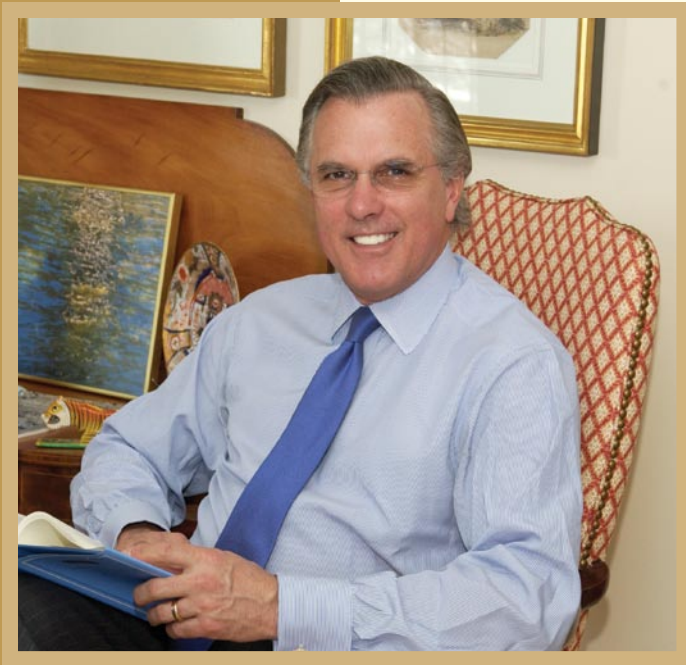


President's Perspective



What happens around the world today affects us in the Southwest, just as what happens here influences economic activity around the world.

Until the Industrial Revolution, economies were largely confined to cities and towns. Then came factories, railroads, telephones, cars, airplanes, highways, televisions, computers and the Internet. Each of these innovations triggered fundamental changes in economic behavior and allowed markets to expand, first beyond towns, then beyond states, regions, countries and continents.

Each outward ripple offered consumers more choices and presented more challenges for companies, workers and governments to adapt to new technologies, new competition and deepening economic integration.

Sir Anthony Eden, the British prime minister, once said, "Every succeeding scientific discovery makes greater nonsense of old-time conceptions of sovereignty." He spoke those words in 1945, but they ring even truer today. So intertwined are the world's economies that

disentangling the web that ties the world together would be disastrously expensive, counterproductive and entirely fruitless.

What happens around the world today affects us in the Southwest, just as what happens here influences economic activity around the world. A fierce hurricane in the Gulf of Mexico causes destruction and dislocations that ripple across the globe as oil and gas activity shuts down and world energy prices rise. A U.S. company moves its factory to Mexico, laying off local workers, but other Americans benefit as newly hired Mexican workers earn more money and buy U.S. goods at their local Wal-Mart.

As an avowed free-trader, I am alarmed by calls for punitive tariffs and trade barriers, efforts to block foreign investment and pleas for "economic patriotism."

Protectionism is not a path to prosperity. It is a one-way road to economic catastrophe. Economists and wise leaders have long made the more compelling argument in favor of free trade. Yes, foreign competition harms some industries and workers, but protectionism poisons the overall economy, resulting in higher prices and diminished access to goods for all of us. And yes, some U.S. workers have been hurt, but our dynamic economy has shown an amazing capacity for creating more and better jobs.

Protectionism will not produce better American jobs and higher incomes. Rather than shielding workers from foreign competition, our focus should be on preparing them to face it head-on with top-notch education and transition mechanisms that prepare them for better, higher-paying jobs. We will be far better off if we embrace competition and exploit it to make our economy even stronger.

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