



Financial Literacy and Attitudes to Redistribution

Prof. Georgios A. Panos

Georgios.Panos@glasgow.ac.uk

jointly with:

Alberto Montagnoli, Mirko Moro

and Robert E. Wright



A new economic landscape

- Individuals are increasingly in charge of their financial well-being
 - Changes in the pension landscape
 - ❖ More choice and more individual accounts
 - Changes in the labor markets
 - ❖ Increased mobility
 - Changes in the financial markets
 - ❖ Increased complexity
 - ❖ More opportunities to borrow
 - Changes in the political sphere
 - ❖ Tighter government budgets
 - ❖ Political choices
 - Austerity, crisis, distrust
 - Referendums, devolution, public finance

Can financial literacy be linked to financial stability?

- Individuals who are more financial literate have been shown to make *more economically rational decisions* pertaining to real estate purchases, insurance purchases, investing, saving, tax planning, retirement planning, pension and insurance planning
- From an institutional perspective, increased financial capability can contribute to *client protection* and *social performance* target assessment by financial institutions
- Recent evidence shows that financially literate individuals in the US are more likely to start their *own business*, and also perform better while in business, in the spirit of Adam Smith (Klapper, Lusardi and Panos, 2016)
- Recent evidence shows that financial knowledge is a key determinant of wealth inequality
 - 30–40% percent of *retirement wealth inequality* in the US is accounted for by financial knowledge (Lusardi, Michaud and Mitchell, 2016)

Financial Literacy and Public Attitudes

- At the macro level, and in view of looming debt and retirement crises around the world, salient political choices – recently involving voting in referendums – are determined by attitudes towards redistribution, immigration, austerity, as well as the understanding of the working of economic partnerships and monetary and fiscal unions etc.
- Such attitudes are likely to depend upon the understanding of the basics of macroeconomic accounts and public finance
- In a series of papers, we examine the relationship between financial literacy and public attitudes in Great Britain
 - Attitudes to redistribution
 - Attitudes towards devolution in the Scottish and the EU referendums
 - Attitudes towards immigration

Relevant redistribution literature

- Theory: Romer (1975), Roberts (1977) and Meltzer and Richard (1983): The net benefit derived from redistribution is inversely correlated to income
 - Alesina and Angeletos (2005) and Benabou and Tirole (2006): Fairness, expected social mobility etc. matter
- Empirically, Alesina and Giuliano (2011), Alesina and La Ferrara (2005), and Fong (2001; 2006), focus their attention on **current and expected income and social status**; Andreoni and Miller, (2002); Fong et al., (2006) and Fong and Oberholzer-Gee (2011) look at the role of behavioral factors, such as **beliefs regarding the role of luck**. Gruber and Hungerman, (2007) focus their attention on the role of **altruism or religion**.
- Corneo and Grüner (2002) propose a framework to categorize the possible channels through which preferences for redistribution can be derived:
 - 1) **homo oeconomicus effect**: individuals are driven by self-interest and their preferences are entirely shaped by their rank in the income scale; Specifically, preferences are inversely related to the gain that the individual obtain from governmental redistribution.
 - 2) **public value effect** states that preferences are unrelated by the level of income, preferences are then endowments, such as ethics, the individual was born with
 - 3) **social rivalry effect**; here the focus is on the “relative living standards of the individual” , e.g. social composition of the area and the marital

Financial Literacy in a Major Survey

- **Customized version in 2014/15 including our 3 questions**
 - Online survey; 30,219 respondents in Wave 2
 - 26,870 also took Wave 1 (overall retention 88.9%)
- **Nationally representative survey**
 - Weights constructed at the regional level (i.e. Scotland, England, Wales and London are weighted separately to population values) and then adjusted to account for the oversampling of Scottish and Welsh voters
- **3 Financial Literacy questions implemented in Wave 2**
 - Playground item (also asked in Scotland and Wales)
 - Representative sub-sample
 - 5,712 respondents
- **An additional Scottish boost sample of more than 5,000 individuals in Wave 4**

Financial literacy measurement

Q1: Numeracy

Suppose you had £100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

- (1) More than £102
- (2) Exactly £102
- (3) Less than £102
- (4) I can not tell, not even approximately

Financial literacy measurement

Q2: Inflation

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

- (1) More than today
- (2) Exactly the same
- (3) Less than today
- (4) I can not tell, not even approximately

Financial literacy measurement

Q3: Risk

Which is the riskier asset to invest in?

- (1) Shares in a single company stock
- (2) Shares in a unit/mutual fund
- (3) Risks are identical in both cases
- (4) Don't know

