

Economic Freedom and Perceived Corruption and Agriculture: Evidences from Soybean Exports in Brazil and Argentina

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The objective of this study was to explore the relationship between soybean exports (values and quantities), exchange rates and Economic Freedom of the World Index (EFWI) for Argentina and Brazil, as well as the importance of institutions on economic growth and perceived corruption. These exports are affected by changes in exchange rates, albeit to different degrees. Issues such as Sound Money and Legal System are identified as weak areas for Argentina, whilst Brazil seems to have problems with their Legal System and Regulations. We looked for long term relationship between the variables export quantities (EXPQUA), export values (EXPVAL), exchange rates (EXCHRT) and Economic Freedom of the World Index (EFWI) for both countries for the period 2000–2010 only, as complete data available was for that period alone. Results suggest an increase in currency rates affects the industry, especially Argentina, where exchange rates affect soy exports, potentially allowing for loss of power in the international market should the situation not improve. In Argentina's EFWI, scores on Sound Money experienced a decrease and a great issue seems to exist within their Legal System. On the other hand, Brazil is also affected by exchange rates, but to a lesser extent, reflected in the scores for Sound Money in the EFWI. In most countries the government controls resources and producers seek to attain privileges within the economic activities, condition which leads to greater levels of corruption. Pairing weak institutional quality with increased corruption, the effect on economic growth is negative. This responds the question on why institutions play a vital role in a country's economic growth.

Keywords: Economic freedom of the world index, institutional framework, legal-system, sound money

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