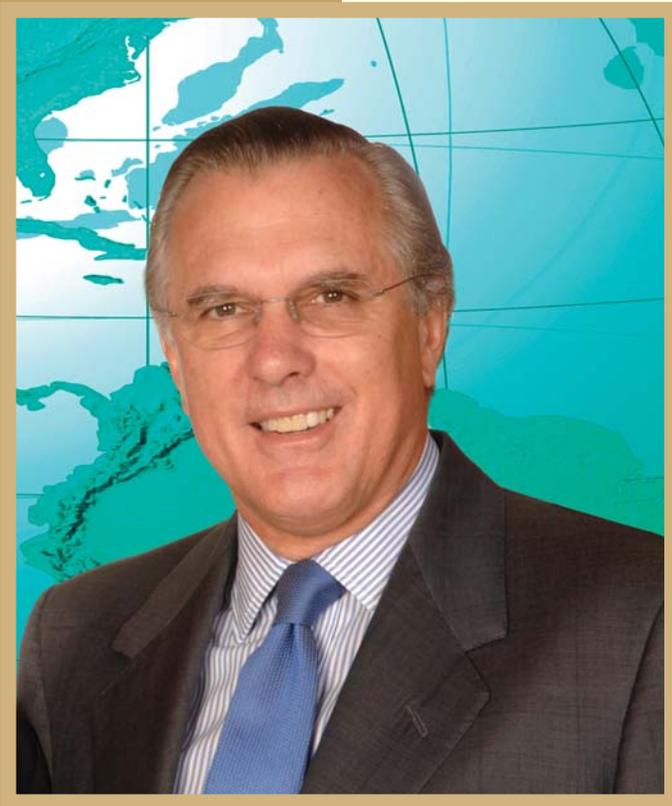


President's Perspective



The U.S. remains the premier destination for international investors who prefer the returns available in a flexible, highly adaptive economy.

The U.S. dollar has been firmly established as the world's currency of choice since World War II. The dollar's preeminence starts with our economy's unrivaled size, strength and track record of low inflation. Perhaps most important, however, is our solid Constitution, which affords the United States an enviable degree of political stability.

In 1999, a rival currency debuted on the world stage. I have followed the euro's course with great interest, first as an investor and now as a central banker. In recent years, the euro has grown as a portion of world currency reserves, and international financial transactions are increasingly denominated in euros.

The 12 nations currently in the European Monetary Union constitute a formidable economy in terms of size. The European Central Bank's strong commitment to price stability is another important selling point underpinning the euro's value.

Euro zone countries are still separate political entities. Never before have several sovereign nations of such economic size surrendered their monetary independence to a supranational institution. The euro is sailing into the

future through uncharted waters, without the usual rudder of political unity.

Absent a strong political union, there is a risk that member nations could dissolve the monetary union that supports the euro. Disbanding would be very expensive and disruptive—so it is unlikely. But no one could argue that dissolution of the U.S. is *more* likely.

Even as other European nations adopt the euro, adding to its monetary heft, the dollar will likely maintain its dominant position in the world for many reasons. First and foremost, the dollar is already firmly entrenched at the top, so replacing it with another currency would entail significant transition costs. The United States doesn't face the structural and demographic impediments to long-term growth that have hamstrung Europe and that progressive European leaders, like German Chancellor Angela Merkel, are attempting to address. Moreover, the U.S. remains the premier destination for international investors who prefer the returns available in a flexible, highly adaptive economy.

Even so, the U.S. must guard the currency's leadership role by keeping our economic affairs in good order. Our elected representatives and lawmakers must rein in the long-term fiscal imbalances that threaten our continued economic prosperity, and the Federal Reserve must remain ever vigilant in its effort to prevent inflation from debasing the value of our dollar.

A handwritten signature in gold ink that reads "Richard W. Fisher". The signature is written in a cursive, flowing style.

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