

# Ten Years of Economic Recovery in Argentina (2003–2013): An assessment of ‘Neo-developmentalism’

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## Abstract

This work aims to evaluate Argentina’s macroeconomic behaviour between 2003 and 2013. The article begins with a discussion and description of the main policies adopted by the government in the period. The second section contains an empirical evaluation of the overall economic behaviour of the economy during the 2003–2013 period, including inflation. The third section contains an interpretation of the recent Argentinian experience of economic growth and high inflation rates.

## Keywords

Argentina, neo-developmentalism, economic policies in Argentina, history of Latin America

## Introduction

Since 2003, economic policies in Argentina have been innovative, when compared to those of previous years or to those applied in the

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Eurozone today. During this decade, the power of the state was strengthened by interventionist policies, contrary to the prior decade of 'market friendly' and so-called 'neoliberal' reforms. The officially reported overall economic performance during the period in question was satisfactory, reaching an average gross domestic product (GDP) rate of 6.7 per cent in 2005–2012. To the government, the 2000s was 'La Década Ganada' (the won decade). To the critics, the above data are simply false, growth being inferior to the officially reported, while inflation rates increased and political instability persisted.

This article offers an empirical assessment of this recent Argentinian experience of economic growth, based on an historical and economic evaluation of the overall macroeconomic performance, beyond inflation and growth rates. It first describes succinctly the economic policies of Argentina between 2003 and 2013. The work then evaluates the macroeconomic behaviour of the economy, analyzing investments, exports and changes in other economic parameters. At the end, it offers some brief remarks on the Argentinian macroeconomic experience of more than years of economic growth and interventionist policies.

This period is chosen because it comprehends the greater part of the administrations of Néstor Kirchner's (2003–2007) and Cristina Fernandez de Kirchner (2008–2016). The macroeconomic data utilized is officially reported, but the work avoids the problems of quantification of growth or inflation rates, focusing on the other macroeconomic variables not suspected of being modified. It is believed that an empirical approach to the overall performance of Argentina can make a contribution to the recent debates concerning the current economic scenario.

## **Macroeconomic Environment and Main Economic Policies**

Argentina constitutes today an interesting case of development policy. There were significant changes in politics and economic policies since the 2001 crisis towards a more interventionist state. The economic and social situation improved in 2003, when Néstor Kirchner became president, with a gradual reduction of poverty levels and a decline of unemployment rates. Subsequently, the Cristina Kirchner administration put in place a new policy of import substitution, raised taxes on primary good exports and permitted a *de facto* multiple exchange-rate regime. But this recovery of economic growth was not free of difficulties. Inflation

rates rose fast, foreign investment and international reserves stagnated and consumption left investments behind. There were also accusations of falsifying economic data by the government. The Left-wing parties accused Cristina Kirchner, as president, of abandoning the support of grassroots movements and permitting an increase of business influence. These facts engendered new political conflicts.

The 2000s in Argentina have been regarded by some economists as years of economic recovery and success of economic policies. There is a widespread opinion that previous patterns of liberalization and privatization (at least since the 1976 coup d'état) were responsible for the great economic crisis of 2001. Aldo Ferrer, a well-known Keynesian–Structuralist economist, affirmed that ‘since the appointment of Roberto Lavagna as Minister of the Economy in April 2002, economic policy took advantage of the change in circumstances to recuperate the command over the macroeconomy and initiate the recovery of production and employment’ (Ferrer, 2010: 458, *our translation*). To this author, this change was extremely important in the face of the difficulties imposed by globalization. Mario Rapoport, a respectable political economist, observed:

not only was it necessary to re-establish democratic stability, as occurred since 1983, but also to change the predominant economic schemes that ended up taking Argentina to a profound crisis in the beginning of the new century. This was done, with successes and errors, making possible the recovery of the country and in the midst of a world crisis [2008]. (Rapoport, 2013, p. 58, *our translation*)

Eduardo Curia, another Keynesian economist, considers that the period concerning the first administration of Néstor Kirchner can be called ‘neo-developmental’ (*neodesarrollista*). This neo-developmentalism would be ‘a strategy entirely successful, affirmed by a stage of sustained accelerated growth, endowed with a decisive bias towards employment, pointing to industrial transformation and productive diversification, with high industrial success’ (Curia, 2011, p. 228, *our translation*). According to Curia, the main component of the Argentinian version of neo-developmentalism was the more competitive exchange rate of the peso and the current account surplus, which led to an increase of domestic production and employment.

According to Eduardo Basualdo, a Marxist economic historian, ‘the policies implemented by the first *Kirshnerista* government ... consider that the central political confrontation is with external creditors and

international organizations like the IMF' (2011, p. 144, *our translation*). To Basualdo, the first administrations of Néstor and then Cristina Kirchner intended to reconstruct a domestic capitalism based on a national bourgeoisie with support of popular movements, strengthened by the 2001 crisis. On the grounds of industrial stimuli and popular support, the first Kirchner administrations aimed to build a 'serious capitalism'. In some sense, these administrations could be defined as an up-to-date Peronism, a new kind of 'hegemonic' government, in the Gramscian sense. Thus, 'the principal way to recompose the participation of wage earners in income around the critical moment of the crisis was the accentuated reduction of unemployment and subemployment' (2011, p. 145, *our translation*), which would benefit both domestic Argentinian enterprises and national workers. In turn, the 2008 economic crisis and the process of political re-articulation of domestic business would have led to a second and much more restrained administration of Cristina Kirchner (from 2011 onwards).

On the other side of economic opinion, the International Monetary Fund (IMF) regarded the Kirchner administration as too interventionist. To the IMF, 'widespread' import and exchange controls affected business confidence and investment (IMF, 2013, p. 57). The IMF judged that, in 2013, growth in Argentina had recovered from the 2008 crisis 'due to a strong harvest, but [that] activity continues to be constrained by foreign exchange and other administrative controls' (*ibid.*, 66). When mentioning Argentina, the IMF Economic Outlook report (*ibid.*, 8) observed:

[t]he data for Argentina are officially reported data. The IMF has, however, issued a declaration of censure and called on Argentina to adopt remedial measures to address the quality of the official GDP and CPI-GBA [Consumer Prices Indexes–Grande Buenos Aires] data. Alternative data sources have shown significantly lower real growth than the official data since 2008 and considerably higher inflation rates than the official data since 2007. In this context, the IMF is also using alternative estimates of GDP growth and CPI inflation for the surveillance of macroeconomic developments in Argentina.

This point of view was summarized by Molano (2014) in the *Financial Times*:

[t]he government has antagonised international financial institutions by stubbornly refusing to settle with the holdout creditors who refused to participate in the restructuring of its external debt. It has alienated the multilateral lending community by manipulating official macroeconomic statistics to the point of making many of them completely irrelevant. It estranged the US and

Europe by nationalising foreign companies and rubbing elbows with radicalised countries, such as Venezuela and Iran. Argentina is now discovering that such arrogance has a price.

The following is a summary of the main economic policies adopted in Argentina since 2003.

