

Debt Discourses: Testing the World System Theory

THESIS COORDINATOR: PROF.DR. A. GERRITS

SECOND READER: DR. J. D. LONDON

AUTHOR/STUDENT: DOVAN KONING, 2607018

(S2607018@VUW.LEIDENUNIV.NL/D.KONING97@HOTMAIL.COM)

LEIDEN UNIVERSITY | MA International Relations, Global Political Economy

Word Count: 14.916 (See page 45 for full breakdown.)

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Introduction

Sovereign debts (interchangeably: state debts), the debts of states, have in recent history popularly been seen as noteworthy and with political effect. From the well-known Greek debt crisis and the linked Euro-crisis, to the debt-creating war reparations of the *Deutsches Reich* (Weimar Republic) triggering a hyperinflation crisis, and both the American and French Revolutions having their origins in taxation to solve debt crises, state debts have been seen as distinctly intertwined with historical political events and trends.

Sovereign debts have frequently been studied as stand-alone phenomena, prominently by the faculties of economics: the focus of those studies were on how external factors influenced the status of sovereign debts, and how that changed their effects (see Literature Review). The recent interest in debt crises in particular, but also sovereign debt as a whole, has also extended to the faculties of social science and humanities, albeit less extensively. There remains much to be done, however, for the political economists, who tend to analyse sovereign debts not as merely stand-alone, but rather as an integral part of the broader economic and political systems.

All three the main schools of political economy (neoclassical, statist and critical) have considered sovereign debt and its impact. These schools fundamentally clash in their analysis, providing varied insights on the working of sovereign debt, linking phenomena, institutions and structures to those debt, linkages which would otherwise not be remarked. Political economy research in general has the ability to comment on influencing and shaping factors, such as history, politics, economy and power. It studies sovereign debt as being integral to economics and politics, which makes for fuller, more well-rounded and accurate analyses. The fact that this research is still underdeveloped as compared to the studies by the faculties of economics is thus problematic: it limits the full, academic understanding, but also limits the extent of practical, political applicability of those limited understandings to the world beyond academia. If those earlier described linkages are not understood, the importance of addressing the debt question cannot be seen either.

The school particularly suitable for discovering these linkages is the critical school. This broad school has a wide variety of thought and theory on studying phenomena of politics and economics, with one of the most prominent of these theories being the World Systems Theory. This theory, conceptualized by I. Wallerstein (1974), is generally regarded as one of the more prominent Marxian theories of international relations. Its best-known aspect is the division of the world in Core and Periphery, originating in and generating unequal relations in production and power. This will be elaborated on in detail in the Theoretical Framework. Can this theory be applied to this matter, sovereign debt?

Sovereign debt, as such a prominent aspect of the world economy and international relations, should be explainable through this theory – if it could not, it would be a gap, in this case one which would contest the viability of the theory as a whole. Examining a theory by studying its relevance to an important casus can help with testing its validity and relevance. It would thus be an addition to the corpus to study this viability through the casus of debt, both academically and in the wider practice. How can this be tested?

State debts, both practical and conceptual, have been discussed in a massive amount of documents, texts, literature and research. Such documents have been analysed by historians, but also by political scientists through the usage of Discourse Analysis (see Methodology). Documents from different regions of the World System would logically produce different discourses if the World Systems Theory is correct – these different regions would hold different relations to the tool and systemic aspect of sovereign debt. If such differences can be found, they could possibly be analysed through the lens of the World Systems Theory. This leads to findings on wherein it differs, by what reason and to what effect – or whether it does not. Such an approach would be a viable test of the WST, and thus that is what this thesis sets out to do.

Overview of Contents

This thesis is structured by the following chapters:

- The chapter Relevance and Justification elaborates on why this topic and this approach to it are important and worth researching: why study a theory and its impact on studying a practice instead of simply focussing on a practice in itself?
- The Literature Review addresses three specific clusters of other research on state debt, clusters which contain explanations of the role and functioning on sovereign debt, compared to which the WST should provide unique insights.
- The chapter Research Question, Theoretical Framework and Hypothesis formulates the research question (“How can the World Systems Theory explain the functions of state debt?”) around the main alternative theory. The Theoretical Framework explains this Theory, what it entails, but also introduces two auxiliary concepts key for fully understanding WST: Historical Materialism and the analysis of Orthodox Marxism. The Hypothesis formulates the expected answer based on these theories.
- The chapter Methodology, Document Selection and Operationalisation introduces Discourse Analysis (DA), particularly its variant of Critical Discourse Analysis (CDA) and the important aspect of Hegemony. Furthermore, it introduces the documents analysed for this DA. After this, the practical implementation of CDA for the Analysis is set out.
- The Analysis analyses the American and the Argentinian documents in two separate sections, finding respectively four, four and three noteworthy discursive elements for analysis. These elements are then taken together for a final analysis using the World Systems Theory, in which it is found that the analytical framework which the WST provides allows for unique insights about the power relations part of the structures of sovereign debt.
- Conclusion, Limitations and Further Research remarks the potential pitfalls of this thesis, remarking the significance of these pitfalls, investigates the practical relevance of the findings of the thesis and makes suggestions on future research.
- The Bibliography provides a list of sources and documents used for this thesis, in order to allow for replicability and to grant proper recognition to that knowledge on which this thesis builds.

Relevance and Justification

Why would a thesis investigate the potential of a theory to analyse a specific and contemporarily relevant aspect? Why would a thesis be written as a research of the World Systems Theory and of the use of that theory for explaining sovereign debt, when it is possible to simply study the theory and write an analysis of sovereign debt? There are multiple academic reasons: 1) The academic use of the concept of “distance”, 2) the dominance of another faculty in the studies of the aspect and 3) the falsifiability of research.

In academia, there are two distinct schools of thought on what research should focus on for practical impact: “gap-minding” and “gap-bridging” (Jahn, 2017). The supporters of gap-bridging argue that it is necessary to be as close as possible to practice, to be as close to practical impact as possible, even if that requires idiosyncrasies. That is what a direct analysis of sovereign debt would do. This thesis, however, is mainly constructed from the gap-minding perspective. Gap-bridging is indeed relevant for those who are already (highly) knowledgeable about particular research topics, where that pre-existing knowledge allows for a reconstruction of argumentation to present findings in a more accessible manner. Gap-minding is more focussed on methodological correctness, on systematically learning about the studied object, even if that adherence to academical methodology can affect accessibility or the reach of the research. It is arguable that the former cannot do without the latter: the latter builds the knowledge required to be able to properly do the former.

The introduction noted the second reason to why an analysis of a theory to apply to sovereign debt is relevant: the studies of sovereign debt are often ascribed to another faculty, the faculty of Economics. This means that in many cases the frameworks for analysis that political economists and political scientists have are unused for studying the topic: it is then imperative to investigate how the ground can be prepared for viable continued research.

The matter of falsifiability is another significant reason to investigate the topic in a more indirect way. A problem in academia is the crisis of replication: research that cannot be recreated by other academics through the same steps as used in the original research. An important matter herein is falsifiability: if research is formulated too broadly, it is unclear where the problem lies in the replication. This inhibits further knowledge-building. By limiting the research to a very narrow approach, analysing specific documents to study a theory, it is possible to generate findings which can be re-traced directly to the original sources. The research may be less broad in what it finds, but that which it finds is more certain.

An academic reason is not enough on its own. Academics do not research merely to research, or philosophize to philosophize. The practical reason is to reclaim this field for *politics*, not just for but certainly starting from political economy or political science. Enhancing the understanding of (sovereign) debts as a distinctly power-influenced and power-making structure allows not only for that better academic understanding, but also for political relevance. Were debt to be studied as only a “mediator”, quasi-natural to the world, something to be left to the economists (as described in the Introduction), the structures of (sovereign) debt are placed beyond the pale and beyond debate. Given the impact sovereign debt can have on the functioning of a state and everything in its territory, this ought not to be the case: it is too important for that. Every work of research and knowledge-building helps with that – and gap-minding research focussed on the theories which can be used to understand sovereign debts could play an important part therein.

Literature Review

There is a significant amount of academic literature on the matter of state debt, not exclusively by scholars of political economy, and particularly from the field of (general) economics. Broadly, there are three recognized schools in the studies of political economy: the neoclassical school, the statist school and the critical school (of Global Political Economy). The following literature review selects and discusses some relevant and prominent works in three clusters on the matter of the power-structure related role of state debts. The first cluster coincides with the aforementioned neoclassical school, and thus mainstream economics, the third cluster coincides with the critical school, and thus the basis for the Theoretical Framework, but the second cluster is more heterodox, containing neoclassical, statist and critical works. Through using these categories, the Literature Review is to provide a representative sample of the pre-existing corpus on state debt, to understand the alternative analytical approaches to the WST on sovereign debt. The merit of the WST would primarily be found in providing *other* explanations to sovereign debt not found herein.

