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Latin America post-pandemic: debt, financial instability, and uneven economic recovery[1]

Daniel Aparicio[2], Gabriela Rivera[3] and Monika Meireles[4]

Abstract

This paper deals with the discussion of the effects of the pandemic on public and private indebtedness in Latin America, which reached record levels in 2020. We seek to critically map the implications of massive private indebtedness for financial instability in the post-pandemic context, anchored in the theoretical contribution of heterodox economics – especially inspired by post-Keynesian literature and discussions on development by Latin American structuralist authors – and supported by the interpretation of descriptive statistical data. Imminent risks include: a) an increase in non-performing portfolios; b) inertial overaccumulation of debt; and c) bankruptcy accompanied by job losses. However, when analysing the behaviour of public debt to finance exceptional government spending to counteract the negative economic effects of the pandemic, we find that it both contributed to making the fall in economic activity less pronounced and facilitated the conditions for a better economic recovery.

1. Introduction

One of the collateral economic effects of the COVID-19 pandemic has been region-wide borrowing at the individual level, as well as in families, households, financial corporations, non-financial corporations, and even a rapid increase in government debt. Although of a varied nature and with completely different objectives, the overall debt increase in each type of borrowing mentioned is still a worrisome phenomenon for the post-pandemic landscape.

The combination of a larger amount of debt with a highly uncertain environment – given the unpredictability of coronavirus mutations, vaccine effectiveness against new strains, and the health policy measures to be taken – is an uncomfortable mix for future economic strength. More specifically, the implications of increased borrowing are especially alarming when looked at in the Latin American context.

It is relevant to mention that Latin America is home to 8.4 per cent of the world's population and 28.3 per cent of all deaths from coronavirus (Banco Mundial 2021). Therefore, as one of the regions most affected by the recurring negative economic effects of the pandemic, we must worry about signs of uneven economic recovery among its member countries in addition to the

growing debt. For example, Chile – the country with the most successful vaccination campaign, which had vaccinated around 87.65 per cent of its population by January 2022 (*Our World in Data* 2022) – has been able to temporarily put aside part of the political and social tensions that arose with the election victory of Gabriel Boric in November 2021, future progressive president and part of the "I Support Dignity" coalition ("*Apruebo Dignidad*" coalition in the original Spanish), making Chilean economic reactivation look as though it will arrive much faster.

At the same time, Brazil's prospects continue to be worrisome, as the management of the health crisis by the proto-fascist Bolsonaro regime has not only been catastrophic, but has unduly compromised the outlook for the recovery of economic activity and has jeopardised the country's development trajectory.[5]

In light of the above, the focus for this paper is a discussion of the effects of the pandemic on public and private borrowing in Latin America. Considering that the government debt incurred to finance an expansion of public spending as a result of the health emergency is of a different nature than business and family debt, it is argued here that both can be observed to have increased substantially and that this trend clearly increases financial vulnerability on the road to regional economic recovery.

It is recognised that indebtedness in Latin America has been on an upward trend since 2013, but this was accentuated in 2020 as a result of the emergency programmes that were promoted in the region when external debt reached a value of 48.2 per cent of GDP (2,031,905 million dollars), the highest ratio in the last decade and nearly ten per cent above 2019 (ECLAC 2022). In 2021, external indebtedness as a proportion of the region's GDP decreased by five per cent from 2020 levels, but Brazil, Chile, and Colombia saw an increase in external financing flows (ECLAC 2022), which suggests a continuation of a Ponzi-type financial scheme. This further compromises future resources to foreign entities and, considering the current interest rate increases in the United States, it will make the probability of a moratorium on interest payments even more severe, sacrificing the possibilities of stable and sustained growth.

As such, the primary goal of this paper is to reflect on what this obvious expansion in borrowing by economic actors truly means and what the implications are for the real economy. More specifically, it seeks to develop a critical mapping of the implications of large-scale borrowing for financial instability in the post-pandemic context. Supported by the interpretation of descriptive statistics, this analysis is anchored in heterodox economic theory and particularly inspired by the post- Keynesian literature and the discussion on development by Latin American structuralist authors.

