

Lecture 0.3.0.1.

A Liberal Education

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key: <<https://www.icloud.com/keynote/0nINI20q2hWRDnARhzSkxfbWw>>
github: <<https://github.com/braddelong/public-files/blob/master/lecture-optional-liberal-education.pptx>>
html: <<http://www.bradford-delong.com/2018/06/lecture-a-liberal-education.html>>

Lecture 0.3.O.1. A Word or Two on a Liberal Education

- This is an investment by you in you:
 - A “liberal education”
 - Surprise benefits
 - The value to you of a liberal education
- This is an investment by the state of California:
 - The value to us of your getting a liberal education
- This is an investment by the human race:
 - The value to us of your getting a liberal education
- This carries not just privileges and immunities, but responsibilities and obligations



This Is Berkeley!



You Are Lucky to Be Here

- This is the University of California at Berkeley
 - Certainly the finest public university in the world
 - Perhaps the finest university in the world
- Lots of opportunities here
 - Others could be in your seats
 - They would take advantage of the opportunities here
- DON'T WASTE YOUR OPPORTUNITY HERE!!



You Belong Here

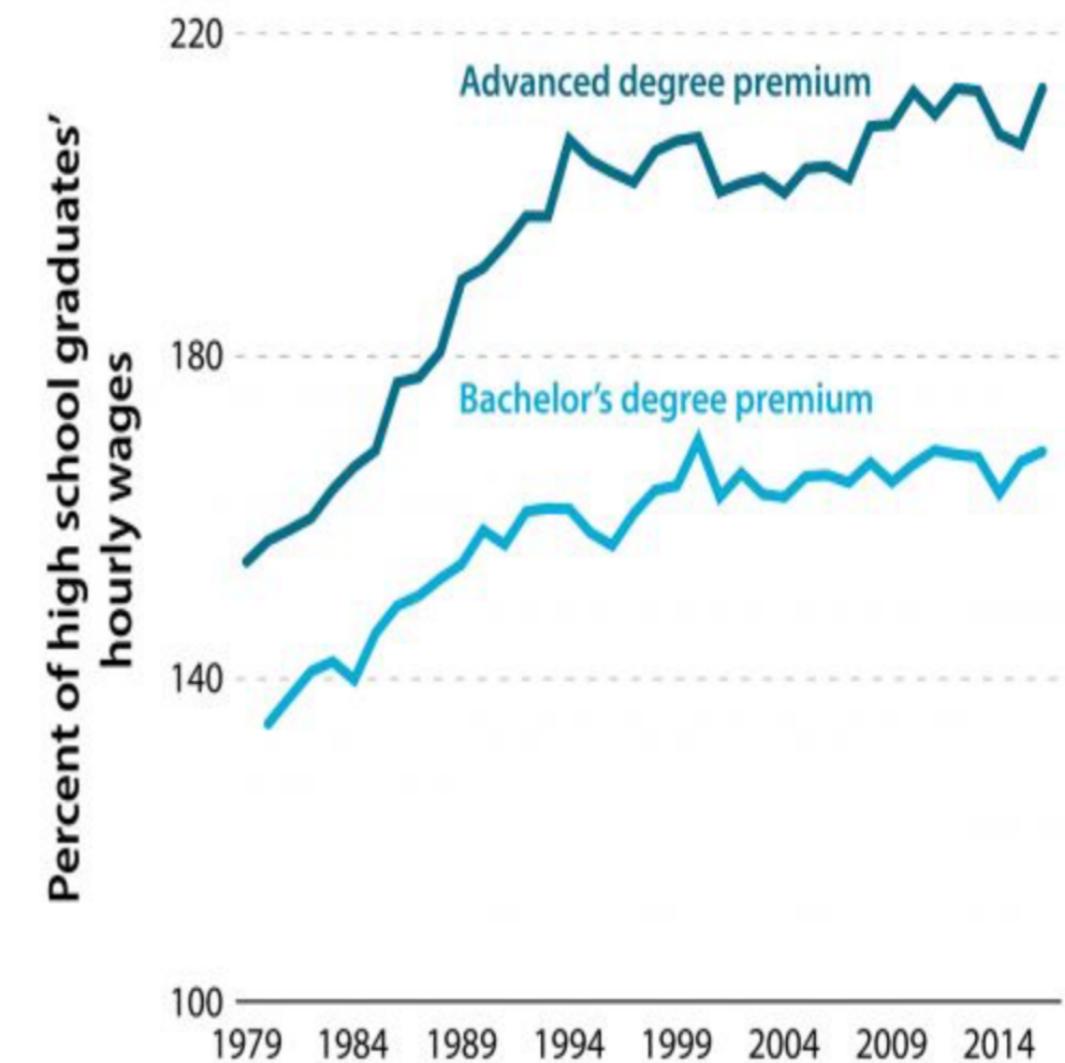
- We go fast here
- We want to teach you a lot of stuff
- You can—and should—handle it
- We are confident you belong here—can take advantage of the opportunities
- We are rarely wrong



