

The Evolving Role of the FOMC: An Insider's Perspective on Monetary Policy

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It is a pleasure to be here and to be part of the Wachovia Executive Lecture Series at NC State's College of Management. As a long-time professor at Wharton, I am always happy to be back in an academic setting.

It has been more than five years since I was appointed President of the Federal Reserve Bank of Philadelphia. Since that time, I have found a great deal of interplay exists between my long experience as an academic researcher and financial consultant, and my responsibilities as a central banker. As finance professor turned policymaker, I have been given the rare opportunity to practice what I preached for so many years.

As luck would have it, I joined the Fed at a fascinating time. I began my service at the end of one of the greatest bull markets in financial history. And, over the subsequent period of more than half a decade, the national economy has been subjected to an unprecedented series of disturbances – from a terrorist attack, two wars, financial scandals, and, most recently, natural disasters. But, it was also a period of time when the Federal Reserve operated under a chairman who has been called the greatest central banker who ever lived.

I would like to relate to you what I have learned on my journey from academia to the trenches of policymaking. And, I would like to share with you an insider's perspective on the inner-workings of the Fed's monetary policymaking activities as a current voting member of the monetary policy body in the United States, the Federal Open Market Committee. I will discuss the actual making of monetary policy, providing a glimpse into what goes on behind closed doors in Washington. Then, I will describe some of the challenges faced by monetary policymakers, as well as how the Federal Reserve continues to evolve to handle these issues.

I hope you will come away with a better understanding of the many complexities and uncertainties surrounding the U.S. economy and its financial system, as well as the evolving role that monetary policy must play in their progress. In the end, I believe you will share my view that the Federal Reserve and its Federal Open Market Committee have proven to be very effective mechanisms for making sound monetary policy decisions.

The Federal Reserve

Let me begin with the observation that the Federal Reserve is an enigma to many. If you ask most people what the Fed does, they might say the Fed controls interest rates and that this has a big impact on the economy. Ask who in the Fed makes these decisions, or how they decide, and most people will say, "Alan Greenspan decides where interest rates should be." But in reality, it is actually a committee decision. Now that I am on the inside, I can expand on that perspective a bit. More specifically, I will provide insight on the Fed body that Congress has entrusted to direct monetary policy — the Federal Open Market Committee, or the FOMC.

But, first, I think a brief overview of the Federal Reserve System itself is in order, so that you may better understand its monetary policymaking arm. Simply stated, the Federal Reserve System is the central bank of the United States. It is the epicenter of the financial system. It controls the money supply of the economy, ensures the integrity of the financial system, and provides liquidity in times of crisis. The Fed's mission is to provide money and credit conditions that foster maximum economic growth and full employment on a sustained basis. And those same money and credit conditions are also the ones that help us achieve and maintain price stability.

The Federal Reserve was created by Congress in 1913 and given its current structure, which is a network of 12 individual Federal Reserve Banks spread out across the country, overseen by a seven-member Board of Governors in Washington, D.C. The System was intended to be self-funding and insulated from political influence.

Monetary Policy

The Fed's control of money and credit conditions in the economy is the core of what is referred to as monetary policy. This process of injecting or withdrawing liquidity in the financial markets accelerates or retards output growth and alters inflation pressures in the economy.

The Federal Reserve Act clearly lays out the goals of monetary policy. It explicitly states that in conducting monetary policy the Fed should seek to promote maximum employment, stable prices, and moderate long-term interest rates.

Monetary policy is a dynamic process, set with due consideration for the current conditions in the national economy. To achieve its goals, the Fed must ascertain where the economy is, where it is headed, and whether that direction is appropriate. If not, the Fed takes action to attempt to move the economy in a direction that is more consistent with its long-run objectives. This process requires constant vigilance and continual interaction with the markets to maintain financial conditions that are appropriate for maximum sustainable growth and price stability.

Tools of Monetary Policy

The Federal Reserve has three principal instruments at its disposal — direct open market operations, the discount rate, and reserve requirements — that can be used in support of these objectives.

Open market operations refer to the purchase or sale of government securities by the Federal Reserve, with the effect of injecting reserves into or withdrawing them from the financial markets. Decisions about open market operations are made by a specific committee within the Federal Reserve, the Federal Open Market Committee, or the FOMC.

