
Country Note F

Lessons and Controversies From Financial Crises in the 1990s

Since financial markets came into being, financial crises have been their costly companions (Kindleberger 1984). But the 1990s, loosely interpreted, will be remembered for the severity of the crises that shook Mexico in 1994, East Asia in 1997, Brazil and the Russian Federation in 1999, Turkey in 2000, and Argentina and Uruguay in 2002. This country note looks at the origins and costs of these crises and at how they have changed opinions on the use of capital controls, the choice of exchange rate regimes, and approaches to crisis management.

In the early 1980s, high real interest rates, declining export prices, and a global slowdown combined to raise the costs of debts that had been contracted in the 1970s, when real interest rates were negative and the external environment was more favorable. Rising costs of debt accompanied by declining debt-service capacity and inadequate response to shocks produced the debt crisis of the 1980s.

Many of the crises of the 1980s had a common origin. Countries attempted to stabilize inflation through programs anchored on a preannounced, fixed, or only slowly depreciating nominal exchange rate, while delaying needed fiscal adjustments. As adjustments in the nominal exchange rate lagged behind inflation, the real exchange rate appreciated even when inflation declined. Attempts to defend the nominal exchange rate while the real rate was appreciating led to increases in current account deficits and declines in reserves, which ultimately triggered external payments crises, with capital outflows and large and sudden devaluations. In Argentina, Chile, and Uruguay, where banks were allowed to hold deposits in foreign currency, cur-

rency mismatches on the banks' or borrowers' balance sheets made the banks vulnerable to devaluations. When the devaluations came, balance sheet losses were often larger than the banks' entire capital, and compounded the currency crisis with a banking one.

Governments and creditors in Turkey and some countries in Latin America and in East Asia responded with deflationary policies that increased their net exports and some write-down of the debt. This, together with an improvement in the external environment, eventually brought the debt crisis to an end. The adjustment was turbulent, however, and the costs were high. The output collapses during the "lost decade" of the 1980s were comparable to those in the 1929 crisis: the gross domestic product (GDP) declined by 7 percent in Turkey during 1979–80, 15 percent in Chile during 1982–83, 20 percent in Uruguay during 1982–83, 11 percent in Argentina during 1981–82, and 12 percent in Bolivia during 1982–86. By the end of the 1980s, the per capita incomes of most countries in Latin America and in Turkey were only marginally higher, and in some cases lower, than at the beginning of the decade.

Governments, banks, and economists learned important lessons from the experience of the 1980s. Except in Argentina, governments reduced their recourse to external financing and increased their reliance on domestic capital markets to finance their budgets. Commercial banks in industrialized countries reduced their lending to foreign governments. Economists learned that attempts to reduce inflationary expectations through reliance on a nominal exchange rate anchor could not be credible if they

were accompanied by adverse balance of payments developments. They also learned, or relearned, that episodes of real exchange rate appreciation could have devastating effects on the real economy if not driven by sustainable long-term increases in productivity (the Balassa-Samuelson effect). Last but not least, they learned that domestic banks' exposure to exchange rate fluctuations could devastate the banks' balance sheets, and that that risk of currency mismatches stemmed not only from their own balance sheets but also from those of their borrowers.

Capital flows increased significantly in the late 1980s and 1990s, reflecting the worldwide shift to market-oriented policies, the decline in industrial countries' interest rates, the fall of the Soviet Union, the spread of international standards of banking supervision and accounting, progress in information technology, and regulatory changes in industrialized countries that allowed mutual and pension funds, insurance companies, and banks to invest abroad. The resulting rise in flows to emerging markets was massive (Tirole 2002). Capital flows to developing countries, including the Republic of Korea, reached US\$265 billion in 1996, six times their volume at the beginning of the 1990s, and four times the peak reached during the 1978–82 commercial lending boom. Though these amounts were small in relation to the economies of industrialized countries, they were extremely large in relation to those of developing countries: 9.4 percent of Brazil's GDP (1992–95), 25.8 percent of Chile's (1989–95), 9.3 percent of Korea's (1991–95), 45.8 percent of Malaysia's (1989–95), 27.1 percent of Mexico's (1989–94), and 51.5 percent of Thailand's (1988–95).

