

INTWI - JF  
INT

# International Debt and the Developing Countries

edited by

Gordon W. Smith 2. NE

John T. Cuddington 3. NE

1. NE

The World Bank  
Washington, D.C., U.S.A.

# Contents

Contributors vi

Preface vii

## OVERVIEW

International Borrowing and Lending: What Have We Learned from Theory and Experience? 3  
John T. Cuddington and Gordon W. Smith

## PART I. THE CONCEPTUAL FRAMEWORK

1. Borrowing Abroad: The Debtor's Perspective 21  
Richard N. Cooper and Jeffrey D. Sachs
2. Banks' International Lending Decisions: What We Know and Implications for Future Research 61  
Mark Gersovitz
3. International Debt Strategies in an Uncertain World 79  
Paul Krugman
4. The Developing-Country Debt Problem 101  
Mario Henrique Simonsen

## PART II. COMMERCIAL BANK BEHAVIOR AND THE FINANCIAL SYSTEM

5. Commercial Bank Lending to Developing Countries: From Overlending to Underlending to Structural Reform 129  
Jack M. Guttentag and Richard Herring
6. Debt and the Efficiency and Stability of the International Financial System 151  
Alexander K. Swoboda

## PART III. AN ECONOMETRIC APPROACH TO CREDITWORTHINESS

7. Is There Life after Debt? An Econometric Analysis of the Creditworthiness of Developing Countries 179  
Daniel McFadden, Richard Eckaus, Gershon Feder, Vassilis Hajivassiliou, and Stephen O'Connell

## PART IV. COUNTRY EXPERIENCES: LESSONS AND ISSUES

8. External Debt, Budget Deficits, and Disequilibrium Exchange Rates 213  
Rudiger Dornbusch
9. Lessons for Debtor-Country Managers and Policymakers 236  
Arnold C. Harberger
10. The Foreign Debt of Mexico 258  
Leopoldo Solís and Ernesto Zedillo
11. Korea's Experience with External Debt Management 289  
Yung Chul Park

## AFTERWORD

Issues, Institutions, and Reforms 331

D. J. Wood

Prospects and Proposals 335

Anne O. Krueger