For the purpose of organising the arguments within, this paper is divided into four sections. The first, and the most theoretical, is a discourse regarding the notion of *financial instability* in the work of Minsky (2020 [1992]), extrapolated to the case of sovereign debt as postulated in Kregel (2004, 2006), with the intention of better understanding the implications of growing

indebtedness in the post-pandemic period. Section Two references the process of incurring public debt in Latin American countries, while Section Three analyses private debt behaviour under the same circumstances. Following this analysis, the paper concludes with a series of reflections on the importance of the borrowing process and uneven economic recovery in the past and present.

2. Minsky and Kregel: interpretations of financial instability

Inspired by Keynes' interpretation of capitalism as a monetary method of production, Hyman Minsky made a name for himself in the discipline of economics.[6] Although his work covered various research topics, he shines in his hypothesis on *financial instability* as a cyclical condition of capitalism. According to Minsky (2020 [1992]), 'the *financial instability* hypothesis...is a theory of the impact of debt on system behaviour and also incorporates the manner in which debt is validated' (Minsky 2020 [1992] p 6, emphasis added); consequently, financial fragility occurs when the foundations of the economic engine – productive investment – start to wear down.[7]

For a better understanding of these ideas, the elements that, when combined, reveal Minsky's conception of financial fragility must be reviewed. First, Minsky (2020 [1992]) starts with the fact that investment itself is the motor behind economic performance. When investment spending grows considerably as the result of profits, confidence in future profits also grows, which in turn boosts investment levels. This combination of high confidence and a virtuous cycle bolsters the financial leverage of both non-financial corporations and investors, while at the same time reducing the preference for "cold, hard cash." This means that the liquidity preference is systematically disincentivised in favour of high-risk investments.

Consequently, the pool of retained earnings is used for reinvestment less and less frequently. At the same time, debt transactions increase, facilitated both by loans from banking institutions as well as bonds, debentures, and/or shares issued by the company. Faced with these great expectations and the possibility of future profitability, not only does the preference for liquidity decrease, but debt levels and interest rates increase. The tendency toward greater leverage from non-financial corporations generated during the waxing of the economic cycle causes both transactional and non-transactional influxes of money to become increasingly chained to the repayment calendar for previously contracted debt. Thus, corporate cash flow is increasingly tied to previously assumed financial commitments, leaving fewer resources available for expanding productive capacity, and any indication of future economic deceleration translates into potential financial instability in the present.

One of the most noteworthy characteristics of Minsky's work on the financial instability hypothesis (Minsky 2020 [1992] p 7) is the explanation, based on the identification of three financing patterns in non-financial corporations: a) "covered," where borrowed resources are completely replaced through the profits obtained from the company's final business objective; b) "speculative,"

where only part of the money returned to creditors as part of interest payments on the principal balance is made from some non-transactional income; and c) "Ponzi," a structure where both interest payments as well as the principal balance are paid off using newly acquired loans, specifically in order to stay up to date with the repayment calendar for previously contracted debt.

These concepts reveal an increasing trend of financing a substantial part of non- financial corporations under the "Ponzi" model, given the drive for fast results combined with extreme credit availability. At both a macroeconomic and sectorial level, the result of the transition from a more secure to a less secure financing pattern is the formation of the foundations for a generalised financial fragility effect on the economy. When the majority of non-financial corporations are financed with a Ponzi scheme, the propensity for default becomes more acute and, given the "house of cards" effect, set off when a company fails to comply with its debt repayment calendar, it is more likely that the economy will experience frequent episodes of financial crisis, with an immediate depressive effect on the real economy as a whole.[8]

Although it may have been Hyman Minsky (2020 [1992]) who began a systematic analysis of the different financing patterns for productive activity, highlighting the tendency to move toward a higher occurrence of "Ponzi-type finances" during an economic expansion (and how this may lead to chronic fragility and recurring crises) his findings did not analyse public debt.

