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The Ledger

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1996

Hot Topic

Ben Franklin Gets a Makeover

U.S. Will Issue Redesigned \$100 Note in Early 1996

Benjamin Franklin will still appear on the front, but his portrait will be bigger and shifted to the left. Independence Hall will still grace the back, but the sky around it will be composed of concentric fine lines.

These are only some of the new security features that have been incorporated into the U.S. \$100 note. The redesigned \$100 notes will begin to enter circulation in early 1996. Redesigned lower denominations will then be introduced at the rate of about one per year.

As older notes reach the Federal Reserve in cash deposits from banks, they will be replaced by the redesigned notes. But the people at the U.S. Treasury and the Federal Reserve are taking great pains to emphasize that there will be no recall and no devaluation of any U.S. currency. Federal Reserve Board Chairman Alan Greenspan has noted that "the United States has never recalled its currency and will not do so now. Old notes will not be recalled or devalued. The United States always honors its currency at its full face value, no matter how old."

The purpose of the redesign is to maintain the security and integrity of U.S. currency by staying ahead of advances in reprographic technology, such as color copiers and electronic digital scanners. Advanced reprographic technology improved dramatically during the 1990s. Some of the advanced equipment is capable of accurately reproducing the colors and fine-line detail of security documents and poses a potential threat to currency.

The design enhancements on the 1996 series notes will help to deter that threat. Here's a summary of the new features. (See photo of new bill on page 2.)

- *A larger, slightly off-center portrait.* In this, the most noticeable change, the larger portrait will incorporate more detail, making it easier to recognize and more difficult to counterfeit. Moving the portrait away from the center, the area of highest wear, will also reduce wear on the portrait.

- *A watermark* to the right of the portrait depicting the same historical figure as the portrait. The watermark can be seen only when held up to the light. In addition, the borders of the note have been simplified so that the watermark can be viewed more easily.

- *A security thread* that will glow red when exposed to ultraviolet light in a dark environment. The thread will be in a unique position on each denomination.

- *Color-shifting ink* that changes from green to black when viewed from different angles. This feature appears in the numeral on the lower right-hand front corner.

- *Microprinting* in the numeral on the note's lower left-hand front corner and on the collar of Benjamin Franklin's coat.

- *Concentric fine-line printing* in the background of the portrait and on the back of the note.

Although all denominations will have enhanced security features, the number of fea-

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The Ledger

Editor's Note

The Ledger's New Look

After more than 20 years, The Ledger has a new look. Instead of a long lead article, the new format features a variety of short pieces, which we hope will better serve the needs of a wider audience.

Bob Jabaily, Editor

The Ledger

Public and Community

Affairs Department

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of Boston

P.O. Box 2076

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Copies of this newsletter and a catalog of other educational materials and research publications may be obtained free of charge by writing:

Publications

Public and

Community Affairs

Federal Reserve Bank

of Boston

P.O. Box 2076

Boston, MA

02106-2076

internet:

<http://www.bos.frb.org>

e-mail:

