

Columbia University
Uris Hall
3022 Broadway, Room 212
New York, NY 10027-6902
T. 212 854 0671
F. 212 662 8474
Jes322@columbia.edu

Joseph E. Stiglitz
University Professor
Finance and Economics

www.josephstiglitz.com

August 25, 2014

Secretary General of the United Nations,
Ban Ki-moon
and President of the General Assembly of the United Nations,
John W. Ashe
1st Ave. and 46th street
New York, NY 10017 USA

Dear Sirs,

We are writing to encourage you to support the convening of a meeting to launch a process within the United Nations in order to draft a convention among nations for the restructuring of sovereign debt. Sovereign debt markets play an important role in the global economy today. While access to finance can be particularly vital to developing countries and emerging markets, it is important for all countries. Sovereign debt crises can disrupt development processes in significant ways. It is widely recognized that in those circumstances there has to be an orderly way of restructuring debts. The need for a fresh start is both a matter of efficiency and equity.

Within virtually all countries, mechanisms have been developed for doing this for private debts, through bankruptcy laws, which are now seen as a vital part of a market economy. But unfortunately, there is no comparable mechanism for the debts of sovereigns. The importance of this lacuna, with its serious repercussions, has repeatedly been recognized, for instance by the IMF and by the International Commission of Experts on Reforms of the International Monetary and Financial System appointed by the President of the General Assembly of the United Nations. The 2009 report of that Commission, (see in particular Chapter 4) which was endorsed by the UN Conference on the World Financial and Economic Crises and Its Impact on Development (New York 24-26, A/CONF.214/3), called upon States to “explore enhanced approaches to the restructuring of sovereign debt...” The report was also taken up by the Resolution 65/143, adopted by the Sixty-fifth Session of the General Assembly on December 20, 2010. The Resolution has recognized the “urgent need to enhance the coherence, governance and consistency of the international monetary and financial systems” and has reaffirmed “that the United Nations is well positioned to participate in various reform processes aimed at improving and strengthening the effective functioning of the international financial system and architecture” (p.3).

Recent events have highlighted the risks of not having such an orderly sovereign debt restructuring mechanism. Its absence has, for instance, led to the emergence of destabilizing speculative behavior in international debt markets. The consequence is that the ability of countries in distress to resolve debt problems in a timely manner has been seriously compromised. It is widely accepted that delays in debt restructurings are costly for sovereigns and for good-faith investors. These recent events and the potential adverse effects for global economic, political, and social stability make the calling of such a meeting a matter of urgency.

We stand ready to help you in any way that we can to provide the analytic foundations for such a convening.

Sincerely,

Joseph Stiglitz, Nobel laureate in Economics, 2001, Columbia University University Professor

Robert Solow, Nobel laureate in Economics, 1987, MIT Professor of Economics, emeritus

Kernal Dervis, Vice President, Brookings Institution

Jayati Ghosh, Professor of Economics at Jawaharlal Nehru University, New Delhi, and Executive Secretary of IDEAS

Paul Martin, 21st Prime Minister of Canada

José Antonio Ocampo, Professor of Professional Practice in International and Public Affairs, Columbia University

Dani Rodrik, Albert O. Hirschman Professor in the school of Social Sciences at the Institute for Advanced Study in Princeton, New Jersey

John Roemer, Professor of Political Science and Economics, Yale University

Cc: Minister of Foreign Relations of Argentina Héctor Timerman