The **discount rate** is the interest rate charged to banking institutions when they borrow from one of the Reserve Banks. This rate is set by the Board of Directors of the individual regional Federal Reserve Banks, subject to approval by the Board of Governors.

Reserve requirements are the amount of funds that a banking institution must hold in reserve against its deposit liabilities. Banking institutions must hold these reserves in the form of vault cash or deposits with Federal Reserve Banks. Within limits specified by law, the [Board of Governors](#) can unilaterally change reserve requirements, increasing or decreasing the banking sector's ability to provide credit to the economy.

In practice, changes in the discount rate, for the most part, are made to keep the discount rate in appropriate relation to other short-term interest rates. Therefore, discount rate changes can be thought of as complementary to open market operations. By contrast, changes in reserve requirements are rare, and they are not used in the routine conduct of monetary policy. So, open market operations are the principal instrument of monetary policy — which makes the FOMC the principal decision-making body with respect to national monetary policy.

Yet, the drafters of the Federal Reserve Act of 1913 did not establish the FOMC, nor did they have any idea of its potential future importance at the time. So, where did the FOMC come from? And, how did it get established? Let me explain.

The FOMC

As I noted at the outset the Federal Reserve System was established with the passage of the Federal Reserve Act of 1913. By design, the Fed does not receive an appropriation from Congress. In fact, in its earliest incarnation, it was viewed as a kind of bankers' bank. As such, it has always funded itself from the return on its assets and from fees for its services to banks. It was the Fed's self-funding mechanism that

planted the earliest seeds of change that ultimately led to the emergence of the FOMC as the primary monetary policymaking body.

It was with the intention of funding their operations that each of the 12 Federal Reserve Banks across the country began purchasing debt securities in their local markets. Over time, these operations were consolidated, with the individual Reserve Banks pooling their investment securities into a System Account, managed by the Federal Reserve Bank of New York. Gradually, through the 1920s, it was recognized that the Fed's open market securities transactions had a powerful and immediate impact on short-term interest rates and the supply of money and credit. Over time, open market operations became the central tool for carrying out monetary policy, replacing the discount window and periodic changes in required reserves. But for some time this was a voluntary pooling of resources, not a statutory one, and the decisions were made by only 12 individuals, the Reserve Bank Presidents.

In 1935 Congress established the legal structure within the Federal Reserve System of what we now know as the Federal Open Market Committee, or FOMC, and granted it its current responsibilities. As a result of this legislation, the FOMC now brings together the seven members of the Board of Governors in Washington and the 12 Reserve Bank Presidents from around the country to make national monetary policy. This structure provides a blend of national and regional representatives from both public and private interests to make policy, and it keeps in place some of our earlier Reserve Bank driven structure. For example, the Committee's open market operations are still conducted through the System Open Market Account at the Federal Reserve Bank of New York.

Open market operations are now used to achieve a target level of the federal funds rate, the interest rate on overnight loans in the interbank market. These loans represent the lending and borrowing of reserves among banking institutions, and as such, their price is the cost of liquidity in the financial market. By altering the quantity of reserves in the market, the Federal Reserve effectively controls the federal funds rate.

While the federal funds rate itself is not a particularly important influence on the economy, movements in the federal funds rate, and expectations about the future path of federal funds rate movements, influence the broad spectrum of interest rates. Bond yields, mortgage rates, and the interest rate charged on corporate loans are all influenced by movements in the fed funds rate. So, by changing the federal funds rate, the Federal Reserve exercises an important influence on the demand for goods and services, especially those that are relatively interest-sensitive.

To make this notion concrete, think of the impact low interest rates have had on auto sales and housing prices in this most recent expansion. These low interest rates were a consequence of the ripple effect of monetary policy. The FOMC lowered the federal funds rate, effectively lowering the cost of funds to mortgage lenders and automakers, who were then able to offer low rates to consumers. With that evidence, I think it easy to see that monetary policy has a powerful and long lasting impact on our nation's economy.

So how does this all happen? How does the Federal Open Market Committee go about setting its fed funds rate target? Let me describe how the FOMC works.

The Mechanics of the FOMC

Currently, the FOMC has eight scheduled meetings per year. These scheduled meetings are usually sufficient to conduct FOMC business. However, when circumstances dictate, the FOMC can convene quickly to address a situation requiring immediate attention. In fact, we have done so fairly recently. In 2001, the Committee convened 11 times to address the then-deteriorating conditions of the U.S. economy.

