

Timothy F Geithner: The Fed Challenge

Remarks by Mr Timothy F Geithner, President and Chief Executive Officer of the Federal Reserve Bank of New York, at the National Academy Foundation's 2004 Dinner, New York, 8 December 2004.

* * *

Thank you, Gene, for that generous introduction.

It is a pleasure to be here tonight to celebrate the National Academy Foundation and all of your contributions to this important mission. I am very pleased to accept this award on behalf of the Federal Reserve Bank of New York.

I want to compliment Sandy Weill on his commitment to education and the achievements of the NAF. And I want to recognize three important people from the New York Fed who are responsible for the Fed Challenge:

Steve Malin, Lloyd Bromberg and Bob Diamant.

Among these and other contributions to public service, Sandy serves as a member of the board of directors of the New York Fed. I want to tell you his reaction to a presentation early this year on our work in financial education. Sandy listened carefully to the description of the full array of New York Fed programs. Then, in his typically tentative and understated way, with the same soft approach he brought to building one of the most formidable financial institutions in the world, asked why the Bank didn't limit its role in education to simply supporting the National Academy Foundation. His belief, with justifiable pride in the Foundation, was that there was no more important contribution the Fed could make and no more competent institution engaged in this effort than the Foundation.

Fortunately for the New York Fed, we have a long and productive collaboration with the Foundation. We provide support on curriculum design and professional development. We are working together to help create a new high school in the city with a finance theme. The NAF has adopted the Fed Challenge for its Academies throughout the country. And we benefit in turn by using the Academy's work as a model for the economic and financial programs we support and initiate.

If you care about the economic future of America, you have to care about educational reform and the mission of the NAF. This mission has always been important, but it is particularly important today. Confidence in America depends importantly on success in the education mission.

Improving educational achievement will play a critical role in generating the innovations necessary to drive future productivity growth. And yet, US students remain math challenged, and we are awarding a diminishing share of the world's PhDs in science and engineering.

Improving the quality of education is vital to improving the capacity of our citizens to manage the challenges that come from global competition, rapid technological change, and the greater share of the risk they now bear for saving for retirement. *The average American with a college degree earns twice as much as his neighbor without a college education, which is about twice the premium that existed 40 years ago.*

Improving access to educational opportunity for all our citizens, regardless of race or the economic fortune of their parents, is critical to the credibility of the American ideal of equality of economic opportunity. *As Larry Summers has noted, In our country today, a student whose parents are among the richest quartile of American is six times more likely than one from the poorest quartile to graduate with a B.A. within five years of leaving high school.*

And improving the capacity of our present and future tax payers to make informed judgments about economic policy is important to improving the quality of policy decisions by our elected officials, national and locally. *This is vital in an era where we face tremendous challenges in bringing our commitments and resources closer to balance.*

Improving educational achievement, access to educational opportunity, and the level of public sophistication on economic issues are critical challenges with high returns to progress. This is why we will continue to invest in educational programs and why we are pleased to work closely with organizations as effective as the NAF in this noble cause.

I take some comfort in the fact that, when NAF students think of the Federal Reserve Bank of New York, they know we have an important role in monetary policy and financial stability. They know we sit on a large amount of the gold and dollar reserves of the world. But what they think is really cool is the Fed Challenge, and how they can win a place in the national competition. My wife said to me this morning that the Fed Challenge sounds considerably more fun and exciting than the real thing.

I applaud all of you who contribute to this effort. And I thank the NAF for its tribute to the New York Fed.