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**Remarks by
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Boston Management Consortium

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Good morning. I want to thank Bill Nigreen for inviting me to speak to you today. Last year, I participated as a member of the judging panel for the City Excellence Awards. I wished then, as I have several times since, that all those who find fault with Boston so easily could have seen the energy, enthusiasm, and true innovation displayed by the 12 teams we judged in the final round of the Awards program. That would surely have changed the minds of even the most skeptical. I also want to congratulate the Boston Management Consortium for their sponsorship of the City Excellence Awards. We are what we celebrate, and by honoring the best of the teamwork city government has to offer, the Consortium encourages all of us to make Boston a better city in which to live and work.

Today, I'd like to talk to you a bit about what the Federal Reserve Bank of Boston is doing to make Boston and New England more broadly a better place. Now I know you're probably asking what those people in the "ivory tower" over on Atlantic Avenue have to do with Boston anyhow--isn't their purpose monetary policy, bank supervision, payments systems and other such esoteric things? That's true, but in its wisdom the Congress in founding the Federal Reserve System in 1914 conceived of a regional central bank, rather than a monolithic

institution. The System is composed of 12 District Reserve Banks, each responsive to and reflecting of the regional that it serves. In the beginning, District Reserve Banks even determined their own regional monetary policy and interest rates. Broad and deep national capital markets have made regional variations impossible to maintain, but the idea of distinctive Reserve Banks remain.

Here in New England, the Federal Reserve Bank of Boston has always specialized to a unique degree in regional research, has focused research expertise on matters of serious community concern, and has participated in private/public partnerships to encourage economic and community development. What I'd like to cover with you this morning are our more recent efforts in three areas: education, access to credit for low and moderate income families, and best practices in economic and community development.

Most of you will recall the racial upheaval here in Boston attendant to the school busing decision of the late '70s. On the heels of this crisis, Boston's business community, the higher education community, the public schools and the City of Boston came together to sign the Boston Compact in 1982. Essentially, that document states that if the public schools deliver a better product--as judged by a

variety of measures--the business community will hire graduates and the higher education community will accept them as college students. The Compact has been renewed twice but I am told the hope that real progress could be made had faded until recently. Now my sense is the picture is much brighter--because we have a city government focused on education reform, because we have an appointed school committee, because we have a new superintendent who has already shown the way toward progress, and because we have many employers such as the Federal Reserve Bank of Boston who are committed to lead the way.

The Boston Reserve Bank has always played a role in the Boston Compact--both Frank Morris and Dick Syron were leaders of the Private Industry Council which acts as the enabling arm for much of the Compact work. Today, however, our role is deeper and more intensive than ever. A member of our official staff, Bill Spring, spends half his time on School Committee work; our partnerships with Boston public schools have been revitalized to reflect the goals of the latest Boston Compact and we are full participants in the School-to-Career program that is reshaping the high school experience for increasing numbers of public school students.

I am committing my personal time to education reform as well. When Boston received one of the first Federal grants to expand its school-to-career program, an oversight committee was formed. One of the first questions we thought had to be addressed was how do we measure whether students going through the School-to-Career experience were better off than their peers. I believed then, as I do now, that if School-to-Career programs are the right course, then they needed to be funded in large part by the ongoing public education budget. That could happen only if more traditional methods were discarded, and that, in turn, could occur only if it were clearly demonstrated that students in a School-to-Career program were better at school, at work, and in their college experience, if any, than others.

So we formed the School-to-Career measurement committee and we began to sit down on a regular basis with public school employees and PIC and Bank staff to determine how to measure progress. Just collecting the right data was and is a challenge, not to mention deciding which measurements are important and how to set goals for further progress. In the fall of 1996, we finally began to get data from new systems in the schools and to understand a little bit about the difference the School-to-Career experience can make. For example,

students in school-to-career are absent less frequently and drop out at a lesser rate than their peers. Moreover, in our first two small cohorts a much bigger percentage of students than would have been expected went on to some form of higher education. We don't yet have a handle on whether student scholastic abilities are greater than they would otherwise have been, or on whether all of employers involved in school-to-career are satisfied that they have a better group of incoming workers. But we are focused on answering those questions. And I must say that the receptivity of the public school system on answering the questions we've raised has grown exponentially. That staff, like the city workers in the City Excellence Program, has risen to the challenge, and they have served the City well.