During scheduled FOMC meetings, we follow a standard agenda. The meetings include a combination of both presentations and discussion, covering developments in both the domestic and international markets, the state of the U.S. economy, and the potential need for policy adjustment.

Perhaps most important to the meetings and adding immense value to the process is the diverse professional experience of the participants. With backgrounds ranging from banking, to finance, to economic forecasting, to academia, each participant brings his or her own perspective to the issues. Although our

forecasts are based on sophisticated econometric modeling, it is the collective judgment of this group of individuals that brings us to a policy decision. This decision is announced to the markets at the end of the meeting.

Let me be more specific. Most meetings are one-day events, running from 9:00 a.m. to about 1:00 p.m. Although roughly twice a year, we meet for two days to broaden our discussion beyond the immediate policy decision and examine a specific topic or two. The policy portion of every meeting begins with a review of recent events in both financial and foreign exchange markets, and a review of the details of open market operations since the last meeting. The New York Fed's manager of the System's Open Market Account leads this discussion.

Next, the director of research and statistics at the Board of Governors presents the state of the national economy and the Board staff's forecast of where the economy is headed. He includes considerable detail on both the current state of the national economy, and prospects for the future using our large-scale econometric model of the U.S. This is then supplemented by an overview of the international situation by the head of the international division at the Board of Governors. A thorough exchange of views, with questions and answers, debate and discussion, is all part of the process of sharing views and increasing understanding.

As you can imagine, there is a lot of material here. The forecast is assembled into a book, which traditionally is covered with a green cover. For this reason the material is often referred to as the Green Book; not very creative, but we are economists after all! After the presentation of the staff forecast, the fun really starts. With the exception of the Chairman, each member — that is, six Governors and 12 Presidents — presents his or her views on their local regional economy and the national economy.

The Bank Presidents generally provide in-depth and real-time information regarding developments in their own Districts. They will also focus on industries that have a high concentration in their local market area. For example, one would expect the review of regional conditions in the San Francisco District to lend insight into the tech sector; Chicago covers a region that is heavily dependent on manufacturing and automobiles, and so on. At the Philadelphia Fed, our District has become much more diverse and quite representative of the entire national economy. Therefore, our local perspective tends to mirror what is happening over all of these sectors.

This discussion provides valuable "tone and feel" information about economic activity throughout the country. As a regional Bank President, I spend a good deal of my time collecting up-to-date intelligence on current and likely future economic conditions from my board of directors, our advisory councils, and informal "town meetings" around the Third District, as well as my everyday contacts. For example, one of the members of our board of directors runs a large temporary-employment agency. Her up-to-the-minute reports on the orders she's received for workers and in which sectors were very helpful in analyzing the sluggishness of the job recovery early in this expansion. These insights sharpen the picture provided by the statistics.

Next we move to the most crucial stage of the meeting: the discussion of policy options and a policy action. To focus the discussion, the director of the Division of Monetary Affairs, who is secretary to the Committee, outlines the options before us. This is no small challenge. He is not supposed to second guess the committee or to make a recommendation for a particular policy action, but rather to present a clear and objective case for the range of actions the Committee may wish to consider, offering both the pros and cons surrounding the policy under consideration. Typically, three options are considered, most often centering on should interest rates be moved up, down, or kept the same. This analysis too is sent to the FOMC participants in advance in a second book known as the Blue Book for its traditional blue cover.

At this point the Chairman weighs in. After hearing all the arguments and data and weighing people's views, he offers his perspective on where the economy is, what the risks are, and what appears to be the appropriate policy going forward.

This is followed by a second go-round in which all of the participants react to both the policy options presented and the Chairman's proposal. At times this can be lively, as the Committee tries to converge on a

consensus. It is common for some differences of opinion to remain; yet the decision is most often one that all can support.

This is then followed by the formal vote. Here is the first time that the 19 participants are treated differently, since not all participants are voting members of the Committee. All seven of the Governors, but only five of the 12 Reserve Bank Presidents, vote. The President of the New York Fed is always a voting member of the FOMC. The Presidents of the other Reserve Banks vote on an annual rotation basis — 2005 happens to be a voting year for Philadelphia.

