

Lessons for South Africa from Argentina's radical economic reforms

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Executive summary

Javier Milei, who assumed Argentina's presidency in December 2023 on a ticket of radical, if painful, libertarian reform, has embarked on an unprecedented economic experiment.

Can the root-and-branch eradication of a bloated, corrupt government, overpaid and inefficient civil service, and stifling economic regulation, in favour of establishing a free market under a small government, turn around the fortunes of a failing socialist economy?

In just over a year, Milei's drastic reform measures have produced encouraging numbers on inflation, economic growth and capital flows that suggest his plan is working.

This paper will examine the historical background against which Milei was elected, the reforms he decreed or enacted, and the highly encouraging economic consequences of those reforms.

Finally, it will propose some lessons that South Africa can draw from the events in Argentina. South Africa's economy closely resembles that in which Milei campaigned for the presidency. It, too, is dominated by a socialist-inclined and frequently corrupt government and crony elite. It, too, is stagnant and unable to relieve poverty or create prosperity for the majority of its people. It, too, is populated by people who are unhappy and disillusioned with the economic performance of the present regime.

The lessons, in brief, are that all failing socialist economies face a final reckoning, sooner or later. The electorate will respond by either breaking to the revolutionary left, which spells doom, or accepting potentially painful market-oriented reforms that promise long-term improvements in their quality of life.

Voters do not have endless patience, however, so changes have to be radical and take place fast. Gradual reform may be appropriate for a country that is generally doing okay, and needs only a minor nudge. An economy on the brink of failure, however, needs a rapid cure. Quick results give people hope. Hope sustains reform.

Hope also lures investors, both domestic and foreign, back into the market.

Economic reforms are hampered by ideological red lines. There must be an acceptance, among the political class, that temporary hardship is inevitable, and is the price an economy must pay to cure the ills of its socialist past. This requires deft and fearless leadership.



Thorough public education, explaining basic economics and why free markets work, can lay the groundwork for an unhappy and disillusioned electorate to make the right choice, and vote for economic reform, even knowing that it might bring pain and turmoil in the short term.

Perhaps most importantly, Milei is demonstrating, in a way that has never been achieved before, that it is possible to turn a stagnant socialist basket case into a thriving free-market economy through radical, painful and rapid libertarian reforms.

The key lesson is that given sufficient time suffering under big government, state-led underdevelopment, and socialist poverty, voters may prove willing to accept short-term economic pain for a radical change of direction, provided the right leader emerges to challenge the governing elite.

Argentina's surprising year

When Javier Milei, leader of a newly formed electoral alliance called La Libertad Avanza (Advance Liberty, or LLA) clinched Argentina's presidential election on 19 November 2023 in a surprise landslide with 56% of the vote, he said, "Today the reconstruction of Argentina begins."¹

"¡Afuera!" ("Out!") became his watchword on the campaign trail, as he ripped the names of redundant government departments off a whiteboard.²

Milei, despite trailing in third place in pre-election polls, and losing the first round of the presidential election to his opponent, the incumbent economy minister Sergio Massa, was elected on a libertarian platform of slashing taxes, eliminating price controls, deregulating the economy, and dismantling large parts of the state.³

Since World War II, Argentina's politics had been dominated by a left-wing, populist, nationalist, state-industrialist movement named for its first exponent, then-colonel Juan Perón.

Peronism, and its even more left-leaning ideological progeny, Kirchnerism, named for the married pair of presidents Néstor and Cristina Kirchner who occupied Argentina's highest office from 2003 to 2007 and 2007 to 2015, respectively, are widely blamed for the long and painful economic decline of a country that, once extremely prosperous, has lurched from one economic crisis to the next.

Milei, a popular libertarian figure but political outsider, campaigned wielding a chainsaw to symbolise the approach he would take to Argentina's bloated government, civil service, and regulatory state.⁴

Yet promising “reconstruction” seemed like bold words. Even the most enthusiastic supporters of Milei’s classical liberal ideology were skeptical that he could achieve much of what he promised, let alone do so as quickly as would be necessary in a democracy where necessary short-term disruption leads to economic pain that often implies losing the next election.

While Milei may have won the presidency, his party is very far from controlling the Argentinian National Congress, the country’s two-chamber parliament. Getting his radical agenda through a legislature in which opposition politicians held a veto seemed unlikely.

Closing or consolidating government departments and slashing the civil service would meet with powerful opposition, especially from labour unions.

Entrenched patronage networks could be expected to vigorously oppose Milei’s reforms.

In 2015, Argentinians elected a pro-market outsider, Mauricio Macri, who adopted a cautious, gradualist approach to liberalisation, but failed to achieve either high growth or low inflation.⁵

Four years later, however, they ousted Macri in favour of a return to Peronism under Alberto Fernández, whose running mate was former president Cristina Kirchner. Argentina was not ready to pay the economic price of reining in government spending.

Harvard International Review editor-in-chief Joseph Wornom described Argentinians’ love of government spending as “the addiction Argentina can’t quit” in 2019.⁶ Writing for the Mises Institute, José Niño called it “Argentina’s destructive cycle of economic populism”.⁷

That Milei would be any more successful than Macri seemed naïvely optimistic. Yet here we are, a year later, and the numbers are starting to roll in.

Argentina exited its recession in the third quarter of 2024, with gross domestic product (GDP) expanding by a startling 3.9% between July and September.⁸

For the first time in 123 years, Argentina’s government achieved a budget surplus.⁹

The home rental market is booming, as rents plummeted and supply rose sharply.¹⁰

In December 2023, the month in which Milei was sworn into office, month-on-month (not annual!) inflation peaked at a staggering 25.5%, in part as a result of reckless pre-election tax cuts, fiscal profligacy and monetary expansion deployed by Milei’s rival for the presidency, Sergio Massa, to buy votes.



Milei had promised to rein in inflation, and he delivered. It sharply declined, reaching 2.2% month-on-month in January 2025.¹¹ That is still very high, of course, but a survey shows that while 84% of Argentinians expected hyperinflation in December 2023, 40% now expect price stability – i.e. that inflation will be brought entirely under control – for the first time in 20 years.¹²

These gains have not come without pain, of course. Milei's aggressive cuts in government spending, including some social programmes such as soup kitchens, transport subsidies and pensions, have pushed an additional five million people, out of a population of 45 million, into poverty. Protests have been widespread.

Despite this, however, Milei's popularity has been resilient. More than one ranking has Milei among the most popular world leaders, with an approval rate as high as 62% as of March 2025,¹³ ¹⁴ though other surveys suggest his popularity is under pressure, with the lowest indicating an approval rating of only 43%.¹⁵

Even his most ardent supporters have been surprised at how much Milei achieved in so little time. As he faces mid-term elections in 2025, the popularity of his programme, despite the pain of austerity, will stand him and his party in good stead.

How has he managed to right the ship so quickly? What did he do? And what, despite election promises, did he *not* do? What can other countries learn from Milei's apparent success?

Background and history

Argentina's golden age

Javier Milei considers himself the spiritual successor and doctrinal heir of Juan Bautista Alberdi, often described as the father of Argentinian liberalism.

Alberdi (1810–1884) was a scholar and public intellectual who sought to challenge the Catholic and monarchical basis of government inherited from the Spanish colonial power with a secular, democratic republic based on constitutional rights.¹⁶

Alberdi founded the *Generacion del '37*, a group that we today would describe as a think tank. Its membership of young liberal scholars took inspiration from the French Enlightenment, and opposed the brutal military rule of Juan Manuel de Rosas, from 1835 to 1852. Their frequent discussions covered not only politics and economics, but literature, art, fashion and culture. De Rosas, for his part, condemned these meetings.



Alberdi's book *Bases y puntos de partida para la organización política de la República Argentina* (Bases and starting points for the political organisation of the Argentine republic), published in Buenos Aires in 1852, played a decisive and lasting role in the establishment of Argentina's new, liberal constitution of 1853.