Despite recognising that the combination of firms' ambition at the microeconomic level and extreme credit availability set up the foundations of financial fragility in the economy as a whole, Minsky did not pay any special attention to financial vulnerability in macroeconomic dynamics. Nevertheless, the extrapolation of the original thesis enunciated by Minsky (2020 [1992]) on financial fragility to national economies is fully possible (Kregel 2004, 2006). This type of approach highlights that the financial risk inherent in public indebtedness patterns is especially worrisome when there is a mutation from a speculative to a Ponzi-type financing scheme, as has been observed historically in the case of Latin American countries.

In addition, we find that the countries of the region continue with an upward trend in their fiscal and trade deficits, derived from their dependence on imports – mainly capital goods – which has placed them in the problematic situation of financing such deficits with internal and external indebtedness. According to Kregel (2004), the transition from a speculative financing scheme to a Ponzi-type scheme in Latin America is a recurrent problem, which resurfaced precisely with the implementation of the famous Brady Plan – later followed by the Baker Plan – and the external debt restructuring in the 1980s and 1990s, which ended up promoting a secondary market of standardised public and private debt securities and deepening new sources of financial fragility.[9]

To sum up, a careful concatenation of the theoretical contributions of Minsky (2020 [1992]) and Kregel (2004, 2006) enables the creation of a more appropriate underlying theory for the argument built in this article. Thus, in the context of

the pandemic, the alarming level of debt and critical financial fragility which have historically functioned as base elements of the explanation of financial crises in Latin America, are not only present, but intensified.

3. Latin American public debt during the pandemic: necessary or irresponsible?

The pandemic threw the pre-existing problem of unequal income distribution in Latin America into stark relief. Around 60 per cent of the economically active population in the region works in the informal sector and, in 2020, this sector experienced the greatest job losses (ECLAC 2020a). Additionally, the inequality became more explicit when, faced with stricter confinement measures, a large part of the population engaged in informal work had to leave their houses daily, exposing themselves to the virus to avoid losing their source of income. Thus, it can be inferred that private borrowing increased in order to complement the family budget, in the case of households, and to rectify immediate liquidity problems, in the case of firms.

Regarding the expansion of public borrowing, Latin American governments are in disagreement regarding whether an increase in debt is necessary to reverse the current socioeconomic consequences of the pandemic or a new chapter in the story of fiscal irresponsibility in the region. Contrary to conventional thought regarding "healthy finances," promoting public borrowing in order to expand the fiscal space has been the rallying cry of Modern Money Theory (MMT) recently, defended by Randall Wray and others who were inspired by the functional finances of Abba Lerner (Manrique, 2021). According to MMT, local currency debt in a country that issues its own currency should not create significant problems for two basic reasons:

a) by definition, these governments cannot default, as they have the capacity to print this currency and liquidate bond holdings; and
b) in the medium to long term, the danger of inflation can be kept at bay by the greater productive capacity brought about by this expansionist fiscal policy.

Of course, considering that the international monetary system is an extremely asymmetric space and that there is a hierarchy of currency acceptability, it would be problematic to apply the teachings of MMT on public finance management *ipsis litteris* to peripheral countries whose currency is at the base of the monetary pyramid (De Paula *et al* 2018). Thus, contrary to Wray's (2015) assertions, for the group of Latin American heterodox economists specialising in the "money hierarchy" the benefits of monetary sovereignty for developing countries do not imply the same prerogatives that central countries with sovereign currency enjoy.[10]

This section has argued that the topic of public borrowing is complex and should not be seen as malignant *per se*. Public debt can be used as an additional instrument to incentivise state and private sector capacities when channelled into financing capital expenditure, thus creating a virtuous cycle for the economy as a whole.[11] This is why analysing the origin of financing is also