Since the election of Néstor Kirchner and the *Frente para la Victoria* electoral alliance in 2003, there was an intense reconfiguration of the domestic political scenario, with measures to strengthen the state, domestic business and workers, in a new kind of 'Peronist' alliance between business, popular movements and public servants.<sup>1</sup> It also created political opposition among these very groups of Argentinian society and among foreign investors. But the intensity of 2001 crisis explains the general rejection of neoliberal policies.

The Néstor Kirchner administration (2003–2007) economic policies began with an agreement to reschedule approximately USD 80 billion of debt with international organizations, leading to the devaluation of two-thirds of nominal debt. This led to a reactivation of domestic production, because of the better fiscal situation. The peso was devaluated along the decade, putting an end to the one-to-one *peso*-dollar 'nominal anchor'. The Central Bank adopted the managed float exchange-rate policy, without clear upper and lower bounds. There also were no clear upper and lower bounds to inflation rates. The US dollar reached the real value of 3.17 pesos in 2008, floating in accordance with international trade and foreign investments. The retirement system was nationalized, with an increase of contributions. Minimum wages rose. Versions of quasi-money existing all around the provinces as a result of the lack of confidence in government and in peso were gradually extinguished (Ministerio de Economía de la República Argentina, 2003, p. 2). Exports were increased, as was domestic employment. Despite the rising rates of inflation, the president became popular and his wife, Cristina, was elected as his successor.

In 2008, the new administration intended to introduce a new system of taxation of agricultural exports, given the rising prices of primary exports. The new system would increase taxes when prices rose, but it would benefit the producers with reductions when the international prices dropped (Schincariol, 2013). However, the administration could not introduce the new system and had to confront a lockout by farmers and demonstrations of political opposition in the streets of Buenos Aires. In 2009, the government launched a child benefit plan called *Asignación Universal por Hijo*. By maintaining children in schools, the unemployed

or those gaining less than one minimum wage, would receive the benefit, in general a minimum wage (through a sliding scale). These benefits were then extended to pregnant women in 2011. In this same year, the Central Banks of Brazil and Argentina came to a mutual arrangement to authorize bilateral payments in pesos and reais, in order to save foreign currency, especially US dollars. This was another old 'structuralist' proposal of economic policy implemented by the administration.

In 2010, the administration planned to use foreign reserves (approximately USD 6.7 billion) for high-interest bonds retirement. It faced the opposition of the very president of the Central Bank, Martín Redrado, a right-wing economist appointed by Néstor Kirchner in 2004. This manoeuvre, not interrupted by the government, was condemned by political opposition and a new crisis began, which was related to Redrado's dismissal. By this time, Argentina was completing the debt swap initiated by former president Néstor Kirchner in 2005, without the participation of IMF. Cristina Kirchner warned some countries of the Eurozone that the government should intervene to manage the financial crisis, otherwise these would face the same destiny as that of Argentina in 2001.

In the beginning of the second term of Cristina Kirchner (2012), with the ruling party (*Frente para la Victoria*) controlling both chambers of Congress, the administration initiated a fiscal reform, which included: (a) tax increases; (b) limits to wage growth; and (c) protectionism and new laws on importing activities. Particularly, the latter was the better example of the kind of 'Structuralist' economic policy of the Cristina Kirchner administration. It consisted of imposing on major domestic companies the obligation of exporting the same amount (in values) that they imported. This policy was called 'export in order to import' (*exportar para importar*). These companies would also be prohibited of importing, if variations of final domestic prices exceeded the limits imposed by the Ministry of Interior. The administration had set up a team of public servants to control imports, item by item, restricting the selling of 'unnecessary' goods. This team had no more than 100 members and was led by Guillermo Moreno, Ministry of Interior. This situation obliged enterprises to tighten relations with the government and to delay imports. Despite the complications of these measures, they were seen as necessary in this new version of ad hoc import substitution. The falling surplus on the current account, mainly by fewer exports of primary goods and Asian competition on imports, was a reality, argued Moreno. According to him, much of what Argentina imported could be produced locally and this policy would help to avoid a new round of external indebtedness. In this same year, the Spanish enterprise Repsol was nationalized by the government.

As the 2008 crisis imposed itself on Argentina's exports, the administration also initiated currency controls, through higher taxes on tourist spending abroad, and higher exchange rates for dollar acquisitions. It was another kind of structuralist measure. It led to the growth of parallel market for currencies, with higher rates for dollar, real and euro. A de facto multiple regime of exchange rates came into effect: official, tourism and parallel market. On the contrary, with the level of unemployment still low, the opposition tried to manipulate political scandals involving members of the Kirchner's administration. The opposition, however, did not propose another kind of new economic policy, given the complete lack of public faith in the considered old-fashioned liberalism ('*Menemismo*') and the tolerable performance of the GDP, at least in historical perspective. In the meantime, Cristina Kirchner and other members of the administration criticized the presence of the United Kingdom on the Falklands and increased bilateral relations with Iran.

In 2013, the state-owned *Yacimientos Petrolíferos Federales* (YPF) joined with Chevron (United States) to explore 'shale oil' reserves in the *Vaca Muerta* region (Neuquén Province), which had been discovered in 2011. This was seen either as a solution for a company forced to find other ways to invest than turning to borrowing, as a manoeuvre to calm down private investors. The administration also aimed in many occasions to come to terms with supermarkets and other domestic traders to implement price controls, another 'heterodox' tool of controlling prices. Most of these 'neo-developmental' measures showed how far the Cristina Kirchner administration was from the type of economic policies recommended by the IMF and other international organizations, and also applied by neighbouring countries, such as Brazil.

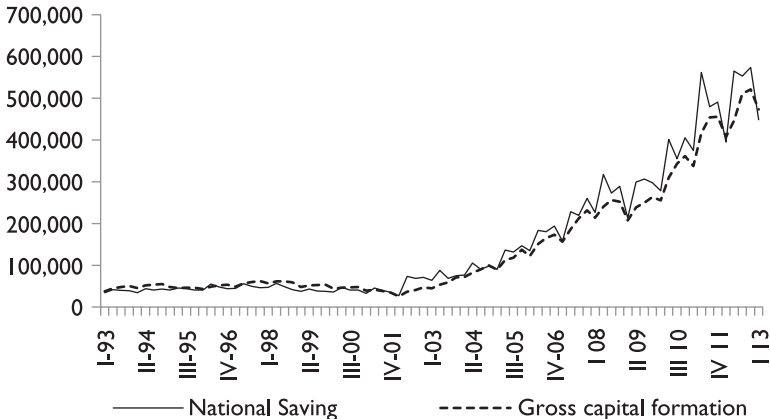
In the next section, the main aspects of the macroeconomic performance of Argentina will be analyzed as one of the possible ways to evaluate the adopted economic policies. It is assumed that the analysis should not focus on officially reported GDP growth and inflation rates. The official data is furnished by the Ministry of Economy of Argentina (*Ministerio de Economía*), the Central Bank of Argentina and by the Economic Commission for Latin America (ECLA).<sup>2</sup> Special attention will be given to the inflationary components of the macroeconomic environment.