Financial literacy in Great Britain

Table 1
Financial literacy in 2014 Great Britain

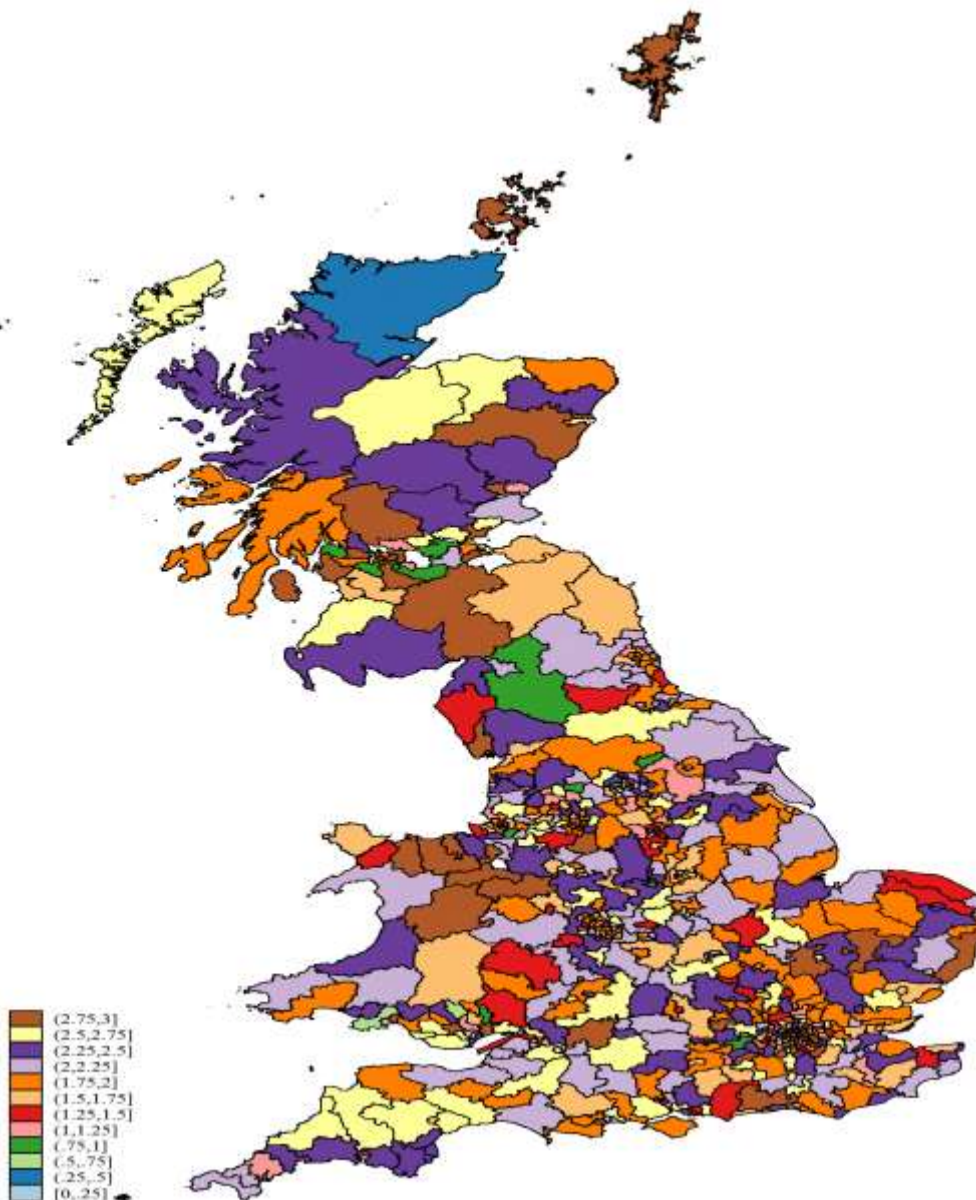
Panel A: Financial literacy measures				
	<u>#Correct responses</u>	<u>#Wrong responses</u>	<u>#DK/DA responses</u>	<u>At least one "Don't know"</u>
GB sample	1.99	0.49	0.52	31.25%
Scottish sample	1.93	0.51	0.56	33.91%
Panel B: Financial literacy: #Correct responses				
	<u>All 3 correct</u>	<u>2 correct</u>	<u>1 correct</u>	<u>0 correct</u>
GB sample	40.22%	29.45%	19.55%	10.78%
Scottish sample	37.28%	31.15%	19.12%	12.45%
Panel C: Distribution of financial-literacy responses				
	<u>Correct</u>	<u>Incorrect</u>	<u>Don't know</u>	<u>Refuse</u>
GB: Compound interest	81.32%	8.88%	9.80%	3.10%
GB: Inflation	69.09%	12.48%	18.43%	3.18%
GB: Stock risk	48.68%	27.93%	23.38%	2.41%
Scotland: Compound interest	80.87%	7.96%	11.17%	2.68%
Scotland: Inflation	65.81%	14.33%	19.85%	2.81%
Scotland: Stock risk	46.57%	28.57%	24.86%	2.43%

Notes: Weighted averages from the British Election Survey (2014)

