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ARGENTINE DEPENDENCY, DEVALUATION, AND DEFAULT: A STUDY OF ARGENTINA'S ECONOMIC CRISES FROM 2001 TO THE PRESENT

by

Jacob Matthew Pollock

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Abstract

Global financial structures and domestic monetary policy are inextricably intertwined and difficult to understand. Latin America has garnered significant attention from scholars concerned with the relationship between currency, economic policy, and global structures, as the region has suffered significant and regular financial and monetary crises since the 1970s. The scholarly debate continues to consider the most important factors of economic crises in Latin America. Some argue domestic factors and poor policy choices by national governments explain the bulk of the crises, while others emphasize international power structures as playing an outsized role. Employing dependency theory, I investigate the relationship between Argentina's many economic crises, the global financial system, and its principal actors. Global financial structures play a significant part in the financial maladies of developing countries, as evidenced by case studies of Argentina from 2001 to the present.

Table of Contents

Donald Duck, Dependency, and Default

"Donald Duck is an agent of imperialism" (Perez 1990; 133). The raspy duck, a staple Disney character, likely would not garner such criticism from many outside the United States today; However, scholars of Latin American development began writing on patterns of cultural and economic influences coming from the US in the 1960s (Valenzuela and Valenzuela 1978; Weeks 1981; Chirot and Hall 1982; Perez 1990; Blaney 1996; also see Uche 1994). American culture, embodied in its media through characters like Mickey Mouse and Donald Duck, sent American ideals abroad, such as the goodness of capitalism and the threat of socialism (Perez 1990). To respond, authors and activists needed a systematic approach to studying the influence of the global North on the South, which spurred dependency studies. But the issue of exporting influence is significantly more systemic than popular culture; indeed, pop culture demonstrates a superficial dependency on US entertainment and media. But scholars have chronicled dependence on US-led institutions in a variety of other more serious ways, including banking, finance, and credit, which greatly affect state-and-region development (Pauly 1998; Bhalla 2008). Dependency theory is both a reaction to and a critique of a vast array of influences that the developed world pushes on developing countries.

The breakdown of the Bretton Woods agreement in 1971, which largely regulated the flow of money throughout the world, created new ways for rich countries to "financialize" and become hubs of lending huge amounts of money (Krippner 2005). This arguably changed the dynamics of dependency of the underdeveloped on the developed. Now, credit could be extended from the global North into the global South. With credit came speculation and, sometimes, financial ruin. International financial institutions (IFIs) such as the International Monetary Fund

(IMF) and World Bank began implementing programs to save indebted and financially broken developing countries, though it often came at a heavy political and economic cost.

These international organizations, particularly the IMF, have undergone reforms to better help struggling target countries after years of criticisms that they focused on supporting established markets of the North. But the effectiveness of these reforms have been contested, with some arguing that the end-goal of US-backed IFIs being primarily to benefit US economic interests has not changed (Lesage et al. 2013). There exists a theoretical and practical gap in the literature between work on monetary theory, development, and dependency of US-backed international institutions. While I argue that structuralists who study currency (like Jeffry Frieden and Susan Strange) use much of the same vocabulary as dependency theorists, a true dependency lens has yet to be well applied to issues of currency and debt policies, especially when underdeveloped countries are most dependent on foreign credit and bond issuance.

This thesis aims to pull from a few fields of literature to better understand underdeveloped regions' dependency on global North credit. By building case studies of Argentine debt crises from 2001 and 2014, I aim to better understand whether global South dependency on Northern-backed IOs has diminished, gotten worse, or stayed largely the same. I plan to do this by building case studies of monetary crises in Argentina from these different periods after 1971, comparing how much IOs constrained policy choices of elected leaders in the wake of those crises in exchange for credit and international support. The rest of this chapter covers relevant literature on pertinent topics, such as monetary theory, the post-Bretton Woods era, and dependency theory. Then, a discussion of the cases selected for analysis and a brief trajectory of where those findings ought to lead.

Relevant Literature

The study of money and power is not new. Pioneering scholars such as Susan Strange set out early to ask questions of money and structure (Strange 1990). She identified different types of currency based on how powerful they are on the world stage (Cohen 2019; Strange 1990). While the US dollar has remained the dominant currency after World War II, other currencies hold regional or even international significance. However, smaller currencies, like those in Latin America, often function more as a hindrance to development, as they either must be pegged to a stable, international currency, or ride the waves of shocks experienced alongside financial crises.

The last fifty years have been a tumultuous time for the world's smaller currencies. And no region has been more dynamic, or suffered more currency related turmoil, than Latin America. Since the 1971 breakdown of Bretton Woods reprioritized currency policy on a national and international scale, countries have scrambled to find policy solutions to myriad money woes. In response, the developed world has funded institutions, such as the IMF and World Bank, to lend a hand – and lend money – when underdeveloped countries run out of policy options.

Although developing countries and smaller economies have relied heavily on these international institutions for help developing economically and mitigating financial crises, there is a paucity of literature that links what we know about currency theory and policy with dependence on international institutions. Importantly, our understanding of how, if at all, these institutions circumscribe policy options to countries undergoing both development and acute financial crises. The following pages review the literature on currency theory, financial crises, and dependency theory. A theory of currency policy constraint is then discussed before a delineation of two case studies that aim to investigate the theory in action.

Bretton Woods and a Changing View of Dependency

After World War II, the Bretton Woods agreement governed the international monetary system. The policy trilemma, in which countries can choose two of three options (stable exchange rates, monetary policy autonomy, and free flow of capital), saw the first two prioritized over the flow of capital under Bretton Woods. Stable exchange rates meant that the US dollar, the leading world currency, would be pegged to the price of gold, and that other countries could not easily devalue their own currency for short-term boosts to exports. This stability in currencies arguably sustained and prolonged the postwar economic boom across much of the world (Williamson 1985). Bretton Woods was not perfect, however, and scholars have contentiously debated whether we tend to give the policy choices during the Bretton Woods period too much credit for the stability and growth enjoyed (Felix 1998).

Somewhat unsurprisingly, it was President Nixon's discontent with the inflexibility of the US dollar pegged to gold that saw the eventual collapse of the Bretton Woods agreement in 1971. The US thought the burgeoning trade deficit, in which emerging economies were selling cheap products to the US, was especially problematic. If the US dollar could be devalued, then the trade deficit might self-correct (James 2012, 423). That thinking was, by all accounts, quite faulty. However, untethering the dollar from gold did shift the global monetary regime away from the most important facet of Bretton Woods – stable exchange rates – and instead, ushered in the free flow of capital and national monetary sovereignty as the global monetary policies of choice. This change upended the way developing countries could do business. They now had to worry about the stability of their own currencies, faced with tough decisions about monetary policy decisions and no longer unbothered by the de facto stable exchange rate regime that was previously enjoyed by everyone.

The breakdown of Bretton Woods created two new situations that are pertinent to this article. First, many countries gained new autonomy in creating national currency policy. Exchange rate stability under the Bretton Woods agreement meant that countries were unable to manipulate their fixed exchange rates. Once the US dollar became a true fiat currency, many smaller currencies then could strengthen or weaken their currency against the dollar (Aglietta 2019). Second, the 1970s saw a flood of freshly printed dollars on the world market (Meese 1990). Private and central banks found themselves awash in cash and needing to lend some of those dollars out – as any financial guru would say, make your money work for you. These two new issues create a peculiar situation for smaller countries. They could now borrow tremendously large sums of money in the form of US dollars *and* manipulate the value of their own currencies against those dollars.

It should be noted here that the breakdown of the Bretton Woods system led to a surge in political economists reexamining dependency theories, as researchers argued whether Bretton Woods and the ensuing globalization narrative contributed to interdependence of countries or financial dependency of the Global South onto the Global North (Garrett 1998, 795). It is worth noting that the field was reenergized by the post-Bretton Woods era, and that scholarship could lend itself to better understanding the monetary theory behind developing countries, especially if we consider how the dominant policy decisions made by the US might constrain the choices made by smaller countries. My research seeks to shed more light on how developing countries are dependent on developed-world monetary regimes (Felix 1998). Certainly, the innerworkings of the Bretton Woods agreement gave the US outsized influence in global monetary policy; however, fixing the US dollar to gold limited the degree to which the US could engage in currency statecraft, or using its currency to achieve diplomatic goals (Cohen 2019). With the current regime (or mixed regimes), the policy options of developing countries against the constraints of the most powerful currency issuers makes for compelling and important research.

Louis Pauly's *Who Elected the Bankers?* (1997) is a cautionary description of where the world financial system stood and where it was heading. Pauly saw the globalization of markets as centralizing economic power in the financial institutions and corporations of the most powerful countries. Groups like the World Bank, IMF, and U.S. Federal Reserve providing monitoring and oversight of shaky financial markets was, to Pauly, an important temporary fix to swiftly globalizing markets and shifting power structures, but it would not work forever (Pauly 1997, 121). Instead, elite economic interests in the Global North would choose stability at home over stability abroad (namely in the Global South) and developing countries would eventually pay the price. Pauly accurately saw that in the post-Bretton Woods world, major financial decisions were more commonly being made by unelected financiers, deeply insulated from public opinion and democratic process. Therefore, he surmised that as all markets amalgamated into one large global mess, mostly elite, unelected financial gurus would control monetary policy and thus reap the benefits of globalization. Because of this, Pauly ends his book with a warning and a prediction:

> Beyond the leading industrial states, future shifts in economic power will likely complicate the process of international adjustment…. Even the citizens of leading states will rightly begin asking why they must defer to decisions over which they are losing control, and why the political authorities responsible to them are becoming impotent. At that point, the retreat from global markets will begin (143).

Pauly is not alone in his thinking. Around the same time, other scholars posited that there was an emerging issue with national politics and international markets. The Bretton Woods agreement constrained economic liberalism and allowed the best qualities of internationalizing markets to flourish while limiting risky economic activity and preserving state sovereignty. In the post-Bretton Woods world, those qualities have reversed, and we now experience with regularity those issues that the agreement sought to constrain (Garrett 1998). In other words, the separation between elected leaders in national government and supranational market and financial systems that Pauly and others warned about has been realized.