## Empirical Evaluation

Between 2001 and 2010, the population growth of Argentina was 11.4 per cent, reaching approximately 40 million, according to the *Instituto*

*Nacional de Estadística y Censos* (National Institute of Statistics and Census, INDEC). Although not a high population growth, it meant an increase of 4 million people in 10 years. During the 2000s, manufacturing recovered in relative added value, from 15 to 16 per cent of GDP, but it never reached the value of 18 per cent which existed in 1993.<sup>3</sup> Agriculture soared, led by soybean exports and also finance, reaching 9 and 5 per cent of GDP, respectively, in 2012, after a rapid rate of recovery after 2003. On the contrary, electricity, water and gas supply, relative to GDP, decreased from two to less than 0.9 per cent between 2001 and 2013. There was a clear gap between the growth of GDP and that of domestic energy supply. Imports of fuel, which accounted for only 2 per cent of the total imports (in value) in 1992, reached 15 per cent in 2013.

The economy recovered macroeconomic equilibrium since 2002 (investments versus savings). After this year, savings became higher than investments and the rise of external indebtedness ended. Figure 1 shows that, between 1993 and 2002, national rates of saving were systematically maintained below the (low) levels of domestic investment. This pattern translated into a process of growth of external indebtedness, which ended in 2001 because of the impossibility to extend it,



**Figure 1.** Gross Capital Formation and National Savings at 1993 Prices, 1993–2013 (millions of pesos)

**Source:** System of National Accounts of Argentina; Ministerio de Economía y Finanzas Públicas, <http://www.mecon.gov.ar/peconomica/basehome/infoeco.html> (accessed 30 October 2015), Section 'Nivel de Actividad', Table 1.9, 'Ingreso nacional, Ahorro nacional y Préstamo neto'.



given the deficits in the current account and the lack of foreign currency. Table 1 shows that the rate of investment relative to GDP also increased since 2002. Gross domestic investments relative to GDP reached 11 per cent in 2002 and 23 per cent in 2012; private consumption reached 69 and 66 per cent in the respective years. Between 2002 and 2011, the rate of investment doubled, reaching 24 per cent. Despite the fact that these may not be very satisfactory values—if compared to China, for example, which was investing almost 40 percent of GDP—they certainly represent a much better situation from the point of view of investments. This rise in investments was higher than those related to private and public consumption. These two variables presented the same pattern during the recovery of the 2000s, and there is no evidence that public consumption got out of the control of the authorities after 2003. Despite the Right-wing critics, the consumption of the national state (all levels) was maintained in the same degree, when compared to (officially reported) GDP growth. The public consumption was remarkably stable during the period, oscillating between the narrow range of 13 and 14 per cent of GDP after 2003, compared to 13 per cent in 1993.<sup>4</sup>

A significant part of the wealth created by these years of economic growth continued to be concentrated in the richer groups of society, as the Gini Coefficient of Argentina dropped from 0.544 to 0.475, but remained high even when compared to other Latin American nations—in 2012, Ecuador's was 0.444, Mexico's 0.469, Peru's 0.403 and Uruguay's 0.380 (ECLA, 2013). Particularly, imports of vehicles and fuel soared, these being paid at the official exchange rate, more favourable than that prevailing in the parallel market. This kind of expenditure was absolutely unnecessary, unless understood in political terms, and the government did not, or could not, contain it, because of the political costs.

Table 2 contains results obtained for time series linear regressions. We assume basic 'Keynesian' relations between macroeconomic variables, in order to compare the overall dynamics of the Argentinian economy during the Kirchners' and previous administrations.<sup>5</sup>

The entire period of 1993–2013 has been split into two equal halves containing 40 observations (quarters), between the administrations of Néstor and Cristina Kirchner (2003–2013) and previous administrations (mainly of Carlos Menem, 1989–1999, and the subsequent ones). Dependent variables are regressed against the independent variables of the previous quarter. Time series were not converted to their absolute change in order to preserve the original information of data (for a discussion of this methodological option, see Greenspan, 2013, p. 56). Accordingly, most of the regressions contain serial correlations (Durbin Watson less than 2.0), and so the results may be interpreted with caution.

**Table I. GDP and Related Data at 1993 Prices, 1993–2013 (Millions of Pesos)**

(1)	(2)	(3)	(4)	(5)	(6)	(7)
GDP	Gross Domestic Investment (GDI)	(2)/(1)	Private Consumption	(4)/(1)	State Consumption	(6)/(1)
1993	236.505	0.19	163.676	0.69	31.953	0.14
1994	250.308	0.20	173.608	0.69	32.095	0.13
1995	243.186	0.18	166.008	0.68	32.339	0.13
1996	256.626	0.19	175.196	0.68	33.041	0.13
1997	277.441	0.21	190.922	0.69	34.104	0.12
1998	288.123	0.21	197.557	0.69	35.249	0.12
1999	278.369	0.19	193.610	0.70	36.173	0.13
2000	276.173	0.18	192.332	0.70	36.382	0.13
2001	263.997	0.16	181.290	0.69	35.629	0.13
2002	235.236	0.11	155.267	0.66	33.820	0.14
2003	256.023	0.14	167.951	0.66	34.314	0.13
2004	279.141	0.18	183.906	0.66	35.247	0.13
2005	304.764	0.20	200.317	0.66	37.403	0.12
2006	330.565	0.22	215.882	0.65	39.365	0.12

2007	359.170	81.187	0.23	235.241	0.65	42.341	0.12
2008	383.444	88.553	0.23	250.629	0.65	45.261	0.12
2009	386.704	79.527	0.21	251.763	0.65	48.535	0.13
2010	422.130	96.409	0.23	274.396	0.65	53.097	0.13
2011	459.571	112.366	0.24	303.623	0.66	58.881	0.13
2012	468.301	106.905	0.23	317.075	0.68	62.723	0.13

**Source:** System of National Accounts of Argentina, Ministerio de Economía y Finanzas Públicas, <http://www.mecon.gov.ar/peconomical/basehome/infoeco.html> (accessed 30 October 2015), Section 'Nivel de Actividad'.

**Table 2.** Linear Regressions ( $y = a + bx$ ) at 1993 Prices, 1993–2003 (millions of pesos)  
Q1 1993–Q1 2003, 40 Observations. Independent Variable with a Lag of One Quarter

Independent Variable	Dependent Variable	Coefficient	t-Statistic	Adjusted R-sq	Durbin-Watson
1 Exports	GDP	1.21	2.166	0.08	0.89
2 GDP	Imports of goods and services	0.29	9.116	0.69	1.53
3 Government consumption	Fixed gross capital formation in domestic machines and equipment	-0.12	-1.106	0.005	0.36
4 GDP	Personal consumption expenditures	1.02	6.597	0.52	2.46
5 Fixed gross capital formation	Gross Domestic Saving	0.28	1.455	0.028	1.03

(Table 2 continued)

(Table 2 continued)  
 Q2 2003–Q2 2013, 40 Observations. Independent Variable with a Lag of One Quarter

	Independent Variable	Dependent Variable	Coefficient	t-Statistic	Adjusted R-sq	Durbin-Watson
1	Exports	GDP	7.53	7.186	0.57	1.16
2	GDP	Imports of goods and services	0.19	14.645	0.84	1.74
3	Government consumption	Fixed gross capital formation in domestic machines and equipment	0.25	7.483	0.59	2.31
4	GDP	Personal consumption expenditures	1.45	23.412	0.93	1.75
5	Fixed gross capital formation	Gross Domestic Saving	1.09	24.845	0.94	3.13

**Source:** System of National Accounts of Argentina; Ministerio de Economía y Finanzas Públicas, <http://www.mecon.gov.ar/peconomica/basehome/infoeco.html> (accessed 30 October 2015), Section 'Nivel de Actividad', Table 1.1, 'Oferta y Demanda Globales por componente, a precios de comprador'.