What Is a “Liberal Education”?

- “Liberal education” ≠ “kinda left-wing education” here
- “Liberal education” here means “appropriate to somebody free”
- Someone with control over their own destiny
- Someone with a share of control over our common destinies
 - Not a serf, not a cleric, but also not a vassal—not somebody embedded in the system in a fixed place...

Bachelor’s Degree and Advanced Degree Wage Premiums, 1979–2016



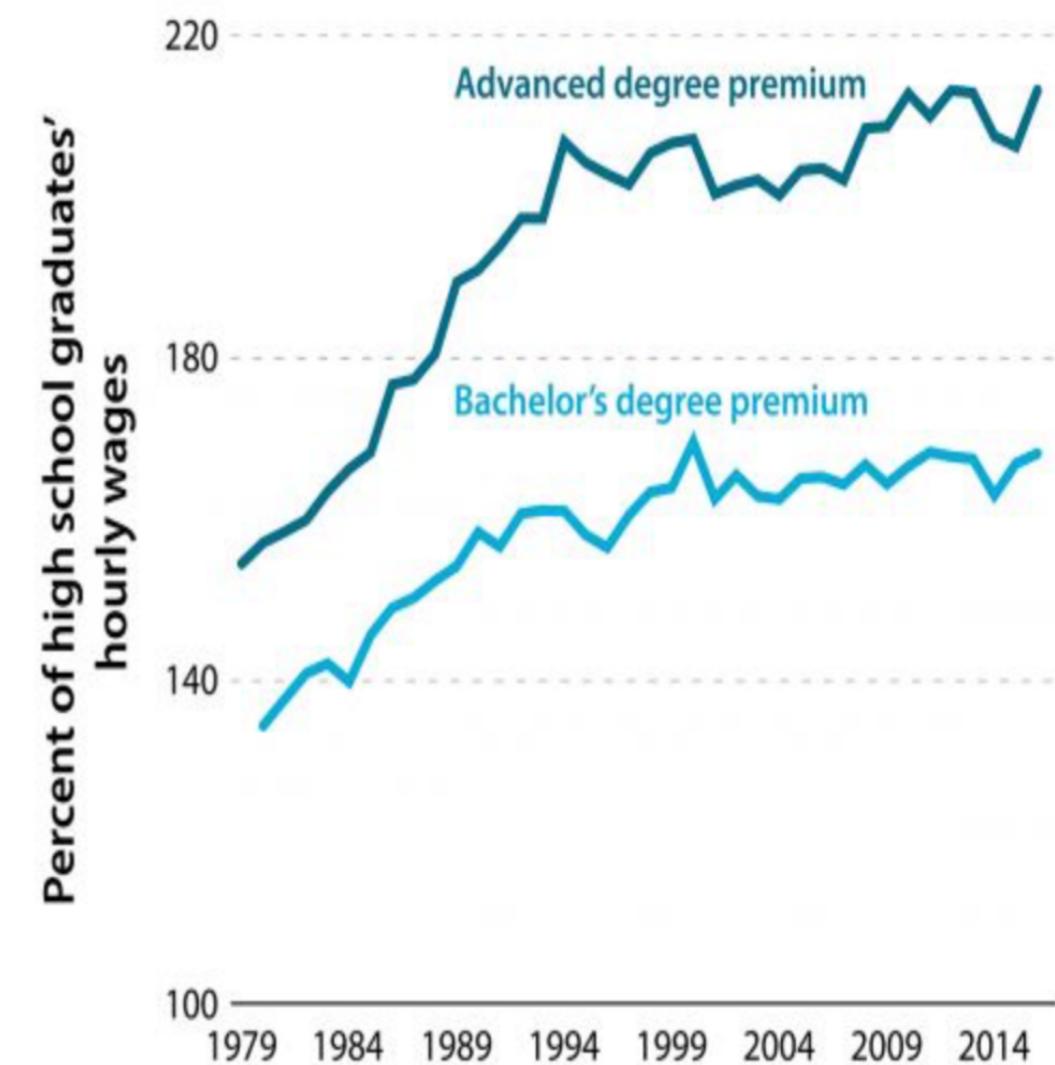
Source: Current Population Survey, BLS (1979–2016); authors’ calculations.

