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With so much good economic news being reported and with so many experts accepting the notion of a New Economy, it seems almost churlish to focus on the substantial vulnerabilities that lie ahead. But complacency is dangerous, and, as Casey Stengel might have said, the best time to think about losing is when you're winning. So are some things which could go wrong as we move into the next millennium.

Yes, productivity is up. But no one really understands how far the gains go beyond the computer sector or how much of the improvement is the result of more hours at work rather than more efficient work. Inflation is tame for now, but the economy is running out of new workers, and oil prices, which have doubled in the past year, are still climbing. U.S. exports are expanding, but the overall trade deficit is twice as large as last year's and could presage a dollar plunge and international monetary turbulence. Confidence among business leaders and consumers is high, but the U.S. private savings rate has turned negative for the first time in more than three decades, and corporate and consumer debt are at record levels--creating serious vulnerabilities if economic growth slows. If Japan is inching out of recession, that's mostly because it has mounted at least eight gigantic stimulus packages in the past decade, running up an unsustainable government debt in the process. Reforms in such countries as Brazil, Indonesia, and China are tenuous.

BACKLASH. The future effectiveness of key institutions in a crisis is uncertain, too: The European Central Bank, which has the unprecedented challenge of managing monetary policy of 11 distinct countries, remains untested in the face of real adversity, while the roles of the International Monetary Fund and the World Trade Organization are shrouded in intense controversies.

Painful shakeouts will continue in every industry. Soon, any company without a Web strategy will have fallen by the wayside. Even corporate leaders such as John F. Welch, General Electric Co.'s chairman and CEO, and Hiroshi Okuda, chairman of Toyota Motor Corp., are worried about not transforming their companies fast enough. Certainly, today's unprecedented wave of mergers--the worldwide volume of which has climbed from some $60 billion per year at the start of the '90s to an estimated $2.7 trillion annually at the end of the decade--is not the answer. Historically, most such combinations have not succeeded.

Today's mind-boggling pace of technological innovation may soon create backlash in the marketplace. None other than Intel Chairman Andrew Grove worries that rapid advances in the computer industry might not be digestible by society, leading to lower consumer spending and lower corporate investment. Companies such as Monsanto Co. may be at the frontiers of biotechnology research, but consumers, beginning to worry about the safety of genetically engineered food, are already slowing down their commercialization.

Technology companies, now accounting for 25% of the Standard & Poor's 500-stock index, are driving the stratospheric stock markets. But the new dot.coms in the tech sector seem to derive their valuations not from an ability to generate profits in any foreseeable time frame but from intangibles like the promise of ever larger networks of customers--an untested business model. Even at a big player such as Amazon.com, revenues per customer are decreasing, costs per customer are growing, and profitability is nowhere in sight.

Chief executives such as Goldman Sachs's Henry M. Paulson, AT&T's Michael C. Armstrong, and Aetna's Richard L. Huber all agree that their companies' futures depends a lot on enlightened government policies toward growth, investment, competition, and innovation. But in global finance, telecommunications, and health care, the answers to complex regulatory questions are eluding even the best officials. And in a Presidential election year, destructive political infighting will get worse, not better.

None of these worries disproves the existence of a New Economy with tremendous long-term prospects, nor do they signal an imminent market crash. But as the world moves from one era to another, the transition is unlikely to be characterized by a smooth expansion but rather by spurts of prosperity interspersed with long pauses and disruptions. After all, that's what happened after the introduction of the steam engine, the railroad, and the automobile--all of which transformed the economy of their time, but none of which repealed the business cycle. We've had a great run through the

'90s, but as the New Year approaches, it would be foolish to count on a straight-line continuation of the trend. Problem is, too many people expect just that.

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