

U.S. DEPARTMENT OF THE TREASURY

Press Center

Treasury Secretary Tim Geithner Remarks on Financial Capability – As Delivered Washington, D.C.

12/15/2009

TG-455

Good morning. I want to welcome Rick Ketchum here from FINRA and Secretary of Education Arne Duncan.

I want to acknowledge all the people in the room who spend their lives deeply committed to improve financial education across the country.

I want to particularly acknowledge a few Members of Congress who are here today - a longtime champion of this cause, Senator Daniel Akaka.

We have Congresswoman Carolyn Maloney here as well. I'm very grateful that you guys were willing to come and spend time with us today.

Rosie Rios sitting here in the front row is the Treasurer of the United States.

We have members from the President's Advisory Council on Financial Literacy, including Vice-Chairman of the council of John Hope Bryant. Where are you, John? There you are. Thank you for coming. And all the rest of you, as I said, who spend time thinking about how to help us do this better.

I want to begin just with a few remarks on the state of our financial recovery.

With the announcement yesterday by Wells Fargo Bank, more than \$185 billion of the money this government invested in our nation's banks is now slated to come back to the Treasury. That's \$90 billion just in the last two weeks.

That's a more than 75% decrease in outstanding investments in our nation's banks. Banks are repaying the taxpayers with interest.

As we reported two weeks ago, the expected losses associated with this program are now \$200 billion lower than what we estimated in August and we've already earned more than \$15 billion in income for the American taxpayer.

We have a lot of work to do still to improve access to credit for small businesses, to spur job creation, but as confidence in the financial system has returned, has been restored, we see private capital replacing taxpayer investments, the government is rapidly unwinding this unprecedented involvement in the financial sector.

And as banks repay, as private investment comes in to replace the government's investments, banks will be in a stronger, I want to emphasize, in a stronger position to lend.

This is good news for everyone.

The government never intended to be long-term shareholders in private companies. The purpose of our investments was not to gain leverage over private institutions but to prevent a collapse of the financial system, to prevent a second grade depression and to lay the foundation for economic growth and recovery, the growth we're now seeing across the economy today.

Let me turn to the topic before us today. The failures that led to this financial crisis were many. Banks and investors took on large risks, risks that they did not understand.

Washington allowed those risks to build up unchecked.

And in communities across the country Americans borrowed too much, in part because they did not understand how to save prudently, how to borrow responsibly and they did not understand fully that pension values and house prices, equity prices will not always rise.

There is no greater education than experience and the searing lessons of this crisis are already having very substantial effects on the financial behavior of Americans. Americans are now saving more than they are borrowing more responsibly and that's a necessary and healthy thing, but that's not enough.

And the reason we're here today is that we all, as parents, as educators and policymakers, we all have to do a better job of making sure that the next generation of consumers – our students now working their way through school – graduate from high school with a better understanding of basic economics, basic finance and the benefits and risks associated with debt.

Before our children are old enough to drive or vote, they're offered credit cards. And yet by the time they graduated high school or they may have learned something about the history of the gold standard, while they may understand how to solve quadratic equations, few have learned enough about the basics of debt, about compound interest, about the risks associated with investing and borrowing.

Economics has to be more than just an academic subject. It needs to also help provide students with a practical skill set so they can navigate a much more complicated financial world and be prepared for living in a world where the economic and financial risks are more formidable.

Americans now change their employers many more times over a lifetime.

It used to be that most employees had defined benefit plans that employers managed for them and that paid a fixed benefit overtime people could count on and rely on.

But now, of course, nearly three quarters of all retirement contributions go into private accounts that must be personally invested where the ultimate payment will depend on the performance of the investments.

So the stakes for financial education are enormously high. And that's why I am so pleased by the partnership between the Treasury Department and the Department of Education we are now pursuing as we launch the National Financial Capability Challenge.

As Secretary Duncan will explain, this is a program designed to provide high school teachers with new tools to bring the fundamentals of economics and finance into the classroom.

All of us bear some responsibility for this crisis. And in order to rebuild a stronger economy, all of us have to be part of the solution.

For our part, we are working with the Congress to enact the most sweeping set of financial reforms in decades to help create a safer, more stable financial system. You saw it just last week - the House of Representatives passed landmark legislation in support of these objectives.

We need banks to play more productive roles in their communities by increasing lending, by helping homeowners, offering financial products that better serve consumers and we want them to help work with us to support a strong package of financial reforms.

But beyond changing the rules of the game in Washington and changing how our financial system operates as a whole, we need to increase the basic financial skills and capabilities of all Americans.

So I want to turn it over to Rick Ketchum to highlight some of the key findings of this survey.

This is a very comprehensive survey of basic financial knowledge and behavior across the country. And we intend to make as good use of this survey as we can to help make sure that our programs we help support at the federal level are concentrated on areas which can have the highest impact on knowledge and behavior.

[...]

Okay, thank you again Secretary Duncan and Rick, my compliments to FINRA for leading this broader survey.

Thank you all for coming and for the work you're doing in this area. We hope to learn from your example. Always open to new ideas, things we can help do to help make it easier for you to get traction on these important programs.

Welcome to all of you, hope you enjoy the rest of your time here at Treasury. I get to invite all of you if you'd like to join a briefing that my colleague Michael Barr and Michelle Green and Rick Ketchum are going to host upstairs to walk through the details of the survey.

Thanks for coming but let me just end with this note. I think Americans, they do look to their government first to show a basic example of careful financial stewardship and to demonstrate that we're able to make the tough choices going forward so we can return to a point where we're living within our means again as a country.

We're trying to demonstrate that careful financial stewardship in how we've managed the government's investments in the financial sector.

As I said those investments have delivered very, very substantial returns, not just in helping put out the worst financial crisis in generations, but helping lay a foundation for this early resumption of growth in the United States.

You can see a pretty substantial financial return on these investments but the biggest return from the actions we took, the President took to stabilize the economy you can see in rising pension values, rising confidence among consumers and investors, and more basic confidence in the stability of our financial system.

But Americans will look too not just to what we do to get this economy back on track and make sure businesses are confident to invest again and we see employment rising, but they look to the government to demonstrate that we're going to be able to, once we get growth established, bring our fiscal position back towards balance and return our country to where we as a government are living within our means.

You see Americans changing already, savings rising, people borrowing more responsibly - that's a very healthy sign for the country, but we need to build on that progress.

And I want to again thank our Members of Congress – Congresswoman Sheila Jackson-Lee, Congresswoman Maloney and Senator Akaka – for coming and joining us. And thanks for your leadership on this effort.

Thank you all very much.

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