

The First Months of Javier Milei's Libertarian Government in Buenos Aires

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Feb 2024

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On December 10, Javier Milei, Argentina's first Libertarian president, was inaugurated. The government immediately launched pro-market reforms as promised on the campaign trail but ran into problems in parliament. After failing to reach a political compromise, Milei's government adopted a confrontational approach, but it has yet to yield any result.

I. Introduction

Milei's first months in power, since his election in December have been characterized by turmoil. New austerity decrees met with riots, and legal reforms with parliamentary opposition. The riots were more spectacular, but the legal opposition was more damaging to the new, neoliberal-libertarian government. These problems are characteristic of the Argentinian political system. Social movements wield great power, and the established parties are hard to undermine even if they are currently unpopular. This reflects the electoral system, as only one-third of the parliamentary seats are elected at the same time as the president. Milei also bears the burden of winning the election with the support of the *Juntos por Cambio* party, which is allied with him but is nevertheless a separate party and deeply unpopular in certain strata of Argentine society. The following analysis therefore outlines the main characteristics of the first months of Javier Milei's government and the problems it has encountered.

II. The Government of No Money

"No hay plata" – "There is no money," the freshly inaugurated president of Argentina announced in his first speech at the Plaza Mayo on December 10, 2023. Javier Milei, was installed in the Casa Rosada, the Argentine presidential palace, as a president promising radical austerity. He declared most state spending and a number of institutions of the state as unnecessary baggage for the economy and society while in the campaign. After December 10, however, he had to make good on his promises.

The first package of legislative decrees was pro-market, but moderate in contrast to earlier promises. It followed previous Argentine governments devaluing the peso, this time a dramatic

100%. This way, Milei narrowed the gap between the official and the black-market exchange rate of the peso to make Argentine exports more attractive. To incentivize investments, the limit of Argentine lands purchasable by foreign nationals was lifted, among other capital-friendly moves, like the extension of the probation period for new employees from 3 to 8 months. At the same time, to alleviate the poverty, the government doubled the Universal Income per Child, and augmented "Food Card" allocation by 50%. Other direct forms of spending were cut – allocations for members of government, funds distributed by province governors, as were energy subsidies. The new government announced the cancellation of state work contracts signed less than a year previously. Milei's government explained this as a measure to remove political cronies of the previous administration. ¹

Predictably, Milei's opponents did not react well. The trade unions declared that the rises in social spending were inadequate and did not cover the immediate effects of the peso's devaluation. They claimed the long-term effect of the decrees would be detrimental to the lower classes. Between December 22 and 27, the unions organized mass protests.

This was not unusual for Argentinians. After the democratic transition of the mid-1980s, mass protests were a popular reaction to radical government reforms. During the early 2000s, "picketing" – closing down roads into the urban centres for undefined periods – became the main form of protest. However, Milei's security minister, Patricia Bullrich, was prepared for the initial wave of protest. The first reform bill outlawed the illegal closure of traffic routes. After the December 22 and 27 protests, the unions were even charged for the cost of the "security measures" at demonstrations.

However, the trade unions also resorted to other means to resist the reforms. The biggest union, the CGT (Centro General de Trabajadores, General Center of Workers), brought a lawsuit against the government, claiming that the president had acted ultra vires when he limited worker's rights in the new decrees. On January 30, the National Camara of Work, the highest court specializing in labor rights, sanctioned the new decree returning it to parliament for further consideration.²

The court's intervention further reinforced the greater political confrontation that came to characterize the first months of the new government. During the 2023 Christmas holiday, Milei submitted to Parliament an "Omnibus Bill," a massive package of reforms that he proposed to pass at once. The introduction of the mega-bill on December 27,³ represented the Argentine libertarian experiment's next real test, with which it still struggles two months later.

III. The Rise and Fall of the Omnibus Bill

The fact that Milei proposed to pass a sweeping package of reforms is not unprecedented in Argentine history. Carlos Menem, at the beginning of the 1990s, and Mauricio Macri, in the second half of the 2010s, attempted a similar strategy. Even the spirit of the earlier reforms was similar namely, a radical market reform.⁴ Milei adopted this strategy with the Omnibus Law submitted on December 27, 2023.

The bill is a classic example of a market-oriented package of laws. It proposed privatizing 41 state-managed companies and abolishing price caps on healthcare, house rents, and energy. It also targeted some core elements of the traditional Argentine political system. The Omnibus Bill also proposed a radical electoral reform creating single-delegate districts across the country, thus abolishing the „first past the post“ system on the provincial level and radically diminishing, the power of governors at the provincial level by this decentralization.