102521.740

@compuserve.com

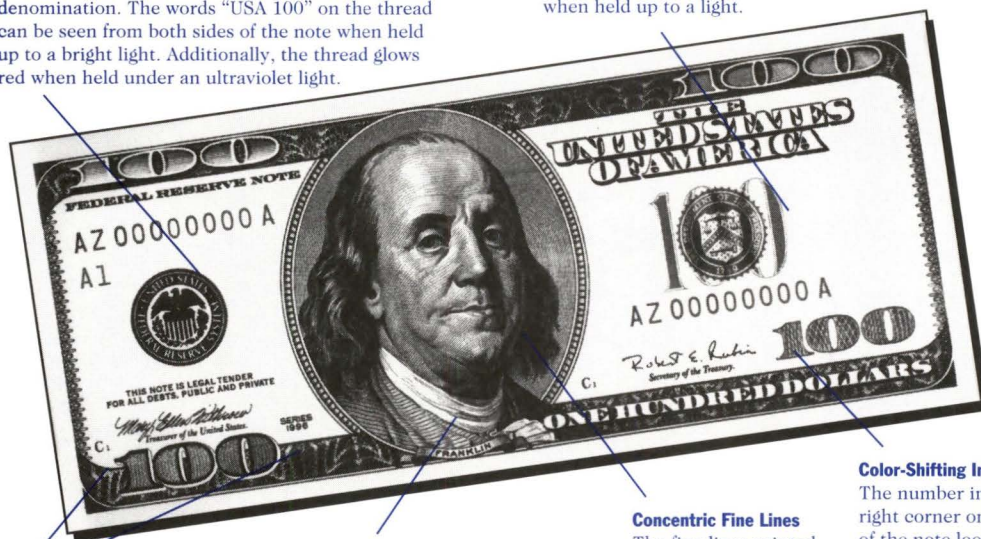
Your Money Matters

Security Thread

A polymer thread is embedded vertically in the paper and indicates, by its unique position, the note's denomination. The words "USA 100" on the thread can be seen from both sides of the note when held up to a bright light. Additionally, the thread glows red when held under an ultraviolet light.

Watermark

A watermark depicting Benjamin Franklin is visible from both sides when held up to a light.



Microprinting

Because they're so small, microprinted words are hard to replicate. On the front of the note, "USA 100" is within the number in the lower left corner and "United States of America" is on Benjamin Franklin's coat.

Portrait

The enlarged portrait of Benjamin Franklin is easier to recognize, while the added detail is harder to duplicate. The portrait is now off-center, providing room for a watermark and reducing wear and tear on the portrait.

Concentric Fine Lines

The fine lines printed behind both Benjamin Franklin's portrait and Independence Hall are difficult to replicate.

Color-Shifting Ink

The number in the lower right corner on the front of the note looks green when viewed straight on, but appears black when viewed at an angle.

tures will vary by denomination. The \$100 note will have a full package of deterrent features, while the \$1 note will have fewer and less sophisticated features.

Other changes incorporated in the new design include a modified serial number and a modified Federal Reserve seal. But despite all the changes, the new currency is still distinctly recognizable as American. Many elements remain the same, including:

- *size of the bill;*
- *ink colors* — black on the front and green on the back;
- *paper* — cotton and linen with red and blue fibers;
- *texture of the paper* — will still feel the same;
- *historical figures and back illustrations* — with slight alterations; and
- *motto* — "In God We Trust."

The Federal Reserve Bank of Boston has color posters, pamphlets, and information kits that provide easy-to-understand information about the changes and new features on the

1996 series currency. They are perfect for classroom use, and they are available, free of charge, to teachers in the First Federal Reserve District. To obtain these materials, write to:

Publications

Public and Community Affairs Department

Federal Reserve Bank of Boston

P.O. Box 2076

Boston, MA 02106-2076

or fax request to: 617-973-3511

or e-mail at:

102521.740@compuserve.com

And starting in January 1996, representatives from the Federal Reserve Bank of Boston's Public and Community Affairs Department will be available to deliver **free educational presentations** on "Currency, Counterfeiting, and the New \$100 Note" to groups of teachers and students anywhere in the First Federal Reserve District. You can either come to the Boston Fed for the presentation and a tour, or we can travel to your school. For more information on the presentations, call (617) 973-3451 or (617) 973-3371.

“Find what is good, and praise it” “Economics for Leaders” Summer Program Is Worth the Trip

Smokey Murphy begins the “Trading Activity” by handing each participant a brown paper bag. Only he knows what’s inside. It could be anything from an ordinary #2 pencil to a coveted souvenir T-shirt.

Participants are instructed to open their bags, peek inside, and rate the enclosed item on a scale of one to five. A “five” means you’re very satisfied with what you received; a “one” means you hate it. Murphy tallies the individual ratings to calculate the group’s overall “Satisfaction Rating.”

Participants are then told they can trade with people in their immediate group (the surrounding five or six people). When trading ceases and Murphy recalculates the “Satisfaction Rating,” results show that the total has jumped from 116 in Round One to 149 in Round Two.

During subsequent rounds, participants are told they can trade with anyone on their side of the room, then with anyone in the entire room, and, finally, that they can trade anything they brought into the room with anyone else in the room. After each round, the “Satisfaction Rating” rises: Round Three — 160; Round Four — 171; Round Five — 177.

Murphy, a high school teacher for more than 25 years, is clearly enjoying himself as he watches the people in the room engage in lively commerce. The expression on his face says that he is one of those fortunate people who loves what he does for a living.

