

MID-AMERICA CLUB

Chicago, Illinois
January 15, 1999



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.