



**The financial crisis and lower income countries: A preliminary synthesis of findings on impacts, responses and lessons**

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## **ABSTRACT**

This paper synthesizes findings from a range of studies presented at a recent conference on the financial crisis held at the Danish Institute for International Studies (DIIS). Focusing on low and lower-middle income countries, the studies explore the impacts, responses and initial lessons of the crisis. The complex and diverse nature of these impacts at both the aggregate and household levels are highlighted, as is the need to reconsider conventional policy advice. Considerations for future research directions are also presented.

## I INTRODUCTION

It is now commonplace to state that the financial crisis has ‘gone global’. During 2008 and 2009 waves of popular and academic publications pored over the likely effects of the crisis on developing countries. While many of the predictions were ominous, it serves to remember Herbert Simon’s dictum that: “Good predictions have two requisites that are often hard to come by. First, they require either a theoretical understanding of the phenomena to be predicted ... or phenomena that are sufficiently regular that they can simply be extrapolated.” (Simon 1981, p. 170). Neither of these two conditions appear to apply here – our theoretical understanding has been challenged by the widespread failure of the economics profession to foresee the crisis; and the crisis appears to be unique in scale and nature. Nevertheless, as the tide of opinion and prediction recedes, it is appropriate to begin to look back and explore the concrete impacts of and responses to the crisis across the developing world.

As a first step in this regard, this paper synthesizes the findings of a range of studies presented at a recent conference on the financial crisis held at the Danish Institute for International Studies (DIIS).<sup>1</sup> These cover a wide range of topics, reflecting the multifarious and diverse nature of the crisis as well as its complex effects in developing countries. The structure of the paper is as follows: Section 2 begins by outlining the context of the financial crisis and its relation to lower income countries (LICs).<sup>2</sup> Section 3 reviews what we now

know about the impacts of the crisis, focusing on three main domains – economic growth, public finances and household welfare. Section 4 considers policy responses to the crisis, and Section 5 summarises some of the preliminary lessons for both policy and research. Section 6 provides a brief conclusion.

Before proceeding, two caveats can be highlighted. First, there is little discussion here of the origins of the crisis. This has received extensive treatment elsewhere (e.g., Cooper, 2008; Reinhart, 2009) and was largely external to the LICs (see Section 2). Second, despite providing something of a synthesis, this paper does not seek to provide a single, coherent or comprehensive analysis of the crisis. This would be a heroic undertaking given the scale and scope of the crisis; it is also simply too early to appreciate either its full effects or the underlying economic mechanisms in play.

## 2 CONTEXT

Two major elements of the context of the crisis deserve mention, if only briefly. The first is that the recent financial crisis was unique at least in terms of modern global history. Until 2007, financial crises of the post-war era either had been contained to specific advanced countries and sectors, or had originated from fragilities in emerging markets.<sup>3</sup> In contrast, the recent crisis was a system wide financial crisis that had its origin in advanced countries. Consequently both the coordinated nature and scale of the crisis were unprecedented, especially in light of the substantial co-movement of developing country macroeconomic fortunes with those

<sup>1</sup> See the List of Conference Papers. Authors of the papers/presentations are indicated in the text below in *italics*.

<sup>2</sup> This refers to both low income economies and lower-middle income economies, as per the World Bank’s categorization (see <http://data.worldbank.org/about/country-classifications/country-and-lending-groups>).

<sup>3</sup> This category of countries overlaps with but is not equivalent to lower income countries. For instance, India is both an emerging market and a LIC; while Mozambique is just a LIC.

of the developed world.<sup>4</sup> It followed that despite limited direct financial linkages between many low income countries and those at the epicentre of the crisis, second round effects on the real sector (via trade and investment) could be expected to be substantial.<sup>5</sup>

The second piece of context is the very much improved economic conditions across the developing world going into the crisis. As documented by *Brixiová and Ndikumana* for the case of sub-Saharan Africa, since the late 1990s economic growth had been robust across a large swathe of the region, with corresponding improvements in a range of other macroeconomic and fiscal indicators. Much the same can be said for Asia, where the successes of China and India have been widely documented but are far from the only sources of good news. Again this marks an important distinction with previous crises, adding to the relevance of careful research on the effects of the synchronized and rapid deterioration in external conditions that faced developing countries from 2007. It is to this we now turn.

