THE ROLE OF STATE WEAKNESSES IN THE EMERGENCE OF ARGENTINE FAR-RIGHT POPULISM

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This research analyzes the transformations and incompatibilities in the Argentine development model since December 2023, highlighting the role of the State in legitimizing the discourse of the far right. It also introduces new methodological perspectives that can be incorporated into the regulationist analysis of this institutional form.

The main findings indicate that: 1) the orthodox stabilization plan successfully reduced inflation but had a pronounced recessive and regressive impact. Additionally, this contributed to two potential incompatibilities between the mode of regulation and the accumulation regime, which are associated with contradictions involving inflation and economic growth; and 2) a possible explanation for the rise of far-right populism in Argentina is the transformation of the State into a large yet inefficient agent for growth and redistribution, due to the absence of comprehensive planning (and its subsequent negative impact on investment rates and the development of strategic sectors).

Keywords: Argentina, Milei, mode of regulation, accumulation regime, State.

1. Introduction

> *"Amo ser el topo dentro del Estado. Soy el que destruye el Estado desde adentro. Es como estar infiltrado en las filas enemigas. Las reformas del Estado las tiene que hacer alguien que odie el Estado y yo odio tanto al Estado que estoy dispuesto a soportar todo [...] con tal de destruir[lo]"*
>
> Javier Milei (2024a).

The unexpected political rise of the author of this opening quote can be attributed to a convergence of significant global[1] and domestic[2] factors. In just three years, entirely independent of established partisan structures, Javier Milei transitioned from being a white-collar employee of one of the nation's most influential businessmen (and a prominent television panelist, see González, 2023) to becoming a national deputy in 2021, and ultimately, President of the Nation by late 2023.

Milei's atypical journey is ideologically rooted in a blend of themes that are characteristic of the far right internationally (anti-politics, majoritarianism, xenophobia, anti-environmentalism, segregationism, and anti-distributionism; see Krzyżanowski, 2020), along with a Manichean and extreme anti-State narrative aimed at provoking public indignation over cases of corruption, inefficiency, and, most notably, the unjustified privileges of those he calls "the political caste". These roots are combined with distinctive, radical positions on free trade, monopolies, and fiscal adjustment, which set him apart from other far-right international leaders. The synthesis of these elements gives rise to what can be defined as a renewed form of far-right populism.[3] In the first few months of his administration, despite deviating notably from many of

1. Global factors include: an evolving political zeitgeist (see Ausserladscheider, 2023); the challenges faced by governments and traditional parties in mitigating globalization's negative effects on industrial production and employment (particularly in the Global South; see Rodrik, 2016); and the widespread dissatisfaction with governments' handling of the COVID-19 pandemic (see Picchio and Santolini, 2022).
2. Notable among these domestic factors are persistent inflationary issues that have worsened in recent years, coupled with the diffusion of far-right populist ideas across all social classes, particularly among young men (see Balsa, 2024).
3. This political movement aligns with populism, as it embodies key theoretical characteristics described by renowned scholars (like Laclau, 2005; or Mudde, 2007). Notably, it features a charismatic leader operating outside traditional political parties through strategic–and temporary–alliances (Gonzalez, 2023) who utilizes an anti-"elite caste" rhetoric and openly challenges democratic institutions (e.g. governing through decrees and calling Congress a "rat's nest"). It further qualifies as far-right populism because of its radical positions on the abolition of the Central Bank, alongside philosophical stances advocating for monopolies, unilateral free-trade policies, tax evasion and State destruction (from inside).

his core electoral promises (such as dollarization, closing the Banco Central de la República Argentina [BCRA], or eliminating export duties), Milei managed to maintain enough social support and secure the political agreements needed to implement a series of policies that profoundly altered the country's mode of regulation.[4] These policies have had a substantial impact on the accumulation regime, leading to tangible nominal stabilization while also having significant effects on critical socio-economic variables. In this context, the objectives of this research are:

1. To conduct an in-depth analysis of the main transformations in the mode of regulation, with a focus on the State, identifying which specific aspects of this institutional form help explain the growing legitimacy of far-right populist discourses;
2. To verify and document the impact of the new mode of regulation on the accumulation regime by contrasting the government's claimed achievements with the negative dynamics and emerging vulnerabilities that it tries to hide or minimize;
3. To investigate the causes of the deteriorating social perception of the State, establishing the strengths and weaknesses of the regulationist approach for analyzing this institutional form in emerging economies.

To this end, the paper is structured as follows. After this introduction, it describes the effects of the initial measures taken by the–self-defined–"libertarian"[5] government on the mode of regulation and the accumulation regime. The paper concludes with an evaluation of the objective and subjective conditions related to the functioning of the State in Argentina, which have led to the re-emergence of the far-right narrative, and it highlights new analytical dimensions that characterize, from a regulationist perspective, the changes being experienced by this institutional form in developing countries.

4. Balsa (2024) finds that Milei's enduring social and electoral support rests not only on a traditional "protest vote", but also on a successful ideological "cultural battle" that has demonized collectivism, while recasting Argentina's political conflict in simplified, moral terms. This narrative, disseminated by mass media and social networks has resonated particularly among young men—where support approached 70%—but also extended across all social classes, with notably strong backing among the working poor.

5. The government's self-identification as "libertarian" draws primarily on the advocacy of Austrian School economic policies—emphasizing strict limits on State intervention, free markets, and privatization—as well as on monarchist ideals that promote a State limited to core security and legal functions. In practice, however, this libertarian orientation has remained largely rhetorical, and only selective aspects of these principles have actually been implemented. Furthermore, as previously discussed, the predominant political strategy for implementing these policies has been characterized by features of far-right populism.

2. The transformation of the mode of regulation

Javier Milei has taken the discursive strategy of the global far right to an extreme, identifying a whole range of politicians, public employees, civil servants, businessmen, teachers, artists and scientists as members of a "privileged caste" that exploits the "good Argentines" (who work in the private sector). He succeeded in building an electoral discourse which, at the same time, has served as social legitimization for a series of measures aimed at radically transforming the prevailing mode of regulation in Argentina and, especially, the way the State functions. But even within the framework of a strategy shared with other exponents of international right-wing leaders, the new president of the Argentines differs in certain radical characteristics, such as:

1. His dogmatic belief (which rejects any empirical evidence to the contrary) in free trade and the massive deregulation of productive activities as the axis of economic reorganization and a recovery in growth, and
2. The speed, intensity and regressivity of his fiscal and quasi-fiscal adjustment measures (the most severe in Argentine history and one of the most intense and rapid at international level, if the dynamics of the BCRA result are included; see Escolano *et al.* 2014) as the axis of monetary stability and his anti-inflationary policy.

Under these general premises, the main modifications introduced in each of the institutional forms of the Argentine mode of regulation are described below.

2.1. **The Money. From campaign promises to political realism**

Without closing the BCRA nor dollarizing the economy, the measures actually implemented that affect this institutional form can be grouped into those that concern exchange rate policy and those that define monetary policy.

Among the former (which include more continuities than transformations), several initial measures are particularly noteworthy:

- A mega-devaluation of the nominal exchange rate (118%).[6]

6. The devaluation was announced by the Minister of the Economy on 12 December 2023 and implemented the following day through BCRA Communication "A" 7917.

- A simultaneous fiscal devaluation, implemented by increasing the "PAIS" tax on imports.
- The replacement of the SIRA import approval system with a mandatory staggered payment schedule. Under this policy, most imported goods and services had to be paid for in four equal monthly tranches, a measure designed to defer US dollar demand and help the Central Bank accumulate foreign reserves.
- The implementation of a 2% monthly crawling-peg post-devaluation system (until April 2025, followed by a large flotation band thereafter). This policy acted as an anchor for inflation expectations and was implemented while temporarily keeping existing foreign exchange controls (the "cepo") and export promotion schemes (like the "Dólar Blend" policy, which allowed exporters to get a higher effective exchange rate–a mix between financial and trade exchange rates).[7]
- A sharp fiscal adjustment, primarily aimed at combating inflation, which had the significant side effect of contracting domestic absorption. This, in turn, led to a fall in GDP and a consequent reduction in import demand, providing temporary relief on the demand for foreign currency.
- The launch of a highly successful—though continuingly controversial—tax amnesty for undeclared funds, which reportedly yielded more than twice the amount collected under a similar program during the Macri administration. This measure could potentially be extended in 2025 with a broader amnesty, including legal protections for tax evaders against future claims.

Among the latter measures (which represent more radical shifts in macroeconomic policies), the following stand out:

- Elimination of monetary financing by the Treasury: Prohibition of central bank issuance to cover fiscal deficits.
- Progressive reduction of the policy interest rate while maintaining capital controls ("cepo"), which is aimed at reducing the real value of the financial system's liabilities.

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7. These policies remained in place until April 2025, when—supported by the IMF with a new USD 20 billion Extended Fund Facility Arrangement—two key modifications were introduced: the "Dólar Blend" scheme was dismantled, and broader foreign exchange controls were selectively eased. The restrictions were lifted for certain new trade and financial flows but were maintained for existing stocks, such as outstanding debts and undistributed dividends.

- Decrease in BCRA's peso-denominated remunerated liabilities: Reduction in LELIQs and Pases, offset by an increase in dollar-denominated remunerated liabilities via the "Bond for Importers" (BOPREALs).
- Repurchase of put options on Treasury bonds: Intended to reduce contingent fiscal risk and limit debt volatility due to the financial sector's exposure to adverse scenarios in the sovereign bond market.

Among the latter (which can be seen as a more radical change) stand out the elimination of the issue associated with Treasury financing; the systematic reduction of the interest rate (maintaining the "cepo") to liquefy in real terms the liabilities of the financial system; the decrease in the stock of the BCRA's remunerated liabilities in pesos, which was compensated by an increase in the BCRA's remunerated liabilities in dollars, via BOPREALs; and the repurchase of puts on Treasury bonds.

The continuities and transformations that delineate the new institutional form of the Argentine currency had the decisive support of the IMF, which endorsed most of the measures by ratifying the maintenance of the current financing program. This led to a significant reduction of pre-existing fiscal and banking dominances.

2.2. **The wage-labor nexus. Hit to negotiate**

One of the most controversial points of the measures implemented by the new far-right populist government was its labor reform. The combination of Title IV of DNU 70/2023, published on December 20, 2023, and Decree 84/2023, issued three days later, established one of the most profound labor reforms in history (see La Ley, 2024).

