AICEI Proceedings, 2012, Volume 7, Issue 1
DOI: 10.5281/zenodo.4502186

AICEI PROCEEDINGS

Consequences of Eurozone Sovereign Debt Default

Jeremy Cripps, Kevin Feeney

Abstract

After the Second World War in connection with the potential for a national Euro sovereign debt crisis and sovereign debt default, we identify potential and positive consequences of such sovereign debt crises and sovereign debt defaults. This history reveals that four principle consequences have resulted from prior sovereign debt crises and defaults. These are generally seen to be: first, lost national reputation and reduced national borrowing capacity; second, the exclusion of some national companies from trading in certain markets; third, the impact on the domestic economy relating in particular to the cost of imports; and lastly, the impact on political activity and socio-economic policy.

Reviewing the consequences of sovereign debt crisis and default post 1980, this paper considers the consequences of the current Euro-zone sovereign debt crisis, the potential for default and its likely short and long-term significance, as well as the potential for unexpected consequences. The paper considers the likely magnitude of the output losses and the human costs that will inevitably follow on the current Euro-zone crisis. The Euro-zone has unique peculiarity because it is an economy within the European Union economy so the possibility of devaluation within the zone does not exist. The paper finds that there is potential for both positive and negative impacts on the citizens of Europe.

Keywords: Sovereign Debt Crisis, Sovereign Debt Default, Bond Agreement clauses.

"Nous devons eriger quelque chose comme les Etats-Unis d'Europe"
("We must build a kind of United States of Europe")
(Sir Winston Churchill, Zurich, 19, septembre 1949)

The ongoing sovereign debt crisis in Europe has led to the recent default on euro-denominated bonds held by banks and other investors. "Many experts continue to worry about the sovereign debt of European governments" (Pollock, 2012). History "is littered with sovereign debt defaults" and the purpose of this paper is to identify potential and positive consequences of our current debt crises and the potential consequences of further debt default.

An examination of the nature and recent history of sovereign debt is followed by the identification of four principle consequences that have resulted from prior sovereign debt crises. These four principle consequences are described in some detail. Based on the analysis of the four principle consequences, the paper then considers the concerns, the likely consequences, and the potential sovereign debt default outcomes of the present Eurozone crisis.

Nature and Recent History of Sovereign Debt

For the purposes of considering the consequences of a potential 21st century euro default, we may agree "that national debt is one of the few important economic phenomena without roots in the ancient world" (Hamilton, 2005). This is because the nature of modern sovereign debt provides a variety of resorts to the legal process, which developed after the several sovereign debt defaults in the 19th and 20th centuries. Similarly, it is unquestionable that the "single most important factor in the financial revolution had been the increasing reliance on debt to finance personal, business, and government activities" (Veseth, 1990). In fact, the Bank of England was managing British sovereign debt since its foundation in 1694 and in the 18th century borrowed more and more money which became known as "the National Debt." When its charter was renewed in 1781, the Bank of England was described as the "Public Exchequer." The bank continued to a great extent to manage the debt with the care and conservative nature associated with traditional banking and, with the nightly support of a piquet from the Guards regiments, had set the mark for sovereign debt assurance being "as safe as the Bank of England" (Historic UK, 2012).

