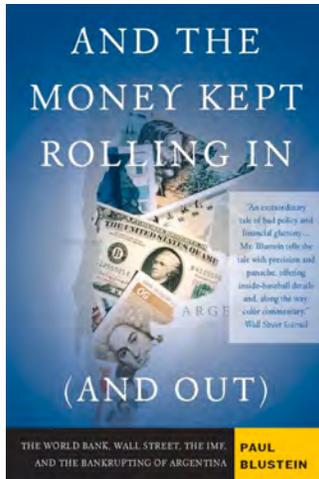


## Book Review



# And the Money Kept Rolling In (and Out): The World Bank, Wall Street, the IMF, and the Bankrupting of Argentina

by Paul Blustein  
Public Affairs Press, 2005



Reviewed by  
**Dan Littman**  
Economist

Sovereign-debt crises are nothing new. Indeed, Greece — at the center of the current European meltdown — has defaulted on its state debts five times since it became independent of the Ottoman Empire in the 1820s. So it is not hard to imagine that Greece’s difficulties could have been predicted, or that remedies could have been put in place ahead of time to short-circuit the crisis, or that lessons from other debt crises could have been applied to prevent this one from threatening the survival of the European Union.

Economic policymakers need not stray too far back in history for relevant examples. Argentina has endured seven of its own sovereign-debt crises since it became independent of Spain in 1816. In fact, it is remarkable how much Argentina’s crisis of the 1990s has in common with Greece’s crisis and with the related problems in Portugal, Ireland, Italy, and Spain.

Greece and Argentina found themselves in self-imposed straitjackets. They couldn't devalue their currencies — Greece because it abandoned the drachma when it joined the European Union in 2000; and Argentina because it linked its peso in lockstep with the dollar after a default in 1989 and hyperinflation in the early 1990s. The Greek and Argentine experiences show how complex it can be to come to terms with sovereign debt. Nations have to overcome a mixture of seemingly intractable political, economic, structural, domestic, and international relations issues.

Learning about a past sovereign-debt crisis can provide useful perspective for understanding the current situation in Europe. An excellent account of the Argentine crisis comes from a book that predated the latest crisis: *And the Money Kept Rolling In (and Out)* by Paul Blustein, once a journalist at the *Washington Post* and now a fellow at the Brookings Institution. Blustein provides a narrative of the Argentine economic crisis of 2001–02, which ended traumatically—with the abandonment of the peso–dollar peg, the resignation of the president, the closure of the banking system, and dramatic increases in unemployment and poverty.

While the immediate aftermath was horrible, Argentina staged a remarkable economic recovery later in the decade. Sovereign-debt default did not end up being the end of the world for Argentina, but rather a necessary and painful adjustment so the country could start over with a blank slate.

Two interesting aspects of the Argentine case have particular resonance to the current situation in Europe: First, the degree to which Argentina was viewed as having been an *economic miracle* in the mid-1990s, just before the crisis began. And second, the involvement of international organizations like the IMF and the World Bank and of other countries like the United States, working with Argentine authorities to try to avoid default, and then helping the country get through to the other side.

Although Greece was not considered an economic miracle during the past decade, its underlying economic and fiscal problems were ignored by the rest of the EU, much as Argentina's problems were ignored by its trading partners and foreign lenders while it was on the dollar peg. Once the underlying problems were revealed, both Greece and Argentina were subjected to intense rescue negotiations, Argentina's ending in failure, Greece's still underway at this writing.

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Blustein's argument, that concerted effort by many parties is necessary to make a successful rescue, is persuasive. The most important party is always domestic—in Argentina, the national government, provincial government, central bank, and political apparatus. If accommodations cannot be achieved among domestic institutions, then no amount of accommodation on the part of foreign (and domestic) lenders, and no amount of financial aid by international organizations, can bring off a successful rescue.

It is fair to say that the Argentine crisis of 2001–02 is not identical to that of Greece today, or to those of Portugal, Ireland, Italy, and Spain. But Blustein provides helpful perspectives on Europe from an analogous situation, and does so with much narrative drive and interesting anecdotal detail.

It may also be worth remembering that *And the Money Kept Rolling In* has a relatively happy ending. We can only hope that today's world economic leaders take note of Blustein's lessons and use them to help their own countries. ■