Financial literacy: International comparison

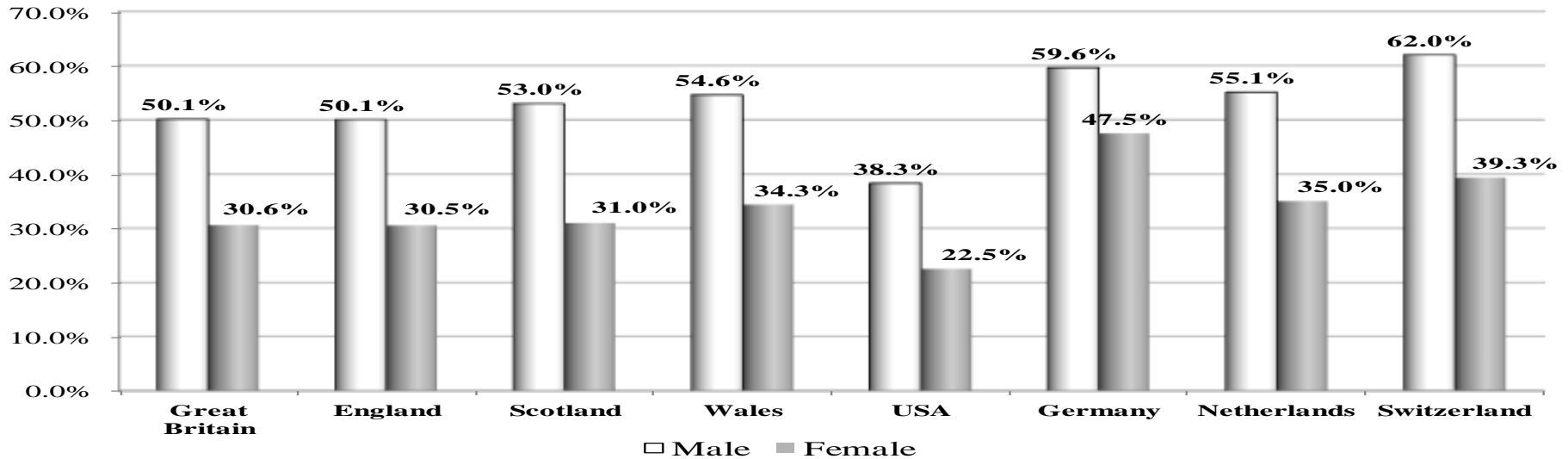
Country	Survey year	Interest rate	Inflation	Risk	All 3 correct	At least 1 "Don't know"
Great Britain	2014	81.3%	69.1%	48.7%	40.2%	28.3%
<i>England</i>	2014	81.3%	69.0%	48.6%	40.2%	28.3%
<i>Scotland</i>	2014	85.6%	70.0%	52.0%	43.3%	27.6%
<i>Wales</i>	2014	78.4%	82.5%	49.6%	44.8%	21.2%
USA	2009	64.9%	64.3%	64.3%	30.2%	42.4%
Netherlands	2010	84.8%	76.9%	76.9%	44.8%	37.6%
Germany	2009	82.4%	78.4%	78.4%	53.2%	37.0%
Japan	2010	70.5%	58.8%	58.8%	27.0%	61.5%
Australia	2012	83.1%	69.3%	69.3%	42.7%	41.3%
New Zealand	2009	86.0%	81.0%	81.0%	24.0%	7.0%
Switzerland	2011	79.3%	78.4%	78.4%	50.1%*	16.9%*
Italy	2007	40.0%*	59.3%*	59.3%*	24.9%*	44.9%*
Sweden	2010	35.2%*	59.5%	59.5%	21.4%*	34.7%*
France	2011	48.0%*	61.2%	61.2%	30.9%*	33.4%*
Russia	2009	36.3%*	50.8%*	50.8%*	3.7%*	53.7%*
Romania	2011	41.3%	31.8%*	31.8%*	3.8%*	75.5%*

Regional distribution of financial literacy

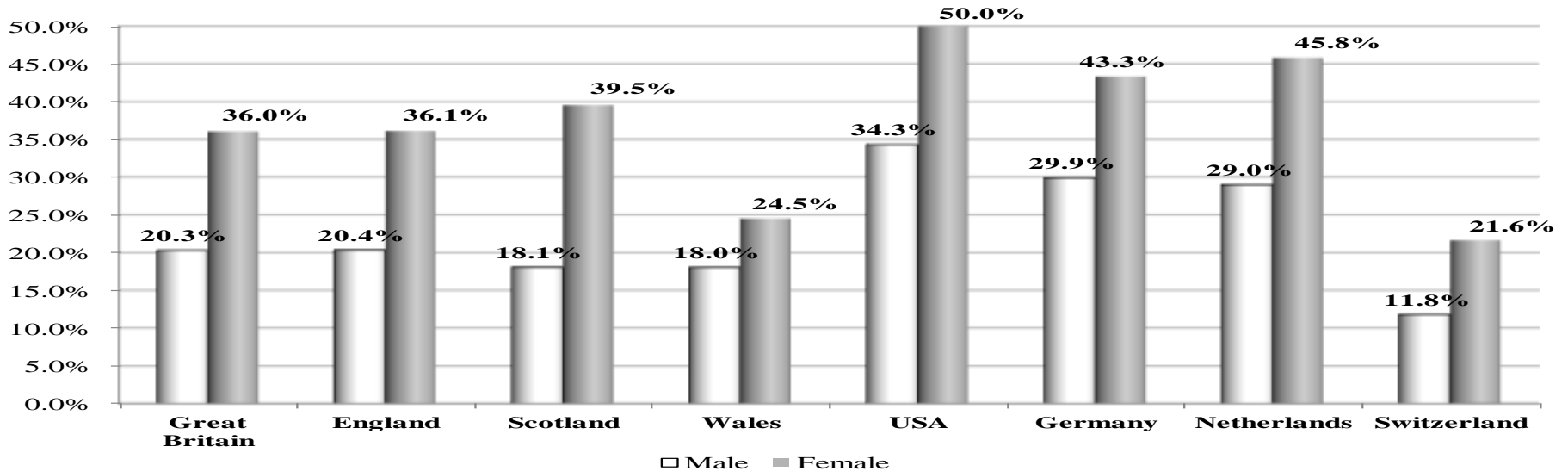


Financial literacy and gender

Panel A: All 3 correct



Panel B: At least 1 "don't know"



Empirical Strategy

- **We examine the impact of financial literacy on attitudes to redistribution**
 - Using 2 proxies for attitudes to redistribution
 - Using the richest possible list of control variables
 - Using two representative samples, for Great Britain (Wave 2) and a large boost sample for Scotland (Wave 4)
 - Using 3 distinct IV exercises
 - Readership of newspapers with a personal finance section, financial education and Lewbel's method ()
 - Using a falsification exercise on attitudes to generic inequality

Results preview

- **Financial literacy and attitudes to redistribution**

- Financial literate individuals are 21–26% less likely to favour income redistribution and government intervention towards income equality
 - Magnitudes of 17–19% in Scotland
- Results robust to the battery of robustness exercises