First cluster: Neoclassical economic studies

A first relevant cluster of literature concerns the effects of debt on (typically domestic) economies, as widely theorized by neoclassical economists. This set of literature is generally centered around the concepts of *crowding out*, that the contracting of finance/debt by one party making it impossible for other parties to contract that debt for manifold and sometimes undefined reasons. In rarer cases, the matter of *crowding in* is considered, e.g., the concept that contracting debts may serve to facilitate further forms of financing, finance-provision. This category of literature generally seeks to provide an “economic” rationale for entities (particularly states) to use debt.

The group of writings on this matter is very large, as the matter of debt(s) and expenditure play an important role in the field of economics. A few founders of the Neoclassical School need to be mentioned. David Ricardo is regarded as one of the first classical (political) economists, addressing the matter of debt in his *On the Principles of Political Economy and*

Taxation (1817), wherein he stated that the existence of debt *sui generis* most significantly represented a cost to production. In general, however, his treatment of the matter of debt is perfunctory besides this point. It has to be noted that this conceptualization in itself has to be supplemented with one of the predecessors of Ricardo, Smith (1776), who in his *The Wealth of Nations* (specifically in book 5, *On the Revenue of the Sovereign or Commonwealth*) noted that the effect was more significant due to the possible outflows of capital, with additional risks being that the debt remains due to political reasons (that is, the unwillingness to address the causes of the debt rising, such as tax cuts or excessive spending, thus making the debt a permanent feature), which means that there would be permanent “international transfer payments” as the result of interest remaining a factor.

Benjamin Friedman (1978), a political economist, wrote neoclassical works specifically focused on the possibility of crowding in-effects as mentioned in the first paragraph, as opposed to the more common crowding out-effect. His *Crowding Out Or Crowding In? The Economic Consequences of Financing Government Deficits* introduced the possibility that expenditure and debt-creation may lead to more, not less space for non-state economic actors (typically capitalist corporations but also households and other non-corporate entities), with the effect depending on *how* those tools are used. With this, Friedman provides an account of expenditures and incurring debt not necessarily being damaging to an economy from a neoclassical perspective.

A much used modern work on economics is the *Handbook of International Economics* (2014). In that work, Chapter 11 can be found, Sovereign Debt. This chapter was written by Mark Aguilar and Manuel Amador, who have written more works about debts. The chapter focusses on matters of contract enforcing, noting that contract enforcement is more difficult against a sovereign state: a sovereign state by its explicit statement has no higher-ruling authorities (a key fact in political science), while other forms of debt contracting can typically be enforced through legislation made by sovereign states. Herein, it does not distinguish between different state power capacities, although it does note that certain multinational institutional lenders (such as the IMF) have a greater level of power than the status of sovereignty would imply.

Finally, a key work of economists on debt is Eaton and Gersovitz' *Debt with Potential Repudiation: Theoretical and Empirical Analysis* (1982). This work focused on the then-unanalyzed phenomenon of formerly colonized states lending. The work is one of econometrics, a particularly statistics-based form of economics. It sought to explain why there are reasons as to what a country can borrow (lender-side limitations), and why a country would not borrow more (borrower-side limitations). It explains the former as being a credit ceiling created by rational "investors", informed by a history of repayment, and the latter as being an attempt to maintain credit space ("credit rationing").

There are a few reasons why this set of literature (the literature from the distinct field of economics and classical political economy) is generally unusable in the analysis in this thesis. The reasons can generally be classified as one of four: 1) the absence of the concept of power, 2) the lack of linkages with phenomena outside the field of economics, 3) the distinct domestic (that is, non-international) focus and 4) the level of abstraction in the literature.

The first critique, the absence of the concept of power, springs from the exclusion of any conceptualization of unequal relations and power existing in classical literature: all sides involved in debt relations are implicitly assumed to be starting from an equal footing of power, which is unlike the political (and economical) reality in international relations.

The second critique, the lack of linkages with phenomena outside the field of economics, springs forth from the first critique, in that debt is conceived in a reductionist way, for the most part only reflecting on its relation to other "economic" processes, detaching the matter from the rest of society, social and political processes.

The third critique, the distinct domestic focus, can be found in the explicit focus on the studied state as a singular entity as distinct from an undefined foreign actor (e.g. the studied "object" is unique, the "other" is nondescript), which is distinctly problematic in light of the previous two critiques.

Finally, the last critique, the level of abstraction in the literature, is about the relatively generalist forms of theorizing by the authors of this category, often in a formulaic manner and assumed to be universal(ist) in its application, which ignores the distinct variety of and in world politics, international relations and global economies. These are key (perceived) pitfalls which this thesis will attempt to avoid.

Second cluster: Heterodox economic studies

A second cluster of literature can be found in what is often called *heterodox economics*: academic output by economists and political economists who do *not* conform to all neoclassical assumptions (unlike the previous cluster). This category of works is broader, and can include elements of reputation, power, culture, gender and particularly state capacity, while being distinct from critical political economists by still granting primacy to the economy, both as an object of studies and as a key arena with various actors driving movement. This cluster of writings is diverse in its origins and methods, but tend to avoid some of the mistakes of the previous cluster.

Guzman, Ocampo and Stiglitz (2016) in their *Too Little, Too Late* specifically wrote about functions of international debt *markets*, particularly what they consider to be elements of market failure in those markets. They are Neoclassical scholars, albeit heterodox, and focus on how debt should be a tool, with crises resulting from debt being a form of market failure. In their conception, the international sovereign debt market should not force states to stay in that market, that is, it should allow states to declare bankruptcy (after or through arbitration). Such a declaration should not result in a punishment, bar for limitations to further partaking in said markets. They believe that the sovereign debt market should function as any other ideal market, and that unique rules for a market such as the sovereign debt market is dangerous and damaging. The book is notable in that it recognizes market power in and over sovereign states, and that it is this power which distorts those markets. The well-known standard Neoclassical assumption is that such distortions are externally-created (i.e. non-inherent to markets).

Phan (2017) in his *Nominal Sovereign Debt* adds another factor to the matter of sovereign debt: reputation. This paper notes the phenomenon of *nominal* sovereign debt: debt denominated in the currency of the borrowing country, which currency can thus be manipulated by the lending state. His paper notes that not only the act of borrowing is limited by risks to reputation, but this limitation is present in other interrelated elements of state action as well (termed spillover, a prominent term in international relations). He considers markets *incomplete* and *imperfect*, and this means that such signifiers are more relevant than “pure” rationality.

Roos (2019) in his *Why not Default? The Political Economy of Sovereign Debt* focusses more specifically on power: the power to punish. This work, from the critical school, notes that power relations between international finance and states has steadily shifted, from states being able to destroy banks to banks being capable of destroying states (often while using other states for that function), in recent decades even without gunboats. The work focusses very directly on matters of power and (limited) sovereignty, explaining why debt is not defaulted on despite sometimes extreme damage caused by it.

Trebesch (2019) investigated debt crises, particularly the processes of resolution and why there is variation therein., in *Resolving sovereign debt crises: the role of political risk*. This work looked not only at macroeconomic factors, but also at political factors, and found domestic politics, especially instability, to be a key aspect in a debt crises. Trebesch concludes that “weaker” governments, such as those suffering frequent political-governmental crises (unstable, short-term governments), popular unrest and other political obstacles, are also harmed in their ability to act promptly and decisively in such crises, thus weakening their position therein and prolonging them being stuck in that crisis. Herein, the (capacity to the) *exertion* of power becomes relevant.

This cluster of literature has key advantages over the previous cluster. First of all, the majority of these writings include concepts from outside the field of economics, including the matter of power, both from states and non-state actors, particularly market actors (such as investors). As seen in the critique on the first cluster, a significant share of the existing economical literature solely focusses on economics and econometry, while ignoring the aspects and findings of the other social sciences, hence distancing itself from the social reality and abstracting itself unnecessarily. Second, the given literature does not assume full knowledge or the possibility thereto of markets, which makes for their role being much “messier” and dictated by other considerations, such as secondary interests. These two points are important for this thesis, as they imply a political *space* wherein agency exists, both for market and non-market actors. This can only be done when supplemented with some findings of political economists, political philosophers and political scientists, as seen in the Theoretical Framework. In addition to this, most of these writings are still abstract and generalizing in its view on debt, while this thesis seeks to inspect very specific configurations.

