

**Democratization, Reforms and Development Strategies:
Ideas, Policies, Outcomes**

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Abstract

The recent "lost semi decade 1998-2003" in Latin America showed a very disappointing socioeconomic picture. At the same time, more people in the region experienced a kind of "fatigue of reforms" (Birsdal and de la Torre). Structural reforms in Latin America (liberalization, deregulation and privatization) have been perceived as the determinants of economic and social deterioration, and rejection against modernization among middle class spread over the countries where privatization processes have been associated to corruption.

Different agendas have been proposed; some of them complementary to the Washington Consensus point of view, and others from a critical one. Basically, the new bouquet of agendas include the so called "second generation" reforms, the "Washington Contentious", the ECLA's perspective, the Social Forum of Porto Alegre 2002, among others.

Insofar the triumphalist spirit of the 1989 Argentina public sector reform has been reverted along the last years, the paper will focus on the social and economic development strategies involved in reform agendas.

Introduction

After the hyperinflationary crisis of 1989, Argentina embarked itself in an unprecedented state reform process which radically transformed the role of the state in the economy and in development furtherance. Reforms implied the definitive

abandonment of the former “import substitution” development strategy. The agenda was consistent with the prevailing main-stream ideas in Economics --the so called “Conventional Wisdom” or “Orthodoxy”-- supported by International Financial Institutions (IFIs), namely the IMF and the World Bank, and consisted of a bunch of policies which John Williamson (1993) coined as the “Washington Consensus”.

Referring to Argentine reform agenda as strictly committed to the “Washington Consensus” is far from uncontroversial, though. It’s been rightly pointed out that Argentina never accomplished robust fiscal discipline across the nineties and that the exchange rate system adopted under Convertibility Law (peso pegged to US dollar) was far from the explicitly recommended flexible exchange rate regimes (Williamson 1993)

All this is admittedly true and it must be additionally recognized that Williamson included in the WC set some goals no one can reasonably argue, i.e. fiscal discipline and low inflation.

However, Argentina’s reform process can be undoubtedly considered as an example of WC policies (almost) full implementation, not only because IFIs recognized it when it seemed to be a successful one (1998) , but also since what became the core elements of the package, summed up in the trilogy *stabilization-privatization-liberalization* (Rodrik 2006), was introduced in a very drastic way.

Argentina in the 90’s: development indicators performance

The 2001 Argentine crisis and failure to achieve sustainable growth --this time after a reform process, which supposedly had removed the barriers for growth built during the protectionist era of “import substitution”-- cast a shadow of doubt about the plausibility of reforms. In fact, they failed to unleash the forces of development, and market-oriented reform became much more at risk after a major economic crisis (2001) in a country formerly quoted as an example of its success.

Stiglitz and Rodrik agree when referring to Latin America market-oriented reform as a failure to generate growth and mostly associated with inequality and poverty increase. What’s more, under “import substitution” policy growth was almost twice faster than

under reform. In this sense, there was convergence with developed countries, divergence starting *circa* 1980. The argument that sustains that reforms needed time to succeed is discussed by Stiglitz who claims that results were even worse in the second half of the nineties, a fact that led the CEPAL to call the 1997-2002 period as the “semi-lost decade” (Rodrik 2004b: 1-2 and 2004c: 3, Stiglitz 2003: 8-10).

During the early period of reform, from 1989 to 1993 approximately, almost all “development” indicators¹ show a positive record. GDP recovered². Unemployment, which performed very poorly all over the decade, had only a very modest shrinking³. Since 1993, Unemployment Rate started a rising tendency that couldn't yet be reversed in unprecedented two-digit levels. Only at the time of writing, in 2006, U rate lowered to the still high 12,7 %⁴ after a continuous fall since its peak of 21,5 % during the 2001-2002 crisis. Poverty experienced a sharp reduction in the early nineties from the highest level of 1990 (42,5%, after 1989 hyperinflation) to the 16,1 % in 1994. In terms of income distribution, Income Distribution Gap (quotient between average income of superior and inferior deciles) and GINI Coefficient show a similar 1989-2002 performance. In both cases there was an initial diminution of inequality (during the early nineties, 1989 - 1992, approximately), then reversed.

A second period started approximately in 1993 and ended in 2002. At a first stage growth renewed after the 1995 Tequila crisis-induced GDP's shrinking, and finished in 1998, the last year of moderate growth (3,9 %) before the 1999-2002 slump. The critical 1999-2002 stage implied a GDP reduction of almost 20 % and ended in one of the most severe economic and political crisis of Argentine history), which included simultaneous currency devaluation and sovereign debt default.

Unemployment rose from 9,9 % in 1993 to 21,5% in 2002. Poverty rose in a steady manner from 1994 on (16,1 %) to reach 32,7% in 2001. The rising tendency sharpened as a result of the crisis: in 2003 there was a record level of 51, 7 % of the population

¹ GDP Growth (INDEC and CEPAL); Unemployment Rate; Quantity of Population below the Poverty Line (Poverty); Income Distribution Gap (INDEC: Great Buenos Aires agglomerate) and GINI Coefficient (Period 1989-2000: Gasparini, Marchionni and Escudero (2000:12); Period: 2001-2005: SIEMPRO data, Great Buenos Aires agglomerate)

² From a 6,2 % fall in 1989, during the peak of the hyperinflationary crisis and grew 28 % in 1990-1994.

