

Letter from the President

When I took office as president of the Federal Reserve Bank of Dallas in 2005, I reorganized our Research Department to make the study of globalization and its implications for U.S. monetary policy our signature research issue. My belief then, as now, was that the models we use to think about monetary policy in the U.S. give too little weight to developments beyond our borders, as I outlined in a lecture given at Harvard University on Nov. 3, 2005 (see page 27). In essence, policymakers were thinking as if the tectonic events of the past two decades had never happened. Yet the evidence that the world has changed—had changed utterly—confronts us every day in every aspect of our lives. We see it where we work, when we shop, and in how we save, invest and borrow.

In the fall of 2007, we launched the Globalization and Monetary Policy Institute to focus our efforts in this area, and I am pleased to introduce the institute's first annual report. The researchers who form the core of the institute's staff have been very active developing research programs that will advance our understanding of what globalization means for monetary policy, circulating their analyses in working paper form, presenting their findings at prominent conferences and university seminars, and submitting their papers to peer-reviewed journals. Their efforts have been complemented by a group of prominent senior fellows and a growing list of research associates. Some of the emerging research themes are highlighted in institute Director Mark Wynne's essay, "First Steps"—measuring the extent to which an economy is globalized, the controversial "global slack hypothesis" and "decoupling," and the political aspects of monetary policy making in open economies.

But this is just a start, the first steps in what will no doubt be a long journey. The challenges (and opportunities) that globalization presents us with are many. The events of the past year have underlined the importance of understanding the nature of the trade and investment relationships that tie our individual economies into a single global economy. The Dallas Fed's Globalization and Monetary Policy Institute will be at the leading edge of this research.



Richard W. Fisher



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