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Political Forecasting?

The IMF's Flawed Growth Projections For Argentina and Venezuela

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April 2007

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Acknowledgements

The authors would like to thank Dean Baker, Rebecca Ray, Dan Beeton, Rozina Ali, and Kathryn Bogel for helpful comments and suggestions.

Executive Summary

The International Monetary Fund's projections for Gross Domestic Product (GDP) growth in Argentina since 1999, and in Venezuela since 2003, contain a pattern of large errors that raises serious questions about the objectivity of these estimates. In Argentina, the IMF overestimated GDP growth for 2000, 2001, and 2002 by 2.3, 8.1, and 13.5 percentage points respectively. (See Table 1.) These were projections published in the IMF's September World Economic Outlook (WEO) of each preceding year; other IMF projections for Argentina during this period were also off target, in the same direction.

The direction of International Monetary Fund (IMF) forecasting errors was reversed after Argentina's default on its public debt at the end of 2001, and the subsequent collapse of its currency. Then the IMF began underestimating the strength of Argentina's economic recovery. As shown in Table 1, the WEO estimates for the four years 2003 through 2006 came in low by 7.8, 5.0, 5.2, and 4.3 percentage points respectively.

The overestimates occurred when Argentina was stuck in a severe recession that the Fund seems to have misunderstood. This paper looks at some of the IMF's public statements and documents to shed some light on a possible relationship between the Fund's analysis and objectives, and these forecasting errors. For example, the IMF's Independent Evaluation Office later noted that decisions by the IMF to provide loans in May and then September 2001, despite "increasing recognition that Argentina had an unsustainable debt profile, an unsustainable exchange rate peg, or both" were made "on the basis of largely non-economic considerations and in hopes of seeing a turnaround in market confidence and buying time."[1]

The IMF's underestimates for Argentina occurred at a time during which the Fund was in conflict with the Argentine government over a set of economic policies that, contrary to the Fund's public assessments, ultimately proved very successful. In December 2002, with the economy eight months into an economic recovery, the IMF staff wrote that "[f]inalizing an economic program that could be supported by the international community is an essential first step to putting Argentina on a path to recovery."[2] Even later, in April 2003, the IMF's Director of Research called Argentina's growth "a hiatus at the moment from its long economic fall."[3] Argentina has now completed a five year economic expansion with the fastest growth in the Western Hemisphere, with real GDP (adjusted for inflation) growth of 47 percent.

The IMF has also produced large and persistent underestimates of Venezuela's economic growth for the last three years, and very possibly the current year. As shown in Table 2, the IMF projections for the years 2004, 2005, and 2006 underestimated GDP growth by 10.6, 6.8, and 5.8 percentage points respectively. (The overestimates for the two previous years were not the fault of the IMF as they resulted from an unforeseen oil strike that devastated the Venezuelan economy).

Venezuela has not had a loan agreement with the IMF since its last Standby Arrangement expired in July of 1997, so there is no paper trail, as in the case of Argentina, to indicate how political

[1] IMF 2004:5.
[2] IMF 2002b: 30.
[3] Rogoff 2003.

considerations or faulty economic analysis might have influenced the IMF's projections for Venezuela. However, the IMF immediately responded within 24 hours to the military coup of April 2002, which overthrew the democratically elected government of President Hugo Chávez, by offering to support the coup government. "[W]e stand ready to assist the new administration in whatever manner they find suitable," announced IMF spokesperson Thomas Dawson on April 12, 2002, the day after the coup.[4] This is a highly unusual and rapid response for a major international financial institution to the overthrow of a democratically elected government, and is in itself an event worthy of further investigation. It raises the question of whether the IMF's errors in projecting Venezuela's subsequent economic growth were also related to political considerations.

The IMF's economic projections, including those in its Spring and Fall World Economic Outlook, are widely disseminated and used throughout the world. There are generally taken to be based on sound methodology and economic analysis, and free from political influence. The forecast errors described in this paper raise serious questions as to whether this is always the case.

