Editors' Note

How should governments decide when and how much to borrow? What are the responsibilities of official, multilateral, and private creditors that lend to governments? Who should bear which risks? When debt crises occur, how should they be resolved? What makes processes of debt restructuring, debt cancellation, or the enforcement of debt contracts more or less just, or the outcomes of such processes better or worse?

These are not idle questions. Indeed, with debt crises in Argentina, Ecuador, Turkey, Uruguay, and a host of heavily indebted poor countries, the issue of sovereign debt has risen to the top of the international agenda in recent years. Deterring excessive indebtedness and dealing with it when it nevertheless occurs is a pressing problem, despite the promise made by U.S. Treasury Secretary Nicholas Brady almost two decades ago "to rekindle the hope of the people and leaders of debtor nations that their sacrifices will lead to greater prosperity in the present and the prospect of a future unclouded by the burden of debt" (Barbara Rudolph, "Enter the Brady Plan," *Time*, March 20, 1989, p. 54). High debt levels seriously limit a government's capacity to provide essential services necessary for the well-being of its citizens, and divert resources and energy from the pursuit of long-term development. The existing practices for the restructuring of debt usually act slowly, do not return the country to debt sustainability, and often leave the different classes of creditors as well as the people of the indebted country feeling as if they have been treated unfairly. This can in turn create disincentives for lending and investment, both vital sources of development finance, and can leave poor countries in a poverty trap. As a result, crisis countries find themselves dependent on international institutions and the "dialogue" on policy conditionality necessary for their continued support.

The persistent economic, social, and political consequences of excessive debt burdens as ever highlight the urgent need for appropriate policies to address them. Some debt relief has resulted from the Heavily Indebted Poor Countries Initiative, which has sought to define sustainable debt levels for poor countries and design policies to reduce debt to those levels. Private creditors have favored

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a contractual approach to the resolution of debt crises, under which new clauses are introduced into bond contracts to enable debts to be restructured more easily and quickly. Bolder proposals for institutional arrangements that would mimic at the global level the bankruptcy regimes under national law (albeit without the same enforcement authority), however, have not moved forward in a world not ready for substantial change in the international financial architecture. Yet more far-reaching proposals have stressed the need to evaluate the original validity of lending agreements, and have sought to distinguish between debts for which creditors are entitled to full repayment and those for which they either lack or have weaker claims to recover what they have lent.

The merits of these programs and proposals for dealing with sovereign debt remain hotly disputed. The essays in this special issue of *Ethics & International Affairs* contribute to these pressing policy debates, but also take a step back from the political fray to examine some more fundamental considerations that seem relevant to assessing the fairness of current arrangements related to sovereign debt contracts and alternatives that might be proposed to them. These essays, along with other original works, will be published as a book by Blackwell in late 2007. Book reviews will return to the journal in the next issue.

—*The Editors*

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