

DEC 28 1988

### Hot Topics

The Summer of 1988 was "one for the books." It was a summer of extremes; a summer characterized by unrelenting heat, protracted drought, foul air, and polluted beaches.

It was also a summer fraught with questions and uncertainty. Some people claimed we were on the verge of a long-term global warming trend triggered by the "greenhouse effect." Others said we were just having an unusually hot summer. No one knew for sure.

Nearly everyone agreed, however, that the Summer of 1988 was a newsmaker. Throughout July and August, the extreme weather and its side-effects figured prominently in the morning headlines and the nightly newscasts. Moreover, many of the summer's major news stories had at least as much to do with economics as with the weather. Some clearly illustrated how supply-and-demand applies to everyday life; others attested to the fact that random events, such as prolonged drought or oppressive heat, sometimes play an important role in determining economic outcomes. In one way or another, the Summer of 1988 affected the lives and fortunes of everyone from big business executives to pensioners.

The severe weather had a particularly dramatic economic impact on those who live in rural areas. Day after day, farmers watched the sky for rain that never came, and, all too often, even the most prudent lost their crops to the searing heat and the lack of rain. Corn that normally should have been "as high as an elephant's eye" was stunted and



Heat and higher produce prices were only two of the side-effects of the Summer of 1988.

Photo by Wilson Snow

shriveled. Other crops also fared poorly, and the price of fresh produce skyrocketed.

At the same time, the lack of feed grain forced many ranchers to ship their cattle to market ahead of schedule. The resultant over-supply of livestock led to a short-term drop in beef prices that benefited consumers. If, however, the grain shortage continues to push up the cost of feed, consumers could face higher beef prices next year.

Yet the ill-effects of heat and drought were not uniformly distributed across the Farm Belt. Oklahoma farmers, who had suffered so much in past droughts, were blessed with fine growing conditions and a bountiful harvest that allowed them to reap the benefits of higher crop prices.

Unfortunately, the beleaguered farmers in other states were in no position to take advantage of higher grain prices. The heat and drought had left them with little or nothing to sell.

The hot, dry weather conditions also created hardships for those who make their living by providing services to the tourists who visit western forests and national parks. More than 1.5 million acres of Yellowstone National Park were lost to forest fires, and many millions of dollars were lost when vacationers cancelled their plans to visit the scorched park. (In an effort to make the best of a bad situation, some travel promotions urged tourists to visit Yellowstone to see the burned forest regenerate itself.)

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The side-effects of the Summer of 1988 were by no means limited to the countryside. City dwellers and suburbanites suffered in their own way when the oppressive heat and accompanying air pollution created crisis conditions in many major metropolitan areas.

Even those who were fortunate enough to live in air conditioned homes or work in air conditioned offices were sometimes unable to find relief from the weather. The extraordinary demand for electricity prompted many offices and factories to curtail their power consumption. Some large businesses voluntarily reduced their consumption of electricity; others cut back out of necessity. Results ranged from stuffy offices and frazzled nerves to "brownouts" and temporary shutdowns.

In New England, the summer power shortages fueled debate over nuclear power. Efforts by environmental organizations and citizens' groups to close nuclear plants in Massachusetts and New Hampshire met with strong opposition from businesses and utilities, which claimed that a shutdown of nuclear plants would lead to even more widespread power shortages. Moreover, claimed the proponents of nuclear power, the shutdown of nuclear plants would contribute to the "greenhouse effect" by forcing greater reliance on fossil fuels such as coal and oil.

The "greenhouse effect" figured prominently in the summer's news reports. According to the "greenhouse" theory, waste gases released during the burning of fossil fuels form a "barrier" that traps the sun's heat in much the same way that glass does in a greenhouse. Many in the scientific community think the "greenhouse effect" could produce a global warming that would lead to a rise in sea level, coastal flooding, drought, and crop failures. Faced with the possibility of nuclear plant shutdowns, utility company executives were in the vanguard of those pointing to this summer's extreme weather as evidence that the "greenhouse effect" had already taken hold.

Of course, many of the summer's developments were far less "earth-

shaking" — and seemingly more immediate — than the "greenhouse effect." For example, air conditioners quickly disappeared from store shelves, and sales clerks spent much of the summer turning away disappointed shoppers. There simply weren't enough air conditioners in America to meet the demand, and display models sold at a premium.

