

Public debt crises in Latin American and Europe: a comparative analysis¹

Oscar Ugarteche [Instituto de Investigaciones Económicas, Mexico]

Copyright: Oscar Ugarteche, 2014

You may post comments on this paper at

<http://rwer.wordpress.com/comments-on-rwer-issue-no-67/>

Abstract

The debt problems of Latin America in the 1980s were of external origin, were related to external borrowing, exploded when international interest rates hit a historical high, were basically international commercial bank loans in floating rate notes, and had a negative impact on the balance of payments. The Brady Plan solved them after a decade of falling output having undergone IFIs conditionalities, adjustment policies, structural reforms and financing. The European crisis that started in 2007 is also of external origin, is related to domestic borrowing, and exploded when the US sub prime crisis hit the international financial community, is basically privately held in bonds by European financial institutions in Euros, and has had a negative fiscal impact. The debt solution in Latin America changed the regional process of trade and integration begun in the late 1960s through Latin American Integration Association (1980, previously LAFTA, 1960) as new export led policies were introduced in the late 1980s and four new sub regional schemes were subsequently created: NAFTA (1994), SICA, MERCOSUR (1991) and CAN (1993). In this paper we are going to inspect the economic elements of the two sets of debt problems, the international political economy elements involved and the lessons learnt.

JEL codes F, F33, F34, F55, F59, F65

Keywords international economics, international monetary arrangements and institutions, international lending and debt problems, international institutional arrangements, international relations and international political economy, finance

Introduction and historical background

This paper is divided into five sections. Section 1 presents the Latin American and European debt problem and its consequences. Section 2 presents the debt crisis trigger for Latin America and Europe. Section 3 presents IMF and Troika conditionality and its effects in Latin America and Europe. Section 4 presents conditionality and debt. Section 5 presents old and new stakeholders. The paper then closes with a set of conclusions.

Historically sovereign debt problems are solved through massive debt haircuts together with the issuance of new paper at low interest rates, which consolidates all past debt in one instrument with a very long payback period (Eichengreen, 1992; Marichal, 1989; Ugarteche, 2007). The guaranty of the new instrument may be export income, export services revenues, or solvent-country bonds. The examples are oil revenues for Mexican rescue loans in 1928 and 1994; Suez Canal toll revenues administered directly by the British Government in 1872 and the 1989 Brady Bonds. All debt problems always arrive at a debt management solution.

¹ Paper presented at the U of Bologna Conference, *A veinte años del tratado de Maastricht: nuevos desafíos para la gobernanza económica*, Buenos Aires, April, 2013. It previous version was originally presented at the Eurodad-CADTM Conference *Debt and Austerity: From the Global South to Europe*. U of Athens, 6-8 May 2011 and a first version was published as "Research on Money and Finance", Working Paper 32, SOAS, London, August, 2011. The final version of this paper has been revised and discussed while visiting LAI, Frei Universitat von Berlin, second semester, 2011 under the auspices of UNAM PASPA. The author wishes to thank Leslie Armijo and Barbara Fritz for their very useful comments.

Getting there is the real issue. Part of the problem then and now is that there are no insolvency procedures. (Krueger, 2001; Raffer, 1990, Acosta and Ugarteche, 2007, Eichengreen, 2003.) Mostly there is much experience as to what happens to debt management without an international insolvency procedure. The Latin American case of the 1980's showed the adverse macroeconomic impact of not solving the debt problems at the beginning of the crisis. (Stallings, 1986; Griffith Jones, 1988; French Davies, 1988; Devlin, 1989; Ugarteche, 1988; O'Connell, 1985; and Green, 1984.) After a decade long depression generated by IMF led adjustment policies that contracted the domestic markets through falling wages and increased tax revenues, it was only after the Brady Plan (1989) and export led policies put in place that the economy recovered. It was not the reforms per se which led to the recovery but the combination of debt reduction to sustainable levels, and the recovery of the external sector as both Miyazawa (1986) and Bresser Pereira (2007) had suggested earlier in the decade.

In Europe, what is evident is that banking problems started through bad investments and loans related to the United States financial sector. These hit the British and European financial sector and in particular the banking sector to the extent that it had to be nationalized: Great Britain (2007), Iceland (2007), Ireland (2007), The Netherlands (2009), and otherwise rescued in Switzerland, Germany, Spain, Italy, Greece and Cyprus.

The fiscal cost of this has led to rising fiscal deficits all around Europe then faced with Troika conditionality of reduced wages and increased taxes. This in turn has had an effect on reduced consumption with its negative effects on GDP growth. Combined with rising debt, the general debt indicator (debt/GDP) has deteriorated as adjustment policies progress, thus leading to the next round of pernicious debt negotiations. The consequence for Europe is increased income concentration and rising unemployment as in Latin America in the 1980s.

Historically, creditors banded together in the Corporation of Foreign Bondholders (CFB), established since 1868 by British merchant bankers, and later in the Foreign Bondholders Protective Council (FBPC), established in 1933 by the US State Department (Marichal, 1989). These private creditors sent money doctors to give economic advice to debtor nations (Drake, 1989 and 1994). Negotiations in the 19th century took place after two or more decades of default and only when the horizon seemed promising for new sovereign loans. Without an insolvency procedure, creditors sat down at the negotiating table with the sovereign debtor in London or Washington and essentially provided him with a debt consolidation proposal. In order to make it workable the new reduced debt was converted into very long-term bonds with collateral (Ugarteche, 2007).

Since the 1930s debt crisis and up to the 1980s, there was no real market for sovereign bonds and new actors entered the arena (Suter and Stamm, 1992). After World War II (WWII), the international credit market became more complex, when international commercial banks started lending in the sovereign market, while richer governments expanded bilateral aid loans (Pearson, 1969) and the newly created multilateral institutions launched operations (Bordo and Eichengreen, 1993; Alacevich, 2009). Commercial banks saw their share of the total credit market grow after the creation of the Euromarkets in the late 1950s (McKinnon, 1977; and Einzig, 1964).

The 1980s debt problem gave way to a return of the sovereign bond markets, particularly after the Brady bonds initiative. Commercial banks withdrew from the sovereign market and transferred sovereign lending to investment banks and back to the bond markets (Mauro,

Sussman and Yafeh, 2006) which tripled in size between 1989 and 1999 from 450 bn USD to 1.4 tn USD (Santiso, 2003). Sovereign insolvency risk shifted from commercial banks to individual investors operating through investment banks, thus changing the international scenario in which sovereigns restructure their debts in times of crisis, back to where it was in the pre-WWII period. This time, however, there is no institutionalized FBPC nor a CFB, and some creditors – final investors – can hold out and not enter negotiations (Hornbeck, 2010; Hornbeck, 2004; Lopez, Oddone, Von Oertel, 2001) and sue the country for full compensation after the negotiations including haircuts are finished with all other creditors.²

The emergence of Bretton Woods II – after the end of the fixed exchange rate period – began in the second half of the 1970s with a new role for the IMF as economic advisor to countries in or near default (Bird and Rowland, 2002; IMF, 2011). This is related to securing debt payments from sovereigns (Lichtensztejn, 2010; Lichtensztejn and Baer, 1986; Eichengreen, 1996) with the negative effect its pro-cyclical conditionality had on growth and on the social fibre of a nation in economic distress (Hayter, 1981; Payer, 1973). The leadership for the Bretton Woods II stage was clearly the United States that placed its resources and power behind the renewed multilateral institution. In Europe the creation of the EFSM did not have the impulse needed from any one country and thus gave a weakened image that led to an initial failure and has turned the European Union into a country dependent rescue system instead of securing its multilateral policies.

