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Abstract

We examine how well-intentioned regulations often produce adverse economic and institutional consequences. While regulation can address market failures, it frequently evolves into a tool for rent-seeking, exclusion, or symbolic overreach. Using case studies from Argentina's deregulation process, we show how rigid or discretionary rules can reduce competition, increase prices, and distort incentives. Beyond these partial-equilibrium effects, we examine whether deregulation can generate broader, economy-wide impacts through institutional channels. Argentina's economy-wide deregulation provides a unique setting to assess these systemic effects. We document a marked post-reform decline in corruption indicators relative to comparable countries, consistent with the idea that simplifying rules and reducing regulatory discretion can lower rent-extraction opportunities and improve institutional performance at scale. Taken together, the findings underscore the need for responsible deregulation: a reform agenda focused on removing unjustified barriers, curbing discretion, and restoring state capacity through evidence-based, transparent, and regularly reviewed regulatory frameworks.

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I. Introduction

Policymakers often present regulations as essential tools to protect the public interest, correct market failures, and uphold minimum standards of safety and quality (Pigou 1920; Stiglitz 1989). Yet behind this technocratic rationale often lie more opaque and distortionary dynamics. Historically, regulations have not always functioned as neutral instruments for the common good. Instead, they have served as sources of corruption (de Soto 1989; Shleifer and Vishny 1993; Kaufmann and Wei 1999), barriers to competition (Djankov et al. 2002), disproportionate reactions to rare events (Sunstein 2002; Viscusi 1996), or tools of regulatory capture by entrenched corporate interests (Stigler 1971; Peltzman 1976).

One of the most opaque drivers of regulation is corruption. When rules are excessively complex, arbitrary, or technically unwarranted, they grant public officials broad discretionary power that can be leveraged to extract bribes in exchange for permits, licenses, or exemptions. In such environments, regulation loses its protective or corrective purpose and instead functions as an unofficial toll, discouraging innovation and distorting productive activity. A broad literature documents how excessive and discretionary regulation creates fertile ground for corruption. Where institutional accountability is weak and bureaucratic discretion unchecked, rules are routinely subverted to serve private rents rather than public goals (Shleifer and Vishny 1993). Empirical evidence further links burdensome and opaque entry regulations to higher corruption levels and reduced formal economic activity (Djankov et al. 2002).

The relationship also operates in reverse: corruption can actively fuel regulatory proliferation. In bureaucracies oriented toward rent extraction, regulatory complexity becomes a deliberate strategy to expand discretionary power and extractive rents. Legal systems, far from being purely efficiency-driven, often reflect the political incentives of

those who design and enforce them (Glaeser and Shleifer 2003). Evidence shows that corruption not only fails to reduce red tape, but tends to correlate with denser regulatory environments—suggesting a self-reinforcing cycle in which complexity serves as a tool for sustaining bribery-based governance (Kaufmann and Wei 1999). Historical accounts further illustrate how entrenched actors benefit from dual systems in which the formal economy is obstructively costly to access, while informal, bribe-facilitated channels offer more expedient paths (de Soto 1989). Thus, corruption and regulatory opacity are mutually reinforcing: a dense web of rules creates the conditions for rent extraction, while a corrupt environment, in turn, incentivizes the design and preservation of such rules.

More structurally damaging than individual acts of corruption is the long-term institutional impact of rent-generating regulatory systems. When public sector positions offer opportunities for informal rents, they tend to attract individuals motivated by opportunism rather than public service. Cruces, Rossi, and Schargrodsky (2023) provide causal evidence on this selection dynamic showing that individuals who engaged in dishonest behavior as young adults are significantly more likely to later occupy non-meritocratic positions in the public sector. The implication is stark: early exposure to incentives for dishonesty can shape career trajectories in ways that erode bureaucratic integrity and reinforce institutional dysfunction.

These findings point to a deeper institutional pathology: rent-seeking regulatory environments do not merely tolerate corruption—they actively shape the composition of the state by selecting and retaining individuals whose incentives diverge from the public interest. Systems that allow public officials to extract rents tend to attract precisely those agents most willing to exploit such opportunities, reinforcing a dynamic of misgovernance (Banerjee 1997). When appointments and promotions reward political loyalty or patronage over merit, the civil service becomes less capable and more prone to

abuse (Fisman and Golden 2017). This erosion of bureaucratic quality is not isolated—it forms part of a broader cluster of institutional fragilities that co-occur in weak states. Extractive regulatory systems, low state capacity, and limited provision of public goods are mutually reinforcing, creating persistent traps of underperformance (Besley and Persson 2011). The result is a public administration that displaces technically skilled or mission-driven personnel, fosters a culture of normalized opportunism, and undermines the state's ability to act with efficiency, legitimacy, and expertise. Over time, institutional decay deepens a vicious cycle: weak governance fuels public distrust, which in turn enables further regulatory capture and entrenches corruption as a systemic norm.

Corporate lobbying is another major driver of excessive regulation. Large firms often promote rules that ostensibly uphold safety, quality, or ethical standards but effectively entrench their market dominance by raising barriers to entry. A well-documented example is the agrochemical sector, where firms like Monsanto (now part of Bayer) have actively lobbied for complex regulatory approval processes for seeds and pesticides. While these rules are framed as essential for safety and environmental protection, in practice they create high compliance costs that only large firms can afford—effectively limiting competition from smaller producers and stifling innovation (Bonneuil et al. 2014; Pechlaner 2012).

