
Most of the cross-cutting issues dealt with in these essays are as pertinent in the post– as in the pre–9/11 environment. Whether globalization is good or bad and for whom, how to measure it or how to influence it, remain timely questions now as they were then. The admission of China and Taiwan to the World Trade Organization (WTO), and the economic and other consequences of this change in status, will continue to be of regional as well as global significance. So, too, are issues addressed in other chapters, including the case for and against a “new international economic architecture,” the outlook for a strong or a weak euro, the ramifications of China’s continued if fitful progress toward capitalism, and the “fairness” and other effects of changes in U.S. marginal tax rates or in government spending as central elements in U.S. fiscal policy.

As indicated by this snapshot of the book’s contents, the subject matter covers a wide range of disparate issues, reflecting matters I
have been interested in during this period. I have organized the chapters into three parts to provide a semblance of cohesion:

I. *The Global Economy*, which includes chapters dealing with globalization, financial crises, WTO, and the euro;

II. *The U.S. Economy and Foreign Policy*, which includes essays on U.S. tax cuts, the trade and budget deficits, and whether and when it makes sense for the U.S. military to intervene abroad; and

III. *Asian Economics and Politics*, which comprises most of the book’s chapters, spanning a wide range of topics from “Asian values” and whether they differ from “western” ones, to economic forecasts for the Asian region, to Asia’s recovery from the 1997–1998 financial crisis, and to numerous country-specific issues involving China’s economic growth, cross-Strait relations between the mainland and Taiwan, Japan’s economic stagnation, and the eventual costs of Korean reunification.

Bridging this assortment of subjects and partly connecting them are several prominent, cross-cutting themes.

First, the author is a strong, but not uncritical, adherent of free and competitive markets, and of market mechanisms rather than government intervention to address economic problems. This theme occurs and recurs in the three parts of the book in describing various issues and in evaluating policy measures to deal with them. However, this stance does not proceed from a belief that markets, when left to their own devices (e.g., “laissez-faire”), always manifest the full range of attributes associated with perfect markets, to wit: full and free competition; symmetric information available to buyers, sellers, and potential competitors as well as current producers; generally rising cost curves notwithstanding economies of scale and scope; and so on. Indeed, it is typically the case that some of these attributes are missing from real-world markets. Instead, my support for market mechanisms derives from an empirically based belief that the evident shortcomings of markets are frequently overbalanced by the
often neglected, overlooked, and unacknowledged drawbacks of government efforts to redress the market’s shortcomings.¹

This theme recurs in Chapters 3, 4, 5, and 6 dealing with financial crises, the International Monetary Fund, the problem of “moral hazard,” and the continuing clash between reliance on markets or on government intervention. The theme also appears in Chapters 24, 25, 27, 28, and 29. dealing with the Chinese economy, its prospects, and its fitful march away from central planning and toward capitalism; in Chapter 10 where a rebuttal is presented to George Soros’s alarmism about “market fundamentalists” and his predicted collapse of the global capitalist system; and in Chapters 32, 33, 34, and 35 dealing with Japan’s economic malaise and possible remedies for it.

A second theme evident in several parts of the book is a pervasive skepticism and criticism of U.S. efforts, however well intentioned, to intervene in politically-charged, ethnically-complex, and murky conflict environments, (such as Bosnia and Kosovo), along with pessimism about whether the expected good resulting from such efforts exceeds a reasonable prognosis of the harm inflicted by them. (As suggested earlier, this view would warrant reappraisal in the post–September 11, 2001 environment—a reappraisal not attempted in this book.) The theme is also manifested in Chapter 37 dealing with the costs of Korean reunification if and when it occurs, and how to effectuate it without such large foreign subventions to North Korea as have been urged by others. Instead, I suggest that emphasis should be placed on a more austere, closely monitored, _quid pro quo_ negotiatory and enforcement stance.

Third, and seemingly inconsistent with the preceding theme, is a more activist inclination toward restarting cross-Strait discussions between Mainland China and Taiwan. This theme appears, for example, in Chapter 30, dealing with “One China and Three Systems,” and Chapter 31 on restarting discussions between the two WTO parties. The reason I characterize this as only “seemingly” inconsistent, rather than blatantly inconsistent with the anti-activist position referred to earlier, is that the concrete policy suggestions offered in

¹For an exposition and elaboration of the theory and evidence underlying this position, see Charles Wolf, Jr., *Markets or Governments: Choosing Between Imperfect Alternatives*, MIT Press, 1993.
these chapters do not specify how much of a role the United States should play in this process. To be sure, this is a bit disingenuous since the likelihood that the parties would actually do something along the lines I suggest without an explicit and committed U.S. initiative may be small. Attempting to reconcile my general aversion to interventionism with this inclination to exert influence in tension-easing directions in the case of China and Taiwan would at best be labored. Suffice it to say that, at least in this instance, I agree with Emerson’s dictum that “foolish consistency is the hobgoblin of little minds”!

Fourth, several of the chapters try to envisage the economic and military directions in which particular countries or regions are moving, and what the movements portend for the future. Sometimes this takes the form of formal economic forecasts, as in Chapters 17, 18, and 19, in which forecasts are made for the principal Asian countries of four key variables: gross domestic product (GDP), per capita GDP, military spending, and the accumulation of military capital. Based on these forecasts, comments are made about the Asian political and security environment that may result from these trends. Underlying the formal forecasts is a premise that two of the critical ingredients of national power, and the relative stature and influence of countries, are their economic size and growth, on the one hand, and their military capabilities, on the other. While these are certainly not the only ingredients of national power, they are among the most salient as well as the most calculable ones. Elsewhere in the book, the forecasts that appear are of a more qualitative and at least equally conjectural sort, as in Chapter 33’s and 35’s assessment of Japan’s long term prospects, and Chapter 26’s speculation about whether a freely and fully convertible Chinese yuan would be more likely to trade at a depreciated or appreciated rate against the dollar.

Finally, I should acknowledge that some of my views that seemed on track at the time they were expressed have turned out to be wide of the mark when the future they were envisaging actually arrived. One example: Chapter 13 expressed doubts that the consensus estimates of a prospective ballooning of the U.S. trade and current account deficits would materialize. Well, the consensus was correct; my doubts proved to be wrong. Another example, Chapter 15, dealing with taxes, trade, and growth in 1996, analyzed the savings-investment imbalance in the United States by principally emphasizing the
insufficiency of domestic savings, rather than the excess of investment. In hindsight, the investment boom and its excesses in the late 1990s in fact led to domestic excess capacity and the recession of 2001. So, while my crystal ball helped in some cases (many relating to Asia), it obscured in others (several relating to the United States!).

I have always believed that commentators—whether of a scholarly or more journalistic bent—should be held to account for their pronouncements. Whether such accountability through some type of scoring system is provided by others or even by themselves, it has seemed to me that it would serve a useful purpose by discouraging hype and encouraging responsibility. With this aim in mind, I have added a brief “Postaudit” at the end of each essay, indicating whether, in my judgment, the essay seems currently to be valid and relevant compared to when it was written. In my scoring system, 23 of the essays stand up to this test quite well (each receiving an “A” or “A−”), ten warrant B’s (meaning they do passably well), and five receive C’s, which means they fail to make the cut! For those readers who might be interested in the finer-grained evaluation, I did best on Parts I and III—on the global economy and Asia, respectively—and least well on Part II, dealing with the U.S. economy. The record is not as good as I would have liked, yet better than that of such soothsayers as George Soros, Robert Mundell, Paul Krugman, Fred Bergsten, Jean-Claude Trichet, and several others mentioned in these essays.

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