Forthcoming 2024 in Special Issue of *Development* on “Tackling Debt Traps: Rethinking International Debt Architecture & Debt Sustainability Assessments,” edited by Juan Pablo Bohoslavsky, Christina Laskaridas, Jason Braganza, and Kitt Bohn-Willeberg.

Norms and Troubled Sovereign International Debt

Leslie Elliott Armijo (Simon Fraser University) <leslie.armijo@gmail.com> and

Prateek Sood* (Queens University) <psood337@gmail.com>

Prepublication draft of July 30, 2024

Abstract

Troubled sovereign international debt is a global governance challenge, requiring solutions balancing the interests of the global economy, creditors, and debtor nations and their citizens. Unspoken ethical and/or logical assumptions exert subtle influences on sovereign debt debates and negotiations. We identify four major contemporary norms that guide actors who participate in sovereign debt restructurings: Sanctity of Contract, Shared Risk, Comparable Treatment, and Human Solidarity. Each implicitly proposes different priorities, decision rules, and ideal allocations of losses to resolve debt crises.

Key Words: Global Financial Architecture, Debt Restructuring, Development Finance, Global Governance, Ideas and Policy Making

* Corresponding Author

Leslie Elliott Armijo holds research affiliations with Simon Fraser University (SIS) and Boston University (GDP Center) and has been a Visiting Scholar in Rio de Janeiro (PUC), New Delhi (CPR), Berlin (FUB), and São Paulo (USP). She is (co)author or editor of *South American Policy Regionalism: Drivers and Barriers to International Problem Solving* (2025), *The BRICS and Collective Financial Statecraft* (2018), *Unexpected Outcomes: How Emerging Economies Survived the Global Financial Crisis* (2015), three earlier books, and fifty odd articles or chapters on ethics, democracy, growth, and politics in Brazil, Latin America, and India.

Prateek Sood holds a B.A. in Economics and International Studies from Simon Fraser University and an M.A. in Global Development Studies from Queen's University, and is currently a research associate at the Institute for Sustainable Finance at the Smith School of Business (Queen's University). His recent work is featured at Boston University's Global Development Policy Center and in *Ethics and International Affairs*.

Leslie Elliott Armijo and Prateek Sood have no conflicts of interest to disclose.

Norms and Troubled Sovereign International Debt

What do opinion leaders in national governments, law firms, academia, media, activist organizations, and elsewhere think about defaults or threatened defaults by sovereign debtors in poor and middle-income economies? What are the major ideas about truth, justice, and proper procedures that underlie debates about desirable responses to struggling sovereign debtors from the global South? The paper identifies four influential norms, or sets of related and persuasive ideas, that inform discussions about troubled sovereign international debt. The most important norms that shape sovereign debt debates may be labeled "Sanctity of Contract," "Shared Risk," "Comparable Treatment," and "Human Solidarity." Each set of ideas is attractive to certain groups or actors and calls for different types of solutions for troubled sovereign debt situations. Each norm is analytically distinct from the others, although their associated policy recommendations partially overlap.

The paper's initial two sections consider the role of norms in public policy and introduce our qualitative methods for identifying norms relevant to the policy arena: the renegotiation of troubled sovereign international debt. The paper's next four sections consider four contending norms within the evolving postwar global sovereign debt governance regime, one of which is currently dominant, and three that challenge reigning ideas and their embodiment in laws and procedures. A penultimate section identifies six categories of proposed reforms, linking each to the logics set out in the three challenger norms. Brief conclusions summarize the arguments.

Norms and Governance of Troubled Sovereign International Debt

This paper is about norms, which serve in public policy debates both to identify possible solutions to perceived policy problems or challenges, and to justify solutions that policy actors already have decided to prefer. The paper's focus thus lies with the ideas that might be employed to discover new policy options, legitimate preexisting preferences, or build policy coalitions.

Ideas that become norms and justifications for preferences and actions fall into two broad categories. The first category is *principled beliefs* that appeal to our understanding of what behavioral choices are right, proper, and moral (Goldstein and Keohane 1993: 9). People, including national policymakers, often justify their behavioral choices by claiming that they embody ethical or moral principles shared within a social group. Ethical principles are notable in that they leave room for altruism, or endorsement of a course of action that occasions greater material costs than direct benefits for oneself. This type of belief or guide to action rests on arguments about the moral virtue of acting to promote the collective self-interest of the family, tribe or cultural group, city, country, or even all of humanity. The logic and the impulse to obey ethical principles are normative.

An alternative type of reasoning that may motivate or justify behavior rests on logical arguments linking cause and effect. These *causal arguments* focus on illuminating true, factual relationships. In many public policy discussions, reform advocates look to economic models to

inform and legitimate policy choices (Goldstein and Keohane 1993: 10). For example, within the rational choice paradigm dominant in contemporary economics and much of political science in the global North, humans are assumed to be self-interested actors whose rational behavioral preference always will be the action that they judge will yield the best outcome for themselves. Within the rational choice model of reality, disputes only can be settled voluntarily by an appeal to both parties' self-interest. In contemporary advanced industrial societies, especially in the United States and Anglophone countries, many laws, rules, and regulations governing the financial sector, broadly defined, have their roots in theories that assume and are justified by underlying rational choice assumptions.

In practice, the distinction between ethical-social norms (which are principled beliefs) and rational choice-economic norms (which embody causal logic based on initial assumptions about actors' incentives) isn't absolute. Some policy-relevant ideas begin as one type of norm, then gradually also assume elements of the other type. Nonetheless, the analytical dichotomy between principled or value-laden ideas, on the one hand, and causal arguments, predicting desired outcomes from specific practical policy choices, offers a helpful pathway into understanding the contending logics behind different visions of how to engage with many public policy debates.

The task of organizing responses to troubled international sovereign debt can be conceptualized as a challenge of *governance*, with a large role for both negotiations and discretion in decision-making about outcomes.[1] Governance in any democracy is about the painful yet creative process of aggregating and conciliating diverse social groups ("interests") who have different public policy preferences, and who each can wield different packages of resources (including compelling norms) in peaceful negotiations to achieve their favored ends. In this sense, the resolution of financial crises resembles a host of other governance challenges, from providing electricity to mediating territorial disputes: multiple technically-viable policy solutions exist, yet most possible solutions will generate losses for some actor(s).[2] Ideas matter in making choices among proposed options, guiding, or at least legitimating, the policy preferences of various participants in negotiations.

The policy problem is as follows. A low or middle-income country is unable to make a scheduled payment of interest and/or principal to its private creditors. If this is international debt--in practice, public debt denominated in a foreign currency or incurred in foreign jurisdictions—then a legal process ensues, beginning with a determination of how severe the repayment difficulties are. We leave aside for now questions of who makes this judgment and on what basis. If the problem is illiquidity, then the borrower should alter its repayment schedule or access additional short-term bridge financing. If, however, a determination is made that the problem is more severe and ongoing, then the country is insolvent. In this case, debt restructuring (implying a reduction of the original debt) and/or economic restructuring (new domestic policy conditions binding on the sovereign debtor) may be required to restore debt sustainability. Both creditors and debtors will assess the debt crisis, seeking to protect their own interests. Creditors seek to

[1] On the importance of discretionary judgments in resolving sovereign debt crises see Armijo and Sood 2023.
[2] To put this precisely, many or most governance challenges lack Pareto-optimal solutions, or options that will allow overall net gains without making anyone worse off, even temporarily.

minimize debt cancellation and recover their capital in a timely manner, while debtors seek to reduce their debt burden as much and as rapidly as possible, while retaining their reputations as reliable borrowers.

The debt workout process is about the distribution of losses, which either may be shared reasonably equitably or allocated disproportionately to either the private creditor or the debtor government. A loss mostly borne by the private creditor occurs if the debtor simply repudiates past debt, wholly or in part. A loss mostly borne by the sovereign debtor occurs when the borrower government contracts new loans, typically from the international public sector (often from the International Monetary Fund, or IMF), whose primary purpose is to repay its private creditors: the debtor country ends with higher debt and austerity conditions imposed from outside to ensure that a sufficient net surplus is generated to send abroad. This paper contends that *ideas*, sometimes explicit but often unrecognized, play an important role in debt workouts.

