

TEN

Spring 2011

FEDERAL RESERVE BANK OF KANSAS CITY

Inside:

Carbon emissions in the region

First-hand insight from the Board of Directors

Economic research at the Fed

Your money personality

BUILDING WEALTH?

Renting vs. owning: Each provides opportunities

ANNUAL REPORT ISSUE



On The Cover:

TEN

SPRING 2011

ANNUAL REPORT ISSUE

BUILDING WEALTH?

Renting vs. owning: Each provides opportunities.....8

While homeowners in the past have been able to build more wealth over time than those who rented, research shows much depends on when a home is purchased and where it is located.

FEATURES



CARBON CONSTRAINTS

Are U.S. states equally prepared for a carbon-constrained world?.....4

This region is historically energy- and carbon-intensive, with several states heavily reliant on the farming and energy industries. Research shows it's these states that could be most challenged when it comes to meeting some type of federal emissions standards.



BROAD REPRESENTATION, REGIONAL ROOTS

Kansas City Fed relies on directors for insight20

The regional Fed directors serve as a conduit between their local communities and the nation's central bank, offering perspective drawn from their own expertise and contacts.



2010 ANNUAL REPORT.....30

Listings of the Federal Reserve Bank of Kansas City's officers, directors, advisory councils, roundtable groups and more, including a look at the organization's inner workings and the Office of Minority and Women Inclusion.

IN EVERY ISSUE

- 1 **PRESIDENT'S MESSAGE**
- 12 **ABOUT ... FED ECONOMISTS**
- 16 **COMMON CENTS: MONEY PERSONALITIES**
- 24 **NOTES**

DISSENT AND MONETARY POLICY DELIBERATIONS

My view of the economy's prospects and the appropriate stance of monetary policy differs from the majority view among my Federal Reserve colleagues.

Last year, I was a voting member of the Federal Open Market Committee (FOMC). Reserve Bank presidents vote in rotation, so I am a participant rather than a voting member this year. It is a matter of public record that I dissented, or cast a "no" vote, in all eight meetings in 2010. Based on questions from the public, news coverage and pundit columns throughout the year, it has become obvious to me that the role of dissent in the FOMC is misunderstood and viewed without context. The idea that a dissenting vote is confusing, counterproductive, and generally undesirable is unhealthy. It is also historically inaccurate.

Dissenting views at the FOMC are critical to the success of the Federal Reserve System and public debate was the intent of its congressional founders.

Open debate and dissent are fundamental to achieving transparency of FOMC deliberations and to supporting the credibility of the committee in difficult economic times.

History

When Congress created the Federal Reserve nearly a century ago, it believed very strongly that the best policy is not made in isolation, but encompasses a wide range of views from all affected interests. A Federal Reserve Bank was established in Kansas City, as well as 11 other major cities across the United States, to make sure the views of communities nationwide had a voice in Federal Reserve policy. The founders knew that such broad-based participation would lead to better decision making.

This structure is replicated on the FOMC, which is the body that makes decisions about our nation's monetary policy through changes in an interest rate known as the federal funds rate, and, over the last couple of years, changes in the

size of the Federal Reserve's balance sheet and the interest rate it pays on excess reserves. The FOMC is made up of 12 members. Seven are the Federal Reserve governors who have been appointed by the President of the United States and confirmed by the Senate. Governors always have a vote at the FOMC. The other five members are presidents of the regional Federal Reserve Banks who are appointed by their local boards of directors. The New York Reserve Bank's president always has a vote, and the other 11 presidents share the remaining four votes in a set rotation. As a result, while all 12 Reserve Bank presidents are active participants in the FOMC debate, the seven politically appointed governors always have a majority of votes over the five voting Reserve Bank presidents.

The regional Reserve Bank presidents fill a critical role at the Fed's policy table. They have the responsibility of representing their respective Federal Reserve Districts in providing their unique perspective on national policy issues. As dictated by the FOMC's structure, Washington and Wall Street not only participate in all discussions but have a permanent vote. Therefore, it is crucial to have independent voices at the table that regularly interact with Main Street business and community leaders in the rest of the country.

In this structure, it is a key point to remember that each member was given a vote, not an advisory role. In FOMC policy votes since 1995—which is essentially the current era of Fed policy—there was a dissenting vote about one-third of the time. Going back a bit earlier in the 1990s to the 1990-91 recession, there were far more significant levels of dissent for both tighter and less



restrictive monetary policy. During the Paul Volcker era, the chairman nearly lost one policy vote. In addition, there were 30 dissenting votes cast in Volcker's final 30 meetings as Fed chairman.

Transparency

There are, of course, commonalities between the end of the Volcker era, the 1990-91 recession and today. In each of these periods the economy was poised at a critical juncture and broad disagreement prevailed about the appropriate policy course—and not just around the Fed policy table. By the very nature of our political system, these were also periods of extreme political pressure to provide increased stimulus with an eye toward short-term gains and with a promise to take appropriate steps at some later point to remove that

stimulus before inflationary pressures could become a problem.

Leaving those issues aside, last year some suggested that dissenting votes confuse the market and that public disagreement among members reduced the effectiveness of Fed policy, including the second round of quantitative easing, known as QE2.

As an economist, I cannot be certain that my views are correct. Certainly, a majority of my counterparts on the FOMC last year did not agree with my views. But it is important to recognize that in the face of uncertainty, arriving at the best policy decision is built on divergent opinions and vigorous debate.

Because of this, the role of open dissent is at least as critical to FOMC monetary policy decisions as it is to deliberations by the Supreme Court, Congress or any other body with important public responsibilities from the local through the federal level. If you find it unusual to consider the FOMC as being similar to these other deliberative bodies, it is perhaps because many—including some former Federal Reserve officials—tend to speak of Fed policy as being done by a single actor.

In 2004, then-Fed Governor (current Fed Chairman) Ben Bernanke talked about this issue in a speech where he noted the “diversity of views and opinions likely to exist among the members of a large committee create further challenges of effective communication.” Despite these challenges, he went on to talk about the importance of making these divergent views broadly known: “Although at times it feels cacophonous, the willingness of FOMC members to present their individual perspectives in speeches and other public forums provides the public with useful information about the diversity of views and the balance of opinion on the Committee.”



KANSAS CITY FED PRESIDENT Tom Hoenig regularly speaks about the economy and his role on the Federal Open Market Committee (FOMC). The FOMC is made up of the Federal Reserve Board of Governors and the 12 regional Reserve Bank presidents, who vote on a rotating basis. This year Hoenig is a non-voting member, but an active participant in discussions.

Credibility

Some would suggest, of course, that monetary policy is not like a Supreme Court ruling. This line of reasoning comes from an idea that a unanimous FOMC is more likely to foster the confidence that is so critical to the functioning of our economy and financial system. To this line of thinking, dissent becomes even more dangerous in periods of high uncertainty.

A deliberative body does not gain credibility by concealing dissent when decision making is most difficult. In fact, credibility is sacrificed as those on the outside realize that unanimity—

diversity (of views) and the Federal Reserve ... benefits from the appearance that diversity is at least possible.”

To suggest that public support is somehow encouraged by unanimous decisions suggests little appreciation for the public and its understanding about the challenges we face. To me, that fosters a loss of confidence that can be difficult to recover. As a result, the body becomes less able to respond to a crisis and is left more vulnerable to its critics.

The Federal Reserve’s founders recognized this a century ago. I hope we continue to recognize its critical importance in the years to come.

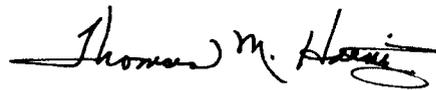
“ A deliberative body does not gain credibility by concealing dissent when decision making is most difficult. ”

difficult in any environment—simply may not be a reasonable expectation when the path ahead is the most confounding. The question then becomes: Should the debate that is happening privately remain hidden from the public eye until the meeting minutes or transcripts are later released? And in the interim, is the nation somehow better served by giving the public the impression that the entire body is in agreement to the prescribed approach even when that is not the case?

In the mid-1980s, after the vote Chairman Volcker nearly lost created a bit of a media circus, Herbert Stein wrote a very interesting column about the issue for *The Wall Street Journal*. Mr. Stein, who had been chairman of the Council of Economic Advisers under two presidents, wrote that divergent views at the policy table should not be worrisome. It is more important, he wrote, that there are visible principles at work in shaping these views.

Stein wrote that in creating the central bank of the United States, “Congress intended

As for me, I recognize that the committee’s majority might be correct. In fact, I hope that it is. However, I have come to my policy position based on my experience, current data and economic history. If I had failed to express my views with my vote, I would have failed in my duty to you and to the FOMC.



THOMAS M. HOENIG, PRESIDENT
FEDERAL RESERVE BANK OF KANSAS CITY

President Hoenig addressed The Greater Kansas City’s Business Women’s Association at The Central Exchange in Kansas City, Mo. earlier this year. To read the full speech, and others, visit KansasCityFed.org.



Carbon constraints

Are U.S. states equally prepared for a carbon-constrained world?

The emission of greenhouse gases, especially carbon dioxide, has become a key issue in national energy policy. Domestic energy use and carbon emissions continue to rise while heightened pressure in the United States and internationally suggests that additional changes to the regulatory framework are likely in the coming years.

While it is unclear what form these regulatory changes may take, important perspective on what new regulations might mean can be gained from examining how states might fare in a carbon-constrained world. Mark Snead, economist, vice president and Branch executive of the Federal Reserve Bank of Kansas City's Denver Branch, and Amy Jones, an assistant economist at the Denver Branch, recently researched the issue.

“At issue for state-level policymakers is that carbon restrictions are unlikely to affect all states equally,” Snead says. “Energy use and emission patterns vary widely across states and, as a result, it could mean that states emitting the most carbon or having the most energy- and carbon-intensive economies could shoulder the greatest burden.”

Several of those states, the researchers found, are heavily reliant on farming and energy industries, which means that meeting carbon and emissions constraints could prove to be a formidable challenge at the state level, Snead says.

Historical perspective

The United States is currently moving into what could be characterized as a third phase of its post-war history in energy use and carbon

emissions, Snead and Jones found.

The first phase spans from the late 1940s to around 1979 when energy use was driven by intense industrialization and rapid economic expansion, while energy costs were low and there was little concern about emissions. During that period, total energy use rose more than 150 percent and carbon emissions climbed nearly 125 percent. On a per capita basis, energy consumption increased nearly 50 percent during the 30-year span and produced an increase in carbon emissions from 15 metric tons annually to a peak of more than 22 metric tons.

The phase came to an end, Snead says, as energy prices soared in the late 1970s. It was followed by a period of slower growth in energy use and emissions that ended when energy prices spiked again in 2008. During the second phase, total energy use increased 23 percent and carbon emissions increased about 20 percent. On a per capita basis, energy use and emissions began to stabilize over the period and eventually turned downward. Interestingly, it appears that carbon emissions fell below 18 metric tons per capita in 2009, based on preliminary estimates, a level last seen in the United States in 1965.

Snead says that, based on Department of Energy data, it appears a third phase started after the 2008 energy price spike. Forecasts based on only limited reductions in carbon intensity in the nation's fuel mix suggest the current phase will be characterized by further increases in the levels of both energy use and carbon emissions.

The issue going forward, however, might be on the regulatory front. Although China passed the United States as the world's largest carbon emitter in 2007, the United States still emits four times more carbon per capita than China and 2.5 times more than Europe.

"The high levels of domestic energy use in the United States suggests that the nation is going to have to be a key player in establishing

any successful global carbon-reduction strategy," Snead says.

That means more stringent regulations may be on tap at some point in the future. Snead and Jones focused their work on understanding the potential impact of those changes, if they are applied strictly and uniformly across all states.

Powering up

In their analysis, Snead and Jones compiled a wide range of data that enabled them to rank all 50 states based on carbon dioxide emissions per capita. The results showed some clear regional trends.

For example, several states in the mid-Atlantic and New England regions were found to be among the lowest carbon emitters per capita, with New York, Vermont and Rhode Island ranking the best. West Coast states, including California, Oregon and Washington, also fared well.



EMISSIONS RESTRICTIONS could have an impact not only on factories, but also on farms. Some livestock organizations have voiced concern about the potential affect emissions limits could have on meat producers because of the animal waste.

These states have one thing in common: Unlike other parts of the United States, their energy production is not heavily reliant on coal.

“The low-carbon states tend to be the greatest users of coal alternatives,” Snead says. “Most of New England and the Mid-Atlantic states achieve their emissions advantage by using significant amounts of nuclear power, which is more expensive, but carbon-free.”

West Coast states, meanwhile, benefit from the use of renewable energy, especially hydroelectric power, and relatively mild weather, the researchers said.