Subsequent work considers a globalized United States as "financialized," creating a more complicated relationship between the corporation and the state (Krippner 2005). The debate centers on whether financial institutions hold more power over financial policy than the state, as Pauly might suggest, or whether the state maintains a necessary level of control over broad economic policy. While this debate is compelling and important, it is largely centered on the United States and the rest of the developed world. And while the argument is a push-and-pull between government and business, there is little argument that the power is concentrated in a few developed countries, namely the United States. The question is whether the US government or US financial groups hold more power over broad economic policy, but the debate does not travel well.

Currency Theory and Financial Crises

Few scholars of political science have taken on the task of understanding and explaining monetary policy theory. Even fewer have attempted to tie these theories to concrete examples. As noted, monetary policy theory is not well understood by using economic models. Instead, political science is especially well equipped to understand the social, political, and technical aspects of monetary theory and subsequent policy. In the simplest sense, small countries have few questions they must answer: do we "fix" our currency or allow it to float relative to others?

Should our currency be relatively strong or weak? Do we allow our exchange rate to function as a non-tariff barrier? And how much inflation can our economy (and our voters) tolerate (Broz and Frieden 2001)? Each of these questions can get significantly more complex than a dichotomous choice (i.e., fixed, or floating), and the political ramifications of the results of these policies are eminently important. But if monetary policy were a truly economic issue, political science might not have much to add. Instead, the work of economists is notably inconclusive on what currency regimes are best for which countries: "… so even here there are few purely economic factors that could explain national government policy" (Broz and Frieden 2001, 319).

Frieden's later book, *Currency Politics: The Political Economy of Exchange Rate Policy* (2015), synthesizes much of what we know about monetary policy today. Frieden spends a portion of the book building a description of the modern history of monetary policy, from the gold standard to Bretton Woods, to our current situation. He also considers how electoral politics and national party coalition building maps onto currency politics. His book, taken as the most complete account of currency politics available for consumption, lends direction to fresh research questions. Toward the end of his book, Frieden considers why Latin American countries choose certain monetary regimes and what contributes to frequent currency crises in the region. Throughout various books and journal articles, Latin American countries or the entire region are often chosen as case studies because of the multitude of currency crises that have occurred since the 1970s (Aglietta 2016). While Frieden runs a few regression analyses to look at broad economic trends against currency regimes, his book does not aim to develop a thick description of the international politics or grand power structures surrounding development and currency policies for the countries or years he has chosen. Instead, he is simply bolstering theoretical points made earlier in the book through macroeconomic data analysis.

While Frieden has built a helpful description of monetary policy choices, there are still phenomena that countries encounter that have no clear policy answers. Balance of payments crises happen frequently, especially in smaller countries (Krugman 1979; Cottani, Cavallo, and Khan 1990; Thirlwall 1997; Moreno-Brid 1998; Kaelberer 2014). While balance of payments (BOP) crises are the most common, they may look different across different countries at different times. Furthermore, BOP crises can be especially hard to predict, as econometric models have a difficult time understanding what initiates the crisis: “It is, of course, impossible to measure the seriousness of a country’s balance-of-payments situation independent of the level of employment and output (or a country’s growth rate in a dynamic context)” (Thirlwall 1997, 378). While Thirlwall considered the economistic issues of examining BOP crises, politically-oriented scholars such as Frieden might argue that these crises are different due to the various, shifting political pressures on state financial institutions – including the electoral pressure for short-term versus long-term monetary fixes (Broz and Frieden 2001).

Certainly, BOP crises which lead to debt defaults are the temporal parameters of my proposed research. I intend to study Argentina leading up to, during, and after such crises to better understand the monetary policy options that smaller countries can employ and the political pressures, both internally and externally, that constrain them. But countries large and small might not see their currencies only as an economic mechanism that they must keep in equilibrium. Instead, currency might be its own tool of political leverage, both domestically and internationally (Cohen 2015; Cohen 2019). While currency statecraft might not be the central focus of my thesis, the extant literature on the political leverage of currency is an important aspect in understanding how deeply political money can be. At this stage of research, intuition hints that monetary policy choices and the associated crises, especially in small states, are driven more by politics than economics.

There are a variety of financial crises that can beset a country or market – banking, balance of payments, debt, currency, speculative, and so on. When a country slips into any of these crises, it is extremely common for the national currency to suffer if it is on a floating exchange rate – i.e., not pegged to a stable currency (Frieden 2015). This is important for two reasons. One, it means that regions that suffer financial crises of all kinds frequently – like Latin America – also suffer parallel monetary crises. And two, along with whatever underlying issue the country faces – like a balance of payments imbalance – there is also an immediate currency valuation issue that must be stabilized.

Development Literature and Monetary Policy

Development scholarship is a significantly more developed field than is monetary policy research. However, there is some important overlap between work on national-level economic development and monetary policy. Some of Broz and Frieden's (2001) earlier questions have been rigorously explored. For example, one pressing question is whether the undervaluation of currency necessarily speeds along development. There is some limited support for this hypothesis (Bhalla 2008; Rodrik 2008); however, the literature overall is mixed. A variety of research methods lend support to different theories (Subramanian 2010), with some research suggesting currency undervaluation improves domestic savings and employment but has no effect on a country's GDP (Gluzmann et al. 2012).

These empirical analyses are helpful and will likely prove to be important throughout the course of process tracing financial crises. But these works cannot explain the variation in domestic political processes or the explicit policy choices pursued by national governments or central banks, because they do not consider the specific and practical policy options available to countries given the potentially significant number of constraints on policymakers. These studies will prove helpful, however, in understanding how research matches up against actual decisions made, and how those decisions either cut across the research or align with it. Furthermore, process tracing allows us to see if there are adverse consequences to policymakers and bankers choosing options that are not aligned with the academic research.

Another interesting exchange rate field of study in development literature is whether exchange rate manipulation and public debt affect development in countries or regions, as was the case in Sub-Saharan Africa (Clever 1985). For this, the National Bureau of Economic Research (NBER), World Bank, International Monetary Fund (IMF) and other institutions publish a variety of scholarship specific to regions and countries that are undergoing particularly difficult economic situations. These studies can be important for two reasons. First, studies that look specifically at the country I am studying are perhaps directly applicable in forming descriptions and inferences. Second, studies of other regions and countries might shed light on patterns that are then applicable spatially and temporally. Researchers have already used threads of information that run throughout Latin America and Asia to describe larger patterns in monetary policy issues (Kaminsky and Reinhart 1998).

Finally, the conversation surrounding the strength of the economy versus the strength of the currency is important. Blomberg, Frieden, and Stein (2005) find that development in Latin America has made pegged exchange rates politically costly, as economic interest groups seek to capitalize export potential on a floating currency regime. Furthermore, the authors note the push-and-pull forces between consumer and trader interest groups, arguing for greater purchasing power and easier exporting regimes, respectively. As previously mentioned, Latin America is a prime area to study currency policy decision making because of the dynamic currency changes over the last half century. Other scholars argue that Latin American countries may have fallen prey to worrying about the "middle," in which they adjust exchange rates based on a mix of short-term and long-term economic forecasts, which can be detrimental to satisfying the previously discussed "trilemma" (Willett 2007; Frankel 2004). This is yet another reason why process tracing specific cases are important. Willett (2007) notes the importance of exchange rates to satisfy short-term balance of payments disequilibrium, which may shift policy focus so far away from long-term growth that a country is more easily thrown into a large economic crisis with currency policy as one of the root causes.

The weak/strong currency – weak/strong economy nexus is rather important to understand and is probably best described and understood through process tracing. In the 1990s, a development-minded Japan dealt with a chronically strong Yen (Schnabl 2001). As previously discussed, developing countries oftentimes attempt to undervalue (or even devalue) their currency to give them an edge when exporting goods. The Yen suffered from overvaluation for a variety of reasons. Schnabl's (2001) chronicling of the 1990s Yen lends support to the argument that the valuation of a currency holds specific meaning to individual countries. Schnabl (2001) argues that Japanese development in the 1990s likely looked different from other countries precisely because of the overvalued Yen. Japanese investors at many points in the decade chose to keep their money at home instead of investing in US dollars or other currencies, which likely had an influence on the movement of capital into and within the country.

As will be explored in chapter two, Argentina pegged its own currency to the US dollar at the rate of 1:1, which led to a real appreciation of the Argentine peso as the dollar climbed throughout the 1990s. therefore, the theory behind strong and weak currencies is especially important as we consider the effects that a stronger peso may have had on the Argentine economy leading up the first financial crisis we will investigate.

The International Monetary Fund, Latin America, and Financial Crises

While the International Monetary Fund (IMF) takes on a variety of tasks, it has been highly interested in exchange rate stability ever since volatility in exchange rates have existed (Bilson 1978). While some economists, like Bilson, have sought a generalizable theory of exchange rate stability based on developed-world currencies, other IMF analysts have blamed domestic politics for shifts in currency value (Pastor 1989). As previously noted, there has been much attention paid to the electoral consequences of currency policy, especially in Latin America (e.g., Broz and Frieden 2001). Democratically elected officials must satisfy various coalitions, which might entail manipulating the strength of their currency. While domestic factors are certainly crucial to understand the issue of currency crises holistically, the international factors are just as complex and functionally important.

When the dissolution of Bretton Woods broke the dam of US dollars and flooded international markets, Latin America enjoyed easy access to American and European credit. As economic downturns in the 1980s reverberated throughout the world, formerly free-flowing rivers of credit from the North began to run dry, and Latin America was forced to make good on its debts without access to more cash (Pastor 1989; 82). The new cash markets created after Bretton Woods reinvented the way countries could borrow. While domestic factors are certainly a piece of the problem for countries with balance of payments and sovereign debt issues, the reinvention of world credit cannot be understated.

Materialist critiques argue that the central focus of the IMF is to maintain hegemonic global financial structures (Mueller 2011). The new financial markets of the 1970s were a boon for the lenders; however, someone needed to be tasked with stabilizing the debtors when problems would arise. The IMF, in its goal to "stabilize" the world financial system, maintains the flow of credit from the developed to the underdeveloped. While neoliberals might argue, from a rational choice perspective, that underdeveloped regions ought to take these loans, especially if domestic politics are to blame for financial failures, the underlying goals of the IMF are important in understanding the outcome of so many IMF programs. Dreher and Jensen (2007) find that IMF loan policies are greatly affected by the receiving country's relationship with the United States. Countries that voted more consistently with the US in the United Nations received fewer conditions on their loans (121). This bolsters the case that 1. Loan conditionality is not motivated to achieve positive outcomes for countries, but possibly about punishing countries or forcing them to abide by economic standards set at the behest of foreign powers with skin in the game and 2. Structural and materialist critiques of the IMF hold significant explanatory power and deserve to be interrogated with various methods.