At about the same time, 1719, Sweden also founded a National Debt office (Wheeler, 2004). Throughout the 18th and 19th centuries, government debt was essentially just national government debt, as only a small proportion of sovereign debt was denominated in currencies other than the country's own currency. After the Second World War, the inclusion of foreign currency denominated debt in the national debt of many developing countries accelerated. The starting point for this effect was the denomination of government debt in foreign currency under the Marshall Fund (1948). This U.S. sponsored aid program was denominated in US dollars and made grants and loans to 17 war-torn countries and was a key factor in reviving their economies and stabilizing their political structures (Dulles, 1993). Similar dollar-denominated funds were invested to encourage post-war recovery in Japan, which also received grants and loans during the Korean conflict of 1950-1953. The growth of dollar-denominated debt was recognition that the developing countries did not have full and free access to the international capital market. Because these markets are seen to be "inherently unstable" (Vos, 1994), grants and loans denominated in the donor country currency, rather than the domestic country currency, were an essential factor in the achievement of the capitalist goal of economic growth. The very success of the post-war aid meant that the volume of the aid debt grew and often included export guarantee funding for U.S. companies to grow not only at home, but also abroad. As a result, there was established a strong "link between public debt and democracy" (McDonald, 2003). The link was well established in the growth of national debt and private sector debt during this period and the growth of both was intermingled and complex. This was not exactly the theoretical zero sum game on which much of current international financial theory has been and still is to some extent based (Gordon, 2012). However, the idea that capital flows are operating in an internationally competitive market where buyers and sellers operate as if rational portfolio managers, either intentionally or unintentionally, were no longer sustainable. The potential for unethical interference with capital flows has been hopelessly exposed in particular in the provision of aid in the government sector and in the number of private sector variations of non-competitive market practice which have come to light in the private sector. The post-Perestroika evolution of government debt in the CIS countries has also brought new complexities into the market. The size of their debt seems to parallel U.S. growth in public debt. The problem for a new democracy was well expressed in a 1980 U.S.

congressional hearing on the crisis in the bond market. Certainty for bond market holders is dependent upon voters only voting for public expenditures within the limits of the funds actually available from the public treasury. Inevitably excess borrowing takes place and the interest cost of borrowing these funds provides the perception or actually exceeds the ability of a government to finance the debt. When government is able to print money there is the potential, at least for a time, to expand the debt, which will provide insurance to pay bond interest, thereby supplying some cover. The process most likely leads to currency devaluation comparable to an appropriate world market level.

The euro is a multi-national currency. Unlike a national currency, the decision to print more money (risking devaluation in the currency market) is not a matter on which all 17 Eurozone nations can at present agree. Similar disagreement exists on the issue of additional euro-denominated bonds. Thus, the question of exchange depreciation or economic readjustment (Balogh, 1948) is complicated because of the lack of consensus within the multi-national governing structure. This is the present situation for the euro and the current context for likely sovereign debt default by one or more of the Eurozone member countries. The public interaction of the European governments whose sovereign debt is denominated in euro, and the public and government reaction from those who trade and interact with the Eurozone, is focused on "avoiding sovereign debt default" which is generally considered to be "an important objective of debt management in all countries, given the magnitude of the output losses and the human costs that can accompany default" (Wheeler, 2004).

Four Principle Consequences of Sovereign Debt Default

Observing the outcomes of other sovereign debt defaults since the end of the Second World War, it is possible to identify four principal consequences of such a default. These are:

- Lost national reputation and reduced national borrowing capacity
- Exclusion of some national companies from trading in certain international markets
- Impact on the domestic economy relating in particular to the cost of imports
- Impact on political activity

These consequences have been noted (Riley, 2010) and particularly with reference to borrowing capacity, capital flight, and the domestic economy (Allen, 2002). The impact on trading (Brooks, 2007) and on domestic politics (Bowen, 2012) has also been widely noted in newspapers and media commentaries on the upcoming elections in Greece, France, and Germany.

These potential consequences may be further subdivided by consideration of their short and long-term significance and potential for unexpected consequences. One might ask, what then is the likely magnitude of the output losses and the human costs that are likely to accompany a Eurozone sovereign debt default? We now proceed to answer the question by examining each of these issues in detail.

Lost National Reputation and Reduced National Borrowing Capacity

The loss of a triple AAA credit rating in the case of the "Sarkozy Debt" (Carnegy, 2012) was much rumored and expected, but nonetheless when the downgrade took place the impact was a significant negative. Even a reduced credit rating can contribute to lost national reputation and therefore a wider risk aversion to both private sector and public sector debt (Wright, 2011). The risk aversion impacts government bond interest rates as lender confidence ebbs and so an additional risk premium is required to market the bonds. There was therefore an inevitable loss of reputation for the French public sector euro bonds and so this has, to some extent, reduced the ability of France to finance its own debt, and in turn impacted upon the rescue packages proposed to salvage other countries euro bond debt. It has been said that the French "sense of self is closely bound-up in the prestige of the State" (Waghorne, 2012) and, as a result, the downgrade has certainly impacted the reputation of the French domestically and possibly internationally, so that a national downgrade from a ratings agency may be considered a first step towards an actual sovereign debt default. Such downgrades led eventually to Argentina's sovereign debt default.