Alberdi promoted principles of economic and political freedom, equal rights, free markets, free global trade, and free immigration. This established the ideological basis of a period of growth and prosperity, between the 1860s and World War I, the likes of which Argentina has not seen since.

The prominent writer, speculator and anarcho-capitalist Doug Casey described this golden age:

"As late as 1880, Argentina had nothing to offer but open spaces, and one-third of the country was still controlled by indigenous Indians. But by 1910, it had one of the world's longest railway systems and a sizable middle class, and the phrase 'as rich as an Argentine' was current. It was in that 30-year span that all of Buenos Aires' great buildings were built and when the city could reasonably be compared to Paris. It was a golden era, when Argentina became free-market oriented and discarded the mercantilist ideas that stultified the rest of Latin America.

"In the late 19th century, classical liberal ideas were ascendant all over the advanced world; currencies were sound, taxes low, and regulation nonexistent. Borders, which had previously been thought of as something to keep people, merchandise, capital, and ideas from flowing out, were opened. And, as a consequence, paradoxically to statist, all of those things instead flowed in. ... The peso was sound; people could save and plan for the future.

"The liberalisation they engendered encouraged mass immigration. Argentina, at the time, looked every bit as good as America. Millions of opportunity seekers (mostly Italians, but plenty of Germans, Jews, Irish, and Lebanese, as well) left their constipated and conservative homelands, bringing their talents and skills. Immigrants are always (at least in the absence of attractive welfare benefits) the very best of people, something that blowhard racists can't seem to understand. ...

"In the course of a generation, Argentina went from a backwater to being the third or fourth richest country on the globe."⁷

Between 1880 and 1905, Argentina's economy grew by an average annual rate of 8%, raising per-capita GDP from about 35% to 80% of that of the United States.

The risk of a prosperous economy is that it contains within it the seeds for its own corruption. In Argentina's case, the flaw was an over-reliance on exports, and being controlled by an oligarchy of liberal elites primarily based in the capital Buenos Aires.



A financial crisis in 1890 laid the foundation for the rise of a new political party, the Radical Civic Union (UCR). The term “radical” in its name refers to left-wing liberalism, of the kind that would eventually become modern social liberalism, social democracy and progressivism.

Exploiting social unrest in the provinces, UCR campaigned on extending the franchise to all adult males and the redistribution of wealth.

When this party first came to power in 1916, in the wake of electoral reforms that established a compulsory secret ballot for all adult male citizens, it pandered to labour unions and embarked on a programme of government spending that would later be described as an early form of Keynesianism.^{18 19}

While initially popular – as might be expected of a government that spends freely and redistributes accumulated wealth – the UCR could not cope with the onset of the Great Depression, and was ousted by a military government in 1930, marking the end of a 68-year golden age of liberal constitutional governance.

Peronism

During what became known as the “Infamous Decade”, a 13-year period leading up to 1943, conservative military rule turned increasingly fascist and authoritarian. Political parties were dissolved, and the press was censored.

Although the junta pursued a policy of neutrality in the Second World War, it had hitherto maintained diplomatic relations with both sides. Under pressure from the United States, it broke off relations with Germany, which sparked a coup, engineered by the United Officers Group led by the 48-year-old Juan Perón.

This turned the government over to a new military junta, in which Perón became labour minister, giving him a platform to build a power base with labour unions. The regime came under increasing pressure to return to democratic rule, however, and in 1946, Perón was elected president of Argentina for the first time.

Juan Domingo Perón would hold the presidency three times between 1946 and his death in 1974, and is indisputably the most influential leader Argentina has had in the 20th century.²⁰

Credited with Argentina’s post-war industrialisation, Peronism involved not only expanded social rights for workers, women and children, but also beneficent public services such as state-sponsored housing and tuition-free public universities.

These policies, while initially extremely popular, came with a dark side: a troubling degree of authoritarianism, which extended to the persecution, arrest or exile of political dissidents and a strictly controlled media.

Perón had imbibed his politics during his time as military attaché to fascist Italy from 1939 to 1941. His political education also comprised visits to Germany, France, Spain, Yugoslavia, Hungary, Albania and the Soviet Union.

Although he was anti-Marxist, Perón was a great admirer of Italy's fascist regime. Spanish Falangism, Catholic nationalism and socialism also shaped his political thought.²¹

Perón nationalised much of Argentina's industry, which had predictable results: the industries became inefficient, corrupt, uneconomic and unreliable. Increasing amounts of capital had to be pumped into them to keep the good times going, which depleted Argentina's gold and foreign exchange reserves.

The government took over the radio stations, destroying their profitability and turning them – alongside the state newspapers – into organs of government propaganda.

As inflation increased, and post-war trade became less profitable, Argentina's economy became increasingly hidebound. His second wife, Eva “Evita” Perón propped up his popularity by acting as the public face of government largesse and chief distributor of patronage in the form of jobs, apartments and money.

After her death in 1952, however, opposition to Perón became more pronounced. When he legalised divorce and prostitution in 1954, he drew the ire of the powerful Catholic Church, which began to describe him as “the tyrant”. His regime began to crumble, and in a wave of deadly violence, it fell, sending Perón into exile in 1955.

The second half of the 20th century saw a succession of Peronist governments alternating with military dictatorships. One of them, in 1973, was led by Juan Perón himself, after he returned from exile to a bloody welcome in which 13 people were killed and hundreds were injured. Perón was by then strongly allied to revolutionary regimes such as that of Fidel Castro's Cuba. Che Guevara had described Peronism as “a kind of indigenous Latin American socialism with which the Cuban Revolution could side”.²²

Argentina lurched from one crisis or conflict to another, including some 20 “arrangements” with the International Monetary Fund (IMF), which it joined in 1956.

Carlos Menem

After decades of stagnation, a period of economic liberalisation under Peronist president Carlos Menem in the 1990s – involving free markets, lower tariffs, and a wage-price pact between labour, business and government – produced a return to low inflation and promising economic growth, with output (measured in constant 2015 US dollars) growing by an average of 5.66% per year between 1990 and 1998.²³

Then economic crisis struck. Rising public debt denominated in dollars, an inflexible currency board system, and financial crises in Mexico, Asia, Brazil and Russia conspired to push the economy into a four-year depression.

By 2002, the country's GDP had shrunk by 28% from its 1998 high.²⁴ GDP per capita collapsed to near 1990 levels.²⁵ Argentina defaulted on its sovereign bonds and ended the peg between the Argentinian peso and the US dollar. This caused currency devaluation and rising use of alternative currencies, a spike in unemployment to near 20%, public unrest, and widespread poverty, and another turn to the IMF.

Menem's successor, Fernando de la Rúa of the aforementioned centre-left UCR, was toppled in December 2001, paving the way for a succession of caretaker presidents, which culminated in 2003 with an election that pitted former president Menem against a provincial governor, Néstor Kirchner.

After winning the first round, Menem ceded the 2003 election to Kirchner by withdrawing before a runoff election could be held.

Kirchnerism

Néstor Kirchner was a centre-left Peronist and favoured a strong central government.

His term in office was plagued by persistently high inflation and an energy crisis, but he restructured much of the country's debt in 2005, reduced unemployment to below 10%,²⁶ and – buoyed by the export revenues from the global commodities boom – reignited strong GDP growth.

Kirchner was part of the “pink tide” of Latin American socialists, which included Hugo Chávez of Venezuela, Rafael Correa of Ecuador, Evo Morales of Bolivia, Luiz Inácio Lula da Silva of Brazil, Michelle Bachelet of Chile and Tabaré Vázquez of Uruguay.

He became a poster child for the success of left-wing populism in South America, in opposition to the free-market economics promoted by the United States. Kirchnerism, announced one left-wing policy organisation, was “Peronism without the tears”.²⁷

Strong economic growth, fuelled by high government spending and double-digit inflation, continued under the presidency of Kirchner’s wife, Cristina Fernández de Kirchner, whom he tapped to succeed him in 2007 after completing only one term.