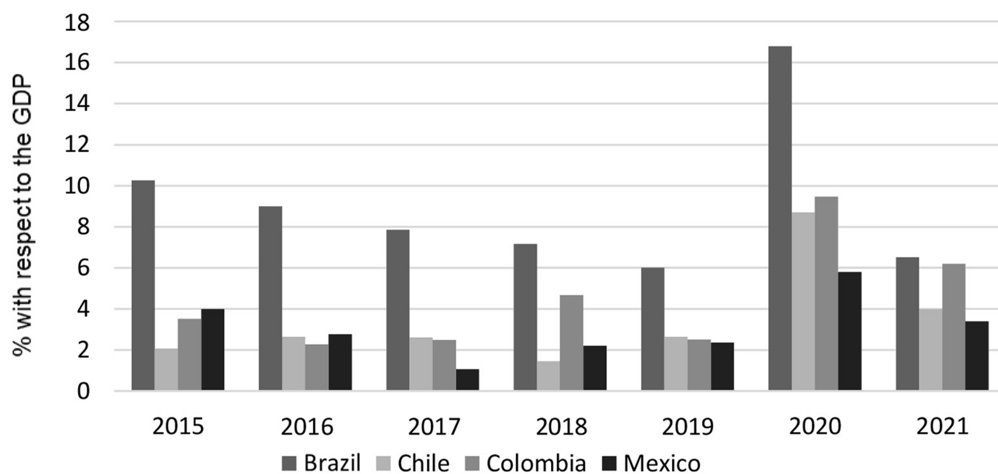
important, because on it will depend the terms, amounts, and entities that will replenish the resources. Again, in Latin American countries, increasing domestic debt to expand productive capacity can be somewhat problematic, considering the asymmetric characteristics of the international monetary-financial system. This is because, given the free movement of international capital, the conditions to create a highly vulnerable situation can manifest rapidly and any kind of bad news could scare bond and domestic debt holders, causing a large-scale outflow of resources and, consequently, a balance of payments crisis (Girón and Meireles 2018).

In terms of public borrowing because of the COVID-19 pandemic, there were different rates of increase, credit-granting conditions, and repayment calendars among Latin American countries. In most parts of the region, governments executed programmes consisting of money transfers, subsidies, credits, and fiscal stimulus packages to some extent. According to the Economic Commission for Latin America and the Caribbean (ECLAC 2020b), around two thirds of the public measures announced to support the business sector in Latin America were to facilitate liquidity and credit access; 20 per cent was through direct aid, ten per cent in employment support, six per cent in production support and one per cent in export support. In addition, the total magnitude of public expenditure in fiscal incentives made by Latin American governments was 8.5 per cent of 2020 Gross Domestic Product (GDP), financed largely through fiscal deficits and borrowing (BID 2020). This put 2020 public debt at 78.1 per cent of GDP, close to 14 per cent more than in 2019 (calculations from FMI 2021a).

When observing the relationship between loans made available by the government for financing other sectors of the economy (net loans) in comparison with public debt (net public loans) in Latin America, it is clear that 2020 witnessed a significant increase with atypical growth as a result of the pandemic, and that in 2021 this indicator decreased while still staying above its historical trend (see Figure 1). The Brazilian government had a loan-to-borrowing ratio of 10.2 per cent with respect to GDP in 2015, a proportion that shrank by almost half in 2019 to six per cent. Then in 2020, it almost tripled with respect to the prior year, exceeding 16 per cent. In Mexico, the loan/borrowing ratio decreased from 3.9 per cent to 3.4 per cent from 2015 to 2021, only exceeding its average in 2020 with a ratio of 5.8 per cent.

