Index

acceleration clauses 313, 274
access
  limits 317
  policy 281, 282–3
accountability in decision-making 332–3
Acuerdos Fiscales, Argentina 115
adjustable peg exchange rate
  change to 169
  drawbacks of 213–14
aggregation, collective action clauses 71, 76, 286–7, 316–17
American Bankers Association (ABA) 288
American Depositary Receipts (ADRs) 156
Anglo-American world
  ‘fear of fixing’ 230
  floating exchange rates 235
anti-Semitic policies 202
Argentina
  access to IMF resources 328
  capital account liberalization 154–6
  capital crisis 57, 59–60, 335
  capital outflows 137
  collective action clauses 88, 287
  creditor groups 83
  currency boards 209–10
  currency crisis 2, 4, 55, 214, 272, 317
  debt 80
  debt restructuring 56, 131, 294, 309
  dollarization 44
  exchange rate regime 210, 211
  foreign borrowing 148
  G7 intervention 346
  IMF package 59–60
  public debt 99–105
  special drawing rights 21
  threats of default 280
Asia
  capital controls 63–7
  capital flows 63
  centralization 36, 38–40
  debt crises 56
  domestic capital markets 87
  IMF representation 22
see also Bangladesh; China; East Asia; Hong Kong; India;
  Indonesia; Japan; Kazakhstan; Korea; Malaysia; Pakistan;
  Philippines; Singapore; South Asia; Sri Lanka; Taiwan;
  Thailand; Vietnam
Asian Crisis (1997–98)
  aftermath 2, 10, 13, 200
  bailouts 202
  causes of 140, 141, 335
  contagion effects 139, 161
  effects of 157
  IMF package 55, 57, 58–9, 83, 135
  role of G7 329, 336
asset
  sales, policing of 146
  value, preservation of 285
  assets, collateralisation of 267
Association Nationales des Porteurs Français de Valeurs Mobilières 82
Australia
  debt 80
  exchange rate regime 209
  membership of G7 336
Austria, capital flows 201
bad luck defaults 264–5
Bagehot, Walter 282
balance of payments crises 12
Baltic States, exchange rate regime 211
Bangkok International Banking Facility 138, 159
Bangladesh
  capital account liberalization 161
  exchange rates 141

