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Forgive Us Our Debts:  
A History and Analysis of Third World Debt Relief

“Argentina, the most desperate case among the major debtors, has not made regular interest payments on its \$60 billion in external debt since April 1988. Inflation is running at an annual rate of over 400%, and the government may fall in May elections to opposition Peronists.”<sup>i</sup>

This statement (from a book published in 1989) reveals that Third World debt has been a problem for decades. Excessive borrowing, overly optimistic expected returns on commodities, and irresponsible lending are just some of the many factors that have contributed to this continuous problem. Such problems give rise to many proposed solutions. Some observers have demanded greater involvement from such institutions as the World Bank and the IMF. Others have called for market based solutions such as debt buybacks and swaps. Yet others have demanded nothing less than the universal forgiveness of Third World debt. The Roman Catholic Church’s Jubilee 2000 campaign and the resulting debt relief effort are the most recent programs in a series of relief program implementations. Economists, sociologists, bankers, bureaucrats, and the religious have brought a number of perspectives into this debate which continues with no end in sight.

In my thesis, I will provide a history and analysis of Third World debt relief. The historical portion will cover the debt crisis of multiple countries going back several decades. A discussion of the causes of the debt crisis as well as a history of debt relief will be included in this section. Special consideration will be given to the roles of government, international institutions, and the banking industry in the specified country’s relief history. The analysis of this debt relief history will work to answer some of the numerous questions that are central to the ongoing debate:

- 1.) Why do nations borrow and lenders lend?
- 2.) Where has all the money gone?
- 3.) Why do nations fail to pay?
- 4.) What are, and what have been, the proposals for debt relief?
- 5.) What are the pros and cons of each debt relief proposal?

The answers to these questions will form the basis for an analysis of Argentina's current situation as well as possible solutions to this country's debt crisis. An economics/accounting perspective will act as the foundation of the thesis. Therefore, the accounting treatment of debt will be discussed, and the economic function of debt in our global capitalist system will be an important theme.

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<sup>i</sup>Makin, John H. “Developing-Country Debt Problems after Seven Years.” Alternative Solutions to Developing-Country Debt Problems. Ed. Rudiger Dornbusch, John H. Makin, and David Zlowe. Washington D.C.: American Enterprise Institute for Public Policy Research, 1989. 9-20.