Fernández de Kirchner entered into another debt restructuring pact in 2010, bringing 93% of the country’s debt under some form of deferred repayment arrangement.²⁸

Between 2002 and 2011, which marked the end of Fernández de Kirchner’s first term, GDP growth averaged 6.3%, unemployment declined to 7.2%, and the public debt to GDP ratio had been brought down from a towering 166.7% in 2002 to 38.9% in 2011.²⁹ These impressive-looking numbers were bought and paid for by inflation, however.³⁰

The populist left-wing policies of the two Kirchners have been flagged as an example of what German sociologist Heinz Dieterich calls “socialism of the 21st century”.³¹

A revision of industrial-era Marxist-Leninism, 21st century socialism is supposed to correct the failures of the 20th century socialism with which we are all familiar. In particular, it proposes to augment inefficient human planners with fast computers and networks, and replace the authoritarianism of industrial-era socialism with a radical mixture of direct and representative democracy.

The first of these is an attempt to solve the economic calculation problem,³² though it does not explain how this “cybernetic principle” can plumb the depths of everyone’s minds to discover and rank their subjective wants and needs, nor how such an electronic planning system would produce new discoveries and innovations, nor how it would perform crucial functions of the price mechanism, such as correcting resource allocation errors, balancing supply and demand, and iteratively improving production efficiency.

The second is an attempt to escape the obvious critique of socialism, namely that it has always led to brutal authoritarianism.

Dieterich does not, however, reject the demonstrably false³³ labour theory of value, or the perception of profits as surplus value extracted through exploitation. He argues³⁴ that all labour ought to be rewarded based on the time-value of that labour – i.e. every hour worked is equivalent in value and wages to every other – and the value of all goods and services would be determined by the time invested in their production.

Substituting the monopoly on power of the state for the dictates of a cybernetic planning system does not, of course, make central planning any less authoritarian, and it is patently absurd to value an hour's work by a nuclear scientist the same as an hour's work digging ditches.

Like socialism of the 20th century, socialism of the 21st century would ultimately lead to only one outcome: making everyone, except those able to control or game the system, equally poor.

Dieterich considers China the most influential exponent of 21st century socialism, but the term has also been applied to Latin American socialists, including Néstor and Cristina Kirchner of Argentina.³⁵

As commodity prices began to plateau in the early 2010s, Fernández de Kirchner increasingly relied on “massive amounts of debt-fueled public spending to sustain the illusion of growth and improvements in well-being”.³⁶

The unexpected death in 2010 of her husband, who had been expected to return to the presidency in the 2011 election, combined with the appearance of a strong economy, liberal social policies and a fractured opposition to hand Fernández de Kirchner a second term in 2011.

She could not sustain the artificial feel-good growth, however. As growth stagnated, GDP per capita began to decline. Fernández de Kirchner's policy of price and export controls proved unable to constrain inflation, which peaked above 40% in 2014. Fernández de Kirchner was accused of falsifying even those high figures.³⁷

Argentina's fiscus was also still haunted by creditors who had not accepted the restructuring deals negotiated by the two Kirchners in 2005 and 2010, and in July 2014, the country defaulted on its debt for second time this century.³⁸

In January 2015, a scandal broke out when Fernández de Kirchner was accused of having covered up Iranian involvement in the 1994 bombing of a Jewish community centre in return for a trade deal between Argentina and Iran. The matter never made it to court, but the stink followed her into the presidential elections later that year, during which her hand-picked successor, the heavily favoured Daniel Scioli, lost to the centre-right Mauricio Macri, the mayor of the city of Buenos Aires.

Mauricio Macri

For the first time in 16 years, Argentina had a pro-market president. Macri had promised to achieve a zero poverty rate, tame inflation, crack down on corruption, and to rekindle Argentina's stagnant economy.³⁹

He began by reducing export taxes and relaxing some of the strict exchange controls that had been imposed by his predecessor, and also renegotiated Argentina's debt with the holdouts who had not accepted the Kirchner restructuring deals.

Lacking majorities in both houses of Congress, Macri took a gradualist approach, fearful that more radical reforms would be blocked in the legislature. Eager not to be seen as a conventional right-winger, he sought to build support for more significant economic reforms during his first four-year term.

Even so, Macri and his team expected 3% annual growth, and for inflation to be brought down to 5% by 2019, which would make a strong case against left-wing populism and in favour of more drastic pro-market reforms.

Macri succeeded in halting and even reversing the relentless growth in government spending, but he failed to reconcile the need for serious reforms with his desire to minimise economic pain. Meanwhile, economic growth oscillated between positive and negative, inflation remained persistently high, and GDP per capita continued to decline. Prices for electricity, water and transportation went through the roof as austerity measures bit. Unemployment got worse, and the poverty rate started rising again.

By April 2018, investors had seen enough. The slow pace of reforms and conflicting policies sparked a run on the peso, further stoking inflation and causing a precipitous depreciation.⁴⁰

This forced Macri to approach the highly unpopular IMF for Argentina's 22nd bailout – the largest loan it had ever issued at \$57 billion. Argentinians were not amused. It was widely believed that the austerity measures attendant upon Argentina's perpetual IMF loans were instrumental in the economic collapse and default around the turn of the century. Approaching the IMF again left Macri's credibility among domestic voters in tatters.⁴¹

Nostalgic for a time of generous government spending, Argentina was not ready to pay the economic price of reform, and Macri was not the president who could deliver it.

Despite numerous corruption allegations and legal challenges hanging over Cristina Fernández de Kirchner,⁴² including a charge of high treason over the 1994 bombing affair which she escaped due to senatorial immunity,⁴³ she joined the left-wing populist ticket of Alberto Fernández (no relation), former chief of staff to Néstor Kirchner, as running mate. This unified her own left-wing faction of the Peronists with the more moderate faction of Fernández.

In August 2019, Fernández won a primary election, sending markets and the peso into a tailspin. Instead of an election that promised a better future under Macri versus a return to Kirchnerism, it became a simple referendum on Macri's performance. All Macri could do was plead for more time. The people didn't buy it. In October 2019, Fernández was elected president.

Return to left-wing populism

Peronism was back. Unlike when Néstor Kirchner took over, however, Fernández did not have a convenient commodity super-cycle whose coat-tails he could ride. He faced structural problems that included high poverty rates, low productivity, an over-dependence on commodity exports, and excessive, inefficient public spending.

Among the first acts of the Fernández administration was to enact an “Emergency Law”, under which a wealth tax was imposed on the assets of Argentinians, with a steeper rate applied to any asset holdings abroad.

The tax would apply to anyone with over three million Argentine pesos (just over \$50 000 at the time) in assets, and ramp up to 1.25% of assets over 18 million pesos (~\$300 000), or 2.25% if those assets were held offshore.⁴⁴

The Argentinian economy was hit hard when the Fernández government imposed a 230-day lockdown – one of the longest in the world – in response to the Covid-19 pandemic in 2020. It caused a 10% contraction in GDP, and in May 2020, Argentina defaulted on its debt for the third time in 20 years (and the ninth time overall).⁴⁵

Thanks to a return to rising government spending, and despite yet another debt restructuring deal, the country's debt-to-GDP ratio, which stood at a precipitous 89.8% at the end of Macri's term in office, skyrocketed to a hefty 155.4% by 2023.⁴⁶

Poverty remained widespread.

