

An interview with Javier Milei, Argentina's president

A transcript of his meeting with our journalist



Photograph: Mark Peterson/Redux/Eyevine

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JAVIER MILEI, Argentina's president, spoke to *The Economist* on November 25th in Buenos Aires. The conversation, which was automatically translated, has been lightly edited for clarity. We have not checked any figures cited by Mr Milei.

The Economist: I want to start with the fact that all over the world it is very difficult at the moment to reduce the size of the state. But in Argentina you are achieving it. What is the secret of your success?

Javier Milei: First is there is a philosophical framework. That is, beyond the restrictions that one may have in the short term, I still consider the state to be a violent criminal organisation that lives from a coercive source of income called taxes, which are a remnant of slavery. The larger the size of the state, the more freedom and property are curtailed. Consequently, that is the north star. My anarcho-capitalist philosophy would imply the elimination of the state, but that is a theoretical, philosophical approach. In real life, let's say, I am a minarchist. So, anything I can do to remove the interference of the state, I am going to do it.

Then there is the reality with which I am confronted. Argentina had a fiscal deficit of 15% of GDP. 5% was in the Treasury, 10% was in the Central Bank. And wholesale inflation was running at 54% monthly, something like 17,000% per year [annualised]. Therefore, if I did not do something very abrupt, I would end up in hyperinflation. And that implied doing something abrupt both in the Treasury and in the Central Bank. There was no access to financing and no demand for money. We were already on the verge of a catastrophe.

In fact, the situation combined the worst elements of the three worst Argentine crises in history. Rodrigazo [a set of Argentine economic policies in the 1970s], we had a monetary surplus that was twice as large. The situation of the Central Bank, in terms of interest-bearing liabilities versus monetary base, was worse than before the hyperinflation of 1989. The social indicators were worse than those we had in 2001. Therefore, the conditions were in place for hyperinflation, with a fall in GDP of around 15% and 95% of people becoming poor.

That was the scenario we were facing if we did not make the adjustments. Because, again, we did not have access to financing and there was no demand for money. Therefore, there was no room to raise taxes, which I would not have done either. There was not much margin to do anything else either.

And then, another element is my decision-making process. There are two parts to this. I know what to do and how to do it, and I have the courage to do it. Sometimes there are people who know what to do, but maybe they don't know how. Others know how, but what they don't have is the courage to do it.

So the point is courage. And that takes us to the second part, the second argument. Where does the courage come from? Well, mine comes from two places. One is because it's part of my nature. That is, throughout my life my decisions have been made with a dose of courage. Some might even think that I am a daredevil. That's the first point.

The second point is that I take this as a job, literally. So, if I take it as a job, I have a job description: I was asked to lower inflation and end insecurity. And I am ending inflation and we are annihilating insecurity. And what is more, I have been very consistent with my campaign promises. My campaign was on the economic plane, the chainsaw, something we evidently did. The competition of currencies, which in fact has already started to work. Already today you can make transactions in any currency you want. In terms of security, I said, he who does it pays, so we are doing it. And in my international policy, an alliance with the United States and Israel, which we are also doing.

So nobody can be surprised by what I am doing, because I promised it in my campaign and I am doing it. I will give you one more example that will help you to see the way I see things in this. When I was walking around Olivos [the official residence of Argentina's president] with Alberto Fernández [Argentina's president before Mr Milei], who was showing me the facilities, Fernández told me that he felt like an auctioneer showing the house to the new owner. And I told him, stop, I am not the new owner. I am the new tenant for four years with an option for eight. I mean, I literally take it as a job.

So, when I make decisions, I do not make them based on political calculations, but on what I have to do. And that is not minor. Otherwise, I would not have engaged in many of the debates that I have which, let's just say, today are the basis on which trust is based. I had everything to lose and nothing to gain, and yet I did it because it was the right thing to do.

The best example is pensioners, universities, but those things were to defend fiscal balance to the letter. It is that conjunction of elements that explains the vision.

Or, for example, look, there is an interview Alejandro Fantino [an Argentine radio host] did with me and one day I talked to him about the differences between the different politicians. The traditional politician asks for your vote so that they can fix your life, as if they know what you need. What I say is, I ask for your vote so that I can give you back the power to be the architect of your own life. You will perceive the benefits, but you will have to pay the costs if you make a mistake. It is not that I did not warn you.

So, giving you back your freedom implied a reduction in public expenditure of 30% in real terms. It was a reduction of 5% of GDP in the Treasury and eliminating 10% of quasi-fiscal deficit in the Central Bank. All this was achieved in six months. The Treasury was achieved in one month. The Central Bank took us six months. But in six months, you can say, we made an adjustment of 15% of GDP. Never in the history of mankind was an adjustment of that magnitude been made, even less so in that amount of time.

The Economist: Are there any lessons there that can be applied in other parts of the world? Or is it that Argentina is so unique that lessons cannot be applied elsewhere?

Javier Milei: Yes, there are many things that can be applied. Because we not only did the reduction of the Treasury deficit and the cleaning up of the Central Bank. We also have a deregulatory and structural reform agenda. In fact, between the Law of Bases and DNU 70/2023 [a presidential decree], we made 800 structural reforms. That is to say, it is a structural reform that is eight times bigger than the one [Carlos] Menem [a former president] made in his ten years, which was the biggest structural reform in the history of Argentina. We did it in less than six months, with 15% of the Chamber of Deputies and 10% of the Chamber of Senators.

