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Nunnenkamp, Peter

Book Review

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Cline, William R., *International Debt: Systemic Risk and Policy Response*. Washington, D. C., 1984. Institute for International Economics. Distributed by the MIT Press, Cambridge. XIX, 317 pp.

Notwithstanding that many developing countries experienced considerable difficulties to service their external debt in the 1970s already, it was only since 1982 that the Third World's international indebtedness became a major issue both in public discussions and in economic research. The significant change in attitudes and the sudden concern in industrialized countries was due to the drastically changed debt situation. Formerly, mainly poor and rather small borrowing countries had to reschedule their foreign liabilities, most of which were due to official creditors. Hardly anybody in the Western World bothered about debt problems then, since the economic well-being of creditor countries was not to be adversely affected. Recently, however, a number of advanced Third World economies with considerable amounts of foreign liabilities ran into severe debt servicing difficulties. As most of their debt was due to Western commercial creditors, the smooth functioning of the international banking system was at stake and major defaults of borrowers were even considered to trigger a worldwide depression.

This rather bleak scenario provoked a crowd of books and articles on the debt issue and its possible consequences for the world economy. The great majority of publications addressed rather specific facets of the whole dilemma. It is William R. Cline's merit to have pulled together the most important aspects of the developing countries' international indebtedness. Already in September 1983, his book "International Debt and the Stability of the World Economy" was released. This policy-oriented analysis quickly became a trend-setting work, extensively referred to in international discussions on the debt problem.

Roughly one year later, Cline presented a second volume on this issue. With "International Debt: Systemic Risk and Policy Response" the Institute for International Economics in Washington followed its approach of "publishing a shorter policy-oriented version and a longer, more detailed version of the same study" (p. VII). The latter is intended to provide a complete treatment with respect to methodology, data and country cases in order to supplement the policy conclusions of the former. This approach may well have some merits, for example to significantly reduce the publication lag for the most interesting parts of economic research. It is highly questionable, however, whether it makes much sense to release a second book about half of which is merely a reprint of a recent publication. To say the very least, the Institute's strategy is not very consumer-minded. Those only interested in Cline's additional informations have to pay the price for the complete volume, although the reprinted part is useless for the great majority of them since they will have bought the policy-oriented forerunner already.

The additional parts in Cline's second volume could have been well published in a more suitable form. Chapter 8 entitled "Current Prospects for International Debt" presents updated projections and discusses some new trends in the debt issue. Cline sees the basic conclusions confirmed that he reached one year earlier. This chapter is a typical example of the "problem revisited" type of analysis and should have been submitted as an article to a journal. The Appendices B, C, D, E that inform about the projection model for balance of payments and debt, present detailed projection results, describe the experiences of five major debtor countries (Mexico, Brazil, Argentina,

Poland, Yugoslavia) in managing the debt crisis and give some notes on the data base and detailed statistical information, respectively, which would have lent themselves for a background paper to the policy-oriented publication of September 1983.

Appendix A that applies a logit model in explaining the debt reschedulings of 1969–1982 is only loosely connected with the other parts of the book. Again it would have been adequate to publish it separately as an article in a journal. Probably, the stimulating analysis would have attracted the public's attention much more than it may do as an appendix. Cline shows that due to the changed debt environment earlier models of debt rescheduling are no longer applicable. However, the predictive value of Cline's approach seems to be questionable as well. On p. 239, it is summarized that "the logit model projections indicate that by 1985–86 there should be sufficient improvement in the debt-servicing burden even for the major Latin American borrowers to permit reestablishment of levels of creditworthiness not associated with the need for debt rescheduling". It has become clear in the meanwhile that this optimism was not based on sound grounds.

The failure to correctly predict future developments in debt servicing difficulties of major borrowers seems to be partly due to a significant bias in Cline's work, which prevails throughout the whole book. The argumentation is strongly concentrated on factors that are exogenous for Third World borrowing countries, i.e. external developments like economic growth in major industrialized economies, international interest rates and oil prices. Although it cannot be disputed that the Third World's debt situation is considerably influenced by world market effects, the role of the borrowers' own economic policies in causing the prevailing debt dilemma and overcoming it should not be discounted. In this latter respect Cline's argumentation is rather cursory. As regards the origins of the debt problem (Ch. 1), a systematic comparison of economic policies in problem countries on the one hand and in countries still creditworthy on the other is lacking. (The same applies to the question why Western commercial banks continued to lend to the former group of countries until 1982, notwithstanding their misconceived policy responses to external shocks.) A similar imbalance is characteristic for the projection model in Ch. 3 and the updated projections in Ch. 8. For concluding that developing countries face a problem of illiquidity rather than insolvency, it is not sufficient to focus on economic growth in the industrialized world and other external factors. In this context it is most important whether today's problem borrowers are prepared to implement far-reaching and coherent policy reforms; in this respect, scepticism, if not pessimism, seems justified.

