuals observed not to behave rationally > Financial literacy as a possible explanation
- Education as a possible remedy
- Here: experimental approach is followed
 - Homogenous group of student participants
 - Before/after treatment set-up with control group (randomized)
- Result: positive effect of education on literacy and behavior.

1. General: wider context > Experiment vs. Real life

- What can we learn from the outcome?
- Real life: decision to educate oneself depends on someone's financial situation (“Investment in literacy”, Jappelli & Padula, 2013)
- Would exposing random people to a course be helpful?
- Transaction costs and satisficing behavior

2. The experiment: summary

1. Before course test on economic concepts for everyone
2. Course:
 - Treatment group: Basic Economic Concepts
 - Control: History of Venetian Lagoon
3. After course test on economic concepts for both treatment and controls

Test is designed such that following the course should be beneficial in test performance

2. The experiment: comments

- Set-up very much like any course at university:
 - Students follow course and do test (exam)
 - Test questions designed to evaluate students' knowledge, skills and efforts acquired with the course
- If correct combination of course material and exam questions we would expect a positive correlation between following the course and test results (for any course)
- Then, what can we learn from the experiment? General conclusions about fin. educ. and lit.? Or the quality of the specific course, test questions?

2. The experiment: comments

- It would have been easy to add additional control mechanism:
 - Treatment group followed course on Basic Economic concepts
 - Control group followed course on History of Venetian Lagoon
- Why not letting both groups do a before and after test on History of Venetian Lagoon as a control?
- I.e. is it easier to train Economic concepts and skills than other issues?

3. Data, methods and Results

- Table 2 & 13: add standard errors: We see sometimes sizeable decreases in correct answers for the control group. Noise, or particular for this sample? Would we find the same if experiment would be redone (draw new sample)?
- Results Tables 3, 4, 14, 15: all 1-coefficient regressions. Why not adding controls (gender, grade, field)? (in view of relatively small sample)
- Tables 5, 6, 8: Test for differences in coefficients by gender, field, grade? (sample large enough to disting.?)

3. Data, methods and Results

- Dependent variable: dummy -1, 0, 1
 - -1: from correct answer before to incorrect after
 - 0: same answer before and after
 - 1: from incorrect before to correct after
- Someone with correct answer before can never do better after (have outcome 1), someone with wrong answer before can never do worse after (outcome -1)
- Alternative: separate regressions for subsamples with correct and incorrect answer before (more like a transition, with binary dependent variable)

3. Data, methods and Results

- Ordered regression? (now -1 has same weight as +1)
- Pooling field and lab results? (with control variable for being part of field or lab)?
- Interesting result for correlation between actual and self-assessed financial literacy: can we conclude that people tend to overestimate their own literacy levels?