Note: Sample restricted to workers ages 25–54. Wage premiums are the ratio of median wages for each educational attainment group with respect to median wages for workers with exactly a high school diploma.

What Is a “Liberal Education”? II

- Someone with control over their own and a share of control over our common destinies
 - Not someone taught a particular skill to do one thing
 - But, rather, someone whose life will be spent in a wide range of activities
 - And who thus needs a wide range of knowledge

Bachelor's Degree and Advanced Degree Wage Premiums, 1979–2016



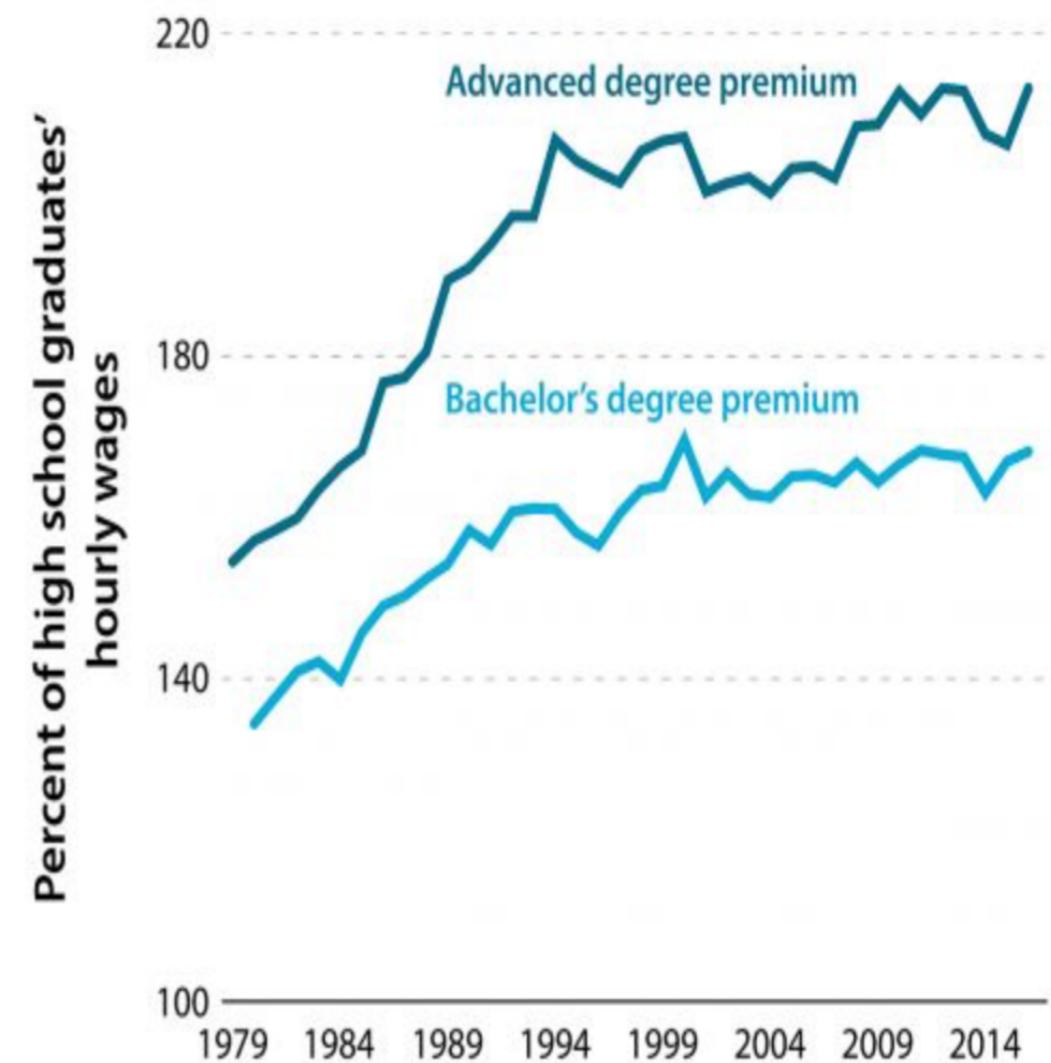
Source: Current Population Survey, BLS (1979–2016); authors' calculations.