The expectation was that these inflows would help developing countries integrate themselves into the global economy, while diversifying financial risks and reducing economic fluctuations. In the first half of the 1990s, it frequently became part of the International Monetary Fund's (IMF) advice to developing countries not only to remove restrictions on their current accounts (in line with the IMF's Article VIII) but also to remove restrictions on their capital accounts. It was also perceived that

these developments would help diversify the risks to investors in industrialized countries, improve developing countries' access to finance, and raise developing countries' investment levels and growth.

The results challenged expectations. Financial crises occurred more often than in the 1980s, (figure 4.21 in chapter 4) and the costs were, once again, staggering, with declines in GDP similar to those of the 1980s. The 1990s will be remembered as a decade of macroeconomic crises and turbulence in emerging markets.

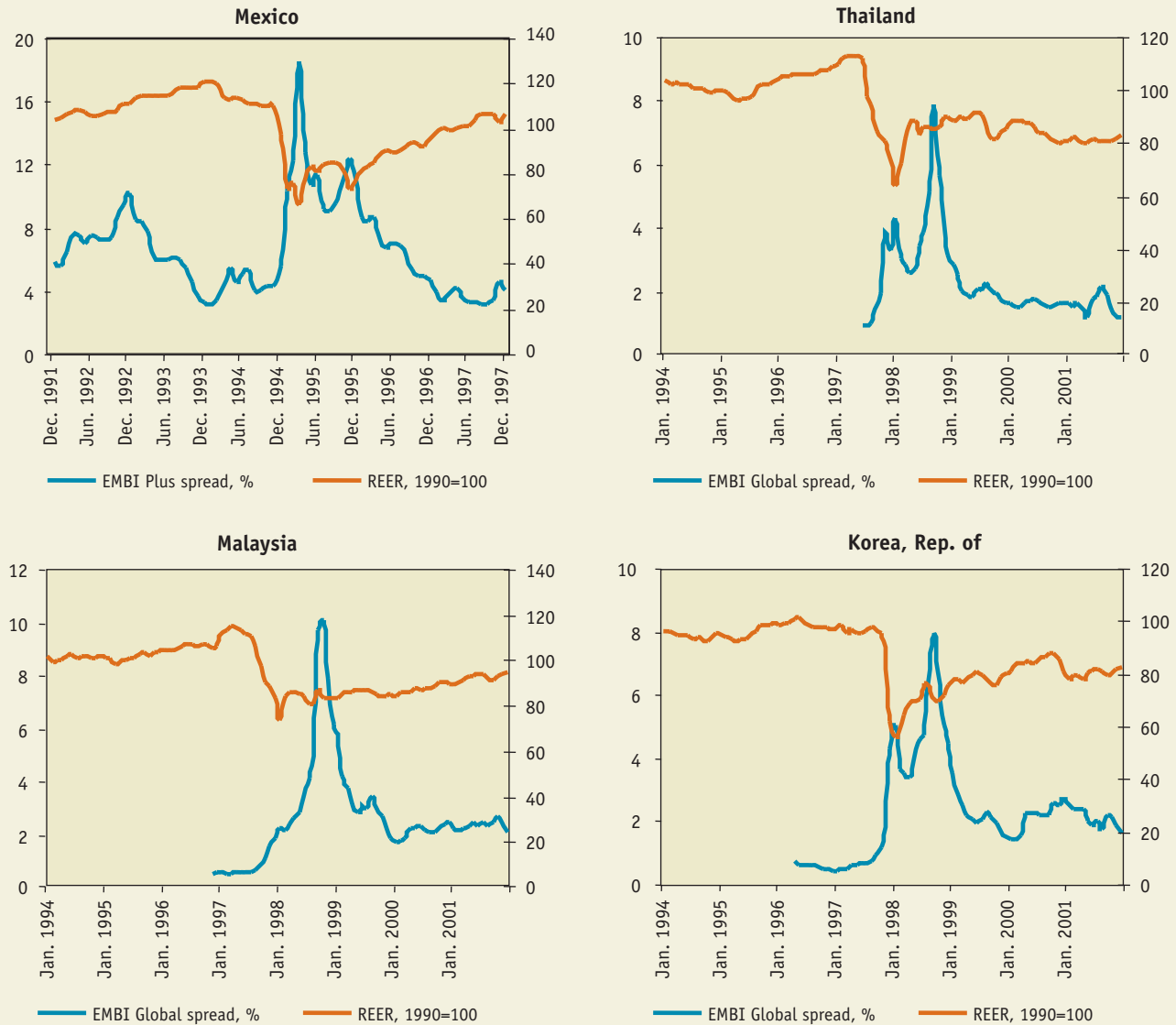
The average cost of a crisis has been put at about 8 percent of GDP, and that of a financial crisis accompanied by a banking crisis at 18 percent.¹ Bank restructuring costs reached 50 percent of GDP in Indonesia, and one-third of GDP in Korea and Thailand. The output collapses were, for example, 6 percent of GDP in Mexico in 1994, 11 percent in Thailand in 1997, 13 percent in Indonesia in 1997, and 15 percent in Argentina in 2002. Even though in East Asian countries, Turkey, and Russia, per capita incomes have returned to their precrisis levels and growth has been relatively rapid, and Argentina has experienced two years of rapid growth, the cost of the crises has been simply staggering.

