新编经贸英语系列教材 1

A NEW ENGLISH READER FOR BUSINESS

新编经贸英语阅读教程

周富强　王长江　编著

中国社会科学出版社

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图书在版编目(CIP)数据

新编经贸英语阅读教程/周富强，王长江编著.—北京：中国社会科学出版社，1999.8

ISBN 7-5004-2554-6

Ⅰ.新… Ⅱ.①周…②王… Ⅲ.经济-英语-语言读物 Ⅳ.H319.4:F

中国版本图书馆CIP数据核字(1999)第46669号

中国社会科学出版社出版发行
(北京鼓楼西大街甲158号 邮编:100720)
北京奥隆印刷厂印刷 新华书店经销
1999年8月第1版 1999年8月第1次印刷
开本：787×1092毫米 1/16 印张：24.25 插页：2
字数：600千字 印数：1——3000册
定价：38.00元

新编经贸英语系列教材编委会

总　序

国际国内经济贸易发展的新形势要求我们对国际经济贸易的理论与实践、对世界经济贸易的规律性、对我国坚持实行和进一步扩大对外开放的千秋大业有更深刻的认识与了解。鉴于国际国内经济发展的大趋势，依据高等学校外语专业教育指导委员会就关于外语专业本科教育改革提出的若干意见的要求，考虑到外经贸、商务英语专业的特点及社会对既懂外语又懂经贸、商务专业的复合人才的迫切需求，为满足广大中高级英语水平读者对适合于他们水平的经贸英语教材的强烈愿望，也考虑到目前我国经贸英语教材的现状及未来的发展，我们有责任和义务编写出一批内容新颖、信息可靠、语言规范、具有权威性的经贸英语教材及教学参考书。这套新编经贸英语系列教材就是我们基于上述种种考虑，通过认真研究、反复论证、深入调查、充分准备，编写出的一套吸取其他同类教材优点，又独具特色的最新经贸英语系列教材。希望通过这套系列教材，对我国外语专业及经贸专业院校尽快地、高效地培养更多更优秀的复合型外语人才做出一些贡献。

经贸英语系列教材的编写充分体现了时代特色，强调理论和实践的有机结合。针对英语专业、外贸英语、商务英语专业中高年级学生，国际贸易、国际金融、经济学、工商管理等其他经贸类专业的高年级学生和具有较高英语水平从事经贸商务工作的在职人员虽然过了专业英语八级或大学英语六级但在专业英语学习方面仍有困难的现状，编写出的一套衔接基础英语和专业英语的难度适中的经贸英语系列教材。该系列教材共有八册。它们分别是《新编经贸英语阅读教程》、《新编经贸英语写作教程》、《新编经贸英语翻译教程》、《新编经贸英语口译教程》、《新编经贸英语口语教程》、《新编经贸英语听力教程》、《新编英语国家文化基础教程》、《新编经贸报刊选读教程》。

由周富强、王长江编著的《新编经贸英语阅读教程》是一本内容涉及国际贸易、国际经济、工商管理、国际金融、市场营销、财务会计、国际投资、国际服务、国际经济合作、知识经济等各个领域取材宽泛、材料翔实的经贸英语阅读教材。全书分十四个单元。每个单元包括 A、B 两篇课文、阅读材料、疑难词汇与词组、供思考讨论的问题及注释。课文对国际经济贸易各科理论、实践及其历史沿革和目前发展趋势作出系统的概述；阅读材料展示经贸理论热点；词汇与词组部分就超出大纲的生词及词组和专业术语作出了详细的解释以帮助读者快速理解课文内容；课后讨论问题从不同角度就课文相关内容提出问题以引导读者对所读理论知识作系统深入的思考并运用所学理论分析实际问题；注释就课文相关的理论知识给以较全面的展现，以加深读者对所学知识的理解，进而扩大读者的知识面。