He originally began using the “Trading Activity” to illustrate the benefits of trade for his students in Sacramento, California. But this time, he’s part of a talented and enthusiastic team of instructors who are conducting one of the 1995 *Economics for Leaders* programs sponsored by the Foundation for Teaching Economics (FTE). Thirty high school seniors and 30 high school economics teachers have come from as far west as Texas and as far east as Poland to attend the weeklong program at the

University of Hartford.

The Foundation for Teaching Economics, based in Davis, California, was founded in 1975 to promote economic literacy and excellence in economic education. FTE has conducted *Economics for Leaders* summer programs since 1991 at college campuses across the country. And the program is free. Participants pay only their transportation costs to and from the site.

During the summer of 1995, more than 400 students and teachers attended *Economics for Leaders* sessions at seven sites: University of Houston, University of California at Santa Barbara, Mt. St. Mary’s College (Los Angeles), University of Washington at Seattle, University of Hartford (CT), Northwestern University (Evanston, IL), and University of Colorado (Boulder).

Students and teachers spend the first half of each day participating together in economic education activities and presentations that are lively, innovative, and instructive. After lunch, students engage in activities intended to promote leadership and teamwork skills, while teachers attend workshops designed to further develop and improve their understanding of economic concepts and to provide them with new teaching strategies. The FTE also provides a variety of support materials, simulation exercises, and lesson plans for teachers to use when they return to their own classrooms.

“Find what is good, and praise it”

When asked his thoughts on how to cope with the inevitable pain and pettiness of everyday life, both on and off the baseball diamond, a major league ballplayer said, “Find what is good, and praise it.”

This section of The Ledger endeavors to do just that. We will try to find and praise the good work that people are doing in economic education. If you are aware of a quality economic education program or resource, let us know about it.



Murphy, a high school teacher for more than 25 years, is clearly enjoying himself as he watches the people in the room engage in lively commerce.

Students and teachers come back together after dinner for discussions of ethical and moral dilemmas, a simulated political election, sessions on leadership skills, and even a few recreational and social activities. In fact, the easy interaction between teachers and students characterizes every aspect of the *Economics for Leaders* program.

The days are full. The program is intensive, and, by most accounts, very effective. Steve Gerhart, Vice President of Administration and Program Affairs for FTE, is proud of the fact that *Economics for Leaders* invariably receives outstanding evaluations from students and teachers. Questionnaires administered at the conclusion of each 1995 session indicated that 208 of the 219 students who participated in the program would recommend it to their friends, and teachers were equally enthusiastic. In addition, pre- and post-tests indicated that student learning in-

creased by nearly 40 percent during the program.

Gerhart points out that FTE takes the evaluation process very seriously. The evaluation methods, the five-page evaluation form, and the *1995 Report Card on Economics for Leaders*, were all developed by Eva L. Baker, professor at the UCLA Graduate School of Education and Information Studies, who says she "continue[s] to be amazed at the FTE's ability to create such a positive educational experience in the field of economics."

Teachers and students who would like to know more about the *Economics for Leaders* program should write to:

Foundation for Teaching Economics

Attn: Department B

260 Russell Blvd., Suite B

Davis, CA 95616

or call Ms. Marylou Alquizalas,

FTE Program Recruiting Coordinator,

at (800) 383-4335.

FTE's E-Mail address is

FTE4EFL@aol.com.

Shared Knowledge The Chronic Colonial Money Shortage

by Robert J. Haas

For the early American colonists, the trading of goods and services was mainly a system of bartering. Bartering is when one person agrees to give you "something," and you give that person "something" in return to complete the exchange. The "something" could be the exchange of products (an item you had made, grown, or previously obtained) or a service (any work or task performed on behalf of the other party). But bartering has certain drawbacks. First, you must find someone who has what you want; then you must have something that the other party wants. Finally, you both need to agree on what constitutes a fair swap. It's an inefficient, time-consuming way to do business.

A monetary system, the outgrowth of a maturing economic society, soon replaced the basic barter system in the colonies. The use of money enabled people to complete a transaction with the specific demand occurring in only one direction. That's because in a barter system each party must want or need the other party's product or service, but in a currency system one party can give some form of money instead. The replacement of the bartering system was an indication of economic growth and diversification in the colonies.

