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THE LEDGER

Economic Education Newsletter

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A Noteworthy Event: The Federal Reserve Note Turns 75

The Federal Reserve Note, which accounts for more than 99.7 percent of all U.S. paper money in circulation, has changed surprisingly little since its 1914 debut. It continues to project an image of strength and stability.

In many cases, the currencies of other countries may be more colorful or more "artistic," but such considerations pale before the Federal Reserve Note's businesslike appearance. The familiar green and black ink and the no-nonsense faces in the portraits seem to say, "This is not play money. This is the real thing."

Of course there have been a few changes over the years. From 1914 to 1929, Federal Reserve Notes measured 7.42 x 3.13 inches. Since 1929, however, they have measured 6.14 x 2.61 inches — an easier size to store and handle.

Another significant change occurred in 1969 when the Treasury, for a variety of reasons, began to retire large denomination bills from circulation. One reason was that these notes — in denominations from \$500 to \$10,000 — were not widely used. Another reason was that when they were used, illegal activities frequently were involved. Today, the \$100 bill is the largest denomination in active circulation. (The largest denomination ever printed was the \$100,000 Gold Certificate, which was intended for official interbank transactions and never circulated outside the Federal Reserve System. It carried Woodrow Wilson's portrait.)

The first Federal Reserve Notes were authorized by the Federal



The \$10,000 bill was the highest denomination ever printed and circulated.

Reserve Act and issued in late 1914. Then as now, they were printed by the Bureau of Engraving and Printing and sold, at printing cost, to the Federal Reserve Banks, which put the notes into circulation.

Even those who don't look closely at their paper money have probably noticed that Federal Reserve Notes have a numeric code (1 through 12) and an alphabetic code (A through L) located in the Federal Reserve Seal to the left of the bill's portrait. For example, the number "1" and the letter "A" are the codes for the Federal Reserve Bank of Boston, which serves the First Federal Reserve District. At one time, the Boston Reserve Bank issued only notes marked "1-A." Today, however, the markings have no real significance; Reserve Banks routinely circulate notes that bear markings other than their own.

A More Elastic Currency

In 1914, the primary reason for issuing Federal Reserve Notes was to provide the U.S. economy with a

more "elastic" currency — a currency whose amount could expand and contract in response to the public's changing demand for cash. Prior to passage of the Federal Reserve Act, the supply of coins and currency in circulation — gold and silver coins, U.S. Notes, Gold and Silver Certificates, Treasury Notes of 1890, and National Bank Notes — was either limited by the amount of precious metals held by the Treasury, fixed by statute, or determined by decisions of the various national banks. At the time of a financial panic, or during other periods when the public wanted to hold more money in the form of cash, sufficient additional currency could not be made available. Federal Reserve Notes were intended to remedy that problem.

To this day, the volume of Federal Reserve Notes in circulation is determined by how much money the public wants to hold in the form of currency (as opposed to holding money in some other form such as a bank account). There is

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no statutory limit on the amount of Federal Reserve Notes in circulation. The amount of currency can always expand or contract to fit a particular set of economic or financial circumstances.

Federal Reserve Notes are "legal tender," which means they must be accepted in payment of a debt and in payment of taxes. They are no longer backed by gold, but they have value nevertheless because people are willing to accept them in exchange for goods and services.

Any Color You Want As Long As It's Green

People often want to know why U.S. paper currency is green. No one seems to be certain why green was chosen as the color for printing the back of the U.S. currency originally issued in 1861 and nicknamed "Greenbacks." According to information published by the Bureau of Engraving and Printing, "At the time of the introduction of small-sized notes in 1929, the use of green was continued because pigment of that color was readily available in large quantity, the color was relatively high in its resistance to chemical and physical changes, and green was psychologically identified with the strong and stable credit of the Government."

