
Remarks in Honor of Michael Moskow

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FEDERAL RESERVE BANK OF CHICAGO

The views expressed today are my own and not necessarily
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Someone once told me that, back in the 1980s, when you walked by the Federal Reserve Bank of Chicago, there was an air of mystery about the place. People wondered what went on behind the imposing pillars. And very few people really knew.

In 1994 when Michael Moskow became the eighth president and chief executive officer, he resolved that the Chicago Fed would become a much more open and transparent institution, clearly focused on serving the public interest.¹

Within his first two weeks on the job, Michael held a press conference at the Fed. This would have been an unnerving undertaking for most, but not for Michael. John Berry of the *Washington Post*, the dean of Fed-watching journalists back then, lauded his performance. That certainly was high praise.

John also pointed out that “unlike all but one of the other 11 presidents of the Fed’s regional banks, Moskow has no previous experience working for the Federal Reserve System or a financial institution before being chosen.”²

Some would have considered that a shortcoming. But through hard work and perseverance, Michael rose to the task. Calling on his government and corporate business experience, Michael addressed the challenges of his new role by spending the time and making the effort, working harder than most, and quickly establishing himself as an influential voice inside the Fed.

When it came to monetary policy issues and debates, Michael was methodical. He studied all of the angles, assessed the situation carefully, worked to understand the best approaches, and then, with a clear understanding, contributed to the policy debate.

Michael extended his vision of a more open Fed beyond the confines of Chicago and the Seventh Federal Reserve District.³ He contributed to improving the transparency of the Federal Reserve System through his work on Federal Open Market Committee (FOMC) communications committees with Don Kohn, Roger Ferguson, Ben Bernanke, and others. These efforts were transformative. They helped foster the evolution of the now-essential FOMC statements from 1994 onward;⁴ transformed the semi-annual Humphrey–Hawkins economic submissions into the quarterly Summary of Economic Projections;⁵ and eventually led, after his

¹ For more information about Michael Moskow’s tenure at the Federal Reserve Bank of Chicago, see his online biography, <https://www.chicagofed.org/people/m/moskow-michael-h>.

² Berry (1994).

³ The Seventh District comprises all of Iowa and most of Illinois, Indiana, Michigan, and Wisconsin.

⁴ FOMC statements are released following the conclusion of each FOMC meeting. For the most recent statement, see Federal Open Market Committee (2017b).

⁵ Four times a year the FOMC releases its Summary of Economic Projections (SEP), which presents FOMC participants’ forecasts of key economic variables over the next three years and for the longer run. Participants also provide their assessments of the appropriate monetary policy that supports those forecasts. For the most recent SEP, see Federal Open Market Committee (2017a).

tenure, to the FOMC's formalization of a long-run strategy for monetary policy that quantified our price stability goal as a symmetric 2 percent inflation target—an important milestone.⁶

Within the Chicago Fed, Michael “opened up” the internal workings of the Bank by creating a flatter organization and a corporate culture with more open communication and better collaboration across departments. Small informal touches helped, as he insisted on being identified as “Michael” (rather than “Dr. Moskow”) and job titles were left at the door.

Big changes—especially cultural ones—take time and plenty of effort. Michael firmly believed in keeping senior leaders accountable for everything they did. That's the mark of top organizations. His strong and persistent efforts established a corporate culture at the Bank that bears his signature to this day. As his successor, I've found that maintaining the best corporate culture possible is a continuing challenge. But Michael instilled in me the value of meeting this challenge, and so it's something that I strive to do as Chicago Fed president.

Michael also believed in experimenting with different operational approaches in some areas that were historically stodgy, such as public speaking and communications. Some of those experiments worked, and others were not as successful. I certainly learned from the successes as well as the miscues; and both helped model our communications strategies today—including how I present my sometimes outspoken views on monetary policy questions.

Let me close with one last thought.

During Michael's 13-year tenure on the FOMC, the economy grew a robust 3.2 percent a year and the unemployment rate averaged 5.0 percent. There was one brief recession lasting just eight months. So pretty darn good. The federal funds rate went up. It went down. And it remained unchanged for lengths of time. Inflation continued its long steady decline. Indeed, the Committee reached a landmark in the spring of 2003 when the FOMC statement acknowledged that it was possible that inflation could become uncomfortably low. This was an eye-opening development for those of us who lived through the battle against high inflation in the 1970s and 1980s.

I succeeded Michael in September 2007. Almost overnight, the economy experienced a financial crisis and slid into the deepest recession since the Great Depression. During my tenure as president of the Chicago Fed, economic growth has been just 1.4 percent a year and the unemployment rate has averaged 7 percent. The federal funds rate went down; it remained unchanged for an extraordinarily long length of time; and only recently has it risen. Inflation has averaged under 1-1/2 percent. And, thanks to the openness that Michael championed, we have a way to measure by just how much this means we have missed our inflation goal.

So, as you can see, Michael's timing was impeccable. And this too taught me an important lesson—the art of the timely exit. So let me now turn to introducing the expert panel we have joining Michael here tonight. They will take a look at how monetary policy has changed in the years since the financial crisis and where we go from here. Their more comprehensive biographies are on the screens in front of you, but very briefly:

⁶ Originally adopted in January 2012, the FOMC's longer-run goals and monetary policy strategy have been reaffirmed annually. For the most recent version of the statement on the goals and strategy, see Federal Open Market Committee (2017c).

- Donald Kohn is the Robert V. Roosa Chair in International Economics and a senior fellow in economic studies at the Brookings Institution. He is a 40-year veteran of the Federal Reserve System, and served as Vice Chair of the Board of Governors from 2002 to 2010.
- Randall Kroszner is the Norman R. Bobins Professor of Economics at the University of Chicago, Booth School of Business. He previously served as a Governor of the Federal Reserve System from 2006 to 2009.
- Our moderator tonight, Bethany McLean, is an investigative journalist and a contributing editor at *Vanity Fair*. She is the author of *All the Devils Are Here: The Hidden History of the Financial Crisis*, among other books.

Ladies and gentlemen, please join me in welcoming our panel.

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