Note: Sample restricted to workers ages 25–54. Wage premiums are the ratio of median wages for each educational attainment group with respect to median wages for workers with exactly a high school diploma.

Privileges and Immunities

- A liberal education is a very valuable thing
- $65\% \times \$40,000 = \$26,000/\text{year}$
- What alternative \$200,000 investment gets you 10%/year as a real return?
- If you graduate...
- Plus: freedom, depth of experience...

Bachelor's Degree and Advanced Degree Wage Premiums, 1979–2016



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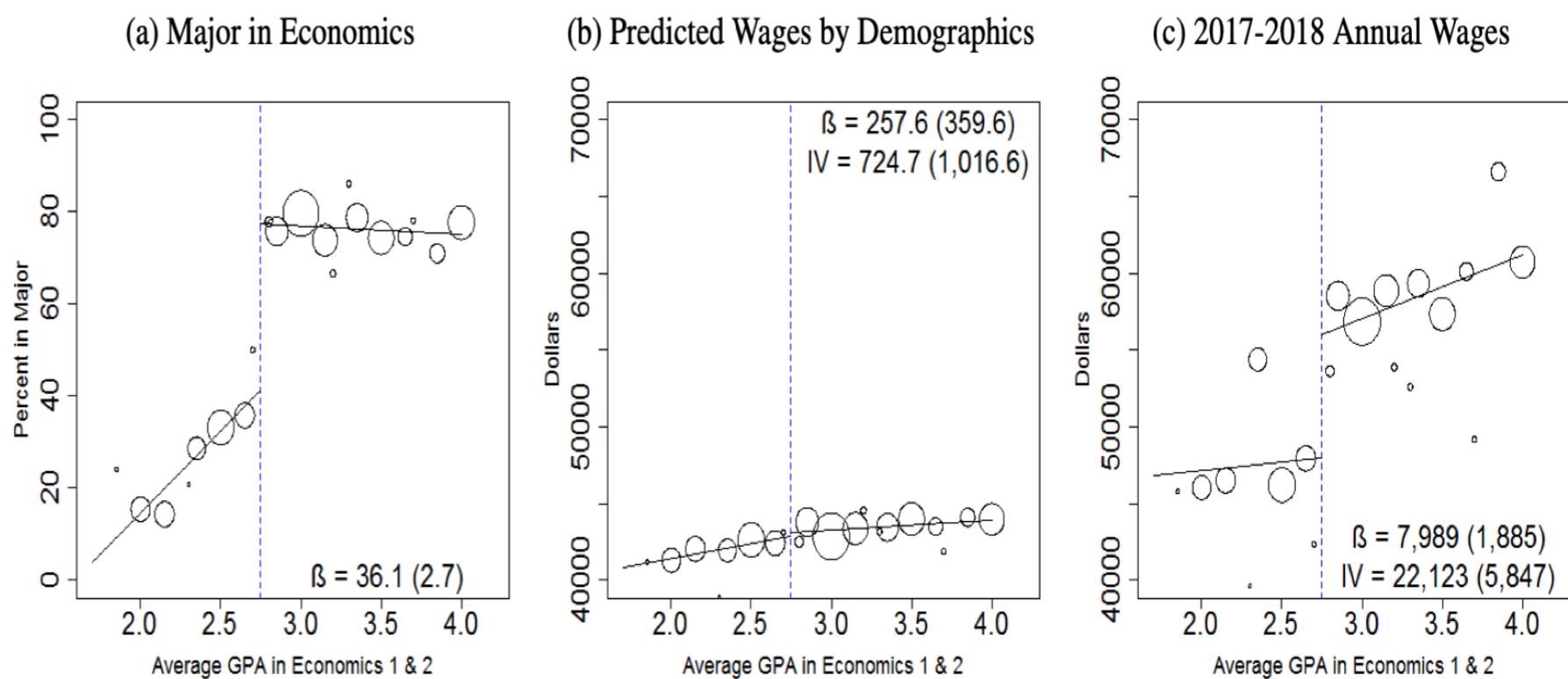
https://www.hamiltonproject.org/charts/the_education_wage_premium_contributes_to_wage_inequality

Is This Selection—or Signalling? No. One Example Study

UCSC required a 2.8 in Econ 1 & 2 to major back in 2008-12:

- This is a regression discontinuity study
- If you got a 2.7 average, you argued your way into the econ major with 37% probability.
- If you got a 3.0, you majored in econ with 80% probability
- The wages of those with 3.0 are today higher than the wages of those with 2.7 by \$10,000/year
- $10000/(.80-.37) = \$23,250/\text{year}$

Figure 1: First-Stage and Reduced-Form Effect of 2008-2012 UCSC Economics Major Restriction Policy



Note: Each circle represents the mean outcome measure (y axis) among 2008-2012 UCSC students who earned a given *EGPA* in Economics 1 and 2 (x axis). The size of the circle corresponds to the proportion of students who earned that *EGPA*. “Major in economics” indicates declaring any of UCSC’s three economics major tracks: economics, global economics, or business management economics. “Predicted Wages by Demographics” estimates each student’s predicted wages by a linear regression (among 2008-2012 UCSC students who did *not* complete Economics 1 and 2) of 2017-2018 wages on gender-ethnicity indicators, residency status, and third-order polynomials in SAT score and mean Zip Code income. Predicted wages are restricted to students with observed 2017-2018 wages. 2017-2018 wages are the mean in EDD-covered California wages in those years, omitting zeroes. Wages are CPI-adjusted to 2018 and winsorized at 2% above and below. *EGPAs* below 1.8 are omitted, leaving 2,839 students in the sample (2,446 with observed wages). Fit lines and beta estimate (at the 2.8 restriction threshold) from linear regression discontinuity specification and instrumental variable specification (with Economics major declaration as the endogenous variable); standard error (clustered by *EGPA*) in parentheses. Sources: The UC-CHP Student Database and the CA Employment Development Department.