But we also have a deregulatory agenda. Every day we deregulate and we still have 3,200 structural reforms pending. That part is easy to export. And in fact, Elon Musk himself and [Vivek Ramaswamy] are just, let's say, importing that part, right? Which is to remove regulations and remove all this tangle of impediments to the functioning of the state.

And, well, then the issue of cuts. This is a question of domestic policy and it also has to do with, let's say, how much contempt you feel for the state. In my case, my contempt for the state is infinite.

The Economist: Have these conversations with Elon Musk already started? About the lessons in Argentina, for example?

Javier Milei: Elon Musk himself, let's say, states that he is actively following the Argentine case. Besides, I gave him the contacts of our ministers. So, well, he will then see [Vivek], and I will not say his last name because I do not remember it. I can't remember it. I met him at CPAC. We greeted each other and everything. I would say that the model is coming. In fact, in Japan they are applying it now. The reality is that the idea of the outsider has entered.

So the issue is how one makes the fiscal adjustment. It is not the same if the fiscal adjustment is by raising taxes rather than lowering expenditures. And it is not the same depending on what kind of expenses you cut. We temporarily raised the country tax [a tax on buying foreign currency for imports] and reduced it in September and now in December we will finish eliminating it. We also eliminated other taxes.

What is very interesting is where the reduction in spending was targeted. We reduced the structure of the state by half, we eliminated public works, we eliminated discretionary transfers to the provinces, we reduced public employees...let's say, we did not renew most of the expiring contracts. We also eliminated the intermediation in the management of social programmes.

That was very important at the beginning. We were able to double the funds received by families without increasing a single peso of public spending because we removed the intermediaries. That is not minor. People found themselves with double the resources without us spending a single peso more. We doubled in real terms the basic food basket [inaudible] which we cover 100%. But that is a detail, I would say, of the twenty-fifth order.

But the important thing is that in the worst moment, which was the first quarter, people found assistance. The economy hit a floor in April and in May it started to take off. Today, when you take the figures for the third quarter, the economy expanded at 3.4%. The annualized figure is 14%. And there are some who say "no, it is slow". Well, it's not bad, if that's slow. That's good.

The Economist: I'd like to ask about your relationship with Donald Trump, which is very interesting. How will President Trump's administration help Argentina?

Javier Milei: Well, in principle, we have a very good relationship with the main figures in his cabinet. So there is an excellent relationship. We also have a very good feeling between the two of us; we have a good quality of bond. And the truth is that he has been very generous with me. He is clear that when nobody supported him, I was the only one who supported him. It's clear that our relations are going to improve substantially.

The Biden administration did not even pick up the phone to my ambassador, who today is my chancellor, and has links with all the ministers, with all the secretaries of the Trump administration. Clearly the relationship is much deeper and we are going to be able to move forward without a doubt in terms of trade ties and financial ties.

The Economist: Is there hope that makes a difference with the IMF, for example?

Javier Milei: Absolutely. In fact, you can see it in the behaviour of some of the Fund's officials who used to be harsh. Now they are very docile.

The Economist: One more question about Trump. You are a libertarian in a way...

Javier Milei: I am a libertarian. Obviously.

The Economist: And your government is facilitating Argentine trade, isn't it? For importers, for exporters. But Donald Trump wants to raise tariffs in the United States...

Javier Milei: That, that...let's say...there is a...I make a big distinction between what Trump says and does versus how the media reports it. The most emblematic example was when he was president and he raised tariffs on China. That was not a measure of protectionism. That's a misreading, not understanding how the world works. The world was coming from the subprime crisis, which in the literature was known as the "saving glut"

problem. Another name for it was the global imbalance problem, which was China's current account surplus, the United States' current account imbalance and Europe neutral.

The fact that China had a fixed exchange rate meant that the United States was lax in its monetary policy and did not perceive it. When it did start to perceive it, it was too late. So, inexorably, this situation led to an appreciation of the Chinese currency. What is more, this appreciation of the Chinese currency, which did not take place in the euro, which was the currency used for arbitrage, generated internal problems within Europe. Those with high productivity, such as Germany and Holland, had to finance those with lower productivity.

So, when all the countries got together in 2008, that is when the G20 became politicised. Then, in that context, what happens is that China decides to partially appreciate its currency. That is, it does not go for a flexible exchange rate, but it appreciates it and that starts to correct the imbalances and the world comes out. Afterwards, the world started to try to dismantle the whole bailout package.

Then that stalled. So, what Trump said to China is "if you want to play by the rules of a big country you have to act like a big country. You can't have a fixed exchange rate and be exporting imbalances." So, China said no and then, Trump replied by raising tariffs.

So it's not a problem of Trump being a protectionist, it is a problem of how he responds to Chinese policy, Chinese monetary policy, monetary policy change. It seems to me that one thing is how the economic policy works, another thing is what the media that despise Trump report. It is, let's say, a totally different thing. Because I suffer those lies every day. The ridicule and the lies that the media manage to tell are truly flagrant. In fact, I have even been branded as a Nazi. You read the media in Argentina and 85% of what you find is a lie.

The Economist: Trump has said that he wants to raise tariffs in general, not only against China.

