

What's Wrong with Argentina?

When President Cristina Fernández de Kirchner initiated the nationalization and expropriation of the Argentine assets of YPF, an oil company owned mostly by Spanish interests, it came as no surprise to anyone who has visited the country recently or watched it closely. The theft, a consistent manifestation of the Kirchner personality and the mercurial character of the Argentine political class, was more a return to business as usual for the country than a shock – and goes a long way toward explaining why Argentina is poor.

In January 1912, an impartial observer of Argentina and the United States would have had trouble guessing which had a more promising future. Both enjoyed the low-hanging fruit of abundant, underpopulated land. The Argentine pampas were as fecund, tillable, and flat as the American Midwest. Argentina had a long coastline ideal for exporting the agricultural products that were grown inland. Immigrants from all over the world were rushing in. Argentina had one major advantage over the States: It had never relied so heavily on slavery for agriculture. So it had never experienced such a wrenching civil war, nor was it destined for the racial strife and inequality that would be the major blot on America's future. By 1912, Argentina had even started to enjoy some soft power: The tango – which had originated in Buenos Aires' slums – had just hit Paris and would soon be the rage in New York and Finland. The capital was marketing itself as a fully European city transplanted directly into the Americas.

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