[4] Dawson 2002b.

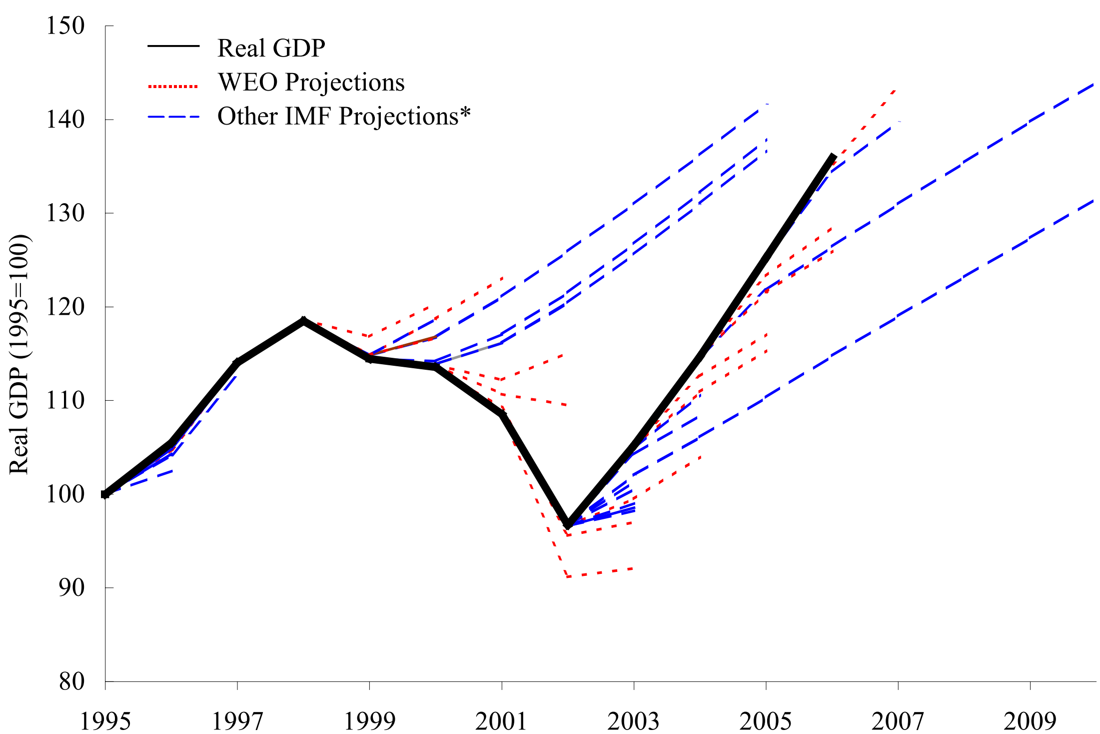
Introduction

Economic forecasting is a difficult business, and becomes even more difficult when the economy is at a turning point such as the beginning of a recession or recovery. But some projections are so far off the mark and so consistently incorrect in the same direction that they raise concerns as to whether something is seriously wrong with the forecaster's methodology. This has been the case for the International Monetary Fund (IMF) projections for Argentina and Venezuela. We will look first at the case of Argentina, where IMF programs and policy advice have generated more controversy than almost anywhere in the world. For this case, we also provide a narrative summary of the IMF's public statements, to explore possible reasons why these forecasts have turned out the way that they did.

IMF Projections for Argentina

Figure 1 shows Argentina's actual growth path of real GDP (Gross Domestic Product, adjusted for inflation) as compared with the IMF's projections. The black line is an index of Argentina's GDP, with 1995 set at 100. The red (dotted) lines are the IMF's projections from its twice-annual World Economic Outlook (WEO). The blue (dashed) lines are other IMF projections, including staff reports for Article IV consultations and reviews for other IMF agreements, such as standby arrangements (SBA).