Javier Milei: I don't know, let's say, one has to... Again I don't know if he said it, I don't know if they took it out of context, I don't know if they cut a sentence. I mean, I am used to all the traps of journalism, all of them. So, until I hear it from him directly and with a concrete measure, let's say, I don't believe anything that journalism says.

The Economist: Many people are against socialism, including The Economist....

Javier Milei: It doesn't show [laughter]

The Economist: ...well, we try. But people who are against socialism are also concerned about other things. Climate change, for example, or freedom of the press.

Javier Milei: In other words, cultural Marxism.

The Economist: That's just what I wanted to ask. Why do those positions go together?

Javier Milei: Look, I'll give you an example. My most recent book is called "Capitalism, Socialism and the Neoclassical Trap". And one of the things I explain is how neoclassical economics ends up favouring socialism. I start from Mises' vision, who says "You only have two systems. You have free enterprise capitalism and real socialism". And if you think about it now, with Hayek's vision of "The Road to Serfdom", any intermediate solution is unstable in terms of capitalism. That is, it tends towards socialism.

It is Friedman who said: "The solution proposed by state action is always worse than what you had before, which was the market." So, in fact, precisely, the basic argument of that book of mine is that "market failures do not exist." What are called market failures are problems of mathematical structure with respect to the topological needs of the problem of the existence, uniqueness, stability and optimality of the equilibrium. In other words, and this is a problem, let's say, of how we define optimality, it is not a real life problem.

So then, they do not realise it, but they end up absolutely favouring socialism. So, for example, the climate change agenda is a part of the agenda of man against nature. And it comes to a recommendation so stupid, so ridiculous, that is, in the limit, if you believed all that nonsense, you would have to exterminate human beings because they are damaging the planet.

In other words, you realise that it is a contradiction in terms. If you take those ideas to the limit. One of the things that happened is that after the fall of the wall, actually the fall of socialism happened in '61 when they built it, the wall. When they started to build it, I mean. But it became evident in '89.

So, what do Marxists do? Faced with failure in the economic debate, they move the class struggle to other arenas. One part of the discussion is man versus nature. In man versus nature, one of the faces is climate change. Another face of man versus nature is the whole LGBT agenda, let's say, and everything that is the abortion agenda. They are all parts of man against nature.

For example, the indigenous peoples agenda, the Black Lives Matter agenda. In other words, you have a lot of agendas. Let's say that if you respect the most sacred thing in liberalism, which is equality before the law, you shouldn't have to. Unless you are in favour of it. Or radical feminism. Unless you are in favour of privileges, that is, affirmative action, positive discrimination.

I don't think positive discrimination is right. Then the quota problems appear, a lot of problems appear. And there are these ridiculous things we find in sports, where men appear beating women in a boxing tournament. Or men beating women in swimming, or in any sport you want.

But then, the climatic issue. If you study the history of the Earth, what is known so far, there have been five peaks of high temperatures. That is, it had peaks of high temperatures and peaks of low temperatures. For example, in one of those low temperature peaks, the dinosaurs disappeared.

Well, of those five peaks, the only one in which man was present was the first one. Excuse me, the last one. When you take the average temperature, it is not very different. And if you look at the peak, we are now below the average of the peaks. I remind you that, for example, the ecologists and all these people, in the year 2000, predicted that we were all going to be frozen by 2016. Or 2000 and I don't know how much.

I mean, the reality is that when they started with the whole climate agenda, you have about 20 gross errors that these people always miss. They always make mistakes. I had to work with people who work on this.

So, for example, they take the system of differential equations and reparameterise it so that you can see the damage more clearly today. Do you understand? Then they induce you to further actions. Then they refer to the problems of externalities, to market failures and everything. And everything always translates into taxes.

If this agenda were really a noble agenda, what I would say is that they should basically take away funding for researchers. They fund your research because you talk about climate change, but the guy doesn't give a damn about climate change. He writes about climate change because he gets paid.

I started to distrust all these things when I saw Krugman and Stiglitz involved. I said, when all the criminals are involved in this, something smells rotten in Denmark.

The Economist: Here in Argentina, what is the biggest threat to achieving and sustaining the transformation of the state and the economy that you want?

Javier Milei: The political party, the caste. Those are the ones that threaten this because they are the losers in all this. The caste is composed, let's say, of corrupt politicians. It is composed of, let's say, the paid-off journalists. It is composed of the businessmen, of the swindling unionists and of the professionals who are functional to the caste. That's it.

The Economist: You have said several times that the peso is not overvalued. If the fundamentals support its current level, why don't you eliminate capital controls now?

Javier Milei: I have a stock problem still unresolved. The first point is how would you generate exchange-rate appreciation. For example, an exercise of exchange-rate appreciation would be that you fix the exchange rate, money is issued, then prices start to rise and as the external sector accounts deteriorate, then sooner or later you have to devalue. And that would be one possibility.

We do not issue money. If we do not issue money, where do you get that process from? When you look at the series, take a look at the exchange-rate series since 2003. That is, they look after there was a jump in the

exchange rate. If you look at the series since 1991, the exchange rate would have to be 600. And if you look at the 1990s alone, it would have to be 400. If you realise that everything depends on where they cut the series, how they use it. They do not even consider the effects of a gain in credibility and capital inflows.