Ranking at the top of the list in terms of emissions per capita are states deeply involved in energy production. Wyoming, North Dakota, West Virginia and Alaska each emit

more than triple the national average level of carbon per capita and are at the bottom of the list. For these states, generating a dollar per capita of gross domestic product requires nearly twice the energy of the national average.

“These states have a nearly exclusive reliance on coal for electric power production, a mix of industries that is heavily dependent on energy, and three of them have especially cold and lengthy winters,” Jones says.

Down on the farm

Energy states, however, are not the only places where new emissions standards might have a significant economic impact. Snead and Jones also found that there could be important implications for states heavily reliant on farming with traditional farm states such as

The Tenth Federal District is historically energy- and carbon-intensive. On a per capita basis, carbon emissions in the District are currently 40 percent higher than in the nation. Research shows it’s these states that could be most challenged when it comes to meeting some type of federal emissions standards.



Percentage Change of Carbon Dioxide Emissions Per Capita in the Tenth District from 1990-2007	
Colorado	0.5
Kansas	0.8
Missouri	17.3
Nebraska	18.3
New Mexico	-13.9
Oklahoma	7.4
Wyoming	-3.1
Tenth District States	3.4
United States	-1.3

Sources: U.S. Department of Energy, Bureau of Economic Analysis, Environmental Protection Agency and Kansas City Fed calculations.

Nebraska, Kansas, Iowa, Indiana and others heavily involved in crop production ranking in the top 15 in terms of carbon emissions. Because the production of crops such as corn, soybeans and wheat is energy intensive, requiring tractors and combines for production as well as trucks and rail for transport, Snead says reducing carbon emissions in this crop-producing farm states could prove “exceedingly difficult.”

of energy relative to other states and rely heavily on coal in electricity production,” Snead says.

He adds that Alaska and Louisiana may also face challenges, but they have been able to mitigate their risks to some degree by limiting the carbon content of their fuel mix.

Perhaps the biggest current issue, especially at the state level, is the fear of the unknown. Snead and Jones note for state policymakers, one concern might be that they ultimately



Ranking at the top of the list in terms of emissions per capita are states deeply involved in energy production.



The potential impact is also not limited exclusively to farmers who produce row crops. Livestock organizations have also voiced concerns about potential limits on meat producers related to the emissions produced in livestock production, including animal waste, particularly methane.

lose control over many decisions related to emissions to federal mandates that would effectively dismantle state efforts. Conversely, at the federal level, there is the issue of balancing the state-level differences illustrated by Snead and Jones.

Who's ready?

While Snead and Jones do not venture into issues, such as the debate on global warming or the role of methane-producing cattle, their analysis does reach some conclusions about economic growth, carbon emissions and energy use that suggest which regions may be the best—and worst—positioned to meet some type of federal emissions standard.

Not surprisingly, the same regions with low emissions—New England, Mid-Atlantic and the West Coast—appear to be the best prepared. Places that could struggle include states such as Alabama, Kentucky and West Virginia, which may use less energy than other states but might suffer because of the fuel mix. Snead and Jones note three states that face the greatest risk: North Dakota, West Virginia and Wyoming.

All three “use exceptionally high amounts

FURTHER RESOURCES

“ARE U.S. STATES EQUALLY PREPARED FOR A CARBON CONSTRAINED WORLD?”

By Mark Snead and Amy Jones
KansasCityFed.org/publications

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.



Building wealth?

Renting vs. owning: Each provides opportunities

For Matt Ufford of Paola, Kan., the time was right, the interest rate was low and the decision made sense. So, in late 2010, the elementary school teacher and recent college graduate took the plunge and became a first-time homebuyer.

After renting apartments throughout college, Ufford (pictured above) wanted to put down roots in a community he liked. He was also looking toward the future and the potential for having a nice home with more than one bedroom and a backyard to eventually raise a family.

“I just felt it was a good time to get my own place and make it how I want it,” Ufford says of his decision to enter the homeownership ranks. “Having my own place makes me feel more free. No one can tell me I can’t paint a room this color or do this to the outside.”

While Ufford’s desire to settle down was

a significant reason he purchased a home, the investment potential that homeownership could provide was also a consideration. By working on do-it-yourself projects, he hopes to eventually increase his home’s value.

“Maybe in five years or so it would be a nice return, but I think having a place to live was a bigger factor for me in deciding to buy,” Ufford says.

Despite the struggles of the nation’s housing market, Ufford’s feelings about homeownership are still common among those who have bought recently or are considering a home purchase in the near future. A recent survey by the National Association of Realtors found that 95 percent of homeowners and 72 percent of renters felt that owning a home made more sense than renting over a period of years.

But Jordan Rappaport, a senior economist

at the Kansas City Fed, cautions that homebuyers should carefully consider their decision if they think investment potential is the main reason to buy a home. While homeowners in the past have often been able to build more wealth over time than those who rent, that hasn't always been the case, and much depends on when a home is purchased and where a home is located.

"It's not always clear that buying a home will build more wealth than renting," says Rappaport, who recently researched the issue. "It's important that people look carefully at the costs and benefits of owning a home versus renting—and that they not assume owning is always a better deal. Sometimes it is a better deal but not always."

Homeowners face some costs that renters don't: a large initial down payment, ongoing maintenance costs, interest on mortgage payments and property taxes. At the same time, homeowners receive tax benefits through mortgage interest deductions and receive what Rappaport calls "consumption benefit," which includes pride in owning a home, a sense of stability and being able to enjoy a house that fits individual needs.

However, there is a lot of risk with homeownership as well, Rappaport adds.

"You have a lot of risk if, for instance, your house has mold and your insurance won't cover it," he says. "The downside of that risk is lower if you're a renter. You would just pack up and move."

"Whether homeownership makes more sense from a wealth-building perspective obviously depends on house price appreciation," Rappaport says. "If your home decreases in value—which we've seen in many places for a while now—you're not going to build much wealth."

Renting vs. buying: a framework

To analyze the effectiveness of homeownership in building wealth, Rappaport set up a hypothetical situation comparing owning with renting during 10-year periods from 1970 to 1999.

Under Rappaport's framework, a hypothetical household purchases a home with a 20 percent down payment. This household also pays the origination fee on a 30-year, fixed-rate mortgage. In addition, the household makes recurring mortgage interest and principal payments and payments for insurance, maintenance, and taxes while also taking advantage of the mortgage interest deduction on their tax return.

At the same time, a second hypothetical household begins renting an identical house. This household makes an investment in stocks and bonds equal to the homeowner's down payment and other purchase-related costs. During the next 10 years, the renter continues to make monthly rental payments that increase at the national rate of inflation for rentals. The renting household also continues to make investments in stocks and bonds so that its total rental and investment payments equal the homeowner's total home-related payments.

At the end of 10 years, the homeowner sells his home, pays any selling costs and pays off the outstanding mortgage balance. The renter liquidates his stock and bond holdings and pays off any taxes due.

So, who ends up with more wealth at the end of the decade? The short answer, according to Rappaport: It depends.

In some periods during 1970 to 1999, homeowners came out ahead, while in others, renters built more wealth. Rappaport's analysis found that homeowners came out ahead about half the time, renters fared better about a quarter of the time, and it wasn't clear who ended up with higher wealth the remaining quarter of the time.

In general, for 10-year periods during the 1970s and 1990s, homeowners built more wealth, while renters built more during most of the 1980s. And while the data are not complete, it appears that for the 10-year period now under way, renting will likely prove to be a better decision in terms of building wealth, given the ongoing steep fall in national house prices that began in 2007.

Rappaport acknowledges that his analysis

requires several caveats that would be difficult to translate into a real-world situation. For example, as those looking to rent often experience, it can be much more difficult to find rental units that match individual tastes than to find purchase units that do so. In addition, Rappaport says, “there’s no guarantee that a renter will take their savings and invest it in stocks and bonds.” In many cases, that savings ends up being spent on other things.

“Principal payments,” says Rappaport, “serve as a commitment to save into the distant future.”

Also, Rappaport’s analysis doesn’t account for differences in home price appreciation across different markets.

“There’s no doubt that homeownership can be a spectacular investment, but there

are a lot variations in time and place,” Rappaport says.

For example, homeownership in the Tenth Federal Reserve District, an area that includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado, and northern New Mexico, has generally been less risky than other parts of the country.

On the whole, that’s been the case during the last several years in the Kansas City metro, says Lee McClelland, president of the Kansas City Regional Association of Realtors. The organization’s data show that the average home price in the Kansas City area rose about 1 percent in 2010, even as prices for the rest of the nation continued to fall last year.

“I think that speaks to the Midwest and

RENT OR OWN? In terms of building wealth, either buying a home or renting one provides potential opportunities, according to Jordan Rappaport, a senior economist with the Kansas City Fed. Rappaport recently looked at the effectiveness of homeownership in building wealth and found that much depends on when and where a buyer purchases a home.



our low cost of living,” McClelland says. “We haven’t seen the huge highs, and we don’t get the big lows. We’ve always had gradual rises and gradual declines.”

McClelland is optimistic for 2011, citing foot traffic numbers that were higher during the past winter than a year before.

“People are feeling a little better about their jobs,” he says. “I think we’ve seen the bottom, and the market seems to be building back up.”

Benefits of renting

Still, despite signs of life in the residential real estate market and the potential wealth-building benefits homeownership provides, the decision to rent still makes sense for some.

Amber Nash, a certified public accountant in Kansas City, expects to buy a home sometime next year, but for now, she and her fiancé have decided to continue renting.

“We are planning to rent until we have a solid down payment ready,” Nash says. “With rates as low as they are, it would be nice to buy now, but we don’t want to jump into anything before we’re ready.”

Nash has heard from many who consider renting to be “throwing away money,” but she points to things such as maintenance costs and the lack of mobility that can come with homeownership. She’s also reminded of the experience of friends who rushed into a home purchase, only to find their incomes eaten up by mortgage payments that seemed too high and homes worth less than the amount of their mortgages.

When the time is right, Nash says she will enjoy having her own place to live, but she and her fiancé are not considering any investment potential when they start looking for homes.

“We are not planning to buy for an investment purpose,” she says. “We haven’t even considered the investment aspect. It’s more of a desire to have a nice place to live. Any investment benefit would be nice, but it’s not our focus.”

That attitude is a good one for homeowners to have, Rappaport says. In general, those

“consumption benefits” of homeownership are worth considerably more than any investment benefit.

“Homeownership has traditionally been described as an investment first, and then, second, as having a place to live,” Rappaport says. “But, the benefits you get from living in and enjoying a home almost always exceed homeownership’s investment benefit by a wide margin. It’s probably more accurate to describe homeownership as having a place to live that includes an investment benefit.”

Having a better place to live was the primary reason Nick Dale of Shawnee, Kan., decided to purchase his first home last year. Dale, who married around the time he bought his home, said his previous apartment seemed too cramped for two people.

“We outgrew the apartment and we wanted something more permanent and stable,” Dale says.

“There have been a few surprises,” such as a plumbing problem that needed to be fixed, “but we enjoy living in a nice neighborhood. The decision to buy a home has been a good one for us.”



BY BILL MEDLEY, TEN CONTRIBUTING WRITER

FURTHER RESOURCES

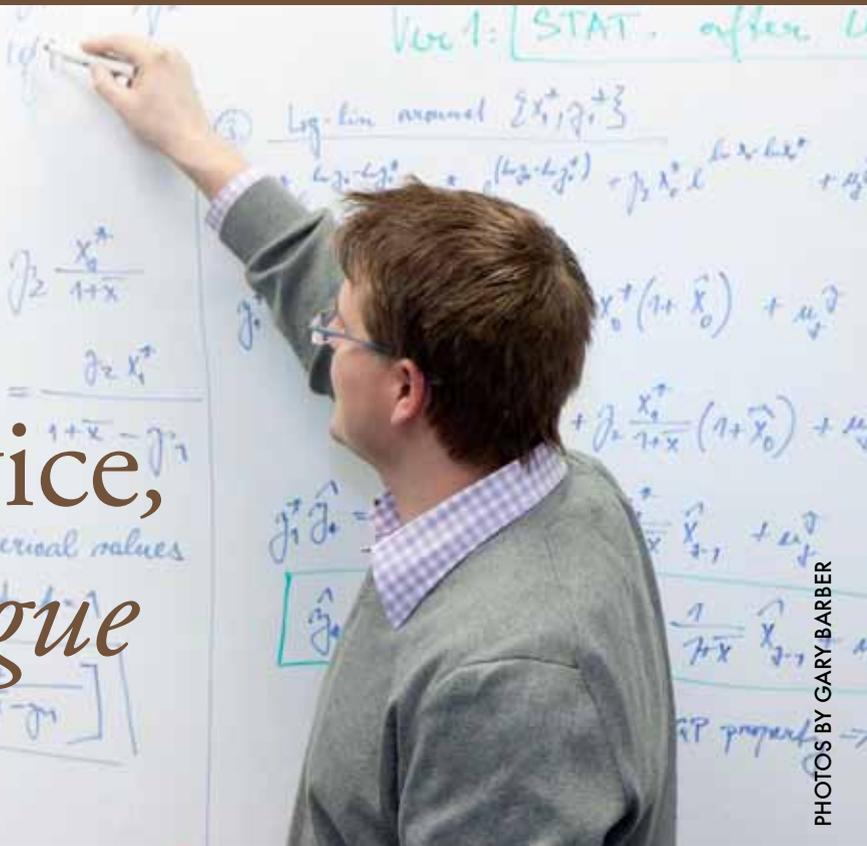
“THE EFFECTIVENESS OF HOMEOWNERSHIP IN BUILDING HOUSEHOLD WEALTH”

By Jordan Rappaport
KansasCityFed.org/publications

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.