Third cluster: Critical and North-South studies

A final relevant block of literature remains: critical literature on North-South Relations, particularly in the field of political economy.

An important summarizing work on older literature of political economists on North-South relations is R.D. Walleri's *The Political Economy Literature on North-South Relations: Alternative Approaches and Empirical Evidence* (1978). It investigates the views of four schools of political economy: the schools of liberalism (nowadays often called neoclassical), neomercantilism/economic nationalism (nowadays developmentalist), "Internationalism" (which seems to have merged into developmentalism), and Marxism, in four variants/elements including the World Systems Theory, in a comparative and contrasting manner. The work primarily focusses on the Global South, particularly on matters of development as described in these four schools, in both their explanations for why inequalities therein exist and how they will or could develop, and reviews literature researching the relevance of these schools. That literature, Walleri found, tends to find the latter three schools to be more accurate.

In the same period, works were written about which developments in South-South relations were possible, particularly for breaking out of the North-South dynamic. Taking note of local circumstances, movements, cultural tendencies and so on, such works considered factors for and against actor-consolidation in the Global South through solidarity. Many of these works were political tracts, but there are also academic works on the matter. One of these works is *The Political Economy of North-South Relations: How much change?* by R. Hansen (1975). The text looks at the role of transnational solidarities and international organizations, notably the OPEC and the framework of the NIEO, but also the Bandung Conference and UNCTAD, and came to the notably insightful conclusion that such institutions (particularly OPEC) might very well lead to splintering and accommodation within that unequal system, called *embourgeoisement*.

Finally, there are also articles about how the concept of debt has been used for political purposes by actors, in usage and in propaganda. Deborah Brautigam's *A critical look at Chinese 'debt trap diplomacy': the rise of a meme* (2019) investigates a particular perceived aspect of reporting on Chinese diplomacy: debt trap diplomacy. The aspect is conceived by theoreticians, pundits and politicians to be a strategy of China, using its creditor policies to gain a position of power over economies of debtors. That conceptualized aspect has in itself become a strong political tool. Brautigam finds there to be scant evidence for China using credit for such purposes after investigating various examples of Chinese international (South-South, e.g. from a state from the Non-Aligned Movement or so-called Third World to another state from that category) relations.

This small sub-section of writings on North-South relations, particularly in the field of political economy, shows some elements needed in this thesis, respectively a good description of various methods previously used, an useful analytical element for the methodology (the fact that organizations and tools intended for once purpose might result in the opposite) and an embedding of debt in the matter of politics and political discourse.

There remains a gap in matters of international debt in the global political economy, in the sense that the majority of these works are old (hence possibly outdated) or abstract, not grounded in specific case-studies. To re-examine theory viz-a-viz standing practices and discourses remains an important task. But what will undergird these understandings? For that, a theoretical framework is necessary.

Research Question, Theoretical Framework and Hypothesis

Research Question

The research question is focussed on understanding sovereign debts and discourses thereon, particularly the causes of differentiation in such discourses. The approach analysed is the World Systems Theory. For this purpose, the discourses on debt in the Western Hemisphere are studied.

The thesis is in the main an application of that theory to the matter of state debt, in order to be able to comment on whether and how further research with the World Systems Theory on state debt is useful and practical. The United States and the Republic of Argentina, two of the more prominent countries in the Western Hemisphere, have been chosen as the two countries of study (see Methodology, Document Selection and Operationalisation for further justification). The focus of this thesis can be summarized by the following research question: “How can the World Systems Theory explain the functions of state debt?”.

To get to a full understanding of this question, three sub-questions are particularly useful for getting to the final answer to that question: 1) “What are the discourses on state debt and the relevant power relations in specific American documents?”, 2) “What are the discourses on state debt and the relevant power relations in specific Argentinian documents?” and 3) “How can these discourses be interlinked and related to the World Systems Theory?”. These three sub-questions will be treated in discrete sub-sections of the Analysis (see Index).

Theoretical Framework

To answer this research question in the Analysis, but also to form a full hypothesis, it is necessary to understand the core elements of the World Systems Theory in a Theoretical Framework. There are further underlying assumptions, key terms and analytical frameworks that will be used, interrelated with and in this case lie at the basis of the World Systems Theory. Without investigating these frameworks, it is impossible to properly use the WST. Besides Wallerstein’s World Systems Theory, Marx’ Historical Materialism and Luxemburg’s conceptualization of international debts are important to understand.

All these elements are generally and commonly considered to be part of the critical school (of Global Political Economy in case of the latter two and of International Relations in case of the former). The section Methodology, Document Selection and Operationalisation contains another element (Hegemony) part of the Theoretical Framework, but is intrinsically linked to the specific Methodology applied, and has hence been summarized and explained there.

Historical Materialism

Historical Materialism, a central element of Marxism, can be summarized as an overarching term for conceptualizations of the role of material factors in the development of economics, politics, society and history in general: it is primarily driving towards studies of how the *relationships* and *mode* of production influence the development of society.

The conceptualization of Historical Materialism stems from the works of Karl Marx (1818-1883) and Friedrich Engels (1820-1895), with the terminology being introduced in their work *The German Ideology* (1846). The Marxian conceptualisation of Materialism places itself opposite to (Hegelian) Idealism: “Matter is not a product of the mind, but the mind is just the highest product of matter” (Engels, 1888). Ideas, ideals, considerations and philosophies, then, do not make the material circumstances, but these material circumstances form and influence those ideas and ideals.

In an elaboration to the use of Materialism for an understanding of society, in *A Contribution to the Critique of Political Economy*, Marx and Engels sought to elaborate an understanding of society and history through the concepts of *base* and *superstructure*: society can be understood as divided between production relations, essential for creating the material basis of social functioning, and the structures which support those, with the former fundamentally forming the latter and the latter strongly supporting the former (Marx, 1859). It is important to note that an inverse effect has also been recognized to be possible and occurring by various scholars, notably Marx and Gramsci (see Methodology and Document Selection). For political economists, the interlinkages of economy and politics are commonly recognized, and the materialist conception of historical developments can be and has been applied to the matter (and particularly the role) of sovereign/state debts.

A Marxian/historical materialist conceptualization of debts is one emphasizing the inequality of (power) relations in the capitalist system, as created through a history of production and accumulation by one group over the other, with debts (or, for classical Marxists generally more important, *credit*) being one way of either gaining means of expanding production or for facilitating consumption (Luxemburg, 1899). This finding of the historical materialists, regarding *general* debt, is relevant for this thesis, as it sets one of the possible outcomes of this thesis: an outcome wherein the United States is using sovereign debt more for the former purpose, while Argentina would be contracting it for the latter purpose.

This statement leaves some questions to be answered. Why is this division possible, and why has it been conceptualized? Why would this pattern possibly exist? To understand that, a second element is necessary for the theoretical framework: Wallerstein's World Systems Theory.

World Systems Theory

The World Systems Theory is a theory concerning the interlinkages and the power structures in the field of international relations. This theory, first formalized by Immanuel Wallerstein in 1974 in his *The Modern World-System*, is generally considered to be one of the most important theories in Marxian studies of international economic history, and thus often also of international relations, with it being one of the first Marxian works which explicitly focussed on *international systems*. The work has four volumes, but the first volume sets out the main framework, hence the focus on that volume.

The Modern World-System is a study of (explicitly) capitalist system/market-expansion and a division of labour on an international level, starting in the mid-15th century. The World Systems Theory conceptualizes the world as divided up in three different spheres, the Core, the Periphery and the Semi-Periphery. The three spheres can be described as respectively the region where power and capital is settled, the region from which resources and profits are extracted in relations of unequal exchange, and the region which acts as an intermediary. That key directional flow, of resources from the lower strata and the periphery to the upper strata and the core, is at the core of the relationships as found in the World Systems Theory, as clearly stated from the first chapter onwards.

Often forgotten is the *fourth* category of Wallerstein's model, a category nowadays mostly historical, which is key in the sixth chapter: the regions *outside* the world system. The World System Theory is grounded on the concept that there tends to be *one* dominant world system at any given time, hence its opposition to the division between First, Second and Third World at the time *The Modern World-System* was written. It *does* account for the fact that such systems can be non-all-encompassing – and can expand. The World Systems Theory does not claim that the world system must be all-encompassing at any given time, but *will* seek to expand and *does* overarch the core political entity of international relations, the (nation) state. The World Systems Theory makes the materialist conception of history, with both base and superstructure integrated, truly *historical* by making it *spatial*¹, beyond the confines of single nation-states. What are the implications of this for sovereign debt?

