

The Challenge of Milei's Argentina

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A chainsaw, a wild hairstyle, accusations against the political class for forming a caste, uncontrollable shouting, and a mock-up of the Central Bank being smashed. The images that have made the Argentine president with no political background known have crossed borders and are not at all free from controversy. Few could have predicted not only an anti-system, far-right figure and political outsider but also one who promised austerity and recession winning the nation's presidency against such a mainstream candidate as his opponent from the traditional Peronist party in November 2023.

His disruptive figure managed to penetrate the electorate's preferences, making the citizens discontent with traditional leaders his own. The current president challenged the system and the playbook of politics, even communication. He promised to cleanse the state of a political caste that uses its institutions to serve itself; he promised austerity measures rigorously orthodox to balance the fiscal accounts, eliminate the deficit, reduce inflation, and foster conditions for generating competitive and deregulated capitalism. He promised sacrifice, blood, sweat, and tears. And thus he won.

What elements and circumstances allowed the eccentric personality of Javier Gerardo Milei to occupy the Seat of Rivadavia? In what context does this president propose a controversial package of drastic reforms? And how has Argentina, after 40 years of democracy, come to choose a man who presents himself as a complete outsider of the political system, free from its vices?

The Argentine Republic prides itself on its young democracy. And it's logical: it took no less than six military coups in the 20th century to reach a political regime where the rule of law is respected, where elections are held periodically, and where the civil and political rights of its citizens are guaranteed. Furthermore, it has been an example to the world for prosecuting in civilian courts those responsible for the last military dictatorship, which constituted one of the darkest episodes in its history.

However, behind that young and fragile democracy lies another tragedy: its inability to bring about economic prosperity. Rather, it has failed to guarantee it. In every decade since 1983, there have been years of deep crises, and today 41.7% of Argentinians¹ are below the poverty line, representing about 19.4 million people. As if that were not enough, nearly half (47.6%) of workers are outside the formal system in an informal arrangement that deprives them of social security,

1 Gimenez, José, "Más de 19 millones de personas en la Argentina son pobres, una de las cifras más altas en 20 años". In Chequeado.com, March 27th, 2024 <https://chequeado.com/el-explicador/mas-de-19-millones-de-personas-en-la-argentina-son-pobres-una-de-los-cifras-mas-altas-en-20-anos/>

access to quality healthcare, paid vacation, etc. And, while unemployment stands at around 6.2%, the year-on-year inflation has reached 276.2%², putting it on the podium alongside countries like Lebanon, Zimbabwe, and Venezuela.

In the 2023 elections, 30% of the electorate was under 30 years old, 50.2% were under 40 years old, and 6 out of 10 voters were under 45 years old. In other words, it was an election defined by the millennial and centennial segments of the population. It's worth noting that numerous civil organizations and international bodies such as UNICEF consistently highlighted that poverty and informality affect youth with greater intensity, so it's not surprising that the first group of citizens attracted by the libertarian “purple earthquake” is concentrated mainly in the younger segments.

In fact, Argentina was so stagnant that it failed to generate genuine employment in the private sector since 2011. Inflation has been a defeat for both Peronist and non-Peronist governments in recent decades, and the populations of “popular neighborhoods” –or slums– have continued to increase since the 2001 crisis. This means that the dramatic aspect lies in the fact that, with 40 years of democracy, electoral and partisan politics have not been able to find real solutions to concrete problems and lead to progress and growth.

Informality, which we sometimes see in street vendors, young people driving for Uber, or delivery app cyclists,

2 Índice de Precios al Consumidor (IPC). Cobertura nacional. Febrero de 2024, https://www.indec.gob.ar/uploads/informesdeprensa/ipc_03_24BF7A335103.pdf

comprises 45% of workers. They represent no less than 8 million people who, in addition to being unregistered and vulnerable to the fluctuations of an erratic economy like Argentina's, suffer from a deep weariness of empty promises from a powerless political system that only manages to see itself. In addition, there are another 3 million self-employed workers or professionals who also do not enjoy the security of the 5 million employed in the private sector. Now, the most ironic aspect was the hallmark created by the government of Alberto Fernández and Cristina Fernández de Kirchner during the 2019-2023 period, which is the creation of a scenario where there are formally employed workers, both within the private and public sectors, but who fail to meet their basic needs. In other words, they generated workers below the poverty line who, even with formal employment, are poor. Put another way, the Argentine system had become a true meat grinder.

Furthermore, and in light of some numbers that illustrate a frustrating reality, Milei triumphs almost as an act of faith and common sense. His vote becomes a bet on the different and fresh option compared to the center-right and center-left political establishments that have governed in the last 30 or 40 years, and even to the Trotskyist left, which has never had real chances. All experiences have been frustrated. In the face of inflation that erodes incomes, where it becomes increasingly difficult for parties to channel people excluded from the system and poor workers, isn't it logical, then, that an anti-system, extreme, and novel candidate like Milei would have swept the elections? Isn't it coherent that the traditional Peronism, once

identified with union sectors increasingly distant from its base, lose representativeness?