It can be seen that exports were not the main factor of economic growth until the devaluation of the peso in 2001, as this was overvalued. The propensity to import fell during the 2000s, which suggests both the effect of the devaluation and the growth of domestic production during the 2000s (regressions 2). Gross capital formation during the Menem administration (regression 3) could not be explained by government consumption, which is understandable if we take into account the high financial expenditures and external debt of the government during this period. The macro-shocks of government consumption on investments were much more effective during the 2000s. It is not possible to infer from regression analysis a positive relation between the consumption of government expenditures and gross capital formation during the 1990s. The economic growth of the 2000s is more related to consumption than the economic growth seen during the Menem administration (regressions 4). It denotes the general improvement of domestic disposable income. The growth of GDP in Argentina during the 2000s has fixed gross capital formation as a plausible explanatory variable, and it does not occur during the 'neoliberal' administrations (regressions 5). According to these linear regressions, there was a clear improvement of the overall dynamics of the economy during the Kirchner administrations, under all aspects, when compared to the chaotic period of *Menemismo*.

Table 3 contains data concerning fiscal and monetary policies. During the 2000s, fiscal surpluses were obtained (excluding privatizations and other types of budget balancing). Given the above-mentioned policies of negotiation of external public debt, fiscal capacity was achieved, and the general level of indebtedness was not increased. Interest payments dropped to 9 per cent of total expenditures in 2003, after a large rise during the *Menemismo* period (from 7 to 17 per cent in 1993–2001). Fiscal surplus was also achieved during Cristina Kirchner's term, excluding the year 2012. The international economic crisis of 2008 represented an enormous impact on public fiscal performance, with a great change in the fiscal situation occurring after 2008. After achieving a fiscal surplus of 32 billion of *pesos* in 2008, it dropped to 17 billion in 2009. Despite the new (nominal) rise of surplus in 2010 (25 billion pesos), the surplus dropped to 4.9 billion in 2011, becoming a deficit of 4 billion in 2012. In this sense, the second term of Cristina Kirchner performed, in fiscal terms, a Keynesian economic policy of compensating the effects of crisis by means of public consumption, offsetting the shortfall in aggregate demand.

**Table 3.** Selected Macroeconomic Data, 2003–2013 (Millions of Pesos)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Foreign Currency Purchased by the Central Bank	Primary Fiscal Surplus/Deficit of the Federal Government*	Change of Fiscal Surplus/Deficit	Change of Monetary Basis	Change of GDP*	Federal Government Interests/Total Expenditures (%)	Consumer Prices Index***
2003	16,488	8,676.9	3.79	1.56	Not available	9	67.3
2004	23,168	17,332.7	2.01	1.25	1.19	6	70.3
2005	28,227	19,622.6	1.13	1.30	1.19	9	77.12
2006	43,006	23,157.9	1.17	1.22	1.23	8	78.1
2007	32,321	25,670.1	1.10	1.25	1.24	10	93
2008	-3,075	32,528.7	1.26	1.13	1.27	8	101.1
2009	12,638	17,277.9	0.59	1.14	1.11	9	107.4
2010	46,285	25,082.2	1.45	1.25	1.26	6	118.6

(Table 3 continued)

(Table 3 continued)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Foreign Currency Purchased by the Central Bank		Primary Fiscal Surplus/Deficit of the Federal Government*	Change of Fiscal Surplus/Deficit	Change of Monetary Basis	Change of GDP* of GDP*	Federal Government Interests/Total Expenditures (%)	Consumer Prices Index***
2011	13.315	4.919.7	0.19	1.34	1.28	8	130.2
2012	41.086	-4.374.9	-0.87	1.20	1.17**	9	143.3
2013	32.331	Not available	Not available	1.56	Not available	Not available	158.5

**Source (by row):**

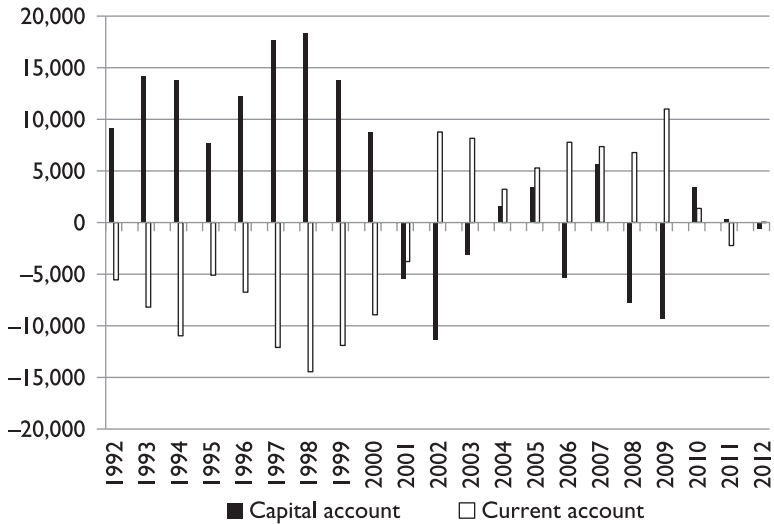
1. BCA (2015).
2. System of National Accounts of Argentina; Ministry of Economy. Section 'Finanzas Públicas'. Tables A 6.1A and A 6.1A (continuation); <http://www.mecon.gov.ar/peconómica/basehome/infocoe.html> (accessed 1 December 2015).
3. 'Ahorro/desahorro', Section 'Finanzas Públicas'. Tables A 6.1A and A 6.1A (continuation) <http://www.mecon.gov.ar/peconómica/basehome/infocoe.html> (accessed 1 December 2015).
4. System of National Accounts of Argentina; Ministry of Economy. Section 'Dinero y bancos', Table 8.2., 'Agregados monetarios', 'Circulación monetaria en poder del público'; <http://www.mecon.gov.ar/peconómica/basehome/infocoe.html> (accessed 1 December 2015).
5. System of National Accounts of Argentina; Ministry of Economy. Section 'Nivel de Actividad', Table 1.5., 'Oferta y Demanda Globales a precios corrientes: valores anuales y trimestrales'; <http://www.mecon.gov.ar/peconómica/basehome/infocoe.html> (accessed 1 December 2015).
6. See row 2.
7. System of National Accounts of Argentina; Ministry of Economy. Section "Precios", Table 1.2, 'Índice de precios al consumidor', <http://www.mecon.gov.ar/peconómica/basehome/infocoe.html> (accessed 1 December 2015).