Anecdotal and historical databases illustrate a long history of sovereign default (Reinhart and Rogoff 2009; Roos 2019). A Bank of Canada-Bank of England database records a default rate greater than 25 percent of all international sovereign bond issues every year from 1830-50, with subsequent peaks in 1930 and 1980, in each case involving international financial contagion (Beers and De Leon-Malagnit 2019:14). Even more striking, in a 200-year sample of 321 sovereign default restructurings with foreign private creditors, the mean creditor loss is 45 percent, while geopolitical crises led to the largest "haircuts" (von Luckner, Meyer, Reinhart, and Trebesch 2023:1). As Lindert and Morton (1989:40) dryly observed during the 1980s Latin American debt crisis, "Those caught in the current lingering debt crisis cannot blame their innocence on an absence of historical literature."

The interesting question is how society has conceptualized and interpreted these outcomes, both historically and at present. Numerous contemporary social actors participate directly in sovereign international debt workout processes, including debtor governments, private creditors, the home governments of private creditors, official creditors, and various arbitration or judicial institutions, from the IMF, to national courts in creditor countries. Other actors, such as scholars, policy experts, journalists, business associations, and NGOs all offer opinions, exercising indirect influence, and often-times direct support to parties in a dispute or to promote specific reform proposals. After wide reading across both journalistic and academic sources, this paper's authors engaged in a necessarily subjective process of conceptual synthesis, identifying what they judge to be the most consequential sets of related ideas (norms or norm complexes, but hereafter "norms") animating contemporary sovereign debt reform debates. Each broad norm makes different assumptions about the core policy problem, thus setting basic parameters for negotiations between creditors and debtors, and implicitly distinguishing between desirable and unimaginable solutions. Participants in any negotiating process may call upon one or more explicit or implicit norms to build coalitions furthering particular outcomes. The remainder of this paper articulates these four norms, with labels and scope as affixed by the authors.

The Reigning Norm: Sanctity of Contract

"Sanctity of Contract" is the dominant norm, justified and legitimized by both a moral-ethical discourse and a causal economic argument within the rational choice tradition. The norm

assumes that all parties to a debt contract have entered into their relationship voluntarily, with one party agreeing to supply financing, and the other agreeing to repay the initial capital with interest. Should a debtor withhold payment, the debtor is at fault regardless of circumstances. This norm holds financial contracts sacrosanct, and views default as a "broken promise or a breach of contract" (Ams, Baqir, Gelpern, and Trebesch 2020: 276). The breaching party is held accountable for both principled and economic reasons, while the need to punish defaulting debtors is considered both economically-rational and essential for system-maintenance. Moreover, the Sanctity of Contract norm advocates a "contractual approach" to reform, positing that procedures and terms of any required debt-rescheduling ought to be laid out in the original debt contract, and thus rejecting the right of any judicial or executive bodies to alter the terms of a debt contract. Even well-intentioned deviations from the laid-out terms of the contract constitute ethical failures.

As a Moral Imperative

In Shakespeare's immortal words, circa 1600, "Neither a borrower nor a lender be; For loan oft loses both itself and friend, and borrowing dulls the edge of husbandry" (Polonius, *Hamlet,* Act 1, Scene 3). Then and now, credit and financial contracts make many people deeply uncomfortable. Pre-industrial sympathies often lay with debtors, preyed upon by rapacious moneylenders, as in Shakespeare's *Merchant of Venice*. The gradual extension of political voice in Western Europe greatly improved the reputation and social standing of urban merchants and creditors, while individual debtors came to be viewed as irresponsible, lazy, or even sinful. These ideas underpinned the creation of English debtors' prisons, appearing as early as the 14th century. A defaulting debtor would languish behind bars until either the debt, plus accrued expenses charged by the prison for food and shelter, was repaid or the creditor released the debtor (Duffy 1985). These public policies, congenial to newly influential groups such as merchants and bankers, gradually also assumed a moral or principled dimension. Subsequently, the late 18th and early 19th century campaigns to end debtors' prison also were waged in part on moral grounds, including by efforts to distinguish between intentional irresponsibility and hard luck--"malfeasance versus misfortune" (Peebles 2013:6-10)—with the assumption that the latter was less deserving of punishment. Agitators also claimed that prison life itself encouraged laziness, and that ending the practice therefore would encourage hard work and thrift (Finn 2003).

While debtors' prisons are no more, a powerful societal norm equating defaulting debtors with irresponsibility lingers. The Sanctity of Contract norm exalts saving over borrowing: frivolous persons borrow against their futures to consume today, while responsible individuals withhold consumption today to fund tomorrow's purchases or emergencies. Both staples of children's literature such as Aesop's fable of the ant and the grasshopper, and academic research such as the Stanford marshmallow experiment in the 1960-70s, which linked later life-success in children to their ability to delay gratification, have reinforced this norm (Calarco 2018).

Contemporary creditors and their governments readily extended the moralizing analysis to defaulting debtors from poor countries. In his enduring work on sovereign default, Winkler (1933:17) began from the premise that, "An obligation ought to remain, in all conscience, an obligation …regardless of the entities of debtor and creditor. [T]he lender expects fulfilment of a contract." The tendency to lay blame primarily on debtors, whether individuals, businesses, or

countries, remains the popular wisdom. Writing about the Latin American debt crisis, financial journalist Tim Congdon (1984) quoted Jeremy Bentham's *In Defence of Usury*, published in 1787, " 'Those who have the resolution to sacrifice the present to the future, are natural objects of envy to those who have sacrificed the future to the present. The children who have eaten their cake are the natural enemies of the children who have theirs.' … Latin American presidents know that their citizens have eaten too much cake." Similarly, during the Greek financial collapse in 2009, both German Chancellor Merkel and French President Sarkozy labelled Greece a "debt sinner" (Carney 2011). The Peterson Institute for International Economics observed that, although "many economists feared that forcing tough austerity on Greece would strangle its economy … Germans and others in Europe felt that Greece had to suffer the consequences of its alleged misbehavior" (PIIE 2020: 5). Joseph Stiglitz (2015), a critic of this approach, likened the rescue packages from Europe and the IMF to 19th century debtors' prisons.

As An Economic Imperative

Among the experts involved in contemporary sovereign debt workouts a different, yet equally potent, set of assumptions drawn from the "rational choice" paradigm of human behavior also supports the Sanctity of Contract norm. It is worth carefully unpacking this reasoning, which understands itself as objective, rational, and logical, and thus as an antidote to unscientific, value-driven approaches to the topic.

In the latter third of the 20th century, a rigidly-formalized version of "rational choice" logic spread throughout the social sciences, becoming close to hegemonic in the discipline of economics and subsequently colonizing American political science. Summarizing broadly, the core assumption is that social actors are self-interested, rational, utility-maximizers. Therefore, to ensure the joint welfare of a group, individuals must be deterred from acting selfishly. The specific application of rational choice logic to debt negotiations builds on the presence of "moral hazard," a term originating in discussions of insurance in the late 19th century (Baker 1996, as cited by Rowell and Connolly 2012:1053). Moral hazard "refers to the idea that the very provision of insurance raises the likelihood of the event being insured against taking place" (Lane and Philipps 2002, n.p.). The very prospect of a safety net reduces the incentives for prudent behavior and encourages excessive risk-taking: if a country can anticipate debt relief and assistance from multilateral public actors such as the International Monetary Fund (IMF) on default, then why should it strain to make its scheduled repayments? The conclusion reflects the assumptions: if a defaulting debtor is met with sympathy, then other borrowers will renege on their contracts, and the entire system of financial intermediation—which serves a valued social function—will collapse. Therefore, creditors/adjudicators/regulators must be cruel to be kind.

The moral hazard argument for treating sovereign debt contracts as sacrosanct is further buttressed by a (re)interpretation of economic and financial history with this rational choice lens (Calomiris and Haber 2014). Within the moral hazard construct, it is assumed that sovereigns default not due to an inability to pay, but rather for political or opportunistic reasons: "[A] state may be short of liquid assets but is never insolvent" (Gianviti 1998). Former Citicorp CEO Walter Wriston opined, "countries don't go out of business... The infrastructure doesn't go away, the productivity of the people doesn't go away, the natural resources don't go away. And so, their

assets always exceed their liabilities, which is the technical reason for bankruptcy."[3] Unless the creditor has really good information about the true net worth of the debtor, as well as the ability to exact some penalty for cheating (the equivalent of repossession of a car, house, or factory), it is rational to assume the debtor cheats. Consequently, the basic model of debt workouts *assumes* the debtor can pay the debt, but simply refuses to do so (as in Eaton and Gersovitz 1981: 289-90).