349
Index

Bank for International Settlements (BIS) 34, 35
Bank of Canada 43, 44
Bank of England 232, 312–13
Bank of Japan 234–5
banking
crises 69, 214, 310–11
flows 200, 215
bankruptcy analogy, sovereign debt 310
bankruptcy proceedings
purpose of 275–6
reform of 287–8
banks
foreign exchange positions of 146, 216
‘free-rider’ behavior 92, 94
Banque de France 308, 319
basket pegs 210, 213
Basle Committee 35, 151–2, 153
bearer bonds 316
‘beggar-thy-neighbour’ policies 9, 57
best practice 89, 218
Bhagwati, Jagdish 200
‘bipolar view’ 207–9
bond
contracts, modification of terms 77–9
documentation, standardization of 314
exchanges, emerging economies 73–6
issues, use of trustees 315
markets, creditor coordination 274
restructuring 69–70
bonded debt 115
bondholders
difficulties in negotiating 316
post restructuring claims 70
bonds, swapping of 286–7
Bontes, Argentina 116
borrowing, prohibition on 277
Bosnia, exchange rate regime 211
Brady
bonds 73, 75, 102
plan 92–3, 155
Brazil
access to IMF resources 328
capital account liberalization 157–8
capital controls 143–4
capital crisis 57, 60–61, 329, 335
capital inflows/outflows 137, 138
collective action clauses 70, 71, 88, 308, 313–14, 318–19
crisis management 279
currency crisis 55, 214
debt 80
devaluation 156
exchange rates 141
foreign borrowing 148
opposition to SDRM 289
special drawing rights 21
Bretton Woods Institutions (BWIS) 326–7
accountability 332–3
efficiency/effectiveness 328–30
legitimacy 327–8
quotas and voting share 330–31
representation 331–2
Bretton Woods System (1944)
breakdown of 10–11, 19, 230, 231
creation of 57
exchange rate parities 9, 227
fixed exchange rates 238, 239
gold exchange standard 229
opponents of 288
triumphs of 168–9, 271
Buchheit, Lee 315
Bulgaria
collective action clauses 70
exchange rate regime 211
Calvo, Guillermo 278
Camdessus, Michel 73, 337
Canada
currency of 44–9
debt 80
exchange rate regime 209
financial integration 31
relationship with US 42
Canje de Deuda Provincial, Argentina 103, 117
capital account convertibility (CAC) 207–8
and fixed exchange rates 209–11
and floating exchange rates 211–13, 216, 217
and intermediate exchange rates 213–14, 218
capital account crises 14, 214, 282–3
<table>
<thead>
<tr>
<th>Term</th>
<th>Page(s)</th>
<th>Related Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>exceptional access</td>
<td>283, 317–18</td>
<td>risk of 11–12</td>
</tr>
<tr>
<td>capital account policy</td>
<td>135–9</td>
<td>capital accounts, liberalization of Africa 161–3, developed countries 139–40, East Asia 158–60, Latin America 155–8, Middle East 161, by region 154–5, South Asia 160–61, trend towards 135–8, 199–200, 278</td>
</tr>
<tr>
<td>capital flight</td>
<td>93, 144, 202</td>
<td></td>
</tr>
<tr>
<td>capital flight</td>
<td>93, 144, 202</td>
<td></td>
</tr>
<tr>
<td>capital flight</td>
<td>93, 144, 202</td>
<td></td>
</tr>
<tr>
<td>capital flight</td>
<td>93, 144, 202</td>
<td></td>
</tr>
<tr>
<td>emerging markets</td>
<td>58–9, 147–8, 289</td>
<td></td>
</tr>
<tr>
<td>imbalances</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>137</td>
<td></td>
</tr>
<tr>
<td>perversity of</td>
<td>215</td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>249, 250</td>
<td></td>
</tr>
<tr>
<td>capital market policies, interdependence with exchange rate policies</td>
<td>183</td>
<td></td>
</tr>
<tr>
<td>capital outflows, reversal of</td>
<td>58</td>
<td></td>
</tr>
<tr>
<td>catalytic official finance (COF)</td>
<td>278–80, 289, 311–12</td>
<td></td>
</tr>
<tr>
<td>central banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>emerging market economies</td>
<td>251</td>
<td></td>
</tr>
<tr>
<td>inflation targeting by</td>
<td>252</td>
<td></td>
</tr>
<tr>
<td>as lender of last resort</td>
<td>33–4</td>
<td></td>
</tr>
<tr>
<td>money targeting by</td>
<td>212</td>
<td></td>
</tr>
<tr>
<td>policing of offshore markets</td>
<td>146</td>
<td></td>
</tr>
<tr>
<td>regulation of deposits</td>
<td>232–3</td>
<td></td>
</tr>
<tr>
<td>Central Europe, capital flows</td>
<td>202</td>
<td></td>
</tr>
<tr>
<td>centralization, international monetary system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia 38–40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>emerging market economies</td>
<td>40–41</td>
<td></td>
</tr>
<tr>
<td>Europe and the EMU</td>
<td>36–8</td>
<td></td>
</tr>
<tr>
<td>financial sector consolidation</td>
<td>33–4</td>
<td></td>
</tr>
<tr>
<td>inevitability of</td>
<td>42–9</td>
<td></td>
</tr>
<tr>
<td>optimum policy considerations</td>
<td>32–3</td>
<td></td>
</tr>
<tr>
<td>role of IFIs</td>
<td>34–6</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>capital account liberalization</td>
<td>154, 156–7</td>
<td></td>
</tr>
<tr>
<td>capital controls</td>
<td>144, 146, 153, 200, 216</td>
<td></td>
</tr>
<tr>
<td>capital inflows/outflows</td>
<td>137–8</td>
<td></td>
</tr>
<tr>
<td>special needs of</td>
<td>40–41</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
</tr>
<tr>
<td>capital account liberalization</td>
<td>139, 158</td>
<td></td>
</tr>
<tr>
<td>capital controls</td>
<td>200, 216</td>
<td></td>
</tr>
<tr>
<td>capital flows</td>
<td>202, 204</td>
<td></td>
</tr>
<tr>
<td>crony capitalism</td>
<td>142</td>
<td></td>
</tr>
<tr>
<td>exchange rates</td>
<td>141</td>
<td></td>
</tr>
<tr>
<td>IMF representation</td>
<td>343</td>
<td></td>
</tr>
<tr>
<td>integration of</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Cleary Gottlieb</td>
<td>315</td>
<td></td>
</tr>
<tr>
<td>closed economies, fiscal policy in</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>‘Club of New York’</td>
<td>319</td>
<td></td>
</tr>
<tr>
<td>co-financing, Argentina</td>
<td>114–15</td>
<td></td>
</tr>
<tr>
<td>coalition governments, effects of</td>
<td>177</td>
<td></td>
</tr>
<tr>
<td>Coase theorem</td>
<td>132</td>
<td></td>
</tr>
<tr>
<td>Cobertura, Argentina</td>
<td>117</td>
<td></td>
</tr>
<tr>
<td>code of good conduct (CGC),</td>
<td></td>
<td></td>
</tr>
<tr>
<td>sovereign debt</td>
<td>284, 286, 308</td>
<td></td>
</tr>
<tr>
<td>conditions and incentives</td>
<td>303–4</td>
<td></td>
</tr>
<tr>
<td>features</td>
<td>298–9</td>
<td></td>
</tr>
<tr>
<td>general principles</td>
<td>300–303</td>
<td></td>
</tr>
<tr>
<td>restructuring</td>
<td>294–8, 304–5, 319</td>
<td></td>
</tr>
<tr>
<td>Coeficiente de Estabilización de Referencia (CER), Argentina</td>
<td>102–3, 117</td>
<td></td>
</tr>
<tr>
<td>Coeficiente de Variación Salarial (CVS), Argentina</td>
<td>102–3, 117</td>
<td></td>
</tr>
<tr>
<td>Cold War</td>
<td>202</td>
<td></td>
</tr>
<tr>
<td>collateralized debt obligations (CDOs)</td>
<td>131</td>
<td></td>
</tr>
<tr>
<td>collective action</td>
<td></td>
<td></td>
</tr>
<tr>
<td>problems, bond restructuring</td>
<td>294–5</td>
<td></td>
</tr>
<tr>
<td>provisions</td>
<td>77–9</td>
<td></td>
</tr>
<tr>
<td>collective action clauses (CACs)</td>
<td>313–14, 318–19</td>
<td></td>
</tr>
<tr>
<td>aggregation problems</td>
<td>286–7</td>
<td></td>
</tr>
<tr>
<td>desirability of</td>
<td>283–4</td>
<td></td>
</tr>
<tr>
<td>introduction of</td>
<td>70–79, 88, 122, 307–8</td>
<td></td>
</tr>
</tbody>
</table>
Index

