National Council on Economic Education
National Summit on Economic & Financial Literacy:
Education for an Ownership Society
"Developing a National Strategy"
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I am delighted to be here today and to share my thoughts on developing a national strategy ~~for~~ to improve economic and financial literacy. The stellar roster of participants in this conference and the high energy level in the room testify to the importance of meeting the educational challenges ~~posed by an ownership soc~~iety of today's economy. Given these challenges, greater national coordination ~~might seem~~ seems a natural response. But I want to sound a note of caution. ~~But~~ Agreeing on the desirability of a national strategy may be easier than agreeing on the specifics of such a strategy – in part because of the inherent appeal of programs developed locally and in part because of tensions between the basic economic education and financial literacy topics themselves.

I have long had a deep interest in education. ~~Indeed, early in my tenure as President of the Federal Reserve Bank of Boston, I co-chaired the search for a new superintendent of schools for the City of Boston. A very successful search, I would note: Tom Payzant, formerly Assistant Secretary for Education in the first Clinton Administration, has been excellent in this~~ role.

~~However,~~ But being President of the Boston Fed has increased my appreciation for the importance of ~~a citizenry~~ widespread economic and financial literacy. ~~economic education and its more practical side, financial literacy~~. As a member of the Federal Open Market Committee ~~at times forced~~ with the responsibilities making difficult at times decisions about monetary policy, I have become acutely aware of the importance of an educated public that understands economic principles, most especially the concept of trade-offs and the importance of saving. At the same time, my interactions with community leaders, as well as my responsibilities as CEO of a sizeable employer, at least in the Boston community, have made me conscious of people's need to be more knowledgeable about their personal finances and to be more alert to confusing and potentially deceptive financial practices.

The Federal Reserve System – The Board of Governors and the Reserve Banks -- has provided economic education for a very long time. We have long recognized the need to tell the public who we are and what we do. To that end, we have opened our doors to school groups and others for tours of our operations and presentations on the activities of the Fed. Another early educational goal was keeping bankers informed about new banking regulations. Both of these needs remain. Over time, however, our objectives have become more diverse, responding to the changing environment, changing demographics, and changing Federal Reserve responsibilities, especially as they pertain to the Community Reinvestment Act and fair lending.

To address these evolving demands, the 12 Reserve Banks have developed publications and programs oriented to the populations and needs of their individual Districts. Surveys of regional constituencies generally show very positive attitudes towards the Reserve Banks and the resources they provide, indicating that these publications and programs, as well as other outreach efforts, are well regarded. This regional focus is an important strength of a decentralized central bank; but at times, this sense of local ownership has made national collaboration a ~~bit more difficult~~ little less easy than it might sound.

I am going to focus a bit on the Reserve Banks and how we have worked individually and together, not because we are a special case, but because leveraging successful programs developed by one party into use by many is not easy. I imagine that some in this room can attest to that.

One example of a regional program of which we in Boston are very proud is the New England Economic Adventure. The Adventure is the flagship of the Boston Fed's efforts to make learning economic principles fun through the use of new technologies. The Adventure is an innovative economic education experience that includes exhibits, video, interactive games, ~~and~~ live discussion, and an website that enriches the pre and past adventure experience. It brings to life 200 years of regional economic history through the stories of some of New England's most creative entrepreneurs. The core message of the Adventure is that innovation and increasing productivity generate growth and higher living standards. The Adventure engages and entertains our visitors, while also conveying a sense of how economic growth happens. Created for secondary students, this program resonates with those younger and much older.

It

The Adventure has been a catalyst for greater collaboration with New England schools. Since opening its doors in late 2003, the Adventure has been incorporated into the social science programs of over seventy five hundred middle ~~school and~~ high school students ~~students~~. We have had some delightful surprises, about the popularity and not the least of which has been that the Adventure approach and its interactive website have been embraced by programs as far away as Arkansas.

Sometimes a regional bank program is adopted by other Reserve Banks. One prominent example is the Fed Challenge. Ten years ago the Federal Reserve Bank of New York developed the Fed Challenge, a high school-level simulation of deliberations at the Federal Open Market Committee. Teams of students create presentations in which they analyze economic conditions, debate alternative policy actions, and ultimately come to a recommendation. The success of the program in New York led ~~the President of the~~

New ~~York Fed to invite~~ other Reserve Banks to participate in a national Fed Challenge,

here in Washington

with the winning teams at the District level competing ~~at the Board of Governors~~ before a panel composed of Reserve Bank Presidents and Governors. ~~Three Reserve Banks, including Boston, responded to his initial invitation and now a total of eight Reserve Banks participate~~. The Fed Challenge is probably the closest thing to a signature

economic education

program ~~for the~~ Federal Reserve System.