### 3 CRISIS IMPACTS

#### 3.1 Economic growth

Many of the contributions to the conference seek to quantify the impacts of the crisis in developing countries on a variety of macroeconomic and microeconomic outcomes. Changes in real GDP have been the object of significant attention as it represents a leading aggregate

‘final outcome’ indicator. Although the crisis began in the financial sector of advanced countries, the size and systemic nature of financial sector problems quickly took on real implications – for example, as firms adjusted to expectations of a contraction in private consumption and faced difficulty in gaining access to finance. Due to the increasingly global nature of production (and finance), these effects rapidly spilt-over to developing countries even those with very limited exposure to immediate financial contagion (first round effects). As recognized elsewhere, 2009 appears to have witnessed the deepest reductions in growth across all countries. *Berg et al.* investigate the differences in changes in real output across low and middle income countries. They find that, on average, the slowdown or reversal in growth of LICs was substantially more moderate than in middle income countries. Indeed, given the relatively high volatility of growth rates *per se*, 2009 was not a particularly exceptional year for many individual LICs. What was exceptional, however, was the synchronized nature of the crisis meaning that, as a group, LICs recorded their slowest average growth rate since the 1970s.

It is important to recognize, therefore, that despite the crisis many LICs continued to register positive economic growth in 2009, albeit at a slower rate than over the preceding ‘boom’ years.<sup>6</sup> For example, sub-Saharan Africa as a region registered real growth of 2.1% in 2009 versus an average of 6.3% over the previous 3 years; at the same time, Developing Asia remained an important driver of global growth with 6.6% growth in 2009 (IMF, 2010a). Nevertheless, these group averages hide very sub-

<sup>4</sup> According to Baxter and Kouparitsas (2005), for example, co-movement is driven principally via trade linkages which have continued to deepen with increasing global integration.

<sup>5</sup> See *Abraham* for a discussion of financial sector linkages between Nigeria, Ghana and the West African Monetary Zone (WAMZ).

<sup>6</sup> Preliminary evidence, not discussed here, also suggests that in 2010 recovery has been more rapid than expected. See *Bevan*, for example.

stantial variations in outcomes (see also *Green et al.*). This is demonstrated by the four African cases discussed by *Tandrayen-Ragoobur* – while Malawi continued to grow at over 7% in 2009, Niger's economy contracted by around 1% and the Democratic Republic of the Congo (DRC) grew at approximately 2.5% down from 6.2% in 2008. Substantial differences in economic structure between these countries, particularly in terms of their reliance on commodity exports to advanced countries, are suggested as important determinants of this differential performance.

The contributions by *Berg et al.* as well as *Berkmen et al.* investigate the variation in country growth experiences associated with the crisis using larger samples, alternative techniques and incorporating a wide range of variables. In contrast to previous analyses of the real impact of external economic shocks, *Berg et al.* downplay the role of changes in terms of trade. Instead they place greater emphasis on changes in external demand (i.e., demand for exports, weighted by trade partners) as a core correlate of variation in real growth rates, a finding that holds both in cross-section and over time. Using a GMM panel estimator, they also find that variation in external demand has asymmetric effects – a negative shock to external demand is associated with a fall in real growth that is five times larger than the effects of positive shocks. Broadly speaking, the primary role of commercial trade linkages for transmission of the crisis to developing countries is corroborated in a number of contributions. *Brach and Loewe* identify the fall in demand for (price of) fuel exports as critical for the Arab World. In a panel dataset of trade flows, *Brambila-Macias et al.* find a strong partial correlation between a decline in exports and the financial crisis, an effect that seems to have been most severe in Latin America.

*Berkmen et al.* also adopt a multivariate, cross-country approach. To focus on the

unique impact of the financial crisis in relation to other factors that may have induced changes in growth rates, they use the revision in growth forecasts made immediately before and after the crisis as the dependent variable of interest.<sup>7</sup> They find that trade was a key transmission channel, especially for countries producing (advanced) manufactured goods. However, for emerging market economies, they note that the financial channel was more important. The most affected of these countries had highly leveraged financial systems, typically based on external borrowing (e.g., EU accession countries), and had experienced very rapid credit growth in the years prior to the crisis.

