



# LEDGER

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## economic education newsletter

### Kids Take Interest

Excerpts from "Little bank, big problems," (Eileen McNamara, *Globe* article, July 12, 1983) are reprinted courtesy of *The Boston Globe*.



Illustration by Robert Abbanat  
McCall Jr. High School, Winchester, MA

In April 1983, state banking officials closed a co-operative bank in Easton, Massachusetts. According to examiners, the bank charged borrowers usurious rates; close to 400 percent per annum.

Shortly thereafter, the bankers asked their state representative to file legislation that would exempt the Easton bank and others like it from certain restrictions imposed by state banking laws. The measure met very little legislative opposition, and on October 4, 1983, with the Easton bankers looking on, the governor of Massachusetts signed the bill into law.

On the surface, this chain of events would seem to further confirm the populist belief that powerful banking interests exert undue influence over lawmakers. In fact, the story illustrates how a group of determined citizens can join with elected representatives to make the political process work.

The Easton bankers were not pin-striped, poker-faced denizens of the boardroom. Rather, they were sixth grade students, and their bank was the HAL Middle School Co-Operative Bank. (HAL stands for High Ability Learners.)

According to an account in the July 12, 1983 morning edition of *The Boston Globe*:

*With assets of \$279.60 at the time of its unseemly demise, the student-run bank was owned by 233 student shareholders who had invested \$1 apiece. The practice that ran afoul of state statutes involved charging a penny-per-day in interest on a maximum loan of 75 cents. . . . Seeking legislative redress for what they charge is a classic case of regulatory excess, the fledgling financiers filed a bill seeking exemptions from state banking laws for student-operated banks with assets less than \$500.*

Aided by their teacher, Mrs. Ann Hoyle, the sixth graders asked State Representative William B. Vernon of Mansfield, Massachusetts to file legislation on their behalf. The student bankers then appeared before the Massachusetts legislature's Joint Committee on Banks and Banking to make the case for why their bank and others like it should be exempted from state banking statutes.

As television cameras rolled and reporters scribbled notes, one of the school bank's loan officers rose to speak. *Boston Globe* reporter Eileen McNamara recounted his testimony:

*There is, he explained, the matter of milk money or lunch money, left behind one hectic morning on a mad dash for the school bus.*

*"What does a kid do then?" he asked rhetorically, answering his own query before members of the Legislature's Joint Committee on Banks and Banking could respond. "They come to us, that's what."*

Reason prevailed. On October 4, 1983 some six months after examiners first closed the HAL Middle School Co-Operative Bank, Massachusetts Governor Michael Dukakis signed legislation exempting educational program banks from certain restrictions of the Commonwealth's general banking statutes.



### How to Open a School Bank

The Massachusetts Banking Department has initiated a program that will provide information to assist the establishment of "school banks" in elementary and secondary schools throughout the Commonwealth. The following passages are reprinted from *A Guide to Opening a School Bank*, published by the Massachusetts Banking Department. The free pamphlet outlines four available options as well as some of the legal procedures and requirements that must be followed in order to establish a school bank. (Readers from outside Massachusetts should consult the banking department in their states, since guidelines may vary from one state to another.)

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## A Guide to Opening a School Bank

### Option 1 - A Bank Branch

At the request of any school, with school committee and Banking Department approval, a local bank may set up a branch office on school premises, staffed by students under supervision of bank personnel. This approach is most suitable for students at the high school level.

### Option 2 - A School Bank

A group of students and teachers form an association, under the sponsorship of a bank, to train young people in the basic principles and practices of banking, by actual participation in model organizations and operations designed as educational programs. The Commissioner of Banks has an oversight role which includes both assistance and supervision. This approach is suitable for students at all grade levels.

### Option 3 - A Grade School Bank

Students in grades four through eight may establish and operate a school bank with the approval of the superintendent of schools and the local school committee of the city or town where the bank will be located, or, in the case of private or parochial schools, with the approval of the governing board. These school banks may have a maximum of \$500 in assets, and are required to liquidate and distribute their assets at the end of the academic year.

There are further conditions and restrictions that must be prescribed by the Commissioner of Banks, which are available upon request.

### Option 4 - School Savings Programs

With school committee and Banking Department approval, any school may make arrangements with a local bank for the collection and deposit of school children's savings. This function has been in practice for a number of years, mostly at the elementary school level.

### POSSIBLE BANKING ACTIVITIES

Possible activities could include savings accounts, small loans, charge accounts and personal money management. Practical experience could be acquired in such areas as accounting, record keeping, consumer regulation, banking legislation, administration, and economics.

### FOR FURTHER ASSISTANCE

The Massachusetts Banking Department looks forward to being of assistance to you. Georgeann Abbanat, General Counsel (617) 727-3139, and Sue Hickey, Assistant Supervisor of Bank Examinations (617) 727-3141, are available to consult with school personnel. The Department is pleased to have this opportunity to work with you in developing a student bank program.

