The Heritage Foundation Backgrounder

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FOUR STEPS TO RESOLVE THE ARGENTINE DEBT CRISIS

INTRODUCTION

Argentina and its creditor banks once again have reached a last minute agreement to prevent an international debt crisis. On June 30, interest payments on Argentina's $44 billion debt would have been 90 days overdue and therefore classified as "non-performing" by its creditor banks. But just before the deadline, Argentina put up $225 million of its own reserves, and the creditor banks made a 45-day loan of $125 million so that $350 million in overdue interest could be paid. This stopgap agreement is welcome, as is Argentina's willingness to honor its debts and avoid default. Yet the crisis is by no means over. If Argentina does not reach a long-term agreement with the banks, its inability to pay its debts could rile the world banking system. Instead of stopgap fixes, only getting at the causes of the Latin American debt crisis can avert a potential banking crisis.

Total international debt currently approaches $800 billion, with Latin America accounting for the largest and riskiest portion, about $350 billion. Of this, Brazil owes about $100 billion, Mexico $94 billion, and Argentina $44 billion. Moreover, America's largest U.S. banks are heavily exposed in the region.

Arrangements have been made for Brazil and Mexico to reschedule their debt payments to enable them to keep up with interest payments. Argentina cannot meet even its interest payments this year, which will amount to $5.5 billion, and it has been unable or unwilling to come to a firm agreement with the International Monetary Fund (IMF). To make matters worse, Argentina's fledgling democratic government is threatened by the crisis.

The present situation is the result of a number of complex factors. For one thing, U.S. inflationary policies in the 1970s

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provided the fuel for the debt problem, and tight U.S. banking regulations on domestic business encouraged U.S. banks to make loans abroad. Many of these banks, under the illusion that lending to sovereign nations is risk-free, made otherwise irresponsible loans to foreign governments. The IMF fostered this illusion of safety with guarantees that sovereign borrowers in financial difficulties could turn to it, if they were in trouble. And the Fund actively encouraged private lending to less developed countries (LDCs), despite their failing economic policies.

In the case of Argentina, it has pursued particularly self-destructive economic policies. Like many LDCs, Argentina borrowed heavily to finance consumption and a bloated welfare system, to prop up inefficient state owned and controlled enterprises, and to line the pockets of corrupt bureaucrats and military leaders. These policies have produced a 500 percent inflation rate and enormous foreign debts.

Four steps could help resolve the Argentine debt crisis:

1) The banks must work out the best arrangements they can with the Argentines and accept the consequences of their imprudent loans. U.S. taxpayers should not be called upon to provide a multibillion dollar bailout.

2) The Argentine government must be encouraged to deregulate its economy, stabilize the money supply, and reduce taxes on agriculture.

3) Federal Deposit Insurance Corporation (FDIC) guarantees on loans made by U.S. banks should be amended to force banks to be more cautious.

4) The U.S. should cut back on its contribution to the IMF. The IMF has helped to create the problem and must modify its functions if future debt crises are to be avoided.

BACKGROUND

Argentina's Rich Resources

Argentina's 28 million people are overwhelmingly of European stock. It is rich in agricultural resources and self-sufficient in energy. Agricultural products, particularly beef and wheat, are its primary exports. Annual per capita income in Argentina is about $4,400 (1981 figures),[1] one of the highest in Latin America. Unlike many Latin American and other LDCs, Argentina has a large middle class, and it does not have masses of poverty-stricken peasants.

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1 Quarterly Economic Review of Argentina, No. 1, 1984.

At the turn of the century, Argentina was a prosperous and rapidly developing country. Foreign capital and technology, primarily from Britain, helped build its railroads and develop its agriculture. The Argentine standard of living at the time was comparable to that of Canadians or Australians.

The Peronist Legacy

Argentina began to diverge from other developed nations as the century progressed. In 1943 a military junta, which included Juan Domingo Peron, took control of the country. Three years later, Peron was elected president. An admirer of Mussolini, Peron nationalized banks, railroads, and other industries and expanded state control over labor and business. Peron was anti-democratic and anti-American. He abolished most civil liberties and repressed his political opponents. Yet the regime was extremely popular among certain elements of society, especially labor unions. In 1955, however, Peron was overthrown in a military coup and banished.

