1

A NEW MIDDLE CLASS

That Asia can become the engine of global economic growth is a recurring concept in the relevant literature, a theory floated variously throughout the centuries without yielding tangible results. Based on a perceived inability of the region to deliver on its potential, many people—professional investors included—resist the idea that Asia can develop a sustainable, consumer-based economic growth model. Such resistance is rooted in the region's well-documented dependence on exports to the developed Western economies. Asia, in this construct, will remain a volatile investment proxy to global economic growth, stuck in a perpetual boom-and-bust cycle.

But consider the following set of circumstances: a large population in a demographic "sweet spot,"[1] a high savings rate, an increasing bias toward consumption, and the fact that the world needs a new growth engine for the 21st century. These elements portend a rise of the Asian consumer that will transform the global economy. Although this transformation is still in its early stages, marked by periods of rapid advancement as well as periods of relative stagnation, Asia is steadily becoming the main growth game in town.

Due to the region's internal strengths, the knowledge gained during its boom-and-bust cycles, and the current state of the global economy, Asia's time is upon us.

The firmly entrenched belief that the world cannot grow without the American consumer being the sole dominant force will cost shortsighted investors the opportunity to identify and capitalize on an emerging, gigantic trend.

Because humans are creatures of habit, it is difficult to alter our ideas and identify change. The inability to see the transition to Latin American and Japanese growth in the 1970s after everyone had become extremely comfortable playing the U.S. growth stocks of the 1960s is an example of this stasis. A more recent manifestation of this resistance to change is characterized by the fear sparked by the 1996 collapse of the Japanese consumer that the world would have great difficulty finding a new consumption archetype.

History demonstrates that change in world economic leadership is constant. Consider the great European powers that used to hold the economic reigns of the world. When one city-state was at the height of its influence, neither the city's inhabitants nor people abroad were able to contemplate a change of the status quo.

In the 1300s and 1400s, the Italian powerhouses of Venice, Genoa, and Florence dominated, followed by Spain and Portugal. In the 1500s Antwerp, and then Amsterdam, took over as centers of world banking and trade. In the 18th century, the power shifted to London, with the start of the Industrial Revolution. Eventually, the U.S. took over the lead.

Today, those claiming things will stay the same sound even more naïve than those who grew comfortable in their respective dominant city-states. Given the already significant effects of globalization on the world's economy, change in the current context is a lot closer at hand than many people are willing to accept.[2]

Asia's road is a difficult one, perhaps more difficult than those faced by other fast-growing economic regions. Asia is coming of age during a period of explosive globalization and technological change. Access to technology and capital offers a lot of opportunities, but such access is also restrictive as the region is a member of an extremely complex and interconnected world. Complicated relationships make decision-making especially difficult.

In the past, developing economies did not have outsiders looking over their shoulders. As the road to prosperity is not always clearly defined and "fair," this relative solitude worked to these economies' advantage. Today, though, the rapidly emerging economies operate under the microscope of countless worldwide organizations and governmental agencies—all administrated by the economically developed nations (EDNs). Developing economies must find ways to grow and integrate into the global economic system, while answering the questions and satisfying the demands of the great economic powers.

What would have happened to the Industrial Revolution in England, or what would have been the rate of progress in the American colonies, if they had to play by the rules that developing countries in Asia are required to follow today?

To suggest that now is not the 18th century and that the world has come a long way in civility, freedom, and the like ignores the fact that developing Asia is today at the same position (relative to the progress that the world has made) as the emerging economies of more than 200 years ago. After all, 45 percent of China's total workforce is still employed in the farm sector, a clear indication that China is still at a relatively early stage in the industrialization process.[3]

Looking Back

Asia, especially China because of its size, has long excited the imagination of the Western world. Marco Polo talked about the great wonders of China, and Christopher Columbus—although he never reached China—spoke of an "incalculable amount of trade." In the 1800s, British merchants tried, unsuccessfully, to "conquer" China.