Therefore, the problem is that others cannot explain why the currency is truly appreciated beyond an indicator that they use in a fragmented way. Not only that, but I ask you a question. Assume a model of tradables and non-tradables. The real exchange rate is given by the price of tradables divided by the price of non-tradables. The price of tradables is the exchange rate divided by the international price. What happens if you have a negative shock on the non-tradable productive sector of the economy? And what will happen to the price of non-tradables? It has to go up.

Then, you would say that there is a problem of exchange rate appreciation. If the exchange rate has appreciated, then you have to devalue. If you devalue the resources that you should be sending to the non-tradable sector, you are going to send them to the tradable sector.

Do you understand this, the craziness? At base, what is happening in Argentina? Argentina had such large public expenditure that it was driving up the price of non-tradables. We cut 15% of GDP and took the state out of the middle. In other words, we reduced public spending by one third. Look if there is not a reason to appreciate. We reduced a third of public spending. Look, if there is not a reason for this type of exchange rate to have nothing to do with what [analysts] are comparing it to.

So what I say is: if you had a shock on the non-tradable sector, what are you doing devaluing? In other words, the only thing you do is to perpetuate the situation, let us say, impoverishing your country. So, that is not the solution. But they [analysts] cannot answer any of these things.

The Economist: I understand that, but I am a bit surprised by, what people tell me, that in December 2023 the real exchange rate was more or less at the same level as it is now.

Javier Milei: No, the nominal exchange rate is the same. It is much wider.

The Economist: I mean, the real multilateral. It was more or less the same in December as it is now. And then [in December] you devalued which to me gives the impression that...

Javier Milei: We did not devalue.

Because you say, I do not buy that argument that we devalued. If you had a 200% gap [between the official and black-market rate], that is, you had one official and one. In other words, prices at the current rate. There were no prices at the official rate. There were no dollars at the official rate. Or where do you think the CIRA [importers chamber] debt of 50 billion dollars and dividends of 10 billion dollars comes from? In other words, you had a problem of 60 billion dollars. That is a lie. That exchange rate [the official] did not exist.

The Economist: That is to say, it was already before as it is now.

Javier Milei: Exactly. That is to say, we straightened out the variables.

No. We did not devalue. We made the rate honest, that's a different thing. That devaluation was already there.

The Economist: Checks and balances on power, an independent judiciary, these things are obviously important in democracy. But they can also slow down reforms a bit, right? Do you worry about that trade-off?

Javier Milei: I play by the rules that have been agreed upon. That is to say, if you look at it, I do not deviate one millimetre from the rules that are agreed in the Constitution. I play by the rules, let's say, of that playing field that is delimited. In other words, I play in that field.

The Economist: Do you think they should make changes to the rules of the game, to make it a little easier, to make reforms happen more quickly, for example?

Javier Milei: That's fine, but the rules are the rules. If you don't like it, you play a different game. If you want to play soccer, it's 11 against 11. The goal is 7.32 by 2.44. The length of the field is between 90 and 100 metres and the width is between 75 and 90. That's it, that's it.

The Economist: So there is no aspiration to change those kinds of things?

Javier Milei: What we are trying to do is have the judicial branch itself make the reforms it needs so that it can function better. That is what we want.

The Economist: In fact, just on that note, one of the criticisms that people make is that they allege that Ariel Lijo [the nominee for the Supreme Court] has doubtful integrity. And also that his appointment has some kind of, I don't know, some kind of agreement behind it. What is your answer to that kind of criticism?

Javier Milei: Look, first of all, when you make an appointment, everyone is going to find things [problems].

On the other hand, one of the things that is very important, Lijo is one of the few people who understands the operational functioning of the judiciary. He is someone who can carry out reforms from the inside. Because it is clear that justice is not working as Argentines demand.

And not only that, but on the most complicated crimes in the world, which are drug trafficking and narcoterrorism, he is the only one who is a specialist in that subject. I understand that some media may have a problem with Lijo, because they must have some business that makes them uncomfortable. So, I understand that they operate on that, but the facts are different.

The Economist: I had another economics question that I did not ask, on the idea of currency competition. If I understand correctly, you expect that dollars will become more dominant, and that the peso will eventually disappear?

Javier Milei: Exactly. It is also called “endogenous dollarisation”. It is like this: we leave the amount of money constant. The monetary base is fixed. If you fix it, the monetary base does not vary, at least since the middle of the year, for sure. I believe that since April the broad monetary base has not changed. But I do not know if it is since April or since June that the broad monetary base does not change.

So, what happens? When you increase the demand for money, you say you are going to bring dollars and you are going to buy pesos. Yes? What would that generate for you? It would generate an appreciation of the peso. You saw that we were saying that there would be a convergence of the parallel exchange rate to the official one. There was no devaluation, but a fall in the price of the parallel. From 1,500, today it is 1,100.

Having said that, in that context, what you have is that as the demand for money increases, you would have the traditional monetary base mapped with the broad monetary base and once that happens, you would enter into a deflation process.

So, what is it that we are incentivising? Currency competition so that you can use other currencies and do not have to go to the peso.

Let's suppose, to make it easy, that people want to start making transactions in dollars, something that is already allowed today. Then, what happens? As the economy grows and you demand more money, as pesos are fixed, what do you do? You inject your own dollars into the economy.