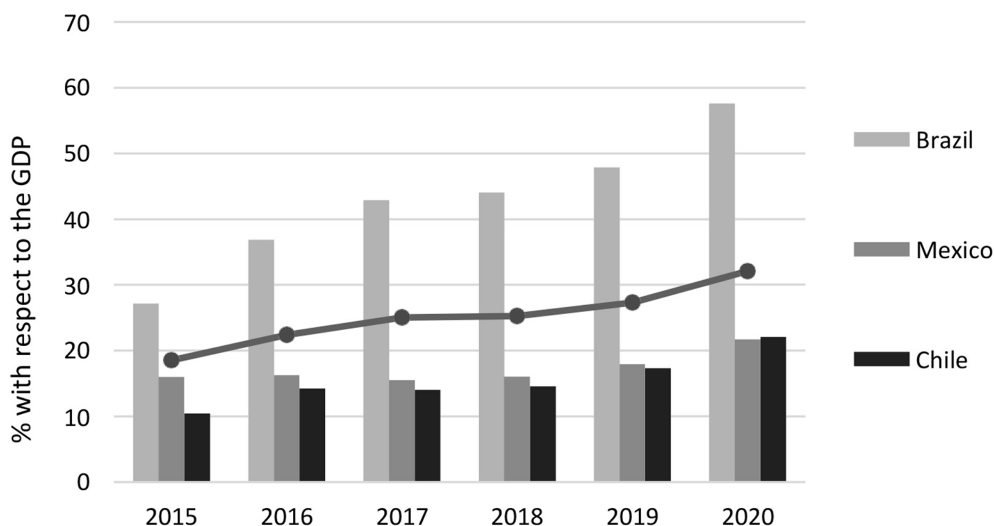
Chile and Colombia raised this ratio considerably in 2015–2021 period. Chile went from having a two per cent balance with respect to the national GDP to four per cent at the end of the period, with disparate growth in 2020, exceeding eight per cent. Colombia experienced an analogous tendency, starting the period with a ratio of 3.5 per cent, but closing in 2021 with a ratio of 6.1 per cent. Additionally, looking at the individual evolution of credits granted to Latin American governments (Figure 2), there is a clear upward pattern in recent years with particular acceleration in 2020. For example, in 2015, credits to the Brazilian government represented 27.1 per cent of the GDP, while the same indicator rose to 57.5 per cent in 2020.[12]

Figure 1: Latin America (Brazil, Chile, Colombia, Mexico):
Net general government private and public loans (% of GDP), 2015–2021



Source: compiled by authors with information from the International Monetary Fund.

Figure 2: Latin America: Credits to the government (% of GDP), 2015–2020



Source: compiled by authors with information from the World Bank.

Looking back upon the role of public debt in the pandemic, the above figures show that GDP was positively related to spending financed by public debt. That is, in 2020, where additional spending to address the pandemic represented a larger part of GDP (Brazil 6.5 per cent, Chile 7.7 per cent, Colombia 1.4 per cent, Argentina 2.8 per cent and Mexico 0.7 per cent (FMI 2021b), the drop in GDP was less pronounced (Brazil –3.9 per cent, Chile –5.8 per cent, Colombia –6.8 per cent, Argentina –9.9 per cent, and Mexico –8.3 per cent (FMI 2021c).

In short, the preoccupation with the financial health of Latin American governments in a context of increased public borrowing, combined with a climate of uncertainty that surrounds the post-pandemic recovery situation, is quite comprehensible. However, financing a countercyclical fiscal policy in the economic crisis unleashed by the COVID-19 emergency was necessary. This paper focuses on understanding the burden of the new public debt in foreign currency and/or controlled by non-residents. The current tendency at the Federal Reserve to raise interest rates to mitigate growing inflation – slowly leaving behind the quantitative easing policy previously in force – could result in a massive outflow of foreign capital from the region, the immediate result of which would be extra pressure on the exchange rate, driving up debt payments in dollars, and putting down the foundations for a new round of difficulties in handling the balance of payment.[13]

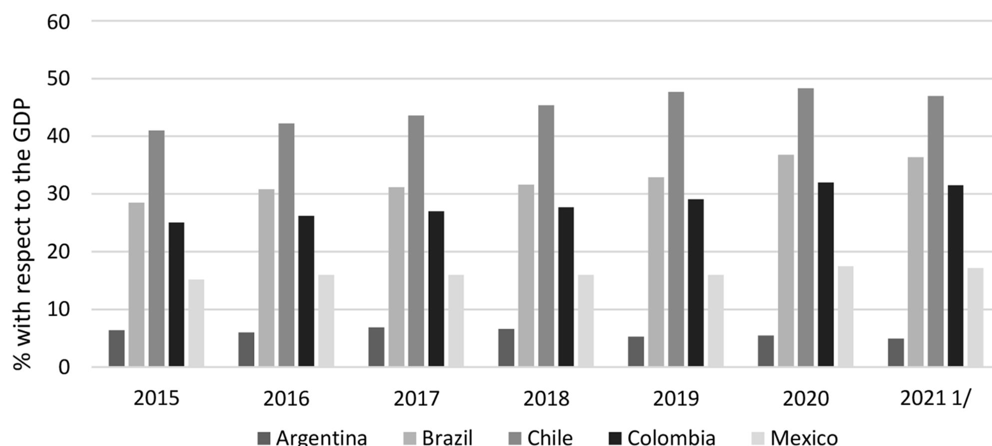
4. Private debt: A regional time bomb?