About... A Federal Reserve Economist

*Research,
policy advice,
public dialogue*



PHOTOS BY GARY BARBER

Curious about the economy? Wondering about quantitative easing? Inflation? Unemployment? Interchange fees? Banking conditions? Prospects for agriculture, energy or manufacturing?

Research by economists and other research staff at the Federal Reserve Bank of Kansas City provides an in-depth perspective on economic developments around the globe, across the nation, and within its seven-state region. The Kansas City Fed's research findings support the Federal Reserve's three mission areas: monetary policy, banking supervision and the payments system.

Fed economists, similar to academic economists, explore questions of fundamental economic importance and emphasize effective communication of their research findings. The distinguishing feature for the Fed economist,

however, is his or her audience includes the Fed's senior management, policymakers, and the public, in addition to other professional economists, says Alan Barkema, Kansas City Fed senior vice president and director of research.

A Fed economist's job starts with high quality research, guided by real-time policy needs, that is communicated well. Fed economists rely on their economic intuition to frame their research questions in a useful way.

"We have questions that we need to answer—important and timely policy questions," Barkema says. "There's a sense of engagement—an adrenaline rush—that comes with being involved in such critical work."

That, the economists say, is what brings them to work at the Fed and what keeps them working at the Fed.

"Our vision is trust and confidence and

we walk that talk,” Barkema says. “We’re the nation’s central bank.”

Role of Fed economists

“Fundamentally, we’re policy advisors,” Barkema says. “We know the research we do here has practical application.”

Much of the economists’ work supports Kansas City Fed President Tom Hoenig, who is a member of the policy-setting Federal Open Market Committee. The FOMC is made up of the Federal Reserve Board of Governors and five of the 12 Reserve Bank presidents, who vote on a rotating basis. But all 12 presidents contribute to the discussion, bringing unique perspectives from their geographic regions.

Barkema’s role as research director is to guide staff members as they identify research projects to support Hoenig’s FOMC discussions and the Federal Reserve’s mission



THE WORK OF KANSAS CITY FED ECONOMISTS and other research staff supports the Fed’s three mission areas. “Our research—both fundamental and applied—provides a foundation for our Reserve Bank’s efforts in monetary policy, supervision, and the payments system,” says Alan Barkema, Kansas City Fed director of research.

Read economists’ work featured in a variety of free publications. Visit [KansasCityFed.org/publications](https://www.kansascityfed.org/publications).

- **The Economic Review:** A quarterly research publication with articles on issues relevant to the Federal Reserve, including macroeconomics and monetary policy, regional and international economics, banking, financial markets and payments systems.
- **The Main Street Economist:** A bimonthly publication discussing major economic issues and opportunities for agriculture and rural America.
- **Payments System Research Briefings:** A periodic publication focused on the types of payments methods, developments in payments networks and various participants’ roles in the payments system.
- **Financial Industry Perspectives:** An online publication with articles on banking topics and issues, including lending, market structure, electronic banking and more.
- **Proceedings, working papers, newsletters and more,** such as the Basics for Bank Directors book, which is a reference guide that details the processes for promoting banks’ stability, growth and success in today’s economic environment, and the Community Connections online newsletter that provides information on community and economic development trends that affect small businesses and low- and moderate-income communities.

areas. He also joins Hoenig at the FOMC meetings, where Barkema sees first-hand the important contribution of the Kansas City Fed's research.

Fed economists regularly brief their Reserve Bank's Board of Directors, which makes a recommendation on the level of the discount rate every two weeks, subject to action by the Federal Reserve Board of Governors in Washington, D.C. The discount rate is the interest rate charged to commercial banks and other depository institutions on loans they receive from their regional Federal Reserve Bank.

Each of the Reserve Banks and the Board of Governors has its own staff of economists. This provides the Fed with a broader policy perspective shaped both by the individual

viewpoints of the FOMC participants and by an understanding of developments across of the nation.

"Although monetary policy is set in Washington, D.C.," Hoenig says, "the FOMC discussions include grassroots information from every region in the country."

These efforts are supported by the Kansas City Fed's three Branches in Denver, Oklahoma City and Omaha, which also house economists.

Additionally, part of the economists' role is to help the public understand what the Fed does, what the organization sees happening in the economy and how people might be affected. There are two primary ways the economists communicate with the public: speaking engagements and research publications.

Economists, including Hoenig and

MUCH OF THE ECONOMISTS' WORK supports Kansas City Fed President Tom Hoenig, center, who is a member of the policy-setting Federal Open Market Committee. Kansas City Fed Special Advisor on Economic Policy Craig Hakkio, left, and Director of Research Alan Barkema, right, and other staff advise Hoenig on national and regional economic developments and alternatives for monetary policy. Hoenig says this research and grassroots information are vital to the country's policy process.



Barkema, travel extensively to address diverse audiences, such as bankers and other business leaders, academics, educators, civic leaders, policymakers and small business owners. Topics range from the outlook for the national and regional economies to financial reform, policy perspectives, and leadership.

At the same time, research staff members regularly publish their work in top economic journals and Kansas City Fed publications, including *The Economic Review*, *The Main*

- Banking: Including the structure and performance of financial markets, banks and other financial institutions.

- Community Development: Including issues affecting economic prospects in low- and moderate- income communities, such as fair and impartial access to credit.

- Payments System: Including analysis of current trends and new developments in domestic and international payments and the implications for public policy.

“ The better the public understands what we do and why, the more likely our success. ”

Street Economist, *Payments System Research Briefings*, *Financial Industry Perspectives*, as well as proceedings and newsletters. Other published research tools from the Kansas City Fed include the Agricultural Credit Survey, the Manufacturing Survey, the Kansas City Financial Stress Index, and the Low- and Moderate-Income Survey. All are free and accessible to the public.

“The better the public understands what we do and why,” Barkema says, “the more likely our success.”

Deep understanding, wide breadth

The Kansas City Fed’s research focus areas are:

- Macroeconomic and Monetary Policy: Including the theory and practice of monetary policy and how it affects macroeconomic performance and financial stability.

- Regional Economics: Including developments in markets for labor, capital and other resources in the region’s unique economic geography, and the performance of the region’s major industries, such as agriculture, energy and manufacturing.

Because of the expansive geographic reach of the Tenth Federal Reserve District, which includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico, the economists rely on relationships around the region. This includes members of the Boards of Directors, who represent all seven states in the District.

“The Fed’s breadth is so important. It’s important for us to track all facets of the economy,” Barkema says. “At the same time, we watch our region very closely. We pay particular attention to agriculture and energy in our region—both industries play a critical role in the national economy and we are in a unique position to bring that perspective onto the national table.”

For more information, including economists’ biographies and recent research and speeches, visit KansasCityFed.org/research.

T
BY BRYE STEEVES, EDITOR



Watch and learn: Kids' money attitude often models parents'

Michele Wulff is a former public school educator of 30 years and a 2007 recipient of the peer award "Excellence in Teaching Economics." As an economic education coordinator with the Kansas City Fed, she works to heighten financial literacy throughout the seven states of the Tenth District.

What attitudes about money are your kids learning? Is it "a penny saved is a penny earned," or more like "do as I say, not as I do"?

Even if your lessons are not overt, you as the parent are teaching your children their first financial lessons simply by how you handle your own money. Do they see you worry about the consequences of every purchase? Or do they watch you spend with little thought of the future? Do they notice you saving for key purchases, or just hoping to save? Because parents are money role models, maybe it's time to analyze your approach to money management to make sure you're sending the right message.

Your overall money mindset can be described as your "money personality." A variety of these personalities have been identified by psychologists, and I have narrowed them to five basic types: the saver, whose joy comes from socking dollars away for the future; the avoider, who pushes any thought of money out of his or her mind; the spender, who lives for the thrill of the purchase; the giver, whose satisfaction comes from buying for others first; and the worrier, who constantly stewes about purchases and possible financial emergencies. To best identify your personality, try the "Money Make-Up" quiz on Page 18.

Once you're aware of your perspective on money management, think of the advantages

and disadvantages of your approach to money issues. If you're a spender, an advantage might be a positive attitude about money and what it can buy. A disadvantage might be spending beyond your means and the debt that follows. If you're a saver, your planning for future needs is a definite plus, but your tendency to delay buying needed purchases may be stressful to your family. The key is to keep in mind the disadvantages associated with your type so you can minimize any negative effects on your kids' view of money. If they often see you reaching for the credit card, make an effort to show them your monthly bill-paying routine. If you tend to worry about money aloud, make sure to comment that you have an amount safe and sound in the bank. Whatever your type, you need to send the message that your money management is under control. This positive attitude will set the tone for your child's lifelong money management skills.

To help kids develop their own healthy money personalities, try incorporating hands-on lessons by involving them in practical, everyday activities, tailored appropriately to their age. Here are a few examples:

- To foster smart spending for younger kids, teach them to comparison shop using grocery ads and when selecting items at the store. Ask them to cut and be in charge of coupons.
- To foster saving, challenge them to save half of the amount needed for their goal. As extra incentive for them to save, tell your children you will match their savings once they reach that halfway mark.
- To foster a better focus on money matters without the anxiety for older kids, help them set up a weekly or monthly budget so they are sure their income meets their expenses.

- To foster giving, ask them to research nonprofit organizations to find a cause they believe in. They could set aside a percentage of their monthly allowance or earnings to donate to their cause.

Additionally, discuss some commonly heard money adages with your kids so they truly understand their meanings. Ask them to complete the sayings on Page 19 and discuss the wisdom of each. Be sure to ask them which ones suggest using money wisely or unwisely.

Keep in mind that it's never too late to improve your own money management skills. You may need the help of a money-savvy friend or the guidance of a credit counselor to steer you in the right direction. If you can change to a more positive money-handling approach, you can eliminate passing on bad habits to those watching—and learning from—you.



Financial Education Resources

The Kansas City Fed is committed to promoting economic and financial literacy and greater knowledge of the Federal Reserve's role by providing resources for teachers, students and the public. Visit our website at [KansasCityFed.org/education](https://www.kansascityfed.org/education) for more information.

Federal Reserve Resources Online:

"Common Cents: 'Tis the season for smart spending" (*TEN*, Fall 2009)

This column offers activities to hone comparison shopping skills. For ages 6 -12.

"Common Cents: Resolutions help kids start new year with financial awareness" (*TEN*, Winter 2010)

This column has suggestions on goal-setting for wise saving and spending. For ages 6 -12.

"Kids and Money: Teaching Children to Manage Their Finances"

This booklet helps parents teach school-age children how to manage money. It highlights the topics of planning, saving and budgeting with suggested family activities. For ages 6 -10.

"Great Minds Think: A Kid's Guide to Money"

This booklet has lessons on money management that include ideas for earning, spending, saving and budgeting, along with activities to reinforce concepts. For ages 8 - 11.

Fiction Books:

The Berenstain Bears' Trouble with Money by Stan and Jan Berenstain
Brother and Sister Bear find ways to earn money for a video game. In the process, they work to find a middle ground between being spendthrifts and little misers. For ages 4 - 8.

Non-Fiction Books:

The Kid's Guide to Money: Earning It, Saving It, Spending It, Growing It, Sharing It by Steve Offinoski

This book explains money in kid-friendly terms and encourages good financial behavior. Topics include moneymaking ideas, budgeting, consumer advice and charitable giving. For ages 9 - 12.

The Complete Idiot's Guide to Money for Teens by Susan Shelly

This book discusses the influence teens have as consumers and the importance of not being taken advantage of by retailers. Suggestions are given for wise spending and budget tracking, as well as earning, saving and investing. For teens.

Master Your Money Type: Using Your Financial Personality to Create a Life of Wealth and Freedom by Jordan E. Goodman

This book helps you classify your money type and learn to keep your emotions from causing destructive or inadequate money management patterns. For adults.