由梁润森等编著的具有较强操作性和模仿性及实践性的《新编经贸英语写作教程》由十二课组成。第一课介绍商业书信的标准格式。第二课介绍通过哪些途径来发展新客户，开拓

新市场。第三课介绍如何讯盘某一商品。第四课介绍实盘和虚盘的界定。第五课介绍常见的讨价还价的事实依据。第六课介绍签约和履行合同条款。第七课介绍各种普遍适用的付款方式。第八课介绍包装，租船定舱和集装箱运输。第九课介绍如何审查信用证和要求修改信用证。第十课介绍索赔和解决索赔争端。第十一课介绍电传传真通讯。第十二课介绍制单收汇。书中的范文体现了在我国对外贸易灵活政策下的国际进出口业务的许多新做法和灵活做法。编者期望读者能从该教程中学会拟写符合规范的外经贸业务英文函电和电传传真，从而提高解决实际业务问题的能力。

由褚东伟等编著的《新编经贸英语翻译教程》是一本经贸翻译实践指导书，分英译汉篇、汉译英篇、翻译的商业化运作篇（翻译过程概说、自由职业、翻译公司和翻译现代化）。其中英译汉篇和汉译英篇为本书的主要部分，每篇分为信函、合同、商业文件和技术资料四个部分，每部分提供了大量的曾经被客户接受的翻译实例并对这些实例进行技术点评和规律总结。读者在学习翻译技巧的同时自然地熟悉各类文体，对英语写作也有一定的提高。翻译的商业化运作篇帮助读者走出篇章，讲述走向市场以翻译为职业、以翻译为事业的技巧。

由赵军峰等编著的《新编经贸英语口译教程》分理论篇和实践篇。本书以理论篇为教学先导，针对口译的性质特征，从理论的角度向读者作一高屋建瓴的概述，使读者对口译的性质、特点、标准、过程、类型乃至译员的素质有一概括性的认识。本书实践篇结合经贸活动诸层面中出现的具体语境，如迎来送往、广告宣传、参观访问、商务谈判、礼仪祝词、人物专访等等，将口译训练融化在十二个单元之中。该书各个单元训练所需的有声和文字材料均具有针对性、真实性和时效性，大部分取自全真的口译现场录音。该书取材覆盖面广，各单元兼顾英汉、汉英双向训练，有译前准备、口译笔记、语体模式识别与转换、信息的概括与增删以及按命题意义重组句型等编辑技巧训练。该书充分体现了口译理论与实践相结合、针对性与通用性相结合的特点。

由罗爱琼、周杏英编著的《新编经贸英语口语教程》分上下篇。上篇包括两大部分。第一部介绍迎接与送别外商的全过程（接待、交通安排、食宿及参观等活动）。第二部分是关于商务洽谈的全过程（询价、订货、运输、付款及索赔等）。下篇为阅读材料篇。主要是关于国内外著名城市、景点、著名宾馆、风俗人情、著名公司及著名产品介绍。上下篇紧密结合，全方位地为读者提供了内容新颖、紧扣时代脉搏的理想的经贸口语学习蓝本。

由何勇斌等编著的《新编经贸英语听力教程》以培养读者英语笔记能力为重点。选用的材料包括经贸报告、经贸会谈等方面。该教程共分为十八个单元。每单元可供四课时使用。每单元包括听前训练（课前背景材料阅读、词汇训练、难句预读），实听练习（笔记、听力理解监测题），听后练习（口头讨论或写作）三大部分。该教程配有《教师手册》，包括录音的书面材料、练习及答案两个部分。

由周富强、霍海洪编著的《新编英语国家文化基础教程》分为五大部分。第一部分介绍英国文化背景。第二部分介绍美国文化背景。第三部分介绍加拿大文化背景。第四部分介绍澳大利亚文化背景。第五部分介绍部分把英语作为官方语言的国家的文化背景。通过本教程，编者力图全面地介绍英语国家的民族风格、历史、语言特色、政治制度、经贸、文学、宗教、教育、新闻媒体、家庭生活、社会问题等有关文化背景的方方面面，从而使经贸英语学习者通过学习本教程，为其经贸实践打下丰厚的文化基础。

