



## Letter from the President



took office as the 13th president of the Federal Reserve Bank of Dallas in September 2015 following a career in banking and academia.

This is a complex time to be a central banker. In recent years, the Federal Reserve has pursued extraordinarily aggressive monetary policies to stabilize economic activity in response to the global financial crisis, first by cutting interest rates to their effective lower bound and then by expanding the size of its balance sheet through a series of large-scale asset purchase programs.

At its December 2015 meeting, the Federal Open Market Committee (FOMC) took a first step towards normalizing monetary policy by raising the target range for the federal funds rate from 0-to-25 basis points to 25-to-50 basis points. Even with this action, monetary policy remains accommodative. The Federal Reserve has said that any future removals of accommodation will be done gradually subject to our assessment of underlying economic conditions.

Looking outside the U.S., we have been lowering our estimates of 2016 global GDP growth, excluding the U.S. Beneath the headline growth rates, the underlying picture is very uneven. For example, emerging economies with high levels of exposure to commodities have had significant declines in growth rates. Brazil, Russia and Venezuela were in outright recession during 2015, and we expect negative GDP growth again in

these countries in 2016. On the other hand, India's GDP growth rate improved in 2015 and is expected to increase further in 2016.

While the Fed's mandate is U.S. price stability and maximum sustainable employment, assessing economic conditions outside the United States is critical because the world is becoming more and more interconnected. Companies increasingly think about their labor, products and services, and investment decisions with a global mindset. Additionally, global demographic trends, high levels of debt to GDP, and levels of capacity utilization impact demand for commodities as well as capital flows, and ultimately have the potential to spill over to economic conditions in the U.S.

For these reasons, I am excited to build on the work of my predecessor, Richard Fisher, by further developing the Globalization Institute of the Dallas Fed. We will pursue two key focuses in this effort. First, Mark Wynne, the director of the institute, will continue to emphasize creation of superb peer-reviewed research on policy-relevant topics as the foundation on which all of the other activities of the institute rest. Second, I am working closely with Mark and our team to build out the institute's public outreach activities. We have repurposed our public lecture series in a new program called *Global Perspectives*. The objective of this program will be to bring thought leaders from the worlds of academia, business and public policy to the Eleventh District to share their

insights on key global trends, challenges and overall global developments.

Through these and other programs, the Globalization Institute aims to continue to be on the forefront of thought leadership and to explore key considerations relating to global economic developments. The world will become more interconnected in the years ahead, and this interconnectedness will affect both the U.S. economy and how central bankers think about monetary policy. I look forward to having the Dallas Fed play a meaningful role in understanding how these links impact world economic conditions.

Robert S. Kaplan  
President and CEO  
Federal Reserve Bank of Dallas