

President's Perspective



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Like every American, I have felt the sting of paying \$3 for a gallon of gasoline, and my jaw drops when I open my power bill.

As a central banker, I have the added burden of worrying about potential inflationary ripples from rising energy costs and their impact on the U.S. economy. Paying more for energy takes a chunk out of the consumer's pocketbook, leaving less to spend on other goods and services—the prices of which are rising as producers pass on their higher costs.

The future path of energy prices is hard to predict. We do not know how much of the recent run-up in these prices results from geopolitical turbulence, market speculation, growing demand in emerging economies or real limitations on current and future supplies.

Texas occupies a special niche in energy markets. The state grew rich on oil and gas, and it has been a world leader in the industry for more than 100 years. This gives Texans a different perspective from most of the rest of the country.

In recent decades, the Texas economy has successfully diversified into many other industries, and oil and gas no longer occupies the legendary place it once did. However, today's rising energy prices have spurred new drilling activity across the globe, and our oil and gas expertise is in hot demand.

Energy producers are eager to capitalize on high prices by tapping the vast supplies of oil and gas lying under the earth. New resources are being tapped, new technologies are being developed to extract and transport hydrocarbons, and our refineries, rigs, ports, plants, storage and other industry infrastructure are being expanded, resulting in new jobs and added strength to our economy.

While these benefits may not remove the pain each of us feels at the pump, collectively we are getting some relief from the Southwest economy's comparative advantage in the oil and gas business.

A handwritten signature in gold ink that reads "Richard W. Fisher".

Richard W. Fisher
President and CEO
Federal Reserve Bank of Dallas