由李贻定、周富强编著的《新编经贸英语报刊选读教程》收入了世界著名英文报刊的最

新文章。考虑到世纪之末的世界网络经济发展的突飞猛进，电子商务的欣欣向荣，而在中国的金融部门及制造业等领域的现代化方面却出现了“瓶颈”现象，本书的编选突出了网络经济、电子商务、金融和制造业方面的文章。影响世界经济贸易发展潮流方面的有关市场营销、高科技等方面的文章也有不同程度的选入。鉴于新闻体裁文章的时效性，本教程的选材侧重预测未来的文章，这样就大大延长了本教程的时效性。为了增加该教程的灵活性及个性化，本书介绍了一些新闻体裁的阅读技巧，以供读者分析根据自己兴趣所选的文章。本教程还设计了一些使读者通过浏览找出文章观点的问题及概括文意的技巧，并介绍了在飞速发展的信息社会中阅读报刊杂志的一些新方法。

广东外语外贸大学国际经贸英语系
新编经贸英语系列教材编委会
1999 年 8 月

前　　言

世纪之交的世界，经济贸易全球一体化发展趋势正在不断加强，各国经济的相互渗透与依存、生产国际化、贸易自由化、金融一体化已成为一个重要的时代特征。世纪之交的中国就对外开放大业而言，正在努力防范与化解金融风险，继续全方位地对外开放，大力发展对外贸易，积极有效地利用外资，全面推进国际经济贸易合作。国际国内经济贸易发展的新形势要求我们对国际经济贸易的理论与实践、对世界经济贸易的规律性、对我国坚持实行和进一步扩大对外开放的千秋大业有更深刻的认识与了解。

鉴于国际国内经济发展的大趋势，依据高等学校外语专业教育指导委员会就关于外语专业本科教育改革提出的若干意见的要求，考虑到外经贸、商务英语专业的特点及社会对既懂外语又懂经贸、商务专业的复合人才的迫切需求，为满足广大中高级英语水平读者对适合于他们水平的经贸英语教材的强烈愿望，也考虑到目前我国经贸英语教材的现状及未来的发展，我们有责任和义务编写出一批内容新颖、信息可靠、语言规范、具有权威性的经贸英语教材及教学参考书。《新编经贸英语阅读教程》就是我们基于上述种种考虑，通过认真地研究、深入地思考与充分地准备，编写出的一本吸取其他同类教材优点，又独具特色的最新经贸英语阅读教材。希望通过这本书，对我国外语专业及相关专业院校尽快地、高效地培养更多更优秀的复合型外语人才做出一点贡献。

《新编经贸英语阅读教程》分十四个单元。每个单元包括 A、B 两篇课文、阅读材料、疑难词汇与词组、供思考讨论的问题及注释。课文对国际经济贸易各科理论、实践及其历史沿革和目前发展趋势作出系统的概述；阅读材料展示经贸理论热点；词汇与词组部分就超出大纲的生词及词组和专业术语作出了详细的解释以帮助读者快速理解课文内容；课后讨论问题从不同角度就课文相关内容提出问题以引导读者对所读理论知识作系统深入的思考并运用所学理论分析实际问题；注释就课文相关的理论知识给以较全面的展现，以加深读者对所学知识的理解，进而扩大读者的知识面。

市面上有不少经贸英语教材。读者会合情合理地问这本教材又有什么特色呢？我们相信下列特点可以使这本教材不同于其它同类教材。1. 内容新、语言规范。本书材料均选自于近几年英美的最新经济贸易理论文章、教材、百科全书及有关原著。2. 信息涵盖面广、知识面宽。本书内容涉及国际贸易、国际经济、工商管理、国际金融、市场营销、财务会计、国际投资、国际服务、国际经济合作、知识经济等各个领域。在系统地介绍国际经济贸易基础理论及实践的同时，在每单元的注释中编者还为读者提供了更为宽泛的相关阅读材料。3. 强调概念与基础理论、观点新颖。概念是理论的基石，清楚准确地把握经贸方面基本概念、定义，有助于读者真正地掌握理论并把它们运用于实践。本书的所有选材首先基于相关理论的概念、定义，这样就为读者理解有关理论打下了坚实的基础；本书简要介绍各种经济贸易的基本理论及其历史沿革，力图使读者对国际经济贸易知识有一个总体的把握；而新颖的理论观点则体现了国际经济贸易发

