IMPERIALISM AND GLOBAL SOUTH'S DEBT: INSIGHTS FROM MODERN MONETARY THEORY, ECOLOGICAL ECONOMICS, AND DEPENDENCY THEORY

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ABSTRACT

This chapter addresses the issue of the Global South external debt by mobilizing insights from Modern Monetary Theory, Ecological Economics, and Dependency Theory. It argues that the external debt problem of Southern governments is a reflection of their subordinate economic and monetary status. It shows why the argument of foreign currency shortage often used to explain the need for Southern governments to issue foreign currency debts remains superficial. In contrast to the usual focus on creditors, the chapter highlights the role played by foreign direct investment in the genesis of the chronic external indebtedness of most Southern countries. It argues then that the external debt of the South must be understood holistically not only as a manifestation of the unequal ecological exchange between the North and the South but also as an instrument that has contributed to reproducing and amplifying this pattern. Under these conditions, the cancellation or restructuring of the South's external debt stock and a few other unlikely concessions by the Northern countries will not be enough to abolish the "debt system." This is an important lesson from the antiimperialist critique of the mid-1970s New International Economic Order (NIEO) agenda that current movements for Southern debt cancellation and Climate Justice would do well to remember.

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1. INTRODUCTION

This chapter addresses the issue of the Global South external debt by mobilizing insights from Modern Monetary Theory (MMT), Ecological Economics, and Dependency Theory. It argues that the external debt problem of Southern governments is a reflection of their subordinate economic and monetary status.[1] Indeed, governments that are monetarily sovereign in an MMT sense do not have an intrinsic solvency constraint and, as such, they do not have to issue bonds denominated in a foreign currency (Section 1). Second, it shows that the argument of foreign currency shortage often used to explain the need for Southern governments to issue foreign currency debts remains superficial insofar as it leaves aside on the one hand *allocative choices about real resources* and on the other hand *distributional conflicts over the allocation of external revenues* (Section 2). Actually, the focus on creditors often obscures the major role that Foreign Direct Investment (FDI, i.e., transnational companies) plays in the economic orientation of Southern countries and in the genesis of the conditions that put them in a situation of chronic external indebtedness. In many cases, FDI's usually "first claimant" right over the allocation of external revenues contributes to the "shortage of foreign currency" and, in turn, to the difficulty of servicing debt in times of crisis. Very often, transfers of profits and dividends are greater than the interest payments on the external debt of Southern countries and sometimes the servicing of their external public debt (Section 3). These net transfers of income are part of a more general pattern of net transfers of *financial* and *biophysical* resources. Thus, the external debt of the South must be understood holistically not only as a manifestation of the unequal ecological exchange between the North and the South but also as an instrument that has contributed to reproducing and amplifying this pattern (Section 4). Under these conditions, the cancellation or restructuring of the South's external debt stock and a few other unlikely concessions by the Northern countries will not be enough to abolish the "debt system." This is an important lesson from the antiimperialist critique of the mid-1970s New International Economic Order (NIEO) agenda that current movements for Southern debt cancellation and Climate Justice would do well to remember (Section 5).

2. PUBLIC DEBT AND MONETARY SOVEREIGNTY

Mainstream economics has accustomed us to many myths about money and finance that stand in the way of understanding economic phenomena. These myths contribute to a blurring between the objective constraints that countries and their governments may face and those that are more or less self-imposed (Mosler, 2010; Wray, 1998). The idea, for example, of money as a commodity – and thus a scarce "good" – and the idea that banks are mere intermediaries

between savers and applicants for loanable funds continue to wreak havoc in economics teaching and policymaking, despite publications by leading central banks arguing to the contrary (see, for example, McLeay, Radia, & Thomas, 2014). However, of all the myths, the one that considers state finances and household finances alike is the most widespread (Kelton, 2020).

According to common wisdom, households face a budget constraint. They must avoid taking on too much debt. Instead, they should try to tailor their spending to their income. Ideally, they should build savings that will allow them to face uncertain times and even to prepare for the future of their youngest members. Similarly, it is often assumed that governments should avoid living beyond their "financial means." In order to limit the size of their debts, they should aim for moderate deficits, that is, small gaps between their expenditures and their revenues. As for households, achieving budget surpluses would be synonymous with "virtuous" and "responsible" financial management.

This type of reasoning pays little attention to the principles of double entry bookkeeping. For every debit (deficit), there must be an equivalent credit (surplus). The government deficit is always matched by the nongovernment sector surplus. The government deficit (and thus the increase in government debt) is what allows the nongovernment sector to accumulate net financial assets. These are two sides of the same coin. "Virtuous" and "responsible" households can all net save only if other economic agents (including the government) are willing to spend more than their revenues. Otherwise, they will not be able to meet their net savings targets. This explains that the government deficit is generally nondiscretionary. It varies according to the net savings targets of the nongovernment sector. The type of behavior that is desirable for households (to obtain financial surpluses) is not necessarily desirable for their government.

The main reason why it is incorrect to treat government finances as household finances is that governments and households do not have the same monetary status. As MMT points out, governments generally have a monopoly on issuing the currency used within their borders by households and businesses. They are usually currency issuers while households and businesses are currency users. Monetarily sovereign governments issue claims on themselves in the national money unit of account. They do not face the same kind of constraints as the currency users (Mitchell, Wray, & Watts, 2019).

While most International Monetary Fund (IMF) member governments have their own national currencies (IMF, 2021) – they enjoy a status of formal monetary sovereignty – their degree of financial independence varies. Some of them have monetary sovereignty in an MMT sense: they issue a *fiat currency*, that is, a nonconvertible currency (not pegged to gold or any currency) in which they receive the payment of taxes; the debts they issue are denominated in that unit of account.[2]

Governments that meet these conditions have no *intrinsic financial constraint*: their ability to spend is not limited by the amount of tax revenue or national savings. They can always pay the obligations due in their own currency. Each time public spending is carried out by crediting (marking up numbers on) bank accounts. Monetarily sovereign governments are "self-financing": their payments

always correspond to monetary creation (Bell, 2000; Berkeley, Ryan-Collins, Tye, Voldsgaard, & Wilson, 2022; Ehnst, 2020; Rezende, 2009; Tymoigne, 2016, 2020).[3] For monetarily sovereign governments, the coordination between the Treasury and Central Bank is a daily routine. While taxes and bonds drain reserves from the banking system, public spending increases them. Another implication of monetary sovereignty is that their central banks, not financial markets, have control over the interest rates on the bonds they issue (Fullwiler, 2006, 2020).

However, governments with sovereign currencies face a *real constraint*: inflation. Their ability to spend their own currency is limited by the availability of real resources (land, labor, raw materials, equipment, technology, and organizational capacity). In other words, monetarily sovereign governments can always pay their bills (subject to authorization by their parliaments), but they face the risk of inflation. Their spending, like any additional spending from other agents in the economy (households, companies, and the rest of the world), can lead to a depreciation of their currency if productive capacities/real resources do not follow. What really matters in their case is the size of their spending and its composition, not its financing method (Felipe & Fullwiler, 2022).

By contrast, some governments do have no monetary sovereignty in an MMT sense: they have an objective financial constraint. This is the case for countries that are members of a monetary union, those that are dollarized or those that have opted for regimes called currency boards. Between the two poles of the spectrum of monetary sovereignty, there are governments that enjoy variable degrees of financial independence. Most of the Southern governments are in an intermediate position due to a number of factors, including being significantly indebted in foreign currency and being heavily dependent on some critical imports like food and fuel (Sylla, 2023).

These preliminary considerations make it possible to look at the question of public debt from a perspective that goes against the usual hysteria. Despite the ordinary focus on public debt, the fact is that private debt is the most worrying problem under capitalism, especially in the core countries. The inherent instability of the capitalist system originates in part from the private sector, and in particular from the dynamics of private debt (Minsky, 2016; Wray, 2018). Major crises in capitalism that started in core countries have often been preceded by periods of fiscal surpluses having given rise to unsustainable private "deficits" (Keen, 2011, 2015). Quite often, in order to deal with economic and financial crises, government deficits must increase in order to boost demand that is directed at nonfinancial businesses and to clean up the balance sheets of financial institutions. The Great Financial Crisis of 2007–2008 is a prime example of the dynamic interrelationships between public and private debt (Jordà, Schularick, & Taylor, 2013; Tooze, 2018).

