

Preface

In the preface to our first book together *Untangling the US Deficit: Evaluating Causes, Cures and Global Imbalances* (Edward Elgar, 2007) we said

Writing a book on the US current account deficit was a challenge that neither of us could resist. With the United States absorbing four-fifths of the world's cross-border savings, this imbalance is perhaps the biggest issue in the international economy . . . Subject matter of such significance and portent could hardly be ignored.

How much truer are such sentiments of this new volume, *Global Finance After the Crisis: the United States, China and the New World Order*? Who would have thought, at the height of the US boom when the earlier book was completed, that five years later the emerging market and developing countries would be providing three-quarters of global growth, and be set to replace the developed countries as the largest contributors to total world production? Who would have said that the central banks of the United States, Japan, Europe and the UK would virtually in unison lower interest rates to zero or close to zero and hold rates at those levels not just for over three years, but a likely (at least in the case of the United States) six years? And, with the United States in its deepest post-war recession and still with the world's largest current account deficit (albeit lower), who would have conceived that the US dollar would actually be stronger and more firmly entrenched as the key international currency? Who would have expected, at the same time, that some commentators would seriously be discussing when the renminbi might take over from the dollar as the major reserve currency, prompted by what is seen as the 'inevitability' of China displacing the United States as the world's largest economy?

These are momentous events indeed, events that beckoned analysis and about which we felt that we had something distinctive to offer as a combination of a market economist and an academic, the association coming about because the parties are respectively son-in-law and father-in-law.

Due to the central position that the United States and China occupy in the world economy and global finance, an examination of the post-crisis world necessarily overlaps with global geopolitics. Although we have not

aimed to emphasize international politics and history, they most certainly cannot be ignored and we have not sought to interpret everything solely in economic terms. There is consequently coverage of some matters that might not be expected in a volume on global finance, especially China's '24-character strategy', its global ambitions, its military strength, and its state capitalism model, all of which shape where China sits in the global nexus.

Thanks are due, once again, to Kay Lewis for typing and correcting the whole manuscript, and for keeping track of the references. Ben Booth and Edward Elgar are thanked for so enthusiastically endorsing the project and, in the end, selecting the title from what threatened to be an ever-expanding list of permutations around the United States, China, New World Order, Global Finance and Post-Crisis, the key words defining the content of this volume. Their choice, however, is one with which we readily concurred. The editing and production team at Camberley have again done a magnificent job.

Finally, although this project was undertaken with the blessing of BNP Paribas, the views expressed here are entirely our own and we alone are responsible for the content.