However, after the publication of DNU 70/2023, several labor unions took the labor title to court, and it was declared unconstitutional, both in the first instance and in the Court of Appeals (the precautionary measures against Decree 84/2023 did not have the same result, exposing the different natures and compositions of the labor and contentious-administrative courts in Argentina). Having made their respective moves, the government, employers' chambers and the confederation of workers' unions (CGT) sat down to negotiate in order to define an "apparently" consensual content that would shape the final wording of Chapter IV of Law 27742.

The CGT managed to eliminate from the reform its core points of interest (union dues, limitations to the right to strike and assemblies, the principles of ultra-activity and *in dubio pro operario*, the unrenounceability of rights and definition of new essential services), while the government and the employers' chambers managed to impose some of those they considered most relevant for their respective agendas (the flexibilization of public employment, an amnesty regime for unregistered work, the elimination of penalties and aggravating circumstances for severance pay, the inclusion of blocking and seizure of a business as a serious offense for a just-cause dismissal and the reduction of turnover costs by extending the trial period, a new regime for independent workers with collaborators, and the authorization—via collective bargaining agreement—for a new system of a severance fund instead of severance pay).

However, what initially seemed to be an ambitious reform that put at risk a good part of the labor rights won in the last century ended up failing to meet the expectations of the businessmen and officials involved[8], with its limited scope, with a negative impact focused on public employment rights and wages, and with only a limited set of benefits for the regularization of unregistered workers and the start-up of small enterprises on the edge of informality. This perhaps reflected the political strategy of a government waiting for the 2025 mid-term legislative turnover to resume the original labor reform. Indeed, merely one day after Milei's electoral triumph in the City of Buenos Aires mid-term elections (19 May 2025), he attempted to reimpose the measures contained in Chapter IX of Decree 70/2023, Title IV—which specifically sought to restrict the right to strike—by issuing a new decree (No. 340/2025). Nevertheless, the objective was once again blocked judicially: the Fourth Chamber of the National Labor Appeals Court upheld a lower court ruling that suspended Articles 2 and 3 of Decree 340/2025, following an injunction presented by the CGT.

2.3. **Forms of competition. The ephemeral heroism of monopolies**

It is in this institutional form that the government places more emphasis (it has even created the Ministry of Deregulation, with the

8. In fact, one of the government's main objectives in this reform, which was to replace severance payments with a Severance Fund (see Karagozian, 2023), was reduced to a possibility (and not a mandatory requirement) to which unions and employers can subscribe by sector through new collective bargaining agreements.

main objective of eliminating regulatory obstacles to the "free development of the market"). In order to examine in greater detail the main measures affecting the forms of competition, we will use the simplifying assumption that they can be consolidated into three large complementary groups described below.

1. Deregulation of prices and elimination of controls/penalties (mainly through DNU 70/2023 and other complementary regulations);
2. Deregulation of restrictions on the purchase of imported goods and services (with Joint Resolution 5466/23 of the Secretariat of Commerce and the country's revenue service, the AFIP, and various complementary regulations of the BCRA and other agencies);
3. Promotion of local competition and incentives for foreign direct investment (FDI), (essentially through Title VII of Law 27742).

Analyzing all the measures as a whole, we note a resulting inflation of 107% between November 2023 and April 2024 for the main consumption items of the popular sectors (food, gas, rents, medicines, education and cell phone and internet services). This was an outcome of the price deregulations and elimination of controls implemented in the new government's first few months (in concomitance with a strong currency devaluation), in a highly concentrated economy like Argentina's (see Costa, 2019) and without having guaranteed the full effectiveness of measures to foster competition. There were peaks above 120% for health, transportation, communications and housing expenses, while in historically more competitive services such as restaurants and hotels, recreation and home maintenance, the price increase was 40 percentage points below these peaks.

As will be discussed below, the partial failure of these policies to "promote local competition" has led to a renewed emphasis on unilateral free trade measures—accompanied by exchange rate appreciation—in an effort to reshape competitive dynamics and curb inflation, albeit at the well-known cost of higher unemployment.

2.4. **Forms of insertion into the international regime. From regional multilateralism to subordinated unilateralism**

The transformations introduced by far-right populism in this institutional form repeat the historical dynamics of this type of government in Argentina (including even discursive reminiscences of Menemism's foreign policy), based on a set of measures (including Title VII of Law 27742, Title V of DNU 70/2023, Decree 28/2023, Decree 697/2024, Joint Resolution 5466/23 of the Secretariat of Commerce and the AFIP, General Resolutions 5476 and 5520 of the AFIP and Communications "A" 7917, "A" 7980 and "A" 7990 of the BCRA, among others) that can be grouped in two key dimensions:

1. Geopolitical alignment: since taking office (and especially after Donald Trump's victory in the US elections), Javier Milei, seeking further support from the IMF or to facilitate Argentina's return to international credit markets, has overacted a return to the "Monroe Doctrine"—even when this extreme strategic positioning was later nuanced in order to ensure the continuity of the currency swap and various trade agreements with China—in which regional and/or multilateral international agreements were either dismissed or downgraded to favor a return to subordinate unilateralism; and
2. Openness of regulation (trade and financial): threatened by combination of scarce reserves, high debt with importers, a poor maturity profile, reduced demand for money, large structural deficits in the public sector (fiscal and quasi-fiscal) and existing delays and disputes in the Common Market Group and the Mercosur Common Market Council to obtain selective reductions in the External Tariff, promises of libertarian openness were postponed, with a resulting focus less on "price factors" (such as tariffs and export duties) than on administrative and procedural regulations (exchange barriers and, according to many analysts, para-tariff barriers), with contradictory initial measures such as the temporary increase of the PAIS tax and the deferral of payments to importers (measures that increase the financial cost of imports). Only one year after taking office, the government seriously resumed free-trade promotion with the combined elimination of the PAIS tax in December 2024 and the relaxation of capital controls in April 2025, allowing importers to freely purchase foreign currency for import operations. We will see in section 3 how these policies are critical to understand recent "Phillips-curve" trade-offs in Argentina (with a long-term impact on the industrial structure).

2.5. **The State. Deregulation, "blender" and "chainsaw"**

As mentioned at the beginning of this article, the role of the State has been decisive in the rise of far-right populism to power. This role, which will be further analyzed before the conclusions, has also been crucial in constructing a symbolic narrative that seeks to build loyalty among its electoral base. The government has achieved partial success in this, even amid the acute socio-economic context that has been aggravated by its own initial measures.

In this context, the main modifications experienced by this institutional form are described below, grouped in six complementary agendas which are critical for the political stability of the new neoliberal experiment.

*2.5.1. **Fiscal consolidation agenda***

Javier Milei's government has implemented the largest fiscal adjustment in Argentine history (see Capello and Cámpoli, 2024). The improvement of 5.6 percentage points of GDP in the financial result in just one semester (generating a surplus for the first time in years) is explained mainly by three factors:

1. A deep deterioration of real expenditure in six key items: pensions, public works, economic subsidies, transfers to provinces, social programs and public employee salaries;
2. The failure to fulfill electoral promises regarding tax reductions or eliminations: according to the proposed 2025 public sector budget, it is evident that, rather than initiating significant tax cuts (beyond the PAIS tax), the libertarian government intends to slightly increase the aggregate tax burden. This is mainly through higher expected revenues from taxes on workers' earnings, liquid fuel taxes and contributions from "mono-taxpayers" (small-scale entrepreneurs and self-employed); and
3. Accounting creativity: passing "below the line" a good part of the quasi-fiscal deficit, by transforming the BCRA's interest-bearing liabilities into capitalizable Treasury bonds, which do not pay interest (but increase the stock of debt faster).

*2.5.2. **Anti-caste / anti-corruption agenda***

The new Argentine populist government implemented a series of measures affecting the form of the State, seeking to deal with one of its main campaign axes: the generalized corruption of the entire "political caste". While some of these measures were also crucial for the objective of fiscal consolidation, others sought either a symbolic impact, to permanently feed the "indignation rhetoric", or a political effect, to intimidate main opposition leaders (e.g. through the more than 30 complaints filed by the Minister of Human Capital against officials of the previous government, and also through more extreme judicial cases such as the anticipated and highly controversial conviction—and consequent political proscription—of the president of the Justicialist Party and former President of the Nation, Cristina Fernández de Kirchner, following the Supreme Court's decision in June 2025 (see Klipphan, 2024a). Many analysts have interpreted this decision as a new and emblematic instance of "lawfare" targeting popular leaders in Latin America.

In addition, the government developed a discourse of "anti-corruption adjustment" that targeted not only significant budget-related items—such as transfers to the provinces, public works, trust funds, or selected social programs (often justified as efforts to defund so-called "poverty managers")—but also focused on other symbolic "caste privileges". Although these latter items are less relevant in fiscal terms, they have been instrumental in legitimizing the government's adjustment rhetoric.

Notwithstanding, the anti-corruption agenda was severely compromised by the emergence of the LIBRA-gate scandal, in which President Milei, his sister, and close associates were implicated and are being investigated by the Federal Court (Smink, 2025).

*2.5.3. "**Unlocking the productive forces" agenda***

In order to fulfill his promise of dismantling the regulation and supervisory powers of the State, the far-right populist government of Javier Milei implemented a series of normative measures that are clearly summarized in Article 2 of its DNU 70/2023:

> *"The National State shall promote and ensure the effective enforcement, throughout the national territory, of an economic system based on free choices, adopted in an environment of free competition, with all due respect to private property and the constitutional principles of free movement of goods, services and labor. To achieve this end, the broadest deregulation of commerce, services and industry throughout the national territory will be enacted, and all restrictions on the supply of goods and services will be abolished, as well as all regulatory requirements that distort market prices, impede free private initiative or prevent the spontaneous interaction of supply and demand."*

Supported by the creation of a "Ministry of Deregulation and Transformation of the State" (similar to Elon Musk's now-failed DOGE Department in the US government), the regulations implemented repeal (totally or partially) or modify (eliminating regulations) a great number of laws and decrees and establish a new public paradigm that involves a re-hierarchization prioritizing the will of the parties over State interventions (reaffirming that the rules are supplementary to such will, limiting the power of judges to intervene ex officio in their attempts to modify contracts and weakening the State's regulatory capabilities by transforming the functioning of the "administrative silence" and promoting the emergence of de facto rights in the face of administrative delays).