- **Mechanisms**

- We investigate whether our results can be partially explained by variables proposed by [Corneo and Grüner \(2002\)](#) and utilized in the literature to capture three main channels for individual support to redistribution and equality, namely, *homo oeconomicus* (a measure of pure self-interest), *social rivalry* (whereby preferences towards redistribution are formed in reference to others) and *public value* effects (a measure of beliefs which is independent from individual economic circumstances).
- We find that the homo oeconomicus effect disappears for the financially illiterate group, while it remains dominant for the financial literate group

Attitudes to redistribution

- Some people feel that government should make much greater efforts to make people's incomes more equal. Other people feel that government should be much less concerned about how equal people's incomes are. Where would you place yourself and the political parties on this scale?
 - 0 [Government should try to make incomes equal] – 10 [Government should be less concerned about equal incomes]
- How much do you agree or disagree with the following statements?
 - ... *where 1 [strongly disagree] – 5 [strongly agree]*
 - Government should redistribute income from the better off to those who are less well off

A long list of control variables

- **Financial literacy, and....**

- Gender, age (7 cat.), marital status (3), household size, children in school and preschool age, education (8), race (5), country/region of birth (8), urban/rural region of residence, government office region
- Labour market status (5), last known sector of activity (6), trade union membership (past and present)
- Income (14), house-owner, mortgage, income shock in the last year
- Risk-taking, political orientation (left-right), social desirability, religiousness, BIG5 personality traits

- **Instrumental variables**

- **Readership of newspapers with personal finance section:** Daily Telegraph, Financial Times, Guardian, Independent, Times
- **Broad financial education:** Economics or Business, Engineering, Mathematics or Natural sciences

Attitudes to Redistribution

Table 2

Attitudes towards redistribution and financial literacy in 2014 Great Britain

PANEL A: “Government should try to make incomes more equal” (%)

	<u>No</u> 0	1	2	3	4	5	6	7	8	9	<u>Yes</u> 10
Full sample	10.39	3.73	6.67	11.7	7.59	17.5	8.07	9.92	6.7	4.17	13.56
Financial literacy: # correct responses											
– 0 –	6.59	1.86	5.07	7.42	5.97	22.18	7.38	8.16	5.25	5.76	24.37
– 1 –	7.32	3.5	4.61	9.21	6.5	20.33	5.61	8.28	8.04	4.9	21.71
– 2 –	10.11	3.24	6.92	11.83	7.83	17.58	7.56	9.84	6.82	4.53	13.73
– 3 –	12.65	4.53	7.68	13.52	8.21	15.3	9.61	11.03	6.33	3.31	7.82

PANEL B: “Government should redistribute income from the better off to those who are less well off” (%)

	<u>Strongly Disagree</u>	<u>Neither agree nor disagree</u>	<u>Strongly Agree</u>
	1	2	3
	4	5	
Full sample	5.02	18.68	25.01
			31.57
			19.72
Financial literacy: # correct responses			
– 0 –	3.55	9.08	26.67
– 1 –	4.55	13.21	25.88
– 2 –	4.13	18.54	25.36
– 3 –	6.14	23.25	24.03
			36.01
			31.29
			33.11
			29.71
			24.7
			25.07
			18.86
			16.88

Notes: This table shows the distribution of responses to different questions about attitudes towards redistribution in the British Election Survey 2014/5 and their break down by the number of correct responses in the financial-literacy questions. All statistics are weighted using population level weights.

Attitudes to Redistribution

Panel A: Dependent variable – RD_1 : “Government should try to make incomes more equal”

	(1)	(2)	(3)	(4)	(5)	(6)
Financial literacy: #Correct responses	-0.537*** [0.058]	-0.458*** [0.059]	-0.457*** [0.059]	-0.417*** [0.060]	-0.870*** [0.202]	-0.754*** [0.170]
<i>Linear prediction</i>	5.1465	5.1341	5.1341	5.1341	5.1341	5.1341
<i>#Observations</i>	5,066	4,895	4,895	4,895	4,895	4,895
R^2	0.029	0.231	0.219	0.223	0.225	0.224

Panel B: Dependent variable – RD_2 : “Government should redistribute income from the better off to those who are less well off”

	(7)	(8)	(9)	(10)	(11)	(12)
Financial literacy: #Correct responses	-0.151*** [0.020]	-0.117*** [0.022]	-0.114*** [0.023]	-0.102*** [0.023]	-0.343*** [0.072]	-0.241*** [0.069]
<i>Linear prediction</i>	3.4277	3.4249	3.4249	3.4249	3.4249	3.4249
<i>#Observations</i>	5,297	5,101	5,101	5,101	5,101	5,101
R^2	0.017	0.244	0.234	0.237	0.24	0.238

Control variables for both Panels A and B:

Individual characteristics	-	+	+	+	+	+
Education (dummy variables)	-	+	-	-	-	-
Age (dummy variables)	-	+	-	-	-	-
Personal income (dummy variables)	-	+	-	-	-	-
Years of education	-	-	+	+	+	+
Log(Age)	-	-	+	+	+	+
Log(Personal income)	-	-	+	+	+	+
Log(Personal income)^2 and ^3	-	-	-	+	+	+
Log(Household income)	-	-	-	+	+	+
Log(Household income)^2	-	-	-	+	+	+
Log(Personal income)*Log(Household income)	-	-	-	+	+	+
Financial literacy*Years of education	-	-	-	-	+	+
Fin. literacy*Log(Personal income)*Years of education*Log(Age)	-	-	-	-	-	+

Notes: Individual characteristics include age and education dummies and a set of controls described in Section 3. All estimates are weighted