It is beyond the scope of this book to examine the details of these failures, but some brief points are warranted. Few people appreciate (mainly because of Britain's and, later, continental Europe's industrialization boom) the fact that parts of Asia, especially parts of China, Japan, and India, were on the same economic level as Europe until the end of the 18th century. As Kenneth Pomeranz noted, "In sum, core regions in China and Japan circa 1750 seem to resemble the most advanced parts of Western Europe, combining sophisticated agriculture, commerce, and non-mechanized industry in similar, arguably even more fully realized, ways."[4]

This lack of appreciation, coupled with Europe's spectacular economic growth in the 19th century, led to unshakable misunderstandings when the West did business with China in particular. Carl Crow put the problem into perspective in 1937. "Every now and then," he wrote, "we are visited in Shanghai by an export manager, usually a new one, who appears to be spending his company's money on an expensive trip around the world for the sole purpose of discovering how many points of superiority he and others of his nationality enjoy over the people of the country he is visiting."[5] This shallow sense of superiority and a lack of sensitivity to the region's idiosyncrasies has led to myriad mistakes by and financial losses for Western investors.

Of course, this is a two-way street; Asia's own attitudes harmed Asia numerous times. In the 1990s, the region's leaders and businessmen accepted the theory that there was something unique about Asia that made its economies thrive. But the work ethic of its people notwithstanding, a careful look reveals that the region's success was more the result of good timing than anything else. At the time, Southeast Asia was the only part of the world not enmeshed in crisis, and it had fairly open markets facilitating an economic and stock market boom. With Latin America beaten down, Africa facing its chronic problems, and Japan at the end of its run, the "tigers" (for example, South Korea, Taiwan, Singapore, and so on) were the world's only growth investment choice.

The only rational explanation for this "special status" misconception is the vanity of human beings and the conviction that, for whatever reason, their situation—economic or otherwise—is of a special kind that deserves special treatment, and above all is almost certainly irreversible.

One Trick Pony

Asia has become an indispensable part of a complex global economy. It satisfies the world financial system's demand for a source of cheap labor for the developed economies. This is the basis of the East Asia Economic Model (EAEM) that has created huge surpluses in Asian countries while suppressing demand and limiting domestic growth to the amount of foreign direct investment (FDI) it receives and exports. As the Western economies condition themselves to low-priced products, Asia's role in this system is becoming more important by the day.

Both parties—Asian producers and Western consumers—have accepted their respective roles. The EAEM is based on export volume (that is, no pricing power) and depends on foreign demand and foreign direct investment by multinational corporations. This giant export machine helps the Asian countries grow, while the accumulation of savings by the Asian people (and their conversion to U.S. Treasuries and other foreign assets) allows consumers in the developed countries (particularly the U.S.) to expand their seemingly insatiable consumerism to unprecedented levels.

One school of thought characterizes this dynamic as a mutually beneficial arrangement and the result of the superb returns the U.S. and other Western economies offer the world. Asia will always remain on the giving end of the equation, this school maintains, because of its inability to develop the necessary conditions for a consumer-based economy. Although such an observation might seem outrageous to some, Asian governments have failed to foster consumption as a way of economic growth. Even after the crisis of 1997, the region's leaders refused to facilitate domestic demand as a means of reviving the respective economies. Growth became the first priority and, conveniently, the easy path—exports—was chosen again. The opportunity to balance investment and consumption was once again lost. Worse, many of the Asian countries neglected the non-mass manufacturing parts of their economies, although these sectors remain extremely vital to the long-term well being of their economic development and social balance.

On the other hand, there is no concrete proof that the great U.S. consumption machine would have been able to reach such high levels

(72 percent of gross domestic product (GDP) in 2005) if Wal-Mart, which has turned benefiting from low-cost Chinese production into an art form, had not entered the picture. In other words, it is easier to consume more if one can buy a shirt for $10 when, without Asian production, the same shirt would cost $30. At $30, consuming becomes more difficult, especially during times of economic weakness.

For the time being, Asia gladly serves as the facilitator of Western economic growth. Its economies are growing and modernizing. Yet, the moment will arrive when average Asians will demand more for themselves and governments will be forced to spend more resources supporting their own domestic economies as opposed to buying U.S. Treasuries.