What is Your Money Make Up?



Peg your money profile with this quiz. For each prompt, choose the answer that best fits your actions. Then determine your most common letter choice and check the key below for your profile type.

1. My goals about money include:

- A) Saving most of it now, so I have no financial worries later in life.
- B) Having no clearly defined financial goals.
- C) Having enough on hand to buy whatever I want.
- D) Having enough to buy basic needs, then spending the rest on others.
- E) To stop worrying about the cost of my purchases.

2. When it comes to spending money:

- A) I'm only comfortable with spending once I've socked some away for the future.
- B) I don't care where my money goes. I want to focus on other things.
- C) I love spending money, and I tend to spend more than I earn.
- D) I like to be generous and buy for everyone else first.
- E) I hope I'll have enough money for unexpected expenses.

3. When it comes to saving money:

- A) Saving regularly is easy for me.
- B) I know I should be saving, but I never seem to do it.
- C) I save only for absolute necessities.
- D) I save in order to be able to donate larger amounts.
- E) It bothers me that I have trouble saving.

4. My feelings about credit cards are:

- A) I avoid using credit if at all possible.
- B) I often forget to pay my credit card bills until I get a warning notice.
- C) I use credit cards often and make the minimum payment.
- D) I don't like the materialism associated with credit cards.
- E) I think about my credit card bills a lot.

5. When I'm feeling down, spending money:

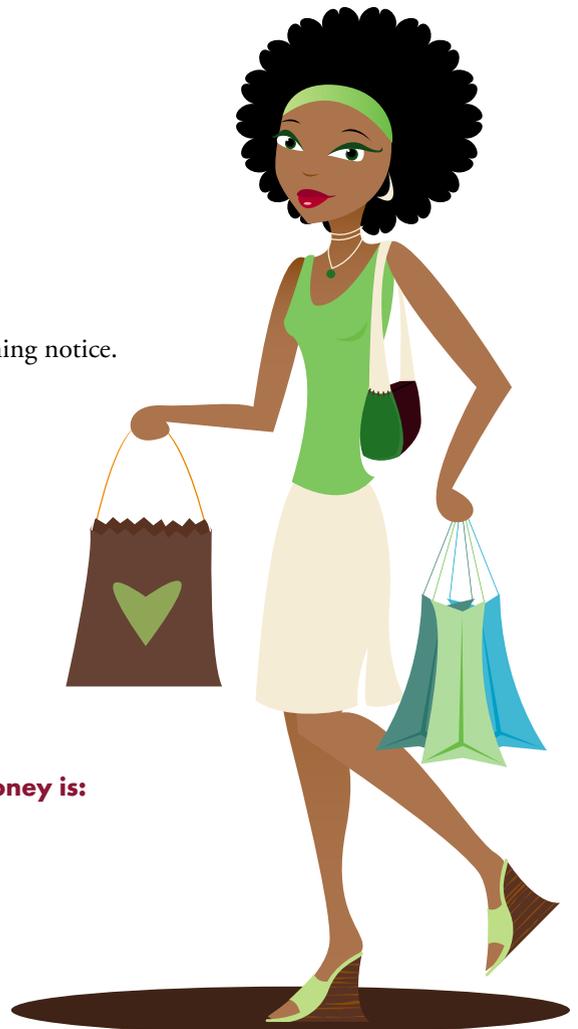
- A) Won't help me feel better like saving does.
- B) Doesn't even cross my mind.
- C) Always makes me happier.
- D) Does not bring true happiness.
- E) Just makes me feel anxious.

6. The saying that describes my relationship with money is:

- A) A penny saved is a penny earned.
- B) There are plenty of things that money can't buy.
- C) You can't take it with you, so enjoy it now.
- D) It's better to give than receive.
- E) Loans and debts make worry and frets.

Money Profile Key:

A = Saver; B = Avoider; C = Spender; D = Giver; E = Worrier.



Money Sayings for Kids



Try to complete these popular sayings about money.
Ask a family member or friend for help on the hard ones.
Check answers below. Challenge: Explain the meaning of each money saying.

1. Money doesn't grow... _____ .
2. Put your money where... _____ .
3. Money burns a hole... _____ .
4. A fool and his money... _____ .
5. Money is the root... _____ .
6. Money makes the world... _____ .
7. Money can't buy... _____ .
8. Show me... _____ .

Write your own saying about how you should use money wisely:

Key:

1. on trees. 2. your mouth is. 3. in your pocket. 4. are soon parted.
5. of all evil. 6. go 'round. 7. happiness. 8. the money.

BROAD REPRESENTATION, REGIONAL ROOTS

KANSAS CITY FED RELIES ON DIRECTORS FOR INSIGHT

As designed by Congress in 1913, the Federal Reserve is an innovative blending of public and private institutions. While the Board of Governors in Washington, D.C., is a government agency with broad oversight responsibilities, there are 12 regional Federal Reserve Banks located throughout the United States that are under the direction of local Boards of Directors. In addition to oversight responsibilities for their respective Reserve Banks, the regional Fed directors serve as a critical conduit between their local communities and the nation's central bank, offering insight and counsel on the economy drawn from their own expertise and contacts.

This system of the independent regional Reserve Banks, which also have affiliated Branch offices, are in direct recognition of the value Americans place on limiting influence and ensuring broad representation. Prior to the Federal Reserve, the United States had made two attempts at a central bank, but large areas of the country, especially along the frontier and in the South, felt the institutions were too closely aligned with the power centers of the Northeast, and the institutions were abandoned.

The Tenth Federal Reserve District includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. The Kansas City Fed has three Branch offices, Denver, Oklahoma City and Omaha, in addition to its headquarters.

Here's a closer look at four Tenth District directors:



DAVID BROWNBACK
KANSAS CITY DIRECTOR

DAVID BROWNBACK

Before he was a director, David Brownback learned about the role first hand.

Brownback, president and CEO of Citizens State Bank & Trust Co. since 2004 in Ellsworth, Kan., was a student at Ottawa University when one of his professors, Wayne Angell, was elected to serve on the Federal Reserve Bank of Kansas City's Board.

"Dr. Angell discussed his board service with his students, which I found very interesting," says Brownback, who joined the Kansas City Fed's Board of Directors in 2010. "I had no idea at that time that I might have the same opportunity."

As head of a locally owned community bank that was founded in the rural central Kansas community more than a century ago, Brownback said it is his responsibility to provide the Federal Reserve with insight on what he sees in the local and regional economy.

Additionally, he said he also gives the Fed his insights on the impact of regulations. It is an area where he might have a unique perspective because he started his banking career not at a commercial bank, but as a bank examiner for the Kansas Office of the State Bank Commissioner.

A member of the Kansas Bankers Association's Board of Directors, and active on KBA committees as well as with other banking and community organizations, Brownback is a firm supporter of the Federal Reserve's regional structure.

"The designers of the Federal Reserve System obviously believed the regional bank system held great value," Brownback says. "Having the 12 regional Reserve Banks and their Branches ensures that all areas of the United States are represented."

MARGARET KELLY

As the nation works its way through the aftermath of a financial crisis where housing played an important role, Margaret Kelly's insight proves especially valuable. Since October 2005, Kelly has been CEO of RE/MAX, the global real estate network of franchisee-owned and operated offices. RE/MAX counts more



than 90,000 agents in its ranks and is active in 85 countries.

Kelly was appointed to the Board of Directors of the Kansas City Fed's Denver Branch in 2010.

"I'm thrilled to be able to bring the view of realtors to the Federal Reserve," Kelly says. "I'm able to get a lot of feedback from realtors who have boots on the ground, and relate that back to the Fed."

Kelly, who has received numerous awards and honors for her work in real estate, says her involvement with the Denver Branch has not only provided an opportunity to offer her insight to the Fed, but also has offered her insight into the central bank and the network it relies on to monitor the nation's economy. Kansas City Fed President Tom Hoening frequently notes that the directors are



critical sources of information on emerging economic issues.

Kelly says that after becoming a director, she quickly realized “it really is business leaders in communities getting to share what we learn with the Federal Reserve and also sharing what we learn from the Federal Reserve back to the community.”

How important are the Federal Reserve’s Bank and Branch offices outside of the power centers of Washington, D.C., and New York?

“About 150 percent important,” Kelly says. “What I think we learned in the last election is people are sick of politics, they want things done in their communities that they can see. The Fed is in their communities.”

STEVEN AGEE

Steven Agee’s insight spans far beyond the classroom.

Agee is currently interim dean and professor of economics at the Meinders School of Business at Oklahoma City University, but he is also president and chief operating officer of Agee Energy and has been deeply involved in energy and economic issues in Oklahoma. He’s served on the Board of Directors of the Kansas City Fed’s Oklahoma City Branch since March 2006 and is currently its chair.

His connections proved valuable during the most recent financial crisis.

“I truly believe there was an expectation that we could determine, through contacts in the energy industry, when significant changes were about to occur,” Agee says. “When we began to experience the decline in the general economy in 2008, I watched for signs of change in the energy industry.”

Those signs included applications for what is known as “intents to drill” and staking of wells for locations to be drilled. Agee, who is in close contact with those in the energy industry, also monitored weekly reports of rig activity.

“As it turned out, we were able to predict, with extraordinary accuracy, the timing of the decline in the energy sector and the impact of falling oil and natural gas prices on gross production tax revenue—a critical component of state revenue in Oklahoma,” Agee says.

As an economics professor, Agee was extremely familiar with the Fed’s role prior to joining the Oklahoma City Branch Board. He also believes very strongly in the Fed’s regional structure and takes pride in noting that Oklahoma Sen. Robert Owen played a critical role in getting the Federal Reserve Act approved in 1913.

“Fortunately, the Federal Reserve Act

established a regional system with a central board located in Washington, D.C., essentially a compromise regarding the balance of power,” Agee says. “We still need the regional reserve banks to maintain this balance.”

TODD ADAMS

Todd Adams is the Federal Reserve’s connection to western Nebraska.

Adams is the CEO of Adams Bank & Trust in Ogallala, Neb. It is a fourth generation family-owned bank with locations in Nebraska and Colorado. Since joining the Board of Directors of the Kansas City Fed’s Omaha Branch in 2007, Adams says he has worked to keep the Federal Reserve apprised of the insight he gains on local economic issues while also keeping his community aware of what the Fed does and its role, especially during the financial crisis.

Adams says that, as a community banker, he also believes it is critical to “become involved and to nurture and defend the Federal Reserve System” particularly as some suggest the need for change in the central bank’s structure.

“The regional Federal Reserve Banks continue to give the Fed the legitimacy it needs

to be the nation’s independent central bank,” Adams says. “The citizens in our District want to make sure that their interests are being considered and that the Fed’s policies benefit Main Street as well as Wall Street.”

As a banker, Adams was familiar with the Federal Reserve before joining the Omaha Board, but says he now has a more comprehensive understanding of the important role that he and others play in keeping the Federal Reserve connected to the nation’s communities.

“I have become aware of the diversity of opinion the Fed solicits in formulating monetary policy from its directors, and how crucial this is to the Fed performing its role in formulating policy that benefits all Americans,” Adams says.

T

FOR MORE INFORMATION on the Kansas City Fed’s directors, bios and more, visit KansasCityFed.org/aboutus/leadership.



TODD ADAMS
OMAHA DIRECTOR

PHOTO BY BOB GREENSPAN

New 10-J Currency Design Studio opens for business

A new interactive exhibit at the Federal Reserve Bank of Kansas City's Money Museum lets visitors join the ranks of George Washington, Alexander Hamilton, Benjamin Franklin and others who appear on the nation's currency.

The 10-J Currency Design Studio allows visitors to have their digital photo taken to include on their own customized currency, along with other graphics, colors and sayings of their choosing through interactive touch screens. The studio can e-mail the completed currency for printing out at home or posting online.

The Money Museum provides an in-depth and behind-the-scenes look at the operations of the Kansas City Fed and its role in the economy. Admission, all exhibits and parking are free.

For more information, visit KansasCityFed.org/MoneyMuseum.



Unfit currency shredded, repurposed as souvenirs, educational art

The Kansas City Fed gives away about \$11 million every year. But first, it's shredded.

For decades, visitors to the Kansas City Fed's Money Museum have received a bag of about \$165 in shredded currency. They are also available at the newly opened Money Museum in Denver as well as at events around the region.

Currency that is deemed too old or worn for circulation is shredded by a high-speed sorting machine at the Kansas City office. The Kansas City Fed staff boxes the shreds and sends them to a community sheltered workshop to be stuffed and sealed.