³ From 8,6 % in 1990 to 6,9 % in 1992.

⁴ Data corresponding to 2005 4th quarter.

below the poverty line. Both indicators of income distribution show a worsening of the situation. The Income Distribution Gap (Quotient between average income of top and bottom deciles) enlarged: the gap was 38 in 2002. GINI Coefficient started to deteriorate in 1992. That year's figure was already high in terms of Argentine historical performance: 0,418; became 0,461 in 1995, reaching 0,480 during 2000-2002 and 0,523⁵ at the 2003 2nd semester. The Great Buenos Aires, GBA agglomerate illustrates the magnitude of the crisis devastating effects in a country historically prone to an egalitarian income distribution. It shouldn't be forgotten that 1974 GINI Coefficient was 0,322 , a figure equivalent to those of developed countries.

Argentina in the 90's: "reform-based" development strategy's failure. Some possible explanations

Growth performance from reform to crisis was unstable and unsustainable; a very early stage of high rates growth that led many to believe that Argentine economy had once and for all taken off was followed by a long-lasting recession that ended in the virtual collapse of the economy. We find that unemployment remained persistently high since 1993 even during "good" GDP's evolution years; poverty, although reduced to a third of its 1989's mark in 1994, started to increase from that moment on, reaching values above 20 %, even before recession, and income distribution became gradually more unequal since approximately 1993, tendency worsened during the crisis years. This analysis sheds light on some other characteristics of the kind of growth experienced during the nineties: it was accompanied by a permanently high level of unemployment and was unable to reduce poverty, let alone reduce inequality.

Once the main aspects of development related variables' performance have been outlined, what follows is to suggest some possible explanations for such behavior.

According to Stiglitz (2003: 16-19, author's translation), Latin American early nineties unsustainable' growth can be explained as being the result of i) An "up-to-date" process, familiar to those countries recovering from recession (GDP Growth in Argentina was – 3 % during 1981-1990 and the economy deepened its recession in 1989 as a result of the

⁵ This figure corresponds to the Continuous EPH (INDEC) introduced by INDEC in 2003 after some changes in methodology.

hyperinflationary crisis); ii) The stimulus derived from enormous (mostly short-run) capital entry, which financed a consumption boom (consumption repressed or postponed during hyperinflation), with the consequent impact of foreign indebtedness not oriented to high-profitable investment. Big amounts of capital entry were partly due to the massive privatization process undertaken during reform era; iii) An inadequate national accounting over-estimated growth led to a false image of success during the first years of reform. *Net National Product* (NNP, Stiglitz 2003 *dixit*) would have reflected in a more accurate manner the real situation than the usual GDP-based accounting system. NNP should have been considered since it registers the loss for a country's patrimony implied by the sale of state-owned assets to foreign investors. Given the magnitude of Argentine privatization process it amounts to a figure that cannot be disregarded.

Initial poverty reduction and income distribution indicators improvement is attributable almost totally to the positive effects of the dramatic fall of inflation experienced as a result of the anchoring effect of Convertibility Law passed in 1991. Nonetheless, once distortions by high inflation were removed, poverty and income distribution indicators started to worsen, But insofar convertibility proved to be an efficient device for inflation halting, it gained legitimacy among all social classes, becoming a generalized consensus. Not only hyperinflation 1989 but also previous episodes of high inflation during the seventies and the eighties provide an explanation for such support. It is important to bear in mind convertibility's high degree of legitimacy to understand 2001 crisis.

Argentina after the 2001-2002 crisis

*Growth Diagnostics*⁶ approach (Hausman, Rodrik and Velasco (2005)) is appropriate to contribute to an explanation of 2001 Argentine crisis . Our aim will be to make use of

⁶ Hausman, Rodrik and Velasco (2005) "develop a framework for *growth diagnostics* - that is, a strategy for figuring out the policy priorities. The strategy is aimed at identifying the most binding constraints on economic activity...". Identifying the "most binding constraints" (what aspects of a country's institutional framework that causes low growth) allows designing *growth strategies* suitable to the country's situation (Hausman, Rodrik and Velasco 2005: pp. 1-2). The authors provide the examples of Brazil, El Salvador and Dominican Republic as case studies they examine from a *growth diagnostics* perspective. However, our Argentine case study is based on the (*post-factum*) post-crisis institutional changes and not on a previous rational analysis.

some conceptual developments provided by Rodrik's theoretical framework. i) "Binding constraints" as obstacles that should be removed for a country to resume growth; and ii) The distinction of two stages, the first in which growth initiates without great institutional changes and the second in which growth and institutional change feed each other letting major institutional transformation happen (Rodrik 2004a: 10-11, 2004c: 12 and 2006: 17).