In some countries, the crises of the 1990s were similar to those of the 1980s in several respects. As in the 1980s, large and unsustainable current account deficits played an important role in Argentina, Brazil, Mexico, Thailand, and Turkey, though they were not significant in the other crisis countries. As in the 1980s, these deficits were often the result of stabilization programs anchored on a nominal exchange rate. And as in the 1980s, in some countries (Argentina, Indonesia, Korea, Thailand, Turkey) the currency crisis triggered a banking crisis, itself the result of currency and maturity mismatches either on commercial banks' balance sheets, or on their borrowers'.

The crises of the 1990s were much more difficult to predict than the crises of the 1980s. While many observers warned of impending crises in Argentina or Mexico, few anticipated those in East Asia. In general, interest rate spreads remained remarkably low in the months preceding the crises (figure F.1).

FIGURE F.1

Interest Rate Spreads and Real Exchange Rates in Crisis Countries

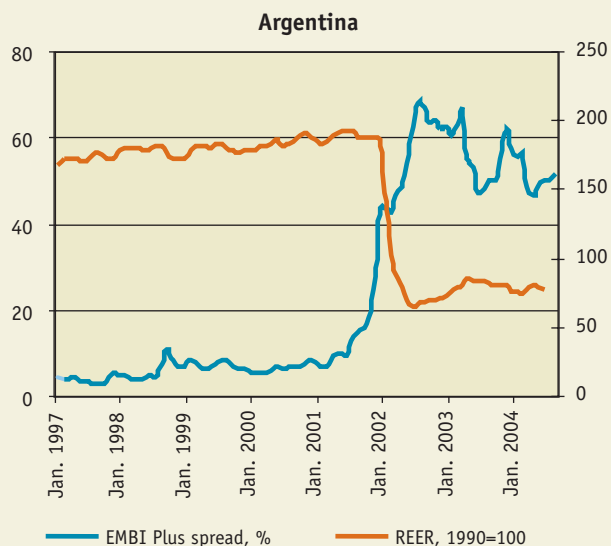
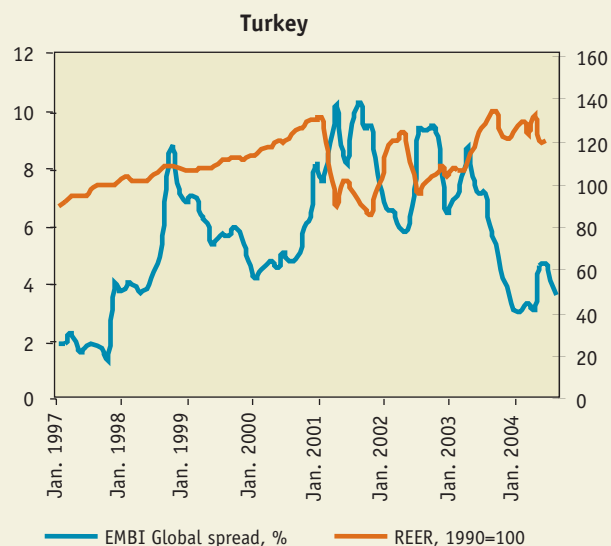
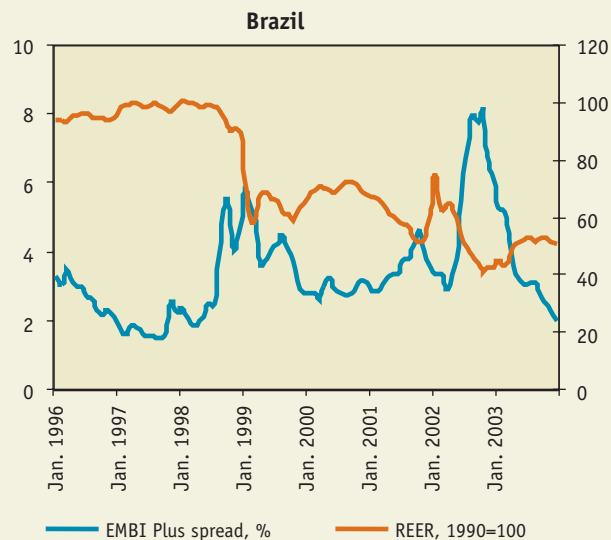
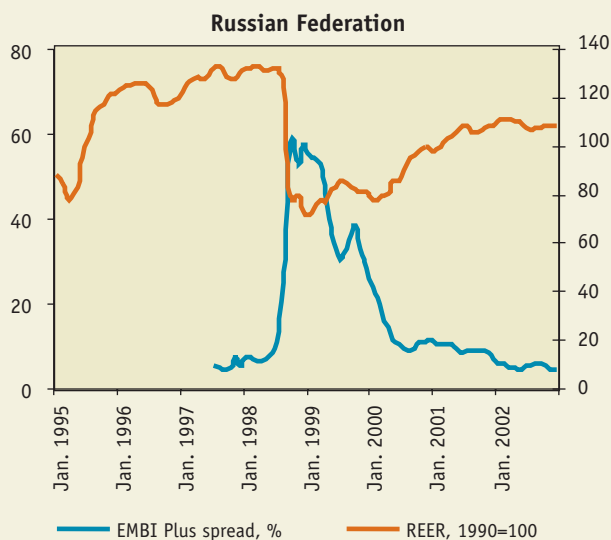