The annual Shred Challenge for Kansas City-area high school art students is another use for the unfit currency. Along with a lesson in economics, each student receives five bags worth of shreds with which to create an original artwork. The pieces are then displayed and judged at the Kansas City Fed. Part of the Kansas City Fed's focus is to work with educators to promote economic and financial literacy in the classroom. For more information on the Money Museum, visit KansasCityFed.org/MoneyMuseum. For more information on educational events, including Shred Challenge, visit KansasCityFed.org/education.



Kansas City Fed announces new council dedicated to small institutions

The Kansas City Fed has formed a new Community Depository Institutions Advisory Council (CDIAC) dedicated to financial institutions with less than \$10 billion in assets. Council members will provide input to the Kansas City Fed and its senior management on the economy, lending conditions and other issues.

Members represent banks, thrift institutions and credit unions and provide diverse views from community institutions across the Tenth Federal Reserve District, which includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. One of the 12 members, Michael Kloiber, president and CEO of Tinker Federal Credit Union at Tinker Air Force Base, Okla., is this District's representative to meet twice a year with the Federal Reserve System's Board of Governors in Washington, D.C.

Other advisory councils at the Kansas City Fed include the Economic Advisory Council, the Advisory Council on Payments and the Community Development Advisory Council. All members are made up of a variety of industry representatives, including business, labor, banking, education and more, from around the District. Each member lends his or her expertise and geographic perspective to advise the Kansas City Fed on economic conditions.

For more information on the Kansas City Fed's Advisory Councils, visit KansasCityFed.org/aboutus/leadership.

2011 CDIAC members:

Ted Bentley, president and CEO, First State Bank, Torrington, Wyo.

Brad Crain, CFO, Union Bank & Trust Co., Lincoln, Neb.

Doug Crichfield, president and CEO, Solera National Bank, Lakewood, Colo.

John Dicus, president and CEO, Capitol Federal Savings Bank, Topeka, Kan.

Charles Emmer, president and CEO, ENT Federal Credit Union, Colorado Springs, Colo.

Jane Haskin, president and CEO, First Bethany Bank & Trust, Bethany, Okla.

Mike Kloiber, president and CEO, Tinker Federal Credit Union, Tinker AFB, Okla.

Hod Kosman, president, Platte Valley Bank, Scottsbluff, Neb.

James Robinson, president and CEO, Nodaway Valley Bank, St. Joseph, Mo.

Jeff Schmid, CEO, Mutual of Omaha Bank, Omaha, Neb.

Ron Shettlesworth, president and CEO, Main Bank, Albuquerque, N.M.

Alex Williams, president, Halstead Bank, Halstead, Kan.

Money Smart events promote financial literacy

April is the month to get smart about your money. The Kansas City Fed and its Branch offices are hosting Money Smart events in Missouri, Kansas, Oklahoma and Colorado to spread the message of financial literacy and education. Events in Nebraska are this fall. As part of the event, a number of free personal finance sessions will be open to the public.

These presentations will cover a variety of topics, including tools, tips and resources for your taxes; preventing frauds, scams and identity theft; budgeting and investment strategies in difficult times; and tips for home purchasing and estate planning.

Learn more about Money Smart programs:

Money Smart Month Kansas City
(April 1 - 30) moneysmartkc.org

Jump\$tart Your Money Week Oklahoma
(April 23 - 29) kcfed.org/okfined/jymweek/

Money Smart Week Colorado
(April 23 - 30) moneysmartcolorado.org

Money Smart Week Wichita
(April 25 - 30)



Fed Governor Raskin in Kansas City

Federal Reserve Gov. Sarah Bloom Raskin visited the Kansas City Fed Jan. 5 and spent the day touring the facility and in meetings. The purpose of Raskin's visit was to stay current on regulatory issues.

She was invited by Kansas City Fed President Thomas Hoenig to speak to bank supervisors and officers at a session that was also attended by John Munn, director of the Nebraska Department of Banking and Finance. Raskin closed her visit at a question-and-answer session with officers of the Kansas City Fed.

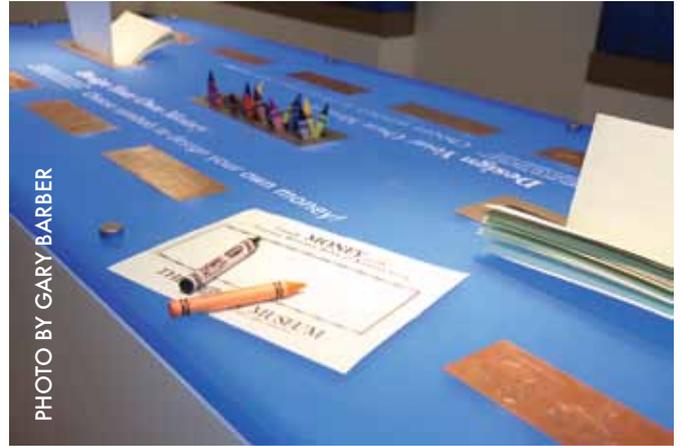
Raskin was sworn into the Board of Governors in October 2010.

Hundreds visit new Money Museum in Denver

Since opening in December 2010, the Money Museum at the Kansas City Fed's Denver Branch has hosted nearly 200 visitors in its first two months.

The Money Museum, which is modeled after the one in Kansas City, is open to the public for guided and self-guided tours to learn about the economy and the Federal Reserve. Additionally, the Conference Center at the Denver Branch, which opened in conjunction with the Money Museum, has hosted nearly 700 guests since opening.

The Denver Branch is in the heart of downtown on the popular 16th Street pedestrian mall. The U.S. Mint is nearby. For more information on the Denver Branch, visit KansasCityFed.org/Denver, and for more information on the Money Museum, visit KansasCityFed.org/moneymuseum.



Enjoy what you're reading, but not a subscriber?

TEN is a free, quarterly magazine published by the Federal Reserve Bank of Kansas City. You can have TEN delivered to your inbox or mailbox and learn how the Fed and the economy affect you. Other free publications from the Federal Reserve are also available.

To browse our selection and then order or subscribe, visit KansasCityFed.org/publications.



Nonprofit Directory provides links to resources, organizations

The Kansas City Fed's Community Affairs department has launched an online directory, providing a resource for regional nonprofits to share more about their programs.

The Nonprofit Directory, available at FindANonprofit.kcfed.org, lists information about services, classes and other initiatives organized by nonprofits. Users can search the directory by services, name, location, subject and more.

Listing in the directory is free for nonprofit organizations that meet specified criteria. Through the directory, organizations are able to share information about their programs and resources and link back to their own organization's website. All content submissions are reviewed by the Kansas City Fed prior to posting.

The Community Affairs department also recently conducted an assessment of the region's nonprofits in order to identify ways to help organizations sustain their efforts to assist low- to moderate-income populations.

The assessment revealed common concerns, including the ongoing ability of nonprofits to serve clients, nurture strong and sustainable executive leadership, build committed boards and expand staff knowledge. As a result, the Kansas City Fed is developing free onsite and web-based resources and training programs.

For more information, go to KansasCityFed.org/community, or contact Erika Ramirez, Community Affairs advisor at the Kansas City Fed, at (816) 881-2480.

'Community Connections' newsletter highlights research, events

To keep the public better informed about events, initiatives and research involving community and economic development issues in the Tenth Federal Reserve District's low- and moderate-income (LMI), nonprofit and small business communities, the Kansas City Fed's Community Affairs department has launched a free, quarterly online publication, *Community Connections*.

The Kansas City Fed's geographic region includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. Community Affairs professionals promote community development, and fair and impartial access to financial products through research, relationship building and resource development. The Federal Reserve believes a strong economy fosters growth and opportunity for everyone.

The newsletter has focused on the Kansas City Fed's LMI Survey, Community Affairs events across the region, and social entrepreneurship, foreclosure scams and why some consumers spurn banking relationships. To read past issues of *Community Connections* or to sign up to receive future issues, visit KansasCityFed.org/community.



Index by Kansas City Fed measures stress in U.S. financial system

The Federal Reserve Bank of Kansas City has developed an index to measure financial stress in the nation's economy. The KCFSI is a monthly gauge of 11 variables reflecting stress in the U.S. financial system.

The variables range from various credit spreads, which measure the difference in yields on different types of corporate and Treasury bonds, to measurements of the volatility of the overall stock market and bank stocks in particular.

Variables are plugged into a program that calculates an index value. A positive value indicates financial stress is above the long-run average, while a negative value indicates lower-than-average stress. Historical data were used to test the accuracy of the index, confirming that it matched up with widely known past periods of known financial stress.

The KCFSI was developed by Assistant Vice President and Economist Bill Keeton and Senior Vice President and Special Advisor on Economic Policy Craig Hakkio. The Bank of Canada and the International Monetary Fund have their own financial stress indicators, but there was nothing similar focusing on the United States.

To see current and past levels of the KCFSI, and to sign up for e-mail alerts for future KCFSI releases, visit KansasCityFed.org/research.

Bank Anniversaries

The following banks in the Tenth Federal Reserve District are celebrating one, five, 10, 20 or more years as Federal Reserve members in April, May or June.

Sundance State Bank	Sundance	Wyo.	80
First Nebraska Bank	Valley	Neb.	77
First State Bank	Ness City	Kan.	77
Bank of Hartington	Hartington	Neb.	75
Bankwest of Kansas	Goodland	Kan.	72
First Bank B&TC	Larned	Kan.	69
First State Bank of Colorado	Hotchkiss	Colo.	69
First State Bank in Temple	Temple	Okla.	68
Citizens-Farmers Bank Cole Camp	Cole Camp	Mo.	66
Bank of Commerce	Rawlins	Wyo.	33
Citizens Bank of Edmond	Edmond	Okla.	30
Bank of Jackson Hole	Jackson	Wyo.	29
Bankers Bank	Oklahoma City	Okla.	25
Castle Rock Bank	Castle Rock	Colo.	25
American Heritage Bank	Sapulpa	Okla.	10
Bank of Blue Valley	Overland Park	Kan.	10
First B&TC	Clinton	Okla.	10
1st Bank	Evanston	Wyo.	5
Citizens Bank of Oklahoma	Pawhuska	Okla.	5
Patriot Bank	Broken Arrow	Okla.	5
First Bank & Trust of Fullerton	Fullerton	Neb.	1
First Community Bank	Beemer	Neb.	1

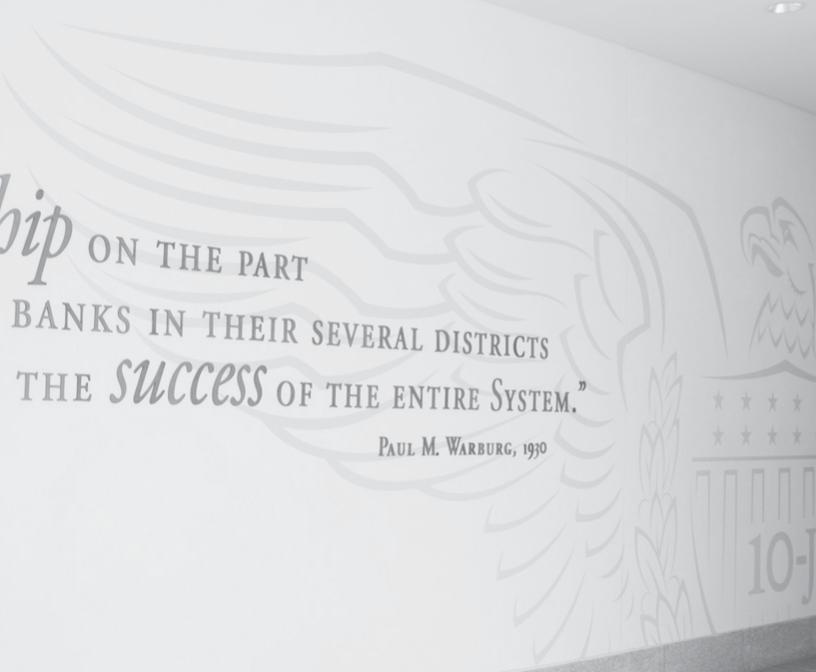


BY SARAH KEMP, TEN CONTRIBUTING WRITER

COMMENTS/QUESTIONS are welcome and should be sent to teneditors@kc.frb.org.

2010 Annual Report

FEDERAL RESERVE BANK *of* KANSAS CITY



“STRONG *leadership* ON THE PART
OF THE RESERVE BANKS IN THEIR SEVERAL DISTRICTS
IS A PREREQUISITE FOR THE *success* OF THE ENTIRE SYSTEM.”

PAUL M. WARBURG, 1930

10-J

The Federal Reserve Bank of Kansas City and its Branches in Denver, Oklahoma City and Omaha has three broad focus areas: contributing to monetary policy that promotes stability and growth; providing supervisory and regulatory oversight to financial institutions; and promoting safe and efficient financial services.