While the IMF has blamed currency and debt crises on domestic political factors, doing business with the Fund can itself hold negative political repercussions. Democratically elected leaders shy away from taking IMF deals when they perceive a possibility of the program failing (Williams 2011). Instead, elected executive leaders opt to "go it alone" for fear of losing the next election. As we will see in the next chapters, Argentina was no stranger to political turmoil as IMF programs failed and the country fell deeper into economic crises.

Dependency Theory

The study of money is both broad and complex. Economists and political scientists have investigated an array of national and international issues relating to money, including balance of payments crises, the politics of exchange rate changes, and currency as a political leveraging tool. The vernacular of currency theorists, however, overlaps with that of dependency theorists. The reality is that the currency situation of one country and the broader context of worldwide currency politics is an issue of world structure (Pauly 1998). Why have we not studied money through the lens of world structure?

As Perez (1990) notes, dependency theory finds its roots in Latin American socialist activism and scholarship. The tumultuous political and social situation of Latin America in the 1960s gave rise to a new broad school of thought: "In its most usable form, dependency theory establishes the relationship between development and underdevelopment as the context in which to examine relations between the United States and Latin America" (Perez 1990: 135). Thus, dependency theory is an inherently Latin American perspective, developed by scholars who sought answers for the societal issues they saw at home. While there are several lenses through which scholars can develop theories on Latin American currency politics and development, dependency theory offers a unique perspective which brings to the forefront global structures that play an outsized role in the development of countries and regions. The assumptions underlying dependency theory create a framework for utilizing current research on Latin American-specific development and currency literature to better understand how these global structures restrict critical decision-making and create path-dependent approaches to policy formation in the face of financial crisis on the continent.

Dependency theory enjoyed a relatively short lifespan at the forefront of political science and sociology. However, the theory lends unique perspectives important in understanding the constraints on monetary policy in Latin America, especially in the wake of acute financial crisis. First, I address the main theoretical assumptions of dependency theory. Then, I discuss how it differs from alternative approaches. Afterwards, I consider common critiques of dependency theory and its necessary limitations as an approach to monetary policy analysis.

Assumptions and Criticisms

The theory is not without its critics. Gabriel Almond referred to dependency theory as “intellectually counterproductive” (1990: 253) because it largely ignores domestic factors of underdevelopment. Cultural theorists such as Almond decry both its origins and assumptions. And given its relatively short time span as a widely discussed theory, one could assume it was shelved because of inconsistencies or bad assumptions at its core. This is not true. Dependency theory may have died out not because it is theoretically unhelpful or “counterproductive,” but because it was placed on the shelf for other, more trendy theoretical approaches (Blaney 1996). Moreover, it overlaps with Marxist and materialist perspectives frequently, but is distinct from them in several ways. The distinctions may not be obvious enough for the casual reader of dependency theorists to grasp, thus leading some scholars to collapse the two theories into one, ignoring dependency theory as a kind of offshoot of Marxism.

But as Weeks (1981) explains, the two are quite different. While Marxism and materialism concern themselves predominately with the exploitative nature of class structures, dependency theory is a varied school of thought with several branches, though all are concerned in some capacity with the dependency of the underdeveloped world on the developed. Capitalism and postcolonialism gave rise to a shifting of resources from the colonial world into the economic centers. If capitalism is concerned with capital accumulation, dependency theory recognizes the accumulation of capital in the developed regions, due in part to extractive practices of the developed world on the underdeveloped. Marxism envisions class struggles as the heart of political and economic struggles, which transcends borders, cultures, and institutions. Dependency theory considers in the world as made up of regions, divided by their relative development, with the lesser developed regions dependent on the more developed. Dependency theorists also recognize that this system is not by accident: it is lucrative for the developed regions to function in this way (Uche 1994).

The assumptions within dependency theory, as noted by Valenzuela and Valenzuela (1978), contrast starkly with other popular approaches. Namely, modernization theory considers the value systems and social structures of countries in considering why development does or does not occur; however, modernization theory is often bereft of supranational structural considerations. A theory that does not consider the major shifts in world economic power distributions likely lacks explanatory power when studying countries with rich recent economic histories. The stories and data that should be unpacked to offer a clearer picture of Latin American development deserve a proper treatment, and dependency theory is but one theory of many that ought to be thoroughly utilized in better understanding the plight of the continent.

Furthermore, modernization theory relies heavily on assumptions of social psychology and behavioral science that sometimes make assumptions on a certain people's or culture's fitness to modernize (Blaney 1996; Chirot and Hall 1982). Such a theory is problematic on its face and unhelpful for the goals of this article.

The theory comes with its own set of challenges. Not long after dependency theory began to take hold in academia, proponents of modernization theory discounted its validity as being too politically driven and unconcerned with other important variables, such as mass political behavior (Blaney 1996). But the aim of dependency theory is different from modernization theory. At its core, it is a structural theory, concerned with understanding the externally induced constraints on growth and development.

The literature on currency theory and policy shares much in common with dependency theory, though it has not been well explicated in the various seminal currency texts. For example, Louis Pauly's "Who Elected the Bankers" considers how global financial decisions in the post-Bretton Woods world have shifted from elected leaders to unelected financiers. Pauly understands and explains the dependency of many underdeveloped nations on international organizations, such as the International Monetary Fund. Such a dependency does not exist among developed states, such as the US.

Dependency of Monetary Policy

National monetary policy deserves the treatment of dependency theory. As noted earlier. Structural theories generally applied to topics of global currency and finance issues, especially in the context of globalization, are helpful. However, they do not emphasize the dependency of the underdeveloped regions on the developed world. While dependency theory may not currently be a vogue critical lens through which scholars are studying current issues, the works of Wallerstein and others ought to be pulled off the shelf and dusted off so that a fresh angle is applied to a recurring problem.

Dependency theory has several strengths specific to its employment in currency crises and international organizations. The theory does not consider with the same degree of specificity of modernization theory a country or region's social variables in developing. It does however consider that there are internal and external factors that work in tandem to determine how dependency on developed "hubs" of the world affect developed elsewhere. The well-developed literature on electoral considerations of currency policy in Latin America help to build a case for the internal factors of dependency (e.g., Broz and Frieden 2001). A systematic investigation of the linkages between the IOs that may circumscribe policy options of countries in crises should begin to build a better account of the external factors of dependency. This is especially true since much of the currency policy work, as mentioned, as been conducted through a structuralist lens, albeit not one that explicates an obvious case of dependency.

Research Method

I intend to use process tracing to better understand currency crises in Latin America from before and after the 2009 financial crisis, after the IMF allegedly reformed itself. In doing so, Argentina presents an interesting case to study, as the country has experienced multiple currency crises in the last several decades (Rapoza 2020). And as mentioned, Latin America generally serves as a common area of focus on scholarship concerning financial crises generally, as the region was hard hit by a variety of economic shocks in the 1970s and 80s (Aglietta 2016; Frieden 2015). My sources will be newspapers and other news media, firsthand accounts like blog posts, and institutional reports and papers (such as from the IMF, NBER, etc.). From a simple, brief review of such materials, it is apparent that there is no lack of these materials on the internet.

To better understand the policy choices made and the policy choices available to these countries in recent currency crises, I intend to rigorously apply process tracing as a research method. According to David Collier (2011), process tracing is a qualitative research method applied mostly to within-group analyses that aim to (1) build a thick description of a single or recurring event and (2) explore causal mechanisms. To work, the method must first understand that describing processes over a series of time only works if the researcher can provide clear, deep description of multiple points in time (Collier 2011, 824).

These specific events for each Argentinian crisis will likely comprise several different kinds of political and economic events that make up smaller processes. Broz and Freiden (2001) noted that political pressures in electoral democracies might cause more pressure to shift currency policy, but sound process tracing that incorporates the description of electoral events alongside other pertinent happenings could shed significantly more light on their assumption. Macroeconomic trends and shocks (like the 2009 world financial crisis), NGO and especially IO actions, domestic political events, war and insurrection, and natural disasters are all likely important events to describe the lead up to and time during a monetary crisis, especially in a region that appears to chronically suffer from them.

Because this thesis is limited on space, domestic political factors will not be as rigorously investigated as they might be when employing other theoretical lenses. Instead, since this study is using dependency theory as a starting point, the process tracing will focus predominately on Argentina's interaction with world structures, namely IFIs and the United States federal court system.

Based on preliminary reading and research, two big points stand out. First, the study of economics clarifies the technical ramifications of currency policy, but it is unable to grasp the relevant political information that is necessary to deepen our understanding. Second, political science is well-equipped to do good work, but there has been an overall lack of attention paid to currency policy theory and practice, especially from a qualitative standpoint. My intuition is that there are a mix of social, political, and economic factors that play into the process of monetary policy implementation, especially in times of crisis. For example, the economic factors that work on the valuation of currency, mixed with the political and social issues of trust in currencies and the stability of countries, must be explored within a qualitative analysis. Within the stability of the country and the political institutions, issues like right-leaning populism (which has influenced Brazil since before the election of Jair Bolsonaro) likely play a role in how outside investors look at the Brazilian market and how financial institutions within the country operate. Process tracing allows for the description of several forces acting on currency policy at once, while gaining the description necessary for good causal inference.

An important piece of the process tracing procedure is the evaluation of the crisis by the IMF and other lenders and the subsequent conditionalities placed on loans, and whether Argentina decides to take those loans and conditions. As previously noted, the IMF tends to lend with fewer conditions based on a country's voting agreement with the United States in the UN General Assembly (Dreher and Jensen 2007). To understand dependency on US-led institutions, mapping and explaining US actions relative to the currency crises of Argentina in time is an important aspect of understanding the bigger picture of external factors of dependency.

Earlier cases of currency crises in Argentina are likely going to show an obvious dependency on US institutions through loan extension and restructuring. We understand that conditionalities on loans in the 1970s and 80s were particularly harsh, and that adjustments implemented due to those conditionalities were oftentimes painful. However, the real explanatory power in this project will lie in understanding whether the IMF and World Bank, fully understanding the drawbacks of severe conditionality, adjusted their own policies accordingly after 2009. Using dependency theory as a lens can help us to understand whether these IOs are chiefly concerned with the recovery and development of Latin America or upholding the economic and political goals of the United States abroad.