A related assumption is that private creditors are weak, and sovereign debtors powerful, a mental framing implying that reforms to the so-called global financial architecture should lean toward improving outcomes for private creditors, not debtor countries. This thinking is reinforced by histories of sovereign debt that emphasize the losses experienced by investors. The very language of "sovereign," rather than "public" or "central government," debt holds echoes of authoritarian absolutism. Of course, this framing makes no distinction between the central governments of powerful countries, such as the advanced industrial democracies, and those of emerging markets and developing countries (EMDCs). Overall, the moral hazard logic also implies that voluntary private capital flows will dry up in the absence of stronger regulatory and legal penalties for defaulting sovereign debtors.[4]

Policy Reforms Promoting Sanctity of Contract

At least four categories of post-1980 de facto or de jure policy shifts in the decentralized global governance regime for troubled sovereign debt build on Sanctity of Contract logics. In rough chronological order, these are reforms with the goals of enhancing creditor bargaining power, weakening debtor incentives to cheat, partially voiding sovereign immunity, and de-risking private investment.

Enhancing creditor bargaining power. During the 1980s Latin American debt crisis, the US government and the IMF actively encouraged private creditor cooperation via the so-called "London Clubs," an informal and ad hoc transnational network allowing representatives of the various multinational bank creditors of a single country to locate and meet with one another to coordinate their strategies, inter alia forestalling potential debtors' efforts to play one lender off against another. The London Clubs took their cues on interest rates and other parameters from the Paris Club, a grouping of official creditors, established in 1956, and formally institutionalized in 1976. However, efforts of debtor countries to share tactics and strategies met with fury from the US government and business press, which branded a planned 1983 conference of Latin American sovereign debtors in Cartegena a debtors' "cartel" or oligopoly. Creditors, multilateral organizations, and their backers quietly offered better deals to Brazil and Mexico if they refrained from participation (Stallings 1990: 95-97).

[3] https://www.imf.org/external/np/exr/center/mm/eng/mm_dt_01.htm. Accessed July 29 2024.
[4] While many political economy models have assumed that getting a poor reputation with investors would act as a market-based sanction on unnecessary sovereign defaults, considerable contemporary evidence suggests that private bond investors are not greatly deterred (Cardoso and Dornbusch, 1989; Jorgensen and Sachs 1989; Eichengreen, 1989).

Weakening debtor incentives to cheat. In the early 21st century, the IMF proposed to supplement the sovereign risk assessments provided by the three major credit rating agencies, Moody's, Fitch, and Standard and Poor's, by providing better intelligence to creditors on debtors' finances ("reducing informational asymmetries"). Formally inaugurated in 2005, these debt sustainability analyses (DSAs) offered freely-available and standardized report cards on the amount and composition of debt each low and middle-income countries likely could handle, under various assumptions (IMF 2023). Ostensibly designed to assist countries in programming their own borrowing, the DSAs also inevitably became an input employed in debt renegotiations. Some observers have been happy, perceiving that the DSAs mitigate debtor moral hazard by making it harder for debtors to claim inability to pay. Others, more concerned with the implications for sovereign debtors, conclude that the metrics included in the DSAs display a bias toward creditor concerns and thus tend to overestimate the true sustainability of debt burdens, impeding reasonable settlements (Laskaridis 2020).

Other shifts in the conditions of financing reflect private creditor innovations that their designers justify by reference to moral hazard arguments. For example, the 1990s saw the appearance of a special class of private hedge investors, popularly dubbed "vulture funds," whose business model involved purchasing deeply discounted troubled debt for the sole purpose of profiting through litigation. While the many detractors of "vulture funds" label them blackmailers, their Wall Street fans understand them as "freedom fighters," whose activities improve the functioning of capitalist markets (Abelson and Porzecanski 2014; Kolhatkar 2018). The claim is that these aggressive investors prevent frivolous defaults, as "the prospect of lawsuits will have a helpful deterrent effect" (Fernández and Fernádez (2007: 43). Perhaps the best-known is Elliott Capital Management (ECM) which purchased, for about 11 cents on the dollar, a scant 7 percent of the sovereign debt on which Argentina defaulted during its turbulent debt, banking, and political crises of 2001. Although owners of the remaining 93 percent of Argentine bonds accepted debt reduction and rescheduling, ECM sued Argentina repeatedly, demanding 100 percent payment of the bonds' face value and-pursuing litigation for 11 years, damaging not only Argentina but also the large majority of bondholders who had accepted the previous reschedulings and wanted to move on (Merle 2016). Financial journalist Tim Worstall asserted (2014, 2016) that the vulture funds were entitled to the full value of the bonds, reiterating the idea that Argentina would cheat whenever it could. These funds do sometimes find local and non-governmental organization (NGO) allies in debtor countries. For example, in approving vulture fund litigation against Congo, anticorruption campaigners argued that "such lawsuits may be the only way of holding the country accountable for how it spends" (Polgreen 2007).

Voiding sovereign immunity. Sovereign immunity refers to the doctrine exempting states from facing legal proceedings in a foreign country, drawing its justifications from the mutual non-intervention traditions of international public law, dating to the 1648 Treaty of Westphalia. Following the Second World War, foreign direct investors, largely from the former imperialist powers, purchased mines, farms, and factories in newly independent countries. Experiencing conflicts with host governments over taxation, local procurement and employment, or expropriation of assets, private investors petitioned their home governments for remedies. Investors' home governments, assisted by World Bank legal experts, encouraged EMDC governments to sign bilateral or multilateral investment treaties (collectively international

investment agreements, or IIAs). These IIAs contained new protections for private foreign investors, notably investor-state dispute settlement (ISDS) clauses, whose crucial feature was an ex ante blanket agreement by FDI-host states that foreign firms could sue them for international dispute arbitration, even if legal remedies under host country law had not been exhausted or even attempted (CCSD 2022; Van Harten 2020: 14-33). This implied a partial voiding of sovereign immunity, frequently resulting in significant negative impacts on third parties, mainly domestic citizens of the host state. It was justified by the moral hazard perspective underpinning the Sanctity of Contract norm, as well as the assertion that increased foreign direct investment would compensate for the host state's loss of national sovereignty. As of end 2023, 1332 cases had been brought by investors (UNCTAD 2024), mostly by large multinational firms and against EMDC countries (Samples 2019).

De-risking Private Investment. The most recent iteration of remedies to solve the debtor moral hazard challenge and protect private foreign investors, presumed to be cautious about investing in unpredictable EMDCs, is the move toward measures to "de-risk" private foreign investment. The de-risking project begins with the "investment gap" in the global South. Where there is capital scarcity, the marginal product is higher, meaning that investments will have a larger impact and yield greater potential rewards. The challenge is then to entice private investors, understood to incur both standard economic risks and additional "political" risks that the host government might mistreat investors. A joint report by all the major international financial institutions (IFIs), except those dominated by China, advises that "[P]ublic sector measures to encourage private investment need either to decrease perceived risk or increase anticipated returns" (Development Committee 2015: 12). Multilateral development banks should stretch their limited resources by providing insurance to private foreign direct and portfolio investors, and also by engaging in joint "blended" finance projects, with the multilaterals assuming responsibility for their more uncertain or longer-horizon portions.[5] Even several scholars often critical of private finance have cautiously endorsed proposals for IFIs to provide partial guarantees to de-risk sovereign green bond investments[6] (Volz, Akthar, Gallagher, Griffith-Jones, and Haas 2021). Meanwhile, private financial sector actors hope the IFIs will assume more of the risk (Brown-Amorim 2024).

Three Challenger Norms, Derived from Economics, Jurisprudence, and Global Advocacy

The post-1980 reforms were successful in redistributing power towards creditors and improving their relative outcomes during defaults. Huizinga & Sachs (1987) write that "[I]ronically, during 1982-86 the [Latin American] debt crisis did not have a serious adverse effect on the reported current earnings of the banks, even though it called into question their very solvency." Similarly, Kharas & Linn (2008) observe that, despite heavy losses for Asian economies during the Asian financial crisis, foreign banks "escaped with minimal losses." Loss allocation during a debt crisis, however, is a zero-sum game, and these benefits to creditors came at a cost to debtors. Comparing outcomes for Latin American sovereign debtors in the 1930s as compared to the 1980s, Felix (1990), Stallings (1990), and Ocampo (2014) each concluded debtors fared notably better during the Great Depression, when there was little collective

---

[5] Gabor 2018 provides a critical assessment of the de-risking project.
[6] https://www.worldbank.org/en/programs/guarantees-program/brief/utilizing-wb-partial-guarantees-to-support-sovereign-or-sub-sovereign-commercial-debt-financing. Accessed July 29 2024.

international financial governance, than in the 1980s and after. Many additional observers have profoundly criticized the economic, political, or human costs of the post-1980s de facto global governance regime for resolving troubled sovereign debt (Brown 2009; Espósito, Li, and Bohoslavsky 2013; Guzman, Ocampo, and Stiglitz 2016; Kapur 1998; Zucker-Marques, Gallagher, and Volz 2024). Other scholars identify a continuing shift of political power and influence away from sovereign borrowers and toward global private financial capitalists. Guzman, Colodenco, and Weidenbrug (2024) argue that "[T]he asymmetry in coordination between private creditors and emerging market debtors has equity and efficiency implications. Private creditors are often better coordinated and able to extract power rents" (see also Alami et al. 2023; Armijo and Sood 2023.)