As a result of the previously described landscape, Milei arrived at the Casa Rosada –the government house in Argentina– in an unprecedented and unusual manner. Previously, it was believed that the government of Mauricio Macri (2015-2019) had the smallest representation in history, because it was a president whose party held only 5 out of 24 governorships (4 provinces plus the Autonomous City of Buenos Aires, which serves as a hybrid between provincial subnational government and city-municipality). Milei, on the other hand, reached power without winning or governing a single province or having a single allied governor. Similarly, out of more than 1000 municipalities and communes, he only obtained 3 mayoralties. Consequently, a president arrives at the National Executive Power without any kind of territorial base or power, as no president has ever lacked before.

In fact, in many provinces, Javier Milei won with a “short ballot”. What does this mean? It means that in most of these provinces, when approaching the polling booth to cast the vote, numerous ballots for different categories such as President, Governor, Senator, Deputy, Mayor, Councilor, etc., could be found. However, in a large part of the provinces, Milei was limited to presenting himself with a ballot that confined the candidacy of Libertad Avanza, his political force, to the presidential category, thus reflecting a lack of apparatus and interest in other categories. But it also allowed him to plebiscite his figure against everything else. People chose the economist, the eccentric, the panelist, the new, the disruptive, and not a

party, an alliance, or a force. Moreover, being a candidate from Buenos Aires, he swept primarily in the most peripheral provinces. He achieved victory in the toughest election despite lacking an electoral machinery to support his candidacy in such a vast, diverse, and rigid country.

Needless to say, in a federal government system, the figures of the governors emerge as critical for ensuring governability, as they wield territorial power with the capacity to obstruct the measures and intentions of the president. Without them, it's hardly possible to guarantee the success of a political project, and this was partly what happened with the experience of the *Cambiamos / Juntos por el Cambio* government led by Macri.

In the parliamentary arena, the situation is not very different. In the Senate alone, the ruling party holds 7 seats out of 72, not counting the presidency held by Victoria Villaroel, the Vice President of the Nation. Her vote only counts in case of a tie. The hard opposition, represented by Kirchnerism and various expressions of Peronism, holds 33 seats. The rest belongs to different parties such as the radicals, PRO, and various provincial forces that may or may not constitute occasional allies.

In the Chamber of Deputies, on the other hand, the president's party has barely more than forty deputies out of 257 legislators. We are facing a government that, regardless of what it wishes to propose in these four years, will urgently need to engage in dialogue and negotiation with other forces to overcome the obstacles of Congress in a republican system

—and in a democracy itself— if it wants to ensure the success of its provocative reformist and libertarian agenda. Peronism and the hard-left factions there aggregate 105 opposition members who will reject any initiative from the ruling party. In between, there will be another forty potential and eventual allies identified in the PRO (Republican Proposal) party and affiliated expressions, along with other blocs like the historic radical party (with about thirty deputies) and other forces like *Hacemos Coalición Federal* and *Innovación Federal*, where different national and provincial parties converge. While they are more reluctant to provide explicit, much less unconditional support to the government, they present themselves as possible guarantors of governability.

Consequently, the challenge for the economist lies in navigating the paths of traditional politics, which he vehemently opposes, to implement a series of measures that face resistance across the political spectrum. This has happened with a controversial Decree of Necessity and Urgency (No. 70/2023) and with his measures contextualized in his cultural battle. It is even more paradoxical when reflecting on it because the government proudly flaunts its explicit rejection of the rules and conventions of politics, where the preferred and primary tools are dialogue and negotiation. But what is even more remarkable is that within this framework of guaranteed failure due to a lack of political muscle, he manages to turn defeats into rhetorical victories, as every impediment to labor, tax, fiscal, or political reform is explained by the “establishment” not willing to relinquish its privileges.

During negotiations on the so-called “Law of Bases and Starting Points for the Freedom of Argentines,³” a monstrous and audacious bill exceeding 600 articles covering all topics, this situation was experienced. According to logic and usual practices, one would expect the hyper-minority government to seek to seduce and persuade other blocs to obtain ad hoc majorities that would allow them to pass their legislative agenda. However, the reality was very different. While some officials from the Ministry of the Interior responsible for political liaisons, along with Santiago Caputo, the star strategic advisor, attempted to play that role, congressmen received nothing but insults and criticism both on social media and on television from the president and his inner circle. In other words, their weakness did not result in the government seeking assistance but rather escalating conflict and denouncing other actors whom they needed. The president thus succeeds in challenging all politicians and analysts to think outside the box about how politics is conceived.