The economic adjustment policies applied by the IMF in Latin America have been evaluated by some as regressive (Przeworski and Vreeland, 2000) or as neutral (Dreher, 2005) in terms of economic growth and in political terms reflect the relationship between the US Treasury, international financial capital – mainly US and UK based- and the Fund itself (Hayter, 1971; Payer, 1973; Ugarteche, 2009). The persistence in the “one-size-fits-all” adjustment policy, in addition to the mistakes made (IMF, 2004) in Thailand in 1997 (Henning, 2009; Weisbrot, 2007) and Argentina in 2001, (IMF, 2004) has led to the loss of credibility of the institution with the subsequent loss of resources available for lending in terms of world GDP. During the first decade of the 21st century, it contracted in terms of world GDP by one third, from 0.84% to 0.57% – see Table 1.

Table 1. IMF Available Resources to World GDP (1995-2010)

	1995	2000	2005	2010
IMF Funds bn. USD	223,8	272,3	322,4	358,1
IMF Funds/World GDP	0.7533%	0.8451%	0.7075%	0.5693%

Source: *IMF Annual Reports 1995, 2000, 2005, and 2010*. SDR exchange rates are from end-April of the following year.

² Felix Salmon, “In defense of vulture funds”, blog available at <http://www.felixsalmon.com/2007/02/in-defense-of-vulture-funds/>. Last consulted on October 31, 2011

During the first decade of the 21st century, regional institutions such as the Chiang Mai Initiative Multilateralisation Fund (CMIM) (Sussangkarn, 2011) with 240bn USD, the European Financial Stabilization Mechanism (EFSM) and the European Financial Stability Fund (EFSF) started to emerge with the potential for, if not replacing completely, at least supplementing the old multilateral structure (European Parliament, 2010). These schemes have resources as large as or larger than the IMF, yet in the European case, the lack of a solid multilateral EFSM institution has reduced all financial support to the approval by a single Government which means the reverse of the multilateral initiative and the EU spirit and the bilateralisation of financial rescues.

1. The Latin American and European debt problem and its consequences

The economic history of Latin America is plagued with debt crises (Marichal, 1989; Eichengreen, 1989; Reinhart and Rogoff, 2009). Latin American public debt became an international problem again in the early 1980s. The debt levels at the time of the defaults were in the 50% of GDP range (See table 2). With a not high debt ratio the problem emerged as a major one while in Europe ratios have been much higher.

Table 2. Debt Ratios and Default in Latin America

	Debt/GDP %	Year of Default
Argentina	55.1	1982
Brazil	50.1	1983
Ecuador	68.2	1984
Mexico	46.7	1982
Peru	80.9	1978
Peru	62	1984

Source: Reinhart and Rogoff, 2009.

The reason was the quick rise in US interest rates between 1979 and 1981. An external problem made its way into the domestic economies through the balance of payments and the exchange rate. The ratio of interest payments to exports of goods and services rose from 20% to 41% between 1980 and 1982 as a result (Meller, 1990, Table 12.5). The domestic side of the crisis was due to consumption growth, using foreign borrowing given at very low international real interest rates in the mid-1970s (Devlin and French Davis, 1995).

The European debt problem on the other hand started in 2007 because of the subprime housing bubble burst that had contagion to European banks with positions in US derivatives related to this. Equally, in some countries, a housing bubble emerged resulting from the very low interest rates of the first part of the decade. The result was a US crisis provoking a need

for financial sector rescues in Europe which led to very large fiscal deficits and thus greater central Government debt (see Table 3).

Table 3. Debt ratios and crisis in Europe

	2003	2007	2008	2009	2010
France	51.9	52.1	53.4	61.2	67.4
Germany	38.5	39.6	39.6	44.2	44.4
Greece	105.8	105.7	110.6	127.0	147.8
Hungary	56.2	61.6	67.7	72.8	73.9
Iceland	33.3	23.2	44.2	87.5	81.3
Ireland	26.9	19.8	28.0	47.1	60.7
Italy	96.7	95.6	98.1	106.8	109.0
Portugal	58.3	66.6	68.9	78.7	88.0
Slovak Republic	35.1	28.1	26.3	33.7	39.1
Slovenia	26.9	23.2	21.2	33.6	36.0
Spain	40.7	30.0	33.7	46.0	51.7
United Kingdom	38.7	42.7	61.1	75.3	85.5
Average	50.7	49.0	54.4	67.8	73.7
Median	39.7	41.1	48.8	67.0	70.7

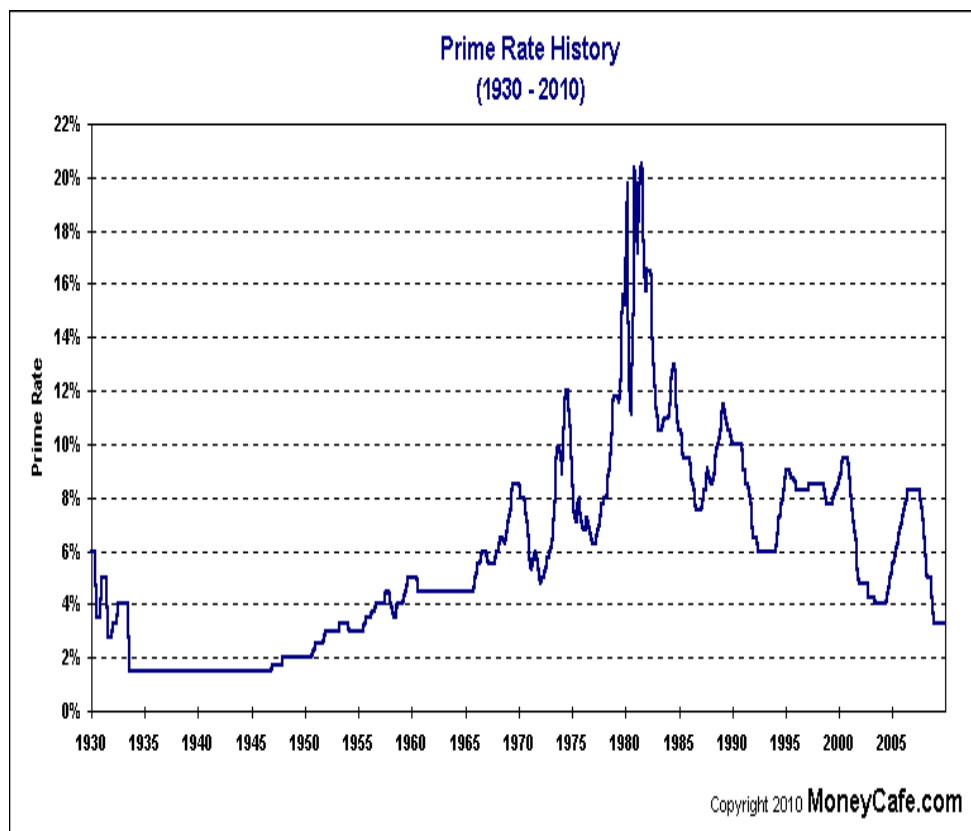
Source: Finance and investment: Key tables from OECD - ISSN 2075-8294 - © OECD 2011

When the crisis began in 2007, the median debt level of central governments on GDP for twelve selected European countries was 41.1% of GDP. Three years later it had risen to 70.7% with nine over the 60% of GDP threshold established by the Maastricht Treaty and higher than Argentina, Brazil and Mexico when they defaulted in 1982.