Argentina in Crisis: Convertibility and Collapse

In December 2001, the Argentine economy began to collapse. After weathering multiple regional and international economic emergencies throughout the 1990s, the Argentines found themselves in a severe balance of payments crisis, illiquid domestic capital markets, and no lines of international credit to service their increasing deficits. Argentina was one of Latin America's fastest growing economies during the previous decade, despite significant economic shocks for its neighbors and largest trading partners. It outperformed neighbors and most developing countries throughout the world. In March 2001, months before the economic panic began, an IMF publication acknowledged Argentina as a success story in an otherwise unstable region, calling on other Latin American countries to follow suit. Nine months later, all would come crashing down.

The situation worsened from late 2001 into 2002. In December of 2001, protestors took to the streets. A run on the banks began when word spread that the Argentine peso might be devalued, and banks were running out of foreign-denominated bills. The national government then limited cash withdrawals and froze foreign-denominated assets. Argentina was, by any measure, dealing with an economic, political, and social disaster – one that would draw out for years, leaving researchers to ask how it happened and how it could have been avoided (Sharma 2002). To understand the crisis of 2001/2002, one first must look at Argentina in the 1980s, the politics of hyperinflation, and the policy choices that built a complex and compounding set of issues that all came crashing down.

Latin America experienced significant episodes of hyperinflation throughout the 1980s. the discourse surrounding the cause of the inflation and the possible policy options is greatly debated. Of course, we can look at what happened to cause inflation and what those countries did

– with or without international support – to stabilize, but it is difficult to argue counterfactuals, or what would have happened had countries chosen different paths. Instead, there is enough to examine in the rich literature on Latin American economics and politics that shows diverging fields of thought regarding the role of international structures in stabilizing and developing the region.

There is a wide gap in the literature, despite different authors discussing the same subject. Critical researchers prod at the structures and constraints that were placed on Latin American democracies. Institutional views – like those of the IMF and World Bank – frame the same issues in different contexts, sometimes downplaying their own institutions' involvement in economic disasters that got worse after international help arrived (e.g., the "Tequila Crisis"). Despite reluctancy to discuss how politically involved international financial institutions (IFIs) sometimes are (e.g., IMF 2004), scholars have exhaustively documented the panoply of political relationships woven through the U.S. government, the IMF, the World Bank, and Latin American countries (e.g., see Teichman 2004; Dreher 2002). While the IMF and World Bank helped to stabilize the otherwise dire fiscal and economic situation of Argentina in the late 1980s, they also helped to set the country on a path to eventual disaster through a development plan that relied on unsustainable currency and debt policies.

While the 1970s saw increased capital inflows into Latin America, the 1980s brought on economic crises throughout the region, leaving countries no other option than to take on IMF and World Bank loans and the associated structural adjustments, typically in the form of market liberalization (Pastor 1989; 82).

Argentine Hyperinflation and Monetary Restructuring

Transitioning from a military dictatorship to a populist national government, Argentina took on heterodox fiscal policies in the 1980s: ignoring the budget deficit, expanding domestic spending, and controlling consumer prices. In turn, the country quickly spun into inertial hyperinflation (Cardoso 1989; 17-18). The economy was in a tailspin, and the international credit and capital that existed throughout the 1970s because of the post-Bretton Woods dynamics began to dry up over falling investor confidence. The "extra dollars" that materialized after 1971, and heavily marketed to developing countries, became scarce. Once Argentina realized the extent of its inflationary issues, it was too late to secure enough foreign-denominated money to correct the problem, not that private lenders would have taken on such risky debt anyway.

Manuel Pastor (1989) notes that two fields of thought developed in assessing the issue of Argentine hyperinflation. While the IMF and World Bank blamed mostly domestic policies (e.g., populist heterodoxy) for the creation of hyperinflation, leftist critics noted the massive influx of capital in the 1970s proceeded by the recoiling of that same capital in the 1980s. As chapter one noted, dependency theory does not discount the internal factors that lead to dependency or create problems that dependency may also create. Here, the literature argues both ways, with institutions placing blame on the countries, and some leftist critics placing blame on those institutions.

Private creditors sought out Latin American countries for borrowing in the 1970s, and in keeping up with the race to develop, many of those countries took on debt without a long-term plan to repay it (Pastor 1989; 88). The same debt crisis that was arguably initiated by private creditors over lending was then exacerbated when private banks were no longer willing to renegotiate the restructuring of existing debt or to continue to extend credit to indebted countries.

While the Fund was largely avoided throughout the 1970s, the mounting crisis of the 1980s meant that the "lender of last resort," the Fund, found itself in the driver seat, directing capital flows between the global North and Latin America.

Different structural adjustment policies (SAPs) were sought for different countries in Latin America by the IMF throughout the 1980s. It is unclear exactly how much the Fund guided Argentina on its path to recovery in the late 1980s through 1991, but Argentina's decisions to restructure, no matter who ultimately chose them, were officially supported by the IMF (Onis 2006; IMF 1995). The Argentine peso was introduced in 1991, replacing the nearly worthless austral, and by 1992 achieved 1-to-1 convertibility with the United States dollar. Throughout the 1990s, the Fund praised the convertibility regime, noting the rigid peg to the dollar to be a highly stable currency policy with few drawbacks (IMF 1995, 2003a).

The convertibility plan, to be overseen by the new Currency Board, was to take decision making power away from the Argentine national government, essentially fixing the new peso to the dollar: "The Convertibility Plan and its institutional counterpart, the Currency Board, were implemented by the Argentinean authorities through close collaboration with the IMF" (Onis 2006; 243). Of all the structural reforms in Latin America in the 1980s and 1990s, Argentina's convertibility plan is one of the most debated. Orthodox economists, such as those at the IMF, saw the fixed currency as a boon to development; outside investors could again inject capital into the country without the fear of currency devaluation. Furthermore, Argentinians could hold dollars or pesos, as there was no fluctuation in the exchange rate – indeed, there was not an exchange rate at all.

While convertibility might be "a rather less extreme form of dollarization" (Vernengo and Bradbury 2011), it functioned in Argentina's case in much the same way. Dollarization is simply when a country abandons its own currency and decides to use the US dollar or another currency as its own. It eliminates exchange rates without a "home" currency and eliminates the need for a central bank in many cases. Several countries attempted dollarization throughout the late 20th century, and several countries use the US dollar exclusively or alongside their own currency (Aglietta 2016).

1990s Argentina: Manufactured Prosperity under the Convertibility Plan

Once the convertibility plan set currency policy in 1991, economic growth took off. Argentina enjoyed strong growth marked by international capital flowing into the country. But while the GDP went from contracting 7% in 1989 to booming 9% in 1991 (World Bank Data Report), the "growth" period from 1991-1998 was significantly more tumultuous than a simple story of linear growth. The "Tequila Effect" coming from a speculation crash in Mexico in 1995 left Argentina in a currency bind. It is important to understand how the shock from Mexico would play as a foreboding episode to the 1998 downturn and subsequent crash of 2001 – predominately due to the IFI-backed convertibility regime.

In 1995, the IMF released an extensive report titled *Capital Account Convertibility: Review of Experience and Implications for IMF Policies.* The team of researchers who wrote the report were led by Peter J. Quirk and Owen Evans, both longtime IMF economists with several publications on exchange rate regime policy analysis. The report broadly investigated the different convertibility regimes countries had sustained throughout the last approximately ten years in the context of capital liberalization throughout the world. It also focused attention on some countries, including Chile, Turkey, and Argentina. As noted by the IMF, several countries achieved full currency convertibility in the early 1990s. while the report remained ambivalent to floating and semi-rigid exchange rates, it described Argentina's convertibility regime with a

Currency Board as "… providing a strong institutional commitment to exchange rate stability and low inflation" (IMF 1995; 17).

One issue with analyzing publications by the World Bank and International Monetary Fund is that they are exceedingly descriptive, with an almost intentional deemphasis on prescription, despite both IFIs playing an outsized role in the financial and economic restructuring of struggling countries. The 1995 publication laments certain actions taken by countries, especially the capital outflow controls Argentina placed on international institutions when the financial crisis of 1980 first began (IMF 1995; 21). But other than voicing passive contempt for policies that are not inherently neoliberal and not dedicated to the free flow of capital and deregulation of international market dynamics, these publications are especially scant on analyzing and recognizing complex, country-specific currency and market issues that arise. Sometimes these issues are despite liberalizing national financial institutions, but some authors, such as Manuel Pastor (1989) and Diaz-Alejandro (1983), have argued for decades that these country-specific problems arise exactly because of liberalization forced through these IFIs.

These are important points to remember, as Argentina's convertibility plan went together with capital account liberalization in the late 1980s. while Argentina's convertibility plan aimed to stabilize the currency and the economy broadly, it is important to investigate the involved interests and why convertibility, instead of a floating regime, was backed by IFIs. Convertibility followed other reforms, namely provisions that required greater government oversight and private firm ratings of investments. Argentina also introduced new reporting and auditing requirements on international investments during the period of account liberalization (IMF 1995; 18). But as the IMF report notes, Argentina saw growth overall but with several caveats. Banks experienced failures to provide basic services, credit lending had to be curbed, and deficits increased (18-19).

The IMF blamed Argentina's issues throughout the period of account liberalization on, unsurprisingly, Argentina. The report stated vaguely that banks "… appear to have reflected mainly magnified effects of preexisting weaknesses in the structure of banks' balance sheets, including large volumes of nonperforming loans and insufficient capital, and institutional weaknesses" (19). The "institutional weaknesses" were not expounded on in the report; however, the Fund makes no effort to describe the dynamics of capital flows increasing significantly in the 1970s, then drying up a decade later, even though they regularly mention the issues that Latin American countries had in stabilizing their own growth and currencies throughout the 1980s. Indeed, by reading the report it becomes clear that the account liberalization efforts that many countries, including Argentina, underwent in the late 1980s and early 1990s were due mainly to the hits those same countries took in the earlier 1980s when they no longer had access to formerly abundant international cash.

