

AN ADDRESS OF WELCOME

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To The
Seminar on Central Banking
At the Federal Reserve Bank of St. Louis
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Gentlemen of the Seminar:

In furthering the first aim of my brief remarks I have more than customary confidence in my ability to speak for this bank. We welcome you to the Federal Reserve Bank of St. Louis and express the earnest hope that your sojourn with us will be pleasant, profitable, and memorable. What we can do to bring that hope to full realization will be done to the best of our ability. In this I speak confidently for the directors of this bank and for all my associates in the bank's staff.

All are aware that men whose training and experience were in the law, as my early training and experience were, oftentimes find it difficult to achieve proficiency in that indispensable quality of public speech called "brevity". Therefore I am sensible of the need to erect defenses against my predisposition to prolixity. The staff erects its defense by limiting me to fifteen minutes. My own defense is a manuscript, shortened to an irreducible minimum, then shortened some more, and grimly adhered to until the sand in my little hourglass runs down. You have the protection of both these defenses as I launch you on three days and two nights of exposition and discussion.

This is our maiden voyage, so to say, on the sea of central banking seminars. Nevertheless we are not without charts and, I hope, a reliable compass in laying our course. The voyage has been taken by others, and the results have been appraised as good on the whole. The Federal Reserve Banks of San Francisco, Richmond, New York, and Dallas have conducted seminars of this kind, and the New York Reserve Bank will conduct a second one early next month. With the benefit of these experiences of our sister banks, and with your interest, preparation, and participation, we shall strive to make this project worth-while.

When I say "worth-while", I mean it in a two-way sense. This is not, in our opinion, a one-way street. If we are successful in achieving our aims, the traffic of benefits will flow in both directions. We, who spend so great a portion of our time thinking about the problems of this country's central bank and doing all the things the central bank has to do, recognize that the vantage points from which we see the central bank may be, and doubtless are, different from the vantage points which you occupy. Your lookouts differ in turn from those of the great majority of our fellow citizens who see the central bank dimly and from afar, whereas you see it clearly and in bold relief on the background of our economic structure. Whatever the differences between your vantage points and ours may be, it occurs to us that there is benefit to be gained by both you and us from merging our observations, comparing our differences, if such there be, and ultimately producing a picture in all our minds which may be truer than the separate views of any of us. This is what I mean by a traffic of benefits flowing in both directions. Yet, as I ponder it, I am not sure that the figure of speech is apt.

The benefits which you may derive from the coming sessions, if we have planned well, and those benefits which we shall surely derive from your presence and participation will not be important merely because we, as men, have improved our knowledge, but because we, as public and quasi-public servants, can better serve the public interest to which we are dedicated. Whatever makes us better central bankers is surely in the public interest. Whatever helps you, as researchers and teachers, to disseminate a better understanding of our central banking institutions as living organisms in a work-a-day world is, we dare to believe, also a public

benefit. Therefore, maybe I should not have referred to a traffic of benefits in both directions. Perhaps I would have been better spoken if I had said "a flow of benefits in the public interest".

We are not so bold as to set for ourselves the objective of improving your knowledge of the purposes and functions of the Federal Reserve System or the theory of central banking. You have been invited to come here because you have already acquired that background and, having acquired it, are engaged in imparting it to others. Opportunity to talk to and with people about the Federal Reserve System is part of your business. We seek in this seminar, and in all other reasonably available ways, to have you come to know us and our work better so that you can help us to enlighten an ever widening circle of people about us and our work. I never fail to be embarrassed when a new acquaintance, or perhaps an old one, asks me, "What does the Federal Reserve bank do? What kind of a bank is it? Who are your customers?" After nearly forty years of existence we are still strangers to the great mass of our people.

Now, I do not aspire to bring about a millenium in which everybody, or nearly everybody, knows as much, or one-tenth as much, about the purposes and functions of the Federal Reserve System as you do. I do aspire, however, to have them know and understand that the institution behind the grey walls at 411 Locust Street is just made up of people, who work at desks, typewriters, proof machines, key punches, and tabulators like thousands upon thousands of people in other business organizations. I would like them to know also that the men who run this institution put on their pants one leg at a time, as other men are reputed to do. That is the kind of understanding we crave. It is the kind of understanding we need when once in a while we may not only put on our pants one leg at a time, but also backwards.

In the course of today and the next two days we hope to give you a glimpse behind the scenes of our operating departments where checks are sped through essential processes of collection, where bonds and other public debt instruments are issued, reissued, and redeemed, where wire transfers of funds and securities are dispatched and received, where currency and coin are shipped and received, and where many, many other kinds of business are transacted which the Reserve banks have been appointed by statute or otherwise to transact for the service, convenience, and benefit of the public, largely through the commercial banking system. Interspersed throughout the program there will be expositions and discussions of monetary and credit policy making and policy action, with emphasis on the roles played by the Reserve bank and its officers and staff in these most interesting and important functions. The expositors and discussion leaders in all these matters have been recruited not alone from this bank's staff but also from among the top level officers of two other Reserve banks who have graciously consented to assist us, and from the senior staff of the Board of Governors who have taken time from their busy lives for this purpose. Your participation in the discussions, your questions, your comments, and your observations are eagerly awaited and solicited in the best tradition of the seminar.