As core countries' government debt is denominated in their national money unit of account, their solvency is not at stake, regardless of what the rating agencies think. Rather, it is the private debt that should be of concern in their case. In the peripheral countries, private debt is just as much a problem as public debt. Their governments are at risk of insolvency because their debt is often

denominated in foreign money units of account such as the US dollar, the euro, etc., that is, currencies they do not control. They can default on their foreign currency debt, and depending on the case, they can also default on part of the debt denominated in their national unit of account.[4]

It should be clear, therefore, that the problem of the external indebtedness of the Global South governments reflects above all their subordinate economic and monetary status. For governments that are monetarily sovereign are those that do not have to issue debt instruments in a foreign currency.

The differences in economic and monetary status between core and peripheral countries have been highlighted by the COVID-19 pandemic. Governments everywhere have seen their tax revenues decline as a result of the slowdown of global economic activity. However, the ability to spend to deal with the economic and health consequences has been very uneven.

In the core countries, governments have been able to run large and sometimes unprecedented deficits, taking advantage of low or negative interest rates and the active support of their central banks. In 2020, OECD governments issued a record $18 trillion in market debt, almost double the amount of sovereign debt issued during the 2008 financial crisis. Eighty percent of fixed-rate sovereign bonds yielded less than 1%. Central banks in most OECD countries have been acquiring sovereign bonds on a massive scale in secondary markets. The Bank of Japan and the Sveriges Riksbank, for example, hold almost 45% of their respective government debt stock (OECD, 2021b, pp. 16–23).

In contrast, in the peripheral countries, government deficits have been lower, especially for low-income countries (IMF, 2022, p. 6). With declining export earnings and the temporary closure of international financial markets, some countries were unable to service foreign currency debt, while most had to rely on IMF loans and/or seek external debt restructuring.[5]

If the size of the public debt stock and the rate of its increase were to be interpreted as indicators of fiscal "profligacy," OECD governments, particularly those of the G7, would be uncontested champions. However, as we have seen, this type of interpretation is not appropriate. The countries with the highest debt-to-gross domestic product (GDP) ratios in the world such as Japan are not facing sovereign debt crises.[6] Rather, these concern Northern countries like Greece that have given up their formal monetary sovereignty by joining a monetary union, and peripheral countries such as Ecuador, El Salvador, Argentina, Zambia, Sri Lanka, etc., that have, on average, (external) public debt ratios below the standards of the G7 countries.

When confronted with those who attribute debt crises in the South to management problems or who try to lecture them, the usual response from some leading advocates of the South is to point out that Northern governments are much more indebted than the Southern ones (Lopes, 2021). This line of defense, however, is hardly convincing. It is not relevant to compare the relative size of the domestic currency debt of monetarily sovereign governments with the largely foreign currency debt of governments with limited or no monetary sovereignty.

3. ON ORIGINAL SIN

Since governments that issue debt only in their national fiat currency usually do not face solvency problems, the next logical question is: Why do governments in the South issue debts in foreign currencies (i.e., in foreign money units of account)? In other words, why don't they just issue debt in their own currencies like their Northern counterparts? In the mainstream economic literature, the concept of "Original Sin" is used to refer to the inability of governments and firms in some countries to obtain external loans in their own currency – the "international component" – and/or to obtain long-term domestic loans in their own currency – the "domestic component" (Eichengreen & Hausmann, 1999; Eichengreen, Hausmann, & Panizza, 2005a). Empirically, the overwhelming majority of internationally tradable debt securities is denominated in the few currencies that function as international reserve asset. This includes debt issued by residents of countries that have peripheral currencies.

Despite its ubiquitous biblical jargon ("sin," "redemption," "mystery," "pain," "debauchery," etc.), this literature remains surprisingly perplexed about the causes of "Original Sin." Its leading authors point out that the usual variables (institutional quality, level of development, monetary credibility, fiscal solvency, etc.) do not explain why some countries suffer from "Original Sin" and others do not. The only variable that is significantly correlated with "Original Sin" is country size: "Large countries are less sinful" (Hausmann & Panizza, 2003, p. 980). However, it is difficult to interpret this correlation because relatively small countries have escaped the fate of "Original Sin."

This literature has certainly offered useful insights into some of the manifestations and consequences of "Original Sin" (Eichengreen et al., 2005a, 2005b, 2007; Engel & Park, 2022). However, it does not answer the question at hand. Worse, some of the solutions put forward for "redemption from Original Sin" are highly problematic (Panizza, 2006, pp. 33–34). Some authors propose the abandonment of formal monetary sovereignty in favor of dollarization or monetary unification with countries that escape the "Original Sin." Others propose debt reduction, a strategy that does not really make sense in absolute terms. Moreover, to speak of "Original Sin" in reference to the subordinate monetary status of the countries of the South conveys undoubtedly some irony. For, to explain why the countries of the South are in a situation of financial dependence, it would have been much more convincing to refer to the "Original Sin" of capitalism, in particular, to what Karl Marx called the "idyllic proceedings" of primitive accumulation (Marx, 1887, Chapter 31).

Indeed, as Burkinabe President Thomas Sankara famously pointed out in a speech to the Organization of African Unity, the debt of the South has colonial origins (Sankara, 1987). Many countries in the South inherited debts at independence that were incurred in foreign currency by colonial administrations (Waibel, 2021). These debts were "odious" in the sense that they had been issued by nondemocratic regimes with the more or less tacit complicity of creditors who were aware that they were intended for illegitimate uses. Because these debts were not repudiated by the new governments in the wake of their access to

international sovereignty, their servicing continued to imprint a particular structure and trajectory on their economies (Laskaridis, Legrand, & Toussaint, 2020; Toussaint, 2016, 2019). In the postindependence period, the installation of client regimes in the countries of the South by imperialist powers has also contributed to burdening their populations with odious debts that keep them in a vicious cycle of economic and financial dependence (Ndikumana & Boyce, 2011; Perkins, 2016). Haiti is certainly the most emblematic case illustrating the long-term economic consequences of odious debts of colonial origin (Boltax, Boulger, & Miller, 2021; Hudson, 2017).[7]

However, even the "democratic" countries of the South, in the sense that they have regular and transparent elections with more or less functional parliaments, do not escape "semi-odious" forms of debt. Their governments, sometimes for electoral purposes, issue foreign currency debt to finance infrastructure projects carried out by Northern (and increasingly Chinese) companies. Because of their elitist orientation, their economic benefits to the vast majority are questionable. Moreover, because these projects sometimes face "currency mismatch" (i.e., they are financed in foreign currency, but they generate revenues in national currency; liabilities and assets are denominated in different money units of account), they tend, all else being equal, to worsen external solvency ratios.[8]

Even without a historical record of odious debt, there could be reasons justifying why Southern governments issue foreign currency debt. In the international development literature, one frequent argument is that these countries are "poor": they lack financial "resources." Their investment needs are greater than their available savings. In addition, they do not have enough foreign exchange reserves to purchase the imports necessary for their economic growth. As a result, these countries need to attract foreign capital – development aid, debt, or FDI.[9]

This explanation seems plausible a priori. However, it suffers from notorious limitations. This mainstream view of the relationship between savings and investment is not adequate (Dullien, 2009). Saving is not an a priori constraint on investment because credit is what loosens the link between the two. In reality, it is investment that creates savings, that is, the unconsumed part of the income created by investment. This aspect is well known to post-Keynesian economists. Some of them tend to insist on the consequences of the subordinate nature of Southern currencies, while others factor in the lack of foreign exchange, as a result of a "balance-of-payments constraint."

