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## from the editor

**N**EARLY a decade ago, the fall of the Berlin Wall launched a chain of events that rapidly transformed the economies of Central and Eastern Europe, the Baltics, Russia, and the other countries of the former Soviet Union. After facing initial problems of inflation and low growth, these countries have recently made considerable strides toward transforming themselves into market-based economies. The achievements and challenges of this historic transformation were the focus of a conference at the IMF earlier this year that brought together senior policymakers from the transition economies, academicians, and international officials. In recognition of the wider importance of this event, several articles in this issue of *Finance & Development* are drawn from papers presented at the conference.

Our coverage opens with an overview by Saleh M. Nsouli of the key issues discussed. Then, Yegor Gaidar, the former prime minister of Russia, analyzes some of the lessons of the Russian crisis for other economies in transition. Carlo Cottarelli and Peter Doyle review the progress of some transition economies in taming inflation and draw lessons for other countries, while Oleh Havrylyshyn and Thomas Wolf see the control of inflation and the liberalization of markets as essential criteria for a recovery of output. Privatization is a crucial element in transition, and John Nellis considers how it can be achieved in countries where governments lack the will and capacity to follow through on their plans. Vito Tanzi considers what the role of government should be in the new environment and how the institutions needed to support economic growth can be developed.

Another view of inflation and growth in the transition economies is provided in a guest article by Michael Kaser, who asks how they can secure economic growth without prejudicing the gains they have made.

How is it that the countries hardest hit by the Asian crisis were among those that were most admired for their economic achievements and that attracted the most foreign investment? Bijan B. Aghevli examines this conundrum and presents suggestions on how to forestall future crises.

Ways in which developing and transition countries might strengthen their financial systems to benefit from access to international financing are discussed by Malcolm Knight.

Two views of the usefulness of indicators to provide early warnings of banking crises are presented in this issue. Brenda González-Hermosillo argues that such indicators can play a useful role in warning of incipient crisis, while Sunil Sharma cautions that the "holy grail" of crisis prediction may be intrinsically unattainable.

The introduction of the euro has had a far-reaching impact on the global economy, and Dorte Verner considers the effect of the new currency on the countries of Latin America and the Caribbean. In the final article, the significance of the "brain drain" for both developing and recipient industrial countries is assessed by William J. Carrington and Enrica Detragiache.

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A year ago, in June 1998, the International Monetary Fund assumed full responsibility for the publication of *Finance & Development*, ending the previous copublishing arrangement with the World Bank. Since then, we have sought to develop the magazine and to provide our worldwide readership with a broad range of articles on major issues affecting the international monetary system and the global economy. We continue to welcome your comments and suggestions.

Beginning with the March 1999 issue, *Finance & Development* on the IMF's website (<http://www.imf.org/fandd>) includes not only the English edition of the magazine but also the French and Spanish editions.

Ian S. McDonald

*Editor-in-Chief*