

The Ledger

Federal Reserve Bank of Boston's Economic Education Newsletter

Spring 1999

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...Ask a Busy Person Boston Chapter of Financial Executives Institute Finds Time for Economic Education

by Bob Jabaily

The Boston Chapter of the Financial Executives Institute (FEI) proves the old adage, "If you want something done, ask a busy person." Its 1,000-plus members are among the busiest people in Greater Boston, yet they always find time to work on issues that make a difference in the world outside their offices.

A prime example is FEI-Boston's long-standing commitment to economic education—a commitment that began in the 1970s with summer workshops for Massachusetts teachers. Over time, the summer workshops evolved into a comprehensive year-round effort that now includes curriculum development, teacher training, a scholarship fund, and achievement awards to recognize the efforts of outstanding students and teachers.

The expanded program began to take shape in 1994, when FEI decided to transform its annual golf tournament from a purely social activity into a fundraiser to support economic education. Money from the 1994 tournament paid for a multimedia economics program developed jointly by the Plan for Excellence in the Boston Public Schools and teachers at Boston Latin School—the oldest and one of the most highly regarded public schools in America.

FEI and the Plan for Excellence originally intended to develop a "grass roots" economic education program at Boston Latin and transplant it to other schools. But they hit a snag when they discovered that there was not enough academic support for teachers to implement a pre-packaged program, even

one that was well designed. So, they did what most intelligent people would do: They looked for help. And they found it in the first place they looked—the Boston University School of Education.

According to Walt Pressey, Chairman of the FEI Special Events Committee and Executive Vice President and CFO at Boston Private Financial Holdings, Inc., the timing for a productive partnership between FEI and Boston University could not have been better. The Massachusetts Board of Education had decided to require that 15 percent of the social studies curriculum be devoted to economics and had included economics in its comprehensive testing of students in grades 4, 8, and 10. Teachers faced the daunting task of teaching something for which many of them had no formal training or materials. Pressey says Boston University recognized the problem and was delighted to help.

Under the direction of Dr. Robert Sperber, Professor of Education at Boston University, and Dr. Lal Chugh, Professor of Accounting and Finance at University of Massachusetts-Boston and Chairman of the FEI Academic Relations Committee, the FEI/BU initiative focused on three main objectives:

1. Identify existing resources to incorporate into a core economics curriculum;
2. Develop new curriculum materials for use in elementary schools, middle schools, and high schools;
3. Recruit and train teachers to pilot the materials at six Boston schools—two elementary schools, two middle schools, and two high schools.

The project's ultimate goal was to help teachers implement the FEI/BU curriculum and then test students to measure the change in their knowledge of economics.

"The curriculum development model we are

The Ledger

Bob Jabaily, Editor

Research Department
Federal Reserve Bank
of Boston
P.O. Box 2076
Boston, MA
02106-2076
Or phone:
(617) 973-3452

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William Swanson (left), CFO of Bose Corporation, and Dr. Lal Chugh, Chairman of the Accounting and Finance Department at University of Massachusetts-Boston, present an FEI scholarship to Nicole Lecuyer. Ms. Lecuyer, a student at Stonehill College, was selected as one of FEI's "Outstanding Junior Year Students" for 1998. "Through our commitment to economic education," says Dr. Chugh, "FEI hopes to enhance economic literacy and prepare students to function in the global economic system."

using," notes Professor Sperber, "was first introduced by the Boston University School of Education into the Chelsea schools in the fields of mathematics and literacy. Experts develop the first part of the curriculum and teach it to other teachers, who try it out in their classrooms. These pilot teachers then add their own instructional lessons and serve as master teachers who teach it to other teachers."

Day-to-day executive responsibility for implementing the objectives and making the project's goal a reality fell to Boston University Professor Stephen Ellenwood. Professor Ellenwood assembled the curriculum development team, recruited teachers for the pilot program, and directed the teacher training classes. Bentley College Professor Colin Young was recruited to oversee the project's evaluation and monitoring components.