FIGURE 1
ARGENTINA: REAL GDP AND IMF PROJECTIONS



*Staff reports for Article IV consultations, stand-by arrangements and SBA reviews
Sources: Authors' calculations, IMF 1999-2005, INDEC 2007.

As can be seen from the graph, projections went seriously awry during the recession, which began in mid-1998, and led to Argentina's economic collapse. This can be seen by the location of the red and blue lines far above the black line representing real GDP. Even more striking is the change in direction of the IMF's forecasting errors: after the default and devaluation, the IMF consistently underestimated the strength of the economy. After 2001, the red and blue lines fall far below the line representing actual GDP.

Table 1 shows the numbers for the projections published in the IMF's Fall World Economic Outlook, as compared to the actual outcomes. In September of 1999, the IMF projected growth of 1.5 percent of GDP for the following year; actual growth was negative 0.8 percent, for an error of 2.3 percentage points. In 2000, the IMF projected growth of 3.7 percent for the next year, which came in at negative 4.4 percent. And in 2001, the Fund projected 2.6 percent growth for 2002, whereas the economy shrank by 10.9 percent. The IMF projections underestimate their target by 8.1 and 13.5 percentage points in 2001 and 2002, respectively. These are huge forecast errors.

TABLE 1
IMF PROJECTED GDP GROWTH FOR ARGENTINA AND ACTUAL GROWTH

Year of Fall WEO	Projected Growth for Following Year	Actual Growth in Following Year	Error in Forecast (Percentage Points)
1999	1.5	-0.8	+2.3
2000	3.7	-4.4	+8.1
2001	2.6	-10.9	+13.5
Default and Devaluation			
2002	1.0	8.8	-7.8
2003	4.0	9.0	-5.0
2004	4.0	9.2	-5.2
2005	4.2	8.5	-4.3

Sources: Authors' calculations, IMF 1999-2005, INDEC 2007.

At the end of 2001, the government of Argentina defaulted on $100 billion of public debt, the largest sovereign debt default in history, and the currency – which had been pegged to the dollar – collapsed soon thereafter. The IMF then began to err in the other direction. As can be seen in the bottom half of Table 1, the Fund's projections were consistently low by 7.8, 5.0, 5.2, and 4.3 percentage points for the four years 2002-2005. These are also huge and remarkably consistent forecast errors. These repeated underestimates of Argentina's growth, as well as the ones for Venezuela (below), depart from the historical bias of IMF growth projections, which have tended toward overestimation.[5]

Why were the IMF's forecasts so consistently wrong for Argentina for such a long period of time, and in two different directions separated by the default and devaluation? As the following pages document, the IMF had a very different attitude toward the government of Argentina and its economic policies before the default as compared to after it. There is also evidence that the IMF misunderstood the nature and causes of Argentina's 1998-2002 depression, as well as some of the policies that would be necessary to allow the country to extract itself from the crisis – including

[5] See, e.g. IMF 2001c: 37, IMF 2006: 24-26, and Baker and Rosnick 2003.

some of the policies that ultimately produced the country's last five years of extraordinary growth.[6] In what follows we examine some of this evidence from the IMF's public statements and reports.

Argentina's Depression: Recovery Always Just Around the Corner

The Argentine recession began in mid-1998. From 1999 through 2001, the IMF consistently overestimated economic growth in Argentina. At the time, the country was held in very high regard by the Fund. From 1991 to 1998, Argentina had, with the help of the IMF, managed a lengthy and extensive program of economic restructuring. And the country had grown an average of six percent per year—a welcome change for a country that had seen negative growth in six of the preceding ten years. In October of 1997, the Fund reported, "Argentina and Mexico have continued to recover following the 1995 crisis, and growth is expected to remain fairly strong during the period ahead."[7] By 1998, the IMF projected Argentina to achieve a balanced budget by 2000, despite the country's large transition costs that resulted from privatizing its Social Security program.[8] Argentina had pegged the peso to the U.S. dollar, which severely constrained central bank policy. Still, the IMF was largely unconcerned. There was always more to be done, but the Fund stated that Argentina had made arrangements "providing for an adequate cushion of liquidity that could compensate for the limited role of the central bank" and projected "substantial gains in productivity."[9] The peg – or convertibility system, as it was called — also caused the peso to become overvalued, hurting domestic industry, exports, and the trade balance. This led to a vicious cycle: increasing current account deficits undermined confidence in the fixed exchange rates, which pushed up interest rates for Argentina borrowing and also forced the country to borrow more to maintain the peg. In turn, the increased borrowing further undermined confidence.[10]