**Notes:** \* January/January, \*\* December 2013/January 2012 and \*\*\* April 2008 = 100.



There was no clear pattern relating to reserve requirements officially imposed by the Central Bank, to which commercial banks were subjected. They dropped from the high level of 40 per cent (relative to current account), in 2003, to 18 per cent when Néstor Kirchner assumed in May 2003. That 40 per cent level was considered an exception, because of the uncertainties provoked by the crisis. From July to October in that year, the value dropped once more, to 13 per cent. It then rose to 23 per cent in the end of the year. During the next three years (2004–2006), this rate diminished again, reaching 15 per cent at the end of 2006, finally increasing to 18 per cent in August 2006.<sup>6</sup> Nominal rates of interest (term deposits) also dropped since 2003, and held a stable pattern between 2003 and 2006, rising after 2008. For example, 60-day term deposits were paying 5.87 per cent in August 2003, 2.74 in August 2004, 6.95 in August 2006 and 11.76 in August 2008. In August 2012, they were paying 13.51 per cent. Supposing a rate of inflation of 30 per cent in 2012, the real interest rate for six-month term deposits would be approximately 1.49 per cent.

The purchase by the Central Bank of foreign currency (particularly US dollars) was the main explanatory variable of the monetary base in 2003–2007 and also in 2009–2010. As the government could not offset totally the increase of foreign trade by means of public debt, it was not possible to stabilize the expansion of the monetary base. Part of this injection of foreign currency was offset by the emissions of Central Bank Debt obligations (LEBAC and NOBAC, ‘Letras del Banco Central’ and ‘Notas del Banco Central’), but as can be seen (Table 2, rows 4 and 5), the change of the monetary base surpassed changes of GDP in 2004, 2005, 2007, 2009, 2011 and 2012 (Central Bank of Argentina, n.d.), that is, government policies could not control totally the growth of the monetary base deriving from the increase in the trade surplus since 2003 in conjunction with the capital account surplus in 2004, 2005, 2007 and 2010. With control over the bank lending and fiscal situation until the end of decade, the growth of the monetary base rested on trade and capital surpluses, not only because of the injection of domestic currency in the market, but because this increase did not correspond exactly to disposable tangible goods, which were exported. The creation of domestic currency surpassed the net creation of tangible goods and services, fostering inflation. On the contrary, there was a clear speeding up of the monetary base after 2012, which cannot be explained by foreign trade alone, because the Treasury began to fund the expenditures of government in the post-crisis (2008) period. As the balance of payments did not register trade and investment surplus in the period (see Figure 2)



**Figure 2.** Balance of Payments, 1992–2013 (Millions of Pesos)

**Source:** INDEC, [www.indec.gov.ar/nivel4\\_default.asp?id\\_tema\\_1=3&id\\_tema\\_2=35&id\\_tema\\_3=45](http://www.indec.gov.ar/nivel4_default.asp?id_tema_1=3&id_tema_2=35&id_tema_3=45), (accessed 30 October 2015).

and as the reserve requirements imposed by Central Bank did not drop after 2008 (as mentioned above), the high acceleration of the monetary base in 2012 can be only attributed to the funding of state budget by the Central Bank.

Thus, even with a balanced budget, it was impossible to offset inflation with success. Inflation was caused not only by fiscal or monetary policies, but it is a complex event, being the result of a group of different variables also not related to state budget.<sup>7</sup> Rapoport (2013, p. 244) was correct in observing that, especially in Argentina, many economic processes were related to inflation, besides monetary emissions and fiscal deficits: variations in seasonal weather conditions; lack of adequate supply (import restrictions included); constrained balance of payments and devaluations of exchange rate; distributive conflicts; higher export prices; and expectations and speculation. The government, indeed, could not control all these factors. Assuming the complexity of inflationary phenomenon, it becomes very hard to detach each of these factors occurring *at the same time* and *over time*, in order to explain the weight of each of these combining elements. It is possible, however, to observe the occurrence of some of these factors in order to demonstrate how

Argentinian's inflation was a result of several components, besides state budget and currency emissions.

Supply restrictions were one of these factors. One obvious inflationary mechanism was created by the official policy of promotion of exports and ad hoc restrictions on imports, as a mean to promote domestic production, as mentioned above. This policy was justified in the eyes of the government and of Structuralist economic theory, but it led to supply restrictions. The 'export in order to import' policy led to imbalances at the microeconomic level, suddenly forcing importers to export goods or services (many without any experience and conditions!) and, in case of failure, simply prohibiting new imports. The policy of delaying and prohibiting imports certainly had impacts on prices, even though it is very hard to measure.

On the contrary, apparently, the years of economic growth did not lead in general to an increase in competitiveness in the overall economy—at least concerning the competitiveness among the large enterprises. There are no available data on the total number of enterprises in each sector of the economy over time, so as to evaluate the overall evolution of the degree of competitiveness. However, judging by data furnished by the INDEC, more competition between the larger companies was not achieved. There was a reduction or a stabilization of the quantity of large enterprises in the majority of sectors between 2004 and 2009. There was a tendency towards the reduction of large companies particularly after 2008, as Table 4 shows, which caused a reduction in competition, at least among the main producers. Given the oligopolic features of Argentinian manufacturing and mining, these numbers are worthwhile considering.<sup>8</sup>

The exchange rate during the 2000s must be considered as another component of the general rising level of prices. The real exchange rate of the peso in terms of the Brazilian real and US dollar, taking into account official rates of inflation (consumer prices indexes) and exchange rates, had an approximate devaluation that departed from the values of 1.14 and 1.13 in 2000 (respectively) to 3.63 and 3.69 in 2010. An estimation of the real exchange rate of the peso to the dollar and the real can be seen in Table 5.<sup>9</sup> Domestic inflation did not compensate completely for the gradual devaluation of the peso. The deterioration of foreign trade after 2008 is accompanied by the devaluation of the peso, as the table shows.

Distributive conflicts among labour and capital become more acute when unemployment rates are falling fast. This was indeed the case of Argentina, where unemployment rates dropped from 20 to 7.1 per cent between 2003 and 2013. As already mentioned, the Gini Index exhibited a gradual nominal improvement, from 0.544 to 0.475. The poverty gap

**Table 4.** Largest Companies by Revenue (Total Number of Enterprises by Activity)

Main Activity	Quantity of Enterprises					
	2004	2005	2006	2007	2008	2009
Minning	37	39	38	40	40	40
Manufacturing	305	308	307	307	302	283
Food and drink	115	112	110	110	107	107
Fuel and chemicals	79	79	78	77	82	76
Machines and vehicles	38	44	46	48	45	43
Other industries	73	73	73	72	68	57
Electricity, water and gas	40	39	39	36	36	41
Communications	22	22	21	19	18	17
Other (1)	96	92	95	98	104	119

**Source:** INDEC. Encuesta Nacional a Grandes Empresas (ENGE); [www.indec.gov.ar/nivel4\\_default.asp?id\\_tema\\_1=3&id\\_tema\\_2=4&id\\_tema\\_3=50](http://www.indec.gov.ar/nivel4_default.asp?id_tema_1=3&id_tema_2=4&id_tema_3=50) (accessed 1 December 2015).

