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Preface to the Chinese edition of *American Economic Policy in the 1990s*
Jeffrey Frankel and Peter Orszag

The 1990s in the United States were a time of high economic growth, spurred in large part by globalization, new technology, flexible markets and strong investment. The same could be said, even more strongly, for China.

One natural consequence was a rapid increase in trade between the two countries in the course of the decade. Some trade tensions resulted, and appeared on a list alongside other recurrent strains between the US and China. But one of the goals of the Clinton Administration was to improve relations with China. Most particularly, as the chapter in this book on trade policy explains, the goals were achievement of Permanent Normal Trade Relations (PNTR, formally known as Most Favored Nation) status and, from there, accession of China to the World Trade Organization.

The economics of this issue were fairly clear: removing barriers to trade between China and the United States was in the economic interest of both countries. WTO accession was considered especially important for the process of economic reform in China.

But this book is not simply about economics. It is about how economic policy decisions were, and are, made in the U.S. government, in the presence of political constraints and complications such as those with which the China issue was rife. Scholars too seldom consider the specifics of the constraints under which policy decisions are made. A good example concerns the trip of Premier Zhu Rongji to the White House in April of 1999. Both sides had hoped to complete an agreement on PNTR during this visit. But the White House backed away, embarrassing Zhu. This looked like a big mistake, particularly when bilateral relations reached a low-point later in the year. Although the formal reason given for the U.S. decision was that China's concessions on some issues were insufficient (e.g., the Treasury wanted a better deal for brokerage firms), the genuine explanation was an appraisal that Congress in the spring of 1999 was almost certain to reject the agreement with China. As it developed, an agreement was reached in November, and was successfully pushed through Congress the following year. This achievement ranks among the Administration's more important accomplishments. At the conference on American Economic Policy in the 1990s, Treasury Secretary Robert Rubin said that, in light of the political constraints of the time, he did not think the decision to postpone had been a mistake. One does not necessarily have to take the same position to acknowledge that such political constraints are real, and to lament that scholars and journalists so seldom address the pros and cons of the actual real-world decisions of this sort that policy-makers must make.

Issues of this complexity arose in virtually every area of economic policy in the 1990s. Was the Clinton White House wise in abjuring the occasional pressure for easier monetary policy on the Federal Reserve Chairman that its predecessors had sought to exercise? Did the United States and IMF do too little in 1997-98 to rescue East Asian countries hit by financial crisis, or too much? How could budget surpluses be achieved and safeguarded, when Republicans in the Congress wanted to cut taxes and Democrats to increase spending? Were tax breaks for good causes like college scholarships and

renewable energy a good idea, even if they made the tax code more complicated and less efficient? Should the government have left regulation of the Internet entirely to the private sector, even though government action had been required to get it started in the first place? Was breaking up Microsoft an appropriate goal? Should President Clinton have signed the Kyoto Protocol on Global Climate Change, in light of economic model forecasts that the economic costs for the United States would be high unless the agreement incorporated the ability to buy emission credits, particularly from developing countries? Should the president have vetoed Congress's Welfare to Work bill, because it represented a different and harsher way of reforming the public assistance system than what he had originally proposed? Was the attempt at fundamental reform of the national health care system doomed from the start? These and the other questions addressed in this book are not simply questions of economics, but questions of economic policy as it is made in an institutional, political, and historical context.

The specifics will all be different in other countries. Nevertheless, analogous economic issues and political constraints arise anywhere that major decisions need to be made, and particularly where there is an ongoing process of structural reform. The editors hope that readers in China find useful lessons here.

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