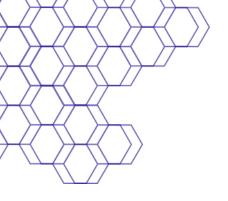


Data Analytics & Computational Social Science Program

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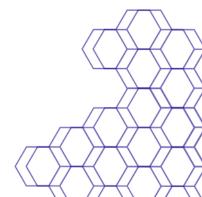


ABSTRACT

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The following document aims to assess public opinion regarding the implementation of personal finance courses at the high school level. Only 6 states have issued this curriculum mandate--with North Carolina serving as the recent example in 2020 (Council for Economic Education, 2021). Partisanship divides currently exist on this issue. 5 of the 6 states that passed this implementation exhibit a higher percentage of inhabitants that identify as Republican in the polls

However, personal finance at the high school level is not considered a partisan issue by nature (Hensley, 2019). Additionally, an overwhelming percentage of the public are in favor of an increase in personal finance standards when asked directly. However, issue salience is quite low in addition to nationwide levels of financial literacy.



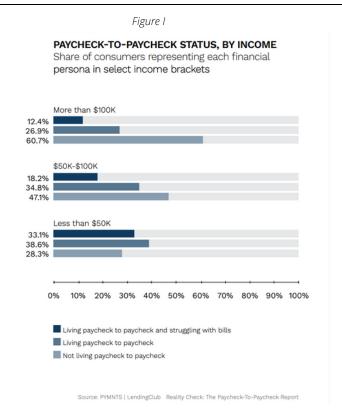
WHY IS FINANCIAL LITERACY IMPORTANT?

US financial literacy levels indicate half of the population suffers from not having the tools to make smart spending and saving decisions. According to a study conducted by S&P Global (2014), more than half the nation was unable to obtain a passing score on a financial literacy assessment on basic financial concepts. Furthermore, young adults under the age of 25 represent the largest group filing for bankruptcy (Georgiou, 2015). Ryant (2010) found even before the 2008 financial crisis, nearly 70% of the American population lived paycheck to paycheck (Georgiou, 2015).

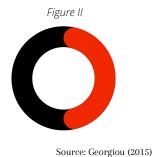
Figure I demonstrates over 40% of individuals that earn over \$100,000 a year live paycheck to paycheck. This leaves a considerable percentage of the upper-middle class unable to make sound financial decisions.

The primary issue with living paycheck to paycheck occurs due to income primarily being distributed across bills alone. This leaves little residual for savings, investment or retirement funds. Only approximately 20% of individuals living paycheck to paycheck or living paycheck to paycheck and struggling with bills have saved more than \$15,000 on average. On the other hand, nearly 77.4% of individuals not living paycheck to paycheck have more than \$15,000 saved (PYMNTS, 2021).

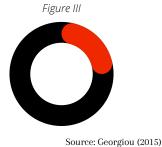
Studies by (Japelli, 2013) demonstrate financial literacy and wealth share strong correlations over a lifetime. Additionally, studies by (Japelli, 2013) indicate higher lifetime income is also associated with higher levels of financial literacy. Lastly, financial literacy leads to higher probability of investing in the market and higher likelihood of retirement planning (Japelli, 2013).

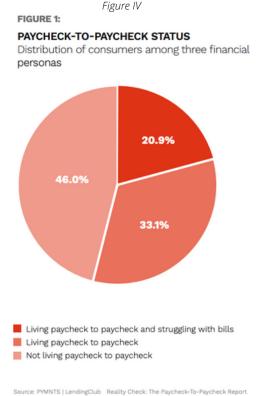


Only 1/2 of US high school and college students have a savings plan.



1/4 fourth of US high school and college students stick to a budget.





CAUSES OF INEQUALITY BASED ON PARTISANSHIP

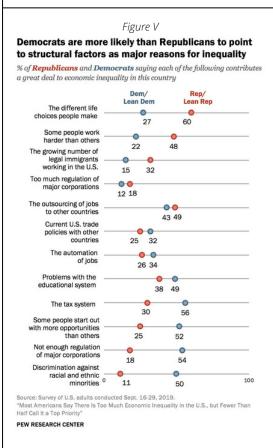
Findings below by Cato demonstrate the causes of poverty are very different between Republicans and Democrats. Strong Liberals tend to blame economic inequality on societal factors and on circumstance. Republicans seem to blame economic inequality on internal factors--or a lack thereof.