**Note:** (1) Includes construction, trade, transport and other services.

coefficient also had an apparent improvement, from 10 to 1.9 (ECLA, 2013). This means that more people had work, and more wages were being paid. Thus, thanks to the reduction in unemployment, workers and trade unions became more powerful. Even though these numbers may be based on official data, assuming a specific method of inflation estimation (which, in Argentina, probably was underestimated) it is very hard to accept that unemployment did not fall fast. So, a reduction in poverty levels and concentration of national wealth meant, in general, rising wages and less unemployment—hence, more bargaining power. The number of (officially reported) lockouts increased across the nation during the period. According to the Ministry of Labour, the number of lockouts reached 950 in 2006, 1039 in 2008, 1.163 in 2010 and 1.482 in 2012.<sup>10</sup> There is no reason to believe that it did not occur, as manufacturing employment really did increase, a number almost impossible to defraud without provoking the same kind of denunciations as occurred with regards to inflation and GDP rates (the government, in fact, assumed mistakes in 2014). Profits and wages increased, and that linked to a tendency to stagnation of competition among larger companies, created another strong inflationary mechanism.

**Table 5.** Nominal Exchange Rates and Estimated Real Exchange Rates to US Dollar and Brazilian Real

	Peso/Dollar	Argentinian Inflation*	US Inflation*	Real Rate	Peso/Real	Argentinian Inflation*	Brazilian Inflation	Real Rate
2000	1.00	0.91	1.03	1.13	0.99	0.91	1.05	1.14
2001	1.00	0.89	1.06	1.19	0.99	0.89	1.07	1.19
2002	3.49	1.25	1.02	2.85	3.06	1.25	1.12	2.74
2003	2.96	1.39	1.09	2.32	2.90	1.39	1.09	2.27
2004	2.97	1.02	1.03	3.00	2.92	1.02	1.07	3.06
2005	3.01	1.07	1.03	2.90	2.90	1.07	1.05	2.85
2006	3.06	1.12	1.02	2.79	3.05	1.12	1.03	2.80
2007	3.13	1.09	1.04	2.99	3.09	1.09	1.04	2.95
2008	3.42	1.08	1.00	3.17	3.14	1.08	1.05	3.05
2009	3.80	1.08	1.02	3.59	3.70	1.08	1.04	3.56
2010	3.97	1.10	1.05	3.79	3.80	1.10	1.05	3.63

**Source:** Based on data furnished by INDEC ('Índice de Precios al Consumidor en el Gran Buenos Aires'), Central Bank of Brazil ('Índice Geral de Preços—Disponibilidade Interna') and *Economic Report of the President (2011)* ('Consumer price indexes for major expenditure classes'), Argentina, [www.estadistica.chubut.gov.ar/home/index.php?option=com\\_content&view=article&id=341&Itemid=289](http://www.estadistica.chubut.gov.ar/home/index.php?option=com_content&view=article&id=341&Itemid=289) (accessed 1 December 2015); Brazil, <http://www4.bcb.gov.br/pec/series/port/aviso.asp> (accessed 1 December 2015); United States, [www.whitehouse.gov/administration/eop/cea/economic-report-of-the-president](http://www.whitehouse.gov/administration/eop/cea/economic-report-of-the-president) (accessed 1 December 2015).

**Note:** \* 10% = 1,10.

External trade of primary goods, and its surplus, also favoured inflation during this period. First, even though most of the foreign currency had not taken the form of pesos (by means of issuing public debt), a high trade surplus represents a less available supply of goods. Because of the rising prices of some export-oriented primary products such as soybeans, the production of other grains was discouraged. Food, in fact, accounted for 25 per cent of the weighting coefficients of the inflation rate of INDEC. Besides, higher terms of trade for primary goods, which accounted for almost 70 per cent of the total exported by the country (ECLA, 2013, p. 111) also tend to push the domestic prices of the same products. Terms of trade increased almost 70 per cent between 2003 and 2013 (1993 = 100).

The export prices index soared from 76 per cent to 194 per cent (1993 = 100, or a twofold increase), the import price index rising only from 96 to 133 per cent (1993 = 100).<sup>11</sup> Domestic prices of similar goods followed the same pattern, with an increase of 2.55 fold in the same period.<sup>12</sup> This pattern could be explained by the higher export prices and by the diminution of domestic production of many types of primary goods, terms of trade appearing as one of the plausible explanatory variables of rising domestic prices. In fact, linear regression of domestic prices of primary goods (dependent variable or *dppg*, with a lag of one quarter with regard to independent variable), against terms of trade variations (independent variable or *tev*),<sup>13</sup> gives us the following coefficients:

I/1993–III/2003

74 observations

$tev = -240 + 4.56 \text{ dppg}$ ;

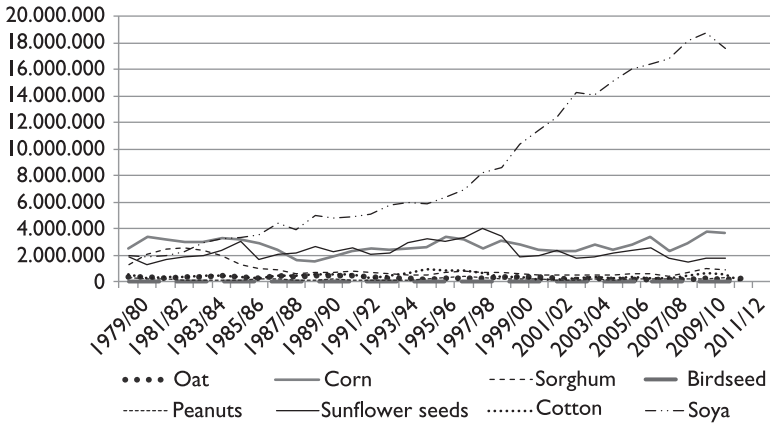
adjusted R-quad: 87 per cent;

Stat t: 22.222;

Durbin Watson: 0.17.

Again, this regression contains a high serial correlation, but the adjusted R-quad is highly suggestive.

Falling rates of domestic production, excluding soybeans and other so-called ‘commodities’, can also explain the rising prices of primary goods. In fact, there was an intense decline of production of many types of grain during the 2000s. Economic policy could not foster an equal development of all domestic economic sectors. Other reasons are speculation and political opposition. Let us look again at the data. Figure 3 shows a dismal outlook, since the beginning of the 2000s, in the production of the following goods: birdseed, rice, oat, rye, maize (from 2003 to 2010), peanuts, cotton, wheat, sunflower seeds, orange, grapefruit,



**Figure 3.** Agriculture, Area Harvested in Hectares for Selected Products, 1979–2012

**Source:** System of National Accounts of Argentina; Ministerio de Economía y Finanzas Públicas, [www.mecon.gov.ar/peconomica/basehome/infoeco.html](http://www.mecon.gov.ar/peconomica/basehome/infoeco.html), Section 'Nivel de Actividad', Table I.20, 'Indicadores de evolución del sector agropecuario' (accessed 30 October 2015).

damask, peach and apple. It is possible to affirm that, excluding soybeans and meat (export leading products), most other items had disappointing results. This is also the scenario related to fishing. The falling supply certainly has its share of responsibility in the rising inflation.