Regulatory capture occurs when such rules are crafted to serve incumbent interests rather than the public good (Stigler 1971; Carpenter and Moss 2014). Corporations with ample legal, financial, and technical capacity can absorb or even benefit from complex compliance requirements, while small and medium-sized enterprises (SMEs) face disproportionate burdens. Regulatory procedures thus function as fixed costs that deter entry and suppress competition, particularly in developing economies (Djankov et al.

2002). The result is a two-tiered market: one where large firms navigate regulation with ease, and another where SMEs are excluded or forced into informality.

Policy responses have traditionally relied on targeted subsidies or regulatory exemptions to support SMEs. However, these interventions are typically limited in scale and scope (Czarnitzki and Hottenrott 2011). In Argentina, for example, public policy has long assumed that SMEs require special assistance programs to compete. Initiatives such as the "*Apoyo a la Productividad y Competitividad de las Empresas*" program reached only 150 firms; "*Capacitar Pyme*," focused on training, benefited 5,300 firms; and the "*Promoción de Reformas para la Competitividad Pyme*" program supported just 10. These efforts, while well-intentioned, fail to reach the vast majority of SMEs—over one million in Argentina alone. Moreover, even when rigorous evaluations detect positive firm-level impacts, these results often reflect partial equilibrium effects. Gains among treated firms may come at the expense of untreated competitors, through displacement or market share reallocation, limiting their relevance for broader policy design.

A central limitation of much of the existing evidence on regulation and deregulation is its predominantly partial-equilibrium focus. Sector-specific evaluations can identify localized price, entry, or productivity effects, but they are ill-suited to capture systemic responses when regulation operates as a generalized source of rents and discretion. In such settings, regulatory reforms may affect not only the targeted markets but also broader institutional equilibria—altering incentives for rent extraction, patterns of corruption, and the overall functioning of the state. When regulation is a key input into the production of rents, its removal or simplification can generate spillovers that extend well beyond individual sectors. This raises the possibility that deregulation, if implemented at scale and in a coordinated manner, may produce economy-wide effects through institutional channels rather than through conventional market mechanisms alone.

A more effective and equitable approach is to eliminate structural regulatory barriers that systematically disadvantage smaller firms—especially when such rules lack a clear, evidence-based rationale. Rather than compensating SMEs for their exclusion, reform efforts should aim to create a genuinely level playing field. Empirical evidence increasingly supports structural deregulation over piecemeal subsidies as a more impactful strategy for fostering SME development (CEI 2023).

Excessive regulation also arises as an overreaction to statistically rare but high-profile tragedies. Catastrophic events—like the collapse of a bridge or the failure of a high-rise building—often trigger sweeping mandates, including costly technological upgrades or universal inspection regimes. These responses, while well-intentioned, frequently disregard the actual distribution and probability of risk. Major accidents can provoke "availability cascades," where public pressure and political incentives generate overregulation divorced from cost-effectiveness (Kuran and Sunstein 1999). Media salience further distorts policy priorities, leading to disproportionate responses to emotionally charged but infrequent events (Mullainathan and Shleifer 2005). The result is a regulatory logic that imposes multi-million-dollar compliance costs on thousands of operators to mitigate highly localized risks. Uniform implementation across sectors or regions, without regard for frequency or marginal benefit, often fails basic cost-benefit criteria (Hahn and Sunstein 2002). In such cases, regulation ceases to be evidence-based and instead functions as symbolic reassurance—at significant economic cost.

Even when regulations address genuine market failures—such as information asymmetries in the pharmaceutical sector—they remain vulnerable to capture. Mandating rigorous clinical trials and quality controls is justified, given that consumers lack the technical capacity to assess the risks of new drugs (Arrow 1963). Yet agencies responsible for public health oversight are often co-opted by the very firms they are meant to regulate.

Industries with sufficient political and financial leverage use their influence to block new entrants or delay competing products (Stigler 1971; Carpenter and Moss 2014). In such cases, regulation ceases to protect consumers and instead reinforces the market dominance of incumbents. The pharmaceutical sector offers well-documented examples: firms have shaped drug approval processes to delay the entry of generics and restrict lower-cost alternatives (Garde 2011). Regulation, in this context, becomes a mechanism for exclusion and rent-seeking rather than a safeguard of public welfare.

This paper contributes to the literature by providing a rare, empirically grounded analysis of a comprehensive national deregulation process. While most existing studies focus on individual sectors, isolated reforms, or theoretical arguments, there is limited empirical work examining deregulation as a systemic, economy-wide policy intervention. Leveraging the recent Argentine experience, this paper offers an integrated assessment that combines institutional analysis, sector-specific evaluations, and macro-level evidence. In addition to documenting clear partial-equilibrium gains in affected markets, the analysis shows that deregulation is associated with a broad-based improvement in institutional outcomes, consistent with a reduction in economy-wide rent-seeking and corruption. The goal is not only to assess sectoral effects, but also to situate these findings within a broader discussion of how coordinated reforms can reshape regulatory governance and state capacity.

In sum, while regulation can play a vital role in correcting market failures and protecting public welfare, it often drifts toward exclusionary, discretionary, or rent-seeking outcomes. The Argentine case illustrates how these distortions can accumulate across sectors, undermining both economic efficiency and state legitimacy. Confronting this pattern requires a program of responsible deregulation—aimed not at weakening the state, but at rebuilding its capacity to serve the public interest. This involves eliminating

unjustified barriers to entry, reducing bureaucratic complexity, and limiting discretion. Crucially, it calls for institutionalizing rigorous cost-benefit analysis and periodic review across the regulatory apparatus to ensure accountability and adaptability in dynamic environments.

