EDITORS' NOTE

Financial Crises in Emerging Economies

Each of the pair of articles that introduces this issue deals with recent international financial crises. The first, by Roberto Chang, develops a way of thinking about the crises themselves and policies that should be followed to minimize their impact. The second, by Joseph Whitt, analyzes factors that may have precipitated the crises that rolled through East Asia in 1997 and have threatened to engulf much of the rest of the world since that time.

Each article stands on its own; however, they also complement each other. Chang's analysis identifies a common financial pattern in the development of recent crises, the resulting impact of crises, and policies that are likely to be effective in reducing their impact. It specifically avoids discussion of factors that might precipitate crises, arguing that these factors may be many and varied.

Whitt's analysis focuses on the 1997 series of events that shook East Asia. It distinguishes among several factors that might have led directly to the problems that were common among emerging economies throughout the region at that time. His analysis points to a specific trend in the value of the dollar that affected each of these economies. While it argues that the appreciation of the dollar was critical in the worsening imbalances in emerging Asian markets, it by no means supports the view that this simple development is sufficient to explain the complex events that defined the crises.

In fact, each article focuses on a simple element as essential to understanding the larger crisis. Each also puts these elements into the larger context of a multidimensional global economic system in which ultimate causality is difficult to trace.