PN-ABK-768 76223

The Public Sector and the Latin American Crisis

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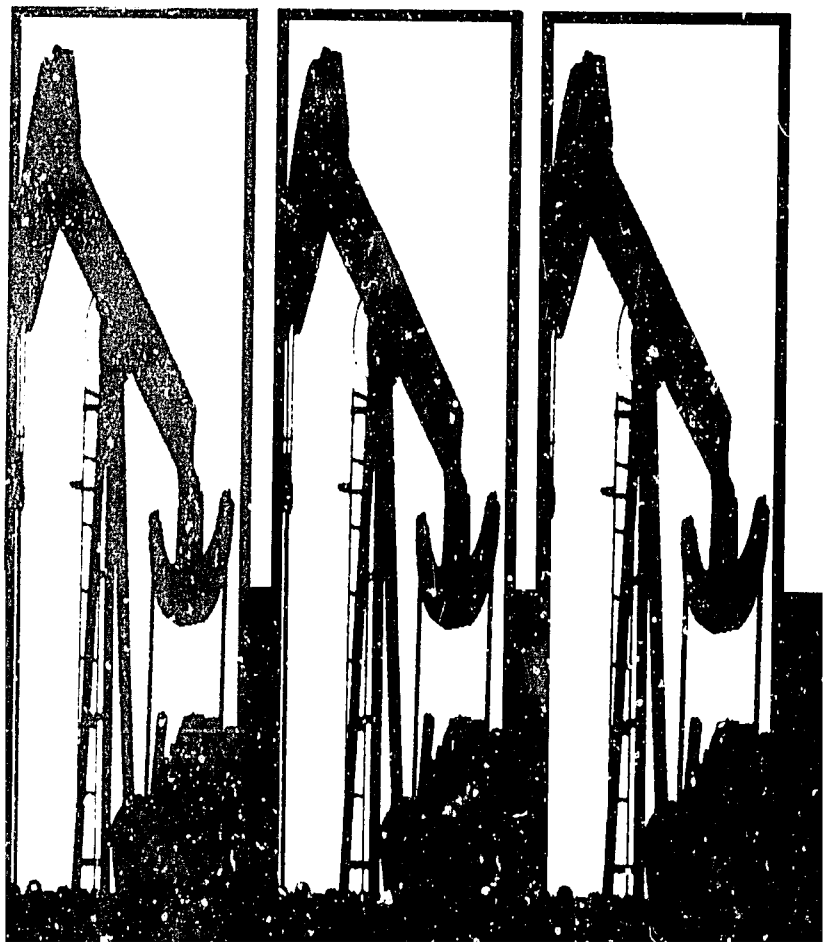

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— Executive Summary —

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An International Center for Economic Growth Publication

ICS PRESS
San Francisco, California

We would like to thank the World Bank for financing this study through research project RP0674–02. The opinions and conclusions of the study, however, are those of the authors and not necessarily those of the World Bank or its affiliated organizations.

F. L. and M. S.

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This is the executive summary of the book *The Public Sector and the Latin American Crisis* edited by Felipe Larraín and Marcelo Selowsky, published by ICS Press in 1991 and distributed to the trade by National Book Network, Lanham, Maryland.

ISBN 1-55815-125-7

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Preface

The oil shocks of the 1970s provided the countries of Latin America, and the rest of the world, with hard-earned lessons about responding to abrupt changes in economic fortunes. The unstable oil prices of the early 1990s caused by the Iraqi invasion of Kuwait will provide policy makers and economists with the opportunity to discover whether the lessons of the 1970s were learned or forgotten.

In *The Public Sector and the Latin American Crisis*, the authors review the responses of six Latin American countries—both oil exporters and oil importers—to the shocks of the 1970s. Those that borrowed heavily to finance the postponement of the necessary economic adjustment, or to adjust only partially, have been burdened with massive debt ever since; furthermore, deficit financing caused major distortions in the monetary system and price levels, leading to double- and triple-digit inflation. Amid growing frustration with policies that have not worked, along with a poor development record and few signs of change, attention has turned to the proper role and behavior of the public sector in economic policy.

