

BUSINESS OF THE FED
FEDERAL RESERVE BANK OF CHICAGO

Chicago, Illinois
January 21, 1999



Introduction

- I. Thank you, Laura. Pleased to be part of this program.
 - A. We all work for an important organization that plays a key role in the well-being of every American. And yet many people don't have a clear idea of what we do.
 - B. The Fed is complex and we're all very busy. There's a lot of competition for peoples' attention. It's hard to break through the communications clutter to explain the importance of the Fed.
 - C. Sometimes even people within the Fed aren't sure what other areas do. This program is designed to help explain just how important the Fed is. And how your job affects everyone in the nation.
 - D. I applaud you for taking the time to learn more about the Fed. I think it's essential for you to understand the importance of the Fed's activities because it highlights the importance of what each of you do every day at work.

- II. Laura will cover this in more detail, but let me begin with a little background about the Fed.
 - A. As you know, the Federal Reserve System is the nation's central bank. The Federal Reserve Bank of Chicago is one of the 12 Banks that, along with the Board of Governors, make up the Federal Reserve System.
 - B. A central bank is not like any other bank that you do business with. Those banks take deposits from consumers and businesses and make loans to people and businesses. A central bank doesn't do that. It deals mainly with banks.

- C. A central bank has a different purpose too. A commercial bank is in business to make a profit. They have to meet a bottom line.
- D. But making a profit isn't our mission, although our financial services area is required to recover its costs in providing services. Our bottom line is serving the public good.

(Mission visual)

III. As you can see, the Fed's mission is to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payments systems so as to promote optimal macroeconomic performance. In other words, we want to do all we can to ensure a safe and sound financial system and a healthy, growing economy.

- A. How do we do this?
 - We supervise and regulate banks.
 - We provide financial services to the US government and depository institutions.
 - And we formulate monetary policy. That is, we determine the amount of money that the economy needs to sustain long-term economic growth.
- B. Do any of you worry about the safety of your money when you put it in a bank? Do you worry that it will be there when you want it? You probably don't.
- C. And why not? The answer in part is because the Chicago Fed supervises and regulates banks. We make sure that banks follow the laws and that they are operating in a safe and sound manner.
- D. What about check clearing or electronic payments? Do you feel comfortable that your pay check will be directly deposited to your account every two weeks? Do you feel confident that a personal check that you write will move quickly and efficiently through the payments system?
- E. How about cash? Do you worry that your bank won't have enough cash when you want it? Again, probably not. And, again, at least part of the reason you don't worry is because the Chicago Fed provides these financial services to banks and the US government.

IV. Formulating monetary policy is our most important function and relates most directly to our overall mission. Here our goal is to help the nation achieve maximum sustained economic growth and an improved standard of living.

- A. In other words, we don't want an economy that grows too fast and burns itself out. We want to avoid a roller-coaster economy that does great one year and terrible the next.
 - 1. Our goal is an economy that's doesn't grow too fast or too slow.
 - 2. Some people describe it as a "Goldilock's economy"—not too hot, not too cold, but just right
- B. We've learned from experience that the only way to achieve long-term sustainable economic growth

is to have low inflation. When inflation is running wild, it has a ripple effect on the entire economy and makes it impossible to have solid, sustained growth.

- C. So our focus is price stability. If we make sure that inflation doesn't get out of hand, then we've set the stage for a healthy economy for many years.

- V. **So this is the mission of the Fed — to foster a safe and sound financial system and a healthy, growing economy. The key element is that we're committed to furthering the public interest.**
 - A. We're a public institution with a primary responsibility is to the public — we're charged with doing what is best for the public good, not necessarily what is best for any particular group.
 - B. That's our reason for being. We take this responsibility very seriously. It's what gives the organization and each of us our direction and focus at work.
 - C. As you can see, we're a fairly complex organization with a lot of different responsibilities. Because we're so complex, it's not always easy to see how each persons' job fits in.
 - D. The fact that we have diverse responsibilities also means we tend to have different cultures within the Bank.
 - 1. Our financial services area has more of a bottom-line mentality—they're more like the private sector.
 - 2. Economic Research has more of an academic environment.
 - 3. And the responsibilities of Supervision & Regulation are similar to that of a government agency.
 - E. How do we tie together these diverse responsibilities and cultures?