By early 1999, the FEI/BU initiative had progressed to the point where teachers from the pilot project in Boston were reflecting on their experiences and preparing to expand the program to schools in Boston University's Greater Boston Consortium, which includes Boston, Brookline, Chelsea, Concord, Lexington, Newton, and Somerville.

And that is only the beginning. "By expanding to other schools, we eventually plan to reach thousands of other teachers in New England," says Professor Sperber. "And with the help of grants from private and government sources, we hope to establish a Center for Economic Education at the School of Education, which can expand economic education throughout the nation."

FEI's Walt Pressey is firmly convinced that the partnership between FEI and Boston University has

yielded rewards to everyone involved. “Initial trepidation at the enormity of the task has yielded to a sense of enthusiasm. People have become believers,” he says.

Pressey attributes the program’s success, in part, to FEI’s “people-to-people” approach. He says FEI tries to forge links to good people who won’t be frightened by a challenge.

One of those people is Cathy Minehan, President of the Federal Reserve Bank of Boston. When Pressey first began to assemble a program evaluation team, he went to the Boston Fed President because he knew she was someone who cared deeply about economic education and also recognized the importance of demonstrating measurable outcomes. “Cathy thought the project sounded like a great idea,” recalls Pressey, “and she suggested that we coordinate our efforts with the Boston Fed’s existing economic education program.”

As a result of the meeting, two Federal Reserve staff members are now contributing their expertise to the FEI/BU project. Sue Rodburg, an Assistant Vice President with an extensive background in economic education, serves on FEI’s Program Evaluation Committee. And Economic Education Specialist Rob Wedge, who was one of Steve Ellenwood’s standout pupils at Boston University, acts as primary contact to the Boston Fed’s economic education program.

Long-time economic education advocate George Watson is another person who has contributed to the FEI/BU project, helping to develop its middle school curriculum component and serving as liaison to the National Council on Economic Education. Pressey says Watson’s breadth of experience has proved enormously beneficial, particularly when it comes to pinpointing useful resources and

building bridges to classroom teachers.

Pressey is also quick to acknowledge the efforts of Burdette Johnson and Junior Achievement. Johnson has been a strong proponent of economic education for most of his 90-plus years, and his 45-year involvement with Junior Achievement has helped to form the basis for a productive partnership with FEI.

Pressey attributes the program’s success, in part, to FEI’s “people-to-people” approach. He says FEI tries to forge links to good people who won’t be frightened by a challenge.

The two organizations sponsor a program to recognize outstanding teachers, and FEI members support Junior Achievement’s economic education programs in local classrooms.

Yet another FEI initiative highlights the accomplishments of “Outstanding Senior Year Students” majoring in accounting, finance, or economics at area colleges and universities. “Outstanding Junior Year Students” in those disciplines receive FEI scholarships.

In short, the very busy members of FEI’s Boston Chapter are finding time to do the things that make a community more than just a good place to do business. But as Walt Pressey points out, they are also getting something in return – the satisfaction that comes from knowing they are accomplishing something worthwhile. “It’s been invigo-

rating to see that we are having an effect,” says Pressey with the characteristic understatement of a Boston banker.



U.S. Mint Launches 50 State Quarters Program

You can learn a lot from looking at the back of a quarter

Next time you try to settle a disagreement with the flip of a quarter, you could be in for a surprise. The twenty-five-cent piece took on a new look in January 1999 when the United States Mint launched its 50 State Quarters Program.

The eagle, which has graced the reverse side of the quarter since 1932, has temporarily left its perch to make way for a series of new designs to commemorate each of the 50 states. The ten-year program began with designs to honor Delaware, Connecticut, Georgia, New Jersey, and Pennsylvania – the first five states to ratify the U.S. Constitution. It will draw to a close in 2008 with designs commemorating Oklahoma, New Mexico, Arizona, Alaska, and Hawaii – the last five states to enter the Union.

