

Honorary Degree acceptance remarks  
Southern Utah University  
June 1, 1996, 9 AM MDT

Board of Regents, Board of Trustees, President Sherratt, distinguished guests, faculty, students, and parents: I am very pleased to accept the honorary degree of doctor of finance from your prestigious institution.

I've been asked to say a few words, so I'd like to take this opportunity to give you a bit of an "insider's" view of the Federal Reserve, especially here in the Twelfth District. Now, I'm sure you're all familiar with the Fed as the maker of U.S. monetary policy. Our Chairman, Alan Greenspan, actually has become somewhat famous—especially for not being the easiest person in the world to understand. In fact, he even once said—and I quote—"If I seem unduly clear to you, you must have misunderstood what I said."

I hope today that my remarks will be *very* clear, because I want to focus on the important role that private citizens play in the Federal Reserve.

To begin with, even though a lot of people may identify the Fed with Alan Greenspan, in fact, it is both much broader and much deeper than any single individual. Its structure is unlike that of any other central bank in the world. It's more than a single institution—rather, it's a system that combines national and regional elements as well as public and private elements. It consists of the Board of Governors in Washington, which is a federal agency, as well as twelve separately incorporated District Banks located throughout the country. In many of the District Banks—such as the one I head in San Francisco—our territory is big enough that we also have branches. Our District has four—Los Angeles, Portland, Salt Lake City, and Seattle. Each headquarters office, as well as each branch, also has its own board of directors. The private citizens who serve as directors come from a variety of fields, not just from the world of banking—in fact, by law a certain portion may not even hold stock in a

financial institution, much less be an employee or a director of one. Instead, our directors come from industry, commerce, services, agriculture, the consumer sector, and labor. I can point to two outstanding examples of public service on our Boards right here in this audience: Jerry Sherratt has been a director of our Salt Lake City board here in Utah since 1992 and has served as its Chairman since 1993. And David Gardner also served on that board for six years during the 1970s and 1980s.

Why is the Fed organized this way? What's to be gained from this fairly complex, geographically and economically diverse grouping of people? For one thing, the Fed gains expert counsel on best practices from the private sector for its operations and management. For another, the structure provides a vehicle by which the country's regions can contribute to monetary policymaking. The directors' first-hand information and perspective on their regions and on their own industries provide the Reserve Bank presidents and the Governors with invaluable information on the state of the economy. This kind of "grass roots" knowledge can be quite different from—and sometimes, much better than—the information from "inside the beltway" or from the canyons of Wall Street. Let me give you an example. When the stock market crashed in the fall of 1987, a lot of people thought it would reverberate throughout the country and start a major downturn. But our directors told us it simply wasn't having that big an effect on their businesses or geographic areas. And they were right. The economy didn't come to a screeching halt.

So, clearly, the Fed relies heavily on the private citizens who make up its boards of directors, and it counts on their help in the management of each Bank's operations and in the conduct of monetary policy.

Let me say in closing that I'm sure many of you in this graduating class will receive the call to perform a public service—whether it's becoming a board member at a Federal Reserve Bank, or serving on a local school board, or even running for

elective office. I hope that you will respond to that call as positively, as enthusiastically, and as productively as you can. For it's people like you—with your talent, your training, and your education—whom we depend on to make a unique contribution to the institutions of our government and to the well-being of our society.

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