As a member of the Federal Open Market Committee, I am particularly focused on monetary policy and achievement of the Fed's dual-mandate objectives of full employment and price stability. In the pursuit of these objectives, I voted in March and again in June of this year to increase the federal funds rate. I also supported the September decision to begin the process of gradually reducing the size of the Federal Reserve balance sheet.

The decision to remove monetary policy accommodation is, at least in part, based on my judgment that the U.S. economy is at or near full employment. The headline unemployment rate and other measures of labor market utilization are at or below prerecession lows. In addition, the Texas unemployment rate has now slipped below 4 percent, a level we have not experienced in several decades.

Cleanup and rebuilding after Hurricane Harvey is adding to job growth and tightening labor markets in Texas. As Jesse Thompson writes in this issue of *Southwest Economy*, the storm should not materially reduce the rate of Houston job growth, which is expected to reach 2 percent in 2018.

The economy can grow through increased employment and also by making the workforce more productive. While education is a key driver of worker productivity, a healthier workforce can also play an important role in increasing productivity. In this issue's cover article, Anil Kumar discusses Texas' experience with the Affordable Care Act. Although Texas opted out of the Medicaid expansion, the state's insured rate still jumped 6 percentage points from 2013 to 2016—a development that, if sustained, should have positive consequences for the productivity of the Texas workforce.

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Federal Reserve Bank of Dallas economists are actively doing research that gives us greater insight into economic conditions in this district and the nation. We actively disseminate this research in publications such as *Southwest Economy* in order to inform policymakers and the public. The work of our economists suggests that, even though Harvey dealt a severe blow to the state, we will rebound from this storm and should resume strong growth in the years ahead. I am very optimistic about the future prospects for the region in 2018.

Robert S. Kaplan
President and Chief Executive Officer
Federal Reserve Bank of Dallas
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