The post-Keynesian literature on "emerging markets" has produced important analyses regarding the particular constraints faced by countries at the bottom of the "International Currency Hierarchy" in the post-Bretton Woods regime (Akyüz, 2013, 2017; Palludeto & Abouchedid, 2016; Prates, 2017; Paula, Fritz, & Prates, 2017). It shows that external finance (especially private finance) is a source of financial instability that creates an alternation between boom and bust phases in Southern countries.[10] The boom phases stimulate capital inflows that do not always boost domestic investment. As their currencies appreciate, their trade balances tend to deteriorate. Bust phases involve capital outflows ("flight to safety") that lead to the depreciation of their currencies, which increases the national currency burden of the debt contracted in foreign currency and can lead

to defaults. Exchange rate depreciation can often stimulate imported inflation. This environment of financial volatility confronts firms and financial institutions with "currency mismatches" that have destabilizing balance sheet effects. This strand of literature deals essentially with the "external constraint" on the "policy space" of "emerging" countries (for example, their ability to pursue autonomous monetary, exchange rate, and fiscal policies). It does not necessarily provide an argument justifying why Southern governments should issue foreign currency debt. Interestingly, the international currency hierarchy literature has been criticized for being inconsistent with the endogenous money approach (Deos & Gerioni, 2022).

Another strand of post-Keynesian literature points out that the Southern countries trade with the rest of the world not in their own currencies but through the dominant currencies. Therefore, they need to acquire their means of exchange with the rest of the world. However, the foreign currency financing needs dictated by their development are often greater than their foreign currency holdings (Löscher, 2021; Oberholzer in this volume). Although this perspective could provide an argument for the issuance of foreign currency debt by sovereigns, it does not say whether the "foreign currency shortage" is cyclical (for example, it can be due to declining terms of trade), transitory (for example, industrializing countries might at some point face this problem), or permanent. If the problem is considered as a permanent reality for (most) countries in the South, as could be evidenced by the recurrence of foreign currency debt crises, then we are dealing with something else.

An MMT perspective puts to test the "shortage of foreign currency" argument as an explanation for why Southern governments have to issue foreign currency debt. MMT distinguishes between financial and real resources. It emphasizes that everything that is technically and materially feasible locally can be financed in the national currency. Nothing prevents Southern countries from financing themselves those projects that do not require real resources from outside. They can deploy the currency issuing powers of their government and adjust their banking and financial sector according to their needs (Sylla, 2023). As a result, the policy space of Southern governments that are currency issuers is generally underestimated (Assa, 2022) as it is often impaired by the pursuit of neoliberal policies of fiscal conservatism, monetary dominance, external trade, and capital account liberalization.

Indeed, most Southern countries that are currency issuers do not face intrinsic financial constraint for projects that require real resources that are locally available or can be developed locally. Let us call them "locally resourced projects" (LPs) to distinguish them from "externally resourced projects" (EPs) or projects requiring real resources from abroad. For LPs, it is not appropriate to speak of a financing problem because the domestic monetary and financial system can in principle be set up to provide the required financing. If LPs were to be financed in foreign currency, the financing received would be converted into national currency for their implementation, which results in increased foreign exchange reserves. As the central bank is the only authority habilitated to issue the national currency, it follows that financing LPs with foreign capital amounts

to provide a foreign exchange "cover" for the amount of domestic spending necessitated by such projects.

The notion of a "financing gap" or a "shortage of foreign currency" makes little sense in the absence of any indication on the nature and origin of the real resources that must be mobilized. Southern countries may well have a "financing gap" for projects that require foreign real resources (i.e., technology, equipment, etc.). However, if the same projects can be carried out with domestic real resources, then there is no "financing gap" in national currency and therefore no "financing gap" in absolute terms. In other words, the view that Southern countries face a "financing gap" or a "shortage of foreign currency" is problematic because it is *silent on real resource allocation choices*.

An MMT perspective thus allows us to understand that a situation of material and technical dependence is a sufficient (but not always necessary) reason for Southern governments to issue foreign currency debt.[11]

Another limitation of the notion of "shortage of foreign currency" is that it obscures *distributive conflicts over the allocation of external income*. Here we move from MMT to the political economy of dependence. It is conceivable that many countries in the South are often in an objective situation where the value of their foreign currency liabilities is greater than their foreign currency holdings. It is also conceivable that countries of the South that are industrializing will for a time have foreign currency needs that exceed their foreign currency income, due to the purchase of technology, equipment, and various expertise. However, sometimes the so-called "foreign currency shortage" hides questionable *distributional choices*.

Schematically, in the South, there are six categories of claimants to their external revenues: creditors (bilateral, multilateral, and private) who normally receive interest and amortization on their loans; FDI (mostly transnational corporations) which repatriate some or all of their profits and dividends next to the payment of management fees, royalties, etc.; ordinary people who may be dependent for their daily consumption on critical imports such as food, energy, and pharmaceuticals/healthcare products; local businesses that need to import materials, equipment, etc.; the ruling classes who need to import luxuries and hold their financial assets in hard currency; and governments that have current, prestige, and investment expenditures to make.[12]

The distributive conflicts over the allocation of external financial resources of the countries of the South are evident in times of crisis. The International Financial Institutions, led by the IMF, generally prioritize "structural adjustment": reducing the standard of living of local economies (ordinary households, local businesses, and governments) in order to free up resources for net exports (i.e., exports of goods and services that exceed imports) to pay off debt. In the IMF view, foreign investors are "first claimants." By contrast, for movements against austerity and movements for debt cancellation, creditors should be the "last claimants" in times of economic crisis. They will tend to demand that creditors "adjust" rather than inflict considerable suffering that would violate the "human rights" of the most vulnerable segments of society.

The most notable absence in the discussion of the South's external debt is that of FDI. It is the elephant in the room that goes completely unnoticed. FDI – that is, transnational corporations – plays a fundamental role in the economic orientation of the countries of the South (Higginbottom, 2021) and in the genesis of the conditions that place some of them in a situation of chronic external indebtedness. In many cases, FDI's usually "first claimant" right over the allocation of external revenues contributes to the "shortage of foreign currency" and, in turn, to the difficulty of servicing debt in times of crisis.

4. DEBT AND FDI'S "FIRST CLAIMANT" RIGHT

Southern countries have three options for obtaining foreign currency *income*. They can sell goods and services abroad (exports), repatriate income from their financial (interest) and productive (profits and dividends) investments, and receive transfers. In practice, the accumulation of net exports is the "safest" and most "sustainable" way for Southern countries to service their foreign currency debt and cover the repatriation of primary income on FDI. Official transfers – such as official development assistance – can provide short-term relief. However, from a functional point of view, they work for the benefit of core countries, notably their companies, their armies, and their diplomacy. This observation refers, in particular, to the ever-present issue of "tied" aid (OECD, 2021a). As for migrant remittances, they can be a source of foreign exchange earnings that can be more or less important, depending on the case. They are nevertheless the counterpart of the "export" to the North of workers who have often received their initial training in the South.

When their external revenues are not "enough," Southern countries can import capital – issue debt in foreign currency and facilitate the installation of FDI. Foreign (often private) capital tends to be volatile because of its dependence on the global business cycle. From a functional point of view, its logic is to obtain higher returns than those observable in the North. For capital imports to be "sustainable," they must generate external revenues that will allow debt service and the repatriation of profits and dividends. For Southern countries whose current accounts are often in deficit, the strategy of importing external capital is akin to a Ponzi scheme (Kregel, 2004, 2006). They must issue new foreign currency debt and hope to attract new FDI inflows to service existing debt and other investment income.

Countries in the South are often able to develop an export base that provides them with hard currency earnings. The problem is that their export sectors are usually controlled by foreign capital, which is given a red-carpet treatment through liberalized investment codes and bilateral investment treaties (Waibel, 2009) that imply low taxes on profits and no incentive to reinvest a significant proportion of them locally. As a result, the "sharing" of export earnings does not always work in favor of peripheral countries, which also suffer from trade misinvoicing and other accounting manipulations responsible for "illicit financial flows" (African Union/Economic Commission for Africa, 2015; Global Financial

Integrity, 2019; UNCTAD, 2020b). This leads to a situation where FDI income, often repatriated in significant proportions, exceeds interest on external debt and, in some cases, public external debt service (interest + amortization). Because of the scale of profit and dividend remittances, countries in the South can run high trade surpluses, especially in years when they benefit from good prices for their exports, and end up with moderate current account surpluses or even current account deficits.