However, Americans overall believe poverty has societal roots and is much less due to lack of internal factors such as drive or motivation (College of Mount Saint Vincent, 2016). For instance, 60% of Americans blame the basis of poverty on an unequal society while 40% blame the individual. Older Americans are more likely to blame individuals and younger Americans are more likely to blame society (College of Mount Saint Vincent, 2016).

Figures V & VI indicate fundamentally, Republicans embody a stronger internal locus of control and more Democratic individuals exhibit a stronger external locus of control.

Logically, it would seem plausible that more liberal individuals would be more in favor of virtually all levels of personal finance aid. Liberal members of the population tend to blame society for inequality. Therefore, by definition, Liberal individuals would seem more in favor of societal amendments in the form of education curriculum changes. However, the opposite appears to be the case.

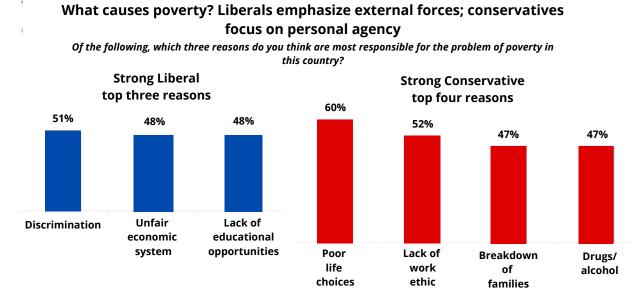
Higher income equates to higher tendency to blame individuals over society for Republicans and Democrats.



No consensus on major contributors to economic inequality % saying each of the following contributes a great deal to economic inequality in this country The outsourcing of jobs to The tax system Problems with the The different life 42 choices people make Some people start out with more opportunities than 40 others Not enough regulation of 37 major corporations Some people work harder Discrimination against racial and ethnic minorities 32 The automation 30 Current U.S. trade policies 29 with other countries The growing number of legal immigrants working in the U.S. Too much regulation of major corporations Source: Survey of U.S. adults conducted Sept. 16-29, 2019. "Most Americans Say There Is Too Much Economic Inequality in the U.S., but Fewer Than Half Call It a Top Priority" PEW RESEARCH CENTER

Liberal individuals tend to exhibit a higher external locus of control. The inverse applies for conservatives.

Figure VI



Source: CATO (2019)

FINANCIAL LITERACY IMPLEMENTATION & PARTISANSHIP

An analysis was conducted using data from Council for Economic Education alongside statistics from Source World Population Review (2022), St. Louis Fed (2020) and Pew Research Center (2020). The analysis seeks to understand which factors cause a divide regarding implementation of financial literacy at the high school level. There are 6 levels of financial literacy implementation that all vary on levels of 'strictness.' Therefore, an ordinal variable was created in order to assess the correlation and statistical significance of financial literacy strictness by state.

Overall, the analysis found a medium positive correlation between financial literacy strictness and percent Republican (based on polls at the state level). A small negative correlation exists between financial literacy strictness and Democratic percentage. However, there is virtually no correlation between minority level per state and financial literacy strictness. Additionally, little correlation exists between financial literacy strictness and median income.

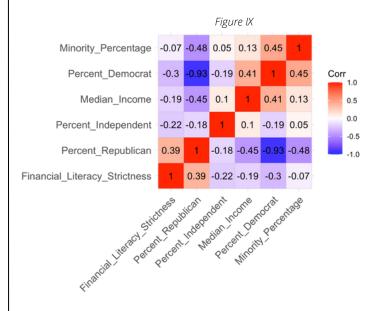
A linear model was then created in order to test the statistical significance of these relationships. Overall, the only p-value low enough in the model to demonstrate statistical significance was between financial literacy strictness and Republican percentage. No other values came close to producing actual statistical significance.