2.5.4. ***Anti-Woke Agenda***

There is a fourth series of measures in the "State Reform" promoted by the new Argentine far-right government that, although with neither budgetary relevance nor a significant impact on economic activity, constitute a very important symbolic offering for its largest electoral support base (who are increasingly attached to "authoritarian-style majoritarian" slogans; see Balsa, 2024). These include in particular the rejection of the international environmental agreements included in the 2030 Agenda and the United Nations Pact for the Future; the downgrading of the Environment portfolio from a Ministry to a Secretariat; the closure of the Ministry of Women, Gender and Diversities; the closure of the National Institute against Discrimination, Xenophobia and Racism (INADI); the intervention on (and announcement of the subsequent dissolution of) the National Institute of Family, Peasant and Indigenous Agriculture and the intensified repression of conflicts involving Mapuche communities (especially those that could affect the production and export of hydrocarbons).

2.5.5. ***Anti-social justice agenda***

Empowered by the growing "preference for inequality" of a good part of the Latin American electorate (see Panigo *et al.*, 2019; and Dubet, 2014), the LLA government has made "anti-social justice" a campaign axis and a principle of operational management, with a series of associated measures, among which the following stand out:

1. Higher taxes for low- and middle-income workers, with the elimination of VAT refunds and a steep increase in liquid-fuel taxes (with immediate impact on diesel and gasoline prices);

2. The erosion of a part of middle-class real income, driven by a lower purchasing power of both pensions and wages (with adjustments well below the inflation rate, especially for informal and public sector employees) and the restitution of income tax on millions of workers through lower allowances;
3. Lower taxes for higher-income sectors: with the reduction of Personal Property taxes; the selective reduction of export duties on certain export chains (dairy, beef and pork), one of the "cheapest" tax amnesties in Argentine history (which already has had nine since the return to democracy; see Bosch, 2024), and a large investments promotion regime with excessive (and potentially harmful) benefits (defined in Title VII of Law 27,742 the Large Investment Promotion Regime, known as "RIGI"; and much higher than those established in the draft Law for the promotion of hydrocarbon investments of 2021; see Poder Ejecutivo Nacional, 2021); and
4. A new fiscal rule that implies: a) a downward trend in the participation of the public sector in the economy; b) a lower secondary income redistribution; and c) a pro-cyclical policy in the face of negative shocks that affect the economy.

2.5.6. ***Order and security agenda***

In this last group of measures that significantly modify the institutional form of the State, we find two complementary aspects. On the one hand, we have norms linked to the objective of repression/intimidation, and on the other, we have measures that shape the objective of selective containment/disorganization.

In the first branch of the order and security agenda, a specific temporality can be perceived in the search for the final objective. Initially, regulations intended to put in place the two legitimation tools were implemented: the Bandera Plan and the public order protocol (better known as the anti-picket protocol). Both measures initially encountered resistance and skepticism but gained acceptance in the following months due to their impact on homicide statistics in the tough Rosario district and street closures in the greater Buenos Aires area of CABA; see Observatorio de Seguridad Pública, 2024; and Klipphan, 2024b). Based on these results (and the sustained support of the mass media), a second stage of more controversial measures has begun that targets individual rights protected by the constitution and international treaties (protocol for the use of firearms in security forces, draft Anti-Mafia Law and regulations for the extension of funds reserved for the SIDE).

The second branch, which seeks the division and demobilization of popular sectors, consists of a series of measures that outline a "selective welfare system without intermediaries", based on a sharp increase in Family Allowances (especially universal allowances per child, per child with a disability, and per pregnancy), in conjunction with a real dilution of the remaining social programs, especially those having a collective empowerment nature such as Potenciar Trabajo (the Work Potential program, which was also dismembered by Decree 198/2024 and Resolution 84/2024 of the Ministry of Human Capital). As will be discussed below, this specific component of the security agenda has been crucial in maintaining the poverty rate near its five-year average, despite a sharp increase in unemployment and a significant deterioration in the real incomes of a large segment of the Argentine middle class.

3. The transformation of the accumulation regime

From what has been analyzed in the previous section, it can be inferred that beyond a certain dose of pragmatism regarding dollarization, the closure of the BCRA or the elimination of export duties (among other unfulfilled campaign promises in favor of governance and political survival), the mode of regulation in Argentina has undergone a profound transformation, especially in three key institutional forms: the currency, the forms of integration into the international regime and, mainly, the State. Although these transformations do not imply a caricatural shifting between polar cases (see Boyer, 1988), they do manifest an accelerated transition towards a much more competitive mode of regulation, with a re-hierarchization of institutional forms in which (anti-inflationary) monetary objectives subordinate all other public policies. This results in a State that progressively neglects its regulatory and redistributive functions (and especially its planning and production capabilities), a monetary policy that loses its countercyclical potential, and forms of integration into the international regime that abandon multilateral strategies to embrace once again (as in the 1990s) the unilateral opening of the current account (with promises of a total liberalization of the capital account when the excess money supply disappears).

Although it is too soon to fully assess the impact of the new mode of regulation on Argentina's accumulation regime, it is possible to outline the ultimate goal and to present its initial macroeconomic effects.

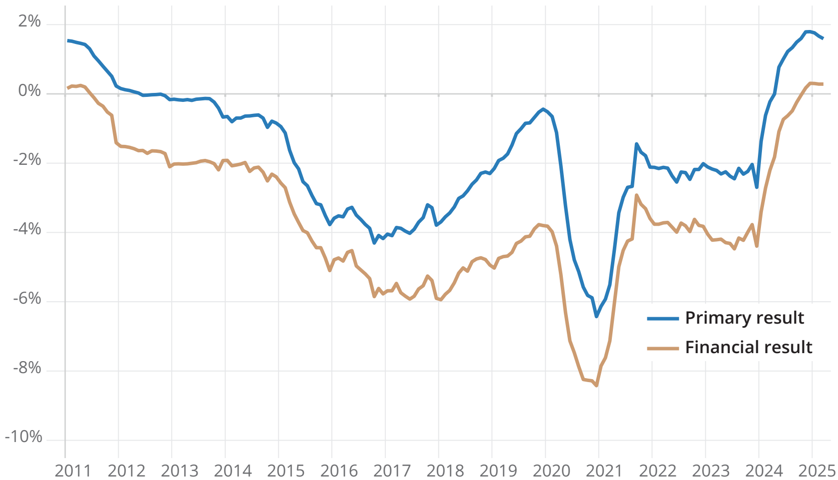
The leader of Argentine far-right populism has stated on multiple occasions (see Milei, 2024b) that the development mode he would like to implement in Argentina is that which led to what is known as the "Irish miracle" (see Breznitz, 2012), a combination of a competitive mode of regulation (labor flexibility, trade and financial openness, reduction of taxes for big corporations, fiscal consolidation and monetary stability) and an intensive and outward-oriented accumulation regime driven by FDI. Argentina is still far from this development strategy, both in terms of the mode of regulation (especially regarding the money and the wage-labor nexus) and in terms of the accumulation regime (which is much more intensive and outward-oriented in Ireland). The Argentine government has nevertheless consistently asserted its intention to replicate the dynamics observed in Ireland since the early 1990s, seeking to attract large-scale FDI—particularly in strategic sectors such as mining and energy—by leveraging market deregulation, fiscal consolidation, enhanced nominal stability, and, most notably, the exchange and tax incentives established under the RIGI framework (see Del Rio, 2024).

While the fulfillment of these promises remains pending, the predominance of anti-inflationary policy in the initial phase of the new government has resulted in an accumulation regime characterized by dual-economy dynamics, traditional Phillips-curve trade-offs, pronounced heterogeneities across sectors and income groups, and the main macroeconomic features outlined below.

3.1. **Results emphasized by the government**

First, the government highlights the reversal in Argentina's public accounts—both primary and financial—which, within a single quarter, shifted from a persistent deficit to a significant surplus. This outcome was mainly the result of a substantial contraction in real expenditure, which declined between 23.7% and 39.4% year-on-year, depending on the month considered. Notably, this fiscal adjustment was accomplished despite a year-on-year decrease of approximately 14% in real tax revenues as of late August 2024. As shown in Figure 1, fiscal deficits consistently characterized Argentina's public sector accounts from 2011 through 2023. Therefore, the budgetary outcomes achieved under Milei's administration reflect a reversion to fiscal results comparable to those observed at the end of the first administration of Cristina Fernández de Kirchner (2007-2011).

Figure 1. **12-month rolling primary and financial results of the Argentine national public sector (monthly data from 2011 to 2025, as % of GDP)**



Source: **Own elaboration based on data from the Ministry of Economy and the Argentina's national bureau of statistics (INDEC).**

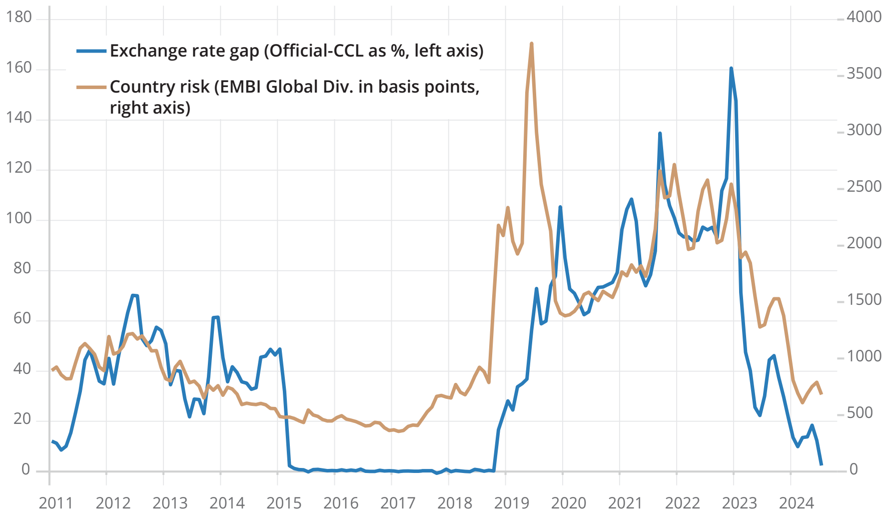
In the terms of the new government, this reversal of public accounts ended a long period of "fiscal dominance" of monetary policy, allowing for the elimination of money issuance aimed at overdraft transfers to the Treasury, while also facilitating a "cleanup"[9] strategy for the BCRA's balance sheet. This process involved removing bonds, reverse repos, and puts, which (in the words of the new BCRA officials; see Werning, 2024) also closed the cycle of "banking dominance" that had been generating significant quasi-fiscal deficits.

