Argentine President Milei's first year in office: Self-delusion and a frontal assault on the working class

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On December 10, Argentine President Javier Milei marked his first year in office amid widespread commentary in capitalist ruling circles glorifying his economic shock therapy and police state regime as a great success to be copied and deepened.

American billionaire Vivek Ramaswamy, who will lead with Elon Musk a new Department of Government Efficiency under the incoming Trump administration, responded to news that Milei had sustained a fiscal surplus for the first time in 123 years by writing on X: "If he can do it, we can do it." He also recently vowed to implement "Milei-style cuts, on steroids."

Christian Lindner, the German Finance Minister until November and head of the Free Democratic Party (FDP) argued that Germany should act more like Elon Musk and Milei, claiming the Argentine president is reorganizing a ruined economy "in the interests of its people."

The *Financial Times* cites the country head for JP Morgan, Facundo Gómez Minujín, who compared Argentina with a company getting out of bankruptcy and concluded: "Things couldn't be better from where I stand."

The Economist praised Milei as the "Free-market revolutionary" who has been able to "drain the poison" responsible for Argentina's maladies.

On Tuesday, Milei gave his first-year report, arguing that his policies have been so effective in delivering an "economic miracle" that they will enter a new and more aggressive stage. "Now the deep chainsaw will begin," he said. "We want to carry out 3,200 more reforms before ending our term."

For next year, he promised to reduce national taxes by 90 percent, let provinces compete by maintaining their own fiscal policy (cutting taxes even further), end capital controls restricting investors from buying dollars and getting money out of the country (*cepo*), shut down the Central Bank, and take steps toward dollarization.

This doubling down is based on assessments in his close circle as well as in the corporate media and think tanks, that are indifferent to mass human suffering and death, and betray a delusional atmosphere in ruling circles internationally.

Milei's main claims last Tuesday hold no water; namely:

1. "We were able to stabilize the economy and avoid the catastrophe to which we were heading."

Milei and the media present as the main evidence of his economic success the slowing of the inflation rate to 2.4 percent in November, which is the lowest monthly rate since July 2020.

The reality is that since November 2023, prices have still increased 166 percent, compared to 161 percent over the 12 months before Milei came into office.

Much of the media simply ignores the fact that his initial policies drove inflation through the roof. These include the devaluation of the peso in December 2023 by 118 percent, the elimination of a vast array of subsidies for utilities, transportation and other staples and the implementation of import tariffs.

Milei has boasted about cutting the federal budget by a third and laying off 50,000 government employees. The ending of public works, moreover, axed 200,000 construction jobs, according to the Construction Chamber. In terms of GDP, it was the most aggressive spending cut in at least 64 years in the country.

Officially, the devaluation was aimed at discouraging imports and encouraging exports, while spending cuts would allow the government to buy dollars and expand foreign reserves, prevent capital flight, promote investments and stabilize the exchange rate.

But this was less than half the story. The shock therapy most fundamentally induced an economic crisis to destroy any sense of economic security for most workers, while decimating living standards and the limited social safety net. The aim was to cheapen the price of labor, destroy unprofitable industries, privatize others and shift the economy toward a greater reliance on mining, oil and gas, agriculture, and finance. These sectors, as profitable for the oligarchy as they are vulnerable to speculative swings in the global market, have been the fastest growing sectors this year.

As a result, the economy is expected to contract 4 percent this year, compared to a 1.6 percent fall in 2023. Unemployment increased from 5.7 percent to 7.6 percent, and manufacturing firms polled expect to continue mass layoffs next year.

A total of 16,500 firms closed their doors, primarily small-and-medium sized, and 183,000 formal jobs were lost.

The cuts allowed Milei to record a government budget surplus within weeks. Instead of printing money—the big devil supposedly responsible for all inflation according to Milei's dogma— his administration has been issuing so many bonds to finance his policies that the public debt has actually increased by US$91.9 billion in the first nine months of 2024.

On Tuesday, Milei said he would try to secure another loan from the International Monetary Fund, undoubtedly counting on Trump's support. However, Argentina still owes $41.4 billion to the IMF, as much as the next five countries combined, along with $74 billion in total to international agencies.

These massive interest payments, which alone explain the reduction in "risk" measurements for investors, have been a drag on the accumulation of foreign reserves and the overall "stabilization" strategy.

In the short term, the lowering of inflation and lowering of the gap between the real exchange rate in the black market and the "official" one have been the product of artifacts: primarily restrictions on the purchase of dollars or the "*cepo*" and the "dollar blend" scheme, which allows exporters to exchange up to 20 percent of their revenue from abroad for pesos, to pay wages and other costs, at the higher informal rate, dubbed CCL (*contado con liquidación*). The latter scheme is sending $1.2 billion each month to the black market for dollars, keeping the informal exchange rate artificially lower.