The 2001-2002 crisis implied the abandonment of convertibility law and a subsequent currency devaluation that led to a peso quotation (in terms of US dollars) of a third of its value under convertibility law and the implementation of a new exchange rate regime that could be termed as an intervened floatation. Since 2002 second quarter the economic cycle reverted, GDP has grown at an average annual rate of 9 % from 2003 on, output not only reaching but also surpassing 1998's GDP (highest peak before recession) in 2005, only four years after the crisis (Table 1)⁷.

Argentine recovery poses the following questions on the causes of this "growth acceleration"⁸: Is it just an "up-to-date" process (the one countries usually undergo after a recession)? Is it just a natural consequence of favorable international context of high prices for Argentine commodities and low international interest rates? Or the removal of the "most binding constraint" has had something to do? If so, what was it?

The "up-to-date" factor cannot be dismissed as part of the explanation due to the magnitude of 2001 collapse. However, the fact that "output exceeds the pre-episode

⁷ Per capita output in 2005 was still slightly smaller than 1998's. However, it can be taken for granted that the 1998 figure will have been outdone at the end of 2006. Since the average of growth forecasts for 2006 included in the Survey on Market Expectations (R.E.M., acronym in Spanish, elaborated by the Argentine Central Bank, see www.bcra.gov.ar/indicadores/ie000100.asp) is 7,6 %, it can be assumed that GDP growth in 2006 will be around that figure. If 2006 GDP growth were 7,6 %, 2006 GDP per capita would get to **\$8.416**, at 1993 prices.

⁸ We make liberal use of this concept. Rodrik, Hausmann and Pritchett (2005) define it as an "increase in growth (per-capita growth of 2 percentage points or more)" that "has to be sustained for at least eight years and the post-acceleration growth rate has to be at least 3.5 percent per year. In addition, to rule out cases of pure recovery, we require that post-acceleration output exceed the preepisode peak level of income." Since recovery started in 2002 and 2006 will be predictably another year of high growth, the process has nearly 5 years, not 8, as the authors require. The Argentine case accomplishes with the other two requisites for a growth acceleration, so we consider it a proximate case. Argentina's post crisis experience can be undoubtedly classified as an "episode of rapid growth" (Rodrik, Hausmann and Pritchett 2005).

peak level of income” (Rodrik, Hausmann and Pritchett 2005: p. 2, see Table 1) rules out the hypothesis of mere recovery.

In order to examine the second proposition which emphasizes the influence of international context, a set of some of the most important commodities exported by Argentina has been selected to observe the evolution of its prices along the nineties and during the post - crisis period (see Graphic 1). Data on the international interest rate performance in recent years (considering USA-FF Interest Rate as indicator) is exhibited in Table 2.

As a result of observing the data on Commodities Prices exhibited in Graphic 1, a positive correlation between the Argentine economic cycle and agricultural commodities prices is verified during the period examined. Crude oil prices behave differently, softly fluctuating in the nineties (15-20 U\$\$ per barrel), reaching its lowest quotation in 1998 (13,1 U\$\$ per barrel) to start a sharply rising tendency from that moment on to attain the 53 U\$\$ per barrel unprecedented price in 2005. The fact that crude oil has increased its share among Argentine exports in recent years and benefits from increasingly exorbitant prices since 2002 is a new reality that qualifies as an exceptional contribution to today’s growth. However, this is not the case for the other commodities studied that also enjoyed high prices during the early nineties. If we were to accept that current growth acceleration is only due to favorable agricultural commodities, we should explain early nineties growth the same way. Hence, if such a “determinist” point of view were adopted, Argentine GDP fluctuations would be exclusively caused by the variation in commodities prices without acknowledging the impact of other factors. So, commodities’ price, which experienced a significant improvement since 2001 approximately, is influential but not determinant⁹.

Moreover, international interest rate (US Federal Reserve’s) underwent a lowering tendency since mid-2001, which sharpened in September and led to a 1 % rate from June 2003 to May 2004. Nevertheless, the trend reverted: USA-FF (Federal Funds) Interest Rate in April 2006 was 4, 75 %, without bringing Argentine output increase to a

⁹ Actually, growing external demand for commodities rather than international prices is what explains more accurately the favourable commercial position of Argentina. However, it’s important to point out that such an unexpected performance has been possible only because of the technological innovations on the agricultural (private) sector during the nineties.

halt. So such a low international interest rate must have played a part in the expansion initial spurt but is not again a determinant.

Although the post – recession “up-to-date” process and the positive international context described above shouldn’t be dismissed --being in fact some of the reasons for today’s growth-- the country’s institutional framework itself cannot be set aside from the explanation. This leads us to the “diagnostic approach” and, consequently, to the search of the “most binding constraint” impeding growth. Rodrik himself incidentally suggests the answer: “Argentina’s currency board, which removed monetary policy from the hands of the government, worked well when the binding constraint was lack of credibility...” in a mere government’s promise of not resorting to the inflationary tax “...but led to disastrous outcomes when the binding constraint became an overvalued currency.” (Rodrik 2006, p. 7).