Further Reading

The Public Services Department of the Federal Reserve Bank of Boston has available free publications about currency and coins, including:

Dollar Points, a six-page pamphlet that illustrates and explains the various design features of a dollar bill;

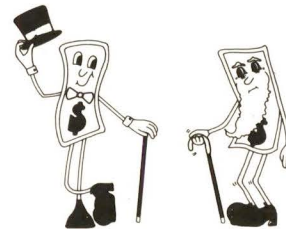
"History at Your Fingertips"/"Spirit of the Nation," an eight-page pamphlet that traces the evolution of paper currency in the United States;

"Liberty"/"The American Eagle," an eight-page pamphlet that examines the two emblems that were the hallmark of our early coinage.

For free copies of these publications, write to: Publications, Public Services Department, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2076.

Fun Facts About Money

The average life of a Federal Reserve Note depends on its denomination, as follows:



\$1	18 months
\$2	36 years
\$5	2 years
\$10	3 years
\$20	5 years
\$50	9 years
\$100	23 years

- A stack of currency one mile high would contain 14,734,884 notes.
- There are about 490 notes in a pound.
- Less than three percent of the total dollar value of all financial transactions involving goods and services in the United States are made using currency.
- United States currency has changed the least of any major currency in the world. The last significant change was a change in size in 1929.
- U.S. currency is the only major national currency printed in only two colors, in this case, black and green.

Courtesy, Bureau of Engraving and Printing

Courtesy, Federal Reserve Bank of Philadelphia

New England Update

Free New Service For Economic Data Hunters

The Federal Reserve Bank of Boston and the University of Maine have teamed up to provide the public with free electronic access to some of the most current data available on the New England economy — 24 hours a day, seven days a week. The *New England Electronic Economic Data Center* offers more than 100 categories of information, including all data published in the Federal Reserve Bank of Boston's *New England Economic Indicators*. Among the many categories of data are employment and unemployment figures, consumer information, state taxes data, as well as facts and numbers about housing, construction, energy, financial information, and federal procurement actions.

People wishing to use the New England Electronic Economic Data

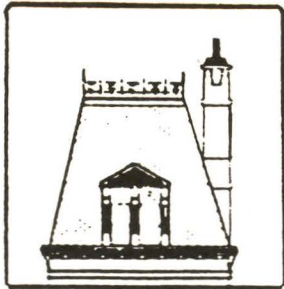
Center should call (207) 581-1867 and set their modems to Full Duplex, 8 Databits, No Parity, 1 Stopbit. The system can be accessed from anywhere in the world through a personal computer and telephone modem connection. Any communications software package is acceptable, and no special equipment or programming is necessary. The service is free except for telephone charges.

Plans call for an expanded service that will include data from the U.S. Department of Commerce's Bureau of Economic Analysis, electronic mail service, economic commentaries, more national statistics for comparative purposes, and conference notices.

More information about the New England Electronic Economic Data Center is available from Professor James Breece at the University of Maine (207) 581-1863, or from Steven Sass at the Federal Reserve Bank of Boston (617) 973-3193.

Innovative Classroom

A Step-By-Step Introduction to Boston's Historic Neighborhoods



The Historic Neighborhoods Foundation (HNF) offers insights into Boston's economic and social history for just about anyone who lives, works, studies, or strolls in the city. Of particular interest to teachers and students are HNF's school programs, which are intended to acquaint students with their rich and proud urban inheritance. Program themes include: *In Search of Grandmother's House*; *City/Build*, a high school program on design and construction; *Just Around the Corner*, a popular program geared to the city's middle school students; and *Make Way For Ducklings*, a program offered to all of Boston's first graders. There's also good news for suburbanites; HNF is currently expanding its school programs in an effort to open them to students and teachers from suburban schools. For more information on the HNF school programs, please call 426-1885.

People of all ages can avail themselves of HNF's Noon Seminars, Discovery Tours, and Annual Tour. Noon Seminars are scheduled for the last Wednesday of the month from September through November and from January through May. Topics vary, but the theme remains the same: "New Towers in Their Historic Setting." The seminars are held in some of the city's new and renovated towers; attendees are invited to bring a brown bag lunch. (Call 426-1885 for more information.) A new series, "Great Architects and Their Boston Buildings," is planned for next year.