Yes? So, that has two advantages. One is that it does not cause an abrupt appreciation of the exchange rate. Because the difference in the speed of adjustment of the financial sector with respect to the real sector could generate a massive bankruptcy of companies.

That is why we encourage currency competition, so that they do not go to the peso, which is the scarce commodity. In fact, it is fixed. Now, as this process increases, you are going to have more and more dollars relative to pesos. There will come a time when that ratio will be so large, the amount of dollars with respect to pesos, that at that moment, if you want, you can close the Central Bank.

The Economist: What I just do not understand, or I am not very clear about it, is that...

Javier Milei: 95% of the economists here do not understand it either. I'm used to dealing with that.

The Economist: If the peso supply is fixed, but the dollar supply is not, is it not, how do you say in Spanish, a “tilted playing field”? In the end it is not a real competition.

Javier Milei: I say this because I decided to leave fixed the amount of pesos. The issue is that if you are going to get the economy growing and demanding pesos, that leads to deflation. In that deflation, if you have dollars, what do you do? You hand over the dollars, but then the peso appreciates brutally, nominally. That adjustment speed is infinite. And it is faster than the adjustment speed of the real sector, so it can send a lot of companies to hell.

Then, why do we generate currency competition? So that you can buy and sell in foreign currency while the peso does not appreciate nominally much. That is the main idea.

So, if you bring a dollar, because the demand for your money is increasing, if you have to buy a peso it appreciates. But if you can use that dollar in a transaction, that does not happen. In other words, we are generating demand for and supply of the dollars themselves in parallel. And you can use either of the two currencies. Moreover, when this stage is very pronounced, one of the things you have to do is to allow taxes to be paid in foreign currency. And that, let's say, going forward that is going to happen as well. I mean, endogenous dollarisation is that. People will use the currency they want.

Javier Milei: The system ends up working as if it were a currency basket, but the weights are determined endogenously by the people according to the transactions they make. So, for example, suppose you were an oil trader, what currency are you going to transact in? You want to eliminate the currency risk, so, what are you going to trade in? In WTI [West Texas Intermediate]? Do you understand? Say Manuel is in the gas sector. Well, he trades in BTU. Let's say, Diego is in the copper mining business, so he trades in copper.

The Economist: If I understand correctly, you will be looking for fresh funds from the IMF at some point?

Javier Milei: We are evaluating a set of alternatives to accelerate the exit from capital controls. We have three issues to exit capital controls. One is inflation convergence. Notice that the last figure was 2.7% [monthly]. 2.5% is induced, in other words, it is 0.2. 0.2, that, when annualised, gives 2.5%.

If we can get two months of inflation around 2.5%, we go to a "crawling peg" of 1%. Then, if we have three months of 1.5% inflation, we are ready to open. Because it means that the "money overhang" generated by the monetary controls has disappeared.

That is the first point, so there are no more pesos left over. The second point is that the broad monetary base is mapped to the observed monetary base. And you can see that as the banks are dismantling their position of the LeFis [a public debt instrument for liquidity management held by private banks] that is where we have the Treasury pesos, that are from the Central Bank. That is to say, the Treasury has the pesos to pay that inside the Central Bank. So, we have the money, everything. In other words, that is super-protected. But it requires the agents to generate credit demand so that the banks get out of the LeFis and LECAPs [short-term Treasury debt in pesos] and go to hold pesos. I mean, that's it.

And the other thing is that we finish solving the stock problem. We have to cover some obligations with the Central Bank. I mean, for example, the BOPREAL [a dollar-denominated security issued by the central bank for importers with overdue debts], which was a very important element to be able to start operating the foreign-exchange market at the beginning of the administration.

Once we solve those three problems, I open it. Obviously, if I receive financing I solve it faster. And there is something interesting, because the net debt does not go up, because the largest creditor of the National Treasury is the Central Bank. So, clearly the Treasury could take that debt and pay it to the Central Bank. Because that implies honouring the debt that the Central Bank has with the peso holders. That would be a tremendous signal to finish destroying inflation.

The Economist: Is the IMF just one of the options for those funds?

Javier Milei: It is only one of the options. In fact, look, we have closed next year's financing without the fund appearing in the middle.

The Economist: So, it is not certain that you are going to look for it there [at the fund]?

Javier Milei: Let's see what the conditions are. We're not in a hurry. The faster we can get out, the better. But we are not going to commit recklessness to accelerate the exit. I mean, if I get the funds, I leave [the capital controls]. If I don't get them, I am designing all the conditions to be able to leave even if I don't get the money.

The Economist: And what kind of imprudences are you worried about with an agreement with the IMF, for example?

Javier Milei: We are much more prudent than what the fund is asking for. Our programme is much more severe than what the fund planned. In fact, we were more severe than what we ourselves planned. Because we, for example, expected to reach fiscal balance throughout the year and we achieved it in the first month.

The Economist: But are there things that the IMF can ask for in an agreement that you think, well, in fact I don't want to sign because it makes a problem for me, so I am going to look for funds elsewhere?

Javier Milei: Dude, again, at the same rate, I take the one that imposes the least conditions. That's obvious.

There is an economist here in Argentina who says "surplus empowers you". Because, what is my desperation? None. Why? Because I have a surplus. So, because I have a surplus, I don't need to go looking for money in a desperate way. Because I'm in balance.