Early indications of this change can also be found within the circles of Asian monetary policy making. Rakesh Mohan, deputy governor of the Reserve Bank of India, has noted: "The central banks of Asia are financing roughly 3 to 3.5 percent of the current account deficit of the U.S. and most of its fiscal deficit, as compared to the earlier situation where it was private sector flows that were funding these deficits. In view of the difficulties in monetary management that the situation entails, this situation is clearly not sustainable indefinitely."[6]

Time Is on Their Side

Asia (East, Southeast, and South) is home to 3.5 billion people, 57.5 percent of the world's population. Beyond the raw numbers, Asia's demographics are extremely impressive and important. When it comes to what researchers call demographic advantage, Asia is the spot. The region's dependency ratio[7] is still decreasing and, as Figure 1-1 shows, it is not expected to stop or reverse its decline for at least 10 years.

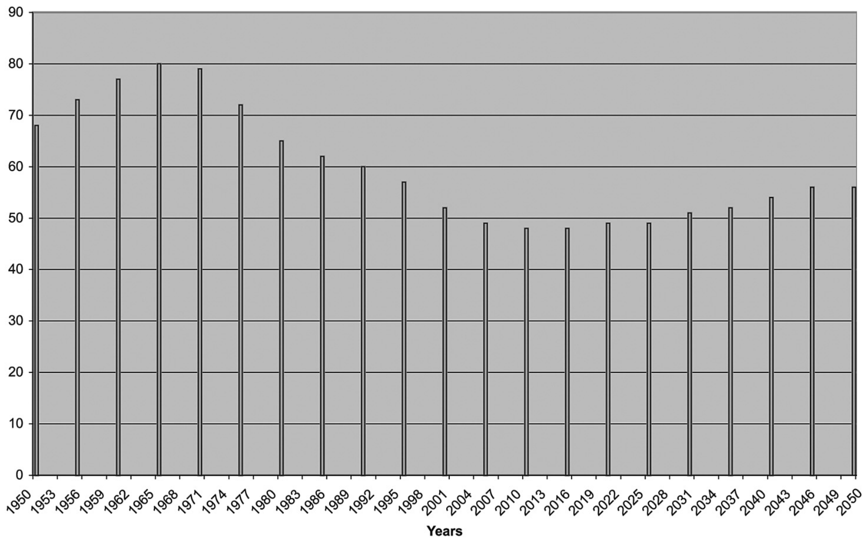

Figure 1-1 Asia's age dependency ratio. (Source: Population division of the department of economic and social affairs of the UN.)

Furthermore, the segment of its population in its 30s to 50s (the high earners and spenders) is expected to grow dramatically in the next five to 10 years, as Figure 1-2 indicates.

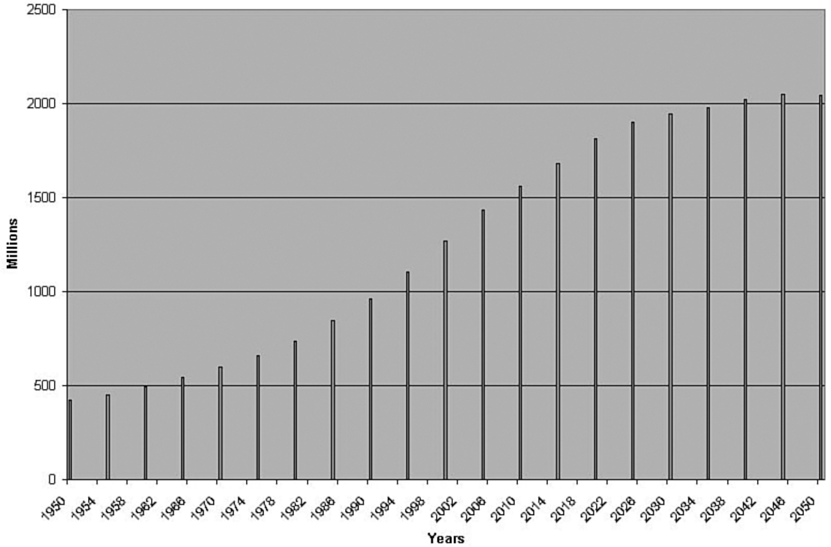

Figure 1-2 Growth of Asia's population age 30s to 50s. (Source: Population division of the department of economic and social affairs of the UN.)