The combination of a fiscal surplus, a reduction in associated monetary issuance, the agreement of a new USD 20 billion Extended Fund Facility Arrangement with the IMF, the extension of the swap agreement with China until July 2026, and, in particular, the selective easing of foreign exchange controls in April 2025, has had a direct impact on Argentina's capital markets. These results—together with key legislative achievements—have contributed to a significant reduction in the

9. A euphemism used by the new economic authorities to describe the transfer of liabilities from the BCRA to the National Treasury (as explained later).

exchange rate gap (between official and financial/"Contado con Liquidación" or CCL markets) and country risk. Nevertheless, the Argentine EMBI indicator remains well above the brief "local minimum" observed at the end of 2017, when Argentina achieved its highest recent credit rating (Moody's B2; see Figure 2). This persistent risk premium partially explains the government's decision to offer unusually advantageous (and hard-to-explain) incentives to attract FDI through promotion regimes such as the RIGI.

Figure 2. **Exchange rate gap and country risk in Argentina (2011-2025)**



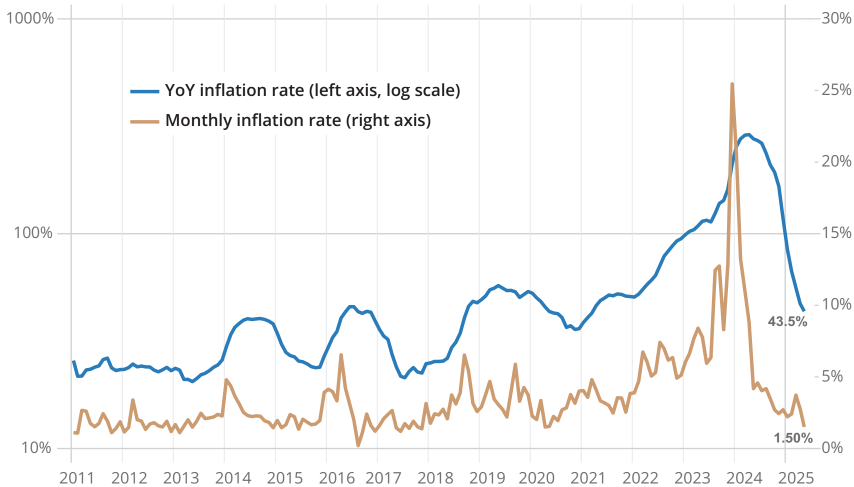
Source: **Own elaboration based on data from BYMA and BCRA.**

These fiscal and monetary policies withdrew excess domestic currency from circulation, altered market expectations, and induced a dynamic reversion along the Phillips curve, whereby a reduction in inflation was achieved at the cost of increased unemployment (as we will see below). Over the past six months, these measures have led to a stabilization of the monthly inflation rate within a still-elevated band of approximately 1.5% to 2.5%[10], comparable to the (short-lived) moderation period recorded during 2016–2017 (see Figure 3).

10. The most recent monthly CPI inflation rate available at the time of submission—1.5% for May 2025—corresponds to an annualized rate of 19.6%, the lowest since April 2020.

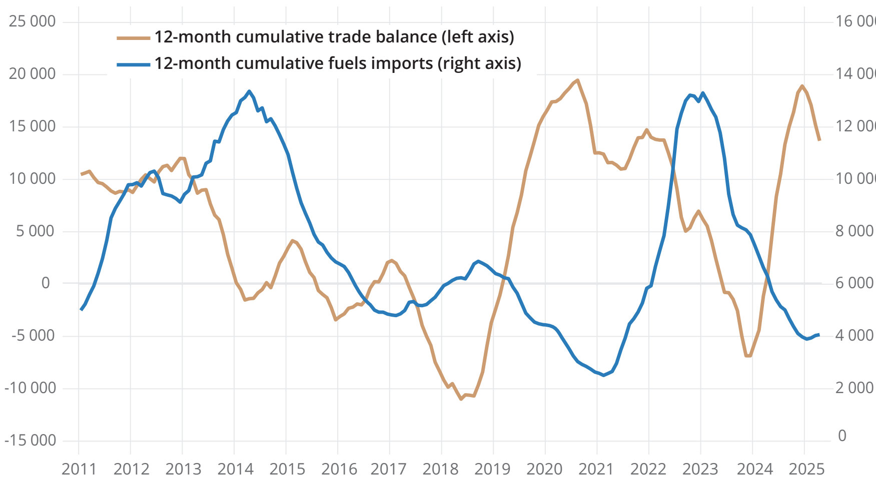
In terms of foreign trade, Figure 4 clearly shows that trade balances have been structurally determined not only by the dynamics of agricultural exports (see Bortz & Toftum, 2024), but also by fluctuations in energy imports.

Figure 3. **CPI inflation rate in Argentina (2011-2025, YoY and monthly rates)**



Source: **Own elaboration based on INDEC data. For the period prior to December 2016—when INDEC introduced a new methodology—Consumer Price Index (CPI) data from San Luis and the City of Buenos Aires were also used to ensure a continuous time series.**

Figure 4. **Trade balance and fuels imports (2011-2025, in millions of current USD)**



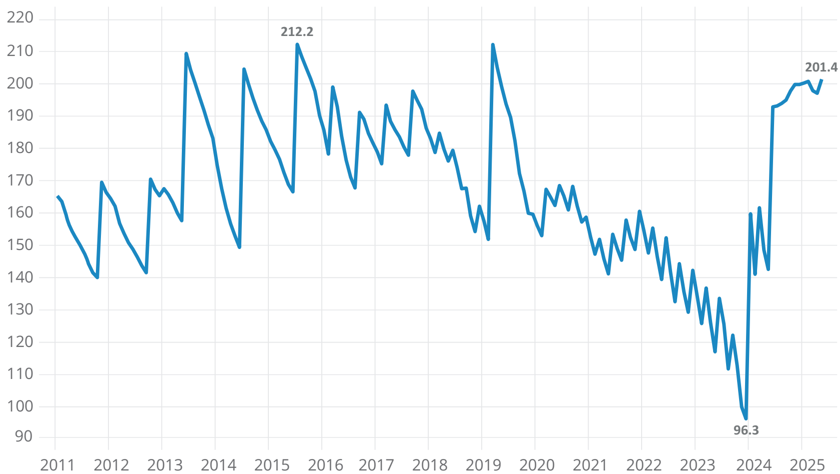
Source: **Own elaboration based on data from INDEC.**

Remarkably, over just nine months since December 2023, the 12-month cumulative trade balance improved by USD 20 billion, shifting from a deficit of USD 6.84 billion to a surplus of USD 13.39 billion. This substantial turnaround can be attributed to several factors: most notably, a recovery in agricultural output following an extreme drought; the commissioning of major energy infrastructure projects initiated under the previous administration; and, above all, a pronounced, but temporary, reduction in imports resulting from the initial exchange rate devaluation and the subsequent contraction in economic activity.

However, this positive trend has started to reverse in recent months, primarily due to a sharp increase in both consumption and capital goods imports (+29.4% YoY in May 2025), which is associated with a significant appreciation of the real exchange rate.

Finally, on the social front, the government is striving to highlight the impact of its decrees to increase family allowances, following a sharp initial decline in these benefits during its early months in office. Utilizing part of the surplus revenue generated by the real reduction in aggregate public spending, the government has strategically opted to fund a substantial enhancement in the purchasing power of the Universal Child Allowance (Asignación Universal por Hijo, AUH) and related programs (see Figure 5). While the real value of these benefits

Figure 5. **Real universal family allowance evolution in Argentina, 2011-2025 (November 2023 = 100)**



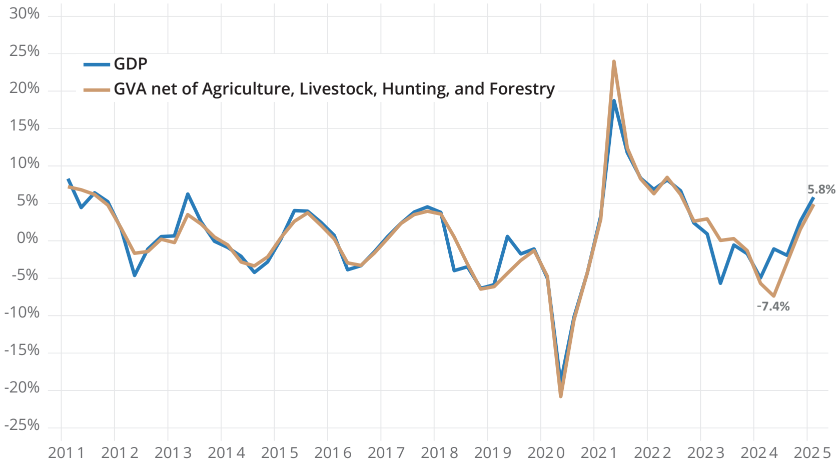
Source: **Own elaboration based on data from ANSES and INDEC.**

remains 5% below the peak levels recorded at the end of Cristina Fernández de Kirchner's second administration (2015), the far-right populist government's focus on selectively increasing real universal family allowances (and the related "Tarjeta Alimentar" program) is crucial for containing social unrest, while simultaneously defunding social organizations by legitimizing cuts to the "Potenciar Trabajo" program (which empowered third sector organizations). Beyond any political strategy, the fast recovery from the large increase in the poverty rate after devaluation appears to be strongly related to this social policy supporting more than 4 million children in Argentina.

