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A Message from the President

In March 2007, not long after I came to the Federal Reserve Bank of Atlanta as its new president and chief executive officer, I was greeted with question after question about the performance of the Southeast economy and its prospects for future growth.

My experience in the region dates back to 1978, when I was transferred from overseas to Atlanta to work as senior corporate officer of a major national bank. During my eight years in Atlanta, I traveled widely in the region and made many enduring friendships. Along the way, I enjoyed personal involvement in a regional economy that was becoming increasingly outward looking and growing more rapidly than the nation as a whole.

Then I left the region for more than twenty years. While I was away, the Southeast continued to grow in population, income, and economic output. The industrial base of the region became more diverse. In 2007 these trends were evident and continued to influence my thinking about national economic and monetary policy in my new position at the Atlanta Fed.

As one of twelve Federal Reserve Banks, the Atlanta Fed has threefold responsibilities: to help formulate monetary policy, to supervise certain types of financial institutions, and, through direct market participation, to foster reliability and efficiency in the payment system. All these duties are elements of the Fed's broad mission to promote long-term, stable economic growth. During the extensive immersion process I went through upon joining the bank in 2007, I gained a new appreciation for how the on-the-ground presence of the Reserve Banks supports these roles.

In its monetary policy role, the Atlanta Fed, like the other Reserve Banks, has an implied mandate to monitor and understand the economy of its region. A key part of this mandate is to gather and analyze information about our region. Insights are challenged and refined and then shared with colleagues in the Fed System through various channels, including the Federal Open Market Committee meetings.

An understanding of the Southeast adds to the nation's monetary policy process in many ways. One way is the early identification of trends in the region that may have national relevance. Because the economic composition of the Sixth District resembles the nation as a whole, I believe the Southeast can serve as a microcosm of the total economy.

Since the Federal Reserve Bank of Atlanta is a part of the region we serve, we are concerned about the continuing economic success of the Southeast. Tracking day-to-day and month-to-month changes in the region's economy and financial sector helps us accomplish our mission, but I believe it's also important to achieve a larger, longer-term perspective. To do so, we must evaluate the region's macroeconomic trends over different time horizons. I believe it's appropriate, therefore, to focus the Bank's 2007 annual report on longer-term growth prospects for the Southeast and the associated challenges.

My sense is that the economic evolution that progressed during my twenty years away from the region will persist. These trends include population and income growth, the loss of jobs in low value-added industries, job creation in technologically intensive industries, the development of vital transportation and logistics facilities such as ports and airports, and continued investment flows to the region. The region will also continue to grapple with formidable challenges in the areas of natural resource stewardship, prekindergarten through twelfth-grade education, and worker retraining for transition to newly created jobs.

What follows is a deeper exploration of these themes. I hope this annual report—the first under my leadership as president of the Atlanta Fed—adds materially to the reader's understanding of our diverse and dynamic region.



Dennis P. Lockhart