I have no pressure. It might be faster, it might be slower, but we know we're out. When? I don't know. Now, if I get funding, I get out faster. That's for sure. But I'm not going to tie my hands just to get the financing.

The Economist: But does it not generate a problem, for example, in attracting investment, that the cepo [capital controls]...

Javier Milei: Zero. And you know that next year we will be out of capital controls. A month more or a month earlier. It is false, I say that. If you are going to make an investment, how long are you going to make an investment project for? At least ten, 20 years. And then you know it is a matter of months.

Then I say, what investment are you going to be looking at with the capital-control issue? It doesn't make sense. In other words, and in fact, you don't have that problem either. Because if the state has cut 15% of GDP, we generate a lot of savings that will be used to finance the private sector. Therefore, this is not an effective restriction either. You say we need financing. No, we do not need it because we gave the private sector 15% of GDP because we got the state out of the way.

So, I do not know, in Argentina there are a lot of things that people repeat that do not make sense. Again, who is going to worry about a 20-year investment if you know that sooner or later in 2025 capital controls will be gone?

The Economist: When you spoke to my colleague a year and a bit ago, you criticised Lula for not respecting freedom of the press. And now you have been criticised for the same thing. What do you think should be the role of journalism in Argentina?

Javier Milei: The criticism I get from domestic journalism is a consequence of the fact that I cut their advertising, the official advertising. It is not a neutral criticism. If you want, we can discuss what freedom of speech is. For me, freedom of expression means that you can say whatever you want, whatever you want. And here, everybody says whatever they want. So, where is the problem?

The Economist: People talk, for example, about access to government information, which I think has become a bit more difficult.

Javier Milei: Let's see, there is an issue here. Let me ask you a question and I will tell you where it came from. Do you think it is normal for the media to put three drones inside the Presidential House to spy on me?

Well, it has to do with that. Or do you think it is okay for a journalist to call one of my dogs' veterinarians 150 times in a week, harassing the person and threatening him that he will ruin his professional career if he does not tell him what he wants to know about the state of my dogs? Tell me if that's normal.

Does it seem normal to you that journalists lie, slander, insult, extort? Did you know that there are journalists who extort? The issue is that they claim to be able to continue maintaining that monopoly of violence. And what bothers them is that now there is freedom. So, everyone now says what they want. So, you tell me something: because I am president, do I have less or the same rights?

OK, then, if you ask me something, I can answer you. But journalism doesn't like it when I answer. They say that's violence. So, what then? Do you have the right to lie, to slander, to insult me, to extort me? I can't defend myself. Is that what journalists call freedom of speech? Well, that doesn't sound like freedom of speech. It looks like a tyranny of a group that resists in order to cling to the power it had historically.

The Economist: You have a sometimes combative style with some issues. Is that part of a strategy that helps in some way with bigger goals? Don't you run the risk of creating too many enemies?

Javier Milei: Is there a manual of how to behave? Do you have to be so authoritarian that you can only be one way? Everyone has their own ways. I have my ways, these are my ways.

Those who have known me for 50 years know that I am a passionate guy and I was always a passionate guy. The idea that there is a model for what people should be like, that is very authoritarian. Those who criticise the forms, the modes, are authoritarian because they believe that the only valid forms are the ones they use, that there's no other way. But there are other ways. Who are these journalists? Who are they to say what is and isn't? They control the modes, the form. That is brutal authoritarianism.

In other words, fortunately all people are different.

The Economist: I just want to ask a couple of last things, international ones. The Chinese followed through with their "swap line", the 5 billion in June I think it was. It also seems to me that in general they are quite willing to co-operate with Argentina.

Javier Milei: We're in a... Relations with China are excellent.

The Economist: What do they ask for in return?

Javier Milei: Nothing. That's the wonderful thing. They are a fabulous partner. They don't ask for anything in return. All he [China] asks is that I don't disturb them. It's fabulous. It's fabulous. They are fabulous. I mean, I swear to you, they do not ask anything. Nothing. They want to trade calmly. And you know what? We have economies that are complementary. Therefore, the well-being of Argentines requires that I deepen my commercial ties with China. Why? Because they are complementary economies.

The Economist: And the kind of government that China has. That doesn't matter?

Javier Milei: Trade isn't done by the government, people do it. And you can market to whoever you want. So what's the problem? I always said that. I already said that in the campaign. Yes. So, now what do you want to ask about my political alignment? It is with the United States and Israel. Do you have any doubt it is there?

The Economist: If you think that good relations with President Trump help Argentina, as we discussed with investments, maybe with the IMF, do you not worry that bad relations, or more complicated relations for example with Lula in Brazil or Sánchez in Spain could hurt Argentina a little?

Javier Milei: Did something happen now? When I went to the G20 in Brazil? My Minister of Economy and the Minister of Economy of Brazil signed an agreement to help Argentina export. So who cares? In other words, I don't have to be friends with Lula. No. I have to achieve that Argentina and Brazil trade. It's great for me to sell gas to Brazil. I mean, no, I'm not going to be friends with Lula, but I have an institutional responsibility. I am in charge of defending the interests of Argentina.

The Economist: And with Spain, the same?