Although the economy bounced back from lockdown quickly in 2021, it did not return to rapid growth, and 2023 saw yet another contraction. Meanwhile, inflation spiralled out of control, reaching 135.4% in 2023.⁴⁷



Tensions rose in September 2022, when vice president Fernández de Kirchner suffered an apparent assassination attempt, which failed due to a misfiring weapon. An opposition politician accused her of staging the incident to win support for Kirchnerism in the polls,⁴⁸ while her supporters blamed “hate speech... against Peronism, against Kirchnerism”.⁴⁹

Venezuelan president Nicolás Maduro agreed, saying that this “coup d’état” was “the result of an accumulation of hate campaigns” and “psychological warfare” by “those who manage large media” and “large social networks”. He called on Argentina to adopt a law against hatred and hate speech, that ensures “peaceful coexistence and tolerance”, along the lines of the law in Venezuela that promotes Chavismo⁵⁰ by hanging 20-year prison sentences over the heads of opposition and media figures critical of the regime.⁵¹

Complicating matters for the Fernández regime was a guilty verdict for vice president Fernández de Kirchner, in the so-called Vialidad (transport) corruption case. The ruling, announced in December 2022, related to the misappropriation of \$1 billion from the fiscus in public works contracts awarded while she was president. She was sentenced to six years’ imprisonment and barred from high office. Though she is unlikely to serve time, and the matter remains under appeal, the conviction cemented domestic and foreign perceptions that Kirchnerism is irretrievably corrupt.⁵²

In the wake of her sentence, Fernández de Kirchner, described as “both the most-adored and most-despised politician in Argentina”,⁵³ made a surprise announcement that she wouldn’t stand for any election in 2023.

As the popularity rating of president Alberto Fernández hit “rock bottom”, the withdrawal of Fernández de Kirchner from the electoral arena opened the way for the economy minister, Sergio Massa, to throw his hat in the ring. His success, however, would rest on how the government handled the ongoing financial crisis, public debt, and rampant inflation.

In the end, it didn’t handle it at all.

Although Argentina’s official unemployment rate was only about 6%, it exceeded 40% on the broader definition, since about 35% of the potential labour force simply wasn’t looking for work anymore.

Some 30% of the labour force worked either in the informal sector or were self-employed, 10% worked for the government, and only 20% worked stable jobs in the formal private sector, generating the wealth that supported Argentina’s generous social security system and high public spending.

Wealthy Argentinians were fleeing the country in search of more favourable tax regimes. Some 30 000 rich taxpayers took their money with them to Uruguay during the course of the Fernández administration.⁵⁴



Argentina's position in the *Corruption Perceptions Index* compiled by Transparency International, which had improved from 32 (out of 100) to 45 under Macri, had slumped back to 37 by 2023.⁵⁵ This is worse than South Africa's score.

With an unequal society with high structural unemployment, a large informal sector, a left-wing government, systemic corruption, high poverty rates despite high government spending, unsustainable debt, stagnant economic growth, and a tax burden that chases capital out of the country, a description of the Argentinian economy in 2023 could easily be confused with that of South Africa.

Milei's election

Then everything changed. Javier Gerardo Milei, a distinctive character with wild hair and an even more flamboyant personality, campaigned on an aggressively libertarian platform.

One of his catchphrases was “¡Viva la libertad, carajo!”, the mildest translation of which is “Long live freedom, damn it!”

Long live freedom!

Milei ran an outsider's campaign, populist in the sense that it was radically anti-establishment. He positioned himself and his electoral alliance, La Libertad Avanza, as a third way option, opposed to both the incumbent Peronist-Kirchnerists and the Macrist conservatives who one presidential term earlier had failed to turn Argentina's foundering economy around.

He was stridently anti-government, denouncing politicians as “rats” and a “parasitic caste” concerned only with self-enrichment. The Spanish newspaper *El País* spoke of his “anti-establishment fury” and “histrionics”, but said that Milei echoed “the cry of angry Argentina”.⁵⁶

His public appearances were staged with an eye for maximum social media exposure, such as when he wielded a chainsaw to symbolise how he would approach a bloated government and civil service, when he smashed a piñata on air to illustrate his policy plans, or when he stood in front of an organogram of government ministries, shouting, “¡Afuera!” (meaning “Out!”) over and over, as he ripped about half of the departments off the board.

Unusually for a politician, he frequently gave economic lessons on television, in online interviews, on global platforms and on his own radio show, *Demoliendo mitos* (Demolishing myths). He had been a prominent media personality for years, and once topped a ranking of the most-interviewed economists on Argentinian television.

He had a knack for explaining complex economic topics in terms ordinary people could understand. Many of these soundbites can be found, with English translations, in the X feed of *Milei Explains*.⁵⁷ In one example, he explains “how import tariffs weaken the economy and your wallet”.⁵⁸

He argued from classical liberal principles, describing himself variously as an anarcho-capitalist or libertarian, and unlike Mauricio Macri, who failed with his timid and gradualist approach to reform, Milei’s rhetoric knew no moderation. He established a popular reputation for confrontational harangues and insulting invective.

He described himself in grandiose terms as “Adam Smith’s heir”, “the Mozart of the Economy”, and “the Demolisher of Keynesians”. He accused the Faculty of Economic Sciences at the University of Buenos Aires, the main producer of economists, of being “a centre of Marxist indoctrination”, producing only “Keynesian brutes” who had never read Mises or Hayek.⁵⁹

Since his 2021 election as a deputy to the lower house of the Argentinian parliament, he raffled off his salary every month to one of his supporters, saying, “For me it’s dirty money. The state is a criminal organisation that finances itself through taxes levied on people by force. We are returning the money that the political caste stole.”⁶⁰

Despite his brash, untempered personality, he used his public platforms to cogently explain basic principles of economics, arguing powerfully for slashing government spending, eliminating the central bank, dollarising the economy, privatising public services, and vanquishing runaway inflation.

Media characterisation

In the media, Milei has widely been described as “far-right” and “populist”, and compared to Brazil’s Jair Bolsonaro, America’s Donald Trump, and various far-right leaders in Europe.⁶¹ This does Milei a disservice, though. While he shares their contempt for “wokeism” and left-wing economic policies, Milei is a professional economist who follows the Austrian School of free-market economics.⁶²

A native of Argentina’s capital, Buenos Aires, he has a degree in economics from the University of Belgrano and two master’s degrees from the Instituto de Desarrollo Económico y Social and the Torcuato di Tella University.

He has been a professor of macroeconomics, specialising in economic growth, and has written more than 50 academic papers. He has worked as senior or chief economist for a range of private sector organisations, including HSBC Argentina. He has been an adviser to the government of Argentina, and served on a number of national and international think tanks and policy advisory bodies.⁶³

Milei's *curriculum vitae* as both an academic and working economist is solidly impressive, which is a rarity among world leaders.

Milei became an adherent of the Austrian school in 2014 after reading Murray Rothbard's *Man, Economy and State*.⁶⁴ In this influential (albeit radically anarchist) book, Rothbard argues that the state is neither necessary nor useful, and observes that all state intervention in the economy, for whatever purpose, is ultimately violent and unjust.

Milei read Ludwig von Mises's seminal work, *Human Action*, three times, and is also deeply familiar with the works of Friedrich von Hayek, Henry Hazlitt, Israel Kirzner and many other, less anarchist, classical liberal and libertarian economists.

This deep grounding as an economist both in theory and in practice stands in stark contrast to someone like Bolsonaro, who has a purely military background, or Trump, who has an undergraduate economics degree but has never practised as an economist, spent his career as an upmarket real-estate salesman, and who, according to close associates, does not read.⁶⁵

It also stands in contrast to European right-wing populists such as France's Marine Le Pen and her father, Jean-Marie, Viktor Orbán of Hungary, Geert Wilders of the Netherlands, and Jarosław Kaczyński of Poland, all of whom studied law to a greater or lesser (and in the case of Wilders, minimal) degree. The same goes for Italy's Giorgia Meloni, whose educational background is most kindly described as "murky", and Britain's Nigel Farage, who acquired his allegedly fascist views at school, and didn't bother to sully them with further study.

While Milei holds some socially conservative views, for example on abortion (which he opposes), and is on good terms with many right-wing populists over their shared disdain for left-wing culture and socialism, he differs from them in that he does not support authoritarianism, nationalism, xenophobia, protectionism, import tariffs, or inflationary monetary policy.

It would be more accurate to describe Milei as a radical centrist, a classical liberal, or a libertarian, instead of as a populist right-winger.