The most recent significant sovereign debt default was that of Argentina in 2001. Much rumored before the event, the sovereign debt default was expected, at least by realists, in the context of Sarkozy like debt expansion following years of reduced growth coupled with not insignificant social unrest. Eventually Argentina's government collapsed and ceased all sovereign debt payments. Technically, the Argentine default and subsequent restructuring (still in progress) represented the largest sovereign default in history with a need to restructure over $100 billion owed to domestic and foreign bondholders. There was an immediate loss of national reputation as Argentine was downgraded. However, by building partnerships and negotiating with the bondholders, Argentina was able to develop “a congruence of interests and participation” (Woodrow Wilson School, 2003). Congruence with creditors and focus on the potential for a new government then opened the possibility of foreign participation in future growth and development.

Other recent sovereign debt defaults [Mexico, 1995, Russia 1998, Turkey 2001, etc.] featured the same early warning by rumor and realist expectation. Similar patterns of debt expansion with reduced growth and some social unrest were also present. Indeed there are significant parallels in the process and in the immediate loss of reputation and after an appropriate change of government and financial policy a new focus on growth and participation. The new policy is, as one might expect, one which emphasizes a reduced need for borrowing. In practice, after recognizing the sovereign debt default, there has usually been a quick turnaround in national fortunes so that the embarrassment of sovereign debt default has led to an improved financial foundation, improved growth, and the successful restructuring of debt.

Thus on the basis of past experience, any defaulted Eurozone country can expect to encounter a period of reputation loss (possibly prolonged by refusal to recognize reality) followed by a sharp change of government financial policy. In the present case of the embattled Eurozone economies, the customary preludes of rumor and realism and the gradual and growing awareness of endangered countries’ dire predicaments may have been so prolonged that the expected change of government has already taken place. The only phase in the drama not already acted out is the formal act of sovereign default itself. Remarkably, some satisfactory changes in debt structure are likely to lead, after a period of some austerity, to a more satisfactory and for a time at least an amelioration of the living standards for the citizens of the country that finally defaults.

Exclusion of Some National Companies from Trading in Certain Markets

From a purely practical perspective, national companies with a close relationship to the sovereign debt defaulting government will likely avoid trading in markets where they may be subject to punitive action against them, especially if the link between the company and its government maybe seen to be too close. For example, investors who have lost assets at the time of default may attempt to obtain legal orders to acquire the company assets to offset losses caused by the defaulting government of the country in which they are registered. This is an increasing feature of the changes in the terms, which sovereign governments are required to provide in the bond issues made to the international market.

Historically, the evidence is that there will always be repeated sovereign debt crises coupled with a continuous concern over the lack of a universally binding legal mechanism for resolving them. Whilst the default may be accompanied by an acceptance of a reduced repayment of the bond by the bond holders, there is a risk that some bond holders may not accept the terms offered, which then leads to a long-term and potentially expensive exercise in the debt-restructuring and repayment post-default. An ongoing example of this feature is still a live issue, a decade after Argentinean sovereign debt default as two "vulture" hedge funds continue to chase their unpaid debt. They are seeking to get a court order over the U.S. assets of the Banco Central de La Republic d'Argentina (BCRA) the central bank of Argentina. The case holds that under the "alter-ego" theory BCRA lacks separateness from its government and so BCRA assets in the US may be taken to meet the outstanding liabilities (Economist, 2011). Not surprisingly, there exist a number of international companies ready to provide services for the recovery of sovereign debt through the courts.