opposition of financial community 288
pessimism about 264
recent developments 296–7
Cologne Report 335, 336
Colombia
capital account liberalization 157
capital inflows/outflows 137, 138
commercial banks
debt 115, 116
loans 93–4
common currency, case for 32–3
competitive devaluations 9
conditionality, loans 9
consensus procedure, IMF 330
conservative policy actions on deflationary pressures 39–40
Constitution of South Africa 252
Consultative committees, debt restructuring 119–20
contagion effects 12, 93, 253
‘contractual approach’ to debt restructuring 296
contractual subordination, debt seniority through 267–8
Cooper report 342
cooperation in decision-making 333–4
Corporation of Foreign Bondholders Act (1898), UK 82
costs, of capital controls 145
costs of debt crises
endogenous default costs 263–5
exclusivity problem 265–7
explicit seniority in sovereign debt 267–9
historical accident and inertia 261–3
Cote d’Ivoire, capital account liberalization 163
Council of Foreign Bondholders (CFBH) 81–2
Council on Foreign Relations 308
country ownership, policy adjustments 17–18
coupon-bearing bonds 89
crawling bands/pegs 213, 214
credibility of IMF 16
credit
flows 215
rights, legal system for 116–17
creditor
banks, behaviour of 312–13
committees 79–83
composition 94
coordination 69, 274
holdouts 120
litigation, stay on 285
moral hazard 273–4, 313
rights 72, 286
creditor countries, representation in decision-making 344–5
creditor/debtor coordination 296–7
creditors
herd behavior 93–4
IMF conflict of interest 285
legal action by 297
priority across 268
creditworthiness 93
crises
changing nature of 91–5
cost of 261–9
transmission of 12
crises in emerging markets 55–7, 83–4
use of capital controls 63–7
collective action clauses 70–79
creditor committees 79–83
floating exchange rates 60–61
solutions of IMF 57–60, 67–70
crisis management, success stories 279
crisis resolution
decision-making in 329
policies 13–14
progress to date 307–8
crisis-vulnerability hypothesis 214, 216, 217
crony capitalism 141–2, 201
cross-border capital flows 82–3
currencies, collapse of relationship among 231
currency boards 39, 44–6, 59–60, 141, 210, 211, 255
currency crises
avoidance of 211
considerations 32–3
vulnerability to 214
currency unions
Canada/UK 42–3
Index