2. The debt crisis trigger for Latin America and Europe

The Latin American debt crisis was a problem of interest costs that hit the balance of payments. The reason was that interest rates in the US had jumped from 6% to over 20% between 1976 and 1981, bringing about changes in investment portfolios, thus tripping the balance of payments of most countries due to a simultaneous reduction in commodity prices. (Devlin and Ffrench-Davis, 1995, 126). (See Graph 1.)

Graph 1. US Prime Rate



Source: <http://www.moneycafe.com/library/primeratehistory.htm>

The European debt crisis is a banking rescue problem that hit the fiscal sector with low interest rates that were further reduced in an attempt of countercyclical policy. The portfolio effect of this is the reverse of 1981. With interest rates reduced to negative levels, (see Table 4) commodity and stock prices have surged thus leading to increased inflation as food and oil bills in Europe rose while Stock Exchanges recovered in the recessed economies. The global effect is export growth in the primary goods export economies leading to a two speed crisis. So in all, Latin America had a lower debt ratio and hit high interest rates while Europe has higher debt ratios and manages a negative real basic interest rate since 2009. So in all, Latin America had a lower debt ratio and hit high interest rates while Europe has higher debt ratios and manages a negative real basic interest rate since 2009.

Table 4. Basic Interest Rates

<i>Entity and country</i>	<i>Rate</i>	<i>Since when</i>
Bank of Japan YEN	0.10%	Dec 19, 2008 It was reduced to 1% in 1995 It was further reduced by 0.20% then
Euro, ECB	1.25%	April 7, 2011 It was increased by 0.25%
FED US Dollar	0.25%	Dec. 16, 2008 It was reduced from 5.25% in March 07 It was further reduced by 1% then
Bank of England, Pound Sterling	0.50%	March 5, 2009 It was reduced from 5% in September 2007 It was further reduced by 1% then

Source: <http://www.housepricecrash.co.uk/graphs-base-rate-uk.php> and each country's Central Bank. Last revision June 17, 2013.

3. IMF and Troika conditionality and its effects in Latin America and Europe

The balance of payments problem in Latin America posed by high interest rates forced initially a liquidity problem as debt ratios were low. The simple international liquidity problem, caused by the mixture of the Volcker Rule and supply-side economics in the US between 1979 and 1981, could have been solved by consolidating the entire external debt of each country into one very long term bond issue, with an international guarantor in 1981-82, much like the 1989 Brady Plan³. Instead, the renewed liquidity problem diagnoses led to a solvency problem which was treated as a liquidity one at the same time as it was argued that there were problems of rent seeking inside the economies. The shift in diagnosis of the debt problem from a balance of payments liquidity matter to one of rent-seeking societies and the nature of the State corresponds to what Ruggie refers to as the "imbedded liberalism" of international financial institutions (IFIs). Public debts were rescheduled once every two years during the 1980s under increasingly crossed conditions (Griffiths Jones, 1988a), which combined led to the full liberalization of all markets and promoted the switch towards export-led growth and a new reduced role of the State (Balassa, et al. 1989, and Williamson, 1989).

In Europe, bank rescues have weighed heavily on the fiscal side which has forced the EU into the 2010 creation of the lender of last resort – The European Financial Stabilization Mechanism – in order to finance increased fiscal deficits at below market interest rates aside from the ECB. The bank rescue process started in Great Britain in 2008 and has spread for

³ <http://www.emta.org/template.aspx?id=35>. Consulted on October 6, 2011

over five years to many countries at a cost in Europe of 1.6 trillion euros (Boudghene and Maes, 2012). Banks were rescued in all major European countries at a fiscal cost of 35% of Europe's GDP (Ibid, Table 1) and a growing risk perception. Credit rating agencies have downgraded most European countries leading to increased risk margins for sovereign bonds (Favero and Misale, 2011). Although basic interest rates are negative in real terms, heavily indebted countries' sovereign bonds pay high interest rates and have an increasing need for a lender of last resort much bigger than the EFSM-EFSF⁴. The European Central Bank entered a fiscal rescue programme buying up debt and injecting liquidity into the system due to the awareness of a euro credit crunch in September 2012.⁵

The real solution to the Latin American debt problem came when the debt was reduced to a manageable level through the Brady Plan⁶ which arrived in 1989 after a decade of fiscal adjustments, devaluations, inflation, reduced consumption, fast growing debt, depression, and social pain. Before that, creditors were unwilling to swap Floating Rate Notes (FRNs) for one new instrument at a major discount, as Bresser Pereira had suggested earlier (1988). It was only when the then US Secretary of the Treasury, Nicholas Brady (1989), put the initiative on the table that it finally worked. What made it workable was the US Treasury Guarantee on the new Brady bonds so interest rates would be low, at US risk levels; and not high, at Latin American sovereign bond levels. So a large haircut in the market through an asset repurchase programme paid up in new bonds guaranteed by the US, at low interest cost solved the insolvency problem together with export policies that helped increase foreign exchange income.

A global strategy to achieve this result was already defined with precision: it would combine a process of adjustment and reform with a financial mechanism to convert the debt into new securities – with lower face value and submarket interest rates – that would allow the highly indebted countries to benefit from the discounts existing on the secondary market. This process of “securitization” would apply globally, but would be implemented on a case-by-case basis, according to the differing needs of the debtor countries (Bresser Pereira, 1988).⁷

In Europe, fiscal revenues are subject to Troika conditionalities resembling IMF/World Bank/Club of Paris/London Club crossed conditionalities in Latin America. Some differences are to be made: first the diagnosis on the crisis is different. It is a fiscal crisis and not a

⁴ European Financial Stability Mechanisms and European Financial Stability Facility created in 2010 by 16 member euro countries in Luxembourg with the aim of assisting debt ridden countries for an amount of up to 700 bn Euros. <http://www.oecd.org/daf/fin/48887542.pdf>

⁵ <http://www.timesofmalta.com/articles/view/20120909/business-news/ECB-announces-asset-purchase-programme.436204>

⁶ See *Vásquez, I.* “The Brady plan and market-based solutions to debt crises”, *Cato Journal* Vol. 16, no. 2, The first Brady Plan with Mexico paved the way. According to Vásquez, “An advisory committee, consisting of the Mexican government and representatives of more than 500 banks, negotiated a 'menu', or set of conditions that banks could choose from to reduce or increase their exposure. Three options were on the menu. Existing loans could be swapped for 30-year debt-reduction bonds that would provide a discount of 35 percent of face value (the bonds would have an interest of 13/16 percentage points above the London Interbank Offer Rate, LIBOR). Existing loans could also be swapped for 30-year par bonds that would effectively reduce Mexico's debt service on those loans through a below-market interest rate of 6.25 percent. Banks could also provide new loans at market interest rates over a four-year period of up to 25 percent of their 1989 exposure, taking into account any discount or par bonds obtained. The three options allowed creditor banks to set their exposure to anywhere between 65 to 125 percent of its pre-Brady level (Unal, Demircuc-Kunt, and Leung, 1992: 3).”

