

**A PROPOSED PLAN**

**FOR IMPROVED PUBLIC INFORMATION**

**FOR THE FEDERAL RESERVE SYSTEM**

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## INTRODUCTION

This is a plan designed to increase public understanding of the functions, responsibilities and policies of the Federal Reserve System and to enhance public confidence in the System. The purpose of the plan is to inform the general public of what the System does, can and cannot do. It is not intended to be a high-powered propaganda effort to gloss over criticism of the Federal Reserve or to insulate the System from legitimate political and public pressures. Nor does it propose a "hard sell" effort by the System. Rather it is intended to provide a means to better acquaint the public with the goals, policies and programs of the Federal Reserve System, thereby providing a fair and sound basis by which the American public can judge the effectiveness with which the System is discharging its statutory responsibilities.

## THE CHALLENGE

**Government and its agencies at all levels are currently under increasing attack. As a result of traumatic events of recent years, the American public has become increasingly critical of public institutions in general and is tending more and more to challenge the integrity of even the most respected agencies of national policy.**

**Since its founding in 1913, the Federal Reserve has occupied a unique position in the American System. The very nature of its role as a central bank and architect of monetary policy carries a mystique which creates in the public mind a sense of awe toward the System. Conversely, the complex nature of monetary policy formulation and the necessarily remote nature of many of our operational activities are not easily understood and tend to generate suspicion rather than support.**

**The current extent of public understanding and support of the System is difficult to measure. Congressional attempts to curtail the independence of the Fed have increased in intensity. Legal challenges to traditional practices are pending in the courts. While the public press currently supports the tradition of an independent central bank, conditions of political or economic stress, in the absence of a strong and carefully constructed foundation of public understanding, could render the Federal Reserve System increasingly vulnerable to attack.**

## **PUBLIC OPINION**

**In an effort to measure public attitudes toward the Federal Reserve System, the Federal Reserve Bank of St. Louis conducted a random sampling of opinion in our area. The survey results are attached as Appendix A. Our sample is a limited one and does not necessarily reflect attitudes nationwide. However, it does suggest that most Americans have little, if any, knowledge of what the System does. Only 5 per cent of those surveyed had any clear impression of the programs, purposes and policies of the System. This in itself implies a vulnerability inasmuch as an uninformed citizenry tends to be an easy target for misrepresentation and distortion of facts.**

**Nearly 50 years ago, the Board recognized the importance of keeping the public informed when it stated in an Annual Report, "The more fully the public understands what the function of the Federal Reserve System is and on what grounds and on what indications its policies and action are based, the simpler and easier will be the conduct of credit administration in the United States." This plan is designed to enhance such understanding.**

## **OUR "PUBLICS"**

**An effective System program of public information and education must address the many diverse public groups which directly or indirectly are affected by the Federal Reserve System. These include member bankers, nonmember bankers, members of the Congress, representatives of electronic and print media, consumer advocates, educators, students, representatives of organized labor and the general public. To reach such a broad audience, the program must be many-faceted. It should include films, publications, speeches, seminars and conferences, tours of facilities and numerous other media of communication. It must involve a commitment at the Board level as well as an intensified effort by the Reserve Banks.**

## **THE PRESENT PROGRAM**

**Currently the twelve Reserve Banks spend more than eight million dollars annually on public information and bank relations.**

**This commitment, while sizable in scope, is less than fully effective. Too often programs lack quality, coordination, and unity of direction. Examples: The System film is outdated. Many publications are poorly written. Tour guides at some banks are not properly trained. The simple device of the press release is often neglected.**

**An eight million dollar effort should not be conducted in an ad hoc, hit-or-miss fashion. We propose the creation of a professionally organized program worthy of the System and an expenditure of such magnitude!**

## ALTERNATIVE STRATEGIES

In February 1975, the Conference of Presidents' Ad Hoc Task Force on Bank and Public Relations Policies published a report proposing a Systemwide public relations program designed to counter increasing public and political criticism of the System. The report was "issue-oriented," seeking to identify critical issues and develop a means of responding to issues which were critical of the System. It suggested the use of public relations techniques to neutralize criticism as it surfaced.

The recommendations of the 1975 report were comprehensive. However, the ad hoc nature of the proposals and the "hard sell" public relations techniques suggested were a sharp departure from the "informational" nature of traditional System public information efforts.

