Parting Shots

My first "Noteworthy" column appeared in the inaugural issue of *Region Focus*, back in the summer of 1997. It has been a great pleasure to write these columns every quarter. I'm trained as an economist, but serving as a Reserve Bank president naturally requires me to spend substantial time on administrative and managerial tasks. Writing these columns has ensured that I would spend at least some time, on a regular basis, focusing on economic issues outside the ones I encounter as a monetary policymaker. And the list of these issues is rich — from international trade to farm policy to education reform, to name just a few.

Since I will be retiring at the end of July 2004, this will be my final "Noteworthy" column, and I want to take a slightly different approach. *Region Focus*, and my columns that appear within it, address many issues with ramifications that extend well beyond the geographic region we serve. But, as its name implies, the central mission of *Region Focus* is to share information about the Fifth Federal Reserve District — Maryland, the District of Columbia, Virginia, North Carolina, South Carolina, and most of West Virginia — with our principal constituents: the people who live and work in our region. With this in mind, I thought it might be useful to reflect a bit on the merits of the Federal Reserve's regional structure.

For me, the most important word in our name — Federal Reserve System — is "Federal." It did not have to be this way. The framers of the Federal Reserve Act, or those who subsequently amended it, could have opted for a "Central Reserve System" or a "Central Bank of the United States." Such a system might have been seen as offering some benefits: Tough decisions, for example, might be made more quickly in a more centralized system.

Fortunately, the framers and their successors recognized what would be lost in a centralized structure. The United States obviously is a much more integrated society and economy now than it was in 1913, when the original Federal Reserve Act was written, or in the 1930s, when many of the most important amendments were made, but it is still a vast country made up of identifiable regions with clearly distinct cultures and economic bases. Federal Reserve monetary policy, of course, by its nature affects the entire national economy, and cannot be differentiated across individual regions of the country. It is critically important, however, that policy decisions be made with full awareness of conditions in particular regions, and the Fed's 12 regional Reserve Banks are ideally structured to provide this awareness.

The Banks gather detailed economic intelligence in the respective regions — statistical data, to be sure, but also often highly useful anecdotal, "grassroots" information from the business and community leaders on their boards of directors and advisory councils. I have made it a point to augment this knowledge with information from regular visits to smaller communities in our District, such as Aiken, S.C.; Cambridge, Md.; and Logan, W.Va., where my colleague Kemper Baker and I have conducted town meetings on local economic conditions. With the help of Ray Owens and other members of our regional economics staff, I include summaries of this information in my statements at Federal Open Market Committee meetings. Sometimes a director, or another of our business contacts, or a participant in one of our town meetings will make an especially insightful point, often in a particularly blunt or colorful manner, and I frequently pass such remarks along pretty much verbatim to the Committee. Reporting that factories in a particular industry are operating "flat out" says more than a statement in a published statistical report that "operating rates at factories in industry X are approaching capacity limits."

All this may strike some readers as trivial, but I believe that Fed policy decisions are enhanced by being made in an outside-the-Beltway atmosphere, even though the meeting room is in the heart of Washington, D.C. Conversely, I believe the public's confidence in Fed policy is reinforced by the knowledge that policymakers are in close touch with the views of — and, indeed, are neighbors of — large and small businesses and households across the country.

Let me offer my warmest thanks to all the wonderful people in our District who have helped me do my job more effectively over the years. It has been a great privilege and pleasure to work with you and serve you. I won't say I will miss you after I retire, because I look forward to staying right here with you, and hopefully crossing paths frequently with many of you, in what I like to call "God's Country."

Al Broaddus

AL BROADDUS
PRESIDENT
FEDERAL RESERVE BANK OF RICHMOND

Richmond Fed Appoints New President

Jeffrey M. Lacker has been appointed president of the Federal Reserve Bank of Richmond, effective August 1, 2004. He succeeds J. Alfred Broaddus, Jr., who in November announced his intention to retire. Lacker is currently senior vice president and director of research at the Richmond Fed.

The appointment was made by the Board of Directors of the Federal Reserve Bank of Richmond and approved by the Board of Governors of the Federal Reserve System in Washington, D.C.

Wesley S. Williams, Jr., chairman of the Federal Reserve Bank of Richmond's Board of Directors, made the announcement. "After conducting a nationwide search, I am pleased to say that Jeff Lacker, the Bank's current director of research, proved to be a natural choice to lead the Federal Reserve Bank of Richmond. Jeff is a respected economist with sound knowledge of monetary policy, the nation's banking system and the Federal Reserve's role in the payments system. Jeff has the rare combination of knowledge and Federal Reserve experience to provide the vision needed in facing the challenges of the future," Williams said.

"Additionally, he is a brilliant manager, and is uniquely attuned to the community development responsibilities of the Federal Reserve Banks and System. My colleagues on the Richmond Fed board concluded that Jeff was clearly the best possible choice to carry forward the laudable traditions of this great institution, and to serve our Fifth District communities."

Williams also expressed appreciation to Al Broaddus for his 34 years of service to the Federal Reserve Bank of Richmond. Broaddus turns 65 in July, the age at which Fed presidents usually retire.

"It has been a great pleasure working with Al Broaddus," Lacker said. "He leaves behind an outstanding legacy of contributions to monetary policy, the Richmond Fed, and the Federal Reserve System. I am honored to have been chosen for this post, and I look forward to working with community, business, and banking leaders around the District." Lacker is only the seventh person to lead the Richmond Fed in its 90-year history.

"I have known and worked closely with Jeff for many years," Broaddus said. "He is a strong and collegial leader and an excellent economist. He is a superb choice to lead our Bank on the next stage of its long journey of distinguished public service."

Lacker, 48, received a Ph.D. in economics from the University of Wisconsin, and was on the faculty of Purdue University's Krannert School of Management from 1984 to 1989. He is the author or co-author of numerous articles in professional journals, including the *Journal of Political Economy*, the *Journal of Monetary Economics*, and the *Journal of Macroeconomics*. Lacker joined the Richmond Fed in 1989 as an economist, and was appointed director of research and senior vice president in May 1999. **RF**

Chief Executive Officers of the Richmond Fed

George J. Seay
Governor
October 5, 1914 - February 29, 1936

Hugh Leach
President
March 12, 1936 - February 28, 1961

Edward A. Wayne
President
March 1, 1961 - March 31, 1968

Aubrey N. Heflin
President
April 1, 1968 - January 16, 1973

Robert P. Black
President
August 6, 1973 - December 31, 1992

J. Alfred Broaddus, Jr.
President
January 1, 1993 - July 31, 2004