The framework of the World Systems Theory would place the creation of debt as an instrument and part of that systemic expansion and division of labour. It complements the historical materialist conceptualization of debts by clarifying *why* such a possible split in roles has come to be: the different positions in the world system as created through the historical processes of expansion and the economical processes of unequal exchange and exploitation, as well as the consolidation and expansion of states in various periods. Those different positions would help in maintaining dependency, wherein credit and debt is used by the North to facilitate expansion while it is used by the South to consume in those uneven relations. An example would be the North contracting debt to expand a mine in the Global South, taking-buying the (under-valorized) resources from that mine, processing the resources and selling the over-priced electrical tools and equipment to the South. However, even though this relation would represent a general tendency, it does not explain exactly what role debt plays in maintaining that world system. For that facet, an earlier-referred

¹ Of course, the notion of regions previously existing outside of the capitalist system and being integrated was *not* a novelty: this aspect appeared from Marx in the Communist Manifesto onwards, intrinsically linked to the need for the capitalist market to expand to avoid the tendency for the rate of profit to fall as a result of ever-increasing capitalist competition. This aspect was elaborated by, among others, Rosa Luxemburg in the cited work and Vladimir Lenin in *Imperialism: The Highest State of Capitalism*, which described the epoch wherein the capitalist system rapidly spread to the far corners of the world. However, Wallerstein *was* revolutionary in tracking these systemic relations back in history, *before industrial capitalism* while explaining why that industrial form was so critical for the maturing of capitalism into a truly world-system, and for describing that form of subjugation and placement as in these three categories *more precisely* and *in more places*.

political economist is relevant: Rosa Luxemburg, a famous Orthodox Marxist, whose *The Accumulation of Capital* specifically places the role of debt in capitalist expansion.

An Orthodox Marxist reading of debt

Luxemburg's *The Accumulation of Capital's* 30th chapter (1912) is focussed on the role of *international credit* in the expansion of (industrial) capitalism at the end of the 19th century, treating debts as well as the more general financial system together, noting that three uses and trends in credit and debt are 1) the conversion of non-capital (e.g. savings) into capital, 2) the conversion of money capital (e.g. financial means for enterprises) into capital goods and means of production (e.g. railroads and factories) and 3) the transfer of capital from "older capitalist countries to newly emerging ones". For the World Systems Theory, and hence this thesis, especially the last aspect is vital.

Luxemburg explains that matter as having a dual, contradictory effect: on the one hand, the newly-independent states, often found in the Periphery, can accrue sovereign debts to develop themselves towards further independence, but those debts in themselves form a power for the states nowadays seen as being in the Core. For the Core, credit and debts are a key way of generating and opening new markets to accumulate in, but at the same time it creates competition which threatens this. Herein she notes that these two elements can predominate over one another, comparing the foreign-funded creation of railways in the heartland of the Russian Empire (to generally develop a national capitalist economy in the empire's Core) to the construction of railways in the newly-integrated protectorates of Central Asia (to strengthen that position to what can be considered an internal Periphery). In the former case, economic actors of other, mostly imperial powers facilitated the development of Russia's economy to open up new markets, but this development also allowed Russia to form a colonial empire on its own, eventually contesting one of those powers (the United Kingdom) in the famous Great Game. The latter case represented just that, with those railroads leading to the further integration of said protectorates, making them increasingly dependent on the Russian Core – and placing the territories out of reach of the other European powers.

Credit is seen as being provided to what would nowadays be called the Periphery to facilitate consumption and thus provides a temporal fix to increase accumulation: commodities can be sold in places where a market can be created, despite there being no way of paying for it at one given time, in order to gain more capital. This view reverts the trope of the debtor-creditor relation: instead of the debtor seeking credit to pay for certain expenses, the creditor seeks potential debtors to make them buy commodities. The effect was at the time of Luxemburg's writing also seen in Argentina (one of the two main cases of this thesis), whose usage of credit expanded six-fold in a 15-year period, coupled to a massive increase of imports from its main creditor, the UK (Luxemburg, 1912). Debt, then, is a key tool for capitalists, particularly in the core, to expand markets, an indirect way going side by side with straightforward capital exports (e.g. the creation/purchasing of a mine, factory, farm etc.), which may well be facilitated by debts accrued by Core states.

Hypothesis

The aforementioned theories make for a theoretical understanding of a potential reason as to why there would be differences in understandings of debt. This allows for a hypothesis to be formulated. The hypothesis is that there are fundamental differences in the functioning of state debt in different regions of the world system. The United States, of the Global North, has a different position to and a different use of sovereign debt relative to Argentina, of the Global South. This is reflected in the discourses on sovereign debt. The discourses of the United States emphasize its power, while the discourses of Latin America emphasize compliance. State debts serving to maintain Core hegemony through providing a "mechanism of punishment", as conditioned by political calculation, while they also allow for economic and social crises in the Core to be delayed through the usage of debt for buying up excess production, to delay the impact of general production crises by generating aggregate demand.

To analyse the Research Question and the Hypothesis, it is necessary to be able to determine those discourses as reflected upon. To study this, the methodology of (Critical) Discourse Analysis is applied, driven by the key concept of Hegemony, which allows for an analysis of the views of the actors.

Methodology, Document Selection and Operationalisation

Where the Theoretical Framework is the background of the understanding of the function(s) of state debts, the Methodology represents ways to make investigating the relevance of the World Systems Theory possible. It must help with a practical implementation of testing the understandings as seen in the Theoretical Framework, in order to answer the questions as posed in the Research Question. The Research Question focuses on the role discourses on state debt and particularly the use of the World Systems Theory in analysing it. To come to a conclusion on that, it is important to find ways to discover the perceived functions of state debt by different actors, perceptions which can be found in documentation produced by the two chosen state actors (the governments of Argentina and the United States). Differentiation herein implies different functioning of debt in different regions of the World System.

The most appropriate methodology for analysing such documents is a discourse analysis, specifically the Critical Discourse Analysis. This form of analysis stands the closest to the World Systems Theory, with both often being ascribed to belonging to the Critical tradition (and the schools of thought they produced). Both the grander overarching methodological system and that specific application will be treated below, followed by a more exact case selection.

Discourse Analysis

Discourse analysis is generally seen as having its origins in the writings of Michel Foucault, who conceptualized discourse (Bryman, 2012). Discourse analysis in general can be summarized by the phrase “language matters”: language is important in *understanding* political actors, but is also important in *forming* them. Our language-based knowledge and understanding of objects cannot be seen as detached from the object itself: without those frameworks of understanding, we cannot perceive, as the discourse is seen by discourse analysts as an irreducible element of an studied object, being and forming that object²

² To quote from this source in a direct way, “[...] discourse was a term that denoted the way in which a particular set of linguistic categories relating to an object and the ways of depicting it frame the way we comprehend that object. The discourse forms a version of it. Moreover, the version of an object comes to *constitute it.*” [Italics from quote.]

(Ibid.). Language may be shaped by (the perception of) objects, but how we can see objects is also made by the language we have for it, dynamics that interact and influence each other.

The goal of discourse analysts is to discover assumptions, to discover what perceptions and tools have become institutionalized, ossified and normalized, and to mark those. This can be done in various ways, with differing interpretations and places on the axis idealism-materialism, which makes for different schools of discourse analysis. This is important for the findings, frameworks and analysis, as Wallerstein noted in his notes about critics of the WST in the 2011 introduction to *The Modern World-System* (1974). The spectrum herein ranges from the (idealistic-leaning) school of Deconstruction, as practiced by Derrida (who famously stated that “there is nothing outside of the text”) (Hay, 2002) to the (materialistic-leaning) methodology of Critical Discourse Analysis.

Critical Discourse Analysis

Critical Discourse Analysis (CDA) is one of the forms of Discourse Analysis, being the form most closely linked to the Critical School of political science, and hence with the Theoretical Framework of this thesis. Critical Discourse Analysis in general is in line with the precepts of “regular” discourse analysis, but differs in its inclusion of institutionalized power relations. CDA can perhaps best be described as the studies of discourses to find ideology, power and struggles, as distinct from discourse-in-itself.

