

Executive Policy Seminar Series
Capital Markets Research Center

Inside the Fed: A President's View

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GEORGETOWN



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School of Business

UNIVERSITY

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Welcome

Thank you for joining us for our Spring Executive Policy Seminar. This will be my final seminar as Center Director, although I expect to spend another decade as the Largay Professor at Georgetown.

On August first, my colleague Lynn Doran, will become the Center Director. There are so many people whom I want to thank for your support that if I identified you by name, I would embarrass some and fail to recognize many others. I am very fortunate to have enjoyed 17 years of support and friendship with Center board members, speakers, sponsors, and friends.

In the Spring of 1987, I was looking forward to a sabbatical and a quiet return to the Faculty, after completing a term as Associate Dean, submitting our initial Accreditation Report for the MBA Program, transferring the editorship of the *Journal of Financial Research*, and chairing the search for our school's first Chaired Professor. In exchange for signing my sabbatical leave papers, Dean Parker exacted an agreement that I would develop a Center to link our external community, faculty, and students who share my interests in business, public policy, and finance. It was to be a two-year assignment. That was 18 years and 7 Deans ago. Nothing was recorded, so no Dean could fire me.

The effort began with fund raising in the Fall of 1988, and the first program was an Executive Policy Seminar with Congressman Jerry Lewis (R-CA) on January 31, 1989. This year he became Chair of the House Appropriations Committee.

I asked the Dean for seed money, and he said — "I heard you had \$7,000 from the Journal — don't waste it and raise more". The University Treasurer, George Houston, agreed to help solicit accounting firms as initial sponsors.

The years have been tremendously satisfying. Our Washington and New York seminars, local and international conferences, D.C. and New York student programs, and faculty activities have involved many people, but no one has enjoyed it more than I have.

The Center is healthy. We have recovered from rescheduling a major International Conference that was scheduled for September 20, 2001, facing the mergers of several accounting sponsors, the collapse of our largest sponsor – Arthur Andersen — and, of course, respecting our New York sponsors by not asking for any financial support, until they began recovering from 9/11.

The student support for the Center has been truly magnificent. The picture of the Center's Class of 2004 will always hang in my office. The Center would not have survived 2001-2003 without these people. I am proud that they are our future leaders.

At the risk of embarrassing her, I want you to know that my wife, Audrey, is critically important for her support over the 17 years, and especially during the 2001-2003 crisis years.

It is fitting that a friend of 30 years, present the final Executive Policy Seminar for which I am responsible. It is our 57th.

When we were both new Ph.D.s, I met Tony Santomero at the annual Chicago Federal Reserve Conference. Most of the other participants knew each other. As the Thursday reception was ending, people drifted off and a young professor from Penn and an outsider from the FDIC found ourselves standing in an empty ballroom. I think it was Tony who asked me, if I was alone and if I wanted to find an inexpensive place to eat.

Tony Santomero developed a distinguished academic career over a 30 year period before he became the 9th President of the Philadelphia's Federal Reserve Bank — five years ago. He is a leading finance scholar with more than 100 books, articles, and monographs and served in many important leadership positions in the Wharton School at Penn.

Ladies and gentlemen, I am proud to welcome my friend, Tony Santomero, whom the Jesuits educated at Fordham and then recommended to Brown University for his Ph.D. in Economics, is our spring executive policy seminar speaker.

Inside the Fed: A President's Perspective

Anthony M. Santomero
President
Federal Reserve Bank of Philadelphia

It is a pleasure to be part of the speaker series of the Capital Markets Research Center. It is also an honor to be the final speaker for Professor David Walker's long and successful service as its Director. I have known Professor Walker for many years and he has once again shown his leadership capability by establishing and advancing the Center to become one of the key organizations of its type in the United States. So let me first join with all those present in congratulating him for a job well done.

As a Federal Reserve Bank president for just about five years now, my perch gives me a unique perspective on its activities and how they are carried out. However, unlike many of the previous speakers who have addressed this group, I will focus less on monetary policy and central bank policy actions, and more on the breadth and depth of the activities within the nation's central bank. I hope you develop a better sense of the scale and scope of the Fed, as well as who makes the decisions and why we take the approaches we do.

