



Letter from the President

five years ago, I made an extended trip to Asia, visiting Japan, Singapore, Hong Kong, China and South Korea. That trip impressed upon me how the fortunes of some of the biggest Asian economies had diverged since I was a member of the team of U.S. officials that met with China's leader, Deng Xiaoping, in 1979 to settle outstanding counterclaims between China and the U.S. and I lived and worked in Japan a decade later.

I arrived in Japan just as the great real estate and stock market bubbles of the 1980s were about to burst. But for most of the 1980s, commentators here and in Europe were obsessed with the prospect of Japanese manufacturing eclipsing manufacturing in the West. Over the

subsequent quarter century, Japan has languished, while China has grown by leaps and bounds.

Over the past year, there have been encouraging signs from Japan that its decades-long struggle with deflation may be coming to an end. Structural reforms—which are essential to boosting the country's long-term growth rate—may prove more challenging. China continues to grow at rates that put it on track to be the world's largest economy before the end of this decade.

As China grows in importance in the global economy, it is essential that the leading policymakers there have a clear understanding of how we at the Federal Reserve operate. Globalization means that policy actions by the major central banks have global repercussions, and it is important that the motivation for the Fed's actions be understood, not just in the U.S. but around the world.

At the time of my trip to Asia, one of the best-sellers in China was a book titled *Currency Wars* (货币战争) by Song Hongbing. This book was widely read by many leading Chinese policymakers and unfortunately propagated many myths about the way the Fed operates.

This past year, one of the economists we hired to develop our research program on the implications of globalization for monetary policy—Jian Wang—undertook on his own time to write a book titled *Demystifying the Fed* (还原真实的美联储). I think this book is a valuable contribution to greater understanding between the U.S. and China, and it has already become a best-seller in China.

This is just one of the highlights from the Dallas Fed's Globalization and Monetary Policy Institute over the past year. This annual report contains a series of essays summarizing the activities of the excellent group of researchers we have working here at the institute, and I recommend you read it carefully to get a sense of the broad range of work going on in this important area of economic study.

A handwritten signature in black ink that reads "Richard W. Fisher". The signature is fluid and cursive, with a large, sweeping initial "R".

Richard W. Fisher
President and CEO
Federal Reserve Bank of Dallas

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