First Ledger Award Goes to Framingham Educator

Staff members from the Federal Reserve Bank of Boston's Public Services Department recently presented *The Ledger Award* to Karen Waldstein, a social studies resource teacher in the Framingham (MA) Public School System. The award is presented annually to a teacher or administrator who has demonstrated a commitment to furthering economic education in the First Federal Reserve District. It is named for *The Ledger*, an economic education newsletter published quarterly by the Bank's Public Services Department since 1974.

At the presentation ceremony, Public Services Department Manager Susan Rodburg said the award was given in recognition of Ms. Waldstein's "love of learning and commitment to excellence." Ms. Rodburg noted that, "Over the course of the past ten years, Karen has scheduled and coordinated over 150 economic education programs that have reached more than 7000 Framingham students."

Framingham's Superintendent of Schools, Dr. Eugene Thayer, and Director of Elementary Education, Dr. Alvin Collins, also attended the

presentation ceremony. Dr. Thayer called Ms. Waldstein "a very valuable resource person" and said that the award was "indicative of how she reaches out to bring resources to the students."

Dr. Collins observed that Ms. Waldstein is "a truly outstanding teacher of teachers, with tremendous knowledge in the areas of social studies, language arts, and economics."

The Federal Reserve Bank of Boston has been involved in economic education for more than 20 years. During that time the Bank's Public Services Department has worked with teachers and administrators to foster high quality economic education in the First Federal Reserve District.

The Public Services Department offers a variety of free publications, audiovisual materials, teacher workshops, and economic education presentations and tours that are geared to all grade levels. For information on publications, please write to: Publications, Public Services Department, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2076. For information on other services, please call (617) 973-3451 or 3463.



The Federal Reserve Bank of Boston's *Ledger Award* went to Karen Waldstein, a Social Studies Resource Teacher in the Framingham Public Schools. Pictured (left to right) are: Dr. Alvin Collins, Framingham's Director of Elementary Education; Karen Waldstein; Susan Rodburg, Manager of the Bank's Public Services Department; and Dr. Eugene Thayer, Framingham's Superintendent of Schools.

photo by Ralph Ragsdale

Multi-Media

Too Much, Too Little, comic-style booklet published by the Federal Reserve Bank of New York, 23 pages.

This recent publication from the Federal Reserve Bank of New York reviews the development of central banking in the United States. The 23-page comic-style pamphlet is a story of time travel to key periods in U.S. monetary history. Along the way, the story's characters learn that the Federal Reserve System was established to offset the problems created by too much or too little money in the U.S. economy.

Too Much, Too Little is adapted from a 25-minute video with the

same title. It joins seven other educational comic books created by the New York Fed for high school students of economics, social studies, and American history.

The comic book and the video are available to the public through the Federal Reserve Bank of New York's Public Information Department, 33 Liberty Street, New York, NY 10045.

When Your Home Is On the Line: What You Should Know About Home Equity Lines of Credit, brochure, published by the Board of Governors of the Federal Reserve System, 16 pages.

This publication from the Federal Reserve Board provides readers

with basic information about the features of a home equity line of credit, as well as what to look for and what to compare when shopping for credit. Under provisions of the Home Equity Loan Consumer Protection Act, the new brochure, or one similar to it, must be provided to the consumer whenever a loan application is issued.

Copies of *When Your Home Is On the Line* are available from: Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551; or from Publications, Public Services Department, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2076.



Courtesy, Federal Reserve Bank of New York

THE LEDGER

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Reserve Bank of Boston or the Board of Governors. Copies of this newsletter and a catalogue of other educational materials and research publications may be obtained free of charge by writing: Bank and Public Information Center, Federal Reserve Bank of Boston, Boston, MA 02106, or by calling: (617) 973-3459.