The 50 State Quarters Program is intended to “promote the diffusion of knowledge among the youth of the United States about the individual states, their history, geography, and the

rich diversity of their national heritage.” But Congress hopes the redesigned quarters will also encourage “young people and their families to collect memorable tokens of all the states.”

Collecting the new quarters will be inexpensive and hassle-free – no fees or commissions and no special ordering. The U.S. Mints in Philadelphia and Denver will produce them and ship them to the Federal Reserve Banks, which will supply them to banks and thrift institutions throughout the country. (The new quarters are NOT directly available from the Federal Reserve.) To acquire a complete set of the new quarters, collectors need only stay alert and watch their pocket change over the ten-year life of the program.

To find out more about the 50 State Quarters Program, visit the U.S. Mint Web site at www.usmint.gov.



Delaware *The First State* Issue Date: January 1999

Delaware honors Caesar Rodney, known for his historic ride to cast the tie-breaking vote in favor of independence.

Pennsylvania *The Keystone State* Issue Date: March 1999

Symbolizing the state's founding principles, the figure of "Commonwealth" is shown against the outline of Pennsylvania, a keystone, and the state motto.

New Jersey *The Garden State* Issue Date: May 1999

New Jersey honors George Washington, who led the Colonial Army to victory at Trenton.

Georgia *The Empire State of the South* Issue Date: August 1999

The Georgia quarter depicts the famous Georgia peach bordered by oak sprigs and a banner that bears the state motto.

Connecticut *The Constitution State* Issue Date: October 1999

When King James II demanded the surrender of Connecticut's colonial charter, Captain Joseph Wadsworth hid it inside a majestic white oak. "The Charter Oak" symbolizes Connecticut's spirit of independence.

Productivity:

Getting More Out of Something Than You Put Into It

Productivity is usually expressed as a ratio of input to output. Labor hours and cropland are “inputs.” New automobiles and peaches are “outputs.”

When people use the term “productivity,” they usually mean “labor productivity” – the output for a given amount of time at work. If, for example, someone figures out how to make a toaster in one hour instead of two, productivity in toasters is said to double.

Why does productivity matter? Because our capacity to produce has a major impact on our overall standard of living.

The 19th century offers a prime example. New technology and better production techniques during those years led to a rise in industrial output that helped to boost real incomes. Or, to put it another way, workers saw their buying power increase when mass production made more goods available at lower prices. And because their incomes went further, people could gradually afford to work fewer hours. A shorter work week and more stuff at cheaper prices – sounds like a pretty good non-technical definition for “higher standard of living.”

Measuring productivity, however, is not an exact science. A tractor eases the farmer’s burden; a power-driven loom speeds clothmaking. But pinpointing productivity growth across the economy is a gargantuan task, and official statistics are rough indeed.

Strictly speaking, productivity measures physical output for an hour of labor. But you can’t “mix apples and oranges,” so you can’t use physical output to measure productivity among a variety of goods and services.

Statisticians at the U.S. Bureau of Labor Statistics (BLS) have devised a method to compensate for the problem. They take the dollar value of the economy’s annual output, adjust for inflation, and divide by the total number of hours worked. But nearly everyone would agree that the official productivity figure is more of a rough gauge than a precise measure.

Working on Fundamentals

When it comes to economics, one of the challenges a teacher faces is identifying the major concepts. The National Council on Economic Education had this concern in mind when it developed *A Framework for Teaching Basic Economic Concepts*. (Visit the National Council’s web site at www.nationalcouncil.org.)

Each issue of *The Ledger* highlights a Framework concept. The last issue looked at “Opportunity Cost and Trade-offs.” This time, it’s “Productivity.”

Excerpts for this piece were taken from:

- “Stuck on Productivity,” an article by Susan Schact in the Summer 1992 issue of *Regional Review*, published by the Federal Reserve Bank of Boston, and
- “A Brave New World? The Productivity Puzzle,” an article by Kevin Kliesen in the January 1998 issue of *The Regional Economist*, published by the Federal Reserve Bank of St. Louis.