Milei is the first Austrian School libertarian ever to be elected to lead the government of any country, and remains the only such leader on the world stage.

It would be a mistake to pigeonhole him with other right-wing populists, as much of the media has done. His is a far more interesting and substantial mind. Milei is unlike any other world leader.

The election

Milei launched his presidential campaign in mid-2022. His supporters were largely 20-something men, who had faced economic stagnation their entire lives. As inflation crept up past 100% in May 2023, Milei was leading in the polls, with his (implausible) proposal to dollarise the economy.

In practice, Argentina didn't have enough dollars, but the alternative, a sharp devaluation of the peso, was unpopular because it would ruin people's retirement nest eggs.⁶⁶

A month later, Sergio Massa, the incumbent minister of the economy, announced his own candidacy to succeed president Alberto Fernández, who had previously said neither he nor his former deputy, Cristina Kirchner, would stand for re-election.

The markets, nervous about “the Milei factor”, welcomed a conventional race between the left-wing Peronist-Kirchnerism of Massa and the anti-populist centre-right coalition Juntos por el Cambio (Together for Change, or JxC), which back in 2015 had fielded Mauricio Macri, and this time nominated the steadfast conservative Patricia Bullrich, who vowed to fight inflation.⁶⁷

All candidates agreed that government spending had to be reined in to reduce the fiscal deficit, but disagreed on the best way forward. Massa wanted to retain the peso and promised “renewal” (much like a certain South African party). Bullrich proposed a two-currency system, while Milei promised dollarisation.

At first, Bullrich was the favourite to win the election, but by the time the “simultaneous and mandatory open primaries” swung around, a process by which candidates for the election are selected from all parties, she came third, with less than 17% of the vote. She trailed Massa, who won about 21.5% of votes, and Milei, who ended just shy of 30%.

Markets, which favour predictability and stability, reacted negatively, and Argentina's currency plunged.⁶⁸

Massa's campaign aggressively targeted Milei's promises. He warned that taking a chainsaw to the government, and the deep spending cuts Milei proposed, would make life very hard for ordinary Argentines.

Despite his government's difficulty repaying the latest IMF loan package, he promised to maintain generous subsidies, without which he warned that energy and public transport prices would skyrocket should Milei win.⁶⁹

Most controversially, he said if Milei promised tax cuts, he would go one further. Mere weeks before the election, he managed to get legislation passed to eliminate income tax altogether for the vast majority of Argentinian workers.⁷⁰

Milei, for his part, accused Massa of running a “campaign of fear”, though he backtracked on some of his more controversial proposals and assured worried voters that he did not intend to privatise education or healthcare services.

Massa’s stunt worked, however. Once considered an unlikely victor, Massa won the first round of voting in the election of 22 October 2023 with 36.8% of the vote, despite the fact that inflation had spiraled out of control on his party’s watch. His promises of “renewal”, tax cuts, and promises of continued welfare and subsidies seemed to have worked.

Voters, like the markets, were skittish about the radical free-market promises of Milei. He secured almost exactly 30% of the vote. Bullrich was eliminated with 23.8%, and no other candidates secured more than single digits.⁷¹

With Milei duly chastened, he and Massa advanced to a runoff election in November. Argentinian voters weren’t done with their surprises, however. A huge turnout for Milei secured him the largest number of votes ever tallied in an Argentinian presidential election, giving him a landslide 56% to 44% victory over Massa.⁷²

Argentines, desperate for a change from the corrupt, socialist, elitist legacy of Peronism and Kirchnerism, were finally ready for someone to rip up the carpet and implement radical free-market reforms.

Policies

Poisoned chalice

Milei took office on 10 December 2023. He inherited what many considered to be a poisoned chalice.

“The winner,” wrote Oliver Stuenkel for the Carnegie Endowment for International Peace shortly before the election, “will inherit an economy mired in recession. Argentina has been battered by a historic drought this year, as well as by failing fiscal and monetary policies, high debt, and an inflation rate of more than 140 percent – up from 79 percent when Massa took over the Ministry of Economy in August 2022. Two-fifths of the population in Argentina lives in poverty, leading a growing number of young Argentines to emigrate to countries such as Spain. To make matters even more complicated, neither Massa nor Milei would have a majority in the legislature, and presidents with fragile congressional support have historically struggled to get much done, or even finish their terms.”⁷³



Argentina's currency had plunged, and it had a trade deficit of \$43 billion. Its government was running a large budget deficit, and it owed a massive \$45 billion debt to the IMF, with \$10.6 billion worth of payments due to creditors by April 2024.

Despite winning the election by a considerable margin, Milei's political alliance (which has yet to become a formal political party⁷⁴), La Libertad Avanza, won only seven seats in the 72-seat Senate. With two seats of its governing coalition partner, Buenos Aires Libre, it commands only 40 seats in the 257-seat lower chamber.

With his political allies, the votes Milei can depend upon in the legislature rise to a mere 13 Senate seats and 79 Deputy seats, compared to the 33 and 104 seats, respectively, controlled by the official opposition. Though stronger than Milei's own coalition, the opposition also lacks clear majorities in the National Congress. It is led by the Peronist coalition of the previous president, Alberto Fernández, known as the Unión por la Patria (Union for the Homeland, or UP). The balance of the seats in both houses is held by nominally independent parties, the largest of which is the socialist UCR,⁷⁵ which holds 13 seats in the Senate, and 34 seats in the Chamber of Deputies.

It is clear, then, that Milei's agenda from the outset could face substantial opposition in the legislature.

One core question was whether Milei would govern according to his radical rhetoric, or whether he would moderate his approach in order to maintain support from both the public and from conservatives in the National Congress, whose votes he would need to pass any legislation.

"[W]hoever wins," wrote Stuenkel, "will be rejected by about half of all voters. It is no exaggeration, then, to say that Argentina's next president will have the odds stacked against him."

Milei had no time to waste. "We don't have margin for sterile discussions," he said in his inaugural address. Breaking with tradition, he did not deliver his address to the legislature, but spoke directly to the people gathered outside.

"Our country demands action, and immediate action. The political class left the country at the brink of its biggest crisis in history. We don't desire the hard decisions that will need to be made in coming weeks, but lamentably they didn't leave us any option."⁷⁶

He warned Argentinians that this economic emergency would require shock therapy, and a gradualist approach was simply not feasible. Although he said the adjustment would affect the state more than the people, he prepared them for economic pain ahead.

“We know that in the short term the situation will worsen,” he said, “but soon we will see the fruits of our effort, having created the base for solid and sustainable growth. ... In the last 12 years, GDP per capita fell 15% in a context in which we accumulated 5,000% inflation. As such, for more than a decade we have lived in stagflation. This is the last rough patch before starting the reconstruction of Argentina. It won’t be easy; 100 years of failure aren’t undone in a day. But it begins in a day, and today is that day.”

Moderation

Milei had campaigned on a number of policies that were simply not feasible in the short term, or perhaps ever.

A key component of his message was that the Central Bank was the primary cause of inflation, because it printed more money than was justified by economic growth. He promised to abolish it.

He also promised to dollarise the economy, replacing the volatile Argentinian peso.

Both policies are consistent with Austrian School economics, which blames the central bank’s monopoly on issuing money, and its control of the price of money (interest), for both inflation and the boom-and-bust business cycle. It is an Austrian School shibboleth that governments ought not to have the power to print money to deflate their debt, and thus paying for deficit spending, since that improperly devalues the currency, acting as an invisible tax on savers, and especially pensioners.

Once elected, however, Milei did not move to abolish the Central Bank. Instead, he made Luis Caputo, a former Central Bank president under Mauricio Macri, his economy minister, and appointed Santiago Bausili, an ally of Caputo’s, to head the Central Bank. Milei has not (and for lack of a dollar reserve, could not have) followed through on his promise to dollarise the economy, either.