3.2. **Outcomes disregarded by the authorities**

The recessionary initial cost of the orthodox nominal stabilization program was evident across nearly all real economic variables. As a consequence of the fiscal adjustment and the significant currency devaluation, GDP declined sharply for two consecutive quarters. Moreover, after adjusting activity levels for extraordinary climate events—such as the severe drought that affected Argentina's agricultural sector in 2023 (the worst since 2009)—it is apparent that Gross Value Added in the Economy, excluding Agriculture, Livestock, Hunting, and Forestry, recorded a year-on-year decline of 7.4% in the second quarter of 2024 (see Figure 6). This represents the largest contraction on record for such a short period, aside from the COVID-19-induced recession. Even more pronounced negative impacts were observed both in the construction sector (a 21.03% year-on-year drop in the first half of 2024) and in the aggregate investment rate, which fell by more than 29% over the same period. Even after the expected—albeit partial—rebound typically associated with stabilization programs that use the exchange rate as a nominal anchor (see Calvo & Végh, 1993), final year-on-year figures for 2024 show a 1.7% decline in real GDP, resulting in per capita GDP levels that were 4% below those registered in 2022 (and about 10% below the 21st century maximum obtained in 2011). Recent National Accounts data indicate a further recovery in GDP during the first quarter of 2025, primarily driven by growth in financial services and wholesale and retail trade. However, this apparent improvement is largely attributable to a year-on-year comparison with the self-induced recession of the first quarter of 2024; GDP estimates for I-2025 remain below the average levels recorded in 2023 (see INDEC, 2025a).

Figure 6. **Year-on-year variation of real GDP and real Gross Value Added (GVA) Net of Agriculture, Livestock, Hunting, and Forestry in Argentina (2011-2025)**



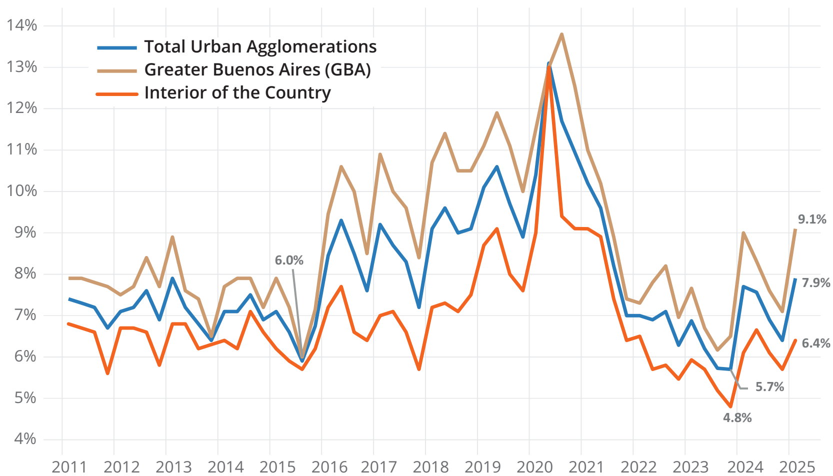
Source: **Own elaboration based on data from INDEC.**

Regarding recent consumption dynamics (which show a rebound in aggregate figures), private-sector analyses highlight the emergence of a dual pattern. On one hand, there is a relative stagnation in mass consumption among low-income households—particularly observable in supermarket sales dominated by subsistence goods (INDEC, 2025b). On the other hand, there has been a notable increase in selective consumption, especially of imported durable goods and outbound tourism—categories typically linked to a real exchange rate appreciation and rising incomes of the top deciles (INDEC, 2025c).

As expected, the initial recession followed by a GDP recovery with a dual consumption norm had an immediate impact on socio-economic conditions.

In just one quarter (between IV-2023 and I-2024), the unemployment rate increased by 35% (rising from 5.7% to 7.7% across all urban agglomerations, including specific jurisdictions where it rose by over 90%, such as San Luis, Corrientes, Gran Resistencia, La Rioja, Concordia, Río Cuarto, and Comodoro Rivadavia). This was the highest quarter-over-quarter increase since the introduction of the new EPH household survey methodology (in place since 2003), and significantly greater than the increase recorded between the first and second halves of 2020, when the COVID-19 pandemic led to a 26% rise in the unemployment rate. Moreover, the last available official statistics at the time of submission (Q1 2025) reveal that even those initial figures are deteriorating, with the unemployment rate reaching 7.9%, including a 40% increase in the Greater Buenos Aires unemployment rate and a 38.5% jump for Total urban agglomerations since the far-right populist government took office (pushing the unemployment rates of the Greater Buenos Aires agglomerations near pandemic levels and 50% above the 21st century low registered at the end of 2015, see Figure 7).

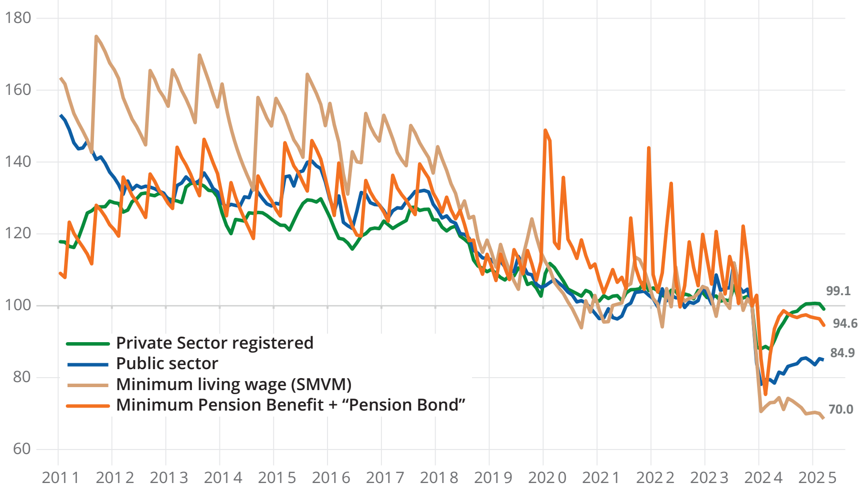
Figure 7. **Unemployment rate in Total urban agglomerations, Greater Buenos Aires (GBA), and the Interior of the country (Quarterly Data, 2011-2025)**



Source: **Own elaboration based on data from INDEC.**
Note: Data for IV-2015 and I-2016 were interpolated using nearest available information due to the lack of official EPH results.

In terms of earnings, Figure 8 shows that real wages and pensions have followed a secular downward trend since 2011 or 2015, depending on the specific index being considered. Since December 2023, however, the deterioration in purchasing power has accelerated, particularly among workers with the lowest bargaining power—such as informal workers, whose wages are typically linked to the Minimum Living Wage, and public sector employees, whose negotiating position and social support have been substantially weakened following the election of a government that explicitly campaigned against them. For these groups, real earnings have experienced the largest decline since 2003, with losses ranging between 15% and 30%. A similar, though less pronounced, dynamics has been observed for real minimum pension benefits (including "Pension Bonds"), which have not recovered to pre-devaluation levels and remain 5% below the levels of November 2023.

Figure 8. **Evolution of different real wage and pension indices in Argentina, 2011-2025 (November 2023 = 100)**

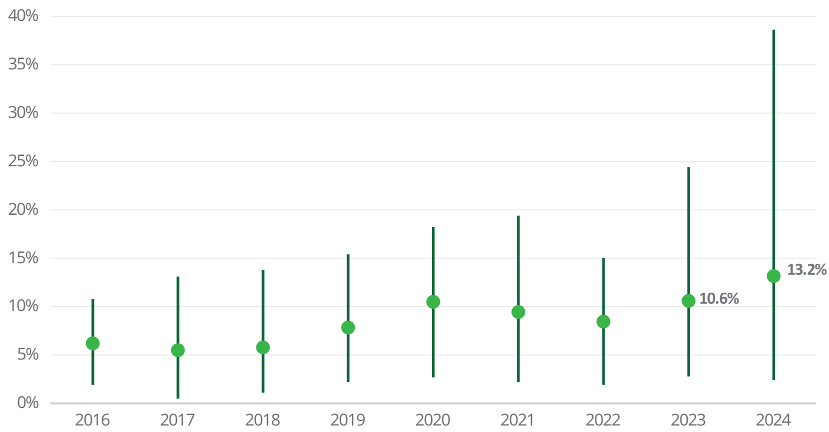


Source: Own elaboration based on data from INDEC.

Implemented policies have also led to an initial increase of 26.8% (11.2 percentage points) in the proportion of people living in poverty between the second half of 2023 and the first half of 2024 (rising from 41.7% to 52.9% for all urban agglomerations in the country). Moreover, in just six months, the extreme poverty rate increased by 53% (rising from 11.9% to 18.1%, affecting an additional 3 million people; see Figure 9). This general picture is particularly sharp in areas like Greater Buenos Aires (where 2 million people are currently living in extreme poverty) or Resistencia (where the new accumulation regime has led 40% of the population to survive under such conditions). Despite the recovery observed in the second semester (which involves a return to 2022 levels), the average extreme poverty rate in 2024 has been the highest since 2004. Preliminary projections for I-2025 show a soft-landing evolution toward pre-COVID-19 levels (a behavior in line with the expected dynamics for social variables in stabilization plans that use the exchange rate as a nominal anchor), but still much higher than those observed in 2013 and 2017.

In addition to the ongoing social challenges, the current accumulation regime exhibits a pronounced structural financial vulnerability. As illustrated in Table 1, principal and interest payments on both local and international bonds—restructured under the Fernández-Guzmán debt swap of 2020—will commence in 2025. At the same time, disbursement obligations associated with the IMF Extended Fund Facility, established by the 2021 agreement, will gradually escalate. Moreover, between 2025 and 2027, the government must meet substantial payment commitments arising from BOPREAL bonds, an instrument issued by the current administration to resolve outstanding debts with participants in Argentina's foreign trade sector.

Figure 9. **Percentage of people living in extreme poverty (total urban agglomerations, and agglomerations with the maximum and minimum rates, 2016-2024)**



Source: **Own elaboration based on data from INDEC.**
Note 1: Extreme-poverty rates reported by the INDEC, and used in this figure, represent the percentage of people with nominal incomes below the official nominal extreme-poverty line.
Note 2: Each year the extreme-poverty range is defined by the observed cross-section maximum and minimum extreme-poverty rates (across all urban agglomerates).

