Recasting the Power Politics of Debt: Structural Power, Hegemonic Stabilisers and Change

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ABSTRACT

The 2007/8 financial crisis exposed and exacerbated the debt pathologies of the 'West'. The paper examines whether the new global debt relations that have been generated by this crisis have transformed global power politics, changing the way in which the 'global South' and the 'global North' interrelate and interact. To do so the paper juxtaposes the G20 advanced and emerging economies and examines a number of key indicators related to debt, indebtedness and financial leverage. This research leads to two main findings: (i) the crisis has indeed given rise to new global debt relations. Any reforms, therefore, in the post-crisis global political economy will take place in an environment that favours the emerging powers (ii) The US maintains its capacity to control the parameters of this new global debt politics and economics, but cannot impose a solution to the existing 'global/hegemonic imbalances' on the emerging powers.

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The evolving global economic crisis has forcefully shaken the foundations and parameters of the existing 'international order'. Whether the present crisis episode is a manifestation of a broader hegemonic transition process or of a milder re-balancing act with no hegemonic implications, remains to be seen. Put differently, only time will tell whether the current crisis will function as a 'pressure valve release' for the benefit of the existing order or as a catalyst for a different world order. In any case, the impact of the crisis on the existing world order is inexorably related to the way in which the social agents and the social collectivities involved in these social fermentations will respond to and handle this crisis and the challenges, opportunities and threats generated by it. Thus, we do not know the end of the story not because we do not have access to a script already written (divinely or by structural imperatives) but because it is impossible to predetermine the behavior and actions of the actors involved (much more so because they themselves seem not to know what to do). Unlike theatre, here, the actors write the script and have the final word on how the act will end (albeit not in conditions of their own choosing)!

Hence, the International Relations analysts are back to the drawing board to examine the actual and potential geopolitical, geoeconomic and geo-cultural implications of the current economic crisis and its repercussions. Contributing to this aim, this article aspires to assess the way in which debt operates as an instrument of power (instrumental and structural) in the context of hegemonic rivalry in the current historical juncture. The paper attempts to assess the impact of the current 'global relations of debt' on the US hegemony and through it to the current global hegemonic order that is based on the primacy of the West. In this attempt, our main concern is not with debt as an economic phenomenon that can be modeled and analysed in separation to (international) socio-political relations and power, but with debt *as* a socio-political relation and power[1]. Along these lines our main interest is to examine the way in which debt impacts on current great power politics. Our key question is whether the current global relations of debt have transformed the way in which great power politics materialise in the global political economy.

The View Ex Ante: Reversed Keynesianism and Financial Engineering

In a paradoxical way, the global economic crisis that started with the collapse of the subprime-market in the US, in 2007, gave an answer to the pre-crisis 'million-dollar question': 'who owns the debt'. Before the break out of the crisis, the new 'originate and distribute' banking model, assisted by SPVs, financial innovation and soft-touch regulation seemed to have achieved the impossible! It had generated so many 'security layers' (see 'securitised') through which risk was spread so widely and thinly that in reality it had 'vanished'. Magic(al) indeed (akin to Zenon's paradox on motion)! Furthermore, the countries where this pure magic ruled were the countries that demonstrated strong and sustained economic growth rates. The success of this economic model was undeniable and all other capitalist models faced a huge

challenge: to imitate-converge with this model or be trapped in sluggish growth rates, high unemployment, and high deficits.

Of course, the rising level of private, especially household, debt in these economies was a matter of concern. But the argument went that to grasp this phenomenon one should come to terms with a 'new political economy of credit'; i.e. the different way in which contemporary economies functioned. A number of arguments were raised in this regard. Excessive 'plastic money' may indeed be a liability and a threat to the economic system. Yet, what was happening in these economies was that 'plastic money' was translated in real growth rates. Put differently, plastic money increased consumption that in turn generated production and growth rates that led to increased employment, which, with new 'real money', boosted production and the real economy. Thus, what started as 'virtual and plastic' ended up as 'real and productive'. Plastic money was translated into new employment, production and growth. This, of course, made perfect Keynesian sense too. Yet, this time the role of the 'booster' was not played by the state but by the market, which of course (the argument goes) is much better positioned to play such a role (gather credit information, assess risk etc.). Consequently, it was not 'public' but 'private' debt that was accumulated for the purposes of the 'Keynesian operation.' But, again, considering the troubling historical record of state in (mal)managing public debt, this might be good news and represent a safer, lower risk mutation of the traditional centralised Keynesian model. Thus, the new political economy of credit was nothing more than a new 'reversed Keynesian' model; a 'new Keynesianism' for a globalised neoliberal world[2].

Another issue of concern in this new economic environment was the low and decreasing household saving rates, and the overall degree of household leverage (a by-product of the accumulated private debt in the 'reversed Keynesianism'). The counterargument with regard to saving rates was the following. The data on low household saving rates did not reflect accurately the saving position of households, because they did not include the households' 'largest investment in the future', i.e. property in the form of mortgage—a solid asset with historically rising value. For instance, in the US, mortgages corresponded approximately to 70% of private debt over the last decade[3]. If this asset was taken into consideration in the calculation of saving rates, then the Anglo-Saxon economies and households were not different in comparison to those in other economies in Europe and beyond. The same logic applied for the Anglo-Saxon households' overall leverage. Their borrowing had increased significantly since 1990. In the US, for instance, household debt rose by more than half, reaching 98% of GDP in 2008, whereas in the UK it was doubled from 51% in 1990 to 103% of GDP in 2008[4]. Yet, taking into consideration that most of this borrowing represented home mortgages, as well as the fact that house prices kept rising throughout the pre-crisis period, then household leverage, accounted in term of the the ratio of household debt to household assets, appeared low and stable—no cause for alarm for public authorities. Yet, if household leverage was counted in terms not of assets but of disposable income, then the degree of households leverage should have alerted public authorities well before the 2007 subprime market collapse[5].

This collapse gave an answer to the question of 'who owns the debt' of the reversed Keynesian period, or more accurately, who would pay for it. When the magic disappeared (as magic does) and the 'security layers' started to fall apart like playing cards, public authorities stepped in. The Lehman Brothers episode was the 'crossing-the-Rubicon' point in this regard. In a spectacular move, the collapsing Western financial system was de facto 'nationalised' and trillions of virtual dollars that were recycled through its complicated infrastructure were turned into public liabilities. From that point onwards, the Western economic system has seemed like a gigantic half-empty balloon, which, despite the mounting levels of air (i.e. money) thrown into it, does not seem able to recover. The rest of the world watched the developments in the West with shock and awe.