Javier Milei: The question is what happened? Is it not that now they've put the ambassador back in. They had withdrawn. And the Spanish justice system seems to be proving me right in what I said. Again, what I do is defend the interests of Argentina.

The Economist: Do you plan to completely abandon the Paris agreement?

Javier Milei: No. Let's just say, I could... My policy with these things is the same as what the G20 did. I don't overstep the mark because I'm not blocking anything. You can see that in my two speeches at the G20 and the final speech, in which I explained that I am not going to block the decision of the G20. But let's say I distance myself from certain points that I don't subscribe to. I mean, unlike the others, I don't impose anything on anyone, do I? If you look at the version in the press though, it's very different.

The Economist: That's interesting

Javier Milei: What if you call it the absence of pauta [government money for the media]. If I were to give you pauta, this load of rubbish [journalists] would surely speak well.

Javier Milei: Do you know which is the most sensitive organ in the human being? The pocket. So paid-off journalists are realising this. It annoys them when you tell them to their face.

The Economist: So you are not going to leave the Paris agreement. Will you do what Argentina has already agreed to do in terms of lowering emissions?

Javier Milei: Argentina has no problem. Argentina is not a country that pollutes, so Argentinians don't have a problem with that.

The Economist: I understand that there are some things that Argentina must do. What was signed was in 2015. That's not a priority?

Javier Milei: Again, I am not going to adhere to anything that has to do with Agenda 2030 or, let's say, Agenda 2045.

The Economist: And why?

Javier Milei: Because I don't adhere to cultural Marxism. All those agendas. In other words, it's an agenda that 87 guys came up with and they are so fatally arrogant that they believe they can guide the lives of 8 billion human beings. If you like to have your life managed well, not in my case, I am a libertarian liberal. In other words, let's say, there are different forms of slavery. Probably the most refined is when you're a slave and you didn't realise it. And all those who adhere to that agenda end up being slaves without knowing them.

The Economist: Do you think that people who oppose you are intellectually wrong, lost or have bad faith? What is their motivation?

Javier Milei: No, you can think different. In other words, it's part of the debate. That is to say, I have a position and I have fundamental things I believe in. The ideas I defend, but if you want to think something else, think something else. That's your problem. I mean, they chose [elected] me. Well, I think differently and I plan to handle things this way. For now the results are with me, right?

The Economist: It's almost been a year in office...

Javier Milei: Look, I have a point. Not only did we lower wholesale inflation from 54%, that is 17,000% annualised, to 1.2%. So annualised wholesale inflation is not even 15%. But what about the level of economic activity measured by the monthly estimator of economic activity, it is an approximation of GDP, today is at the same level, when we take the series [inaudible] as in December. What do you want me to tell you? There are the results. In other words, there is no, let's say, there is no one in human history that has made this adjustment and has not had a drop in GDP of 10-15%. We're going to finish up a little bit. Obviously, if you take the GDP, given how it is constructed, and that the economy had been falling, it will fall because it was already falling during 2023. But if you take the point where we took office, we are a bit above.

The Economist: And after a year in office. What is the most important thing you have learned in that, in that role, in that role?

Javier Milei: I learned a lot about doing politics. I learned a lot from politics. And let's say politics is not a vacuum, you have to interact with other players. We work with dynamic games when we make decisions. That

is to say. If you leave them reflected in decision-making trees, you can see that you can present the games in a matrix or extensive way and we make decisions like that. We use the principle of revelation a lot to confront strategy against society, to leave our rivals exposed. This is a definition that says rivals and not enemies. You should notice the difference, because let's say, if they were enemies it would imply that I'm not tolerating them, that they think differently. Rivals is being able to think differently.

The Economist: So for you there are no internal enemies in Argentina? It's a matter of rivals, only?

Javier Milei: It's a matter of rivals, they think differently. I don't think that they... They do not explicitly want the country to do poorly. They may give more weight to their personal goals. That is clear in the caste [the political elite]. That is to say they are not dissociated dynamics. The problem is that. It is one thing if you do it through the market of social co-operation it leads to a gain in well-being for all, and another thing is if you do it through the violent path of the collectivist. That hurts everyone. Besides, they've been thinking like that for 100 years, it's hard for people to change. I mean, it doesn't happen to people what happened to me the day I read Rothbard. I read the Rothbard article on Monopoly and Competition, which has 140 pages. When, after three hours, when I finished reading it, I said everything I taught for 25 years of market structure is wrong.

The Economist: A revelation.

Javier Milei: Yes, obviously. Of course. I mean, I found a type of, let's say, an enlightened one. So I said, uh. And the path is over here. And my life changed. And probably, let's say, I have lived these last ten years, the ten best years of my life, as a liberal.

The Economist: What interests me a lot is Argentina's example to the world. Many countries have tried to lower spending, to cut back on the state a little. Is there anything to learn?

Javier Milei: For me the point is this, that I don't stop being an outsider. I detest the state. I am the mole within the state. I think the state is bad. So it's a different view of things. And I don't want the state as a way of life. Didn't I give up my privileged pension? So all my efforts are on making an excellent government so that when my term as president ends, I can dedicate myself to a living by giving lectures of the successful Argentine case to which I am deeply committed. But again, I make decisions based on what I think is best for the economy, so to speak, for the well-being of Argentines. Not doing a power calculation if I add up the polls a little bit. No, no, no, so I don't even mean to please everyone.