⁷ Luiz Carlos Bresser Pereira, “A Concerted Solution For The Debt Crisis” (1988), Available at: <http://www.bresserpereira.org.br/Works/PrefacesReviews/88.ConcertedSolutionForDebtCrisis.pdf>.

Consulted on October 12, 2011.

balance of payments one. Secondly, The IMF is willing to be less severe on the fiscal adjustment in Europe than in Latin America, as they have recognized that fiscal elasticity is greater than one, instead of below one as previously thought (IMF, 2012). Thirdly, the aim of the adjustment lies in the financial sector and its management and ownership. Finally, the Welfare State was installed in all of Europe after WWII and removing it is more difficult than in Latin America where it was never fully implemented. The similarities are that indirect taxes are pushed upwards in order to cover the increasing budget deficit and that wages, both social and nominal, are reduced in order to reduce consumption.

The major differential impact of those policies applied as a condition towards the debt solution is that while Latin America with some exception is a raw material exporter, to the rest of the world, Europe is an integrated industrial market. As consumption contracts in the smaller economies, production in the larger ones is reduced and hence the regional rate of growth is negatively affected to a greater extent than was estimated by both the EU and the IMF in 2010.

Since Europe does not need more foreign exchange but rather more fiscal revenues, the instruments used and the aspects emphasize must be different. To date however they seem to be doing the same with the logic of exporting their way out of the crisis

4. Conditionality and debt

In Latin America debt service skyrocketed because of ongoing refinancing and the debt/GDP ratio had become unsustainable due in part to the crossed conditionality, which assured reduced wages and consumption, thus forcing GDP downwards (see Table 5). Crossed conditionality was the coercion mechanism for economic policy change that went through both IMF stabilization policies and later World Bank structural adjustment policies removing whatever Structuralist economic policies existed since the 1950s and putting into place structural reform policies for export led growth. Any debt negotiation had first to pass an IMF agreement. The IMF balance of payments loan required after 1986 a further agreement with the World Bank in order to advance the structural adjustment process into “market” economies. Only then did the bank negotiations start. This mechanism forced three sets of deals with intertwined conditions which was even more complex when the Club of Paris debt was rescheduled requiring a fourth set of conditions.

The result of the debt mechanism plus the conditionalities was that the debt more than doubled during the 1980's with two effects. First, an increased debt/GDP ratio was registered since there was an economic depression and the denominator either contracted or remained stagnant, while the numerator grew, in spite of the fact that only involuntary loans were granted. Second, it opened the issue of “debt illegitimacy” since the US\$190 billion difference between the debt's original stock of US\$126 billion and the US\$320 billion debt at the end of

the decade was not fresh money entering any country but mainly the capitalization of interest or anatocism.⁸

Table 5. GDP per capita growth % in Latin American economies (1980-2010)

Country	80s		90s		00s	
	Average	Std. Dev.	Average	Std. Dev.	Average	Std. Dev.
Argentina	-2.2	5.485	3.2	5.708	3.1	6.881
Bolivia	-2.6	2.7	1.7	1.557	1.9	1.418
Colombia	1.2	1.561	1	2.981	2.5	1.787
Ecuador	-0.3	3.29	-0.1	3.078	2.8	2.215
Honduras	-0.5	2.551	0.2	2.748	2.2	2.449
Mexico	0.2	4.336	1.6	3.533	1	3.432
Panama	-1.3	6.114	3.5	2.614	4.1	3.646
Peru	-2	8.012	1.4	5.13	4.2	3.323
Venezuela	-2.9	4.71	0.3	4.651	1.6	8.131
Uruguay	0.1	6.465	3	3.757	2.6	5.388
Chile	2.7	6.291	4.7	3.538	2.7	2.082
Brazil	0.8	4.686	0.1	2.943	2.5	2.481
Costa Rica	-0.5	4.332	2.9	2.715	2.1	3.065
Jamaica	0.5	4.502	1.3	3.439	0.8	1.825
Nicaragua	-3.2	4.887	0.8	3.044	1.7	1.914
Paraguay	1.1	5.404	0.1	1.906	1.5	5.176

Source: ECLAC. Table prepared by Francisco Josué Martínez Cervantes, OBELA, IIEC UNAM.

⁸ ANATOCISM, civil law. Usury, which consists in taking interest on interest, or receiving compound interest. This is forbidden. Code, lib. 4, t. 32, 1,30; 1 Postlethwaite's Dict.30; 1 Postlethwaite's Dict. 2. Courts of equity have considered contracts for compounding interest illegal, and within the statute of usury. Cas. t. Talbot, 40; et vide Com. illegal, and within the statute of usury. Cas. t. Talbot, 40; et vide Com. Rep. 349; Mass. 247; 1 Ch. Cas. 129; 2 Ch. Cas. 35. And contra, 1 Vern. 190. Rep. 349; Mass. 247; 1 Ch. Cas. 129; 2 Ch. Cas. 35. And contra, 1 Vern. 190. But when the interest has once accrued, and a balance has been settled between the parties, they may lawfully agree to turn such interest into principal, so as to carry interest *in futuro*. Com. on Usury, ch. 2, s. 14, p. 146 et eq.
<http://www.law-dictionary.org/ANATOCISM,+civil+law.asp?q=ANATOCISM%2C+civil+law>

Given that it was a US dollar denominated debt, its service depended on two elements: a balance of payments surplus and primary fiscal surplus. The first two years of the crises, international reserves fell by 40% between 1980 and 1982, and imports fell by 42% between 1981 and 1983 within the region as a whole. As reduced consumption and inflation hit hard because of devaluations, the domestic side of the economy started to stagnate. Restrictive fiscal policies plus inflationary exchange rate policies led to an economic depression metaphorically referred to as “the lost decade”.

In every one of the five debt rounds of negotiations during the 1980s (Devlin and French Davis, 1995), IMF conditions on economic policy were targeted at controlling inflation and improving the balance of payments while liberalizing all markets. Lichtensztein (2010) suggests they failed, as inflation grew worse in the 1980s derived from devaluation policies, and balance of payments positions did not improve significantly. “Export or die” was a dilemma Latin Americans had to face. Structural adjustment policies in the 1990s followed the stabilization policies of the 1980s with the Brady Bonds and World Bank reform policies. Export-led growth was the policy choice in face of a growing need for more foreign exchange to pay off the debt, and shrinking domestic markets (Ugarteche, 2000). By 1989, Prime interest rates had come back down from 20% to 6%, at which point the Washington Consensus laid out an economic policy template.⁹ It consisted of prescriptions aimed at: getting rid of whatever welfare state elements existed including all subsidies; liberalizing all markets of goods and services, mostly the banking, credit, financial, exchange rate and labor markets; and privatizing all government enterprises.