A crucial part of a monetary system is the existence of an item with some

associated value. For example, some Native American tribes traded wampum belts (made of beads), as we today trade pieces of paper with the word "dollar" on them. Colonists used tobacco or tobacco credits as a form of money. A product such as tobacco was easily recognized and had a certain value associated with it that everyone understood and, more importantly, accepted. One of the most important attributes of currency is that people must be willing to accept it in exchange for their product or service. They must also believe that others will accept it as well.

In early colonial America, there was no established system of money. Nevertheless, there was some money! Ships' passengers and crew carried English money with them to the New World. But the colonial supply of English coins was very limited, and what few coins there were, generally returned to England as payment for goods that were not available in the colonies. (As a rule, English merchants accepted payment only in English currency.)

On top of that, the English government, in an attempt to ensure continued strong demand for English money, enacted laws that prohibited the production of colonial coins. This prohibition, combined with the chronic

Shared Knowledge

"The Chronic Colonial Money Shortage" was submitted by Robert J. Haas of Boyertown, Pennsylvania. This piece is geared to upper elementary and middle school students who are studying the colonial period.

Mr. Haas graduated from Indiana University of Pennsylvania with a B.A. in economics and obtained teacher certification from the University of Kutztown (Pennsylvania). He teaches eighth grade social studies at Upper Perkiomen Middle School in southeastern Pennsylvania, and just from talking with him over the telephone, he conveys the sense of someone who does his job with great energy and enthusiasm.

If you have an economic education lesson plan, teaching technique, or article that you would like to share with our readers, please write to: Editor, The Ledger, Public and Community Affairs Dept., Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2076; or call (617) 973-3452. We'd love to hear from you.



shortage of English coins, created problems for the colonial commerce and difficulties in trade between colonies.

Conclusion

The many different things that have served as money over the centuries, have shared two common traits: they have been relatively scarce and widely accepted. And throughout history, money has served three important functions. It has served as: 1) a medium of exchange, 2) a means to store wealth, and 3) a way to measure value.

During the early colonial period, most economic transactions were accomplished through the barter system. But as the economy grew and diversified, the use of money soon replaced barter.

The problem was that money was almost always in short supply in colonial America. Most coins went back to England to pay for goods that were not available in the colonies. The money shortage was also made worse by the fact that the English government enacted laws that prohibited the colonists from minting their own coins.

A Check for Understanding

DEFINE the following words and terms:

barter

diversification

monetary system

medium of exchange

means to store wealth

measure of value

QUESTIONS

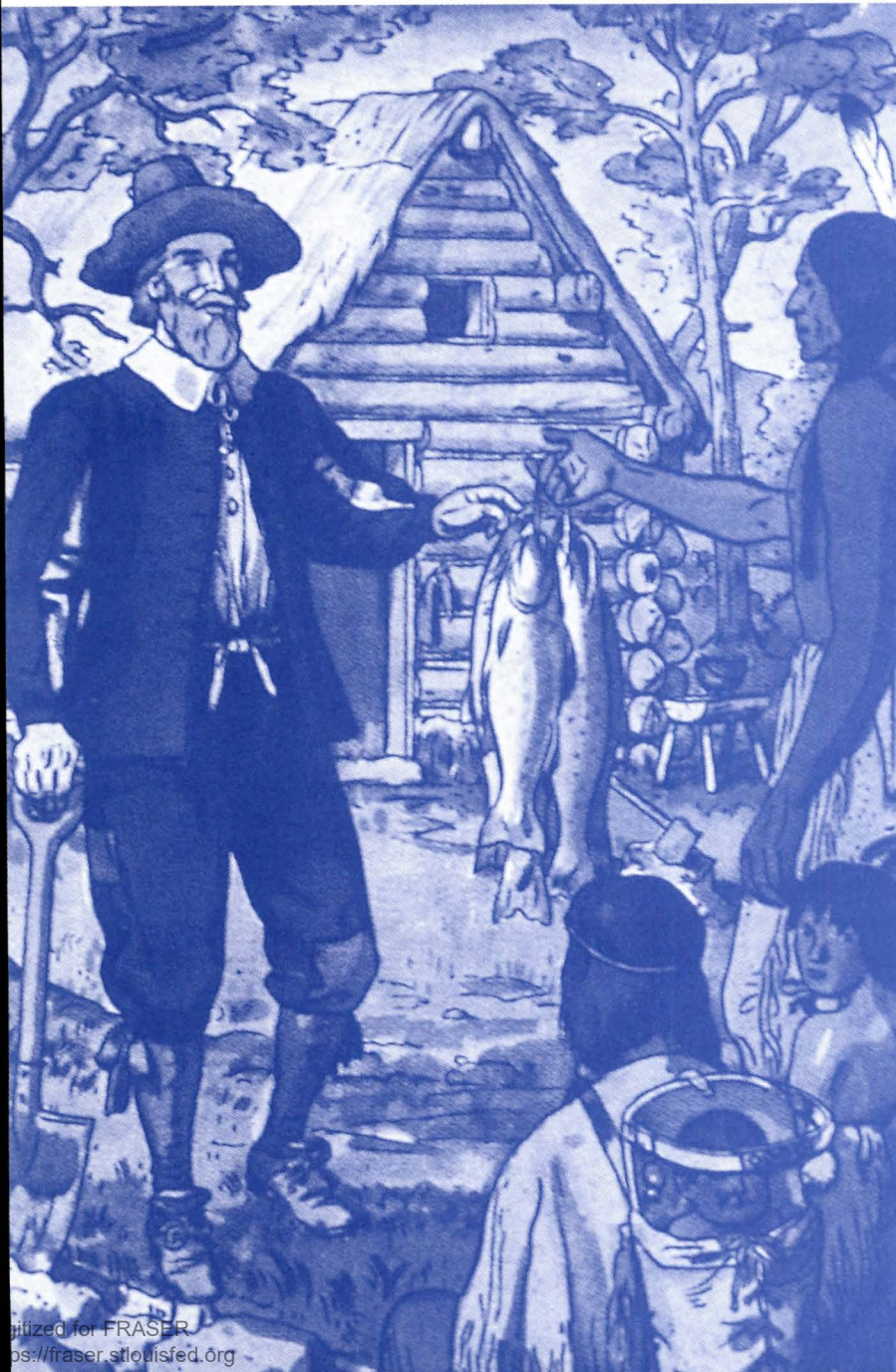
1) Do modern American adults barter with one another? Are there times when they work for something other than money?