The urgency of this agenda is not merely theoretical. Across diverse sectors, empirical evidence from Argentina shows how well-intentioned but rigid regulations can suppress competition, distort incentives, and ultimately harm the very groups they aim to protect. Section II outlines the institutional framework and implementation strategy behind Argentina's recent deregulation efforts, providing context for how reforms were conceived and executed. Section III presents sectoral case studies—in charcoal exports, rental markets, and yerba mate production—where regulatory interventions initially pursued goals such as fairness, safety, or strategic protection, but led to adverse and often unintended outcomes. These episodes serve as cautionary tales and offer valuable insights for rethinking the practical role of regulation in complex and dynamic economic environments. Section IV expands the analysis beyond individual cases by examining the broader macroeconomic and cross-sectoral impacts of deregulation as a policy approach. Section V concludes.

II. The deregulation process in Argentina

Since December 2023, Argentina has launched a comprehensive deregulation initiative that departs sharply from conventional approaches to regulatory streamlining. Rather than merely simplifying existing frameworks or reducing administrative burdens, the reform aims to reimagine the role of the state from first principles. It represents a deliberate break with the logic of cumulative accretion—where new rules are layered atop old ones (Schuck 2014)—and embraces institutional subtraction as a foundation for policy credibility and economic revitalization. Emerging amid acute economic distress—

with inflation above 200 percent, chronic fiscal imbalances, and stagnating productivity—the reform was treated not as a technocratic adjustment but as a structural imperative. It was placed at the center of the government's agenda, with a newly created ministry overseeing implementation and bypassing traditional veto points and fragmented lines of authority (Carey and Shugart 1998; O'Donnell 1994).

Importantly, the process did not rely on broad legislative support or entrenched bureaucratic consensus. The ruling coalition held a minority in Congress and faced significant resistance within traditional institutional arenas. However, through the strategic use of temporary legislative delegation—granted via the passage of an omnibus law—the executive branch acquired extraordinary powers to repeal or amend existing regulations unilaterally. This allowed the administration to bypass many of the veto points that typically paralyze structural reform (Tsebelis 2002). Crucially, the feasibility of such far-reaching changes was also shaped by the severity of the country's economic crisis. Deep and persistent dislocation tends to lower public resistance to reform, particularly when the costs of the status quo become visibly unsustainable (Drazen and Grilli 1993; Rodrik 1996). Rather than reflecting institutional consensus, the reform was propelled by concentrated political will and made possible by an exceptional window of opportunity created by the crisis.

The pace of reform was equally exceptional. Within a span of just a few weeks, the executive issued more than a dozen delegated decrees overhauling regulatory regimes in sectors as diverse as foreign trade, telecommunications, and transport.

From the outset, the guiding principle was not simplification, but elimination. The reform was premised on the diagnosis that a vast portion of Argentina's regulatory corpus had ceased to perform any functional role—either because it responded to outdated protectionist logics, had been rendered obsolete by technological change, or served

primarily as a vehicle for discretionary enforcement. In this view, regulatory complexity was not a byproduct of poor design, but the intentional outcome of rent-seeking incentives embedded within the state. Accordingly, the reform did not seek to improve or optimize existing rules, but to dismantle them systematically and reduce the discretionary margins they enabled.

Some of the most striking distortions uncovered during the regulatory review involved instances of regulatory capture taken to absurd extremes. In one case, importing a given product required the approval of a committee composed entirely of the domestic producer that stood to lose from the import—effectively allowing incumbents to veto market entry by potential competitors. This constituted a non-tariff barrier so impenetrable that it rendered formal market access meaningless. Such institutional arrangements reveal how regulations can be weaponized to entrench privilege under the guise of oversight.

Another example involved the fruit export industry, which was subject to dense and outdated regulation—governing everything from packaging requirements and harvesting permits to detailed quality controls. In one case, watermelon exporters were required to package their products according to specifications dating back to 1983. Because foreign buyers rejected that format, exporters had to unpack the produce aboard ship and repackage it to meet the actual demands of their destination markets—wasting time, labor, and perishable inventory. Similarly, garlic producers faced export restrictions based on minimum head size, even when smaller heads were specifically demanded abroad for industrial uses like purée processing. These cases exemplify how overregulation can substitute bureaucratic judgment for market signals, imposing costs not just on producers but also on public agencies tasked with enforcing obsolete standards.

The strategy rested on three pillars: (i) a comprehensive legal audit, (ii) the centralization of deregulatory authority, and (iii) the adoption of clear normative criteria for repeal. The legal audit classified all Argentine laws into those worth preserving, those requiring revision, and those deemed distortionary or obsolete. This cataloging effort, unusual in its breadth and ambition, provided the epistemic foundation for sweeping legislative and executive action. Second, centralizing authority within a specialized ministry avoided the procedural inertia typically associated with horizontal coordination (Mahoney and Thelen 2010). Third, a simple normative test guided the reform: if a rule did not demonstrably protect the public interest, prevent harm, or correct a market failure, it was presumed unnecessary. This inversion of the usual burden of proof—requiring justification for retaining rather than eliminating rules—marked a fundamental departure from prevailing regulatory philosophies. It also reframed the relationship between the state and the private sector. Rather than treating regulation as the default and markets as the residual, the reform process positioned market coordination as the baseline, subject to regulatory override only under specific, evidence-based conditions (Schuck 2014).

