The Transition of Labor Compensation's Share of GDP in Argentina from Peak to Peak, 1996-2006

Topic: Perspectives on Structure and Change
Author: Guadalupe Gutierrez Escribano
Co-Authors: Maia Giselle de la Calle

Argentina has been a disloyal follower of economic models. Researchers have cited the countyâ€™s lack of economic stability, reliable data, and expertise as core rationales. Indeed, Argentina has experienced several cycles of inflation and growth and recession since the Great Depression nearly a century ago. Government officials have also been known to hide or be â€œcreativeâ€• with some national statistics as well. Argentina first Input-output was created in 1950 with only 23 sectors. The Central Bank of the Argentina Republic (BCRA) updated it with three moreâ€”for 1953, 1963, and 1973, with the last expanding to 57 industries. Most recently Argentina produced accounts for 1997 with 124 industries. That is, until EORA produced annual tables for 1991-2011 along with those for many other countries. With this new wealth of information it may be possible to discover new things about Argentinaâ€™s economy.

I examine change in the nationâ€™s economy between 1996 and 2006. I pick these two years because they represent the best economic years in the nationâ€™s recent experience. The peso was tied to the U.S. dollar in 1996, the nationâ€™s budget was balanced, and inflation was close to nil. But things soon collapsed. In 2006, radical opposition to neoliberalism via import substitution enabled GDP to rise to double digits, the nationâ€™s poverty rate dipped under 50%, and the unemployment rate was less than 10% for the first time since 1998. To examine the nature of the economic transition I use multiplicative structural decomposition analytic techniques. I decompose labor compensation share of value added into the change caused by domestic and the change in final demand by broad type, final demandâ€™s expenditure structure, industry input mix, industry production shifts. EORA fortunately puts all monetary units in constant terms. I show results for five broad industries as well as for the national economy at large. Labor compensationâ€™s share of value added decreased by 1% by 2006 compared to 1996. Thus Kirchnerâ€™s presidency paid workers a smaller share of their output. This is an interesting result since Kirchner emphasized import substitution as a way of increasing workers benefits. Indeed, the composition of final demand and exports drove the change. All broad industries suffered steep changesâ€”changes larger than 1%. This implies industry shifts provided a soft landing to the overall economy