BRETTON WOODS, N.H. — Domingo Cavallo, the architect of Argentina’s first debt restructuring deal in 2001, has a solution for the country’s worsening debt drama: pay the holdouts.

“Argentina should comply with Judge Griesa’s decision,” Mr. Cavallo said on Wednesday at a conference to commemorate the 70th anniversary of the Bretton Woods system of global financial cooperation.

Mr. Cavallo, who is also credited for slaying hyperinflation in Argentina in the early 1990s, was referring to the recent court decision by Judge Thomas P. Griesa that said if Argentina continued to make payments to bondholders who participated in past debt restructurings, it must pay in full the investors who declined to take part.

In addition to pushing Argentina to its second default in 13 years, the decision had wider ramifications. Officials in the United States Treasury Department and the International Monetary Fund have said the ruling will make future debt restructurings much more difficult because investors will have incentive to not reach a deal and instead will hold out for full payment on their bonds.

With debt levels in Europe continuing to increase, the prospect of debt-plagued governments putting off restructuring deals for this reason scares policy makers.

In the arcane corners of global finance, Mr. Cavallo is a bit of a rock star, and his career tracks the pivotal moments in Argentina’s economic history. He was head of the central bank under the dictatorship in the early 1980s, presided over the Argentine miracle in the early 1990s and was in charge of the economy just...

So when he convened a breakout session on Wednesday to discuss the Argentine debt crisis, delegates rushed to grab seats, including former finance ministers, bankers and senior officials from the International Monetary Fund.

Mr. Cavallo, who is 68, was very critical of how Cristina Fernández de Kirchner, the president of Argentina, has handled the crisis. “It’s a disaster,” he said, referring to the inflation and capital flight that has afflicted the economy of late. “She wants to blame what is happening now on the vultures.”

If a new government comes in and stabilizes the economy with responsible policies, Mr. Cavallo said, he thinks that billions of dollars of capital that has left the country will return. Under these improved economic conditions, he added, the government should be able to pay the so-called vulture investors.

Experts believe that all the holdouts have $16 billion in securities but that the figure is smaller in terms of Judge Griesa’s decision. Still, it is a significant sum for a country that is shut out of international markets and whose reserves are declining by the day.

Given that President Kirchner has staked her political career on fighting the holdouts, such an outcome seems unlikely.

Mr. Cavallo accepts that such an approach will not win him many friends at the I.M.F., but that does not concern him.

How can it be, he asks, that a ruling by a New York judge results in such convulsions in the sovereign debt markets? If anything, he said, it underscores how crucial it is for the I.M.F. to put in place a bankruptcy regime for governments that are on the verge of defaulting.

“There is a deeper problem in sovereign debt markets – what the world needs is a bankruptcy law for sovereigns,” he said, mentioning in particular the failed attempt 10 years ago by the I.M.F. to put in place a debt-restructuring apparatus. “If we want to avoid these types of situations in the future, we really need some sort of mechanism.”

**Correction: September 4, 2014**

An earlier version of this article misspelled a federal judge’s
surname. He is Thomas P. Griesa, not Greisa.