In an interview on *CNN en Español* in April 2024, he said that these goals remain on the cards, but were unlikely to be implemented before mid-term elections to be held towards the end of 2025.⁷⁷

He has also backed down on his promise to abolish Argentina’s ministry of health, and despite dismissing climate change as “a socialist lie”⁷⁸ before the election, sent an experienced climate negotiator to the 28th Conference of the Parties of the United Nations Framework Convention on Climate Change in Dubai.

Having made some pragmatic concessions, he got to work on the remainder of his policy platform, radical though much of it was.

Gutting the Cabinet

On the day of his election, Milei issued a decree abolishing 11 government departments, merging them into nine surviving ministries. That reduced the cabinet to nine ministers plus a chief of staff, with a far smaller salary bill.⁷⁹ The cuts eliminated a third of all politically appointed jobs.

The Ministry of Transport, the Ministry of Territorial Development and Habitat, and Ministry of Public Works were folded into Ministry of Infrastructure.

The Ministry of the Environment and Sustainable Development and the Ministry of Tourism and Sports were both merged into the Ministry of the Interior (the home affairs ministry).

The Ministry of Education, the Ministry of Social Development, the Ministry of Labour, Employment and Social Security, the Ministry of Culture, as well as the Ministry of Women, Genders and Diversity, were all subsumed into the Ministry of Human Capital.

The Ministry of Science, Technology and Innovation was absorbed into the office of the chief of staff of the Cabinet.

Milei has since consolidated the Cabinet even further. The Ministry of Infrastructure was folded into the Economics Ministry on 9 February 2024, and on 27 May 2024, Milei downgraded the all-important Ministry of the Interior into a Secretariat reporting to the office of the president.⁸⁰

On 5 July 2024, Milei created the only new government department, a Ministry of Deregulation and State Transformation.

This leaves Argentina with only eight ministries, down from 19 before Milei took office. These are the Ministry of Justice; the Economics Ministry; the Ministry of Defense; the Ministry of Foreign Affairs, International Trade and Worship; the Ministry of Security; the Ministry of Health; the Ministry of Human Capital; and the Ministry of Deregulation and State Transformation.

The Cabinet chief of staff is a member of Milei's governing LLA alliance, as are three of the cabinet ministers. Another three cabinet ministers are from the centre-right JxC coalition, and two are independents. By enlisting other political parties into his cabinet, Milei secures support for his policies in the National Congress.

Devaluation

In a bid to staunch the inflationary spiral, Milei's new Minister of the Economy, Luis Caputo, announced a 50% devaluation of the peso to 800 pesos to the dollar, on 12 December 2023, along with cuts in subsidies for fuel and transport.

"For a few months, we're going to be worse than before," Caputo told the media.⁸¹

"The bottom line is that there is no alternative to austerity," Milei told the public, "and there is no alternative to shock treatment."

Caputo explained the necessity of the measures to Argentinians, saying politicians had long supported the subsidies to "deceive people into believing that they are putting money in their pockets. But as all Argentines will have already realised, these subsidies are not free but are paid with inflation."

He also said that Argentina needed to address a fiscal deficit of 5.5% of GDP, which underlay the economic crisis.

"We're here to solve this problem at the root," he reportedly said. "For this we need to solve our addiction to a fiscal deficit."

In addition, all state advertising was suspended for a year, no new public works would be commissioned, and approved tenders whose development had not yet begun would be cancelled.

"The reality is that there is no money to pay for more public works that, as all Argentines know, often ends up in the pockets of politicians or businessmen on duty," Caputo told the public.

The IMF welcomed the measures. In a statement, it said: "These bold initial actions aim to significantly improve public finances in a manner that protects the most vulnerable in society and strengthen the foreign exchange regime. Their decisive implementation will help stabilise the economy and set the basis for more sustainable and private-sector led growth."⁸²

Mega-decree and reform bill

Ten days after his inauguration, Milei issued what the media described as a “mega-decree”. It contained over 300 separate measures to amend or repeal legislation that sustained what he described as the corrupt political caste.⁸³

Among the laws that were repealed was one of the world’s strictest rent control acts, which prohibited landlords, even in an extremely inflationary environment, from raising rents more than once a year, and prevented them from evicting non-paying tenants. The consequences of this law – as with all rent control laws⁸⁴ – were unaffordable rents, housing shortages, misallocation of housing, and housing stock decay.

The decree repealed rules that would prevent the privatisation of public companies, and directed that all state-owned companies, including public banks, be corporatised in preparation for privatisation.

The mega-decree also abolished industrial policy plans that provide preferential tax treatment and other incentives for particular industries in particular locations, and did away with a localisation and “Buy Argentine” law.

The Customs Code was reformed and import tariffs removed in order to facilitate international trade. Land use restrictions were lifted to promote property investment.

A law that limits the amount of land foreigners were entitled to buy in Argentina was repealed. Price floors for airline tickets, enacted to protect the national airline, were removed. An open skies policy was adopted, and the national airline was slated for privatisation.

Labour laws were amended to eliminate mandatory union membership and involuntary union fees. Bloated bureaucracies for government services such as vehicle licensing and registration were eliminated.

Merchandising and product labelling laws were repealed. Pharmacies were relieved of their monopoly on selling over-the-counter medication. Internet services were deregulated, permitting new entrants such as Starlink into the country. The tourism sector was deregulated to eliminate the monopoly power of public-sector tourism agencies.

Many other laws that interfered with free markets were repealed, such as a government price observatory that had the power to intervene in market prices, and price controls on some 50,000 products under the previous government’s “Fair Prices” programme, bureaucratic requirements to secure imports, and laws reserving a share of local production for domestic sale.

Milei issued further decrees and a reform bill with 644 clauses, which included procedures for the privatisation of state entities, measures to reduce state subsidies, and provisions to extend the powers of the executive.

He announced that all public sector employment contracts concluded in 2023 would not be renewed, immediately putting about 5 000 recently hired civil service employees on notice. He also promised to review the contracts of all government employees hired before 2023, with a view of substantially reducing the size of the public sector.

In October 2024, he announced that he would abolish Argentina's tax collection agency, accusing it of being an "unnecessary bureaucracy" that functioned as "a political cash box", and inflicted "immoral persecutions" upon Argentines.

"No state bureaucrat should be delegated the power to tell an Argentinean what to do with his property," he reportedly said.⁸⁵

In its place, a new agency would be established, with fewer powers, and employing a third fewer staff at lower salaries. This entity would have a "simpler, more efficient, less expensive and less bureaucratic structure," he said in a statement.⁸⁶

"The creation of [the new agency] aims to reduce the size of the state, eliminate unnecessary charges, professionalise the entity, destroy corrupt circuits, and improve the efficiency of customs collection and control, eliminating the privileges of the past and optimising public management," the statement read.

Response

Milei's decrees, and subsequent legislative reforms, were well received not only by the country's largest creditor, the IMF, but also by the financial markets. In the wake of the mega-decree of 20 December 2023, Argentinian bank shares rose by 13%, sovereign dollar-denominated bonds traded higher, and measures of country risk fell by 40%.⁸⁷

The positive reaction was tempered, however, by concerns about the "long obstacle course" that these measures would have to take through a divided legislature, courts of law, and public opinion.

Milei's actions sparked widespread public protests, led by left-wing political parties, labour unions, and social organisations.⁸⁸ The poverty rate rapidly increased, from 41.7% in the last six months of 2023 to a 20-year high of 57.4% in January 2024⁸⁹, to average 52.9% in the first half of 2024.⁹⁰

His reforms also met with substantial opposition in the legislature, and many of his more burdensome measures were either revised or withdrawn to make the bills more palatable to members of the National Congress.^{91 92}



For a while, it looked like Milei's days might be numbered, as hundreds of thousands of people emerged on the streets in protests – sometimes violent – against austerity measures.⁹³ One analyst said: “We have the weakest president we’ve ever seen who is trying to pass the biggest bill we’ve ever seen.”⁹⁴

In the end, it took six months, but in June 2024, an omnibus reform bill with about half of the original measures was passed by a narrow vote in both houses, giving Milei his first major legislative victory.⁹⁵

That the reforms would spark resistance was anticipated, of course, and Milei publicly blamed unrest and opposition on left-wing parties, cronies, and corrupt members of the political class who were afraid of losing their place at the trough.