This volume's authors, all experts on the economies of Latin America's largest debtor nations, analyze the behavior of the public sector in response to external shocks, political and electoral cycles, and private interest groups. Their analyses and conclusions suggest the need for deep institutional changes in the public sector along with major efforts to reduce debt. Such changes will, of course, take years to implement. We are pleased to publish *The Public and the Latin American Crisis*, and this executive summary, as a reminder of and a

guide to the work ahead. Policy makers in Latin America and in the rest of the developing world will benefit from the lessons pointed out in this book.

Nicolás Ardito-Barletta
General Director
International Center for Economic Growth

Panama City, Panama
March 1991

Summary of Conclusions

Between 1970 and 1985 the public sector in Latin America's top debtor countries expanded dramatically. Measured by the ratio of public expenditures to gross domestic product (GDP), the size of the consolidated public sector doubled and in some countries almost tripled. Public sector deficits as a percentage of GDP were frequently in double digits. A large part of the increase in both public expenditures and deficits is accounted for by public enterprises, which in many countries became the dominant agent of the public sector. Some of the causes of Latin America's public sector expansion, as well as some possible routes toward relief from the heavy debt burden, follow.

1. The growth of public expenditures and the staggering increase in foreign debt has sometimes led to the conclusion that the overexpansion of the public sector has been at the root of every major external indebtedness problem. Although this perception has some merit, this study found a more varied picture.

2. Both oil-importing and oil-exporting countries responded to the first oil shock of the 1970s by expanding their public sector. Their responses can perhaps be attributed to the "best-expectation theory" (BET)—countries that gained from the shock tended to consider it permanent, and consequently they expanded. Countries that lost may have thought of the shock as temporary and decided to finance their losses rather than adjust. The notable exception was Chile.

3. Public sector expansion resulted in fiscal deficits for several reasons:

- Cheaper external credit generated an increase in current and capital spending.
- Low world interest rates during the 1970s encouraged foreign borrowing as a substitute for tax revenues and domestic sources of financing.
- Political pressures kept tax revenues low.

4. When the debt crisis emerged in 1982, external creditors did not discriminate among countries; instead, they sharply cut their loans to all of Latin America. This caused the ambitious development plans of public enterprises and the public sector investment effort to be scaled down dramatically and the wage bill, particularly real wages, to be cut sharply.
5. Strong reforms are needed in the tax systems of most countries to improve both efficiency and equity.
6. Public enterprises must become self-sufficient and stop depending on transfers from the central government. A fully independent central bank and a rational privatization program for public enterprises and public sector services would reduce the likelihood that these agencies and enterprises would respond to interest group pressure.
7. In federal nations like Brazil and Argentina, where the provincial and state governments are major sources of deficits, profound institutional changes are required to set the rights and responsibilities of these levels of government.
8. Multilateral aid agencies should focus their support on reforms in the public sector, where macroeconomic instability is the major constraint on economic progress. Reforms in the tax system, in the operation of provincial and public enterprises, and in the role of state banks should be prime areas for multilateral support.

An Overview of *The Public Sector and the Latin American Crisis*

The Expansion of the 1970s

During the 1970s the highly indebted countries of Latin America faced two sharp increases in the price of oil and a strong increase in the availability of external credit. These external developments overlapped with the domestic political cycle and the pressure from different organized groups, in both the public and the private sectors. The combination of these external and domestic forces produced a new configuration of aggregate public sector behavior.

Although both public expenditures and indebtedness in these countries grew rapidly over roughly the same time period, the expansion of foreign debt was also due to other factors:

- In Chile the public sector ran a consistent fiscal surplus during the build-up of external debt from 1976 to 1981. Chile's indebtedness was due almost totally to private sector overspending.
- Venezuela's public sector ran a massive surplus in the 1974–1985 period, while private agents were accumulating foreign assets abroad. The build-up of external debt is fully accounted for by capital flight.

- In Argentina and Mexico, the increase in external debt resulted both from the public sector deficit and from capital flight.
- Only in Brazil and Peru are public deficits accountable for the bulk of the build-up of foreign debt.

