

Argentina: Economic Recovery and Tax Improvement after a Decade of Double Crisis

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1. INTRODUCTION

During the last decade, Argentina was exposed to two main crises. The first one, was in the beginning of the initial decade of this century, the second one, during the years 2008 and 2009, as a consequence of the financial turbulence, still in course in the World.¹

As it is well known, the first crisis concluded in a dramatic situation in terms of economic activity and in both, internal and external indebtedness. The default was a consequence of the crisis, in one hand, and the devaluation of the currency, in the other.

Since the year 2002, however, the signs of the recovery of the economy crisis began, and continue throughout the decade, ending in 2010 and in the course of the first months of 2011. Weighing the pros, the main indicators of level of activity showed positive results.

Also, during the same period, the primary balance of the national budget showed a favourable surplus, while the Taxes/GDP ratio increased continuously, getting a dramatic improvement that positions the country, together with Brazil, within the highest level of taxation in Latin America.

In what follows, I will try to expose briefly some of the indicators showing such evolution in economic and fiscal terms. In the end, I will essay some preliminary conclusions about this process, its weaknesses and virtues.

Given that the economic experiences could sometimes shed light on other scenarios, one particular aim will be to imagine particular reflections that would be useful in relationship for further comparative analysis and with the evolution of the economy in countries like Pakistan.

2. A BRIEF PRESENTATION

In times of Bicentennial of the Independence and in demographic terms, Argentina's present range of population is more than 40 million people, multiplying various times the human contingent in the years of the First Centennial. Anyhow, within the Latin American context, today, such population is behind the ones of Brazil, México and Colombia.

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¹In the moment of closing this essay, the European countries are trying to reach an agreement for solving the situation on the Euro Area, because of the sequence of facts that followed the Greek debt.

Considering the total surface area, Argentina ranks among the ten biggest countries in the world, with 2.8 million square kilometers. Connected with the surface of the country, its population is of a moderate size, strongly concentrated in the Province of Buenos Aires and the Capital City. By contrast and in comparative terms, there is a low density population rate in huge extensions like Patagonia.

Located in the temperate region, the climate not always must be recognized with that of the Pampas, which is very friendly in terms of agricultural production. Dry climate and different soils are found in different parts of the country, like in the North, the West and the South.

Argentina has natural borders with Brazil, Paraguay, Uruguay, Bolivia and Chile. The Mercado Común del Sur (MERCOSUR) is an experience of integration which joins Argentina, Brazil, Paraguay and Uruguay, thus consolidating a potential huge market.

The trend in the population growth rate of the country is lower than in the other countries before mentioned. In the past, such characteristic has contributed to get acceptable rates in *per capita* terms² combined with not always good records of growth.

3. SHORT HISTORICAL NOTE

Initially, the Argentinean case, like others, is in essence a particular one. It is normal to remember that the country occupied a privileged position in terms of per capita GDP during the last part of the Nineteenth Century and the first part of the Twentieth Century.

The economic outcomes reached were visible. Following Maddison's data, it is possible to assert that just before the beginning of the First World War (1913), Argentina occupied the tenth place in the context of nations³ because of the level of its GDP per capita.

It is widely accepted that such process was linked to a very generous endowment of natural resources in relation to a low population. It is also important to mention that during that time there was in advantageous coincidence with a growing demand of international products from temperate climate originating in Europe and other countries.

The usual comparison fostered for such evolution was with countries placed in a similar position like Canada, Australia and New Zealand bringing into being the so called "regions of recent settlement". One specific attribute of such countries was the relationship with Great Britain, the leading force in such "world of commerce".

The process was so intense that the rate of economic growth and development was clearly higher than in other countries. In spite of some allegation about a lowered growth after the First World War,⁴ the evolution proved to be more successful in the countries of Oceania than in the Canadian one.⁵

However, such global behavior of the economy was strongly linked to the international demand that diminished after the Ottawa Agreements,⁶ generating a less beneficial position of Argentina in relation with the "white dominions".