scepticism of 228
currency versus banking debate 233–4
current account crises 12–13, 283
Customs Agency 44–5
cut-off dates, debt 113, 116–17
Cyprus, representation in decision-making 344
Czech Republic, capital flows 202
data dissemination standards 19
debt
build-up of 216
clusters, valuation mechanism for 118
figures 125–8
flows 215
holders, dilution of claims 265–6
instruments, issuing of 88–9
markets, incomplete contracts
problem 265–7
repudiations 264–5
resolution process 90–93
service schemes, essential elements
108–9
structures 264
tolerance 139–40
tranches 131–2
debt restructuring 113–22, 129
objectives 95–6
process 96–8
debt structuring
debt classes 91, 113–17
debt incentives 118–22
timing of 96–7
see also costs of crises; sovereign
debt restructuring
debt sustainability 105–13
analyses of, IMF 318
assessments 19
debtor behaviour, monitoring of
268–9
debtor countries
dangerous debt paths 280–81
opposition to SDRM 289
representation in decision-making
344–5
debtor moral hazard 273–4, 313
debtor–creditor
coordination 97–8, 308–9, 319
relationships 277
‘debtor-in-possession financing’ 280, 285
debtors
political nature of 278
protection of 275–6
treatment of 276–7
willingness-to-pay problem 263–4
decision-making criteria 326
default costs 265–7
for borrowing countries 277–9
elevation of 69
reduction of 280–81
defaulted bonds 316
democracy and economic stability
168–70, 189–90
discussion 187–9
policy choice and speculative attacks
171–82
policymakers in democracies 182–7
sample and variable descriptions
191–3
democratization, ‘third wave’ of 170
Denmark, entry into EMI 36–7
Depository Trust Company, US 316
devaluations, avoidance of 57
developed countries
‘bipolar view’ 209
capital account liberalization
139–40
capital controls 216
floating exchange rates 213
representation in decision-making
331
tax information-sharing agreements
143
developing countries
‘bipolar view’ 208, 209
capital account liberalization 136–7
cost of bank borrowing 151
economic instability in 170–75
investment in 147–8
long-term capital flows to 150
representation in decision-making
342–3
developing countries, exchange rates
and capital controls
exchange rate regimes and role of
IMF 217–18
fixed exchange rate plus CAC
209–11
floating exchange rate plus CAC 211–13
‘Impossible Trinity’ and bipolar view 206–9
India 219–22
intermediate exchange rate regime plus CAC 213–14
intermediate exchange rate regime plus capital controls 215–17
direct monetary controls, South Africa 239–40
discount bonds 75
disinflation 62
dollarization 42–9, 210, 255
Domestic Applicable Law, Argentina 116
domestic financial markets, susceptibility to external shocks 33
domestic financial systems, stability of 12
domestic insolvency procedures, international analogue to 275–6
domestic law, debt issued under 72
domestic policies changes to 16
lack of confidence in 11–12
‘domestic precommitment strategy’, adoption of 235
domestic sovereign debt markets 86–8
domestic tax base, preservation of 143
dual exchange rate system, South Africa 241–2, 243
East Asia
capital account liberalization 154–60
exchange rate regimes 210, 220
economic growth, emphasis on 14
economic stability and democracy 168–70, 189–90
discussion 187–9
policy choice and speculative attacks 171–82
policymakers in democracies 182–7
sample and variable descriptions 191–3
Ecuador bonds 316
debt restructuring 69, 73–6, 94, 309
exchange rate regime 211
effectiveness, IMF 16
Egypt
capital account liberalization 161
collective action clauses 70, 284
debt 80
debt default 83
electoral enfranchisement, effects of 172–5, 176, 178–9, 181–90
Electricity Generating Authority, Thailand 78
11th September 2001 202
emerging market credits (EMCs) 131
emerging markets (EMEs)
‘bipolar view’ 209
capital flows to 147–8, 200, 202–3, 215
debt crises 335
effects of international commodity prices 251
financial stability in 253, 336
national economies of 36
representation in decision-making 331, 340, 342–3
role capital controls 144, 250–51
special needs of 40–41, 334
emerging markets (EMEs), crises in 55–7, 83–4
use of capital controls 63–7
collateralized debt obligations 131–2
collective action clauses 70–79
creditor committees 79–83
effects of capital account liberalization 140, 142
effects of pegged currencies 141
floating exchange rates 60–61
solutions of IMF 57–60, 67–70
surfeit of inflows 137
view on SDRM 289
Empires of the Sand; The Struggle for Mastery of the Middle East 1789–1923 80
endogenous
default costs 263–5
politician problem 233, 234
engagement clause, collective action clauses 314
Eurobonds 74, 75, 316
Europe
  capital flows 215
  centralization 36–8
  exchange rate regimes 213
  floating 235
  governance role 340, 341, 343–5
  labour market flexibility 20
  monetary union 271
  and SDRM 287
  socially responsible investment 150
see also
  Austria; Baltic states;
  Bosnia; Bulgaria; Central Europe;
  Cyprus; Czech Republic;
  Denmark; France; Germany;
  Greece; Hungary; Netherlands;
  Russia; Spain; Sweden; Turkey;
  Ukraine; United Kingdom;
  Western Europe
European Central Bank (ECB) 36, 233, 234
European Monetary Union (EMU)
  35, 36–8, 209, 212, 228, 234
European Union
  BWI representation 330, 337
  use of collective action clauses 284
  political integration 271
  representation in decision-making 331–2, 343–5
exceptional access, capital account crises 283, 317–18, 328
exchange controls, South Africa
  gradual removal of 250–51
  liberalization of 248–50
exchange rate and monetary regimes,
effectiveness of
  floating exchange rates 254–5
  floating versus exchange rate stability 255–6
  inflation targeting 251–4
  liberalization of exchange controls 248–50
  removal of exchange controls 250–51
exchange rate and monetary regimes,
four phases of
  direct monetary controls 239–40
  formal inflation targeting 246–8
  informal inflation targeting 242–6
  market-oriented measures and monetary targeting 240–42
Exchange Rate Mechanism (ERM)
  214, 230
exchange rate parities, Bretton Woods 10–11
exchange rate policy, interdependence with capital
  market policies 183
exchange rate regimes 141, 169–70, 176–9
  debate on 15
  role of IMF in developing countries 217–18
see also
  developing countries
exchange rate stability 171–2
  versus floating 255–6
exchange rate system, mature
  economies 227–9
  monetary independence 231–6
  and the trilemma 230–31
exchange-rate targeting 227, 228
exclusivity problem, default costs 265–7
exit consents, bonds 75–6, 121, 287
explicit seniority
  old debt 266–7
  sovereign debt 267–9
export credit guarantee agencies (ECAs) 148, 149, 152–3
exports, South Africa 251–2
Extended Fund Facility, IMF 9, 11
external
  debt problems, delays in recognition of 278
  governance, IMF 22–5
  payments regime, India 219–22
  shocks 33, 252
financial crises
  nature and speed of 57
  spread of 1–2, 12
financial institutions, concentration of 33
financial market liberalization 40–41
financial markets
  hollowing-out of 47–8
  legal structure of 56
financial restructuring, failure to encourage 20–21
financial sector
  consolidation 33–4
opposition to institutional reform 288–9
stability 19
Financial Sector Assessment Program (FSAP) IMF 19, 35
Financial Stability Forum (FSF), IMF 12, 23, 35, 324
financial support, IMF 21
financial system, prudential supervision of 141
financing, emerging markets 80–81
financing tools, increasing number of 89
First World War 42, 80, 169, 231
fiscal deficits, Argentina 99–100
policies, credibility of 228
weakness, effects on debt crises 140
fixed exchange rate regimes
characteristics essential for 255
plus CAC 209–11
speculative attacks on 178
floating exchange rate regimes
change to 169, 173–4
in developing countries 212–13
effectiveness of 60–61, 254–5
plus CAC 211–13
‘shock absorber’ role of 10
speculative attacks on 179–81
versus exchange rate stability 255–6
floating, fear of 177, 213, 230
Fondo Fiduciario de Desarrollo Provincial (FEDP), Argentina 103
Foreign Bondholders Protective Council, US 82
foreign borrowing, measures to encourage 147–52
foreign currency bonds 116
foreign direct investment (FDI) 200, 215
foreign exchange (FX)
denominated debt 60, 62, 70, 83–4
denominated loans 61–2
denominated liabilities 58, 62
linked debt 56
reserves 57, 59
foreign exchange reserves holdings 186–7
Foreign Sovereign Immunities Act, US 76
formal inflation targeting, South Africa 246–8
France
capital flows 202, 203, 204
speculative attacks 201
free trade agreements 42
Friedman, Milton 202, 232
G3 216, 233
involvement with Russia 202
policies of 2
role of 23, 24–5
support of collective action clauses 284, 305
G8 333, 334
G10 151–2, 275, 283–4, 288, 296–7, 302, 307, 318, 333
G11 329, 333
G20 23–6, 234–5, 333–4, 336–7, 340, 346
G22 336
G24 23
G33 336
‘Gang of Six’ 307, 308, 319
General Borrowing Agreements, IMF 334
Germany
capital flows 201, 202
exchange rate regime 234
gold standard 231
law 78, 79
global capital markets
impact of IMF policies 55–6
rapid expansion of 11
global crises, causes of 174
global economy
integration of 30, 36–41
opening up of 2
structural rigidities 31
Global Positioning System, US 203
globalization 87–8
gold standard 229
breakdown of 230–31
modification of 232
gold-exchange standard
effects of 228
replacement of 169, 229
governance, IMF 21–2
European representation 343–5
Executive Board 341–3
informal groups 345–7
international developments 340–41
international financial architecture 339–40
governance, international financial system 323–5, 337–8
Bretton Woods Institutions (BWS) 326–33
informal groups 333–7
parameters 325–6
Government of National Unity, South Africa 243
governments
pursuit of policies 17
short-term borrowing requirements 88–9
Great Depression 199, 201, 231, 274
Greece 69
gross domestic product (GDP), capital flows in relation to 53
Guatemala, exchange rate regime 210
Gulf states 203
Haberler, Gottfried 199
history and inertia paradigm, debt restructuring costs 261–3
holdout investors 75, 94
Hong Kong
capital account liberalization 158, 160
economic performance 39
exchange rate regime 59, 141
hot money flows 199, 216
Hungary, debt 80
Ibrahim, Anwar 65
Il Principe 340
‘Impossible Trinity’ 171, 206–9, 219, 230–31
incentives, debt structuring 118–22
incomplete contracts problem, debt markets 265–7
‘independent managed floating’, South Africa 239
indexed debt 117
India
capital account liberalization 139, 160–61
capital controls 200, 216
exchange rates 141
external payments regime 219–20
future direction 221–2
regime performance 220–21
response to ‘Impossible Trinity’ 219
Indonesia
banking crisis 310
capital account liberalization 158–60
capital flows 58–9, 202
crony capitalism 141
currency crisis 214
exchange rates 63
foreign borrowing 148
industrialized countries, representation in decision-making 331, 333–4
inflation targeting
mature economies 212, 227, 228–9, 232, 233–4
South Africa 251–4
informal inflating targeting, South Africa 242–6
informal groups, role in international governance 325, 333–7, 340–41, 345–7
information covenant, collective action clauses 313–14
Institute for International Economics 68
Institute of International Finance (IIF) 288
institutional reform 281–2
collective action clauses 283–4
IMF access policy 282–3
SDRM 284–6
stumbling blocks 286–9
integration of capital markets 168, 171–2
Inter-American Development Bank (IADB) 147, 148, 149
inter-war years
devaluation and protectionism 57
exchange rate systems 230
interest rate policy 234–5
interest rates on local bills (GKOs) 63–4
Index