It is Not the “Technical” Training That Is the Most Valuable



Updated List of Distressed Debt Hedge Funds

Thank you to all who helped me add a few names I missed on our [list of distressed debt hedge funds](#). Some of you also suggested I sort the list alphabetically. Here is the new list of distressed debt hedge funds. If I missed anyone or you would like to be added to the list, please email me (hunter [at] distressed-debt-investing.com). Going forward, I will use this post to keep a list of all distressed debt / event driven hedge funds I come across, combining with linking these to relevant websites and 13Fs.

Taconic Capital Partners (Taconic Capital Advisors / Taconic Capital Management)



Wellman – Lord Pro

- This process consists of the following
 - Flue gas pre-treatment.
 - Sulfur dioxide absorption by sodium sulfite
 - Purge treatment

A black and white photograph of a man in a tuxedo and a woman in a wedding dress holding a bouquet, standing next to a large shovel.

- In my extended family, three people who were, are, or look like they are headed not for the top 1% but the top 0.1%...
- construction and chemical engineering—ultimately pollution control—“smart money” on Wall Street managing the flow of financing of investment, “the industry” as they call it in LA...
- Learning how to deal socially as an outsider at Harvard in the 1920s, historical source analysis in the 1980s, messing around in Dartmouth AV in the 1990s

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A black and white photograph of a man in a tuxedo and a woman in a wedding dress holding a bouquet, standing next to a large industrial pipe.

- What was valuable?:
 - learning how to deal socially as a (relative) outsider at Harvard in the 1920s,
 - historical-critical source analysis in the 1980s,
 - messing around with Dartmouth AV in the 1990s

Learning Goals: Economic Literacy

- The real learning goal for this course is: economic literacy.
- At the end of the course, students should be able to take any article about the economy, whether in, say, the Financial Times or the Economist or the San Francisco Chronicle or Business Insider or vox.com:
 - Determine what assertions it is making about
 - how the economy works, and
 - what the current state of the economy is;
 - break down those assertions;
 - use economic logic and economic models and economic data to analyze them; and
 - conclude whether, and under what conditions, the arguments made make sense.

Applied to Understand Our Economic History

- What will professors teach 2000 years from now?
- All of our history will be “ancient history”
- They will focus on the long 20th century
- Between:
 - the appearance of the iron-hulled oceangoing steamship, the submarine telegraph cable, and the industrial research lab around 1870
 - the business cycle collapse followed by the anemic recovery of 2007-2015
 - More changed, and more things that were important changed than in any other century so far

Applied to Understand the Economy

- What should we teach you here and now?
- Center of gravity of your careers and influence will be 2050 or so
- Want you to be:
- Good citizens
- Good partners in “commerce” and “congress”—broadly understood
- How the economy works:
- How it is built upon gift-exchange, trust, and sociology
- How markets work
- How markets fail
- How bureaucracies fit in

So Learn!: Extend Your Brains in Every Direction Your Curiosity Moves You

- References in this lecture you may not be familiar with:
 - “Avicenna”: Peter Beagle (1987): *The Folk of the Air* <<http://amzn.to/1PvCcdN>>.
 - Ibn Sina: Abū ‘Alī al-Husayn ibn ‘Abd Allāh ibn Al-Hasan ibn Ali ibn Sīnā <<http://tinyurl.com/n58rjc6>>
 - “State of Euphoria”: David Lodge (1975): *Changing Places* <<http://amzn.to/1nhoXXp>>.
 - Enkidu: *Gilgamesh* <<http://amzn.to/1PepdkP>>.
 - Fujiwara Takako: *Genji Monogatari* <<http://amzn.to/1nhCkXy>>.
 - Hypatia <<http://tinyurl.com/z9uyqy>>:
 - Ibn Khaldun: Abū Zayd ‘Abd ar-Rahmān ibn Muḥammad ibn Khaldūn al-Ḥadramī, Muquaddimah <<http://amzn.to/1Sd0uhv>>.
 - Odysseus: <<http://amzn.to/1nhCA94>>.



Catch Our Breath...

- What's up next?
- Comments?
- Questions?