The Federal Reserve System is the central bank of the United States. As such, it is the epicenter of the financial system. It controls the monetary base of the economy, ensures the integrity of the financial system, and provides liquidity in times of crisis.

The Federal Reserve was created by Congress in 1913. The structure is a network of 12 individual Federal Reserve Banks spread out across the country, overseen by a seven-member Board of Governors in Washington, DC. The System was intended to be self-funding and insulated from political influence.

The Fed's mission is to provide money and credit conditions that foster maximum economic growth and full employment on a sustained basis. In pursuit of that mission, the Fed operates in four distinct but interconnected arenas: 1) it conducts monetary policy; 2) it supervises and regulates the banking industry; 3) it provides infrastructure for the payments system; and 4) it acts as fiscal agent for the U.S. Treasury.

This mission and set of responsibilities have evolved in scope and concept over time. Indeed, they are still evolving. That evolution explains much about how the Fed operates today and how it is likely to operate in the future.

History and Structure of the Federal Reserve

At its inception in 1913, the Fed was given a structure and a set of priorities that reflected the economic, financial and political realities of the time. At that time, those realities constrained national policymakers — that is, the President and the Congress. A series of financial panics and economic recessions in the late 1800s and early 1900s demonstrated the need for some kind of central banking institution.

An important question was whether the Fed should be a private sector organization or a Federal agency. One approach was to put this institution under the control of the private sector. Certainly, this was consistent with the American notion of capitalism and free enterprise. The other approach was to create a government agency, which would focus solely on serving the broad public interest. As a matter of experience, people did not trust a government-run central bank to serve the broad public interest. That is why our first two attempts at central banking, the First and Second Banks of the United States, did not survive, and the nation had been without a central bank since the Second Bank closed in 1836.

Finally, President Woodrow Wilson and the Congress settled on the creation of the Federal Reserve System: a geographically decen-

tralized, self-supporting, quasi-government organization. The Federal Reserve Act of 1913 was designed in the spirit of the Constitution, with an elaborate set of checks and balances to curb the authority of any one power.

The model was quite simple. Local Reserve Banks would provide basic services to the banks in their Districts, serving as local bankers' banks. For example, each Reserve Bank would hold the deposits — as reserves — for their member banks. The banks could then use their accounts at the Fed to clear checks deposited by their customers. They also could draw on their reserve accounts to obtain currency, as their customers demanded it. And, they could borrow funds directly from the Fed when necessary to meet short-term liquidity needs. This was, in fact, the origin of the discount window.

The organizational features designed to provide the Fed with the character that President Wilson and Congress had in mind are still intact today:

- At the top of the System is the seven-member Board of Governors. Appointments to the Board are made by the President of the United States and confirmed by the Senate. Terms are 14 years and one expires every two years. In practice, many governors have not served full terms so appointments are often made to complete unexpired terms.
- The President of the United States chooses one of the governors as Chairman. That appointment is for four years. President Reagan named our current Chairman, Alan Greenspan, to the Board of Governors in 1987 and he has been reappointed by succeeding presidents ever since.
- Each Reserve Bank has its own nine-member board of directors. Six of the nine directors are elected by the District banks. Of those six, three may be bankers, and the other three must represent other segments of the private sector. The remaining three directors are appointed by the Board of Governors in Washington. They too represent different private sector organizations

around the District. None can have any affiliation with banking. The Board of Governors selects one of its appointees to be the Chairman of the Bank's board.

- Reserve Bank boards of directors oversee Reserve Bank operations, play a role in setting monetary policy, and, in consultation with the Board of Governors, appoint the Reserve Bank president.
- The Reserve Bank president is the CEO of the organization, and has a direct role in setting national monetary policy. Presidents' terms are renewable for additional five year terms. In practice, Reserve Bank presidents generally serve rather lengthy tenures, so they often have more "Fed experience" than the Governors.

Even in those early years, there were the seeds of the Fed's evolution. To generate income for themselves, the Reserve Banks invested the funds deposited by member banks in government bonds. Eventually, the portfolios were managed collectively by the Federal Reserve Bank of New York. Ultimately, that portfolio became the System Open Market Account through which the Fed now conducts its basic monetary policy activity — open market operations.