Source: JP Morgan, EMBI+ database; World Bank, *WDI*.

EMBI. Emerging Markets Bond Index.

The crises of the 1990s differed from those of the 1980s in three other important respects. First, indebtedness by the private sector played a more important role than in the 1980s, both in terms of imbalances between saving and investment and in

terms of external debt. Whereas in the 1980s the current account deficits in the balance of payments always reflected negative public sector savings, in several of the crises of the 1990s they reflected negative private sector savings-investment balances.



There is consensus that fiscal deficits were not a serious source of vulnerability in Indonesia, Korea, Mexico, or Thailand (Summers 2000). But in some countries, for example Indonesia, Korea, and Turkey, fiscal accounts did not reflect the full con-

solidated fiscal and quasi-fiscal picture, and some observers have argued that *prospective* deficits—that is, those that the government would incur if it had to bail out the banks or the private firms, or if an exchange rate collapse took place—were key to

understanding these crises (though on this reasoning every country is vulnerable to a crisis). Politically motivated lending weakened the balance sheets of commercial banks, whose quasi-fiscal cost ultimately increased the domestic public debt. In Turkey, a significant portion of the costs of the banking crisis stemmed from state banks lending to politically connected borrowers.

Second, the 1990s made it clear that not only the stock but the terms of external debt mattered, and especially the maturity structure. In many of the crises of the 1990s, rollover risks stemming from excessive short-term debt played a more important role than did an unsustainable stock of debt or unsustainable current account deficits in the balance of payments. Russia ran surpluses in the current account of the balance of payments both in the year of the crisis and in the years preceding it. Indonesia and Korea's current account balances were negative, but relatively small, and under normal circumstances their financing would not have been a problem (Summers 2000).

Third, twin crises (currency and banking) were much more frequent than in the 1980s, even though banking supervision and bank capitalization were no worse than in the 1980s, and were much better in some cases (such as Argentina's).