In 1973 he was able to return from Spain and served again as Argentina's president until his death in 1974, whereupon his wife, Isabel, succeeded him and ruled until a military coup replaced her in 1976. During this last period of rule by the Peronists, the economy deteriorated rapidly and inflation hit 400 percent.

With much public support, the military attempted to get the economy back in order after the Peronist fiasco. Finance Minister Jose Alfredo Martinez de Hoz instituted some free market oriented policies.[2] He sold a number of state-owned enterprises and attempted to control excessive labor union demands. He opened Argentina to more free trade, hoping that foreign competition would spur domestic industries to modernize and become more competitive. He was partly successful; inflation dropped to 80 percent by 1980.

The regime's policy of keeping the Argentine peso overvalued, however, proved disastrous. It was often cheaper for companies to borrow dollars and to buy imports, than to manufacture at home.[3] Consequently, between 1976 and 1983 private sector debt rose from $3 billion to $14 billion, and financed consumption, not investment. Meanwhile, the government nearly doubled the quantity of money each year in a futile attempt to outrun the effects of heavy borrowing. This undermined the currency. In 1976 the free market exchange rate was 140 pesos to the dollar; by 1982 it was 15,000 to 1.[4] Devaluation predictably provoked increased capital flight from Argentina.

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2 Lynda Schuster, "Politics Played a Crucial Role in Argentine Funding," Wall Street Journal, May 17, 1984, p. 34.

3 Ibid.

4 Hans Sennholz, "Argentina on the Brink," The Freeman, December 1982, p. 721.

The military government continued to pour borrowed money into inefficient state-run companies and projects. Borrowed funds also went into the pockets of government bureaucrats and into the foreign bank accounts of high-ranking military officers. By November 1983, the military government was forced to hold elections. Raul Alfonsin, of the center-left Radical Civic Union, soundly defeated the Peronists and was inaugurated on December 10 as the first elected president of Argentina in nearly a decade.

THE CURRENT DILEMMA

Argentina today owes about $44 billion: about $30 billion is public sector debt and the remaining $14 billion is owed by the private sector.[5] Much of this debt consists of short-term, high interest loans, which will require Argentina to make large payments over the next few years to avoid further rescheduling or default. This year Argentina is due to make $5.5 billion in interest payments.

As Table 1 indicates, the largest U.S. money-center banks are heavily exposed in Argentina, and in Latin America in general. Despite this precarious situation, the banks continue to treat most of the debt owed them at face value in their financial statements. Yet these banks are resigned to the fact that they will report lower earnings due to the Argentina problem.[6] The real worry is that a large-scale Argentine default could cause the collapse of one or several of the creditor banks. This could trigger a general banking panic.

A number of factors help Argentina. The United States, for example, has a clear interest in the survival of Alfonsin's seven-month-old democratic regime. And Argentina's economy has shown signs of improvement--it is currently running a small balance-of-trade surplus and "on hand" reserves are at about $1.25 billion.[7] Production and export of grain is up. This improvement is partly due to the dropping of a 44 percent tax on agricultural exports by the military government. Meat exports have dropped lately, but the other areas of Argentina's agricultural sector hold great potential.[8]

If Argentina is to overcome its immediate debt crisis, new bank loans and IMF support seem unavoidable, since the country owes $5.5 billion in interest payments for 1984. Economics

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5 The Washington Post, June 24, 1984, p. A20.

6 Edward Schumacher, "Argentina to Pay Overdue Interest on Banking Accord," The New York Times, June 30, 1984, p. 1.

7 Jeremy Morgan, "Argentine Reserves Rise Steadily," Journal of Commerce, May 29, 1984, p. 9A.

8 Jackson Diehl, "Argentina Rests Hope on Its Farms," The Washington Post, June 19, 1984, p. 1.

Minister Bernardo Grinspun had budgeted $3.5 to $4 billion dollars toward this year's payment.[9] However, the government probably will come up $2.5 billion short.[10] A comprehensive arrangement will have to be worked our between Argentina and its creditors to enable the country to meet its obligations.