This annual report includes information on the leadership and Divisions of the Kansas City Fed and its Branches.

The audited 2010 financial letters, statements and notes for the Federal Reserve Bank of Kansas City are online at KansasCityFed.org.

The Work of the Federal Reserve Bank <i>of</i> Kansas City	32
The Office of Minority and Women Inclusion.....	34
Management Committee.....	39
Boards of Directors.....	40 – 44
Advisory Councils	45 – 47
Roundtable Participants.....	48 – 49
Tenth District Officers.....	50

THE WORK OF THE FEDERAL RESERVE BANK *of* KANSAS CITY

Its **mission** is to contribute to monetary policy; provide supervisory and regulatory oversight; and offer safe, reliable and efficient financial services to depository institutions. Its **vision** is to inspire trust and confidence among financial institutions, the public and central bank colleagues.

Its **values** are integrity, service and personal growth and development.

The Bank and its Branches in Denver, Oklahoma City and Omaha serve the Tenth Federal Reserve District, a large and diverse geographic area that includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. Here is a look at the Fed's operations and its divisions.



ADMINISTRATIVE SERVICES

This division performs a variety of services to keep the internal operations of the Federal Reserve Bank of Kansas City running smoothly on a daily basis. Functions include maintaining the Reserve Bank's facilities; providing a safe and secure environment; developing and implementing human resources strategies to meet the evolving needs of the Fed's workforce and environment; developing the budget; and providing accurate financial accounting and reporting. The division also houses the Office of Minority and Women Inclusion (OMWI), which is responsible for overseeing the Bank's diversity initiatives as outlined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. In November, the Bank appointed an officer as director of OMWI to incorporate the office's requirements into the Bank's existing diversity and inclusion efforts. Facilities Management, Protection, Human Resources, and Financial Management are included in this division, which employs 279 people.

AUDIT

Audit provides an independent and objective assessment of the Tenth Federal Reserve District's internal controls, risk management and governance processes to the

Board of Directors, senior management and the Board of Governors. This division employs 19 people.

CHECK AUTOMATION SERVICES/ PAYMENT DIRECTOR PROJECT

This division is responsible for providing a substantial portion of the technical support for the Federal Reserve System's paper and electronic check systems. In addition, the division is leading the Payment Director Project for the Federal Reserve System's Retail Products Office. The Project was initiated to implement a more efficient electronic check-processing system. The division employs 99 people.

ECONOMIC RESEARCH

The division focuses its research on monetary policy, macroeconomics, the payments system and other issues of importance to the Federal Reserve Bank of Kansas City and the Federal Reserve System. Through publications and presentations, staff members communicate their research findings to the Bank's senior management and directors, policymakers, other researchers and the general public. Annually, the division, in collaboration with Public Affairs, develops and hosts the prestigious Jackson Hole Symposium in Wyoming, where central bankers, economists,

policymakers and academics from around the world gather to discuss global economic topics. The division employs 42 people.

FINANCIAL SERVICES

Financial Services provides financial institutions across the country with services and support to assist them in accessing the payments system and meeting their customers' demand for currency and coin. Through Cash Services, Wholesale Operations, Check Services, the Customer Contact Center and Sales departments, the division receives deposits and distributes currency and coin; provides secure and timely transfers of funds and securities between banks; supports the paper and electronic check-clearing network; provides customer support and access to payments networks; consults with and sells payments services to financial institutions and manages customer relationships; and provides service to consumers nationwide who have questions or complaints about their financial institution. This division employs 191 people.

INFORMATION TECHNOLOGY

The Information Technology Division works to support the efforts of business areas in the Bank and the Federal Reserve System through innovative information technology solutions. This division includes Information Security, the National Service Desk, Internal Network Services, the Server Management Transition Project, Application Delivery Services and Treasury Services. Information Technology employs 224 people.

LEGAL

The Legal Department serves as the Kansas City Fed's counsel. It provides advice to management and the Board of Directors; represents the Kansas City Fed in administrative and judicial proceedings; assists the Kansas City Fed in complying with applicable law; counsels employees concerning the Kansas City Fed's Code of Conduct; and helps educate employees on legal issues. This division employs six people, including four lawyers.

REGIONAL, PUBLIC AND COMMUNITY AFFAIRS

The division's two primary responsibilities are research and communications. The division's economists track developments in the District's economy and present their findings to senior management as part of the Bank's monetary policy deliberations. Through publications, media relations, electronic communication and educational programs, Public Affairs works to explain the Fed's purpose and functions. Community Affairs promotes economic development through fair and impartial access to credit throughout the District. This division employs 58 people.

SUPERVISION AND RISK MANAGEMENT

The Supervision and Risk Management Division is responsible for supervising bank holding companies and state-chartered member banks in the Tenth District. These responsibilities include conducting examinations of these institutions to ensure a safe and sound banking system. Staff also examine banks for compliance with consumer laws and regulations and for performance under the Community Reinvestment Act. With the passage of the Dodd-Frank Act, the division will also take on responsibility for the supervision of savings and loan and thrift holding companies in 2011. The division's applications function reviews and analyzes applications received from banking organizations for transactions requiring approval, such as acquisitions, mergers, establishing additional branches and changes in ownership or control. The division's credit and risk management function extends credit to depository institutions and assists organizations in managing Federal Reserve account balances. Finally, the division collects data from financial organizations, studies financial industry trends, conducts banking research, and hosts seminars and forums for banks throughout the region. This division employs about 300 people.



A DIVERSE APPROACH: KANSAS CITY FED BUILDS ON DECADES-LONG COMMITMENT TO INCLUSION

The Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law in 2010 required each of the 12 regional Federal Reserve Banks to establish an Office of Minority and Women Inclusion (OMWI) by Jan. 21, 2011. The OMWI has oversight of the Reserve Bank's diversity practices.

Though the legislation was new to the Kansas City Fed, many of the activities required are not.

"The requirements outlined in the Dodd-Frank Act are an opportunity for the Kansas City Fed to enhance its current business practices and to provide systematic reporting of our decades-long efforts in minority and women inclusion," says Kansas City Fed President Tom Hoenig. "It is an opportunity we welcome."

Workforce, leadership diversity

The Kansas City Fed, with Branch offices in Denver, Oklahoma City and Omaha, serves the Tenth Federal Reserve District: western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. This District comprises both diverse industries—aviation, agriculture, oil and mineral extraction, military—and communities—rural, urban, Hispanic, Asian and Native American. To fairly serve this diverse District, the Kansas City Fed ensures that those who sit on its boards and advisory councils are strong community and industry leaders who are representative of the District.

The first female chair of its head office

Board of Directors was appointed in 1984. In 2000, the chairs of all four offices' boards were female. Among its minority director alumni is potential 2012 presidential hopeful Herman Cain, who began his service as a director in 1988 and later became the first minority chair of the head office Board of Directors. Today, leaders from the Chickasaw and Potawatomi nations serve as a director and Community Development Advisory Council member, respectively.

At the Kansas City Fed's inception in 1914, a third of its 15 employees were female. Today, with a total employment base of 1,200, the Kansas City Fed has half of its official staff



Linda Capps, vice chairman of the Citizen Potawatomi Nation in Oklahoma, serves on the Community Development Advisory Council.



In this 2000 photo, Kansas City Fed President Tom Hoenig poses with the chairs of the Kansas City Fed's four boards of directors: (from left) Kathryn Paul, Denver; Jo Marie Dancik, Kansas City; Gladys Styles Johnston, Omaha; and Patricia Fennell, Oklahoma City.

positions filled by women, far surpassing the average of comparably sized organizations in Kansas City. More than 50 percent of its senior leadership team, known as Management Committee, is female. Compared to Census Bureau data for the Kansas City area, minority representation on the Kansas City Fed's official and supervisory staff exceeds the average. Additionally, its workforce comprises an array of nationalities, from Japanese to Lebanese—an important asset for a central bank with strong global ties.

“This workforce makeup is possible because of the approach the Kansas City Fed takes to find qualified job candidates,” says Josias Aleman, vice president of the Human Resources Department. “Our net is cast broadly, including urban career fairs, connections with universities’ multicultural centers and advertising in publications that target a range of demographic groups.”

A list of the Kansas City Fed's 2010 Management Committee, boards of directors and advisory councils members begins on Page 38.

To read biographies of senior leaders and board members, as well as a list of alumni board members, visit KansasCityFed.org/AboutUs and click “Leadership.”

Partnership, program diversity

The Kansas City Fed has partnerships with more than a dozen community organizations that promote the advancement of minorities and women, including the Hispanic Chamber of Commerce, the National Black MBA Association, the Black Achievers Society and the Urban League of Greater Kansas City. Staff at all levels participate in, support or serve on the boards of these organizations.

For more than 30 years, the Kansas City Fed has been a corporate sponsor of the Kansas City chapter of INROADS, which seeks to develop and place talented minority youth in professional careers in business and industry. Since 1991, a senior officer has



Senior Vice President Barb Pacheco accepted the 2010 Corporate Plus Award on behalf of the Kansas City Fed for its exceptional contribution to the INROADS organization, which promotes talented minority youth. Pacheco now chairs the INROADS Midwest Region, Inc. Board of Directors.

served on the INROADS Board of Directors. Thirteen years ago, the Kansas City Fed was a founding corporate sponsor of Kansas City's

Nick Hatz was one of many Kansas City Fed volunteers for the 2010 National Teach Children to Save Day. He presents to students at Omaha's Conestoga Magnet School.



Urban Financial Services Coalition. Kansas City Fed President Tom Hoenig received the organization's highest honor, the Nathaniel C. Harris Lifetime Achievement Award, in 2010.

Kansas City Fed staff at all levels also have been long committed to furthering financial literacy for all ages.

"Economic education has been a pillar of our programs for many years," says Krissy Young, vice president of the Public and Community Affairs departments. "We encourage all Kansas City Fed staff to have a role in increasing public understanding of economic matters, and we use a variety of mechanisms—from publications to partnerships with schools and consumer organizations—to help our constituents build their knowledge."

In the late 1980s, the Kansas City Fed established a partnership with Junior Achievement, a worldwide organization that delivers personal finance lessons to children. During the 2009-2010 school year, staff volunteered with Junior Achievement to reach about 800 students in cities within the District. Each year since 2005, dozens of staff members vol-

unteer for the nationwide financial literacy program called "Teach Children to Save Day," delivering economic education lessons at elementary schools throughout District metro areas. In 2010, the Kansas City Fed reached more than 60 schools and 3,000 children in the District.

Annually since 2005, the Kansas City Fed has led weeklong events that connect citizens to programs focused on economic education topics such as saving, investing and more. In 2010, the Kansas City Fed partnered with 289 other organizations to reach approximately 22,000 people in the District.

To learn more about the Kansas City Fed's financial literacy offerings, visit KansasCityFed.org/education.

Supplier diversity

The Kansas City Fed welcomes the opportunity to work with diverse suppliers and service providers. It strongly encourages the



Senior Community Affairs Advisor Paul Wenske meets with Elma Warrick, executive director of HomeFree-USA, during a 2009 event for Kansas City homeowners. The Kansas City Fed develops relationships with community organizations to be a valuable economic development partner.

participation of small, minority- and women-owned businesses for its procurement purposes, including offering a self-registration tool on its website.

For several years, the printing contract for *TEN* magazine has been with a woman-owned printer.

When the Kansas City Fed began the multiyear construction of its new headquarters building in 2005, it initiated a voluntary program with project partners Zimmer Real Estate and J.E. Dunn Construction to emphasize diversity in subcontractors and suppliers. The team reached out to organizations such as the Minority Contractors Association and National Association of Women in Construction to help identify qualified suppliers. At the end of the project, more than 21 percent of the contracts were awarded to women- and minority-owned businesses, and the combined workforce participation of these groups exceeded 16 percent.

“The program’s success went well beyond our expectations,” says Vice President Mark Horan, who led the project for the Kansas City Fed. “Not only were these suppliers instrumental to the overall success of our building project, but also the program we established was so successful that J.E. Dunn now uses it as a model in other projects.”

More information for suppliers is available at KansasCityFed.org, under “Contacts,” “Doing Business with Us.”



For its new headquarters building project, the Kansas City Fed emphasized contracting with minority- and women-owned businesses. Artist Rebecca Bluestone, Santa Fe, NM, created pieces for the main lobby (background).



Donna Ward was appointed senior vice president and OMWI director on Nov. 1, 2010.

OMWI at the Kansas City Fed

On Nov. 1, 2010, the Kansas City Fed appointed Donna Ward as senior vice president and OMWI director. In this role, Ward oversees all OMWI activities at the Kansas City Fed as well as heads the division responsible for recruiting and procurement.