²See Ferreres, *et al.* (2005), for such data.

³See Madison (1995).

⁴We refer to the allegation from Di Tella-Zymelman (1967), maintaining that in spite of having the conditions for industrial development around 1913, Argentina suffered a "phase of delay" in its pace and rhythm of economic growth.

⁵See Díaz Alejandro (1971).

⁶We refer to the Conference maintained in the year 1932 for Great Britain and nations of the British Commonwealth, getting a new arrangement for their reciprocal trade,

In a different way, Australia and Canada developed a wider scope of resources, including energy and the mineral ones, which conditioned Argentina's further development in the rest of the last century.⁷

The following history is well known too. After the 1930 economic crisis the country did not recover its privileged position in connection with the international trade and markets. In particular after the Second World War and along the second part of the past century, Argentina's evolution was one of permanent degradation regarding its international comparative position, showing occasional ups and downs during such evolution.⁸

The commercial partners were important, situation which is also relevant in Canada and Australia. The later substitution of the "British Connection" for those countries was very dynamic in a comparative perspective: for them, United States and Japan were actual locomotives.

There are plenty of explanations for Argentina's failure, ranging from some political interpretations, to sole economic reasons. We know a very celebrated and widely accepted comment by Simon Kuznets, who said that "there are four kinds of countries: developed, underdeveloped, Japan and Argentina".⁹

The last essay on economic policy under the logics of the Washington Consensus, implementing a system of currency board and an extensive programme of reform were based on the reduction of the state intervention and was initiated in the mid 1940's. Indeed, the liberalisation, privatisation of state companies and assets, opening of the economy as well as the pension sector and the fiscal regime ended with the hard conclusion of the whole regime in the turbulence generated by the 2001Crisis.

4. THE ARGENTINEAN ECONOMY IN THE 2001-2011 DECADE

From a simplistic point of view, one could begin saying that betterment in the situation was apparent during the years after the "big bang" Argentina suffered in the last days of 2001, after the collapse of the *currency board* system. As it is possible to imagine, it was a very strong change in flows and assets given such astonishing and enormous explosion.

However, progressively, a recovery was being apparent, quite dubiously at first and more strongly afterwards, given the floating and depreciation of the currency, the improvement of the external sector and the protective effects of such measure on the internal one, producing a progressive movement of economic upturn.

These results occurred initially without the presence of inflationary pressures, given the high level of unemployed factors in the origin, letting operate the expansionary forces positively and not eroding the low level of incomes then existing.

In the other way, it was possible to get a primary surplus in the public sector budget, in connection with the similar excess in the foreign trade. The economy followed for some years a virtuous path of "double surplus", the one corresponding to the public sector and the other to the commercial one.¹⁰

⁷See Asensio (1996).

⁸For some comparative insights, see Asensio (1996).

⁹See Asensio (1988, 1995). Curiously, it is famous an assert from Professor Paul Samuelson who affirmed that in the 1940's he would maintained that then "Argentina was the prospect" in terms of development.

¹⁰The opposite to other scenarios, were the result is one of "double deficit".

The trend observed in the GDP was one of positive annual rates maintained at an outstanding level. So, in recent times, it was possible to discover that Argentina was the third country in the last decade for the fast growing rhythm.¹¹ The indicator behaved positively, not only in global terms, but also in the *per capita* one too. The economic growth has been founded in the country, and not only was it *extensive*, but also *intensive*.¹²

This trajectory was continued without the presence of new international credit, except institutional creditors like the World Bank and the IADB, given the absence of private supporters in connection with the position of the country linked to the global market for bonds. Meanwhile, an important reconstruction of the debt was sorted out with a preponderant volume of those creditors, although a portion of them was not covered for the said agreements.