While the initial phase of reform focused on cross-cutting issues—such as labor rules, trade regulations, and administrative procedures—subsequent efforts extended into sector-specific domains. These included housing, civil aviation, agroindustry, pharmaceutical retail, and public procurement. In each case, the reforms targeted structural distortions that had historically favored incumbents, insulated low-productivity sectors, or sustained discretionary bureaucratic practices. The underlying hypothesis was that eliminating these distortions would trigger reallocation effects, increase competitive pressure, and reduce opportunities for corruption and capture.

Critically, the reform architecture included an explicit commitment to accountability and evidence-based policymaking. A dedicated evaluation unit was established to

conduct ex post reviews and impact evaluations of selected reforms. While still in its early stages, this evaluative capacity reflects an effort to embed feedback loops into the reform process—not only as a mechanism for adaptive learning, but also as a means of institutionalizing transparency and public accountability. This emphasis on ex post evaluation distinguishes Argentina's approach from many past deregulatory episodes—both in Latin America and elsewhere—that often lacked clear metrics, feedback mechanisms, or institutional learning. Such frameworks are essential for ensuring that regulatory changes remain grounded in measurable outcomes rather than political discretion (Jacobs 2011; Radaelli 2009).

In some cases, deregulation has not entailed the outright elimination of existing frameworks but rather the creation of parallel, competitive alternatives to discipline incumbent regulatory structures. Instead of attempting to reform dysfunctional systems from within—a slow and politically costly process—the government has enabled the emergence of deregulated regimes that exert pressure on traditional actors by offering market participants a credible exit option (Hirschman 1970). A salient example is the case of agricultural warrants, where a fully deregulated framework was introduced alongside the legacy system, allowing users to opt into a more flexible and market-driven arrangement. This strategy shifts the burden of performance onto the regulator: if the traditional regime wishes to remain relevant, it must improve its efficiency, reduce discretion, and respond to market needs. By fostering regulatory competition, the approach leverages market dynamics to induce institutional change without requiring direct confrontation with entrenched interests (Vogel 1996; Esty and Geradin 2001). This logic parallels Tiebout's insight that mobility between jurisdictions can improve public sector performance by subjecting institutions to competitive pressures (Tiebout 1956).

In sum, Argentina's deregulation program represents a rare case of high-velocity institutional transformation in a democratic setting. It departs from technocratic gradualism and instead advances a theory of change based on legal subtraction, bureaucratic disruption, and political centralization. Whether this approach can produce durable gains remains to be seen. But as a policy experiment, it offers a valuable counterpoint to the dominant paradigm of regulatory incrementalism. It also provides a unique opportunity to generate empirical insights about deregulation as a systemic policy intervention—especially under conditions of institutional weakness and economic urgency.

III. Sectoral case studies

This section analyzes five cases in which Argentina's deregulation efforts produced meaningful changes in market dynamics. Although the original regulatory frameworks often aimed to promote equity, stability, or consumer protection, they frequently imposed rigid constraints that limited market entry, distorted prices, or impeded innovation. By examining recent reforms in charcoal exports, rental housing, and yerba mate production, the section highlights both the microeconomic rationale for deregulation and the diverse channels through which regulatory simplification can influence economic outcomes. Each case relies on administrative data and policy documents to trace the mechanisms and early impacts of reform.

Charcoal registry

In March 2012, a drug trafficking case involving Argentine charcoal exports drew international attention. On March 8, Portuguese authorities seized a shipment of charcoal in Lisbon sent by the company *Carbón Vegetal del Litoral*, uncovering 380 kilograms of high-purity cocaine concealed within the cargo. The following day, five individuals were arrested while attempting to retrieve the shipment. Subsequent investigations identified

two additional containers shipped by the same firm—one intercepted in the port of Buenos Aires with 519 kilograms of cocaine, and another seized in Portugal in April 2012 containing 158 kilograms. All shipments originated from the same facility in Chaco, Argentina.

This incident prompted an immediate regulatory response. To prevent similar occurrences, the Argentine government introduced the *Registro de Exportadores de Carbón Vegetal* (RECAR), a registry designed to strengthen oversight of charcoal exports and deter drug trafficking. However, the policy also imposed heavy bureaucratic burdens and expanded institutional discretion, generating significant economic and structural distortions within the sector.

The registration process proved highly cumbersome, discouraging exporter participation and disrupting trade flows. In addition, the discretionary nature of the approval procedure led to inconsistent decisions and delays that effectively functioned as non-tariff barriers. As a result, the number of active exporters dropped sharply—from approximately 250 firms prior to the reform to just 15 afterward—indicating severe exclusionary effects and a marked increase in market concentration.

Aggregate data corroborate these trends. Figure 1 displays the evolution of charcoal export volumes (in tons). Before RECAR's implementation (2003–2011), Argentine charcoal exports grew at an average annual rate of 5.0%. In the post-RECAR period (2012–2024), this rate turned negative: –3.2%. Average annual export volumes declined from 149,200 to 67,200 tons.

The RECAR case highlights the unintended consequences of poorly designed regulatory regimes: reduced market participation, increased concentration, and sizable economic losses without compelling evidence of improved enforcement. Instead of precisely targeting criminal activity, the measure created structural barriers that penalized

legitimate exporters—especially small and medium-sized firms lacking the administrative capacity to navigate the approval process.

This example serves as a cautionary tale. When regulation imposes disproportionate costs relative to its stated objectives, and discretion replaces transparency and consistency, the outcome is not enhanced governance but rather suppressed competition and diminished economic performance. RECAR thus illustrates a broader principle: regulatory interventions must be assessed not only by their intentions, but by their institutional design, cost-effectiveness, and market impact.