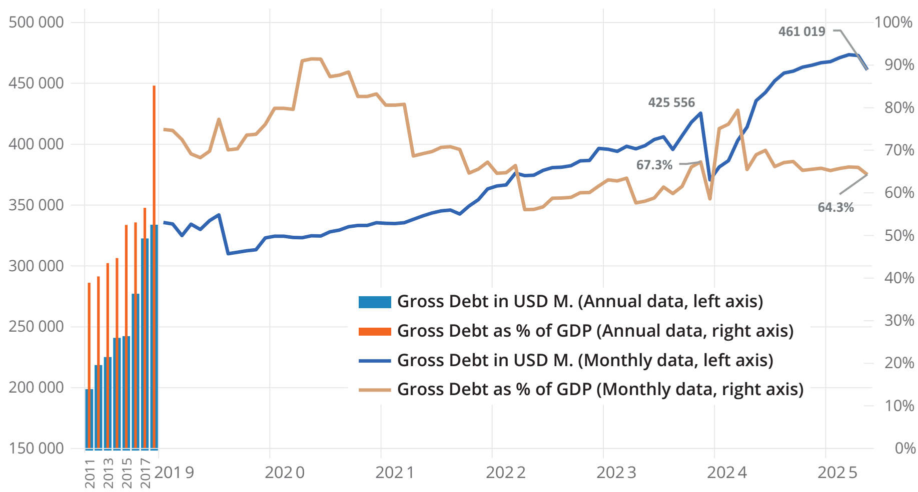
Table 1. **Principal and interest payments on foreign currency debt (2024-2030, in millions of current USD)**

Debt type	2025	2026	2027	2028	2029	2030
IMF	2433	3525	6572	8340	8359	7923
Other international organizations	5491	5260	5132	5347	4396	3733
International bonds	5313	5286	5816	7362	7292	6758
Local bonds	3393	3374	3684	4201	4149	3811
Provinces	2638	2486	2351	1625	1179	961
Bopreal	2339	2272	5188			
Total	**21607**	**22203**	**28743**	**26515**	**25375**	**23186**

Source: **Own elaboration based on data from Suramericana Vision.**
Note: Data correspond to information available before the new IMF agreement signed in April 2025.

Figure 10 shows a steady upward trend for the gross total debt of the national public sector since 2011. Following the 2023 devaluation—and the Treasury's assumption of the central bank's short-term liabilities—this trend accelerated in absolute terms, even as the debt-to-GDP ratio plateaued at approximately 60%. It is important to note that the apparent financial stability suggested by these figures is closely linked to a significant appreciation in the real exchange rate, which has been employed as a nominal anchor in the ongoing disinflation strategy. As will be discussed below, this approach not only raises concerns regarding the sustainability of the current account, but also masks underlying vulnerabilities related to public sector indebtedness.

Figure 10. **Gross total debt of the national public sector (2011-2025; in USD millions and % of GDP)**

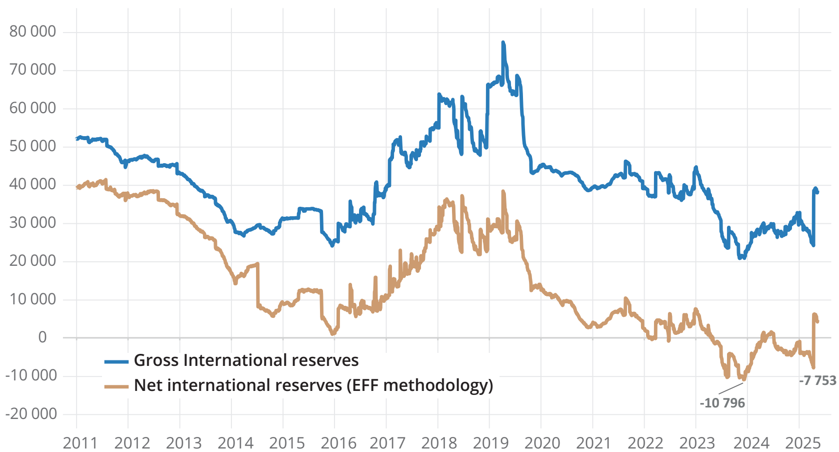


Source: **Own elaboration based on data from the Secretariat of Finance – Ministry of Economy.**
Note: Monthly data is only available for the 2019-2025 period (lines). Before 2019 we use annual information (bars).

To this concerning dynamics we must add the evolution of net interest payments in foreign currency, which (accumulated over a 12-month window) increased from USD 6 billion to USD 10 billion in less than two years.

The combination of these financial factors explains both the dynamics of the current account (which has been deteriorating since December 2023) and the stagnant process of reserve accumulation (until April 2025, when the new Extended Fund Facility Arrangement with the IMF enables a temporary one-shot increase in international reserves, see Figure 11), despite achieving a trade surplus of nearly USD 12 billion over the past 12 months (see Figure 4).

Figure 11. **Daily evolution of international reserves (2023-2024)**



Source: **Own elaboration based on data from BCRA.**
Note: The lower the index value, the more appreciated the multilateral real exchange rate is.

The medium-term financial sustainability of the new accumulation regime is further complicated by concerns over external account dynamics, stemming from a significant real exchange rate appreciation. As shown in Figure 12, the average multilateral real exchange rate index over the past year was approximately 83 (December 2015=100), which is 50% lower than its December 2023 peak and 37% below the 2003-2015 average. The government contends that a structural shift, driven by fiscal consolidation and the perceived stability of a new foreign exchange flotation band, will lead to a lower equilibrium real exchange rate. This view would be supported by the assertion that the exchange rate has remained within the band's limits without significant central bank intervention, suggesting market acceptance. However, a consensus among analysts is emerging that this (anti-inflationary) exchange rate policy is generating considerable stress on international reserves and the current account (with the highest year-on-year import increase of the last 15 years in I-2025: +43%), thereby undermining confidence in the medium-term stability of the accumulation regime.

In response to these mounting financial strains, the government has stepped up its strategy to bolster the capital account with extraordinary benefits for real and financial investments. This involves complementing broad large investment incentives, such as those previously mentioned in the RIGI, with more targeted measures to attract foreign currency. Among these are policies to encourage debt swaps, exemplified by Decree 846/2024, and a recent 2025 legislative project to foster a new capital amnesty by providing a robust legal shield for the regularization of previously undeclared assets.

Figure 12. **Twenty-first century evolution of the Argentina's multilateral real exchange rate (December 2015=100)**

Source: **Own elaboration based on data from the BCRA and INDEC.**

Summarizing this section's results in regulationist terms, the dynamics described (for both the mode of regulation and the accumulation regime) reveal two tensions or incompatibilities that jeopardize the development model that far-right populism wishes to implement in Argentina:

1. Nominally, there is an intention to tackle inflationary dynamics not only through fiscal transformations but also through changes in other institutional forms like those in money (exchange rate appreciation) and in the international integration regime (trade liberalization). These measures appear to be incompatible with the existing accumulation regime's ability to generate foreign currency. Given the upcoming debt payments and rollover capacities, it seems that imports cannot simultaneously be used as an increasing variable acting as an anti-inflationary anchor and as a decreasing variable used to obtain the required foreign currency to pay debts.

2. In real terms, the government wants to resume growth and poverty reduction through an increasingly competitive mode of regulation, even though the accumulation regime could remain extensive and self-centered (see Panigo and Chena, 2012; or Chena *et al.*, 2018). Without a significant influx of foreign direct investment that not only generates exports but also creates new productive linkages and structurally transforms the current account balance, this typical incompatibility of institutional transitions (see Boyer, 1988) could (finally) reintroduce the recessive and regressive process experienced at the beginning of 2024.

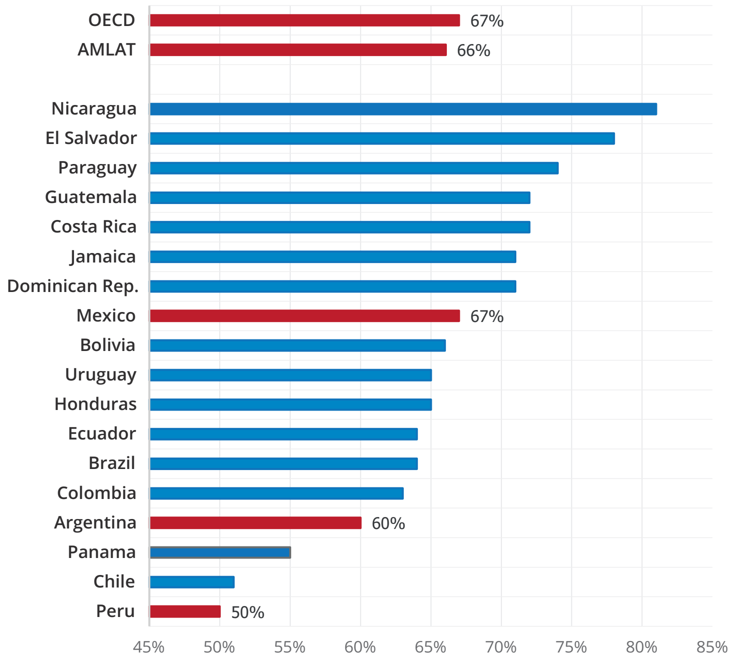
4. The State under pressure: Insights for analyzing the mode of regulation in emerging economies

In this section we address the issue that many social scientists (see Gonzalez, 2023; Balza, 2024; or Oszlak, 2024) identify as one of the most significant challenges faced by post-dictatorship governments in Argentina, which shaped the prevailing libertarian narrative: the weaknesses of the State as a tool for social progress (at least since 2015 onwards) and as an engine for the diversification/reindustrialization of the productive structure (at least since 1976 onwards in this country, but also affecting developed economies more generally; see Aglietta and Ragot, 2015).

A recent OECD study (2024) provides substantial empirical evidence to support the hypothesis that this issue is a widespread regional phenomenon, in which Argentina ranks as the country with the fourth-lowest confidence in its government, eight percentage points below the Latin American average. These results can be explained by:

1. Common factors across all Latin American countries (such as an 80% perception of corruption in the Argentine government compared to a 75.5% average across Latin America);
2. Events shared with many countries in the region (such as a significant deterioration in satisfaction indicators with healthcare systems, which in Argentina was down 15.4% between 2011 and 2022, a trend also seen in Uruguay, Paraguay, Panama, Colombia, and Ecuador); and
3. Specific aspects of a small group of South American neighbors and Panamá (such as strong disappointment with the educational system there, as well as in Argentina, Peru, and Chile; see Figure 13).