Band-aid solutions are not enough, but seem to be the only ones considered. On March 30, for instance, $500 million in interest payments would have been 90 days past due, and the loans would have been classified as non-performing. At the last minute, Argentina put forward $100 million, U.S. banks loaned Argentina another $100 million, and Mexico, Brazil, Colombia, and Venezuela--all debtor nations--pooled another $300 million loan to Argentina so that it could maintain the pretence of meeting its interest payments. The United States government guaranteed to lend Argentina $300 million so that it could repay this loan to the other Latin American nations, upon signature of an agreement with the IMF. The Reagan Administration claimed that it acted not to bail out U.S. banks, but out of the fear that classifying Argentina's loans as non-performing would jeopardize future credit to Argentina and possibly to other debtor countries.[11] When Argentina and the IMF had not reached agreement by June 15, the guarantee expired and was not renewed. This means Argentina will have to reimburse its debtor neighbors from its own funds. If an IMF agreement is reached, however, the U.S. has said that it might reconsider its guarantee.

U.S. banks have tied future loans to Argentina to the signing of an austerity plan with the IMF. The Alfonsin government recently sent a letter of intent to IMF director Jacques Larosiere, spelling out its position.[12] Alfonsin agreed to bring the budget deficit down to 9.16 percent of the GNP from around 16 percent last year. The IMF is demanding a cut to 8.5 percent. Argentina also agreed to cut its imports from $5.5 billion to $4.85 billion.[13] Supposedly this would give it a trade surplus of $3.8 billion, still short of the $5.5 billion needed for debt maintenance but an improvement over recent years.

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9 Jeremy Morgan, "Argentine Budgets Seen for Debt Service Costs, ," Journal of Commerce, May 25, 1984, p. 6A.

10 Lynda Schuster, "Argentine Mistrust of IMF's Attitude Spurred It to Issue Its Own Declaration," Wall Street Journal, June 18, 1984, p. 27.

11 See testimony of Assistant Secretary of the Treasury David C. Mulford before the Subcommittee on International Trade, Investment and Monetary Policy, Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, May 1, 1984.

12 Edward Schumacher, "Argentina Bypassing IMF Staff," The New York Times, June 11, 1984, p. D1.

13 Edward Schumacher, "Defying IMF Argentina Sets Austerity Plan," The New York Times, June 12, 1984, p. 1.

Table 1

Latin American Debt Exposure of Selected U.S. Banking Companies
(in millions of dollars)

	Total Capital*	Total debt as percent of capital	Mexico	Total debt as percent of capital	Brazil	Total debt as percent of capital	Argentina	Total debt as percent of capital
Citicorp	$5,310	163.6	$3,000	56.5	$4,600	86.6	$1,090	20.5
BankAmerica	4,150	135.5	2,471	66.0	2,484	59.9	400*	9.6
Chase	3,230	151.3	1,553	48.1	2,560	79.3	775	24.0
Manufacturers Hanover	2,060	260.0	1,915	92.9	2,130	103.3	1,321	64.1
J.P. Morgan	2,390	154.5	1,174	49.1	1,785	74.7	741	31.0
Chemical	1,830	167.0	1,414	77.3	1,276	69.7	370	20.2
Continental Illinois	1,770	88.0	717	40.5	462	26.1	383	21.6
Bankers Trust	1,440	161.7	1,286	89.3	743	51.6	300*	20.8
First Chicago	1,210	153.6	870	71.9	689	56.9	300*	24.8
TOTAL DEBT	$37.1 billion							
TOTAL CAPITAL	$23.4 billion							

Notes: Asterisk (*) indicates data as of December 31, 1982. All other data as of December 31, 1983.

Table 1 reproduced from Politics and Market, No. 17, March 31, 1984, p. 3. Percentage calculations by the author.

Source: National Journal, March 19, 1983; The Wall Street Journal, March 14, 1984.

A major point of disagreement concerns Alfonsin's proposal to increase real wages by 6 to 8 percent. The IMF will not accept this because it would grant Argentina better terms than Mexico and Brazil. Mexico, for example, cut real wages by some 30 percent to secure an IMF loan.[14] Alfonsin maintains that he cannot back down on his promise to increase wages, because it was a commitment made to gain the support of the Peronist unions.[15] Also, may other Argentines are unsympathetic to the IMF demands. They are very nationalistic and suspicious of foreign economic influence, and harbor strong protectionist views. Consequently, actions by the Argentines that may appear irrational to outsiders seem very rational from Argentina's nationalistic perspective.

CAUSES OF THE CURRENT CRISIS

Argentina's situation is the result of a number of internal and external factors. The thread binding these causes is state intervention in or manipulation of the market. The current debt problem might have been avoided if market forces had not been ignored by Washington policymakers and those in Buenos Aires.