The novel features of the crises of the 1990s led to a reexamination of beliefs, regarding among others capital controls, exchange rate regimes, and crisis management. Though debates will continue, the balance of opinion seems to be that the crises of the 1990s altered the conventional wisdom that prevailed in these three areas at the beginning of the 1990s (see Feldstein 2003 and Williamson 2004b for syntheses and alternative views). Essentially, the crises emphasized the so-called impossible trinity, whereby it is impossible for a government to simultaneously maintain an open capital account, an exchange rate target, and an independent monetary policy.

Capital Account Policies

Controls on capital inflows can reduce the risk of currency crisis, but their desirability and feasibility

remain controversial. In the world that emerged from the 1929 crisis and World War II, sources of international finance were extremely limited. Most countries severely restricted capital outflows. France, for example, controlled capital outflows well into the 1980s. In the late 1980s and 1990s, countries whose policies had traditionally focused on managing the scarcity of foreign exchange suddenly faced liquidity surges stemming from large inflows of debt and equity. In theory, these inflows should have been beneficial, enabling countries to increase their investment rates. In practice, they were not an unmitigated blessing. The impossible trinity posed complex choices for the authorities and often threatened the competitiveness of real exchange rates. Even small adjustments in international portfolio allocations to emerging markets caused swings that were very large in relation to the size of these economies. In addition, the availability of cheap finance encouraged external borrowing beyond prudent limits. Indicative of this, 7 of the top 10 recipients of private capital flows during the 1990s suffered financial crises (table F.1); the exceptions were Chile, China, and India.

- Some let finance flow in freely to the national economy, allowing the nominal exchange rate to bear the full brunt of the adjustment. The advantage of this policy is that it allows the authorities to maintain discretion over monetary policy. The disadvantage is that it implies appreciation of both the nominal and the real exchange rate, an increase in the relative price of nontradables, a loss in the competitiveness of exports, a reduction in the price of imports and a consequent increase in the current account deficit of the balance of payments, and an adverse real shock to the economy as the tradable sector loses competitiveness with imports. No country pursued this policy to the letter, but many let their nominal exchange rates appreciate to some extent, or lag behind inflation.
- Some countries let financial flows flow in freely but mitigated the impact on the nominal exchange rate by building up reserves. This pol-

[2003 in References; change throughout this chapter if necessary]

TABLE F.1

Financial Inflows and Major Financial Shocks

<i>Financial crises (country, year)</i>	<i>Rank of recipients, by absolute volume of private flows, 1990–96</i>	<i>Private capital flows 1990–96, % GDP (in 1996)</i>	<i>FDI flows, 1990–96, % private capital flows</i>
Mexico 1994–95	2	33.0	42.8
Thailand 1997	6	27.1	22.7
Indonesia 1997	7	17.7	22.7
Korea, Rep. of 1997
Malaysia 1997	5	62.7	47.2
Russian Federation 1998	11	4.8	18.7
Brazil 1999 (2002)	3	12.6	20.7
Turkey 2000–01	10	12.1	22.1
Argentina 2001–02	4	23.9	33.4
China	1	25.2	68.2
India	8	7.6	20.6
Chile	9	39.4	37.2

Source: IMF and Bank staff estimates.

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icy has the advantage that it prevents nominal appreciation of the exchange rate, but its cost is a loss of monetary control. In countries with a fixed nominal exchange rate, whether by law (Argentina), or in practice (China, Thailand), this came at the cost of a large expansion of credit, which in turn put upward pressure on the prices of nontradables. Typically, central banks tried to sterilize increases in liquidity through open market operations. While this reduced monetary expansion, the resulting increase in real interest rates was, again, the cause of an adverse real shock to the economy. Further, it generated a vicious cycle of rising inflows, higher interest rates, even more inflows, and so on. Also, because central banks earned less on reserves than on domestic treasury bonds, sterilization came at a high cost—and in turn threatened fiscal stability (Calvo 1998).

- Some countries restricted capital inflows, using a variety of methods. The advantage of this policy is that it leaves the authorities in control of monetary policy, and reduces pressure for the exchange rate to appreciate. In 1990 Indonesia

imposed a ceiling on total external borrowing by domestic banks and public enterprises and Thailand restored a 10 percent withholding tax on the interest paid on foreign loans. Chile first introduced restrictions on capital inflows in 1991, in the form of an unremunerated reserve requirement of 20 percent of inflows for all portfolio inflows; for maturities of less than a year, the reserve requirement applied for the duration of the inflow, and for longer maturities, it applied for one year. In July 1992, Chile increased the requirement to 30 percent and the holding period to one year, regardless of the duration of the inflow. As the volume of inflows continued to grow, Chile continued to gradually extend the coverage, up until 1998 (Edwards 2003). In 1992, Mexico limited commercial banks' foreign liabilities to 10 percent of their total liabilities. India, in 1994, introduced guidelines restricting issues of equity abroad and setting annual aggregate ceilings on private borrowing abroad.