To illustrate, consider the cases of Africa, Latin America, and the Caribbean. The World Bank provides complete annual estimates of primary income on FDI for the period 2000–2018 for 30 African countries that contribute more than 75% of the continent's GDP[13] and for 21 countries in Latin America and the Caribbean that account for more than 80% of that region's GDP.[14] Fig. 1 compares primary income on FDI, interest paid on all external debt (private and public), and external public debt service for the sample of 30 African countries. Fig. 2 highlights these three indicators over the same period for the sample of 21 Latin American and Caribbean countries. It is worth noting that during the period 2000–2015, the primary products exported by the South benefited from a significant improvement in their terms of trade.

Fig. 1 shows that primary income on FDI in Africa has been higher than interest on external debt over the entire period observed. Profits and dividends accruing to FDI were lower than external debt service from 2000 to 2006 but were much higher from 2007 to 2017. In 2018, the sample of African countries

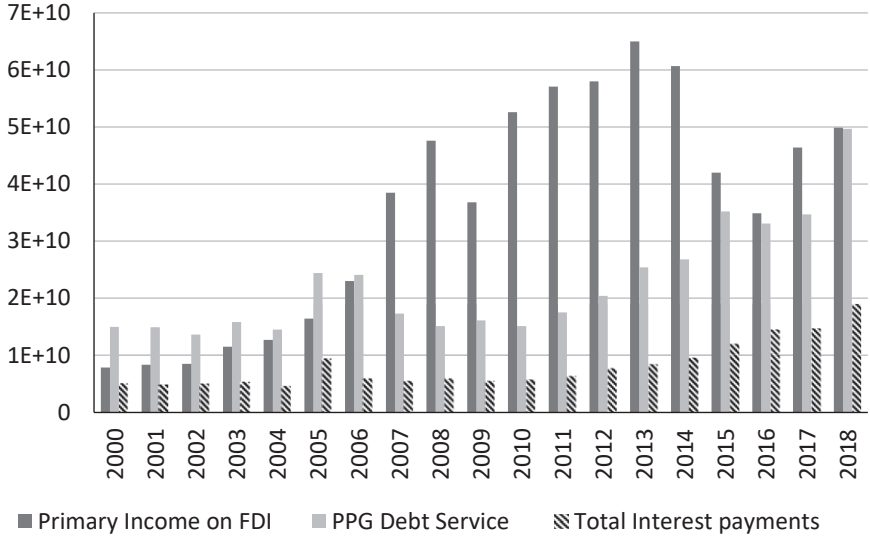

Fig. 1. Primary Income on FDI, Total Interest Payments, and Debt Service on Public External Debt for a Sample of 30 African Countries (2000–2018), in Current Billion $. *Source:* Author's calculations based on World Bank International Debt Database, accessed on July 2022. PPG = Public and Publicly Guaranteed.

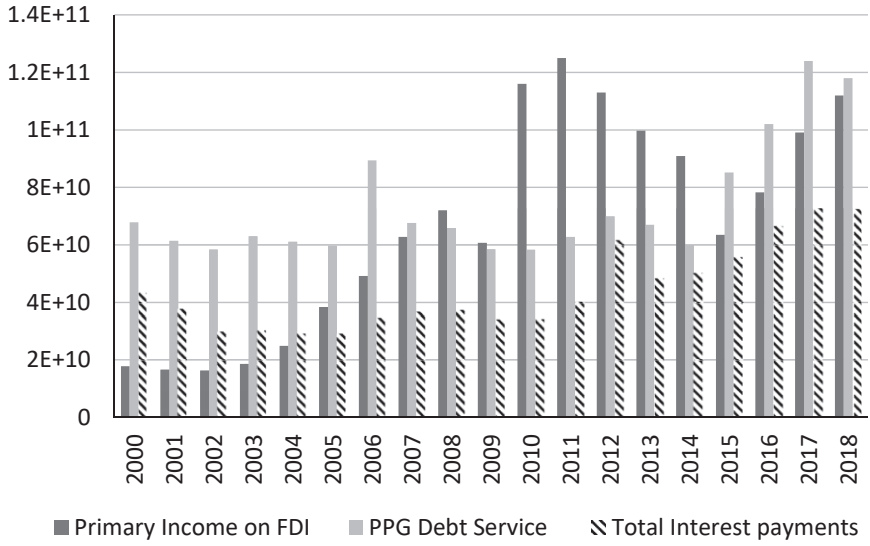

Fig. 2. Primary Income on FDI, Total Interest Payments, and Debt Service on Public External Debt for a Sample of 21 Countries of Latin America and the Caribbean (2000–2018), in Current Billion $. *Source:* Author's calculations based on World Bank International Debt Database, accessed on July 2022. PPG = Public and Publicly Guaranteed.

spent $50 billion to service its external public debt, exactly the same amount for primary income on FDI.

The partial cancellation of sovereign debts owed to official creditors during this period certainly contributed to decreasing the size of the debt service with regard to FDI income. However, the more general argument here is that one cannot talk about the external debt of Southern countries without taking into account FDI income. Andrew Fischer made this point convincingly in his study of Zambia: "While debt relief in 2005 relieved much of the burden of interest payments on debt, remittances of profits earned from FDI rose rapidly at the same time, more than counteracting the income effects of debt relief. As a result, the primary income account deficit actually increased following debt relief, reaching 10% of GDP by 2007." (Fischer, 2020) This pattern helps explain why "Zambia benefitted little from the commodity boom in terms of mobilizing foreign exchange for its development efforts, even considering the contributions of aid." (Fischer, 2020).[15]

Fig. 2 shows that Latin America and the Caribbean have a major difference with Africa: interest payments on external public debt have often constituted a much larger share of debt service. This is partly the result of the region's greater openness to nonconcessional/private financing (World Bank, 2021, pp. 36 and 39). Between 2005 and 2018, primary income on FDI exceeded interest on external debt every year. It was higher than external public debt service during

the period 2008–2014. For example, in 2011, primary income on FDI amounted to $125 billion compared with $62.8 billion for external public debt service.

Fig. 3 describes the evolution of the share of primary income on FDI (debit) in "foreign sales" (credit), that is, the sum of their primary income and their exports of goods and services. For the African sample, this ratio has fluctuated between 5.8% and 12.4% over the period 2000–2018. For the Latin American and Caribbean sample, the range is between 4.7% and 13.8%. When the primary income on FDI and interest on external debt are added together, their share of "foreign sales" ranged from 8.3% to 14% in the African case and from 13.3% to 18.9% for Latin America and the Caribbean.