Distinctive elements of the current debt crisis

Crises such as the current one are not unknown or unprecedented in world economic history. Rather the opposite. The current crisis seems to be just one more episode in the way in which the modern capitalist system has evolved, at least since the beginning of the 17th century and the infamous tulip-crisis in Holland[6]. Yet, despite the striking similarities among all past capitalist crises, these crises differ in their geopolitical and geoeconomic implications. To assess the latter, one needs not only to be aware of the structural/systemic causes of these recurrent crisis episodes, but also of what is distinctive about each crisis and how these distinctive elements matter and operate in each unique histrorical juncture. Beyond the uniqueness of the broader historical context, what Barry Gills refers to as the 'triple conjuncture' – financial/capitalist crisis, hegemonic transition crisis, environmental crisis[7] – the current crisis is also unique in a number of ways that relate to global debt relations and dynamics.

The pattern of the global distribution of deficits and surpluses (what is usually referred to as 'global imbalances') is a key issue here. Although the crisis led to an increase in debt levels almost everywhere, the main 'victims' in terms of mounting debt levels have been the advanced economies. The public debt to GDP ratio in the Group of 20 (G20) advanced economies from 64% in 2006 is expected to approach 110% in 2013. It is projected to maintain this upward route at least until 2015. The respective figure for the emerging G20 economies in 2009 stood at 38% (having fallen from its post-Asian crisis historical high of 71%)[8]. As Reinhart and Rogoff note, from the 20th century onwards, the only time in history in which the advanced economies registered higher public debt levels was in the mid-1940s, when they were absorbing the impact of World War II[9]. Further, if we add household and corporate debt to public debt, the debt levels of the advanced economies is even higher in historical terms, approaching on average the 315% of their GDP (see below)[10]. And these historically high debt levels are combined with interest rates that are at a 200 year low[11]! In this context, the ever-deepening sovereign debt crisis in Europe threatens the very existence of the Euro and the Eurozone, if not the European project as a whole.

The other side of this rising indebtedness of the advanced economies is the direction of the current account imbalances. In the current financial crisis, net savings/surpluses are not moving from 'advanced' to 'emerging' economies (as under the 'gold standard' and in the 1990s), or from 'advanced' to 'advanced' economies (as in the financial crises of the 1980s), or from 'emerging' to 'emerging' economies (as in the 1970s). For the first time in modern economic history, surpluses are moving from 'emerging' to 'advanced' economies, i.e. the 'periphery' bails out the 'centre'[12]. In this sense, any reforms in the world economy triggered by the crisis, take place in a context of global current account imbalances that favour the emerging economies. Furthermore, these imbalances are at a historical high as a percentage of world GDP (close to 6% at the end of the 2000s), a fact that strengthens further the position of emerging economies in the current conjuncture[13]. The pattern of distribution of surpluses and deficits comes to strengthen this view. The degree of concentration of deficits in a single country, the US, is historically unprecedented. In 2008, the US current account deficit accounted for the 75% of world current account deficits or put differently, the US absorbed approximately 75% of world net savings. At the same time, the high number of countries with large current account surpluses (above 9% of GDP) is also striking in historical terms. In 1985 only three countries accounted for 50% of world surpluses, and they were all advanced (Japan, Germany and the Netherlands), whereas in 2005 there were five including representatives from the BRICs and oil-producing countries (Japan, China, Germany, Saudi Arabia and Russia)[14].

Another element that clearly differentiates the current crisis from past ones is the level of financial integration in the world economy. The contemporary global economy is characterised both by an unprecedented level of capital market integration, an unprecedented level of financialisation, and an unprecedented penetration of finacialisation techniques in peoples' everyday lives. These phenomena have not only created a crisis-prone international economic system, but have also penetrated and destabilised national and international commodity and food markets, endangering the livelihood of real people around the world[15]. Critical to all these processes has been the generation of debt (private, corporate, financial sector, or government). Thus, for instance, a technology such as securitisation that was originally developed to reduce risk and benefit people, producers, and the real economy, was transformed into a speculation device, with a great capacity to generate downward, 'globally synchronised' economic spirals[16]. The composition of generated debt in the current episode diverts from past episodes too. In the current crisis, the leverage of the non-financial corporate sector either did not increase significantly or in some cases decreased. The amount of household debt rose to levels never seen in the past, exemplifying the deep integration of individuals and households in the financialisation structures of global capital. Yet, the sharpest increase in debt was registered by financial corporations (followed by households)[17]. The cases of Iceland and Ireland are exceptional but indicative. In Iceland, the financial sector debt reached 580% of the country's GDP in 2008, pushing the total debt to GDP ratio to the astronomical 1.189%. The respective financial sector debt in Ireland, in 2008, was 421% of the country's GDP, whereas the total debt to GDP ratio in the country the same year was 700%[18].

The West under the Debt Microscope: Total Debt and Debt Thresholds

Most of the attention in the current crisis has been paid to the level of the public debt and to a lesser extent to the debt of the financial sector. Indeed, the figure that (at least traditionally) really matters for most multilateral economic institutions is that of the level of public debt[19]. Yet, focusing on the latter and without accounting for private debt, one lacks an accurate picture not only of how leveraged an economy is (and thus how fragile its economic situation is and how difficult the deleveraging phase will be), but also of the real degree of indebtedness of an economy and its people. Especially so, that, as we mentioned above, one of the distinctive characteristics of the current crisis episode is the high levels of household indebtedness. Therefore, in comparison to 'public debt', a more appropriate figure to capture real levels of national indebtedness is the 'total debt' that consists of both the public and private debt (private debt includes households, the corporate non-financial sector and the financial sector).

In the beginning of 2011, the ranking of advanced G20 economies in terms of total debt to GDP ratio was the following: Japan (512%), the UK (507%), (363%), France (346%), South Korea (314%), Italy (314%) and the US (279%), Germany (278%), Australia (277%) and Canada (276%), while the advanced economy average was 339%. The contrast with the BRIC's total debt is striking. In 2008, China's total debt to GDP stood in 2008 at 159%, Brazil's at 142%, India's at 129% and Russia's at 71%[20]. Yet, it has to be noted that the debt and leverage capacity of emerging and advanced economies is different[21].