How is it possible that with barely 3 mayors, less than 50 parliamentarians, and not a single governor, the president does not hesitate to double down on every bet, rhetorically, economically, and politically? His weakness does not make him back down but intensifies the dispute. Originally, it should be considered that an orthodox fiscal adjustment to clean up public accounts would be impossible to carry out without a legislative contingent to pivot from or a set of governors to

3 Ley de Bases y Puntos de Partida para la Libertad de los Argentinos. <https://www4.hcdn.gob.ar/dependencias/dsecretaria/Periodo2023/PDF2023/TP2023/0025-PE-2023.pdf>

support the Casa Rosada. However, in La Libertad Avanza, they confront all governors without any fear that confrontation will serve as an incentive scheme to unify them against the government. By thinking precisely outside the box, he ends up fueling his anti-establishment rhetoric and triumphing even in defeat.

In this rhetoric and the president's focus, we can observe that this is a very different case from other right-wing populist presidents like Trump, Bukele, or Bolsonaro. While these represented profound earthquakes in their respective countries, there are substantial nuances that distinguish the Rioplatense case.

Firstly, while Bolsonaro had been part of Brazil's political scene for decades in the lower chamber, Milei ventured into politics for the first time in the 2021 legislative elections. Previously, he was only known for his appearances on various television programs as a panelist. He also lacks a substantive support base such as the evangelical church or the military, which provided strategic support and a base for the carioca leader.

Secondly, unlike Trump, who managed to seize a powerful political structure like the US Republican Party and build his candidacy on it, the Argentine barely sought out small parties –almost insignificant in electoral terms– merely for their use as legal vehicles to meet the minimum and essential requirements demanded by the courts to be able to run in elections. This allowed him to avoid resorting to negotiations

and concessions with leaders of conventional parties, which he so strongly disliked.

And thirdly, Nayib Bukele's case is very different as he pursues, in addition to a program, explicit reelection and the maintenance of power. On multiple occasions, Javier Milei has stated that he does not intend to have more than one term and he also shows no signs or actions of a politician whose main interest lies in power. A rare breed in a President.

His absolute priority is focused solely on his political mandate to reduce inflation, leaving everything else aside. For him, if that means adopting a series of drastic and unpopular measures with a high social cost, so be it. Unlike the conventional political class, whose main focus is the construction and maintenance of power itself, the libertarian's focus is solely on fiscal balance and economic stability. This perspective grants him a different time horizon than that of his opponents, allowing him to make highly unpopular decisions that his predecessors avoided due to the political cost involved, both in the upcoming elections and in the consolidation of his power. Interestingly, by adopting extremely orthodox measures, the president finds himself in a position where he can further strengthen his political position if he indeed manages to reduce inflation.

An obvious example is also found in the Omnibus bill, where the essence of his reforms was concentrated. The government of La Libertad Avanza is essentially a coalition of secondary parties. It includes the *Partido Demócrata*, the *UCeDé*, *UNIR* and the *Partido Liberal*, among others, which were

previously little more than legal instruments to participate in elections without a real possibility of reaching government. That's why, in slang, since they are not large and traditional parties, they were called "rubber stamps." Nevertheless, they managed to obtain 30% of the votes in the general elections, with a significant triumph in the country's rural areas and further away from Buenos Aires. Then, in the second round, they swept with 56% of the votes. Despite this, in what the aforementioned Law implies, they promoted a political reform aimed at an uninominal system, which weakens smaller parties and concentrates political representation in the conurbation, the metropolitan area of Buenos Aires, a bastion of Peronism. The project was frustrated, but a president who seeks to remain in power would never promote such a reform. However, this one does. His incentive is different, and his obsession is the economy, not the elections. Therefore, he is capable of making sacrifices in economic matters (such as halting payments to soup kitchens, diluting social spending like state salaries and pensions, or halting public works) that no one else would have dared to do.

"(...) Everything is fine as long as we're comfortable, working safely, with a lovely family, a country house, vacations by the seaside, a good retirement in sight. We're prudent when choosing, we don't want to take risks. We choose what we know. But suppose things start to go wrong. The situation changes; one loses their job and their house and doesn't see his future clearly. What do they do then? Do they opt for prudence? Not at all: they start gambling like crazy! They prefer unknown risk over maintaining their current situation. That's

when everything turns upside down: chaos becomes more appealing than order, at least it offers the possibility of something new (...) An unexpected turn (...)”⁴. Giuliano da Empoli explains this when talking about how societies sometimes end up electorally opting for something different, for something daring and reckless that may mean a leap into the void towards doom, but also a solution.

The viability of his success lies solely and exclusively in the effectiveness of reducing inflation, in the tolerance of Argentinians towards the libertarian's *modus operandi*, and the political muscle he acquires in the coming months. That's when we'll see whether people prefer prudence with what they know or the chainsaw, the wild hairstyle, and the unbridled shouts.

4 Giuliano da Empoli, *El Mago del Kremlin*. Madrid: Seix Barral, 2023.