Economist Orlando Ferreres estimates that the real exchange rate should be about 60 percent higher than the official dollar exchange rate, which is now almost the same as the informal "dollar blue." This makes Argentine exports much less competitive, and the more overvalued the peso, the greater the risk of lifting these interventions in the market.

The agro-export oligarchy, among Milei's top backers, has increased pressure to eliminate taxes on grain exports to compensate for low international prices and this artificially high peso.

Another measure responsible for lower inflation in recent months is the elimination of tariffs. When Milei took power, he went against his "free market" dogma for the nth time by raising tariffs on all imports from 7.5 percent to 17.5 percent, again to encourage exports and the accumulation of foreign reserves. However, in order to lower its impact on inflation, he was compelled to drop it back to 7.5 percent in September and eliminate it in November, promoting imports again.

The government has also spent billions to finance returns of 45 percent—already factoring in the devaluation rate of the peso of 2 percent per month— to convince investors to sell their dollars for government bonds, after whose expiration the proceeds are turned back into dollars and then sold again in a spiral of speculation called the "financial bicycle."

Overall, all these measures to cut inflation have forced the government further into debt to maintain its picture of "stabilization."

Milei's administration had agreed with the IMF to eliminate the exchange rate restrictions and dollar blend by the middle of 2024 as steps necessary to attract investments, but Milei claims to have been unable to accumulate the foreign reserves necessary for this. Otherwise, there would be a run on the peso and another inflationary spiral. This is an unlikely risk before the congressional elections in late 2025. But if the *cepo* and dollar blend are not lifted, the country will struggle to raise dollars from exports and new loans.

Foreign reserves have risen from $21 billion to $31 billion under Milei, but they remain at historically low levels. Moreover, it is another question whether this is sustainable given that his government is expected to pay $11.29 billion in interest next year.

The government is running out of "tricks" to raise these foreign reserves, and its desperation is shown by the decision to extend until April 2025 the deadline for a "capital laundering" program that gives a tax amnesty to dollar deposits and investments of doubtful providence, largely from tax havens or money stored in cash. Milei also reportedly pawned much of Argentina's gold.

These issues will create a major push for deepening the radical social cuts and attacks on living standards.

2. "We kept our promise to take care of the most vulnerable during the adjustment."

Milei's first year can be summed up as a grand heist against the Argentine working class. Not only were the most vulnerable left unprotected, they were the main target of his policies.

In the words of economist Claudio Lozano of the Instituto de Pensamiento y Políticas Públicas, "The foundational fact of Milei's government was to demolish wages through a brutal devaluation. Public sector salaries fell by 16%, the income of informal wage earners by 17%, while the minimum wage is 27.4% lower than at the beginning of the new administration." Real wages in the private sector were 1.5 percent lower.

Meanwhile, corporate profits for the firms that trade on the Buenos Aires Stock Exchange multiplied fivefold in just the first half of 2024, according to Lozano. The largest windfalls have gone to the oil companies and the auto-parts and electronics company Mirgor, owned by the family of Economy Minister Luis Caputo and key adviser Santiago Caputo. Its profits increased 1,097 percent.

The official poverty rate rose to its highest level in two decades, 52.9 percent, compared to 41.7 percent when Milei took power. This includes two out of every three children. UNICEF reports that one million children go to bed hungry every night in Argentina. The public budget for children's services was slashed by 16 percent.

Per capita family income fell by 12.4 percent from the second quarter of 2023 to the second quarter of 2024, affecting the poorest fifth of households the most (a 16.1 percent drop).

Sixty-two percent of tenant households are poor, and Milei has allowed contracts to be shorter and rents to increase faster.

The hardest hit under Milei have been Argentina's retirees. The Center for Public Policies found that from January to September 2024, "25.3% of the adjustment in government spending was explained by the loss of purchasing power of pensions and retirement benefits." The cuts included the elimination of a meager $70 bonus for the lowest pensions, while retirement income has fallen 13 percent. This has doubled the poverty rate among the elderly to 30 percent.

Healthcare benefits were also cut for pensioners, eliminating the 100 percent coverage for medicines and limiting it to those making less than 1.5 times the minimum pension. Meanwhile, drug prices increased 240 percent in the past year.

Five days before Milei's report, a 70-year-old pensioner doused himself in gasoline and tried to set himself on fire inside the Pensioners Office in Córdoba after losing his access to medications, despite being seriously ill.

These pension and healthcare cuts pose a stark warning to working people in the US, who have been promised by Trump that he is not planning on cutting Social Security and Medicare.