In such general scenario, it is not possible to omit the situation of the international markets for tradable goods. So, the soaring prices for commodities and agricultural products underlie the successful evolution of the Argentinean economy in these years. In particular, the level reached for the prices of soybean and soy oil produced by the country played a main role in this short story of particular “recovery from the ground”.

5. PRESENCE, EFFECTS AND ANSWERS TO THE RECENT INTERNATIONAL CRISIS

Given that the structure of international economic relations shows a strong influence from that of Asia and MERCOSUR, on first instance and at the official level, it was considered that the effects of the recession with a financial base would not be that important in Argentina.

The former assert obeys to the strong relationship standing with China–soy and soy related products- and with Brazil-mainly automotive industry which dominates the figures of the Chart below. In spite of that, the economic retraction was finally evident.

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Argentina's Foreign Trade (2010)

Order	Continent	Exports	%	Imports	%
1	Africa	4.002.331	5.9	336.998	0.6
2	America	33.683,4	49.4	30.023.358	53.1
3	Asia	15.680.146	23.0	13.018.393	23.0
4	Europa	13.191.721	19.4	12.387.358	21.9
5	Oceania	340.865	0.5	338.617	0.6
6	Various	1.235.602	1.8	396.820	0.7

¹¹ See *The Economist Online*, September 2011.

¹² For the notion of extensive and intensive economic growth, see among others, Marr-Paterson (1981).

At the best, since the last 2008-four-month-period, and during an important part of 2009, Argentina's GDP level was held back in its growing tendency, worsening also the employment statistics, inflation and credits to the private sector, situation that started from a decline generated in the external sector, with less imports and exports.¹³

In an economy where the foreign trade had a traditional relevance, the distortion of its magnitude, as a consequence of the worldwide situation already mentioned, would be the clear expression of a reversion in the favourable afore-mentioned tendencies. The commercial balance registered noticeably the bad news.

The "inward" spreading of the crisis in Argentina's economy made the deteriorations be verified in the labour market instance, people's falling in poverty, unregistered employment situations, and people's inequality, situations that, on the contrary, had been improving in countries that were included in the so called "rebirth of Latin America".¹⁴

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*Quarterly Economic Evolution in Argentina (2008/2011)*¹⁵

Index	1/08	2/08	3/08	4/08	1/09	2/09	3/09	4/09	1/10	2/10	3/10	4/10	1/11
GDP	8.5	7.8	6.9	4.1	2.0	-0.8	-0.3	2.6	6.8	11.8	8.6	9.2	9.9
Employment	8.4	8.0	7.8	7.3	8.4	8.8	9.1	8.4	8.3	7.9	7.5	7.3	7.4
M	22.1	24.6	13.4	-0.9	-24.2	-26.3	-20.7	-4.1	30.1	35.6	37.4	32.7	20.4
X	6.1	-1.6	12.2	-11.2	-11.8	3.5	-17.4	2.5	4.2	18.2	27.8	7.4	7.1

In the previous graph it is possible to see that, from the first quarter in 2009, the deterioration effect in unemployment was verified, as well as the 2008-foreign trade brought forward, while the general economic reversal expressed by the GDP was explicit during the second and third quarter in 2009.

In such a context, it is quite surprising, nonetheless, that the time of the retraction reached a few quarters, situation that was quite clear when considering the after recuperation of the indicators showing the economic situation during 2010 and 2011.¹⁶

The 2008-2009 crisis moderate impact did not prevent to develop several measures to counteract it, fact which denied the previous assumptions of immunity before the phenomenon. Such answers could be identified with two important categories: (a) general procedures in economic politics, and (b) procedures with regard the federal system and federal-fiscal.

¹³There are discrepancies regarding the economic deterioration before mentioned. While there are provisional official numbers that identify it as a close to 1 percent growth, private estimations pointed out a recession higher than the 2 percent GDP. As we shall see, unemployment raised 8 percent and in 2009. The commercial balance between 2008 and 2009 showed a strong decline in exports and imports. In 2009, inflation was above 1 percent per month. Credit to the private sector, though it rose in nominal terms, it stopped its growth in real terms. In 2010 the improvement would be evident.