Furthermore, the level of each of the different debt types of which total debt consists exercises an independent effect on economic performance and overall debt sustainability. The fact that, Greece's total debt to GDP ratio in 2011 was just 267% is indicative of this (but also of how misplaced a simplified moral discourse on nations' indebtedness can be). Thus, different advanced economies are implicated in different debt equations and face different debt problems. The key issue here is above what limit debt ceases to be a force for economic development and becomes a drag on growth, for each of the different debt types mentioned above (household, corporate sector, financial sector, government). In terms of advanced economies' public debt, Reinhart and Rogoff[22] have suggested that such a 'drag threshold' is around 90%, Cecchetti et al[23] have suggested 85%, Caner et al.[24] put it closer to 77%, and Elmeskov and Sutherland[25] at 70%. The Stability and Growth Pact of the European Union requires its member to keep their public debt below 60% and the OECD[26] recommends that advanced economies should aim for 50%[27]. The literature is less clear with regard to 'drag thresholds' for the private debt. The recent scoreboard adopted by the European Union for monitoring macroeconomic imbalances put the threshold for private debt (corporate, households) at 160% of GDP. Cecchetti et al suggest 90% of GDP for corporate debt, and 85% for households. Regardless of the exact numbers, most analysts agree that the economies should aim much lower than the thresholds levels, so as to be ready to face adverse economic conditions and crises (i.e. the rainy days)[28]. Table 1 demonstrates the diversity of debt problems within the group of advanced G20 economies. An in-depth analysis of this diversity is beyond

our purposes here. Yet it is indicative that all G20 advanced economies have crossed at least one debt threshold, whilst the UK, Japan and France are above the maximum threshold in three out of four categories.

Table 1. Varieties of Debt and Thresholds of Debt Sustainability: the Case of Advanced G20 Economies (Q2, 2011)

Public Debt Threshold Range*: 60 - 90% of GDP		Household Debt Threshold Range*: 80 - 85% of GDP		Corporate Debt Threshold Range*: 80 - 90% of GDP		Financial Sector Debt Threshold^: 82%	
Japan	226	Australia	105	Spain	134	UK	219
Italy	111	UK	98	France	111	Japan	120
France	90	Canada	91	UK	109	France	97
Germany	83	USA	87	S. Korea	107	S. Korea	93
UK	81	Spain	82	Japan	99	Australia	91
USA	80	S. Korea	81	Italy	82	Germany	87
Spain	71	Japan	67	USA	72	Italy	76
Canada	69	Germany	60	Australia	59	Spain	76
S. Korea	33	France	48	Canada	53	Canada	63
Australia	21	Italy	45	Germany	49	USA	40

Note: Cells in blue demonstrate value above the maximum threshold, whereas grey cells demonstrate value above the minimum threshold, as suggested in the literature. The table is based on data presented in Roxburg et al, 2012 (citing 'Haver Analytics, national central banks, McKinsey Global Institute). *Threshold range is based on respective literature (see above in this article). ^Average of advanced G20 economies, excluding the UK.

The last issue we should address here has to do with the potential duration of the crisis and its negative repercussions on the advanced economies. Based on the analysis of past debt crises, Reinhart and Rogoff estimate that debt reduction and deleveraging takes on average about seven years. Consequently, they suggest that 'the ten years from 2008 to 2017 will be aptly described as a decade of debt'[29]. A similar conclusion is reached also by Roxburgh et al[30]. Analysing 32 past debt/deleveraging episodes they found that the most common policy reaction to these crises was austerity policies and that the deleveraging process lasted on average six to seven years, growth was sluggish and/or negative for a period of two to five years, and on average the debt to GDP ratio declined by around 25%[31].

Yet, the distinctive elements of the current debt crisis may prolong and complicate the debt reduction and deleveraging process. Most past deleveraging episodes were significantly supported by an increase in net exports that helped boosting growth rates in deficit economies[32]. Yet, currently it is highly unlikely that all deficit and highly-leveraged states can increase their exports simultaneously. If they try to do so, then a serious negative impact on international development, poverty, and the environment is almost certain, along with increasing trade frictions between export-oriented emerging powers and advanced economies[33].

Another significant factor that distinguishes the current crisis from past ones is the narrow state 'policy margin' owing to the size of public debt. Partly as a result of the aforementioned contraction in GDP and partly due to states' effort to mitigate the negative impact of the crisis on the population, public debt is expected to rise for several years after the break out of a financial crisis. In past crises, this rise was on average 75% of the GDP[34] though pre-crisis public debt levels were much lower in comparison to the current crisis and thus the after-crisis public debt explosion was easier to handle. This time the crisis broke-out at a time when the levels of public debt in advanced economies were already excessively high. This means that the state's capacity to mitigate the social and economic impact of the crisis is much more constrained, and thus, the impact of the crisis on the social fabric may be uncontrollable[35].

Thus, policy responses in the current episode take place in a rather uncharted environment[36]. Furthermore, the size of the sovereign debt market and the billions that advanced economies request from private capital markets each quarter to refinance their debt along with the sovereign default overtones of the current crisis especially in Europe have produced an explosive mix that act as a destabilising multiplier for the global economy and the societies involved. We thus see the transformation of an accident-prone to an accident-producing global economic system. Even if the worst is avoided (e.g. collapse of the Eurozone, uncontrollable social unrest, disintegration of the international trade regime, competitive devaluations etc.), the need to reduce public debt and return to sustainable public finance will force Western states to low growth rates in years to come.

Last but not least, demographics should also be mentioned as an important negative contingent factor in the process of debt reduction and deleveraging in the West. The population ageing that is observed in many advanced economies constitutes a challenge for public finance for it increases public expenditures and reduces public revenues, producing at the same time serious challenges for national pension systems. Thus, it makes debt reduction more difficult and fiscal sustainability more unpredictable[37].

Debt as External Dependency

A critical destabilising factor in the global politics of debt is whether public and total debt is external or internal[38]. Put differently, whether the government [and the private sector] (re)financing their debt through internal or external borrowing[39]. A high percentage of external debt in an economy implies more dependency to its external debtors (official & private sector) as well as higher vulnerability to adverse changes in the external economic environment[40]. This vulnerability increases because most of the times external debt is denominated in a foreign currency whose interest rates policy is not controlled by the debtor state. External debt was crucial, for instance, in the debt crises in Latin America in the 1980s, in East Asia in the 1990s, and in the recent Greek debt crisis[41].

Table 2 demonstrates differences in the composition of total external debt at a regional level, a year after the break out of the international financial crisis. We see that Latin America has a much more balanced distribution of its external debt in comparison to Asia and especially Europe, where the external debt is concentrated in the banking sector.