Intergovernmental Conference (IGC), European Union 343–4
intermediate exchange rate regimes
plus CAC 213–14
plus capital controls 215–17
speculative attacks on 178–81
trend towards 173–4
international
capital flows, systemic risk from 57
clearing systems 316
economic policy choice 171–5, 182–5
International Conference on Financing for Development, Monterrey, Mexico (2002) 325, 331
International Court of Justice, The Hague 35
international environment,
distinguishing features 276–81
international financial architecture 339–40
changes in 266–7
debate on 272–6
IMF’s role in 22–5
reform of 264, 265
relevance of IMF 7–26
shortcomings of 261–3
international financial institutions (IFIs) 1–3, 34–6, 113–14, 202, 203, 323–38
implications of sovereign debt market 86–9, 298
role of 34–6, 301
status of 91, 92, 93
international financial markets,
reintegration of South Africa 244–5
international financial stability, role of G7 335–7
international financial system,
governance of 323–5, 337–8
Breton Woods Institutions (BWS) 326–33
informal groups 333–7
parameters 325–6
international financial system, need for reform 1–4
International Monetary Convention Project 1–4
International Monetary and Financial Committee (IMFC) 71–2, 283, 294, 298, 309
International Monetary Fund (IMF) access limits 307, 309, 310, 317
access policy 281, 282–3
Argentina package 59–60
Article I 8–9,
Article IV 18–19, 319
Article VI 273, 341–2
Articles 15, 68–9, 135, 199, 268, 346
Asian package 58–9
and capital account restrictions 172–3
changing role of 10–15, 57–8
and code of good conduct 301, 303
creation of 1, 57, 169
current approach to lending 61–2
debt sustainability analyses 318
default risk protection 278–9
developing country policy stance 217–18
exceptional circumstances clause 282, 283
future role of 15–25
interest rates on loans 280
internal processes 296
as international supervisor 35
as lender of last resort 41, 272–4
lending powers of 41
‘mission creep’ 324
move to collection action clauses 70–79
non-sovereign crises 310–11
original role of 8–9
as privileged lender 113, 285
pseudo-liquidity crises 311–12
reporting of exchange restrictions 137
role in developing country exchange rate regimes 218–19
and SDRM 67–70, 284–6, 298, 314–15
short-term loans 58
as substitute for risk taking 280–81
surveillance 317
sustainability analyses 318
Turkish package 59–60
International Monetary Fund (IMF), governance issues
European representation 343–5
Executive Board 341–3
informal groups 345–7
international developments 340–41
international financial architecture 339–40
International Monetary Fund (IMF) role in emerging market crises 55–7, 83–4
use of capital controls 63–7
collective action clauses 70–79
creditor committees 79–83
floating exchange rates 60–61
solutions of IMF 57–60, 61–62, 67–70
international monetary system 30–32
Asia 38–40
centralization of 32–49
consolidation in financial sector 33–4
emerging market economies 40–41
Europe and the EMU 36–8
optimum currency considerations 32–3
role of IFIs 34–6
search for new equilibrium 1–4
International Organization of Securities Commissions (IOSCO) 35
international policy choice 175–82
International Primary Market Association (IPMA) 314
International property rights, enforcement structure 276–7
international sovereign debt markets 86–8
intra-creditor coordination, sovereign debt restructuring 308–9
investor confidence 96
holdouts 94
moral hazard 61–2
reaction to SDRM 76–7
Iran, morality of lending 204
Iraq War 203, 204, 253
Japan
debt structuring 114
economic performance 38–9
exchange rate regime 209
financial restructuring 20
law 78
stagnation in 234–5
Kaldor, Nicholas 233–4
Kazakhstan, collective action clauses 70
Kenya, capital account liberalization 162
Keynes, J.M. 199, 231, 232, 233, 234
Korea
capital account liberalization 158–9
capital controls 65, 140
capital flows 58–9, 203
crisis management 279
crony capitalism 141
currency crisis 214
exchange rate mechanisms 63, 64
IMF representation 22
Krueger, Anne 67–8, 284, 285
Kuwait, capital flows 203
largely liberalized capital flows (LL) 137
last resort lending 311
Latin America
capital account liberalization 154–8
capital controls 142, 201
cash flows 58
debt crises 56, 60, 69, 83, 318
debt defaults 81
debt restructuring 309
exchange rate regimes 211
foreign borrowing 147
opposition to SDRM 289, 329
Lebanon, collective action clauses 70, 284
legal action, creditors 297
protection, defaults 278–9
legitimacy
BWI 327–8
G7 335–6
IMF 16, 17, 22, 340
lender of last resort (LOLR) 33, 41, 215, 272–4, 279, 282
lending activities, IMF 21
inappropriate discouragement of 151
morality of 203–4
less-developed countries, special needs of 40