Both magazines feature well-written, non-technical articles that could form the nucleus of an economics lesson for secondary school students or college undergraduates. For a free subscription, contact:

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Boston, MA 02106-2076
Phone: (617) 973-3397

Web site: www.bos.frb.org/economic/nerr/regrev.htm

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Web site: www.stls.frb.org/research/order/pubform

“Worth a Thousand Words”

Anyone who has ever spent time looking at old photos knows how vaguely unsettling the experience can be. The people, frozen for all time in a single instant of work or play, have a way of drawing us into their world. Their eyes look out at us from across the years, and we can't help but wonder if their dreams and fears were at all like ours.

“Worth a Thousand Words” uses the power of archival photos and prints to take a backward glance at economic life in New England. This first installment focuses on school life in Boston during the 1890s.

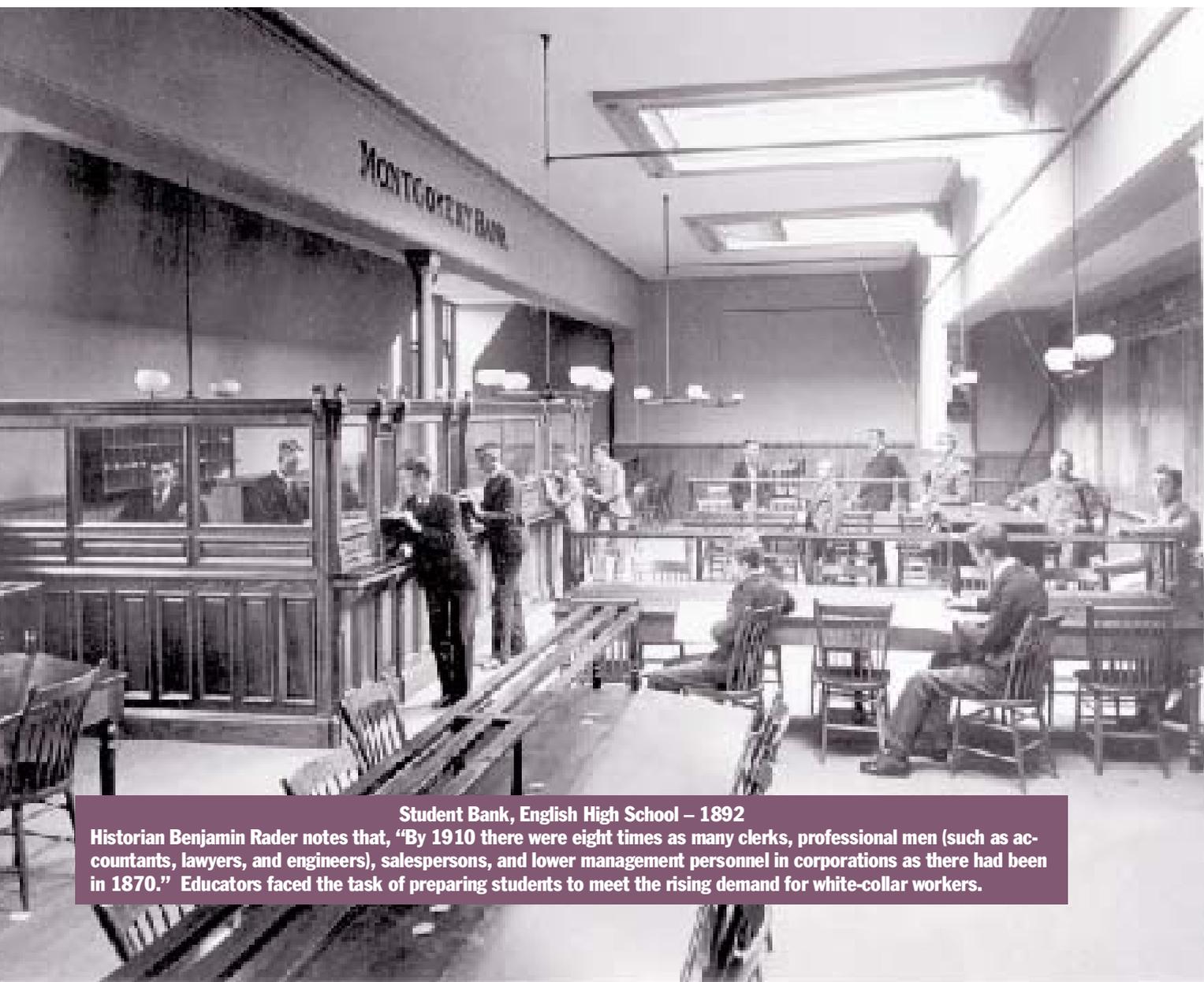
From the Old School

Education is a balancing act. There is always a tension between preserving the old and adapting to the new.

It is a concern that was very much on the minds of late-19th century American educators. More than sixty years of industrial development and urban growth had drastically altered traditional patterns of living and working. Then, as now, public schools did their best to prepare students for a world in which change seemed to be the only constant.

The photos on these pages offer a glimpse of how schools tried to cope with the educational uncertainties of the 1890s. Shop class, home economics, gym class, and book-keeping – it's all here for you to see and enjoy.

**All photos by A.H. Folsom
Courtesy of Boston Public Library,
Print Department**



Student Bank, English High School – 1892

Historian Benjamin Rader notes that, “By 1910 there were eight times as many clerks, professional men (such as accountants, lawyers, and engineers), salespersons, and lower management personnel in corporations as there had been in 1870.” Educators faced the task of preparing students to meet the rising demand for white-collar workers.