Since the U.S. Foreign Sovereign Immunity Act of 1976, sovereign bond issues in the United States are considered commercial activities. As a result, the old assumption of sovereign debt immunity no longer applies. A subsequent series of successful lawsuits "made it extremely difficult for a defaulting country to issue new credit without paying off old creditors" (Ahmed et al, 2010). In 1995, as part of the solution to the Mexican debt crisis, the International Monetary Fund (IMF) put together a rescue package which included the idea of collective action clauses (CACs), which were designed to make sure that “reckless private lenders” (Gelpern & Gulati, 2010) took an appropriate level of responsibility when a sovereign debt crisis arose in the future. In modern parlance, bonds would include CACs or “haircuts” (Foxman, 2011). But, CACs were initially avoided since they were seen to be likely to raise interest costs. There is indeed a history of attempts to provide for “a universally acceptable procedure for restructuring debt” (Masoodi, 2011). CACs now appear to be the one instrument that has been accepted (Bradley and Gulati, 2011).

While there are 5 standard elements in all international loan agreements (Klein, 1994) and proposals for an internationally binding Sovereign Debt Restructuring Mechanism (SDRM) (Kreuger, 2002) contain an array of clauses designed to make failure to agree to a bond rescheduling less attractive, there are still opportunities for creditors to refuse to exchange bonds and to pursue companies seen to be related to the sovereign nation. The effect of this fear is to limit trading in certain, often the most profitable, markets.

Impact on the Domestic Economy Relating in Particular to the Cost of Imports

At least for an immediate post sovereign euro default, the domestic economy of the defaulting country is likely to find the cost of imports will go up (as the new currency loses value against the euro). This will be particularly relevant with regard to energy resources in Europe since the energy resource planning has been to a great extent integrated under the European Commission. An increase in the cost of imports inevitably impacts the domestic economy. However, while some businesses will be hurt and unable to pass on the additional costs, others will have an opportunity to take advantage of the devaluation effect on their prices and they may see significant increases in exports.

In the particular case of the tourism industry, the cost of holidays for foreign visitors will likely be reduced making tourism more attractive and the rising cost of importing food may provide a shot in the arm for agricultural production which will be released from the constraints of the Common Agricultural Policy. Nevertheless, a sovereign debt default will lead to interesting times in the domestic economy with much opportunity and recognition of the need for change in economic policy.

The historic experience of sovereign debt defaults is generally recognized to provide signals which lead to higher costs (Hatchondo, 2007). If haircuts are negotiated there is an indication that policymakers are not prone to respect property rights. A default amidst bad economic decisions will reveal incompetent management of the economy which usually leads to a change of government (but not necessarily a fundamental change of policy). Signals of poor strategy may then extend to the private sector, especially when there is evidence of corruption and the acceptance of uneven policing of tax policy.

In this context, Argentina's experience provides important insights. "Although other countries may look to Argentina as a model for reneging on sovereign debt, the cost of Argentina's financial collapse in long-term social and economic terms has been devastating" (Hornbeck, 2004). Finance houses and investment companies suffered huge losses on investments, not just their ownership of sovereign debt, but also from the post default impact on the value of non-sovereign assets in the domestic economy. This is a significant reason why a wide variety of workouts are being implemented and considered and dreamed about. This may be an important factor in the present EU negotiations with euro bond holders and why there is so much insistence on haircuts, and any other possible way there might be to avoid an actual default. All manner of plans are being considered simply because the impact of a euro bond sovereign debt default can not accurately be determined, except to say that its effects will be severe and widespread. Certainly investment houses and banks and holders of market debt will face huge loses. The same may not be said for the ordinary citizen who may not be affected negatively and, as a player in the restructured post sovereign debt default nations, the ordinary citizen may actually find their prospects turn out to be less austere than at present.

Impact on Political Activity

As recently seen in Greece, Italy, Spain, and Ireland, the threat of sovereign debt default has a notable impact upon national (and even international) politics. Clearly the limited Federal approach which has been taken for Europe has failed and failed conclusively and recognition of the failure is hard to accept. The outstanding features of the European system have illustrated one of the major negative tendencies of government. There has been a destructive tendency to come up with "one size fits all" policy. As with the International Monetary Fund "one size fits few" (Mathaison, 2004).