In order to consider the hypothesis of an overvalued currency as a binding constraint our analysis will include the following variables: relative prices between services and goods (as an indicator for relative prices between non-tradable and tradable goods), real exchange rates (USA, Brazil, Eurozone), exports and imports and current account (see Graphics 2, 3 and 4).

Data analysis suggests that convertibility led to: a strong real exchange rate appreciation (some of main Argentina’s trade partners we taken into account: USA, Brazil, and Eurozone countries), only temporarily eased in the case of Brazil when Plan Real was in force, before 1999 devaluation; a relative prices structure which privileged services over goods (non-tradable over tradable), certainly not the right incentive for an export-led growth strategy. Consequently, Argentina experienced a continuous rise in imports that wasn’t followed at the same pace by exports, leading to a prevailing trade balance deficit and a permanent (other factors intervening for this) current account deficit.

The change of exchange rate regime that took place in 2002 transformed relative prices structure to one that rewards goods over services (tradable over non-tradable), implied a real exchange rate depreciation. The new situation is likely to provide for export-led growth encouraging import substitution. In fact, trade balance and current account surplus were achieved and exports have risen 56% in 2002-2005. It can be observed in

Table 3 that exports augmentation is a genuine one, not exclusively attributable to a rise of their prices since, as the index shows, quantities exported increased. Manufacturing industry strong output growth since 2003 (Table 4) would support the presumption on new exchange rate regime's beneficial effects for industry.

The evolution of investment is another variable that should be taken into consideration to evaluate the sustainability of growth Argentina is currently experiencing (Table 5). Recession (1998-2002) caused a 56,3 % fall of investment in the lapse of 4 years. Recovery (2002-2005) implied a rise in investment of 127,9 % from its bottom level of 2002. When measured as a percentage of GDP, investment suffered a dramatic shrinking during recession, the lowest level was 11,3% in 2002, to recover since then, reaching 19,8 % in 2005, a figure slightly yet inferior to the pre-recession one of 21,1 %.

Thus, correcting the relative prices distortion produced by exchange rate overvaluation resulting from convertibility's rigidity reveals itself as an important factor for igniting growth. The change in relative prices caused by devaluation seems to lift the barriers for growth, that peso overvaluation was imposing on the economy. According to this approach, overvalued currency could be considered Argentina's "binding constraint" for growth before 2002. Should diagnostic framework had been applied to economic policy making in the Argentine case, the advice would have been to engineer adequate devices to an orderly exit from convertibility. Argentine authorities obstinate attempt of sticking to convertibility led to hard landing through market devaluation with its hurting side-effects: generalized contract breaking and abrupt (and unequal) income re-distribution¹⁰.

Rigidity and Legitimacy: The role of ideas in turning points

In addition to Rodrik's statement on an overvalued currency as a "binding constraint" for Argentina, it is interesting to notice that Argentina was considered to be one of the most successful examples of a trend in the 1990's which consisted in creating macroeconomic stability through legal changes, reducing, this way, the role of the state in monetary policy. Argentina's 2001 crisis and the subsequent abandonment of the

¹⁰ Another feature not considered in this paper is Argentina's sovereign debt default and restructuring.

convertibility regime illustrated the fact that rigid rules are no substitute for government's discretion (World Bank, 2005:8).

The 2001 crisis also provoked the questioning of the prevailing ideas, sympathetic to market-oriented reforms. In this regard, it can be said that if the hyperinflationary crisis of 1989 brought up significant pro-structural reforms, the 2001 one, instead, stressed out the weakening and loss of legitimacy of market-leaning reform policies. In this sense, developing countries lost enthusiasm towards the mentioned approach basically because of its failure regarding its most important promise, i.e. sustained growth and development (Fanelli and Popov, 2003). Disappointing results of the reform process caused what some authors called "reform fatigue". Structural reforms, in particular the trilogy liberalization – privatization - deregulation were perceived as the key issue of the deterioration in life standards (Birdsall and De la Torre, 2001, translation by the authors).

The government's role after the crisis

What follows is a brief description of some instances of public policies carried out by the Argentine government in the post-crisis stage. Examples of government's role and intervention after the crisis can be grouped in the following categories:

Re-statization: This hasn't been a generalized policy. Actually it could be established as the exception. The rule has been a process of contract renegotiation with the companies in charge of public services supply. "Re-statization" only happened in those cases of concessionaires' most flagrant unfulfillment of their obligations. No matter different legal forms employed, reference to "re-statization" includes all situations in which government replaced private concessionaires by either companies in which the state owns the absolute majority of shares. Examples of "re-statization" go as follows: the postal service¹¹, a railway branch in Great Buenos Aires¹², the water and sewers

¹¹ The state- managed Correo Oficial de la República Argentina S.A. was created by Decree 721/2004.

