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Workin' at the Fed

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This sector employs over 300 Ph.D.'s to study robotics, new construction materials, and other opportunities that could give the company an advantage in the market. Suomi was thoroughly intrigued and is still with Kajima twenty years later. Suomi joined the company as it was beginning to become a multinational company, and his past experience was very valuable in the changeover. Kajima needed a global person to lead. Marvin Suomi was that person.

Suomi explained that Japanese firms are not unlike many of their American counterparts in what they look for in prospective employees. The differences lie in how they place employees within the company. They look for top talent out of the best universities. Firms give high regard to Tokyo University grads, who are comparable to Princeton grads in the U.S. One factor that is especially important to the Japanese firm is loyalty. Prospective employees know that when they make the decision to join firm X, they are making a lifelong commitment to the company. The company, in return, is making the same commitment to its employees. Japanese firms, unlike their American counterparts, rotate employees within the company for years. This is done so that they can learn all aspects of the business. Employees do not tend to specialize in just one aspect of the company.

Mr. Suomi's knowledge and experience make him a credible source of information for students interested in exploring their options for employment with a multinational firm. Suomi suggests obtaining a good liberal arts and humanities education at the undergraduate level. He explains that he can train anyone, but what he wants is someone with a perspective gained from things such as literature and culture. He then suggests going abroad and "knocking-around" for at least a year, really immersing into the exploration of another culture. He advises to come back to the States and get some work experience and then get an MBA in finance. He claims that if a student does these things, "I'll pay you as much money as you want."

A great way to get the international experience Mr. Suomi describes is the Princeton-in-Asia Foundation, of which he is the chairman. The program is in its 100th year of sending recent

college graduates to Asia for one to two years of work experience. One of the most famous alumni of the program is Bill Bradley. The program accepts anywhere from 80 to 100 people each year. Fifty percent of these will come from Princeton. In fact, the program is the biggest employer of Princeton's graduating seniors. Twenty to thirty percent of those accepted will come from "those lesser schools: Yale and Harvard". The other available slots are open, and Suomi encourages curious students to apply. He says, "It will be the chance of your life." No money is needed to participate in the program, and while participants in the program will work, they will also have plenty of time to explore their surroundings. Entrance into the program is, of course, competitive. Participation in the program is very recognized and well respected by firms, including many on Wall Street.

Mr. Suomi's genuine enthusiasm for his career is an inspiration, and his interest in interacting with students follows this enthusiasm. Is teaching a possibility in the future of Mr. Suomi? Perhaps, but not yet. He is enjoying himself too much to change professions just yet. Mr. Suomi explains, "The globalization of business excites me tremendously. I travel around the world all the time. I live on both coasts. It's very tiring, but it's also a very dynamic time. It is exciting beyond belief. What technology has done to the business world is absolutely astounding."

Workin' at the Fed

By Patrick Holly, Jr.

This summer I was fortunate to land a coveted internship position at the Federal Reserve Bank of Chicago. The experience was more than positive, not to mention beneficial career wise, and put to use a good deal of economic knowledge that I have accumulated over my years at Illinois Wesleyan. In addition, I formed personal and professional relationships with interns and full-time employees alike that I will never break.

My primary roles were those of documentation and "process control." I worked for

the Check Adjustments Department within the Check Operations division and was responsible for documenting the procedures to be followed along each step of the check adjustment process. In certain cases, I would also suggest and implement changes to them when I felt they were appropriate. Simply put, by the end of the summer, I was an “expert” in Check Operations and Adjustments workflow. In fact, my manager (who was new to the Fed herself, having started that March) often came to me instead of those with more experience when she needed a question answered about a specific operation. I was one of only a few who had learned the entire check adjustment process in *complete* detail!

What is Check Adjustment? Check Adjustment is a blanket term used to describe the necessary corrections made to clear a misappropriated check. After a person writes a check and the receiver cashes it at his/her bank, this payee bank sends the check to the Fed to be cleared and to receive a reserve credit for cashing the check. After clearing, the Fed then sends the check back to the originating bank so it can adjust its accounts appropriately. There are thousands of mistakes that can be made along this process, leading to the misappropriation of a check. Considering that over 11 billion checks are cleared each year, surprisingly few mistakes are made—less than one percent of all cleared checks are misappropriated in a given year.

Fed Chicago placed its Check Operations and Adjustments divisions on its high priority list for 1998 and 1999. The department, which is considered a separate business (although not a legally separate entity) under the regulations of the Federal Reserve System, had been losing ground to previously non-existent (or non-threatening) competition from private clearinghouses and was in need of a restructuring to keep pace. As a result, new officers and personnel had been hired to solve these problems along with Fed Internal Audit and Support Services teams. Interns like myself were also hired to assist in the restructuring because of their “young, fresh perspective,” as quoted by Fed Chicago President Michael Moskow (a very down-to-earth and friendly man) in a welcome luncheon for all interns.

