Outlook 1999

I. Introduction

A. I'm delighted to be here to discuss the outlook for 1999.

• I’m told that the Mid-America Club is the only club in Chicago that provides a 360-degree panoramic view of the city’s skyline, offering a spectacular vista from every vantage point.

• This is an appropriate location as my goal today is to provide a big picture, panoramic view of the economy. And I have to say the view of the economy is pretty spectacular from most vantage points—we had a remarkable year in ’98…although we did get some storm clouds that rolled in from the East and caused some turbulence.

B. As you might guess, I’m often asked to discuss the outlook for the economy. Trying to predict the future is always tough.

• Just think if someone told you a year ago that it would be 70 in Chicago on December 5; the Cubs would make the playoffs; and most amazingly, that a former pro wrestler would be elected a state governor.

C. I’ll break that rule in a few minutes, but before I begin on the economic outlook I’d like to briefly cover three topics.

• First, I’d like to give you a little background about the Federal Reserve, as a reminder.
• Second, I'd like to briefly discuss a topic that's been in the news a lot lately—Year 2000.

• And third, I'd like to review the Fed's activities in promoting fair access to credit for small businesses.

D. As the nation's central bank, of course, the Fed's mission is to foster a safe and sound financial system and a healthy, growing economy. We have three main responsibilities:

• providing financial services such as check processing and electronic payments to depository institutions and the U.S. government;

• supervising and regulating state member banks and bank holding companies;

• and formulating national monetary policy.

E. The Chicago Fed is one of 12 regional Reserve Banks and serves a five-state area consisting of most of Indiana, Illinois, Michigan, and Wisconsin, and all of Iowa.

• We have a head office in Chicago as well as offices in Detroit, Des Moines, Indianapolis, Milwaukee, and Peoria.

• One of my responsibilities as CEO of the Chicago Fed is to serve as a rotating member of the Federal Open Market Committee, the Fed's most important policymaking body. I'm a voting member this year. However, I take part in FOMC meeting every year as each Reserve Bank president attends all the meetings and participates in the discussions, regardless of voting status.

F. Given our responsibilities as a bank supervisor and as a provider of financial services, the year 2000 issue is an important one for the Fed.

• Latin America is expected to experience sluggish economic growth. Brazil will play a large role in determining the region's economic success. And as we know Brazil is very much in the headlines today.