The strategy we propose herein differs from that suggested in the 1975 report. Our proposal is guided by the belief that the Federal Reserve, as a quasi-public agency, would be vulnerable to political and public criticism if it were to employ obvious public relations techniques specifically designed to counter adverse criticism. Our critics in Congress and elsewhere would surely recognize the transparently self-serving nature of such a public relations program, and the reaction would almost certainly be hostile.

Our approach is to inform the public through the broad dissemination of factual information and to convey it in an understandable manner. The issue is ignorance, not bias; hence, a broad-based program built on a factual explanation of our policies and practices offers the best means of enhancing public confidence in the System.

## THE PLAN

### Office of Public Information

In order to stimulate a coordinated Systemwide public information effort, an Office of Public Information should be created within the staff of the Board of Governors. That office would be headed by an individual experienced in modern techniques of public communication, assisted by personnel competent in creative writing and film production. The Office of Public Information would have the following general responsibilities:

#### 1. Systemwide Coordination of Effort

It would serve as a clearinghouse for the exchange of information and would coordinate the public information activities of the Reserve Banks with those of the Board of Governors in order to assure maximum impact. It would be responsible, in coordination with Reserve Banks, for creating films and publications suitable for Systemwide use, which would be made available, upon request, to Reserve Banks for distribution. It would provide professional and technical advice to Reserve Banks in their public information activities, while at no time infringing upon the independence of the Reserve Banks which in turn would remain free to accept or reject materials and programs offered by the Office of Public Information, depending upon their local desires and needs.

#### 2. System Film

To produce, under the direction of the Chairman's Oversight Committee of Governors and Reserve Bank Presidents, one or more films or film strips suitable for Systemwide use. The new System film would replace "Money on the Move" and "The Federal Reserve System" which are obsolete. Although Reserve Banks would remain free to produce local films to meet special local needs, it is felt that a centrally produced film of high quality, suitable for Systemwide use, is a more sensible allocation of resources than for each Reserve Bank independently to create a film for its own District.

### 3. Publications

To produce professional quality brochures and other printed material suitable for Systemwide use and to make such publications available, upon order, to Reserve Banks with provision for the overprinting of the names of the various Reserve Banks. Reserve Banks should be encouraged to continue to publish local publications, as needed. Upon request, the Office of Public Information would provide professional assistance to individual Reserve Banks in the preparation of local publications.

### 4. Training

To offer training and professional assistance to Reserve Banks in the formulation and conduct of their local public information programs, and to serve as a catalyst for the encouragement of such local programs. Periodic workshops for System personnel would be a means of achieving these goals.

## Reserve Bank Public Information Activities

### 1. Bank Tours

Each Reserve Bank should be encouraged to step up conducted tours of its premises by school, social and civic groups. Such tours, if well organized, can be very effective. For maximum impact, however, tour guides must be carefully trained and the scope of the tours carefully planned. Tours should include a pre-tour orientation session at which a talk or a film highlighting the importance of the System and its independence should be presented. At the conclusion of the tour, participants should be given brochures or other suitable mementos of the visit.

### 2. Contacts with Public Groups

#### A. Communications with Commercial Bankers

##### -- Commercial Bank Visitations

Reserve Banks should be encouraged to make regularly scheduled visits to all member banks and as many nonmember banks as possible within their District. It is important that Reserve Bank personnel making such calls have information of substance to discuss with bankers during visits. Purely social-type visits are of limited value. A well-prepared contact officer can be most instrumental in communicating the "System story" to the commercial banking industry.

— Meetings at Reserve Banks

Periodic luncheon or dinner meetings of senior officers of Reserve Banks with member and nonmember bankers and representatives of thrift institutions provide excellent forums for communicating with the financial community. Here again it is important that Reserve Bank presidents and other senior officers make use of the opportunity to convey a meaningful message of interest to their audiences.

— Banking Association Meetings

Attendance at meetings of state bankers associations, BAI, Robert Morris, etc., has value in terms of maintaining System visibility, but should not be used as a substitute for bank visitations or for more personal meetings of a substantive and less social nature.

— Mailings to Member Banks

Periodic mailings to commercial banks are helpful vehicles for communicating information of current interest and keeping in touch with this important constituency.

B. Communication with Educators and Students

There is no more important audience for publicizing System policies and programs than the Nation's schools and colleges. Today's students are tomorrow's decision-makers and it is essential that the importance of an independent Federal Reserve System be communicated to those involved in our educational system.