In retrospect, it is important to distinguish controls on capital outflows from controls on inflows. Countries that restricted capital inflows performed

better than those that did not. Chile, China, and India all introduced controls on capital inflows that helped them maintain some degree of control over monetary policy and helped to mitigate upward pressure on the exchange rate. Though their banking systems were not without weaknesses, China and India avoided a financial crisis and also maintained strong growth. Their experience is consistent with the view of some economists (Williamson 1995; Bhagwati 1998; Feldstein 2003) that the efficiency gains from liberalizing capital movements are small in relation to the risks this liberalization introduces. There is nonetheless an opposite view, holding that controls on capital movements are not only inefficient (Summers 1999, 2000), but also difficult to implement in practice. In the case of Chile, some studies suggest that the controls were less effective than generally believed and that they did not succeed in increasing the average maturity of debt. Perhaps more important, there is no guarantee that capital controls will work in other nations as effectively as they did in Chile.²

Exchange Rate Policies

Few economic issues were more hotly debated in the 1990s than that of the appropriate exchange rate regime for developing countries. Maintaining competitive real exchange rates is central for financial stability and growth, and it now appears that this can best be achieved through flexible regimes that prevent real appreciation from running ahead of a country's productivity gains. Flexible regimes are also more likely to discourage currency mismatches at the level of firms or banks, and to provide a more accurate picture of public indebtedness.

After a period of relative disfavor, fixed nominal exchange rates made a comeback in academic and policy circles in the late 1980s and early 1990s (Edwards 2003). Notwithstanding Mexico's costly experience with a rigid exchange rate regime in 1994, there was a belief that in countries facing inflation, a fixed exchange rate could provide a nominal anchor and keep interest rates lower than they would be if there were a currency risk. The four major East

Asian countries that ran into crises in 1997 (Indonesia, Korea, Malaysia, Thailand), Russia in 1998, Brazil in 1999, and Argentina and Turkey thereafter, had all adopted fixed exchange rate regimes. The fixed rates encouraged domestic companies and banks to borrow in foreign exchange even when their revenues were in domestic currency.

As domestic price and external developments (notably the appreciation of the U.S. dollar against the yen before the 1997 East Asia crisis) made their exchange rates unsustainable, governments typically attempted to defend the rates using foreign exchange reserves. When the reserves eventually ran out, governments had no choice but to let their currencies go. The resulting exchange rates were often a small fraction of the fixed rates: half in Thailand and Brazil, and one-fourth in Argentina, at least initially, before it stabilized at one-third.

For the many companies and banks that were highly leveraged in foreign exchange and depended on domestic currency earnings to pay their liabilities, the doubling or trebling of their debt meant bankruptcy. Banks that had lent to these companies, whether in foreign exchange or in domestic currency, also went bankrupt. The economic implosion that followed was staggering. Among the countries shown in table F.1 above, Brazil was the only one that escaped a dramatic decline in GDP. This was mostly because Brazilian companies were much less leveraged than those of Indonesia, Korea, or Thailand, where corporate debt-equity ratios were in the range of 250–500 percent (Dornbusch 2001). This experience suggests that

... the existence of large amounts of private debt denominated in dollars or other hard currencies is the most serious source of economic hardship facing the economy.... Avoiding large amounts of dollar-denominated debt, and particularly private dollar debt, is probably the most useful thing that a country and corporation can do to reduce the serious consequences of a currency fall. This is true of financial institutions as well as of non-financial companies. (Feldstein 2003)