Throughout the discussions the word "System" will undoubtedly be used over and over again. Even when we are talking about the operations and activities of the Federal Reserve Bank of St. Louis, we shall generally be talking about Federal Reserve System operations and activities, because in nearly every instance our counterparts in eleven other Federal Reserve banks are performing the same or similar services and are working on the same or similar problems. We shall not

occupy your time unduly by laboring the concept of a decentralized central bank, with its diffusion and dispersion of authority and responsibility. These things you know and can refresh your recollections about by re-reading the Federal Reserve Act and other sources. It occurs to me, however, that there are certain non-statutory devices of organization and administration, perhaps not widely known, in which you might find interest and which I might appropriately talk to you about. They are considered to be, and I think are, indispensable to the achievement of that unity and that pooling of experience and judgment without which the name "System" would lack reality.

There is nothing unique about the devices I shall briefly mention. They would occur to anyone confronted by the same problems they were invented to deal with. They involve simply an application of the principle of voluntary collective action by persons having common objectives. Since the Federal Reserve banks have many common objectives and multifarious common problems - problems of operating policy, methods, and procedures, for example - we pool our resources to attain our objectives and solve our problems. Obviously the principal resource to be pooled for these purposes is manpower, through which experience and judgment are pooled. This is largely accomplished by and through an organization known as The Conference of Presidents of the Federal Reserve Banks, which, I hasten to add, is not an exclusive club of twelve but a working organization utilizing, in an imposing array of committees and subcommittees, at one time and another, the services of a great many of the officers and members of the staffs of all the Reserve banks. Not even the staff of the Board of Governors escapes service in this extensive line organization, for many of its members serve as members and associate members of many committees and subcommittees. Some of these bodies are sometimes referred

to as "standing" committees and subcommittees, to which certain functions and operating or policy areas are more or less permanently assigned. For many special purposes, however, ad hoc bodies are created and go out of existence when their work is completed.

The Conference of Presidents meets, usually, four times a year, and at these meetings the work of the committees and subcommittees is reviewed and final action taken, subject, of course, to the approval or assent of the Board of Governors when such is required. An important part of every meeting of the Conference is a joint meeting with the Board of Governors. This does not imply, of course, that contacts between the presidents and the Board members are limited to such joint meetings. Those contacts are frequent, usually quite informal and intimate, as they should be, and more often between individuals than between groups. In any general view of the workings and operations of the System, however, the Conference of Presidents with its line-up of committees and subcommittees must be recognized as the focus around which a very great deal of Federal Reserve bank business revolves.

The Chairmen of the Federal Reserve Banks also have their Conference, which meets generally once or twice a year and at such times has joint sessions with the Board of Governors. Individual members of the Conference of Chairmen frequently serve on joint committees set up for special purposes and also containing representatives of the Board of Governors and Conference of Presidents.

One of our visiting speakers will discuss with you the organization and work of the Federal Open Market Committee, which, as you know, is a body made up of the members of the Board of Governors and five presidents of Reserve banks. I mention that body here only for the purpose of rounding out a thumbnail sketch of

the three bodies, one statutory (the Open Market Committee) and two voluntary, which together with the Board of Governors, exercising general supervision of the whole, furnish the organizational framework for marshalling the manpower resources of the entire System to attack any System problem or further any endeavor. The existence of these bodies does not mean nor should it be taken as implying that the individual Reserve banks do not possess nor exercise any autonomy in performing their functions in their respective districts and serving peculiar needs of their districts within the appropriate purview of Reserve banks. The point I wish to make is that when System matters are involved, as distinguished from clearly regional or local matters, the Federal Reserve System is organized and equipped to take, and does take, System action. Thus twelve Federal Reserve banks - twelve separate corporate entities - can and do act, when need be, as one, and all bodies of the Federal Reserve can and do act as a System.

There has been, as you know, much discussion and argument about various organizational characteristics of the Federal Reserve System. Changes in several respects are under almost continual discussion somewhere. Logic and abstract reason can make more or less tenable cases for this or that change in the delegation of authority and responsibility. One finds it difficult, however, to escape the force of the view, so well expressed on more than one occasion by the late Dr. E. A. Goldenweiser, that there is doubt beyond a mere shadow whether change for the sake of logic in organizational forms long institutionalized and performing satisfactorily is worth the candle.

The sand in my hourglass has run down. The staff may now relax, for I am through and turn you over to their tender care.

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