¹⁴See Special Reports on Latin America, *The Economist* (2010), page 13 and pages 1-18 of the Special Report.

¹⁵Acronyms used in the indexes are: GDP: quarterly Annual variations in the Gross Domestic Product; Employment: quarterly unemployment rate; M: quarterly imports annual variation, and X: quarterly export annual variation.

¹⁶Even when considering figures by inhabitants there was an expressed and notorious recuperation. According to *The Economist*, and considering provisional estimates in the Second quarter of 2011, Argentina was the third country, after China and India, in its GDP growth *per capita* since the fourth quarter in 2007 [*The Economist* online (2011)].

Among the firsts ones, it is possible to distinguish those that mean (i) to smooth and stimulate the fiscal and financing situation of the two taxpayers, like a moratorium and tax-amnesty, a programme to support declared work and the granting of loans with reduced interest rates for small companies; (ii) to back-up an aggressive programme for public works to encourage the global demand by means of investment, holding at the same time the stimulus to support the acquisition of new capital assets by the private sector, partially financed by the reprogramming by means of a bond exchange of the State owned debts, and (c) to strengthen the international reserves available to the Central Bank.

The second type of measures, in reference to the federal system, includes the consolidation of the national government's position on the one hand, as well as the assistance and support to the subnational governments before the crisis. These measures include a relief to the situation of high provincial indebtedness rate on one side, and the creation of conditioned assignments by retention on the exports, on the other hand. I shall mention them next when we deal with the federal financing outline within the crisis framework.

6. ECONOMIC STRUCTURE AND CHANGES IN THE STRUCTURE

After a long time leadership by the export sector, the Argentina's economy became further sealed as regards the "inward looking" strategy which was forced, at least partially, by the new international conditions as well as new considerations in terms of principles of economic policy. The years of the "Lost Decade" of the 80s and very clearly the 90s show the abandonment of this approach and the entrance in a period of economic openness, less interventions from the state and more market-friendly approach.

In the long term, it is interesting to see the evolution of the structure of the economy, which was related both with international and internal forces. As it is possible to remember, the focus in the economic structure is an old perspective in such classical essays like the Clark's or Kuznets's ones¹⁷ to evaluate their changes along time.

In such perspective, the share of the different sectors in Argentina's economy was an interesting indicator. So, coming from an increase in the weight of the secondary sector which was evident at the beginning of the second part of the 20th C, and increased afterwards, it was apparent during the last decade of such Century and indisputable in the initial years of the 21st C, a coming back in that previous trend.

In more direct terms, the share of the manufacturing sector (industry) in GDP diminished strongly. In the same way, it was possible to speak about a "des-industrialization era", or, by opposite, remark the "re-primarisation" of the country, given the recovered place of some primary activities, to the interior of the aggregate mass of goods production.

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Argentina: Economic Structure in Brief

Periods	Agriculture	Manufactures	Goods Production	Services
Mid 80s	8.8	25.3	46.7	53.3
Mid 90s	6.3	17.2	31.8	68.2
Mid 10s	5.7	17.5	34.2	65.8

¹⁷See Clark (1963) and Kuznets (1981), among others.

7. ECONOMIC GROWTH, POVERTY AND EQUALITY

Of course, this overview forgets, in a certain sense, the important role of services. The increasing weight of the tertiary sector was in the scenario in a very visible manner. Probably, in the long run, what it could be agreed on is discovering a move from agriculture not only to industry but to services in the end, or, to services, but passing through manufacturing also.

In parallel with the exploding situation represented by the 2001 Crisis, expressed in an epochal fall of the GDP's levels (global and *per capita*),¹⁸ jumped in an impressive way the ratios of social exclusion and poverty and worsened dramatically the inequality indexes of the country.¹⁹

Thus, people in conditions of risk increased in parallel with the sinking of the economy, situation which was apparent in the streets of the main cities of the country. The concentration in the distribution of national income followed this trend, widening the gap among the poorest and the riches in the society.

