



By: **Jeremy Adelman**

Argentina's great recovery is full of misery



Nearly three years after Javier Milei became Argentina's president, the chainsaw-wielding free-marketeer has established himself as the darling of the far right.

Brazil's right-wing presidential candidate, Flávio Bolsonaro, is promising an economic policy that would follow Milei's lead, and US President Donald Trump calls him his "favorite president."

Last year, **Trump extended** Argentina an unprecedented \$20 billion currency swap line to halt its currency's free fall on the eve of legislative elections, and the gambit worked. Milei's party won a surprising victory.

More than a mere symbol or role model for the far right, Milei plays a crucial role in Trump's new "Shield of the Americas," a security umbrella designed to ward off US rivals and turn Latin America into a resource-rich hinterland of US-compliant partners.

But since Milei's contributions to Trump's hemispheric order depend on Argentina's economic performance, one must ask how MAGA's South American poster child has fared.

Pandering to populist nationalism

The "Chainsaw Plan" (Plan Motosierra) that Milei unveiled in June 2022 was more than a means to halt hyperinflation.

The larger goal was to squeeze the life out of a public sector that had come to be seen as a source of political patronage, and to make Argentina great again as a primary goods exporter.

This vision happily aligns with the Trump administration's geoeconomic worldview.

Investments in lithium fields and hydrocarbons have fueled an economic recovery

Investments in lithium fields in the country's north and hydrocarbons in Patagonia have fueled an economic recovery and bolstered Argentina's strategic importance to the **Shield of the Americas**.

Meanwhile, the country has been plastered with billboards declaring that the Malvinas (better known as the Falkland Islands) belong to Argentina, not to the United Kingdom. Milei has no problem pandering to populist nationalism while also nursing claims to newly discovered South Atlantic oil fields.

Success rests on austerity

But the immediate success of the Chainsaw Plan rests on austerity. It was Milei who provided the playbook for Elon Musk's short-lived (and far from successful) DOGE effort.

Upon taking office, he halved the number of Argentine government ministries to nine, froze public works, **fired 51,218 federal employees** (plus an additional 23,000 from state companies), and slashed welfare spending.

Before long, chronic deficits turned into budget surpluses. After years of volatility and runaway price growth, the inflation rate fell from roughly 250% to 30%, and the economy bounced back.

Milei's cuts drove capital into the private sector

In addition to reining in prices, Milei's cuts drove capital into the private sector as his government offered tax incentives to foreign investors and promised a vast new private insurance regime to replace state functions.

Austerity compelled workers to follow the money, triggering a flight to for-profit firms in the health, security, and education sectors.

Argentina used to have world-class laboratories backed by its national science agency (CONICET); but following salary reductions and budget cuts in research, over

10% of CONICET scientists and technicians—primarily biologists, geologists, agronomists, and physicists under 40—have left for the private sector.

Informal sector

But the informal sector absorbs most displaced workers. The night before public trash collection, throngs of Argentines walk the streets looking for recyclable metal and paper.

At dawn, caravans of shopping carts and horse-drawn carriages haul the scrap to depots where scavengers are rewarded with a few pesos.

Scavenging is but one activity in the informal sector—a traditional cushion in a labor market short on social protections.

Without labor contracts, unemployment benefits, or pension contributions, informality serves as many Argentines' only safety net.

Once in it, workers tend not to return to formal jobs, with 40–50% of the labor force now surviving on precarious work.

Almost 70% of Argentines between 18 and 25 toil in informal jobs

Young people no longer hope for public-sector jobs or even formal work, and almost 70% of Argentines between 18 and 25 toil in informal jobs.

When I taught recently at a university in a downwardly mobile district of outer Buenos Aires, all my students had jobs, but not promising prospects.

If they were not teachers working for near-minimum wage, they were street vendors, Uber drivers, domestic workers, or food and medicine couriers.

In other words, Argentina's great recovery is full of misery. By early 2026, urban poverty reached 32.3%, with extreme deprivation afflicting over 7% of the population.

Time is running out

The extent of the destitution is staggering, especially when one considers how much of it has been masked by the equally staggering growth in personal indebtedness.

Fintech apps, digital wallets, local moneylenders, emergency credit cards, and other products designed to help poor families make ends meet have proliferated. Delinquency rates are soaring.

With almost six million Argentines at least 90 days behind on debt payments, central-bank officials are struggling to forestall a tidal wave of petty bankruptcies.



Time is running out. With elections coming in 2027, Milei may not be able to count on a free-spending Trump stopgap

The chainsaw will continue to grind away. Driving inflation down from 30% will require more austerity, but there is less to cut.

New commodity frontiers generate growth, but not many jobs, and poor households are running out of options. Yet Milei rushes on.

The thought of government intervention to promote economic recovery is, in his characteristically nuanced estimation, “Keynesian garbage.”

Time is running out. With elections coming in 2027, Milei may not be able to count on a free-spending Trump stopgap.

His political base is not to be dismissed, but it is dwarfed by the legions of people slipping into a low-income, low-productivity trap.

Milei may be a lynchpin in Trump's geoeconomic vision for now; but he could soon become its weak link.

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