Table 2. Composition of External Debt in Selected World Regions
% of Total External Debt

	General Government[1]	Banks	Direct Investment intercompany debt	Other Sectors[2]
Latin America	35	16	10	39
Asia	21	45	6	28
Europe	15	54	9	22

[1]Includes monetary authorities; [2] Includes: nonbank financial corporations, nonfinancial corporations, households, not profit institutions serving households

Table 3a shows the levels of external debt in the G20 economies. In the beginning of 2012, the external debt to GDP average for the ten advanced economies is 118% (95% excluding the UK), whereas the respective ratio for the ten emerging economies is 24.4%[42]. The difference in the external indebtedness between the two groups is striking. The percentage of short term external debt of most G20 advanced economies is also striking. Short term external debt multiplies the exposure and vulnerability of externally indebted economies. In this regard, the UK and Eurozone member-states[43] (excluding Italy) appear highly exposed (even after accounting for the UK's role as a global financial centre). Yet, along with the size and length of maturity, the currency composition of external debt and the size of net interest payments are also key factors for assessing the degree of external dependency/vulnerability (see also below)[44].

Table 3. External Debt, Short Term External Debt and Net International Investment Position in the G20 Economies

Table 3a. External Debt Indicators

External debt as % of GDP 2012, Q1		Short Term external debt
China^	5	63.3
Argentina*	7,6	2.2
Saudi Arabia?	19	Na
India*	18.2	4.2
Brazil*	17.4	1.7
Mexico	26.4	5.1
South Africa	29.2	5.4
Indonesia	26.6	4.4
Russia	27.7	3.7
South Korea*	34.9	11.9
Turkey	43	12.2
Japan	52.9	39.5
Canada	68.6	22.3
Australia	87.8	22.4
United States	100.2	43.1
Euro Area*	120.0	Na
Italy	119.6	38.2
Germany*	159.4	53.7
Spain	166.5	60.9
France*	191.7	72.0
United Kingdom	418.7	297.9

^ Data for 2010. Source WB, author's calculation. * Data for 2011, Q4

Table 3b. Net International Investment Position

Net International Investment Position, % GDP 2011	
Japan	+54.0
Germany	+35.6
China[1]	+23.7
Argentina*	+12.7
Saudi Arabia*	+107.3
Russia*[2]	+1.0
Spain	-92.5
Australia*	-57.8
Turkey	-47.7
Indonesia*	-40.4
Brazil	-33.3
Mexico	-32.6
Italy	-22.3
South Africa*	-17.5
United States*	-17.0
France	-16.5
United Kingdom	-14.1
India*	-13.0
Euro Area	-12.7
Canada	-12.5
South Korea	-9.0

*data for 2010. [1]Excluding Hong Kong (which is +287.7). [2]From +7.9 the previous year.

Source: IMF Statistics (unless otherwise indicated)

Yet, the external debt indicator accounts only for the non-equity state liabilities (it does not for instance account for FDI or portfolio equity) and therefore it offers us only partial information about the external economic position and dependency of a country, i.e. whether a country is a net debtor or creditor. To have a complete picture of an economy's balance sheet of external financial assets and liabilities, i.e. to examine whether a state is a net global creditor or debtor, we need to examine its net international investment position (NIIP). Table 3b focuses on this and presents the NIIP for the G20 economies. Interestingly, only six G20 economies had positive net foreign asset positions (i.e. they were global creditors) in 2011. These included four emerging economies, Saudi Arabia, China, Argentina, and Russia, and two advanced economies, Japan and Germany. All other fourteen G20 economies were net global debtor. Furthermore, the most unsustainable NIIP (in terms of net foreign liabilities as

a percentage of GDP) were held by Spain (-92.5%) and Australia (-57.8%), followed by Turkey (-47.7), Indonesia (-40.4%), Brazil (-33.3%) and Mexico (-32.6%).

Notable is also the fact that the net international investment position of the US is much better in comparison to its position in the world current account balance (i.e. the picture emerging from 'global imbalances'). This concurs with that earlier findings of Bracke et al, for 2005, that the US 'accounts for a much smaller portion of world net foreign liabilities (around 37%) than its share of world net current account deficits (75%)'[45]. Yet, the difference between the G20 advanced and emerging economies as distinctive groups remains. In 2011, the advanced G20 economies as a group had a negative NIIP of $1,6 trillion whereas the emerging G20 economies as a group had a positive NIIP of about $342 billion.

If we translate the above data in absolute numbers in dollars, then the list of largest global debtors and creditors in 2011 is as follows:

Table 4. Largest Global Debtors and Creditors: G20 & other Selected Countries
US Dollar in million, based on NIIP
2011

	Global Debtors				Global Creditors	
1	USA*	-2.470.989,15		1	Japan	3.255.436,81
2	Euro Area	-1.543.097,33		2	China	1.774.746,18
3	Spain	-1.284.088,67		3	Germany**	1.335.494,48
4	Brazil**	-818.026,37		4	Switzerland	937.081,93
5	Australia*	-794.884,42		5	Hong Kong (P.R.C.)	702.696,41
6	Italy	-455.831,54		6	Singapore*	528.836,58
7	France	-426.382,65		7	Saudi Arabia*	483.568,88
8	Mexico**	-401.990,68		8	Netherlands	282.975,18
9	Turkey	-381.053,75		9	Argentina*	46.201,21
10	UK	-327.646,82		10	Russia*	15.684,76
11	Indonesia*	-289.265,47				
12	India*	-223.047,78				
13	Canada	-209.683,54				
14	Korea**	-126.773,18				
15	South Africa*	-70.399,83				

*Data for 2010; **Data for 2012/Q1
Source: IMF Statistics

It is important, however, to note here that a positive NIIP does not necessarily imply a declining external debt. A country may accumulate foreign assets through current account surpluses, thus building a positive NIIP, but may remain a net debtor in terms of its debt stock[46]. Indeed, overall, in 2010 the external debt of G20 emerging economies rose by $340.7 billion, representing 68.8% of the combined stock of all emerging countries' external debt[47]. Yet, this does not seem to significantly affect the solid global economic standing of the G20 emerging economies.

Table 5 demonstrates that, in 2010, the stock of the BRIC's external debt remained moderate, on average at 17.5% of their gross national income (the respective figure for all developing countries was 21%). The same year, the BRIC's short term debt was a 28% of their overall external debt (although this figure comes down to 21% if we exclude China). The risks and vulnerabilities, however, that are associated with this rather high short-term external debt were significantly mitigated by the BRIC's international reserves, which on average stood at 210.6% of their overall external debt stock (103.8% if we exclude China's 531.2%) (see Table 5). At the same time, in 2010 international capital flows to developing countries increased by 68%, in comparison to 2009, thus returning to their pre-crisis 2007 levels. A significant part of this increase concerned debt related inflows (both short term related to trade, and public and private bond issuance), which were increased by 200% in comparison to 2009[48]. The increase in FDI (27%) and portfolio flows (17%) was more moderate. These data indicate that 'global capital markets' look at emerging markets as a safe investment alternative to the embroiled European financial markets.