Many critics have proposed specific reforms to the current Sanctity-of-Contract-based global sovereign default regime. This paper argues that most such reforms (consciously or not) reflect the influence of three different widespread social values with conceptual roots in economics, jurisprudence, and global advocacy. Collectively, they represent challenger norm complexes, to which this paper's authors assign labels. "Shared Risk" observes that the moral hazard argument applies equally to debtors and to creditors. It thus contests the Sanctity of Contract conclusions by deploying the same causal economic arguments as those used in the dominant contract-enforcement discourse. A second norm, "Comparable Treatment," derives from jurisprudence, and appeals to prevalent ideas about fairness and justice. The third challenger norm, "Human Solidarity," is also founded on principled, moral-ethical reasoning. It asserts that humanitarian imperatives such as protection of basic human rights, economic welfare, and the long-term developmental capacity of the state ought to override contractual public debt obligations. The paper's penultimate section links specific categories of proposed reforms to the norms they implicitly invoke.

Table 1
Comparing Norms for Sovereign International Debt Restructuring

NORM	SUPPORTING ARGUMENTS	
	PRINCIPLED	CAUSAL ECONOMIC
SANCTITY OF CONTRACT “Financial contracts must be honored.”	. Default is a moral failure	. Debtors will cheat (“moral hazard”) . Private creditors need protection from sovereign debtors
SHARED RISK “Shared risk implies shared responsibility for losses.”	. Parties must bear responsibility for their investment decisions	. Both debtors and creditors will cheat (“moral hazard”)
COMPARABLE TREATMENT “Similar actors and situations deserve equivalent legal treatment.”	. Equal justice under the law	. The rule of law strengthens global finance, a public good . EMDC sovereign debtors need protection from private creditors
HUMAN SOLIDARITY “Debt workouts must respect the moral absolute of prioritizing human lives and livelihoods over profits.”	. Ordinary citizens should not bear the brunt of IFI bailout conditions . Global governance must seek the public good (e.g., climate mitigation)	. Debt-linked austerity undermines EMDC state capacity . EMDC sovereign debtors need protection from private creditors

Shared Risk, a Challenge to the Dominant Norm's Characterization of Private Investors

The first challenger norm asserts that all financial contracts, and certainly those for long-term sovereign lending from banks or via negotiable bonds, involve risk for both parties, each of which is making a risk-reward calculation. The debtor has bet that the funds loaned can be used for productive investment supporting future economic growth or other outcomes in the public interest, and thus will be worth their cost. The creditor(s) has assessed the risk of non-payment by the sovereign borrower, and further conducts risk assessments of its loan portfolios. Creditors then charge a risk premium (rate above the risk-free borrowing rate), which reflects their consent to assume this financial risk. Exposure to risk ensures that both parties behave prudently. Those who conduct their due diligence and make wise investment decisions succeed, whereas those who imperfectly calculate risks face losses: the risk of sovereign default is simply the cost of doing business. After all, creditors continue to lend, and not infrequently to serial defaulters (Reinhart and Rogoff 2009).

Recall that the Sanctity of Contract mental model employs rational choice assumptions to argue that vulnerable global private creditors need strong legal and regulatory protections from self-interested sovereign debtors, who will cheat if they can. That model posits that countries suffer no consequences for default, unless they wish to borrow again in the immediate future. However, the Sanctity of Contract reasoning contains a significant logical fallacy, especially in the simplified versions that typically enter the political and policy debates, which is the frequent assumption that only debtors face moral hazard. In fact, private creditors confront a closely equivalent temptation: creditor-side moral hazard. Creditors' profits derive from making loans and investments, and they will charge higher interest or fees to borrowers perceived as riskier. If, however, private financial actors can anticipate recouping their investments even when things go awry, then creditors' incentives to engage in risky behavior increase. The post-1980 reforms have on balance increased creditor-side moral hazard.

First, if private banks or institutional investors can credibly claim that their services are essential to the core economies of the global North, especially the United States, still the linchpin of global finance, or that major banks and institutional investors are "too big to fail," generating "systemic risk," then private creditors reasonably can anticipate that their own national governments and major multilateral financial institutions such as the IMF will provide additional protection against creditor losses from bad loans. Within the contemporary context of multilateral bailout packages to "rescue" defaulting sovereign debtors while making private creditors whole, in place since the Latin American debt crisis of the 1980s, there is pervasive creditor-side moral hazard. One poignant example comes from the IMF's involvement in Russia's 1998 economic crisis, where "members of the IMF's European II department privately nicknamed the proposed Russia package the FIEF, or "Foreign Investor Exit Facility" (Blustein 2003: 252). If defaulting sovereign debtors will receive new loans from multilateral or bilateral official sources, enabling debtors to continue payments to private bankers and investors, then private creditors have every incentive to make risky loans without due diligence.[7]

[7] Some economics research recognizes creditor-side moral hazard, although efforts to measure its empirical significance yield mixed results. Lane and Philipps (2000) test for moral hazard in quite limited ways--whether news of new IMF rescue packages or increased IMF resources results in observable short-

Second, the shift in power allowed creditors to pass off a greater portion of losses onto debtors, often by delaying meaningful debt reduction during protracted negotiations. Both Von Luckner et al. (2023) and Ams et al. (2019) find that sovereign debt restructurings are increasingly made up of multiple rounds of "interim restructurings" with low "haircuts" for creditors before finally restoring solvency to the debtor nation by reducing its debt to a manageable level. Overly optimistic debt sustainability analyses that assumed illiquidity instead of insolvency often justified insufficient haircuts. Ams and coauthors (2019) find that 86 percent of restructurings from 1980-2012 required multiple rounds.

Once one recognizes that both private international creditors and sovereign debtors face similar moral hazard incentives to obfuscate, then the logical underpinning of the rational choice arguments favoring only reforms to the global financial architecture that will reduce sovereign debtors' incentives to cheat, without touching the similar incentives for their creditors, falls apart. For some scholars, creditor-side moral hazard is one of the key reasons for "odious debt," whereby certain creditors face incentives to collude with corrupt governments to provide imprudent loans (Kremer & Jayachandran 2003). The core policy implication of the Shared Risk norm is that *both* contracting parties should accept losses in cases of sovereign default.

Comparable Treatment, an Appeal to Abstract Justice

The second challenger norm underlying discussions over responses to troubled sovereign international debt emphasizes the rule of law, applying a principled belief about what is fair or just when allocating losses in debt workouts. This norm is ubiquitous in the "pari passu" or "comparable treatment" clauses debt contracts, which call for equivalent treatment for similar tranche creditors. These considerations derive from long-standing concerns about sovereign debtors' incentives to give preferential treatment to strategically important creditors (such as domestic creditors with political influence) or creditors' temptations to free ride by holding out during reschedulings in hopes that other creditors might accept losses first. The idea is that all creditors with a certain bundle of contractually-specified rights ought to be treated equally, and moreover, that losses should be shared equitably across different classes of creditors. Indeed, solving the free rider problem was part of the impetus to form creditor organizations such as the Paris and London Clubs. Various multilateral frameworks such as the G20's "Common Framework" explicitly enforce Comparable Treatment among creditors.[8] Comparable Treatment appeals to both societal and legal norms favoring impartial justice, and there have been calls to apply the norm more "fairly" across international private and official creditors by addressing concerns over free riding, such as in the UK's recent parliamentary discussions[9] about requiring private investor haircuts before public sector bailouts (see also Laskaradis 2021, 16-17) and calls

---

term market impacts, such as lower spreads in emerging market lending—and find no evidence that it matters. Meanwhile, Haldane & Scheibe (2004) find "concrete evidence" for moral hazard.

[8] See https://www.mef.gov.it/en/G20-Italy/common-framework.html. Accessed July 29 2024.