Many young people in their 20s and 30s have chosen a career-oriented singles lifestyle, as opposed to the tradition of getting married early and having children. A lot of those who do marry are not in a hurry to have children. In Thailand, for example, about 34 percent of households today have no "economically dependent" children. New families are choosing (or are forced, as was the case in China) to have just one child, freeing up more disposable income with which to spoil themselves and their young.

As a result of these trends, women are emerging as a major consumption force. A greater number are entering the workforce while opting for fewer children. Not surprisingly, it is in the most affluent economies of the region where these changes are most evident. According to the Asian Development Bank, in Hong Kong, Singapore, and South Korea, the average number of births per woman in 2004 was 1, 1.4, and 1.4, respectively. In contrast, in Pakistan, Bangladesh, and the Philippines the numbers were 4.9, 3.3, and 3.1. But even in the latter countries the number of births has been decreasing.

Consumption is a major part of young people's lives—they dine out, travel, spend money on clothing and personal accessories, and save less. As the urbanization of Asia continues, this trend should persist and become the norm rather than the exception.

India's profile is a particularly important aspect of the Asian demographic advantage. More than half of Indians are under the age of 25, with 181 million people added to the population in the last decade. Population growth projections are still robust, and researchers expect the proportion of working-age people to increase well into the 2020s. Nine million new workers enter its huge work force (470 million) every year. India needs solid growth rates to support this population growth. Emigration will also play a role, especially as the rest of the world is aging.

The fact that demographics favor Asia does not alone mean that it will become the engine of world economic growth. As Stephen King, chief global economist for HSBC, has said, "…even if we had absolute certainty over demographic trends, we might still reach the wrong conclusions. This is particularly so in a situation where expected changes in the demographic profile might lead to unanticipated changes in human behavior. Give someone a tax cut when they are fully confident about the value of their future pension income and there is a good chance that the tax cut will be spent. Give someone a tax cut when there is tremendous uncertainty about future pension income, and there is a good chance that the tax cut will be saved."[8]

Nevertheless, many years of pent-up demand (over a half-century in the case of China) and growing urbanization will be more than enough to nourish the shift toward consumption. In 1990, a typical Chinese household spent almost 80 percent of its income on food, clothing, and other household items. This proportion has since come down to 55 percent and continues to fall.

A look at Asian ownership of commercial goods (see Tables 1-1 and 1-2) provides a snapshot of the continuing changes in income use, and allows for fair assumptions for the future.

Table 1-1 Television Sets per 1,000 People

Country/Region	1970	2003
China	1	350
Hong Kong	113	504
India	0	83
Indonesia	1	153
S. Korea	19	458
Malaysia	12	210
Pakistan	2	150
Philippines	11	182
Singapore	97	303
Sri Lanka	0	117
Thailand	7	300
Vietnam	23	197
Japan	337	785
Latin America	60	289
U.S.	395	938

Source: World Bank World Development Indicators, 2005

Table 1-2 Personal Computers per 1,000 People

Country/Region	1988	2003
China	0.3	27.6
Hong Kong	25.7	422
India	0.2	7.2
Indonesia	0.6	11.9
S. Korea	11.2	558
Malaysia	4.1	166.9
Pakistan	1.3	4.2
Philippines	2.1	27.7
Singapore	42.2	622
Sri Lanka	0.2	13.2
Thailand	1.9	39.8
Vietnam	0.1	9.8
Japan	41.6	382.2
U.S.	184	658.9

Source: World Bank World Development Indicators, 2005

A good comparison for certain basic consumer products can be made between the developed and less-developed economies in Asia, as well as between Asia and the developed Western economies. The most developed economies are enjoying bigger numbers, which is true in Asia, too. But a cursory look at Tables 1-1 and 1-2 reveals that growth in developing Asia has been robust. And as consumer goods become more affordable, these countries will lead future growth.

One Last Time

It is true that the Asian consumer will take time replacing the American as the primary global consumption driver, and that it will take a lot in absolute terms for Asia's middle class to catch up to Western standards.

In relative terms, however, the results are impressive and are improving rapidly. Domestic consumption is a relative term around the world—relative in the sense that prices are different and one cannot compare absolute prices when it comes to consumer goods.