The origins of CDA arguably are older than the broader school of discourse analysis, with its roots being found in the *Prison Notebooks* of Antonio Gramsci (1935), his studies of Italian national and class history, and therein the studies of (cultural) Hegemony, a notable contribution to the broader understanding of the superstructure in Historical Materialism (see Theoretical Framework). This specific contribution concerns the role of the *creation of assent*. A class in society displacing another class needs the active or passive support of subaltern classes to seize control, and the efforts to gain that support (taking place in the superstructure) would lead to an institutionalized support base: hegemony (Ibid).

Hegemony is thus seen as a key element of transitions in the economic base in the model of base and superstructure (see TF), with the subaltern class needing to form a “state” of hegemony in order to gain unity and to displace other classes, and that hegemony forming a key pillar of a class remaining in place before that.³ This origin makes for a direct link with the Theoretical Framework, in that Hegemony is a key element in the maintenance of the World System in the World Systems Theory. The analysis will thus use CDA to find elements of Hegemony, in order to place the differentiation of positions forthcoming from that in the WST. But what is that method?

One important theoretician of CDA is Norman Fairclough. Fairclough has written a significant corpus on CDA, being the writer of the entry for CDA in *the Routledge Handbook of Discourse Analysis* (2012). Herein, CDA is conceptualized as “a particular focus on discourse and on relations between discourse and other social elements (power relations, ideologies, institutions, social identities and so forth)”, “not simply describ[ing] existing realities but [...] explain[s] them.”. Discourses are seen as explicitly interacting dialectically with the object (as described with DA above). Unlike Derrida, CDA is not just about discourse, but phenomena are seen as two-faced: “material-semiotic”, or both *real* material and discursive, continuing the work of Marx (Ibid.). The chapter describes CDA as essentially containing four steps: “Stage 1: Focus upon a social wrong, in its semiotic aspects. Stage 2: Identify obstacles to addressing the social wrong. Stage 3: Consider whether the social order ‘needs’ the social wrong. Stage 4: Identify possible ways past the obstacles.”⁴. The implementation of the first three of these four steps in the Analysis can be found in the Operationalisation (see page 23). The fourth step is to be reflected on in Conclusion, Limitations and Further Research.

³ Hence Gramsci’s studies of Italian history and writing about hegemony in that context: Gramsci, as one-time chairman of the Partito Comunista d’Italia, sought to understand how Italy came to be in order to explain how (bourgeois) class dominance came to be therein, in order to understand why Italy had not had a proletarian revolution, or remained a parliamentary/bourgeois democracy, but rather experienced a descent into fascist reaction: it accented specific key elements of Italian hegemony. His goal was to create a counter-hegemony.

⁴ Notable is the example of methodology given in this work: Fairclough notes that his recent research focussed on political economy. In those works, he combined “a form of economic analysis, a theory of the state, and CDA”. This thesis uses these three elements.

Document Selection

The cases selected, the United States of America and the Republic of Argentina, are two particular countries in the Western Hemisphere representing two fundamentally different positions in the World Systems Theory. While the United States is generally seen as the hegemonic state entity of the core, the core of the core and hence often the locus of opposition against the World System, Argentina is a non-core state, in the (semi-)periphery, wherein opposition to said system is prevalent, wherein state/sovereign debt is such an important aspect of social and political life that it determines political organization and methods of opposition (as seen in Sitrin, 2006). This polarization should make the expected differences in the functioning of debt as per the Theoretical Framework clearer.

There is an abundance of government documentation on the state debts of Argentina and the United States. As this thesis primarily focusses on the relevance of applying the World Systems Theory to the concept of state debt (see Research Question), a limited case selection is sufficient, but there is a need to select representative or important documents. This brings in two factors: time and power-position. The selected documents need to be relatively recent, and they need to originate from *authoritative* sections of respectively the American and the Argentinian governments. If the WST can be applied to the discourses therein, even on a limited scale, there is a certain value in the theory for further analysis.

The government of the United States publishes documents on their state debt, including hearings in Congress and press releases by the responsible departments (particularly the Department of the Treasury). An often-newsworthy element of the US national debt is the so-called *debt ceiling*: a legally determined maximum level of US national debts. This instrument is rare; only few states have a debt ceiling, which makes it interesting to analyse why the US has that ceiling and why it would be problematic for the functions of their debt. The US document to be analysed for this is the October 10 2013 *Testimony of Secretary Lew before the Senate Finance Committee on the Debt Limit* (Lew, 2013), which represents the reasoning of the responsible Secretary of the Treasury on why there is a necessity for the US to have access to the toolset of national debt by raising that ceiling.

The government of Argentina maintains a website with documents on debt servicing and the state budget. For this analysis, the July 17, 2019 *Investor Presentation July 2019* of the *Ministerio de Hacienda* (2019) (Ministry of the Treasury, now *Ministerio de Economía*, Ministry of Economy) and the arguments filed by Argentina in the case *Republic of Argentina v. NML Capital* (Blackman, Boccuzzi, Northrop, Steen, 2013) (Henceforth: Blackman et al., 2013), a legal case against a significant holder of Argentinian sovereign debt, have been selected. These two sources are both written by the governmental branch responsible for representing the Argentinian government's position on debt, and concern respectively why the Argentinian government contracts debt and why certain debts are seen as illegitimate.

These three documents are varied, but they share a central characteristic: all three focus on the relations between the state owing the debts and the creditors to whom the debts are owed. The first document focusses on the American government continuing to pay creditors, e.g. not reneging on the debt, the second document describes measures taken by the Argentinian government which may be relevant for investors and the third document describe the arguments why the Argentinian government continues specific debts to be illegitimate. Together, they are a set of documents which are likely to portray various discourses on sovereign debt, with that variation being essential for analysing such discourses through the framework of the World Systems Theory.

Operationalisation

For the Analysis, these documents will be studied according to the first three steps as found in Fairclough. For practical usage, they have been formulated as the following questions:

1. The textual aspects of debt in both readings will be studied: to what are they attached? How are they conceptualized?,
2. How are the impacts and implications conceptualized? How do Argentina and the US react differently to different impacts, and how do these reactions relate to structural imbalances?,
3. How are these differences explainable through the World Systems Theory? Does step 2 already contain that analysis, or is it distinct?

The former two steps will be part of two distinct discourse analyses, while the latter will be placed in a separate section. The result of this will make for both an analysis of the matter of debt through the World Systems Theory, and an analysis of the applicability of World Systems Theory in itself foremost. The thesis will thus reflect on the theory, and its modern applicability, through this Critical Discourse Analysis, by studying the element of Hegemony in the World System. With this, the field has been laid out for the Analysis.

Analysis

As described in the previous chapters, particularly the Operationalisation, the analysis is a Critical Discourse Analysis, divided in three sections. The first section will be a CDA of a speech to the US Senate by the American Secretary of Treasury (*Testimony of Secretary Lew before the Senate Finance Committee on the Debt Limit*) (Lew, 2013). The second section will be a CDA of a presentation of the Argentinian government to creditors (*Investor Presentation July 2019 of the Ministerio de Hacienda*) (2019) and a set of legal arguments in a case of the government of Argentina against a specific creditor (*Republic of Argentina v. NML Capital*) (2013). All analysed statements in these sections are from their respective sources as therein introduced, unless otherwise indicated. The third section will use these analyses in the framework of the World Systems Theory. These sections coincide with the three sub-questions, and the main research question, “How can the World Systems Theory explain the functions of state debt?”, will be answered in the last section.

Summary and Discourse Analysis of the American document

The *Testimony of Secretary Lew before the Senate Finance Committee on the Debt Limit* (Lew, 2013) is a transcript of a speech of Secretary⁵ Jacob Lew. The speech has in the transcript been broken up in various specific sections, respectively (1) *State of U.S. Economy and Fiscal Position*, (2) *Potential Economic Impact of Failure to Raise Debt Limit*, (3) *History of Bipartisan Support for Increasing the Debt Limit*, (4) *Treasury’s Communication with Congress*, (5) *Irresponsible Arguments Against Raising the Debt Limit* and (6) *Conclusion*. The key elements of these sections will be treated here in their respective order, before commenting on the central markers of the discourses on debt in this speech as a whole.

The first section is primarily summing up the then-advantageous situation of the US economy, noting that that situation makes for “a sustainable fiscal path”: the deficit would become smaller due to that. The key claim in this section is that not raising the debt limit would lead to economic decline, and thus an increase in deficit and debt, as trust would fall in the US economy.

⁵ Member of the government in charge of a ministry or department of state.

