



We all know these are tough economic times. But rather than dwelling on how bad things are (one commentator put the mood of the financial community as having gone from “doom and gloom” to “doom and Armageddon”), it’s important to focus on

finding *solutions* to our current challenges.

Of course, there is no silver bullet. A giant stimulus package by itself won’t turn the economy around. Nor will bailouts of banks or yet another initiative from the Fed to pump liquidity into the financial system. It’s no surprise that we’re making a few stumbles on the path to solving a virtually unprecedented problem. What’s really needed, then, is a wealth of good ideas for reassembling the intricate mechanism of a healthy economy.

Economists at the Milken Institute are doing their part, offering a number of proposals that could play a part in healing the economy and preventing a relapse. We are particularly pleased, for example, that our recommendation to defer the tax liability that companies incur when they buy back their own debt at a discount made it into the American Recovery and Investment Act (aka the stimulus package) signed into law in February by President Obama.

This initiative to reduce the pain of the inevitable deleveraging of the economy, we be-

lieve, will encourage companies to restructure their balance sheets expeditiously. It gives companies the flexibility they need to find the appropriate level of debt for their businesses – and in many cases, to avoid bankruptcy.

We have also made a number of recommendations regarding the mortgage and credit markets that would not only bolster confidence and stem the tide of home foreclosures, but also help to prevent future financial crises caused by excessive leverage in housing. These and other ideas on how to repair the United States and global economies can be found on our Web site ([www.milkeninstitute.org](http://www.milkeninstitute.org)), and more will be posted from our 2009 Global Conference (April 27-29 in Los Angeles).

While the economic crisis is, of course, Topic A at the Milken Institute, our researchers are working on a host of other issues critical to society. And as you’ll see in this issue of the *Review*, we’re delighted to provide a forum for other analysts focusing on diverse questions ranging from how to fund biotech entrepreneurs to how to persuade China to join the fight against global warming.

Current market realities are sobering. But the slew of ideas that is coming in response suggests that the public policy community is up to the challenge. We at the Milken Institute are proud to be part of the process.

A handwritten signature in black ink that reads "Michael Klowden". The signature is fluid and cursive, with a long, sweeping underline.

Michael Klowden, President and CEO