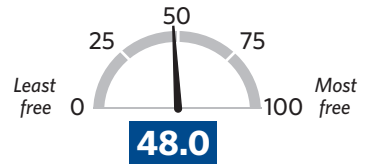


# ARGENTINA

## Economic Freedom Score



World Rank: **158** Regional Rank: **27**

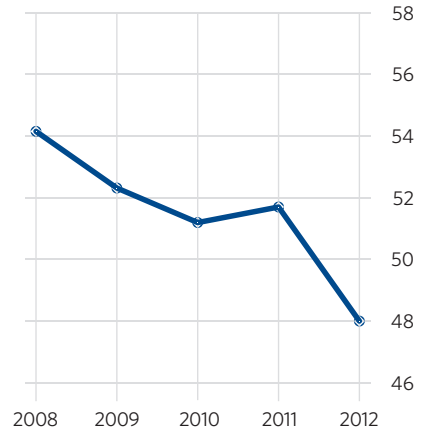
**A**rgentina's economic freedom score is 48, making its economy the 158th freest in the 2012 *Index*. Its overall score has decreased by 3.7 points, the third worst decline in this year's *Index*. With lower scores on six of the 10 economic freedoms, Argentina now ranks only 27th out of 29 countries in the South and Central America/Caribbean region, and its overall score is far below the regional and world averages.

Argentina's foundations of economic freedom have weakened in light of extensive government intrusion into free markets. Aggravated by corruption and political interference, the lack of judicial independence has severely eroded limits on government. Public spending by all levels of government now exceeds one-third of total domestic output.

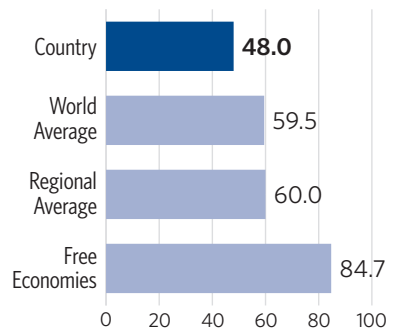
Regulatory encroachment on private businesses has continued to increase, undermining previous years' structural reforms. Populist spending measures and price controls distort markets and undermine productivity growth, and the financial sector remains hobbled by government interference. Fading confidence in the government's determination to promote or even sustain open markets has discouraged entrepreneurship and dynamic investment within the private sector.

**BACKGROUND:** During the presidencies of the late Néstor Kirchner (2003–2007) and his widow Cristina Fernández de Kirchner, who succeeded him and was re-elected to a second four-year term in October 2011, rule of law and market principles have been weakened dramatically and corruption has increased. The Kirchners have actively sought closer ties to such regional strongmen as Venezuela's Hugo Chávez and Cuba's Fidel Castro. The government's seizure in 2008 of nearly \$30 billion in private pension funds, ongoing sovereign debt default, and other actions to expand its role in the economy have adversely affected private investment. Although Argentina's economy has benefited from booming commodity prices, President Kirchner's pursuit of expansionary fiscal and monetary policies has fueled already high inflation, which appears to have been underreported in official statistics.

## Freedom Trend



## Country Comparisons



## Quick Facts

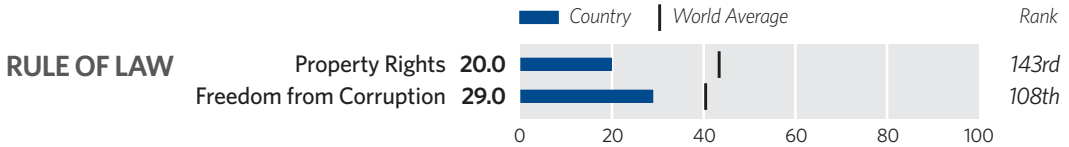
- Population:** 40.5 million
- GDP (PPP):** \$642.4 billion
- 9.2% growth in 2010
- 5-year compound annual growth 6.7%
- \$15,854 per capita
- Unemployment:** 7.9%
- Inflation (CPI):** 10.5%
- FDI Inflow:** \$6.3 billion
- Public Debt:** 49.1% of GDP

### How Do We Measure Economic Freedom?

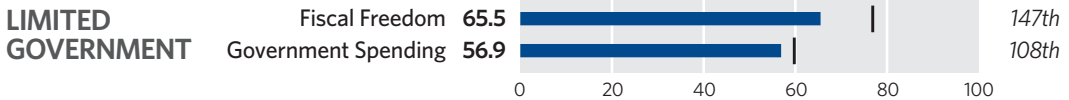
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
Data compiled as of September 2011.

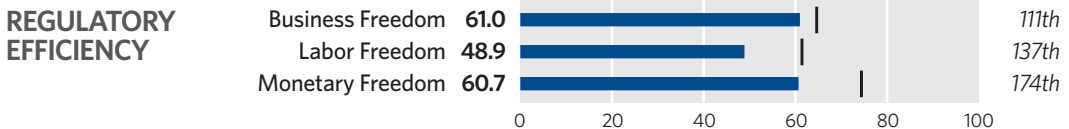
THE TEN ECONOMIC FREEDOMS



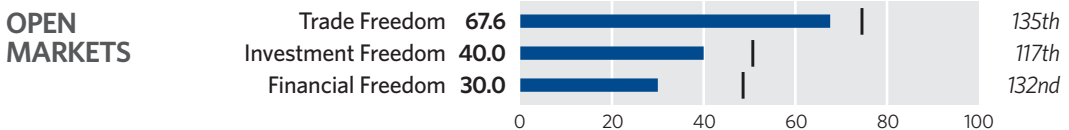
The executive branch influences Argentina’s judiciary. The courts are slow, inefficient, and vulnerable to corruption and political interference. Patent protection is problematic, and pirated copies of copyrighted products are widely available. Government manipulation of inflation statistics has caused foreign and domestic bondholders to lose considerable amounts in interest payments.



In the absence of major tax reforms, the top individual and corporate tax rates remain at 35 percent. Other taxes include a value-added tax (VAT), a wealth tax, and a tax on financial transactions, with the overall tax burden now at 31.6 percent of total domestic income. Government spending has risen to 37.9 percent of GDP, and the budget deficit hovers around 2 percent of GDP. Public debt amounts to about 50 percent of total domestic output.



The government has increased regulatory interference, undermining efficiency and productivity growth. Establishing a business takes almost twice the world average of seven procedures, and getting necessary permits is costly. Reforms of the rigid labor market have long been stalled. The government regulates prices of electricity, water, and retail-level gas distribution, pressuring companies to fix prices and wages.



The trade weighted average tariff rate is 6.2 percent, with more non-tariff barriers imposed in the form of import and export taxes and fees. New import restrictions were imposed on 200 goods in 2011. Hostility toward foreign investment persists, and the government exerts heavy control in the financial sector. Through an emergency decree to bypass Congress, the government increased its voting rights in partially state-owned companies in 2011.

Score Changes

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	-3.2	-1.4	-1.9
0	-24.8	+1.0	-5.0
		Monetary Freedom	Financial Freedom
		-2.5	0