Not everyone shared the IMF's optimistic view. Moody's Investment Service downgraded Argentina's bond rating in 1998, which the IMF took as an external, not internal problem. IMF Managing Director Michel Camdessus expressed his certainty "that the recent decisions with respect to credit ratings for these countries will be promptly reversed.' Mulling over the possibility of a Russian convertibility system like that of Argentina, he stated, "The sooner, the better."[11]

In late September 1998, Claudio Loser, Director of the IMF's Western Hemisphere Department, reported on behalf of the IMF Executive Board, "The review found that all applicable quantitative performance criteria were met by Argentina and that substantial progress has been made in the implementation of the structural reforms included in the program, which remains in full force."[12]

At this time, Argentina was already in recession and the economy would shrink by more than ten percent over the next three years before the country defaulted on its debt and devalued the peso. The Fund's World Economic Outlooks in 1999 and 2000 projected recovery in each successive year, if not sooner. In September of 2000, the Fund prepared a Staff Report on Argentina. The Staff Report projected 1.7 percent growth in 2000, rising to 4.0 percent by 2002. The next review, four

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[6] See, e.g. Frenkel and Rapetti 2007, Cibils, Weisbrot, and Kar 2002, and CEPR 2005.
[7] IMF 1997: 13.
[8] Baker and Weisbrot 2002.
[9] IMF 1998a.
[10] Frenkel and Rapetti 2007.
[11] Camdessus 1998.
[12] IMF 1998b.

months later, was even more bullish. The IMF projected 2.5 percent growth in 2001, rising to 4.3 percent by 2003.

The Argentine authorities were committed to fiscal tightening, including "a freeze on nominal primary spending at all levels of government, and by deepening the proposed reform of the social security system" and the Fund staff expressed satisfaction. According to their report in the *Second Review* the staff insisted, "this strategy is appropriate, and deserves the increased financial support of the international community." Yet the risks seemed clear to staff:

> In this respect, it is regrettable that the budget suffered some potentially costly modifications during its parliamentary debate, which necessitated the use of presidential vetoes to minimize the damage. It is also regrettable that little progress was made during the last session of congress in approving the proposed reform of the social security again necessitating for its enactment a presidential decree which is still vulnerable to judicial or congressional challenges in the months ahead.[13]

On the basis of the optimistic projections for economic growth, the Fund pushed for deeper reforms including more fiscal tightening, privatization, and deregulation aimed at restoring market confidence. In January of 2001, First Deputy Managing Director Stanley Fischer stated, "Market reactions to the program and recent external developments have been positive: spreads on Argentine bonds and domestic interest rates have declined significantly in recent weeks and the stock market has rebounded strongly. These developments bode well for a recovery of confidence and economic activity in the period ahead."[14]

But where Argentina had been for years a model reformer for the IMF, the Fund now showed signs of frustration. In the context of the "dramatic situation in Argentina" Stanley Fischer articulated his interpretation of the Fund's purpose saying, "Finally, let me make clear that the IMF stands ready to do its job, in helping any member country ***willing to adopt the right policies.***"[15]

IMF Managing Director Horst Köhler, who took office in February 2000, stated that Argentina was adopting the right policies. Dismissing as hypothetical a question about possible default, Kohler added:

> But it gives me the opportunity clearly to say that I do think it is right to stick to the convertibility law and the currency board, and I do see no reason why there should not be the assumption and the assessment, the judgment that there is a way out to growth, based on this framework.[16]

In September of 2001, Director of External Relations Thomas Dawson wrote in the *Los Angeles Times* that with its lending, the IMF was helping, rather than hurting Argentina. "It is [Mr. Weisbrot's] prescription of default and devaluation that would see Argentina digging itself deeper. Yes, there are risks in the new program, but Argentina's recipe for reform is the right one, well

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[13] IMF 2001a: 28.
[14] IMF 2001b.
[15] Fischer 2001 (emphasis added).
[16] Köhler 2001.

deserving of international support."[17] Dawson was responding to an op-ed in the *Los Angeles Times* by Mark Weisbrot arguing that the IMF was simply helping Argentina "dig a deeper hole" with its latest $8 billion loan, and that the inevitable currency devaluation and debt restructuring would be better done sooner rather than later.[18]

In 2004, the IMF's Independent Evaluation Office (IEO) would report on the *Second Review* declaring that the "[p]rogram design was highly optimistic" based in large part on overly optimistic assumptions and inconsistent program projections. The IEO even pointed to a lack of "serious analysis of exchange rate sustainability." Subsequent decisions by the IMF to provide further loans in May and then September 2001, despite "increasing recognition that Argentina had an unsustainable debt profile, an unsustainable exchange rate peg, or both" were made "on the basis of largely noneconomic considerations and in hopes of seeing a turnaround in market confidence and buying time."[19]

The Fund had literally played a game of confidence, apparently believing that optimism on the part of the IMF would lead to optimism in financial markets for Argentina's debt.

Not until October of 2001 did the Fund project that Argentina would continue to shrink that year. Only after Argentina finally defaulted in December of 2001 did the IMF project that recovery was not forthcoming, estimating 2.6 percent growth in 2002 as late as October of 2001. (Actual GDP growth in 2002 would be negative 10.9 percent.)

The Final Slide: Argentina's Default

October 2001 saw the end of the game. The government announced a debt restructuring, "arguing that it was the only path left to restore fiscal solvency and revive economic growth. One week after the announcement… *Standard and Poor's* had placed Argentine debt in its 'selective default' category."[20]

The IMF and Argentina failed to complete their review in December. An interim WEO report showed the IMF had finally given up on predicting near-term growth, and the government officially defaulted and abandoned its exchange rate policy. As the IMF's IEO later noted, "In those circumstances, the IMF was unable to provide much help and largely stood by as the crisis unraveled."[21]

In January, Stanley Fischer's replacement, Anne Krueger, wrote in *El Pais,* "Defaults are always painful, for debtors and creditors alike. And so they should be. Countries — just like companies and individuals — should honor their debts ***and suffer when they fail to do so.***"[22]

What is clear is that the IMF did not approve of Argentina's actions. Dawson expressly linked the lack of financial assistance to specific policy actions on the part of the Argentine government.

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17 Dawson 2001.
18 See Weisbrot 2001.
19 IMF 2004: 5.
20 IMF 2001c: 55.
21 Ibid.
22 Krueger 2001 (emphasis added).

> Before lending resumes, it is expected that Argentina will move to establish an internationally recognized insolvency regime and deal with the economic subversion law, which allows for arbitrary official actions against business. The authorities also must address the provincial governments' spending and issuance of alternate "currencies." To date, these and other necessary reforms have not been put in place, and so… no financial assistance has been offered.[23]

"The Fund is also concerned about the rule of law in Argentina," Dawson wrote. However, the very next day, the democratically elected President Hugo Chávez of Venezuela was overthrown in a military coup. On April 12, the day after the coup, Dawson noted that the IMF was already in Caracas to conduct an annual review. "And we hope that these discussions could continue with the new administration, and we stand ready to assist the new administration in whatever manner they find suitable."[24] Chávez was returned to power a day later, after most Latin American governments refused to recognize the dictatorship, and after massive street protests by Venezuelans.