The voting rule may seem strange to you. Let me explain the reason for it. The FOMC structure, including that voting rule, was put in place by Congress as part of the Banking Act of 1933. During the Great Depression, Congress was looking for ways to strengthen the hand of government in improving the economy. In that context, establishing a committee within the Fed charged with managing monetary policy and giving the majority of votes on the committee to those appointed directly by the President and Congress — the Governors — made a lot of sense.

That said, while voting is an important part of this process, I have always felt that it has been somewhat over-emphasized in the press. Up until the vote, all members of the group are fully engaged in the discussion, and all members of the FOMC participate on equal terms, whether or not they are voting at any particular meeting. Consequently, each of the 19 members plays an important part in the consensus building that leads to the formal policy vote.

With that, I am sure that you are expecting me to move on, but not quite yet. You see, there are two more important steps in the process. Up until this point we may have decided what to do, but now we must direct the operating parts of the Fed to take action consistent with the policy decision, and we must inform the public of our actions.

The first is reasonably straightforward. The System Open Market Desk is instructed to alter its pattern of purchases and sales in the financial market so as to cause the fed funds rate to move to the new target or to maintain the target if no change was made.

Next, the FOMC considers its public announcement. When the Committee votes on the policy action, the press release is discussed at some length. Our goal here is to inform the market of not only what we decided but why.

This was not always the case. Not too long ago – in fact when I sat where you are now – the Fed's view of communication was quite different.

Let me quickly recount how far we have come. A little more than 10 years ago there was no communication whatsoever after an FOMC meeting. But things began to change in 1994. Starting that year, the FOMC announced that it would issue a press release after every meeting at which a policy action was taken, but none if no policy change was made. In 1997, the FOMC began explicitly stating its federal funds rate target. In 1999, the FOMC began issuing a press release after every meeting in which there were major shifts in its views about prospective developments. In January 2000, the FOMC revised its press releases to offer more insight into the Committee's assessment of the outlook for future real growth and inflation.

More recently, in August 2003 — with its now-famous reference to “a considerable period” — the FOMC took the step of indicating the likely future policy direction in addition to explaining the current policy action. This language indicated the Committee expected to keep interest rates relatively low.

The Federal Reserve has also taken action to expedite the release of the minutes from the FOMC meetings. Just this year, the FOMC began releasing the minutes of each meeting prior to the next meeting. The minutes not only report our decisions concerning immediate action but also our sense of the key factors driving near-term economic developments and the strategic tilt to our actions going forward.

Before adjourning, the FOMC breaks so that the members of the Board of Governors may convene to vote on requests they have received from Reserve Bank's boards of directors to bring the discount rate in line with the new fed funds target. You see, Districts may request a change in their discount rate, but the Board

must approve these requests. To the extent that a Reserve Bank requested an increase in its discount rate and the FOMC decides to raise the fed funds rate, the Board would now approve the Reserve Bank's request to raise its discount rate. The Banks whose requests were approved are listed in the public announcement of the outcome of the policy meeting.

A Period of Transition

So this is what happens at the FOMC – what we do and how we do it. But you may be asking yourself – will this soon change? As many of you know, Alan Greenspan's term at the Fed is coming to a close. Much has been written about this, but little has been written explaining *why* there has to be a transition at all.

You see, members of the Board of Governors are nominated by the President and confirmed by the Senate. A Governor's full term is 14 years, and the selected individual may sit for only one full term. However, if a Governor is appointed to serve out the term of another member before his or her term has expired, that Governor subsequently may be appointed to a separate 14-year term.

This was the case for Chairman Greenspan. He replaced Paul Volcker as a member of the Board of Governors in 1987. He was nominated and confirmed for his own full term, which began in 1992 and expires at the end of January of next year.

From among the Board of Governors, the President selects a Chairman for a four-year term. Chairman Greenspan was appointed to his fifth term as Chairman in 2004, but his chairmanship will end when his term as governor ends next January.

Now, as the Greenspan era draws to a close, we look ahead at the challenges we face under a new Chairman in an increasingly complex economic environment. The new leader of the Fed may have his or her own way of doing things. So, some aspects of the process of policymaking may change as a new Chairman directs both the Board of Governors and the FOMC.

Under new leadership, processes and policies are often reviewed and restructured. This can mean simple things: for example, perhaps a move toward electronic dissemination of documents, or more substantive things, like a move to inflation targeting, which some FOMC members, myself included, support. Nonetheless, I am confident that the passing of the torch from Chairman Greenspan to his successor will be smooth and seamless. For one thing, while processes may change, the Fed's mission will not. Our dual mandate of fostering full employment and a stable price environment remains firmly in place.

