Közgazdász Fórum
Forum on Economics and Business
19 (129), 71–72.

2016/4

Book review: Financial Literacy (Panacea or placebo? – A Central European Perspective)[1]

AMALIA FUGARU[2]

Subprime mortgages, credit crunch, contagion, mortgage-based securities or credit default swaps were words on every economist's lips in the aftermath of the crisis in 1933. Does anyone mention them anymore today?

On March 12, 1933 the then President of the United States of America addressed the American public during a radio broadcast in order to restore confidence in the banking system. This came after a four-day holiday, during which the Congress had passed new legislation to aid the dwindling financial sector hit by a fourth wave of banking panics. This can be considered one of the first financial education efforts for the public at large. It did work as there were no bank runs when banks reopened after the bank holiday.

It does not make sense to expect economists and the public to remember the crisis and its characteristics, argue Levente Kovács and Elemér Terták in their book *Financial Literacy (Panacea or placebo? – A Central European Perspective)*. In fact, they state that financial education is conditioned by three elements: (i) the country-specific culture relative to the preference for bank- or market-based financing, (ii) the level of economic development and the financial intermediary system, and (iii) the temporal aspect of the difference in financial knowledge over decades.

The study authored by the European Commission Advisor Elemér Terták and the Miskolc University Professor Levente Kovács tries to define financial literacy and then to support this definition with some

[1] Kovács, L. Terták, E. 2016. *Financial Literacy (Panacea or placebo? – A Central European Perspective)*. Bratislava: Verlag Dashöfer, ISBN: 978-80-8178-016-5, pp. 112.

[2] PhD, Strategy Adviser, National Bank of Romania, e-mail: Amalia.Fugaru@bnro.ro.

Published: Hungarian Economists' Society from Romania and Department of Economics and Business Administration in Hungarian Language at Babeș–Bolyai University
ISSN: 1582-1986 www.econ.ubbcluj.ro/kozgazdaszforum

practical examples, mainly from Hungary. They are interested in studying the efficiency of financial education. One of the ideas they are underlining is that “literature sheds little objective light on the behavioural impact of financial education” (p. 13).

The authors argue, by using the evidence of eight types of researches on financial literacy conducted in Hungary and of one OECD study, that – in spite of the abundance of materials available for financial education – financial literacy levels in Europe are below those of previous generations, and they see a real need for parents and teachers to have access to both financial education tools and training and for personal finance to be part of the school curriculum because it is a “survival skill”.

One might argue that the scope of the paper announced in the title is not supported by much information from other Central European countries with the exception of Hungary. However, the points they make about the importance of financial education for adults are supported with evidence pertaining to the experience of several countries in the world and of some countries from Central and Eastern Europe.

The study touches on the reputation of the banking sector from a historical and moral point of view, while the role of the financial sector in the economy reflects more of an academic view. Both narratives are unrewarding for underpinning the main points formulated by the authors.

Nevertheless, the study comes up with ample evidence in the context of real-life situations – mainly from Hungary – whereby the importance of financial education might make a difference, without forgetting the authors’ initial disclaimer that financial illiteracy cannot be the source of a crisis, but it can worsen it.