The Fund has a knack for framing crises in a certain light. Overspeculation into Mexico combined with a strong currency brought on a massive panic and reversal of investment inflows out of the country in 1994 (Calvo 1996; Frieden 2015; Aglietta 2016). But the Fund tends to reminisce differently. In a 2012 report, it characterized Mexico's problem not as one of financial vulnerability, but of an overstrength currency that was inextricably linked to multiple internal weaknesses (IMF 2012). Calvo (1996) argues instead that Mexico's problems were inherently international; that the economy was opened too wide and relied too heavily on international investment, and that issues the Fund is normally quite worried about, such as balance of payments crises, paled in comparison to the ruin wrought by overspeculation.

Mexico devalued their currency in response to the milieu of issues they had. Then, as the results of Mexico's troubles rippled throughout the world, researchers began calling the lasting consequences the "Tequila effect." Ganapolsky and Schmukler (1998), in a World Bank policy research paper, recognized Argentina as the most affected country by the Tequila crisis after Mexico, and subsequently celebrated its response. At the behest of the Fund and World Bank, Argentina remained strongly committed to its convertibility plan and Currency Board. Instead of devaluing its currency, the country chose to sell off $355 million in foreign-denominated reserves. As mentioned previously, in the 1995 IMF paper on convertibility, Argentina was already a troubled case for running deficits since 1991, which the World Bank report noted become intensified during the Tequila effect. On March 10, 1995, Argentina reached an agreement with the IMF. The country would take a $7 billion loan and the IMF would "monitor" Argentine debt levels (Ganapolsky and Schmukler 1998; 10).

Argentina's situation leading up to the 2001 collapse should start to be easier contextualized once we understand its priorities and actions throughout the 1990s. I argue that the striking growth in GDP in Argentina throughout the 1990s is a faulty metric for understanding the true nature of growth in the country. The country consistently ran budget deficits. The convertibility plan essentially left no way to alleviate those deficits through regular currency policies, such as small, temporary devaluations of the currency. Instead, the domestic economy, while growing in terms of GDP, was suffering in other important ways.

Because the US dollar appreciated significantly throughout the national economic boom of the 1990s, so too did the Argentine peso (Vernengo and Bradbury 2011). As discussed in chapter one, an over appreciated currency in a developing country brings with it a set of significant issues. A strong currency in a developing country makes its exports significantly less competitive, as Argentines hold greater purchasing power with a stronger currency but less ability to sell off goods. Such a situation is one explanation of why Argentina ran up debt throughout the 1990s, they could purchase easily but not sell easily. Thus, dollars – or pesos – were leaving the country faster than they were coming in. As noted, Argentina continued to finance this imbalance through fiscal debt: "Argentina was left with a twin-deficit, current account and fiscal debt, that undermined both debt and currency sustainability" (Vernengo and Bradbury 2011; 449). Essentially, Argentina bore the brunt of the Tequila Effect because of the convertibility regime. Other countries, such as Chile, saw worsening capital outflows in similar fashion, but had currency policy options, such as short-term devaluation, that allowed them to take on the crisis without taking out loans (Calvo 1996). Furthermore, the same bank "vulnerability" that the IMF pinned on Argentina in 1991 (IMF 1995) was linked to the relationship between convertibility and banking during the Mexico crisis: "Furthermore, bank vulnerability was higher in Argentina … because Argentina is committed to a currency board which limits the central bank's ability to operate as lender of last resort, whereas the other countries have made much less binding monetary/exchange rate policy commitments" (Calvo 1996; 210).

Despite all of this, Argentina remained committed to the convertibility plan. The IMF continued to extend more money to the country in exchange for the continuation of the currency regime. Throughout various interviews and expert panels by both IFIs and Washington-based think tanks, it is not apparent that anyone was advocating for Argentina to abandon the convertibility plan and devalue the peso against the dollar. In an interview with the New York Times in 1995, Argentina's finance minister Domingo Cavallo stated: "How can you devalue if you are ready to have the whole economy functioning in dollars? It imposes a tax on the people and reduces living standards." The Times framed that article, which expounded upon comments by Cavallo and non-Argentine economists, as a story on investor confidence in the country, and not an impending currency crisis.

But Cavallo had a major concern that was not unwarranted. Other economies that devalued their currencies saw sharp upticks in poverty (e.g., Chile and Brazil). Even very fluid exchange-rate regimes that can tolerate frequent devaluations bring with them instability and domestic economic downturns (Frieden 2015). Cavallo knew, as did the Fund and Bank, that abandoning the convertibility regime would spell disaster for the country, at least in the short term. However, it is unclear through an investigation of public statements whether Cavallo and other important actors would ever admit, prior to Argentina fully abandoning the plan in 2001, that it was indeed the reason for the growing and unsustainable debt and deficit.

Argentina's "Fall from Grace"

"Argentina's fall from grace has certainly been a spectacular one"

- Anne Krueger, First Managing Director of the IMF, July 17, 2002

By the time Kreuger was giving the above speech to the National Bureau of Economic Research (NBER), the Argentine economy was contracting faster than any other economy in Latin America. As Krueger noted, it was on track to shrink another 15-20% before the fiscal year's end – truly "spectacular." But Krueger's speech focused not on the IMF's involvement in the year's leading up to the crash – indeed, she did not mention the continual servicing of Argentina's growing debt. Instead, she posited what the IMF could do moving forward to help the country, noting that even having a conversation about Argentina, such as her speech, is a start: “I hope that the discussions here today can play some small part in that process” (Krueger 2002; transcript). But the IMF’s tune changed considerably after Argentina’s fall. The reports previously mentioned framed Argentina as a success story, without diving deep into its mounting debt and imbalance of payments. The IMF then spoke of Argentina as a casualty in 2001 and beyond. The reality remains that Argentina was in large part a casualty of forces beyond its control and deals that were not in the country’s best interest.

Given Argentina’s stellar growth throughout the 1990s, it is hard to imagine, twenty years removed, how quickly and painfully the economy recoiled. Fanelli (2002) describes the state of Argentina’s economy best: “The expected growth rate for 2002 is –15% and inflation is on the rise. The peso has lost two-thirds of its value against the dollar since the replacement of the currency board regime with a floating system. Almost half of the population is now living under the poverty line (in 1998 the proportion of poor was 28%), and the country has defaulted on its debt” (Fanelli 2002; 25). Cavallo’s worst fears were realized. But Cavallo knew long before the economic crash that the convertibility plan was risky (Cavallo and Cottani 1997). In his 1997 paper, he recognized the “exit problem” (17) in his opening remarks but went on to note that the convertibility plan was a good idea if 1. The Argentine economy remained healthy (18) and 2. The country continued to receive the support of the Fund (18-19). He argued that the risk of a non-rigid exchange rate regime was simply too high for Argentina, especially since the convertibility plan survived the worst of the Tequila Effect. He ultimately ended the paper with a defense of convertibility over all other viable currency policy options.

On December 30, 2001, the New York Times reported that the new Argentine government, responding to riots throughout the country, would default on an astonishing US$132 billion in loans and begin to print a new currency. Such a large default seemed almost fantastical at the time, leaving researchers to ask whether Argentina could weather the storm and maintain the very foundation of itself as a country (Calomiris 2001; Teubal 2004). Especially puzzling was the transition from the convertibility plan, propped up by the IMF, to a floating exchange rate. The last time the country dealt with a floating exchange was the period of hyperinflation in 1989, which prompted the convertibility plan. Now, Argentina would have to find a new way to deal with an old problem.

Debt Default and Redenomination

As mentioned at the beginning of the chapter, the convertibility plan meant a 1-to-1 exchange rate between the Argentine peso and US dollar. Thus, banks were permitted to hold funds and debt in either denomination. Throughout the 1990s, the Argentine government went so far as to implement a series of IMF-suggested policies that required private banks to guarantee credit with foreign-denominated money (IMF 1995). And allowing banks to take foreign-denominated deposits allows greater banking stability and limits the chances of a bank run due to an unsatiated demand for foreign currency (especially the US dollar) (Calvo 2001; 320-321).

When Argentina devalued the peso, it also moved to redenominate debt held in US dollars to Argentine pesos, a move heavily debated at the time. According to Calomiris (2001), the debt burden on both the government and private entities would have been so severe had it been denominated in US dollars that the economy would have seen widespread illiquidity with no obvious solution. Instead, Calomiris argues that redenomination shifted the burden of the debt from the debtor to international banking institutions that held the debt. Calomiris contrasts Argentina's decision to redenominate with Mexico's decision not to during the panic of 1994/1995. He finds that several domestic sectors that held large foreign-denominated debt obligations recovered significantly more quickly in Argentina due to redenomination.

It is also important to understand how the default happened in real terms. After several negotiations with international creditors, including Suisse Bank and Chase, Argentina defaulted only on its private loans, but continued to service its debts from the IMF (Teubal 2004; 186). It was this commitment to IFIs that led some, like Teubal (2004), to argue that Argentina underwent a kind of "financial valorization," in which it followed orthodox IMF policies by-the-book at the behest of international creditors, without regard for the wellbeing of Argentines. While Calomiris (2001) argued that redenomination necessarily saved economic institutions in the country, Teubal (2004) argued that Argentina's overall response to the crisis was incoherent and brought on illegitimacy through its continued commitment to the Fund and Bank. But Frenkel and Rapetti (2007) largely agree with Calomiris (2001). They note that, while abandoning convertibility was painful (a fact the IMF knew and admitted to – see IMF 2003b), redenomination and the prolongation of loan repayments helped to quickly turn the economy around, with some signs of recovery as early as late 2002.

Once convertibility was abandoned, the Argentine national government decided on a dual exchange-rate regime, where the peso would be pegged to the US dollar at 1.40 pesos per dollar for certain tradable goods, and the peso would float freely on the foreign exchange market for everything else. Importantly, the IMF decided not to negotiate with Argentina until both markets were combined, which Argentina then did (Frenkel and Rapetti 2007; 9). Unsurprisingly, the peso then fell against the dollar 4-to-1.

In a 2003 report, the Fund walked back much of what it said about Argentina's convertibility plan in the 1990s. The report noted that creditors, including the IMF, were likely "too optimistic" about the plan originally, and that there should have been an exit strategy, as convertibility, in hindsight, was not a plan that should have lasted for several years. It is easy to imagine the frustration that any non-orthodox economist recommending policy solutions to Argentina would feel in assessing the Fund's own misgivings years after the collapse (IMF 2003b). Argentina's currency regime was enthusiastically backed by the Fund and kept alive throughout the Tequila Effect, when balance of payments became severely negative, and Argentina arguably needed to devalue its currency.