However, from the visualizations of the models, several patterns occur that demonstrate some association. States with a higher Democratic percentage seem to be more in favor of low levels of financial literacy than states with a higher Republican percentage. Republican states seem to be more in favor of implementing financial literacy at the high school level (which represents the most strict measure for financial literacy implementation in the analysis).

Additionally, states with higher minority percentages are more in favor of levels 1 & 2 of Financial Literacy strictness than other levels. Furthermore, states with higher median incomes are increasingly in favor of higher and higher levels of financial literacy strictness. At the very least, the analysis is telling and proves that financial literacy implementation at the high school level is more likely to be successful in states with voters that predominantly vote Republican.

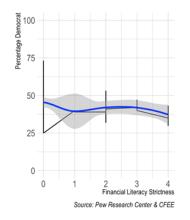
Figure IX

The highest correlations exists between "Financial Literacy Strictness" and "% Republican" followed by "% Democrat."



There is some association between financial literacy strictness and minority percentage as well as median income. However, the p-values in the model are not low enough to prove statistical significance

Figure VIII
Financial Literacy Strictness vs. Partisanship



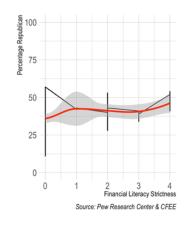
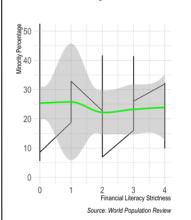
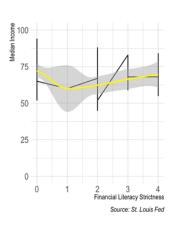


Figure X

Financial Literacy Strictness vs. Minority Percentage & Median Income





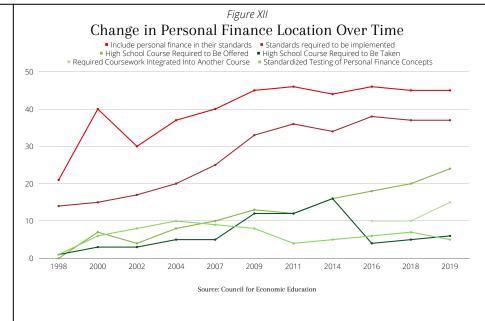
HOW DOES THE POPULATION FEEL ABOUT THE IMPLEMENTATION OF FINANCIAL LITERACY

Figures VIII and XI demonstrate a large percentage of the population are in favor of the implementation of personal finance into high school standards. In fact, in a study conducted by the NFEC, nearly 84% of respondents answered "yes" or definitely "yes" to whether high school students should be taught personal finance.

Additionally, another study by the NFEC (depicted by figure XIII) demonstrates the public views personal finance knowledge highly at all stages of life. This particular survey asks the public "which high school level course would benefit your life the most?" An overwhelming majority of every age range preferred a course in personal finance over a contemporary classroom alternative.

Figure XII (on the upper-right) demonstrates the way personal finance implementation has changed by state over time. A large percentage of states are in favor of including some level of personal finance in standards. However, very few states have implemented the most strict measures including "standardized testing of personal finance concepts" or "high school course required to be taken."

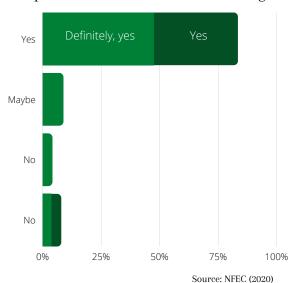
The process of gaining states to support personal finance standards at the high school level may be slow. Efforts to increase financial literacy by mitigation (private assistance) or retirement planning are the only other ways to increase financial literacy (Contreras, 2021). Overall, US levels of financial literacy are low and required introduction of personal finance courses at the high school level represents the most feasible way to increase financial literacy on a large scale.



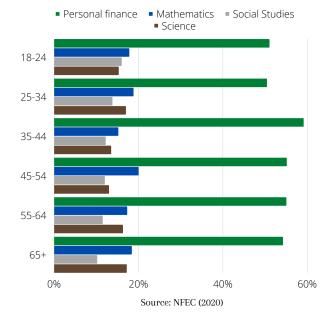
There are currently only <u>6</u> states that require personal finance as a high school course before graduation.



Do you think high school students should take personal finance courses in high school?



What high school level course would benefit your life the most?



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