In both oil-importing and oil-exporting countries, public sector expansion was made easier by cheaper credit, which helped finance and thus encouraged the "best-expectation theory" (BET) behavior. And the pressures to expand or postpone adjustments in the face of an external shock became particularly strong at election time. Thus, regardless of the nature of the external shocks, the combination of BET with the political cycle was prone to result in a long-run trend of public sector expansion.

Increased investment. During the 1970s, many of these Latin American countries followed a policy of industrialization and promotion of growth through increased participation of the public sector in investment and in the direct production of goods and services. Increased public sector involvement stemmed from a nationalistic stance aimed at direct control of a larger part of national assets, a distrust of foreign investment, and a lack of confidence in the capacity of the private sector to promote growth.

The Allende regime's expropriation and nationalization of both foreign and domestic assets in Chile in the early 1970s, the nationalization of oil in Venezuela in 1976, and the several waves of nationalization in Peru are examples of this trend. In Brazil the expansion of public enterprises in many sectors became the key instrument in sustaining short-term growth. The military government saw economic expansion as paramount in its quest for legitimization. The figures for Brazil are startling: during the 1970s investment by public enterprises as a share of GDP increased from 2.7 percent to 8.5 percent; in contrast, the share invested by the central government declined from 4 percent to 2.4 percent.

The ideology that supported this investment trend existed in most countries and helps explain why the response to external shocks re-

sulted in a strong increase in public expenditures, particularly public investment. The relationship between external shocks and ideology is important because there is no reason why these shocks had to result in higher public sector spending as a share of GDP. In fact, with another ideology, one might have expected external shocks to result in a higher share of private sector investment instead. This occurred in Chile after 1973.

The two oil shocks had a positive income effect in oil-exporting countries, increasing the profitability of investing in petroleum and its substitutes. Because petroleum was already in the hands of the public sector, or was considered a strategic resource to be controlled by the state, the oil shock generated a surge in public investment in oil exploration and exploitation. The increased availability of public money also encouraged the public sector to expand investment in new areas and sectors. This was the strategy followed by Mexico and Peru, which—because of their investment in petroleum exploration in the early 1970s—became oil exporters in the late 1970s. After the first oil shock Venezuela nationalized and sharply expanded its petroleum sector. The increased availability of resources allowed the public sector to invest heavily in state enterprises, particularly in the petrochemical area.

Brazil is an interesting case. Because it was an oil-importing country, the oil shock increased the profitability of all Brazil's traded goods, exportables and importables. Although one may expect the private sector to lead the investment in all tradable goods, the response was the opposite: the public sector significantly expanded investment in tradable goods as well as total investment.

The higher availability of external credit that accompanied the first oil shock could have been expected to have a neutral effect on the composition of investment by the private and public sectors. If rates of return plus ideology determine that a certain fraction of total investment is to be undertaken by the public sector, an increase in the supply of credit is not expected to change that fraction significantly. That was not the case, however. Except in Chile, the higher availability of external credit was associated with public sector expansion. An important reason is that, aside from ideology, only Chile had a capital account open enough to allow the private sector to take advantage of the increased

supply of external credit. In the other countries, where the shock resulted in increased rates of return—in petroleum and derivatives for oil exporters or potential exporters and in all traded goods in Brazil—external credit was pulled predominantly into the public sector. And the combination of external shocks and initial conditions—ideology, ownership of natural resources, a relatively closed capital account for the private sector—resulted in a higher share of public investment in the economy.

Investment alone does not explain the expansion of the public sector during the 1970s, however. Current expenditures were even more important in accounting for expansion in Argentina, Mexico, and Peru. Pressures arose from the public sector to become a major provider of long-run employment. In addition to the natural increase in employment associated with expansion of public enterprises, a significant expansion of employment took place in the central governments, and particularly in the provincial and municipal governments of Argentina and Brazil. The expansion reflected the rather unconstrained spending behavior of the regional governments, which operated with little attention to budget constraints.