In general, the primary income account is the component of the balance of payments for which there is a permanent net transfer of resources from the Global South to the Global North. Its balance represents net income payments – the difference between GNI and GDP. Southern countries transfer net income to the rest of the world (GNI is lower than GDP), while imperialist countries receive a kind of "tribute" from the rest of the world (GNI is higher than GDP). Fig. 4 shows that the low- and middle-income countries (LMICs) have a structural deficit on the primary income balance that has risen in nominal terms from $150 billion in 2000 to nearly $450 billion in 2018. In contrast, the United States, Japan, and Germany are net beneficiaries of the rest of the world's output. For example, the net primary income received by the United States increased significantly between 2010 and 2018 from $120 billion to $420 billion in nominal

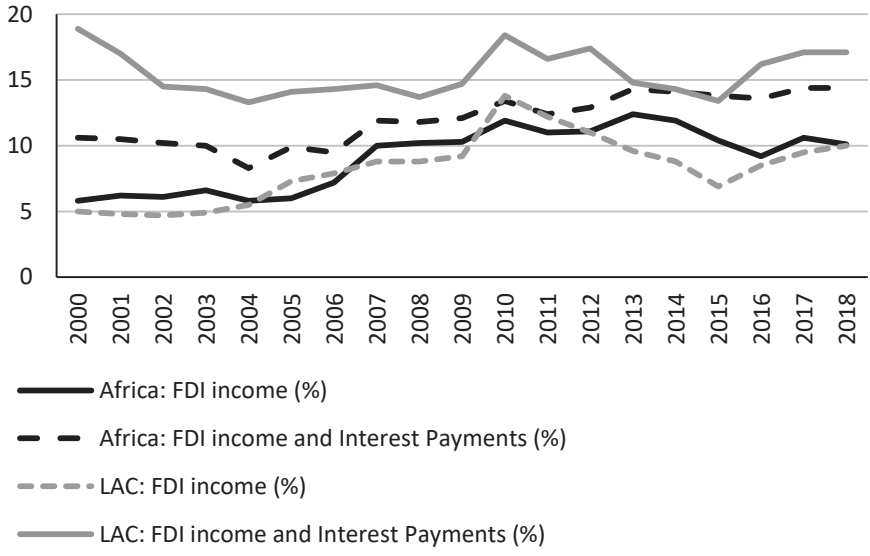

Fig. 3. Share of FDI Income and Interest Payments on "Foreign Sales" (Exports of Goods, Services, and Primary Income), in %. *Source:* Author's calculations based on World Bank International Debt Database, accessed on July 2022.

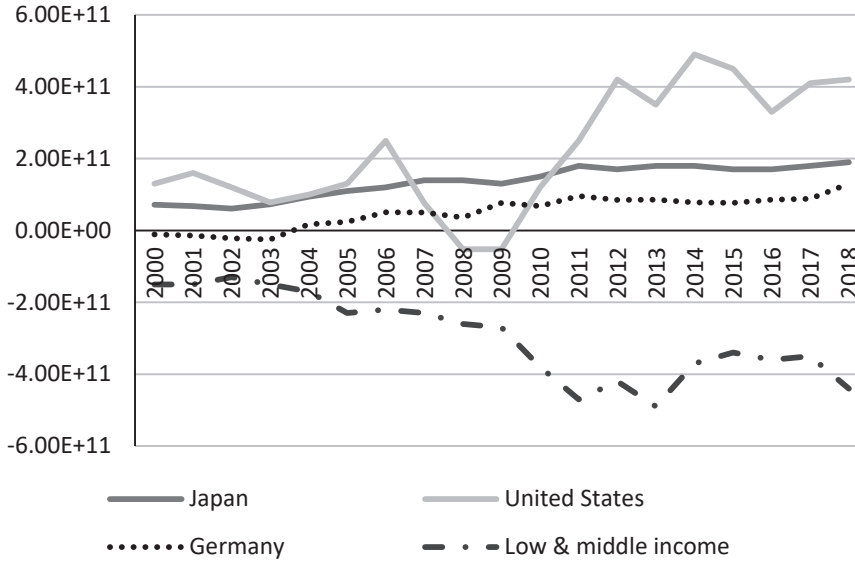

Fig. 4. Net Income Payments Received or Transferred Between 2000 and 2018: Japan, the United States, Germany, and Low- and Middle-Income Countries (in Current Billion $). *Source:* Author's calculations based on World Bank Development Indicators, accessed on July 2022. A negative sign denotes the situation of a net income transfer while a positive sign means a situation of net income receiver.

terms. This evolution is related to the developments induced by the Great Financial Crisis, namely the pursuit of zero interest rates by the central banks of the core countries and a prodigious growth of global liquidity that has been redeployed in the form of equity and debt investments (Eurobonds) in the countries of the South where the expected returns are higher. As a share of GDP, the net external income received by Japan and Germany has increased steadily since the mid-2000s, reaching more than 3% of GDP in 2018 (see Fig. 5).

Net income payments represent a drain on the economic surplus (financial savings) of Southern countries insofar as they are financial resources accumulated over the long term that could have been mobilized to boost domestic investment and economic activity instead of being transferred abroad. It is this pattern of transferring economic surplus that dependency theorists called "underdevelopment." According to this view, underdeveloped countries are not "poor." They can develop industries and achieve high rates of economic growth over a period of time. Their characteristic, however, is that they dissipate their economic surplus in unproductive activities and transfer it abroad through debt service and profits and dividends remittances (Baran, 1957).

The evidence above suggests that foreign investors are like "shareholders" vis-à-vis the economies of the South.[16] They have a kind of "first claimant" right over

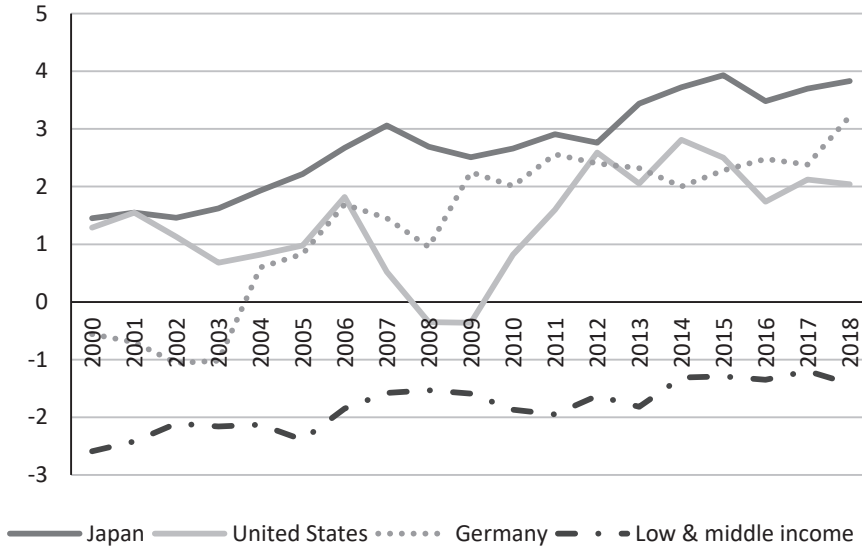

Fig. 5. Net Income Payments Received or Transferred Between 2000 and 2018: Japan, the United States, Germany, and Low- and Middle-Income Countries (% of GDP). *Source:* Author's calculations based on World Bank Development Indicators, accessed on July 2022. A negative sign denotes the situation of a net income transfer while a positive sign means a situation of net income receiver.

their external revenues. This is especially the case with FDI (transnational companies) because of its control over export sectors and of the provisions of bilateral investment treaties that can facilitate the transfer of profits and dividends obtained in national currency into hard currency.[17] This situation has different implications according to countries' profile.

Countries in the South with structural trade deficits are those that cannot service their debt with net exports. They have to rely on "transfers" (development aid and migrant remittances) and possibly resort to capital imports. These countries usually operate on the basis of a mixed scheme of private Ponzi finance and dependence on the "generosity" of Northern countries and their financial institutions. When economic conditions deteriorate, for example, when the terms of trade worsen, trade balances widen further and foreign private finance tends to dry up. As a result, a debt crisis becomes likely in the absence of a relative increase in unilateral financial transfers, financing from official creditors (bilateral and multilateral debt), and import compression.

In the case of countries with structural trade and current account surpluses, such as some hydrocarbon-rich countries, maintaining an external solvency position often goes hand in hand with a significant drain on their economic surplus by FDI and with increased exploitation of their natural resources (Cooney & Freslon, 2018). In other words, the countries of the South that can

aspire to minimize the external debt burden are those that have abundant resources and that accept a sustainable "sharing" of their production in the form of primary income on FDI and the accumulation of foreign exchange reserves in fiat currencies.

