

U.S. DEPARTMENT OF THE TREASURY

Press Center



Remarks at the Central Party School Treasury Secretary Tim Geithner Beijing, China As Delivered

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Thank you, Mr. Vice President, and thank you all for coming to spend some time with me. It's a privilege to be here with you. [Inaudible.]

I'm an American, but I spent most of my time as a child living outside of the United States. I went to high school in Thailand. My first day at university in the United States, I was walking to register for classes, to choose what my first classes would be, and I ran into by chance a professor of Chinese language. And he convinced me to study Chinese.

I came to study in China twice at Beida (Beijing University) and Beishida (Beijing Normal University), in the summers of '81 and '82. I studied China and Japan, Chinese and Japanese, in graduate school. My first job out of graduate school was working for Henry Kissinger. My father, Peter Geithner, set up the Ford Foundation's first office in Beijing in 1988, I think.

When I came to China in 1981, of course, even at that time China had already achieved the remarkable feat of extending basic health care, basic education to virtually all its citizens, an accomplishment that few countries had matched at that stage of development and few match today. And of course that was just the beginning of what I think has obviously been the most remarkable transformation of an economy and society we've seen in modern history. That strategic course, that decision, to move to openness and reform that this institution played such a great role in shaping was critical in lifting hundreds of millions of people out of poverty and has been enormously beneficial to the broader global economy.

Now both of our countries are going through a very important, complicated and consequential debate about the future of economic reform, about the role of government in the economy, and about the role of the market. As you see, we're engaged in a very sweeping, comprehensive set of reforms of our health care system, of our educational system, of our financial system, the incentives we create for how people use energy. We're re-examining, I think we both are, but in the United States we're re-examining the important question of how we best promote innovation. We've been looking at the lessons of our experience, this is something we have been pretty good at as a country, but we're looking at how to be better. And I thought I would just share with you in the spirit of the remarks you attributed to President Hu about how public officials should speak about reform. So I thought I would share with you some of those lessons, just informally and quickly. And I'd welcome the chance to have a conversation.

I made a list. [Laughter.] These are things we think have been critical to the successes we've had and should guide the reforms we're undertaking in the United States. But obviously I'm going to present them in a way that I hope has relevance for the Chinese context.

First, protection for the innovator, the inventor, protection for intellectual property rights. Openness to competition, domestically and overseas, on a level playing field. Openness to new entrants, to the small company, not just competition among the large. A financial system that can take the savings of your citizens and channel them efficiently to the most productive investments, the most promising innovations. An education system that teaches not just the high end of the technical requirements of a basic education, but also teaches creativity and a willingness to challenge. Very substantial investments by the government in basic research and development, basic science; enough to allow failure. Of course this is complicated, but you want the market, price signals, interest rates, the price of capital, the exchange rate to work with you, not against the objective of promoting innovation. And the last point, a relentless focus on protections, checks and balances against what economists call regulatory capture by insiders, against influence by the dominant, established players over the shape of the regulation and incentives.

Those are a few reflections. Obviously you're going through this debate in the context of a dramatically different external environment globally than what you faced 30 years ago. The importance of the Strategic and Economic Dialogue is about bringing China and the United States together on trying to build, strengthen, reinforce a rules-based global economic framework for cooperation that best serves our mutual interests in the decades ahead.

One of the many things we admire about the last few decades of reform in China is the recognition by your leaders about the risks in caution. There are risks in any choice. There are risks in acting boldly, but there are risks in caution too. Our economic strengths are complementary.

I remember when I was here studying initially, I remember walking some place in Beijing and someone came up to me and said, "What country are you from?" And of course my experience in China was that people were overwhelmingly generous, but in the dormitory at Beida (Beijing University) where I lived and studied you could still see under the paint the slogans from the Cultural Revolution that said: "Down with the American imperialists." [Laughter.] But I answered that I was an American, and he said, "I'm so pleased to meet you. Americans are like Chinese. We are both open, direct, candid, fundamentally optimistic." And I think about that a lot as we try to build a stronger relationship between two countries at a time of really enormous challenge and risk in the global economic and financial system.

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