

Ben S Bernanke: Dedication of the new Federal Reserve Bank of Kansas City Building

Speech by Mr Ben S Bernanke, Chairman of the Board of Governors of the US Federal Reserve System, at the Federal Reserve Bank of Kansas City, Kansas City, Missouri, 12 June 2008.

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It is my pleasure to be here today to help dedicate this state-of-the-art facility. President Hoenig, I commend you and your staff, as well as the designers and builders, of this impressive structure. It will serve Kansas City and the entire 10th District well.

Permit me to start with a bit of history that I hope will underscore the crucial role played by the regional Reserve Banks. When the Federal Reserve was created in 1913, it was the nation's third attempt at a central bank. The First Bank of the United States, chartered in 1791, and the Second Bank of the United States, chartered in 1816, did not last. They both failed to gain the trust of a public fearful of concentrated power. To address this concern, the creators of the Federal Reserve crafted a plan for a central bank with a unique structure: what some have called a decentralized central bank.

An independent federal agency in Washington, D.C., the Board of Governors of the Federal Reserve System oversees 12 regional Banks, which serve as the operating arms of the System and blend public and private elements. Importantly, the presidents of the Reserve Banks participate, along with the Washington-based Board members, in the monetary policy deliberations of the Federal Open Market Committee. The presidents bring a wealth of knowledge acquired from their regional contacts. Thus, in making policy, we are able to view the economy not just from a Washington perspective, or a Wall Street perspective, but also from a Main Street perspective. This system has served the central bank and the nation well for nearly a century.

Last night I attended a dinner with the Bank's current directors as well as many former members of the Bank's board. Nationally, 278 private citizens – including business people, bankers, nonprofit executives, and community, agricultural and labor leaders – serve on the boards of our 12 Banks and their Branches. These individuals provide us with extensive and current information about economic conditions from a unique local perspective. Often, they provide an early warning of shifting economic conditions before they show up in official government statistics. I commend them for their service to both the central bank and our nation.

Here in Kansas City, and in all of our Districts, the Bank and Branch directors have played an important role since the Federal Reserve's inception. As you might expect, at last night's dinner, we talked to some degree about the Bank's history, our current challenges, and the future. In preparing for this event, I read a little bit about the dedication ceremony for the previous Kansas City Fed headquarters at 925 Grand Boulevard. One of my predecessors as Chairman, William P.G. Harding, spoke at its dedication on November 16, 1921, and I am happy to follow in his footsteps.

Considering the Federal Reserve's history, this location is a most appropriate site for a Federal Reserve Bank, with its new neighbor being the National World War I Museum at Liberty Memorial. Those who have an appreciation of U.S. history know that the Federal Reserve played an important role in support of the funding of the First World War and that the war forced the early Federal Reserve to contend with an uncertain global environment with wide-ranging monetary and economic ramifications. The Federal Reserve has faced many such challenges since its founding, and the System has evolved in response. Ours must be a dynamic institution if it is to successfully fulfill its mission in a changing financial and economic landscape.

When the Federal Reserve Bank of Kansas City opened in 1914, it operated out of leased office space before moving to the building it is now vacating. In the more than nine decades since, the world has changed dramatically, especially in the areas of banking and finance; however, the Federal Reserve's purpose, mission, and goals remain unchanged. And while the Bank's former home on Grand Boulevard served it well, today we celebrate the opening of a building that will well serve this country, and this region.

Looking at the Federal Reserve more broadly, while we must continue to change, we also must recognize that one of the Federal Reserve's key strengths continues to be the strong regional connections fostered by the Reserve Banks. To quote from the Federal Reserve Board's first annual report, published on January 15, 1915: "It should never be lost to sight that the Reserve Banks are invested with much of the quality of a public trust. They were created because of the existence of certain common needs and interests, and they should be administered for the common welfare – for the good of all."

In that spirit, let us use this ceremony to recognize the Federal Reserve's unique structure with roots that are broad and deep in the region. To echo comments Tom Hoenig made at the groundbreaking on this site three years ago, let us dedicate this Bank to the service of our nation, this great city of Kansas City, and the other important cities, towns, and rural regions in the heart of America that define the 10th Federal Reserve District.