

Narayana Kocherlakota
President
Federal Reserve Bank of Minneapolis

Helena Branch Annual Meeting
Polson, Montana
August 2, 2012

Thank you for that introduction, Paul, and thanks to you and members of our Helena Branch staff for making this event possible. I have to say that this tradition of Helena Branch directors hosting an event when they retire from the board is one of the most pleasant traditions that I have inherited as president of the Federal Reserve Bank of Minneapolis. Not only does it ensure that I get to make at least one trip to the great state of Montana every year, and often to a community where I haven't visited before, but it also gives me a chance to talk to people about the work we do at the Federal Reserve.

Before I speak further on that subject I want to first acknowledge Joe McDonald's service as a member, vice chair and chair of the board of directors of our Helena Branch over the past five years, serving two terms. Joe came to us as an accomplished Montana educator and leader, as he helped lead Salish Kootenai College to its considerable success as a tribal college. So we knew a bit about what we were getting when we approached Joe. But his contributions exceeded our high expectations. Everyone here this afternoon is an acquaintance of Joe's, and many of you also have a professional relationship with him. I know that you agree with me when I say that it is always a pleasure to work with Joe. Thank you, Joe, for your five years of dedicated service to the Federal Reserve.

What I would like to do now is broadly describe that service. Federal Reserve branch directors have two main responsibilities: They serve as branch advisers and as reporters of economic conditions, and I'll take them in that order.

Branch directors do not serve the kind of direct oversight role that you might expect from a more typical board of directors. That oversight role, including approval of budgets and audit authority for the entire Ninth District, comes from our board of directors in Minneapolis. Rather, the role of branch directors in the management of the branch is more of an advisory responsibility. To fulfill that advisory responsibility, they review the branch's objectives, budget and performance, and also provide regular and valuable feedback to branch management. Of course, as chair of the Helena Branch board for portions of his tenure, Joe has led many of the branch board meetings and those discussions.

Also, branch directors can serve an advisory role to their colleagues on the Minneapolis board of directors. Branch directors meet eight times a year at our branch office in Helena and once in Minneapolis in a joint meeting with the Minneapolis board. Additionally, each director individually travels to Minneapolis twice a year to attend meetings with the Minneapolis board and participates as a nonvoting member in discussions relative to budget, performance and other director responsibilities.

This brings us to the second primary responsibility of a Federal Reserve branch director—economic reporting, which the directors do at each of their meetings. The bottom line is that Joe contributed to the making of monetary policy. Now, I want to be clear, Joe had no direct say in the making of monetary policy, nor does any member of any Federal Reserve board of directors. The job of making monetary policy is the responsibility of the Federal Open Market Committee. The FOMC, as many of you know, is the monetary policymaking group that meets every six to eight weeks to set the path of short-term interest rates. All of the presidents of the 12 Federal

Reserve Banks, including myself, and the seven members of the Board of Governors of the Federal Reserve System participate in the FOMC meetings. And as an FOMC meeting participant, I need to ensure that I am getting the information necessary to arrive at the best decision regarding monetary policy.

Now, it may seem that we in the Federal Reserve System do not lack for such information. Indeed, thanks to our excellent research staff, the Federal Reserve is very good at collecting and analyzing data. But data often lag and sometimes do not give us a complete and immediate picture of what is happening in the economy. This means that, in addition to the national economic models and analysis produced by economists on my staff and at the Board of Governors, I rely on information that I receive about local economic performance. I get that kind of local economic intelligence from people who attend meetings that we hold across the Ninth District or who come to my speeches and share their views with me. In addition, each Federal Reserve Bank has a number of advisory councils representing Main Street businesses, agricultural producers, labor groups and community banks and thrifts, among other constituencies. The input from all these citizens plays an important role in the development of monetary policy.

But among all of these sources of local economic information, branch directors like Joe are certainly among the most vital. When it comes to Joe's input, his measured response to questions pertaining to Montana's business environment helped us better understand the forces shaping the state's economy. His reports included perspectives from the education and business communities, and also those unique to communities in Indian Country. In addition, he brought

feedback from the working class and from many of those facing considerable challenges in today's economy. In short, he provided the kind of input that reflects the diversity that is required for me to be effective at Federal Open Market Committee meetings.

Thank you, Joe, once again, for your service to the Federal Reserve. We hope you stay in touch after your term expires at year-end, and we wish you all the best. Also, thanks to all of you for coming out to help celebrate Joe's career as a Helena Branch director. I look forward to meeting you and, as I've just described, to hearing your stories about your work and the Montana economy. Thanks again.