



Geopolitical Intelligence  
Services Dossier

# Argentina's market reform

Javier Milei's obvious cure for economic revival



# Dossier



Decades of populist policies and socialist mismanagement have squandered Argentina's wealth. President Javier Milei, a fierce proponent of free-market economics, faces strong domestic opposition. Yet, in his first year, this disruptor has made strides in revitalizing the nation.

## Contents click to go to the chapter

- 04** Introduction
- 05** 'No room for gradualism'
- 06** Milei hits the ground running
- 08** Objectives beyond economics
- 09** Argentina's economic debacle was long in the making
- 11** The economy's structural problems
- 12** Looming prospects of dollarization
- 13** How dollarization is done
- 14** The government's presumed plan
- 15** Big hurdle: Eliminating capital controls
- 17** Pivotal 2025 elections

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## Introduction

Argentina, a country of 46 million people with a gross domestic product (GDP) exceeding \$640 billion in 2023<sup>1</sup>, is the third-largest economy in Latin America, following Brazil and Mexico.

Despite its potential, the country has grappled with chronic high inflation averaging 62 percent since 1945, except for a brief respite in the 1990s, and endured decades of economic turmoil, defaulting on its sovereign debt nine times throughout its history. The most recent default occurred in 2020, when it experienced economic contraction, soaring inflation and a hard-currency squeeze during the Covid-19 pandemic.

By late 2023, the situation in Argentina had deteriorated further. The country, which had become the largest debtor to the International Monetary Fund (IMF) with over \$40 billion in outstanding debt, was struggling with triple-digit inflation rates.

These problems stem from structural limitations and populist policy choices aimed at short-term political gains, which were achieved at the expense of economic stability. Chief among these issues is unsustainable government spending, a legacy from the mid-20th century. Argentina has a large public sector and heavily subsidizes healthcare, energy, universities and public transportation, which have been funded through deficit spending and the printing of more pesos. This approach exacerbates inflation.

The landslide victory of outsider **Javier Milei**, an economics professor, in the 2023 presidential election sent shockwaves throughout Argentina. Known primarily for his bluntness on television talk shows and lacking governing experience, Mr. Milei's program for repairing the economy and governance has upended traditional politics, challenging the prevailing two-party system dominated by two competing ideologies, Peronism and radicalism.

Typically mischaracterized in the media as "radical," Mr. Milei's economic philosophy is rooted in well-established principles of market economics<sup>2</sup>, which have historically driven significant global prosperity and reduced poverty and hunger over the past 70 years. The public finance strategies that President Milei advocates are credited for having helped restore stability and growth in several troubled nations, particularly in Central Europe following the Soviet Union's collapse in 1991. However, the success of his reform agenda hinges on the president's ability to navigate substantial political challenges and opposition from various sectors within Argentina.



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