

# ARGENTINA

## Economic Freedom Score



World Rank: **166** Regional Rank: **27**

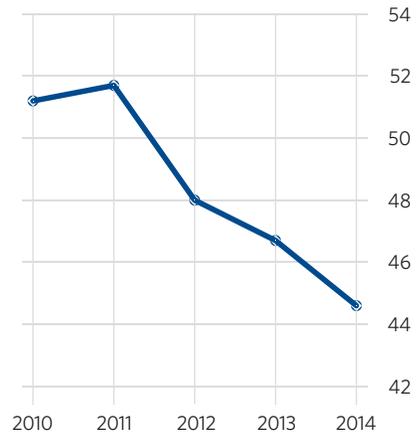
**A**rgentina's economic freedom score is 44.6, making its economy the 166th freest in the 2014 *Index*. Its overall score has decreased by 2.1 points, reflecting substantial declines in investment freedom, business freedom, labor freedom, and the management of government spending. Argentina ranks 27th out of 29 countries in the South and Central America/Caribbean region, and its overall score is far below the regional and world averages.

Over the 20-year history of the *Index*, Argentina's economic freedom has plunged to "repressed" status. With its overall score dropping by 23.4 points, the once "mostly free" economy has registered the second most severe score decline since the *Index* began measuring economic freedom. Eight of the 10 economic freedoms have deteriorated because of policies that include harsh capital controls, price fixing, restrictions on imports, and a series of nationalizations.

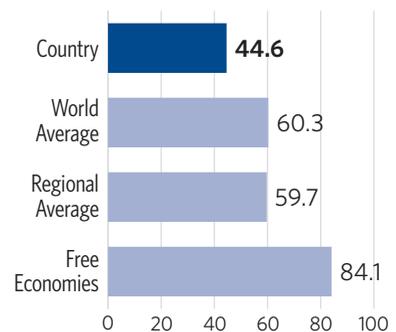
The state's interference in the Argentine economy has grown substantially since 2003, accelerating the erosion of economic freedom. Institutional shortcomings continue to undermine the foundations for lasting economic development. The judicial system has become more vulnerable to political interference, and corruption is prevalent. Regulatory pressure on the private sector has continued to rise, with populist spending measures and price controls further distorting markets.

**BACKGROUND:** Under President Cristina Fernández de Kirchner, Argentina has strengthened ties to governments in the region that are hostile to liberty and has threatened the Falkland Islands' right of self-determination. The judiciary has been politicized, and the central bank is no longer independent. The government's seizure of nearly \$30 billion in private pension funds in 2008, failure to settle with creditors since the 2002 default, and expropriation of Spanish oil company Repsol's YPF subsidiary in 2012 have severely damaged Argentina's investment profile. Although the economy has benefited from booming commodity prices, expansionary fiscal and monetary policies have fueled already high inflation that is underreported in official statistics. Foreign currency controls have created a black market for dollars.

## Freedom Trend



## Country Comparisons



## Quick Facts

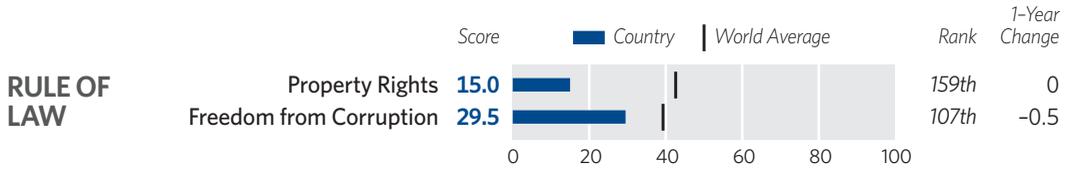
- Population:** 41.0 million
- GDP (PPP):** \$743.1 billion
- 1.9% growth in 2012
- 5-year compound annual growth 5.4%
- \$18,112 per capita
- Unemployment:** 7.2%
- Inflation (CPI):** 10.0%
- FDI Inflow:** \$12.6 billion
- Public Debt:** 44.9% of GDP

### How Do We Measure Economic Freedom?

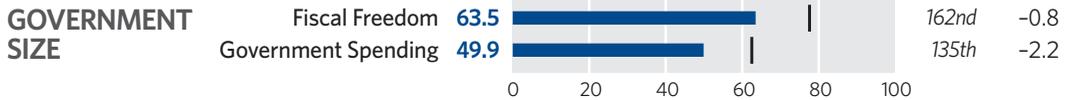
See page 471 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2012 data unless otherwise noted.  
Data compiled as of September 2013.

**THE TEN ECONOMIC FREEDOMS**



In 2013, facing a deteriorating balance of payments, the government imposed draconian bans on foreign-currency transactions to protect dwindling dollar reserves. It also passed a law attempting to weaken the judiciary, already vulnerable to corruption. Protection of copyrights and patents is problematic. The government has seized private property and manipulates official inflation statistics to reduce interest paid to bondholders.



The top individual and corporate tax rates are 35 percent. Other taxes include a value-added tax (VAT), a wealth tax, and a tax on financial transactions. Government revenue equals 34.6 percent of GDP, and government spending is 40.9 percent of total domestic income. Public debt is about 45 percent of GDP. Legal issues from previous debt defaults have increased public financial uncertainty.



It takes 14 procedures and 26 days to open a business. Regulatory encroachment on private businesses continues to increase, with government interference discouraging entrepreneurship and raising regulatory uncertainty. The labor market lacks flexibility, and the minimum wage has been rising. The government manipulates official inflation statistics; regulates prices of electricity, water, and gasoline; and pressures companies to fix prices and wages.



Argentina has a 5.6 percent tariff rate. The government’s policy of “import substitution” is one of many non-tariff barriers to trade. Investment rights are poorly protected. The financial sector remains subject to government interference. Twelve state-owned banks account for over 40 percent of total bank assets, and the presence of foreign banks has fallen in recent years.

**Long-Term Score Change (since 1995)**

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-55.0	Fiscal Freedom	-17.2	Business Freedom	-31.1	Trade Freedom	+10.5
Freedom from Corruption	-20.5	Government Spending	-36.7	Labor Freedom	+1.0	Investment Freedom	-40.0
				Monetary Freedom	-1.2	Financial Freedom	-20.0