Finally, it is also necessary to consider savings habits. The peso is not used to make significant savings. Thus, there is a general tendency to an implicit devaluation. Real estate is rated and paid in dollars. The imports are paid with official Central Bank reserves, but enterprises and citizens keep dollars at home or bank safes, as feasible. The real existing quantity of international reserves in Argentina is much higher than the official reserves. But the government cannot permit the free use of dollars unless the economy is once again driven to dollarization, a doomed path admitted even by a part of the Right-wing parties. This habit causes a permanent pressure on the peso, with secondary impacts on prices.

## An Assessment

We can infer from above that: (a) the Kirchner's administration implemented heterodox economic policies; (b) the overall performance of the

economy—employment and GDP—and state budget was reasonable; (c) the recuperation of the economy also relied on international trade; (d) the economic policies could not foster a proper performance of all levels of agricultural production; and (e) the high inflation was partly a consequence of the adopted expansionary policies and partly a consequence of the limits of the very economic policy in a underdeveloped country. These features may lead to the more specific following assessments.

There are many limits to stable growth and a stable rate of inflation in Argentina. One of them is foreign trade. Even though the degree of openness of the economy is not so high (37 per cent), compared to other Latin America countries, Argentinian exports of primary goods consist of almost 70 per cent of total exports (ECLAC, 2013 p. 103, 111). This trend was maintained during the 2000s. It is well known that these products show high levels of elasticity and are under pressure of demand. So the impacts of the 2008 world crisis were particularly strong, causing high fluctuations of exports and budget constraints. The current account relative to GDP dropped from 2.8 per cent in 2007 to 2.1 per cent in 2008, 2.7 per cent in 2009, 0.4 per cent in 2010, -0.5 per cent in 2011 and then zero in 2012. There were two violent drops of the GDP in 2009 and 2012, whose growth rates were 0.9 and 1.2 per cent, respectively. National savings also dropped in these years, because new investments stopped and also because people had to use their own past savings to live. External debt rose from 3.8 to 5.3 per cent of GDP in 2008–2009, but then stabilized, falling to 2.3 per cent. Even so, inflation rose, and it is widely known that is it above 10–15 per cent per year.

The external problems of the Argentinian economy were not only related to foreign trade. As a result of *default* and the nationalistic practices of the Kirchner's administration, net foreign direct investments also showed an irregular path, with an inflow of USD 8 billion in 2008 and USD 3 billion in 2009, compared to Brazil which received USD 24 billion and USD 36 billion in the same period; foreign direct investment in Brazil reached USD 68 billion in 2012, compared to only USD 11 billion in Argentina. It is true that Brazil has more opportunities in many areas, such as mining, but Argentina had stronger rates of growth and in general has a more educated workforce. The reasons seem to have been political, with the Kirchner administration being seen as too leftist by foreign investors. So, even though it is partly to the merit of the Kirchner administration that total external debt was stabilized (it reached 62 per cent of GDP in 2005 and 29 per cent in 2012), one should also consider the difficulties of borrowing abroad by the Argentinian government and



enterprises, domestic enterprises being unable to turn to borrowing heavily, as short-term financial markets reacted negatively to Kirchner's default. Higher interest rates, or simply the inaccessibility of resources, were the consequences of the *default* and of nationalistic practices, demonstrating how difficult it is to maintain alternative positions.

High inflation rates were one of the main macroeconomic aspects in Argentina, as indicated above. There were reports suggesting that the INDEC manipulated price indexes for political reasons. Even though one accepts as true the official data related to variations in the consumer prices index, the general level of consumer prices indicated a 92 per cent increase between 2002 and 2012. The roots of inflation, however, are many. It was not in general a 'monetary' phenomenon. The monetary aspects of inflation expressed the combining elements of social conflicts; options of economic policies; relative prices; economic malfunctions of this or that sector; and other elements not totally susceptible to governmental action. The policies of the Kirchner administrations did not imply fiscal deficits and monetary emissions, at least until the beginning of the 2010 decade. After that the fiscal and monetary policies also fostered the growth of money and credit, that also occurred by structural reasons: it was the result of the expansionary fiscal policy after the 2008 international crisis, but also of the monopoly of foreign currency by the Central Bank. Beyond fiscal and monetary policies, the supply of primary goods diminished. The search for a new stage of import substitution industrialization led to supply restrictions by means of selective authorizations. The number of enterprises considered 'large' stagnated, resulting in a lesser degree of competitiveness, at least among them. The devaluated rate of exchange also had an important role. So, evidence suggests that inflation could not be controlled, at least in a democratic regime where Keynesian policies predominated.

Economic policy did not give priority to all levels of economic production, such as agriculture and energy supply. Agriculture production and specific areas such as energy did not perform as well as the overall dynamic of the economy. The lack of investments in specific areas led to supply restrictions and higher prices. But it is also true that the government did not have all political and economic conditions to manipulate all macroeconomics variables in order to obtain a homogeneous rate of growth. For example, the attempt by the government to slow the production of soybeans with a new system of taxation in 2008 led to a political crisis, and the government lost the battle. It was not possible, by the very nature of the economic conditions, to prevent a deterioration of macroeconomic environment after 2008, such as falling foreign

investments and external trade surplus.<sup>14</sup> As the relative prices pointed to soybeans and other primary goods in general, neither Argentinian entrepreneurs nor foreign capital had more economic incentives to raise their investments in manufacturing, or domestic supply of, say, rice. In turn, the share of finance in GDP increased.

Given this scenario, many domestic and foreign companies judged that it was no longer worthwhile to invest in Argentina's services and manufacturing, or agriculture. With stagnated production and supply capacity, prices did not fall. Yet, Argentina has an educated and trained workforce, and, in a comparative perspective, wages are higher than the rest of Latin America, not to speak of East Asia, and the government has support from the Left. All these are reasons why it has been difficult to maintain homogeneous rates of investment among the different sectors of the economy.

But the evidence shows that the Kirchner administrations did not perform so badly, at least from the heterodox perspective, which takes into account level of growth and employment as crucial elements of economic analysis. The government assumed a nationalist and interventionist position that led to the recuperation of economic growth, departing from a very difficult situation. The administration also had luck, because exports soared. In fact, the liberal path was not feasible and was no longer an option in 2001–2003. Similarly, it was not an option after 2008, when relating, for example, to exchange rates and foreign currency. The administration continued to face fierce opposition, but this opposition did not have, in fact, another plan other than denouncing (presumed) political scandals. Moreover, the opposition was divided and many businesses supported the government. But the government could not avoid some of the consequences of the adopted policies: inflation, which was produced by the necessary devaluation of the exchange rate and import restrictions; the fleeing of many foreign companies and cancelation of prospective investments; and the opposition of Right-wing middle class and businesses not aligned, which provoked lockouts, speculation, inflation and deteriorating expectations. The international crisis of 2008 was not favourable as well. Inflation was in part a condition of economic growth and also a consequence of several variables, not being a product of bad administration.

