THE COMPLETE TRADER'S *Edge*
FRAMEWORK · MIND · METHOD · MONEY

completetradersedge.com

MARKET MAYHEM · RESEARCH SHEET · EPISODE 14

When They Locked the Banks

Argentina's Corralito and the Largest Sovereign Default in History

Argentina · 2001 · v1.0 · July 2026

In December 2001, Argentines woke to find their own savings frozen. The government had locked the banks, the corralito, to stop a run, then defaulted on around $100 billion, the largest sovereign default the world had ever seen. Within two weeks the country ran through five presidents.

Key Facts

Event	Argentina's economic collapse, bank freeze and sovereign default
Location	Argentina
The corralito	1 December 2001 — the government froze most bank withdrawals to halt a bank run
The Peg	A rigid 1-to-1 peso-dollar convertibility law in force since 1991
The Default	A default on roughly $100 billion — the largest sovereign default of its time
The Chaos	Riots and political collapse; about five presidents in two weeks

By the Numbers

Default on roughly $100 billion — the largest sovereign default in history at the time

The corralito froze most bank withdrawals from 1 December 2001

The 1:1 peso-dollar peg broke; the peso fell toward roughly 4 to the dollar

About five presidents held office within two chaotic weeks

The Convertibility Trap

In 1991, to kill hyperinflation, Argentina fixed one peso to one dollar by law, a currency board so rigid it could not print pesos without dollars to back them. It worked, until a strong dollar and weak neighbours made Argentine exports uncompetitive and the economy sank into recession. The peg that had bought stability became a cage: the country could neither devalue to compete nor print to stimulate, and the pressure built until everything broke at once.

> ***" A bank run is a prophecy that fulfils itself the moment enough people believe it. "***

How It Happened

The 1991 convertibility plan pegged the peso one-to-one to the dollar and ended hyperinflation, restoring confidence and drawing in foreign capital and dollar debt.

But the rigid peg removed Argentina's ability to adjust. As the US dollar strengthened and Brazil devalued in the late 1990s, Argentine goods became expensive and the economy slid into a deep, grinding recession.

Unable to devalue or print, the government borrowed more dollars to hold the line, piling up debt it could not service. As default fears grew, Argentines began pulling their savings out of the banks and converting pesos to dollars.

The Collapse

To stop the accelerating bank run, the government imposed the corralito on 1 December 2001, freezing most withdrawals. Ordinary people were locked out of their own money.

Fury boiled over into riots and looting. The government fell, and the country cycled through about five presidents in two weeks. Late in December, Argentina defaulted on roughly $100 billion, the largest sovereign default the world had seen.

In January 2002 the peg was finally abandoned. The peso collapsed toward four to the dollar, and savers whose accounts had been frozen in pesos saw their real wealth destroyed. Recovery took years.

Timeline

1991	The Convertibility Plan pegs the peso 1:1 to the dollar, ending hyperinflation
Late 1990s	A strong dollar and Brazil's devaluation push Argentina into deep recession
2001	Deepening crisis; debt mounts; savers begin pulling money from the banks
1 Dec 2001	The corralito freezes bank withdrawals
Dec 2001	Riots; ~five presidents in two weeks; default on ~$100 billion
Jan 2002	The 1:1 peg is abandoned; the peso collapses toward 4:1

Mind · Method · Money — What This Means for You

MONEY · A rigid peg plus dollar debt is a trap when the economy weakens
The currency board bought stability but removed every escape valve. Borrowing in dollars behind a fixed rate means that when growth fails, you can neither devalue nor inflate your way out. Rigidity that looks like discipline can become a cage.

METHOD · When a system removes all flexibility, it breaks catastrophically, not gently
Convertibility held for a decade and then failed all at once, taking the banks, the currency and the government with it. Structures with no shock absorbers do not bend; they snap. Prize resilience over the appearance of iron stability.

MIND · Trust, once broken, cascades
The corralito confirmed savers' worst fear and destroyed the trust the banking system runs on. A bank run is self-fulfilling: the belief that others will withdraw is reason enough to withdraw first. Confidence is the real reserve, and it is the first thing to go.

Modern Parallels

Argentina is the endpoint of the emerging-market currency saga that runs through Mexico 1994 and Asia 1997: fixed exchange rates and dollar debt colliding with a weakening economy. Its deepest lesson, that a state can freeze or devalue the money in your own account, is why savers everywhere watch capital controls and currency pegs with wary eyes.

Read & Listen

Read the full write-up and listen to the episode: Argentina's Corralito, 2001 (EP14)

Related Research

Previous episode: EP13 · The Dot-Com Bubble (2000)

Next episode: EP15 · The 2008 Financial Crisis

The next one forming: The Next Market Crash — 5 Scenarios

Sources & Further Reading

Paul Blustein, And the Money Kept Rolling In (and Out): Wall Street, the IMF, and the Bankrupting of Argentina (2005)

Charles P. Kindleberger, Manias, Panics, and Crashes: A History of Financial Crises

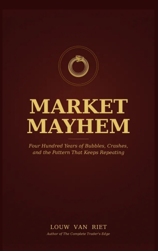
Market Mayhem: When Greed Meets Gravity, The Complete Trader's Edge

How to cite: van Riet, L. (2026). "When They Locked the Banks" — Market Mayhem Research Sheet EP14, v1.0. The Complete Trader's Edge, completetradersedge.com.

GO DEEPER

Free: take the M·M·M Assessment and explore the full podcast series, interactive maps and tools at completetradersedge.com.

Learn the framework behind these lessons in The Complete Trader's Edge — 70 chapters of Mind, Method and Money.



FROM THE BOOK

This crash is dissected in full in **Market Mayhem: When Greed Meets Gravity** — 22 chapters, four centuries of bubbles, one repeating blueprint.

Get Market Mayhem →