

A Farewell from President Santomero

BY ANTHONY M. SANTOMERO

On March 31, 2006, President Anthony M. Santomero will step down as president of the Federal Reserve Bank of Philadelphia. In this quarter's message—his last—he reflects on the economic challenges and changes of the past six years and summarizes some of the Bank's accomplishments.

This will be my final contribution to "The Third Dimension" as president of the Federal Reserve Bank of Philadelphia. My tenure as a Fed president has spanned an especially interesting period. I came to the Federal Reserve Bank of Philadelphia in the summer of 2000, on the tail end of one of the greatest bull markets in financial history and in the 10th and final year of the longest economic expansion in U.S. history. We then saw an unprecedented series of disturbances: a terrorist attack on American soil, two wars, numerous financial scandals, even major natural disasters. Meanwhile, longer term trends, such as the blossoming of the Internet age and the globalization of markets, continued to transform the economic and financial landscape. All of these things challenged the Fed—as monetary policymaker, as banking regulator, and as payment system provider.

During this time, the Federal Reserve was under the chairmanship of Alan Greenspan, a man who has been called the greatest central banker who ever lived. It has been my privilege to

work toward meeting these challenges both as a member of the Federal Open Market Committee (FOMC) and as president of this Bank.

Along the way, I have shared my perspectives on many of these issues with you here in the *Business Review*. I hope you have found them interesting. Indeed, I hope you have found—and will continue to find—all of the articles we bring to you through the *Business Review* worthwhile. They represent our best effort to share with you the work of our dedicated staff of economists in the realms of economic policy, banking and payments, and financial and regional economics. More broadly, the *Business Review* is one way in which our Bank achieves what I see as its fundamental goal: to serve as a center of central bank knowledge and capability.

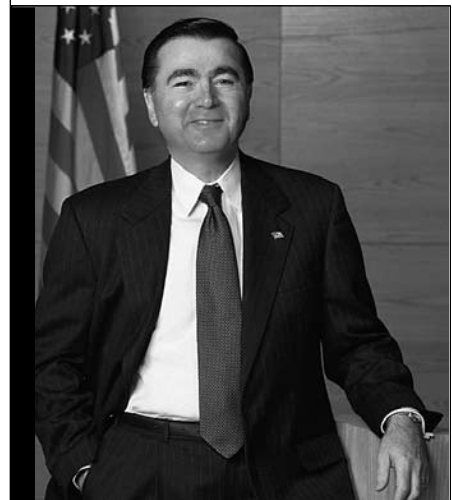
I want to take this opportunity to summarize some other important ways in which the Bank has been building, sharing, and applying knowledge to contribute to the Fed's effectiveness as the nation's central bank.

In the area of economic research

and policy, we have built a more vibrant research enterprise. Our economists are producing high-quality research on issues important to central banking and sharing that work with others via participation in professional conferences across the country and around the world. In addition, we have also increased the number of conferences and workshops that we have organized here at the Bank.

Indeed, our palpable presence at the nexus of research and policy is perhaps best embodied in our Philadelphia Fed Policy Forum.* This remarkably successful annual event brings together leading academics, policymakers, and market economists for debate and discussion of relevant macroeconomic and monetary policy issues.

* For a summary of the 2004 Policy Forum, see the Third Quarter 2005 issue of the *Business Review*.



Anthony M. Santomero, President,
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We are honored that one commentator has called it the “Jackson Hole of the East,” referring to the highly regarded annual conference of economists held in Jackson Hole, Wyoming.

All of these activities help deepen the Fed’s understanding of monetary policy and its impact on the national economy. On a personal level, the work of our Research Department has served me well—challenging my thinking as an economist and helping me sharpen my contributions to the discussions at the FOMC. Let me add that participating in the FOMC discussions in Washington has truly impressed upon me the gravity of the Fed’s role in our nation’s economy.

The Bank has been active in other areas of central banking as well. The Philadelphia Fed has long been a System leader in the payments arena. We operate one of its premier check processing centers, and recently we have been named as a System consolidation site, absorbing the check volume from New York’s East Rutherford Operations Center. At the same time, we are advancing the System’s knowledge of the evolving payments system with the establishment of our Payment Cards Center. And we are playing a key role in modernizing government payments through the services we provide to the U.S. Treasury.

In the area of bank supervision, we established a unit in our Supervision, Regulation and Credit Department to analyze retail credit risk. Now the System has charged us with developing the strategy for imple-

menting this part of the new Basel II capital requirements. Our Bank is also now responsible for implementing the System’s new discount window lending policy and overseeing requisite upgrades to our technology.

At the same time, our Bank has made strong contributions to economic education and financial literacy. We are System leaders in economic education and have developed finan-

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cial literacy curricula used locally and nationally. Our programs to promote financial literacy, improve access to credit, end predatory lending, and foster urban development continue to make a real difference in our communities.

To increase public understanding of the Fed and its role, our Bank opened its doors to visitors on Independence Mall with the “Money in Motion” exhibit. This interactive financial exhibit has brought over 67,000 national and international visitors to our Bank since it opened. We also sponsored and hosted roughly 572 events in our new state-of-the-art conference center in its first year of operation.

Over the six years of my tenure, our Bank has strived to become an even more important part of our Phila-

delphia community and to become an integral part of economic policy discussion in our District and the nation. Our Bank has had the opportunity to contribute to such discussions throughout our region and to establish its expertise in monetary policy on the national stage.

In my view, the Philadelphia Fed has established itself as an outstanding component of the Federal Reserve

System. As part of the nation’s central bank, we are an organization with an important niche in public service and a stellar reputation for quality and credibility. I am confident that the Bank will continue to move forward under its new leadership and will remain steadfastly committed to the strength and growth of the Third District’s economy.

In closing, I would like to express my gratitude for having had the pleasure of national service in a truly outstanding institution and for the opportunity to work under Chairman Greenspan. With Greenspan’s departure, President Bush has made an excellent choice in Ben Bernanke as our new Chairman. I am confident that the reins of the Federal Reserve are in good hands. I wish him, my colleagues, and our readers the very best. 