The same authors also discuss the influence of pre-crisis policies over the severity of the downturn. In keeping with *Berg et al.*, *Berkmen et al.* find that a flexible exchange rate regime seems to have helped moderate the severity of external demand shocks in the sense that pegged exchange rates typically acted to magnify financial transmission channels. Nevertheless there is mixed evidence as regards other policy conditions. For example, *Berg et al.* find evidence supporting the beneficial role of self-insurance via accumulation of higher reserves; in contrast, *Berkmen et al.* emphasise the merit of maintaining a low primary fiscal gap to provide fiscal space in times of crisis, a point to which we return below. Further research in understanding and measuring what constitutes an effective pre-crisis (normal) policy stance remains a priority.

### 3.2 Government finances

Directly following from these real effects, there has been widespread concern about the knock-on impact of the crisis on the shape of

<sup>7</sup>Their results also hold when using the difference between pre-crisis forecast and actual growth.

government finances in developing countries. This has received particular emphasis due to anxieties about a reversal/reduction in external capital inflows, including foreign aid, as well as discussion about the necessity of pro-active public policy responses to stimulate economic activity. These issues are discussed in the contributions by *Green et al.* and *Bevan* among others, as well as *Okot* for the specific case of Uganda, highlighting the immediate and non-negligible fiscal implications of the crisis. Data compiled by Oxfam and summarized in *Green et al.* suggests that in 2009, average government revenues fell by around 2 per cent of GDP in the LICs, equal to around US\$ 53 billion (8 per cent of 2008 revenue) a sum far greater than (concessional) external capital inflows. Again this masks a great deal of variation, with many commodity exporters (e.g., Chad) worst hit due to extreme reductions in global prices. At the same time, crisis-related increases in spending mean that fiscal deficits have been hit on both sides and have widened in at least three-quarters of all low-income countries, in turn suggesting that the challenge of attaining stable medium-term public finances is far from unique to the advanced countries (for discussion see *Bevan*). These issues are taken-up further in Section 4.

### 3.3 Household welfare

The substantial variation in aggregate outcomes associated with the crisis hints at a complex and differentiated portfolio of effects at the microeconomic level. This is precisely what we appear to find, underlined by *Green et al.*'s remark that even in countries where the picture is of general resilience to the crisis, one also often encounters 'pockets of export-dependent workers and industries [that have been] devastated' (p. 1). The importance of digging below an analysis of aggregate outcomes, such as economy-wide GDP, is also affirmed by calls to disentangle the individual effects associated

with the financial crisis from those of the food and fuel price rises that preceded it. Although these crises were intimately related, as emphasized in Addison et al.'s (2010) discussion of the "triple crisis", the issue is that their effects cannot be assumed to be equivalent, especially in terms of their distributional consequences and fiscal/public policy implications. At this early stage, however, few papers have attempted to make these distinctions with any precision and this remains a major challenge for future research.

One exception is *Cockburn and Linh* who quantify the welfare effects of different external shocks for the case of Vietnam. Using an applied general equilibrium simulation model they find only small net effects from the rapid increase in global rice prices (despite local pass through) as well as the global financial crisis, which in turn are accounted for by the country's favourable position as a net food exporter with limited exposure to short-term external capital movements (portfolio flows). For instance, a simulated 25% fall in demand for labour-intensive manufactures is expected to drive a fall in real GDP of only around -0.26%. Of greater concern, according to the authors, has been the government's failure to fully manage the macroeconomic effects of a large net inflow of foreign direct investment that has accompanied Vietnam's accession to the WTO in 2007. This finding speaks to the depth of the ongoing policy challenges involved in handling openness to the global economy, not just managing shocks.