By April, the Fund recognized that 2002 was not going to be so pretty for Argentina. The IMF forecasted that Argentina's economy would shrink 10-15 percent in the year, with an extremely modest recovery of 0-3 percent in 2003.[25] Having finally made an accurate prediction regarding Argentina's decline, the IMF showed no inkling the country was about to begin a robust and sustained recovery, averaging about 8.9 percent growth annually for at least the next four years.

The September 2002 WEO offered an even more pessimistic projection. Two quarters into the recovery, the Fund revised its projections downward. As the Fund estimated growth at negative 16 percent for 2002 and a sluggish 1 percent recovery in 2003, Anne Krueger offered, "I hope soon, the Argentine body politic, including the politicians and the people, are going to recognize that they have got to somehow get together and get their act together on a program that will permit them to resume economic growth."[26] But the recovery had already begun five months earlier.

"Finalizing an economic program that could be supported by the international community is an essential first step to putting Argentina on a path to recovery" concluded the IMF staff in December 2002, eight months into the recovery.[27] IMF Director of Research Ken Rogoff called Argentina's growth, "a hiatus at the moment from its long economic fall."[28]

> For Argentina to grow strongly in the future, regardless of how these negotiations play out, really depends on undertaking the kinds of structural reforms that many people, but certainly us, have talked about for a long time, and these include having more flexible labor markets, rebuilding the banking system, giving both domestic and foreign investors confidence in the rule of law, political reform to address questions such as state-federal relations in order to be

[23] Dawson 2002a.
[24] Dawson 2002b.
[25] IMF 2002a: 31.
[26] Köhler et al. 2002.
[27] IMF 2002b: 30.
[28] Rogoff 2003.

> able to have a more rational budgeting process. These are a broad set of issues that one has to look at in assessing the Argentine situation.[29]

In the view of the IMF staff, over the previous year "progress on structural reforms was limited, and there were policy reversals and setbacks."[30] The Fund projected 5.5 percent growth for 2003, and revised down its projection for long-term "robust" growth to 4.0 percent from 4.3 percent and declining to 3.3 percent by 2010. Had this forecast been accurate, the Argentine economy would have been 32 percent larger in 2010 than it had been in 1995. In fact, the economy was already 36 percent larger in 2006, growing an average of 8.9 percent per year.

The next month, an IMF review of the crisis conceded problems in its forecasting, saying:

> [W]ith hindsight, the Fund — like most other observers — erred in its assessment of the Argentine economy by overestimating its growth potential and underestimating its vulnerabilities… the time frame for restoring a fiscal surplus was repeatedly pushed out into the medium term on the basis of what turned out to be overly optimistic growth assumptions.[31]

Said Flemming Larsen, IMF Director of Offices in Europe:

> [T]he IMF should have insisted on the conclusion we reached by 1998 that the fixed exchange rate regime was unsustainable… Those concerns were expressed repeatedly but the authorities refused to consider an exit from the currency board arrangement until the change was forced by the markets.[32]

In other words, IMF officials were aware by 1998 that the convertibility system — including the peso's one-to-one peg to the U.S. dollar — was unsustainable. Yet the Fund continued to act as if this were not true. This was a serious error on the part of both the Fund and the Argentine authorities, because the country might have been saved from much of the ensuing depression – with unemployment and poverty skyrocketing — with a devaluation at that time.

By the spring of 2004, the Fund's outlook on Argentina had not much changed. Statements by Acting Managing Director Anne Krueger and Director of Research Raghuram Rajan downplayed the rapid growth. "What we are seeing so far is part of the recovery to pre-crisis levels," said Krueger.[33] Rajan added, "some of that will also dissipate."[34]

In May of 2005, the IMF revised downward its medium-term projections for Argentina, citing a lack of progress in structural reforms and the threat of high inflation as a result of reaching "capacity constraints."[35] From 4.0 percent in 2006 leveling off to 3.3 percent in 2010, the Fund then projected 3.6 percent growth in 2006 decelerating to only 3.0 percent in 2010. Actual growth in 2006 would be 8.5 percent, more than double the IMF estimate.