¹² Emergency service management was assigned to the Unit of Operative Management which is composed of the other metropolitan railway branches concessionaires and coordinated by the Secretary of Transport– Ministry of Federal Planning, Public Investment and Services, see decree 798/2004 and Secretary of Transport Resolution N° 408/2004

supply service for Great Buenos Aires¹³, and the creation of the state petroleum company Enarsa (in this case, the company didn't replace the private concessionaire, it co-exists with the privatized company Repsol-YPF and other companies that operate in the Argentine market)¹⁴.

Prices agreements: as one of its main instruments aimed at inflation control Government's strategy includes a policy of deals with representatives of each business sector. Business representatives commit themselves to keep prices set up in the arrangements untouched for a period of time. This course of action implies a discussion about the belief in price determination through market procedures exclusively.

Temporary restrictions on beef exports: Due to continuous increases in beef prices (a valuable commodity) government decided to adjourn beef exports for 6 months in order to guarantee an adequate domestic market supply and consequently get a drop in prices. After negotiations and agreements with representatives of cattle business sector, the measure was relaxed, establishing a quotas system for beef exports.¹⁵

In conclusion, post-crisis government action has not implied a reversion of market-oriented reforms, so it shouldn't be considered a clearly stated, rationally and coherently devised, "new" development strategy. It could be more accurately described as a set of pragmatic *ad-hoc* interventions. It is not evident whether immediate post-crisis state action allows of plans, strategies or "get out of a jam" decisions are imposed by circumstances.

It is still soon to answer if this "episode of rapid growth" Argentina is experiencing since 2002 second quarter will be able to lead to a sustained self-reinforcing path of economic growth and institutional change. In the near future we will be able to know if Rodrikan second stage of growth *plus institutional change* is about to come or another Argentine good start fizzles out once again.

¹³ The company AySA S.A. was created. It is in charge of the supply of water and sewers in the City of Buenos Aires and some of the suburban districts. See Decrees 303/2006 and 304/2006.

¹⁴ See Law N° 25.943

¹⁵ See Ministry of Economy Resolution N° 114/2006 and Ministry of Economy Resolution N° 397/2006.

Summary

- Since 2002 second quarter the economic cycle reverted, GDP has grown at an average annual rate of 9 % from 2003 onwards
- Unemployment Rate started a decreasing tendency, descending from 21, 5% in 2002 to 12.7 % in 2005.
- Population below the poverty line has also experienced a reduction during this period. From 54, 3% in October 2002 to 30, 9% in October 2005.¹⁶
- However, beyond the decrease in Unemployment Rate and Poverty measures, it is relevant to emphasize the existence of employed people below the Poverty Line. This fact is also illustrated by the loss of purchasing power suffered by employed people after the exchange rate devaluation. Following INDEC's data, the average monthly income perceived by employed people in 2005 was \$839, 45, 9% more than in 2001. However, prices increased 74, 7% in the same period.
- Indicators measuring inequality almost do not show alteration during this period. There is a visible increase in the Income Distribution Gap in 2003 which is related to the effects of the 2001-2002 crisis. Regards the GINI Coefficient, there are not significant differences either. Both values of the inequality indicators are still very high.

¹⁶ Diario Clarín, April 22 th 2006, www.clarin.com/diario/2006/04/22/elpais/p-00801.htm

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Statistics Appendix

Table 1: Gross Domestic Product in Argentina – From Recession to Recovery

Year	1998	1999	2000	2001	2002(*)	2003(*)	2004(*)	2005(*)
GDP (thousand pesos)	288.123.305	278.369.014	276.172.685	263.996.674	235.235.597	256.023.462	279.141.289	304.815.326
GDP Annual Percentage Variation	3,9 %	-3,4 %	-0,8 %	-4,4 %	-10,9 %	8,8%	9%	9,2%
GDP per capita (1993 pesos) (**)	8.000	7.600	7.500	7.100	6.300	6.800	7.300	7.900

Source: INDEC, figures at 1993 prices (*) Provisional estimations (**) Calculated on the basis of INDEC's population estimations