Increased deficits. Expansions in public expenditures do not necessarily imply increases in fiscal deficits. Why then did this happen? Again, external factors and domestic pressures can help explain the sharp rise in public deficits financed by external borrowing. Cheaper external credit had two effects on public sector behavior, each reinforcing the other and increasing the public deficit. First, the decline in interest rates generated an increase in current and capital spending. This effect became more important when international credit ceilings were also relaxed and is an example of the "expenditure effect" of interest rates. Second, for the same level of spending, lower interest rates encouraged the substitution of foreign borrowing for other sources of financing. Foreign financing, which took the place of taxes and other revenue sources that were hard to collect and also less popular, is an example of the "substitution effect" of lower interest rates. Political pressures, of course, also influenced such substitution. In oil-exporting countries, prices of public utilities were kept below cost as a way of transferring the positive income effect to

the private sector. In oil-importing countries, consumers of imported inputs and foods were subsidized in order to protect them from the higher cost of foreign exchange.

The results of these politics were lower tax revenues and few efforts to reform the tax system, particularly in oil-exporting countries. In oil-importing countries cheap external borrowing allowed the subsidization of inputs and food, thus affecting productive techniques and consumption patterns. Any calculation of the future benefits and costs of such policies should have considered the possibility of higher interest rates. But the tenure of policy makers is usually short, and the number of public sector agents involved in the decision-making process is large, with some of them pursuing independent paths. Thus, the public sector is by no means a unified and farsighted body pursuing a consistent long-term strategy.

The analysis above applies well to Argentina, Brazil, Mexico, and Peru. Venezuela, as Latin America's only oil exporter at the time of the first oil shock, was able to finance all of its public sector growth with higher oil revenues. In Venezuela, it was the oil boom—not lower interest rates—that weakened efforts to diversify and expand the tax base. Chile was the exception on all counts. After 1973, Chile's public sector contracted sharply; the private sector then developed a significant deficit as a result of lower world interest rates and the opening of its capital and trade accounts.

From the experience of the 1970s one can conclude that any analysis of public sector expenditures and deficits requires a disaggregation of the public sector in major entities. Public enterprises have become independent behavioral units, with autonomous managers and labor unions, their own employment and wage policies, and the ability to conduct external borrowing and establish special relationships with domestic suppliers. Regional and municipal governments —particularly in federated nations like Argentina and Brazil—have also become autonomous entities pursuing their own political and economic objectives. The quasi-fiscal deficits of central banks and their relationships with private and public sector banks also became important components of public sector behavior, even more so during the 1980s. (See Table 1 for a comparison of public finances over the period.)

TABLE 1 Public Finances in Latin America: Government and Public Enterprises, 1970–1985 (percentage of GDP)

	Argentina				Brazil				Chile			
	1970–73	1974–78	1979–81	1982–85	1970–73	1974–78	1979–81	1982–85	1970–73	1974–78	1979–81	1982–85
Government												
Current revenues	23.59	23.84	29.97	28.48	25.80	25.78	24.32	23.82	29.27	34.86	32.51	28.75
Current expenditures	21.18	21.90	26.48	27.60	19.98	21.98	22.81	26.96	29.13	28.92	25.29	30.68
Savings	2.41	1.94	3.49	0.88	5.82	3.80	1.51	–3.14	0.14	5.94	7.22	–1.93
Capital revenues	—	—	—	—	–1.95	–1.69	–0.74	0.00	–2.91	–0.98	0.09	1.21
Investment	4.82	6.91	6.64	5.18	4.11	3.72	2.43	2.11	6.72	5.04	2.7	2.40
Surplus	–2.41	–4.97	–3.15	–4.30	–0.24	–1.61	–1.66	–5.25	–9.49	–0.08	4.53	–3.12
Public enterprises												
Current revenues	9.96	13.68	13.47	16.08	9.74	15.86	17.83	15.38	15.65	30.32	24.86	29.84
Current expenditures	8.44	11.36	11.28	14.78	7.67	12.70	17.02	13.71	18.83	28.02	23.70	27.00
Savings	1.52	2.32	2.19	1.30	2.07	3.16	0.81	1.67	–3.18	2.30	1.16	2.84
Capital revenues	—	—	—	—	0.65	0.07	–0.42	–0.25	–0.06	0.65	0.39	0.20
Investment	4.04	5.60	5.01	4.67	2.73	5.91	8.54	3.80	3.01	3.24	2.36	3.23
Surplus	–2.52	–3.28	–2.82	–3.37	–0.01	–2.68	–8.15	–2.38	–6.25	–0.29	–0.81	–0.19