*Grover and McCulloch* pursue a similar exercise for Zambia but employ an alternative methodology. Using recent household survey data and supposing an indirect utility function that is separable in production (income) and consumption, they simulate the welfare effects of the recent food, fuel and financial crises via unexpected changes in prices. They find that urban households have been disproportionate-



ly affected negatively, with or without the assumption of compensatory wage adjustments in line with inflation. This occurred, first, due to their position as net food and fuel consumers and, second, via the depreciation of the local currency (Kwacha) associated with the financial crisis, thereby raising the cost of imports. In contrast, net food producers (located in rural areas) have generally benefitted from these price developments. On aggregate, they conclude that while: "... Zambian households gained from the price changes that occurred in 2007 and 2008, ... the rise in key non-food prices in 2009 pulled aggregate welfare slightly below the level of December 2006. However, the sharp polarisation of impact between rural and urban areas, and between agricultural and non-agricultural activities in rural areas, makes an aggregate 'national' picture very misleading." (p. 28).<sup>8</sup>

As a complementary line of investigation, the contributions by *de Walque et al.*, *Mayer and Gareis* and *Gilbert* explore different dimensions of the food price rises in developing countries during 2007 and 2008. *De Walque et al.* finds that food price rises appear to have had a negative effect on household income and welfare in Mozambique. Although, potentially, this could have very serious long-term implications for HIV sufferers, the authors argue that access to highly active anti-retroviral treatment (largely funded by external donors) seems to have mitigated these effects. *Mayer and Gareis* take the connection between finance and food very seriously, analyzing the impact on food commodity prices of the growing use of these commodities as short- and long-run financial investments. Preliminary evidence presented

appears to support a linkage effect. Finally, *Gilbert* explores the pass through of world food commodity prices to domestic (national and regional) prices in various developing countries. He finds that Vietnam and Kenya apparently being more successful in isolating consumers from price volatility compared to others, such as Malawi.

Qualitative studies also affirm the uneven impact of the crisis. In contrast to quantitative/economic approaches that (by necessity) employ relatively stylized and tractable frameworks, qualitative studies draw special attention to the relational position of both countries and groups of households in global export value chains. The insight is that those with the most marginal positions appear to have borne the brunt of the crisis. *Green et al.*, for example, draws attention to the distinction between garment manufacturers at the 'inner core' of the global garment industry (namely, China, Vietnam and Indonesia) versus peripheral or second tier supplier countries, such as India, Cambodia and Pakistan, which have been hit hardest via both declining orders and market share.<sup>9</sup> This is also reflected at the sub-national level where more marginal workers within individual sectors – e.g., migrant (informal) female workers – appear to have been the first to have been made redundant as external demand contracted. As *Aung* argues with respect to labour effects in Mae Sot, a district of Thailand on the border with Burma: "... with the rise of a gendered labour hierarchy in export-oriented factory labour ..., crisis impacts tied to a large-scale collapse in export-demand necessarily affected the area's women migrant communities disproportionately." (p. 17). In turn this

<sup>8</sup> Additionally, their analysis does not include specific non-price effects of the crisis such as contraction in specific sectors. Including these additional factors would likely only increase the degree of polarization.

<sup>9</sup> An exception is Bangladesh which has weathered the financial crisis well, largely due to the very low cost of its products allowing some buyers to move down the quality ladder – known as a "Wal Mart" effect (see *Green et al.*, p. 6).

has only increased concerns over a ‘race to the bottom’ over labour rights in labour-intensive manufacturing sectors in developing countries (also see *Green et al.*).

#### 4 RESPONSES

Discussion of the responses to the financial crisis has stimulated fresh interest in discretionary fiscal policy as a macroeconomic tool, both in developing and advanced countries. As recognized by many authors (e.g., *Weeks; Brixiová and Ndikumana*), monetary policy tools are often ineffective in low income countries due to the limited depth of these countries’ financial sectors and the absence of thick government debt markets. Monetary policy may also be further weakened in the midst of a financial crisis if a (Keynesian-type) liquidity preferences comes to dominate.