The bureaucracy in Brussels and the leaders of Europe need to recognize that the resistance to IMF style fiscal policies of austerity and cutbacks are justified simply because these policies have had such poor results, especially as seen in the case of Argentina. The all-powerful EU officials in Brussels are notoriously unconstrained by the need to answer any electorate. They are seen to be “tyrannical” and simply out-of-touch with democratic reality (Moravcsik, 2001). Many of their programs, particularly Europe’s Common Agricultural Policy, have “stifled innovation by protecting the industry from the realities of the market” (Flynn, 2005). Creativity and the growth of entrepreneurship get bogged down in “a network of small, complicated, painstaking, uniform rules" many of which lack common-sense (Kimball, 2003).

This has neutered the idea of political leadership and, in effect, abandoned the middle classes and the lower income groups, a fact established so clearly in the growing gap between rich and poor in Europe (Beckford, 2009). Government in Europe has not learned essential management lessons from successful multi-national companies. Multi-national companies operate a corporate strategy that measures performance constantly and takes appropriate actions whenever the monthly (or more frequent) reports indicate departures from its corporate strategy. One policy does not fit all. One strategic vision (a series of specific strategies) is implemented where and when that strategy can be achieved. This leads to a complex of meaningful and significant differences from location to location in response to local conditions. Government, because they are out of touch with the reality of the every day world stifle local initiative and (particularly in the case of the Common Agricultural Policy) require no purposeful production performance. Major multi-national manufacturing companies like Ford have adopted extraordinarily complicated optimization systems (Cisco, 2012) which can link customers with assembly, maintenance and supply so that the main focus of concern is on customers. European leaders need to focus more on constituents in their actual location and not constituents in the nebulous world of virtual Europe.

If Eurozone countries in crisis had had the stable economies that macro-economic theorists supposed them to have, then the market might have worked. But, like the concept of a free market, the stable macro-economic environment in which a government would like to hope, simply does not exist. So the euro began with some strict guidelines on deficits (the

Maastricht Treaty convergence criteria) and then over a decade or so saw the strict guidelines become inconvenient. As a result government grew rapidly, not to finance real long-term investment (factories, infrastructure, and education), but rather a series of short-term investments like the real estate bubble. Simply put, the performance measures necessary to achieve a long-term strategic vision were not the right measures and once in place there was a reluctance to change them.

Convincing bureaucrats in Brussels appears to be virtually impossible. It is maddening to hear from officials facing sovereign defaults that "the European economy is strong and there is no reason to change the direction of economic policy" (Alogoskufis, 2008). This complacency and inertia is hard to pull out of because, just like the IMF "everything (is) going on behind closed doors" in a Brussels bureaucracy which "likes to go about its business without outsiders asking too many questions" (Stiglitz, 2000). Like many of the domestic Eurozone governments strategic targets are undermined by imposing one fits all policies, albeit unintentionally. Healthcare across Europe is an example. No country is trying a variety of approaches in different locations to offer the sort of adjustment to local conditions that is required for success. Officially, of course, Brussels negotiates Commission policy, but the powers in the negotiation are top-down when a multi-national would be seeking a bottom-up approach. This concept, so long established in the corporate world, is too difficult for many European bureaucrats to understand, since so many of them have never had a real, full-time, non-government job.

Concerns, Consequences, and Sovereign Debt Default Outcomes

The EU has "an extremely complex decision-making system with multiple institutional actors and a dizzying array of governance processes" (Schmidt, 2010), which is why there are so many obstacles to decisions on how to prevent euro-denominated sovereign debt. Proposals put forward have usually lacked leadership and EU-wide consensus and have yet to produce a lasting solution in spite of the feeling that we are already near to a Eurozone end-game. The remaining options for leaders are limited.

Some format for continuing official euro support for as long as the market will continue to support existing euro denominated sovereign debt may be found. Absent significant changes in economic policy this option looks increasingly unsustainable. Major changes to the existing restrictions on economic activity are being sought (Watt, 2012).