These aspects were linked intimately with the precarisation or elimination of a myriad of employment positions in the whole of the economy. Thus, the fall in the economy correlated itself with a fall in the level of unemployed.

This beginning was followed by a slow but consistent process of improvement along the decade. Considering the bad results derived for the worsening during the 2008-2009 turbulence, the comparison between extremes (2001-2011) shows an improvement very clear in the rate of unemployment level, which was reduced in quantitative terms.

The poverty index and the Gini's Coefficient showed also the improvement of the economic conjuncture along the decade. Although better indicators have been signaled as a characteristic of various countries of Latin America, the reduction of inequality is one of the outcomes after the 2001 very deep socio-economic crisis.

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Poverty, Extreme Poverty, Income Gap and Gini's Coefficient in Argentina

Years	Poor	Poorest	Income-Gap	Gini's Coefficient
2000	33.4	9.0	14.4	0.479
2001	35.9	11.6	17.3	0.503
2002	53.0	24.8	23.1	0.526
2003	47.8	20.5	17.4	0.517
2004	40.2	15.0	15.4	0.495
2005	33.8	12.2	14.6	0.490
2006	26.9	8.7	14.3	0.478
2007	20.6	5.9	13.8	0.465
2008	15.3	4.4	13.6	0.454
2009	13.2	3.5	13.2	0.441

¹⁸The global GDP decreased by 15 percent. This was historical in perspective.

¹⁹Until today it is possible to remember some images in the media of such days, showing a lot of people try to get food and other basic goods in the streets of the main cities.

As it appears in the chart above, not only was poverty reduced but extreme poverty as well.²⁰ The Gini's Coefficient, after reaching a peak in 2002, dropped consistently afterwards until descending to a better position. In comparative terms it looks now as a moderate index for a medium income level country.²¹

7. TAX REVENUES: LEVEL AND STRUCTURE

One of the peculiarities of the last years was the new level reached by tax revenues. The main requirement imposed for a particular time without additional possibilities for increasing the existing public debt was the need to obtain as a result, clear and permanent primary surpluses in the public budget.²²

Such framework for the fiscal stance was not a question of economic taste. Indeed, it was an imposition of the circumstances. It meant control of the expenditure level and success in the corresponding ability to collect taxes for the financing of the government. It was the framework for the fiscal policy along the decade. Argentina, one big debtor, should save money for getting enough funds for the repayment of such debt.²³

However, the history of global collection of taxes in Argentina showed a preliminary situation where the tax share of GDP was not particularly important, at least in comparative terms, in relation to developed countries and other countries of Latin America. Years ago, the weak ratios Taxes/GDP have been mentioned as a logic and direct cause of inflation.

Such strong assert keeps its own logic applied to the case of Argentina. The relationship among low taxation, fiscal deficits and higher inflation looked consistent with the volatility of prices and long inflationary tradition of the country. So, the improvement of the tax collection had a structural importance.

The results obtained during the last decade looks outstanding. The tax revenues reached a high volume in relation to GDP. In few years, the global collection, after increases obtained year by year, reached a peak close to 34 percent of GDP. It is a remarkable outcome equating the Brazilian one, which until recently was the higher in the Latin American region and among the MERCOSUR's countries.²⁴

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Tax Revenue and GDP Structure of Fiscal System

Main Taxes	2001	2010
Value Added Tax	5.71	8.07
Income Tax	3.99	5.44
Taxes on Property	0.31	0.40
Financial Transactions Tax	1.09	1.86
Foreign Trade	0.64	3.98
Gasoline Tax	1.27	1.01
Social Security Taxes	3.23	7.10
Provincial Taxes	3.64	4.76
Total	21.14	33.69

²⁰Extreme poverty is called "indigence" in the statistical system of Argentina.