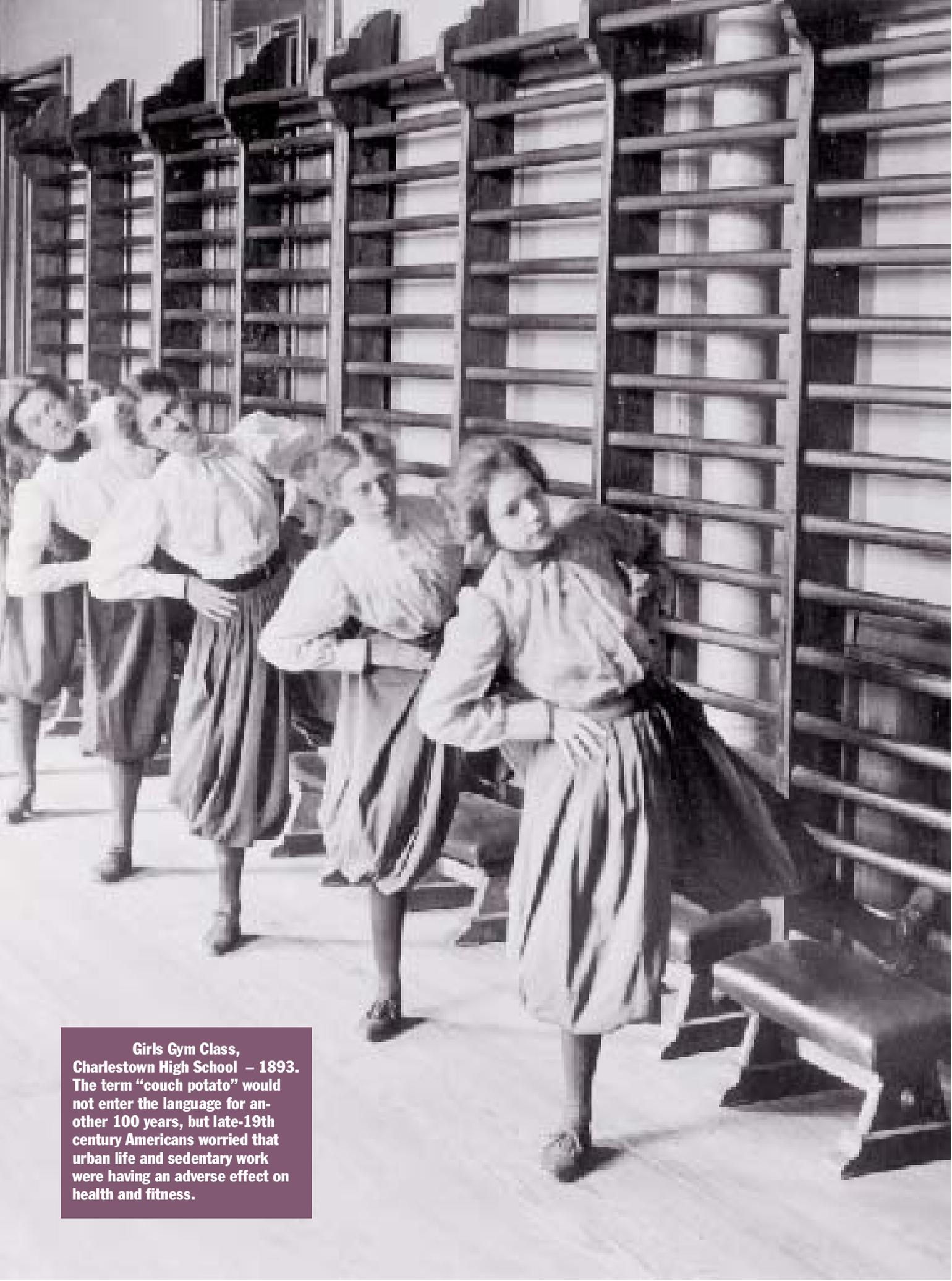


**Home Economics Class,
H.L. Pierce School – circa 1892-93**



**Shop Class, Dwight School
– circa 1892-93**

Economic change was beginning to have an impact on gender roles and traditional patterns of living. But the prevailing philosophy of the times still held that a girl should be prepared to manage a household, and a boy ought to be “handy,” even if he planned to earn his living in an office.



**Girls Gym Class,
Charlestown High School – 1893.**
The term “couch potato” would not enter the language for another 100 years, but late-19th century Americans worried that urban life and sedentary work were having an adverse effect on health and fitness.



EDUCATORS' UPDATE



Fed Challenge 99 Winners from Choate Rosemary Hall
 (L to R) Rory Cahill, Aaron Painter, Lee Bressler, FRB President Cathy Minehan, Katharine Zandy, Dennis Kitt, Ted Newman, and teacher Ted Hartsoe

Economic Education

The National Council on Economic Education, a nonprofit partnership of leaders in education, business, and labor, has worked to foster economic education since 1949.

EconomicsAmerica, the Council's teacher training affiliate, provides training and support to more than 120,000 teachers a year.

To find out more about the EconomicsAmerica affiliates in New England, contact:

Maine Council on Economic Education
 P.O. Box 9715-159
 Portland, ME 04104-5015
 Phone: (207) 780-5926
 Fax: (207) 780-5282
 e-mail: econmaine@aol.com

Economic Education Council of Massachusetts
 Bridgewater State College

Bridgewater, MA 02325
 Phone: (508) 279-6125
 e-mail: gwatson@tiac.net

Rhode Island Council on Economic Education
 Rhode Island College
 Providence, RI 02908
 Phone: (401) 456-8037
 Fax: (401) 456-8851
 e-mail: jblais@grog.ric.edu
 e-mail: pmoore@grog.ric.edu

If you live outside New England and would like to find out how to contact the EconomicsAmerica affiliate in your area, visit the National Council on Economic Education Web site at www.nationalcouncil.org or write to:

