# Five Years and Counting . . .

IT all began in the United States with dodgy mortgage-backed securities. From its first rumblings in mid-2007, it took a year for the global financial crisis to come to a head and for policymakers to truly realize what they were facing. But when the U.S. government allowed the investment bank Lehman Brothers to go bankrupt on September 15, 2008, it created a tsunami, the repercussions of which we are still experiencing.

Five years after the start of what turned into the worst economic crisis since the Great Depression of the 1930s, the global economy remains in distress. Millions of people are out of work in parts of the world (especially young people, as we discussed in the March 2012 issue of *F&D*), imposing huge social strains on some countries.

This issue of *F&D* examines the world five years after the stirrings of the crisis. The evidence presents a complex and mixed picture for the future of the world economy.

The causes of the crisis were myriad and included inadequate financial regulation and balance sheets in disarray as financial institutions, households, and governments accumulated too much debt. Most of the excesses were confined to advanced economies, and only creative and massive policy interventions, especially in the United States, prevented a complete global financial meltdown. Now, with the United States on the mend, the sovereign debt crisis in Europe continues to sap confidence.

Our collection of articles examines the crisis and beyond from different angles, including the steps being taken to fix the regulatory system and the impact on the innocent bystanders—the emerging markets and low-income countries that weathered the global recession relatively well but are now vulnerable to further shocks. Mohamed El-Erian looks at the large global imbalances that remain in a dangerous but stable (for now) disequilibrium.

In our “Straight Talk” column, Carlo Cottarelli advises a careful and nuanced approach to reining in debt that does not snuff out the growth needed to create jobs.

Also in this issue, we look at job creation in south Asia, access to safe drinking water, the growth of green investment, and the problems of money laundering and shadow economies. We also profile Laura Tyson, the first woman to head the U.S. Council of Economic Advisers (under President Clinton), who stresses that, despite the drawbacks, greater global interdependence has brought huge benefits.

**Jeremy Clift**
*Editor-in-Chief*



## DEPARTMENTS




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