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# Opening Remarks

by

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Chair

Board of Governors of the Federal Reserve System

at the

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Thank you, Beth Anne.

I want to start by offering my condolences to the family and friends of former Vice Chair Stanley Fischer. Stan was a colleague of ours at the Fed, and a giant in the field of international economics. In addition to reaching the highest levels of the field in his own right, he was a trusted and generous mentor and teacher to a generation of the most important economic thinkers, including many heads of global central banks, advisers to presidents, and countless economists. We will miss him.

Congratulations to Division of International Finance (IF) on 75 years of outstanding work in service to the Federal Reserve Board and, by extension, to all Americans. Many current staff members are here to celebrate today, as well as a number of IF alumni, including past division directors Ted Truman, Karen Johnson, Nathan Sheets, and Steve Kamin. The division has produced many other notable alums, including Chair and Secretary Janet Yellen; professor, author, chess grandmaster, and our keynote speaker, Ken Rogoff; and humanitarian and economist Albert Hirschman, famous for the Herfindahl–Hirschman Index and more recently as a character in Netflix's *Transatlantic,* to name just a few.

In my time at the Fed, the IF division has provided invaluable insight into global economic activity, international trade and capital flows, and developments in foreign financial markets. Division staff have also played a key role during episodes of global financial stress. And your research and analysis are critical inputs into our monetary policy decisions. Thank you to all that have served in this division over the past 75 years. Today I will kick off this conference by briefly reviewing why the division was created and highlighting a few of its many accomplishments over the years, before turning you over to a robust set of presentations and panels.

**New Era for Global Economy**

The IF division was created on July 1, 1950, but the idea began to germinate a few years earlier. The U.S. emerged from World War II as a global economic superpower. The Bretton Woods Agreement placed the U.S., and the Fed, in a central position in the global economy. Our mission then, as it is now, was to serve the American people. But it was clear at that moment that the Fed needed to have better knowledge of global developments to achieve our dual-mandate goals.

A 1948 memo proposing to create this division stated, "Problems of international economics and finance have become increasingly large, complex, and significant in recent years, and our foreign economic relations will undoubtedly continue to give rise to issues of the first magnitude." That is the rare economic forecast that turned out to be spot on!

Seventy-five years later, it remains critical that the Fed understand the policies and practices of other governments and central banks, and their implications for the U.S. economy and financial markets. Exchange rate policy, of course, is now firmly in the hands of the U.S. Treasury. However, the end of the Bretton Woods era in the 1970s fundamentally changed the conduct of monetary policy, as policymakers had to understand the effects of potentially more volatile movements of the U.S. dollar on American families and businesses.

Understanding global trade and capital movements has only grown in importance since 1950, as we saw during the pandemic. The IF division helps produce the data on international capital flows, and has spent decades researching the effects of these flows and international trade on U.S. and foreign economies. Understanding this complex and interconnected web is essential for us to anticipate the path of employment and inflation.

Another important development in the 1970s was the increasing use of macroeconomic modeling, which greatly influenced the division's work. Under the direction of former Division Director Ralph Bryant, IF developed its first multicountry model. Always on the forefront, over the years, economists in the division—many of whom are in this room today—developed increasingly sophisticated models, with each new generation expanding the capability to tackle the international risks and issues of the day. These models have proven useful for understanding how international shocks transmit through the economy and financial markets, for assessing risks and uncertainties through alternative scenarios, and for better comprehending the implications of various shocks for the U.S. and global economy. The results have informed research papers, Board memos and briefings, as well as the risks and uncertainty assessment that Federal Open Market Committee members receive in advance of every meeting.

**Prepared for Crisis**

The IF division has also played an important role in responding to global economic turbulence. A prime example is the Latin American debt crisis of the 1980s. That episode required analytical thinking about the macroeconomic repercussions of the crisis as it played out around the world. Work by division, and by the International Monetary Fund and other institutions, led to the establishment of emergency facilities to prevent more dire financial outcomes. As global capital flows increased, other episodes of financial distress surfaced across the world, including in Mexico, Asia, and Russia.

International capital flows and spillovers became, and remain, a recurrent feature in the division's analytical and monitoring work.

The expertise generated through study and response to those global challenges proved invaluable when stress hit closer to home during the Global Financial Crisis and the pandemic. Both of those events required immediate, broad, and, in many cases, unprecedented responses to avoid disrupting the availability of credit to American households and businesses. The nation, and the world, looked to the Federal Reserve to lead in these moments. During the Global Financial Crisis, when global funding markets came under stress, the IF division worked to establish swap line arrangements with several major central banks that helped restore stability in U.S. dollar funding markets. And during the pandemic, the IF division helped lead efforts to expand the provision of dollar liquidity by setting up the FIMA Repo Facility.[1]

These periods of acute financial stress and uncertainty prompted the division to develop new tools and analytical products that could be used to understand and respond to the events unfolding on the ground. For instance, the division has devised new methods to measure and assess the effect of various types of uncertainty on economic activity, including new indexes that were built to track geopolitical risk, inflation, trade policy, and economic uncertainty. As we continue to navigate the current period of heightened uncertainty, this work is critical to understanding the quantitative implications of uncertainty shocks.

[1] Foreign and International Monetary Authorities Repo Facility

**Conclusion**

I will conclude by saying that, for 75 years, nine Fed chairs and countless Board members have greatly benefited from the guidance and counsel of IF staff—and not just when responding to crisis. This team helps assure we are well prepared for our international engagements, by providing detailed materials ahead of time and often by traveling with us. IF staff are always welcome and productive companions. In these and other endeavors, we benefit from the robust relationships you establish and maintain with our global counterparts.

Thank you to Beth Anne and all the staff here that organized this wonderful event. And, finally, thank you again to all the current and former IF staff for what you have done and continue to do to help us be a globally knowledgeable and responsive central bank, so that we can deliver on our dual mandate for all Americans.