On the payments side, while an efficient check clearing system was at the top of the priority list in 1913, electronic payments began a few years later. In 1918, the Fed established a telegraph system known as Fedwire for moving large dollar amounts between Reserve Banks as a means of expediting funds movements among banks across the country. This was the origin of electronic payments. Today, the electronic version of Fedwire moves nearly \$3 trillion in funds and securities every business day.

Trends that Shaped Evolution of the Fed

Much of the basic organizational structure of the Fed has changed since 1913. Currently, the Federal Reserve System stands as a truly unique entity. It has roots in a system of regional Reserve

Banks, but it now functions as a fairly centralized central bank. As such, the Fed controls the money supply, provides reserves to the financial markets, ensures stability, and serves as a banker's bank.

The first of these is the Fed's most crucial role, but it was not granted to the Fed at its inception. Rather, the Fed developed as the financial sector did. The Fed assumed its current role over time as it became clear that its actions had profound effects on the financial system and the overall economy.

The trends and events that helped shape American business since 1913 helped shape the Fed as well. They include:

- Dramatic improvements in transportation, communications, and computing capacity created a more integrated national economy and completely integrated national financial markets.
- Economic and political events swung the pendulum of public sentiment from a belief in free markets to a belief in big government and back again.
 - The Great Depression of the 1930s and World War II undermined faith in free markets and built our confidence in government's capacity to achieve social goals.
 - Then Vietnam and the Great Inflation of the 1970s brought a distrust of big government and ultimately a revival of faith in free markets as generators of opportunity and growth.
- The great advances made in the fields of economics and finance have given us a better understanding of the way the economy works.
 - Economic researchers, practitioners, and policymakers have gone from some completely wrong-headed views about the workings of markets to more useful and realistic ones.
 - The notion of rational expectations has changed our whole perception of the relationship between inflation, employment and economic growth.

The Fed has been transformed by these trends to where it is

today — in monetary policy, in bank supervision and regulation, in the provision of a payments infrastructure, and as fiscal agent to the Treasury. To show how, let me begin with monetary policy because it is the aspect of the Fed that people are most familiar with, and because some of its themes recur with the Fed's other roles.

Monetary Policy

The Fed's control of money and credit in the economy to achieve its long term goal of long run sustainable growth is the core of what is referred to as monetary policy. This process of injecting or withdrawing liquidity accelerates or retards output growth and alters inflation pressures in the economy.

The Federal Reserve Act clearly establishes the goals of monetary policy. It explicitly mentions that in conducting monetary policy the Fed should seek to promote maximum employment, stable prices, and moderate long-term interest rates.

Monetary policy is not determined by an ideology, nor is it set by some fixed rule. Rather, it is situational, set with due consideration for the current conditions in the national economy. It requires constant vigilance to maintain an optimal amount of money and financial market conditions, so that our economy flourishes without growing too fast to sustain that growth.

To achieve its goals, the Fed must recognize where the economy is headed and whether that direction is appropriate. If not, the Fed must take action to move the economy in a direction that fosters its objectives.

The Fed's primary monetary policy lever is to move the federal funds rate. Movements in this rate, and expectations about those moves, influence all other interest rates and asset prices in the economy. In this way, changes in the fed funds rate influence aggregate demand. By affecting demand, open market operations can affect the level of production relative to capacity, as well as inflation pressure in the economy.

How does this all happen, and who in the Fed is responsible for conducting monetary policy? The Federal Open Market Committee is widely recognized as the primary decision-making body within the Fed with respect to monetary policy. The FOMC sets the fed funds rate target and oversees the open market operations that the Fed implements to achieve that target.

The FOMC

While Congress created the Fed in 1913, it did not create the FOMC within the Fed until 1935. The history of Federal Reserve open market operations begins in the 1920s, when regional banks began looking for a source of revenue to cover their operating costs. The Fed does not receive an appropriation from Congress. Instead, it funds itself from the return on its assets and fees it charges banks.

