

## Contents

<i>List of Figures</i>	<i>page</i> xv
<i>List of Tables</i>	xvii
<i>Acknowledgements</i>	xix
<i>Data and Replication</i>	xxi
1 Introduction	1
1.1 Defining War Reparations and Indemnities	2
1.2 War Finance and Sovereign Debt	6
1.3 Summary	10
2 A Framework for War Reparations	17
2.1 How to Finance Reparations	19
2.2 Balance of Payments	22
2.3 Terms of Trade	25
2.4 A Terms of Trade Model	26
2.4.1 Growth after Wars	28
2.4.2 The Model	32
2.4.3 Equilibrium	35
2.4.4 Calibration	36
2.4.5 Results	38
3 Sovereign Debt	41
3.1 Sovereign Debt Defaults	45
3.1.1 When to Default	46
3.1.2 Frequency of Defaults	48
3.1.3 How to Default on Sovereign Debt	50
3.1.4 Costs of Sovereign Debt Default	53
3.2 Sovereign Debt Restructurings	56
3.3 Odious Debts	60

3.4	A Practical Guide for Restructuring Sovereign Debt	61
3.4.1	The Fundamental Problem	62
3.4.2	The Restructuring Process	63
3.4.3	The Players	64
3.4.4	The Legal Aspects	65
3.5	A Sovereign Debt Model	65
3.5.1	Government	68
3.5.2	Firms	69
3.5.3	Households	69
3.5.4	Equilibrium	70
3.5.5	Default	71
3.5.6	Calibration	73
3.5.7	Sensitivity	78
3.6	Stylised Macroeconomic Facts about Sovereign Debt Defaults	79
3.7	The Sovereign Debt Default Set	83
4	Napoleonic Wars Reparations	86
4.1	Terms of Trade	94
4.2	How France Paid Reparations	96
5	Haiti Indemnity and Sovereign Debt	100
6	Franco-Prussian War Indemnities	104
7	Smaller Nineteenth-Century War Reparations	112
7.1	Mexican–American War Reparations	112
7.2	Cretan War Reparations	113
7.3	Chinese Reparations to Japan and Britain	113
8	German World War I Reparations	115
8.1	Germany after the War	116
8.2	The Dawes Plan	120
8.3	The Young Plan	122
8.4	Enforcement of Reparations	124
8.5	Germany's Sovereign Debt Default	126
9	Russian and Bulgarian World War I Reparations	130
10	World War II Reparations to the Soviet Bloc	133
10.1	Finnish Reparations to the Soviet Union	134
11	World War II Reparations to the Allies	139
11.1	German Reparations to Denmark	142
12	Iraq Gulf War Reparations	144
12.1	Historical Background	147
12.2	The Iran–Iraq War (1980–1988)	149
12.3	The Gulf War and Reparations (1988–1991)	157
12.4	Sanctions (1991–2003)	160
12.5	Terms of Iraqi Borrowing	163
12.6	The Iraq Sovereign Debt Restructuring	167
12.6.1	Iraqi Debts	169

<i>Contents</i>	xiii
12.6.2 Immunising Iraqi Assets and Reconciling Debts	170
12.6.3 Paris Club Negotiations	174
12.6.4 Non-Paris Club Bilateral Debt Negotiations	177
12.6.5 Commercial Debt Claims and Restructuring	179
12.7 Haircuts and Odious Debts	184
13 When Nations Can't Default	188
<i>Appendix: Letter to Creditor Committees</i>	191
<i>References</i>	193
<i>Index</i>	215