“Diversity is an area of focus for every level of our organization in some way,” Ward says. “With OMWI serving in a coordinating role for these activities, our focus will be refined even further.”

As OMWI director, she also oversees the compilation of the Kansas City Fed OMWI’s annual report to Congress, as required by the Dodd-Frank Act. A copy of this report will be published on the Kansas City Fed’s website, KansasCityFed.org, when it is available in early 2012.

Learn more about the Kansas City Fed’s diversity efforts at KansasCityFed.org/diversity.



BY SARA BRUNSVOLD,
TEN CONTRIBUTING WRITER

Officers | Directors | Advisory Councils

FEDERAL RESERVE BANK *of* KANSAS CITY





Management COMMITTEE

(From left) Ms. Connor, Mr. Hoenig, Mr. Dubbert, Ms. Sellers, Ms. Pacheco, Ms. George, Ms. Ward, Mr. Barkema, Ms. Raley, Mr. Moore

Thomas M. Hoenig

President and Chief Executive Officer

Esther L. George

First Vice President and Chief Operating Officer

Alan D. Barkema

Senior Vice President of Economic Research and Director of Research

Denise I. Connor

Senior Vice President of the Electronic Check Platform Project for the Federal Reserve System's Retail Products Office

Kelly J. Dubbert

Senior Vice President of Check Automation Services, Information Technology and Treasury, and Chief Information Officer

Kevin L. Moore

Senior Vice President of Supervision and Risk Management

Barbara S. Pacheco

Senior Vice President of Financial Services, Cash Services, Wholesale Operations and the Federal Reserve System's Customer Relations Support Office

Diane M. Raley

Senior Vice President of Regional, Public and Community Affairs, and Public Information Officer and Secretary

Veronica R. Sellers

Senior Vice President and General Counsel

Donna J. Ward

Senior Vice President of Administrative Services and Director of the Office of Minority and Women Inclusion

As the Federal Reserve Bank of Kansas City's senior leadership team, the Management Committee guides the organization's mission, vision, values and objectives.

FEDERAL RESERVE BANK DIRECTORS:

GOVERNANCE OF THE DISTRICT; GUARDIANSHIP OF THE SYSTEM

The Board of Directors of a Federal Reserve Bank is filled through a unique blend of appointed and elected positions. The nine-member panel is divided evenly among three classifications. All directors serve staggered three-year terms.

CLASS A

The three Class A directors represent commercial banks that are members of the Federal Reserve System. These directors are bankers who are nominated and elected by member banks within the Tenth Federal Reserve District. This District includes western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico.

Under the Class A category, a director will be elected by a specific group of member banks classified as either 1, 2 or 3. This classification is based on the total amount of capital and surplus for each commercial bank, with Group 1 banks being the largest. Each group within the class elects one director.

For example, Robert C. Fricke, president and chief executive officer of the Farmers & Merchants Bank of Ashland, Neb., is a Class A director, who was elected by, and represents, Group 3 member banks.



CLASS B

The three Class B directors represent the public. Class B directors may not be an officer, director or employee of a bank or a bank holding company. However, these directors are also elected by member banks under the same categories as Class A directors. For example, Richard K. Ratcliffe, chairman of Ratcliffe's Inc. of Weatherford, Okla., is a Class B director elected by Group 2 member banks.

CLASS C

The three Class C directors also represent the public. These directors, however, are appointed by the Board of Governors of the Federal Reserve System.

Like a Class B director, a Class C director may not be an officer, director or employee of a bank or a bank holding company. These directors may not own stock in a bank or a bank holding company. For example, Terry L. Moore, president of the Omaha Federation of Labor, is a class C director. From the Class C directors, the Board of Governors selects one person as chairman and another as deputy chairman.

SERVING ON THE BOARD

Federal Reserve Bank of Kansas City

Reserve Bank directors meet monthly to oversee the Bank's operations and policies and to confer on economic and banking developments. The directors also provide information on economic conditions within the District as a part of the Bank president's preparation for Federal Open Market Committee meetings. Among directors' responsibilities is establishing the Kansas City Fed's discount rate, which is subject to review and determination by the Federal Reserve Board. The directors and their classifications are on Page 41.

SERVING THE BRANCHES

Denver, Oklahoma City and Omaha

Each Branch of the Federal Reserve Bank of Kansas City also has its own seven-member Board of Directors. Four of these directors are appointed by the Federal Reserve Bank of Kansas City while three are appointed by the Board of Governors. Branch directors serve three-year terms and provide their respective Branch Executives with insight on regional economic conditions as well as offer advice and counsel. Branch directors are on Pages 42-44.

Boards of Directors



KANSAS CITY

(From left) Mr. Ratcliffe, Mr. Brownback, Mr. Fricke, Ms. Córdoba, Mr. Gordon, Mr. DeBruce, Mr. Ikard, Mr. Moore, Mr. Stout

Lu M. Córdoba, Board Chairman;

Chief Executive Officer, Corlund Industries
President and General Manager,
Almacen Storage Group
Boulder, Colorado (Class C)

Paul DeBruce, Board Deputy Chairman;

Chief Executive Officer, Chairman/Founder
DeBruce Grain Inc.
Kansas City, Missouri (Class C)

David W. Brownback

President and Chief Executive Officer
Citizens State Bank & Trust Company
Ellsworth, Kansas (Class A, Group 2)

Robert C. Fricke

President and Chief Executive Officer
Farmers & Merchants Bank of Ashland
Ashland, Nebraska (Class A, Group 3)

Mark Gordon

Owner
Merlin Ranch
Buffalo, Wyoming (Class B, Group 3)

John A. Ikard

President and Chief Executive Officer
FirstBank Holding Company
Lakewood, Colorado (Class A, Group 1)

Terry L. Moore

President
Omaha Federation of Labor
Omaha, Nebraska (Class C)

Richard K. Ratcliffe

Chairman
Ratcliffe's Inc.
Weatherford, Oklahoma (Class B, Group 2)

John T. Stout, Jr.

Chief Executive Officer
Plaza Belmont Management Group LLC
Shawnee Mission, Kansas (Class B, Group 1)

Federal Advisory Council Representative

Bruce R. Lauritzen (not pictured)

Chairman, First National Bank of Omaha
Omaha, Nebraska

*Directors oversee the Bank's operations and policies,
and confer on economic and banking developments.*

Board of Directors



DENVER

(From left) Ms. Kelly, Mr. Brown, Ms. Mowry, Mr. Alexander, Ms. Herda, Mr. Zaback

Barbara Mowry, Board Chairman;

Senior Vice President
Oracle
Broomfield, Colorado

Bruce K. Alexander

President and Chief Executive Officer
Vectra Bank Colorado
Denver, Colorado

Charles H. Brown III

President
C.H. Brown Co.
Wheatland, Wyoming

Anne Haines Yatskowitz (not pictured)

President and Chief Executive Officer
ACCION New Mexico-Arizona-Colorado
Albuquerque, New Mexico

Larissa L. Herda

Chairman, Chief Executive Officer and President
tw telecom inc.
Littleton, Colorado

Margaret M. Kelly

Chief Executive Officer
RE/MAX International, Inc.
Denver, Colorado

Mark A. Zaback

President and Chief Executive Officer
Jonah Bank of Wyoming
Casper, Wyoming

Branch directors provide insight on local economic conditions and advise and counsel the Branch executives. Directors must satisfy the same eligibility requirements that pertain to head office directors.



OKLAHOMA CITY

(From left) Mr. Anoatubby, Ms. Fiegel, Ms. Washington Rentie, Mr. Agee, Mr. Tippens, Mr. Vasudevan, Mr. Dunn

Steven C. Agee, Board Chairman;
Interim Dean and Professor of Economics
Meinders School of Business
Oklahoma City University
Oklahoma City, Oklahoma

Bill Anoatubby
Governor
Chickasaw Nation
Ada, Oklahoma

James D. Dunn
Chairman
Mill Creek Lumber & Supply Co.
Tulsa, Oklahoma

Jacqueline R. Fiegel
Senior Executive Vice President and
Chief Operating Officer
Coppermark Bank
Oklahoma City, Oklahoma

Douglas E. Tippens
President and Chief Executive Officer
Bank of Commerce
Yukon, Oklahoma

K. Vasudevan
Chairman and Founder
Service & Technology Corporation
Bartlesville, Oklahoma

Rose Washington Rentie
Executive Director
TEDC Creative Capital
Tulsa, Oklahoma

Board of Directors



OMAHA

(From left) Mr. Farrell, Ms. Martin, Mr. Adams, Ms. Wallin Ziegenbein, Mr. Thom, Mr. Russell, Mr. Sutko

Lyn Wallin Ziegenbein, Board Chairman;

Executive Director
Peter Kiewit Foundation
Omaha, Nebraska

Todd S. Adams

Chief Executive Officer
Adams Bank & Trust
Ogallala, Nebraska

James C. Farrell

President and Chief Executive Officer
Farmers National Company
Omaha, Nebraska

JoAnn M. Martin

Chairman, President and Chief Executive Officer
Ameritas Life Insurance Corp.
Lincoln, Nebraska

G. Richard Russell

President and Chief Executive Officer
Millard Lumber Inc.
Omaha, Nebraska

Mark A. Sutko

President and Chief Executive Officer
Platte Valley State Bank
Kearney, Nebraska

James L. Thom

Vice President
T-L Irrigation Co.
Hastings, Nebraska

Advisory Councils



ECONOMIC ADVISORY COUNCIL

(From left) Mr. Kemp, Mr. Maestas, Mr. Graves, Mr. Ward, Mr. Aulick, Ms. Johnson, Mr. Hofmann, Mr. McClain, Mr. Sunderland, Ms. Bass

Vincent L. Aulick

President
Aulick Industries and Aulick Manufacturing
Scottsbluff, Nebraska

Deb Bass

President and Chief Executive Officer
Bass & Associates, Inc.
Omaha, Nebraska

Greg M. Graves

Chairman and Chief Executive Officer
Burns & McDonnell
Kansas City, Missouri

Michael W. Hofmann

Vice President and Chief Risk Officer
Koch Industries, Inc.
Wichita, Kansas

Deborah Johnson

Chief Executive Officer
Rick Johnson and Company, Inc.
Albuquerque, New Mexico

Garry Kemp

Executive Vice President
Greater Kansas City Building & Construction Trades
Council, AFL-CIO
Independence, Missouri

Steve Maestas

Managing Partner
Maestas & Ward Commercial Real Estate
Albuquerque, New Mexico

Terry McClain

Senior Vice President and Chief Financial Officer
Valmont Industries, Inc.
Omaha, Nebraska

Charles T. Sunderland

Chairman and Chief Executive Officer
Ash Grove Cement Company
Overland Park, Kansas

Tom L. Ward

Chairman, Chief Executive Officer and President
SandRidge Energy, Inc.
Oklahoma City, Oklahoma

Members, who represent business and labor from around the Tenth District, meet twice a year with Kansas City Fed staff to offer insight on the regional economy.

Advisory Councils



COMMUNITY DEVELOPMENT ADVISORY COUNCIL

(From left) Ms. Wright, Ms. Meyer, Mr. Franklin, Ms. Tinney, Mr. Loftin, Ms. Capps, Mr. Smith, Ms. Dobroff, Mr. Padilla

Linda Capps

Vice Chairman
Citizen Potawatomi Nation
Shawnee, Oklahoma

Erica Dobroff

President
Kansas City Equity Fund
Kansas City, Missouri

Bernard Franklin

President
Penn Valley Community College
Kansas City, Missouri

Mike Loftin

Executive Director
Homewise, Inc.
Sante Fe, New Mexico

Carol Meyer

President
Garden City Chamber of Commerce
Garden City, Kansas

Daniel Padilla

Regional Branch Director
First National Bank
Omaha, Nebraska

Tom Seth Smith

President and Chief Executive Officer
REI
Durant, Oklahoma

Linda Tinney

Vice President
U.S. Bank
Denver, Colorado

Lesli Wright

Senior Vice President Risk Management
Hilltop National Bank
Casper, Wyoming

Members, who come from financial institutions, nonprofits, universities and businesses, meet twice a year with Kansas City Fed staff to offer insight on economic and community development issues around the region.