Rental law

In mid-2020, the Argentine Congress enacted a new rental law aimed at strengthening tenant protections. The reform mandated three-year lease contracts and introduced annual rent adjustments tied to a national index. These measures were adopted in a context of high inflation and heightened uncertainty in the housing market—monthly inflation averaged nearly 5 percent in 2021—conditions that magnified the risks of rigid contractual rules.

Figure 2 shows the evolution of the Rental Apartment Supply Index in the Buenos Aires Metropolitan Area (AMBA). Following the enactment of the 2020 law, listings declined steadily, reflecting the contraction in supply induced by rigid contractual rules. After its repeal in December 2023—which restored freedom in lease duration, adjustment mechanisms, and payment currency—the market responded quickly. Just one month later, the number of available apartments had increased by nearly 50 percent relative to the pre-reform baseline, and by May 2024 the stock of listings was more than 150 percent higher.[1]

[1] Months October–December 2023 are excluded due to the implementation of Decree 533/2023, which prohibited dollar-denominated listings. This change affected both the composition of the rental sample and the measured indicators, particularly median prices. For this reason, all comparisons are made relative to September 2023.

Figure 3 presents the evolution of the median rental price per square meter. The expansion in supply was accompanied by a sharp decline in real rents. By January 2024, prices had fallen almost 30 percent relative to September 2023, and by May 2024 the drop reached 45 percent. This strong inverse relationship between supply and prices highlights how the repeal of rigid rules quickly translated into improved affordability for tenants.

The Argentine rental law underscores a broader lesson: when regulation replaces decentralized bargaining with centralized mandates, unintended consequences can emerge—particularly in markets that depend on contractual flexibility. Policies designed to protect vulnerable groups must be judged by their actual effects rather than their intentions. In this case, a reform intended to enhance access to housing ultimately reduced availability and worsened affordability, illustrating how rigid rules can backfire in fragile markets.

Yerba mate

Price controls are among the most frequently used regulatory instruments in agricultural markets, typically intended to protect producers or consumers. In Argentina, the Instituto Nacional de la Yerba Mate (INYM) held authority for several years to set minimum prices for both raw yerba mate leaf and partially processed product. These price floors sought to shield smallholders from volatility and guarantee a minimum income. In practice, however, they generated distortions throughout the value chain.

By fixing minimum input prices, the regulation prevented transactions at market-clearing levels. This raised production costs for processors and ultimately translated into higher final prices for consumers. In December 2023, the government revoked the INYM's price-setting authority, allowing producers and processors to negotiate freely. The effects were immediate and measurable.

As shown in Figure 4, between March and December 2023 the real price of yerba mate rose steadily. Following deregulation, prices dropped sharply: by May 2025 the real price per kilogram had fallen by 41.6% relative to December 2023, reaching its lowest level since March 2023. Importantly, this price decline did not coincide with a contraction in supply. On the contrary, shipments of yerba mate to distributors, wholesalers, and supermarkets in July 2024 were 2.8% higher than in the same month the previous year. This suggests that deregulation reduced prices without compromising retail availability and may even have modestly expanded it.

To formally capture the break in the price trend, we estimate a regression discontinuity model on the first difference of the logarithm of the real price, as depicted in Figure 5:

$$Y_t = \beta\ Treatmetnt_t + \delta\ (TimeToTreatment_t) + \gamma\ Treatment_t * (TimeToTreatment_t) + \varepsilon_t$$

where Y is the first difference of the logarithm of the real price, Treatment is a dummy equal to one for all weeks after the reform, and TimeToTreatment is the number of weeks relative to the deregulation date. By construction, this variable takes negative values in the pre-treatment period and positive values thereafter. The error term is denoted by ε. The parameter of interest is β, the treatment effect at the cutoff.

Table 1 reports the estimates. The coefficient on Treatment is negative (–5.5 p.p.) and statistically significant at the 5% level with robust standard errors, indicating that deregulation is associated with a decline in the yerba mate price trend.

The yerba mate case illustrates the broader limitations of price controls. While often motivated by distributional concerns, they can raise consumer prices and introduce inefficiencies along the supply chain. Once removed, markets may re-equilibrate in ways that benefit both producers and consumers, provided that competition and transparency are maintained.

In this instance, deregulation realigned incentives across the value chain and restored accurate price discovery. The case provides clear evidence that eliminating price controls—when carefully implemented—can improve market performance without undermining supply or equity.

IV. The impact of deregulation

The four sectoral cases analyzed in the previous section yield distinct but complementary insights into the effects of regulatory reform. Each illustrates how legacy regulations—often introduced with protective or redistributive objectives—generated unintended consequences that distorted market functioning, restricted competition, and reduced efficiency.

In each case, deregulation—when designed with attention to institutional incentives and accompanied by transparency and competition—produced measurable improvements in supply, prices, and market structure. Collectively, the evidence highlights a broader principle: regulatory design is consequential. Evaluations should focus not only on stated objectives but also on realized effects on economic behavior and outcomes. In contexts of institutional complexity and limited state capacity, regulatory simplification and rule-based governance appear to be effective mechanisms for improving efficiency and expanding access without compromising equity.

These findings, however, represent partial equilibrium exercises. Their primary value lies in identifying sector-specific responses and transmission channels; they are not designed to capture the broader, economy-wide implications of deregulation. To address this limitation, the subsequent section moves beyond case evidence and examines deregulation as a systemic policy paradigm.

As discussed above, regulation generates rents and opportunities for corruption. We test whether deregulation reduces such opportunities. Argentina provides an appropriate

setting, as it is the first country to implement an economy-wide deregulation process, with no close precedent in comparative experience.

