

# It only happens to others...?

By

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Since 1750, there have been 319 sovereign debt defaults. The impossibility to sustain public spending levels and raise sufficient taxes in economies which were too weak, the lack of selectivity and the low impact of public investments, armed conflicts which lasted too long, or major economic and financial crises have all served to undermine the illusions of many governments in Europe and the Americas over the last three centuries (see tables 1 and 2<sup>1</sup>).

Are the stakes any different today? The European economy has fallen behind global (and technological) growth *for the past fifteen years*. It is nonetheless trying to preserve its social redistribution models, cope with an aging population, lead the race against global warming, support its ailing economic sectors, will have to increase its defense budgets, and maintains cumbersome and complex modes of public administration and decision-making.

The weight of public spending<sup>2</sup> in European GDP is growing steadily. It has risen from 24% in 1960 to 49% in 2023<sup>3</sup> (57% in France). It is only 34% in the United States and around 33% in China.

*Europe is on an unsustainable trajectory*. It resembles those companies which stopped growing but are unable to halt the momentum of their SG&As, simplify their management methods or change their dilutive investment mix.

There is a growing risk that a few more European names will be added to the unhappy list below over the next few years.

For companies, beyond geographical risk, it is becoming critical to distinguish between growth trends linked to structural market developments and those that depend on subsidies and other government investments or support, the sustainability of which is not – or is no longer – guaranteed.

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December 2024

*Estin & Co is an international strategy consulting firm, with offices in Paris, London, Zurich, New York and Shanghai. The company assists senior executives of major European, North American and Asian corporations with their growth strategies, and managers of private equity firms with the analysis and valuation of their investments.*

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<sup>1</sup> Extract of 167 government defaults (116 external and 51 domestic) out of a total of 319 (235 external and 84 domestic).

<sup>2</sup> Public expenditure including expenditure by all public administrations (central/federal state, state and local administrations): operating expenditure of the administrations, public investments, social transfers and interest payments on debt.

<sup>3</sup> Figures on a comparable basis: EU-9 excluding Luxembourg (Germany - West Germany and East Germany - Belgium, France, Italy, Netherlands, Denmark, Ireland and United Kingdom).

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**- Table 1 -**  
**- History of public debt defaults since 1750 (1/2) -**  
**External** debt defaults toward foreign investors – Not exhaustive

	1750-1800	1800-1850	1850-1900
<b>Europe</b>	France (1770-88) Austria-Hungary (1796)	France (1812) Austria-Hungary (1802-05-11-16) Germany (1810) <sup>(1)</sup> Greece (1826-43) Netherlands (1814) Portugal (1828-37-41-45) Russia (1839) Spain (1831-34) Sweden (1812)	Austria-Hungary (1868) Germany (1850) <sup>(2)</sup> Greece (1860-93) Portugal (1852-90) Russia (1885) Spain (1851-67-72-82) Turkey (1876)
<b>North America</b>	United States (1790) <sup>(3)</sup>		
<b>Latin America</b>	Argentina (1827) Chile (1826) Mexico (1827-33-44) Venezuela (1826-48)		
<b>Asia</b>			
<b>Middle East and Africa</b>			
	1900-1950	1950-2000	2000-2024
<b>Europe</b>	Russia (1918) Turkey (1915) Austria (1938-40) Germany (1932-39) Greece (1932) Hungary (1932-41) Italy (1934) Poland (1936-40) Romania (1933) Turkey (1931-40)	Poland (1981) Romania (1981-86) Russia (1991-98) Turkey (1978-82)	Greece (2012-2015) Russia (2022) Ukraine (2022)
<b>North America</b>			
<b>Latin America</b>	Mexico (1914-28)	Argentina (1951-56-82-89) Brazil (1961-64) Chile (1961-63-66-72-74-83) Mexico (1982) Venezuela (1983-90-95)	Argentina (2001-14-20) Venezuela (2004-17) Ecuador (2020)
<b>Asia</b>	China (1939) Japan (1942)	India (1958-69-72) Indonesia (1998) Philippines (1983)	Indonesia (2000-02) Lebanon (2020) Sri Lanka (2022)
<b>Middle East and Africa</b>		Algeria (1991) Egypt (1984) South Africa (1985-89-93)	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> <p><b>- CAVEAT -</b> Not exhaustive, only major defaults recorded</p> </div>

Note: Extract of 167 state defects (116 external and 51 domestic) out of 319 total (235 external and 84 domestic)  
(1) Several German states: Hesse, Prussia, Schleswig-Holstein, Westphalia; (2) Schleswig-Holstein; (3) Following the Revolutionary War, conversion of US state debts into federal Treasury bonds, with interest payments deferred until 1801  
Sources: Bank of Canada and Bank of England, Sovereign Default Database 2024, "This Time is Different" (C. Reinhart & K. Rogoff), Estin & Co analysis and estimates

**- Table 2 -**  
**- History of public debt defaults since 1750 (2/2) -**  
**Domestic** debt defaults toward foreign investors – Not exhaustive

	1750-1800	1800-1850	1850-1900
<b>Europe</b>	<b>Denmark (1813)</b>	<b>United Kingdom (1822-34)</b>	<b>United Kingdom (1888-89)</b>
<b>North America</b>	<b>United States (1790) <sup>(1)</sup></b>	<b>United States (1841-42) <sup>(2)</sup></b>	<b>United States (1873-84) <sup>(3)</sup></b>
<b>Latin America</b>		<b>Mexico (1850)</b>	<b>Argentina (1890)</b>
<b>Asia</b>			
<b>Africa</b>			
	1900-1950	1950-2000	2000-2024
<b>Europe</b>	<b>Russia (1917-18)</b> <b>Greece (1932)</b> <b>Romania (1933)</b> <b>Spain (1936-39)</b> <b>United Kingdom (1932)</b> <b>Austria (1945)</b> <b>Germany (1932-39)</b> <b>Germany (1948)</b>	<b>Croatia (1993-96)</b> <b>Russia (1998-99)</b> <b>Ukraine (1998-2000)</b>	
<b>North America</b>	<b>Canada (1935)</b>		
<b>Latin America</b>	<b>Mexico (1930)</b>	<b>Argentina (1982-89-90)</b> <b>Brazil (1986-87-90)</b> <b>Mexico (1982)</b> <b>Panama (1988-89)</b> <b>Venezuela (1995-97-98)</b>	<b>Argentina (2002-05)</b>
<b>Asia</b>	<b>China (1921-32)</b> <b>Japan (1946-52)</b>		
<b>Africa</b>			

**- CAVEAT -**  
 Not exhaustive, only  
 major defaults  
 recorded

Note: Extract of 167 state defects (116 external and 51 domestic) out of 319 total (235 external and 84 domestic)  
 (1) Following the Revolutionary War, conversion of U.S. state debts into federal Treasury bonds, with interest payments deferred until 1801; (2) Defaults by 9 U.S. states; insufficient revenues to pay for major projects (canal construction, establishment of state-approved and financed banks...); (3) Defaults by multiple municipalities and 10 states: banking panic of 1873, railway crisis...  
 Sources: Bank of Canada and Bank of England, Sovereign Default Database 2024, "This Time is Different" (C. Reinhart & K. Rogoff), Estin & Co analysis and estimates