1. Inflation of the Dollar

How did the money become available for the current $800 billion international debt? The primary source was the inflationary policies of the U.S. government and the Federal Reserve Board. Federal Reserve credit, for example, was expanded from $51.27 billion in 1967 to $171.5 billion in 1983, while the basic U.S. money stock almost tripled. In turn, U.S. consumer prices rose during the period by 203.5 percent. Federally sponsored credit agencies had outstanding credits of $13.8 billion in 1965, $159.9 billion in 1980.[16]

Since much of the reserves of foreign central banks were held in dollars, they had a short-term incentive to support the value of the dollar by buying the currency.[17] Billions of dollars were also used by the U.S. to purchase imports and kept in Eurodollar accounts. These dollars were not recycled back to the United States but rather were lent out to less developed countries (LDCs).

The rising cost of oil in the 1970s pumped dollars into Arab countries, which were in turn deposited in banks around the

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[14] Geoffrey Smith, "A Global Chapter 11?" Forbes, April 30, 1984, p. 55.

[15] Jackson Diehl, "Argentine Unions Threaten to Undercut Alfonsin's IMF Challenge," The Washington Post, June 20, 1984, p. A23.

[16] See the Economic Report of the President: 1984, pp. 279, 291, and 296.

[17] See Carlos de Marcos, "An Inquiry Into the Nature and Causes of the International Indebtedness," Master's thesis for the International College in Los Angeles, California, April 29, 1984, for development of this argument.

world--especially in Europe and the United States. These "petro-dollars" increased the dollar reserves that banks were eager to recycle through loans.

This petrodollar effect should not be exaggerated.[18] Between 1974 and 1981 the current account surplus of oil exporting countries was $420 billion. Yet the total amount of Eurodollars and other currencies deposited outside of their countries of origin was $1.8 trillion in 1981. In short, U.S. inflationary policies, rather than petrodollars, were chiefly responsible for the growth of the Eurodollar market--the primary material cause of the debt problem.

2. U.S. Banking Regulations

The Eurodollar market also expanded because American banking regulations implicitly encouraged capital to flow out of this country. First, Regulation Q in the banking code imposed ceilings on the interest rate that could be charged on domestic loans. These limits were below the rates available outside the U.S. Understandably, billions of dollars went to foreign banks with fewer restrictions on interest rates.

Second, Regulation D allowed U.S. banks to operate abroad without noninterest-bearing reserves against Eurodollar deposits, in contrast to the situation regarding deposits in domestic banks. Thus, money lent abroad cost American banks less than money lent at home.

Finally, the MacFadden Act of 1927 effectively prohibited interstate banking. This barred a New York City bank from opening branches and lending money a few miles away in New Jersey. The bank, however, could set up branches in London, Buenos Aires, or even Warsaw.

Regulations Q and D have now been amended, and there is some weakening of the MacFadden Act. Moreover, banking deregulation also has lessened the incentives for capital flight. But the damage has been done.

3. The Illusion of Risk-free Banking

Banks must share the blame for their present predicament. With huge deposits of inflated dollars to recycle, many banks were eager to lend abroad, especially to governments, with little concern for the quality of these loans. Economist Christopher Weber notes:

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18 De Marcos, op. cit., p. 73. Also see Allan H. Meltzer, "The International Debt Problem," The Cato Journal, Spring/Summer 1984.

> There now began a bizarre competition to loan as much as possible to countries about which banks knew surprisingly little. Further, this money usually had no strings attached and was earmarked for no special project. One stark characteristic of this competition was the gradual narrowing of "spreads"...between the safest countries and the most unstable. Less than 1 percent could separate the interest charges on loans to Sweden...and Zaire.[19]

Increasingly in the 1970s, bankers chose to lend directly to foreign governments, rather than to private foreign enterprises. This was caused in part by the shrinking private sector in many developing countries. And many banks felt that loans to governments were virtually risk-free since countries rarely default on debts.

U.S. banks were encouraged in this by the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board. Because the FDIC guarantees individual deposits up to $100,000, U.S. banks do not need to take as much care to secure their deposits. The Federal Reserve Board has also made it clear that it is willing to step in as the lender of last resort and to save large, albeit irresponsible, money-center banks. Thus these banks worry less about a default caused by imprudent loans. Both of these policies further fostered the illusion of risk-free loans. Understandably, many bankers thus believed that they could lend heavily in Latin America with little fear of loss.

