

HERGET NATIONAL BANK
BOARD OF DIRECTORS MEETING

Pekin, Illinois
April 13, 1998

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I. Welcome. Pleasure

- A. Part of continuing program of bank boards meeting here at Chicago Fed
- B. Foster two-way communication

Pleased Sylvan Franklin, [president and CEO of the bank] took opportunity to bring you here today

II. Pleasant duty – welcome you; give Federal Reserve background

- A. FRB Chicago one of twelve regional banks and Board of Governors – FRS
- B. Fed System is a unique central bank because of decentralized, regional structure
- C. Mission — fostering stable banking system and healthy, growing economy.
- D. Each Bank has three major functions:
 - 1. Economic research
 - 2. Supervise and regulate banks
 - 3. Sell financial services
- E. Chicago Fed — five-state region. Head office in Chicago — Branch in Detroit, offices in Des Moines, Indianapolis, Milwaukee, and Peoria

III. Federal Open Market Committee main monetary policy-making committee

- A. 12 people vote at each FOMC meeting
 - 1. The 7 Governors
 - 2. Five of the 12 presidents on a rotating basis
- B. The regional structure facilitates flow of ideas and information from all over the country
- C. FRBC analyzes data from the Seventh Federal Reserve District
 - 1. Members of our boards of directors play an important role in this process
 - a. Set discount rate, every two weeks, approved by Board of Governors
 - b. Give general advice and counsel about conditions in District

IV. Regional, independent structure helps Fed take long-run view

- A. Insulates Fed from day-to-day political pressures
 - B. Regional Bank officers not appointed by Congress, but by local boards of directors with the approval of the Board of Governors in Washington
 - C. Our budget not approved by Congress
 - D. We don't report to the President
 - E. Congress doesn't have to approve our monetary policy actions
 - F. But accountable to the government
 - 1. Public trust – take very seriously
 - G. Fed structure has two major advantages – facilitates flow of information and provides insulation from political pressure– both important for effective, long-term policy
 - H. Objective of policy – foster maximum sustainable growth
- V. Thank you again for coming. After your board meeting, we've planned a luncheon for you and an overview of the economy by Bill Strauss, one of our economists. Bill and Jack Wixted, head of Supervision and Regulation Department, will join us for lunch. Then you will tour our operations areas
- A. Hope you enjoy your day