Foreword

This volume has come out of a conference sponsored by Saint Mary's University, Halifax in May 2002. When the conference was planned the speculation-led boom in the USA that had developed during the 1990s had ended, with sharp reductions in investor confidence, and severe effects on the real economy. These effects were made more serious by several large fraud-related bankruptcies, starting with the Enron affair, which added a new dimension to our deliberations.

Our interest in the ways in which the bidding up of stock prices during the boom was affecting growth was aroused by numerous contributions to the research literature which questioned the sustainability of the stock appreciation. This occurred especially with reference to claims that the wealth effects were making possible increases in productivity, through uses of new technology, that would sustain the boom. Then, as the boom was ending, it was argued by several experts on monetary policy that the speculation should have been dampened by reducing the availability of credit. The destructive effects of the boom's collapse, it was suggested, would have been less serious if prudent monetary tightening had ended the destabilizing 'irrational exuberance'. The latter phrase was coined by the Chairman of the US Federal Reserve.

The persistence of the post-boom recession, despite monetary loosening intended to facilitate recovery, has raised questions about the dangers of further booms and declines. There has been a long sequence of these, going back to the 1920s, and the issues to consider have become more urgent because of the internationalization of financial markets that has been facilitated by the general elimination of controls on capital flows and by advances in information and communications technology. Massive flows of international investment, particularly portfolio flows, can now feed into a speculative boom in a major industrialized state, and the countries from which this investment has been drawn can experience acute vulnerabilities after an economic decline in that state. Efforts by that country to revive its economy by expanding exports can be difficult because of distress in the countries from which it has attracted investment. Destabilizing flows of capital have also at times moved into emerging markets and their cessation and withdrawal, as in the case of Asia in the latter part of the 1990s, can lead to a financial crises with the potential for contagion.

Our conference and the preparation of the conference volume have benefited from continuities in research with our 2001 conference on *Alliance Capitalism*, which resulted in a volume with that title edited by John H. Dunning and Gavin Boyd (Edward Elgar, 2003). A cumulative development of policy-relevant insights has been intended, with expectations that these will also be relevant for corporate management and leaders of industry associations.

Sustained collegial interactions during and after the conferences help to generate a sense of community, for further collaborative engagement with issues confronting policy-makers and corporate management. Opportunities can be discovered for deeper examination of fundamentals that demand attention, as structural interdependencies between countries become larger and more complex. This is the basic challenge of globalization.

The most valuable insights, it is commonly recognized, develop in friendly discussions. We have been fortunate in this regard, and I wish to express my appreciation of the quality of the exchanges between the scholars represented in this project. With the completion of this conference volume, several of the participants have been engaged in research on proposals for a Free Trade Area of the Americas' (FTAAs), following a conference on this subject sponsored by Saint Mary's University in September 2002, as an event associated with the Annual General Assembly of World Trade Centres, hosted by the Atlantic World Trade Centre, Halifax.

I look forward to the publication of the volume which is to come out of that conference, and to further occasions of this kind which make it possible to relate university research to the deliberations of government and corporate leaders. Planning for our next conference is focusing on issues of structural and policy interdependence between the NAFTA members and the European Union.

J. Colin Dodds, Ph.D.
President and Professor of Finance
Saint Mary's University