

Alan Greenspan: Financial literacy

Remarks by Mr Alan Greenspan, Chairman of the Board of Governors of the US Federal Reserve System, at the Federal Reserve Bank of Chicago's Money Smart Conference, Chicago, Illinois (via videoconference), 13 May 2004.

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This morning I should like to broaden the focus of financial literacy to the education you are going to need more generally in the years ahead.

Within the next several years the vast majority of you will have completed your formal schooling and begun careers in private business, government, or the nonprofit sector. I suspect most of you have not as yet figured out what career you would like to pursue. But as with all the generations of teenagers that have gone before you, something will grab your interest and engage you. With me it was music. I was entranced with sound and visualized myself playing with the likes of the Glenn Miller orchestra or becoming another Benny Goodman. I practiced clarinet and saxophone three to five hours a day and, following graduation from high school, toured the country for a couple of years with a dance band.

I was a good amateur but only an average professional. I soon realized that there was a limit to how far I could rise in the music business, so I left the band and enrolled at New York University.

During my dance band years I spent the twenty-minute breaks from playing in reading. I became intrigued by books on finance, and, hence, at NYU I majored first in finance and, as my interest broadened, in economics and in what was then called mathematical statistics and now econometrics. In retrospect, that choice probably was not surprising since math was my most engaging course in high school.

I graduated and joined an economic research organization. But my education did not stop. I earned a masters degree and went on to further studies at night at Columbia University.

At the age of twenty-seven I joined a very small Wall Street firm as a partner and was essentially in charge of making it grow. It did, and I eventually became the senior partner. But twelve hours a day at work left little time for school, and my aspirations to earn a Ph.D. faded, at least for a time. However, the pursuit of my profession as an economist and the head of a consulting firm required that I broaden my knowledge, and I proceeded to read books, not only on economics and mathematics but also on philosophy, history, physics, and astronomy. I was getting a liberal education far beyond the required curriculum of college. Eventually I returned to NYU, took additional courses at night, and completed my doctorate.

Over the past six decades I followed a type of career path that many of you will follow, but with a twenty-first-century cast. I had two careers and four jobs - one as a musician, one as a private consultant, and two in government.

But the world has changed since I was your age, and the pace of change has quickened. Today it is rare that one will finish school and then engage in the same job until retirement, which was the general experience of generations past. Many of you will switch professions once, possibly many times. Almost all of you will have several jobs, some many jobs.

To succeed, you will soon learn, as I did, the importance of a solid foundation in the basics of education - literacy, both verbal and numerical, and communication skills. But beyond that you will need to acquire the on-the-job skills that you will need as you move from one job to another. At some point, almost all of you will lose a job and will want to be reemployed as quickly and as productively as possible. That means you will need the capability of learning a wholly new activity.

The current workforce is increasingly turning to community colleges to prepare for new professions and new jobs. Today, almost a third of those enrolled in community colleges are thirty years old and older. So-called adult education was a rarity in my youth; today it is widespread.

Most of you probably will be engaged in some form of learning through most of your working lives. Already numerous corporations have regularly scheduled classes in basic and advanced subjects directly and indirectly related to job requirements. Such corporate universities, as they are called, are growing rapidly, and I suspect that, as you join the workforce, you will have the sensation that you never left school. That is why it is so critical that you productively employ your current learning

experiences to create the base capabilities necessary for continuing your education into your mature years.

Learning, of course, need not be formal. You can engage in it on your own. In generations past, much learning occurred outside a classroom. I am fascinated by the eloquent and literate letters written by some Civil War enlisted personnel, who I doubt had formal schooling beyond the age of ten. Many of these soldiers obviously learned to read and discovered a whole new world of ideas in books. Today's high-school graduates will be confronted with a breadth of ideas never contemplated by an eighteen year old in the 1860s.

The world into which you graduate will require far greater conceptual skills than was required of your parents and grandparents. Productive and satisfying manual labor that engaged previous generations will become increasingly less available as technology substitutes for so many of those earlier skills. Your future incomes will depend on your conceptual abilities.

Just as important, because the complexity of our economic system continues to increase, the skill level that you reach in your twenties will surely be inadequate for the needs of our economy when you reach forty. So education must be ongoing.

But education alone will not guarantee a successful life. In this regard, let me leave you with some challenges I left with a graduating class at Harvard a few years ago.

Decades from now, as you begin to contemplate retirement, you will want to be able to say that whatever success you achieved was the result of honest and productive work and that you dealt with people the way you would want them to deal with you. It is decidedly not true that "nice guys finish last," as that highly original American baseball philosopher, Leo Durocher, was alleged to have said.

I do not deny that many appear to have succeeded in a material way by cutting corners and by manipulating associates, both in their professional and in their personal lives. But material success is possible in this world and far more satisfying when it comes without exploiting others. The true measure of a career is to be able to be content, even proud, that you succeeded through your own endeavors without leaving a trail of casualties in your wake.

I cannot speak for others whose psyches I may not be able to comprehend. But in my working life, I have found no greater satisfaction than achieving success through honest dealing and strict adherence to the view that, for you to gain, those you deal with should gain as well. Human relations - be they personal or professional - are not, and should not be treated as, zero-sum games.