Consequences and progress

After a very rough year of widespread economic pain and precarious maneuvering by Milei and his political allies, the rapid pace of the radical free-market reforms and austerity measures were beginning to bear fruit.

Argentina is not out of the woods, but early indications are positive, sometimes startlingly so.

By the end of October 2024, Argentina's country risk index, which measures the premium the country's bondholders demand over equivalent US debt, had fallen to a six-year low of less than 900 basis points, down from 2,500 basis points a year earlier, as market fears of a default receded.⁹⁶

By the end of 2024, Argentina's poverty rate had come down from its record highs, to end the year below 40%, lower than it had been at the start of Milei's presidency.⁹⁷

Less than a year after the rent control act was scrapped, the rental market in the nation's capital, Buenos Aires, was booming.⁹⁸

In 2022, the *Wall Street Journal* reported, there were some 200,000 empty properties, an increase of 45% over 2018. Landlords preferred to lease properties as vacation rentals, or even leave them vacant, rather than comply with onerous rent control laws.

By September 2024, owners were rushing to put properties back on the market, with rental supplies increasing by 170%, and rent increases slowing down to below the rate of inflation, resulting in a 40% decline in the real price of rentals, compared to a year earlier.

“Milei’s move to undo rent-control regulations has resulted in one of the clearest-cut victories for what he calls ‘economic shock therapy,’” the newspaper wrote. “He is methodically taking apart a system of price controls, closing government agencies and lifting trade restrictions built up over eight decades of socialist and military rule in an effort that has upended the lives of many Argentines.”

Inflation, the headline number overshadowing Milei’s election to the presidency, has decreased sharply. By January 2025, monthly inflation was down to 2.2%, a five-year low.⁹⁹ Despite a slight uptick in February, as easy wins grow scarce, annual inflation was down to 66.9%, the lowest annualised rate since July 2022, down from 200% before Milei’s election, and a post-election peak of over 300% at the beginning of 2024.¹⁰⁰ For 2025, analysts now forecast annual inflation of 23.3%.¹⁰¹

Milei marked a year in office on 10 December 2024 by announcing that the government had ended the budget deficit for the first time in 123 years.

“The deficit was the root of all our evils – without it, there’s no debt, no [monetary expansion], no inflation,” Milei said in a televised address. “Today, we have a sustained fiscal surplus, free of default, for the first time in 123 years. This historic achievement came from the greatest adjustment in history and reducing monetary [expansion] to zero. A year ago, a degenerate printed 13% of GDP to win an election, fuelling inflation. Today, monetary [expansion] is a thing of the past.”¹⁰²

In the third quarter of 2024, Argentina exited a brutal recession, beating analyst expectations to post 3.9% growth in Gross Domestic Product (GDP) compared to the previous three months. Year on year, the economy contracted by 2.1%, beating economists’ projections of a 2.6% decline.¹⁰³

Growth continued in each of the subsequent three months, culminating in expectation-beating 5.5% year-on-year growth in December 2024, the fastest rate of growth in two and a half years.¹⁰⁴

Forecasts for 2025 and beyond are universally positive. The Central Bank of Argentina projects a 4.8% growth rate for 2025 in its latest Market Expectations Survey. The World Bank and the IMF both project 5% growth.¹⁰⁵ And the OECD, in its most recent Economic Outlook published in March 2025, expects Argentina’s economy to grow by 5.7%, which would make it the second-fastest growing economy of the G20 after India.¹⁰⁶

New IMF programme

Argentina's progress has opened the door to a restructured deal that includes fresh financing with the IMF. This would take pressure off the economy, repay some of the Treasury's debt to the Central Bank, provide breathing room to lift Argentina's strict capital and currency controls, and help to conquer inflation, raise salaries and reduce unemployment.

The urgency of Milei's need to replenish foreign exchange reserves is reflected in the fact that after initially promising to bring a bill before the National Congress, whose approval is required to negotiate any deal with the IMF, he issued a decree in March 2025 approving a 10-year IMF debt financing and restructuring programme.¹⁰⁷ The new arrangement is expected to be valued at between \$10 billion and \$20 billion, over and above the more than \$40 billion Argentina still owes to the IMF.

Milei's aggressive actions and bold negotiating tactics have allowed him to pass much of his reform agenda, despite formidable opposition in the legislature, but more than a year of divisive politics and a recent cryptocurrency scandal have taken their toll on Milei's credibility and ability to force his will through the National Congress.¹⁰⁸

The IMF, for its part, has signalled its openness to continue negotiations towards a new deal, which could be concluded as soon as April or May 2025.

"[W]e are continuing to make good progress toward a program, and we are working constructively with the Argentine authorities in this regard," Julie Kozack, the director of the IMF's Communications Department told a press briefing on 6 March 2025. "The authorities' stabilisation and growth plan is delivering significant results. [Argentina] has made notable strides in reducing inflation, stabilizing the economy, and fostering a return to growth in the country, and poverty is finally beginning to decline in Argentina. To sustain these early gains, there is a shared understanding about the need to continue to adopt a consistent set of fiscal, monetary and exchange rate policies, while very importantly, advancing growth enhancing reforms. And the new program would build on the progress achieved so far while also addressing Argentina's remaining challenges."¹⁰⁹

Startling success

Milei's aggressive free-market reforms, though painful for ordinary Argentines, have produced remarkable – even startling – successes.

He has shattered the orthodox belief that a large economy mired in socialism, cronyism and corruption can only be reformed gradually and cautiously over a long period of time.



In record time, a raft of measures to slash the size and cost of government, balance the budget, lift the regulatory burden on business and set the market free, have lit up economic indicators ranging from inflation to GDP growth.

Throughout this, Milei has managed to sustain sufficient popularity and political support to drive most of his agenda forward.

It is still early days. Much still needs to be accomplished, and the patience of people suffering economic hardship is notoriously short. Milei has yet to face mid-term elections, and re-election is still two and a half years away. His political power could be curbed and his reforms derailed, sending Argentina spiralling back into economic malaise and default.

Yet despite these caveats, most of the signs to date are positive. Argentina under Javier Milei's radical free-market reforms is rapidly becoming a case study that demonstrates that liberating economies under self-restrained governments can achieve remarkable socio-economic results even over very short time-frames.

Lessons for South Africa

The exciting economic progress born of Javier Milei's far-reaching free-market reforms in Argentina holds a number of lessons for South Africa. Argentina, pre-Milei, resembled South Africa in many ways.

Its economy was weighed down by the socialist orthodoxy of a once-popular political movement that dominated the landscape for decades. It was drowning in cronyist corruption and unsustainable public debt.

State-led development economics had failed. It was spending vast amounts on public services and a social safety net it couldn't afford, while the productive, taxable sectors of the economy were shrinking, throttled by regulations and taxes that drove both business investment and wealthy citizens away.

The party cannot last forever

The first lesson is that while there is a lot of inertia in an economy, and a country can continue stumbling along for years or even decades, state-led stagnation and under-development must eventually come to an end. The party – both in the sense of the dominant ruling political class and the free ride on the tax revenue of the productive economy – cannot last forever.

Starving the government's responsibilities, like public infrastructure, healthcare, education and public safety, of money, and letting everything fall into disrepair and dysfunction, can postpone the final reckoning, it cannot prevent it.



It will, eventually, end in default, inflation, and economic collapse. There is no money tree. The central bank cannot just print more money to fund big government, and inflation cannot be controlled by taxing the rich.

The so-called “modern monetary theory” that is all the rage among left-wing intellectuals is a fancy new term for the age-old socialist ideas of wealth redistribution, and tax-and-spend budgets. Without an economy that is free to create wealth, the government will eventually run out of wealth to redistribute. Maybe not today. Maybe not tomorrow. But the day will inevitably come, and the sooner economic policies change to refocus on free markets that spontaneously generate prosperity, the better.

