upward movements in inflation so far," he said. However, Bullard added, "The level of inflation is not so low that it can alone justify a policy rate of zero." 2

Still, he cautioned that low inflation readings and declining inflation expectations may indicate a loss of credibility for the FOMC's inflation target. "An important tenet of modern central banking is that a central bank must protect its credibility with respect to its inflation goal," Bullard said.

1For a technical discussion on this and related issues, see Bullard's ["Discussion of Ellison and Sargent: What Questions Are Staff and FOMC Forecasts Supposed to Answer?"](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/Files/PDFs/Bullard/remarks/BullardEABCN2009March31_EllisonSargent_Final.pdf)on March 30, 2009.

2For more discussion, see Bullard's presentation on Nov. 14, 2014, ["Does Low Inflation Justify a Zero Policy Rate?"](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/Files/PDFs/Bullard/remarks/Bullard-StL-Regional-Chamber-Financial-Forum-14-November-2014-Final.pdf)

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- **November 19, 2014**. Article. "A Commitment to Serving the Public," Federal Reserve Bank of St. Louis *Annual Report 2013*.

  A Message From The President

  A Commitment to Serving the Public
  By James Bullard, President and CEO

  The 100th anniversary of the founding of the Federal Reserve System provides an opportunity not only for reflection on the past 100 years, but for preparation and anticipation. As we look back, we cannot help but be struck by the wisdom and foresight of the designers of the Federal Reserve. Moreover, history offers many lessons for the leaders of the System. As we look forward to the next 100 years, we can use the lessons of the past to equip us to deal with the challenges of the future.

One defining feature of the System and its employees that has not changed over time is a commitment to public service. Regardless of the specific activity, the policies championed and the services provided by the Federal Reserve Bank of St. Louis have been and always will be motivated by a customer focus that serves the public.

Regional Leadership and Representation

At the outset, the design of the Fed—the third attempt at a U.S. central bank—required careful thinking. The first two attempts failed because of political backlash, especially in the case of the Second Bank of the United States, which became fodder for Andrew Jackson's presidential ambitions. He wanted to shut it down based on the notion that the financial centers on the Eastern Seaboard were benefiting at the expense of the Midwest and the South. After Jackson allowed the charter of the Second Bank of the United States to expire, the U.S. had no central bank for more than 70 years. With no lender of last resort, the free banking era that followed was marked by liquidity crises and a number of widespread financial panics, culminating in the Panic of 1907.

In the wake of that panic, contemporaries pressed for American financial markets to become more stable and more organized. They also wanted to ensure that any new central bank had more accountability across the nation. Their solution was a central bank with three components—a Washington component (what is now the Board of Governors), a Wall Street component (the Federal Reserve Bank of New York) and a Main Street component (the 11 other Reserve banks around the country). This decentralized, regional structure has been an important aspect of the Fed's design over the past 100 years. The Fed may not have survived the 2007-09 financial crisis without its Main Street component, given the amount of backlash against New York and Washington at the time.

Reserve bank district lines were drawn in 1913 and would probably be drawn differently today, given that relative shares of population and economic activity have moved south and west. For instance, four banks are along the Eastern Seaboard, as is the Board of Governors. However, the Fed is able to collect economic intelligence from all across the country, not just in the cities where the 12 Reserve banks have their main offices. Many of the Reserve banks have branches in their districts. There are currently 24 in all, from those in Los Angeles, Seattle and Miami to the St. Louis Fed's branches in Little Rock, Ark., Louisville, Ky., and Memphis, Tenn.

The branches play a key outreach role for the Fed. The St. Louis Fed's branches, for example, are heavily involved in our community development and economic education efforts, as well as in making sure the voices of our constituents throughout the Eighth District are heard. (See the essay " [St. Louis Fed Branch Offices](https://www.stlouisfed.org/annual-report/2013/branches)" for more details.)

Diverse Views at the FOMC Table

The regional representation is central to the effectiveness of the Federal Open Market Committee (FOMC), our main monetary policymaking body. The 19 FOMC participants (the seven members of the Board of Governors and the 12 Reserve bank presidents) bring different views to monetary policy discussions. Obtaining input from a diverse group results in better decisions and, hence, better macroeconomic outcomes. While the 19 FOMC participants are at the table when decisions are made, they rely on input from various people both within and outside the Federal Reserve System. Research economists, boards of directors at regional Reserve banks, and business, labor and civic leaders throughout the U.S. provide input that informs monetary policy decision-making.

As we know from recent experience, no single person can have all the answers. Over the past several years, central bankers in the U.S. and around the world have been faced with dramatic challenges. For instance, encountering the zero lower bound on short-term nominal interest rates presented new problems in terms of tools and the processes as to how monetary policy affects economic activity. Central bankers have struggled to find the appropriate policy response given their countries' situations. The past few years have demonstrated that there is no simple formula for how to conduct monetary policy and macroprudential regulation in the modern world. Traditional approaches must continue to evolve.

Given all the inherent uncertainty and given that traditional theories are under scrutiny, monetary policy decision-making is confronted with major challenges. Nonetheless, the Fed's decision-making system is well-structured to deal with these challenges. Because of the diversity of views among FOMC participants, one can be assured that all aspects of a particular decision are well-examined. In the end, the committee typically rallies around decisions and the chair. However, members do dissent on occasion, sometimes for tactical reasons concerning the circumstances around a particular decision, and sometimes for more fundamental reasons that the committee's policy is headed in the wrong direction. While consensus-driven, the FOMC is by its very structure designed to ensure diverse views are brought to the table.