The balance of opinions has now moved away from rigid exchange rates and, except for China, most developing countries have adopted flexible regimes. These are not clean floats. Korea, for example, has accumulated reserves of US\$140 billion since the crisis, suggesting that the government has intervened extensively to avoid nominal appreciation. In India, the Reserve Bank (RBI) has often stated that the exchange rate will be determined by market fundamentals, which it has been careful not to define. At times, RBI used the stabilization of the real effective exchange rate as a guide to set nominal rates, but at times the real rate has been only one of the factors in deciding the nominal rate, reflecting the fact that this "constructive ambiguity" is perhaps unavoidable when operating a managed floating exchange rate regime. The prevailing opinion is that RBI has tried to avoid nominal appreciations more forcefully than it has tried to avoid nominal depreciations—which is one of the reasons for the large buildup of reserves. In the case of China, the stability of the nominal rate is based on a continuous buildup of reserves that prevents a nominal appreciation. There is an expectation, however, that the Chinese currency will need to appreciate in nominal terms to reflect increases in productivity: in the long run, as an economy develops, productivity and real wages rise, and incomes approach those of industrialized economies, its exchange rate will inevitably appreciate—as did the Japanese yen in the last two decades, or the European currencies in the 1960s in relation to the U.S. dollar.

The large nominal devaluations that followed the crises had four consequences of economywide proportions. These consequences highlight the risks associated with appreciation of the real exchange rate, even if temporarily.

First, the devaluations led to banking crises, even where banks were sound.³ The banks' open positions, or the borrowers', were simply too large to withstand a devaluation as large as witnessed in Argentina, Indonesia, or Uruguay. In Argentina the problem was compounded after the devaluation by an asymmetric conversion of assets and liabilities, with assets converted at a lower rate than liabilities,

but the devaluation was so large that even a well-capitalized bank with modest exposure could not have withstood the shock. Even a well-supervised banking system cannot be sounder than the economy in which it operates. Where there were weaknesses in the banking system, as in Indonesia and in Turkey's state banks, the problem was compounded by the poor quality of the portfolio. Last but not least, governments raised interest rates, sometimes to extremely high levels, in order to moderate the extent of devaluation and prevent "overshooting" (Blejer, in World Bank 2005b), and this created another source of stress on the banks.

Second, the devaluations caused public debts to rise. While their direct impact on the public debt was not always large, their effect was also felt through two other channels (table F.2): the costs of bailing out and recapitalizing banks, and the impact on foreign-currency-denominated debt and the compounding of real interest rates. Real interest rates exceeded 100 percent in the days and weeks following the devaluation as the authorities sought to prevent the devaluation from overshooting. Such high interest rates were not sustained for long, but even the more moderate rates that succeeded them for a period of months or years had a large impact on the buildup of debt (table F.2). In Argentina, the bailout of banks and the impact of the devaluation accounted for most of the very large increase in public debt. In Turkey, it was the recapitalization of banks and the impact of real interest rates that contributed most.

Third, the devaluations led private external debt to be nationalized through a variety of channels. In principle, borrowing abroad by domestic private firms or private banks without government guarantees is a strictly private transaction. In practice, widespread bankruptcies, or the threat of them, inevitably involved government interventions and the socialization of part of the costs. This constitutes one of the earliest arguments advanced for controls on capital inflows: individual creditors have no exact knowledge of the exposure by other creditors while every increase in exposure causes an increase in the currency risk. A large share of the increase in

TABLE F.2

Debt Dynamics in Crisis Economies, Cumulative Change, Three Years Before...

	<i>Mexico,</i> 1991–93	<i>Indonesia,</i> 1994–96	<i>Korea,</i> <i>Rep. of,</i> 1994–96	<i>Malaysia,</i> 1994–96	<i>Russian</i> <i>Federation,</i> 1995–97	<i>Brazil,</i> 1995–97	<i>Turkey,</i> 1997–99	<i>Argentina,</i> 1999–2001
Change in public sector debt	-22.8	-11.6	-2.6	-16.6	-8.8	6.3	14.5	21.5
Primary deficit (- surplus)	-12.9	-7.5	-2.1	-22.1	9.3	0.7	1.8	1.7
Rec. of contingent liab. (net of privatization)	0.0	0.0	0.0	-2.0	-9.3	4.0	-0.7	0.7
Contribution from real GDP growth	-3.9	-7.3	-3.1	-16.0	4.0	-3.0	-2.4	4.2
Contribution from real interest rate	3.4	3.7	0.0	7.0	-7.4	3.6	20.7	10.7
Contribution from real exchange rate change	-5.9	-2.2	-0.6	-1.2	-29.7	-1.6	-0.4	2.4
Contribution from debt indexation	0.4	0.0	0.0	0.0	0.0	1.4	0.0	0.0
Residual*	-4.0	1.6	3.3	17.6	24.3	1.3	-4.5	1.9