The second section is focussed on the effects of the temporary prohibition of borrowing resultant from not raising the debt limit on further (future) borrowing. It notes that it would be highly damaging to the credit market, the position of the US dollar and thus the world economy, resulting in a crisis in the US. Furthermore, such instability would hamper the ability of the US federal government to perform certain obligations to sectors of the US economy, such as in medicine.

The third section notes that the US credit position is “the strongest credit in the world”, it being “one of [their] strongest assets”. It notes that this is an element agreed upon by the entire political spectrum in the United States, both Democrats and Republicans and various pressure groups. On defaulting, it quotes Warren Buffett: “It should be like nuclear bombs, basically too horrible to use”.

The fourth section mostly repeats the points previously made, combined with a set of data on when the debt ceiling would make the obligations set out impossible.

The fifth section is focussed on opposing internal counter-arguments to raising the debt ceiling. It notes that elements of the US government believe that the debt ceiling is a way to push through budget cuts, or that it should lead to unilaterally halting payments on certain expenditure, which the Secretary opposes on grounds of it being counter to the credit position. The speech continues by noting methods in which the former has been achieved with the debt ceiling taken into account, but focusses on the fact that it has never happened as a result of that ceiling. The speech accuses the Republican Party (one of the two major parties of the US) of making defaulting a part of domestic politics.

The sixth section is a set of concluding remarks, mostly summarizing the key points of the previous sections. The focus is that “under no circumstances will the United States fail to pay our bills”: there is a duty to raise the debt limit, in order to prevent defaults resulting from continued expenditure, in order for the US to be “the anchor of the international financial system”.

The speech has certain themes which are consistently present throughout the speech, specific discourses which structure the speech and give it content. There are four central elements: 1) Servicing sovereign debt is essential for the US economy and trust therein, 2) The contracting of new sovereign debt is distinct from servicing it, 3) the US is in a dominant and leading position regarding contracting and servicing debts and 4) not servicing debts is predominantly a domestic political choice which is dangerous for the interests of the US. The following section will point at the markers for these discourses.

The first discursive element is frequently mentioned directly, examples being line 4 of the opening, lines 23 and 26 of the third section. In a majority of the references, the term “faith” appears in the formulation “full faith and credit”, which is a term for a specific financial guarantee (an unconditional guarantee of coverage of an obligation). However, it is also used in the discrete, distinct form of “confidence”, as seen in line 26 of the third section. The concept of trust in the broader economy is tightly tied to the specific concept in financing in this speech, to a point wherein they are interchangeable. Lines 24 to 26 of the second section makes this explicit, with the “impact on both [financial] markets and the economy” of generating “uncertainty” about servicing the sovereign debts being seen as a key driver in then-recent US economic developments.

The second discursive element is clearest found in the fifth section, in lines 6 and 7: “The President remains willing to negotiate over the future direction of *fiscal policy* [emphasis mine], but he will not negotiate over whether the United States should pay its bills. Herein, a clear distinction is made between contracting new debt as part of running a deficit, which is seen as part of purely domestic politics and thus malleable, while the matter of servicing the existing debt is something which cannot be contested and dangerous. Rule 21 notes that not servicing a debt is a default, and that that is something the United States cannot “experiment” with.

The third discursive element is repeatedly displayed throughout the entire text in various forms. Line 4 of the introduction already notes that the “full faith and credit of the United States” has never been questioned (see first element). The key role of the US is noted in lines 3 to 5 of the second section, which emphasizes the significant effects of the US no longer conforming: the prediction is that US non-participation would lead to a crisis worse than that of 2008.

The fourth discursive element is demonstrated in the almost exclusive focus on domestic actors in the text. The entire fifth section is dedicated to this element, which may be resultant from its audience (a committee of US politicians in the Senate). However, it is notable that the agency of the creditors, and particularly their power, is almost completely ignored in this speech: the only mention to this can be found in lines 17-18 of the first section, wherein “uncertainty” resultant from domestic political decisions lead to action by the creditors. That reaction would be risky for many operations in the American economy: examples include medicine/healthcare (second section, lines 9-14), food provision (second section, lines 14-15) and forthcoming ripple effects of expenditures not being made in those crucial sections of the economy (second section, lines 15-16).

Combined, this set of discourses portray a form of autonomy and agency: the US has the *option* to not service its sovereign debts to creditors, and *can* renege on its debts, but this is not *in its interests*. Reneging on those debts and defaulting, the “hardest” form of opposing debts, would damage the credit market and with that the United States, given its position. The American discourse around the debt limit, and its implications for the usage by the US government of the tools of sovereign debt, is focussed on the effects such distinctly sovereign actions would have on the national economy. Such effects would not be the result of a push-back or punishment, but because of the result it would have on US government operations. This very specific frame, of the sovereign debt being a *tool* to be used to regulate and support a national economy, seems consistent with the findings of the Theoretical Framework: that specific function of facilitating consumption and expanding certain forms of production (such as the provision of old age pensions, as well as the provision of a health care system). Could such elements also be found in the Argentinian documents?

Summary and Discourse Analysis of the Argentinian documents

The *Investor Presentation July 2019* of the *Ministerio de Hacienda* (Ministerio de Hacienda, 2019) is a 44-slides PowerPoint-style presentation of the Argentinian government to creditors to Argentina. It is divided in three main sub-sections: *Fiscal Update*, *Macroeconomic Update* and *Systemic Competitiveness*, preceded by an *Executive Summary*. These will again be summarized first.

The Fiscal Update concerns state revenue. It depicts the state budget being net positive, with real expenditures decreasing. This happens on both a federal and a provincial level.

The Macroeconomic Update contains data about deflationary measures, production statistics and increased exports, leading to a trade surplus.

The section on Systemic Competitiveness has varied data, divided in three sub-sections: Domestic Capital Markets, Energy and Infrastructure. The first sub-section has data from the composition of forms of debts (from US dollars to Argentinian pesos) to stock marketization and amounts of investors and financiers. The second sub-section has numbers on energy subsidies, particularly the cutting of those, the import/export of energy (equalized), energy prices and renewable energy development. The third-subsection concerns investments in infrastructure and developments in production costs, both of the infrastructure and the effect it has on the rest of the economy, as well as data on rail, seaport and airport capacity.

The Executive Summary summarizes these points in three key sentences: “On the path to a balanced fiscal budget” (e.g. reducing the deficit by increasing taxation and reducing expenditures), “Relative price distortions are being fixed” (e.g. subsidies should be reduced and trade should be balanced) and “Boosting competitiveness on a systemic basis” (e.g. investing in infrastructure, both in the traditional sense and in the form of financial infrastructure).

The document has a significantly different form, with less text and more statistics, but there are a few clear discourses which appear throughout it, both in the limited text and in the chosen statistics. The discourses which become apparent in this document are significantly different. Certain elements can be clearly discerned in this document: 1) Servicing the sovereign debt is key for attaining and maintaining growth, 2) Market forces should lead both the debt market and the broader economy, and equilibrium will be the outcome, 3) Market distortions, from subsidies to state investments, are a key problem in attaining this, and must be opposed and 4) State projects financed by debt should serve to satisfy further investors and creditors.

The first discursive element is the apparent message of the document: the focus of the document is on portraying an Argentina capable of fully servicing the sovereign debt in the (near) future to a high standard (e.g. the full faith and credit-standard as seen in the American documents). This is seen in the phasing of the sections: the first section of the report is focussed on displaying how the government is making funds available to serve the debt, the second section focusses on how there has been generalized economic development and the third section displays more specific projects and results of that growth, particularly in sub-sections B and C (slides 29-43).

The second discursive element is the focus on the idea of the “free market” being effective at attaining positive results for Argentina. Particularly, slides 38 and 39 point to significant liberalisations/privatisations in the Argentinian economy: slide 39 notes that tariffs have been significantly reduced, bulk cargo inspections have been reduced or cut entirely, while 38 indicates that the Argentinian government had the intentions to eliminate some of its functions in the ports through its then-existing “Port Support Areas”. Government expenditure has significantly decreased, as seen in slide 8: from 24,1% of GDP to 18,5% of GDP (a decline of 23%). The share of the market capitalist sector in the Argentinian has thus significantly grown, and this is presented as a highly positive development to the creditors of Argentina.

The third discursive element supports the second element: it displays a way to get there. Slide 6 of the first section presents the fact that “Real spending has been falling for almost 20 consecutive months”: the Argentinian government has seen significant retrenchment from its previous obligations. The fact that this has been included in a presentation to investors and creditors is significant: unlike the slide before that (slide 5), this fact does not directly correlate to their interests, assuming that their interests are to get their credit repaid. On slide 31 (Third subsection, sub-section B) it is claimed that cutting subsidies led to lower energy prices, and the two slides preceding that emphasize that such measures also led to the end of energy imports, supporting the first discursive element.