A sovereign debt default with some form of continued official lending to permit significant face value deduction (in effect a devaluation into a new currency) is a second possibility. This can be well-prepared or messy and the obstacles to decision-making suggest that any such default will not be well-managed. Already we have reports of individuals taking preventative action in Eurozone countries where a sovereign debt default is considered more than a possibility. Banks have naturally limited lending and this is contributing to the IMF's forecast of negative growth in Europe (Euronews, 2011).

Once a sovereign debt default has been accepted, the defaulting country will have the opportunity to derive a trade surplus without too much depression in economic activity and employment. Simply put, the market will be free of the Eurozone restrictions and will have the opportunity, albeit in emergency, to adopt policies which free the market from present EU restrictions and enable the country to become internationally competitive again. That in turn may provide the EU with the leadership and example which prompts a long overdue revision of existing constraints on productivity such as Commission rules and the Common Agricultural Policy to be revised. Then the prospect of a federal Europe with focus on citizens will have a better chance of being realized.

“En vue de cette tache imperieuse, ... doivent etre les protecteurs de la nouvelle Europe et defendre son droit a la vie et a la prosperite.“
(“In all this urgent work … (we) must be the sponsors of the new Europe and champion its right to live and shine.”)
(Sir Winston Churchill, Zurich, 19 septembre 1949)

References

Ahmed, F., Alfaro, L., & Maurere, N. (2010). Lawsuits and Empire: On the Enforcement of Sovereign debt in Latin America. Retrieved from http://www.law.duke.edu/journals/lcp.

Allen, M., (2002), Sovereign Debt Restructurings and the Domestic Economy Experience in Four Recent Cases. Policy Development and Review Department, International Monetary Fund, Washington, DC.

Alogoskufis, G. (2008). Eurogroups and EcoFin Meetings. Accessed March 2012 and retrieved from http://www.minfin.gr/portal/en/resource/contentObject/id/d2a6996f-60ff-4fbc--85f0-913426f06e91.

Arends, B. (2009). What a Sovereign-Debt Crisis Could Mean for You, *Wall Street Journal*, December 18.

Balogh, T. (1948). Exchange Depreciation and Economic Readjustment. *The Review of Economics and Statistics*, Vol. 30, No 4.

Beckford, M. (2008). Gap between rich and poor ‘has doubled in past 30 years. *Daily Telegraphy Newspaper*, London, August 19, 2008.

Bowman, Q. (2011). Democrats Spell out Debt Default Consequences. *PBS Newshour*, Retrived from http://www.pbs.org/newshour/rundown/2011/07/democrats-spell-out-debt-default-consequences.html.

Bradley M., & Gulati, M. (2011). Collective Action Clauses for the Eurozone: An Empirical Analysis. Duke University. Retrieved from http://ssm.com/abstract=1948534.

Brooks, S.M., & Mosley, L. (2007). Risk, Uncertainty and Autonomy: Financial Market Constraints on Developing Nations. *American Political Science Association Meeting*. Retrieved from http://polisci.osu.edu/intranet/gies/Mosley.pdf.

Carnegy, H. (2012). Sarkozy Debt under fire after downgrade. *Financial Times* website accessed March 2012 and retrieved from http://www.ft.com/intl/cms/s/0/57316c62-4049-11e1-82f6-00144feab49a.html#axzzljugItvFx.

Cisco (2012). website reporting on Ford’s continuous improvement of systems. Retrieved from http://www,cisco.com/warp/public/779/ibs/vertical/retail/.../ford_cp2.pdf.

Dulles, A.W., & Wala, M. (1993). The Marshall Plan. Berg Publishers, New York.

Economist Magazine (2011) Leading Article Gauchos and Gadflies. Retrieved from http://www,economis.com/node/21533453/print.

Flynn, P. (2005). The costs of the Common Agricultural Policy. *Council of Europe*, Parliamentary Assembly, Retrieved from http://assembly.coe.int/Main.asp?link=/Documents/WorkingDocs/Doc05/EDOC10649.htm

Foxman, Simone, & Nomura (2011). A Bigger Greek Bond Haircut is Actually a Really Good Idea. *Business Insider*, October 12, 2011.