Another area of involvement has been with the Annenberg Challenge Grant. As many of you know, Boston was awarded \$10 million in Annenberg grant money if those funds could be matched by new private dollars. Bill Boyan of John Hancock chairs the oversight committee for the Annenberg grant and I am a member, along with Ed Doherty from the Boston Teachers Union, Richard Elmore from Harvard, Ed Melendez from the School Committee, Theresa Perry from Wheelock, Tom Payzant and Pat Walker from the Mayor's office.

One of the key concerns for me here is that in the pursuit of whole school change, the promise of School-to-Career is not lost or fragmented. Too many programs have been tried with more or less success in small pockets in the Boston Public Schools; the challenge is to take one or more of them to scale and really make a difference. I believe School-to-Career is a program that should be taken to scale, and that we are on the verge of proving that it is. In that regard, it is important that the Annenberg Challenge grants work with the School-to-Career process, not against it. So far, that is happening.

In the area of access to credit for low and moderate income borrowers, the Bank has long used its research staff to both analyze problems and disseminate education and training to remedy the underlying causes. Now, however, we're involved in a hands-on effort with all of those involved in the mortgage business from realtor to secondary market participant. We've called this effort the "Greater Boston Home Purchase Process Initiative."

About a year ago, we held a conference for participants in the mortgage lending process. Surprisingly, while they were all integral to the product--that is, a mortgage to a low- or moderate-income family--some had never met each other, or were unaware of the issues facing

other participants in the process. Four industry task groups were formed looking at mortgage originations; appraisals and insurance; secondary market issues, and real estate brokerage issues. The intent of every task force was to develop recommendations that would make a real difference in the availability of credit to low and moderate income borrowers. The task forces will be reporting later this week on recommendations in three areas--access, awareness and incentives. Moreover, all those involved, and we at the Reserve Bank, are determined that this initiative bear real fruit. We have engaged many on the task forces as volunteers to lead in implementing specific recommendations, and we intend to measure progress not just by whether a letter is written, or an approach is espoused, but by whether things actually change, whether regulations are clearer, whether participants are better informed, and whether equal access to home ownership does, in fact, become more widespread.

Finally, let me talk just a bit about the Bank's efforts in the area of community development. When I became President in 1994, I set a goal of visiting each New England state and meeting with community groups and state and local economic development personnel on an annual basis. So far, I've been successful in getting to each state, and

I'm starting on a second round, supported by a dedicated staff of Bank personnel who are well-known both here in Boston and in every nook and cranny around New England. These visits usually take the form of a speech to a local group, a tour around a relevant community or economic development area, and a discussion with banks and community groups about relationships and progress. There have even been times when we've brought together various groups within the relevant community who may not have been in communication for some time. This has often had the effect that underlying problems are addressed and solved. I've seen a business incubator in Burlington, Vermont; a woman's housing collaborative and a micro-enterprise lending program in Providence, Rhode Island; small business start-ups in the heart of New Haven, Connecticut; and a high-tech incubator in Springfield, Massachusetts, just to mention a few. I've visited with community groups in Maine, celebrated the formation of the community reinvestment coalition in New Hampshire, and heard about the devastating effects of lead paint on the inner-city housing stock in Springfield. Everywhere that I have visited, I have been impressed by the energy and innovation of the non-profit groups, community

coalitions and public sector leaders who work together with banks to actually make things better in local communities.

From that experience came an idea. Why not share best practices among community development practitioners--be they community groups or banks--with the aim of promulgating successful programs and diminishing the attractiveness of those that have proven less effective? We formed a first-of-its-kind Community Development Advisory Council last fall, and we're about to have our second meeting. Its probably too soon to tell whether this will be successful, but our hope is that we may be able, at a minimum, to facilitate the process of practioners educating each other.

Now I know that public perception is that the Federal Reserve's impact is mostly through its management of monetary policy, and there is no doubt that we wield enormous influence in that regard. But we at the Federal Reserve Bank of Boston are proud to play a broader role than that by being meaningfully involved on those key issues which I strongly believe will equally impact the future of our regional economy: the quality of our public education system, access to moderate and low income housing, and attracting private investment to the inner cities of our region. We will continue to invest our time and our expertise, and I

am committed to ensuring we make a difference. I am equally committed to ensuring that the private sector continues to work together with city government to solve issues or, when necessary, get the best talent for our city. I know how effective the Consortium has been in many of these areas and I salute you. You are a great resource for our City and I look forward to working with you to continue to make Boston a national model of private-public collaboration.

Many thanks for inviting me this morning, and I look forward to answering any questions.