The fourth discursive element is the consequence of the former three elements. This element, the element that state projects financed by debt should (also) serve further creditors and investors, is clearly found in the third section, justifying certain developments and investments facilitated by credit. This discursive element can be seen as an element of the first discursive element: it is an attempt to build that “full faith and credit” by being seen as compliant and by using state measures to satisfy those standards.

It is notable that this document has a vastly different set of discourses. Unlike the American discourse, the Argentinian discourse was not centred around concepts of sovereignty, nor did it include any internal political debate. Indeed, such debates were wholly avoided in this presentation to creditors. The focus of the discourses was around presenting a specific programme as complying with the interests and wishes of the investors. Can these discourses also be found in the other document, the arguments filed in *Republic of Argentina v. NML Capital*? How is sovereignty treated herein? And how does the Republic of Argentina argue that that creditor is illegitimate?

The case *Republic of Argentina v. NML Capital* (Blackman et al., 2013) is a case between Argentina and a large bondholder. It is notable that this court case was heard in specifically the US court system, filed by Argentina – this arena for filing the arguments and seeking redress is notable because it marks the importance of the United States for sovereign debt and issues related to that. The arguments filed are in the main legalistic, but the so-called “petition for a writ of certiorari” (e.g. a request to have a case heard) contains matters of *merit*, that is *why* the case was filed, which contains discourses. Pages herein are numbered by their page in the accessible document, including the cover sheet.

The question of the case is centred around the concept of sovereignty in defaults, in that scenario wherein a state has stopped servicing specific debts. The question (on page 2) claims that sovereignty as codified in US law “limit[s] execution on property”, and that it should prevent aid in the execution of property of sovereign states: the case thus claims that sovereignty should render a state immune from (foreign) sovereign debt holders using the regular tools of bankruptcy. The writ is divided in sections, of which the sections *Statement of the Case* and *Reasons for granting the Petition* potentially hold discourses. The formal petition and conclusion are matters of legalistic custom, while the appendix concerns related cases as referred to in the case-making, which may both hold certain discourses but reflect on respectively law-speaking and those other cases in themselves. The two relevant sections will first be summarized.

The first analysed section, *Statement of the Case*, is split in three sub-sections: *A. Background*, *B. Respondent NML*, *C. The District Court Authorizes NML To Obtain Worldwide Discovery From Bank Of America And Banco De La Nación Argentina, And The Court of Appeals Affirms*.

The first sub-section is focussed on the domestic circumstances in Argentina at the time of the original default, a situation of political crisis, social instability and economic collapse. The Republic had the options to either stop basic functions or to default, and chose the latter, seeking to restructure the debt.

The second sub-section focusses on the creditor, NML Capital, which is described as a “vulture” fund on page 17. The arguments herein focus on the fact that NML Capital bought up most of its held Argentinian sovereign debt from other creditors who were willing to sell their obligations after the default. NML Capital has sought to seize Argentinian state property abroad in an “aggressive” way (page 18).

The third sub-section contains the direct reasons for the case to be filed. The case was filed after NML Capital sought to gain more information to attempt to seize further Argentinian state property internationally, but also to increase the scope towards other related actors (such as office holders). The case is made that this is illegal: any claims could, at most, affect *commercial holdings, of the Argentine Republic, in the United States itself*. A subordinate court ruled against this, hence the case at the US Supreme Court.

The second analysed section, *Reasons for Granting the Petition*, is also divided in three sub-sections: *I. The Second Circuit's Erroneous Decision Conflicts With Other Circuits On Whether The FSIA Places Any Limitation On Post-Judgment Asset Discovery*, *II. The Second Circuit's Erroneous Decision Conflicts With This Court's Precedent That Federal Statutes Are Presumed To Apply Domestically, Not Extraterritorially*, and *III. The Petition Presents A Purely Legal Dispute On A Recurring Issue Of Critical Importance To The Foreign Policy Concerns Of The United States*.

The first sub-section is primarily focussed on precedent, noting a wide variety of preceding court cases whose rulings were seen as comparable or relevant to limiting NML's capacities, and finds them in contrast to the ruling by the subordinate court.

The second sub-section is an argument based on matters of sovereignty. In this sub-section, it is argued that the laws of the United States are only valid in the United States proper, in its "territorial jurisdiction" (page 34), with laws only pertaining to that territory unless explicitly stated otherwise. It is thus argued that FSIA, being an act explicitly determining what can be seized by a claimant (as in the third sub-section of the first section), should be the primary factor (page 35), and thus further asset seizures should be prevented by the US Supreme Court, including pre-seizure information provision.

The third sub-section focusses on the American position on this matter, particularly as filed in *amicus curiae* in other cases. The US government held positions that excessive investigation of state property may "impugn[,] the state's dignity (page 40). The fact that "some foreign states base their sovereign immunity decisions on reciprocity" means that the US government has found it to be dangerous to infringe on sovereign immunity (*Ibid.*).

The discourses in this document are notable not only for what they contain, but also for what they *do not* contain. The following discourses have been found: 1) US courts are legitimate in being the main mediator in struggles between states and creditors, 2) There are varied groups of creditors, some of which are less legitimate than others, 3) It is in the interest of the United States to not let the less legitimate creditors use their legal tools to the fullest.

The first discursive element is an example of a discourse appearing through the absence of specific elements. In this case, the document is addressed to the US Supreme Court by a sovereign state. In this document, there appears not a single call for arbitration by international institutions, nor is there a reference to domestic legal arguments. This is evidence of a form of legitimacy that has been conferred on US courts by the Republic of Argentina as a mediator between the sovereign state and the creditors.

The second discursive element is found throughout the filing, but appears clearest in section B of the first analysed section. This section focusses specifically on the defendant, the creditor, and seeks to distinguish its behaviour from “legitimate” creditors. NML Capital is described as part of a category of “vulture hedge funds” (page 17), seeking to “take advantage of the absence of bankruptcy protection in the sovereign context”. Their tactics are described as “aggressive” (page 18), language clearly aimed at delegitimizing NML Capital. They are juxtaposed to those “legitimate” creditors on the following page (19), whose settlement was “disrupt[ed]” by an attempt to “attach” or parasite their case to them.

The third discursive element can be found in the very last section,, that is pages 38 to 40. Page 38 notes that letting US creditors override foreign sovereignty would cause “grave harm to the foreign relations of the United States”. Page 39 remarks “the United States has repeatedly emphasized that limiting discovery in accordance with the substantive limits of [...] the FSIA is necessary to advance the comity and reciprocity [...] an important part of United States policy.”. It is thus posed that the US limiting those specific creditors is in its own interest.

These discourses combined make for a broad, overarching set of discourses on the Argentinian position. The discourse is different from the American discourse, which emphasizes sovereignty. The position of the Republic of Argentina seems to be one of willingness to use the tools of sovereign debt, and conforming to the rules of that market, as seen in the analysis of the first document. This includes recognizing the courts of what is the most important node of the global financial system: the United States of America (as seen in the analysis of their documents). On the other hand, however, the second document interestingly shows that Argentina has also appealed to both those rules and interests in seeking a better position for itself: the discourse is that the rules should work for all actors, to their mutual benefit. The first document displayed this by illustrating the beneficial effects of conforming to the rules, while the second document was the direct appeal to the “rules of the game”.

Analysing the Discourse Analyses with the World Systems Theory

These three discourse analyses have significant differences between them, as seen above. A part of the hypothesis has already been confirmed: there is differentiation between the discourses on debt between the American and the Argentinian documents. The cause to this, however, still needs to be explained, as was set out as the primary goal in the Research Question. To answer the Research Question, “How can the World Systems Theory explain the functions of state debt?”, the WST needs to be applied to the discursive elements. In particular, evidence of Hegemony will be sought in the Argentinian discourses.

The United States serves as a baseline, and is relatively simpler to analyse. The American discourses were 1) Servicing sovereign debt is essential for the US economy and trust therein, 2) The contracting of new sovereign debt is distinct from servicing it, 3) the US is in a dominant and leading position regarding contracting and servicing debts and 4) not servicing debts is predominantly a domestic political choice which is dangerous for the interests of the US. The discourses portrayed autonomy and agency.

