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The façade of solvency: uncovering the leverage of Paris Club creditors in rescheduling the debts of the Global South (1980-2000)

Wednesday, December 14th, 2022
4.15-5.45 pm

Online: participants can join via the Zoom link here, or on our website

Chair: Eva-Maria Muschik

In the 1980s and 1990s, no less than 123 heavily indebted countries across the Global South embarked on 525 IMF adjustment programs to restructure their economies—often amidst riots, fervent political opposition, and smoldering skepticism among experts. What propelled this unprecedented global dissemination of the IMF’s programs, which its staff claim have “no alternative?” This talk investigates how countries who refused to accept IMF adjustment faced a loss of creditworthiness, ostracism from global markets, and de facto economic collapse. Central to this financial leverage is the little-known Paris Club of official creditors, the world’s only platform for rescheduling sovereign debt. Emerging as judge and jury over solvency and sovereign default in the wake of the 1982 international debt crisis, the Paris Club grew to rely on the IMF’s programs as a shorthand for creditworthiness—which for developing countries became the only way to stay solvent on unrepayable debt.