



## **Remarks by Vice Chairman Roger W. Ferguson, Jr.**

**At the groundbreaking ceremony for the new Houston Branch building, Houston, Texas**

**October 16, 2002**

Thank you Bob, Chairman Gaylord, Chairman Zachary, and Governor Kelley. It is a great pleasure to be with you today to inaugurate the construction of the third Federal Reserve Branch building in Houston, Texas. I would first of all like to join Bob McTeer in expressing heartfelt appreciation for my dear friend and former colleague, Mike Kelley. Having worked with him on the Board of Governors, I have the deepest respect for his wisdom and experience. I am especially pleased that this new building will stand in everlasting testimony to Mike Kelley's unflinching loyalty and dedicated service to the Federal Reserve System. His wide-ranging business expertise, commitment to public service, and keen sense of how economic policies affect individuals in their daily lives are essential qualities in the work of the Federal Reserve.

The commencement of this building project is a time for both the Federal Reserve and the citizens of Houston to reflect on our shared history and to look forward to a productive future together. In this endeavor, the site chosen for the new building--the ground we are presently gathered on--is especially appropriate, replete with historical significance and uniquely suited to the advancement of the Federal Reserve's mission in the coming years.

The Federal Reserve System was founded in 1913 to provide our nation with a safe, flexible, and stable monetary and financial system. From the outset, it was established as a "decentralized" central bank, a system of twelve regional banks ensuring close ties to far-flung communities. In 1919, to better serve the nation's economic needs, a Branch of the Federal Reserve Bank of Dallas was opened in Houston. At that time, the city had 138,000 residents and was an important regional economic center based on cotton, lumber, and the railroads.

In the nearly ninety years since the establishment of the Federal Reserve, the city of Houston has seen tremendous growth and has come to play a vital role in our nation's economy. With a metropolitan population of 4.2 million, Houston is the fourth largest city in the nation and the energy capital of the world. It is internationally renowned for its medical center--the world's largest--and also is distinguished for its petrochemical and aerospace industries. Reflecting its mercantile origins, Houston is home to the nation's second busiest port and serves as an important gateway to Latin America.

As Houston has grown both in size and in economic importance, so have the operations of the local Federal Reserve. Currency volumes have doubled every eight years, and the volume of check and other payments has likewise grown steadily. As we understand, many of these payments businesses are undergoing change. We must be vigilant so that these changes do not leave the Federal Reserve System unaware or overly reliant on old ways of doing things. To assist in formulating U.S. monetary policy, Houston-based economic research has increased, providing accurate and in-depth economic data from this

internationally influential region. The Federal Reserve's role in the Houston community has also become more complex, as it strives to be a partner with local business, an advocate for the consumer, and a catalyst for economic development.

A diverse group of dedicated community leaders have contributed greatly to the Federal Reserve's success in fulfilling all these roles. I refer, of course, to members of the boards of directors of the Bank and its Branches. Many of these current and former directors are here with us today. I would like to commend these hardworking and knowledgeable men and women. Coming from all walks of life, they have helped guide the course of the Federal Reserve and have offered indispensable local perspectives on the economy. Their input is critical to policy decisions, and we are deeply indebted to them for their efforts on behalf of our nation's financial stability.

Houston's ongoing expansion has at last made a new facility necessary--one that can readily respond to the needs of financial institutions and the public in the twenty-first century. By constructing a new Branch building, the Federal Reserve is reaffirming its confidence in the city of Houston, in its enterprising spirit and continued significance in the economic life of our nation.

Our gathering today on ground yet unbroken, looking forward, symbolizes in a sense, the ongoing task of the Federal Reserve: Cognizant of our past and firmly established in the present, we must plan for the future, and build for it, with attention to the surrounding community. Just as our decentralized central bank must rely on its ties with local economies, so too must this new Branch draw support from the grass roots. And as the Branch moves to its new location, it expands into the wider community, providing a stabilizing presence.

This new building site is rich in history, well positioned to facilitate the Federal Reserve's ongoing mission to serve all economic communities. It is on Allen Parkway, named for the Allen brothers, the visionary pioneers who founded the city. It overlooks Buffalo Bayou, the waterway that is the historic and economic heart of Houston and from which the Houston Ship Channel was created. The site is also part of the city's Fourth Ward, located on the edge of the section known as Freedmen's Town. An area of great cultural and political significance, Freedmen's Town was in the late nineteenth and early twentieth centuries known as "Houston's Harlem," the heart of black cultural and professional life.

In the mid twentieth century, the fortunes of the Fourth Ward declined, but this site remained prominent. In 1937 it became home to another influential institution, Jefferson Davis Hospital. Recognized in its day as an innovative public hospital in association with Drs. Michael DeBakey and Denton Cooley, it was the site of the nation's first trauma center and of Houston's first open-heart surgery, and the birthplace of tens of thousands of Houstonians. The hospital closed in the late 1980s, just as the surrounding Fourth Ward was coming to prominence once again as a center of urban reinvestment and revitalization.

From many perspectives, this new building site is one of great promise, incorporating the themes of history, community, entrepreneurship, innovation, and economic development that characterize and inspire Houston. At this place where so many dreams were pursued and so many Houstonians were born, it is fitting that we look forward to a new chapter of the Federal Reserve's history in Houston.

We intend to become an active member of the Fourth Ward community, working with our neighbors and using our location as a springboard for economic outreach. An important part of our mission here will be to emphasize the importance of financial literacy, affordable

housing, urban revitalization, and consumer education. By taking up residence in this neighborhood, we hope to communicate to each and every citizen of Houston that the Federal Reserve serves all of this nation's citizens and not just the banking and financial community. Our new building will be a daily visible reminder of that fact. At the same time, the building's prominent position as a gateway to downtown will ensure that the Federal Reserve keeps its finger on the pulse of every aspect of the local economy.

In emphasizing a comprehensive view of the Federal Reserve's mission, the building's internationally recognized architect, Michael Graves, is a great asset. With his special talent for focusing on historical context within the urban environment, Graves has designed a building that will be a monumental yet approachable focal point for all of Houston. While its stateliness will emphasize the importance of the Federal Reserve in maintaining a sound financial system, its facade will bring to mind the modest sort of house with which ordinary citizens can identify.

This new building, then, will serve as a liaison with the Houston community, and it will demonstrate our commitment to the city for years to come. However we look at the building site--as part of the Fourth Ward, Freedmen's Town, Allen Parkway, or Jefferson Davis Hospital--the location speaks volumes about the Federal Reserve's mission and our intentions and role in the local economy. On a site where so many dreams were born, pursued, and brought to fruition, the Federal Reserve is honored to make a new home, standing in tribute to Houston's economic might and indefatigable entrepreneurial spirit. The new Federal Reserve building will stand on this historic ground with stability, authority, and security. It will demonstrate that the Federal Reserve is listening to the surrounding community--and giving back to it.

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