Keynesian/ECLAC protectionism was signalled for balance of payments problems and not interest rates, leading to the brusque elimination of industrial policies (A.O. Hirschman, 1992), without any transition between import substitution and export led policies. The Asian purpose of having a protracted period of adjustment was to change the industrialization policies that had existed previously (Wade, 1990; Amsden, 1989). After the “lost decade”, Latin America’s share of world GDP had been halved from 6 to 3%. The regional annual GDP growth amounted to -0.4%, the public debt climbed from an average 35% of GDP in 1980 to over 67% by 1986, and nearly tripled from US\$ 129 billion to US\$ 320 billion in current USD between 1980 and 1990.

The laboratory for the policies was Bolivia in 1986 (Sachs, 1987) but it was Mexican President Salinas de Gortari that paved the way for IFI policies in the entire region, introducing structural adjustment first in Mexico in his 1988-1994 presidential term, hand in hand with the North American Free Trade Agreement (NAFTA) negotiations. The result for Mexico between 1980 and 2012 is two decades of under 1% of GDP per capita growth and for 18 countries it is between 1% and 2% (ECLAC, 2013; table I.1). Chile is the only medium-sized economy to grow at over 3% per capita in the period. Europe on the other hand seems to be sunk in a deep recession with no country leading a way out as a locomotive or as models.

Economic growth in Latin America struck when due to international negative interest rates, commodity prices surged and some economies left the export base and took a redistributive pattern for domestic market development. The crossed conditionality in this second case is between the IMF, the EU and the ECB. The point of it is to lock in the policies. The major

⁹ J. Williamson “[What Washington Means by Policy Reform](#)”. In: Balassa et al. (eds.): *Latin American Readjustment: How Much has Happened*, (Washington: Peterson Institute for International Economics, 1989).

difference is that in the Latin American case, it was one negotiation after the other and in the European case, it is only one negotiation where the three creditors agree on the crossed conditions and then negotiate together with the debtor. There is no possibility of agreeing with one creditor and not the others in this case.

After 2000, over a decade from the introduction of the reforms, some South American governments started to implement changes with a view to strengthening domestic markets again. They realized that export growth did not always result in high income elasticity, increased employment or improved income distribution (Vidal, Guillen and Deniz, 2010). This combined with the surge in commodity prices, allowed for substantial domestic market recovery without major balance of payments restrictions. In all cases, public debt shrunk during the past decade to the range of 20%-30% of GDP, while a switch occurred from external to domestic debt (Ugarteche, 2008). As a result, countries with progressive income redistribution policies like Brazil, Bolivia, Ecuador, Honduras, Nicaragua, Uruguay and Venezuela, have grown more than in the previous decades. Exceptionally, Peru has grown substantially in spite of not having redistributive policies in place, possibly due to the mining surge related to gold and other valuable minerals. On the other hand, Chile, Costa Rica and Jamaica have grown less over the past decade than they did in the 1990s. Mexico remains slow growing with no policy change and is referred to as an “export success” in balance of payments terms. Nevertheless, export success does not always come with high economic growth (Ugarteche and Aroche, 2005).

The G7 debt crisis on the other hand relates to housing bubbles and consumer credit, indirectly (Table 6). The only G7 country that does not have a serious debt problem is Canada. It has managed its fiscal policy so as to halve its debt burden during the first decade of the century from over 70% to 34% of GDP. Very high debt levels (Ritschl, 1996) precede the systemic crisis of 2007 onwards and are an integral part of the crisis of global capital accumulation. It started in the US and passed on to Great Britain and the large financial centres and then to the smaller economies but has not been limited to those countries. In fact, the bankruptcies of banks in all European countries derive from the fact that most economies saw their public and private debt grow during the first decade of the 21st century with the exception of the Scandinavians, Switzerland, Austria, the Netherlands, and Canada. Iceland poses an extreme case since its private debt grew to 600% of GDP between 2000 and 2007.¹⁰ Early in the second decade of the century, most rich economies are over indebted – if we take the 60% public, debt/GDP limit criteria established in the Maastricht Treaty as valid. They have turned into Highly Indebted Rich Countries (HIRC), with low levels of international reserves, bleak growth perspectives and a major portion of the national budget allocated to debt payments.

The European debt problem as a whole did not come up until 2007 (Panico, 2010). Most European Union (EU) countries had a public debt ratio of nearly 60% of GDP before the crisis began and fiscal spending grew significantly as countercyclical policies were put in place, at the same time as banks were being rescued, taking some countries’ GDP-to-debt ratios to over 100% (see Tables 6 and 7).

The first round of debt bailouts resulted in an increased national debt while the budget deficit

¹⁰ CIA Factbook. Available at: <https://www.cia.gov/library/publications/the-world-factbook/>. Last consulted on Wednesday, October 12, 2011.

reduction brought about lower wages and public spending, thus leading to lower GDP growth. This contributed to an increased debt/GDP ratio, much like in Latin America in the 1980s.

Table 6. Public Debt of G7 Leading Countries % of GDP

G-7	2000-2005	2006-2010	2010
Japan	165.3	202.1	225.8
United States	58.4	74.1	100*
Great Britain	39.4	56.9	76.5
Germany	62.8	70.5	83.2
France	61.2	71.5	82.4
Italy	106.3	110.3	118.1
Canada	77.7	75.1	34
Average	81.6	94.4	102.3

*NYT

Source: CIA Factbook, available at:

https://www.cia.gov/library/publications/the-world-factbook/rankorder/rawdata_2186.txt

WB, WDI 2010, done by Francisco Josué Martínez Cervantes, OBELA, IIEC UNAM . Last consulted on October 6, 2011.

Table 7. Public debt % GDP European Critical Countries

	2009	2010
Belgium	96.2	98.6
France	79	82.4
Greece	126.8	144
Iceland	113.9	123.8
Ireland	65.5	94.2
Italy	115.1	119.9
Portugal	76.8	83.2
Spain	53.2	63.4

Source. CIA Factbook. Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos>. Last consulted on October 7, 2011.

Two years on, some countries — for instance, Ireland, Portugal, Spain and Greece — have entered the second round of debt negotiations and are discovering that their basic economic indicators are worse than at the beginning of the crisis. Iceland has kicked the board and sued its Prime Minister for irresponsibility, while holding two referenda to reject debt payments.¹¹ Belgium¹² and France¹³ are putting off the problem, while introducing adjustments. Italy, on the other hand, seems to be facing the fiscal problem¹⁴ while its debt was downgraded from AAA in 2009 to A/A1 on September 2011 and further to A2 in November of the same year.¹⁵ Looking at the numbers, there is no reason for Spain to be included in the list of critical countries and much less to be given shock treatments, taking into account that its debt level just reaches the critical point of 60% of GDP. The above data, however, do not reflect private debt.