Understanding the Crisis in Terms of Dependency

As discussed extensively in chapter one, dependency theory posits that underdeveloped regions of the world are inherently dependent upon the centers of economic progress – namely the United States and western Europe. As I argued, there are many structuralist monetary and currency theorists, particularly Susan Strange, Jeffry Frieden, and Louis S. Pauly, whose work is not explicitly that of dependency theory, but who nevertheless give insight into how to study currency and dependency together.

Dependency theory clearly lends itself to studying the 2001 currency and financial crisis of Argentina. First, the conditions that set hyperinflation into motion in 1989 were largely brought on by the availability of international credit in the 1970s, followed by a recoiling of credit in the 1980s. Argentina was on an unsustainable development plan that relied heavily on outside investments to grow the economy. Once hyperinflation set in, structural adjustment policies followed, with the convertibility plan being the most prominent. As demonstrated throughout this chapter, the Fund and Bank were highly supported of the convertibility plan throughout the 1990s, while Argentina saw growth in GDP year after year.

The Tequila Effect in 1995 can be viewed one of two ways. The debacle should have been a foreboding of the weaknesses within the convertibility plan and the need for Argentina to restructure its monetary policy. The IMF extended more money to Argentina to stave off a capital accounts crisis after Mexico collapsed is not only a demonstration of endorsing and prolonging bad policy by the IMF, but of obvious dependency of Argentina on IFIs to balance its own books. But the dependency goes further than that. The convertibility regime and the Currency Board were, in and of themselves, systems that kept Argentina dependent on the global North. With the convertibility plan, Argentina's central bank was essentially feckless. It could not service debts through limited devaluations and quantitative easing. Indeed, it completely deferred its entire currency policy to the IMF, in turn riding the waves of the US dollar with its 1-to-1 convertibility.

While it makes sense that the convertibility plan was an obvious boon to foreign investors – what part of semi-dollarized stability is not to love? – the plan was a poor choice for Argentina. As mentioned in Sharma (2002) and IMF (2003b), the crash of 2001 itself was not the only major downside to the orthodox currency policy. The US dollar got continuously stronger throughout the 1990s, therefore, the Argentine peso did too. Without traditional currency tools at their disposal, the Argentines saw the strengthening currency injure the domestic economy. While purchasing power is increased with a stronger currency, exports become noncompetitive – and with a rigid, semi-dollarized regime, that only conflates the already dire balance of payments and capital accounts issues. The real exchange rate, as discussed earlier, had to be actualized somehow. Instead of easing the exchange rate, Argentina chose to hurt citizens through relative wage deflations. Indeed, according to Rodrik (2008), wages and other non-tradable sectors rise and fall in lieu of a currency that is able to do so. While inflation was kept to a minimum through the plan, those that relied most on wage labor income were affected the most. Of course, when the actual crisis struck in 2001 it only exacerbated these underlying issues that arguably stifled development.

Old Problems Become New

At the start of the 21st century, the IMF appeared to be recording more losses than wins. The 1990s saw expansive growth in the global North, but developing regions saw booms and busts that left some countries worse off than before international financial institutions got involved. With confidence from investors and creditors falling, the International Monetary Fund found itself in a predicament. A once important institution of global finance and development was increasingly seen as a pariah of poor regions, especially after several projects failed with dire consequences, including Argentina (Momani 2006). Countries in need of cash were pivoting away from the IMF and World Bank and instead seeking out loans from private banks. An issue that would come to a head during the 2009 world fiscal crisis.

Argentina, dismayed by the IMF's actions after its own collapse in 2001, was no stranger to complex economic hardships. As mentioned in the previous chapter, the country largely paid its debts to the IMF throughout the collapse of its economy but defaulted on primarily private loans. This chapter focuses on Argentina's loan default of 2014 – or as one Washington Post reporter called it, the "weird default" (O'Brien 2014). The case of 2014 is a particularly good one to compare to 2001, as it highlights new problems for developing economies while also touching on longstanding issues that they have faced. Throughout this project, the role of dependency theory has been considered when analyzing how less developed regions depend on the attention of the developed world. Obviously, the world changed significantly from 2001 to 2014, and the institutions that guide international finance and development changed with it. While Argentina's plight looks different across the two cases, it is important to investigate in what ways its plight has changed, based on how global financial powers have shifted over the period.

Coming out of its own economic crisis, Argentina grew significantly between 2002 and 2007, adding 6% or more to the GDP each year (Gezmis 2018). The country utilized a mix of neoliberal and nationalistic practices to induce greater stability. As Gezmis (2018) notes, the Argentine strategy during this time was a mix of neoliberalism and neo-developmentalism, where the country mixed strategies from both orthodox and heterodox economic schools. The plan was largely successful, and the country enjoyed a stable currency and growth until the world economic shock of 2008/2009. During this period, Argentina also entered aggressive negotiations to restructure the nature of the bonds it issued to combat the fallout of the 2001 crisis. This chapter highlights first the debt restructuring efforts of Argentina, then explains and analyzes the eventual Argentine default of 2014, which is inextricably linked to the debt restructuring scheme of years prior.

Debt Restructuring

After the fallout of 2001, and without much support from the Fund or Bank, Argentina decided to restructure its sovereign debt in 2005 and 2010. It is difficult to understand the choices made by Argentina during this period, as few other countries were navigating a similar situation of colossal debt in the form of issued bonds. Counterfactuals are particularly difficult to argue here, as the situation the country was in chartered relatively new territory; the Fund was no longer an institution the Argentines – or anyone – necessarily wanted to engage. Indeed, the IMF was so consistently wrong throughout the 1980s and 1990s on macroeconomic and currency policy in Argentina and Latin America that it is no surprise that Latin American politicians sought to distance themselves from IFIs altogether. However, it is important to understand the eventual default of 2014 by investigating what preceded it, just as it was imperative to understand the 1990s and the period of convertibility to understand why the 2001 debt default and currency devaluation were so dire and systemically damaging.

Argentina decided to repay its debts in 2005 and 2010 by engaging in court-mediated settlements. In both instances, Argentina agreed to pay about 33 cents on every dollar owed to creditors for debt it held since the 1990s. Miller and Thomas (2007) offer a helpful analysis and argument of the initial (2005) court-mediated debt swap. They argue that a new legal mechanism, collective action clauses (CACs), were an essential tool to safeguard debtors' rights while satisfying a majority of bondholders seeking compensation. While their argument is nuanced and compelling, it fails the test of time. Their own analysis reveals how such mechanisms ultimately played out to be ineffectual, and how very little creditors and global North governments care about the rights of debtor countries, even when such disregard costs developing countries long term economic development.

Collective Actions Clauses were a way to avoid vulture creditors – or creditors seeking the full repayment of their original bonds held – from holding out and demanding more money from debtor countries. In other words, if debtor countries could come to an agreement with a court – typically the Southern District of New York (SDNY) – and a supermajority of bondholders agreed to the reduced payment, then no single creditor could hold out (Miller and Thomas 2007). In 2005, Argentina agreed to payout debtholders at 33% of the total value of the bonds they held under a CAC, also known as a "haircut," assisted by the SDNY. Vulture funds, or those seeking to hold out for the entire repayment of the bonds they held, were a major potential problem and an obstacle to developing countries relieving their debt burden. CACs, as argued by Miller and Thomas (2007), could mitigate the issue of vulture funds by limiting their ability to continue to seek full repayment and protect debtor countries. This would also give debtor countries an avenue to repay, instead of being tempted to shirk their fiduciary responsibility to their creditors. Of course, vulture funds may not be the only problem to restructuring debt. Political instability has been shown to play a role in the time-horizon for working through debt repayments (Trebesch 2008).

But as Schumaker (2015) notes, the SDNY judge, Judge Griesa, interpreted the CACs as applying to all the different bonds issued, and not separate CACs for separate bond issuances. In reality, precedence shows that CACs are typically only good for single bond issuances and cannot be used as blanket agreements, especially when single bondholders never initially agreed to such a clause. While the vast majority of holdouts could not seek damages, a small group of financial institutions in the United States continued to press for the full repayment of the bonds held, essentially skirting the CAC interpretation of Judge Griesa but still not receiving their full payments.

Whether or not a contractual approach is the right way for debtor countries to restructure their debt, CACs and parallel clauses do come with some benefits. For one, it is common for debtor countries to issue bonds to hundreds or thousands of financial entities. Therefore, any given bondholder has little incentive to seek payments in court when a single creditor can hold only a little pressure on the debtor country. Furthermore, CACs provide a way for these multiple, often heterogeneous debt holders to organize as a group with minimal transaction costs in requesting payment, especially when holding out for higher payment likely would not yield more money being paid out (Lanau 2011). It makes sense that CACs gained both popularity and notoriety in the years after countries ran up large bond debts. However, as we will investigate in the remaining chapter, the CACs afforded to Argentina were not successful in keeping vulture funds at bay, and Argentina did, eventually, suffer more economic hardship due to the court’s inability to protect it as a debtor with significant stakes riding on the outcome of the restructuring litigation.

Settling sovereign debt in court is an interesting yet disturbing trend. Instead of allowing neoliberal market mechanisms to solve the issues associated with sovereign debt, entering litigation is a contentious and litigious method. It is unclear in the Argentina cases of 2005 and 2010 whether settling and restructuring debt was beneficial to the debtor and creditor, or if one got a better deal out of the bargain. If the post-Bretton Woods era was marked by significant intervention in international financial structures by the Fund and Bank, the start of the 21st century, witnessing spectacular fiscal and market failures in Argentina and other countries, saw a financial structure that was swiftly being molded and reconfigured in the court rooms of Manhattan and London.

Pari Passu and the 2014 Default

By 2014, vulture funds had taken Argentina to court in the United States numerous times demanding full repayment of their bonds. A small contingent of vulture funds – mostly hedge funds – took Argentina to court 11 times, winning each case (Liptak 2014). Matt O'Brien (2014) of the Washington Post explained that Judge Griesa, after years of litigation, ruled in 2012 that the *pari passu* clause of the bond agreements – in which all bondholders must be treated approximately the same – meant that the holdouts must be repaid at the original obligation. This could also mean that those willing to take the haircut could sue for full reimbursement too.