	Mexico				Peru				Venezuela			
	1970–73	1974–78	1979–81	1982–85	1970–73	1974–78	1979–81	1982–85	1970–73	1974–78	1979–81	1982–85
Government												
Current revenues	8.92	11.64	15.07	17.67	15.33	15.10	19.37	16.45	20.10	30.08	26.83	26.88
Current expenditures	8.25	12.48	15.56	23.90	13.05	15.12	16.13	16.93	13.58	14.96	16.43	18.73
Savings	0.67	–0.84	–0.49	–6.23	2.28	–0.02	3.24	–0.48	6.52	15.12	10.40	8.15
Capital revenues	0.10	0.08	0.03	0.05	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00
Investment	3.60	3.96	5.17	4.05	3.06	2.80	3.64	3.65	2.38	2.46	1.57	1.55
Surplus	–2.83	–4.72	–5.63	–10.23	–0.78	–2.82	–0.40	–3.63	4.14	12.66	8.83	6.60
Public enterprises												
Current revenues	9.27	11.96	15.27	22.32	8.78	19.14	28.80	31.40	29.70	40.02	41.70	38.10
Current expenditures	7.57	9.48	9.80	12.40	7.93	19.54	28.57	29.68	14.80	11.85	16.54	19.08
Transfer from oil companies to government	0.25	0.80	3.10	5.90	—	—	—	—	13.25	25.25	19.66	16.50
Savings	1.45	1.68	2.37	4.02	0.85	–0.40	0.23	1.72	1.65	2.92	5.50	2.52
Capital revenues	0.03	0.02	0.03	0.00	0.38	0.13	0.48	0.76	—	—	—	—
Investment	2.28	4.08	5.83	3.85	2.17	4.72	3.53	5.41	4.48	9.26	11.67	9.83
Surplus	–0.80	–2.38	–3.43	0.17	–0.94	–4.99	–2.82	–2.93	–2.83	–6.34	–6.17	–7.31

— = not available.

SOURCE: Felipe Larraín and Marcelo Selowsky, eds., *The Public Sector and the Latin American Crisis* (San Francisco, Calif.: ICS Press, 1991),Chapter 2, Appendix Tables 2.A.3, 2.A.4, 2.A.5 and 2.A.6.; Chapter 3, Appendix; Chapter 4, Tables 4.4, 4.6, and 4.7; Chapter 5, Tables 5.1, 5.6, and 5.7; Chapter 6, Tables 6.2 and 6.3; Chapter 7, Tables 7.7, 7.8, 7.16, 7.17, 7.19. 7.21, 7.27, 7.28, 7.30, and 7.32.

The Debt Crisis and Adjustment: 1982–1985

When the debt crisis emerged in 1982, external creditors sharply cut back their loans to all of Latin America. Even Chile, which had followed strict fiscal policies and had reduced the size of its public sector, was affected. Argentina, Brazil, Peru, and Mexico attempted to delay the adjustment, but that soon proved to be impossible.

Reductions in capital expenditures. Capital expenditures were the first casualty in the adjustment of the public sector. Both the ambitious development plans of public enterprises and the public sector investment effort had to be scaled back dramatically, and the wage bill, particularly real wages, had to be cut sharply as well. Public enterprise prices were increased to raise revenues, particularly in Mexico and Peru, adding strong stagflationary pressures to the adjustment. No significant tax reforms or tax collection efforts were undertaken during the period.

Except in Venezuela and Chile, revenue and spending adjustments were not enough to control the deficit. Lacking external credit, the public sector turned to domestic sources of financing, such as internal debt and, especially, monetary emission, leading to sharp inflationary pressures in Argentina, Brazil, Mexico, and Peru. Chile and Venezuela were able to avoid severe inflation because of their better initial financial condition and a greater willingness to adjust quickly. They also had relatively lower levels of public external debt to start with and thus were hit less hard by the rise in world interest rates and the devaluations necessary to adjust to lower external flows.

