

# Financial Literacy

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Discussion by Christopher Carroll

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# Who Cares and Why?

- **Cartographic Illiteracy Also Rampant**
  - Many High School Students Can't Find U.S. On Globe
  - GPS Car Navigation Systems - Threat to Society?
- **What's the Difference?**
  - Consequences Of Error Are Greater
  - Opportunity For Correction Is Less
  - Hard To Think Of Contracts That Exploit Cartographic Illiteracy

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# What Is a 'Real' Interest Rate, Anyway?

- Long, Long Ago
  - If Inflation Were Perfectly Stable ...
    - Nobody Except Economists *Should* Care
  - Tax Refunds As a Measure of Personal Failure
    - Government Doesn't Pay You Any Interest
    - Bush's IRA Charitable Deduction Early April

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# Supprime Loans

- The Greedy vs. the Stupid?
  - Of Course!
- Deadbeats vs. the Virtuous?
  - Yes, But Less And Less
- The Lawyers vs. Everybody Else?
  - So What Else Is New?

First, Do No Harm

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Let Markets Help People Figure It Out:

- **Make Annuitization the Default Upon Retirement**
- For Age 50+, Annual Reporting Of “Equivalent Retirement Income”
- Restrict Deductibility of 401(k) Contributions Unless Preannuitized

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# Conclusions

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