(Answer YES or NO and use examples to explain.)

2) What are some of the things that today's teenagers sometimes use as substitutes for money?

3) Where's the one place that elementary and middle school students use the barter system every day, Monday through Friday? Why?

(HINT: "Bologna?! Again?!")



Back to Basics What Is the CPI?

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a fixed market basket of consumer goods and services from A to Z. The CPI provides a way for consumers to compare what the market basket of goods and services costs this month with what the same market basket cost a month or a year ago.

Is the CPI a cost-of-living index?

No, although it frequently and mistakenly is called a cost-of-living index. *The CPI is an index of price change only.* It does not reflect the changes in buying or consumption patterns that consumers probably would make to adjust to relative price changes. For example, if the price of beef increases more rapidly than other meats, shoppers may shift their purchases away from beef to pork, poultry, or fish. If the charges for household energy increase more rapidly than for other items, households may buy more insulation and consume less fuel. The CPI does not reflect this substitution among other items as a cost-of-living index would. Rather, the CPI assumes the purchase of the same market basket, in the same fixed proportion (or weight) month after month. About every 10 years the market basket is thoroughly updated to allow for the introduction of new products and services and to reflect more current spending patterns. In addition, the CPI does not reflect taxes that are not directly associated with the purchase of specific goods and services. In other words, the CPI excludes taxes such as income and Social Security taxes.

How is the CPI market basket chosen?

The CPI market basket is developed from detailed expenditure information provided by families and individuals on what they actually bought. For the current CPI, this information was collected from the Consumer Expenditure Survey over the 3 years of 1982,

1983, and 1984. In each of the 3 years, about 4,800 families from around the country provided information on their spending habits in a series of quarterly interviews. To collect information on frequently purchased items, such as food and personal care products, another 4,800 families in each of the 3 years kept diaries listing everything they bought during a 2-week period.

Altogether, about 29,000 individuals and families provided expenditure information for use in determining the importance, or weight, of each item in the index structure.

Due to time constraints, the Bureau of Labor Statistics (BLS) used data from only the first 2 years of the Consumer Expenditure Survey to select the items to be priced. In addition, BLS updates the sample of stores and service outlets in roughly 20 percent of the urban areas priced for the CPI each year. New items are introduced with these new samples.

What goods and services does the CPI cover?