Attitudes Redistribution

Figure 2

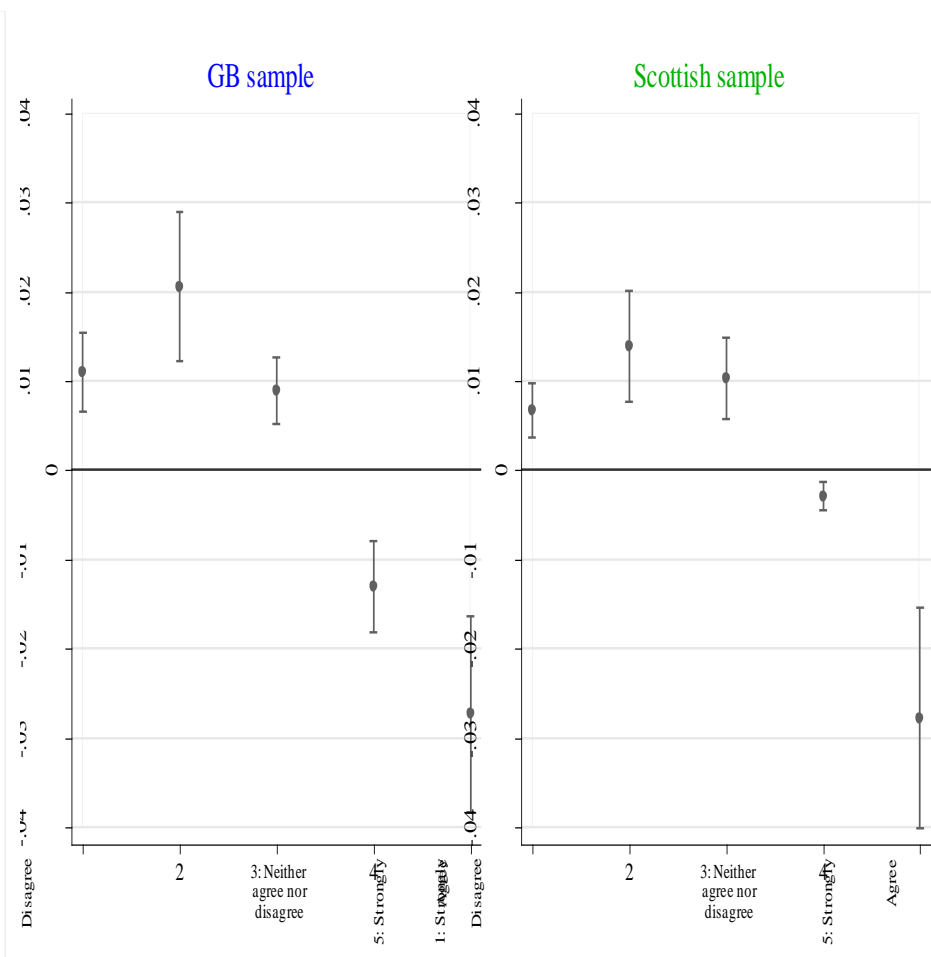
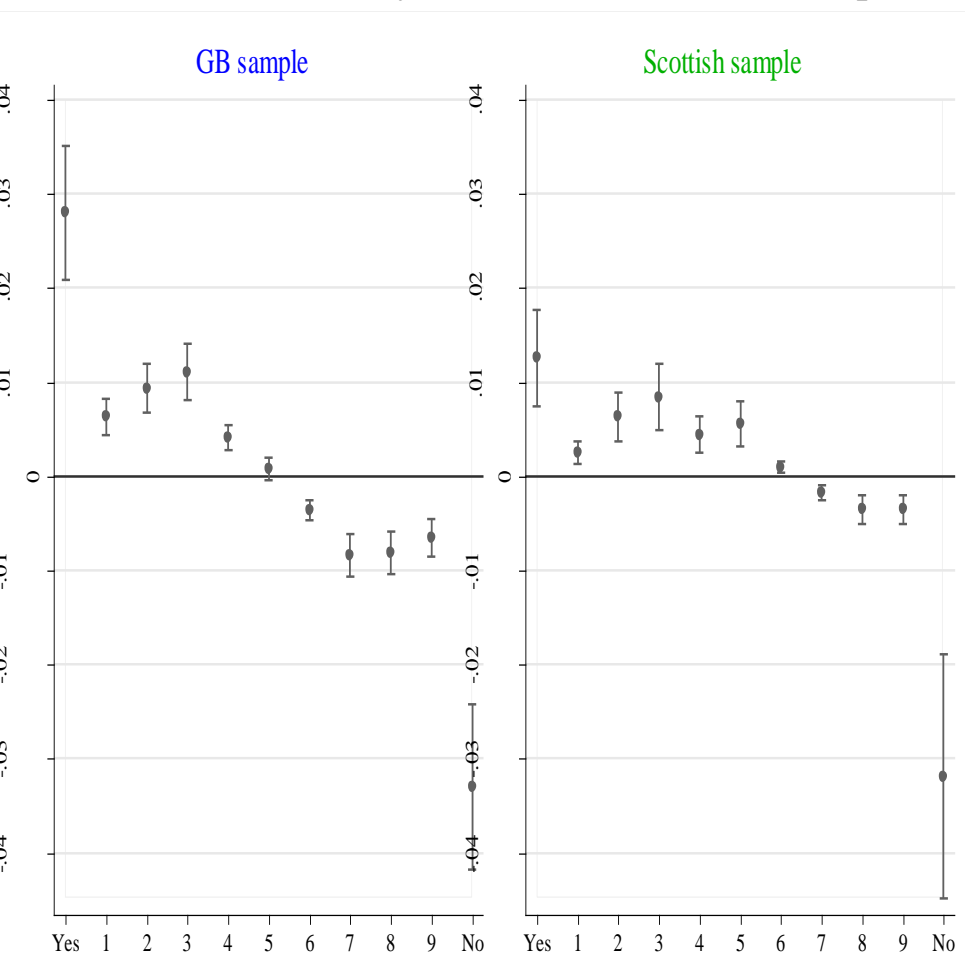
Average marginal effects of financial literacy on attitudes towards redistribution from ordered probit regressions

