THE DISCIPLINARY NATURE OF TRANSNATIONAL DEBT: THE CASE OF ARGENTINA'S DEFAULT

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ABSTRACT

The Argentine sovereign default in December 2001 triggered several important, albeit largely neglected, debates on how best to manage risk associated with sovereign bankruptcies.

The main protagonist of these official debates was the International Monetary Fund (IMF) and its proposed Sovereign Debt Restructuring Mechanism (SDRM). Up till now, the debates on sovereign default have been discussed primarily in economic and technical terms devoid of any consideration of power relations within the wider global capitalist system.

As such, these discussions have had little to say about who gains from the existing levels of volatility in the international financial system, and who is disadvantaged by the risks engendered by free capital mobility.

This paper seeks to address this gap in the literature by exploring these debates against the backdrop of the relations of power in the capitalist world market. In doing so, I suggest that the 'official' debates surrounding the SDRM, and subsequent, market-based solution to future sovereign defaults ('collection action clauses'), amplify, as opposed to mitigate, financial risk by reproducing the disciplinary power of transnational lenders vis-à-vis governments of middle-income countries.