The Stakeholders

The Latin American debt of the 1980s held by international commercial banks, denominated in Floating Rate Notes and foreign exchange had mostly four sets of actors: the London Club made up of creditor banks, the Paris Club made up of creditor Governments, the debtor government and the IMF/World Bank. Without an IMF/World Bank agreement and their green light, no other debt negotiation was possible. The European debt is more complex. The domestic debt is held in local currency even if the holder is non-European. Local bond markets are composed of investors, sovereign instruments, underwriters and credit rating agencies that price them. Major investors in credit default swaps are usually underwriters and insurance firms. Underwriters tend to know even the smallest details of the debtor Government they are handling, so that they can place bets against those debts with the most complete information as to the probability of their default. An example of this is Goldman Sachs in Greece. These stakeholders are not organized in any way and hence have no representation. Other buyers might include commercial banks as the Greek case has demonstrated (Gulati and Bucheit, 2010). The debtors are the European and British Governments.

This means that any solution to the debt problem must also be market-based and cannot be only an exercise in official negotiations as it was in the 1980s, which leads to buybacks and aggressive buybacks. The first are done with complete knowledge of the parties involved, the second are not. Chile carried out a buyback in the 1980s. Argentina and Ecuador did aggressive buybacks in 2005 and 2009, respectively. Other Latin American countries did the

¹¹ Ann Pettifor, "Iceland's Referendum. At last the people can choose." (Huffington Post, March 5, 2010) available at: http://www.huffingtonpost.com/ann-pettifor/icelands-referendum---at_b_488157.html. Consulted on October 7, 2011.

¹² OECD, "Belgium: Action Needed on Greener Growth, Fiscal Consolidation and Jobs Creation", (12.7.11). Available at: http://www.oecd.org/document/54/0,3746,en_21571361_44315115_48368310_1_1_1_1,00.html. Consulted on Friday, October 7, 2011.

¹³ Natixis, "France Fiscal Consolidation. Second Act." Corporate and Investment Banking, Paris, October 7, 2011. Available at: <http://cib.natixis.com/flushdoc.aspx?id=60201> Last consulted on October 7, 2011.

¹⁴ IMF, "Italy 2011 Article IV Concluding Statement of the Mission". Available at: <http://www.imf.org/external/np/ms/2011/051111.htm>. Consulted on October 7, 2011.

¹⁵ "Berlusconi Furious at Debt Downgrade", *Der Spiegel*, Sept. 20, 2011. Available at: <http://www.spiegel.de/international/business/0,1518,787324,00.html>. Last consulted on October 7, 2011.

same in 2006.¹⁶ In the Argentine case, bond prices had crashed because of the 2001 default and the market was forewarned.¹⁷

Although Argentina succeeded in reducing much of its sovereign debt, its unorthodox methods have left it ostracized from international credit markets for nearly a decade and triggered legislative action and sanctions in the United States (Hornbeck, 2010: Summary).

In spite of the fact that they also took up publicly guaranteed private debt, the onetime unilateral offer brought about litigation problems with Argentina, which has not been able to return to the international credit markets and has instead been using peso denominated bond issues.¹⁸ In the Ecuadorian case, the conclusion of the debt audit sent bond prices crashing down as the likelihood of default grew.¹⁹ In aggressive buybacks, the issue that remains is that of holdouts, e.g. minority bondholders that decide not to exchange their bonds for newer bonds at a higher discount. In the Argentine case, those holdouts ended up in lawsuits that are still in progress and prevent the normalization of credit. The new mechanism resulting from that case was the introduction of collective action clauses (CACs) that force minority bondholders to follow what the majority agrees. This has eliminated the vicious role vulture funds played in Latin America after the Brady Bonds settlements.²⁰

While Latin American sovereign bonds issued in New York have CACs after the Argentine 2005 buyback and problem with minority bondholders, it is unclear whether European bonds issued in London include the same clauses. Europe has not yet done buybacks or aggressive buybacks and has activated the EFSM that buys at a market price bonds from countries in difficulties in order to ensure that yield curves for those bonds remain within a reasonable band.

Conclusion

In this paper, we have reviewed the elements that gave way to the Latin American and European debt crisis. The basic point in Latin America was external vulnerability due to “original sin” and currency mismatch in public debt. In Europe it was external vulnerability stemming from high debt levels and a strong financial interrelation with the US market. The European debt crisis emerged from high debt/GDP ratios more than to cost as interest rates were at very low levels with high market defined risk premiums that rose sharply since the crisis began.

¹⁶ IMF *Western Hemisphere Regional Economic Outlook: 2006 Midyear Update*. “Brazil, Colombia, Ecuador, Mexico, Panama, and Venezuela announced buy-backs or exchanges of their foreign currency bonds.” P.15 Available at: <http://www.imf.org/external/pubs/ft/reo/2006/eng/01/wreo0406.pdf>. Last consulted on October 13, 2011.

¹⁷ Hornbeck, J. F., “Argentina’s Defaulted Sovereign Debt: Dealing with the ‘Holdouts’”, Congressional Research Service, April 28, 2010, 7-5700, Available at: www.crs.gov, R41029. Last consulted on March, 20, 2011.

¹⁸ Sandy, C., “Argentina” in *Emerging Markets Economic Daily*, Credit Suisse, September 23, 2008, p.2. Available at: http://www.emta.org/uploadedFiles/New_Developments/Documents/ND_Int_Fin_Arch/CreditSuisseComimentary.pdf. Last consulted on August 18, 2011.

¹⁹ Faiola, A., “Calling Foreign Debt ‘Immoral,’ Leader Allows Ecuador to Default”, *Washington Post*, December 13, 2008. Available at: <http://www.washingtonpost.com/wp-dyn/content/article/2008/12/12/AR2008121204105.html>

²⁰ Congreso del Perú, Comisión Investigadora de la Corrupción, Caso Elliot. <http://www.congreso.gob.pe/historico/ciccor/infofinal/deudaexterna.pdf>

The Latin American debt problem evolved in a framework of strong international financial institutions imbedded in liberalism. The European crisis emerged in what appeared to be a new regional framework, which might have indicated major changes to the international regime. As the crisis evolved, the regional framework showed its bilateral structure and finally gave way to a new role for IFIs and for the financial markets as well as for bilateral conditionality under the pressure from credit rating agencies and investment banks.

The question of whether the debt restructuring is not too hard and not too easy must be evaluated in the light of increased conditionalities for economic policy change in the direction the creditors want. This does not have to do with solving the debt problem in itself but with having the country comply with set conditions. Here we see a renewed role of multilateralism, regionalism, and bilateralism and a shift from the public sphere to the private. IFIs have recovered some of their importance of the 1980s and make restructurings very hard if their conditions are not complied. In all however, it appears to be transference of financial governance from multilateral institutions and the public sphere to the private and bilateral sphere.

The loan terms in Latin America, where denominated in foreign currency meaning there was a need for both fiscal and balance of payments adjustments in order to make the agreements workable. In Europe, the center is fiscal and the loans are in local currency yet the holders can be foreign. This has made for a complex “foreign held” debt negotiation with foreign intervention.

The international financial system has transformed since the 1980s with new stakeholders and institutions. It is now more market based and dependent on credit rating agencies. This means financial market sentiments define how a country progresses more than objective macroeconomic indicators. In institutional terms, this implies a reduced role of Treasuries while that of Central banks grew and that the relationship between institutional investors and Central banks has become more important. The political side of the negotiations is reduced and the financial side, increased.