My “fresh perspective” was most definitely put to use. It turned out that the Check Adjustments Department had very little written documentation detailing the procedures for a check adjustment. Since many of the Check Adjustment clerks in the department had well over 15 years of experience on average, procedure manuals over that time had not been adequately kept up to date because of lack of employee turnover. Procedure manuals are not as poignant when almost everyone on a staff has at least 15 years experience and there is little employee turnover. It was a reasonable oversight. Officers and managers were relying on a fairly solid honors system of training to get by when an occasional new clerk was hired. Consequently, I was brought in to update, and in many cases originate the procedures to be followed. About two-thirds of the procedures I wrote had not been officially documented before because they had developed on their own over the course of 15-20 years.

As a result, my first day on the job was quite overwhelming. In a matter of two hours, I was given a copy of the Federal Reserve System’s Operating Circular (which is a complex web of legal proceedings concerning check clearing), a newly minted Check Operations training manual, and some random pieces of explanatory material on Check Adjustments. I was expected to learn the above information in a week, whereas most new employees are given three months—the project was big enough that it needed to be started as soon as possible. Staggering? Yes. Exciting? Definitely.

My work involved being very familiar with the above mentioned Operating Circular, which is a set of legal guidelines that the Fed must follow when clearing checks and adjusting the affected banks’ reserve accounts. In addition, it required intricate knowledge of the check clearing and adjustment processes and the economic policy implications involved in those processes—clerks will adjust misappropriated checks with values in excess of \$100,000, which can significantly affect a bank’s reserve requirements and ensuing investment strategies on a particular day. Basically speaking, it is crucial that no more mistakes are made when dealing with an already misappropriated check.

All in all, the procedure manual I produced contained full instructions on the 22 main functions within the Check Adjustment department and totaled 165 pages. It is easily my crowning achievement in terms of internship experience. Getting the job done required an incredible amount of goal setting—it was important that I got the project done because it would have been very difficult for someone else to come in and pick up where I had left off. The trust everyone put in me as an intern was like nothing I ever expected.

Aside from the work experience, I also got the opportunity to learn firsthand about every aspect of the Fed from the people who worked there. Fed Chicago Human Resources designed a program whereby a weekly information session for the interns was presented, highlighting a different area of the Bank each week. The program was

quite comprehensive in terms of exposure to the Bank's structure and environment. Among those presentations were information sessions about the Supervision & Regulation, Internal Audit, Support Services, Information Technology Services, Human Resources, Check Operations, and Economic Research departments. Personnel from each of these departments brought first-hand knowledge and experience to each of these presentations to help formulate a thorough concept of how the Fed is designed to deal with everyday regulatory, policy, business and research operations.

To complement these information sessions, there were also panel discussions about different issues facing each of these departments. Included were discussions on the monetary policy implications of electronic payment replacing checking, the regulatory effects of the large number of recent bank mergers and acquisitions, and the

challenge and triumph of the Midwest in shedding its “rust-belt” image by shifting from its manufacturing roots to technology and service mediums. I found these presentations and discussions to be most fascinating. In fact, the electronic payment issues presentation given by the Senior Vice President of Check Operations (a fascinating and humorous man I was fortunate enough to work with) gave me a clear direction for

my senior research work—I examined the effects of technology growth on money supply and demand.

In many respects, I perceived the Fed to be this big economics think tank with a lot of cerebral, academic work being done. What I found is that most, if not all, Fed employees are very down-to-earth and easy going, in addition to being highly intelligent and very dedicated to the Fed's cause. Most of the

work performed each day at the Fed can be described as the same, requiring patience, persistence, and above all else common sense and a good attitude. The work was not all cerebral and academic, as I previously thought.

While there is certainly scholarly work being done by the Economic Research department, a lot of the work at the Fed is “real world” economics that most employees use effortlessly. It is easy to forget that the Fed is technically a private organization that has everyday business operations to tend to like any other company. It is impossible to see this side of the Fed in a textbook. While economics classes teach us that the Fed is responsible for dictating monetary policy and outline the theory behind its effects, they often overlook the everyday work done to achieve the goals and theoretical constructs that Mr. Greenspan ultimately sets forth. I got a big taste of what that everyday work

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involves—the check clearing, the bank supervision, the internal auditing, the computer software development, and so on.

In total, I couldn't have asked for a better internship experience. Fed Chicago went out of its way to make the interns feel welcome and to incorporate them into the everyday work of the Fed. And judging by the kind of work I did, the interns contributed in a meaningful way. This speaks

volumes for the ever-present dedication of each employee at the Fed and for the eagerness each of them have about their work. It was a phenomenal opportunity that I recommend to anyone interested in economics, finance and/or business administration. The Fed caters to all that are interested, and is a most worthwhile prospect to consider for employment.