[9] In 2023 the British Parliament discussed renewing a lapsed 2010 law that forbid the granting of official debt relief unless private creditors also accepted losses (UK Parliament 2023, Sections #17-29 and #58-64).

for the IMF to forgo its "preferred creditor" status and absorb its fair share of losses (Fitch Ratings 2023, Schadler 2014).

The principled, ethical justifications for this norm also can be construed more broadly to apply not only to creditors, but also to sovereign debtors, providing a basis to assert that similar debtors (however "similarity" might be defined) ought to receive comparable treatment *across debtors, financial contracts, and/or diverse financial crises.* For example, an expanded view of Comparable Treatment posits that it is unjust for creditors to offer preferential treatment to strategically important debtors, and that "similar" crises in different time periods ought to receive similar consideration. Calls for expanding the expectation of Comparable Treatment are grounded in the perception that IMF rules have not been applied equally to all member nations, leading to much angst among EMDCs (Kharas and Linn 2008). Reflecting this norm, Japan complained about Brazil's special treatment in 1999, which apparently was due to Brazil's strategic relationship with the United States, but which contrasted with the IMF's harsh treatment of Asian nations a year earlier (Blustein 2003: 348). Ocampo (2017:170) bluntly states that "existing mechanisms [for sovereign international debt workouts] do not guarantee equitable treatment, either of different debtors or of different creditors" and argues that reform is urgently needed on grounds of both equity and efficiency (p. 171, referencing Stiglitz 2010). Extending the Comparable Treatment norm from a narrow application only to all creditors included in a single debt contract (as at present) opens the way for appeals to case law and precedent in debt adjudication and arbitration processes.

A norm of Comparable Treatment also can be supported from a causal economic perspective, although one that emphasizes the rule of law as a global public good rather than the individualistic egoists assumed by the rational choice tradition. Market actors prefer stable rules and predictable outcomes, especially if they plan to engage in the long-term investment in innovation and infrastructure that emerging market and developing countries need to grow. The international financial system will function better under the predictable rule of law. Moreover, the rule of law itself implies equal (or equivalent) treatment under the law. Sovereign debtors, and their creditors, should be able to trust that something like neutral justice exists for actors in similar situations. This norm provides aggrieved parties, including sovereign debtors, private creditors, and perhaps others such as acknowledged experts or other stakeholders, an implicit right to challenge policies for not treating individual actors equivalently to others in their category.

Human Solidarity, in Pursuit of an Ethical Sovereign Debt Framework

The Human Solidary norm asserts that sovereign debt negotiations should be subject to certain moral absolutes. Humanitarian imperatives that transcend borders, politics, and financial obligations include the needs to safeguard human rights and address the collective challenge of climate change. Moreover, although states are actors in financial markets, they also hold unique obligations, such as providing public goods and services. Debt workout regimes must recognize that the government's ability to carry out these core obligations ("state capacity") can be limited by an excessive debt-servicing burden. When significant levels of resources are diverted away from key areas such as infrastructure, education, and healthcare and directed towards external creditors, ordinary citizens suffer. In summation, processes and institutions that result,

intentionally or not, in disastrous reductions in income for a country's poorest citizens, or permanent and profound environmental damage, or which systematically retard the debtor country's economic growth over long time periods are ethically unacceptable and must be rejected. This norm seeks to embed such debates and considerations in the dialogue on sovereign debt in an explicit and continuous way.

The core moral argument behind this norm holds that ordinary citizens, who have had no share in government decisions to borrow abroad, should not bear a repayment burden so large that it interferes with their basic needs. This norm prioritizes solutions that quickly and reliably restore the debtor country's economic stability and growth to minimize deleterious effects to its citizens. Comparatively wealthy international private lenders and investors must consider the human consequences of their lending and their calls for contractual repayment. Neither they, nor their home governments, nor the multilateral financial institutions can divorce themselves from the consequences of their demands as felt in developing countries. None of these external actors should, through placing conditions on debt rescheduling or emergency loans, force incumbent governments in defaulting sovereign debtors to impose deep austerity sufficient to impede basic needs or baseline economic growth. A second aspect of the human solidarity norm relies on the fact that there are transnational issues, such as climate change, that require cooperation and fiscal commitments from states with capacity.

Leading actors promoting the Human Solidarity norm are institutions and actors engaged in global governance, including the international financial institutions, alongside a wide range of non-state advocacy groups, academic experts, and national officials. These actors conceptualize their core missions as serving the public good, although of course specifics diverge. The most basic expression of this norm is periodic calls for blanket reduction, suspension, or cancellation of troubled sovereign debts. Thus, in the 1970s the IFIs encouraged middle-income developing countries, especially in Latin America, to contract private bank loans to fund economic and social growth, an option whose costs became apparent in the 1980s. Low-income countries that borrowed from bilateral and multilateral official creditors also found themselves in "debt-traps," eventually inspiring the 1996 IFI-backed Heavily Indebted Poor Countries Initiative (HIPC) for partial debt cancellation. The faith-based organization, Jubilee 2000, was launched in the UK that same year to advocate for debt relief for poor countries, reinventing itself as "Jubilee" in the 21st century. The website of the Jubilee US Network declares, "We believe right relationships among people and nations are sacred," and takes credit for campaigns resulting in "more than $130 billion in debt relief for the world's poorest."[10] In 2012, the UN Human Rights Council proclaimed excessive debt repayments an abrogation of basic human rights.[11] More recently, the Covid-19 pandemic highlighted the important link between healthcare spending and debt. According to UN Deputy Secretary-General, Amina Mohammed, 59 countries spent more on debt servicing than on healthcare in 2020.[12] The inability to allocate resources to combat the COVID-19 pandemic forced fiscally constrained governments around the world to rely on

[10] https://www.jubileeusa.org/. Accessed June 24, 2023.

[11] https://www.ohchr.org/en/special-procedures/ie-foreign-debt/about-human-rights-and-foreign-debt. Accessed July 29 2024 and https://www.ohchr.org/sites/default/files/Documents/HRBodies/HRCouncil/RegularSession/Session23/A_HRC_23_48_Add.2_ENG.PDF. Accessed July 29 2024.

[12] https://press.un.org/en/2022/dsgsm1718.doc.htm. Accessed July 29 2024.

concessional financing and the G20's Debt Service Suspension Initiative (DSSI) to finance their COVID responses. The G20 to requested that private as well as public international creditors suspend debt service, but only one private creditor opted to do so, a set of choices that contributed to the 2020 pandemic death toll in poor countries, quadruple that in wealthy ones (Oxfam International 2022). IMF Managing Director Kristalina Georgieva campaigns to link sovereign debt relief to debtors' efforts to fight climate change (Harvey 2023). This brief list, which could be expanded a hundred-fold, illustrates the varied multilateral and transnational actors perceiving troubled sovereign debt through the lens of the Human Solidarity norm.

Challenger Norms and Proposed Reforms

The behavior and policy preferences of relevant actors operating in sovereign debt markets are implicitly guided by norms and ideas, and yet the underlying normative assumptions influencing policy discussions and recommendations receive relatively little attention. Returning focus to these bedrock beliefs and assumptions, we have mapped four major contemporary norms that underlie debates over sovereign debt rescheduling. In this section, we briefly identify links between the three challenger norms and several much-debated categories of proposed reforms. Table 2 summarizes this section's argument.

Table 2. Norms and Related Reforms

Norm	Related Governance Reforms	Examples, Comments
SANCTITY OF CONTRACT	Enhance creditor negotiating power	Paris & London Clubs
	Weaken debtor incentives to cheat	IMF Debt Sustainability Assessments (DSAs); Regulators' praise for vulture funds
	Void sovereign immunity	ISDS clauses in international investment treaties
	De-risk private investment	IFI insurance for private investors; IFI blended finance
SHARED RISK	Embed risk-sharing in contracts	GDP or export-linked sovereign bonds. Bisque and natural disaster clauses.
COMPARABLE TREATMENT	Encourage debtor organizing and information sharing	Empower UNCTAD or similar bodies to organize and inform debtors
	Discourage holdout or vulture investors	Collective action clauses (CACs); Champerty laws
	Create a new institution, a global Sovereign Debt Restructuring Mechanism (SDRM)	Impartial institution to adjudicate fairly among creditors and sovereign debtors.
HUMAN SOLIDARITY	Humanitarian debt relief	IMF's highly-indebted poor countries (HIPC) program for debt relief; G20's debt service suspension initiative (DSSI) during the height of Covid-19
	Add climate to debt workouts	Include climate adaptation and mitigation spending in IMF's Debt Sustainability Assessments (DSAs)
	Create a new institution, a global Sovereign Debt Restructuring Mechanism (SDRM)	Adds to basic SDRM a mission to protect debtor state capacity and global welfare (e.g. climate)

The Shared Risk norm focuses on the failure to recognize moral hazard risks on both sides of the debt contract, and proposes solutions that repair creditor and systemic incentives, whether through ex ante contract modifications or new national laws that forbid or discourage investors to seek profits at the expense of countries in which they invest. Proposals to modify sovereign debt contracts reflect the operation of this norm.