For another, our nation's central bank is more than one person. In addition to the Chairman, the policy process also includes the other six members of the Board of Governors and the 12 Reserve Bank Presidents. All attend FOMC meetings, participate in the discussions, and contribute to the Committee's assessment of the economy and policy options. The result is a dynamic mix of keen insight and intellect, of economic analysis and interpretation, and of stewardship and policymaking from some of the best economic minds in our nation.

That said, Alan Greenspan has left his mark on the Federal Reserve and the global economy. Having had the pleasure of working closely with Alan Greenspan for over five years, and the privilege of participating in FOMC discussions with him, I can vouch for the fact that Chairman Greenspan's successor has much to live up to.

Media reports endlessly dissect the upcoming transition of leadership at the Fed. They cite widespread concern over large fiscal budget and international trade deficits, as well as concerns over potentially growing inflationary pressures, and ever-present political uncertainties. They lament the passing of the baton from Alan Greenspan, who, during his chairmanship, became one of the most venerated figures in economic history. A leading Wall Street economist recently called him "the world's most revered central banker" and credited him with "achieving record-low inflation, spawning the largest economic boom in U.S. history, and saving the world from financial collapse."

When I read this quote, I had a strong sense of déjà vu. I remember when Paul Volcker left the Fed. A *New York Times* article expressed a similar concern, saying: "The markets had incredible confidence in Paul.

Investors saw him as the one guy with the knowledge, guts and skill to stop inflation and hold the system together... Indeed, some economists are saying that one reason there is growing fear of an economic catastrophe is that the Reagan administration let Volcker go, replacing him with the less-experienced and less-well-known Alan Greenspan. ”

In short, despite the challenges posed by any transition, I have no doubt that the Federal Reserve will continue to grow and evolve under its new leadership.

Of course, Chairman Greenspan and the Greenspan era have been special. When he steps down, he will have served for over 18 years, under four Presidents, making him the second longest-serving Chairman in the history of the Fed. During his tenure, the U.S. economy achieved both strong growth and stable prices. Inside the Fed, Chairman Greenspan, like his predecessor Paul Volcker, exhibited a powerful influence and fundamentally altered the way we think about policymaking.

How did he accomplish so much? It should be remembered that Alan Greenspan is first and foremost an extraordinary economist. As a professional economic forecaster, he has an uncanny ability to forecast, and his almost total recall of even the most obscure statistics is unparalleled. As a result, he has shown the most remarkable capability to adapt to the pervasive, ongoing changes in the economy while still standing strong against inflation.

But if Alan Greenspan is an extraordinary economist, he is also an extraordinary leader. He will also be remembered as a consensus builder and a developer of talent. It shows in the strength of the organization and the strong consensus that has been achieved at our monetary policy meetings. Unanimity is the rule, not the exception, in spite of strong voices and difficult circumstances. This is a testament to his leadership and the prognosis for a strong Fed for years to come.

Transparency

Yet, I think that historians will probably remember the Greenspan era most for the changes we have made to the transparency of Fed policymaking over the past decade. This openness has been the defining aspect of recent monetary policy under the current Chairman.

The FOMC has been moving in the direction of greater transparency for some time, and its communication with the markets has improved greatly over the past decade. Information about the Fed's policy goals, its assessment of the current economic situation, and its strategic direction are increasingly part of the public record.

The goal of all these steps is to inform markets about where the FOMC sees the economy today and where it thinks the economy is headed in the future. This has proved to be useful information that has improved the markets' understanding of our view of the economy and offers them insights into the direction of possible future policy actions.

All of these actions are steps in the right direction. It is important for the FOMC to be as open as possible. My hope is that if we provide relevant information, our actions will be more transparent and surprises will be the exception rather than the rule. With the benefit of hindsight I think we can say that we have come a long way in this regard during the Greenspan years.

And the record shows it. I believe it is fair to say that monetary policy over the past 15 years has dampened economic volatility even while it has maintained the Fed's commitment to a stable price environment. Notwithstanding the recent recession, the U.S. economy has performed quite well over the past decade or so; I think the Fed deserves at least some of the credit.