展及国际经济合作的最新研究成果。4.简明精炼。本书所设计的每个单元旨在提供学生必须掌握的经贸理论观点的简炼的总述。不同于其它传统的教材，本书无意于给读者提供现成的答案，而是为读者系统把握经贸理论提供尽量详尽的信息。从而使读者透过丰富的语言信息来把握经贸理论的精华。5.时效性长。一般的外刊文章选读教材使用一至二年后，一些文章就显得过时，不得不更换教材。这本教材由于着重于经贸的基本理论与实践，使用时间相对要长得多，只有在必要时补充个别阅读材料，或根据形势发展印发一些活页资料即可。

本书难度适中，为广大读者兴趣所在的经贸理论热点提供了丰富的语言及专业信息，不仅是一本专业英语学习指南，也是一本理想的介绍经贸知识的阅读教材。本书可作为外贸英语专业中高年级学生的阅读教材，也可作为国际贸易、国际金融、经济学、工商管理等其它经济类专业的教材，可供周二学时用一学年。

本书的编写得到李贻定教授、邵学言教授、曾利沙副教授、美国专家罗杰人（麦肯基先生等教师和学生的热情支持，他们提出了不少宝贵的建议，罗杰人（麦肯基先生还审阅了全部书稿并为本书写了序，在此特表示谢意。由于我们水平有限，缺点和错误在所难免，欢迎使用《新编经贸英语阅读教程》的同志批评指正。

周富强 王长江

1999年6月

PREFACE

A NEW ENGLISH READER FOR BUSINESS

This book of readings is a useful compilation of many topics important to all who want to know how businesses operate and are affected by the real world. The treatment of each subject is brief yet comprehensive, giving a good over-all understanding of current thinking by experts in the field.

Each section is accompanied by an English-Chinese glossary of "Key Words & Phrases." Also, several "Questions for Reflection and Discussion" are included. Each helps highlight important concepts and helps the students check their understanding.

There is much food for thought. Some articles seem to have been selected for the unorthodoxy of the ideas presented. This is useful in helping students learn that they must learn to evaluate and think on their own.

Information, history, current events, the latest thinking, and more, make this an excellent resource to supplement functional texts for those in all functional areas and at all levels of knowledge and responsibility.

Roger McKenzie
Visiting Professor
Guangdong University of Foreign Studies

Contents

Unit One
Text A

International Trade

International trade is the exchange of goods and services among countries. Countries tend to specialize in the production and export of those goods and services that they can produce relatively cheaply and to import things that are produced more efficiently elsewhere.

WHY COUNTRIES TRADE

International trade enables countries to use their labor, capital, and other resources in the most productive manner possible. In this way they can enjoy a larger quantity and variety of goods than if they did not trade with one another. The classical model of economics, however, holds that to realize the greatest possible gains from international specialization and trade, industries must be competitive and workers able to enter or leave occupations without difficulty, and government policies must encourage efficiency and promote competition.

The tendency of countries to specialize in the production and export of things they can produce best and relatively cheaply is called by economists the principle of comparative advantage. According to it, countries specialize in some products and not in others because of differences in their national factor endowments and technological capabilities.

Factor Endowments

A country's factor endowments include its stocks of physical capital, human capital, and natural resources. Physical capital consists of machinery, factories, highways, railways, harbors, and other equipment and facilities used in production. Human capital represents investment in the labor and management force through education, on-the-job training, and work experience. To understand what determines the kinds of products that a nation exports or imports, a first step is to compare its factor endowments with those elsewhere. Japan, for example, is relatively abundant in physical and human capital but deficient in agricultural land and other natural resources. It therefore sells manufactured goods and machinery abroad in order to pay for its imports of agricultural products and raw materials.