The empirical strategy relies on a synthetic difference-in-differences approach (Arkhangelsky et al. 2021). Corruption is measured using version 15 of the Varieties of Democracy (V-Dem) dataset (Coppedge et al. 2025), based on country-expert surveys and standardized aggregation methods. Two indicators are employed: (i) the Regime Corruption Index, capturing the extent to which political actors exploit public office for private or partisan gain, and (ii) the Executive Corruption Index, capturing the extent to which members of the executive or their agents engage in bribery or embezzlement. Both indices are normalized on a 0–1 scale, with higher values indicating greater corruption. The indicators are available annually for 171 countries since 2003, ensuring comparability across time and space

Figures 6 and 7 document parallel pre-trends between Argentina and its synthetic control prior to deregulation, followed by a relative decline in Argentina thereafter. Table 2 reports an estimated reduction of 0.22 points in the general corruption index, statistically significant at the 1 percent level. For regime corruption, the reduction is 0.15 points, also significant at the 1 percent level, consistent with the observed decline from 0.489 in 2023 to 0.334 in 2024. Likewise, the executive corruption index fell from 0.568 to 0.326 over the same period, reinforcing that the decline is broad-based across distinct dimensions of corruption.

Given the economy-wide nature of corruption, these findings provide suggestive evidence that deregulation may exert economy-wide effects by reducing corruption. Of course, as with any synthetic control–based analysis, these estimates capture the joint effect of deregulation and contemporaneous factors in Argentina, so they should be interpreted as suggestive rather than strictly causal.

V. Final remarks

We provide empirical evidence of a recurring pattern: regulations designed to protect often end up harming. Whether by restricting entry, distorting prices, or empowering discretionary enforcement, poorly designed rules undermine competition, reduce efficiency, and entrench privileges. Across the four cases examined—charcoal exports, rental contracts, and yerba mate—regulation consistently failed to achieve its stated objectives and instead generated measurable welfare losses.

In charcoal exports, excessive bureaucratic controls introduced in the name of enforcement severely restricted market access and concentrated activity in a few firms, with no clear evidence of improved outcomes. In housing, rigid rules meant to protect tenants reduced rental supply and worsened affordability. Price controls in the yerba mate sector, designed to stabilize producer incomes, instead raised consumer prices and distorted incentives along the value chain.

Although the mechanisms differed—bureaucratic controls that curtailed exports, technical standards that entrenched a monopoly, rigid lease terms that reduced supply, price floors that distorted incentives, and exclusivity rules that insulated an incumbent—the outcomes converged: less competition, higher costs, and reduced access.

These are not isolated incidents but manifestations of deeper institutional dynamics, where regulatory frameworks evolve into tools of rent extraction, capture, or symbolic reassurance. Reversing these dynamics requires more than ad hoc reform: it demands a systematic commitment to regulatory quality, grounded in accountability, transparency, and periodic review.

The case studies also underscore their own limits: they represent partial equilibrium exercises, illuminating sector-specific mechanisms but not the broader, economy-wide consequences of deregulation. Complementary evidence from Argentina's ongoing

reform effort shows that deregulation can indeed generate systemic effects. Using synthetic difference-in-differences, we find that the recent economy-wide deregulation process significantly reduced corruption, as measured by expert-based indices. This suggests that deregulation not only alleviates distortions within particular markets but can also improve institutional integrity more generally.

Responsible deregulation is therefore not about shrinking the state but about reorienting it toward its core public purpose. This entails dismantling unjustified barriers, simplifying compliance, and concentrating institutional capacity where it matters most. Only under such conditions can regulation fulfill its intended role: enabling markets to function fairly and efficiently in service of the public good.

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Table 1: Impact of deregulation on real yerba mate prices

	(1)
	Linear Polynomial
Treatment	-0.055 ***
Observations	185

Note: The bandwidth is chosen using the MSE–optimal procedure (Imbens and Kalyanaraman, 2012; Calonico et al., 2014). Column (1) use a window of 23 observations on the left and 24 observations on the right. ***Significant at 1 percent level.

Table 2. Deregulation and corruption

	(1) Executive Corruption Index	(2) Regime Corruption Index
	-0.2221***	- 0.1498***
	(0.0725)	(0.0511)
Treated unit: Argentina	1	1
Number of countries in the donor pool	170	170

Notes: Standard errors in parentheses. ***Significant at 1 percent level.

