Remarks for Cathy E. Minehan
for
"Evening at the Fed" Session

Held in Conjunction with
The Northeast Regional Conference on the Social Studies
Thursday, March 9, 1995

Thank you, Bill (Spring). Thanks also to the Conference program committee for all the time and effort that went into organizing tonight's event.

I'm particularly pleased to be here this evening, surrounded by people who have devoted themselves to helping our children become capable, fulfilled, and productive adults. The work you do is demanding and often underappreciated by people who don't have frequent contact with the schools. Yet no task is more vital to our future well-being, or more deserving of our gratitude and support.

As many of you are aware, the Federal Reserve Bank of Boston has maintained a long-standing commitment to education. For more than a quarter of a century, we have worked with teachers throughout New England in an effort to help students gain a greater understanding of money, banking, and the economy.

Last year alone, we distributed more than 175,000 free copies of economic education publications on topics ranging from "banking basics" to "understanding the federal debt."

We also opened our doors to more than 3,000 students who toured our bank last year. Their visit afforded them an opportunity to learn some of the fundamentals of banking, such as how a check is processed, and how money is transferred electronically from one bank to another. We talked to them about how paper money is printed and put into circulation, and we offered aspiring Secret Service agents a chance to hone their ability to spot counterfeits.

In many cases, we also challenged their notions about money. They came here expecting to see paper and bars of gold, but they left thinking of money in far more sophisticated terms.

And of course, we sought to broaden their understanding of the Federal Reserve's role in the payments system and in formulating U.S. monetary policy.

When funding constraints prevented teachers and students from traveling to the Bank, we went to <u>their</u> schools throughout New England -- regardless of how far they were from Boston.

Closer to home, we have formed valuable partnerships with the Boston Public Schools and are active members of the Private Industry

Council. We have been a leader in helping to implement the School-to-Career program, and we have worked closely with the Massachusetts State Treasurer's office in launching the highly successful "Savings Makes Cents" curriculum, which has led to the formation of more than 150 thriving partnerships between Massachusetts schools and their local banks.

Yet despite all these and similar efforts by other institutions, we still have a long way to go in helping American students to attain a higher level of economic literacy. Indeed, the results of a 1992 Survey of American Economic Literacy, conducted by the National Center for Research and Economic Education and the Gallup Organization, revealed just how far we have to go.

According to the study:

* Only a quarter of high school students, and a third of the general public, knew that the Federal Reserve is responsible for monetary policy;

* Less than a quarter of those surveyed could define a budget deficit;

*Just 40 percent of the public recognized that economic growth is measured by a change in the Gross Domestic Product, and;

*Only 35 percent could identify the most widely used measure of inflation (the Consumer Price Index).

I think we can all agree that those numbers are less than heartening. We have our work cut out for us.

For our part, we at the Fed are committed to building on past strengths while seeking new ways to ensure that we meet the economic education needs of classroom teachers throughout the First Federal Reserve District. While we will continue to work directly with students and teachers who visit the Bank, we also plan to broaden the scope of our program by conducting more economic education workshops for teachers in every corner of the District -- from Eastport to Block Island. Our goal is to help teachers reach a greater degree of comfort with economic concepts, so that no teacher need feel apprehensive over integrating economics into the existing curriculum.

We also plan to work more closely with educators to develop useful, practical tools such as an on-line bulletin board to provide teachers with easier access to economic data and economic education resources.

Now, at this point, I imagine that some of you are asking yourselves if the Fed has an ulterior motive in undertaking these initiatives. The answer is: Of course we do! But our motives are fairly benign.

I firmly believe that an informed public -- a public that understands the Fed's role in the economy -- will be far more likely to support an independent Federal Reserve System. And a public that understands how our economy functions will be far more likely to make informed economic decisions.

Americans face increasingly complex economic choices -- choices that require a much higher level of economic sophistication on the part of our citizens. A basic grasp of economics not only improves their ability to navigate the job market, or to choose investments for their 401(k) savings plan. It also enables them to sensibly engage -- as voters, taxpayers, or consumers -- the big issues of our time.

Needless to say, we face a formidable challenge in raising the level of economic literacy. But as I look at the people in this room, I see tremendous reason for optimism, and I have no doubt that, together, we will be more than equal to the challenge.

Thank you.