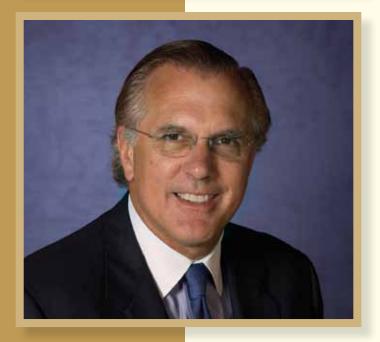
## President's Perspective



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As the 2011 regional outlook in this issue of *Southwest Economy* demonstrates, there is much room for Texas brag when we talk about our economy. Job expansion is expected to pick up further this year, led by exports and manufacturing, particularly high-tech. A recent report on states' competitiveness by the Beacon Hill Institute gave Texas high marks for attributes such as a low overall tax burden, exports per capita and foreign direct investment.

But the study also placed Texas near the bottom in most human capital measures. It ranked dead last in the percent of the population age 25 and older that graduated from high school, 37th in percent of population enrolled in degree-granting institutions, 35th in academic research and development and 41st in science and engineering degrees awarded.

We can't be happy that we are lagging behind in education, particularly at the high

school and university levels. In the Knowledge Age, the mind is the capital plant of the modern economy. We admire those who work with their muscles in pulling prosperity from the soil on our farms and ranches, or from deep beneath the earth in our oil and gas sector. We rightly applaud those who help Texas produce almost 10 percent of the nation's manufactured goods. But the world of today and tomorrow is driven by digits, not widgets.

Our economy will continue to move up the value-added ladder and stay ahead of the competition—not just other states, but also China and other emerging powers—only if we nurture and harness Texas brains and attract the "best and brightest" from around the world.

The Legislature faces an enormous task. Our state's two-year shortfall, which according to Dallas Fed calculations totals roughly \$20 billion, must be resolved in a way that maintains Texas' stature as a beacon of entrepreneurialism and capitalist hope in today's knowledge-based economy. We can't shortchange education. Fortunately, as Professor Lori Taylor points out in this issue's "On the Record" interview, education quality is determined not solely by the number of dollars we spend, but by how we spend them.

Legislators confronting our budgetary squeeze must remember this simple, unalterable, indisputable, critical fact: We have done well so far; our economy is mighty. But to stay ahead and compete in tomorrow's global marketplace, Texas must better educate its population.

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