The bill also gave Milei broad powers to govern without seeking parliamentary approval.⁵ It was a bold move to try to overhaul the whole electoral system, economic direction, and balance of powers in the state – without having a stable parliamentary majority. While Milei announced a bold reform package, he lacked the legislative support that could pass the Omnibus Bill.

IV. The Missing Parliamentary Majority.

Milei defeated Sergio Massa, the presidential candidate of the Perónist *Unión por la Patria* (Union for the Homeland) party in the presidential elections by a comfortable margin. However, he could not deliver the same radical result in the two houses of Congress. This reflects two factors: first, the relative weakness of his party, and second, the electoral system itself. Only one-third of congressional delegates and senators are re-elected at a given time. This prevents any radical parliamentary change. A winning president has to succeed in three successive congressional elections to achieve a legislative dominance. Milei's party is new. This was its first election campaign, and thus, it could not possibly achieve a congressional majority. Moreover, their share of the popular vote was limited. Milei could win the presidency comfortably because the party of an earlier neoliberal president, Mauricio Macri's *Juntos por Cambio*, supported him. However, Milei's *La Libertad Avanza* and the *Juntos por Cambio* failed to establish an electoral pact. They appeared on the ballot paper separately. Consequently, some Milei voters supported the *Juntos por Cambio* ticket on the congressional ballot. The votes gained by Milei's party represented a reshuffle of the right-wing electoral base rather than a real gain from the traditional illiberal Perónist bases. The Perónists defended most of their seats, and the greatest loser at the congressional level was the *Juntos por Cambio*, which lost seats to the *La Libertad Avanza*. In summary, Milei could not secure a congressional majority due to the Argentine election cycle and his program, at the congressional level, failed to attract votes from non-right-wing parties and only gained votes at the expense of other conservative and libertarian parties of the Right.⁶

Still, Milei's party managed to establish links with several parties in Congress, called by the Argentine press "dialoguistas", parties that did not reject a relationship with the "oficialismo" ruling party. The *Juntos por Cambio*, made an informal electoral coalition with Milei. The center-left Unión Cívica Radical allied with the Proposal Republicano (Republican Proposal, PRO), one of the oldest Argentine parties, was also open to dialogue,⁷ as was the Hacemos Coalición Federal (HCF), a regional grouping of representatives connected to the federal province Córdoba. Hence, a viable coalition seemed to stand behind the Omnibus Bill in the first days of February. However, this coalition of "dialoguistas" soon destabilised mainly because of the influence of provincial actors.

V. Provincial Governors against Milei

Argentina's politics are a delicate power balance between the central and federal levels. The rights and powers of the governors have been hotly debated since independence. Today, one of the tools for a modus vivendi between the presidency and provincial governors is the shared distribution of direct state incomes. This was first introduced during the neoliberal reforms of Carlos Menem in the 1990s.⁸ In this system, a certain proportion of taxes are directly transferred to provincial governments, who then decide upon their usage. According to the Argentine outlet *La Nación*, this income distribution covers 75% of the provinces' spending.⁹ This system was repeatedly overhauled over recent decades. The Perónist Fernández administration of 2019-2023 canceled a significant part of the income-sharing. The governors demanded Milei to reinstate two taxes: the "account tax," which taxes money kept in the bank accounts of Argentines, and the "PAIS" (*Para una Argentina Inclusiva y Solidaria*), which taxes the usage of Argentine credit and debit cards in foreign countries.¹⁰

Milei wants to retain most governmental and social spending and to radically overhaul Argentina's legislative and fiscal base. It was not surprising, then, that on January 4, Milei announced the cancellation of the PAIS tax without replacing its role in the income-sharing scheme.¹¹ The IMF had demanded the cancellation of this regressive tax, in order to secure a \$44 billion loan agreement. This also presented him with a great opportunity to reform the income-sharing scheme. This all drew the opposition of the provincial governors. None of the governors represent Milei's party. Some of them are leaders of their own regional and provincial groupings and wield significant influence. Considering this, it was logical that the governors pressured different congressional parties to reject the financial proposals of the Omnibus Bill. This proved to be decisive. The fiscal reforms had to be retired by the government on January 27, before the congressional debate started on January 31, because of the pressure from the governors and provincial interest groups.¹² This modified bill went to Congress on February 6. The Congressional coalition voted for the main articles and even – with some amendments – for Milei's emergency powers. However, the fifth article of the bill, which would centralize the administration, was rejected. Martín Menem, the government-mandated head of the Assembly, called a meeting of the "dialoguistas," but it came to nothing. In this stage, the president and their party declared that the governors and their allies committed "treachery" and proposed the Omnibus Law to be sent again into the "commission stage," that is, back to the first step of the legislative process.¹³ This effectively meant the defeat of the whole bill, including the already-passed measures.¹⁴ This maneuver, represented a daring rejection of negotiations with the political establishment. It also constituted a temporary political defeat for the governing party.