Letes, Argentina 116
liberal environments, capital controls in 138–9
liberalized capital flows (L) 137
liquidity crises, resolution of 310–12
litigation, sovereign debts 76–7
local currency bonds 116
London, financial markets 33, 288
long-term trade credit 149
low-income countries, representation in BWI 331

Maastricht Treaty 233
Machiavelli, Niccolò 340
macroeconomic fundamentals 140
performance 230
stabilization policies 18
macroeconomic policies, inconsistency with exchange rate parity 182
majority amendment clause, collective action clauses 318–19
majority enforcement provisions (MEPs) 78–9
majority restructuring provisions (MRPs) 78

Malaysia
capital account liberalization 158–60
capital controls 63, 64–6, 67, 140, 146, 200, 216
capital flows 58, 137, 202
crony capitalism 201
currency crisis 56, 214
exchange rates 141
market impediments, Europe 38
market-oriented measures, South Africa 240–42
Martin, Paul 337
mature economies, correlation with developing countries 151–2
mature economies, exchange rate system 227–9
monetary independence 231–6
and the trilemma 230–31
Mexico
bonds 82
capital account liberalization 154
capital controls 144
capital flows 202
collective action clauses 70, 71, 88, 284, 297, 305, 308, 313–14, 318–19
crisis management 279
currency crisis (1994–95) 67, 140, 214, 271, 335
debt 80
opposition to SDRM 289
Middle East, capital account liberalization 154, 161
see also Egypt; Gulf states; Iran, Kuwait; Lebanon; Qatar
minority creditors 68, 120
mission creep 14, 15, 324, 327
Modigliani–Miller theorem 273
monetarism 232
Monetary Authority of Singapore 139
monetary independence, theory and practice of 231–6
monetary policy
domestic priorities of 143, 169
effect on prices 234
effects of security environments 202
electoral influences on 176–7
flexibility in 255
independence in 171–2, 213–14, 216, 227, 228
and inflation 56
one-size-fits-all approach 38
South Africa 243–6
stimulation of economy 235
transparency of 253–4