Balance of Power: Washington, Wall Street, Main Street

The regional structure affects the balance of power within the Federal Reserve System. The seven members of the Board of Governors in Washington are each appointed directly by the U.S. president and confirmed by the Senate. The New York Fed provides the connection with financial markets, which is a necessary element in order to have a good central bank. The other 11 Reserve banks around the nation allow input from Main Street for important policy decisions. This is a good way to ensure the right mix of input to System decision-makers.

The Reserve banks were set up according to the Federal Reserve Act of 1913 as individual corporations, and each bank has a board of directors. However, strict rules dictate who can be on these boards of directors, and some of the appointments are officially done by the Board of Governors. Furthermore, while the presidents and the first vice presidents of the Reserve banks are selected by their respective boards of directors, they must be approved by the Board of Governors. Thus, everyone serving in a top executive role in the Federal Reserve System has been approved by the Board of Governors.

These checks and balances help to keep the Federal Reserve System a step away from politics, while still maintaining the right amount of accountability to elected representatives in Washington.

The Fed's Next 100 Years

Central banks traditionally have been seen as secretive institutions that move behind the scenes to design policies that affect the macroeconomy. That was certainly the tradition of the Fed throughout much of its first 100 years, although transparency had been increasing gradually. The notion of a secretive central bank changed forever in the wake of the 2007-09 financial crisis. Because of the Fed's central role in stabilizing the financial system during the crisis and the various monetary policy responses, the public has sought more transparency in recent years than in previous decades. The public at large and financial markets want to know what decisions are being made and how they are made, as well as the rationale. Through such transparency, the public can also see that the System is an open, accountable institution that does reflect diverse perspectives. Simultaneously, based on the wisdom of the designers of the System, while political accountability to governmental leaders is desirable, political domination is not. An independent Federal Reserve System is necessary to ensure the best monetary policy for the nation.

Unlike during the 1980s and parts of the 1990s, the Fed now makes extensive statements about changes in policy and explains the motivation behind them. The chair regularly holds press conferences after meetings, and FOMC participants, including me, frequently discuss monetary policy in interviews and speeches to the public. This turnaround on the transparency dimension has been a change for the better in central banking. Policy is more effective if it is well-understood, and to some extent transparency allows for buy-in from financial markets and the public at large about why the chosen policy is reasonable. I expect continued progress toward more transparency in the coming years. It will be of utmost importance as we begin to unwind the extraordinary monetary policy accommodation that we have had in place during the recession of 2007-09 and subsequent recovery.

Over the next 100 years, central banking will face many challenges. The Fed continues to play a role in finding solutions to problems that remain in the wake of the financial crisis (such as "too big to fail"). The Fed has to be ready to respond to the potential crises of the future. We strive to learn from our mistakes to continue to have good results going forward.

Perhaps one of the biggest challenges to the Fed relates to the pace of technological advance. The diffusion of information technology into financial markets might change the nature of banking completely in the decades ahead. We could see person-to-person and electronic payments that do not go through any banking system. The old notions of writing checks or clearing pieces of paper are going out the door as we speak, with unknown consequences. This calls for a deeper understanding of what money is, how monetary systems work and the Fed's role in this changing environment.

Vision for the St. Louis Fed

The St. Louis Fed has historically been known for espousing monetarist monetary policy, or the idea that inflation can be controlled by controlling the supply of money. While the modern St. Louis Fed remains a leading player in monetary policy, based on a strong research staff, we perform many other functions that are in service to the Federal Reserve System and the public in general.

For instance, as the fiscal agent for the U.S. Treasury, the Fed provides operational support to the Treasury. The St. Louis Fed coordinates this activity for the entire Federal Reserve System. While these services are provided to the U.S. Treasury, the general public is the ultimate beneficiary. As one concrete example, the St. Louis Fed has managed the Treasury's Go Direct campaign, which encouraged people to receive their benefit payments electronically instead of via paper checks. This campaign saved over $1.15 billion in taxpayer dollars by the time it concluded. The St. Louis Fed also plays a leading role in communicating important supervisory and regulatory information. Our online data products continue to evolve and expand; the Federal Reserve Economic Data (FRED) database, in particular, is known worldwide. In addition, the St. Louis Fed is a leader in the provision of economic education resources for students and consumers. In this commemorative book, the Bank's leadership team dives into these and other examples of innovation done by the Bank.

Going forward, the St. Louis Fed must continue to find ways to provide valuable public services to the Federal Reserve System and to the nation within the Fed's mission. Our ability to continue to identify opportunities in a changing financial landscape is critical to being a useful contributor within the Federal Reserve System in the years ahead. We must have the skills not only to identify opportunities, but to provide the leadership to transform opportunities into valuable services for the public.

We now have the first 100 years behind us as an institution. I am confident that for the next 100 years, the St. Louis Fed and the Federal Reserve System will continue to provide great service to the nation in the realm of central banking.

*St. Louis Fed Governors/Presidents***We have a table here. See the document 251_a-commitment-to-serving-the-public_table_7.docx**

The head of each Reserve bank was originally called a governor. The Banking Act of 1935 changed the title to president, which is what the person in that position is still called today.

- **November 14, 2014**. Presentation. "Does Low Inflation Justify a Zero Policy Rate?" St. Louis Regional Chamber Financial Forum, St. Louis. Presentation (pdf) (bullard-stl-regional-chamber-financial-forum-14-november-2014-finalpdf) | Press Release | Related news articles.

Does Low Inflation Justify a Zero Policy Rate?

November 14, 2014

St. Louis Fed President James Bullard discussed whether current macroeconomic data can rationalize the exceptionally low setting for the policy rate. During an event in St. Louis, he said that inflation at the current level is not enough to justify remaining at the zero lower bound. He added that low inflation can justify a policy rate somewhat lower than normal, but not zero.