New Evidence on the Wealth Transfer During the Argentine Crisis

James Lam
Illinois Wesleyan University

Elisabeta Pana, Faculty Advisor
Illinois Wesleyan University

Follow this and additional works at: http://digitalcommons.iwu.edu/jwprc

Part of the Business Commons

Lam, James and Pana, Faculty Advisor, Elisabeta, "New Evidence on the Wealth Transfer During the Argentine Crisis" (2011). John Wesley Powell Student Research Conference. 2.
http://digitalcommons.iwu.edu/jwprc/2011/oralpres3/2
NEW EVIDENCE ON THE WEALTH TRANSFER DURING THE ARGENTINE CRISIS

James Lam and Elisabeta Pana*
Business Administration Department, Illinois Wesleyan University

In this study, we investigate the wealth preservation hypothesis during the Argentine crisis and revisit the theory of wealth transfer from Argentina to the United States. We show that the boom experienced by the Argentine stock market is explained by both the wealth preservation through top non-ADR stocks and by the wealth transfer through ADR stocks. Argentine investors without access to trading abroad preserved wealth by converting their bank deposits into the most liquid ADR and non-ADR stocks. An investment in a portfolio of less liquid ADRs resulted in a wealth loss, unless used as a vehicle to transfer funds abroad.