Monetary Policy Committee, South Africa 253, 254
Monetary Policy Forums, South Africa 254
Monetary Policy Reviews, South Africa 254
monetary sovereignty, surrender of 209, 210
monetary targeting, South Africa 240–42
money, demand for 233–4
Morocco, capital account liberalization 161
multilateral development banks (MDBs) 103, 104, 113–14, 115, 148–9, 152
multiple equilibria 58
multivariate model of speculative attacks 178–82
Murray–Powell Study 46–7
‘narrow liquidity trap’ 235
national currencies, disappearance of 30–31, 36
national economies
Asia 38–40
emerging market economies (EMEs) 40–41
Europe 36–8
national governments, backing of IMF 21–2
Nazi Germany 144, 201
net present value (NPV) 73, 76, 97, 108–10, 116, 118
Netherlands, IMF representation 344–5
New Arrangements to Borrow (NAB) 313
‘new money approach, debt crises’ 92
New York
financial markets 33, 221, 288, 318
law 69, 70, 297, 314, 318
law bonds 70, 71
non-performing assets (NPAs) 222
non-privileged debt status 113–14
non-sovereign crises, resolution of 310–12
North Africa, capital account liberalization 154, 161
see also Morocco
North America
economic relationship within 42
financial integration 31
see also Canada, Mexico, United States
North Atlantic Treaty Organization (NATO) 202
Nurkse, Ragnar 199, 230
O’Neill, Paul 77
Obstfield-type currency 176
official bilateral credits 72
official sector capital flows 13
offshore markets
policing of 146
pressures in 65
offshore trading, banning of 64
old debt, seniority of 266–7
open economies, floating exchange rates in 212–13
‘open-economy trilemma’ 227–8
optimum currency considerations 32–3
Organization for Economic Cooperation and Development (OECD) 23, 143, 155, 230, 233, 235
overborrowing/overlending 278
Pagarés, Argentina 116, 117
Pakistan
capital account liberalization 161
debt restructuring 69, 73–6, 94
exchange rates 141
Panglossian view 265
Par bonds 75
parallel multilateral financing, Argentine 114–15
Paris Club 69, 74, 75, 115, 117, 302–3
Paris Stock Exchange 82
partly repressed capital flows (PR) 137
Past Due interest bonds (PDIs) 75
payment capacity, assessment of 105–13
pegged exchange rate regimes
decline of 173–4
emerging markets 59–60
and flexibility in monetary policy 255
speculative attacks on 179–81
Peru, capital account liberalization 154, 156
pesoified guaranteed loans (GLs) 102, 103, 116, 117
Philippines
collective action clauses 88
exchange rates 141
Poisson model 175, 178, 181
policy
adjustments, country ownership of 17–18
advice, IMF 18–22
choice 182–7
independence, surrendering of 31–2
process, democracies 168–9
Policy Development and Review Department, IMF 20
policymakers
behaviour of 182–7
pressures on 176–7
policymaking, transparency of 182
portfolio
equity investment 215
flows 200
Portfolio Committee of Finance, South Africa 254
post-crisis financing mechanisms 131–2
post-cut-off date debt 117
poverty reduction, emphasis on 14
‘Prague framework’ 294
presidential government systems 182
private
capital flows, rapid expansion of 11, 12–13
creditors, opposition to SDRM 287
investors, enforcement powers of LOLR 279
private sector involvement (PSI) initiative 73
privileged debt status 113–14, 116–17
pro-debtor insolvency regimes 275–6
Programma de Financiamiento Provincial Ordinado, Argentina 115
promissory notes 116, 117
proportional representation (PR) institutions 177, 181
protectionism, avoidance of 57
provincial debt 115, 116
Provincial Development Fiduciary Fund (FFDP), Argentina 115
prudential regulation structures, developing countries 215, 216
public sector debt, Argentina 59–60, 99–105
failure of resolve 97
public sector institutions, anti-cyclical role of 149–50
public spending, pressure for 176
Qatar, collective action clauses 70, 284
qualified majority voting, collective action clauses 313
quantity theory of money (QTM) 232
Quarles Report 296, 318
quasi-currency board regimes 59–60
reinsurance of guaranteed risk 149
Reinventing Bretton Woods Committee 1
reparations, Iraq invasion 203–4
Reports on the Observance of Standards and Codes (ROSCs), IMF 19, 35
representation
decision-making process 330–32
IMF 342–7
repressed capital flows 137
Reserve Bank of Australia 70
Reserve Bank of New Zealand Act (1989) 233
Reserve Bank, South Africa 239, 241–3, 245–8, 250–54
retroactivity, collective action clauses 286–7
Rey Group 284–5
Rey Report, G10 283–4, 288, 318
risk
concentration of 21
guarantees 149
management, growing sophistication of 89
Rubin, Robert 73
Russia
capital controls 63–4
capital crisis 57, 66–7, 335
capital flows 58, 202–3, 204
currency crisis 214, 312
debt crisis 55, 56, 80
debt default 73
debt restructuring 94
exchange rate regime 211
instructor moral hazard 61–2
membership of G7 334, 336
Index

Sachs, Jeffrey 336
Samurai bonds 79
‘second generation’ self-fulfilling crises 214
Second World War 42, 169, 216, 230, 231
security and capital flows 201, 202, 204
segmentation of capital markets 168
seigniorage revenues 62
selective debt default 63–4, 75
‘shock absorber’ role of floating rates 10
short-term loans
governments requirements for 88–9
Latin America 138
with IFIs 92
Singapore
capital account liberalization 158, 160
capital controls 146, 153, 216
capital inflows/outflows 137–8
exchange rates 141
socially responsible investment (SRI) 149–51
Soros, George 202
South Africa 238–9, 256–7
capital account liberalization 162–3
collective action clauses 308
direct monetary controls 239–40
floating exchange rates 254–5
floating versus exchange rate
stability 255–6
inflation targeting 242–8, 251–4
liberalization of exchange controls
248–50
market-oriented measures and
monetary targeting 240–42
removal of exchange controls
250–51
South Asia
capital account liberalization 139,
154–5, 160–61
crony capitalism 141
prudential supervision of financial
system 142
Sovereign Debt Dispute Resolution
Forum (SDDRF) 72, 309
sovereign debt markets 271–2, 289–91
aggregation and retroactivity 286–9
disruption of 275–6
domestic and international 86–8
features of international
environment 276–81
implications for market participants
88–9
institutional reform 281–6
international financial architecture
debate 272–6
sovereign debt markets, cheapest-cost
avoider 271–2, 289–91
problems in 276–81
progress in 281–6
stumbling blocks 286–9
three exaggerated claims 272–6
sovereign debt restructuring 90–91,
123–4
Argentine public debt situation
99–105
assessment of payment capacity
105–13
changing nature of debt crises 91–5
code of good conduct 294–305
framework for 329–30
objectives 95–6
process 96–8
structuring 113–20
Sovereign Debt Restructuring
Mechanism (SDRM) 67–9
costs of restructuring 266–8
desirability of 264–5, 288–9, 290–91, 308–10, 319
efforts to establish 41, 56, 67–70, 72
investor reaction to 76–7
statutory instruments 296
support for 35, 284–6, 287–8, 316–17, 329–30
where next 308–10
sovereign debt, explicit seniority in
267–9
sovereign rights, transfer of 35–6
Spain, debt structuring 114
Special drawing rights (SDRs) 21
special purpose vehicle (SPV) 121
specialized institutions 324–5, 333
speculative attacks 171–82, 201, 214
Sri Lanka
capital account liberalization 161
exchange rates 141
stamped money plan 235
Index

