

The crisis in Argentina undermines the IMF's case

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Gillian Tett reports ([“Turmoil in emerging markets makes the case for a stronger IMF”](#), September 13) that IMF managing director Christine Lagarde is launching a discreet lobbying campaign to persuade the fund's major creditors to expand its resources, adding that the crisis in Argentina may “unexpectedly help” her pitch.

The crisis in Argentina undermines the case for expanded IMF resources. First, the role of the IMF is not to backstop the payment of all debt obligations falling due in any member country, but rather to signal improved economic management in order to catalyse new debt and equity investments. The fund's commitment to lend Argentina \$50bn was therefore an exaggeration.

Second, there is ample evidence that fund staff are mere mortals who all too often make mistakes. The Argentina programme went off the rails within two months, and is now needing to be redone from scratch, because staff had accepted the authorities' over-optimistic assumptions about the likely demand for money and government bonds. The result is that the first IMF disbursement of \$15bn to Argentina has been a waste of its resources.

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