Argentine exports rose by $100 million, or by some 10 percent, between 1958 and 1960, while imports declined in spite of the increase in domestic investment.

A similar stabilization assistance program was undertaken in Chile following the election of President Allessandri in November 1958. Again as a consequence of an agreement with the IMF, a free unitary rate was established, budgetary expenditures were drastically limited, credit curtailed, price controls eliminated along with a freeing of many imports from quota and licensing controls, and wages held down. After more than a generation of high and continuous inflation, reasonable stability was at last achieved, and in 1960 the cost of living rose by only 5.4 percent. In 1959 similar stabilization programs were also undertaken by Peru and Uruguay with assistance from the IMF and the U.S. Government. In both cases the countries have lived up to their agreements with the IMF, and in both countries the stabilization programs have succeeded in halting the inflation and improving the balance of payments.

When Janio Quadros became President of Brazil early in 1961, he inherited a financial condition similar in many respects to that found by President Frondizi in 1958. Not only had the cost of living been rising at rates of 30 to 50 percent per year, but Brazil had accumulated a very heavy burden of short-term indebtedness. As in the case of Argentina, Brazil's inflation was generated in very large measure by substantial governmental deficits financed through the central bank. Following negotiations with the IMF, Brazil obtained financial assistance from the U.S. Government, international institutions, and other sources totaling well over a billion dollars, most of which will be employed to repay or reschedule past debts rather than for increasing imports for promoting development. Thus the Export-Import Bank rescheduled payments amounting to over $300 million owed to the Bank by Brazil and provided $168 million in new funds. The U.S. exchange stabilization fund agreed to provide up to $70 million, the IMF agreed to a standby credit of $160 million and arranged for a rescheduling of payments totaling $140 million owed to the fund under previous drawings. Another $100 million is to be made available to Brazil by the U.S. Government under the new AID program. Finally, Brazil was able to renegotiate some $300 million in medium-term indebtedness owed to European creditors. Under the arrangement with the IMF, which was tied to the package assistance from the U.S. Government, Brazil agreed to a number of financial reforms necessary for the internal and external stability of her currency.

Evaluation of stabilization assistance.—Stabilization assistance in the form of balance of payments or general purpose loans, most of which go directly or indirectly for refinancing old indebtedness, is one of the most speculative and controversial forms of assistance to developing countries. One approach might be to tell countries to renegotiate their indebtedness to various foreign private and governmental creditors and put their financial houses in order without any special assistance from the United States. In some cases this would serve to make exporters less willing to extend short- and medium-term credits to developing countries. This might be highly salutary in helping the countries keep out of financial difficulties. Moreover, there is always the danger that solemn agreements to undertake financial reforms will be repudiated by the government negotiating