... and Three Years After

	<i>Mexico,</i> 1994–96	<i>Indonesia,</i> 1996–99	<i>Korea,</i> <i>Rep. of,</i> 1997–99	<i>Malaysia,</i> 1997–99	<i>Russian</i> <i>Federation,</i> 1998–2000	<i>Brazil,</i> 1998–2000	<i>Turkey,</i> 2000–03	<i>Argentina,</i> 2002–03**
Change in public sector debt	28.0	68.6	30.3	14.9	4.2	15.7	19.1	83.7
Primary deficit (- surplus)	-16.8	-2.7	6.0	-19.6	-7.0	-6.7	-12.6	-3.9
Rec. of contingent liab. (net of privatization)	0.0	0.0	-0.7	6.9	-5.9	5.0	15.4	0.3
Contribution from real GDP growth	-0.6	2.0	-2.9	-2.5	-9.4	-2.6	-6.4	-5.6
Contribution from real interest rate	12.5	4.3	2.3	7.8	-4.8	17.1	21.7	1.3
Contribution from real exchange rate change	6.5	10.8	1.8	8.7	30.9	2.8	3.3	40.6
Contribution from debt indexation	4.4	0.0	0.0	0.0	0.0	4.9	12.2	0.0
Residual	22.1	54.3	23.8	13.6	0.4	-4.9	-14.5	51.0

Source: World Bank 2005c.

Note: The residual captures the recognition of implicit liabilities, such as banking sector bailouts, implicit social security and pension debts, and so on, for which no hard data exist, and which thus are not included directly in the calculations. It also includes various cross-products assumed away with the approximations made. For Argentina, data are available for only two postcrisis years: 2000 and 2001.

public debt in table F.2 refers to the socialization of the costs of crises, mostly in the form of bank bailouts and recapitalization.

Fourth, in the presence of foreign debt, the devaluations limited the effectiveness of monetary policies. The presence of large foreign-denominated liabilities can reverse the effect of monetary policies and deepen a crisis (Mishkin 2001). Where the government's foreign-denominated debt is large, as in Brazil, a monetary expansion weakens the government balance sheet and thus prompts a rise in interest rate spreads, thereby opening the possibility that

interest rates will rise rather than fall. Similarly, foreign-denominated debt in domestic *private* balance sheets makes it more difficult for a country to recover from a financial crisis because expansionary monetary policies will likely cause a nominal depreciation of the domestic currency. This will hurt the balance sheets of firms and banks and reduce their net worth. In a country without foreign-denominated debt issued by the private sector, expansionary monetary policies can help shore up balance sheets of financial and nonfinancial firms, and increase their net worth.

Monetary and Fiscal Policies

There is a view, though highly controversial, that the management of the crises of the 1990s relied on excessive fiscal adjustment; that excessively high real interest rates have in some instances forced unnecessary bank closures; and that international financial institutions often forced crisis countries to undertake structural reforms that were not directly related to resolving the crises—which would have been better done through countries' own national decision-making processes (Feldstein 2003; Stiglitz 2001; Ahluwalia 2003).

The least controversial of these statements is that fiscal policies were unnecessarily tight, as acknowledged in the IMF's own evaluation (IMF 2003b). A common explanation for this is that capital account crises were dealt with as current account crises.

“Weak” banks have often been blamed for the crises. However, while poorly run banks can exacerbate a crisis, and perhaps even cause one, well-capitalized banks cannot guarantee against a financial crisis. Even well-capitalized banks can quickly lose their equity in the face of large swings in exchange rates, or the collapse of the real economy.

Notes

1. World Bank, *Global Economic Prospects 1998*.
2. Although the reasons as to why they would work better in Chile than elsewhere are not clear (Edwards 2003).
3. Argentina, for example, following the Mexico crisis in 1994 in which many banks had failed, considerably improved the financial soundness of its banking system by restructuring and shifting the ownership of banks to foreign private banks (primarily from the United States and Spain).

