Foreword

We are at “an historic turning point”. From the outset, the scene is set. Who would disagree with this? The financial crisis that hit the United States in 2008 has moved to Europe and is now casting doubt on the solidity of the euro. Unemployment is reaching historic high levels on both sides of the Atlantic and protests against austerity measures taken in various European countries are spreading, shaking the governments in place.

What can be done? How can the US and Europe find their way out of this crisis and go back to growth? It is these challenging questions that Professor Thomas J. Schoenbaum addresses in this book.

After having analysed in detail the various stages of the current crisis and its causes, he examines the measures taken at the national and international levels to try and address the crisis: emergency measures taken above all in reaction to events and in a piecemeal way; austerity measures aimed at stabilizing markets and at making the banking sector and national economies healthier. But is this the solution? Isn’t there a risk that austerity measures may trigger a vicious circle, lowering growth and worsening fiscal conditions, rather than help the US and Europe to exit the crisis? Isn’t the current approach too narrow? Professor Schoenbaum touches here the core of the debate: austerity versus stimulus.

In a well-argued book, he pleads for a “grand bargain” that would combine efforts to restore the fiscal order and address the continuing mortgage crisis, and measures to create jobs and economic growth.

A timely book and a welcome contribution to the current debate over the crisis!

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