ADVISORY COUNCIL ON PAYMENTS

(From left) Mr. Connealy, Mr. Fosler, Mr. Frank, Mr. Copeland, Mr. Reuter, Mr. Oatman

Kansas City

Mollie Carter (not pictured)
Chief Executive Officer and
President
Sunflower Bank
Salina, Kansas

Tim Connealy
President and Chief
Operating Officer
Dickinson Financial Corporation
Kansas City, Missouri

Lloyd Davidson (not pictured)
Chairman of the Board
First Bank Kansas
Salina, Kansas

Steve Hipp (not pictured)
Executive Vice President
INTRUST Bank, N.A.
Wichita, Kansas

Denver

Mark Frank
Executive Vice President
CoBiz Bank
Denver, Colorado

James A. Reuter
President
FirstBankData Corporation
Lakewood, Colorado

Oklahoma City

Scott Copeland
Executive Vice President
BancFirst
Oklahoma City, Oklahoma

C.H. Wyatt, Jr. (not pictured)
Vice Chair and President
Citizens Bank of Edmond
Edmond, Oklahoma

Omaha

Craig E. Champion (not pictured)
Senior Vice President
Nebraska Bank of Commerce
Lincoln, Nebraska

Alan L. Fosler
Senior Vice President and Cashier
Union Bank and Trust Company
Lincoln, Nebraska

Russell K. Oatman
Senior Vice President
First National Bank of Omaha
Omaha, Nebraska

Members, who are senior officers from financial institutions around the Tenth District, meet with Kansas City Fed staff to share insight on issues affecting the payments system.

Roundtables



FOOD AND AGRICULTURE ROUNDTABLE

(Front row, from left) Mr. Barkema, Mr. Timmerman, Mr. Horan, Mr. Kluempke, Mr. Hammes, Mr. Dixon, Mr. Wyse, Mr. Spronk, Mr. Gottschalk, Mr. Barr, Mr. Briggeman (Back row, from left) Mr. Henderson, Mr. Kollar, Mr. Detrick, Mr. R. Farrell, Mr. Brooks, Mr. Hunt, Mr. Swedberg, Mr. J. Farrell, Mr. Lapp, Mr. McCauley, Mr. Thanmodaran, Mr. Headley

Alan Barkema

Federal Reserve Bank of Kansas City
Kansas City, Missouri

Barrett Barr

Deere and Company
Lenexa, Kansas

Brian Briggeman

Federal Reserve Bank of Kansas
City - Omaha Branch
Omaha, Nebraska

Bill Brooks

Dowens-O'Neill/FC Stone, LLC
Dearborn, Missouri

Terry Detrick

American Farmers & Ranchers
Oklahoma City, Oklahoma

Parry Dixon

A.D.M.
Decatur, Illinois

Jim Farrell

Farmers National Company
Omaha, Nebraska

Ron Farrell

Farrell Growth Group, LLC
Liberty, Missouri

Andrew Gottschalk

R.J. O'Brien and Associates
Greenwood Village, Colorado

Paul Hammes

Union Pacific Railroad
Omaha, Nebraska

Peter Headley

MetLife
Overland Park, Kansas

Jason Henderson

Federal Reserve Bank of Kansas
City - Omaha Branch
Omaha, Nebraska

Bill Horan

Horan Brothers
Ag Enterprises
Rockwell City, Iowa

Steve Hunt

U. S. Premium Beef
Kansas City, Missouri

Pat Kluempke

CHS Inc.
Inver Grove Heights, Minnesota

Ken Kollar

Great Western Bank - Agribusiness
Shawnee, Kansas

Bill Lapp

Advanced Economic Solutions
Omaha, Nebraska

Ken McCauley

K&M Farms, Inc.
White Cloud, Kansas

Randy Spronk

National Pork Producers Council
Urbandale, Iowa

Joe Swedberg

Hormel Foods Corporation
Austin, Minnesota

Dhamu Thanmodaran

Smithfield Foods
Smithfield, Virginia

Jim Timmerman

Timmerman & Sons Feeding Co.
Springfield, Nebraska

Ray Wyse

Gavilon Group, LLC
Omaha, Nebraska

Participants from ranching, agriculture, biofuels, dairy, financing and other sectors meet annually with Kansas City Fed staff to give presentations on their industry and participate in open discussion.



REGIONAL ECONOMIC ROUNDTABLE

(From left) Mr. Robinson, Mr. Thompson, Mr. Evans, Ms. Reynis, Mr. Hill, Mr. Wobbekind, Mr. Mitchell

Russell Evans

Director, Center for Applied Economic Research
Oklahoma State University
Stillwater, Oklahoma

Jeremy Hill

Director, Center for Economic Development and
Business Research
Wichita State University
Wichita, Kansas

David Mitchell

Assistant Professor
Missouri State University
Springfield, Missouri

Lee Reynis

Director, Bureau of Business and
Economic Research
University of New Mexico
Albuquerque, New Mexico

Jim Robinson

Senior Economist, Economic Analysis Division
State of Wyoming
Laramie, Wyoming

Eric Thompson

Associate Professor of Economics
Director, Bureau of Business Research
University of Nebraska – Lincoln
Lincoln, Nebraska

Richard L. Wobbekind

Director, Business Research Division and
Associate Dean
University of Colorado – Boulder
Boulder, Colorado

Economists from each of the seven states in the Tenth District meet annually with Kansas City Fed staff to review the state's activities from the past year and offer future insight. Sectors discussed include housing, manufacturing, agriculture, construction, energy, banking, employment, retail and exports.

Tenth District OFFICERS

Kansas City

Thomas M. Hoenig
President and
Chief Executive Officer

Esther L. George
First Vice President and
Chief Operating Officer

Alan D. Barkema
Senior Vice President and
Director of Research

Denise I. Connor
Senior Vice President

Kelly J. Dubbert
Senior Vice President and
Chief Information Officer

Kevin L. Moore
Senior Vice President

Barbara S. Pacheco
Senior Vice President

Diane M. Raley
Senior Vice President,
Public Information Officer
and Secretary

Donna J. Ward
Senior Vice President and
Director of the Office of
Minority and Women Inclusion

Charles L. Bacon, Jr.
Senior Vice President and
General Counsel
(Retired July 1, 2010)

Craig S. Hakkio
Senior Vice President and
Special Advisor on
Economic Policy

Stephen E. McBride
Senior Vice President and
General Auditor

Veronica M. Sellers
Senior Vice President and
General Counsel

Josias A. Aleman
Vice President

Larry D. Bailey
Vice President

Todd E. Clark
Vice President and Economist

Anita F. Costanza
Vice President

Kristi A. Coy
Vice President

Janel K. Frisch
Vice President and
Chief Financial Officer

Kristofer K. Hogan
Vice President

Mark C. Horan
Vice President

James H. Hunter
Vice President

George A. Kahn
Vice President and Economist

Korie S. Miller
Vice President

Dawn B. Morhaus
Vice President

Charles S. Morris
Vice President and Economist

Karen A. Pennell
Vice President

Linda S. Schroeder
Vice President

Mark A. Watson
Vice President

Stuart E. Weiner
Vice President, Economist and
Director of Payments
System Research

Pamela L. Weinstein
Vice President

Kristina J. Young
Vice President and
Assistant Secretary

Susan E. Zubradt
Vice President

Stanley R. Beatty
Assistant Vice President

J. Stephen Bradberry
Information Technology Officer

Kelley D. Courtright
Assistant Vice President

Kelli J. Cox
Assistant Vice President

Kevin J. Craig
Assistant Vice President

Tanya L. Cvetan
Assistant Vice President

Troy A. Davig
Assistant Vice President and
Economist

Justin M. Dean
Assistant General Counsel

Dennis V. Denney
Assistant Vice President

Linda K. Edwards
Assistant Vice President

Tammy Edwards
Assistant Vice President and
Community Affairs Officer

Lori D. Haley
Assistant Vice President

Robert L. Hampton
Assistant Vice President

Ann L. Hoelting
Assistant Vice President

Megan L. Hruda
Assistant Vice President and
Assistant General Auditor

Tara L. Humston
Assistant Vice President

Lowell C. Jones
Assistant Vice President

William R. Keeton
Assistant Vice President and
Economist

Edward S. Knotek II
Assistant Vice President and
Economist

W. Todd Mackey
Assistant Vice President

D. Michael Manies
Assistant Vice President
(retired Aug. 1, 2010)

Christi A. May-Oder
Assistant Vice President

Renu A. Mehra
Assistant Vice President

Randall L. Mueller
Assistant Vice President

Todd A. Offenbacher
Assistant Vice President

Annette K. Owens
Assistant Vice President

Kimberly N. Robbins
Assistant Vice President

Amy M. Seck
Assistant Vice President

Kenneth R. Spong
Assistant Vice President and
Economist

Michael R. Steckline
Assistant Vice President

Stephanie L. Stratemeier
Assistant Vice President

Leesa G. Thompson
Assistant Vice President

Wilmer R. Ullmann
Associate General Counsel and
Ethics Officer

Kathryn A. Webster
Assistant Vice President

James Wilkinson
Assistant Vice President and
Economist

Jonathan L. Willis
Assistant Vice President and
Economist

Ginger K. Wise
Assistant Vice President

Catherine A. Zeigler
Assistant Vice President

Denver
Mark C. Snead
Vice President,
Branch Executive and
Economist

Debbie L. Meyers
Assistant Vice President

Dennis J. Stansbury
Assistant Vice President

Oklahoma City

Chad R. Wilkerson
Vice President,
Branch Executive and
Economist

Robert W. Toler
Assistant Vice President

Omaha
Jason R. Henderson
Vice President,
Branch Executive and
Economist

D. Rick Lay
Assistant Vice President

Financial Report

The Federal Reserve Bank of Kansas City's 2010 audited financial report is at KansasCityFed.org. Past financial reports, and officers, directors and advisory councils listings also are online.







Spring 2011

VOLUME 6 • NUMBER 4 • ISSN 1554-7469

The Federal Reserve System

Congress created the Federal Reserve in 1913 to bring financial stability after a number of banking panics. It is the nation's third central bank. The first, established in 1791, and the second, created in 1816, were each operational for 20 years. In both cases, its charter failed to be renewed and the banks closed.

With the Federal Reserve Act, Congress sought to create a central bank the public would be more likely to support by making it "decentralized" with more local control. This new structure was designed to overcome one of the primary weaknesses of the previous central banks: public distrust of an institution that many felt could potentially be under the control of either government or special interests. The new central bank is a network of 12 regional Federal Reserve Banks, located throughout the country and under the leadership of local boards of directors, with oversight from the Board of Governors in Washington, D.C., a government agency.

The Federal Reserve is considered to be independent within government and broadly insulated from political pressures. While members of the Board of Governors are nominated by the president of the United States and confirmed by the Senate, the Federal Reserve's regional structure, including local boards of directors and advisory councils, ensures that views from a broad spectrum of the public nationwide contribute to the central bank's deliberations.

President Woodrow Wilson signed the Federal Reserve Act on Dec. 23, 1913, and the 12 regional Federal Reserve Banks opened on Nov. 16, 1914.

The Federal Reserve Bank of Kansas City

The Federal Reserve Bank of Kansas City and its Branches in Denver, Oklahoma City and Omaha serve the Tenth Federal Reserve District, which encompasses western Missouri, Nebraska, Kansas, Oklahoma, Wyoming, Colorado and northern New Mexico. As a part of the Federal Reserve System, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing check processing and other services to depository institutions.



SENIOR VICE PRESIDENT &
PUBLIC INFORMATION OFFICER:
Diane Raley

VICE PRESIDENT: Kristina Young

ASSISTANT VICE PRESIDENT &
PRODUCTION ADVISOR: Lowell Jones

EDITOR: Brye Butler Steeves

CONTRIBUTING WRITERS: Sara Brunsvold,
Sarah Kemp, Bill Medley, Timothy Todd,
Michele Wulff

ART DIRECTOR: Angela Anderson Miles

MAGAZINE DESIGNER: Gary Barber

RESEARCH CONTRIBUTORS: Amy Jones,
Jordan Rappaport, Mark Snead

COVER PHOTO: Gary Barber

TEN magazine is a quarterly publication of the Federal Reserve Bank of Kansas City focused on the connection between the Bank's research and the Tenth Federal Reserve District. **TEN** also features articles on the Federal Reserve's history, structure and operations.

The views and opinions expressed in **TEN** are not necessarily those of the Federal Reserve Bank of Kansas City, the Federal Reserve System, its governors, officers or representatives.

TEN articles may be reprinted if the source is credited and the Public Affairs Department of the Federal Reserve Bank of Kansas City is provided with copies. Permission to photocopy is unrestricted.

For a free subscription, please visit

KansasCityFed.org/TEN

or call 816-881-2683.



Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, MO 64198-0001

PRESORTED STANDARD
U.S. POSTAGE
PAID
CONSOLIDATED
MAILING CORPORATION

CHANGE SERVICE REQUESTED

Shop The Vault... *Virtually*

The Kansas City Fed's on-site
gift shop is now online.

**Visit The Vault store's website to see the
wide selection of Fed merchandise that
appeals to all ages. Popular items include:**

- educational books and materials
- clothing for all ages
- unique souvenirs



KansasCityFed.org/MoneyMuseum/TheVault