Table 5: Net Debt Inflows in Selected G20 Emerging Economies
US dollar in billions (unless otherwise indicated)

	Net debt inflows 2009	Net debt inflows 2010	Short term to external debt stock (%)	External debt stocks to exports (%)	External debt stocks to GNI (%)	Reserves to external debt stocks (%)
China	43,5	120,9	63,4	28,9	9,3	531,2
Russia	-19,1	14,0	10,1	79,8	26,9	124,6
Brazil	30,4	78,5	18,9	143,9	16,9	83,2
India	18,4	38,6	19,4	80,9	16,9	103,5
Turkey	-13,8	27,7	26,6	184,0	40,4	29,3
Mexico	8,9	29,4	19,5	62,7	19,5	60,3
Indonesia	14,6	14,5	17,5	101,3	26,1	53,7
Argentina	-2,3	17,1	27,4	152,1	36,1	40,8
South Africa	-2,5	2,1	27,2	43,3	12,7	97
BRIC (average)	18,3	63	28	83,4	17,5	210,6
Developing countries (average)	-	495	25	69	21	137

Source: Author's compilation of data from World Bank, 2012

Our analysis up to now seems not only to uphold the argument of a new debt politics in the international system, but also to indicate that the emerging powers have a solid standing in the new global debt dynamics that increases their policy options, space for maneuver and ability to advocate and defend their interests in the global economy. In some sense, however, the terrain in which debt politics takes place remains a Western one. The next section focuses structural/hegemonic 'rents' that the West, especially the US, is able to extract in the current international system, and assess their impact on the global politics of debt.

To assess the real degree of dependency and vulnerability of the largest global debtors to adverse external economic conditions, we need to account for the currency composition of their external debt liabilities. The larger percentage of debt liabilities denominated in foreign currencies, the larger the risks involved and the greater the possibilities for negative external shocks. Table 6 demonstrates that the US (and the major European countries) in essence borrow in their own currency. Between 80-90% of the US external debt is denominated in US dollars. The respective figure, on average, for the public debt of the largest Eurozone member states is 98.7%, and for the UK 100%. On the contrary, the emerging powers' public debt is overwhelmingly denominated in foreign currencies. In particular, the average for the G20 emerging economies included in Table 6 is 97.6%, which is about the same with the BRIC average (97.4%), whereas the developing states average is slightly smaller at 92.5%[49]. Thus, not only is the external debt of the major G20 advanced economies shielded by exchange rates and interest rates fluctuations, but they also control the currency (exchange rate, interest rates, quantity) in which the overwhelming majority of all other states borrow[50].

Of course, this applies primarily for the US. Having a significant part of its foreign liabilities denominated, and therefore due and repayable, in its own currency, the US, in theory and in practice, can 'export' US inflation (i.e. print dollars) and 'import'/'acquire' products, services and foreign assets. This renders a US balance of payment crisis almost impossible: an exorbitant privilege indeed! But it is also more than that. It gives to the US the equivalent of the 'red button' in the nuclear balance of terror of the Cold War period. Access to the 'red button' allowed the US (and the USSR) to negotiate/set/control the parameters of the Cold War conflict. Respectively, the dollar allows the US to be at the centre and control the dynamics and the parameters of global debt politics. Considering, moreover, the currency composition of the emerging powers' external debt, the US will continue to exercise this privilege in the foreseeable future.

Paradoxically, the current global crisis, if anything, strengthened further the international role of the dollar. The currency of the largest debtor of the world emerged as the only 'safe heaven', in investment terms, in the international economic system. The Eurozone debt crisis and the constitutionally constrained role of the ECB contributed significantly to this development. Indeed whereas before the European debt crisis most investors used the Euro to diversify their dollar dominated portfolia, after the European crisis there has been a clear move away from Euro and either back to the dollar (in most regions) or towards the yen (especially in East Asia and the Pacific)[51].

Table 6. Currency composition of PPG debt*
2010 (unless otherwise indicated)
percent of PPG debt (unless otherwise indicated)

	Debt Denominated in Foreign Currency[3] (%)	The three more important currencies in which PPG debt is denominated(excluding SDR) (%)
USA[1]	7,9	na
Germany[2]	2,4	na
France[2]	3,1	na
Italy[2]	0,2	na
Spain[2]	1	na
UK[2]	0	na
Russia	98,7	$: 94,5 / €: 3,5 / ¥: 0,4
India	95,5	$: 71,4 / €: 3,7 / ¥: 19
Brazil	97,2	$: 86,0 / €: 6,1 / ¥: 5,0
China	98,2	$: 84,0 / €: 6,9 / ¥: 7,3
Indonesia	95,6	$: 51,8 / €: 8,0 / ¥: 34,7
Mexico	100	$: 85,8 / €: 6,4 / ¥: 6,1
Turkey	99,6	$: 63,8 / €: 31,1 / ¥: 4,5
S. Africa	95,8	$: 80,4 / €: 15,4 / ¥: 0,0
All developing countries	92,5	$: 69,4 / €: 12,7 / ¥: 10,4
East Asia & Pacific	94,0	$: 62,8 / €: 5,7 / ¥: 25,5
Europe & Central Asia	97,5	$: 73,1 / €: 21,5 / ¥: 2,9
Latin America & Caribbean	97,8	$: 84,5 / €: 8,9 / ¥: 4,4
Middle East & North Africa	81,8	$: 42,5 / €: 30,5 / ¥: 8,8
South Asia	71,3	$: 60,4 / €: 4,9 / ¥: 6,0
Sub-Saharan Africa	74,4	$: 56,8 / €: 15,1 / ¥: 2,3

Source: WB, unless otherwise indicated. *The PPG debt is the external long-term public and publicly-guaranteed debt. [1]Gross External Debt on 30/06/2012. Source: US Treasury. The Table does not include a 12.1% of external debt which is declared by the US Treasury as 'unknown' in its composition and which refers to 'direct investments', 'other debt liabilities' and a portion of 'loans to other sectors'. [2] General government debt at the end of 2011. Source: ECB. [3]Author's calculation based on WB's currency composition data.

The above exorbitant privilege and hegemonic role of the US arm the country with further structural side-advantages in the changing global debt politics. That is, the US, due to its structural position in the global economy, is able to extract side (valuation) rents/benefits that affect positively its foreign assets/wealth and thus its net international investment position. Although the discussion on what causes these benefits and how they are materialised is still open[52], no one disputes their existence. The rest of this section focuses on this issue.