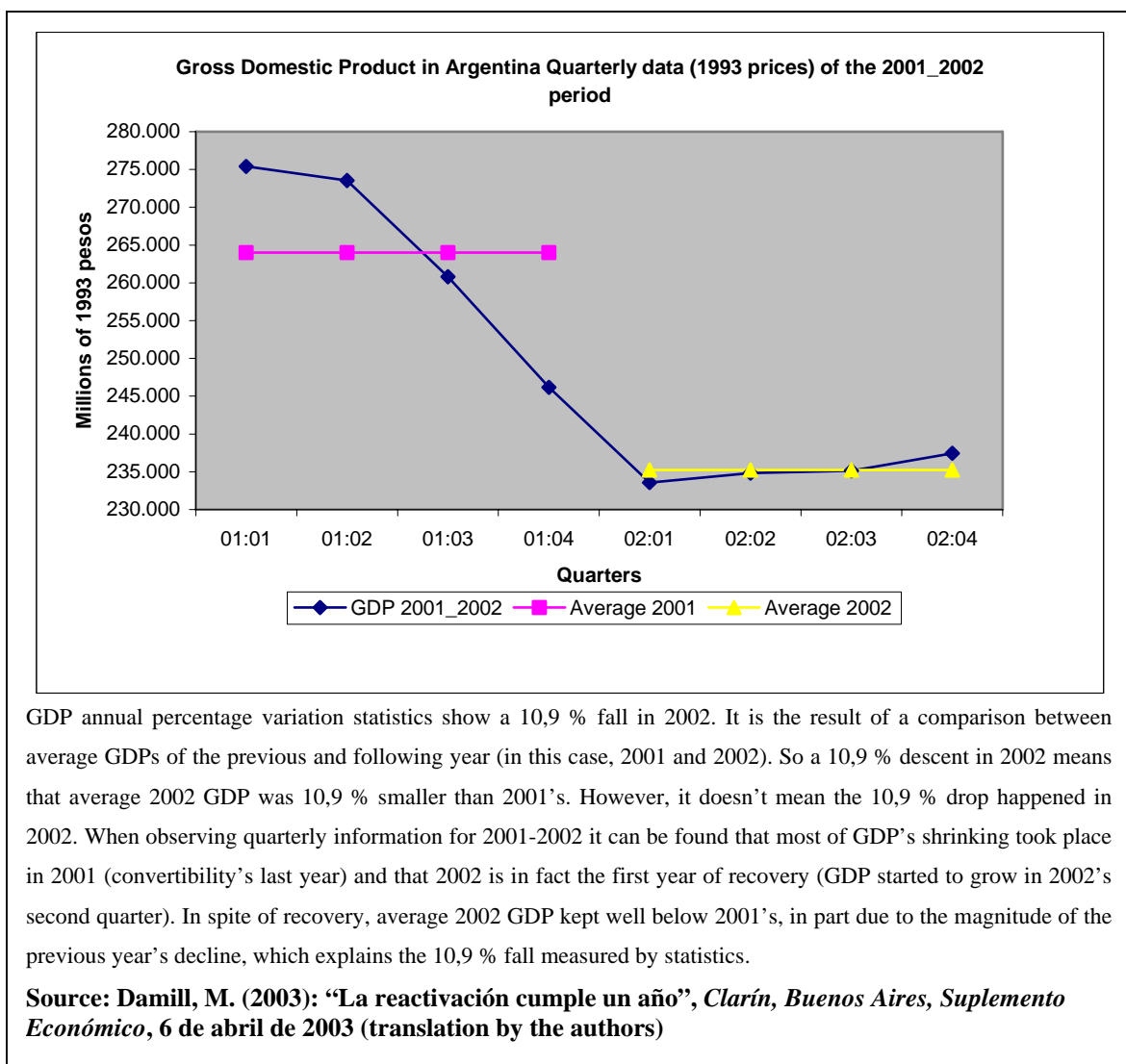


Table 2: USA-FF (Federal Funds) Interest Rate 2000-2006 (monthly)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2000	5,5	5,75	6	6	6,5	6,5	6,5	6,5	6,5	6,5	6,5	6,5
2001	5,5	5,5	5	4,5	4	3,75	3,75	3,5	3	2,5	2	1,75
2002	1,75	1,75	1,75	1,75	1,75	1,75	1,75	1,75	1,75	1,75	1,25	1,25
2003	1,25	1,25	1,25	1,25	1,25	1	1	1	1	1	1	1
2004	1	1	1	1	1	1,25	1,25	1,5	1,75	1,75	2	2,25
2005	2,25	2,5	2,75	2,75	3	3,25	3,25	3,5	3,75	3,75	4	4,25
2006	4,5	4,5	4,75	4,75								

Source: Economy Ministry on the basis of US Federal Reserve Data

Table 3: Indexes of value, prices and quantities of goods exports

Year	Indexes		
	Value	Price	Quantity
1998	201,6	100,3	201,0
1999	177,7	89,1	199,5
2000	200,8	98,0	204,9
2001	202,3	94,7	213,7
2002	196,0	91,0	215,3
2003	225,7	99,7	226,4
2004	263,4	109,1	241,3
2005	305,0	110,7	275,5

Source: INDEC Year base 1993=100 (*) Provisional figures

Table 4: Manufacturing industry output annual percentage variation

1994	1995	1996	1997	1998	1999	2000	2001	2002(*)	2003(*)	2004(*)	2005(*)
4,5%	-7,2%	6,5%	9,2%	1,8%	-7,9%	-3,8%	-7,4%	-11%	16%	12%	7,7%