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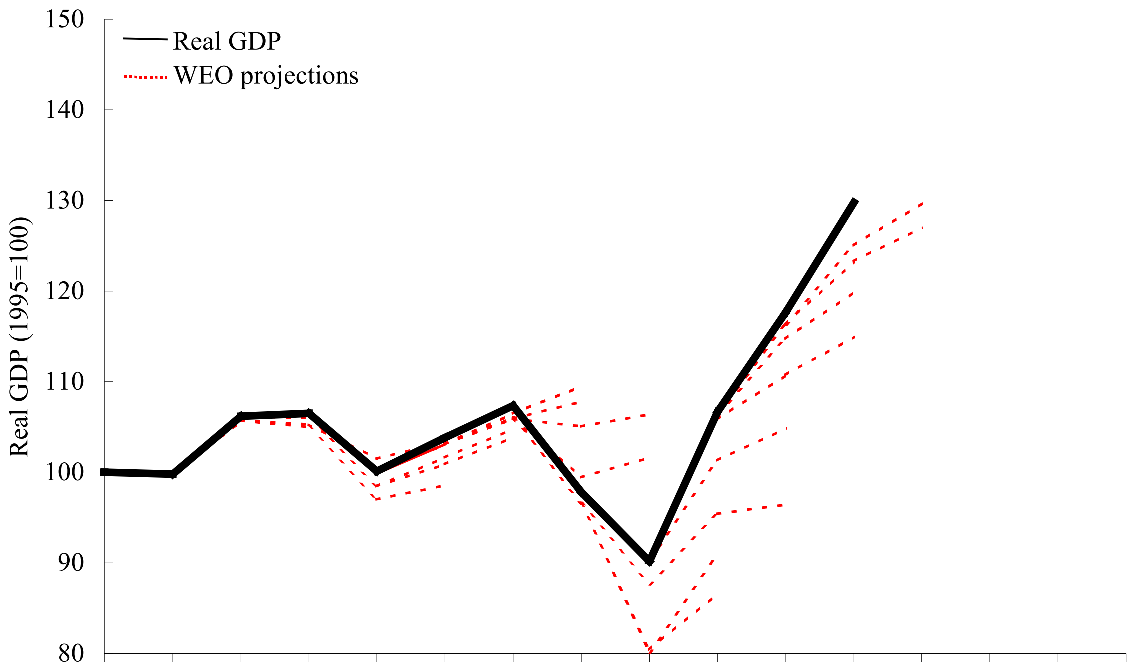
[29] Hacche et al. 2003.
[30] IMF 2003b: 6.
[31] IMF 2003b: 63.
[32] Larsen 2003.
[33] Krueger 2004.
[34] Hacche et al. 2004.
[35] IMF 2005: 15.

IMF Projections for Venezuela

The IMF's forecasts for Venezuela's growth are also strikingly off target. These are shown in Figure 2 and Table 2, as compared with actual GDP growth. Figure 2 has the same format as Figure 1, with the red (dotted) lines representing IMF projections, and the black line real GDP. Table 2 shows the IMF's projections from the September World Economic Outlook, forecasting for the following year. As can be seen from Table 2, the IMF in September 2001 overestimated growth in 2002 by 11.7 percentage points. However, the IMF cannot be blamed for this overestimate, since they could not be expected to predict the opposition-led oil strike that began in December of 2002. This strike, which was aimed at toppling the government, devastated the Venezuelan economy. For the same reason, the Fund's 10 percentage point overestimate for 2003 (made in fall 2002), cannot be faulted, since the strike had still not begun.

FIGURE 2
VENEZUELA: REAL GDP AND IMF PROJECTIONS



Sources: Authors' calculations, IMF 1999-2005.