Now, Milei plans to eliminate a provision allowing elderly who have not completed 30 years of formal employment to retire and get a pension.

Artists and cultural life have suffered a brutal attack, including mass layoffs and the shutdown of numerous movies, plays and other cultural projects, as a result of cuts to the Institute of Film and Audiovisual Arts, the National Library and the Institute of Drama.

This social disaster has not stopped claims like that made by *Business Insider* claiming that the adjustment "has been accepted by Argentinians" because people "do not want to go back."

3. "We are entering a year of low inflation and sustained growth."

Even though forecasts expect lower inflation and some growth next year, Milei has vastly exaggerated their significance. In Milei's first year, public transportation became 206 percent more costly, housing and utilities 276 percent, healthcare 184 percent, and education 180 percent.

Milei, however, says "We are getting closer every day to inflation becoming little more than a bad memory."

The country is in fact getting closer to another financial unraveling. Milei dangled several fantasies during his speech Tuesday, arguing that Argentina will become a world hub for artificial intelligence, develop an ambitious nuclear energy program, and sign a free trade agreement with the Trump administration that will flood the country with investments. If only Argentines try hard enough to "re-discover the truths of our deep past" during the turn of the 19th century, the country will again become an economic power.

This means the destruction of all the social rights and institutions won by the working class in struggle in the past century while trusting the "invisible hand" of the market celebrated by 19th century liberal economists to handle everything else.

Milei, however, fails to explain how ambitious high tech investments and economic development are compatible with suppressing funding for infrastructure, including roads, bridges and ports, the elimination of the Ministry of Science, Technology and Innovation, cutting real wages for university professors by 24 percent and the budget for universities by a third, and nearly halving the percentage of GDP spent on public education.

In a particularly reactionary policy announced this month, aimed at scapegoating migrants for the consequences of his austerity policies, Milei will block foreigners from benefiting from free healthcare at public hospitals and free education at public universities.

The assessment that Argentina is "turning a corner," much less living a "miracle," says more about those making the claims than about the economy. Outside finance, energy and mining, investments are not flowing into, but rather leaving the country.

While claiming that Milei has "stabilized" the economy as it "appears to be emerging from a recession," the *Financial Times* warns that "the situation is still critical" and that even the most optimistic forecasts for 2025 will keep per capita GDP to where it was in 2021 and within the same stagnated levels maintained in real terms since 2011. The country's worst drought in half a century ended last March.

Every major economic shock internationally, from the COVID-19 pandemic to the increase in interest rates, supply chain disruptions, and war have led to runs on the peso and capital flight. In the next years and even months, Argentina faces countless trip wires domestically and abroad that can lead to a financial crash and mass social unrest. These include Trump's plans for escalating economic war measures and anything that could push the dollar higher, as well as attempts to curry favor with the US by distancing from China (Argentina's main trade partner after Brazil and a key source of foreign reserves). The growing budget for the military and security forces for repression and Milei's ambition to join the international scramble will impose even more costs on the state. In a little reported development, Milei increased spending on the intelligence apparatus by 216 percent.

Far from Milei's pretense of having things under control, the main "shock" still lies ahead and will strike in ways that his administration can't fully anticipate. Based on theories by Austrian School quacks long exploded by Marxists, Milei's policies, celebrated by the global ruling elites, have placed the country even more at the mercy of speculative bubbles and outright criminal elements, while shifting the skidding economy ever closer to the precipice.

4. "Today, the protesters are afraid to take to the streets, and people can move around in peace."

After two limited general strikes called by the main union confederations and mass protests, which included numerous campus occupations, against cuts to public universities and pension cuts, not only Milei but numerous bourgeois commentators claim protests have declined because Argentines are content or at least have faith in him. They repeatedly cite his approval rating of over 50 percent.

As workers, children and retirees face hunger, sickness and desperation, their protests have been met with police beatings, water cannon, tear gas and criminal prosecution of their leaders. What characterizes the class struggle is not complacency or intimidation, but frustration toward the leadership of the union bureaucracy and nominal "left" and disorientation and confusion about how to develop an organizational and political alternative to fight Milei.

While the main union confederation, the CGT, has signed off on Milei's attacks and reached a truce until next year, the more "combative" unions controlled or backed by the pseudo-left insist in negotiating and pressuring Milei with limited industrial actions while building back illusions in the Peronist leaders, who were so resoundingly rejected by workers in the last elections, by appealing to them to take a more oppositional stance.

The election of the fascist "*loco*" (madman) Milei, the delusional trust and praise by the ruling class and the social devastation wrought by his first year in office all make clear that Argentine and global capitalism have reached a dead end and offer nothing but disaster. The practical task of the day is the building of the party necessary in the working class for world socialist revolution, the International Committee of the Fourth International.