The Current Account (CA) measures annual changes (flows) in the NIIP (stock) of a country. Thus, *ceteris paribus*, annual changes in the national CA balance equal annual changes in the national NIIP. A deficit in the annual CA demonstrates a country that needs to borrow from abroad and the amount of this borrowing corresponds to the amount of deterioration in the NIIP of a country at the given

period. A surplus in the annual CA demonstrates a country that lends money abroad and corresponds to the amelioration in the country's annual NIIP. In practice, these two figures (CA & annual change in NIIP) are rarely the same, and this is due to what is referred to as 'valuation changes'. That means that regardless of any newly acquired foreign assets or claimed liabilities (e.g. FDI, portfolio investments) that are reflected in the annual CA, the value of the existing assets and liabilities (the stock that the NIIP represents) may change. Thus, in practice annual changes in NIIP equal annual changes in the CA (flows) *plus* changes in the valuation of existing assets and liabilities (stocks) (e.g. due to inflation or exchange rates changes; see below). When this valuation effect is negative, a country may run a CA surplus in a given year, without this being translated into a corresponding annual improvement in its NIIP. This happens because its CA surpluses are counterbalanced by a decrease in the value of its foreign assets over the same year in which it run the CA surpluses. The opposite is also possible. A country may run a CA deficit without this being translated in an equivalent deterioration of its annual NIIP, because its foreign assets may have been appreciated over the same period of time. This is exactly what has been happening in the US after the beginnings of the 2000s, when its CA balance started to deteriorate at a fast pace.

In particular, although the US runs CA deficits above 4% of its GDP throughout the period 2002-2007, reaching the record high 6.1% of GDP in 2005 and 2006, the US's NIIP over the same period registered a minor increase. As Schmitt-Grohe and Uribe calculate, during the period 2002-2007, the US registered

> 'a cumulative deficit of 3.9 trillion dollars, or 32 percent of GDP. Nevertheless, the net international investment position increased by 0.08 trillion dollars...a huge discrepancy of almost $4 trillion between the accumulated current account balances and the change in the NIIP…Without this lucky strike, the U.S. net foreign asset position in 2007 would have been an external debt of about 43 percent of GDP instead of the actual 13 percent'[53].

Along similar lines, Cline has estimated that during 2002-2004, 'seven-eighths of the US imbalance in current transactions with the rest of the world…was in effect obtained for free because of huge favorable asset valuation changes'[54]. For the period 1991-2004, Cline estimates that the valuation benefits for the US NIIP in absolute terms reached the $1.26 trillion mark[55].

The valuation impact of the financial crisis that followed the subprime crisis is equally telling with regards to the nature of global debt relations. After having registered a significant increase in its NIIP (3% of GDP) in 2007 (while the same year its CA deficit was above 5% of GDP), in 2008 the US experienced a spectacular decrease in its NIIP of 13.7% of its GDP (combined with a CA deficits of 4.7% of GDP). More interesting, however, this negative shock was followed the subsequent year (2009) by the largest annual increase of its NIIP (above 10.6% of its GDP), at least since 1979, combined with a CA deficit of -2.7% of GDP[56]. The gap between CA (approx. -3%) and NIIP (close to -0.5%) remained significantly positive for the US in 2010. Thus, valuation changes in 2008-2010 far overshadowed the negative impact of CA deficits on the US NIIP[57].

It is more than evident from the above data that the US has demonstrated a unique capacity to reduce the negative impact that persistent Current Accounts deficits have on the international position and economic sustainability of any country. As Cline argues 'what the US NIIP loses from annual current account deficits, it has tended to gain back at least partially through valuation effects…[T]he US could be said to have been able to devalue away a significant part of its external debt'[58]. To describe this phenomenon researchers have used expressions such as 'borrowing without debt'[59], 'debt without pain' or 'free debt'[60]. Yet, most analysts agree that this position is not sustainable in the medium/long term.

According to official US Bureau of Economic Analysis data these valuation effects take place through three distinctive channels[61]: *Exchange rate valuation.* While the great majority (almost entirety) of US foreign liabilities are denominated in US dollars, the great majority of the US foreign assets are denominated in foreign national currencies[62]. Therefore, any depreciation of dollar towards the currencies of countries where the US holds foreign assets, leads automatically to an increase in the value of these US foreign assets (since local currencies appreciate towards the dollar and the US assets are denominated in local currencies). Thus any depreciation of the dollar increases the value of the US foreign assets, whist it leaves relatively unaffected the value of its liabilities. Taking into consideration that for most of the period after the beginning of the 2000s the dollar has been depreciating significantly (above 20%) in real effective terms towards most main foreign currencies of relevance to the US NIIP, it is clear that this channel has allowed the US to generate huge capital gains able to offset significantly the negative implications of its rapidly deteriorating, over the same period, current account balance[63]. Furthermore, taking into consideration that the US can exercise, to a considerable degree, control of the international value of the US dollar (both through monetary, interest-rate and foreign economic policies), then this valuation channel is the channel which the official US policy apparatus can control the most. The fact that the dollar has been strengthened as a result of the current crisis strengthens the US advantage in this area.

Asset price valuation. There are at least two aspects with regard to asset price valuations. The first relates to the type of assets of which the US foreign assets and liabilities consist. In particular, the majority of US foreign assets are in equity type investments, FDI and portfolio equity (high risk – high returns), while the majority of US liabilities are in debt obligations, mostly bonds (low risk – low returns). Consequently, the value and valuation of the US foreign assets depend on fluctuations in the international stock prices (measured in US dollars), while the value of the US bonds remain rather stable and the official US policy apparatus maintains interest-rates policy as a means to influence them. Thus, in conditions of international economic stability (real or illusionary—see the 'great moderation' period), when international stock markets tend to be stable or move upwards, then the capital gains extracted from the US foreign assets (FDI and portfolio equities) outperform by far the US debt liabilities. And considering the strengthening of the place of emerging powers in the global economy this pattern of returns is likely to continue in the foreseeable future[64]. Of course, this valuation affect is moderated or reversed in periods when international stock markets are plummeting. Yet, in this latter case a reverse of financial flows back to the US mitigates this negative valuation impact.