4. The Role of the IMF

The International Monetary Fund's original, if questionable, function was to deal with "temporary" balance-of-trade problems.[20] With the demise of fixed rates in the early 1970s, however, the IMF became "an agency desparately in search of a role...."[21] Rather than dying with the system that created it, the IMF took on a role that actually destabilized the world economy.[22]

First, the IMF continued to promote inflation through the creation out of thin air of "special drawing rights (SDRs)."[23]

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19 Christopher Weber, Bailing Out a Bankrupt World (San Francisco, Investment Insights Publishing Company, 1983), p. 39.

20 See Henry Hazlitt, From Bretton Woods to World Inflation (Chicago: Regnery Gateway, 1984) for a good overview of IMF development.

21 Deepak Lal, "The 'Debt Crisis': No Need for IMF Bail Out," Wall Street Journal, April 27, 1983.

22 De Marcos, op. cit.

23 SDRs are in effect lines of credit that have no funds to back them and carry no liabilities on the IMF. "SDRs are simply a draft, a form of fiduciary unit that can be transferred between central banks under agreed conditions in exchange for convertible foreign exchange." Benjamin J. Cohen, Organizing the World's Money (New York: Basic Books, Inc., Publishers, 1977), p. 211.

The value of an SDR is based on a mixed basket of currencies--normally a little over one U.S. dollar. And just as the excessive creation of money domestically leads to inflation, so does the same practice by international agencies. As of 1983, the IMF had committed about 28 billion in SDR's--with predictable inflationary effects.

Worse still, SDRs and other IMF resources were used to induce private commercial banks to commit funds to developing countries. Economist Carlos de Marcos explains that "the catalyst role of the IMF contributed significantly to the large increase in commercial loans to LDC governments during 1979-1981." The doubling of IMF resources in 1981, from about $37 billion in 1978 to $75 billion, "accelerated the willingness of the commercial banks to make loans."[24]

Other international organizations, such as the World Bank, the Inter-American Development Bank, and the International Financial Corporation, also contributed to this catalytic effect. Many of these loans have gone into inefficient state-owned concerns, to finance consumption and often to corrupt officials. Few of the funds, especially in the case of Argentina, went into the private, productive sectors of the economy.[25]

A third role played by the IMF involves the imposition of economic requirements on the debtor nations holding IMF loans. Usually IMF loan conditions include steps toward a balanced budget, cutting wages, and improving the balance of payments to earn enough foreign currency for debt payments. Though some are sensible steps, they can be a mixed economic blessing. Tight restrictions on imports, for instance, might produce beneficial short-term effects, but in the long run can dampen economic productivity and growth. And a balance-of-trade deficit is not inherently damaging--indeed, imports of raw materials are often necessary for domestic industries to grow and become profitable. President Alfonsin of Argentina has made this argument, maintaining that the proposed IMF agreement would hurt Argentina in the long-run.

Another problem is that IMF conditions do not get to the heart of the debt problem within most debtor nations. In Argentina, for instance, the state pours billions of dollars into unprofitable state enterprises. By providing loans to central governments and inducing foreign banks to do the same, the IMF merely bolsters the state sector and thus helps perpetuate wasteful practices.

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24 De Marcos, op. cit., p. 119.

25 For further discussion see Allan H. Meltzer, ed., "International Funding and the IMF," Heritage Lectures #21 (Washington, D.C.: The Heritage Foundation, 1983).

5. Argentina's Statist Policies

Argentina, of course, could have said "no" to foreign loans, or at least borrowed more responsibly. Many Asian developing countries can service their debts. Even in South America, Colombia is not only current on interest payments on its $10.5 billion debt but has also been making payments on the principal. The reason: Despite booming revenues from coffee sales in the 1970s, Colombia resisted the temptation to borrow heavily.[26] Argentina was not forced to borrow. It chose to.

To be sure, Alfonsin inherited the present crisis from the heavy borrowing military regime. Yet the Argentine people for decades supported the statist policies that contributed to the debt problem. They supported state intervention in the economy, state control of wages and prices, state inflation, state ownership of numerous enterprises, and state regulation of foreign trade. While it was the military government that actually borrowed the money, the Argentine people must shoulder their responsibility for opening the drain down which the borrowed funds were poured.