Technology

Technology refers to the methods of producing goods and services that determine efficiency in production. New technology, for instance, is most readily available in the advanced industrialized countries. These countries also have highly trained scientific personnel and workers with considerable production skill and experience. Moreover, the markets for products in these countries are very large, and income levels are substantial. All these advantages encourage larger firms to expand their operations and to seek the economies of mass production (also called economies of scale), enabling them to compete with foreign producers who lack such advantages. Many of these larger firms will have operations in a number of different countries. As a consequence, a significant part of international trade today is actually intra-firm trade between parent companies and their foreign affiliates. As multinational corporations are important agents of change and for the international transfer of technology, they serve to enhance international efficiency and economic welfare. Comparison of the technological characteristics of nations' major producing sectors and the patterns of multinational enterprise operations, therefore, will aid in understanding differences among them in exports and imports.

PROTECTION

In addition to factor endowments and technology, government policies play an important role in shaping the structure of a country's trade. This is perhaps most obvious in the case of tariffs, import quotas, and other nontariff barriers to trade. The government may also encourage exporters by subsidizing them. Subsidies can be direct, as when the government makes up the difference between lower foreign and higher domestic prices, or indirect, as when the government supports research and development activities by private firms.

An important reason why governments interfere with free trade is to shield domestic producers from foreign competition. Other reasons for government interference are: to increase the wages of certain groups of workers; to bring monopoly power to bear in trade with other countries; to offset difficulties in domestic markets, particularly those in which workers are unemployed; to increase national self-sufficiency in time of war or other emergency; and to protect young industries until they have had time to mature. Protectionist policies have also been invoked in the face of foreign government export subsidies and dumping by foreign exporting firms. Dumping may occur when a firm sells a product for a lower price abroad than domestically or sells abroad at less than its domestic cost. In order to counteract such "unfair" foreign competition, the United States may impose special import duties on subsidized or dumped goods.

Economists have argued that restriction of trade may not be the best means to achieve the objectives listed above. This is because policies affecting trade may have negative effects on economic welfare. First, consumers may be made worse off by having to pay higher prices for imports. Second, by protecting inefficient industries the policies may discourage a more productive use of a country's factor endowments. Third, the restriction of imports may injure the economies of other countries by reducing their exports, especially countries that are relatively poor and less developed. If a country has some domestic problem that needs to be addressed by government, it is best advised to use a domestic tax or subsidy rather than a policy to restrict or artificially encourage trade. Nevertheless, because of the political influence that business firms and workers may have, most countries maintain varied protectionist policies (see protectionism).

HISTORY OF INTERNATIONAL TRADE

African, Arabian, and Asian caravans and Mediterranean and Indian Ocean maritime trade are well-known examples of early far-flung commercial transportation. World trade was dominated at various times by the Egyptians, Phoenicians, Greeks, Venetians, Spanish, Dutch, and British. The Crusades gave an impetus to European trade, and voyages of exploration and discovery later expanded trade beyond the Mediterranean basin. The increasing political supremacy of the national states enabled them to supplant the commercial power of city trading blocs, such as the Hanseatic League.

The major nations conducted trade from the 16th to the 18th century, mainly with their colonies, under principles of mercantilism. The Industrial Revolution in the 19th century transformed the theory and practice of international commerce. Mercantile principles gave way to laissez-faire and an emphasis on free trade. Mass production, technological advances in communication and transportation, and new, large business organizations, such as commercial banking and insurance corporations, extended world trade and stimulated the search for new markets--a search that in many instances resulted in national policies of colonialism and imperialism.

The first half of the 20th century was a time of great disruption of world trade caused by World War I, the Depression of the 1930s, and World War II. In the 1930s in particular, the marked decline in national income and employment and the protectionist policies introduced in many countries were factors in the collapse of international trade. During World War II the Bretton Woods Conference (1944) was held to organize postwar international monetary and financial arrangements so that global commerce could be resumed cooperatively and with a minimum potential for further disruption. The creation (1945) of the International Monetary Fund and the World Bank was a result of this conference. The General Agreement on Tariffs and Trade (GATT) (renamed the World Trade Organization in 1993) was established in 1948 and meets regularly to negotiate tariff reductions on the basis of the most-favored-nation status.