Sweltering heat and widespread concern over pollution combined to affect the fortunes of yet another group — those in the swimming pool business. As the mercury rose, daily newspapers and nightly newscasts carried accounts of hospital waste washing ashore in New York, New Jersey, and New England. The thought of swimming amidst discarded syringes, blood samples — and worse — prompted even dedicated beachgoers to install backyard swimming pools. Inventories of pools and pool supplies were exhausted much earlier in the summer than usual.

At times, it seemed as if the only remaining summertime pleasure was to sit under a shadetree and sip a tall, cool glass of lemonade. But even that proved to be a problem during the Summer of 1988 because the residents of many cities and towns experienced ice shortages. Ice companies were sometimes unable to meet demand, and there were reports of ice scalping. Some icemakers raised their prices and charged whatever the market would bear. Others, with an eye toward maintaining good long-term relationships, continued to charge "reasonable" prices and allocated a certain amount of ice to each of their regular customers.

All in all, the Summer of 1988 was a memorable season. Only time will tell, however, whether it was just an interesting aberration or a preview of things to come.



### Too Hot to Handle?

A number of complex questions cropped up during the Summer of 1988. The answers to many of them may ultimately require Americans to make difficult political and economic choices. We have tried to frame some of those questions for discussion, with a caveat that we don't have any easy answers.

1) According to one school of scientific thought, the "greenhouse effect" and holes in the earth's ozone layer are at least partly attributable to the burning of fossil fuels and releases of certain chemicals into the atmosphere. Some people are calling for much tighter regulations on power plants that burn high-sulphur coal and oil. Others are demanding more stringent laws to protect air quality.

If these measures are implemented, economic conditions could go from bad to worse in states where the local economy depends on the mining of high-sulphur coal. Furthermore, ratepayers in many states could see their electric bills rise sharply as utility companies fit power plants with expensive pollution-control equipment or search for alternative sources of fuel.

On the other hand, if we do nothing we could lose valuable time in dealing with potentially serious problems. How should we handle this problem?

2) The temperature has just broken 95 degrees for the eighth day in a row, and there's no relief in sight. Air quality in your city is "unhealthful," and

## Multi-Media

*Making Deposits*, pamphlet, published by the Board of Governors of the Federal Reserve System, 11 pages.

*Making Deposits*, a new publication from the Board of Governors of the Federal Reserve System, is a layper-

air conditioning is a necessity — especially for those who suffer from respiratory ailments.

Unfortunately, some of the people who need air conditioning the most are also the least able to pay their utility bills, and the power company is threatening to turn off their electricity. What's a solution to this problem?

3) During the Summer of 1988, forest fires blackened more than a million acres of Yellowstone National Park. Some say the damage was made worse by a federal policy that allowed forest fires to take their "natural" course.

Under normal circumstances, the policy was supposed to make for a healthier forest, but this summer's unusually hot, dry weather was anything but "normal." As the fires in Yellowstone raged out of control, a lot of people wondered just how "natural" national parks should be. What do you think?

4) You're in the swimming pool business. This summer you had your best season ever. What should you take into account in planning for next summer?

5) Your family has been in the ice business for years. Some of your customers have been with your company since your grandfather founded the business. This summer there was an ice shortage for the first time in your company's history. If you wanted to, you could have sold ice at twice the "normal" price, but you didn't. Why not?

son's guide to the Expedited Funds Availability Act. The Act requires all banks, thrift institutions, and credit unions to publicly disclose their check-hold policies. It also specifies how quickly deposited funds must be made available for withdrawals.

Copies of *Making Deposits* are available from: Publications Services, Board of Governors of the Federal Reserve System, Room M-P-503, Stop 138, 20th and C Streets, N.W., Washington, D.C. 20551; or Publications, Public Services Department, T-10, Federal Reserve Bank of Boston, Boston, MA 02106. The first 100 copies are free.



*Checkbooklet* and *Bank Examiner Flimflam: Don't Get Conned Out of Your Life Savings*, pamphlets, published by the Federal Reserve Bank of Atlanta.

Two new pamphlets from the Federal Reserve Bank of Atlanta are packed with useful information. *Checkbooklet* reviews the history of checks and offers consumers tips on writing and cashing checks. In addition, the pamphlet explains how checks clear, thereby providing useful information for understanding the Expedited Funds Availability Act.