Immersed in an atmosphere of slow accumulation of capital, the 2020 economic restrictions reinforced the overall drop in the private debt/GDP ratio. However, the debt overhang of non-financial corporations has not shown any signs of being used to start a virtuous cycle for post-pandemic recovery anchored in the enlargement of productive capacity, generation of employment, or other improvements for society as a whole. In fact, it would seem that the large-scale increase in private debt reinforces a cycle of financial leverage, accompanied by credits granted to “zombie corporations” with a highly limited capacity for solvency and liquidity.

If that were not enough, households have also joined the debt-contracting frenzy, transferring part of their diminished income to the financial sector.[14] Thus, given their structural vulnerabilities, households were not exempt from accelerating their debt during the health crisis, as can be observed in Figure 3. For the period analysed, the only reduction in the household debt/GDP coefficient was in Argentina, decreasing from 6.4 per cent in 2015 to 4.9 per cent in 2021, which better speaks to the immense distrust towards banks on behalf of the local population than the availability of extra financial resources at a time of crisis. Of the group of countries analysed in this paper, Brazil and Colombia have shown the most considerable changes in this indicator, with 28 per cent and 25 per cent increases, respectively, which would cause important tensions within their banking sectors.[15] Chile and Mexico also share the upwardly progressive household borrowing trend, increasing from 41 per cent

to 47 per cent and 15 per cent to 17 per cent, respectively, between 2015 and 2021.[16]

Figure 3: Latin America (Argentina, Brazil, Chile, Colombia, Mexico): Total credit to households (% GDP), 2015–2021

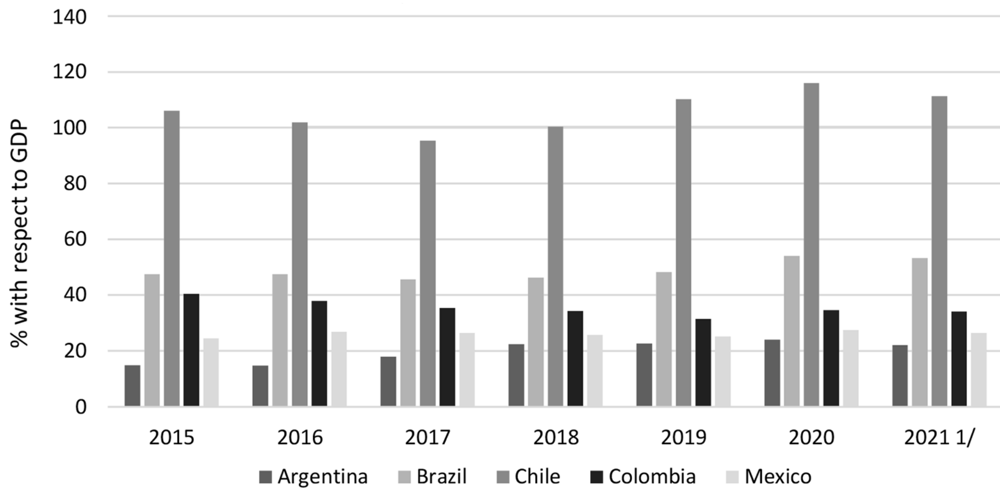


1. Preliminary statistics for the first half of 2021.
Source: compiled by authors using data from the Bank for International Settlements.

Focusing on the increase in non-financial corporate debt illustrated in Figure 4, there is an observable positive pattern for Brazil, Chile, and Mexico. For example, in the case of Chile, credits granted to firms outgrew the 2015 figure (106 per cent of GDP) to become 116 per cent of GDP in 2020. In Mexico, the same indicator grew by more than 11 per cent between 2015 and 2021, propelled by the domestic financing provided by commercial banks, which are responsible for more than 40 per cent of credits (Banco de México 2021). Likewise, in Argentina, credits to non-financial corporations increased from 14.9 per cent to 22 per cent between 2015 and 2021. This means that Argentina experienced a 48 per cent change, mainly due to investment in small and medium businesses and insurance company financing (Banco Central de la República de Argentina 2022).

