



One Hundred Days of Libertarian Populism in Argentina

Description

ARGENTINA : On December 10, 2023, Javier Milei, a self-described anarcho-capitalist, was sworn in as president of Argentina.

Milei, best known for the hair that he claims is combed by Adam's Smith invisible hand and an eccentric and irascible demeanor, promised to end the country's economic woes—prevalent in the last 80 years but heightened in the last couple of decades—by launching a full-blown libertarian economic program of privatization, deregulation, and tight monetary policy.

On the way, he would rid the country of the unholy marriage between socialism and wokeism that has assaulted Argentine institutions over the last 20 years. After 100 days in power, has “the wig,” as he is known, laid the foundations for a libertarian populist revolt, or is his project showing early signs of foundering?

Milei is a culture warrior, which is why, despite being a radical libertarian, he has rallied conservatives and nationalists behind his agenda. But make no mistake: Most Argentines voted for him hoping he would fix the economic mess the country has been in since the early 2000s.

On the macroeconomic side, some of the [measures are working](#). Monthly inflation fell in both January and February, after reaching its highest point in decades in December.

Milei promised to achieve a budget surplus (before interest payments) of 2 percent this year, after last year's 3 percent deficit. So far, so good: The first two months of the year brought surpluses, the first in more than a decade.

Moreover, Argentina has an exchange control. Milei has not eliminated it yet, seeking to reduce the gap between the official and black market exchange rates (it now sits at around 20 percent) and improve the macroeconomic output of the country before eliminating it. Foreign reserves have increased by over \$7 billion and the country-risk index has dropped significantly.

But this all has come at a cost.

[Milei reduced](#) energy and transport subsidies drastically. He also cut down on transfers to provinces. And, even though he has been raising spending on retirement pensions, he has done so by less than inflation, which means that, in real terms, he has also cut down spending.

In the first handful of days in his government, he devalued the peso by over 50 percent, causing inflation to skyrocket.

This has of course worsened the situation for Argentines, at least in the short term. Fifty percent of the country is in poverty and the economy is set to shrink by 4 percent in 2024.

Milei has been clear since day one that things in Argentina had to get worse before they got better; so far, his approval ratings are still relatively high, sitting close to 50 percent. He has achieved this because most Argentines believe the “caste”—the left-wing elites of the country—are to blame for the economic woes.

How long will Milei’s popularity last? That remains to be seen.

One of Milei’s key problems is that he doesn’t have enough parliamentary support for some of the most radical proposals in his agenda, such as labor reform and some deregulation policies.

In fact, his party only holds seven seats in the Senate (which has 72 senators), and 41 representatives (which has 257), hardly enough to pass any kind of legislation.

He depends on PRO, the party of former president Mauricio Macri, some smaller parties that hold some seats in the House, and some breakaway members of opposition parties to pass legislation, which has proven difficult in his first 100 days in government.

In less than two years, Argentina has midterm elections, renewing parts of both houses of Congress. If Milei’s plan to stabilize the country’s economy has not worked by then, he may suffer a defeat that will end up derailing the rest of his term.

In fact, Milei’s lack of legislative support has not allowed him to take advantage of his popularity to pass essential elements of his agenda.

His first 100 days of government have been marked by two main measures: the Omnibus Law and the DNU.

Milei sent to Congress an all-encompassing bill with 664 articles that covered everything from fishing permits and privatization of state companies to shutting down the National Theatre Institute and reforming the pension system.

This gave the opposition, and even some of his supporters, enough reason to pick the law apart, until Milei eventually withdrew it. He will likely try to pass it as individual laws, slowing down the process of reform.

Milei's DNU (Decreto de Necesidad y Urgencia, Decree of Necessity and Urgency in English) was passed in December and was almost as all-encompassing as the law above. It covered labor market regulations, increasing interest on credit card debt, and reforming pharmaceutical companies.

Being a presidential decree, it technically does not need congressional approval. However, if both houses of Congress vote against the measure, they can strike it down.

The Senate already voted against Milei's decree, but until the House follows—and it is unclear whether it will, as Milei might reform the decree to garner some support—the decree remains on its feet.

Labor reform is key to Milei's success. After the state bureaucracy built by the Peronist left, the trade unions are perhaps the most significant element of the "caste" Milei seeks to tear down.

Mauricio Macri, today one of Milei's most important allies, was president between 2015 and 2019 and tried to enact some of the same reforms; he was derailed by both the Argentine congress and the all-powerful labor unions that constantly called for strikes against Macri and to close main roads of the country.

