



The Value of Outreach

Lessons from a trip to the Williston oil basin

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One thing that a Federal Reserve Bank president quickly learns to appreciate is the fundamental diversity of the U.S. economy by types of industry and by geography. Certainly every new president understands that our nation's \$14 trillion economy is heterogeneous across sectors and regions, but that diversity is quickly brought home when one hears reports from members of the Bank's board of directors, advisory councils and others around the district. While general trends impact all sectors and regions in a national economy, these trends are shaped by ups and downs in a myriad of businesses located everywhere from rural areas to metro industrial parks to inner-city neighborhoods. When it comes to economic performance, there are always outliers on the upside and downside. Even so, sometimes there are cases that lie so far outside the norm that they attract extraordinary attention. North Dakota is one such case.

By now, most everyone who pays attention to business news has heard about the economic boom that is occurring primarily in western North Dakota, where most of the Williston oil basin resides, and also in extreme eastern Montana. Media outlets from cable news channels to national newspapers to web-based news services have car-

ried breathless reports about the demand for workers, the high salaries, the traffic jams and, yes, the so-called man camps. As president of the Federal Reserve Bank of Minneapolis, I have been hearing these reports since I took office in late 2009. Members of our board of directors and our advisory councils have regaled us with tales of unprecedented economic growth while much of the rest of the country was still mired in the aftereffects of the worst economic slump since the Great Depression.

However, hearing or reading about this phenomenon is one thing; experiencing it is another. I recently had the opportunity to visit the "oil patch" region as part of a special meeting of our Helena Branch's board of directors in Sidney, Mont., which lies just west of the North Dakota border. Sidney is just a short drive—about 50 miles—from Williston, N.D. But one of the first things you notice on entering the oil patch is that you have to change your definition of "short drive."

Just like metropolitan areas, where commuting time is determined by congestion and not distance, the same is true of the highway connecting Williston and Sidney. The traffic jams begin in the city of Williston and extend along the rural stretches of

highway, as numerous large trucks and pickups that arrived to supply the oil industry compete with existing agricultural and local traffic. Road repair is a constant, as the heavy trucks take their toll. The rolling plains have a new visual landmark—natural gas flares that burn like eternal flames at the tops of oil wells, visible for miles at night.

Within the communities of Sidney and Williston, as well as other small towns in the region, the most common sign on a business is “Now Hiring.” Billboards offer signing bonuses and good benefits if workers sign up, and radio stations carry a stream of ads hoping to lure workers. Business owners, especially service industries, tell stories of having to reduce hours or even eliminate shifts for lack of staff. And while much of the rest of the country continues to struggle with a decrease in residential housing prices, this is certainly not the case in the oil patch, where home prices are rising in an area that extends all the way to Minot and even Bismarck, as well as in the many small towns along the way.

I could go on, but as I indicated, there are plenty of stories out there about this extraordinary growth and the impact on the communities and the state, and we have provided a number of them—along with a lot of data—in our regional business publication, the *fedgazette*, and on our website, minneapolisfed.org. We will continue to monitor this regional phenomenon as it develops over the years.

Earlier I described the sudden growth in business activity in the Williston oil basin as a “boom,” and that is a term that many local officials are trying to retire; some believe this remarkable growth as an industry will be around for decades to come. Advances in oil extraction technology mean that the billions of barrels of oil (experts disagree on how many billions, but all say the numbers are large) lodged within a shale deposit known as the Bakken can now be removed if oil prices remain above a certain number, roughly in the range of \$50 to \$60 per barrel. Having taken a tour of an oil rig near Williston, with its high-tech engineering applications, I find it easy to imagine that ongoing technological improvements will continue to reduce that threshold price.

Does this mean that North Dakota’s oil boom will sustain its current pace and become a long-term

growth industry? Maybe so, but many of the locals are circumspect. They have been down this road before, and they have long memories. An oil boom in the late 1970s and early 1980s ended abruptly, and many local businesses went bust. In scenes that foreshadowed the real estate splurge and collapse 20 years later, some oil patch towns were left with unfinished subdivisions and vacant commercial spaces that sat idle for years. With this in mind, many local businesses, bankers and community leaders are leery of a repeat performance, and so communities are struggling with how to manage this growth. Of course, problems associated with growth would be considered a luxury in many parts of the country, and North Dakotans know that they are living a charmed existence. In the many conversations I have had with North Dakotans on their economic good fortune, there is one common refrain: The state knows that it is the beneficiary of lucky circumstances—including the recent strength in agricultural prices—and luck doesn’t last forever. They have no desire to repeat past mistakes.

I have made a number of trips to North Dakota and Montana since becoming president of the Federal Reserve Bank of Minneapolis and have discussed the impact of the oil boom on the state’s economy with a number of people, but experiencing this phenomenon in person has helped me to better understand these reports and certainly has helped me wrap a story around all of the data. I have written in this space before about the importance of public outreach for the Federal Reserve, and this is especially true of Federal Reserve Bank presidents, who manage institutions that are not well understood by much of the American public. As one of those presidents, I have a responsibility to communicate with members of the public, especially people in the Ninth Federal Reserve District, and I take this responsibility seriously. My trips around the Ninth District entail public speeches and meetings with business owners, community leaders, bankers and local media, as well as informational tours. In the coming year, I plan to introduce more public meetings into my trips and to add even more discussion about the work of the Federal Reserve. I very much look forward to these visits, not only to inform people about the Federal Reserve, but also—as my recent trip to the Williston oil patch attests—to learn firsthand about the Ninth District’s economy. ■