5. NET RESOURCE TRANSFERS AND UNEQUAL ECOLOGICAL EXCHANGE

This being said, one might think that net income payments from the South generally tend to be overcompensated by other financial flows. Since Southern countries have large financial needs and generally offer higher returns, it seems logical a priori that they receive more financial resources from Northern countries than they transfer to them. However, this is not how the global economic system works. Net income payments are part of a more general pattern of net transfer of financial resources from peripheral to core countries. This has been the case between 2000 and 2017, as UNCTAD points out:

> . . .there is a clear and persistent transfer of financial resources from developing to developed countries year-on-year. In fact, net financial resource transfers from developing countries grew steadily in the years prior to the global financial crisis, reaching $931 billion in 2008. Following a somewhat improved position in 2009, enabled by a partial but quick recovery of exports and a surge in private portfolio capital inflows, net resource transfers worsened again to their largest value in the period of observation ($977 billion in 2012). The subsequent years saw some improvement in the net negative position of developing countries – in part a consequence of the depletion of their international reserves – only for the trend to reverse again downwards from 2016. (UNCTAD, 2020a, p. 2)

Net transfers of financial resources from peripheral to core countries are a structural phenomenon that dates back to the colonial period (Koddenbrock, Kvangraven, & Sylla, 2022). They have taken on a particular significance in the last two decades because of financial liberalization – which has facilitated the deployment of private capital – and the strategy of accumulating foreign exchange reserves used by some Global South countries to protect themselves from the great volatility of the world economy. The asymmetric nature of the international monetary system is thus revealed by the fact that Southern countries are "creditors of safe assets" (foreign exchange reserves usually invested in sovereign debt securities in dollar or euro), offering low returns, and "debtors of risky assets" that have high returns (UNCTAD, 2020a, p. 3).

Illicit financial flows, as UNCTAD (2020a) notes, are a factor that exacerbates the net transfer of resources, but they are not the most essential component. Given some claims often made by movements and institutions fighting to end them, some clarification can be useful here. The money of illicit financial flows has never "left" the countries that are victims of it because it has never been "there" in the first place: the dollars transferred illicitly have always remained as deposits in the US banking system. However, the real resources of these countries are plundered: they are transferred abroad through accounting and financial manipulations. The most important consequence is not the one that is usually put

forward, namely that these countries are deprived of financial resources, which would reduce the fiscal space of governments. After all, most of these countries have the intrinsic capacity to finance LPs. More importantly, these illicit financial transfers contribute, all else being equal, to the deterioration of their terms of trade: their currencies tend to depreciate and foreigners can buy their resources more cheaply.[18]

However, the examination of monetary flows and financial balances does not tell the whole story. In reality, the net transfer of financial resources from the Global South to the Global North is only the tip of the iceberg. As a growing literature in ecological economics makes clear, it is the most visible dimension of an even more pervasive phenomenon: unequal ecological exchange or even ecological imperialism (Frame, 2020). The price structure of international trade, the prices that Northern countries charge for Southern access to their goods and services compared to the prices at which they access Southern goods and services, involves hidden transfers of value. This explains that in addition to net financial transfers, Global South countries transfer in net terms biophysical resources to the Global North: labor, energy, and raw materials (Dorninger et al., 2021). In an important work, Hickel, Dorninger, Wieland, and Suwandi (2022) provide estimates of the physical resource drain from the South to the North.

> . . .in the year 2015 the North's *net* appropriation from the South totaled 12 billion tons of raw materials, 822 million hectares of land, 21 exajoules of energy (equivalent to 3.4 billion barrels of oil), and 188 million person-years equivalents of labor (equivalent to 392 billion hours of work). By net appropriation we mean that these resources are not compensated in equivalent terms through trade; they are effectively transferred *gratis*.

Based on the price structure in Northern countries, Hickel et al. (2022) estimated this physical drain at $10.8 trillion, which "would have been enough to end extreme poverty 70 times over in 2015." Over the whole period 1990–2015, they estimate the net appropriation of resources by Northern countries at $242 trillion, gains that represent a quarter of their GDP. For the South, these losses due to unequal exchange are equivalent to 23% of their GDP (Hickel et al., 2022, pp. 7–10). These monetary estimates do not include some salient aspects of unequal ecological exchange that are difficult (and probably meaningless) to quantify: the transfer to the South of the ecological damage inherent in the production and consumption patterns of the North, and the gratuitous "consumption" by Northern countries of the environmental resources of the South, including their carbon sinks and reservoirs (Martínez-Alier, 2002b).

One of the major conclusions of the literature on unequal ecological exchange, which is consistent with those formulated since the 1970s by Southern theorists, is the impossibility for people in the South to ever hope to "catch up" to the levels of consumption (and resource waste) in the North (Dorninger et al., 2021; Furtado, 2020). "Five or six Americas would be needed to catch up by imitation!" (Amin, 2014, p. xxv)

The issue of the Global South's external debt thus needs to be addressed in a more holistic framework. It is both a general manifestation of unequal ecological exchange and at the same time an instrument that has so far contributed to

reproducing and amplifying this pattern. This observation underpins the demands for cancellation of the external debt of Southern countries articulated around the critical concepts of unequal ecological exchange, ecological debt, and climate justice (Martinez-Alier, 2002a; Rice, 2009; Roberts & Parks, 2009).

6. THE NIEO ILLUSION

There is no shortage of well-intentioned and progressive approaches to the question of Global South's debt. Even if they sometimes recognize its structural character and its embedding in a global imperialist system, they are not always successful at elaborating proposals that are politically and economically coherent with this state of affairs. Thus, with the economic and social distress that the COVID-19 pandemic has caused in peripheral countries, there have been more and more calls to cancel the debt of the South or, at least, to establish transparent sovereign debt restructuring mechanisms that preserve the economic interests of the South and its populations. In the same vein, there have been some international campaigns on the need to have a waiver on the intellectual property rights on anti-COVID-19 vaccines so as to allow the countries of the South to produce them at prices more affordable to them. These demands are not new. They were at the heart of the NIEO agenda in the mid-1970s.

Brought to the United Nations by the countries of the South (the "Third World," the G77 countries, as they were called at the time), the NIEO had the merit of offering a unified treatment of some of the economic problems they faced and of articulating solutions within the framework of a new global economic and financial system (Hart, 1983; Laszlo, Baker, & Eisenberg, 1978, 1980). The fact that this agenda did not have a real aftermath holds useful lessons for current struggles for climate justice, the global energy transition, etc. Of particular interest is the antiimperialist critique of the NIEO, which was not very audible at the time, but whose diagnosis and conclusions are still valid.

Marxist economists Samir Amin and Harry Magdoff separately produced in the pages of the Monthly Review the most penetrating critiques of what might be called the "NIEO illusion," that is the belief in the practical possibility of meaningful reforms of the capitalist-imperialist system with emancipatory potential for the countries of the South taken collectively. Amin (1977) and Magdoff (1978) had formulated two main objections to the NIEO. One concerns its realpolitik while the other is about its analysis of the political economy of underdevelopment.

Amin–Magdoff's first objection is that it is naive for Southern countries and movements acting in their interests to think that their quite legitimate and reasonable demands with regard to the international system can be accepted by the core/imperialist countries. Next to their ambition of promoting more South-South cooperation and a "self-reliant" development, the NIEO proponents argued for stable and higher prices for the South's raw materials, better access to Northern markets for its manufactured products, technology transfers, and debt relief. As Magdoff coolly observed, all these demands "ultimately impinge on the

profits accruing to the advanced capitalist nations" (Magdoff, 2003, p. 126). That is why the reaction of their governments has been "a game of sabotage that takes one of the two forms: (1) Outright refusal to institute the proposed reforms and (2) Advocacy of counterproposals that either are mere window-dressing or are designed to meet their own needs, such as obtaining more secure flows of raw materials from the Third World" (Magdoff, 2003; see also Bergesen et al., 1983; Hudson, 2005).

This "game of sabotage" on the part of the Northern countries has not aged much since. At the time, in the context of a deteriorating global economic environment (inflation, rising interest rates on international financial markets), their practical response to the NIEO agenda was the imposition of structural adjustment programs on the South which resulted in "lost decades" during the 1980s and the 1990s.

Today, this "game of sabotage" is at work in the global management of the health and economic consequences of the COVID-19 pandemic. Faced with this global public health issue, the North had the opportunity to facilitate greater access to anti-COVID vaccines for people in the South through massive donations and/or a waiver on intellectual property rights on these vaccines. However, they have acted selfishly, preferring to stockpile doses of vaccine far in excess of their own needs, leading more and more people to speak of "vaccine apartheid" (Bajar et al., 2022).