Unions in Argentina are closer to a mafia than to organizations built to defend worker's rights. For example, the truckers' union has had the same president, Hugo Moyano, for 36 years.

His eldest son is the vice president, while a daughter and a son are part of the work. Another son used to run a union for toll workers before becoming a congressman.

The family has owned some of the most important football clubs in the country and has a political party close to the Justicialista Party, the traditional Peronist party in Argentina.

This family, allied with the traditional left of the country, is able to freeze the transport of food and oil in the blink of an eye, as they did under Macri.

Milei, so far, does not seem intimidated. He has shown a very un-libertarian impulse to wield state power to achieve his political ends—and this is what scares the left and makes the populist right stand by his side.

Milei's long-term goal is dismantling most of the Argentine state. Make no mistake, he sees himself as an Argentine Reagan, tasked with becoming a libertarian hero.

Many of his economic formulas seem to come out of the IMF rulebook, and he believes in international free trade with passion. Without the antics, Milei might seem like a product of an American think tank.

But what makes him different is his muscular use of state power. Milei is not afraid to wield public power—whether with far-ranging decrees or by using legitimate force to stop protests that threaten the stability of the state and his reforms—to achieve his political goals.

This has been particularly clear with unions: Milei tried to pass legislation to make union affiliation voluntary (it is currently compulsory and automatic) and also wants to allow companies to fire workers who take part in street blockades during protests.

However, both are still frozen in the courts with all his labor reform until the Supreme Court decides on the matter.

Similarly, he has suspended all government publicity in media for a year, which was the main source of income for many privately-owned media outlets that served as parasitic propaganda entities on behalf of the government.

For years, Peronism enlarged the number and size of organizations that depended on the state through government funds or beneficial regulations. These organizations entered into a parasitic relationship with the “caste.” Milei has started eliminating these privileges.

Lawyers are now not needed in some fast-track divorce procedures, which used to be an easy source of income. Artists relied on government funds to produce works that no one saw, and Milei gutted them.

Fishermen and sugar producers relied on regulations, subsidies, and tariffs to sell their products, and unions depended on the automatic enrollment and payment of dues of their members to continue accumulating power.

Moreover, even though he is playing it smart (for example, by delaying the elimination of the exchange control or discussions on the dollarization of the economy), he is riding his popularity to enact the strongest, most painful reforms he needs to pass.

He does face a big challenge: If Congress stops his decree and does not pass his reforms (or they are stopped by the courts), Milei may run out of time.

The Argentine people are becoming poorer by the day and their patience might not be great enough to wait until he can strike a deal in Congress or to see if he wins a congressional majority at the midterm elections.

He has floated the idea of holding a referendum to pass his reforms. Even if it is a non-binding consult, it might put enough pressure on some congress members to accept part of his reforms, and he seems popular enough to win such a referendum.

Also, his goal of maintaining a fiscal surplus might prove to be harder than expected. The recession is affecting tax revenues, and savings on energy subsidies were due to deferrals, not a budget reduction.

Milei has another front of opposition: provincial governors. None of them are members of his party, and many rely on generous discretionary transfers from the central government, which Milei has reduced dramatically.

Governors hold a significant level of power within their parties, meaning they can influence members of Congress from their parties to not negotiate with Milei and also continue challenging his agenda in the courts.

The last major challenge he faces comes from within: Milei’s banner is the economy, but his brand also includes the fact that he is a culture warrior, which is why he was able to garner support from conservatives and nationalists despite his defense of gay marriage and drug legalization in the past.

He quickly delivered by closing the National Institute Against Discrimination, Xenophobia and Racism, which was widely considered a do-nothing organ that existed simply to keep members of the ruling party as employees and fund left-wing propaganda.

Milei also banned “inclusive” language and any reference to “gender perspective” in government documents and eliminated the Ministry of Women, Gender and Diversity.

Nevertheless, these were mostly symbolic measures. Milei has not been shy to use state power to cut relations with its parasitic entities and eventually reduce its size.

On the socio-cultural side, he seems to do the same: eliminate, cut down, reduce. But if Milei wants to fight the culture war and enact a long-term change, it seems that negative movements, focused on reduction and elimination might not be enough.

If he fails at his task of reforming the Argentine economy, his presidency will end up feeling like a fever dream. And to succeed, he might have to let his populist impulses overtake his libertarian mind.

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