

Preface

The first sign of the financial crisis appeared in mid-2007. But it became a full-blown hurricane in mid-September 2008, just a few months away from the US presidential election. It happened at a time when the economy was the main concern of the American people despite its wars in Iraq and Afghanistan. The crisis has thus played an important role in swaying the undecided votes in favor of Barack Obama. Though it is still too early to sketch the profile of positive changes ahead, the world is delighted that it has a break with the Bush period. This reminds us of the Asian financial crisis that helped to bring down President Suharto of Indonesia. An ignominious downfall of the Smiling General was unthinkable before the Asian financial crisis.

Given the important role of the USA in geopolitics, the new administration of Obama brings hope to those longing for a more peaceful international order. President Obama has advocated nuclear disarmament, though it is not clear how much he can ultimately achieve on this front. The award of the Nobel Peace Prize can thus be seen as an endorsement of his efforts so far and more so as an encouragement for him and his team to press ahead.

Very few who have a deep interest in the complex and even mysterious nature of social phenomena can resist the temptation to follow closely the financial crisis and the economic recession in its wake. And to follow the events in depth while testing out formative ideas, I have decided to write this book.

I must confess that I was rather hesitant in writing the book. We are too close to the crisis to be able to pinpoint the key sub-events that contribute to it, to make sense of it and to draw its long-term implications. Some thoughtful friends have urged me to postpone the writing in order to benefit from the passage of time. The interval would provide me the historical distance needed for reflections, for speculative ideas to go through the crucible of critical examinations by evolving events. Time acts like a gravitational force attracting the weightier and more solid writings to settle down at the bottom, while letting the superficial ideas float away with the current of events. It often takes a long while before economists, sociologists, and other social scientists are able to see a deep recession in its proper perspective. Only then can they hope to separate the central issues from the side issues, and to distill lessons from them. One colleague reminded me that the economist John Galbraith published his *The Great Crash, 1929* a clean quarter century after the event. He certainly has a point. But there is the pleasure of sharing my feelings and thoughts with others, to engage the wider world in discussion and to partake of the intellectual adventure. The book you are reading is in this sense the product of an exploratory study.

Writing a book is always an instructive and humbling experience. It reminds me of how difficult it is to think

clearly and logically, and even more difficult to express the thoughts coherently and succinctly in words. The writing task, though heavy, is made lighter by the continuing encouragement from my two darling daughters, Kirin and Sarina. Colleagues and friends have been very kind in supplying me with materials, ideas, and insightful comments on the various drafts. To the following colleagues and friends, I owe my deep gratitude: Abdul Rahman Embong, Charles Adams, Ishtiaq Ahmed, Chen Gang, Chen Wenbo, Chua Chieu Hiong, Sven Fischer, Hou Heng Neng, Tineke Jansen, Habibullah Khan, Kwok Chu Chin, Lam Peng Er, Lie Chen-Ie, Liem Soei Liong, Lim Mah Hui, Lim Swee Keng, Lye Liang Fook, Bhanoji Rao, Ten Chin Liew, Barnard Turner, John Wong, Yang Mu, and Yeoh Kean Ooi.

Earlier versions of Chapters 2, 4 and 5, were given respectively as talks to participants who attended my course on International Finance at Ngee Ann Polytechnic, at Singapore Institute of International Affairs and at Chinese Chamber of Commerce of Singapore. I would like to thank all the attendees.

While some of the good ideas in the book are due to input from all those I thank, I remain the one responsible for its flaws.

The East Asian Institute of National University of Singapore has provided me the environment to think and work. To EAI, my special thanks.

In bringing out this book, I am fortunate to have the cooperation of World Scientific Publishing Company. I would like to record here my appreciation for the patience and professional assistance of the editors, Ms Lim Shujuan and Ms Sandhya.

Unless otherwise stated, the dollar (\$) refers to the US dollar.

Finally, could I invite you to email me your comments to help me learn from my mistakes and perhaps write another book on the topic some time in the future.

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31st January 2010