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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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IMF SHOULD PROMOTE RESPECT FOR PROPERTY RIGHTS IN ARGENTINA -- International Financial Institutions Should Not Support Policies That Undermine the Basis for Economic Growth --

WASHINGTON, D.C. – Support for Argentina by the International Monetary Fund and other international financial institutions should be conditioned on respect for the property rights of Argentine citizens and foreign investors, said Joint Economic Committee Chairman Jim Saxton.

Argentina's foreign minister visited Washington earlier this week to generate support for a loan by the IMF to Argentina, and other Argentine officials are expected to visit soon. The IMF on December 5 declined to disburse new money to Argentina for the time being, although on January 16 it agreed to extend for one year a payment of 741 million Special Drawing Rights (about \$933 million) that was coming due on an existing loan.

"As I have said, the IMF deserves credit for its December decision to halt further lending to Argentina," Saxton remarked. "Argentina's government of the time was pursuing policies that were sinking the economy. Large tax increases during the previous two years, insufficient restraint in government spending, lack of clarity about monetary policy, and finally a freeze of bank deposits led to economic paralysis.

"Argentina's current government, which assumed office January 1, has promised to develop a coherent and sustainable approach to end the country's recession. However, it has taken steps that have been counterproductive. By upsetting well-established property rights and nullifying contracts, the government is reducing Argentina's prospects for returning to economic growth." As a result, a number of U.S. companies and through them many U.S. investors have suffered losses, along with millions of Argentines.

U.S. law provides for cutting off assistance to foreign governments that seize the property of, or nullify existing contracts with, U.S. citizens or corporations. Relevant parts of the U.S. Code are the following sections of Title 22: section 283r; section 284j; subsection (e) of section 2370; and subsections (a) and (b) of section 2370a.

Saxton concluded, "Secure property rights are essential for economic growth. The experimentation, innovation, and accumulation of capital that produce growth depend on people being able to enjoy the fruits of their labor. Nations that have become rich have done so by respecting property rights, not by seizing the wealth of their own citizens and foreign investors. The IMF and other international financial institutions should stress this message to Argentina's government. They should not support policies that have been shown by ample experience, in Argentina and elsewhere, to undermine economic growth."

For more information on the IMF and economic policy, please visit our website at www.house.gov/jec.

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