that we have in the

created around financial literacy

The ~~Reserve~~ Banks have also collaborated to create ~~particular~~ products and ~~services and to take advantage of new delivery tools~~. ~~The Federal Reserve Banks of Boston, Chicago and San Francisco~~ have worked together on ~~several~~ videos that educate the public about access to credit and identity theft. ~~Educators across the System~~ have come ~~together to create the video "The Fed Today," which describes the history~~, role and structure ~~of the Federal Reserve System~~, ~~as well as the System~~ education portal www.FederalReserveEducation.org. Another joint project is the PFE, an aggregation of personal finance resources for consumers that is being exhibited at national conferences. A Reserve Banks' educators group is also working to publicize collective resources.

Several of us

two

and have developed a new

I could go on and on but you get the picture.

These and other collaborations have made Federal Reserve System programs and products more accessible and the joint products have been well-received. ~~However~~, [illegible] efforts ~~to explore whether~~ a more coordinated strategy ~~might achieve greater impact have met resistance~~. On the one hand, there is broad agreement, ~~both within the System and among external constituents~~, that the economic and financial education needs of the public have grown and changed. While public understanding of basic economic principles is very important, a confluence of forces including the increased availability of credit, a proliferation of financial products, and the changing demographic composition

to drive

fully

[illegible]

But there is a tension [illegible] as we endeavor to develop a more fully coordinated strategy.

Reserve Banks together could play a bigger role in addressing these needs

of the population, have increased the importance of financial literacy. Th~~ere also seems~~ to

~~we in the~~ coalition

be fairly broad agreement that ~~the visibility and stature of the~~ Federal Reserve System

~~has been and~~ even more place

~~could be important assets in addressing these nee~~ds. When it comes down to the specifics

of implementing a more coordinated approach, however, there is considerable discussion

dis~~agreeme~~nt about what should be done or, indeed, the benefits of such coordination.

There are lots of reasons for this

Wh~~ile this disagreement has a various ca~~uses, I would like to comment on one particular impediment to collaboration – tensions between the priorities of those involved in more traditional economic education programs and advocates of a greater focus on

We experience these tensions in Reserve Banks

personal finance. T~~hese tensions may be especially pronounced in th~~e ~~Federal Reserve System~~, but they are not unique to us. Unless they are recognized and addressed, they will hinder efforts to come together to form a national strategy.

As I noted at the outset, the Federal Reserve's involvement in economic education goes back a long way. It is grounded in the Fed's monetary policy role, and the people who are involved in economic education are deeply interested in economics as a subject. They see themselves as educators and they often develop their own content material, focused on the Federal Reserve System or important economic principles. ~~A key targ~~et

students

aud~~ience for~~ many economic education programs is ~~college-bound high school studen~~ts.

The Fed has also been involved in financial literacy for a long time, ~~but the~~

This activity

curr~~ent impetus to do more dates from late 1980s and early 1990~~s. ~~It~~ grows out of the Fed's supervisory and regulatory responsibilities, particularly in the areas of fair lending and CRA. Leadership in financial literacy often comes from people who have backgrounds in supervision or in community development; and their traditional focus of concern has been the needs of minorities and low- and moderate- income populations.

They are more inclined to partner with other organizations to deliver programs; and their own financial literacy programs tend to be ~~narrowly~~ focused and practical.

In my ~~judgment~~, at times these two groups are coming at the same problem from different ends of the content and instructional spectrums. The work of both provides value and serves demonstrated needs. But getting them to work cooperatively w~~ithin a si~~ngle Reserve ~~Bank can be difficult, and the orientation of some~~ Reserve Banks more to econo~~mic education and others more to financial literacy~~ can make~~s~~ collaboration more difficult. I suspect similar tensions exist o~~utside the Federal Reserve, possib~~ly among the organizations here at this Summit.

Yet this diversity of programs, orientations, and delivery styles should be an asset if approached in a systematic, coordinated way. Providing multiple access points or pathways to engaging students and the public in learning about economics and personal finance should increase the likelihood of success – of reaching more people and of their truly understanding what they are taught. Further, financial literacy and economic education reinforce one another. The immediacy of financial literacy and its ability to address the question "what is in it for me?" engages many students and teachers in a way that the more abstract economics does not. For many, financial literacy is less intimidating. But economics provides the context to compare different financial questions and understand how they are similar and how they may differ from what you have seen before. And of course, economics helps answer "what does it mean for society?" If we are to provide students and the public with the information and the tools to make sound financial decisions and fully participate in the economic system, we need to knit these two educational strands together into a more comprehensive and hopefully national approach. [illegible]

That's what this summit is about and I look forward to working with ~~you~~ all of you on these important endeavors.

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