

Debt Reduction and Economic Activity: Occa Paper No.68 9781557751355 42 pages 1990 International Monetary Fund, 1990 International Monetary Fund

Debt and Economic Activity. Abdul Karim Abdullah (Leslie Terebessy)*. Abstract: Many nations, rich and poor alike, are reeling under mountains. In this book, Ann Pettifor examines the issues of debt affecting the 'first world' or OECD countries, looking at the history, politics and ethics of the coming debt crisis and exploring the implications of high international indebtedness for governments, corporations, households, individuals and the ecosystem. This paper analyzes the effect of debt and debt-service reduction on the contractual and market values of a country's debt. It is argued that in a voluntary framework, the present, or cash, value of resources offered to creditors in exchange for debt is the basic determinant of the amount of debt or debt-service reduction that can be attained. The argument is illustrated by demonstrating the equivalence in a simple framework of five commonly discussed debt- and debt-service-reduction techniques. The IMF staff's preliminary attempts to quantify the macroeconomic effects of debt and de... American Economic Review 96, no. 5, 1418-1448. Bayoumi, Tam (2004): GEM: A New International Macroeconomic Model, IMF Occasional Paper no. 239. Bernanke, Ben S., and Ilian Mihov (1998): Measuring Monetary Policy, Quarterly Journal of Economics 113, no. 3, 869-902. Bewley, Truman F. (1999): Why Wages Don't Fall during a Recession?, Harvard University Press, Cambridge, MA. Bils, Mark, and Peter J. Klenow (2004): Some Evidence on the Importance of Sticky Prices, Journal of Political Economy 112, no. 5, 947-985. Blanchard, Olivier J., and Nobuhiro Kiyotaki (1987): Monopolistic Competition International Debt Statistics electronic products were prepared by a team led by Malarvizhi Veerappan and comprising Ramgopal Erabelly, Rajesh Kumar Danda, Karthik Krishnamoorthy, and Ugendran Machakkalai. The cover was designed by Jomo Tariku and Parul Agarwal. Jewel McFadden from DEC Knowledge and Strategy and Susan Graham and Orlando Mota from Global Corporate Solutions, Design and Publications, coordinated the publication and dissemination of the book. ix. PART I. Sustainable debt is debt which can be considered to be manageable without causing long term damage to an economy, and which is not paid out of future borrowing. Borrowing is an essential economic activity, and facilitates trade and commerce and improves standards of living. Borrowing enables countries to fund investment projects which they might not otherwise be able to finance, and can help reduce any savings gap that exists. Throughout history countries have lent to each other for mutual gain.