Source: INDEC, based on figures at 1993 prices (*) Provisional estimations

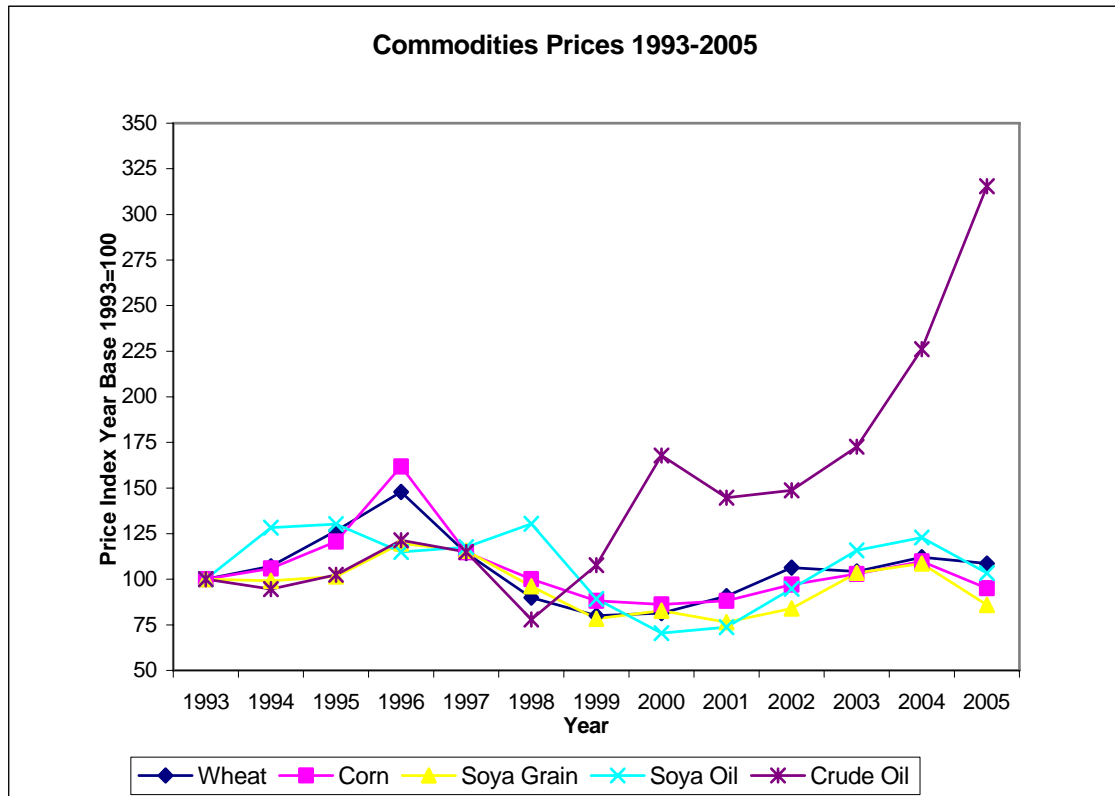
Table 5: Investment in Argentina : 1994-2005

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002(*)	2003(*)	2004(*)	2005(*)
Investment Annual Percentage Variation	13,7%	-13,1%	8,9%	17,7%	6,5%	-12,6%	-6,8%	-15,7%	-36,4%	38,2%	34,4%	22,7%
Investment as a percentage of GDP	20,5%	18,3%	18,9%	20,6%	21,1%	19,1%	17,9%	15,8%	11,3%	14,3%	17,7%	19,8%

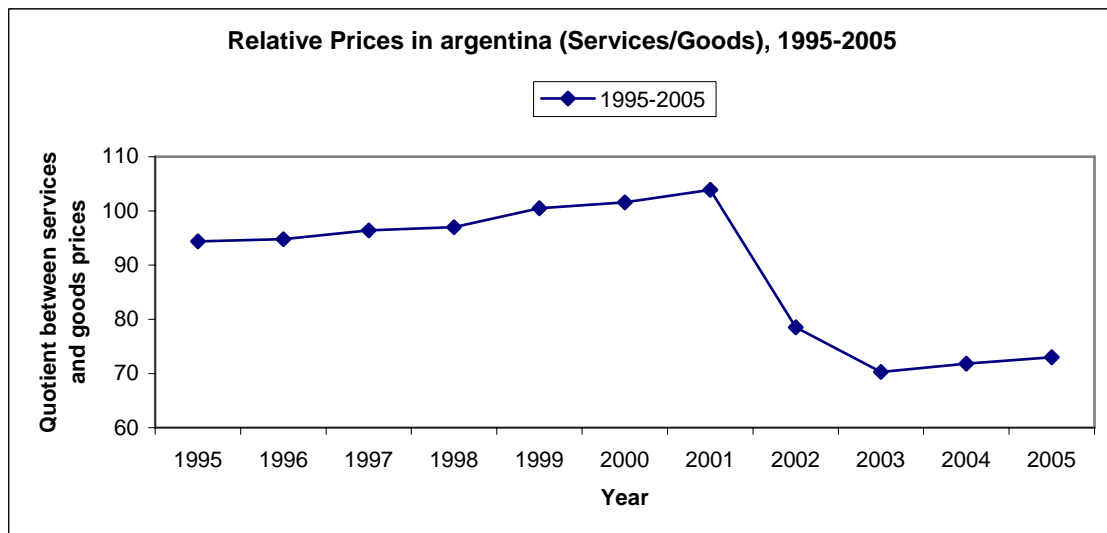
Source: INDEC, based figures at 1993 prices