²¹The Gini's Coefficient for Argentina shows a position quite far from the best but very far from the worst in international terms. Is better than the Brazilian one and better than the USA indicators, in spite of that it is far from the outstanding levels such the Scandinavian ones or other countries in Asia, like Pakistan.

²²The average rate was usually of 2.5 percent of the GDP.

²³It was similar to "living from its own".

²⁴It is remarkable if compared with other important countries in Latin America, in particular México and Colombia.

Considering the existence of various levels of government and given the federal character of the country, such result was obtained mainly through strong variation in the levies which compose the national or central taxation. So, if the consolidated or global tax pressure increased, the national tax coefficient increased strongly and faster. The consequence is a structure of tax collections with a higher weight of the national ones with respect of the provincial ones.

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Tax Revenue/GDP Relation

Resources	2001	2002	2005	2008	2009	2010	Change 2001/10
National	17.50	16.91	23.10	26.63	27.10	28.93	11.43
Provincial	3.64	3.39	4.12	4.40	4.63	4.76	1.12
Total	21.14	20.30	27.22	31.03	31.73	33.69	12.55

The table above indicates that more than 80 percent of the joint tax collection is generated by national taxes. Likewise, dynamically speaking and in the long term, from 2001 to 2010, the increase between extremes of national collection almost double that of the provinces, 65 percent against 30.8 percent. In other terms, the result just mentioned before shows that in the same period national or central taxes increased 11.43 percent of the GDP *vis a vis* the provincial ones which increased 1.12 percent of GDP. Jointly, they increased 12.55 percent of GDP. In the end, it implies also more budgetary power for the central government.²⁵

We need now turn to the global structure of the taxation.²⁶ Observing such structure we can see that the central changes produced in it explains the commented outcome. So, the creation of two new particular taxes and the favourable evolution of others had a bearing on those figures.

First of all, the taxation on financial transactions, well known as *the tax on the checks*, in one side, and the *retentions on exports*, in the other, explained a big part of the increase, particularly the latter, given the boom in commodity exports which benefited the country.

Additionally, the maintenance of a very low level for the amount not subject to taxation (nontaxable minimum) in the personal income tax and in the wealth tax applied on property—in spite of an increasing inflation—generated important revenue yields to the government, persistently maintained.

Besides, the behaviour of the external sector played again a role with respect to the indirect taxes. So, the growing tendency exhibited by the imports, permitted also a higher amount for the Value Added Tax collected from such significant source.

However, the new composition of revenues was a major cause for the increasing of the tax revenues along the period. Although the economic buoyancy after the worst peak of the crisis fostered the growth of the tax collection from all sources, it was evident that the new members of the family, the taxation on financial transactions and the new tax on exports were responsible for a big part of the increment.

²⁵We should mention that there were some additional changes in the legal budgetary framework, strengthening the position of the national government [Asensio (2009)].

²⁶It is necessary to distinguish structure of taxation or structure of the collection of taxes, from the structure of individual taxes. The latter alludes to the elements considered in the legal system for each tax, for determining and assessing the amount to be paid for an individual taxpayer.

Some voices of criticism reasonably argued that instead of using the export tax, exclusive revenue of the national Government, the income tax could reap the good circumstances of the economy, letting the provinces to share it with the national government given the character of shareable revenue of that tax. Provinces do not get it at all.

Anyway, it should be mentioned for practical reasons. The option for the export tax came from its minor risk of tax evasion and consequently major fiscal productivity, and its alluded quality of non-shareable resources given that the Constitution leaves the tax on foreign trade as exclusive revenues of the central government.²⁷

Such outcomes were reached in spite of some other factors included in the individual structure of the taxes. Those factors are in the base of a measurable size for the tax expenditures, which ranges for more than 1 percent of the GDP. Consequently, the important amount of tax expenditures could not impede the aggregate growth of tax collection in the country.²⁸

In the end, high levels of tax collection in the decade was one of success, but mainly a national success, as it was previously mentioned, given that the concentration of revenues in the national level leave the subnational governments less endowed and more dependent from the national one.