— Educators

All Reserve Banks should be encouraged to arrange frequent workshops and seminars for high school and university instructors within their Districts. Such programs should feature information on monetary policy and Federal Reserve activities and should encourage the expansion of economic education in our schools and colleges.

— Students

Reserve Banks should be encouraged to maintain close and continuous contact with student groups at both the high school and college levels. The best means of arranging programs is through use of direct mail. Letters should be dispatched by Reserve Banks to schools and colleges in their Districts, advising of the availability of speakers, bank tours, films and publications. The mailings should specify how to arrange for a speaker, and specific personnel within each Reserve Bank should be assigned the responsibility of promptly responding to incoming requests. Speakers to address school groups should be carefully chosen and capable of effectively communicating with the group to be addressed. Nothing is more counterproductive than sending a dull speaker to address a restless student audience!

C. Contacts with Business and Labor

— Business

Luncheon and dinner meetings with leaders of large and small businesses throughout Reserve Districts are excellent vehicles to draw the business community closer to the process of monetary policy formulation. Such meetings should not merely be forums for Reserve Bank economists to brief business leaders on economic conditions. The business leaders in attendance should be encouraged to present their views on current conditions within their industries, and it should be stressed that their input is of real interest to Reserve Bank presidents in their contribution to FOMC policy.

— Labor

Organized labor likewise has a major interest in the course of national economic policy, and it behooves Reserve Banks to maintain close liaison with labor leaders in their communities. As with business leaders, periodic luncheon or dinner meetings with labor leaders are valuable in maintaining effective community relations.

#### D. Contacts with Consumer Groups

The emerging emphasis on consumerism and the increasing role of the Federal Reserve in the administration of consumer-related regulations makes it essential that the System establish lines of communication with such groups. While we do not recommend that the System assume an advocacy posture with regard to consumer issues, it is important that information pertaining to System activities in matters of consumer interest be made easily available to the public.

#### E. Contacts with the Press

The maintenance of open and continuing lines of communication with representatives of the printed and electronic media is an essential element in communicating with the general public. A knowledgeable press can be a vital link in maintaining a favorable image for the System.

Reserve Banks should invite representatives of the local press to luncheon meetings on a regularly scheduled basis. Press seminars and press briefings by Reserve personnel on economic subjects of current interest can help to keep the media abreast of information that, while well-known to System personnel, may be quite obscure to the general public.

Reserve Bank presidents and other senior personnel of such banks should always maintain a posture of availability to the press, and their relationship should be characterized by openness and candor.

#### F. Contact with Elected Officials

Due to the sensitive nature of relations with elected officials and the fact that the Federal Reserve System is dependent on Congress for its existence, it is recommended that such Congressional relations remain primarily a responsibility of the Board of Governors. While officers and directors of Reserve Banks should strive for close and cordial ties with members of Congress, overt lobbying and participation in partisan political activities should be avoided by officers and directors of Reserve Banks. In order to make available useful information on monetary policy, periodic informative seminars and discussion sessions with Congressional staff personnel could serve a useful purpose.

### G. Speeches by Reserve Bank Presidents

The prestige of the Federal Reserve System provides an excellent channel for Reserve Bank presidents and members of their staffs to speak out on issues of major importance such as monetary policy, Federal Reserve activities, the state of the economy and other topics of national or regional significance. Due to the prominence likely to be given to statements of such officials, care should be exercised that public utterances be carefully weighed both for appropriateness of content and possible public reaction. When speeches deal with subjects of importance, they should be given wide circulation through press releases, inclusion in District publications and interviews on radio and television.

### H. Reserve Bank Research

One of the most important activities of the System is independent research performed by the research staffs of the various Reserve Banks. Such research should continue to be encouraged and its widest possible propagation sought. The utmost care should be exercised to perpetuate independence of research at the District level, as this is probably the most visible manifestation of the broad diversity of opinion that goes into the formulation of monetary policy by the System.

### I. Public Responsiveness of System Personnel

A major ingredient in maintaining a favorable public image is how well System personnel handle their daily contacts with the general public. These contacts range from routine matters, such as use of the telephone, letter writing and the handling of the public by Reserve Bank tellers, to the manner in which System regulations are transmitted to member banks.

