Foreword

Globalization has become a word that unveils as well as masks new realities. It beckons to new features of the international and domestic landscape such as the growing power of free markets and the corresponding decline of the capacity of governments to manage their own economies. But globalization also hides old realities such as the fact that financial integration was probably as great before 1914 as it is today.

The task of sorting out these intellectual puzzles, as important to governments as to business, requires good, old-fashioned scholarship—what used to be known as hard and disciplined empirical research. Professor Kahler and his coauthors, many of the leading economists and social scientists in the world today, are to be commended and thanked for, in my opinion, avoiding the terrible twin postmodern pitfalls of abstract modeling and extended op-ed pieces. Miles Kahler, through his editing, and the authors, through their labors, have given us a welcome throwback to the period of reasonable efforts to seek truths through a combination of looking things up and using common sense.

I regret only that the book did not appear sooner. The Kahler volume would have tamped down the optimism of those who were telling us that the traditional cycles of lending and crises had become a thing of the past, and that we might be entering a period of boom and boom, not boom and bust. The Kahler volume has been proved correct by the economic crisis triggered in Asia this year. Nonetheless, its analysis remains critical as a basis for understanding what has been happening to the international economy. Of equal importance, its warning to governments comes at a most timely moment in the globalization process. In Dr. Kahler's words, decision-makers have to do a far better job of designing and maintaining "the policies that permit them to reap the benefits of financial integration while avoiding its risks. . . ."

Professor Kahler undertook this project as a Senior Fellow at the Council on Foreign Relations. He put together this volume with a traditional Council study group composed of scholars and practitioners, many of whom contributed chapters. We thank all who participated. And Council Publisher David Kellogg joins me in thanking Cornell University Press as well for its fine efforts in seeing this volume into print.

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President, Council on Foreign Relations
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