Figure 13. **Satisfaction with the education system in Latin America in 2022**

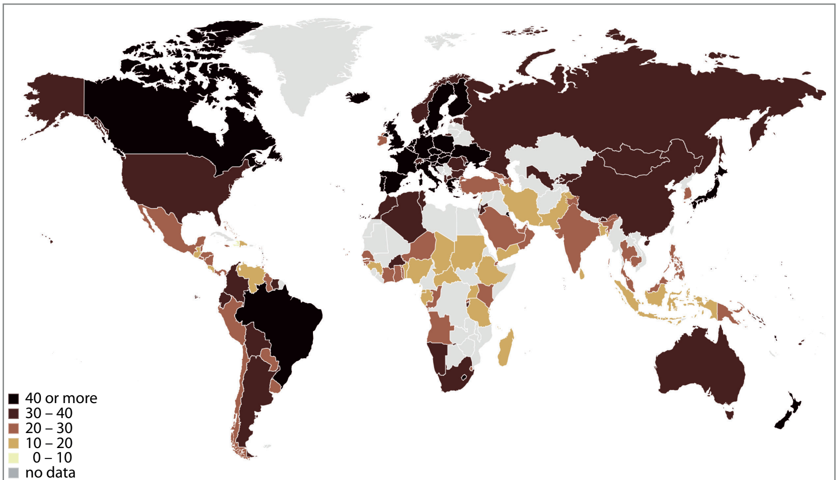


Source: Own elaboration based on OECD (2024) data, which uses as a primary source the results of the Gallup World Survey, 2022.

An additional interesting outcome of this study is that the level of satisfaction with the government is 30% higher in OECD countries (compared with the Latin American average), where the size of the State is significantly larger than in Latin America (especially among European members; see Alfonso *et al.*, 2023). For this reason (and because the size of the Argentine public sector ranks 45th globally, below most European and Oceanian countries; see Figure 14), the magnitude of the State in Argentina does not seem to explain the social discredit of this institutional form, nor its frequent use as a target in the far-right populist narrative.

Our alternative hypothesis is that the high level of distrust of the State in Argentina, which exceeds the regional average, is linked both to its abdication of the role of comprehensive planner in the decades since the Triennial Plan for National Reconstruction and Liberation of 1973 (Poder Ejecutivo Nacional, 1973) and to the underlying inability to build political consensus. Additionally, this distrust is connected to the secular reduction of the State's direct participation in the production of strategic infrastructure, because of its failure to establish new large-scale and impactful public or mixed enterprises (in key sectors aimed at boosting industrialization; see Ascencio and Iramain, 2021).

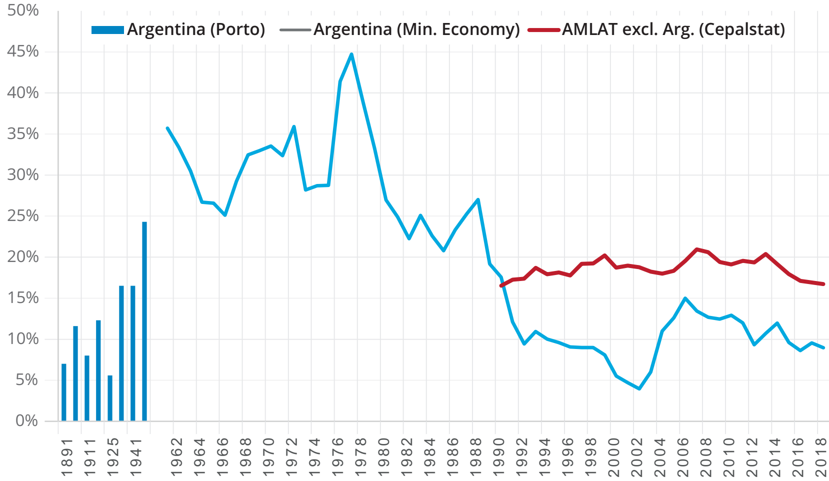
Figure 14. **Government expenditure as % of GDP (2022 data)**



Own elaboration based on data from the Public Finance in Modern History Database (IMF).

As a striking yet not unexpected consequence, an unprecedented decline in the investment rate (capital expenditures as a proportion of total public spending) of the Argentine public sector began in the late 1970s, with levels falling from over 30%—the average left by pre-military dictatorship Peronism—to a historical low of 3.9% in 2002. This decline resulted in an average annual public investment rate that was consistently 10 percentage points below the Latin American average over the last 30 years. Although some recovery was observed between 2002 and 2006, the subsequent downward trend that persisted until the end of the observed period (see Figure 15) underscores the challenges of enhancing public investment without expanding and strengthening public or mixed enterprises. Addressing these challenges requires not only learning from past management mistakes but also recognizing the critical role of such enterprises in counteracting the current deindustrialization trends in the Global South.

Figure 15. **Public sector investment rate. Share of capital expenditure in total public sector spending in Argentina and Latin America (1891-2018)**



Source: **Own elaboration based on data from CEPALSTAT (for the rest of Latin America), the Savings-Investment-Financing Account of the Public Sector (Ministry of Economy), and Porto (2021).**

Properly targeted current expenditures can immediately improve the living conditions of the most vulnerable sectors (i.e. with well-designed conditional cash transfer programs), but they do not address the causes of their vulnerability as certain capital expenditures do, particularly when linked to the State's productive activities through public and/or mixed enterprises.

This perspective, however, could appear to run against a vast body of literature that has highlighted the downturn of State-Owned Enterprises (SOEs) in Western countries (which has generated a widespread wave of privatizations). The decline of SOEs since the late 1970s has often been attributed to a range of persistent issues, including their increasing economic and managerial problems, heavy bureaucratic structures unsuited for globalization, and a susceptibility to political pressure that underscored the risk of "government failure" over market failure (see Toninelli, 2000). Even so, some within this literature have cautioned that history is often characterized by cycles of State intervention followed by reactions in the opposite direction (e.g. Heertje, 1989). In this light, newer evidence and the recent experience of emerging economies appear to show a different picture, suggesting a potential revival in the role of SOEs.

Indeed, given the sustained economic expansion of "SOE-intensive" economies like some of the BRICS nations, the traditional narrative associating public sector enterprises with inefficiencies and underdevelopment warrants re-examination. To this end, we draw upon the Bałtowski and Kwiatkowski (2022) dataset to further analyze the modern role of public and mixed enterprises in fostering economic growth and investment. A detailed description of the data, methodology, and full econometric results can be found in the appendix.

Our preliminary analysis yields three principal findings:

- A greater number of large SOEs operating within a country is positively and significantly correlated with both higher GDP growth and a higher aggregate investment rate.
- There is a positive correlation between the proportion of SOEs that are publicly listed on stock exchanges and GDP growth, suggesting that the enhanced governance and transparency standards of capital markets may contribute to their effectiveness.
- Econometric results also reveal a robust negative correlation between minority State ownership of SOEs and both GDP growth and investment, highlighting the importance of the State's role as an active manager rather than a passive investor in these firms.

It is crucial to view these results as preliminary, acknowledging certain methodological limitations. The analysis is based on a relatively small panel database covering the 2009-2018 period for only 32 countries (with only three datapoints for each country). Furthermore, the econometric models would benefit from additional robustness checks, particularly the inclusion of more control variables to isolate the impact of SOEs from other factors influencing economic performance. Therefore, our findings are indicative and underscore the need for more extensive econometric studies to assess their generalizability.

Given this caveat, a cautious interpretation of our emerging results nevertheless appears to corroborate recent empirical findings, such as Cardinale (2020) or Mazzucato (2023), which emphasize the importance of SOEs (particularly listed ones) for industrialization processes (or, more precisely, to fight against global deindustrialization). Fundamentally, the results also highlight the relevance of SOEs (especially listed ones), even though well-known issues with these firms in Argentina (see Belini and Rougier, 2008; and Regalsky and Rougier, 2015) have also been used to reinforce far-right propaganda.

If SOEs do indeed prove useful for defending employment in emerging economies exposed to a widespread industrial production relocation, they become crucial for those economies, like Argentina, that historically face high levels of country risk (beyond certain temporary financial improvements), which translate into prohibitive discount rates for cash flows from strategic investment projects (which, due to their magnitude, require prolonged recovery periods, making discount rate issues even more corrosive).

The importance of these two key aspects of the State (comprehensive planning and direct production involvement) is well-known among regulationist researchers, who continuously refine the analysis of this institutional form (see André and Delorme, 1991; Théret, 1995; Delorme, 1995; and Boyer, 2013). However, their significance in more recent contributions has diminished due to a paradigm shift in the field (see Boyer's study on the crisis of planning, 1984), leading most recent regulationist studies to focus primarily on regulatory and distributive aspects, emphasizing fiscal and tax transformations.

A review of keywords across all issues of the journal Revue de la Régulation reveals a notable absence of references to the French term "planification" ("planning" in English), with the sole exception of a 2024 article that uses the phrase "French planning" (Tadjeddine, 2024; see https://journals.openedition.org/regulation/7419#a80).[11] Similarly, despite a dedicated special dossier in 2021 ("Les figures de l'État-actionnaire"; see Coutant *et al.*, 2021), the journal's database contains no articles with the French term "État-actionnaire" ("state shareholder" in English) in the title or abstract outside this special issue. Furthermore, a search for the French term "entreprises publiques" ("state-owned enterprises" in English) yields only three occurrences, two of which appear in articles from the aforementioned special dossier.

In conclusion, the empirical, analytical and bibliographic results obtained allow us to propose a methodological "restoration" of forgotten State dimensions like planning and SOEs that remain critical both to a better understanding of the mode of regulation in developing countries and to a better identification of available tools to fight against deindustrialization in the Global South.

11. This characteristic is not unique to the *Revue de la Régulation*, but rather reflects a broader trend. A similar search in the *Journal of Post-Keynesian Economics* yields only five occurrences throughout its entire digital repository, with only one directly addressing development planning.

5. Conclusions

The rise of far-right populism in Argentina holds significant academic and political interest as a prominent case within a broader global trend that may continue to gain momentum. This phenomenon is particularly striking given Argentina's long-standing tradition of social justice, as well as its recent advancements in progressive agendas on gender equality and minority rights, which have reached levels comparable to those of advanced democracies.