Expand risk sharing in debt contracts. Issuing GDP-linked bonds or capping debt service payments as a share of exports or linked to balance of payments pressure (that is, reinstating the "bisque clause" employed in postwar Britain) are ways to embed risk sharing mechanisms into debt contracts (Griffith-Jones and Sharma 2006). Multilateral financial institutions might need to act as "market makers" for such instruments, as private capital has demonstrated "little enthusiasm" for such instruments (Guzman 2020: 708), which allocate risk more evenly between debtor and creditors. Related options also include natural disaster clauses, which forces climate related risk-sharing. These options remain contract-based, and thus potentially more congenial to those steeped in the Sanctity of Contract mental framing.

The Comparable Treatment norm expands on a widely endorsed practice as it applies to creditors, positing that debtors also should be able to call on a similar fairness-within-the-category principle. This norm supports reforms that would enhance consistency in procedures and outcomes for both troubled sovereign debtors and their creditors.

Let sovereign debtors organize. A key barrier to Comparable Treatment is the perception, widespread into the early 21st century, that it is ethical for all creditors of a given country to organize and coordinate a strategy, but illegitimate and against the "laws" of market economics for sovereign debtors to coordinate, which instead is branded "cartelization" or creation of an anti-market monopoly. To facilitate debtor coordination, a UN-affiliated body might act as a clearing house for sovereign debtors to share information on how to minimize delays and ensure speedy restructurings—expanding on activities UNCTAD and DESA already conduct informally.

Discourage "holdout" investors. Holdouts arguably impede the productive functioning of sovereign debt markets, as their core business plan is to disrupt restructurings, preventing the troubled debtor and other creditors from exiting the situation until they pay a "ransom" to the holdout(s). Collective action clauses (CACs) can be inserted in new sovereign bond offerings. They grant a supermajority of investors the ability to bind all bondholders to restructuring agreements, and are favored by many market actors as a relatively non-intrusive tool for combating vulture funds (Buchheit, Chabert, DeLong, and Zettelmeyer, 2019: 19) Other options include restoring "champerty" laws, which prevent actors from acquiring assets for the sole intent of litigating. Once common, they have largely been removed from modern legal systems, but were in 2024 being considered in the New York Senate as bill S5623 (Jubilee USA, 2024).

Create a multilateral sovereign debt adjudication body. A dedicated sovereign debt restructuring mechanism (SDRM) or institution, with the explicit mandate of mediating or adjudicating conflicts over sovereign debt workouts, holds the potential to be viewed as fair, transparent, predictable, and legitimate across private investors, creditor and borrower governments, and other stakeholders. It could permit a more transparent, open process, and

would legitimate practices such as an appeal to precedents set in previous debt workout negotiations. The proposed SDRM either could be attached to the IMF, as that institution would prefer, or constitute a new standalone multilateral (Krueger 2002). Although an SDRM provides the greatest reform potential, it also implies a redistribution of political power and a grant of discretionary authority to a new multilateral body, and consequently has received powerful pushback from those preferring the current contractual arrangements.

Lastly, the Human Solidarity norm seeks to establish the existence of fundamental humanitarian imperatives that cannot be superseded by creditors' demands for restitution, recognizing that burdensome repayment schedules can undermine state capacity and the ability for a state to uphold its responsibilities for safeguarding human rights and investing in the long-term well-being of its citizenry. The reform options that follow from this moral-ethical perspective generally imply a greater role for international institutions and a multilateral consensus.

Provide humanitarian debt relief. Human rights organizations have pointed out that debt crises and subsequent restructuring packages have negative long-term impacts on economic growth and disproportionate impacts on vulnerable groups. Economic restructuring includes regressive taxes and austerity measures, both of which divert resources from welfare programs and decrease human right standards (Vargas Delgado, Ramos-Escamilla, and Garcia 2016).[13] Several multilateral initiatives to provide forgiveness on official loans exist, including the HIPC and DSSI initiatives mentioned earlier. However, such measures generally apply only to debt to official bilateral or multilateral creditors, and have not yet been extended to privately held debt. New options to ease the debt burden on middle-income emerging market countries, the main borrowers in private capital markets, are under discussion. Nonetheless, vocal critics from the global South maintain a principled position that anything less than full debt forgiveness (at least of official debt) and positive net capital inflows to EMDCs is illusory as a solution (for example, Chandrashekar and Ghosh 2024). Their interpretation of the Human Solidarity norm is that reforms of the loose global sovereign debt governance regime ought to be judged solely by outcomes, not by the seductions of economic models.

Add climate. Human Solidarity justifies the inclusion of climate-related considerations into debt contracts and troubled debt workouts. This includes ex ante natural disaster clauses and ex post debt-for-nature swaps, in which troubled foreign debt is swapped for a borrower government's promise to meet climate targets. It also includes the suggestions to include estimates of anticipated climate-related adaptation and mitigation spending in the IMF's debt sustainability analyses (DSAs) as a matter of course (Maldonado and Gallagher 2022; Volz et al. 2021) and to implement debt-for-climate swaps.

Once again: *Create a multilateral sovereign debt adjudication body.* Like the Comparable Treatment norm, the Human Solidarity norm strongly pushes in the direction of creating a new

---

[13] https://www.hrw.org/news/2023/09/18/time-align-financial-institutions-human-rights. Accessed July 29 2024 and https://www.ohchr.org/sites/default/files/Documents/HRBodies/HRCouncil/RegularSession/Session23/A_HRC_23_37_ENG.PDF. Accessed July 29 2024.

international agency, an ambitious solution that currently seems politically unlikely. In principle, an SDRM could go beyond merely looking to precedents to try to achieve similar results for equivalent situations, and instead could expand its remit by explicitly permitting, for example, participation by third-party stakeholders, such as the local citizenry in a debtor country, or legal briefs presented on behalf of protecting the global commons or other innovative collective actors. José Antonio Ocampo (2016) presents a useful history of some of the specific proposals for a SDRM.

This section has listed and briefly discussed six influential categories of reforms currently being debated to the decentralized and patchy global governance regime for resolving cases of troubled sovereign international debt. The discussion omitted unilateral solutions on the part of sovereign debtors, such as self-insurance via foreign exchange buildups as a defense against financial contagion that might spark external debt crises.

Conclusions

In this paper the authors sought to unpack the major principled and causal economic norms undergirding diverse preferences around proposed legal and institutional reforms to procedures, regulations, and laws governing troubled sovereign international debt. The core argument is that ideas matter, and can affect actors' policy preferences. Sanctity of Contract represents the dominant ethos in sovereign debt markets, with a robust and direct influence on the current de facto and de jure global financial architecture. Principled and causal beliefs about debtor nations' incentives reflecting this dominant ethos have justified numerous reforms since the 1980s which in the main have increased the rights and power capabilities of private creditors vis-à-vis sovereign debtors. We also identified and elaborated three challenger norms that jointly provide compelling rationales for further reforms of the current global debt workout regime. Shared Risk, like the dominant norm, founds its arguments in the logic of rational choice economics, but argues that private creditors as well as sovereign debtors suffer from "moral hazard." Comparable Treatment is in essence a juridical norm, endorsing the goal of equal treatment under unbiased laws and rules. Human Solidarity, an ethical norm, posits that sovereign international debt workouts should be subject to certain moral absolutes, in common with other aspects of human society, including global governance institutions. An enhanced understanding of these potent norm complexes shaping actors' perspectives and choices can help reform advocates to clarify their own preferences and form effective coalitions capable of implementing positive change. The paper also highlighted several comparatively modest reforms with significant potential to improve outcomes, mimicking some of the anticipated beneficial effects of a more ambitious solution such as creation of a SDRM.

References

Abelson, Max and Katia Porzecanski. 2014. "Paul Singer Will Make Argentina Pay." *Bloomberg,* August 7.