Argentina thus must change its domestic policies, if it is to have a chance to pay off its foreign debt and to achieve the economic prosperity of which it is capable.

RECOMMENDATIONS

For the U.S., there are four measures that would help to resolve the continuing crisis, while not undermining the fragile democracy in Argentina.

In the short term:

1) Allow U.S. banks to work out their own arrangements with Argentina. American taxpayers should not underwrite bad banking decisions.

The debt crisis is between banks and their debtors. The U.S. government has no obligation to bail out bad banking decisions. Like other corporations that deal abroad, banks must work out whatever arrangements they can when their foreign customers run into difficulties. As other businesses do, banks must be prepared to accept losses from unwise investments as well as profits from wise ones. The banks can work out terms with Argentina just as other businesses would with hard-pressed customers.

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[26] Roger Lowenstein, "Debt Crunch May Catch Colombia," Wall Street Journal, June 11, 1984, p. 28.

They could make additional loans and reschedule old ones. They could add the current interest rate due to the principal and stretch out payments over a longer period, with interest payments realistically tailored to Argentina's ability to pay in the short run. This would trim the banks' profits and probably would force them to write off a portion of the loans as a loss, but businesses do this all the time. It is part of the risk a shareholder accepts by buying stock in a company.

2) Encourage the Argentine government to give priority to economic deregulation.

When a domestic business loan is renegotiated, the creditor has a right to require changes in the debtor's business practices before agreeing to the new loan. Similarly, Argentina's creditors should demand economic policy changes before agreeing to reschedule the debt. It would be unwise, of course, to demand changes that might undermine democracy.

President Alfonsin should be urged to deregulate the economy. He realizes that he must bring government expenditures down, and he has promised to accelerate the sale of state enterprises. This is a good start.

Bringing down inflation, currently running over 500 percent, should also be urged as a top priority. If Alfonsin slows the rate of growth of the money supply, the lack of paper money to finance excessive spending will force more government cutbacks. This would meet resistance from Argentina's public sector unions, so gradual but steady reductions are needed to keep the resulting political battles small and manageable. Once inflation begins to moderate, Alfonsin can expect to gain popular support for his policies.

He also should be cautioned not to hinder the productive agricultural sector. While he has said that he intends to crack down on tax evaders and to impose heavier taxes on the wealthy, he should make an exception for profits gained in agriculture. He even should consider reducing taxes on agricultural products. This would increase production and foreign food sales and thus earn much needed foreign currency. A thriving agricultural sector could also prompt other Argentine industries to demand deregulation and tax reduction.

And over the long term:

3) Reduce U.S. Federal Deposit Insurance Corporation guarantees on certain deposits.

The illusion of low-risk or risk-free loans has been a major cause of the current crisis. A change in FDIC guarantees would help to prevent such illusions in the future. Perhaps the FDIC could phase in a "deductible" on insured funds for banks that lend to high-risk countries. For example, the banks themselves

might be made responsible for the first 40 percent of losses. This would force the banks to be more cautious with their loans, lest their stockholders and depositors take their business elsewhere. The banks no doubt would cover the portion of their deposits not covered by FDIC with private insurance. Private insurance companies would develop rating for the risk involved in various loans. This would force the banks to act more prudently in their lending policies, lest their insurance rates skyrocket. Foreign countries should be rated like municipalities in this country, and insurance rates adjusted accordingly.

4) Cut U.S. contributions to the International Monetary Fund.

The IMF was in part responsible for the illusion of risk-free loans to sovereign borrowers. Its special drawing rights contribute to world inflation and the conditions it places on its loans create resentment in debtor countries without getting to the root of the debtor countries' economic problems. Since exchange rates are no longer fixed, the idea of supporting the value of currencies with loans to make up for "temporary" trade deficits no longer makes sense. It only serves to promote irresponsible policies by developing countries.

The United States should reduce its monetary support for the IMF. The U.S. government should insist that the IMF alter its function to that of collecting and publishing information and statistics on the international economic situation. It might even rate the credit worthiness of countries, in effect acting as an international Dun and Bradstreet. But until it ceases to be a convenient rescue service for bad lending decisions, those bad decisions will continue to be made.

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