(a)

(b)

Government should try to make incomes more equal

Government should redistribute income



Magnitudes

Table 5
Predicted probabilities and financial literacy effects

Panel A: "Government should try to make incomes more equal"											
	<u>GB sample</u>										
	<u>No</u>										<u>Yes</u>
	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
Predicted probability	0.106	0.036	0.066	0.116	0.076	0.176	0.079	0.101	0.066	0.042	0.135
Fin. literacy AME	0.028*** [0.004]	0.006*** [0.001]	0.009*** [0.001]	0.011*** [0.002]	0.004*** [0.001]	0.001 [0.001]	-0.004*** [0.001]	-0.008*** [0.001]	-0.008*** [0.001]	-0.007*** [0.001]	-0.033*** [0.004]
% Fin. literacy effect	26.33%	17.55%	14.22%	9.53%	5.35%	0.44%	-4.50%	-8.28%	-12.29%	-15.41%	-24.51%
Observations	4,895	4,895	4,895	4,895	4,895	4,895	4,895	4,895	4,895	4,895	4,895
	<u>Scottish sample</u>										
Predicted probability	0.070	0.018	0.052	0.090	0.064	0.137	0.084	0.111	0.082	0.055	0.237
Fin. literacy AME	0.014*** [0.002]	0.003*** [0.000]	0.006*** [0.001]	0.008*** [0.001]	0.004*** [0.001]	0.005*** [0.001]	0.001*** [0.000]	-0.002*** [0.000]	-0.004*** [0.001]	-0.004*** [0.001]	-0.031*** [0.005]
% Fin. literacy effect	19.21%	14.12%	12.09%	9.02%	6.40%	3.53%	0.64%	-1.85%	-4.43%	-6.42%	-12.98%
Observations	4,989	4,989	4,989	4,989	4,989	4,989	4,989	4,989	4,989	4,989	4,989

Table 5 continued on next page

Magnitudes

Table 5 continued from previous page

Table 5

Predicted probabilities and financial literacy effects

Panel B: "Government should redistribute income from the better off to those who are less well off"

	<u>GB sample</u>				
	<u>Strongly Disagree</u>			<u>Neither agree nor disagree</u>	<u>Strongly Agree</u>
	1	2	3	4	5
Predicted probability	0.052	0.184	0.244	0.329	0.191
Financial literacy AME	0.011*** [0.002]	0.021*** [0.004]	0.009*** [0.002]	-0.013*** [0.003]	-0.027*** [0.006]
% Financial literacy effect	21.19%	11.17%	3.67%	-3.97%	-14.30%
Observations	5,101	5,101	5,101	5,101	5,101
	<u>Scottish sample</u>				
	<u>Strongly Disagree</u>			<u>Neither agree nor disagree</u>	<u>Strongly Agree</u>
	1	2	3	4	5
Predicted probability	0.038	0.133	0.203	0.336	0.291
Financial literacy AME	0.007*** [0.002]	0.014*** [0.003]	0.010*** [0.002]	-0.003*** [0.001]	-0.028*** [0.006]
% Financial literacy effect	17.43%	10.46%	5.06%	-0.88%	-9.55%
Observations	4,986	4,986	4,986	4,986	4,986

Notes: Each panel shows the predicted probability of reporting a category (0-10 for the first model, 1-5 for the second model); probability changes due to financial literacy (*i.e.* the average marginal effect) and the contribution of financial literacy expressed in percent (*i.e.* the ratio between average marginal effect and predicted probability for each category). Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Robustness

Table 4
Financial literacy and attitudes to redistribution in 2014 Scotland

	<u>“Government should try to make incomes more equal”</u>		
	(1)	(2)	(3)
Financial literacy: number of correct responses	-0.287*** [0.061]	-0.270*** [0.061]	-0.384*** [0.092]
Linear Prediction	6.239	6.239	6.239
Observations	4989	4989	4989
R2	0.254	0.251	0.252
	<u>“Government should redistribute income from the better off to those who are less well off”</u>		
	(4)	(5)	(6)
Financial literacy: number of correct responses	-0.089*** [0.021]	-0.078*** [0.020]	-0.108*** [0.032]
Linear Prediction	3.719	3.719	3.719
Observations	4986	4986	4986
R2	0.237	0.237	0.237
Individual characteristics	Yes	Yes	Yes
Years of education	No	Yes	Yes
Log(Age)	No	Yes	Yes
Personal income - dummies	No	Yes	Yes
Log(Personal income)	No	Yes	Yes
Log(Personal income)^2 and ^3	No	Yes	Yes
Log(Household income)	No	Yes	Yes
Log(Household income)^2	No	Yes	Yes
Log(Personal income)*Log(Household income)	No	Yes	Yes
Financial literacy*Years of education	No	Yes	Yes
Financial literacy*Log(Personal income)*Years of education*Log(Age)	No	No	Yes

Notes: Individual characteristics include age and education dummies and a set of controls described in Section 3. All estimates are weighted using population level weights. Robust standard errors in