TABLE 2
IMF PROJECTED GDP GROWTH FOR VENEZUELA AND ACTUAL GROWTH

Year of Fall WEO	Projected Growth for Following Year	Actual Growth in Following Year	Error in Forecast (Percentage Points)
1999	1.6	3.7	-2.1
2000	3.0	3.4	-0.4
2001	2.8	-8.9	+11.7
2002	2.2	-7.8	+10.0
2003	7.7	18.3	-10.6
2004	3.5	10.3	-6.8
2005	4.5	10.3	-5.8
2006	3.7	—	—

Source: IMF 1999-2005 and authors' calculations

But the pattern of forecasts from 2003 forward is not so easily dismissed. By fall of 2003, the oil strike had been over since February. In fall 2003, the IMF forecasted 7.7 percent growth for 2004; actual growth was 18.3 percent. Interestingly, the IMF's earlier projection for 2004, made in April, was much closer to the mark at 14.3 percent. In April of 2004, IMF Acting Managing Director Anne Krueger gave some explanation of their forecasts for that year and beyond: "So, this year's very high growth rate has bounced back from that very bad part of last year, which is why we are not calling for that much more growth next year," adding that "political unrest… has economic consequences in that when investors are uncertain and when people don't know where the government is going to go in terms of its regulations, that does serve as a deterrent to economic activity."[36]

The IMF has continued to lowball Venezuela's economic growth ever since 2003. In the fall of 2004 it projected 3.5 percent growth in 2005, which came in at 10.3 percent in 2005, for a 6.8 percentage point underestimate. For 2006, the IMF's fall 2005 estimate was 4.5 percent, while growth was again 10.3 percent – an underestimate of 5.8 percentage points.

For 2007, the IMF once again projects a sharp slowdown of GDP growth, to 3.7 percent growth. So far, there are no indications that a deceleration of this magnitude is in the making. Barring unforeseen developments such as a collapse in the price of oil or other unpredictable external shocks, it seems like the Fund's estimate for 2007 will also be significantly off on the low side.

Venezuela has not had a loan agreement with the IMF since its last Standby Arrangement expired in July of 1997, so we do not have the paper trail, as in the case of Argentina, to indicate how political considerations or flawed economic analysis might have influenced the IMF's projections for Venezuela. However, as noted above, the IMF immediately responded to the military coup of April 2002, which overthrew the democratically elected government of President Hugo Chávez, by offering to support the coup government. This is a highly unusual and rapid response for a major international financial institution to the overthrow of a democratically elected government, and may be taken as strong evidence of IMF hostility to the government of Venezuela. It raises the question, as in the case of the Fund's over-estimation and then under-estimation of Argentina's growth, of whether the IMF's projections are influenced by political considerations.

[36] Krueger and Dawson 2004.

Conclusion

The IMF's large and repeated errors in projecting GDP growth in Argentina since 1999 strongly suggest that these errors were politically driven. The large overestimates occurred during the country's 1998-2002 depression, when the IMF was lending billions of dollars to support policies that ultimately ended in an economic collapse. Similarly, the underestimates took place at a time when the IMF had an increasingly antagonistic relationship with the Argentine government, and opposed a number of its economic policies. It is worth noting that despite the IMF's pessimism about Argentina's recovery from the beginning, Argentina has now completed a five year economic expansion with the fastest growth in the Western Hemisphere, with real GDP (adjusted for inflation) growth of 47 percent.

As this paper shows, the IMF's public documents and statements regarding Argentina lend support to the idea that its errors were related to political considerations. The repeated underestimates of Venezuela's GDP growth raise further questions in this regard.

The IMF's economic projections, including those in its Spring and Fall World Economic Outlook, are widely disseminated and used throughout the world. There are generally taken to be based on sound methodology and economic analysis, and free from political influence. The forecast errors described in this paper raise serious questions as to whether this is always the case.

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