Figure 1. Charcoal exports, in tons

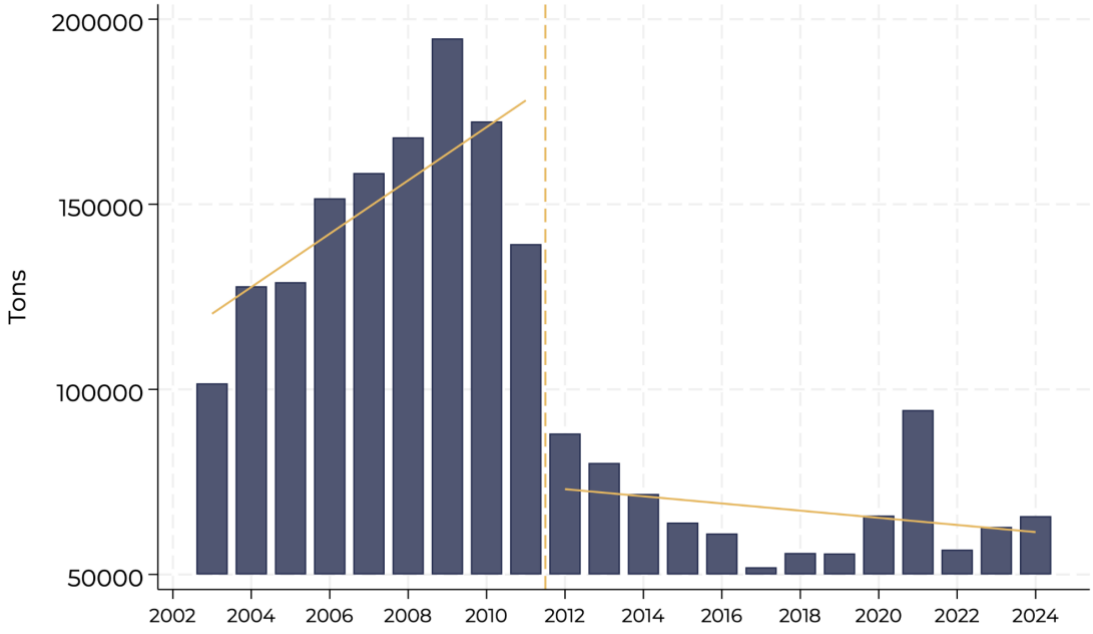


Figure 2. Rental Apartment Supply Index in the Buenos Aires metropolitan area

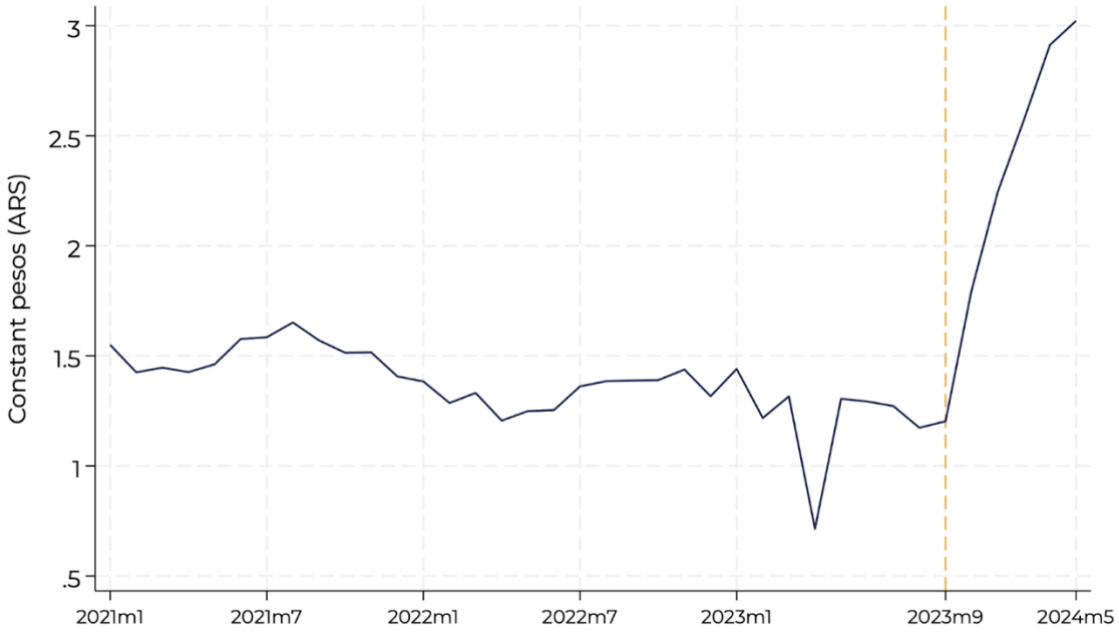


Figure 3. Median price per square meter of rental apartments

Figure 4. Yerba mate prices

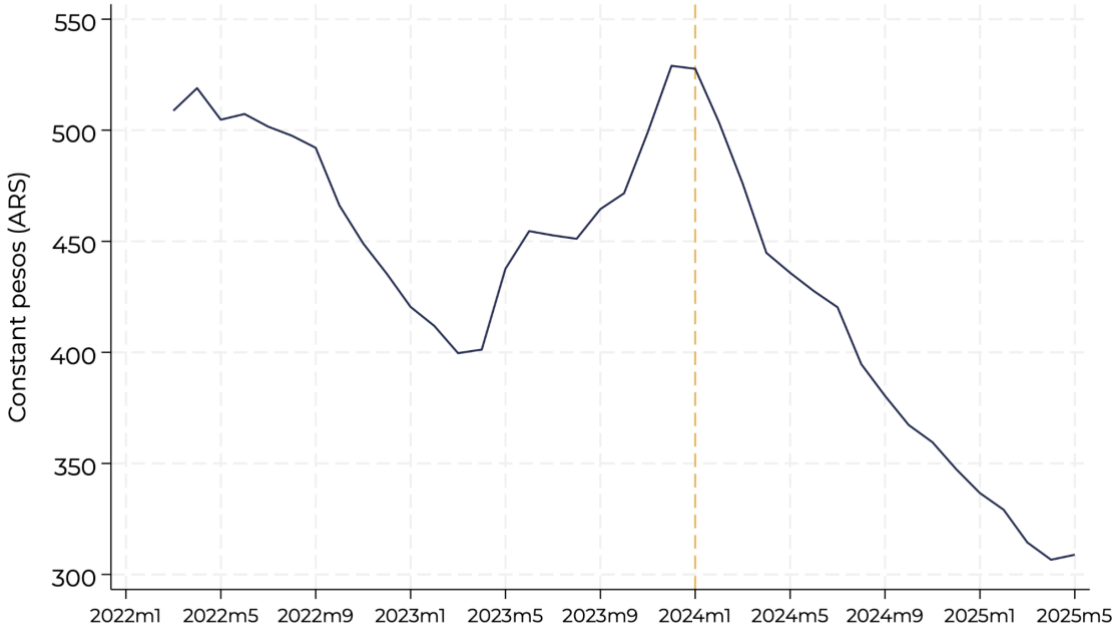
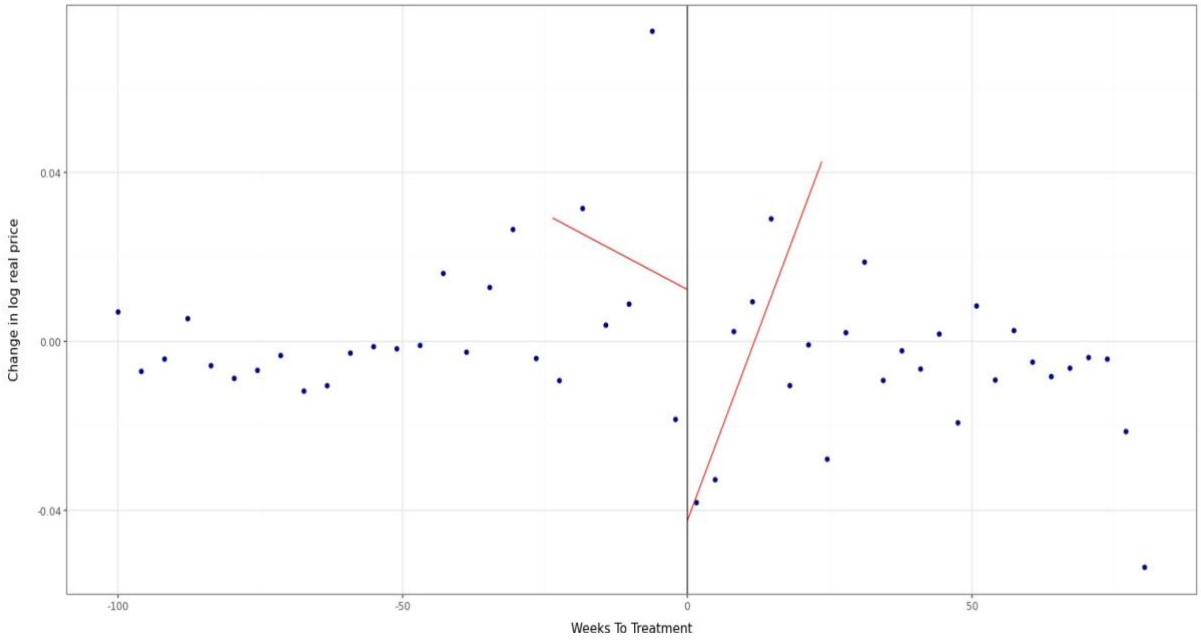


Figure 5. Impact of deregulation on real yerba mate prices