It was with the intention of funding their operations that Federal Reserve Banks began to purchase government securities. Gradually, it was recognized that the Fed's open market securities transactions had a powerful and immediate impact on short-term interest rates and the supply of money and credit. Therefore, over time, open market operations became the primary tool for carrying out monetary policy.

In 1935 Congress established the legal structure of the FOMC within the Fed and granted its current responsibilities. The FOMC brings together the Fed's Board of Governors in Washington and the 12 Reserve Bank presidents from around the country, making it a blend of national and regional representatives. The FOMC currently has eight scheduled meetings per year. These scheduled meetings are usually sufficient to conduct FOMC business. However, when circumstances dictate, the FOMC can convene quickly to address a situation requiring immediate attention.

During scheduled FOMC meetings, we follow a standard agenda that results in what I believe are prudent and well-informed decisions on the future course of monetary policy. The meetings include presentations covering developments in the domestic finan-

cial and foreign exchange markets, as well as details of open market operations since the last FOMC meeting. They also include details of all kinds concerning the state and likely direction of the U.S. economy, including, of course, a presentation of the staff's forecast for the U.S. economy from our large-scale model of the economy. All this is part of a meeting that lasts about four hours and involves a detailed exchange of views by its members, the Governors and Reserve Bank presidents.

Each reserve bank president presents his or her views on the national and local economy. They generally provide in-depth and real-time information regarding developments in their Districts. Accordingly, we provide valuable "tone and feel" information about economic activity throughout the country.

As a regional Bank president, I spend a good deal of time collecting up-to-date intelligence on current and likely future economic conditions from my board of directors, our advisory councils, and informal "town meetings" around the Third District, as well as my everyday contacts. These insights sharpen the picture provided by the statistics.

Next we move to the most crucial stage of the meeting: the discussion of policy options and a policy action. Here, the diverse professional experience of FOMC members adds immense value to the meeting. With backgrounds ranging from banking, to finance, to economic forecasting, to academia, each Committee member brings his or her own perspective on the issues. The Committee tries to converge on a consensus through the earlier deliberations. It is common for some differences of opinion to remain; yet the decision is most often one that all can support.

The voting members of the Committee are the 7 governors and five of the 12 Reserve Bank presidents. Presidents vote on a rotating basis – 2005 happens to be a voting year for Philadelphia. It is important to point out that this is the only time in the meeting that voting presidents are treated differently from non-voting presidents. All members of the FOMC participate on equal terms in the discus-

sions, whether or not they are voting at any particular meeting.

The voting rule may seem strange. The FOMC structure, including the voting rule, was established by the Congress as part of the Banking Act of 1933. During the Great Depression, Congress was looking for ways to strengthen the hand of government to improve the economy. In that context, establishing a committee within the Fed charged with managing monetary policy and giving the majority of votes on the committee to those appointed directly by the President and Congress made a lot of sense.

While voting is an important part of this process, I have always felt that it has been somewhat over emphasized in the press. Up until the vote, all members of the group are fully engaged in the discussion. Consequently, each plays an important part in the consensus building that leads to the formal policy vote.

Bank Supervision and Regulation

Monetary policy may be the Fed's most prominent role, but all of our functions are important to the effective functioning of our financial markets. As an agency charged with banking supervision and regulation, the Fed also has a responsibility to ensure that banks follow safe and sound management practices and serve all segments of their community.

As with monetary policymaking, the Fed's role in bank regulation was shaped by the Great Depression and the Federal government's decision to strengthen its hand in managing the economy. In the 1930s regulation and restrictions of banks' allowable activities became the predominant activity. The Glass Steagall Act prohibited commercial banks from engaging in investment banking and from underwriting either securities or insurance. Paying interest on checking accounts was prohibited. Virtually all banks were made part of the FDIC deposit insurance program. Meanwhile, state laws prohibited banks from branching across state lines. In some states, banks were prohibited from branching beyond their home county, or in some cases, beyond their home office. Banking

became one of the most heavily regulated industries in the nation.

In this environment, the Fed and other federal banking regulators each carved out a segment of the banking industry for which they were primarily responsible. Within the Fed, each District Reserve Bank kept a close eye on the banks in its District. At the time there were lots of rules to enforce, but not much risk to consider.