For example, an upper middle-class family in India that owns a Honda Accord has the same, if not higher, status as a family that owns an Audi A6 in the U.S. Therefore, one should focus on the fact that both families have bought an automobile—what matters is consumption not relative prices.

Keep in mind that a lot of the auto companies have factories in Asia. They produce cars that are exported to the West at much higher prices. At the same time, similar or smaller cars are sold in Asia at lower prices, but still produce good profits because the cars are made in places where costs are still extremely low. Profit margins are not as high but they are solid, and can rise more as the region grows. As more people are able to afford to buy cars (or any other product or service), profits will increase because costs will remain low relative to the West.

Consider the case of General Motors. In 2003, GM made a profit of $437 million in China, selling 386,000 cars. In all of North America, the company sold 5.6 million cars for a profit of $811 million.[9] No one expects car sales in China to continue to grow by more than 50 percent per year, but the fact that producers do not have to spend money in incentives to lure buyers shows that there is real money to be made, perhaps "more real" than what GM is making in the U.S.

A crucial assumption about the region's future spending potential is that, as economies in Asia continue to grow, the income for distribution will also increase, expanding the region's middle class.

Asian income distribution is already improving, a good sign for future consumption as well as for social stability. As Table 1-3 reveals, Asia fares much better than not just other developing economic regions (for example, Latin America). One could argue that Asia as a whole has a more favorable income distribution than the U.S., given that on average 45.48 percent of income in Asia is held by the top 20 percent of the population while 7 percent of income is held by the lowest 20 percent.

Table 1-3 Income Distribution: Highest and Lowest 20% of Population

Country/Region	Year	Highest	Lowest
Bangladesh	2000	41.3	9
China	2001	46.6	5.9
Hong Kong	1996	50.7	5.3
India	2000	43.3	8.9
Indonesia	2002	43.3	8.4
S. Korea	1998	37.5	7.9
Malaysia	1997	54.3	4.4
Nepal	1996	44.8	7.6
Pakistan	1999	42.3	8.8
Philippines	2000	52.3	5.4
Singapore	1998	49	5
Sri Lanka	2000	42.2	8.3
Thailand	2000	50	6.1
Vietnam	2002	45.4	7.5
Japan	1993	35.7	10.6
Latin America	2000	56.8	3.55
Europe*	2000	40.8	7.1
U.S.	2000	45.4	5.2

*UK, Germany, France, Italy. Source: World Bank, 2005

As a general rule, Dr. Yuwa Hedrick-Wong of MasterCard International has said a per capita annual income of $5,000 is the threshold level at which a person in Asia becomes a discretionary spender. After reaching this income level, more than 50 percent of every extra dollar earned goes to discretionary spending.[10] According to national statistics, more than 250 million people in Asia qualify right now—and the number is expected to surpass 500 million by 2010. These numbers probably understate the actual situation, as they do not take into account Asia's substantial black-market economy income.[11]

The rise of Asia's middle class is becoming extremely important to the local economies. In China, for example, middle class families include about 130 million people, and their purchasing power is close to that of the more developed Asian economies. The household income for these families surpasses $24,000 (far ahead of the $5,000 mentioned previously) and economists expect that another 40 million people will join this group in the next decade.[12]

The most important development in the Asia story has been the transformation of the financial sector. Credit cards, auto loans, and—most importantly—home loans are unlocking the region's consumerist spirit and driving domestic demand. During the last five years, Asian banks have begun to realize the advantages of consumer lending, and have moved aggressively to secure retail business. This is extremely important. Asian households are notorious for their high rate of savings: close to 33 percent of GDP as of 2003. This attitude was the outcome of a long practice that postponed consumption for a later date. But a new generation is emerging in Asia, one that is looking more toward consumption than their parents did.

Mortgages are by far the most significant tool for Asian governments to push people toward consumption. People gain a great sense of economic and social security after they have a roof over their head. Growth in this credit market will be strongest in the less developed economies of the region (for example, India, China, Thailand). In most developed Asian economies, home ownership already is at high levels. In Singapore, for example, home ownership is at 94 percent.