Inflation. During this period inflation and public sector deficits became part of a complex, vicious circle. As described by the well-known Olivera-Tanzi effect, inflation depressed tax revenues; fiscal income was further weakened by a decline in economic activity. Rising "dollarization" and declines in the monetary base increased the rate of inflation necessary to collect a given inflation tax revenue. Inflation also increased interest payments on domestic public debt, although part of the increase was attributable to nominal interest containing an increasing portion of amortization and thus requiring a faster pace of

debt service. Because higher inflation increases the nominal interest bill of domestic public debt, it also increases the traditional measure of the public deficit. But, to the extent that the inflationary component of interest payments can be refinanced without affecting market conditions (for example, real interest rates), this component should be subtracted in order to arrive at the true economic deficit, or what has become known as the operational deficit. This assumed "neutrality" of inflation—namely, that the economic effects of a given operational deficit is independent of the rate of inflation—breaks down if the private sector is unwilling to roll over that component at present real interest rates because of increasing fear of default or because tax systems include nominal interest receipts as income.

Debt service. Even though domestic public debt became significant in Brazil and Mexico, the largest part of the public deficit was accounted for by higher interest payments on foreign debt. The high initial levels of that debt, the sharp increase in world interest rates, and the strong real devaluations after 1982 increased external interest payments several fold. Interest payments on foreign debt have become the main and most inflexible component of spending (sometimes financed out of arrears, as in Argentina, Brazil, and Peru).

Not all problems of public external debt service have been generated by the public sector. In many countries much of the private external debt became socialized through preferential exchange rates, exchange risk guarantees, and the absorption of losses of private financial and nonfinancial debtors. This socialization of the external debt was sometimes the result of domestic as well as external pressures—for example, private debtors put pressures to transfer their liabilities to the public sector or to obtain preferential exchange rates. In other cases the pressure put on governments by creditor money center banks to take over this private debt also became important.

Policy Conclusions

The prime development goal of Latin America is the recovery of sustained growth, with adequate attention paid to social needs. This goal

must be accompanied by high levels of investment, avoiding the declines in activity that stop-and-go policies and the need for stabilization can cause. Sustained growth can be achieved only if the desire of the private sector to invest is reestablished and the public sector can avoid cutting critical public investment and social programs suddenly or sharply.

The desire of the private sector to increase investment and repatriate capital will be reestablished only when macroeconomic stability is restored and it is perceived as permanent. In the short run, this requires a reduction of fiscal deficits and an even sharper reduction in public borrowing from domestic sources, that is, from the central bank and from private capital markets. But this is not enough. The reduction of the government deficit will also require fundamental institutional changes within the public sector. These measures should prevent reversals resulting from discretionary or arbitrary decision making by officials, from the continuous pressures of pre-election periods, or from sudden but temporary improvements in external conditions. Discipline in public sector expenditure behavior in the face of these pressures and temptations is perhaps the best way to avoid costly retrenchments in economic activity at a later stage.

The lessons emerging from this study suggest many fronts for such institutional changes in the public sector. Strong reforms are needed in the tax systems of most countries to improve both efficiency and equity. Public enterprises must become self-sufficient and stop counting on transfers from the central government. But self-sufficiency cannot be achieved simply by transferring the costs of inefficiency to consumers in the form of higher prices. State firms must be subject to external and domestic competition through the liberalization of trade and the entry of the private sector. Where natural monopolies exist, appropriate regulation is required. Public enterprises should not be given central government guarantees if they borrow abroad. By the same token, state-owned banks must charge the true cost of credit and should be held responsible for recovering their portfolio rather than assuming they will be bailed out by the monetary authorities or the central government.

In federal nations like Brazil or Argentina, where the provincial and state governments are major sources of deficits, profound institutional changes are required to set the rights and responsibilities of these levels of government. They must not count on special or ad hoc trans-

fers from provincial banks and central monetary authorities. Such an umbilical cord must be severed permanently. Rules, not discretionality, should characterize the operations of public sector agencies.

