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Concluding Remarks by

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Chairman

Board of Governors of the Federal Reserve System

at the

Ceremony Commemorating the Centennial of the Federal Reserve Act

Washington, D.C.

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I have been asked to close this ceremony marking the 100th anniversary of the signing of the Federal Reserve Act--the law that created the Federal Reserve--by looking ahead to the next century. Given the well-known difficulties that economists have in forecasting even the next few quarters, I will happily point out one important advantage in making a 100-year forecast, which is that I won't be around to explain why the forecast went wrong. Our ability to make accurate long-term forecasts is limited, to say the least. Nevertheless, I will venture one prediction that I don't think is too bold, which is this: The values that have sustained and served the Federal Reserve at its best, and have permitted it to make critical contributions to the economic health of our nation during the past century, will continue to serve it and the nation well in the century ahead.

Among the Fed's most important values is the belief that policymaking should be based on dispassionate, objective, and fact-based analysis. The ideal we seek is a combination of the researcher's intellectual rigor and the ability of the effective policymaker to navigate the messiness of the real world, a world that includes complex institutions and markets, imperfect and incomplete data, and often-unpredictable human behavior.

Of course, policy analysis and implementation of the highest quality do not just happen. They require professionalism and a commitment to public service as exemplified by the generations of staff members who have served this institution so well. Without the expertise and creativity embodied in the staff, it would have been impossible to develop the innovative policies required to meet, in the words of the Federal Reserve Act, the "unusual and exigent circumstances" we confronted during the recent financial crisis. If there is one thing on which I believe all of us here can agree, it is that the

quality of the staff has been a great strength throughout our institution's history.

Maintaining that quality and commitment to public service will be essential if the Fed is to have a successful second century.

Dispassionate analysis, expertise, and commitment to public service--all are values that have served us well. But one value that strikes me as having been at least as important as any other has been the Federal Reserve's willingness, during its finest hours, to stand up to political pressure and make tough but necessary decisions. The fight against inflation during Paul and Alan's times in office was critical for the nation's longer-term prosperity, and it required perseverance in the face of heavy criticism. I keep in my office one of the 2-by-4s mailed to the Fed during Paul's tenure, which communicates some distinctly unfavorable views of high interest rates and their effects. More recently, of course, the Federal Reserve took controversial but necessary measures to arrest what was arguably the worst financial crisis in American history, helping to avert what likely would have been a much more severe economic downturn than the Great Recession we did experience.

We have been able to respond nimbly to economic emergencies and make difficult choices in part because of our institutional structure--including long terms for members of the Board of Governors and diverse regional representation in our policymaking Committee--and because of the willingness of policymakers, past and present, to do whatever was needed in the longer-run interest of the economy. As an institution, the Federal Reserve must continue to be willing to make tough decisions, based on objective, empirical analysis and without regard to political pressure.

But, finally, we must also recognize that the Fed's ability to make and implement such decisions ultimately depends on the public's understanding and acceptance of our actions. For this reason, we must continue to emphasize two other essential values-- transparency and accountability. We must do all that we can to explain our actions and to show how they serve the public interest. That's why we must welcome communication, broadly defined. Of course, we will continue to talk to economists and market participants, but that is not enough. Ultimately, the legitimacy of our policies rests on the understanding and support of the broader American public, whose interests we are working to serve. The ability of this institution to support a healthy economy--an economy with high levels of employment, low inflation, and a stable financial system-- will require our continued efforts to engage in two-way communication--explaining our actions and, importantly, listening to what our fellow citizens have to say.

Let me end by thanking the organizers of this event and, in particular, all of the past and present policymakers in attendance for helping us mark this centennial milestone in such a memorable fashion.