In the Latin American case, the international banking community resulting from their debt strategy had profits. Firstly through the increase in debt stock due to the involuntary lending of every renegotiation and the tax loss provisions that came with them. Banks could not write down losses for tax purposes before 1987, which was the reason they did not grant any debt relief before then (Griffiths Jones, 1988). Secondly, the financial benefits of privatization and the elimination of the Welfare State served well the international financial community. Thirdly, the policies transferred most domestic savings into private international financial hands in three ways: through the deregulation of the Stock Exchanges which soared after 1990; the transnationalization of the banking and financial industry; and finally then privatization of pension schemes. In Europe there remain still public pension schemes; the national banking industry is regulated and excludes international capital and supervision in certain activities like regional banking in general; and the loan loss provisions are not fully established.

The lesson from Latin America is that fiscal revenues improves with economic growth and that will help close the fiscal gap if a proper tax and spending policy is in place. Solutions to debt solutions can always be found, as history has shown over the past two hundred years. Their implementation, however, is possible only if there is political will, as the Brady Plan showed. Finally, the cost of the adjustment must not be borne mainly by the workers as in Latin America, but shared with the creditors, as the Argentina and Ecuadorian case have shown.

References

- Acosta A. and Ugarteche O. "Global Economy Issues and the International Board of Arbitration for Sovereign Debt". In *El Norte. Finnish Journal on Latin American Studies*, No 2. December 2007, pp. 1-19.
- Aggarwal V.K. "Exorcising Asian Debt: Lessons from Latin American Rollovers, Workouts, and Writedowns,". In Deepak Dasgupta, Uri Dadush, and Marc Uzan, eds., *Private Capital Flows in the Age of Globalization: The Aftermath of the Asian Crisis*. Northampton, MA: Edward Elgar Publishing. 2000 pp. 105-139.
- Alacevich, M. *The Political Economy of the World Bank, the early years*. Stanford U. Press-World Bank, 2009
- Amsden, A., *Asia's next giant: South Korea and late industrialization*, Oxford University Press, New York, 1989.
- Aroche, F. and Ugarteche, O. "Integración regional e integración continental. Notas para un análisis de la integración entre la Comunidad Andina y el MERCOSUR". In Dos Santos (ed.), *Globalización e integración en las Américas*, Ed. Loyola. Sao Paulo, 2005.
- Asami, T. "The Chiang Mai Initiative as the Foundation of Financial Stability in East Asia", ILMA, March, 2005. Available at <http://www.asean.org/17905.pdf> (October 4, 2011).
- ASEAN, "Asia Finance Ministers meeting. Regional Financial Cooperation". Available at <http://www.asean.org/19588.htm> (October 4, 2011).
- Balassa, B., Bueno, G., Kuczynski, P.P. and Simonsen, M. *Latin American Adjustment, How much has happened*. Peterson Institute of International Economics, 1990.
- Bird, G and Rowland, D. "Catalysis or Direct borrowing. The Role of the IMF in mobilizing Private Capital". In *The World Economy*, Vol. 24, No. 1. 2001, pp. 81-98.
- BIS. "Regional Financial Integration in Asia". In *BIS Papers* No. 42. October, 2008. Available at: Eichengreen, B http://www.bis.org/arp/conf_0801.pdf. Consulted on October 4, 2011.
- Bordo, M. and Eichengreen, B., *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*, University of Chicago Press, 1993
- Boudghene, Y. and Maes, S., "Relieving banks from toxic or impaired assets. The EU State policy framework" in *The Journal of European Competition Law & Practice*, 2012, 3 (6), 562-577
- Cantor, R. and Packer, F. "Sovereign Credit Ratings". In Federal Reserve Bank of New York, *Current Issues in Economics and Finance*, Vol. 1., No. 3. June 1995, pp.1-6.
- Devlin, R. and French Davis R. "[The great Latin America debt crisis: a decade of asymmetric adjustment](#)". In *Revista de Economía Política*, Vol. 15, No. 3. July-September 2005, pp 117-142.
- Drake, P.W. *The Money Doctor in the Andes. The Kemmerer Missions, 1923-1933*. Duke University Press, Durham, 1989.
- Drake, P.W. *Money Doctors, Foreign Debts, and Economic Reforms in Latin America from the 1890s to the Present*. Jaguar Books on Latin America No. 3, Wilmington, Del., 1994.
- Dreher, A. "The IMF and Economic Growth. The Effects of Programs, Loans and the compliance with Conditionality". Paper presented at the German V Annual Development Economics Conference, Kiel, 2005.
- Eichengreen, B. "Restructuring Sovereign Debt." In *Journal of Economic Perspectives*, 17(4): 75–98, 2003.
- Eichengreen, B. *Globalizing Capital. A history of the international monetary system*, Princeton U. Press, 1996.
- Eichengreen, B. *The International Debt Crisis in Historical Perspective*. Barry Eichengreen and Peter H. Lindert eds., MIT Press, 1992.

Einzig, P. *The Eurodollar System: Practice and Theory of International Interest Rates*. Saint Martin's Press, New York, 1964.

Favero, C. and Misale, A., "Sovereign Spreads in the Euro Area. Which prospects for a Eurobond" in EC- GRASP, Working Paper No. 20, 2011

Goodenough, F.C., "Inter-Allied Debts and Reparation Payments as International Securities", *The ANNALS of the American Academy of Political and Social Science*, Vol 102, No. 1, pp. 100-102, Sage Publications, July 1922

Griffiths Jones S., *Managing World Debt*, St. Martin's Press, 1988.

Griffiths Jones S., "Condicionalidad cruzada o la expansión del ajuste obligatorio". In *Pensamiento Iberoamericano*, no. 13. 19. 1988a, pp. 67-90.

Gulati, M. and Buchheit, L. C., "How to Restructure Greek Debt" (2010). *Duke Law Working Papers*. Paper 47. 2010.

Hayter, T., *Aid as Imperialism*, Pelican, 1971.

Henning, C.R., "The Future of the Chiang Mai Initiative: An Asian Monetary Fund?", Policy Brief, No.P B 0 9 – 5, Peterson Institute of International Economics, Washington DC, 2009.

Hirshman, A.O. "Industrialization and its manifold discontents: West, East and South". In [World Development, Volume 20, Issue 9](#). September 1992, Pp. 1225-1232

Hornbeck, J.F., "Argentina's Defaulted Sovereign Debt: Dealing with the "Holdouts", Congressional Research Service, R41029, July, 2, 2010.

Available at <http://fpc.state.gov/documents/organization/145568.pdf>. Last consulted on October 31, 2011

Hornbeck, J.F., "Argentina's Sovereign Debt Restructuring", Congressional Research Service, RL32637, October 19, 2004. Available at <http://fpc.state.gov/documents/organization/39301.pdf>. Last consulted on October 31, 2011.

IMF, "Lending by the IMF", 2011. Available at: <http://www.imf.org/external/about/lending.htm#changing>. Consulted on October 12, 2011.

IMF, "Informe sobre la Evaluación del papel del FMI en la Argentina 1991-2001". Independent Evaluation Office, Washington DC, June 30, 2004.

Keynes, J.M., *The Economic Consequences of the Peace*, Harcourt, Brace and Howe, New York. 1920.

Keynes, J.M., *The Treatise on Money*, Harcourt, Brace and Co., New York, 1930.