## HIGH INTEREST

- School banks are nothing new. In 1914, a student-run savings bank opened at Lynn English High School (Lynn, Massachusetts), under sponsorship of the school's Commercial Department. On its busiest days in 1926, the Lynn English Bank accepted close to \$3,000 in deposits from more than 1400 students. The highly successful student-run bank kept its windows open until World War II; readers can learn more about it by reading "Banking Nickel by Nickel" (lead article, *Ledger*, Vol. 4, No. 4, November 1977).
- *You're the Banker* is the name of a simulation game created by the Federal Reserve Bank of Minneapolis. The game allows players to assume the roles of community bankers who must decide to grant or refuse loans to bank customers. Players' decisions affect their customers' economic well-being and the local community's overall economic health. *You're the Banker* may be played by as many as 30 people and is available to New England schools and organizations on a free loan basis. (Users pay only return postage and insurance.) For more information please contact: Publications, Public Services Department, Federal Reserve Bank of Boston, Boston, MA 02106

# the LEDGER

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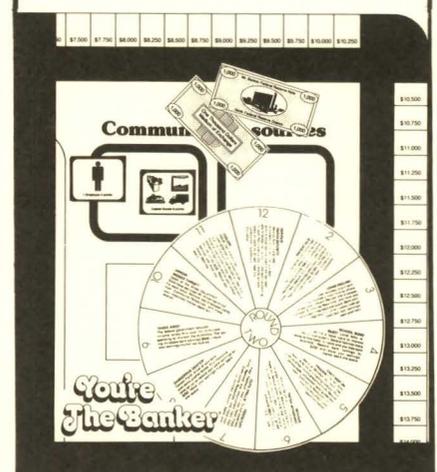
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## Multi-Media

*The Basics of Foreign Trade and Exchange*, written by Daniel Rosen, published by the Federal Reserve Bank of New York

and

*International Economics*, a multi-media teaching package created by the Federal Reserve Bank of New York

Otherwise well-versed citizens of the United States often lack a basic understanding of international trade and foreign exchange. Even those who want to learn more sometimes don't know where to start. The only sources of information seem to be occasional television news spots, economic textbooks, and articles in scholarly journals.

*The Basics of Foreign Trade and Exchange* is an excellent new publication from the Federal Reserve Bank of New York that fills the information vacuum. Author Daniel Rosen uses a clear style and well-chosen examples to explain why international trade takes place and how foreign exchange markets facilitate this trade.

As Mr. Rosen notes in his introduction, the 16-page booklet doesn't cover all the intricacies of the international financial system. It simply aims to help people better understand some of the basics underlying many of the economic news items in recent years.

Free copies of the *Basics of Foreign Trade and Exchange* are available from the Public Information Department, Federal Reserve Bank of New York, 33 Liberty Street, New York, NY 10045. (Charges for some bulk orders.)

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The Federal Reserve Bank of New York also distributes *International Economics*, a multi-media activity package designed to teach senior high school and freshman college students the simplified basics of why nations specialize and trade, absolute and comparative advantages, foreign exchange rates, and the role of the central banks in foreign exchange markets. The package contains two full-color filmstrips with two seven-minute audiocassettes, easy-to-understand background information plus lesson plans, a glossary, and four spirit-duplicating activity masters.

Orders for *International Economics* should be sent to: Public Information Department, Federal Reserve Bank of New York, New York, NY 10045. The cost is \$31.50 per package (20% discount on orders of three or more). Make checks payable to Federal Reserve Bank of New York.

## Innovative Classroom

### A "Bread and Butter" Issue

A national task force was established by the U.S. Department of Agriculture in 1981 to foster a better public understanding of the nation's food system and related issues. Although the effort is national in its scope, each state is responsible for developing its own unique "Ag in the Classroom" curriculum materials and applications.

Nearing the classroom testing stage is a new curriculum unit entitled, "Agriculture in Massachusetts." Eventually this comprehensive, integrated resource will be available to teachers of grades K-12.

The first phase is being developed for grades 4-6 by Dr. Barbara Koesch of Amherst, Massachusetts who has been employed by the State Committee to design the materials. The first unit emphasizes "Massachusetts' Agriculture as a Dynamic Industry" and provides an educational opportunity that deals with both the economics and natural sciences associated with our requirements for food. Issues related to concerns for the environment, ecology, geography, and allocation of natural resources and capital may be woven into the lesson plans by the teacher.

The curriculum is intended for use in urban and rural schools; it is not a vocational "how-to-do-it" sequence. Students will be able to: identify how farmers use each of the four factors of production; identify major agricultural products of Massachusetts; and describe the Commonwealth in terms of land formation and land use, soil types, climate, water resources, and vegetative growth. Other New England states, especially Vermont, are getting similar efforts underway.

Last May, Commissioners Lawson and Winthrop, of the Commonwealth's Departments of Education and Agriculture, enthusiastically endorsed the forthcoming program in a joint letter to school principals.

Henry Hicks, former coordinator of social studies in the Needham (Massachusetts) Public Schools and one of the founders of the Massachusetts Council on Social Studies, is a member of the program's curriculum committee. Chairing the general committee is John Sterling, State Director of 4-H Programs, University of Massachusetts-Amherst.

Massachusetts' new program will be presented in a workshop at the Northeastern Conference on Social Studies, February 29 - March 3, 1984.

—Contributed by  
Alford S. Peckham  
Federal Reserve Bank of Boston

## New England Update

The Joint Council on Economic Education is an independent, non-profit, nonpartisan educational organization incorporated in 1949 to encourage, improve, coordinate, and service the economic education movement. The Joint Council's principal medium for expanding and improving economic education is a network of state Affiliated Councils and Centers for Economic Education.

Some readers, however, may still be unfamiliar with these organizations, so listed below are the addresses and telephone numbers of Councils and Centers in the New England states. Readers who live outside New England can find out the addresses of their state Councils and Centers by writing to: Public Information Department, Joint Council on Economic Education, 1212 Avenue of the Americas, New York, NY 10036.

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