

Next phase of the crisis

THE financial crisis is threatening a deep and prolonged global recession. In response, monetary and financial authorities are taking unprecedented steps to restore confidence and the flow of credit, as well as attempting to contain the severity of the economic contraction through emergency measures and fiscal stimulus. At the same time, regulators and policymakers are focusing on the urgent need for regulatory and supervisory reforms—an important item on the agenda of this November's G-20 meeting in Washington, which will continue to be addressed through 2009.

In this issue of *F&D*, IMF Chief Economist Olivier Blanchard looks at how the world got into this mess and what to do about it, from both an immediate and a medium-term perspective. He makes a compelling case

for countries (that can afford it) to use well-targeted fiscal expansion in the short run to stimulate growth and a more flexible fiscal policy stance in the longer run.

In our June issue, we examined the origins of the crisis. Now we explore the regulatory options, the case for modernizing the multilateral framework, and attempt to draw some lessons from history. We consult with some leading economic thinkers: Robert Shiller on asset price bubbles; Michael Spence and Mahmoud Mohieldin on the crisis and its impact on growth; and Mohamed El-Erian on the repercussions for international regulation. In addition, we look at the fallout from the “other crisis”—related to food and fuel prices—which peaked in mid-2008, highlighting themes of food security, petrodollar investments, and poverty in one of the most packed issues of *F&D* ever!

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