The Economist: But to negotiate with Congress, for example, you have to make some concessions, right?

Javier Milei: In fact, we haven't delivered too many things [to Congress] because our initial reform package was one thousand and 800 passed. So how bad wasn't it? I say things that had to be removed, for example, Aerolineas [Argentinas]. The very dynamics of the events, people are crying out for them to be privatised.

The Economist: That's going to happen?

Javier Milei: Don't be in doubt.

The Economist: One last question. I saw recently a bit of a disagreement between you and your vice-president. I want to ask if that should concern the IMF, investors, a little.

Javier Milei: Not at all, because the institutional roles are quite clear in that and I am in charge of taking the decisions of the executive branch. And Dr Villarruel manages the Senate.

The Economist: But when you need something, isn't the Senate more difficult now?

Javier Milei: No, because the chief of staff does it. In fact, the laws that came out are thanks to the management of the chief of staff.

...

Look, I'm going to tell you an anecdote. You're going to love this one. In that book I write about capitalism and socialism, the neoclassical trap. In the position that market failures do not exist. If there are no market failures, you need to review the market structure. You have to review the theory of the firm and therefore, that implies that you have to review the general equilibrium. That's why I say that if we write that, if we re-write that, which

is 80% of economic theory, all the economic policy recommendations that were made in the middle of the 70s onward are all wrong because the instrument is wrong. Or let's say, some are worse or better. But let's say. I mean, this is interesting. Because. Well, now I'm lost.

Spokesperson in the room: Because you were talking about your last book.

Javier Milei: Yes, to rewrite all economic theory. Because 80% you have to rewrite. So yes, if you re-write it and people discover that it works. Obviously they would have to give us the Nobel prize in economics.

And that's what I wanted to tell you. That's when I remembered. Demian is looking at all the issues of artificial intelligence, so it's interesting the work he did, grabbed, took all the algorithms and took a whole set of policies or economic policies. Then you sort them by how socialist they are. So the redder it is, the more socialist it is. The bluer, the more liberal. And then you go like this from red, orange, yellow, green, blue. All the algorithms, except one, let's say. All of the recommendations, policy recommendations that came up were socialist. But again because in the end, when you enable market failure, automatically that intervention that has, has, has a socialist germ.

Or another example. When Tirole was awarded the Nobel Prize in economics, they released a book that was black in colour. I read everything and when I finished reading it I said, "This book sucks", socialism is coming out everywhere. Now when I read that book, I read it having already converted to the Austrian school. So I said what I would have thought before, before reading Rothbard in 2013? And my conclusion is I would have loved the book, I would have loved it. Well, the way of seeing things of the Austrian school of economics and all its associated philosophy alters you, alters the way you see the world.

There's an anecdote in Mont Pelerin, very amusing, that at a table are Hayek, Mises and Friedman, and Mises gets up and punches the table and he leaves and says to them, "You are all socialists."

The Economist: One more thing, the dollar, there are several people who say that it will rise and that it will be stronger now with the arrival of Donald Trump in the presidency in the United States, that makes a bit of a problem for Argentina.

Javier Milei: The dollar has been rising and in Argentina it is still falling.

The Economist: Yes, but in the future.

Javier Milei: Because you have to be looking at relative monetary conditions. As much as the dollar appreciates, is the United States going to stop issuing dollars? No, they will continue. Well, Argentina does not issue, so there you are: the relative monetary conditions.

The Economist: But for example, there's a guy like Robin Brooks of the Brookings Institution who says that the peg that you have in effect to the dollar could become very complicated with the strength of the dollar.

Javier Milei: It doesn't matter because later we are going to go for a free exchange rate for it to be currency competition, but with the amount of fixed pesos.

The Economist: How do you explain your high popularity?

Javier Milei: Its because I told people the truth. Our campaign was pretty simple. Chainsaws. Deregulation. Structural reforms. Moving towards currency competition. And the consequence of this is that inflation fell and country risk went down. The other piece is insecurity. For example, it was impossible to put an end to picketing. Now there are no more pickets. Or the number of homicides.

My foreign policy. What did I say? Aligned with the United States and Israel. I mean, everything I told you I was going to do, I did. I'm fulfilling it. Besides, when I took office I told you, "Look, this is about to explode. I am going to try to do everything possible so that it does not explode." I explained it to the Argentines. And people understood it.

And now I say, the economy found a floor in April. It started to recover. Inflation is going down. The level of activity is already higher than when we took office. Do you know that salaries, how much average salaries were

in dollars at the parallel exchange rate at the beginning of our administration? 300 dollars. Today it is 1,100. The reality is that poverty, properly measured, was 57% when we took office. Today it is 46%. We reduced it by three points.

The Economist: I saw that you said Argentina is entering its best moment in 100 years. That generates a different expectation in people, doesn't it?

Javier Milei: In other words, we are coming out of a difficult moment. We made all that effort so that it would bear fruit. And it is bearing fruit? Yes.

The Economist: And isn't there more political risk there? People will have super high expectations.

The political risk is that people want to continue with the policies of the past that made us poor. If people choose that, they choose that. It would be difficult for them to choose that when they see that things can be done well and be better.

The Economist: Thank you very much.

Javier Milei: No, please, the pleasure is mine. Thank you. ■