Alami, Ilias, Carolina Alves, Bruno Bonizzi, Annina Kaltenbrunner, Kai Koddenbrock, Ingrid Kvangraven, and Jeff Powell. 2023. "International financial subordination: a critical research agenda." *Review of International Political Economy*, 30:4, 1360-1386, DOI: 10.1080/09692290.2022.2098359

Ams, Julianne, Reza Baqir, Ana Gelpern, and Cristoph Trebesch. 2019. "Sovereign Default," in S. Ali Abbas, Alex Pienkowski, and Kenneth Rogoff (eds), *Sovereign Debt: A Guide for Economists and Practitioners,* pp. 275-327. New York: Oxford University Press.

Armijo, Leslie Elliott and Prateek Sood. 2023. "Voice at the Point of Sovereign Default." Roundtable on Sovereign Debt, *Ethics and International Affairs*, 37:1, March 13. https://www.ethicsandinternationalaffairs.org/online-exclusives/voice-at-the-point-of-sovereign-default

Baker, Tom. 1996. "On the Genealogy of Moral Hazard," *Texas Law Review, 75*, p. 237-292.

Beers, David, and Patrishia de Leon-Malagnit. 2019. "The BoC-BoE Sovereign Default Database: What's New in 2019?" Bank of Canada Staff Working Paper 2019-39. Toronto: Bank of Canada. https://publications.gc.ca/collections/collection_2019/banque-bank-canada/FB3-5-2019-39-eng.pdf

Blustein, Paul. 2003. *The Chastening: Inside The Crisis That Rocked the Global Financial System and Humbled The IMF*. New York: PublicAffairs.

Brown, Chelsea. 2009. "Democracy's Friend or Foe? The Effects of Recent IMF Conditional Lending in Latin America," International Political Science Review, 30:4, pp. 431-457.

Brown-Amorim, Clara. 2024. "Reimaging MDBs: The Critique Blended Finance Needs," Uxolo, January 10. https://www.uxolo.com/articles/7221/reimagining-mdbs-the-critique-blended-finance-needs

Buchheit, Lee; Guillaume Chabert; Chanda DeLong, and Jeromin Zettelmeyer. 2019. "How to Restructure Sovereign Debt: Lessons from Four Decades." Working Papers 19-8, Washington, D.C.: Peterson Institute for International Economics. https://www.piie.com/publications/working-papers/how-restructure-sovereign-debt-lessons-four-decades

Cardoso, Eliana A. and Rüdiger Dornbusch. 1989. "Foreign Private Capital Flows." In T.N. Srinivasan & Hollis Chenery (Eds.), *Handbook of Development Economics, Vol. 2*, pp. 1387-1439. Elsevier. https://www.sciencedirect.com/handbook/handbook-of-development-economics/vol/2/suppl/C

Carney, John. 2011. “Germany Wants to Punish 'Debt Sinners'.” *CNBC*, December 5. https://www.cnbc.com/2011/12/05/germany-wants-to-punish-debt-sinners.html

Calarco, Jessica M. 2018. “The Marshmallow Test: What Does It Really Measure?” *The Atlantic,* June 1. https://www.theatlantic.com/family/archive/2018/06/marshmallow-test/561779/

Calomiris, Charles W. and Stephen Haber. 2014. *Fragile by Design: The Political Origins of Banking Crises and Scarce Credit.* Princeton, NJ: Princeton University Press.

Chandrashekhar, C.P. and Jayati Ghosh. 2024. “Water Flowing Upwards: Net Financial Flows from Developing Countries,” IDEAS Blog, April 30. https://www.networkideas.org/featured-articles/2024/04/water-flowing-upwards-net-financial-flows-from-developing-countries/

Columbia Center on Sustainable Development (CCSD). 2022. “Primer on International Investment Treaties and Investor-State Dispute Settlement.” New York: Columbia University Law School, January. https://ccsi.columbia.edu/content/primer-international-investment-treaties-and-investor-state-dispute-settlement

Congdon, Tim. 1984. "Economic commentary by Tim Congdon." *Times* [of London], May 30, p. 21. *The Times Digital Archive.* link.gale.com/apps/doc/CS352816830/TTDA?u=purdue_main&sid=bookmark-TTDA&xid=4124eea8.

Development Committee (of the World Bank and International Monetary Fund). 2015. “From Billions to Trillions: Transforming Development Finance,” Washington, D.C.: Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries.

Eaton, Jonathan and Mark Gersovitz. 1981. “Debt with Potential Repudiation: Theoretical and Empirical Analysis,” *Review of Economic Studies 48*:2, pp. 289-309.

Eichengreen, Barry. 1989. “The U.S. Capital Market and Foreign Lending, 1920-1955,” in Jeffrey Sachs (Eds.) *Developing Country Debt and Economic Performance, Vol. 1, The International Financial System*, pp. 107-155. University of Chicago Press.

Espósito, Carlos, Yuefen Li, and Juan Pablo Bohoslavsky, eds. 2013. *Sovereign Financing and International Law: The UNCTAD Principles on Responsible Sovereign Lending and Borrowing.* Oxford: Oxford University Press.

Felix, David. 1990. “Latin America's Debt Crisis.” *World Policy Journal*, *7*(4), 733-771, Fall. http://www.jstor.com/stable/40209191

Fernández, Katherina and Roque B. Fernádez. 2007. "Willingness to Pay and the Sovereign Debt Contract," *Journal of Applied Economics* 10:1, May, pp. 43-76.

Finn, Margot. 2003. The Character of Credit: Personal Debt in English Culture, 1740–1914. Cambridge: Cambridge University Press.

Fitch Ratings. 2023, April 4. "China's Stance on Multilateral Debt Relief Could Weaken MDBs' Preferred Creditor Status." Fitch Ratings. https://www.fitchratings.com/research/sovereigns/chinas-stance-on-multilateral-debt-relief-could-weaken-mdbs-preferred-creditor-status-04-04-2023

Gianviti, François. 1998. "Resolution of Sovereign Liquidity Crises: Basic Concepts and Issues." In Robert Effros, ed. *Current Legal Issues Affecting Central Banks, Volume V*. Washington, D.C: International Monetary Fund. https://doi.org/10.5089/9781557756954.071

Goldstein, Judith and Robert O. Keohane, eds. 1993. *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change*. Cornell University Press. http://www.jstor.org/stable/10.7591/j.ctvv4147z

Griffith-Jones, Stephany and Krishnan Sharma, 2006. "GDP-Indexed Bonds: Making It Happen," Working Papers 21, United Nations, Department of Economics and Social Affairs (DESA). At: https://ideas.repec.org/p/une/wpaper/21.html

Guzman, Martin. 2020. "An analysis of Argentina's 2001 default resolution." Comparative Economic Studies, 62:4, 701-738. https://link.springer.com/article/10.1057/s41294-020-00124-1

Guzman, Martin, José Antonio Ocampo, and Joseph Stiglitz, eds. 2016. Too Little, Too Late: The Quest to Resolve Sovereign Debt Crises. New York: Columbia University Press.

Haldane, Andrew and Scheibe, Jörg. 2004. "IMF lending and creditor moral hazard." Working Paper no. 216. London: Bank of England. https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2004/imf-lending-and-creditor-moral-hazard.pdf

Harvey, Fiona. 2023. "Debt Relief Urgent for Poor Countries Hit by Climate Shocks, Says IMF Chief," *The Guardian,* June 20. https://www.theguardian.com/environment/2023/jun/20/climate-crisis-hit-poor-countries-should-have-debt-relief-says-imf-chief

Huizinga, Harry and Jeffrey Sachs. 1987. "U.S. Commercial Banks and the Developing Country Debt Crisis." NBER Working Paper 2455. Cambridge, MA: National Bureau of Economic Research. https://www.nber.org/system/files/working_papers/w2455/w2455.pdf

Jorgensen, Erika and Jeffrey Sachs. 1989. "Default and Renegotiation of Latin American Foreign Bonds in the Interwar Period," in Barry Eichengreen and Peter H. Lindert (Eds.) *The International Debt Crisis in Historical Perspective*. Cambridge, MA: MIT Press.

Jubilee USA. 2024. "New York Senate Legislation Passes to Curb 'Vulture' Fund Behavior," June 7. https://www.jubileeusa.org/ny_senate_champerty_passage_statement.

Kapur, Devesh. 1998. "The IMF: A Cure or a Curse?" *Foreign Policy 111*, Summer, pp. 114-129.

Kharas, Homi and Johannes F. Linn. 2016. Hypocrisy in financial crisis response: East Asia 1998 versus the USA 2008." Washington, D.C.: The Brookings Institution, July 28. https://www.brookings.edu/articles/hypocrisy-in-financial-crisis-response-east-asia-1998-versus-the-usa-2008/

Kolhatkar, Sheelah. 2018. "Paul Singer, Doomsday Investor," *The New Yorker,* August 20.