The CPI represents all goods and services purchased for consumption by urban households. BLS has classified all expenditure items into over 200 categories, arranged into 7 major groups. Major groups and examples of categories in each are as follows:

- food and beverages (cookies, cereals, cheese, coffee, chicken, beer and ale, restaurant meals);
- housing (residential rent, homeowners' costs, fuel oil, soaps and detergents, televisions, local telephone service);
- apparel and its upkeep (men's shirts, women's dresses, jewelry);
- transportation (airline fares, new and

Back to Basics

Every month, news reports focus on fluctuations in the Consumer Price Index (CPI). But what exactly is the CPI and what does it measure?

"What Is the CPI" offers a basic explanation of what the CPI is all about. It is drawn from the pages of "Understanding the Consumer Price Index: Answers to Some Questions," an informative (and free) pamphlet published by the Bureau of Labor Statistics (BLS).

used cars, gasoline, car insurance);

- medical care (prescription drugs, eye care, physicians' services, hospital rooms);
- entertainment (newspapers, toys, musical instruments, admissions); and
- other goods and services (haircuts, college tuitions, bank fees).

In addition, the CPI includes various user fees such as water and sewerage charges, auto registration fees, vehicle tolls, and so forth. Taxes that are directly associated with the price of specific goods and services (such as sales and

excise taxes) are also included. But the CPI excludes taxes not directly associated with the purchase of consumer goods and services (such as income and Social Security taxes).

The CPI does not include investment items (such as stocks, bonds, real estate, and life insurance). These items relate to savings and not day-to-day living expenses.

How are CPI prices collected?

Each month, BLS field representatives visit or call thousands of retail stores, service establishments, rental units, and doctors' offices all over the United States to obtain price information on thousands of items in the CPI market basket. For the entire month, they record the prices of about 90,000 items. These 90,000 items represent a scientifically-selected sample of the prices of goods and services sold to urban

consumers throughout the country.

How is the CPI calculated?

The CPI is a product of a series of inter-related samples. First, using data from the Census of Population, BLS selects the urban areas from which prices are to be collected and chooses the housing units within each area that are eligible for use in the shelter component of the CPI. The Census of Population also provides the data which allows the assigning of

the number of consumers represented by each area priced for the CPI. Next, another sample of about 24,000 families serves as the basis for a Point-of-Purchase survey that identifies the places where households purchase various types of goods and services.

Which index is the "official CPI" reported in the media?

Each month, BLS releases thousands of detailed CPI numbers to the press. However the press generally focuses on the broadest, most comprehensive CPI. This is known as "The Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, 1982-84=100." Often, the media will report some or all of the following:

a.) the index level (for example, July 1992=140.5);

b.) the 12-month percent change (for example, July 1991 to July 1992 = 3.2 percent);

c.) the 1-month percent change on a seasonally adjusted basis (for example, from June 1992 to July 1992 = 0.1 percent);

d.) the annual rate of percent change so far this year (for example, from December 1991 to July 1992 if the rate of increase over the first 7 months of the year continued for the full year, after the removal of seasonal influences, the rise would be 2.9 percent).

The CPI is an index of price change only. It does not reflect the changes in buying or consumption patterns that consumers probably would make to adjust to relative price changes.



Money, Banking, and Monetary Policy

Money, Banking and Monetary Policy is the sixth publication in the "Everyday Economics" series from the Federal Reserve Bank of Dallas. As is the case with the other five publications in the series, this one is informative and well-designed. It discusses the properties and characteristics of money and touches on a variety of other topics, including how banks create money and how the Federal Reserve conducts monetary policy.



For a free copy of *Money, Banking and Monetary Policy*, write to:

**Publications
Public Affairs Department
Federal Reserve Bank of Dallas
2200 N. Pearl Street
Dallas, TX 75201-2272**

ANA Offers a Wealth of Information

In addition to functioning as a medium of exchange, a store of value, and a measure of value, coins can also serve as a "hook" for getting students interested in history, economics, money and banking, or even the classics and mythology. Coin collecting is one of the oldest and most popular of hobbies. Walk into any elementary school classroom, and you will encounter several enthusiastic collectors.