As noted previously, a remarkable aspect of the crisis is that a very large number of developing countries have adopted some form of fiscal stimulus measures. The outlines of these policy packages are documented in a variety of contributions – e.g., *Bevan; Green et al.; Hur et al.*; also Kasekende et al., 2010. What stands out from these is their emphasis on expansion of government spending, although often of current as opposed to capital expenditures, as opposed to ‘easier’ but often less effective revenue adjustment measures. Nevertheless, there is great variety in the size and nature of interventions adopted, in turn reflecting extreme differences in perceived ‘policy space’ as well as state experience/capacity to intervene rapidly in the real economy. As Chhibber et al. (2009) argue, the fiscal stimulus measures adopted in Asia have been generally larger (as a share of GDP) than in advanced countries and most other developing countries; they also have typically focused more exclusively on spending measures as opposed to those on the

revenue side. In comparison, and aside from the more developed economies such as South Africa and Mauritius, measures adopted in sub-Saharan African have tended to be smaller in scope. This is confirmed in recent data from the OECD’s African Economic Outlook (OECD, 2010) – provisional figures for 2009 for all African countries, for example, indicate that the (unweighted) median increase in public expenditures and net lending in 2009 versus 2008 is 0.9% of GDP alongside a median fall in tax revenues of 1% of GDP.

With respect to the actual efficacy and sustainability of these fiscal policy experiments, differing opinions reign. On the positive side, *Hur et al.* take motivation from the V-shaped recovery of developing Asia from the crisis and goes on to provide an initial analysis of the effectiveness of different fiscal policy tools in achieving this result. Remaining cautious as to the robustness of their findings, the authors conclude that “... , while tax cuts do not seem to have had any effect on output, our results indicate that higher government spending did have a positive impact in the region.” (p. 25). In a similar way, *Weeks* argues for greater emphasis on counter-cyclical policies in Africa. Following the “Freetown Declaration” of African Finance Ministers, he argues that the scope for effective counter-cyclical fiscal policy in Africa is much larger than previously appreciated. He goes on to identify a subset of 24 (out of 44) countries where conditions are likely to be appropriate for a reasonable and sustained fiscal expansion financed either by government bond sales (where possible) or by monetizing the deficit (borrowing from the Central Bank). In both cases *Weeks* argues that the inflationary impact is likely to be moderate as long as the economy is operating below capacity. This viewpoint finds some resonance with *Brixiová and Ndikumana* who affirm the need for more accommodating policy frameworks in sub-

Saharan Africa in order to deal with both the present and future economic crises.

Taking cue from past experiences of fiscal expansion in developing countries, however, *Bevan* is less sanguine. He points out that, despite good intentions, the expansion of spending in developing countries often turns out to be pro-cyclical in nature, in part due to a 'ratchet effect' making it difficult to make the necessary spending cuts in good times. He also cautions that governments cannot create counter-cyclical policy out of nothing. In the minimum what is required are either existing social protection schemes with a large catchment and/or a pipeline of pre-approved capital investments. In their absence, there remains the danger of generating only a temporary boost to demand as opposed to stimulating real growth, which in turn casts doubt on the sustainability of the expansion.

*Stein*, meanwhile, underlines that concessionary finance for counter-cyclical policies is unlikely to be available in the future without more profound changes in the central precepts governing the policies of the international financial institutions (IFIs). In the immediate wake of the financial crisis, the IFIs (IMF, World Bank, etc.) appeared to take a relatively relaxed policy stance, affirming the possibility of using fiscal stimulus policies in a wide range of contexts. This was accompanied by increases in funding for these institutions and the implementation of new policy instruments based on 'ex ante' conditionality (pre-approval). The author questions whether these changes are deep, genuine and lasting. To do so he documents evidence that IMF policy advice at the country-level in LICs has quickly reverted to its conventional emphasis on fiscal discipline and inflation control (also *Weisbrot*, 2010). As such the author suggests that any fiscal expansion has been extremely temporary in nature and there has been no fundamental change

in vision about the role of government in the economy.

Lastly, two additional types of responses to the crisis merit brief comment. First, *Dodd* highlights the critical role played by the Central Banks in a select number of larger emerging market countries in mitigating and responding innovatively to the crisis. On the one hand this has involved rather more prudent and transparent regulation of the financial sector than found in the more advanced countries at the epicentre of the crisis. On the other hand, these same Central Banks have been able to make novel use of financial instruments to directly support the productive sector (without recourse to the domestic financial system). Second, *Jones* investigates the supply response of foreign aid to the crisis. The latest data suggest there has been no wholesale reduction in net bilateral outflows in response to the crisis, especially among larger donors. This is consistent with a general finding that short-run movements in aid supplies are very hard to predict; nevertheless, the crisis may have long-run implications for aid to the extent that there is a prolonged effect on economic output and donor-government finances.