Note: The fitted lines are based on a local linear regression with a triangular kernel. The bandwidth is chosen using the MSE–optimal procedure (Imbens and Kalyanaraman, 2012; Calonico et al., 2014). The window is contains 23 observations on the left and 24 observations on the right.

Figure 6. Regime Corruption Index

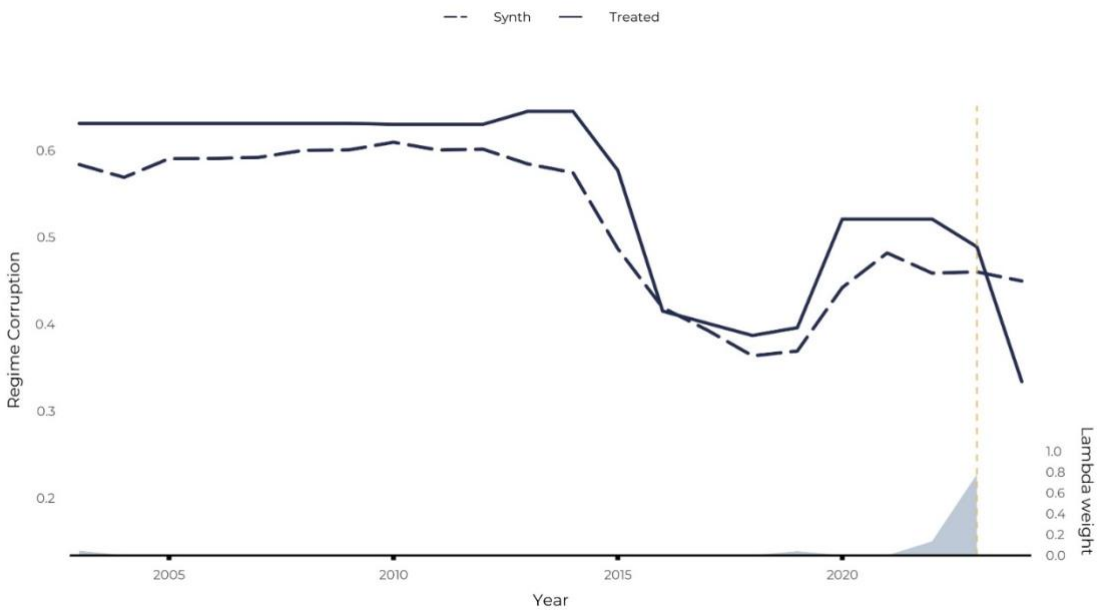


Figure 7. Executive Corruption Index