The same holds true for credit cards. The more advanced economies (for example, South Korea, Hong Kong, Singapore) have greater penetration levels than those of less developed ones. Credit cards are a spectacle in India because few people, relative to population size, have them.

Given years of inaction, banks and consumers are eager to explore the possibilities. Growth is robust and is taking root from extremely low levels, something that will prove to be of immense importance. To understand the magnitude of the potential change, consider that in India, for example, household loans represent a little over 10 percent of total bank loans—a small amount by any measure.[13]

As the attitude toward credit is changing, the potential for domestic demand is growing. Credit can increase consumption under the most difficult circumstances. Between 2001 and 2005, the U.S. consumer was able to spend not because income increased, but because prices of goods decreased and credit was readily available. Even the rise in housing prices, which allowed consumers to borrow against their house value in order to spend, was the consequence of the Federal Reserve's extremely loose monetary policy; even the almighty American consumer machine needed help in order to remain robust.

The U.S. has in place the political and economic institutions that, theoretically, guarantee stability. Americans are willing to go out and spend money because they believe that the system will eventually work out a solution to its problems. It is this conviction that allows Americans to spend even during times of economic slowdowns. The majority of Asian governments have not been able to instill in their people the same confidence. Asia's huge pool of savings is the outcome of a malfunctioning financial system, and the resulting uncertainty regarding the future. When Asian governments successfully establish mechanisms to ensure that rule of law is the prevailing social organizing concept, financial security and respect for institutions will eventually decrease household insecurity and encourage consumption.

China's growth, in particular, has become substantial enough to highlight the critical need for major institutional changes for economic growth and development to continue. Facilitating domestic demand—which, after a point, becomes more important than investment—is the only path to sustainable economic growth. The difference between investment and demand is that the former requires a loan, whereas the latter requires complete trust in the system and the future of the economy.

According to Rudi Dornbusch and Givazzi Francesco, "A sound financial system is also a first-order issue for sound investment and sustained growth. The case of Japan manifests dramatically that neglect of financial regulation and supervision leads to awful balance sheets and a serious credit deterioration and credit crunch. The politics is decidedly difficult when a government has to own up to the fact that the population has worked hard and saved for years only to find that their accumulated assets are seriously impaired...China has a great interest in avoiding that its high saving ratio ultimately shows a payoff for savers in the form of productive capital accumulation rather than high taxes to bail out depositors and investors."[14]

The situation in China is dramatic, given the fact that banks are the main source of lending in the system, accounting for 70 percent of loans outstanding. Improvements that address (and eradicate) the political pressure in the credit allocation process will make the system more commercial.[15]

When the current economic cycle peaks, it is reasonable to expect that China will experience its first real banking crisis. But given the scope of the improvements underway, the crisis will not be the end of the reforms. Barring a domestic uprising or revolution, China should emerge from such a crisis in a sounder position.

Since 1997, Asia has made great progress in improving its financial system, but the region's sustainable growth requires nothing less than total banking reform. Although Asia needs money for development, it still cannot properly exploit its huge surpluses given the financial system's functional problems. A regional liquidity system must be established so that Asia can use its savings and other funds for investments without the interference of others. Only if Asian governments succeed in this respect will Asian countries and their citizens attain steady economic growth through sustainable domestic demand.

Eventually, Asian governments will be forced—either by social pressure or by economic circumstances—to structurally boost domestic demand. The current model of economic growth will lead to prolonged economic slumps, and will create social problems notoriously more difficult to solve than anything else. At a later stage, a structural rise in Asian wages relative to the U.S. and the developed world may take place. Domestic institutional and individual investors could provide the next level of support for the Asian countries. If governments and people work together, the next investment/consumption boom in Asia can be domestically driven, relative to the real economic situation of each country and be more sustainable. Investors worrying about the region's panic-prone characteristics should look beyond the surface. As Paul Krugman has said, "…there is no relationship between good long-run economic performance and vulnerability to crises—that the United States before World War II was both the most productive and the most panic-prone of advanced nations. Well, that cuts both ways: Asia's economic momentum didn't save it from crisis, but its crisis does not mean that it has lost its economic potential."[16]

Asia really needs domestic demand. Despite its progress in becoming a vital component of the global economic system, the region has been completely unable to project an independent voice in the world. The reason is that Asian manufacturers are price takers. Volume remains their main consideration. A huge surplus capacity forces Asian manufacturers to sell even more when demand in developed economies declines, leading to lower prices (good for consumers) while worsening Asia's terms of trade (bad for producers). Only when the region's mercantilist approach toward growth ends will Asia have a chance to become a true player in the global economic and political arena.