(*) Provisional estimations

GRAPHIC 1

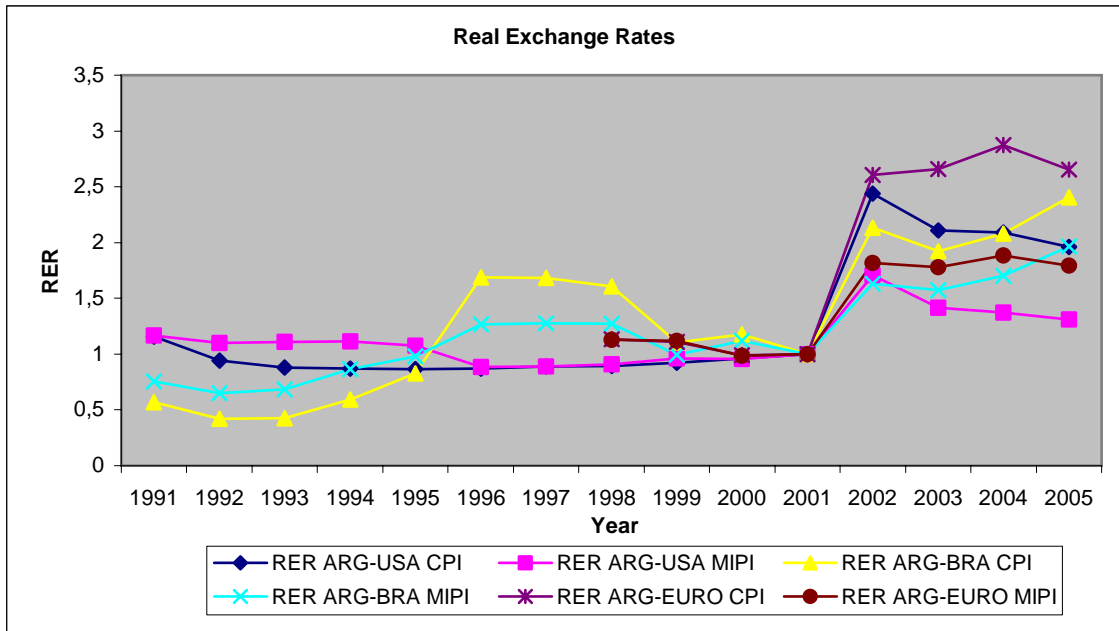


GRAPHIC 2



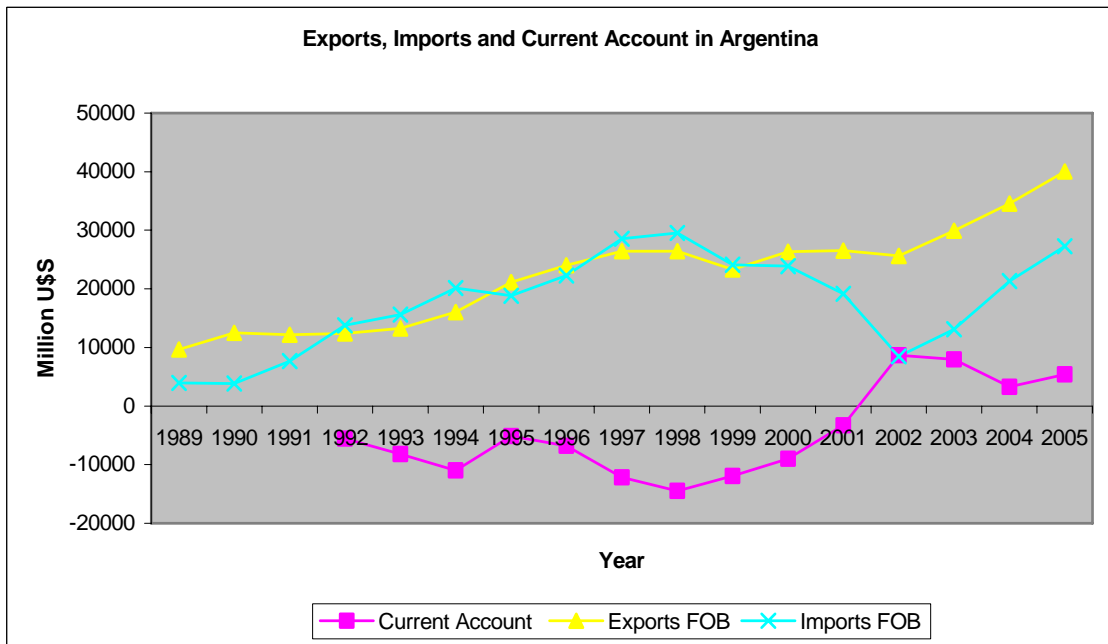
Source: Economic Policy Secretary (Economy Ministry) on the basis of INDEC data.

1999= 100 Year base



Source: Economic Policy Secretary (Economy Ministry) on the basis of INDEC, IMF and Bloomberg data.
CPI: Consumer Price Index MIPI: Manufacturing Industry Price Index

GRAPHIC 4



Source: INDEC