Kremer, Michael, & Jayachandran, Seema. 2003. "Odious Debt: When Dictators Borrow, Who Repays the Loan?" Washington, D.C.: The Brookings Institution, March 1. https://www.brookings.edu/articles/odious-debt-when-dictators-borrow-who-repays-the-loan/

Krueger, Anne O. 2002, April. "A New Approach to Sovereign Debt Restructuring." Washington, D.C.: The International Monetary Fund. https://www.imf.org/external/pubs/ft/exrp/sdrm/eng/sdrm.pdf

Lane & Phillips 2002. "Moral Hazard: Does IMF Financing Encourage Imprudence by Borrowers and Lenders?" *Economic Issues* 28. Washington, D.C.: International Monetary Fund.

Laskaridis, Christina. 2020. "More of an Art than a Science: The IMF's Debt Sustainability Analysis and the Making of a Public Tool," *O Economia* 10:4, Economics as a Public Science, Part III, pp. 789-818. https://doi.org/10.4000/oeconomia.9857

Laskaridis, Christina. 2021. *Debt sustainability: towards a history of theory, policy and measurement.* PhD thesis. SOAS University of London. DOI: https://doi.org/10.25501/SOAS.00035675

Lindert, Peter H., & Peter J. Morton. 1989. "How Sovereign Debt Has Worked." In Jeffrey Sachs (Ed.), *Developing Country Debt and Economic Performance, Volume 1: The International Financial System*, pp. 39-106. Chicago: University of Chicago Press. http://www.nber.org/chapters/c8987

Maldonado, Franco and Kevin P. Gallagher. 2022. "Climate Change and IMF Debt Sustainability Analysis," Boston: Boston University Global Development Policy Center, Task Force on Climate, Development, and the International Monetary Fund, April.

Marichal, Carlos. *A Century of Debt Crises in Latin America: From Independence to the Great Depression, 1820– 1930*. Princeton, N.J.: Princeton University Press, 1989.

Merle, Renae. 2016. "How one hedge fund made $2 billion from Argentina's economic collapse," *Washington Post,* March 29. https://www.washingtonpost.com/news/business/wp/2016/03/29/how-one-hedge-fund-made-2-billion-from-argentinas-economic-collapse/

Ocampo, José Antonio. 2014. The Latin American Debt Crisis in Historical Perspective. In: Stiglitz, J.E., Heymann, D. (eds) *Life After Debt*. International Economic Association Series. London: Palgrave Macmillan. https://doi.org/10.1057/9781137411488_4

Ocampo, José Antonio. 2016. "A Brief History of Sovereign Debt Resolution and a Proposal for a Multilateral Instrument," in Martin Guzman, Antonio Ocampo, and Joseph Stiglitz, eds. *Too Little, Too Late: The Quest to Resolve Sovereign Debt Crises*. New York: Columbia University Press, pp. 189-205.

Ocampo, José Antonio. 2017. *Resetting the International Monetary (Non)System*. Oxford: Oxford University Press.

Oxfam International. 2022. "COVID-19 death toll four times higher in lower-income countries than rich ones." Oxford: Oxfam International, March 3. https://www.oxfam.org/en/press-releases/covid-19-death-toll-four-times-higher-lower-income-countries-rich-ones.

Pazarbasioglu, Ceyla. 2024. "Sovereign debt restructuring process is improving amid cooperation and reform." Washington, D.C.: International Monetary Fund, June 26. https://www.imf.org/en/Blogs/Articles/2024/06/26/sovereign-debt-restructuring-process-is-improving-amid-cooperation-and-reform

Peebles, Gustav. 2013. "Washing Away the Sins of Debt: The Nineteenth Century Eradication of the Debtors' Prison," *Comparative Studies in Society and History* 55:3, pp. 701–724.

Polgreen, Lydia. 2007. "'Vulture' investors an unlikely ally against graft in Congo," *New York Times*, December 10. https://www.nytimes.com/2007/12/10/world/africa/10iht-congo.1.8664709.html

Peterson Institute for International Economics (PIIE). 2020. "The Greek Debt Crisis: No Easy Way Out." Washington, D.C.: PIIE. https://www.piie.com/microsites/greek-debt-crisis-no-easy-way-out

Reinhart, Carmen M. and Kenneth S. Rogoff. 2009. *This Time is Different: Eight Centuries of Financial Folly.* Princeton, NJ: Princeton University Press.

Roos, Jerome E. 2019. *Why not default? The Political Economy of Sovereign Debt*. Princeton: Princeton University Press.

Rowell, David and Luke B. Connolly. 2012. "A History of the Term 'Moral Hazard'." *Journal of Risk and Insurance.* 79:4, pp. 1051-1075, December.

Samples, Tim R. 2019. "Winning and Losing in Investor-State Dispute Settlement," *American Business Law Journal* 56:1, pp. 115-175, Spring.

Schadler, Susan. 2014. "The IMF's preferred creditor status." Policy Brief NO. 37, Waterloo: Centre for International Governance Innovation, March 14. https://www.cigionline.org/static/documents/cigi_pb_37_1.pdf

Shakespeare, William. c. 1600. *The Tragedy of Hamlet, Prince of Denmark.*

Shakespeare, William. c. 1596. *The Merchant of Venice.*

Stallings, Barbara. 1990. "Debtors versus Creditors: Power Relations and Policy Responses to the 1980s Crisis," in David Felix, ed., *Debt & Transfiguration: Prospects for Latin America's Economic Revival.* London: Routledge.

Stiglitz, Joseph E. 2015. "Greece, the Sacrificial Lamb." *New York Times*, July 25. https://www.nytimes.com/2015/07/26/opinion/greece-the-sacrificial-lamb.html

United Nations Conference on Trade and Development (UNCTAD). 2024. "Investment Dispute Settlement Navigator." New York: UNCTAD, Investment Policy Hub. https://investmentpolicy.unctad.org/investment-dispute-settlement

UK Parliament, House of Commons, International Development Committee. 2023. "Debt Relief in Low Income Countries," Seventh Report of Session 2022-2023. At: https://publications.parliament.uk/pa/cm5803/cmselect/cmintdev/146/report.html

Vargas Delgado, Oscar-René, Maria Ramos-Escamilla, and Lupe García. 2016. "Human Rights and External Debt: Case Study Spain." *Economía Informa*. 396. 10.1016/j.ecin.2016.01.001.

Van Harten, Gus. 2020. *The Trouble with Foreign Investor Protection.* Oxford: Oxford University Press.

Volz, Ulrich, Shamshad Akhtar, Kevin P. Gallagher, Stephany Griffith-Jones, and Jörg Haas. 2021. "Debt Relief for a Green and Inclusive Recovery: A Proposal," Boston, London, Berlin: Boston University Global Development Policy Center; Centre for Sustainable Finance, SOAS, University of London; Heinrich Böll Foundation, April. https://drgr.org/files/2021/01/DRGR-report.pdf

Von Luckner, Clemens Graf, Josefin Meyer, Carmen M. Reinhart, and Christoph Trebesch. 2023. "Sovereign Debt: 200 Years of Creditor Losses," Washington, D.C.: IMF, 24th Jacques Polak Annual Research Conference.

Winkler, Max. 1933. *Foreign bonds, an autopsy; a study of defaults and repudiations of government obligations*. Philadelphia: Roland Swain Co.

Worstall, Tim. 2016. "Truly Terrible Ideas Are Rare In Sovereign Bond Markets But Here Is One." *Forbes*, March 9. https://www.forbes.com/sites/timworstall/2016/03/09/truly-terrible-ideas-are-rare-in-sovereign-bond-markets-but-here-is-one/?sh=7a36dcab73b2

Worstall, Tim. 2014. "Argentina's Default, Vulture Funds, and the Little Secret That Not Many Understand." *Forbes*, August 2. https://www.forbes.com/sites/timworstall/2014/08/02/argentinas-default-vulture-funds-and-the-little-secret-that-not-many-understand/

Zucker-Marques, Marina, Kevin P. Gallagher, and Ulrich Volz. 2024. "Defaulting on Development and Climate: Debt Sustainability and the Race for the 2030 Agenda and Paris Agreement." Boston, London, Berlin: Boston University Global Development Policy Center; Centre for Sustainable Finance, SOAS, University of London; Heinrich Böll Foundation, April.