

Since this is a matter of regional geopolitics, we reproduce the following article.

NOTE: the red highlighted is ours, as is the final comment.

Lessons from Argentina

# “My contempt for the state is infinite”

Javier Milei is idolised by the Trumpian right. They should get to know him better

MANY PEOPLE in America hope that the new Trump administration will take an axe to a bloated and overbearing government, cutting spending and rolling back regulation. Whether this goal is even plausible any more is a crucial question for America and the world, after two decades in which government debt globally has risen relentlessly, fuelled by the financial crisis of 2007-09 and the pandemic. For an answer, and a case study of taming an out-of-control Leviathan, head 5,000 miles south from Washington, where an extraordinary experiment is under way.

Javier Milei has been president of Argentina for a year. He campaigned wielding a chainsaw, but his economic programme is serious and one of the most radical doses of free-market medicine since Thatcherism. It comes with risks, if only because of Argentina's history of instability and Mr Milei's explosive personality. But the lessons are striking, too.

The left detests him and the Trumpian right embraces him, but he truly belongs to neither group. He has shown that the continual expansion of the state is not inevitable. And he is a principled rebuke to opportunistic populism, of the sort practised by Donald Trump. Mr Milei believes in free trade and free markets, not protectionism; fiscal discipline, not reckless borrowing; and, instead of spinning popular fantasies, brutal public truth-telling.

Argentina has been in trouble for decades, with a state that handed out patronage, politicians who lied and a central bank that printed money to paper over the cracks. To control inflation, its governments resorted to a blizzard of price controls, multiple exchange rates and capital controls. It is so far the only country in modern economic history to have tumbled from rich-world status back into the middle-income bracket.

Mr Milei was elected with a mandate to reverse this decline. His chainsaw has cut public spending by almost a third in real terms, halved the number of ministries and engineered a budget surplus. There has been a bonfire of red tape, liberating markets from housing rentals to airlines. The results are encouraging. Inflation has fallen from 13% month on month to 3%. Investors' assessment of the risk of default has halved. A battered economy is showing signs of recovery.

What is fascinating is the philosophy behind the figures. Mr Milei is often wrongly lumped in with populist leaders such as Mr Trump, the hard right in France and Germany or Viktor Orban in Hungary. In fact he comes from a different tradition. A true believer in open markets and individual liberty, he has a quasi-religious zeal for economic freedom, a hatred of socialism and, as he told us in an interview this week, “infinite” contempt for the state (see Americas section). Instead of industrial policy and tariffs, he promotes trade with private firms that do not interfere in Argentina's domestic affairs, including Chinese ones. He is a small-state Republican who admires Margaret Thatcher—a messianic example of an endangered species. His poll ratings are rising and, at this point in his term, he is more popular in Argentina than his recent predecessors were.



Make no mistake, the Milei experiment could still go badly wrong. Austerity has caused an increase in the poverty rate, which jumped to 53% in the first half of 2024 from 40% a year earlier. Mr Milei could struggle to govern if resistance builds and the Peronist opposition is better organised. Investor confidence will be tested if he finally removes capital controls and shifts an overvalued peso to a flexible exchange-rate regime: a currency slump could test nerves and push inflation back up. Mr Milei is an eccentric who could become distracted by culture wars over gender and climate change, and thus neglect his core mission of restoring Argentina's economy to growth.

Nonetheless, and despite the fact that Argentina is a very unusual country, Mr Milei's first year holds lessons for the rest of the world, including his admirers and detractors in America. Take the growth of the state. Global public debt has risen from 70% of GDP 20 years ago to 93% this year and will hit 100% by 2030. Debt is a scourge not only in rich countries but also in China and India, which are both running vast deficits.

The financial crisis and the pandemic raised borrowing and created a sense that the government will always step in when people are in adversity. Many countries face rising health-care and pension costs as the population ages. Regulations only ever seem to accumulate. Governments are at a loss as to how to break the cycle. In some places, such as France, the prospect of doing so threatens political chaos (see Europe section).

Some of Mr Milei's lessons are technical. To cut spending he has asked government departments to slash expenses on procurement, administrative costs and salaries rather than cash transfers to the poorest. He recognised that controlling pension spending is essential because an ageing population eats up vast chunks of the budget, a fiscal reality that many countries have yet to confront. In power, he has learned to add a dose of pragmatism to his convictions. He has set the direction for Argentina, but delegates legislative horse-trading to his staff and asks skilled ministers to oversee the economy—most notably Federico Sturzenegger, his deregulation tsar.

### Big ego, small government

Perhaps the biggest lesson is about courage and coherence. Like them or not, Mr Milei's policies align with each other, which magnifies their effect. Unlike Mr Trump, he has not promised to unleash the power of markets and consumers in one breath, and to protect businesses from competition in the next (see Leader). By winning the argument for tough but vital reform, he has shown that voters used to sugar-coated banalities can in fact be trusted with hard truths.

Mr Milei, with his biker jackets, “anarcho-capitalist” mantra and explosive temper, is an unlikely saviour, and he may not save Argentina. But his attempt to confront, coherently and systematically, one of the most extreme incarnations of what is now a near-universal problem deserves to be watched closely around the world. Including in the White House. ■

## COMMENTS:

### Be the same but different: *Milei ultra libertarian and a populist Trump*



El presidente electo de Estados Unidos, Donald Trump, saluda al presidente argentino, Javier Milei, en la gala del America First Policy Institute (AFPI) en Mar-A-Lago en Palm Beach (Florida, EEUU). — Carlos Barria / REUTERS. 15 noviembre de 2024.

- At a gala at Trump's Mar-a-Lago resort on Thursday, Milei congratulated the president-elect and said it proved “that the forces of heaven [were] on our side”. Trump said it was an “honour” to welcome him to Mar-a-Lago – calling him “a MAGA (*Make America great again*) person” ...“The job you've done is incredible.  
"Make Argentina Great Again... he's doing that.", nov. 15, 2024, <https://www.bbc.com/news/articles/cx28g3de7p1o>
- Apart from the obvious differences in economic policy between the two presidents, they agree on geopolitics, in their total support for Israel and as allies in other international confrontations. Milei offers himself as a "strategic partner" of Trump, proposing a special trade agreement with the US, which would weaken Mercosur; as he already did when he disaffiliated Argentina from the BRICS organization and instead declared his willingness to belong to NATO; in short, placing Argentina as a pawn in Trump's foreign policy.
- Milei contempts the State, even though he is the highest representative: political schizophrenia in contemporary Argentina.

November 30, 2024

Jaime E. Luyo, PhD