Regional trade blocs--for example, the European Union (formerly European Community), the European Free Trade Association, the former Council for Mutual Economic Assistance, and the North American Free Trade Agreement (NAFTA) partnership--were established to promote international trade within certain areas of the world. During the 1980s and early 1990s, recession, fluctuating prices for oil and other commodities, debt-repayment problems in less-developed countries, and variations in the strength of the U.S. dollar compared to other major currencies have been important factors affecting trade patterns.

WORLD TRADE PATTERNS

U.S. trade is concentrated in manufactured goods, which in the early 1990s constituted approximately 85 percent and 75 percent, respectively, of total U.S. exports and imports. Food and raw material constituted about 13 percent of total exports. Primary commodities and petroleum were about 14 percent of total U.S. imports.

The total trade of the European Union (EU) in the early 1990s was more than three times that of the United States, but this included trade among the 15 EU members as well as their trade with nonmember countries. EU imports were more heavily concentrated in natural resources products and industrial materials than were U.S. imports.

In the early 1990s, after the reorganization of the former Soviet bloc countries, the United States, Canada, Western Europe, and Japan accounted for more than 70 percent of total world exports. That these industrialized countries were one another's best customers is evident from the fact that one-half to two-thirds of their total exports were sold to one another. The less-developed countries, which export mainly consumer manufactures and primary commodities, accounted for 28 percent of total world exports, the former Eastern-bloc countries less than 3 percent.

Shifts in comparative advantage--in labor-force proficiency, for example, or access to needed raw materials--constantly change competitive positions in international markets. The loss of a large portion of the U.S. automobile market to Japanese products is a notable case in point. Other U.S. industries, such as clothing, shoes, iron and steel, appliances, and semiconductors have experienced competitive pressures from imports. Shifts in comparative advantage were reinforced by the strong dollar between 1980 and 1985, which encouraged imports into the United States and made U.S. exports more costly to foreign buyers. With the depreciation of the dollar after 1985, this situation has been reversed, and the expansion of U.S. net exports has had a favorable impact domestically in many industries. During the 1980s, the United States took steps to limit the quantities of its imports of several manufactured goods by means of "voluntary export restraint" (VER) agreements negotiated with foreign exporters. Such import restrictions are to be phased out as part of the GATT agreement to liberalize trade that was completed in 1993.

Since the early 1980s the United States has experienced very large trade deficits. While these deficits were somewhat reduced by depreciation in the value of the dollar after 1985, they have remained substantial in the 1990s.

A number of recent developments will influence world trade patterns in the future. These include (1) the implementation of the NAFTA by the United States, Canada, and Mexico (1994); (2) EU removal (1992) of remaining internal barriers to trade; (3) negotiated reductions in tariffs and nontariff barriers in the Uruguay Round (1986-93) of GATT negotiations; (4) the dismantling of the system of central planning and the movement toward a market system in the former Eastern-bloc countries; (5) the burgeoning expansion of domestic manufacturing and exports in a number of East Asian countries; and (6) continuing problems in coping with inflation, fiscal and financial stabilization, and structural adjustment, especially in Latin America and Africa.

Readings

1. Theories of International Trade

□The Heckscher-Ohlin theory of international trade

According to the Heckscher-Ohlin theory, goods prices differ because production costs differ, and production costs themselves depend on the amounts and costs of labor, capital and natural resources used when making various products. Each country possesses a specific mix of labor; capital and other 'factor endowment': some have abundant supplies of labor; others are rich in natural resources, etc. If an item embodies a large amount of labor, and if labor is cheap and plentiful in the producing country, then that product will be cheap by international comparison and thus likely to be exported to the rest of the world. In general, a country will export those items which incorporate relatively large amounts of its most abundant factor, and import those products which include relatively small amounts of the factor with which it is least endowed. In other words, differences in factor endowments determine differences in comparative advantage, which themselves shape the pattern of international trade.