Gradually economic philosophy shifted toward deregulation, including deregulation of the banking industry. As this trend unfolded, Congress entrusted the Fed with a greater leadership role in the regulatory arena. Beginning in 1956, Congress allowed banking organizations to diversify into banking-related activities by allowing them within separate subsidiaries of a holding company structure. The Fed was given responsibility for overseeing all bank holding companies in the 1970 Amendment to the Act. Virtually all banks of significant size use a bank holding company structure.

Of course, Federal legislation expanding the powers of banking organizations has been accompanied by relaxation of other regulatory restrictions on banks' products, prices and areas of operation. The result has been the growth of larger and more complex banking organizations with national and international scope and scale.

In 1999, Congress repealed the Glass Steagall Act, and by doing so allowed banking organizations to combine with investment banks and insurance companies under a new financial holding company structure. The Fed was given the responsibility to act as "umbrella supervisor," coordinating the supervisory activities of other financial service industry regulators as they oversee the particular functional area of the holding company relevant to them.

Fulfilling our responsibilities in this less regulated environment continues to challenge us to adapt the way we do business. We have had to learn to shift our emphasis from on-site audits to early warning systems; from accounting exams to risk based audits; from strictly financial examinations to ones that include community lending and technology audits. Now, we also need to work in closer

cooperation with other banking regulators and other financial industry regulators.

Internally, we have had to improve our own capacity to understand the workings of large and complex banking organizations. This is more than an issue of education. It is a challenge to our managerial skills and our organization's culture. The traditional focus within our supervision and regulation function has been tilted toward cultivating generalists — people who could go into any community bank in the District and cast an expert eye on the entire operation. Now we need cadres of specialists — people with expertise in particular lines of business, such as credit cards or merchant banking — and we need the management and information systems to deploy these specialists efficiently and effectively across the nation and around the world. We also need more coordination than ever before within the Fed. With banking organizations now spanning several Federal Reserve Districts, coordination through central points of contact and aggregation to a consolidated picture is more important.

Payments Infrastructure

The Fed plays a crucial role supporting the payment system. People's ability to make payments quickly, easily, and reliably — whether in cash, check, or electronic transfer — is essential to a healthy economy. It is simple, but important. In the U.S., we take our payments system for granted because it works so well.

At the Fed, however, we think about it a lot, and are actively involved in its smooth operation.

- Partly we think about payments because it has been part of our core activity since our inception. Making the nation's payments system more efficient was one of the reasons the Fed was established.
- Partly we think about payments because it is the biggest part of Fed operations. The Philadelphia Fed has traditionally been the

largest check-processing site in the Fed System, with approximately 5 million checks processed per night.

- Partly we think about payments because it is an area in which the Fed faces both intense competitive pressure from the marketplace and the forces of technological change that are a hallmark of our era.

Earlier in its history, the Fed provided payment services at no cost to the banking system. In fact, this is still true for currency services, which are a substantive activity for the System as a whole. But in 1980, the Monetary Control Act mandated that the Fed offer its check-clearing and electronic funds transfer services to any depository institution that wanted them, and it had to charge a price for these services that covers all direct and indirect costs — plus a rate of return comparable to that of private sector providers.

There were a number of forces that led to this change, including an attempt to improve efficiency in the System and efforts by large banks to force the Fed out of the correspondent banking business. In any case the Monetary Control Act transformed the Federal Reserve's financial services operations. In short we had to operate more like a private sector provider.

But even as this was happening the Fed maintained its overarching interest in improving the efficiency of the U.S. payments system. As a result, in recent years the Fed has made some decisions and taken some actions that are aimed at supporting the orderly evolution of the U.S. payments system toward greater use of electronics.

The year 1995 was critical. That year, the Fed undertook a thorough review of its role in the payments system under the then Vice-Chair Alice Rivlin. The Rivlin Report charted our basic course for the future. The key conclusions of the report were:

- The Fed's provision of cash to banks and real-time electronic transfers of reserves among banks on Fedwire were intrinsic to

its role as the central bank and ultimate provider of “good funds,” and so these services must be maintained.