Despite government support, “pandemic borrowing” from the private sector showed record levels in 2020 for the countries analysed here. The 12 per cent expansion in Brazil and 10.1 per cent in Colombia deserve special mention (authors’ calculations using data from the Banco de Pagos Internacionales 2021). In all cases, non-financial corporate debt is even more worrying than the increase in household debt. According to ECLAC (2020b), approximately 7.7 million businesses had closed at the end of 2020, representing 19 per cent of total businesses in the region. These closures had the effect of an 8.1 per cent

Figure 4: Latin America (Argentina, Brazil, Chile, Colombia, Mexico): Total credits to non-financial corporations (% GDP), 2015–2021



1. Preliminary statistics for the first half of 2021.
Source: compiled by authors using data from the Bank for International Settlements.

drop in employment in that sector, where microbusinesses – which create the most jobs, are mostly in the commerce sector, and have low productivity – were the most affected.

Since there is no economic policy focused on the reactivation of chains of production in Latin American countries, only projects with short-term profitability will be stimulated, increasing bankruptcies and drawing out the economic recovery process. To continue in the theoretical vein of Minsky, when faced with uncertainty about the post-pandemic recovery scenario and the unreliable future of firms' transactional income, there is no doubt that an increase in borrowing means worsening financial fragility in the economy.

Final thoughts

An enormous increase in debt can be counted among the collateral economic effects of the pandemic. In Latin America, borrowing reached record levels in 2020, allowing us to return to Minsky's financial fragility hypothesis and test it again under current conditions. Thus, it would not be an exaggeration to state that the increase in private debt would continuously wear away at regional financial stability. The imminent risks include a) an increase in overdue portfolios, b) stagnated debt overhang, and c) widespread bankruptcy accompanied by unemployment. These are positioned within an extremely complex post-pandemic environment with high levels of uncertainty about the future, and a slow, plodding, unsatisfactory recovery in peripheral economies.

However, when analysing the behaviour of public debt for financing extraordinary spending to counteract the negative socioeconomic effects of the pandemic, we find that not only did it limit economic deceleration, but also facilitated conditions to improve economic recovery in 2021. This allowed Chile and Brazil to experience positive cumulative growth, while Argentina and Mexico have not managed to recover from the GDP shrinkage in 2020 (authors' estimations using data from FMI 2021c).

Finally, despite the initiatives implemented, the socioeconomic regression has been widespread, as 22 million new people slipped below the poverty line regionally in 2020 (ECLAC 2021a) and the regional wage gap widened. According to ECLAC (2021b), in 2020 the Gini coefficient increased by 2.9 per cent relative to the prior year, a smaller amount than what would have been without the financial support that was implemented throughout the year. This shows that, in the short term, government expenditure was fundamental for softening the blow of an even greater catastrophe. However, this does not mean that the level of public debt should not be put under scrutiny in the future. Citizens must understand, in detail, how the extraordinary resources from the countercyclical measures to counteract the COVID-19 crisis were spent: transparency in use, constant evaluation of the impact of public spending and effective responsibility from policymakers are the best guarantee that current public debt does not become a burden for future generations.

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Endnotes

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2. Doctoral Candidate at the Economic Research Institute (IIEc-UNAM). E-mail: dannielaparicio@gmail.com

3. Undergraduate student at the School of Economics at the National Autonomous University of Mexico (FE-UNAM). E-mail: gabrielarv.1929@gmail.com

4. Academic Researcher at the Economic Research Institute of the National Autonomous University of Mexico (IIEc-UNAM). E-mail: momeireles@iiec.unam.mx

5. In fact, the crisis resulted in a drop of 3.9 per cent in Brazilian GDP in 2020, a positive increase of 4.7 per cent in 2021, and projected growth of 0.3 per cent for 2022 (FMI 2022).