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Evolution of the Fiscal Revenues in the Short Term (GDP %)

Revenues ²⁹	2007 (1)	2008 (2)	2009 (3)	2010 (4)	(2):(1)	(3):(2)	(4):(3)	% 09/08	% 10/09
RN	25.13	26.63	27.10	28.93	1.50	0.47	+1.83	+ 3.60	+6.75
RP	4.22	4.39	4.63	4.76	0.17	0.24	+0.13	+ 6.38	+2.80
RN-RE	22.61	23.14	24.30	25.77	0.53	1.16	+1.47	+ 6.91	+6.04
RN-SS	20.62	21.54	20.36	21.83	0.92	-1.18	+1.47	- 3.85	+7.22

The chart above indicates a better behaviour for the national taxes (RN) with respect the provincial ones (RP). However, the outcome does not avoid variations if retention on exports (RE) or social security contributions (SS) are considered.

The federal-fiscal scenario is not absent in the picture. The story of collection success is always one of big centralisation, because it was achieved essentially across national resources which were also non-shareable resources. If it were a profile admitted when the crisis was very deep, it is not a profile needed for the future.

²⁷The income tax, as well as the VAT, being the main taxes in the fiscal structure of the nation, has a tradition of difficult control and difficult collection. The export tax was an easier way of covering the expenses without need of sharing the subnational governments.

²⁸It implies to accept that there exist exemptions and deductions that reduce the tax yields, included in the general concept of tax expenditures. Legislation in Argentina disposes that an assessment in tax expenditures be published for the government. See DNAF (2010).

²⁹RN: National Resources; RP: Provincial Resources; RE: Export Retentions; SS: Social Security.

8. CONCLUDING REMARKS AND LESSONS FOR OTHER COUNTRIES

The case that we have presented quite briefly, corresponding to an economy in evolution after a major breakdown, involves various aspects and extremes. It is well known that each economy and society owns particular profiles which in turn generate quite different ways for their advance and recovery.

Argentina's economic development has suffered major interruptions during the second part of the 20th Century and in the beginning of the present one. In the long term, the country has lost very important positions in a comparative analysis, not to speak if we compare its international situation in the Bicentennial with respect the First Centennial. In such a way, in 1913, the country was among the first ten considering its *per capita* GDP. At present it is close to the sixtieth position.³⁰

During the last decade, the trend of the Argentine economy showed that it is possible to improve some variables when the general conditions move in the positive directions. Real and financial sectors were benefitted for the international scenario.

The weight of the external sector was overwhelming. In such a way, the "commodity surplus" helped for arriving to the fiscal surplus. Also, the flow of trade linked to the "Brazilian connection. Nevertheless, the real increase of tax revenues itself was relevant and impressive.

However, it is necessary to reach a deepening of the research for determining if all the results depend from external factors, administrative improvements, changes in legislation or the achieving of an increase in the tax effort.³¹ We are sure of tax booming in the period, yet it is not equally sure that it was a direct consequence of more tax effort.

Likely, the way was the reverse: the economic growth fostered the tax collection and the tax structure improved tax productivity. Changes in the tax structure geared by new levies were present too. It indicates that such particular comments should be quite inconclusive and not definitive.

What it is indisputable is that the tax yields increased clearly in a short time. Of course, still remains open questions like the duration and consolidation of that trend that assures a healthy and sustainable macro-fiscal scenario in the long term.

In any case, it could generate some new inquiries for countries, like Pakistan, that have been fighting many years to improve tax effort and collections, as well as maintaining and increasing their rates and pace of economic growth and development.

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³⁰Of course, the map of the World has suffered major changes, including some fragmentation of empires and countries, comparing one situation and another, which has it influence in the result.

³¹See Asensio and Asensio, Alejandro (2008).

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