Gelpern, A., & Gulati, M. (2010). Foreword: Of Lawyers, Leaders, and returning Riddles in Sovereign Debt. Retrieved from http://www.law.duke.edu/journal/lcp. (2011). Sovereign Snake Oil, Law and Contemporary Problems. American University, WCL Research Paper No 2011-05.

Gordon, S. (2012). Trade is not a zero-sum game. *The (Toronto) Globe and Mail*, April 10, 2012. Retrieved from http://m.theglobeandmail.com/commentary/trade-is-not-a-zero-sum-game/article4099052/?service=mobile

Hatchondo, J., Carlos, M., Leonardo, S., & Horacio (2007). The Economics of Sovereign Defaults, *Economic Quarterly*, Vol. 92, No. 2.

Hamilton, E.J. (2005). Origin and Growth of the National debt in Western Europe, *American Economic Review*, Vol. 37 No. 2 pp 546-579.

Historic UK (2012) website on the History of the Bank of England accessed March 2012 and retrieved from http://www.historic-uk.com/CultureUK/BankofEngland.htm.

Hornbeck, J. F. (2004). Argentina's Sovereign Debt Restructuring, *CRS Report to Congress*, Library of Congress, Washington, DC.

Kimball R. (2003). The Fruit Police. *ArmaVirumque*, the weblog of the New Criterion, Retrieved from http://www.newcriterion.com/posts.cfm/fruit-police-3145.

Klein, T. (1994). External debt Management: An Introduction. *World Bank*, Technical paper No 245, Washington DC.

Kreuger, A. (2002). A new Approach to Sovereign Debt Restructuring. *The World Bank*, Washington, DC.

Mathaison, N. (2002). IMF's 'one size' fits all. *The Observer Newspaper*, London April 28, 2002.

McDonald, J. (2003). The Financial Roots of democracy. Farrar, Strauss and Giroux, New York.

Masoodi, Z. (2011). Sovereign debt restructuring: The Legal Aspects Involved. *Contemporary Legal and Economic Issues*, III, University of Osijek, 2011.

Moravcsik, A. (2001). Despotism in Brussels? Misreading the European Union, Foreign Affairs premium article. Retrieved from http://www.foreignaffairs.com/articles/57040/andrew-moravcsik/despotism-in-brussels-misreading-the-european-union

Pollock, A.J. (2012). Sovereign debt and default - a history. *American Enterprise Institute*. Retrieved from http://www.aei.org/article/economics/international-economy/sovereign-debt-and-default-a-history/.
Riley, G. (2010). The (sovereign) default option is costly. Retrieved from http://tutor2u.net/blog/index.php/economics/comments/the-sovereign-default-option-is-costly.
Stiglitz, J. (2000). What I learned at the World Economic Crisis. *The New Republic*, Washington DC., April 17, 2000.
Veseth, M. (1990). Mountains of Debt Oxford University Press, p145.
Vos, R. (1994). Debt and Adjustment in the World Economy. *International Finance and Development Series*, St Martin's Press, London.
Waghorne, R. (2012). Mail Online. *Daily Mail*, London, Retrieved from http://www.dailymail.co.uk/debate/article-2087042/French-downgrad-shows-Marine-Le-Pens-role-French-public-life-just-legitimate-increasingly-necessary.html#ixzz1juknPiYQ.
Watt, A. (2012). Deepening Economic Misery in Europe forecast on Present Policies.
Accessed March 2012, may be retrieved from http://www.social-europe.eu/2012/04/deepening-economic-misery-in-europe-forecast-on-present-policies-change-will-come/.
Wheeler, G. (2004). Sound practice in Government Debt management. *International Bank for Reconstruction and Development*, The World Bank, Washington, p 15.
Woodrow Wilson School of Public Affairs, (2003). Participants of Fall 2003 Workshop, Argentina's Sovereign debt restructuring and Creative Solutions, Princeton University.
Wright, M. (2011). The Theory of Sovereign Debt and Default. paper prepared for Encyclopedia of Financial Globalization. May be retrieved from http://www.econ.ucla.edu/mlwright/research/workingpapers/Globalization_Handbook_Chapter.pdf.