In response to the urgent need of Southern countries for access to external liquidity, the United States finally gave the green light to issue new Special Drawing Rights (SDRs) after Donald Trump left the White House. Of the $650 billion in new SDRs, developing countries, excluding China, received $173 billion (including $9 billion for low-income countries), or 12% of expected public external debt service for the period 2021–2025 (Kharas & Dooley, 2021, p. 3). This amount reflects the low quota/political weight of the South at the Bretton Woods institutions rather than its overall economic weight. Created in 1969, the SDR allocation system remains based on power and historical legacy rather than need. It benefits mainly the governments of core countries that do not really need this additional financing owing to their greater degree of monetary sovereignty. Therefore, the question in their case is how to recycle their SDRs to the South (ECA and ECLAC, 2022; Plant, 2022).

The response of Northern countries and their institutions has not been convincing either in the face of the objective decline in the capacity of most Southern governments to service their external debt. In addition to the very superficial debt relief provided by the IMF, the response has been mainly to provide official loans (thus increasing their debt stock), to postpone bilateral debt servicing (thus postponing the problem), and to let them negotiate individually with China and private creditors. Many countries have chosen to not participate in the G20 Debt Service Suspension Initiative for fear of sending a negative signal that could impede their access to international financial markets. They preferred to continue servicing their foreign debt despite the exceptional health and economic emergency. Then, as now, the relentless efforts of Southern countries to establish a functional mechanism for sovereign debt restructuring continue to

face the intransigence and uncooperative behavior of "creditor nations" (see the chapter by Laskaridis in this volume; see also Deforge & Lemoine, 2021).

In fact, the cancellation of the external debt of the South has never been a question of affordability for the North because it is usually not significant in relation to its economic and financial possibilities. In 2020, the 133 LMICs (excluding China, Russia, and India) had a stock of long-term public external debt valued at US$2.6 trillion (see Table 1), an amount smaller than Canada's federal debt stock.[19] The $276 billion they paid in public external debt service was relatively marginal compared to the amount of debts issued by OECD governments in the same year ($18 trillion; OECD, 2021b, p. 18). Reasons other than affordability explain the North's reluctance to cancel the debt of the South. The most likely one is that the "debt system" (Toussaint, 2019) is an instrument that keeps the South dependent on the North, even if some of the leaders of the South can also benefit from it through corruption.

An eventual cancellation of the South's external public debt stock would greatly relieve its populations, at least in the short term, because they are always the ones who bear the brunt of austerity policies. However, this would not solve their fundamental challenges. Indeed, as Magdoff pointed out, the external debt is not the most important problem in the South. It is less the cause than the symptom of its underdevelopment. The South's external debt is "an age-old burden which synthesizes the whole pattern of dependency." Unless "the whole pattern of dependency" is addressed, debt cancellation or restructuring in the

Table 1. External Debt Statistics for the Low- and Middle-Income Countries (LMICs) 2010–2020.

	2010	2020
LMICs (without China, Russia, and India)		
Total external debt stocks (billion USD)	2,909	5,297.9
Long-term external debt (%)	76.9	81.2
Public and publicly guaranteed debt long term (billion USD)	1212.4	2,623.9
Public and publicly guaranteed debt (% total long-term external debt)	54.2	61
Principal repayments long term (billion USD)	298.2	561.4
Public and publicly guaranteed (%)	30.1	32.9
Interest payments long term (billion USD)	78.5	146.4
Public and publicly guaranteed (%)	54	62.3
PPG debt by creditor type (%)	100	100
Bilateral creditors	22.7	16.2
Multilateral creditors	32.7	26.4
Private creditors	44.5	57.5
Bondholders	*34.7*	*47.8*

Source: World Bank (2021). Low-Income Countries have a GNI per capita below $1,046 while Middle-Income Countries have a GNI per capita between $1,046 and $12,696. These income thresholds have been recently updated. The LMICs category gathers 136 countries (including China, India and the Russian Federation). PPG = Public and Publicly Guaranteed.

South risks dealing only with "surface phenomena and not with the conditions that create more or less permanent debt peonage" (Magdoff, 2003, p. 131).

This brings us to Amin-Magdoff's second objection: the demands of the countries of the South leave aside the need for them to transform the internal articulation of their economies and the class structure associated with it. In reality, these demands reveal a belief in the possibility of an autonomous capitalist development of the countries of the South taken collectively. Yet, as Amin pointed out, the "classical conditions" that have allowed a successful capitalist path of development in the North cannot be reproduced in the Global South as a whole.

Although the countries of the North benefited from colonial exploitation, including access to cheap raw materials and labor as well as captive markets, they based their economic development on expanding their domestic markets. Wage increases have evolved more or less in tandem with labor productivity. In their case, an agricultural revolution was an important step toward industrialization. The agricultural sector was able to generate food surpluses that helped reduce the reproductive costs of the urban proletariat. Industrialization was based on a functional integration between industries producing capital goods and those producing consumer goods. These conditions have allowed the countries of the North to become "self-sufficient" (their economic growth depends primarily on their domestic markets) and "interdependent" with each other. Their external economic strategies are dictated by the requirements of their internal accumulation.

In contrast, one of the main characteristics of the countries of the South is that economic accumulation has been shaped by the export sector which is "the driving force of development" and "determines its direction and pace" (Amin, 1977, p. 7). This is a legacy of imperialism, especially in its colonial phase, which marks an important difference with the countries of the North. This export sector attracts foreign capital because it offers higher returns than those observed in the core countries. Despite productivity levels that can be significant in this sector, wage rates do not follow and remain low. The domestic demand generated by this sector is therefore narrow and does not allow for the expansion of domestic markets, particularly because agriculture is left in a backward state. In the absence of a domestic demand that could have facilitated the emergence of a mass consumption goods production sector interrelated with a capital goods production sector, industrialization tends to focus on luxury products, with the use of capital-intensive technologies under the control of Northern monopolies. Industrialization thus acquires a "parasitic" character that manifests itself in "extortions from the rural world in real terms [...] and financial terms [...] without any counterpart provided in return to sustain the take-off of agriculture" (Amin, 1997, p. 16). The use of capitalist criteria of "profitability" in the choice of economic projects delays the development of nationally integrated economies and leads instead to investments for which there is a demand, especially from abroad. This type of development maintains in renewed forms the international division of labor inherited from the colonial period. It benefits mainly the upper classes

and contributes to the marginalization of the peasant masses and the urban proletariat.

To escape this dependent development, the countries of the South must, according to Amin, first define "the internal objectives of a really self-reliant and 'popular' development and then considers the ways in which the world order must be acted on in order to promote the achievement of these objectives" (Amin, 1997, p. 16). However, this was not how the NIEO demands were derived. Hence their obvious theoretical limitations. Better prices for raw materials from the South? Why not? However, this is not enough to transform the backward or extroverted character of their agricultural and extractive sectors. It does not stop either the transfer of their economic surplus. Better access to Northern markets for products manufactured in the South? This is certainly desirable. However, this assumes in practice that the South is more "competitive" than the North. This is possible if the South is willing to export comparable products that are cheaper, that is, based on low wages. This model of industrialization does not expand domestic demand and therefore discourages the emergence of industries producing mass consumption goods. Similarly, technology transfers from the North may be valuable but will not be always adapted to the needs of the South. The challenge for them is rather to develop relatively autonomous technological capabilities in line with their pace of development and their demographic, economic, and other specificities. Finally, in the conditions of technological and financial dependence, the cancellation of Global South's external debt stock does not lead to the abolition of the debt system, nor does it put an end to the predatory behavior of the ruling classes and their alliances *nolens volens* with Northern monopolies (Amin, 1977; Magdoff, 1978).

