

## **Where is the Wealth of Argentina? The National Balance Sheets of an Unstable Natural Resource Rich Economies**

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The aim of this paper is to present the methodology and estimation of the Wealth and National Balance Sheet of Argentina. The main objective of this research is to study the magnitude, dynamism, origins and allocation of the Wealth of Argentina through an exhaustive estimation of the National Balance Sheet by asset and liabilities type for institutional sectors.

Taking into account the unstable behavior of the Argentine economy during the period analyzed, it can be inferred that the measurement of the Wealth and the National Balance Sheet of this emergent economy is an important methodological challenge, and it can be taken as an example to analyze the current financial crisis in developed countries.

Argentina, one of the main commodity exporters to BRIC countries, presents a historical record of highly unstable political situations and a vulnerable economic behavior that led to capital flight, variable relative prices, debt defaults, bank runs and wealth effects that could be consistently captured thanks to the national balance sheet estimations.

In the case of tangible capital, this paper takes into account Coremberg (2004) (2009) and OECD (2008) recommendations, including also an estimation of the natural capital as in World Bank (2011), adapted to a land rich economy as Argentina and considering the market value of agricultural land.

As discussed in Hall (2001), Landefeld and Lawson (2001) and Hausmann and Sturzenegger (2006), the paper examines the challenge of including purchased goodwill and hidden assets in wealth, as well as the net foreign assets position at market value.

Following the economic literature on Intangible assets by Hall (2001), Hulten, Corrado and Sichel (2005) and World Bank (2006), this measurement includes Human Capital estimations for Argentina (Coremberg (2010)) following Jorgenson-Fraumeni's approach (1992), (1996). This focus is compatible with the broader and consistent view of new architecture of national accounts by Jorgenson, Landefeld and Nordhauss (2006) in order to include any non-market activities and capital that could impact in output sustainability and welfare, as Stiglitz, Sen and Fitoussi (2009) suggested.

Mainly based on methodological recommendations of SNA08, IMF and OECD, this paper analyses several proposals about the treatment of non-performing loans, considering IMF balance sheet vulnerability approach and recommendations from OECD and UN EDG financial discussion groups, by Frecault (2002), Allen (2004), Bloem and Porter (2002), Harrison (2006). The measurement of Argentina's National Balance Sheet shows the negative impact of unstable political and economic behavior during the 2002's crisis and the present natural resources boom on the magnitude and composition of Wealth:

Argentina's current wealth is lower than developed countries, but with an important Human Capital stock.

Low financial deepening, reflected by low leverage of balance sheet of households and private corporations, and the propensity of saving in external assets was magnified by 2002 crisis.

After the crisis, corporate and government sector reduced their leverage ratios although they kept showing nominal negative financial positions; but after taking into account real assets revaluation, the balance sheet of institutional sectors demonstrated an important positive wealth effects reflected in their positive net worth.

The post crisis economic resurgence was explained not only by the bailout of corporate sector but mainly the impact of commodities' prices boom on revaluation of natural capital and wealth.