□Empirical performance of international trade theories

The comparative cost, Heckscher-Ohlin and other hypotheses relating to international trade have been tested extensively and, no firm conclusions have emerged. Indeed, much empirical evidence flatly rejects the fundamental propositions of these theories. Extensions and modifications of conventional international trade theory have led to increasingly complex models, which themselves give rise to further problems and contradictory results.

Factors that might confound orthodox trade theories include:

(a) The rapid pace of technological development, which causes national advantage to shift frequently and in unpredictable ways.

(b) Skilful marketing that can increase foreign demand for relatively expensive exported goods.

(c) Governments regularly seeking to improve national balance of payments positions *via* the imposition of tariffs, import and exchange controls, etc.

(d) The fact that trade theories regard nation states as independent trading units. In reality large multinational companies shift goods, services and capital among their subsidiaries in various countries at prices quite different to those at which a firm in one country would sell to a customer in another.

(e) Poorer countries often having national economic development plans which encourage the importation of capital goods that otherwise would not have a market in these nations.

(f) Multinational companies frequently shifting from exporting to particular countries to local production in those countries.

(g) Scarcity and inaccuracy of the information upon which firms base their international trading decisions.

2. One World, One Money

A global currency is not a new idea, but it may soon get a new lease of life.

In difficult times, people are allowed, even encouraged, to think the unthinkable. Some of the economists who propose capital controls as a remedy for recession in Asia claim to be doing this---but they are flattering themselves. Unthinkable? Malaysia just did it. Dozen of countries still use capital account restrictions. And it is a cliche of the orthodox "sequencing" literature that a variety of such controls should be retained until other reforms are complete. Really, to think the unthinkable, you have to be bolder than this.

So here is an idea: global currency union. Let nobody call it boringly feasible, or politically expedient. Yet, like all the best unthinkable ideas, it has more going for it than you might think---in principle, at least. The idea is not new. Richard Cooper of Harvard University proposed a single world currency in Foreign Affairs in 1984, and he was not the first to think of it. It seemed an outlandish idea, and still does. But much has happened lately to make it worth a moment's thought.

The usual way to ask whether countries would be better off sharing a single currency---that is, whether they constitute an "optimal currency area"---is to examine the following trade-off. On one side is the undoubted convenience of a single money as a lubricant for trade and cross-border investment. On the other is the loss of the exchange rate as a shock-absorber for times when one or more of the countries face pressures (an abrupt fall in demand for their exports, say, or a sudden rise in labor costs) that the others are spared---a so-called "asymmetric shock"

In setting cost against benefit, again according to the standard view, the crucial factors are openness to trade and freedom of movement of factors of production. A small open economy has more to gain from the convenience provided by a single currency. On the other hand, if labor (especially) is reluctant to migrate, the need for the exchange-rate shock-absorber is all the greater. Weighing all this, most economists conclude that the 11 countries that are about to adopt the euro are not in fact an optimal currency area. The world as a whole is not even close.

So what has changed? The main thing is the current global emergency. This is so serious a crisis that it is likely to prove a paradigm-shifting event, though straws were in the wind already. The emerging market disaster poses the question: How is the world to live with globally- integrated finance? In addition, it casts doubt on what seemed a good answer: that floating exchange rates are the best way to stabilize the world economy.

Shockingly unstable

According to the traditional model, a country with unduly high labor costs, and therefore a troublesome current-account deficit, could expect to see its currency depreciate; this would cut real wages, making imports dearer and exports cheaper, thus neatly restoring the economy to equilibrium. But in a world where international flows of capital overwhelm international flows of trade, this does not work. Floating exchange rates destabilize trade and investment by wrenching relative prices away from their fundamental values (that is, from the values that would put the corresponding exchange rates at purchasing-power parity). In the emerging markets crisis that currently threatens the world economy, exchange-rate movements have not been absorbers of shocks but amplifiers and even creators of them.

