

# Course Memorandum

May 1, 2014

Course Sovereign Debt: Lessons from History and Future Implications II  
Course No. 5123432 Summer 2014  
Instructor Toshiro Nishizawa  
Subject Preparation for brainstorming exercise for research topic on Day 4 (May 7)

Dear Students,

Thanks for your active participation in class discussion on Day 3.

As scheduled, we will have another round of brainstorming exercise for research topic on Day 4 (May 7). Please browse the information sources listed in the Lecture Note dated April 30 (pages 10-11 are attached again to this memorandum) for ideas. I would like you to browse at least the information sources on issues of your interest.

Also, please write and bring to class on May 7 a short note of up to 400 words about your idea or ideas, even very preliminary ones.

As always, please feel free to send me an e-mail (cc to Ms. Golakai) with any question or if you want to make an appointment. In your e-mail, I would appreciate starting the subject line with "5123432" (Course No.).

Best regards,  
Toshiro Nishizawa

Attachment

## Proposed Issues for Discussion in this Course and for Student Research

I would like to propose that the following issues be covered in this course during the rest of the semester. I would also like to suggest that the following issues be considered as your research topic for final presentation and report. We will discuss on Day 3 more specifically how to incorporate these issues in our course program.

### 1. Analysis of policy options to avoid budget deficits and to manage external debt (debt sustainability analysis)

*cf.* Program of Seminars: Restoring Public Debt Sustainability in a High-Risk Environment (October 10, 2010)

<http://www.imf.org/external/mmedia/view.aspx?vid=1890297041001>

### 2. Underlying factors causing sovereign default and the extent of its effect on the country and other sovereign states (European sovereign debt crisis)

*cf.* Europe on the Mend? (longer version) (September 25, 2013)

<http://www.imf.org/external/mmedia/view.aspx?vid=2693791836001>

[European Recovery in Longer-Term Perspective \(October 9, 2013\)](#)

[http://www.iie.com/events/event\\_detail.cfm?EventID=299](http://www.iie.com/events/event_detail.cfm?EventID=299)

### 3. Treatment of sovereign default as a “game” for cost sharing among a debtor government, private creditors, and creditor governments—legal and economic framework to deal with sovereign default and debt restructuring (Argentina, Greece, SDRM)

*cf.* Sovereign Debt Restructuring: Lessons from Recent Experience (October 12, 2013)

<http://www.imf.org/external/mmedia/view.aspx?vid=2740132574001>

The Yin and Yang of the European Sovereign Debt Crisis (October 17, 2013)

[http://www.piie.com/events/event\\_detail.cfm?EventID=303](http://www.piie.com/events/event_detail.cfm?EventID=303)

### 4. Holdout creditors (Argentina)

*cf.* Opinion: When Countries Go Bankrupt (December 11, 2012)

<http://live.wsj.com/video/opinion-when-countries-go-bankrupt/6DA037D8-EAF0-4F22-8AD8-0FA46E7C4EB9.html#!6DA037D8-EAF0-4F22-8AD8-0FA46E7C4EB9>

Argentina v. Holdout Creditors: Applying the Rule of Law to Resolve Debt Default (December 11, 2013)

<http://www.netcastia.com/Cato-Institute-Event-Videos-Full/Argentina-v-Holdout-Creditors-Applying-the-Rule-of-Law-to-Resolve-Debt-Default>

("In 2001, Argentina defaulted on \$81 billion of debt — the largest sovereign default in history. While years later most of its creditors settled to swap their old bonds with heavily discounted new bonds, a group of holdout creditors challenged Argentina in the courts. In

October 2012, the U.S. Court of Appeals for the Second Circuit sided with plaintiffs to rule that Argentina must treat all its creditors equally and pay owners of defaulted bonds that were issued under New York law. As the long standoff nears judicial resolution, a distinguished panel of experts will discuss the significant implications of this case for the protection of creditor rights, future debt restructuring processes, and emerging markets. ")

Argentina asks top US Court to stop 'catastrophe' (February 18, 2014)

<http://newsok.com/argentina-asks-top-us-court-to-stop-catastrophe/article/feed/652895>

US justices signal limited win for bondholders against Argentina (April 21, 2014)

<http://www.cnn.com/id/101598881>

Argentine Debt Restructuring

[http://en.wikipedia.org/wiki/Argentine\\_debt\\_restructuring](http://en.wikipedia.org/wiki/Argentine_debt_restructuring)

**5. Populism and sovereign debt (the case of sovereign liabilities motivated by politics and giving rise to economic risk)**

*cf.* Rice pledging: the human toll Farmers resort to loan sharks, pawnshops (February 16, 2014)

<http://www.bangkokpost.com/business/news/395370/rice-pledging-the-human-toll>

How to Live with Populism (September 1, 2013)

<http://tdri.or.th/en/multimedia/tdri-channel-how-to-live-with-populism-with-veerathai-san-tiprabhob-2/>

**6. How could borrowing by a present government (administration) be justified as the payment obligations of existing tax payers and/or future generations? (Odious debt)**

*cf.* Odious Debt (June 2002)

<http://www.imf.org/external/pubs/ft/fandd/2002/06/kremer.htm>

The Legal Basis to Reject Odious Debt (October 25, 2011)

<http://www.youtube.com/watch?v=Qp0o-VJiCAQ>

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