The American Numismatic Association (ANA) offers some excellent materials to help educators use coins and coin collecting as a teaching tool. For example, there's a 30 minute video narrated by James Earl Jones, *Money, History in Your Hands*. The video shows historical coins and currency and explains how coins and paper money are made, with an emphasis on the United States. It is available for teachers to borrow free. There's also a free pamphlet called *Coin Collecting: A Fascinating Hobby for Young and Old*, which talks about how to start and catalog a collection, care for coins, and decipher mint marks. It also contains sections on numismatic trivia and a brief summation of the terms used to describe the various recognized conditions of coins.

In addition, the ANA produces educational scripts for *Money Talks*, a daily, two-and-a-half minute radio program distributed by National Pub-

lic Radio and heard on more than 500 stations. Many of the scripts are available for use by classroom teachers.

The American Numismatic Association, a nonprofit educational organization chartered by Congress, is also the world's largest organization for collectors of coins, paper money, medals, and tokens.

For more information on the ANA and its educational materials, please write to:

**Education Director
American Numismatic Association,
818 North Cascade Avenue
Colorado Springs, CO 80903-3279**

Currency in U.S. History

Currency in U.S. History offers readers an interesting look at eight types of paper money, from state bank notes and Confederate currency to fractional currency and Federal Reserve notes. The story of currency is interwoven with snippets of U.S. history, and the photos of old notes are fun to look at.

For free copies of *Currency in U.S. History*, write to:

**Public Affairs Department
Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, MO 64198-0001**



Economic Education Councils and Centers Have Much to Offer Teachers

Connecticut, Maine, Massachusetts, and Rhode Island have active and thriving Economic Education Councils and Centers that offer teachers a variety of educational opportunities and tools ranging from in-service classes and specialized workshops to print materials and videos. For more information, teachers in those states should contact:

**Connecticut Council
on Economic Education**
University of Connecticut at Storrs
U-55 One Bishop Circle
Room 104
Storrs, CT 06269-4055
Phone: (203) 486-2327

**Maine Council
on Economic Education**
University of Southern Maine
P.O. Box 9715-159
Portland, ME 04104
Phone: (207) 780-5926

**Economic Education Council
of Massachusetts**
**University of
Massachusetts-Lowell**
West Campus
Lowell, MA 01854
Phone: (508) 934-4622

**Rhode Island Council
on Economic Education**
Rhode Island College
Providence, RI 02908
Phone: (401) 456-8037

The Economic Education Council in your state will be able to put you in touch with the Economic Education Center nearest you.

If you live outside New England and you would like to find out the address of your state's Economic Education Council, you should write to:

EconomicsAmerica
**National Council on Economic
Education**
1140 Avenue of the Americas
New York, NY 10036
Phone: (212) 730-7007
or 1-800-338-1192

New England Educators Attend "A Fed Sampler"

More than 120 secondary school teachers and administrators from all six New England states came to the Federal Reserve Bank of Boston on November 3 to attend *A Fed Sampler*, an economic education workshop. The workshop's primary purpose was to give First District educators a thorough introduction to the Federal Reserve System. The Federal Reserve Bank of Boston, the Connecticut Council on Economic Education, the Maine Council on Economic

Education, the Economic Education Council of Massachusetts, and the Rhode Island Council on Economic Education jointly hosted the daylong program.

First on the agenda was a session on "Central Bank Basics," during which Robert Swanson of Sanborn Regional High School in Kingston, New Hampshire, managed to win himself a prize by correctly answering six out of seven tricky true/false questions on the Federal Reserve System. (For his ef-

forts, Mr. Swanson won his very own copy of *The Federal Reserve Act*.)

Mr. Swanson's prize-winning performance led into the real core of the program: background presentations by three Federal Reserve Bank of Boston Vice Presidents. Stephen Trebino, Vice President of the Federal Reserve Bank of Boston's Loan and Credit Department, explained the intricacies of reserve requirements and "discount window" lending. He was followed by Stephen McNees, a Vice

President and Economist in the Boston Reserve Bank's Research Department, who drew on his many years of attending Federal Open Market Committee Meetings to demystify monetary policy.

After lunch, Gerald Giaccai, the Boston Fed's Vice President for Marketing and Customer Services, presented an overview of check imaging and other technological innovations that are changing the U.S. payments system. He also explained the Federal Reserve's efforts to foster the innovations.

All the presentations triggered excellent questions from the teachers in attendance. And the program evaluations indicated that the workshop was a very positive, worthwhile experience.