- The Fed’s provision of check clearing services and small-dollar electronic transfers on the Fed ACH, though not intrinsic to central banking, provides access to these services at reasonable prices for institutions of all sizes and locations, and so the Fed’s role should be maintained.
- The Fed should encourage the private sector to develop the next generation of electronic payment methods and help create the regulatory and legal environment that fosters their rapid development with adequate safeguards.

To achieve these payments goals, the Fed has evolved its organizational structure. The aim was to provide a coordinated response to these mandates within the decentralized structure of the regional Reserve Banks. This is being accomplished in the following ways.

- First, at the policymaking level, the Fed has established a new Payments System Policy Advisory Committee. Like the FOMC, it is a committee of Governors and Reserve Bank presidents whose mission is to establish the direction for Fed payment activities Systemwide.
- Second, at the operational level, the Federal Reserve Banks are coordinating their payments operations. Rather than having each Reserve Bank develop and offer its own product lines, all Reserve Banks are evolving to offer a standard set of national products. Each product line is managed centrally by one Reserve Bank. Philadelphia, for example, had run the System’s Cash Product Office, and now handles the System’s discount window lending policies. These product offices are coordinated through the Financial Services Policy Committee, made up of Bank Presidents and senior officers.

The goal of the Fed’s organizational structure is to set appropri-

ate policy and achieve efficient delivery of payment services in a highly competitive market. But, the market is changing quickly. Customer tastes are moving from paper to electronics and from credit cards to debit cards. And, newly passed enabling legislation, known as the Check Clearing for the 21st Century Act (Check 21), will alter the payments scene for years to come.

Check 21 was signed into law on October 28, 2003, and became effective on October 28, 2004. This legislation was designed to enable banks to handle more checks electronically, making processing faster and more efficient. Today, banks often must physically move original paper checks from the bank where the checks are deposited to the bank that pays them. Instead of physically moving paper checks from one bank to another, Check 21 allows banks to process more checks electronically. Banks can capture a picture of the front and back of the check along with the associated payment information and transmit this information electronically. If a receiving bank or its customer requires a paper check, the bank can use the electronic picture and payment information to create a paper “substitute check.” This process enables banks to reduce the cost of physically handling and transporting original paper checks.

Technological advancements and the growing acceptance of electronic payments have led to a decline in the reliance on the physical check. As check volumes decline, the Federal Reserve is re-evaluating its check infrastructure and reducing the number of processing sites. The Federal Reserve had 45 operating centers around the United States as recently as two years ago, but with the decline in paper checks, it has embarked upon a substantial restructuring effort to reduce the number of sites to conform to needed capacity. By the end of 2006, the number of locations will be cut in half.

These have been trying times in financial services. Yet the need for change is clear and the leadership at the Fed are addressing the management challenge of maintaining efficiency and recovering our costs in a declining business.

The Treasury Relationship

The last major area of activity within the Fed is the work for the U.S. Treasury. The Fed is both the commercial and investment bank for the U.S. Treasury. This is by statute. In addition, we are currently engaged in a number of aggressive software development projects for use in our service to the Treasury.

As a result, the relationship between the two organizations is deep and complex. The Fed underwrites Treasury debt through the New York Federal Reserve Bank; we process their checks at three sites — Philadelphia, Atlanta, and St. Louis; and, we have a number of ongoing software applications at other Banks within the System. The Fed has established a Treasury Relationship Office in the Federal Reserve Bank of St Louis to help coordinate our activities and be responsive to their needs.

Looking Across the Fed

The Federal Reserve System is a complex set of activities within a complex central bank system. The areas of activity interact, and we learn different things in different parts of our operations. It is a testimony to the professionals at the Fed that we have been able to carry out our mandated responsibilities as well as we have in this time of change and turmoil.

Indeed, there exist challenges in each of our functional areas and perhaps a short litany of those challenges would be a fitting conclusion to my discussion.

Monetary policy and the economy present the most immediate challenge. I think we have the organizational structure and internal processes in place to make and execute reasonable policy decisions. The challenge is to achieve our dual goals of price stability and long-run sustainable growth while the economic environment changes. This is difficult, and it is never quite done, but we do have a long legacy of success and the tools to succeed, so I am confident we are up to the task.