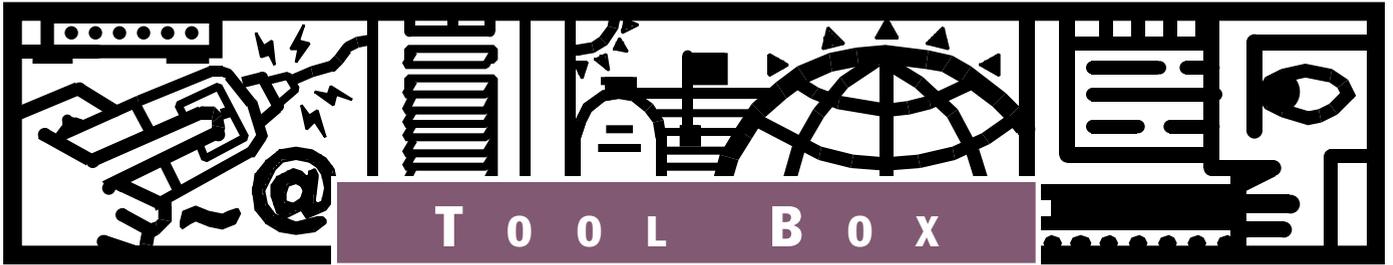
EconomicsAmerica
 National Council on Economic Education
 1140 Avenue of the Americas
 New York, NY 10036

Fed Challenge 99

For the second year in a row, students from Choate Rosemary Hall (Wallingford, CT) won the Federal Reserve Bank of Boston's regional Fed Challenge tournament. Rory Cahill, Aaron Painter, Lee Bressler, Katharine Zandy, Dennis Kitt, Ted Newman, and teacher Ted Hartsoe will travel to Washington, D.C. to represent the First Federal Reserve District in the national Fed Challenge competition on May 2-3.

The Fed Challenge is an economic competition for teams of high school students who study current U.S. economic conditions and then present analyses and recommendations for interest rate policy. The students' work mirrors the work of the Federal Reserve System's Open Market Committee, which is responsible for U.S.

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Web Wise #1

Bureau of Engraving and Printing
Facts & Trivia

<http://www.bep.treas.gov/nptemp1.cfm>

This site is a bonanza for anyone interested in money trivia. Here is a sampling of what you can learn:

- What is the make and model of the antique cars on the back of the \$10 note? ANSWER: They are generic old cars – no particular make or model.

- How long would it take to spend 10 billion \$1 notes at the rate of one note per second? ANSWER: 317 years

- What is the average life of a \$5 note? ANSWER: 2 years

- What is the origin of the “\$” sign? ANSWER: Check out the site, and find out for yourself.

The site is packed with fun stuff.



years from 1913 to the present and is so easy to use that even a confirmed technophobe won't have any problems. Just select the years you want to compare, enter a dollar amount, click on the “calculate” button, and within a matter of seconds you'll remember that will be if a car or a gas cheaper in

the way, the chrome-laden classic that sold for \$5,000 in 1965 would have cost \$25,857.14 in 1998 – and that's without the safety pollution control equipment, stereo, and hi-fi sound system available on today's cars.



But who sits on the committee? How often does it meet? What is a typical meeting like? What does the FOMC focus on, and how does it implement its monetary policy decisions? Even former “straight-A” students are a little fuzzy on the details.

Sound like you?

Fear not. An article in the December 1998 issue of *On Reserve*, the Federal Reserve Bank of Chicago's economic education newsletter, will fill the gaps in your FOMC. The piece, which is based on a speech by Federal Reserve Governor Laurence Meyer, begins with background on the history and structure of the FOMC and then offers an insightful look at what happens during a typical FOMC meeting. (The Spring 1999 issue of *On Reserve* completes the story with “Come with Me to the FOMC, Part II – The Decision.”)

For a free subscription to *On Reserve*, write to: *On Reserve*, Public Affairs Department, Federal Reserve Bank of Chicago, P.O. Box 834, Chicago, IL 60690-0834, or check it out online at <http://www.frbchi.org>.



Read all about it!

“Come with Me to the FOMC, Part I”
On Reserve

Federal Reserve Bank of Chicago
December 1998
newsletter –
free subscription

When interest rates go up or down, it is usually in response to an FOMC decision. Great! What is the FOMC?

The letters stand for Federal Open Market Committee – the Federal Reserve group that's responsible for determining the course of monetary policy.

