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**MONETARY SOVEREIGNTY AND SOVEREIGN DEBT RESTRUCTURING:  
A LAW AND POLITICAL ECONOMY APPROACH TO IEL**

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Abstract

This paper aims to advance a Law and Political Economy approach to International Economic Law (IEL) that is focused on the study of sovereign debt. It connects different aspects of the study of money, finance, and the law by discussing the central importance of liquidity for the legal infrastructure of sovereign debt on a global perspective. We draw on the hypothesis that the relationship between monetary sovereignty and jurisdiction on sovereign debt is inherently associated with liquidity provision, which is a crucial component of state power over money and finance.

We depart from the concepts of monetary sovereignty and currency hierarchy to explore the global asymmetries in the capacity of states to create flexibility in the law by bailing out their domestic banking and financial system, including the government bond market, in the event of a liquidity crisis. Based on such findings, we analyse how these elements are associated with their power to exercise jurisdiction on sovereign debt.

Building upon the research agenda set by the Legal Theory of Finance (LTF), we highlight the crucial role of core jurisdictions at asserting rigidity in the law for the least monetary sovereign states, which, by definition, sit at the bottom of the hierarchy. Ultimately, we contend that more flexibility at the periphery of the system can be achieved through international sovereign bankruptcy rules, while still ensuring the credibility of legal arrangements is preserved.

An additional theoretical contribution of this explanatory framework consists in an invitation to reconsider the conceptualisation of sovereignty insolvency in light of a money-centred perspective based on the notion of structural illiquidity.