6. It bears mentioning that Minsky, despite having been Alvin Hansen's assistant, did not agree with his perspective on teaching economics inspired by Keynes' work. The initial disagreement was related to the interpretation of the functioning of a market

economy, where two approaches contradict each other: a) Smith's approach, which emphasises that market mechanisms themselves lead toward equilibrium; and b) Keynes' approach, where the economy endogenously tends toward economic and financial instability. As Whalen (2008) states, this interpretation led Minsky to retrench his explanation of the *business cycle* (Minsky 1975).

7. Additionally, 'In contrast to the orthodox Quantity Theory of money, the financial instability hypothesis takes banking seriously as a profit-seeking activity' (Minsky 2020 [1992] p 6).

8. After the severe American financial crisis of 2007-2008, the financial instability hypothesis elevated Minsky's work to "classic" status in the annals of heterodox economics (Girón 2010).

9. The problem for Latin American countries is that the channelling of their resources to pay the debt benefits the creditors – the North American banks – ends up distorting their macroeconomy even more. Debt repayment, especially when Latin American countries have a trade balance deficit, means incurring negative net transfers and, given the region's tendency to import high value-added goods, and accelerating the need for foreign capital to meet the trade deficit. This is a "double-edged sword" (Kregel 2004), as export earnings would be required to exceed the interest rate on the outstanding debt, and not forgetting that 'any external event, which causes inflows to change, will create domestic instability and require domestic adjustments to reduce dependence on external resources, usually leading to financial crisis through failure to meet financial commitments' (Kregel 2004 p 11).

10. Prates (2020) also notes that the theoreticians influenced by MMT focus excessively on the United States, which is the key monetary issuer, and that for this reason they do not consider developing countries, the difficulties inherent in fluctuations in capital flow, and persistent problems in managing the exchange rate.

11. Using this logic, Kregel (2006) himself recognises that a nation's debt level should be dependent on its real capacity. That is, public borrowing can be justified when it promotes an explicit relationship to the generation of productive capital, with the intention of using those funds as the motor for investment projects to stimulate domestic demand, which would be reflected in net exports and, potentially, in a positive effect on GDP, disincentivising Ponzi-type financing.

12. According to the FMI (2021a), Venezuela, Argentina, Brazil, and Uruguay increased their public debt most drastically during the pandemic of all Latin American countries, although they are not included in the group analysed here. In 2020, the top three countries in the region with the highest government debt/GDP ratios were Venezuela (30 per cent), Colombia (24 per cent), and Ecuador (19 per cent). Meanwhile, Venezuela (304 per cent), Argentina (102 per cent), and Brazil (98 per cent) have the lowest government debt/GDP ratio.

13. The literature on economic growth has closely followed the problem of the so-called "Thirlwall's Law"— also known as the growth with a balance of payments restriction. It establishes that, in the long run, economic growth will be conditioned by the change in real world income, variations in foreign capital flow in real terms, and the behaviour of terms of trade and price elasticities of exports and imports. In the particular case of Mexico, from the early 1980s to the mid-1990s, the increase in the income elasticity of imports seemed to be a determinant of the lethargy of growth, as it increased the restrictions on the balance of payments. (Moreno-Brid 1998).

14. Lapavitsas (2009a; 2009b) shows that in recent decades, workers' income has "financialised" as well. Falling back on borrowing, in part because of salary stagnation, is an everyday experience for those who live on wages once compensation is insufficient to acquire the basic basket of necessary goods and services for social reproduction. This process, which started at the beginning of the twentieth century, leads to secondary exploitation (Chesnais 2019), an appropriation of resources by capital with a fraction of the worker's salary in the form of interest which has the potential to be accumulated by financial sector agents.

15. According to the *Banco Central do Brasil* (2022), more than 90 per cent of Brazilian household debt comes from credit transactions made by entities in the national financial system, in comparison with a very small percentage of government funds, pensions, consortium administrators, and mortgage institutions.

16. In Mexico, more than 70 per cent of the credits granted to households were allocated for mortgage expenses, more than 28 billion Mexican pesos in comparison with slightly more than 12 billion in consumer financing in 2021 (Banco de México 2021).

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