Governments of small open economies have long known that it is not an option to "leave the exchange rate to the market". Monetary policy must always keep at least one eye on the currency. But governments have also learnt, in a second big change, that intermediate exchange-rate regimes do not work either. That was the lesson of the European Monetary System debacle of 1992-93 (and, arguably, of the downfall of the pegged-but-adjustable regimes used in Asia until last year). Semi-fixed systems cannot withstand the assault of integrated capital markets: they are prone to self-fulfilling panics. In other words, they too are destabilizing.

But what does that leave? Let's see. Pure floating is no use. Semi-fixed is no use. So there are two possibilities. One is to turn back the clock on financial integration: then pure floating or semi-fixed systems might once again be used successfully. That would be enormously costly, especially to the developing countries; and it would be very difficult, because integration is partly driven by technological progress, which is hard to reverse. Still it is a fair bet that a lot of countries will follow Malaysia's example and give it a try. Otherwise, it seems, the remaining course is to combine increasing integration with perfect fixity of exchange rates---meaning currency union.

The fashion for currency boards reflects some of this thinking. Exchange-rate flexibility is more trouble than it is worth, advocates say, so abandon it once and for all. Alas, currency boards suffer big drawbacks all of their own. Whereas a currency union has a central bank to act as lender of last sort, a country with a currency board does not. So these regimes are vulnerable to runs on banks. Currency boards are a poor test of the larger idea.

The-all-or-nothing, float-or-merge analysis also provides the case in economic logic for the euro: strive for integration, it says, no holds barred. Unfortunately, EMU is a somewhat flawed test as well. It is a political project as much as an economic one, so it will not reveal everything about how well a currency union among independent nation states might work. But it will reveal a lot, and its symbolic importance will be immense. If it fails, not only will that cause enormous political harm to the European union, but the pressure for global financial barriers will be greatly strengthened. If it succeeds, the case for a global currency union will seem much more interesting.

Fine, you say, but how would the world ever get from here to there? Hard to say, admittedly. Find the answer to that and the idea would be thinkable.

From *The Economist* September 26---October 2, 1998

3. Two Steps Forward, One Step Back

Asian crisis or no, globalization is on the rise
--promising both greater opportunities and higher risks

Since the devaluation of the Thai baht in July, 1997, the fast-growing open economies of Asia have been roiled by a series of currency, stock market, and banking crises. No country on the Pacific Rim has been spared---even Japan, whose global industrial might has been undermined by the government's reluctance to jettison its failed policy. And with the Asian locomotive running in reverse, all the economies of the emerging nations---from Latin America to Eastern Europe---have been hit hard. Even the developed, commodity-producing countries, such as Canada and Australia, have been hurt.

These shocks will not end globalization but are stark evidence of its double-edged nature. Short of war or an epidemic of market-closing, inward-turning policies, most countries in the 21th century are likely to keep pursuing globalization despite the misuses. Goods, labor, and capital will criss-cross the globe as never before. Why? The benefits are just too good to pass up. History shows that access to the larger markets spurs innovation, while competition prods businesses to do things better and cheaper. Freer trade also promotes the movements of people and ideas across borders, providing the yeast of creativity and invention.

If current trends continue, world exports of goods and services will reach $11.4 trillion by 2005, or 28% of world gross domestic product, according to forecasts by Standard & Poor's DRI. Nearly double this year's projected $6.5 trillion, or 24.3% of world GDP. World trade's share of GDP 20 years ago was a mere 9.3%.

But the benefits of growing trade, innovation, and growth go hand in hand with greater vulnerability to the vicissitudes of the global financial marketplace. Financial capital surges back and forth across borders on waves of optimism and pessimism far faster and in volumes several times greater than two decades ago. Inflows of foreign monies finance growth, but sudden withdrawals can trigger downturns.

The many successes of Asia's economies—and their continuing troubles today—offer an early demonstration of how globalization may play out. Despite the troubles in Asia, living standards in developing nations are higher than they were 20 years ago – and, after some very tough times, growth is expected to rebound. But right now, for millions of people in Indonesia, Thailand, and Korea who are feeling the pain of poverty and unemployment, globalization hardly seems worth the effort. After boasting annual GDP growth of nearly 7%