Between the time these criticisms were made and now, some notable developments have taken place. Financial flows to "emerging markets" have increased considerably, especially as a result of the liberalization of capital accounts. A new international division of labor has been constituted, where Southern countries have become responsible for a significant share of global industrial production and exports, although the value added created along global value chains is captured mostly by Northern transnational companies (Ricci, 2021; Smith, 2016; Suwandi, 2019). However, rural–urban disparities, stagnant incomes of the working masses, lack of food self-sufficiency, dependence on primary commodity exports, etc., continue to prevail in most countries of the South. On the front of resistance to the global order, the Third World movements of yesteryear have given way to alter-globalization movements, climate justice movements, etc.

The objections raised by Amin and Magdoff do not imply that intellectuals and social movements should stop campaigning for the cancellation of the South's external debt, for the abolition of "sovereign debtor prisons" (Doyle, 2019), for reparations and similar points once raised by the NIEO agenda. These demands are legitimate (i.e., demands for repudiation of/reparation for odious debts) and are arguably to be encouraged, as anything that can help reduce even temporary human suffering should be undertaken. The perspective of Amin and Magdoff was rather to make people aware that these are "defensive" demands, formulated within the framework of the imperialist system. They do not

constitute the appropriate response to the problems of the countries of the South, where there is a need to tip the balance of class power to the side of the peoples. Beware of illusions, one might say! For the fundamental question that arises in the case of the countries of the South, yesterday as today, is the "choice between reform under imperialism and a breakaway from imperialism" (Magdoff, 1978, p. 132).

For peripheral countries that aspire to escape the "debt system" and create ecologically sustainable prosperity for their populations, it goes without saying that a national and democratic control over economic resources and the domestic financial system as well as an increased socialization of investment are required.

NOTES

1. In this chapter, the following concepts are used interchangeably: Global North/North/Northern/Core; Global South/South/Southern/Peripheral. The concept of external debt refers here to debt denominated in a foreign money unit of account, or foreign currency debt, to use a more intuitive concept.

2. One related and crucial aspect of monetary sovereignty concerns the legal regime under which debts are issued. Issuing sovereign debt under foreign law impairs monetary sovereignty. See, for example, Pistor (2017).

3. It is not appropriate to speak of "monetization" of public debt – the issuance of noninterest-bearing securities – when the reserves of the banking sector are remunerated. Moreover, this concept has no operational reality for countries whose central banks aim to control the interest rate prevailing in the interbank market. See Felipe and Fullwiler (2022).

4. On sovereign defaults on domestic currency debt for the period 1960–2019, see Beers, Jones, and Walsh (2020). See also Erce, Mallucci, and Picarelli (2022). On sovereign default episodes generally for the last six decades, see Beers, Jones, Quiviger, and Walsh (2021). Reinhart and Rogoff (2009) offered a long history of sovereign defaults. Their pro-austerity findings on the relationship between the size of government debt and economic growth (Reinhart & Rogoff, 2010) have been criticized due to "a series of data errors and unsupportable statistical techniques" (Herdon, Ash, & Pollin, 2013; Pollin & Ash, 2013) and for not taking into account the specific case of monetarily sovereign governments (Nersisyan & Wray, 2010).

5. In 2020, Eurobonds issued by LMICs decreased in value by an average of 11% compared to 2019, and in particular by 74% in Sub-Saharan Africa (World Bank, 2021, p. 14).

6. The debt-to-GDP ratio has many limitations, including the fact that it compares a stock (government debt) to a flow (GDP). Although Furman and Summers (2020, p. 18) note that this ratio is "a misleading metric of a country's fiscal position," they nevertheless recommend "a much higher ceiling" than 60% for the US federal government debt. For a critique, see Galbraith (2020).

7. After its independence in 1804, Haiti took out loans from French banks as reparations to former French slave owners. *The New York Times* revisited this story in a series of articles published in May 2022 which sparked some controversy. According to its investigators, this "double debt" of Haiti, "one of the poorest countries in the world today," would have cost it between $21 billion and $115 billion. See: https://www.nytimes.com/2022/05/20/world/americas/haiti-history-colonized-france.html.

8. Good examples are provided by public–private partnerships that follow the logic of the "Wall Street Consensus" (Gabor & Sylla, 2020).

9. This echoes the approach known as the "two gap model" (Chenery & Strout, 1966).

10. Pessimism about international (especially private) finance, and about the global monetary and financial order, is a unifying feature of the various currents in heterodox

economics. For example, the "New Developmentalism" approach is highly critical of what it calls "growth-cum-foreign savings." It argues that foreign capital and domestic savings have a substitution relationship. Foreign savings do not add to domestic savings (Bresser-Pereira & Moreira, 2017; Bresser-Pereira, Oreiro, & Marconi, 2014). According to Quantum Macroeconomics, the international monetary system is actually a "nonsystem" because it is structured around a few currencies with international reserve asset status ("key-currencies standard") rather than as an integrated banking system. Countries with "weak currencies" and current account deficits not only cover their deficits by issuing foreign currency debt but also pay that same foreign currency debt twice – once by sending goods and services abroad and again by making monetary payments. They incur a microeconomic debt (that which concerns economic agents) and another macroeconomic debt (that which concerns the nation as a macroeconomic whole). See Cencini (1995) and Schmitt (2014).

11. A good example is the case of vaccines against COVID-19. African countries must import them because they are unable to manufacture them themselves, or at least without the permission of the manufacturers who own their intellectual property rights. In a context of economic crisis, where their external revenues have declined, they had to incur debt to obtain them, sometimes at monopoly prices. For example, Uganda paid three times the price of Astrazeneca's vaccine, which was supposedly the most affordable vaccine, compared to the price obtained by the European Union (Nakkazi, 2021; Paun & Furlong, 2021). This example shows a need for real resources that, because of monopoly pricing practices, results in a need for external financial resources that is at least three times higher than "normal."

12. The OECD defines FDI as "a category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy. Ownership of 10% or more of the voting power in an enterprise in one economy by an investor in another economy is evidence of such a relationship." See OECD: https://www.oecd-ilibrary.org/finance-and-investment/foreign-direct-investment-fdi/indicator-group/english_9a523b18-en.

13. Angola, Benin, Botswana, Burkina Faso, Cabo Verde, Cameroon, Côte d'Ivoire, Djibouti, Egypt Arab Republic, Eswatini, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritius, Morocco, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Tunisia, Uganda, Zambia.

14. Argentina, Belize, Bolivia, Brazil, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Paraguay, Peru, St. Lucia, St. Vincent, and the Grenadines.

15. See also Fischer (2018) on the contrasted performances of South Korea (development strategy rather based on foreign currency debt) and Brazil (development strategy rather based on FDI).

16. A logical separation between FDI and creditors is often useful theoretically speaking. However, in practice, it is not always relevant. Transnational companies are sometimes the creditors of the governments of the countries where they operate through so-called resource-based loans. Likewise, investors such as asset management companies, in their drive to diversify their portfolios, can invest on equity or on debt, depending on the circumstances. As Braudel (1982) used to remark, successful capitalists are "generalists."

17. For example, we can read on the Bilateral Investment Treaty between Senegal and the United States: "Each Party shall permit all transfers related to an investment in its territory of a national or company of the other Party to be made freely and without delay into and out of its territory. Such transfers include the following: returns; compensation; payments made arising out of a dispute concerning an investment; payments made under a contract, including amortization of principal and accrued interest payments made pursuant to a loan agreement; amounts to cover expenses relating to the management of the investment; royalties and other payments derived from licenses, franchises, or other grants of rights or from administrative or technical assistance agreements, including management fees; proceeds from the sale of all or any part of an investment and from the partial or

complete liquidation of the investment concerned, including any incremental value; additional contributions to capital necessary or appropriate for the maintenance or development of an investment." These transfers "shall be made at the prevailing market rate of exchange on the date of transfer with respect to spot transactions in the currency or currencies to be transferred." See: https://investmentpolicy.unctad.org/international-investment-agreements/countries/186/senegal.

18. I am grateful to Dirk Ehnst for the heuristic exchanges we had on the issue of illicit financial flows.

19. https://www150.statcan.gc.ca/n1/daily-quotidien/211122/dq211122a-eng.htm?HPA=1

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