With regard to telephone usage, local telephone company training sessions in how to improve the speed and courtesy with which telephone calls from the public are handled are excellent vehicles for improving telephone service. A "once in a lifetime" telephone call by a citizen, if handled in an offhand manner, can result in a totally negative impression of the Federal Reserve System in the mind of the caller.

Often letters from System personnel are written in formal and stilted terms and convey an impression of bureaucratic indifference rather than reflecting genuine interest on the part of the correspondent. It is a simple matter to inject warmth into correspondence, and training in this regard is a valuable means of creating a favorable public image.

The citizen who occasionally enters a Reserve Bank to handle a government securities transaction is entitled to the same prompt service and courteous attention as would be accorded by well-trained customer contact personnel in a commercial bank.

A frequent source of irritation is the dissemination to member banks of lengthy regulations that are difficult to interpret, not summarized in digest form so as to be easily understood, and which occasionally call for response or comment in an unnecessarily short period of time. It is unrealistic to expect ponderous regulations to be carefully critiqued unless adequate time for study is allowed.

In summary, personnel at the Board and Reserve Bank levels can be enthusiastic ambassadors of good will in their contact with the public if they are well trained and imbued with a desire to create a good image for the System.

### Issues Requiring Special Handling

Occasionally, matters arise which are of such unusual importance to the System that they require special handling. Federal Reserve independence is an example of this sort of issue.

In instances where issues are unusually sensitive or of extraordinary importance, we recommend the procedure proposed by the Subcommittee on Public Information of the Committee on Research, Public Information and Bank Relations of the Conference of Presidents whereby that subcommittee would become responsible for identifying key issues of special interest and for presenting them for screening to the Committee on Research, Public Information and Bank Relations which, in turn, would present them to the Conference of Presidents for consideration. Issues designated by the Conference of Presidents as properly fitting into this category would be accorded special handling as merited by the degree of urgency involved.

### Implementation of Plan

Currently, the Conference of Presidents' Committee on Research, Public Information and Bank Relations is responsible for Reserve Bank public information activities through its Subcommittee on Public Information. The plan outlined herein is one for the entire System. Its successful implementation requires the commitment of personnel and resources both at the Board of Governors and Reserve Bank level. Therefore, it is recommended that a special ad hoc committee representative of the Board and the Reserve Banks be established to supervise at least the initial phases of the effort proposed herein. Members of that ad hoc committee should be:

- Two members of the Board of Governors designated by the Chairman;
- Two Reserve Bank presidents, one of whom would be the Chairman of the Committee on Research, Public Information and Bank Relations; and
- The Director of the new Office of Public Information (when appointed).

A precise timetable for implementing the plan should be developed by the ad hoc committee. After the plan, if approved, is put into effect, the ad hoc committee can be dissolved and the normal channels of supervision will apply.

## APPENDIX A

### OPINION SURVEY RESULTS

A telephone survey, based on a random sample of 206 interviews of names drawn from the St. Louis and St. Louis County telephone directory, was conducted during the week of August 5 – 10 by bank personnel to determine the extent of public knowledge of the Federal Reserve System.

#### **Methodology**

Using a table of random numbers, the 26th telephone number listing on every second page of the Metropolitan Telephone Directory was chosen for calling. If the 26th listing was a business number, the next residential listing was selected. Five attempts were made to obtain an answer before proceeding to the next number.

Calls were carefully spaced during the day, night and weekend to reach both men and women. The sequence of organization names used was rotated every fifth call so as to avoid bias.

Questions and responses are listed on the following page.

## QUESTION I

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I'm going to read the names of three organizations. After I read each name, can you please tell me whether or not you recognize it?

	All Respondents
<b>Federal Reserve System</b>	
Yes	67%
No	<u>33%</u>
Total	100%
<b>Small Business Administration</b>	
Yes	70%
No	<u>30%</u>
Total	100%
<b>Department of Housing and Urban Development</b>	
Yes	81%
No	<u>19%</u>
Total	100%

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## QUESTION II

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Can you name one or more things these organizations do?

	All Respondents
<b>Federal Reserve System</b>	
Have pretty clear understanding	5%
Have little or no understanding	<u>95%</u>
Total	100%
<b>Small Business Administration</b>	
Have pretty clear understanding	14%
Have little or no understanding	<u>86%</u>
Total	100%
<b>Department of Housing and Urban Development</b>	
Have pretty clear understanding	3%
Have little or no understanding	<u>97%</u>
Total	100%

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