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Investing in a Durable Economic Future

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Introduction

Good afternoon. It's a pleasure to be back in Alaska and to be here at the Anchorage Economic Summit. I've been looking forward to this for some time.

I see many familiar faces, people I have known for a long time and those who I've only met recently. On behalf of the Federal Reserve Bank of San Francisco, thank you for helping us understand your economies and your communities. And to all those I have yet to meet, thank you for taking the time today. I look forward to a great discussion.

As a kid growing up in Ballwin, Missouri, I dreamed of going to Alaska someday. I liked the vastness, the connection with Canada and Asia, the history of exploration, and perhaps most of all, the resilience I thought it took to live in mostly dark in the winter and mostly light in the summer.

When I finally visited for the first time, I realized I had missed the main feature—the people. Alaska Native peoples who have been here since the beginning and generations of others who have made it their home. People collectively invested in fostering the opportunities and the communities that have come to define the place.

That is why I am so delighted to be here to discuss Alaska's economic future. I'd like to start with my bottom line. Alaska's future is bright. The ingredients are here. Great natural resources, breathtaking beauty, a history of reinvention, and most importantly a rugged people. Now, I mean rugged as a compliment. Something that endures, has grit, and ultimately delivers.

And importantly you won't be alone. I have observed many communities across the Federal Reserve's Twelfth District that have evolved to meet changing economic demands. While there is no single playbook or path, there are some fundamental strategies and practices that contribute to success. This is my topic for today.

First, let me remind you that the views I express today are my own and do not necessarily reflect those of anyone else on the Federal Open Market Committee (FOMC) or in the Federal Reserve System.

The U.S. Economy

Of course, before we talk about the future of the state, it's important to know the outlook for the nation. So, let me start there, with a brief overview of how I see the U.S. economy and monetary policy.

Congress has given the Fed two goals: full employment and price stability. I see two dynamics affecting these mandates: the Fed's stance on interest rates and the slate of recent policy changes taken by elected officials.

Let me start with monetary policy. As you know, in March 2022 the Fed began raising interest rates to fight rising inflation. This campaign has been largely successful, slowing growth, cooling the labor market, and bringing inflation closer to our 2 percent goal. But we need to finish the job—inflation is still above our target, which is why interest rates remain modestly restrictive.

And then there is the second dynamic, policy changes including tariffs, immigration restrictions, tax cuts, and deregulation that are also affecting the economy. It will take time for the full effect of these policies to be known, but we are already seeing some early impacts. Tariffs and immigration changes are showing through, pushing up inflation and reducing the pool of available workers.¹

These dynamics pose two challenges for monetary policy. First, they are moving the economy, particularly inflation, in different directions. Monetary policy is pulling inflation down, while tariffs are pushing it up.

Even more importantly, recent policy changes have created uncertainty, making it harder to know exactly how the economy will evolve. And this makes monetary policy decisions more difficult. We don't have perfect clarity. But the truth is central banks rarely have perfect clarity, and we can't wait for it to act.

¹Data from the personal consumption expenditures (PCE) price index, as well as information from businesses and consumers, suggest that tariffs are pushing up costs for a variety of goods, raising overall goods price inflation. In the last few months, this increase has spilled into overall price inflation. These patterns are evident in Beige Book responses for the overall Federal Reserve System (Board of Governors 2025) and the Twelfth District (Federal Reserve Bank of San Francisco 2025a) and also in breakdowns of the PCE inflation numbers (Federal Reserve Bank of San Francisco 2025b). Immigration policy has also had an effect: Published data from the Bureau of Labor Statistics show that the number of foreign-born workers in the United States has been falling since March, reducing the available labor force in a relatively short time.

My own assessment is that the risks to our employment and inflation goals are roughly balanced. Inflation, absent tariffs, has been gradually trending down, and with a slowing economy and ongoing restrictive monetary policy, should continue to do so. Tariffs will boost inflation in the near term, but likely not in a persistent way that monetary policy would need to offset.

At the same time, the labor market has softened.² And I would see additional slowing as unwelcome, especially since we know that once the labor market stumbles, it tends to fall quickly and hard.

All this means that we will likely need to adjust policy in the coming months. Recalibrating it to match the collective risks to both of our mandated goals.

Strategies for Durable Growth

So, that's the national economy, and it's vital to the future of any state. But it only does part of the job. This is particularly true for Alaska, where economic fortunes are more closely tied to global commodity prices and federal spending plans.^{3,4}

So, what are the strategies to create a more durable economy, one that thrives in a variety of circumstances? I will share three that have been important in other communities that have taken this journey.

The first is to diversify, a word I've heard frequently in my meetings with many of you. This does not mean abandoning the things you do well—including natural resource extraction, strategic defense, tourism, and many others. Rather, it means looking for opportunities to invest in additional industries that hedge against the ups and downs in your core sectors.

² See, for example, the labor market indexes and indicators compiled by the Federal Reserve Bank of Atlanta (2025), Federal Reserve Bank of Kansas City (2025), and Michailat and Saez (2025).

³ Tappen (2025)

⁴ Alaska ranks third among all states for per capita federal spending. See Commonwealth North (2025).

I've seen plenty of examples of this type of diversification across the Twelfth District. Oregon developed a more tech-oriented economy in the 1970s to offset some of the volatility in their natural resource sector.⁵ Southern Nevada is currently investing in data centers to augment their presence in tourism, gaming, and entertainment.⁶ And there are many more examples I could share. You will decide what is right for Alaska, but the point is always the same. Purposeful, intentional diversification expands economic opportunity, ultimately creating durability.

And this brings me to the second strategy. Forward focus. Find things that are just beginning. A great example comes from the Alaska Small Business Development Center. They recently shared how investment in broadband, satellite-based internet, and publicly available generative artificial intelligence (GenAI) are combining to open new opportunities for businesses across the state, combining technology with people to create growth.⁷

Of course, additional investment is needed to fully scale this technology and make it something the entire state can do. Ongoing investments in broadband and satellite-based internet, but also in people and training. As I said earlier, people are your best asset and investing in them is investing in the economy.

And here is the final strategy, which isn't a strategy at all. It's a mindset. You have to believe. Believe that progress is possible. That you can craft it. And that 10 years from now, things will look different, better than they do today.

Ultimately, this is what I have learned on my travels. Belief is the foundation of anything we do. Belief leads to intention, intention leads to investment, and investment leads to progress. Which means in the end, it all comes back to you.

⁵ Mayer (2005).

⁶ Temple (2025).

⁷ Federal Reserve Bank of San Francisco (2025c).

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