Krueger, A. O., "Proposals for a Sovereign Debt Restructuring Mechanism", IMF, 2011. Available at: <http://www.imf.org/external/np/exr/facts/sdrm.htm>. Consulted on October 6, 2011.

Krueger, A. O., "The Political Economy of the Rent-Seeking Society". In *The American Economic Review*, 64. 1974, Pp. 291-303.

Lichtensztein, S., *Fondo Monetario Internacional y Banco Mundial. Instrumentos de poder financiero*. Universidad Veracruzana, Xalapa. 2010.

Lichtensztein, S. and Baer, M., *El Fondo Monetario Internacional y el Banco Mundial. Estrategias y Políticas del Poder Financiero*. Ed. Nueva Sociedad, Buenos Aires. 1986.

Lopez, R., Oddone, N, Von Oertel, C., "Crisis financieras internacionales y mercados emergentes", en *Contribuciones a la Economía*, Santiago, noviembre 2003 in <http://www.eumed.net/ce/>. Last consulted on October 31, 2011

McKinnon, R., "The Eurocurrency market. Essays". In *International Finance*, Princeton: International Finance Section, No. 125. 1977, pp. 5-10.

Marichal, C., *A Century of Debt Crises in Latin America: From Independence to the Great Depression, 1820-1930*. Princeton University Press. 1989.

Marichal, C., *Nueva Historia de las Grandes Crisis Financieras. Una perspectiva global, 1873-2008*. ed. Debate, Argentina, Spain and Mexico. 2010.

Mauro, P., Sussman, N. and Yafeh, Y., *Emerging Markets and Financial Globalization. Sovereign Bond Spreads in 1870-1913 and Today*, Oxford U. Press, 2006.

Meller, P. "The International External Debt Problem, and the International Monetary Fund and World Bank Conditionality". In Borchert and Schinke, ed. *International Indebtedness*, Routledge. 1990, pp.202-238

Mendes Pereira, J. M. *O Banco Mundial como ator político, intelectual e financeiro 1944-2008*. Civilização Brasileira, Rio de Janeiro. 2010.

Ohmae, K. *The Borderless World: Power and Strategy in the Interlinked Economy*, Harper Paperbacks, 1990.

Panico, C. "The Causes of the Debt Crisis in Europe and the Role of Regional Integration", Political Economy Research Institute, Working Paper, Amherst University. 2010.

Payer, C. *The Debt Trap. The IMF and the Third World*. Penguin Books. 1974.

Pearson, L. *Partners in development: report of the commission on international development*, Praeger Publishers, New York, 1969

Perez Sánchez, A. "Deuda externa de América Latina. Balance de una década (1980-1990)". In Cuadernos de Estudios Empresariales No. 5, U Complutense de Madrid 1995, pp. 243-269.

Przeworski, A and Vreeland, J.R. "The Effects of IMF Programs on Economic Growth". In *Journal of Development Economics*, Vol. 62. 2000, pp.385-421.

Raffer, K. Applying Chapter 9 insolvency procedures to international debt. An economically efficient solution with a human face". In *World Development*, 18 (2) 301 ff. 1990.

Reinhart, C. M., Rogoff, K. S. and Savastano, M. "Debt Intolerance". In William Brainerd and George Perry (eds.), *Brookings Papers on Economic Activity*, 2003.

Reinhart, C. M. and Rogoff, K.S. *This Time Is Different: Eight Centuries of Financial Folly*, Princeton University Press, 2009.

Ruggie, J.G. "International Regimes, Transactions and Change. Imbedded Liberalism in the Post War Economic order". In *International Organization*, Vol. 36, N o. 2. Spring, 1982, pp.379-415.

Sachs, J. D., "The Bolivian Hyperinflation and Stabilization" , NBER Working Paper Series, Vol. w2073, November, 1986. Available at SSRN: <http://ssrn.com/abstract=227263>

Santiso, J. *The Political Economy of Emerging Markets*, Palgrave McMillan, 2003

Suter, Christian., *Debt Cycles in the World-Economy. Foreign Loans, Financial Crises, and Debt Settlements, 1820-1990*. Ed. Westview Press, Boulder, 1994.

Suter, Christian., "Las fluctuaciones cíclicas en las inversiones extranjeras en 1850-1930: el debate histórico y el caso latinoamericano". In *Las inversiones extranjeras en América Latina, 1850-1930* Carlos Marichal coord., El Colegio de México ed. FCE , 1995.

Suter, C. and Stamm, H. "Coping with Global Debt Crises: Debt Settlements, 1820 to 1986". In *Comparative Studies in Society and History*. Vol. 34, No. 4. 1992, pp.641-678.

Teivainen, T. *Enter Economism, Exit Politics. Exports, Economic Policy and Damage to Democracy*, ZedBooks, London and New York, 2002.

Ugarteche, O., *El Estado Deudor - Economía política de la deuda: Perú y Bolivia 1968-1984*. Instituto de Estudios Peruanos, Lima. 1986.

Ugarteche, O., *The False Dilemma. Latin America in face of globalization*. ZED BOOKS, LONDON, 2000.

Ugarteche, O., "Genealogía de la Arquitectura Financiera Internacional". Ph.D. Dissertation. University of Bergen, 2007.

Ugarteche, O., "Fuentes de financiamiento público e indicadores internacionales. La evidencia latinoamericana reciente". In *Economía UNAM*, Vol. 5, No. 13. January-April, 2008, pp.128-140.

Unal, H., Demirguc-Kunt, A., and Leung, K "The Brady Plan, the 1989 Mexican Debt Reduction Agreement, and Bank Stock Returns in the United States and Japan." World Bank Working Paper. Washington, DC. 1992.

Vidal, G., Guillen A. and Deniz, J. *Desarrollo y Transformación. Opciones para América Latina*. FCE, Madrid, 2010.

Wade, R., *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, Princeton University Press, 1990.

Wadsworth, E., "The Inter-Allied Debt Problem and a Stable Monetary System Abroad", [Proceedings of the Academy of Political Science of the City of New York](#), The Money Problem, [Vol. 10, No. 2, pp. 151-161, Jan., 1923](#)

Weisbrot, M., "Ten Years After. The lasting impact of the Asian Financial Crisis", Center for Economic and Policy Research, Washington DC, 2007. Available at:

<http://www.cepr.net/index.php/publications/reports/ten-years-after-the-lasting-impact-of-the-asian-financial-crisis/>. Last consulted on October 12, 2011.

Williamson, J. "What Washington Means by Policy Reform", in Balassa et al., *Latin American Adjustment, How much has happened*. Peterson Institute of International Economics. 1990.

Young-Joon Park and Yonghyup Oh, "East Asian Financial and Economic Cooperation and its Prospect. Beyond CMI." Working Paper 10-04, Korean Institute for Economic Policy, 2010.

Author contact: ugarteche@iiec.unam.mx

SUGGESTED CITATION:

Oscar Ugarteche, "Public debt crises in Latin American and Europe: a comparative analysis", *real-world economics review*, issue no. 67, 09 May 2014, pp. 97-116, <http://www.paecon.net/PAEReview/issue67/Ugarteche67.pdf>

You may post and read comments on this paper at <http://rwer.wordpress.com/comments-on-rwer-issue-no-67/>