Katz (2013, *our translation*) observed that President Cristina Kirchner 'exercises her arbitraje tugged by concentrated capitalist groups that demand adjustment and social movements that complain with direct actions. [She] resorts to the same oscillation as Perón to deal with this crossroads'. So, obviously, it is entirely possible to detach this or that

failure, this or that malfunction not corrected, in order to criticize government policies in Argentina. Certainly, there were many, for example, the possibility, amply utilized by the Kircher administrations, of contracting new public servants without any kind of formal admission, adopting only political criteria. This is not, undoubtedly, the most correct way of raising the productivity and fighting inflation by the public sector of the economy. The positions of the Argentinian government sometimes also put in risk the MERCOSUL agreements. The official rate of exchange, more favourable to imports, was largely utilized for buying vehicles and other luxury goods, deepening the dependency on foreign imports of energy. But if the main variable to take into account after the 2001 crisis was the achievement of a higher rate of employment and the recovery of state power, an *overall* assessment of the economic policies and macroeconomy is positive, particularly because of the very magnitude of the underlying difficulties that culminated in the 2001 crisis.

## Notes

1. For example, from 2012 onwards, the Central Bank of Argentina ‘has the objective to promote, within its means and the policy framework established by the national government, monetary stability, financial stability, employment and economic development with social equity’ (Law 24.144, March 2012, *our translation*. Retrieved 1 December 2015, from [www.bcra.gov.ar/Pdfs/BCRA/CartaOrganica2012.pdf](http://www.bcra.gov.ar/Pdfs/BCRA/CartaOrganica2012.pdf))
2. See the System of National Accounts of Argentina released by the National Bureau of Economic Policy of Ministry of Economy (Dirección Nacional de Política Económica del Ministerio de Economía), ‘Información Económica al Día’, [www.mecon.gov.ar/peconomica/basehome/infoeco.html](http://www.mecon.gov.ar/peconomica/basehome/infoeco.html) (accessed 1 December 2015), and Anuario Estadístico de la CEPAL, [www.eclac.org](http://www.eclac.org) (accessed 1 December 2015).
3. System of National Accounts of Argentina released by the National Bureau of Economic Policy of Ministry of Economy, Section ‘Nivel de Actividad’, Table 1.6, ‘Producto Interno Bruto a precios de mercado—Valor Agregado Bruto a precios de productor’, <http://www.economia.gov.ar/secretarias/politica-economica/programacion-macroeconomica> (accessed 1 December 2015).
4. System of National Accounts of Argentina, ‘Nivel de Actividad’, Table 1.1., ‘Oferta y Demanda Globales por componente, a precios de comprador’, <http://www.economia.gov.ar/secretarias/politica-economica/programacion-macroeconomica> (accessed 1 December 2015).
5. Specifically, the administrations of Fernando de la Rúa (1999–2001), Adolfo R. de Saá (2001) and Eduardo Duhalde (2002–2003). The quarterly data officially reported up to this moment (I/2014) contain 82 observations for each component of GDP (I/1993–II/2013). The 41st observation begins at I/2013,

and the 82nd ends at II/2013. Néstor Kirchner's administration began in May of 2003 (II/2003). Therefore, the period concerning Kirchner's administration is II/2003–I/2013. Data related to previous administrations include the interval I/1993–I/2003.

6. See System of National Accounts, Section 'Money', Table 8.7., 'Exigencias de encaje', <http://www.economia.gob.ar/secretarias/politica-economica/programacion-macroeconomica> (accessed 1 December 2015).
7. Weighting coefficients of inflation, according to the methodology of INDEC, consist of: food and beverage, 25.24; alcoholic beverage and tobacco, 2.55; garment and footwear, 5.59; habitation, water, electricity and fuels, 12.84; furniture, 6.69; health, 5.55; transport, 14.06; communication, 4.27; entertainment, 7.86; education, 3.43; restaurants and hotels, 8.13; and other services, 3.79. See 'Estructura de ponderaciones del Índice de Precios al Consumidor Armonizado (IPCA) del Mercosur y Chile para Argentina, base 1999=100, según divisiones de la Clasificación del Consumo Individual por Finalidades (CCIF)', [www.indec.gov.ar](http://www.indec.gov.ar), (accessed 1 December 2015).
8. According to the 'Censo Nacional Económico 2004/2005' (National Economic Census 2004/2005, p. 1), the gross value added of the 1.000 larger manufacturing companies was 49 per cent of the total in 2003, and 27 per cent in mining.
9. This table was used for the first time in the work of Schincariol (2013). The method for inflation estimative is:  $E = e P'/P$ , where:  $E$  = real exchange rate;  $e$  = nominal Exchange rate;  $P'$  = price levels of abroad;  $P$  = domestic prices. For Brazil, it was used the IPCA (Índice de Preços ao Consumidor Amplo), furnished by the IPEA; for Argentina, the IPC (Índice de Preços ao Consumidor para a Grande Buenos Aires). For the United States, see *Economic Report of the President* (2011), Table B-63, Appendix B, Statistical Tables, 'Changes in special consumer prices indexes, all items'. Nominal exchange rates were furnished by the Central Bank of Argentina.
10. See Ministerio del Trabajo, Informes y Estadísticas, 'Base de datos sobre conflictos laborales', Table C.1., 'Evolución mensual de los conflictos laborales con paro según ámbito institucional del empleador. Enero 2006 a junio 2013', [www.trabajo.gov.ar/left/estadisticas/ConLab/](http://www.trabajo.gov.ar/left/estadisticas/ConLab/) (accessed 1 December 2015).
11. Table 9 of Section 'Sector Externo' (External Sector) of the System of National Accounts of Argentinas released by the Ministry of Economy and is utilized here; see footnote 2.
12. System of National Accounts of Argentina, Section 4, Prices, Table 4.6., 'Índice de precios internos al por mayor (IPIM), tasas mensuales y anuales de variación', [www.economia.gob.ar/secretarias/politica-economica/programacion-macroeconomica](http://www.economia.gob.ar/secretarias/politica-economica/programacion-macroeconomica) (accessed 1 December 2015).
13. System of National Accounts of Argentina, Section 9, External Sector, Table 9, 'Índices de términos de intercambio', [www.economia.gob.ar/secretarias/politica-economica/programacion-macroeconomica](http://www.economia.gob.ar/secretarias/politica-economica/programacion-macroeconomica) (accessed 1 December 2015).

14. Another example: it is widely known that consumer electricity tariffs are cheap in Argentina, mainly due to governmental subsidies. Since 2011, the government intended to raise prices, initially asking the upper middle classes to discard subsidies and pay higher prices. The government then faced fierce opposition and the subsidies were maintained. One of the consequences was that, at the end of 2013, an energy crisis surged, with thousands of families suffering without electricity, during a summer particularly hot in Buenos Aires. Higher tariffs and less consumption would certainly have diminished the impact of the previous low levels of investment in domestic facilities. In 2014, the government initiated another movement to eliminate subsidies.

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