Robustness

Table 4
Financial literacy and attitudes to redistribution in 2014 Scotland

	<u>“Government should try to make incomes more equal”</u>		
	(1)	(2)	(3)
Financial literacy: number of correct responses	-0.287*** [0.061]	-0.270*** [0.061]	-0.384*** [0.092]
Linear Prediction	6.239	6.239	6.239
Observations	4989	4989	4989
R2	0.254	0.251	0.252
	<u>“Government should redistribute income from the better off to those who are less well off”</u>		
	(4)	(5)	(6)
Financial literacy: number of correct responses	-0.089*** [0.021]	-0.078*** [0.020]	-0.108*** [0.032]
Linear Prediction	3.719	3.719	3.719
Observations	4986	4986	4986
R2	0.237	0.237	0.237
Individual characteristics	Yes	Yes	Yes
Years of education	No	Yes	Yes
Log(Age)	No	Yes	Yes
Personal income - dummies	No	Yes	Yes
Log(Personal income)	No	Yes	Yes
Log(Personal income)^2 and ^3	No	Yes	Yes
Log(Household income)	No	Yes	Yes
Log(Household income)^2	No	Yes	Yes
Log(Personal income)*Log(Household income)	No	Yes	Yes
Financial literacy*Years of education	No	Yes	Yes
Financial literacy*Log(Personal income)*Years of education*Log(Age)	No	No	Yes

Notes: Individual characteristics include age and education dummies and a set of controls described in Section 3. All estimates are weighted using population level weights. Robust standard errors in

IVs

Table 7
Instrumental variables: financial literacy and attitudes to redistribution in 2014 Great Britain

<i>Instrument:</i>	<u>“Government should try to make incomes more equal”</u>							
	<u>GB sample</u>				<u>Scottish sample</u>			
	<i>Lewbel</i>	<i>P.F. section</i>	<i>FinEdu</i>	<i>P.F. section, FinEdu</i>	<i>Lewbel</i>	<i>P.F. section</i>	<i>FinEdu</i>	<i>P.F. section, FinEdu</i>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Financial literacy: number of correct responses	-0.577*** [0.097]	-0.964* [0.497]	-1.135* [0.684]	-1.037** [0.414]	-0.217* [0.112]	-0.947* [0.561]	-1.675*** [0.638]	-1.284*** [0.418]
Linear prediction	5.134	5.134	5.134	5.134	6.239	6.239	6.239	6.239
No. of Observations	4895	4895	4895	4895	4989	4989	4989	4989
R2	0.229	0.211	0.195	0.204	0.254	0.218	0.095	0.172
F-statistic	12.93	12.17	11.96	12.11	17.68	16.46	13.9	15.5
	<u>“Government should redistribute income from the better off to those who are less well off”</u>							
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Financial literacy: number of correct responses	-0.073* [0.037]	-0.427** [0.178]	-0.411 [0.308]	-0.421*** [0.161]	-0.072** [0.036]	-0.283 [0.207]	-0.560*** [0.197]	-0.441*** [0.138]
Linear prediction	3.409	3.409	3.409	3.409	3.719	3.719	3.719	3.719
No. of Observations	5292	5292	5292	5292	4986	4986	4986	4986
R2	0.238	0.175	0.182	0.178	0.237	0.213	0.094	0.157
F-statistic	15.25	13.7	13.76	13.74	15.32	14.44	12.36	13.37
Individual characteristics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Personal income - dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Notes: Individual characteristics include age and education dummies and a set of controls described in Section 3. All estimates are weighted using population level

Falsification

Table 6
Falsification tests: financial literacy and attitudes to equality rights

	GB sample			Scottish sample		
	Gay (1)	Female (2)	Black (3)	Gay (4)	Female (5)	Black (6)
Financial literacy: #correct responses	-0.001 [0.022]	-0.021 [0.018]	-0.030 [0.021]	-0.009 [0.021]	0.027 [0.019]	-0.028 [0.021]
Linear Prediction	3.142	2.735	3.392	2.992	2.561	3.207
Observations	5,007	5,104	4,988	4,872	4,974	4,857
R2	0.215	0.143	0.213	0.251	0.149	0.21
Individual characteristics	Yes	Yes	Yes	Yes	Yes	Yes
Personal income - dummies	Yes	Yes	Yes	Yes	Yes	Yes

Notes: Individual characteristics include age and education dummies and a set of controls described in Section 3. All estimates are weighted using population level weights. Robust standard errors in parenthesis. *** p<0.01, ** p<0.05, * p<0.1.

Mechanisms

Panel A: Dependent variable – “Government should try to make incomes more equal”

	<i>All</i>	<i>FLH</i>	<i>FLL</i>	<i>All</i>	<i>FLH</i>	<i>FLL</i>
<i>GB sample</i>	(1)	(2)	(3)	(4)	(5)	(6)
FL: #Correct responses	-0.427*** [0.059]	–	–	-0.427*** [0.059]	–	–
HOE	-0.261*** [0.066]	-0.315*** [0.070]	-0.190 [0.144]	-0.261*** [0.065]	-0.317*** [0.070]	-0.186 [0.144]
PVE	-0.508*** [0.064]	-0.473*** [0.071]	-0.602*** [0.132]	-0.508*** [0.064]	-0.473*** [0.071]	-0.605*** [0.132]
SRE	-0.197*** [0.052]	-0.268*** [0.056]	0.005 [0.120]	–	–	–
DVD	–	–	–	-0.112** [0.053]	-0.124** [0.057]	-0.042 [0.120]
UVD	–	–	–	0.125** [0.058]	0.197*** [0.060]	-0.052 [0.136]
<i>Linear prediction</i>	<i>5.128</i>	<i>4.850</i>	<i>5.911</i>	<i>5.128</i>	<i>4.850</i>	<i>5.911</i>
<i>#Observations</i>	<i>4,827</i>	<i>3,817</i>	<i>1,010</i>	<i>4,827</i>	<i>3,817</i>	<i>1,010</i>