Challenges to Monetary Policy

However, although we can take comfort from past FOMC actions, the Committee's task going forward is not without its share of challenges. I would like to close my formal remarks by taking a few minutes to reflect on the limits and limitations that we continue to face when conducting real-time monetary policy.

However, before I list these on going challenges, let me put them in context. I believe that Fed policy since the Great Inflation has demonstrated both the value of, and the Fed's commitment to, a stable price environment. Another thing we have learned — and it has been an expensive lesson — is that the best the Fed can do is cushion the economy. It cannot in and of itself force stronger growth than the economy is capable of delivering. Trying to push an economy beyond its potential may temporarily accelerate growth, but it also creates imbalances and increases inflationary pressures that must be addressed, and so boom leads to bust. So looking ahead, I am confident the Fed will take policy actions consistent with economic fundamentals and keep its focus on long-run objectives.

Nonetheless, every day and certainly at every meeting, successful monetary policy faces plenty of real-world challenges. As I noted at the outset, it requires an evaluation of where the economy is, where it is going, and where it should be going. The appropriate conduct of real-time monetary policy requires policymakers to gauge how strong or weak the economy is at any moment in time, what its most likely trajectory appears to be, and how that trajectory aligns with its long-run potential.

This requires a detailed appraisal of data and, importantly, of real-time data on the current state of the economy. Unfortunately, these data often give very noisy signals of what is really going on, and our ability to affect the economy is limited by a few very real technical factors. So, I will close by listing just a few challenges we face in this regard.

Uncertain Measurement

The first challenge is our limited capacity to precisely measure and forecast economic conditions in an economy as large and complex as ours. Lags in data reports, on-going data revisions, and the imprecision of the large-scale economic models - all of these things significantly limit our ability to use the tools of economic analysis.

In other words, we work with data that are released with a lag and subject to revisions. As research using the Philadelphia Fed's real-time data set shows, updates and revisions to data can be substantial enough to change policymakers' perception of the need for a policy reaction or at least the extent of the policy action. Indeed, the data on which we rely in real time can be imprecise enough to distort the tenor of our policy deliberations and the apparent wisdom of alternative policy actions.

Uncertain Policy Lags

The second challenge in contemplating future policy actions is the long and variable lags associated with the impact of our monetary policy actions. It has been estimated that it takes six to 18 months for monetary actions to fully impact the economy. Unfortunately, we never know for certain exactly how long the policy lag will be in any given situation, and waiting to find out is not an option. This is why I argued that the FOMC must focus its efforts on sustaining the expansion and gearing its monetary policy toward long-term growth objectives.

This has important implications today for the way we need to conduct current monetary policy. Our series of 11 rate increases, which began in June, 2004, continue to affect the economy. We need to take this into account to gauge appropriate policy going forward.

Expectations

A final challenge facing monetary policy relates to the role that expectations play in the U.S. economy. To be sure, the recent past has demonstrated that expectations matter a great deal. As consumers and businesses alter their expectations of the future, their behavior changes. If their views change dramatically, this can cause a significant change in real demand. In such circumstances, economic activity can change substantially and policymakers may have to respond.

Most of the time, public expectations move predictably with economic conditions. When jobs are plentiful and incomes are rising, consumer confidence also rises. Conversely, reports of layoffs and declining incomes undermine consumer confidence. Sometimes, though, confidence and expectations about the future shift dramatically for reasons not related to current economic conditions. These shifts can exert an

important, independent impact on current spending decisions and, consequently, on the growth in aggregate demand.

The Fed cannot and should not try to manage public expectations. However, it can help stabilize them by being as transparent as possible in its own decision-making. It also must recognize that variations in expectations can have real economic effects that may warrant response. To keep abreast of what is going on both on Main Street and on Wall Street, the Fed is constantly monitoring behavior and assessing the economic climate throughout the country through its regional Reserve Bank structure.

Conclusion

With this I will close. I hope my comments were informative for those of you who knew very little about the Federal Reserve. I also hope they were useful to those of you who know a lot about our nation's central bank. In either case I hope you will come away from my formal remarks with an appreciation of the many complexities and uncertainties surrounding the implementation of monetary policy in the U.S. economy and its financial system. If so, I think you will share my view that the FOMC has proved to be an effective mechanism for making sound monetary policy decisions. Not necessarily perfect, but effective.