The second issue with regard to asset price valuation concerns the dynamic of the relationship between US foreign equity assets (FDI & portfolio equities) and US foreign liabilities in respective equity-type investments (i.e. the US foreign liabilities that do not concern debt obligations). Here the direction of the valuation effect (positive or negative) depends on how the US stock market performs in relation to international stock markets. When the US stock market outperforms its competitors the value of US liabilities (US equity owned by non-US investors) increases (i.e. there is a negative valuation effect for the US), whereas when stock markets internationally, for instance in emerging powers, outperform the US stock market, as has been the case since the break out of the global economic crisis, then the value of US foreign assets is boosted (positive valuation effect for the US). Putting this in historical perspective, Lane and Milesi-Ferretti found that[65]: (a) during the period 1983-92 stock prices increased at similar rates in the US and the rest of the world. Yet, for most of this period US foreign equity liabilities were significantly larger than U.S. foreign equity assets, and therefore the valuation effect had been negative for the US. (b) During the period 1993-2001 the US stock market outperformed stock markets internationally, and this negative valuation effect for the US was multiplied by the appreciation of the US dollar. (c) During 2002-2006, these conditions were reversed, and the positive valuation effect generated by the boom in stock markets outside the US was multiplied by the depreciation of dollar, and the fact that the amount of both foreign assets and liabilities had significantly increased as a percentage of the US GDP. Taking into consideration, however, that fluctuations in the US stock market exercise a significant psychological impact on international (stock) markets and significantly influence international market sentiments, one would overall expect a rather synchronic movement of US and international stock markets, and therefore valuation effects coming from diverse stock market performances should not be exaggerated – taking also in consideration that the majority of the US foreign liabilities are in bonds[66]. Notwithstanding, in the 'decade of debt' that the West is going through (see above) it could be assumed that portfolio equities in the emerging powers would be more attractive to investors in comparison to equities in western stock markets.

Other and Residual Valuation. This channel has sparked a great debate in the literature[67]. Since the beginnings of the 2000s, the positive valuation impact coming from this channel on the US external position has been significant (at times equivalent to the positive effect from the exchange rate valuation). There is no agreement however whether this positive valuation impact comes from unrecorded/misrecorded financial flows (FDI or portfolio equity), problems in the measurement of the stock of assets and liabilities, or not accounted for (or not easily accountable) capital gains from intangible US assets, often referred to also as 'dark matter' (e.g. export of business and management know-how and brand name value).

Of course, valuation effects are not 'US-specific'. They can and do occur in all countries. This is most evident with regard to exchange rate valuation changes. As shown above, the external debt of most countries is not only denominated in different currencies, but it also expressed/measured in US dollar value. Thus fluctuations in the value of the US dollar and other external-debt-related-currencies produce automatically valuation changes for the countries involved. For instance, whereas in 2011, on average, the US dollar was depreciated against the Brazilian real, the Japanese yen, the Chinese yuan, the South Korean won, the Mexican peso and the

South African rand (thus producing positive valuation changes for the US), it appreciated against the Indian rupee (thus producing positive valuation changes for India)[68]. In particular, for the period between end-March 2011 and end-December 2011, this dollar appreciation produced a positive valuation effect on Indian external debt of US$12.2 billion. Thus, whereas without the valuation effect the Indian external debt at the end of 2011 would have been US$ 347.1 billion, the valuation change brought this number down to US$ 334.9 billion[69].

Yet, the multiplicity of the valuation channels described above demonstrates that the case of the US with regard to valuation changes is unique both quantitatively and qualitatively. From the above analysis, it is evident that the US due to the international role of dollar, the degree of the international economic integration of its economy, and overall its central/hegemonic place in the global economy has at its service a unique range of structural and institutional mechanisms that function as 'automatic stabilisers' not only for the sustainability of its external position but also for its broader hegemonic role in the international economy. And this, without including the role, effect and influence of the US in the organisations and institutions that define the existing international economic architecture (e.g. IMF, World Bank, G20).

To conclude, the analysis of valuation effects demonstrates the multiplicity and complexity of the channels through which the US has been able to 'devalue away' a significant part of its external debt over the past decade. For this reason, the mechanisms of valuation changes are a critical aspect of the study of the nature and dynamic of the current power politics of debt.

At the final analysis, agency matters as much as structure

In our preceding analysis we have tried to assess the implications of the global economic crisis the broke out in 2007/8, in terms of new global debt relations, dynamics, dependencies, politics and economics. We have also attempted to examine less apparent aspects of this global debt architecture that manifest the structural power of the US, as well as 'structural biases' embedded in the existing structure that favour the reproduction of the existing global politico-economic order and status quo.

Yet, it would be a mistake to take the impact of the current crisis on the US, China, the EU and the other major politico-economic players as given. The impact that the crisis will have on the major global politico-economic actors and their relations is not independent from the way in which these actors have tried and will try to deal with the ongoing crisis. Put differently, the impact of the crisis on each actor depends critically on the policies and strategies that each actor itself deploys and has deployed in order to overcome the crisis. The case of the Eurozone is a pointed example. The handling of the Greek issue in 2009 mutated into a national debt crisis for Greece, which itself mutated into a debt crisis for the Eurozone's periphery, spread in Italy and Spain, and threatens to bring about the collapse of Euro/Eurozone. Thus, to a large extent Europe from 'an-example-to-follow' has now started to be seen internationally as 'an-example-to-avoid'. Furthermore, internally, the sense of trust amongst European elites and peoples that have gradually been built after WWII now seems to have reverted back to old nationalistic sentiments and stereotypes. Thus, a

crisis that originated in the US and could have been used as an opportunity to strengthen the international role of the EU and its common currency, led to exactly the opposite direction. It has proved damaging both for its international image and role, and for its internal cohesion and integration dynamics. And this, primarily due to the way in which the EU/Eurozone itself responded to the crisis.

The response to the crisis is also critical because it determines how long it will take for each actor to exit the crisis and at what cost. Here, one should be very cautious with forecasts and generalisations. Yet, the evidence presented hitherto seems to support overwhelmingly the thesis of a decade of debt and debt adjustment for the West, specifically the US and the EU. A lesson drawn from past debt crises in advanced economies is that the mode of deleveraging is key for a return to a sustainable economic path. For instance, not dealing in time and effectively with bad, non-performing loans clogs the financial system and undermines its stability and credibility. The longer the problem remains unresolved, the longer it takes for a return to a sustainable growth path. For instance, in Japan, the failure, for almost a decade after the burst of the real estate and stock market bubbles in 1989, to deal effectively with its overleveraged corporate sector, has been an important factor behind the country's inability to overcome its economic crisis for the past two decades[70]. Of course, international currency politics and the appreciation of yen after the Plaza Accord, is also critical for understanding the 'Japanese malaise'.

In the current debt crisis and in terms of deleveraging the US seems to have taken a much more resolute stance in comparison to the EU. As Roxburgh et al demonstrate[71], since the end of 2008, 'all categories of US private-sector debt have fallen as a percent of GDP'. The larger reduction was registered in the financial sector, where by mid-2011 the ratio had fallen below where it stood in 2000 - a reduction that in absolute terms is estimated at $1.9 trillion. 'Nearly $1 trillion of this decline can be attributed to the collapse of Lehman Brothers, JP Morgan Chase's purchase of Bear Stearns, and the Bank of America-Merrill Lynch merger. Since 2008, banks also have been funding themselves with more deposits and less debt'[72]. The respective reduction in US household debt in absolute terms was 4 percent, approx. $0.6 trillion, one third of which concerned defaults on home loans and consumer debt. Thus, in 2011 the 'US households have reduced their debt relative to disposable income by 15 percentage points, more than in any other country; at this rate, they could reach sustainable debt levels in two years or so'[73]. Of course the problem of non-performing assets is far from over in the US and the other side of this deleveraging process has been a rapid increase in public debt.