An important part of Cline's work is devoted to the analysis of possible ways to overcome prevailing debt problems and to prevent new ones (Chs. 4–7). For example, it is discussed how to improve rescheduling techniques and how to secure a sufficient flow of new financial resources to the Third World. Cline's positive assessment of "involuntary" lending by Western commercial banks has given rise to an ongoing vivid debate on the role of creditor governments, central banks and international organizations like the International Monetary Fund in solving debt problems. In the reviewer's view, it is most problematic to officially press creditor banks to provide new credits for problem borrowers, a strategy which was recently given a fresh impetus by launching the so-called Baker-Initiative. If it is not guaranteed that the borrowers introduce urgently required policy reforms that may restore their creditworthiness, this strategy merely means throwing good money after the bad. A socialization of the private banks' risks

and outright losses would then become highly probable, consequently triggering severe moral hazard problems on the side of both private creditors and borrowers.

Other fields where Cline initiated stimulating discussions consist of the economic rationale of increased direct lending by the IMF and the World Bank to problem borrowers, the supervision of commercial banks by public authorities in the creditor countries, the role of an effective lender of last resort and measures like interest capitalization that may help to reduce the borrowers' debt service burdens. In hardly any of these and other areas, the controversies about an efficient course to overcome the debt problems have been settled. Undoubtedly, it is Cline's merit that he has raised many crucial questions at an early stage of the debate with his first volume in September 1983. His second book does not present significantly new insights, however.

Peter Nunnenkamp

Etter, Christian, Löhne und Beschäftigung im Konjunkturverlauf. Der Einfluß impliziter Arbeitsverträge in fünfzehn schweizerischen Wirtschaftszweigen 1950–1982. Berner Beiträge zur Nationalökonomie, Bd. 49. Herausgegeben von H. G. Bieri, J. Niehans, H. Sieber, E. Tuchtfeldt. Bern, Stuttgart 1985. Verlag Paul Haupt. V, 171 S.

Ausgangspunkt der Arbeit von Etter ist die Überlegung, daß die hohen Lohnquoten in den Industrieländern von besonderer Bedeutung für staatliche Maßnahmen sind, die direkt oder indirekt den Arbeitsmarkt betreffen. Dazu gehören unter kurzfristigem Aspekt vor allem konjunkturell motivierte Eingriffe. Natürlich kann die Wirksamkeit solcher Maßnahmen nur beurteilt werden, wenn hinreichende Kenntnisse über die Bedeutung und Funktionsweise der Lohnbildung vorliegen (vgl. S. 1 f.). Vor diesem Hintergrund ist es die spezielle Zielsetzung des Verfassers nachzuprüfen, ob und inwieweit sogenannte implizite Verträge als Ursache für die im konjunkturellen Ablauf branchenmäßig unterschiedlich stark ausgeprägten Lohn- und Beschäftigungsschwankungen identifiziert werden können (vgl. S. 2). Die Analyse gliedert sich in eine mikroökonomische Fundierung und Formulierung des vertragstheoretischen Ansatzes und dessen empirische Überprüfung.

Die vertragstheoretische Hypothese geht über das einfache neoklassische Arbeitsmarktmodell hinaus, indem sie annimmt, „daß Arbeitskräfte und Unternehmungen unter bestimmten Voraussetzungen langfristige, über die gesetzliche Kündigungsfrist expliziter Verträge hinausgehende Übereinkünfte (sogenannte implizite Verträge) zur Stabilisierung von Lohn und Beschäftigung eingehen“ (S. 2). Dem stillschweigenden Verzicht der Arbeitnehmer, kurzfristige Vorteile – gegebenenfalls mit Kündigungen oder Kündigungsdrohungen – wahrzunehmen, steht die Verpflichtung der Arbeitgeber gegenüber, Entlassungen aufgrund der konjunkturellen Entwicklung möglichst zu vermeiden, auf jeden Fall aber hinauszuzögern und abzumildern. Die Ursache dieser Verhaltensweisen liegt in der unterschiedlichen Risikobereitschaft zwischen Arbeitnehmern und Unternehmungen, die den Lohnvertrag über den expliziten Teil hinaus zu einer eigentümlichen Mischung zwischen Anstellungs- und Versicherungsvertrag werden lassen.

Dieses Verhalten bietet für beide Seiten mannigfache Vorteile. Kurz zusammengefaßt sind zu nennen: Die Einsparung von Transaktionskosten (vgl. S. 39 ff.), die Absicherung von spezifischem Humankapital (vgl. S. 41 ff.) und die Stabilisierung des Arbeitseinkommens (vgl. S. 43 ff.). Von entscheidender Bedeutung für die Durchsetzbarkeit impliziter