Argentina's political trajectory has often been conceptualized as a "secular institutional pendulum" (Boyer, 2023), characterized by recurrent oscillations between classical right-wing administrations and Peronist leaderships. The election of Javier Milei, however, represents a significant departure from this historical pattern, pushing the country into a more radical experiment. Combining two key principles that have organized all other policy measures—economic freedom (with trade liberalization and generalized market deregulation) and fiscal balance (achieved through an unprecedented fiscal adjustment in real terms)—with a pronounced pragmatism in avoiding some campaign promises that jeopardized governance and primary goals (such as completely lifting currency controls, dollarization, closing the central bank, or eliminating export duties), the new government established an increasingly competitive mode of regulation. This approach subordinates most institutional forms to monetary (anti-inflationary) objectives aimed at redirecting Argentina's development strategy towards the "Irish miracle" model, characterized by an outward-oriented accumulation regime and a highly competitive wage-labor nexus.

The transformations in the mode of regulation are still far from achieving the virtuous dynamics of that model, but they have had the well-known effects of orthodox stabilization plans on the accumulation regime: rapid nominal deceleration at the cost of a severe initial recession followed by typical dual-economy dynamics (with a recovering GDP alongside stagnation in mass consumption). Moreover, they have already generated two structural tensions that are eroding the medium-term stability of the institutional transition:

1. The Forms of insertion into the international regime, subordinated to anti-inflationary policy (i.e., generalized trade liberalization plus multilateral real exchange rate appreciation), could be incompatible with the accumulation regime's capacity

to generate sufficient foreign currency to service debt without increasing external borrowing, leading to further devaluations or a deepened recession to curb domestic absorption; and

2. The transformations in the State (fiscal adjustment), Money (growing demonetization), and the Forms of insertion into the international regime may be incompatible with an accumulation regime that largely remains self-centered and reliant on domestic demand for sustainable and inclusive growth (reflected in the unemployment rate dynamics). This potential mismatch could be particularly significant until foreign direct investments materialize and it is ensured that these investments do not result in enclave economies of the type promoted by the Argentine RIGI).

The far-right populist program faces a challenging and likely conflict-prone future. This assessment applies both to the transition phase—aimed at achieving macroeconomic stability yet marked by the two structural tensions discussed above—and, if successful, to the subsequent consolidation phase, with an outward-oriented accumulation regime.

The government's hypothesis is that, in the medium term, energy and mineral exports will transform the current account balance from deficit to surplus. At that point, the current real exchange rate appreciation would be revealed as a future equilibrium condition. The challenge is simply to build and cross an intertemporal bridge. One might say Argentina is suffering from a kind of "prepaid" Dutch Disease. The sustainability risks of this transition phase are significant, as it will unfold with a scant level of international reserves, mostly borrowed and conditionally available (and also with a significant appreciation in the multilateral real exchange rate). As a result, any negative shock—external, internal, or climatic—even if temporary, could trigger a currency and/or financial crisis. It is worth noting that the government has already overdrawn the emergency assistance that the IMF could provide. Paradoxically, this fragility of the intertemporal bridge undermines market confidence (e.g. in June 2025, J.P. Morgan officially announced a carry-trade reversion in Argentina with a diminishing position in domestic currency bonds because of current account and political risks) and sets a floor for the country risk premium, which is precisely the key condition for accessing private debt markets to finance the transition.

But even assuming the transition succeeds—thanks to a sequence of positive external shocks and access to the necessary bridge financing—it is crucial to consider the likely outcomes under the accumulation regime proposed by far-right populism in the consolidation phase. The principal long-term challenge of this development mode lies in its tendency toward productive and social dualization. It is probable that a set of new dynamic sectors (beyond agriculture) could emerge, primarily oriented around raw material extraction in enclave-style "RIGI-led" projects, while the remainder of the economy risks stagnation, reflecting the previously discussed Dutch Disease dynamics and anticipating regressive patterns of income and wealth distribution (due to the higher unit labor requirements of stagnant sectors). In this phase, the sustainability of the new accumulation regime will depend on the extent of social compliance—particularly among Argentina's influential middle class—in providing electoral and political support to the government's dual-economy strategy. The low inflation regime—potentially achieved during the transition phase—is a necessary but not sufficient condition for political consolidation. Failure to meet the historical expectations of the middle class would severely jeopardize the long-term sustainability of the emerging accumulation regime.

Despite employing a regulationist framework to examine the stability conditions and potential outcomes of Argentina's new development mode, this analysis has also undertaken a critical examination of the Argentine State with two principal objectives. First, it seeks to provide novel evidence regarding the extent to which specific institutional weaknesses have contributed to social dissatisfaction and, ultimately, to the electoral success of far-right populism. Second, it aims to identify additional analytical dimensions that may enrich regulationist approaches to the study of this institutional form in emerging economies.

Our findings suggest that the Argentine State has predominantly been focused on regulatory and secondary redistribution roles, rather than on infrastructure and development functions. Moreover, these emphasized roles were often characterized by inefficiencies and contradictions, as reflected in public opinion polls and electoral outcomes. The perception of the State's high costs appears to overshadow its benefits in the eyes of much of the public, highlighting a critical disconnect between policy intentions and social perception.

As an original contribution, this study seeks to elucidate the factors that explain why certain States succeed in fostering economic growth and capital accumulation through its direct participation in productive sectors. The empirical findings support the hypothesis that, contrary to the prevalent emphasis on issues such as State oversizing or deficiencies in public goods provision, the critical determinant is not the size of the State itself, but rather the strategies employed to develop strategic sectors. In particular, the evidence underscores the importance of promoting transparency—exemplified by the use of stock markets and public-private partnerships to enhance feedback mechanisms and operational efficiency and to broaden the investment base—while simultaneously preserving long-term development goals and robust redistributive capacities, primarily through strategic investments and the creation of high-quality employment opportunities. Contemporary successful development modes do not rely on minimal States (not even the "Irish miracle" case, where public employment participation in total employment is 10 percentage points higher than in Argentina), but nor do they match with traditional welfare States. Our econometric results support the alternative position that success in growth and accumulation is linked to modern (and more transparent than previous experiences of) entrepreneurial States (with a significant role for mixed-ownership enterprises).

Finally, a related subject is preliminary introduced (and further addressed in an upcoming study),with a discussion about the relationship between the worldwide growing support for far-right populist proposals and the abdication by an increasing number of peripheral States of critical developmental functions like planning and direct involvement in strategic production.

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APPENDIX

This study provides a preliminary empirical evaluation of the relationship between the characteristics of State-Owned Enterprises (SOEs) and national economic performance. The analysis integrates data from two primary sources: national account variables (GDP growth and investment rates) were obtained from the World Bank's *World Economic Outlook*, while data on the size, quantity, and nature of State-Owned and mixed enterprises were sourced from information available at Bałtowski and Kwiatkowski (2022). The resulting panel database of 96 observations was constructed using data from three specific years (2009, 2013, and 2018) for each of the 32 countries in the sample.

The econometric models test two dependent variables (GDP growth and investment rate) against a set of explanatory variables that define the role of SOEs among the 100 largest firms in each country. These variables include the number of SOEs, the proportion of these that are publicly listed (lsoes_ratio), the ratio of foreign to local SOEs (fsoes_ratio), the economic share of SOEs relative to GDP (rev100), their weight within the top 100 firms (ss100), and the significance of mixed enterprises where the State holds only a minority ownership (mis100). As a robustness analysis, for each equation we use three alternative estimators (see Tables A.1 and A.2).

Estimated coefficients and t-tests show that only three dimensions of SOEs are statistically significant to explain GDP growth (with one of them losing significance to explain the aggregate investment rate).

First, regardless of the estimator, there is a positive multivariate correlation between the number of SOEs and both dependent variables. Second, the higher the proportion of SOEs listed on the stock exchange (out of the total number of SOEs among the 100 largest companies in the country), the higher the GDP growth. Finally, we found a third robust effect (across different econometric specifications) related to the significance of mixed enterprises with minority State ownership among SOEs (comparing operating revenues and total assets).

Table A.1. **Estimation results for the GDP growth equation (2009-2018)**

	(Ordinary Least Squares estimator)	(Between estimator)	(Random Effect estimator)
SOEs	0.103*	0.106*	0.103**
	(2.60)	*(2.65)*	*(2.60)*
lsoes_ratio	3.379*	2.664	3.385*
	(2.12)	*(1.63)*	*(2.11)*
fsoes_ratio	0.419	0.0421	0.422
	(0.87)	*(0.08)*	*(0.88)*
rev100	-0.0456	-0.0225	-0.0458
	(-1.08)	*(-0.52)*	*(-1.08)*
ss100	0.00204	-0.0112	0.00214
	(0.06)	*(-0.29)*	*(0.06)*
mis100	-0.0414*	-0.0434*	-0.0414*
	(-2.42)	*(-2.45)*	*(-2.41)*
_cons	-0.581	-0.0590	-0.585
	(-0.71)	*(-0.07)*	*(-0.71)*
Overall R2		0.262	0.270
R2	0.270	0.564	
Observations	96	96	96
F	5.481	5.381	
Chi2			32.68

t statistics in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table A.2. **Estimation results for the Investment rate equation (2009-2018)**

	(Ordinary Least Squares estimator)	(Between estimator	(Random Effect estimator)
SOEs	0.315***	0.323**	0.287***
	(5.35)	*(3.08)*	*(3.56)*
lsoes_ratio	2.406	2.198	2.865
	(1.01)	*(0.51)*	*(0.98)*
fsoes_ratio	-0.740	-0.978	0.107
	(-1.03)	*(-0.73)*	*(0.14)*
rev100	0.116	0.123	0.111
	(1.85)	*(1.08)*	*(1.47)*
ss100	-0.121*	-0.130	-0.100
	(-2.20)	*(-1.30)*	*(-1.51)*
mis100	-0.0600*	-0.0566	-0.0756*
	(-2.35)	*(-1.22)*	*(-2.57)*
_cons	21.45***	21.65***	20.99***
	(17.52)	*(9.87)*	*(12.60)*
Overall R2		0.461	0.449
R2	0.462	0.506	
Observations	96	96	96
F	12.71	4.261	
Chi2			31.59

t statistics in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$