On the other hand, while the EU/Eurozone has also experienced a rapid increase in its public debt, a deleveraging equivalent to that seen in the US is still pending. Based on past debt crises , this probably indicates that the Eurozone has been left behind in terms of returning to a sustainable economic path, and thus its debt crisis may take more time and resources to overcome. And this, despite the fact that the EU, at the time of the break out of the crisis had, and still has, better economic fundamentals in comparison to the US. A prolonged crisis in the European economy, however, cannot but have a negative impact on the US economy and its adjustment process. In such a scenario, in which a prolonged European 'economic malaise' drags down the US and its economic recovery process, the result would be an acceleration of the geopolitical

and geoeconomic implications that are nested in the new global debt relations described above. Yet, on this only time will tell.

Conclusions

It is a mistake to treat the 'West' and the 'global South' as single entities. Major actors in both these blocks have different economic fundamentals and interests, are integrated differently in the global economy, differentiated in their strength in global economic negotiations, and have been affected differently by and have adopted different strategies in response to the crisis. Yet, our analysis has shown that there are significant differences in the debt and external positions between the G20 advanced and emerging economies, that these differences produce historically unprecedented global debt relations in favour of emerging economies, and that there is no easy or fast (peaceful) way for the advanced economies to overcome the negative implications of the current crisis and reverse the existing current account flows and dependencies[74]. In this sense, post 2007/08 global debt relations breed the potential of geopolitical and geoeconomic transformation. Our analysis, however, has demonstrated also that the West and especially the US plays in its own court and maintains sufficient structural power to control the parameters of any significant change in the global political economy. Controlling these parameters, however, is not the same as deciding the content and agenda of global political economy. Our findings suggest that the need to deleverage and rebase the Western economic system on stable foundation, so as to restore its sustainability, will not only take time but, most importantly, it is a game that the West has to play from a position of weakness (excessive leverage and/or indebtedness, eurozone crisis), at least in comparison to its traditional post-WWII status.

In this environment, the emerging powers can and have strengthened their presence and voice within the Bretton Woods system (e.g. enhanced role of G20, redistribution of voting rights in the IMF). In this way, the system becomes more representative and a decoupling of the 'global South' less likely. After all, this system has served as the ladder used by the BRIC themselves, especially China, to emerge. But no significant geopolitical changes seem to be in order. In this way, the most significant change brought about by the new global debt politics and economics concerns the very resolution of the debt crisis itself. In past episodes, hegemons would resolve 'global imbalances' (see hegemonic imbalances) by imposing their will and self-beneficial solution on all other stakeholders (by political pressure, sanctions, gunboats or otherwise). Currently, the US seems no longer to be in a position to impose its terms, about the needed global re-adjustment, on the rest of the world. In this sense, the emerging powers seem to have gained a new space of policy autonomy. To what this space will be translated depends on both structure and agency.

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[24] Caner et al., 2010
[25] Elmeskov and Sutherland, 2012
[26] OECD, 2012
[27] For respective figures in developing regional organisations see Development Finance International, 2009.
[28] See for instance, Cecchetti et al, 2011; Reinhart and Rogoff, 2010; OECD, 2012
[29] Reinhart and Rogoff, 2011a : 3; see also Reinhart and Rogoff, 2011
[30] Roxburgh et al, 2010
[31] Harverd et al, 2011; Roxburgh et al, 2010; Reinhart and Rogoff, 2011a
[32] Roxburgh et al, 2010
[33] See also Friedberg, 2010, Frieden, 2009
[34] Harverd et al, 2011
[35] See also Altman, 2009; Sally, nd.
[36] ibid.
[37] See Cecchetti et al., 2011
[38] Williamson, 1999; Loser, 2004
[39] According to the World Bank, 'external debt' is debt owed to nonresidents, by residents, repayable in foreign currency, goods, or services.
[40] Loser, 2004: 17
[41] Although, the Greek debt was denominated in the country's own currency, the Euro. For the Latin America case see Devlin and Ffrench-Davis, 1995
[42] See also World Bank, 2012
[43] See Dias, 2010
[44] Ibid. See also Das et al, 2010
[45] Bracke et al, 2008: 23
[46] See also Bracke et al, 2010: 22-23. For recent data see World Bank, 2012
[47] Author's calculations based on data from World Bank, 2012
[48] World Bank, 2012: 1
[49] See also, IMF, 2011: 14.
[50] The fact that the value of the huge international reserves held by emerging powers (see above) depends overwhelmingly on western currency exchange rates is also an important Western leverage in global debt politics. For the evolution of currency composition of international reserves, see IMF 2011.
[51] See World Bank, 2012a .
[52] Indicatively see, Lane and Milesi-Ferretti, 2008; Higginset al, 2006; Gourinchas and Rey, 2005
[53] Schmitt-Grohe and Uribe, 2012: 15

[54] Cline, 2005: 35-36
[55] Along similar lines, for the period 1986-2007, Lane and Milesi-Ferretti (2008) calculate the benefit to $2 trillions.
[56] Schmitt-Grohe and Uribe, 2012: 15
[57] See also Obstfield, 2011
[58] Cline, 2005: 34
[59] See Higgins et al 2006
[60] Cline, 2005
[61] Nguyen, 2006, quoted in Higgins et al 2006
[62] See also Lane and Milesi-Ferretti, 2008: 8-9
[63] For a literature review and historical comparison of the impact of dollar's appreciations/depreciations on the US current account balance and NIIP, see Milesi-Ferretti, 2008.
[64] See also Lane and Milesi-Ferretti, 2008
[65] See also ibid.
[66] See also Higgins et al 2006: 4
[67] Among others see: Higgins et al 2006; Hausmann and Sturzenegger, 2007; Lane and Milesi-Ferretti, 2008
[68] According to data published by the US Federal Reserve in February 2012.
[69] See Government of India, 2012. Lane and Milesi-Ferretti (2006) offer one of the most comprehensive, yet technical, global perspectives on valuation effects on a wide range of industrialised countries.
[70] Roxburgh et al, 2012
[71] Roxburgh et al, 2012: 18
[72] ibid.
[73] ibid.: 1
[74] See also IMF, 2011a