Change needs to happen fast

Democracy has a lot of upsides. Most notably, it is the only system for selecting a government that is fair to all citizens and respects everyone as having equal rights to determine how they are governed.

It also has downsides. Chief among them are that most people have a very tenuous grasp of how economies work on a large scale, and that electorates are both fickle and impatient.

Gradual reform may be advisable when countries only need a minor nudge in one direction or another. When an economy is on the brink of failure, however, gradual reform is no longer an option.

Besides the fact that serious economic ailments need strong medicine, few electorates are willing to tolerate short-term hardships for much more than a single election cycle without seeing real results both in headline economic indicators and in their own lives.

People need hope. Early signs of economic progress give people hope that, even though the pill might be bitter, it is a necessary investment in their long-term prosperity.

Investors will respond

Capital abhors inefficiency, stagnation and risk. In a state-dominated, stagnating economy such as South Africa, private sector investors run scared, and capital both domestic and foreign prefers greener pastures. The only investment comes through sweetheart deals with the government, which rarely leads to sustained economic vitality.

The same was true for Argentina, but investors are people too. They too, need hope. And they will trade on hope.

Sentiment and the promise of a better future are all a country needs to lure investors back. Global capital, domestic investment and – if necessary – international lending institutions all respond rapidly to signs of successful free-market reforms and economic data that signal recovery and the promise of robust future growth.

After seven (out of eight) negative quarters in the two years leading up to Milei's investment, capital flows into Argentina turned positive again. Message boards and social media networks are buzzing with eagerness to invest in Argentina's economic recovery.¹¹⁰

All the government investment roadshows, tax concessions and exclusivity agreements cannot lure investment to a failing economy. Argentina is demonstrating that if a country does the basics right, investors will be crowding into the market in no time.

Ideological red lines

There are many “red lines” on the ideological left that are politically challenging to cross. In South Africa, for example, social grant payments are sacrosanct. Civil service jobs and salaries are untouchable. The promise of free tertiary education will be very hard to retract. Unions have extraordinary powers, some of which are incompatible with a free-market economy.

As Milei discovered, some of these red lines are indeed uncrossable. His strategy was to present hundreds of measures, so that he could compromise on half of them, yet still advance his agenda.

He was also fearless. He cut social spending and pensions, and fired civil servants, even though he knew this would lead to widespread protests from unions and civic organisations. He was not afraid to deal forcefully with the consequences, when they inevitably boiled over onto the streets.

Education and populism

Milei laid the groundwork for his campaign by spending lots of time on television, on radio, on social media, and on podcasts, explaining basic economics. The principles of a free market economy are not hard to grasp when explained eloquently by a highly qualified economist.

His enthusiasm and willingness to challenge ideological opponents made him a popular hero. He built on this reputation until he was in a position to challenge for the presidency and take the metaphorical chainsaw to the bloated, corrupt governing elite.

Milei's populism was not born from a desire for raw political power. Unlike typical right-wing populists, he didn't lay blame on immigrants, or bash out-groups. While he expressed some socially conservative views, and engaged in some "culture war" rhetoric against wokeness, he never expressed views merely because they were popular.

He always kept the ideological principle of individual liberty, free markets, and small, efficient, incorruptible government in mind. While other populists waxed xenophobic or protectionist, because that is how you whip up discontented mobs, Milei railed against tariffs and restrictions on foreigners, because he understood that a government of liberty and free markets could not accommodate popular prejudices.

His public persona might have looked wild, passionate and radical, but underneath that exterior, he was principled, eloquent and thoughtful.

Willingness to accept pain

Milei openly warned that the medicine would be bitter, and that hard times lay ahead in the short term in order to reposition the economy for growth and prosperity in the long term.

Ending subsidies and price controls, cutting excessive social welfare payments, firing civil servants, and reducing public sector wages were never going to be popular. While he made concessions to soften the blows, Milei was clear that there was no alternative to "shock treatment".

The depth of the economic despair prior to his election created a society that was prepared to accept short-term economic pain in order to realise a better future in the long-term.

Milei walked a tightrope, with high disapproval numbers that never quite overwhelmed his approval ratings, decrees that pushed the bounds of what was constitutionally possible, and wielding razor-thin margins in the National Congress.

A deeply unhappy and disillusioned electorate can swing two ways.

The first is to embrace revolutionary socialism. Following politicians who blame the secret machinations and greed of the rich, and conjure imperialist plots by foreign powers, the people demand radical redistribution of wealth, asset grabs and land seizures. They are promised, and lay claim to, positive rights to jobs, healthcare, education, housing, food and water. Ultimately, they expect the government to cater to all their basic needs, and the leaders they follow will promise this, though they do not have the means to deliver. A revolutionary government, unable to raise debt in domestic or foreign financial markets, becomes constrained to printing money to sustain its public expenditure.



The result, inevitably, is the enrichment of a champagne-socialists elite, but the further and final impoverishment of the broad population. This state of affairs can drag on for decades, à la Cuba and Nicaragua, or lead to an economic implosion, à la Zimbabwe or Venezuela.

The other option is no less radical, and that is the option Milei put on the table. It also makes populist appeals to vanquishing a corrupt ruling class, but it does so from the perspective of individual freedom and private enterprise. It points to the endless failures of socialist experiments, and the reliable successes of free market capitalism in history and around the world.

The gulf between a stagnating, socialist, corrupt regime, and one in which free enterprise can thrive, is wide. The measures necessary to bridge that gulf are wrenching and painful. An electorate will not accept such economic pain lightly, or for long.

If the people are sufficiently disenchanted, however, and have had the reasons for their misery and the hardship of the road to prosperity explained to them in great detail, they will prove willing to take the risk.

The important thing is to have an economic policy framework ready, not only in the minds of opposition politicians, but also in the minds of voters. They must know and understand their options, if they are to choose the high road to prosperity.

Free-market economics work

Perhaps most importantly, for South Africa and the world, Javier Milei is demonstrating that principled free-market policies can work, do work, and work quickly.

Libertarian politics is often painted as fringe economics. It is dismissed as nice in theory, but infeasible in practice. No country has tried libertarian economics and succeeded, critics said.

This critique misses the more nuanced point evident in research such as the Fraser Institute's Economic Freedom of the World Report,¹¹¹ which shows that economic freedom is a matter of degree. Benefits such as prosperity and lack of poverty are correlated to the degree to which an economy is free from government control and interference.

It is true, however, that until now, no country has ever had an explicitly libertarian government in power. No country has ever tried to reform a stagnant socialist basket case into a thriving free-market economy through radical, painful and rapid libertarian reforms.

Until now.

Argentina is not out of the woods. Milei has a long way to go, his reforms remain controversial and fragile, and he may not survive politically to bring his reform project to conclusion.

In just over a year, however, he has demonstrated that positive results can be obtained surprisingly quickly by means of a principled turn to small government, individual liberty and free markets. All it takes is the right leader to challenge the governing elite and take the people with them.

or that, classical liberals in South Africa and around the world owe Milei a debt of gratitude.

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Eugen von Böhm-Bawerk, Ludwig von Mises, Henry Hazlitt, Friedrich August von Hayek, Murray Rothbard, Israel Kirzner, Walter Block, and more recently, Mark Skousen, Peter Schiff, and Steven Horwitz. For a more elaborate description, see <https://www.econlib.org/library/Enc/AustrianSchoolofEconomics.html>. For an Austrian School critique of Keynesian economics of which Javier Milei would approve, see Spotlight on Keynesian Economics by Murray N. Rothbard (<https://mises.org/mises-daily/spotlight-keynesian-economics>). For a warning against simplistic Keynesian vs. Austrian School analysis in modern economies, see It's Not Just Keynesians vs. Austrians, by Steven Horwitz (<https://fee.org/articles/it-s-not-just-keynesians-vs-austrians/>).

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