On June 16, 2014, the New York Times reported that Argentina appealed to and lost two cases in the Supreme Court of the United States. On the first count, Argentina simply asked the court to overturn Judge Griesa's interpretation of the *pari passu* clause, arguing that vulture funds holding out for full repayment did not need to be paid in full since some 93% of bondholders took either the 2005 or 2010 deal. The second argument dealt with the court's interpretation of the Foreign Sovereign Immunities Act (FSIA). Argentina argued that it would be improper for the court to issue subpoenas allowing banks to investigate Argentine assets around the world for potential seizure if the country could not pay its debts. The court interpreted the FSIA as blocking discovery of assets of a sovereign state only if those assets are of a military nature and in the employ of a military regime. Delivering the majority opinion against Argentina, Justice Antonin Scalia wrote: "That is the last of the Act's immunity-granting sections. There is no third provision forbidding or limiting discovery in aid of execution of a foreign-sovereign judgment debtor's assets" (NML *v* Argentina 2014).

Argentina's lawyers argued to both the Southern District of New York and the Supreme Court that the country would likely suffer a default if not issued relief in court. All courts were unsympathetic. On 30 July 2014, Argentina defaulted on $20bn in debt because it failed to make a $539mn interest payment (Patton 2014). Argentina defaulted on all its debts, including those it owed from the 2005 and 2010 restructurings. As the Washington Post (2014) noted, the default happened not because the country could not pay the amount owed, but because doing so would open it up to the liability of paying several billion more dollars, undoing the work of years of litigating down the debt with other bondholders, and exposing it to financial risk it could not fathom taking on. Therefore, Argentina saw its best interest in not paying the holdouts. Under Judge Griesa's ruling, Argentina must pay all its reduced bonds *and* the full bonds of the holdouts. If it could not do both, it would be forced to do neither (Schumacher 2015; 145).

The default leads to several important questions, especially for structural and dependency scholars. First, is a court-mediated path to debt restructuring the right one, especially when it is a sovereign country versus a group of hedge funds? It is likely not. The poor implementation of CACs highlights how the federal US court system was ill-equipped to mediate and rule on cases of this size and scope, which ultimately threatened the sovereignty, autonomy, and development of Argentina due to the unrelenting fight of a small group of US-based hedge funds (Muse-Fisher 2014).

Some practical reforms could be made in this specific case of debt restructuring, which might also be helpful in future agreements. CACs could be applied more universally and with more teeth. *Pari passu* clauses could inversely be reduced to not allow vulture funds to hound bond issuers in the way NML Capital and others did to Argentina (Schumacher 2015). However, shifting clauses to change contract agreements in ways that limit the financial exposure of governments and the power of bondholders might miss a larger point. Taking a step away from the minutiae of the court proceedings and the eventual, odd default of Argentina in 2014, it seems rather striking that in 13 short years, Argentina could go from a crisis involving an IMF-backed currency board with led to an economic, financial, and monetary collapse, to being handed multiple losses in a Supreme Court of a foreign country for bonds it issued to dig itself out of the original crisis.

Chapter one highlighted globalization’s effect on the financial situation of developing countries. Certainly, the IMF as an institution of a globalizing world is an actor that is not difficult to understand from a theoretical and practical standpoint. It has not been a uniquely difficult challenge to document and critique the actions of the Fund in the case of Argentina. However, the mix of IFI actions and US court decisions separately leading to two defaults of a sovereign country should raise some alarms to structuralists and anyone else who values the sovereignty and autonomy of countries. Debt defaults, as will be discussed, bring second and third order effects that countries cannot easily control. In the case of 2014, the United States legal system essentially handed the default to Argentina. Hebert and Schreger (2016) note that, in the Argentine case, the default had negative consequences for the real exchange rate and the returns of Argentine firms.

There are several normative arguments for keeping sovereign debt defaults out of US courts. When investors make bets by buying the bonds of developing countries, they take on a certain amount of risks. First, if hedge funds know that they can challenge these countries in the US court system and win, they have little reason not to buy cheap bonds with the future prospect of beating the country in multiple court cases later. But that issue, while it is legitimate, can be solved by tightening the contractual shortcomings of the original bond agreements. While some might argue there is a moral hazard if countries can issue bonds and not pay them, or give significant "haircuts" after issuing, the same could be said for vulture funds that know they can browbeat these countries in US courts. Hedge funds that operate around the world, taking on debt of struggling countries, should not be shielded by the promise of having their disagreements settled in the court of a single country in which they are headquartered. Instead, the issue of failing to repay bonds by developing countries is a supranational issue and ought to be dealt with by a multinational coalition of governments that have the best interests of the developing regions in mind, not profit-seeking vulture funds forcing these countries into default.

It is difficult to argue that Argentina did not live up to the *pari passu* clause of the bond agreements, given that it was not withholding payment to the over 90% of creditors that agreed to the two bond swaps. Instead, the irresponsibility falls on the US courts, and Judge Griesa in particular, for forcing Argentina to comply with the requests of a small minority of bondholders acting predatorily. Oncu and Vilches (2015) argue that the US court system proved to be "ineffectual" in mediating the debt restructuring of Argentina, given that it essentially ended in default. But they go a step further, arguing that this was not a default in the typical sense. Instead, they argue that US private contract law forced Argentina to avoid paying the vulture funds, which led to a breakdown in public law. Judge Griesa's decision to freeze payment to the majority stakeholders who agreed to take the haircut was a massive misstep and judicial overreach. While this is all true, it also redoubles my overarching point: the issues of debt repayment by a sovereign country ought not to be settled in the domestic court of another country. As Oncu and Vilches note, it would make little sense to citizens of the United States to have our own economy impacted because a judge in a Chinese court room asserted Chinese law over our sovereign debts.

Where was the Fund?

"… structural adjustments? That was before my time. I have no idea what it is. We do not do that anymore." – Christine Lagarde, IMF Managing Director – April 12, 2014 – IMFC Press Briefing

While the discussion of CACs and massive debt restructuring is central to the practical story of Argentina's eventual 2014 debt default, the story to this point does not emphasize the role of the IMF or World Bank. Interestingly, this is because both were intentionally absent on the world stage throughout this period. As Miller and Thomas (2007) note, the Fund saw Argentina as "too big to fail" throughout the 1990s, limiting its own conditionalities it placed on the country, with Argentina settling all its IMF debt obligations by 2006 (1495-1496). Others have referred to the failures of the IMF in Argentina, Asia, and Turkey resulting in a "crisis of confidence" (Momani 2006; 40). Nevertheless, the Fund did not play an advisory or surveillance role in the debt restructuring of 2005, nor did it extend any new lines of credit to Argentina during that time (Miller and Thomas 2007). The Fund's technocratic culture meant staff members played an outsized role in crafting conditionality agreements with debtor countries. Furthermore, realistic political concerns were often ignored by IMF staff, who opted to do what was, in their view, theoretically optimal versus what was often politically practical (Momani 2006). Pair this with the reality that taking IMF loans can negatively affect incumbent executives' reelection chances in democratic countries (Williams 2012). It seems odd that the Fund could shift from thinking Argentina was too big to fail to essentially completely removing itself from the country's financial affairs after the 2001 crash. It does not seem possible to say whether the shift of Argentina's from IMF reliance to court-mediated debt restructuring is one that signals a larger shift in the global financial structure, although researchers have noted the explosion of court-mediated debt restructurings and defaults after the Argentine economic and currency collapse of 2001 (Schumacher, Enderlein, and Trebesch 2018).

The global economic crisis of 2008/2009, falling between the Argentine debt restructurings of 2005 and 2010, was a conduit of IMF reform. Throughout the 2000s, researchers discussed the needed reforms to the IMF, as noted above. Many emerging markets and developing countries saw the IMF as illegitimate after so many failed macroeconomic policies and failures to properly predict impending economic crises given its outsized surveillance role. In 2010, the Fund reformed itself, receiving more money from the G-20 and reshuffling its structure with the hope of engaging with more practicality emerging markets and developing countries (Lesage et al., 2013). But the reforms of 2010 did not materialize into any help for Argentina, nor did it help to right the wrongs that the IMF had inflicted upon it and other developing countries in the decades prior. Instead, Lesage et al. (2013) argue that the resurfacing of the Fund after the world economic crisis was a product of institutional neoliberal policy preference by the global North.

Although the IMF reemerged after the 2009 financial crisis as a renewed actor in international finance, there has been debate on whether it has lived up to its new marketing. As Director Lagarde noted in 2014, conditionality was, to her office, a thing of the past. She argued throughout press conferences and in policy briefings that the new, post-crisis IMF was worried more with flexible policy options, clear-eyed recommendations, and smart data surveillance. This supposed restructuring of the Fund would likely have been a boon to Argentine interests, as the country still dealt with the ghosts of its 2001 default and currency devaluation. However, Kentikelenis, Stubbs, and King (2016) find that the "new" IMF touted new reforms but practiced old policy. Indeed, conditionalities on loans had not decreased since the Fund reemerged as a globally important financial actor. The "new" IMF was concerned with its image, but it was apparently unconcerned with finding new ways to solve reoccurring problems in the developing world.

This realization leads to two points. First, the Fund knew well before the 2009 global financial crisis that its own legitimacy was declining rapidly as it tried and failed to reshape developing economies. As Momani (2006) noted, technocratically-minded IMF programs were ill-equipped to deal with political realities of developing countries, especially democracies. There was a real and important gap between the crafting of theoretically sound fiscal and monetary policies with the practical implementation of those policies. Momani (2006) argued boldly that not only should the executive board of the Fund be replaced, but the technocratic staff workers who consistently and egregiously overshot technical policies ought to be ousted as well. Reframing themselves as a "new" global actor, the Fund knew to some extent that their previous policies were a source of their loss of legitimacy; however, they seemingly rebranded without changing any of the ingredients of their product.

As noted earlier, Argentina paid off its IMF obligations in 2006, ending its need for surveillance (Miller and Thomas 2007). Which meant the IMF seemingly no hand in the bond swaps of 2005 and 2010. But that is precisely the point, after the Fund treated Argentina as "too big to fail," propping the country up in the 1990s by offering loans to alleviate balance of payments crises, it essentially walked away from the country once its debts had been satisfied after the 2001 collapse. One would imagine that the Fund, given its self-marketed technical prowess, would offer to mediate between Argentina and private creditors. Instead, that job fell on the courts. While this thesis has been especially critical of the Fund's actions and remains committed to the view that Fund-backed policies ultimately led to the 2001 economic collapse, it does also seem that the Fund had an obligation to Argentina after the country repaid its debts. If the fund is as good at monitoring financial and currency situations as it constantly claims to be, it could likely have offered helpful technical assistance when Argentina began to restructure its bonds – or it could have, at minimum, participated in the conversation and used its political clout to push the discussion into an international sphere instead of the United States court system. As an IFI, the Fund has a responsibility to guide the course of new developments. Put simply, it was wrong for the IMF to not attempt to push the Argentine debt restructuring away from the US court system.

