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Teaching and Learning about the Federal Reserve

Remarks by

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at

A Teacher Town Hall Meeting: 100 Years of the Federal Reserve

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(And via video link to Federal Reserve Banks)

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Thank you for that introduction. Tonight marks the third time in just a little over three years that the Federal Reserve System has hosted a teacher town hall, and I am very pleased to have this opportunity to speak with educators, both those of you here in Washington, D.C., and those watching at Reserve Bank gatherings around the country. I look forward to your questions in a few moments. But let me begin by briefly discussing an important milestone for the Federal Reserve--its centennial--and the opportunity that this occasion affords to teach and learn about the Fed's origins, history, and role, and about how this institution has helped shape the nation's economy and financial system.

President Woodrow Wilson signed the Federal Reserve Act, which established the Federal Reserve System, on December 23, 1913. As the 100th anniversary of that event approaches, we have several reasons to look back at an eventful century. One important reason is to better understand what historical experience can teach us about how best to respond to current challenges. For example, as many of you know, the bold measures the Fed took in response to the recent financial crisis reflected in part its determination to avoid repeating the sorts of mistakes it made before and during the Great Depression of the 1930s. Similarly, our commitment to safeguarding price stability is reinforced by memories of the costs of high inflation during the 1970s and the Federal Reserve's subsequent restoration of price stability under Chairman Volcker during the 1980s.

Beyond the insights that the study of the Federal Reserve's first 100 years offer to economists, historians, and policymakers about how the Fed can best meet its objectives today and in the future, a second reason to mark the centennial is the opportunity it affords to educate young people about the Federal Reserve and its important role in promoting a healthy economy and stable financial system. When I was an educator, I

quickly came to understand that students are most motivated to learn when they can see the connection of the lesson to their own lives. The Fed and its activities, and economics in general, can seem remote from daily concerns. But as teachers, you can show students how the Federal Reserve's decisions concretely affect them and their families. The Fed's actions influence the overall strength and stability of the economy, as you know, but they also affect the cost of a mortgage, the prices of goods and services, and the health of the job market that your students are part of or will soon be entering.

Economics also complements and enriches the study of history. When I took history classes in high school, we spent much of our time memorizing dates and important events--revolutions, wars, elections, the passage of laws, and so on. While I appreciated the need to be familiar with such milestones, I remember feeling that I would like to know more about the lives of ordinary people at those times, not just about kings and queens and presidents. In college and graduate school, I studied economic history and found what I was looking for. For me, economic history added critical context by zooming in on the conditions of ordinary life--how people earned their livings, what their wages would buy, the extent to which they felt economically secure, the pace of economic change that they faced. Appreciating what the lives of ordinary people were like at various times and places helped explain the larger events--the wars, revolutions, and elections--as well.

By the same token, understanding history also requires an appreciation of the role of key economic institutions, including central banks like the Federal Reserve. When I was in graduate school, my teacher, Stanley Fischer, introduced me to the work of Milton Friedman and Anna Schwartz, which demonstrated that monetary policy can have

enormous effects on how the economy performs, for good or for ill. That realization helped motivate me to specialize, in graduate school and after, in monetary economics and related fields. Similarly, for your students, it's impossible to understand the Great Depression, America's strong economic performance after World War II, or the recent financial crisis without learning about the Federal Reserve and the debates that have surrounded it.

Learning about the Federal Reserve and about economics more generally will help students in their daily lives, by helping them make better financial or career decisions, for example, and by helping them become more informed citizens and voters. Learning about the Federal Reserve and its economic context will also give students a deeper understanding of history, as I noted. Yet there is one more reason why we at the Fed hope to use this centennial as an educational opportunity--to maintain and strengthen the democratic accountability and effectiveness of this institution.

Traditionally, like other central banks, the Fed was reluctant to explain its policy decisions or otherwise engage with the public, partly based on a belief that this approach increased the effectiveness of monetary policy. However, this lack of openness became increasingly out of step with other institutions in our democratic society; it also reduced the effectiveness of Fed policies by inhibiting public understanding and discussion of policy goals and strategies. This approach began to change in the 1990s, when the Federal Reserve began to regularly provide more information about how it saw the economic situation and how it would respond. Increasing the Fed's transparency, openness, and accountability has been one of my top priorities as Chairman. A more open Fed, in my view, is both a more effective and more democratically legitimate

institution. Indeed, the complex challenges we face as a nation are best addressed in an environment of informed public discourse, which is only possible when policy decisions are made in as transparent a way as possible. The centennial may be just an accident of the calendar, but any time is a good time to help more people learn about the Fed and what it does to enhance the economic well-being of Americans.

It is often said--alas, accurately--that teaching is a thankless profession, so let me close by thanking you for what you give to your students. Our country and our economy need informed citizens who can think independently and critically. More pertinent to today's meeting, let me also thank you for your interest in teaching your students about the history and role of the Federal Reserve. As many of you have discovered, the Federal Reserve has a variety of classroom tools available through our education portal, [FederalReserveEducation.org](http://FederalReserveEducation.org). Notably, the System's economic and financial education staff is introducing today a set of three lesson plans that examine the past 100 years of central banking. I hope they will provide practical help in your classes.

Thank you for participating in today's event. I look forward to your questions and to an interesting discussion of the Federal Reserve's past, present, and future.