

Editor's Note

Professor Robert Gilpin's article in the summer 1987 issue of *Daedalus* on the "Post-Reagan Era" gives a prescient account of the growing disparity between America's commitments and aspirations and its economic base. At our request, he helped us commission three papers on different visions and versions of what is going on out there (in the U.S. and the world) and what it means.

We are of course interested in the relevant facts and interpretations, but also in what these imply for the choices that are being thrust on our leaders, choices they are insufficiently prepared to make. Many prefer the world of illusion, as Professor Stephen Krasner makes clear in his analysis of the American concentration on the process (for example, the General Agreement on Tariffs and Trade) while being almost blind to the specific outcomes. As Chalmers Johnson argues, this blindness, specifically in relation to Japan, has caused a multi-level crisis in theory, policy, and outcomes. As choices can no longer be avoided, the stuff of moral and ethical decision making is in hand.

The question we hope our readers will ask is—what does ethics have to do with international economics? George J. Stigler of the University of Chicago, 1982 Nobel laureate for economic science, neatly ties together the intrinsic relationship between economics and ethics: "the ethical questions are inescapable; one must have goals in judging [economic] policies, and these goals will certainly have ethical content, however well concealed it might be."

The U.S. has long promoted free trade as the best *policy* for itself and the world. This may be so, if America's trading partners are dedicated to the same proposition. Mercantilism, piling up trade surpluses and protecting domestic markets, has been the order of the day in Europe and Asia. For many post-war years, the U.S. turned a

blind eye to this phenomenon, with the expectation that the growth of the whole world trading system would more than compensate for the temporary losses or imbalances. Some economists insisted that the higher the U.S. trade deficit, the stronger the economy. These chickens are now back in the roost and laying no golden eggs.

In February, Treasury Secretary James A. Baker III came out of his world free-trade mode, recommending a look at bilateral alternatives if everyone won't play by U.S.-inspired rules. Other nations, he said, will be "forced to recognize that the United States will devise ways to expand trade—with or without them." He added, "We might be willing to explore a market-liberalizing club approach through multi-lateral arrangements or a series of bilateral arrangements." This appears to be a version of the Gilpin expectation—choices as to which nations will be our trading partners and on what conditions will probably have to be made.

Why is this? "Imports have entered America's bloodstream where they appear to thrive—and remain stubbornly strong—beyond the influence of economic theories holding that imports should fall as prices rise," said *The Wall Street Journal* on February 9, 1988. "The growth of imports, which extend far beyond an American taste for foreign cars and couture, partly reflects the increasing internationalization of the U.S. economy."

The 1988 U.S. election will reflect the concerns of those who want to sustain the American standard of living from two opposite perspectives, one from the "free-trade" perspective, which has, in many views, produced disastrous results for the U.S., and the other from "protectionists," who want to save or promote certain sectors, largely in manufacturing. All profess to have the best interests of the U.S. at heart.

If the U.S. short-term "national interest" is to be served, what will happen to the internationalists' economic trend, particularly in the area of capital and investment? What will happen to interdependence? Such a confrontation between nationalism and internationalism may be at hand, writes Robert Heilbroner. In a confrontation between the national state and international capital, "there is no question which side would prove the stronger."

If our survey of the world economy comes out on the "realist" side of the foreign policy argument, two other pieces deal with "idealism" as a responsible alternative. Charles Kegley's arguments for "neo-idealism" as well as Humayun Rasheed Choudhury's reflections on U.N. reform deal with interrelationship instead of the fall of centrifugal forces. "The United Nations bases itself upon a general theoretical subscription to the concept that there are certain common values

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binding the separate sovereign states of the world together. The aim is not the creation of a world government proscribing sovereignties and distinctiveness; rather it is the establishment of a system of people's interactions, at levels both higher and lower than the state, directed toward providing a regime of peace, security, and prosperity." Is this a goal we want to preserve and revitalize, or discard?