

STATE JUMPSTART COALITION MEETING  
FEDERAL RESERVE BANK OF CHICAGO

Chicago, Illinois  
April 23, 1999

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**I. My name is Michael Moskow. As President of the Federal Reserve of Chicago, I welcome you all to the launch of JumpStart’s Midwestern branch.**

- A. For several years now JumpStart has successfully organized educators and foundations nationally.
- B. We are delighted that JumpStart will now be galvanizing local efforts to teach high school students the basics of personal finance here in the Midwest.

**II. Personal finance is all about planning for the future. We all know how challenging it can be to figure out what is around the next corner.**

- A. Kenneth J. Arrow, the Nobel laureate in economic science, used to tell his students a story about his days as a forecaster for the Pentagon during World War II.
- B. He was one of a team of statisticians asked to predict at the beginning of each month the number of rainy days expected in Europe over the following four weeks.
- C. The statisticians realized after a few months that their forecasts had little to do with how much rain actually fell on Europe each month. They decided that they should inform the General of the Army Air Forces in writing that their efforts were in vain, and to request permission to stop the forecasting efforts.
- D. The commander, General Hap Arnold, sent them the following reply: “The commanding general is well aware that the forecasts are no good. However, he has to have them for planning purposes”.

**III. So we all know that planning for the future is always difficult. Teaching financial planning to teenagers is even more difficult.**

- A. My first job was as a teacher, at the high school in my hometown of Paterson, New Jersey.
- B. One thing I learned as a teacher is that students will always surprise you by taking your lesson plan in unexpected directions. A good teacher quickly learns that a lesson plan is as much about preparing for the unexpected, as for the expected. And this lesson holds true for financial planning as well.
- C. I support the work of Jumpstart wholeheartedly because I believe that the basics of personal finance and financial planning — budgeting, balancing a checkbook, saving for college, and organizing a mortgage — provide young people with a framework for intelligent decision making.
- D. Furthermore, economics education in general teaches students — our future voters — how to make choices. It demystifies the world in which we live and work.
- E. Personal finance, in particular, helps empower young people by showing them how the every day choices they make shape their lives.
- F. What better gift to give a young person about to face the ups and downs of daily life, financial or otherwise, than the ability to step back and see the bigger picture.

**IV. It has been over twenty years since the 12 district Federal Reserve Banks began dedicating staff to educating the public about the Federal Reserve and economics generally.**

- A. The Chicago Fed in particular has taken to heart its responsibility to reach America's youth. Each year we reach over one thousand educators through teacher workshops and our teacher newsletter is received by 17,000 subscribers.
- B. I'm sure many of you here today are on the mailing list for On Reserve. You may not be aware of some of our other education efforts, such as the tours of the Fed we sponsor for high school classes, and our close working relationship with the Council on Economic Education of each state within our district.

(Note—new material suggested by Nancy Goodman added in next 3 paragraphs)

- C. Two recent efforts here at the Chicago Fed have reinforced to us the importance of effective education on personal finance.
- D. One effort relates to encouraging the use of electronic payments. We have an interest in this because a heavier use of electronics will result in a more efficient, effective payments system.
  - 1. As you know, electronics are generally more efficient and convenient for consumers and businesses. Yet, there's continuing resistance.

2. We've done some work in trying to identify the barriers that are holding back electronic payments and we're finding that one of the key issues is a need to improve consumers' abilities to evaluate the costs and benefits of different payments methods. Effective personal finance education is essential.
- E. A second effort relates to the Fed's responsibilities under the Community Reinvestment Act or CRA.
1. As part of our CRA responsibilities, we gather and distribute information on the loans made to small businesses and consumers.
  2. To get a better understanding of the underlying dynamics of the financing process, the Chicago Fed has been involved in two studies that take a closer look at financing in specific neighborhoods in Chicago.
  3. One study focused on Little Village, a low- to moderate-income Hispanic community on the city's West Side; the other study looked at Chatham, an African-American community on the south-east side of the city.
  4. We found that people in these neighborhoods were less likely to go to a bank to borrow money and more likely to use informal financing—borrowing from friends, family, or business associates.
  5. More specifically, we found that many households used currency exchanges, even though they had banking accounts. We're not sure yet of the reasons for this, but certainly personal finance education is an important part of the solution.
- F. So it's clear to us at the Chicago Fed that it's especially important to ensure that students are knowledgeable about personal finance. Certainly there is a portion of America's youth that's never been more investment-oriented.
1. Recently I was at Middlebury College in Vermont to give a speech on international monetary policy.
  2. I was surprised, and amused, to learn from several of the students that when they sit down at their computers they check their email only after they've checked how their stocks are doing. (I didn't dare ask how many other items on this to do list came ahead of studying.)
- V. **As a former high school teacher, I'm glad young people are taking an interest in managing their personal finances. But when I think of teenagers and money, I worry.**
- A. Habits, good and bad, start young. And now-a-days, with 77% of high school students with credit cards paying the bills themselves, financial habits, good and bad, are also starting young.
  - B. During these financially good times we can't forget that times are always lean for young people. Whether they immediately go on to college or take their first full time job, each graduating high school senior must be ready to make major financial decisions that could effect their credit for years to come.

- C. I'm delighted that JumpStart is now helping all of us in the Midwest who care about young people coordinate economic education here in the Midwest.

**VI. As an economist I applaud JumpStart's focus on making economic education a top priority.**

- A. By promoting the teaching of personal finance to high school students nationally, JumpStart is at the forefront of making Americans better consumers, wiser and more committed workers, and better, more analytical citizens and policy makers.
- B. As a teacher I welcome JumpStart's focus on educating young people by educating teachers.
- C. As a parent I say, thank you JumpStart. Just don't tell my kids that so many of their peers have credit cards!