Since February 6, the focus of Argentine politics has been the struggle between the governors and the government. Since the retirement of the Omnibus Bill, Milei has adopted a confrontational approach, using presidential decrees to pass legislation. After the legislative defeat, the Minister of Finance, Luis Caputo, announced the end of fuel subsidies for public transport. This weighs heavily on the public transport companies managed by the provinces, tripling the price of fares, thus further pressuring the governors financially.¹⁵ This was followed

by cuts to shared income. By the end of February, the stand off escalated to the level of economic blackmail. Ignacio Torres, the governor of the Patagonian province Chubut, a member of the former "dialoguista" bloc the PRO, declared that the province would reserve its oil and gas production revenue from the national income if Milei did not restore the income-sharing schemes that profits the province.¹⁶ On February 26, a court ruled that Chubut indeed had a right to its share from the central funds, dealt another blow to Milei's government.¹⁷ The confrontative approach that the government has taken since the February 6 defeat in the legislature does not seem to be succeeding. The government needs to enlist new allies or face political destabilization if it wants to defeat the Argentine "establishment". Significantly Argentina achieved its first monthly surplus since February 2012, but at the cost of major political conflict.¹⁸ Nevertheless there is little breathing space in Argentine society and politics for Milei.

VI. The Casa Rosada turns to confrontation

While the Omnibus Bill stalled and societal unrest rose, Milei launched small foreign policy initiatives in line with his pro-western, conservative, libertarian stance. He announced his approach in a well received speech at the Davos Forum on January 18.- a speech that neatly summarized his economic thought. He classically identified with the liberal free market struggle against the new woke "collectivism" and called for the defense of pro-market, libertarian values. His speech was aimed at the "enemies" of the West.¹⁹ His Davos speech aside, his foreign policy rejects those forces opposing the liberal, Western-ruled world order.

Milei calls for the support of Israel in the ongoing Gaza conflict, and, at the peak of the Omnibus Bill debate, he traveled to Israel on one of his first foreign visits announcing during his trip that he will move the Argentine embassy to Jerusalem.²⁰ It was a bold move, considering that at the same time Brazil, the other important regional power, recalled its ambassador from Israel, and characterized the Israeli operations in Gaza "genocidal. However, the trip was probably helpful in projecting the image of a "principled" president who does not submit his longer-term goals to current political needs.

In other foreign policy moves, Milei signaled a pro-Ukraine stance distancing himself from the Latin American non-interventionist consensus on the Eastern European conflict. The new president promised the donation of two Mi-17 utility helicopters to the Ukrainian armed forces on the eve of his inauguration to Volodymyr Zelensky, who attended Milei's inauguration ceremony.²¹

On China, Milei has significantly officially withdrawn Argentina's BRICS+ application and made positive remarks about Taiwan.²² Agricultural exports aside, one prominent link that still ties Argentina to China is the currency swap accepted by the Kirchner government. Argentina has already used the equivalent of \$5 million from the swap deal. Milei has, however, managed spending without using the Chinese loan.²³ Thus, the government's cost-cutting policies have provided it with leverage in the geopolitical field. Buenos Aires has managed to maneuver in the direction that it initially wanted: loosening ties with China but not causing a fatal rupture in relations.

VII. The outlook of the Milei government after the first months in office

After offering dialogue, the government has resorted to a more confrontational stance towards the establishment opposition. It is yet to be seen whether a modified Omnibus Bill will be returned to the legislative process. The macroeconomic numbers are, nevertheless, looking positive. This is an area on which the government can count despite the organized opposition to Milei's reforms. Milei's foreign policy moves meanwhile all point in a pro-Western direction. Javier Milei's government faces stern tests but his continued commitment to radical political and economic reform offers inspiration to classical liberals everywhere.

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