Web Wise #2

Federal Reserve Bank of Minneapolis
“What Is a Dollar Worth?”

<http://woodrow.mpls.frb.fed.us/economy/calc/cpihome.html>

When kids look at a vintage advertisement, they often marvel at the prices. (“Wow! Cars were so cheap in those days.”) But were cars or houses or hamburgers really cheaper way back when?

“What is a dollar worth?” is a great tool for calculating and comparing how prices have changed over the years. It covers the

A Question of Economics

A Question of Economics focuses on questions related to economics in everyday life. Anyone can submit a question – students, teachers, anyone at all. And the question need not be complicated. In fact, the more it pertains to daily life, the better.

Send your questions to:

**Robert Jabaily, Editor
The Ledger
Research Department
Federal Reserve Bank of Boston
P.O. Box 2076
Boston, MA 02106-2076**

**E-mail: robert.jabaily@bos.frb.org
FAX: (617) 973-3957**

If we use your question, we'll send you a bag of shredded money for each person in your class (limit 35).

The question in this issue comes from Ms. Florence Poor's fourth graders at the Hastings School in Lexington, Massachusetts.

“Why did the company that made Furbies charge only \$29 and make only a very limited number of them? What were they trying to accomplish?”

Let's start with a little background information for anyone who spent December 1998 on another planet. Furby is a toy that speaks a dialect all its own – Fur and has the programmed capability to “learn” English. Not only that, but it is cute, too.

Cuddly technology at an affordable price – no wonder Furby was the hottest selling toy of the 1998 holiday shopping season and the source of much parental anxiety. By Thanksgiving, the furry little chatterbox was so scarce that desperate parents were patrolling cyberspace in search of “black market Furbies.

Which brings us back to the questions from Ms. Poor's fourth graders.

The kids are savvy enough to know that strong demand coupled with a short supply usually signals a price increase, and higher prices usually serve as an incentive to increase production. So why did Furby's manufacturer, Tiger Electronics, keep the toy's retail price at \$29 when frantic parents would have paid much more? And why didn't the company make a larger quantity?

The nature of the toy business holds part of the answer.

More than fifty percent of all toy sales are squeezed into the fourth quarter – October, November, December – so toy manufacturers face a tough choice: 1) set production levels high and risk being stuck with a big unsold inventory, or 2) set conservative production levels and risk not having enough toys to sell during the holiday season.

One of the ways they decide on production levels is by going to the Toy Fair. Every February, more than 1,600 manufacturers, distributors, importers, and sales agents from 30 countries make their way to New York for the American International Toy Fair. By the time the fair ends, people in the toy trade have a pretty good idea which toys will be hot for the holidays.

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Fed Challenge 99
continued from page 11

monetary policy.

Twenty-one high schools fielded teams in this year's First District Fed Challenge competition. The five that made it to the regional finals were: Buckingham, Browne & Nichols School, Cambridge, MA; Choate Rosemary Hall, Wallingford, CT; Hopkinton High School, Contoocook, NH; Lewiston High School, Lewiston, ME; and Winchester High School, Winchester, MA.

A Question of Economics
continued from page 11

Based on reactions at the 1998 Toy Fair, Tiger Electronics had a strong hunch that Furby was going to be a winner. The company decided to produce more than two million units, which, according to the Toy Manufacturers of America, is actually on the high side for a toy that is new to the market.

More than two million units should have been enough, but Furby turned out to be a bigger phenomenon than anyone could have predicted. The toy hit the market in September 1998, and by mid-November parents were staging all-night vigils in toy store parking lots. Of course, by then there was not enough time to boost production to

meet the holiday demand.

Nor did raising prices make much sense at that point because Furby had all but disappeared from store shelves. The risk of losing customer goodwill probably outweighed the monetary gain from a mid-holiday season price increase – especially since Tiger Electronics had precious few Furbies left to ship.

Besides, the affordable price is what helped to make Furby popular in the first place. At \$29, parents were able to buy more than one – if they were lucky enough to find the little critters.

The Ledger

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