## 5 LESSONS

The full implications of the crisis continue to unfold. As such, any lessons from the crisis are at best preliminary and partial, and will need to be refined as time passes and new data becomes available. Nevertheless, based on existing research, a number of 'likely lessons' can be offered. Few of these lessons indicate concrete pathways of change. Rather more simply, they largely point to gaps in our current knowledge as well as provide a fresh affirmation of the magnitude of the policy challenges facing developing countries. They are discussed below under four broad headings.

a) *Re-examine the 'financial liberalization' policy injunction*: recent events have not only revealed the scale and asymmetric nature of real costs associated with financial crisis, but they have also underlined the corresponding size of the regulatory challenges involved in effectively managing an open and complex financial system. These costs may be large relative to the potential benefits of having (or making extensive reforms to develop) a large and deep financial sector, as espoused by proponents of financial sector liberalization. For developing countries these issues are extremely pertinent. The recent experience of Nigeria serves as a case in point, as discussed by *Brixiová and Ndikumana*. Although praised by the IMF in 2008 for its (successful) recapitalization of the banking sector (IMF, 2008), the rapid unravelling of Nigeria's financial sector in the wake of the crisis exposed the fragility of these foundations, as well as the persistence of regulatory shortcomings.<sup>10</sup> On the positive side, however, the experiences of some of the larger emerging market economies such as Brazil and Chile indicate the vital contribution of a Central Bank with a technically competent staff, strong regulatory footprint, and a mandate that goes beyond the maintenance of price stability at all costs.

b) *Strengthen the governance of global capital flows*: for low income countries, increased

<sup>10</sup>As the Governor of the Central Bank put it: "There was a belief that financialisation would drive economic growth. However, the reality is more complex. While many developing countries have followed this path, Nigeria's financialisation was far too rapid for the real economy to benefit. The economy was not able to absorb the excess liquidity from oil revenues and foreign investments in productive sectors. This resulted in significant flows to non-priority sectors and to the capital markets, mostly in the form of margin loans and proprietary trading camouflaged as loans" (Sani, 2010, p. 6)

caution with regards to financial liberalization should not be heeded to the detriment of taking advantage of low cost long-term external investment funds (public and private) as well as short-term stabilization funds (risk management products). Nevertheless, to do so, deeper reforms of the global financial architecture will be necessary that make the funds more credible, in terms of their volume and stability, as well as available on a more timely basis (e.g., to manage unexpected shocks). This raises a host of fundamental questions that have not been fully addressed despite the role they have played in contributing to the crisis as well as recent moves to reform the IMF (and World Bank). These questions include the appropriate degree of self-insurance (via accumulation of international reserves), as well as how international (global) institutions can contribute to the maintenance of a system of stable and 'fair' exchange rates.

c) *Reconsider the public policy toolbox*: there is no doubt that one lesson from the crisis is that close attention to macroeconomic fundamentals remains critical for developing countries. Many such countries appear to have weathered the financial storm relatively well and have been able to recover quickly precisely because they enjoyed relatively strong macroeconomic and fiscal positions prior to the crisis (e.g., low fiscal deficit, manageable current account balance, moderate/low inflation, accumulation of international reserves), especially when compared to the 1980s and early 1990s. Even so, there is a growing consensus that whilst this kind of discipline is a (painful) necessity, it is far from sufficient if governments wish to be able to counteract economic downturns and respond effectively and rapidly to external shocks in particular. Thus two domains deserve fresh attention in low

income countries: (i) expansion of social protection measures which can act as automatic stabilizers and may be scaled-up (targeted) to counteract perverse distributional effects of different shocks; and (ii) application of a range of proactive policy instruments, including but not limited to public spending measures that act to enhance growth without creating an unsustainable long-run fiscal burden.