A radical solution to protect macroeconomic stability from pressures of additional public sector spending would be to move toward a fully independent central bank. Chile has just implemented such a reform. Other radical solutions would include accelerating the privatization of public enterprises and public sector services at the central and provincial levels. This again would lower the risk that these enterprises and agencies would be used as the vehicle of transfers and rents to pressure groups inside and outside the public sector. At the same time, privatization processes should be designed and implemented carefully for reasons of equity and efficiency and for their own long-term success.

From this study it becomes apparent also that the overextension of the public sector has occurred at the expense of activities in which the public sector has a genuine developmental role to play: the formation of human capital and the provision of public infrastructure with high externalities—those that complement rather than drive out private sector activities. The pressure to expand investment and employment in public enterprises has been much stronger than the pressures to expand infrastructure and human capital formation.

Multilateral aid agencies should focus more on institutional reforms in the public sector, particularly where macroeconomic instability is the major constraint on economic progress. Reforms in the operation of the public sector along the lines described earlier must precede reforms in relative prices and in the incentive system to the private sector. Targets should focus not only on the level of public sector deficit but also on how such targets are achieved. Institutional changes must support these targets so that they do not reappear during the first presidential, parliamentary, or provincial election. Foreign exchange reserves must be built up in good times so as to avoid cutting into absorption when countries face adverse external conditions.

Multilateral agencies should focus their support and conditionality on reforms in the public sector before they lend extensively to other sectors or for other reforms. The private sector in a country with strong macroeconomic stability will not respond to liberalized relative prices or increases in public infrastructure if the roots of fiscal instability are

not addressed first. This means that areas like tax reform, the operations of provincial and public enterprises, and the role of state banks are fundamental areas of priority for multilateral support.

The countries covered in this study are in very different situations with respect to public sector reforms.

Chile is perhaps in the forefront, although several areas still need improvement. Its public sector has been streamlined and there are clear rules of the game for the self-sufficiency of public enterprises. The efficiency of these enterprises is automatically enforced by confronting them with external and internal competition, wherever possible.

Since 1986 *Mexico* has made significant progress in privatization and tax reform and has improved the operation of its public enterprises. Sectors and areas previously reserved for the state gradually are being opened to the private sector.

Venezuela is in the midst of a strong reform program in which inefficient and inequitable subsidies are being dismantled and a major tax reform is being implemented. The number of public enterprises producing internationally traded goods is significant, although a mechanism to make them fully accountable for their foreign borrowing decisions has yet to be implemented. Windfall gains caused by terms-of-trade fluctuations must accrue to the central government and must not trigger expanded investment programs in these enterprises automatically.

Argentina and *Brazil* still have overexpanded public sectors caused by many noneconomic objectives such as regional development, national security, and self-sufficiency in strategic sectors. Most public enterprises and regional governments are overstaffed, a result of the pressures from election campaigns in the past. Their procurement practices are not transparent and are a source of rent-seeking behavior by private suppliers. State banks have been, and still are, a source of deficit caused by weak policies of portfolio recovery and subsidized interest rates. Major reforms in institutions and in the rules of the game under which public sector agencies operate are needed.

In many of these countries, the external interest bill of the public sector is still significant—in the range of 2–8 percent of GDP. This is a major source of macroeconomic instability in several economies, and at least a potential source of problems in others. In the absence of a significant primary fiscal surplus, governments have had to resort to

domestic sources to finance the domestic currency counterpart of the external interest bill. Thus there is a clear connection between the debt problem and macroeconomic instability.

It will take time for governments to increase their primary surplus efficiently, supported by deep institutional changes within the public sector. At the same time, in countries subject to strong macroeconomic instability, such as Peru, Argentina, and Brazil, domestic borrowing by the public sector must be reduced sharply—and swiftly. External funds will have to finance the gap between the slow pace of the institutional reforms required to increase efficiently the primary surplus and the rapid reduction in the domestic sources of financing the deficit. Consequently, external financing has a critical role to play in supporting the institutional reforms of the public sector. When the debt overhang is substantial, external financing obtained through interest capitalization will increase the stock of debt relative to the capacity of the country to serve it. In these cases debt reduction will be a proper instrument to provide such financing and thus to support the long-run adjustment of the public sector.

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