Our role as bank supervisor and regulator presents a different set of issues — some long-term challenges as well as some opportunities. As umbrella supervisor, we have the opportunity to lead the way to greater cooperation among financial sector regulators, both inside and outside of banking, and inside and outside of the United States.

At the same time, supporting the payments system of today and tomorrow presents us with challenges as service provider, as industry leader, and as rulemaker. As payments media change, our role will change.

We also face a transition in leadership. As the Greenspan era draws to a close, we look ahead at the challenges we will face under a new chairman, in an increasingly complex economic environment.

The Fed has changed in many ways since its founding in 1913, and it will continue to change, as the economy, technology, and our society evolve. Today, the Fed looms large. Decisions made by the Fed have profound effects on the markets, and its presence is always felt. Whether it is the Fed's daily intervention in the money market, or FOMC meetings setting short-term rates and plans for monetary growth, the Fed's actions are publicized widely and scrutinized thoroughly.

Evolution is inevitable. As history has shown, successful achievement of the Fed's mission is paramount, and requires high performance in all our areas of responsibility.

EXECUTIVE POLICY SEMINAR SERIES

EXECUTIVE POLICY SEMINARS educate participants about current financial and public policy issues. A dinner follows presentations, a format that facilitates discussion and encourages interaction among business leaders, public officials, academic faculty and staff, and students. Seminars are held in Washington, DC at the George Town Club and in New York City at the Chemists' Club. Seminar speakers have included:

Douglas L. Bailey, American Political Network

Charlene Barshefsky, United States Trade Representative

Alfred R. Berkeley, III, President, The Nasdaq Stock Market, Inc.

Jack Boorman, Director, Policy Development and Review
Department, International Monetary Fund

Charles A. Bowsher, Comptroller General and Head of Government
Accounting Office

Richard C. Breeden, former Chairman, U.S. Securities & Exchange
Commission

Gary P. Brinson, President and Managing Partner, Brinson Partners,
Inc.

Lloyd E. Campbell, Managing Director, Credit Suisse First Boston

Frank C. Carlucci, III, Chairman, The Carlyle Group

Abby Joseph Cohen, Managing Director, Goldman, Sachs & Co.

Joseph E. Connor, Under-Secretary-General, United Nations

E. Gerald Corrigan, Managing Director, Goldman, Sachs & Co.

Linda W. Cropp, Chairman, Council of the District of Columbia

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United Nations

Sidney L. Jones, Assistant Secretary for Economic Policy, U. S.
Department of the Treasury

Congressman Jerry Lewis (R-CA), Republican Leader for
Legislative Agenda in the House of Representatives

Eugene A. Ludwig, Comptroller of the Currency of the United
States

John D. Macomber, President and Chief Executive Officer of the
Export-Import Bank of the United States

William J. McDonough, President, Federal Reserve Bank of New
York

General E. C. Meyer, former Chief of Staff, U.S. Army (retired)

Ira M. Millstein, Senior Partner, Weil, Gotshal & Manges and Chair,
Report to the OECD on Corporate Governance

Gary L. Perlin, Senior Vice President and Chief Financial Officer,
The World Bank

Shirley D. Peterson, former Commissioner, Internal Revenue
Service

Roger B. Porter, Assistant to the President for Economic and
Domestic Policy

John E. Robson, Deputy Secretary, U.S. Department of the Treasury

Charles O. Rossotti, Senior Advisor, The Carlyle Group, former
Commissioner, U. S. Internal Revenue Service and former
President, American Management Systems

Hobart Rowen, Economics Columnist, *The Washington Post*

Dr. Anthony M. Santomero, President, Federal Reserve Bank of
Philadelphia

Mary L. Schapiro, President, NASD Regulation, Inc.

Mark Shields, Political Commentator, CNN *Our Gang*

Wash SyCip, Chairman, The SGV Group and Executive Council
Member, Arthur Andersen & Co.

Paul Tagliabue, Commissioner, National Football League

John Thompson, III, Head Men's Basketball Coach, Georgetown
University

Charls E. Walker, former Deputy Secretary, U. S. Department of
the Treasury

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former U.S. Trade Representative; and former Secretary, U.S.
Department of Agriculture

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