

The Fed in Your Community

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More often than not, most people think of the nation's central bank on a national level when it comes to monetary policy – the Board of Governors and the Federal Open Market Committee, for example. What often gets overlooked is the Fed's engagement on a regional and local level.

First, a little bit of background on the structure of the Federal Reserve System. The Fed is independent within the U.S. government, but not independent of it. From an organizational standpoint, the Board of Governors in Washington D.C. represents the public, or government side of the Fed. There are seven board members, headed by chair Janet Yellen, and a staff of over 2,000 employees. Among other things, the Board oversees the 12 Regional Reserve Banks.

The Regional Banks represent the private side of the Fed. They are separately incorporated and operate much like any private corporation, but for the public good. The 12 Regional Banks are tasked with carrying out much of the day-to-day activities of the Fed and this Regional Bank structure is why the Fed is often referred to as a decentralized central bank.

The San Francisco Fed oversees the 12th Federal Reserve District, by far the largest geographically of the Regional Banks. It encompasses the nine western states, including Alaska and Hawaii, plus American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The District's size is due in large part to the lack of population in the western states when District boundaries were established in 1913.

Much has changed since 1913 and today approximately 20% of the U.S. population resides in the 12th District. The same can be said for U.S. personal income, nonfarm payroll employment and manufactured exports.

The Economic Research staff at the San Francisco Fed works diligently to understand current economic trends nationally and within the 12th District as well as trying to anticipate what's to come. Needless to say, there's no shortage of data and models, but such information becomes more meaningful when coupled with real-time input from a local level. Enter the boards of directors.

Potential directors are identified mostly through the time honored tradition of building a network of long term relationships both directly and indirectly. As Regional Executive at the Seattle Branch, I regularly meet with business and community leaders in Washington and Alaska. These meetings primarily provide an opportunity to build rapport and exchange information on a host of economic related topics. In turn, they may serve as a precursor for future director consideration. It's a continuous process as directors have staggered terms while serving a maximum of two three-year terms.

The Head Office and each of the four branches in the San Francisco District have a board of directors. The main contribution of board members is to provide observations on what's happening in their areas of expertise and the economy in general. It's important to note, that when commenting on economic conditions, directors often reference information from other business and community leaders they've been in contact with during a particular month. In this way, a larger and more diverse picture of the economy is provided that spans well beyond those seated in the board room.

Each board meets once per month and members submit reports based on questions that are distributed two weeks earlier by the Economic Research department. A Bank economist attends each board meeting and provides a presentation on the economic outlook and answers any questions. Lastly, information provided by the directors is forwarded to the Economic Research department in the form of a summary from each office as well as individual reports.

I see this process firsthand every month and hear the varied and valuable insights our board members have to offer. There is a concerted effort to ensure that we have a variety of industries and organizations represented across the Seattle zone which encompasses Washington and Alaska. The economy doesn't end at the edge of the Seattle/King County Metro area and it can look very different the further away you get. Currently, four of our seven board members are from outside of the Seattle area. At times, location isn't necessarily a critical driver because many of the companies have a regional, national and even international presence to draw upon.

In the end, the contributions board members make to the monetary policy process ensures the local perspective is not lost among the macroeconomic data. There are stories to be told, stories that our President, John Williams, takes note of when preparing for FOMC meetings every six weeks in Washington D.C.

The views expressed are solely the author's and do not necessarily reflect the views of the Federal Reserve Bank of San Francisco or of the Board of Governors of the Federal Reserve System.