Stand By Arrangements (SBAs) 9
‘statutory approach’ to debt restructuring 264–5, 296
sterling, as a medium of exchange 239
Stiglitz, Joseph 200, 202
strategic defaults 264–5
structural rigidities, Europe 38
Sub-Saharan Africa (SSA), capital account liberalization 154, 161–3
sudden stop phenomenon 139–40
Supplemental Reserve Facility (SRF) 279, 282, 283, 313
surveillance role of IMF 11, 12, 14, 18–21, 317
sustainable debts, alleviating tensions on 299
Sweden, entry into EMU 36–7
syndicated loans 152

Taiwan
capital controls 66, 67
cash flows 58
debt crisis 56
exchange rates 141
Tanzania, capital account liberalization 162
Tarapore Committee 160–61
target zone with bands 213
tax information-sharing agreements 143, 144
Taylor, John 77
Thailand
capital account liberalization 158–9
capital controls 140
capital flows 58–9, 137, 138
crony capitalism 141
currency crisis 214
exchange rates 63, 64
trade
boycotts, South Africa 243
concentration and capital controls 183–5
credit, drying up of 148–9
effects of monetary union 37
trade-offs, decision-making 326
trade-weighted currency appreciation 58
transactions costs, effects of monetary union 37

transition economies, membership of IMF 14
treasury bonds 116
trilemma see ‘Impossible Trinity’
Trust Indenture Act (1939), US 78
Tunisia, capital account liberalization 161
Turkey
banking crisis 310
capital account liberalization 161
capital controls 154
capital crisis 57, 58–60, 329, 335
currency crisis 56, 214
debt 80–81, 83
exchange rate regime 59
G7 intervention 346
IMF package 59–60
investor moral hazard 61
special drawing rights 21

Twelve Tables, law of the 69

Uganda, capital account liberalization 162
UK Export Credits Guarantee Department (ECGD) 149
Ukraine
bonds 316
debt restructuring 69, 73–6, 94
undemocratic regimes, loans to 203
underdeveloped domestic debt markets 87
‘unholy trinity’ 171–2
United Kingdom
bonds 318
cross-border investments 81
debt crisis 55
entry into EMU 36–7
exchange rate regime 209
gold standard 231
law 78, 79
regulation of financial markets 34
socially responsible investment 150–51

United Nations (UN)
Security Council 203
voting system 330

United States
balance of payments 238
banking sector 313
bankruptcy regime 276
bond markets 316
and Bretton Woods agreement 288, 331
capital controls 146, 153
capital flows 203, 215, 231
currency union with Canada 42–3
current account adjustment 20
debt 80
economic policy 235–6
exchange rate regime 209
financial integration 31
financial unilateralism 227, 236
floating exchange rates 229, 235–6
governance role 344
interest rates 63
international governance role 341
investors 315
law 77, 78, 79
payments system 55
as peg country 219
power of 341
regional differences 38
regulation of financial markets 34
relationship with US 42
scrutiny of IFIs 323
and SDRM 287, 329
socially responsible investment 150
tax agreements 143, 144
universal floating 229
unremunerated reserve requirement (encaje) 138, 146, 156, 157
unstable countries, capital flows to 202–3
unsustainable debts
early identification of 303
renegotiation of 299
Uruguay
access to IMF resources 328
banking crisis 310
bonds 316
collective action clauses 71, 88, 287, 308, 313–14, 318
debt restructuring 294
investor moral hazard 61
US Bankruptcy Code 68, 78
US Chapter 11 275, 276
US Congress 323
US Customs Agency 44–5
US Decree Law 600 (DL600), US 156–7
US dollar
as medium of exchange 44–6, 229, 239, 240
as store of value 46–9
as unit of account 43–4
US Federal Reserve 39, 233
US Foreign Sovereign Immunities Act 76
US Treasury 153, 221
US Trust Indenture Act (1939) 78
valuation, debt clusters 118
Venezuela, capital account liberalization 154
Vietnam War, financing of 231
Vietnam, exchange rates 141
‘Washington Consensus’ 67, 199–200, 324
West
economic and political integration 229
growth and stability in 271
West African Economic and Monetary Union (WAEMU) 163
Western Europe 176
‘wicked chancellor problem’ 233
Williamson, John 199
willingness-to-pay problem debtors 263–4
Wilsonianism 204
World Bank
establishment of 1
governance 324, 326–7, 328, 332–3
interaction with 24, 344
lending by 149
views of 147, 200
World Trade Organization (WTO) 35, 324
Zimbabwe, political situation in 253