- VI. **The Bank's vision helps to provide the answer—it's a common bond that ties us together. It provides direction for the organization—sort of a North Star that serves as a constant point of reference as we decide where we're going as an organization.**

(Vision visual)

- A. The vision starts with our mission—furthering the public interest by fostering a sound economy and a stable financial system. That's the starting point for everything we do.
- B. Next, the vision commits us to providing unmatched products and services to those we serve. This refers to every one of us in the organization because everyone provides some products or service for someone else.
- C. Each one of us can further our mission by providing the best products and services we can and by giving our customers more than they ask for.
- D. What's the best way to judge if an organization such as Sears or Wal-Mart is successful? Of course,

you look at financial statements and profits and stock prices. But the ultimate factor that determines success is you and me and everyone else who shops in these stores.

- E. If customers are unhappy, then that will show up in the organization's financial results. One of our directors is Arthur Martinez, the CEO of Sears. He's often talked about the reason that Sears ran into problems a few years ago—they lost track of their main priority—the customer.
- F. Now we're obviously not a firm like Sears that is in the business of making a profit. But the same lesson is true for us. At the end of the day, it's our customers and stakeholders who decide if we are providing unmatched value. They determine if we're achieving excellence.
- G. Some of us provide services to depository institutions in the District. If you do, of course, you're very conscious of providing the best possible service.
- H. We should strive for this same devotion to excellence in services we provide each other here in the Bank. If we can do that, the whole organization will operate more efficiently and effectively.

VII. Second is to set the standard of excellence in the Fed System. In the private sector, firms determine how they're doing by comparing themselves with their competitors. But a Federal Reserve Bank doesn't have competitors in the traditional sense. So the best thing we can do is compare ourselves is with other Fed Banks.

- A. There's a healthy sense of competition among the 12 Fed Banks. We work together closely and share ideas but also try to outperform each other. We're somewhat like runners in a relay race working to win the event but also trying to post the best possible time for their individual leg of the race.
- B. We want to win the race and run the best time for our leg. We want to be the best Fed Bank — to set the standard of excellence for the Fed System. That's the best way we can help the Fed accomplish its mission.
- C. That's what we want to do. How do we do it? We want to be an organization of people who work together, value diversity, communicate openly, and are creative and fair. An organization that lives by our core values of integrity, respect, responsibility, and excellence.
- D. If we can work this way, the organization will be more efficient and more effective. We will deliver unmatched service and we will set the standard of excellence for the Fed System. And the Bank will be an exciting and desirable place to work.

VIII. To help us meet the challenges of the Fed mission and the Bank's vision during the next years, we've developed six long-term goals for the next three years.

(Long-term goals visual)

- A. One of our goals is becoming a leader in the Fed System in the debate and development of public policy. That relates back to our public purpose—our mission to serve the public good.
- B. We have a lot of expertise here—in our Supervision and Regulation Department, in Economic

Research, in our new Financial Risk area, and in our various payments areas.

- C. We want to make sure that we use that expertise to make a solid contribution to the development of effective public policy.
- D. We also have a goal to evolve into a more customer and stakeholder-oriented organization. That relates back to what I said earlier. This is something we have to do if we're to provide products and services of unmatched value.
- E. Our next two goals are to take on System leadership roles and to achieve operational excellence by meeting performance objectives, targets, and commitments. These goals are in keeping with setting the standard for excellence in the System.
- F. If we're going to be leaders in the System we need to play a key role in helping to develop strategy and in leading System projects. That doesn't mean we should try to get involved in every project. They should provide a strategic benefit to the Bank and add value to the System. But we need to make sure that the many talented people in the Bank have a chance to contribute to the System as a whole.
- G. Meeting performance objectives, targets, and commitments is in keeping with the need to set specific goals and meet them. If we're going to be leaders in the System, we need to consistently set aggressive goals and we need to consistently achieve them.
- H. The final two goals are related to the part of our vision that commits us to live by our core values and to work together, communicate openly, value diversity, be creative and fair.
- I. One goal is to achieve the desired cultural state, integrating diversity efforts as a fundamental element of our culture. This is very important. We made a lot of progress in raising awareness about the value of diversity last year when we had training sessions for all staff members. We need to build on that progress this year and continue to implement the action plans that were finalized last year.
- J. The second goal is related to human capital management. That's economist's jargon for managing people effectively. It's not simply a cliché that high quality people are critical to success. It's a reality.
- K. That means we need to focus on employee development and on increasing employees' skills. This course is just one of the ways we're trying to ensure that we have a first-rate staff who understand the Bank and our responsibilities.

IX. Focusing on these six long-term goals will help us meet our Bank's vision and the Fed System's mission.

- A. Of course, we need everyone pulling together and moving in the same direction. We have to depend on each other.
- B. We've already made outstanding progress—thank each of you for efforts. If each one of us continues to do the best job we can, we'll move the organization ahead and we'll live our vision.
- C. Thank you. I'd be happy to answer any of your questions now.