*d) Expand the research agenda:* the previous points already suggest fruitful areas of future research. For instance, with regard to social protection and fiscal policy, there remains substantial ambiguity about (i) how to define and measure ‘feasible policy space’; (ii) how external actors can support rather than restrict such space; and (iii) the merits of rules versus discretion in the conduct of fiscal/monetary policy in low income settings to address both shocks and cycles.<sup>11</sup> In addition, aside from continuing to document the specific policies governments have implemented to respond to the crisis, rigorous research is needed to quantify the comparative effectiveness of these different instruments in particular circumstances. At least four more general research areas recommend themselves:

- At a deep level there are calls to rethink established macroeconomic frameworks (for an initial contribution from the IMF, see Blanchard et al., 2010) especially for developing countries. In turn this is likely to have direct implications for our understanding of feasible instru-

ments for government intervention in the economy.

- With regard to development strategies and industrial policy, the crisis has raised issues about the relative costs/benefits of economic specialization (taking advantage of comparative advantages and scale economies) as opposed to diversification (benefits of agility and risk management).
- Similarly, a very pressing issue is how to design/implement a set of global currency ‘rules’ that are able to avoid the accumulation of large global imbalances while also providing space for emerging exporters to gain a foothold in the world economy.
- Further work is needed to disentangle the individual effects and linkages between the financial crisis versus the food and fuel crises (among other challenges) that emerged prior to the crisis and are now reappearing in various ways.

## 6 CONCLUSION

This paper has sought to synthesize a wide range of research on the financial crisis, focusing principally on low income countries. The complexity and variety of the impacts and responses to the crisis cannot be over-emphasized. This refers as much to aggregate outcomes as to the effects on specific industries and sub-populations. Digging below the surface underlines the importance of trying to disentangle the specific effects of the financial crisis from the rapid changes in food and fuel prices that occurred over a similar timeframe. There are many outstanding gaps in the research, but some preliminary lessons are now apparent. Among these one might highlight the new impetus given to use of proactive macroeconomic and fiscal policies in low in-

<sup>11</sup> For work in this direction see *Hove* for a discussion of the relative merits of inflation, exchange rate and monetary targeting in developing countries.

come settings. While there are exciting intellectual and policy opportunities ahead, careful design, measurement and monitoring of alternative policy approaches must be given priority lest the gains of the last decade in achieving enhanced macroeconomic stability across much of the developing world are lost.



## LIST OF CONFERENCE PAPERS

for the DIIS Conference *Impacts, Responses & Initial Lessons of the Financial Crisis for Low Income Countries*, October 14-15, 2010

Readers seeking access to the papers referred to are advised to contact the authors directly, using the e-mail addresses provided below.

Presenter(s)	Affiliation	Co-authors	Paper title	Email
Abraham, Terfa Williams	Ahmadu Bello University		An Econometric Evaluation of the Impact Channels of the Financial Crisis on Stock Markets in The West African Monetary Zone (Wamz)	<a href="mailto:lorenzcurve@yahoo.com">lorenzcurve@yahoo.com</a>
Aung, Soe Lin	MAP Foundation & Chiang Mai University		Gendering the Financial Crisis: Export Economics and the Manufacture of Gender Difference among Migrant Communities on the Thai-Burma Border	<a href="mailto:soelin.map@gmail.com">soelin.map@gmail.com</a>
Bevan, David	University of Oxford		Fiscal Implications of the Global Economic and Financial Crisis for Low-Income Countries	<a href="mailto:david.bevan@economics.ox.ac.uk">david.bevan@economics.ox.ac.uk</a>
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Dávid-Barrett, Tamás	Birkbeck College, University of London		Go Global, then Local: The Optimal Integration Path for Emerging Economy Banking Systems	<a href="mailto:tamasdb@mac.com">tamasdb@mac.com</a>
Fucidji, José Ricardo	UNESP (São Paulo State Univ.)	Eduardo Strachman	The Current Financial and Economic Crisis: Empirical and Methodological Issues	<a href="mailto:jrfucidji@yahoo.com.br">jrfucidji@yahoo.com.br</a>
Gilbert, Christopher L.	University of Trento		Food Prices in Six Developing Countries and the Grains Price Spike	<a href="mailto:christopher.gilbert@unitn.it">christopher.gilbert@unitn.it</a>
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