

Asia's Promise

WHAT is Asia? The question came up again and again as we put together this issue of *F&D*. At first blush, the answer seemed simple: Asia is the locomotive of the world economy, posting impressive growth numbers for the past several decades.

Indeed, the region appears poised to make history: if current trends continue, the “Asian” economy will be larger than that of the United States and Europe *combined* in less than two decades—a prospect that has prompted some to dub the 21st century the “Asian Century.”

But a closer look revealed stunning diversity. Once you get past the headlines, the picture is complex and richly textured. “Asia” is home to countries of all sizes—from tiny Pacific islands to India and China, the world’s two most populous nations—and at all stages of economic development, from “frontier” economies scrambling up the economic ladder out of poverty to powerhouse emerging markets to advanced economies.

Some Asian countries offer sophisticated financial markets and are centers for technological innovation, while others are largely agricultural.

The region is home to 700 million poor people, about 65 percent of the world’s poor—a figure that stands in stark relief against Asia’s economic strength and growing prosperity.

Certainly, Asia is no monolith. This issue of *F&D* looks at Asia from a variety of angles, seeking to provide insight into the region’s economic present—and future. We begin with an overview by the IMF’s Asia department head, Changyong Rhee, who argues that Asia will need to deal with five important challenges if the region is to continue on its amazing economic journey.

David Dollar looks at the rebalancing of China’s economy—from investment toward consumption—and the implications of that shift for developing economies in the region. Shikha Jha and Juzhong Zhuang examine the role strong institutions and good governance can play in Asia’s future, and James Walsh offers a glimpse into the future of Asian finance. Malaysian central bank governor Zeti Akhtar Aziz offers her view on Asia’s resilience and how the region can cope with financial and economic transitions in the rest of the world. Articles on Australia, kimchi (the Korean staple), and the global reach and economic impact of rapper Psy and other Asian cultural exports round out the package.

Elsewhere in this issue, three researchers, Andrea Pescatori, Damiano Sandri, and John Simon, take up one of the more pressing and controversial economic questions of the day: at what point does a nation’s debt compromise its medium-term growth?

Prakash Loungani profiles Christopher Pissarides, whose pioneering work on unemployment and labor markets earned him the Nobel Prize in 2010. Finally, and not to be missed: Timothy Taylor’s take on economics and morality. The managing editor of the *Journal of Economic Perspectives* delves into the rich and sometimes tortured relationship between economics and virtue.

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