Mechanisms

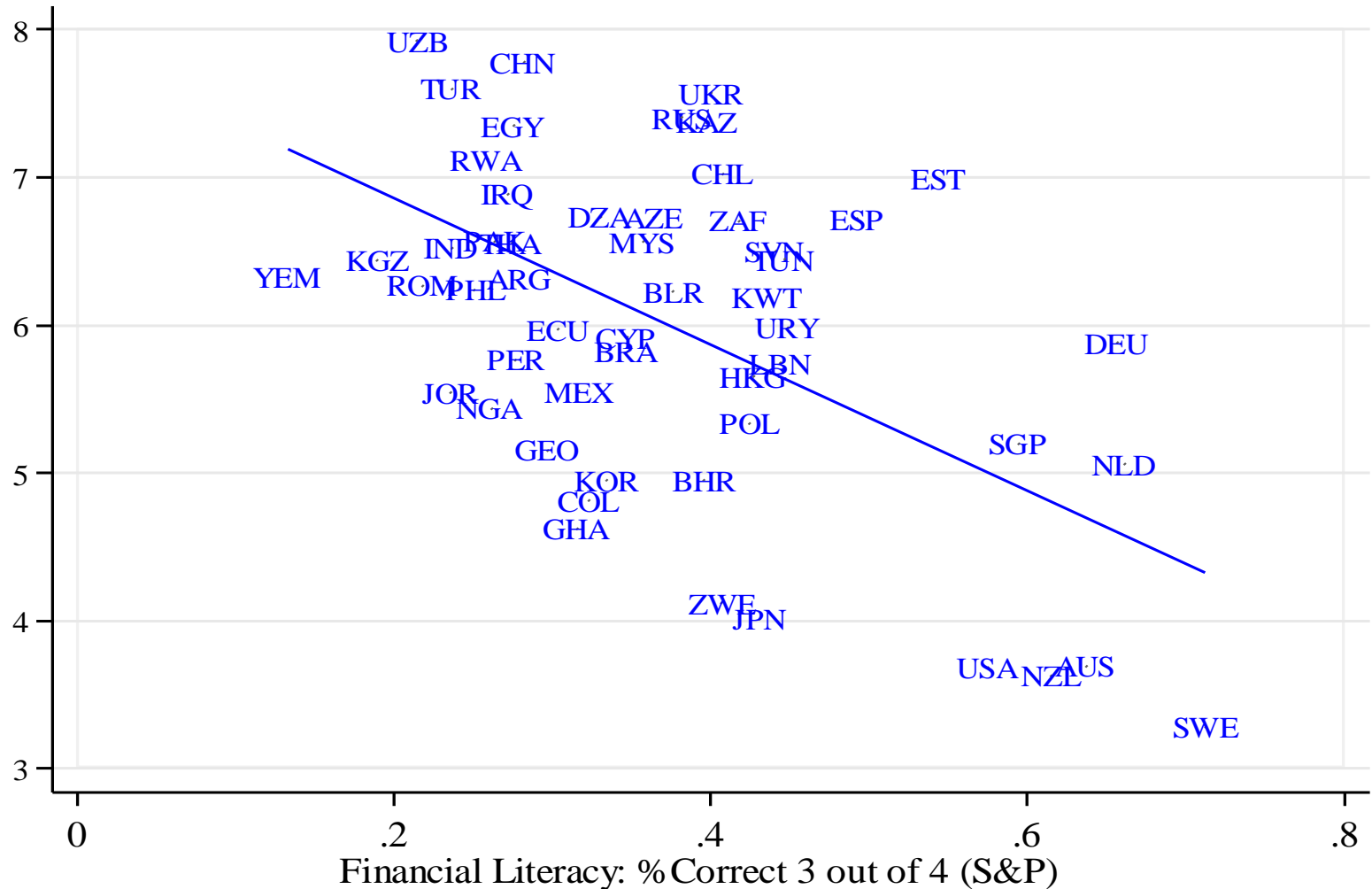
Panel B: “Government should redistribute income from the better off to those who are less well off”

	<i>All</i>	<i>FLH</i>	<i>FLL</i>	<i>All</i>	<i>FLH</i>	<i>FLL</i>
<i>GB sample</i>	(13)	(14)	(15)	(16)	(17)	(18)
FL: #Correct responses	-0.105*** [0.021]	–	–	-0.105*** [0.021]	–	–
HOE	-0.049** [0.023]	-0.082*** [0.025]	-0.007 [0.043]	-0.047** [0.023]	-0.081*** [0.025]	0.005 [0.043]
PVE	-0.235*** [0.021]	-0.235*** [0.022]	-0.218*** [0.044]	-0.236*** [0.021]	-0.235*** [0.023]	-0.221*** [0.043]
SRE	-0.166*** [0.020]	-0.147*** [0.020]	-0.189*** [0.041]	–	–	–
DVD	–	–	–	-0.131*** [0.024]	-0.093*** [0.023]	-0.200*** [0.048]
UVD	–	–	–	0.068*** [0.019]	0.085*** [0.021]	0.021 [0.041]
<i>Linear prediction</i>	3.425	3.344	3.635	3.425	3.344	3.635
<i>#Observations</i>	5,031	3,912	1,119	5,031	3,912	1,119

Conclusions

- Never before have public dilemmas been so related to financial literacy and the understanding of the fundamentals of international finance!
 - Redistribution
 - Referendums
 - Immigration
- We find a large significant relationship between financial literacy and attitudes against redistribution and government intervention for income inequality
 - Results in the magnitude of 20–25%
- Recent evidence attributes 30–40% of income inequality in the US to differences in financial knowledge due to choice
 - We complement that evidence by finding a negative relationship between financial literacy and attitudes to redistribution
 - We find the homo oeconomicus effect is dominant for financially literate individuals, while it disappears for the less literate

Global Figure: WDS6, S&P, WDI



· Figures are weighted by GDP per capita (PPP current international \$ - WDI)