In the World Systems Theory, this would be seen as a discourse consistent with the position of the United States. In the World Systems Theory, the World System is created mainly by and on behalf of the states of the Core, and sovereign debt is but one element of this (capitalist) system. The Core structurally has that autonomy, agency and power, and those institutions serve to enhance it. The third discourse is thus seen as a systemic fact, making for the first discourse. The second discourse would be an element of reconciliation with the fourth discourse, as the interest of the United States as a state of the Core would be to maintain the *institutional framework* and the tool of sovereign debt, not necessarily to use it for and in itself. To draw a strict distinction between servicing a sovereign debt (institutional maintenance, or the non-destruction of the institution) and contracting more (institutional usage, or the usage of the tools granted by the institution) could and would serve to preserve that former function, even if the latter may be impeded. The credit may be necessary to sustain certain services as provided by the state, but the scope of these services can be changed, which can be interpreted as internal negotiations on where to expand production and where to facilitate consumption, as seen in the Theoretical Framework.

The Argentinian discourses are more difficult to analyse, due to the internal differences in discourses found in the two documents. The discourses in the Argentinian documents were (in the first document) 1) Servicing the sovereign debt is key for attaining and maintaining growth, 2) Market forces should lead both the debt market and the broader economy, and equilibrium will be the outcome, 3) Market distortions, from subsidies to state investments, are a key problem in attaining this, and must be opposed and 4) State projects financed by debt should serve to satisfy further investors and creditors, and (in the second document) 5) US courts are legitimate in being the main mediator in struggles between states and creditors, 6) There are varied groups of creditors, some of which are less legitimate than others, 7) It is in the interest of the United States to not let the less legitimate creditors use their legal tools to the fullest. The discourses portrayed willingness to work with the rules of the system, expecting those rules to work for all actors in the system. They do not note imbalances and inequality as being structural to sovereign debts. How can this be explained by the WST? Why does the government of Argentina not adopt a more confrontational approach?

This non-confrontational approach would not be unexplainable for the World Systems Theory. It first has to be noted that the fourth element appears to attempt to obfuscate the dilemma and contradiction as found in the orthodox Marxian reading of debt, as seen in the Theoretical Framework. Argentina portrays its own development and its compliance to the rules to achieve that as a mutually beneficial development, which blunts the risk of the Core using the debts as a form of leverage. This exact point is seen in the second document, specifically point 7: the illegitimate creditor was portrayed as a threat not just to Argentina, but also to the United States. This is relevant and important in the context of the WST, but first an elaboration on the other points is necessary.

In the WST, Argentina has a subordinated position in the World System, and the compliance as seen in the first document can be explained as the result of US/Core hegemony.

Particularly points 2 and 3 are relevant herein: the matter of sovereign debt grasps back to increased marketization, increased liberalisations and further opening up of the Argentinian economy, elements which are strived for in a World System. The fact that these points are considered to be relevant by the Argentinian government, despite them reflecting little on the ability for Argentina to repay a sovereign debt, point to those positions being penetrated by hegemonic positions. However, this can also be turned on its head by Argentina.

The second document is aimed against particular sections of the creditors. As seen above, Argentina in that document portrays its own problems (which are problems with the first discursive element) as a shared problem. Argentina does not oppose the Core's role in point 5, but does warn about matters of consent. Point 6 can be seen as a compromise between the Core and Periphery: the country of the Periphery, Argentina, seeks to blunt the worst edges of the relation, and seeks improvement through opposing the worst of the creditors. The implicit threat is that Argentina would otherwise withdraw its implicit consent and collaboration, resist further and try to break out of those relations, endangering the system as it exists, hence the seventh discursive element.

A country of the Periphery is using the system wherein it operates to defend certain interests. Those interests need not be the interests of the entirety of the Argentinian population, but may well be the interests of a certain sub-section (class) of the Argentinian population who benefit from the status quo and thus Argentina's position in the world system.

Conclusion, Limitations and Further Research

All three sub-questions have been answered in the Analysis. The first section answered “What are the discourses on state debt and the relevant power relations in specific American documents?”, which was found to be discourses of autonomy and agency: discourses of power. The second section answered “What are the discourses on state debt and the relevant power relations in specific Argentinian documents?”, which were discourses of conformation and equal application. The third section interlinked and related the discursive elements to each other and to the World Systems theory, as sought in “How can these discourses be interlinked and related to the World Systems Theory?”.

The Research Question, “How can the World Systems Theory explain the functions of state debt?”, can thus be answered. The answer to this can be formulated as the following: “The World Systems Theory can explain state debt, its functions and its functioning through analysing the interlinkages between systems of power and positions taken in dealing with state debt, delivering new insights on the dynamics of the politics of debt.”.

For the most part, the elements of the hypothesis have been found: there is an apparent difference in the functioning of state/sovereign debts both in discourse and in functioning. Its usage as a tool to drive the economy to prevent crises and to provide certain services has clearly been seen in the discourses of the United States. Likewise, Argentina claims that it requires credit to fulfil the elements of facilitating production and consumption, and the fact that it was unable to (as per the legal case) indicates that the difference in the ability to do so exists.

An unexpected element was seen in the functioning of discourses on debt in the Periphery. Indeed, it was found that state/sovereign debt contained mechanisms of punishment, as seen above, and discourses thereon played a role in enforcing hegemonic elements of the world system on Argentina. However, an in the hypothesis not noted element was the fact that Argentina itself sought to influence the “political calculation” as found in the hypothesis: Argentina actively sought to portray punishment as a decision that was irrational and damaging to the world system. Such elements of elite-elite cooperation, or collaboration, were unforeseen in the hypothesis, and warrant further investigation.

There are some limitations to this thesis. One of these limitations has been discussed in the chapter on Relevance and Justification: the specific scope of this thesis as theory-analysing. This research design choice makes the research question and the research less focussed on analysing sovereign debt as a phenomenon and aspect of international relations as a whole and instead focusses on investigating ways to research this. This limits the real life impact, but in Relevance and Justification it has been argued that such more fundamental research is a prerequisite of more practical research.

Another set of limitations is found in document selection, particularly the decision to 1) investigate a limited sample of three and 2) the fact that the documents of one of the two state actors (Argentina) were not written in the language of that state (Spanish), which could have deformed the content. The former is an acknowledged limitation: a broader sample could potentially allow for further insights from the World Systems Theory to be found, which would have enhanced the answer. It has to be noted that this thesis did explicitly not seek to find every usage of the WST, but sought to find whether it could be used at all. The latter limitation, in contrast, is not a limitation at all. The claim that the different language may have deformed the content may be true, but this does not limit or endanger the findings. If the different language changes the content, it is not a *deformation* but an element of formation, connected to the audience it is written for. That change would in itself be viable topic to research with the steps taken in this thesis: is there a difference in the two different-language versions of the source, and how can this change be explained?

With these limitations acknowledged, conclusions can be drawn from this thesis. The World Systems Theory has been found to provide valuable insights on the functioning of debt discourses, and therewith also sovereign debt in itself. The World Systems Theory is useful in providing a framework for understanding varying discourses on sovereign debt, explaining both the content and the way those discourses are conveyed. It allows us to understand why certain compromises are made, why some states get reprieve from odious debts and why some do not. But what else is there to be done? To what more practical research does this lead?

This thesis used two countries in two distinct regions of the world system *and* two continents for the analysis. Herein, the differences are relatively straightforward, predictable and thus explainable. It would be interesting to apply this analysis to an investigation of discourses *within* a region of the world system. One way to do this is to study how different states in Europe reacted to the Greek debt crisis as mentioned in the Introduction: how did different countries in the EU (generally seen as a bloc of countries in the Core) react to it, and was there differentiation between the reactions of the internal Core and the internal Periphery?

An alternative (future) research topic would be the study of class relations in the world system. The findings of the Research Question as seen on the first page of this Conclusion point to certain shared interests existing in the elites of both Argentina and the United States: the stability of the system and the division of the benefits thereof. Studying sovereign debt in a world system while including and focussing on the subaltern classes of both state-territories, or other states having similar relations regarding sovereign debt and power, would certainly be not only of academic interest, but also of a practical, political interest. It would provide insights in how debt functions as an element in class relations under capitalism, and would be an analytical tool for those partaking in the struggles therein.

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Total word count: $115+1014+617+2475+2303+1965+4851+1019+578 = 14.916$.

Note: The Guidelines Thesis Supervision are contradictory on what should and what should not included in the word count. See page 3: The first point states that everything, even the Bibliography and possible Appendices, should be included, while the third point, fourth sub-point pointedly excludes those two elements. The first point was verbally noted to be superseding the third point, and hence these elements have been included in the count.