If you are a secondary school teacher or administrator in the First Federal Reserve District, and you did not receive notification about *A Fed Sampler*, please let us know and we will add your name to our mailing list for future programs. Write to:

**Editor, The Ledger
Public and Community
Affairs Department
Federal Reserve Bank of Boston
P.O. Box 2076
Boston, MA 02106-2076
or phone: (617) 973-3452**

For next year's workshop we are considering a workshop on foreign trade. That was the topic mentioned most often when we asked this year's participants to tell us what they would like us to cover in future workshops.

In addition to workshops for teachers, the Boston Fed distributes a broad range of free educational publications, we offer free group tours of the Bank (by appointment), and we conduct free economic education presentations on money, banking, and the Federal Reserve. For free copies of our *Public Information Materials Catalog* and *Speaking of Money*, a descriptive brochure about our economic education presentations, contact our publications coordinator (see page 2 for address).

Boston Fed Hosts College Instructors

The Boston Fed's Public and Community Affairs Department hosted its third annual luncheon seminar for college economics and business instructors on Friday, November 10. More than 50 college faculty members from across the region came to hear Jeffrey Fuhrer, Vice President and Economist in the Bank's Research Department, discuss Inflation: Theory, Recent Behavior, and Near-Term Outlook. Mr. Fuhrer's presentation was followed by an interesting and informative round of questions and answers.

The luncheon seminar is a free annual event open to any college economics or business instructor in the First Federal Reserve District. If you would like us to add your name to the invitation list for next year's program, please write to:

**Angelo Veneziano, Public and
Community Affairs Department,
Federal Reserve Bank of Boston,
P.O. Box 2076
Boston, MA 02106-2076**



The Boston Fed Has Found a Home on the World Wide Web

The Federal Reserve Bank of Boston has established a site on the World Wide Web (WWW). The new "home page" is a gateway to information on the functions and purposes of the Boston Fed and the Federal Reserve System.

Guests to the site will be able to find up-to-date information on what's new at the Boston Fed, read and download Public & Community Affairs and Research publications, and learn more about the Federal Reserve System and its operations in Boston.

The following are featured on the new WWW site:

- The new series 1996 U.S. currency
- Treasury Information
- Community Affairs
- Economic Education programs
- Boston Fed tour information

World Wide Web address:

<http://www.bos.frb.org>

E-mail address:

102521.740@compuserve.com

Fed Points America's Central Bank

The Federal Reserve is the central banking system of the United States. It was created by Congress in 1913 to serve the financial community, the government, and the public.

Under provisions of the Federal Reserve Act, the United States was divided into 12 Federal Reserve Districts, each with its own Federal Reserve Bank, and the entire System was presided over by a seven-member Federal Reserve Board (now known as the Board of Governors). All nationally-chartered commercial banks were required to become members of the Federal Reserve System, and each member bank was required to deposit reserves with its District Reserve Bank.

In return for holding reserves, member banks were allowed free access to a variety of banking services, including the Federal Reserve's check processing network. This helped to bring order and increased efficiency to

the nation's payments system.

Banking, of course, has changed since 1913 and so has the Federal Reserve System. Today, most depository institutions are subject to reserve and reporting requirements, so the distinction between member banks and nonmember banks is not as sharp as it once was. Furthermore, all depository institutions are now allowed access to such Federal Reserve services as check processing and electronic funds. The services, however, are priced; even member banks must pay to use them.

As the nation's central bank, the Federal Reserve has four main functions: 1) it provides banking services to depository institutions; 2) it serves as fiscal agent for the U.S. Treasury,

i.e., Reserve Banks hold the Treasury's checking accounts and handle the issuance and redemption of Treasury securities; 3) it is a supervisor and regulator of banking institutions; and 4) it makes and implements U.S. monetary policy.

The Federal Reserve's monetary policy-making body, the Federal Open Market Committee (FOMC), meets regularly at the Board of Governors in Washington, D.C. During these meetings, the 12 voting members of the

FOMC (the seven Members of the Board of Governors, the President of the Federal Reserve Bank of New York, and four other Reserve Bank Presidents

who serve on a one-year rotation) make decisions that affect the supply and the cost of money and credit.

Fed Points

This Fed Points gives a capsule description of the structure and functions of the Federal Reserve System. Future Fed Points pieces will focus on specific aspects of the Federal Reserve, such as the selection process for Reserve Bank Presidents or the role of a Reserve Bank's Board of Directors.

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