Not without Sin or, what is Old is New Again

To this point, this thesis has focused primarily on the external structures that have contributed to the 2001 and 2014 defaults and currency devaluations in Argentina. What we have not discussed is the amount of blame that should be placed on the macroeconomic policies of the country. Certainly, Argentina is not without fault. Thomas and Cachanosky (2015) argue that macroeconomic policies leading up to 2014 placed Argentina in a precarious situation, which may have contributed to the country's decision not to make its interest payment. The authors note that the "dirty float" of the currency did not match inflation, thus appreciating the exchange rate and harming the domestic economy. The official exchange rate was devalued in early 2014 but it was likely too late to make major adjustments ahead of the default later that year. Furthermore, balance of payments disparities meant that the central bank had to sell foreign currencies to alleviate pressure on the economy, shaking foreign investor confidence and Argentine firms alike.

There is no doubt that domestic factors played significant roles in both the 2001 and 2014 defaults and economic crises. This thesis does not argue that domestic economic factors, or national-level economic policymaking did not contribute broadly to the economic turmoil in Argentina in both cases. However, two issues must be remembered. First, as chapter one highlighted, dependency theory does not discount domestic factors of dependency, or domestic issues that might be separate from the dependent that underdeveloped regions have on developed regions. Instead, domestic problems can exist in tandem with the dependency structures that exist supranationally, and these internal and external problems may sometimes have significant overlap. In the case of Argentina, there are certainly internal and external factors that have contributed broadly to the economic problems the country faces. This thesis is most concerned with those external factors, however. Mapping the dependency of Argentina on external processes – the Fund's externalities or the Supreme Court's ruling on FSIA – cannot be left out of the conversation. In the case of Thomas and Cachanosky (2015), the authors argue that external factors are overblown, and that the Argentine policymaking leading up to 2014 set the country on a path of default. But taking such an angle and emphasizing the internal and downplaying the external cuts the story short.

It should be evident throughout these chapters that the internal issues that Argentina faced were due in part to the external constraints that were placed upon it. It would be wrong to argue that the convertibility regime implemented to stave off hyperinflation was an internal mechanism, as it was backed by the Fund. Since it also pegged the peso to the dollar and essentially opened the Argentine economy up to greater trading, it was also a boon for outside investors. Indeed, the convertibility regime seemed better suited for those wanting to take advantage of the opportunities Argentina had to offer economically from the outside in, and not so much for the sake of Argentina itself, or its internal economic needs. Furthermore, the Fund propping up the regime and allowing the country to run up a significant debt, which eventually led to the 2001 default, was extraordinarily irresponsible and a function of bad decision making on both the part of the Fund and the Argentine policymakers – an example of internal and external issues meshing.

The storied history of the IMF in Argentina does not end here. After the default of 2014, Argentina saw rising exchange rate instability, shrinking GDP, and balance of payments concerns, which ultimately led to the democratic ousting of incumbent President Mauricio Macri in 2019 (Murillo and Rodrigo-Zarazaga 2020; Congressional Research Service 2020). The year before, Argentina's macroeconomic situation became so dire that it reestablished relations with the IMF, gaining access to another US$57 billion, with US$7.1 billion upfront (IMF 2018). In Argentina's Letter of Intent and Memorandum of Economic and Financial Policies (MEFP), and Technical Memorandum of Understanding (see IMF 2018), the country essentially agreed to the amount of surveillance and conditionalities of the loan program *ex ante*. For example, Argentina proposed limited foreign exchange swaps by its central bank, only changing foreign reserves if the exchange rate between the Argentine Peso and US Dollar becomes too wide (IMF 2018; 6).

It is unclear whether the 2018 deal between the Fund and Argentina will pan out any differently than the 2001 to 2014 saga. According to a September 2020 article by Bronstein, Bianchi and Jourdan for Reuters, Argentina struck yet another massive debt restructuring agreement, with CACs that including some 99% of creditors, avoiding a default on hundreds of billions of dollars in loans. The article cites Blackrock and Fidelity as some of the investors seeking a deal but does not mention if any of the old vulture funds, like NML Capital, were among the holdouts. Unless CACs have been fundamentally strengthened – and there is no indication of it – then there is a real chance that the current debt restructuring process could play out much like 2014. As Oncu and Vilches (2015) argue of the 2014 "default," the current situation could place Argentina in a position where it will "default" on loans in the most technical sense due to another *pari passu* ruling, but without the major repercussions or market shocks of a typical default because the real situation in terms of dollars and cents is incongruent with investor demands for repayment.

Conclusion

This thesis has tried to do a lot in a short amount of time. The conversation herein meandered from currency and monetary policy, to a long and flowing recent history of Argentine economic crises. While many authors, most not mentioned here, highlight the importance of bad decision-making on the part of Argentina, this thesis attempts to, in some degree, right the ship. While I cannot argue that Argentina is without fault, as noted in chapter three, there is a rich set of literature and data that exist which support the theories that one might develop if looking at Argentina's woes through a dependency lens.

This thesis attempted to use case analysis and process tracing to better understand how global structures, particularly the IMF as an institution, affect the way Argentina has dealt with economic shocks, chosen monetary policy, and attempted to develop. It seems undeniable that, given the decades-long reality of a swiftly globalizing world, Argentina has relied upon the credit and participation of global North entities – the Fund, private investors, and even Justice Antonin Scalia – to choose policy options congruent with an inextricably linked world economy and financial system. While scholars are never wrong to investigate domestic determinants of Argentina's issues, there must be at least a small subset of researchers who are dedicated to exploring and explaining the reality of economic issues in the developing world in the context of global structures. This thesis intentionally stepped away from conversations relating to the role of domestic level Argentine policies, instead focusing on Argentina's interactions with the global structure. I argue here that though there is not a long discussion on domestic policy, the relationship between the global structures, and how those structures result in policy constraint on a developing country, cannot be pulled apart from domestic policy – they go together.

As demonstrated in chapter one, there are more opponents to dependency theory than proponents. I made the argue then, which should be bolstered through reading this work, that dependency theory is more nimble and influential than just the pieces that came out of Latin American universities in the 1960s and 1970s. I argue that much of the language and thinking of dependency theory has been rebranded and used by structuralists to examine the issues that I have investigated here. this is evident in some critical analysis. For example, in analyzing the IMF and global North hegemony, Mueller (2011) states: "While there has been a resurgence of interest in the Fund in the international political economy (IPE) literature in the past decade, the nature of this work is to question outcomes, rather than presuppositions and definitions" (Mueller 2011; 378). Mueller is in the minority of scholars challenging our assumptions of international institutions, instead of chasing data and specific policy outcomes. The bigger picture could be better understood by thinking like Mueller; more work ought to focus on the big picture of big institutions and whether we need to step back and how far back we should go. This thesis aims to be just a short example of doing such work.

Other scholars are proposing big, normative changes to world power structures. Desai and Vreeland (2011) argue that there ought to be regional monetary funds instead of one large IMF. They contend that economic interdependence is greatest at the regional level and that cooperation among countries is likeliest at this level too. Their argument also makes sense from a dependency perspective, as dependency theory at its core looks not at the dynamics of specific countries, but the dynamics between developed and underdeveloped regions. This thesis looks at one country and its tribulations, but hopefully the content here can make a case that these power structures exist across political borders and regions. Indeed, countries around the world that deal with the Fund and private creditors with the same regularity as Argentina likely face similar problems.

Comparing 2001 to 2014

In many ways, this thesis is one continuous story, starting in 1989 and ending today. The two cases studied, the Argentine default of 2001 and of 2014 are essentially one larger story, but it is not a seamless timeline. The greatest difference in the two defaults might highlight a bigger trend in the world. Fund actions in the 1990s, including the convertibility regime and the constant subsidizing of debt to keep the regime fluid, played an outsized role in the 2001 default. The 2014 looked very different. It was a product of years of court-mediated debt restructuring attempts, ending with the Supreme Court of the United States handing Argentina two appellate defeats and upholding the lower court decision to block Argentina from making some payments instead of all.

It is difficult to say if the case of Argentina demonstrates a changing role of global financial structures, or if it simply reaffirms structures that have been in place for several decades. The IMF's role in the 2001 default is well understood; however, the Fund was not in Argentina from 2006, when the country paid off its Fund debts, until they negotiated a new loan program in 2018. While we have acknowledged the attempted "changes" made to the Fund after 2009, the 2018 agreement did not look like a revamped IMF ready to give up its stance on conditionalities.

The two main power players in the study of Argentina have been the Fund and the US court system. It is almost baffling to think that the IMF has played a large part in harming Argentina, as it propped up a failing convertibility regime which led to a massive default; then, the US courts offered up another hit to Argentina's economy with a default that was precipitated by the issuing of bonds from the first default. One major takeaway from this study, which is not readily available in the literature yet is congruent with a dependency perspective, is the crisis of legitimacy of both the IMF when it fails to help countries, and the crisis of sovereignty of a country when the United States courts can essentially hand it a default through US domestic legal action. These two issues are the crux of this thesis because they do not just demonstrate dependency, but the awful effects that dependency has on dependent, underdeveloped regions. US courts are not the proper forum for debt restructuring and the IMF, if it must be the vehicle through which countries in the global South attain credit, it must not be tied so inextricably to the interests of global North capitalists.

In closing, this thesis aimed to apply theory to the practical issues of Argentina default and currency devaluation. The current conversation in the academic literature is situated predominately in quantitatively assessing the economic outcomes of specific policy options. However, there is room and need for a return to theory, of understanding that the global power structures ought to be challenged, and that academic work can push the policy conversation in new directions. I argue that dependency theory still has explanatory validity and that it was underutilized for the brief time that it was in vogue. Instead of being a temporal phenomenon within academia, dependency theory is instead a way of viewing the global structures that partially determine what developing countries can do on their own and in tandem with the developed world.

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