

Thank you very much for coming to this session on the economic education programs offered by the Federal Reserve Bank of Boston. I'm sorry that my schedule does not allow me to be present in person, and hope that this video makes up for my absence in however small a way. Before the Bank's economic education specialists take over, I would like to say a few words as background about the Bank and its involvement in economic education.

As you all know, the Federal Reserve Bank of Boston is part of the Federal Reserve System, the nation's central bank. Congress created the Federal Reserve System in 1913 in response to a series of financial panics that caused severe economic disruptions and hardship. Today, fostering a healthy economy and sound financial and payments systems remains the mission of the Fed

and its component parts: the Board of Governors in Washington, D.C. and 12 Reserve Banks located across the country. While the Reserve Banks are identified by the cities in which they are headquartered, each serves a much larger area. Our District consists of the six New England states.

We in the Fed have three complementary responsibilities that we often liken to a three-legged stool. On one leg, we provide financial services to depository institutions that are similar to the deposit and payment services that banks provide to businesses and consumers. By serving as a "bankers bank" the Fed helps to assure the safety and efficiency of the payments system. The Fed also services the nation's largest user of banking services - the U.S. government.

A second leg involves supervising and regulating financial institutions. As a regulator, the Fed implements

legislation by developing rules that govern many aspects of the conduct of depository institutions. As a supervisor, the Federal Reserve examines and monitors institutions to help ensure they operate safely and comply with appropriate laws and rules. The Fed also acts as a "lender of last resort". If a bank experiences an unexpected loss of liquidity it can turn to its Reserve Bank for needed funds.

A final important Fed responsibility--the last leg of the stool--is formulating and carrying out monetary policy. Monetary policy is aimed at fostering high levels of economic growth and low inflation over long periods. This emphasis on the long run is critical. Very rapid growth in the short run can be inflationary, and inflation can undermine the foundations for long run prosperity by distorting planning and discouraging capital formation. Thus, the Fed must be alert, on the one hand, to the

emergence of inflationary pressures and, on the other, to signs that economic growth is faltering.

The Fed's primary tool for influencing economic activity involves making credit more or less expensive through creating conditions in money markets that either raise or lower interest rates. This is, at times, unpopular with many. While the public strongly dislikes inflation, few people like to see interest rates go up – particularly when effective policy requires action before people actually see the damage inflation can bring.

Public understanding and support are critical to the Fed being able to carry out its responsibilities successfully. In fact, the lack of such understanding and support was at least one reason why the two predecessors of the Fed--the First and Second Banks of the United States--were disbanded, and the U.S. economy left crisis-prone at the turn of the 20th century.

There simply was no buy-in for the difficult policy choices that have to be made at times. Regional Reserve Banks play a vital role in ensuring such buy-in exists today in three ways. We reach out and engage consumers and businesses in our Districts. We endeavor in many ways to understand regional conditions and ensure they are taken into account in policy formation. And, most of all, we try to educate the citizens of our region about the need for wise policy choices.

We at the Boston Fed regard our education mission as Job 1. As such, we devote extensive effort to our publications, conferences, education programs, various economic competitions, and even public tours. But we realized some time ago that this was not enough. More needed to be done.

Reflecting this, the latest education initiative of the Boston Fed – and the focus of our presentation today - is

the establishment of a museum on New England Economic History. This museum will present the factors that contribute to long run economic growth using episodes in New England's history as illustrations.

Visitors will be struck by the tremendous advances in living standards that have occurred over the past 300 hundred years. Through an object theater, interactive displays and other approaches they will learn about the roles of technology, trade, education, and personal initiative in bringing about these gains. Visitors will be asked to make economic decisions – to invest or not, to leave the farm for the factory - and to reflect on the consequences of their choices. Hopefully, by gaining an appreciation for the challenges facing those who preceded us, visitors will have a better understanding of the choices and tradeoffs that still confront us today.

I would now like to introduce Bob Triest who will be talking more specifically about the museum on New England Economic History. Bob,