The second pamphlet — *Bank Examiner Flimflam: Don't Get Conned Out of Your Life Savings* — describes how con artists use the "bank examiner" or "policeman" scams to cheat people out of their savings. It also suggests ways not to fall victim to the scams.

For copies of *Checkbooklet* or *Bank Examiner Flimflam*, please write to: Public Information Department, Federal Reserve Bank of Atlanta, 104 Marietta Street, N.W., Atlanta, GA 30303-2713; or phone (404) 521-8788. The first 50 copies of each brochure are free.

## New England Update

### Delegates From Across Massachusetts Attend EECM Annual Meeting

The Economic Education Council of Massachusetts (EECM) held its annual meeting on September 29 at the Sheraton-Worcester Hotel. Council members from all across Massachusetts gathered to review the past year's progress and to plan for the future.

The first order of a business was to nominate and elect officers for the coming year. After brief discussion, EECM members unanimously approved the following slate of candidates: George Schlichte, chairman; Ronald MacDonald, vice chairman; Joanne Davidson, secretary; George Perry, treasurer; and Burdette Johnson, assistant treasurer.

In a summary of the past year's activities, Dr. Norman C. Benson announced that more teachers than ever are using instructional materials from EECM's statewide Resource Center. Dr. Benson and Dr. Carol C. McDonough are EECM's executive co-directors for educational programs.

Benson also noted that the Arlington, Massachusetts school system has been designated a DEEP school district. (DEEP is an acronym for "Developmental Economic Education Program.") Designation as a DEEP school district requires a significant commitment of time and resources for economic education at all grade levels.

Looking ahead to the coming year, Dr. Benson said the Economic Education Council of Massachusetts plans to: 1) expand the statewide

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*Check Rights*, booklet, published by the Federal Reserve Bank of Boston, 28 pages.

Checks are a safe, convenient, popular form of payment. In fact, Americans write approximately 47 billion checks a year, and the overwhelming majority of those checks are received and paid without any problem whatsoever. Yet a certain number of problems still occur, and when they do people want answers.

*Check Rights* is a new booklet that addresses many of the simple and not-so-simple questions that arise when people write or receive checks. It is directed at the millions of consumers and merchants who need to increase their knowledge about the costs and risks in making and receiving payments with different kinds of checks.

*Check Rights* begins with an explanation of what a check is and then describes in detail how one type of check differs from another. It also takes a look at how a check "clears" and what happens when a check "bounces." Finally, it reviews the options open to anyone who receives a "problem" check, and it explores ways to minimize the risk associated with receiving payment in the form of a check.

Copies of *Check Rights* are available from: Publications, Public Services Department, T-10, Federal Reserve Bank of Boston, Boston, MA 02106; phone (617) 973-3459. The first 10 copies are free; each copy thereafter is 40 cents. Additional free copies in reasonable quantities will be made available to non-profit educational organizations.



## Check Rights

DEEP network; 2) expand the services of the statewide DEEP network; 3) evaluate the candidacies of two potential new Economic Education Centers; and 4) expand outreach efforts in the area of curriculum development, graduate education, and pre-service education.

Those in attendance at the meeting also received an update on new "products" in the EECM's Resource Center and on new programs and materials available from the Joint Council on Economic Education. One of the most talked-about new offerings from the Joint Council was *E3: Economics and Entrepreneurship Education*, a two-year program designed for "at risk" eleventh and twelfth graders who may lack the skills and self-confidence to help them achieve success. The *E3* program includes a summer internship in which students "learn about the real world of business under the guidance of mentors from the business community."

For information on how the Economic Education Council of Massachusetts might be able to help you, please write to: Dr. Norman Benson

and Dr. Carol McDonough, co-directors, Economic Education Council of Massachusetts, University of Lowell, Lowell, MA 01854; or phone (508) 452-5000, x2772.



### Money Fun For Everyone

The Federal Reserve Bank of Boston will host a free program for families on Wednesday, December 28 at 9:30 a.m.

The two-hour program will feature a puppet show about money for the younger children, a slide show on genuine and counterfeit currency for the older children, a tour of the Bank's Money Department, a view of Boston from the Bank's 31st floor, and light refreshments. Children of all ages are welcome, but each child must be accompanied by an adult.

Participants must register for the program in advance. For reservations please call (617) 973-3452, Monday through Friday, 9:00 a.m. to 4:00 p.m.

## the LEDGER

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