Traditionally, mercantilism has been defined as economic nationalism for the purpose of building a wealthy and powerful state. Adam Smith coined the term "mercantile system" to describe the system of political economy that sought to enrich the country by restraining imports and encouraging exports. This system dominated Western European economic thought and policies from the 16th to the late 18th century. The goal of these policies was, supposedly, to achieve a "favorable" balance of trade that would bring gold and silver into the country.

The Asian version has refined the system to include financing the most important customers; one tactic is to buy U.S. dollars, thus keeping their currencies artificially low and consequently helping U.S. consumers maintain strong consumption patterns. A significant motivating factor behind this effort is the psychological impact of the Asian financial crisis.

It is a long road that emerging Asia must take if its leaders are serious about helping their people benefit more from their labor, and if they are serious about making a real difference in the new world financial order. The alternative is to continue scraping at the bottom of the financial pyramid, excited and happy when the economic developed world throws a bone their direction. The rest of the world would not mind such an arrangement; the bet here is that Asians will.

Endnotes

1. We first came across the term in CLSA Asia Pacific Markets equity strategist Christopher Wood's influential September 2002 research report, "Asia's Billion Boomers." Mr. Wood's work set the stage for the research that followed, and brought the "real Pacific century" theme to the forefront of economic and investment discussion. His thoughts and conclusions planted the seed for this book.
2. For our purposes, "Globalization is defined in what follows as integration of economic activities, via markets. The driving forces are technological and policy changes—falling cost of transport and communications and greater reliance on market forces." Wolf, Martin. *Why Globalization Works* (New Haven: Yale University Press, 2004), p. 19.
3. Nolan, Peter. *China at the Crossroads* (Cambridge: Polity Press, 2004), p. 69.
4. Pomeranz, Kenneth. *The Great Divergence* (New Jersey: Princeton University Press, 2000), p. 17.
5. Crow, Carl. *400 Million Customers* (London: Hamilton, 1937), From 2003 edition, p. 137.
6. Mohan, Rakesh. "Challenges to Monetary Policy in a Globalising Context" (Reserve Bank of India Bulletin: January 2004), p. 82.
7. A measure of the portion of a population composed of dependents (people who are too young or too old to work). The dependency ratio is equal to the number of individuals below age 15 or above 64, divided by the number of individuals aged 15 to 64, expressed as a percentage. A rising dependency ratio is a concern in many countries that are facing an aging population, because it becomes difficult for pension and social security systems to provide for a significantly older, non-working population.
8. King, Stephen. "The Lucky and the Losers" (HSBC: October 2004), p. 11.
9. Welch, David. "GM: Gunning It in China" (*BusinessWeek*: June 21, 2004).
10. This rule applies to China, Hong Kong, India, Indonesia, South Korea, Malaysia, Pakistan, Philippines, Singapore, Taiwan, and Thailand. Ziegler, Dominic. "The Weakest Link" (*The Economist*: February 6, 2003).
11. Economist Dr. Jim Walker has long argued that "Asia's black-market economy is as much as half the size of the official economy. This increases dramatically the official numbers since it is a better engine of consumption because it is not taxed at the source." Ziegler, Dominic. "The Weakest Link" (*The Economist*: February 6, 2003).
12. Qu, Hongbin. "China: Middle Class, Center Stage" (HSBC: March 2005).

13. Hobson, John and Robert N. McCauley. "The Future of Banking in East Asia" (Ente Luigi Einaudi Quaderni di Ricerche no. 59: Bank for International Settlements, 2004).
14. Dornbusch, Rudi and Givazzi Francesco. "Heading off China's Financial Crisis" (1999).
15. Because these banks are controlled by the state, lending is often based in political connections.
16. Krugman, Paul. "Will Asia Bounce Back?" (Speech for CSFB, Hong Kong: March 1998).