

Understanding the Persistence of Inflation in Argentina: From Peron to Milei*

Mario I Blejer

Argentina's repeated failures to achieve lasting inflation control reflect not merely technical mismanagement, but also the country's deep-seated political and institutional rigidities. Chief among these are the entrenched corporatist structures linking Peronism, organised labour, and the state, which have long constrained productivity and external competitiveness. These structural distortions have created a self-reinforcing inflationary dynamic, undermining stabilisation efforts across successive regimes. Since taking office in 2023, President Milei's administration has achieved notable short-term gains in fiscal balance and inflation reduction, yet recent political uncertainty and foreign exchange interventions highlight persistent vulnerabilities. Without dismantling the political-economic legacy of Peronism and addressing labour market inflexibility, even well-designed reforms risk failure. The current moment may represent Argentina's last opportunity to break its inflationary trap and achieve sustainable macroeconomic stability.

Journal of Economic Literature (JEL) codes: D72, E02, E24, E52, G01

Keywords: inflation, hyperinflation, central banking, trade unions, fiscal dominance, Argentina, Latin America

1. Introduction

Argentina's persistent inflation stands as one of the most enduring economic phenomena in modern economic history. Despite multiple stabilisation efforts – ranging from orthodox to heterodox approaches – the country has struggled to achieve lasting price stability. This recurring pattern suggests that inflation is not

* The papers in this issue contain the views of the authors which are not necessarily the same as the official views of the Magyar Nemzeti Bank.

Mario I Blejer: Central Bank of Argentina, former Governor. Email: marioiblejer48@gmail.com

The author was the Governor of the Central Bank of Argentina during one of its stabilisation periods. He was also Director of the Bank of England and held senior positions at the IMF and in the private sector. The author is grateful for the insightful comments and suggestions by Piroska Nagy Mohacsi and editor Endre Morvay, as well as by two anonymous referees.

The first version of the English manuscript was received on 26 June 2025.

DOI: <https://doi.org/10.33893/FER.24.4.5>

merely the outcome of policy shortcomings or external shocks, but rather the result of deeper institutional and behavioural factors that have evolved over decades.

The roots of Argentina's inflationary dynamics can be traced to the political and economic model that emerged under Peronism in the mid-twentieth century. By linking state intervention, organised labour, and social protection to national identity, Peronism established a distinctive institutional framework that continues to shape policy choices and inflation expectations. As *Calvo and Murillo (2012)* note, its adaptability has allowed it to integrate diverse constituencies under a broad narrative of inclusion and sovereignty, ensuring political continuity even amid changing economic paradigms.

A key unresolved question, however, is what makes Argentina different from other Latin American economies that have managed to reduce inflation and sustain institutional reforms. Is Argentina's trajectory the result of a self-reinforcing institutional structure, or do prevailing voter preferences make the return to interventionist policies more likely after each reform cycle? Comparative experience indicates that while other countries in the region have transitioned toward more rules-based macroeconomic frameworks, Argentina's policy environment has remained more path-dependent, reflecting the interaction of historical legacies and societal expectations (*Marzetti and Spruk 2022*).

This paper situates Argentina's inflation problem within that broader political-economic and institutional context. It argues that inflation persistence reflects not only fiscal and monetary imbalances but also the underlying social contract that links distributive politics, state centrality, and collective expectations. The following sections trace this evolution from the early Peronist period to the present, exploring how ideological and institutional continuities have constrained reform efforts and shaped policy outcomes.

The final sections assess whether recent policy initiatives – aimed at restoring macroeconomic stability and institutional credibility – may signal a departure from past dynamics or represent a new phase within Argentina's long-standing adjustment cycle. By framing inflation as both an economic and institutional challenge, this paper seeks to contribute to a more comprehensive understanding of the structural factors behind Argentina's macroeconomic volatility.

2. Inflation in Argentina

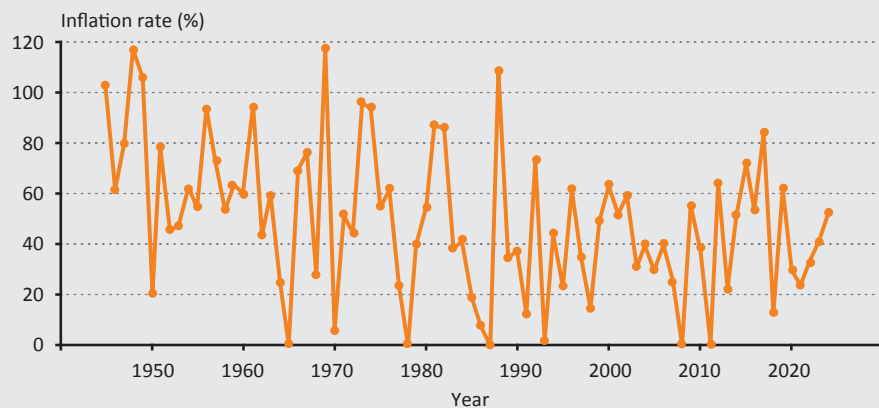
“Persistence of inflation in Argentina should not be seen merely as a failure of monetary policy, but as a successful tradition of political survival.”¹

The very mention of Argentina evokes, around the world, a country of immense potential – but also of chronic instability, most notably reflected in persistently high and volatile inflation, and erratic economic growth. This instability has been the backdrop to Argentina’s prolonged decline over the past eighty years.

It is therefore crucial to understand the deeper roots of Argentina’s inflation persistence – an issue that continues to dominate the country’s economic reality. While many emerging markets, especially in Latin America, experienced similar episodes of high inflation and recurrent macroeconomic imbalances during the second half of the twentieth century, most eventually managed to stabilise prices and reduce inflation to reasonable levels. Argentina, however, stands out as an exception. Despite numerous stabilisation attempts, inflation has remained a central and unresolved problem, with far-reaching consequences for investment, output, employment, and external trade.

The actual behaviour of inflation over the last 75 years provides an illustration of the phenomenon (Figure 1).

Figure 1
Argentina’s recurrent inflation rates (annual, 1945–2024)



Source: World Bank Database

¹ The quotations used in this essay are either original formulations or paraphrased expressions constructed to reflect the rhetorical and ideological tone of Argentine political discourse. While not sourced from specific individuals, they are inspired by commonly observed narratives, academic commentary, or journalistic satire related to Argentina’s economic and political history.

Inflation has been a trend-less roller coaster with rates that have fluctuated between zero and almost hyperinflation levels. While high inflation was usually followed by emergency stabilisation programmes that managed to control inflation, that was only temporarily and often carried a recessionary tag. The persistence of price increases made the economy highly susceptible to inflationary expectations for all relevant decision-making. This, in turn, induces a high level of indexation and dollarisation throughout the economy, conditioning the design of feasible stabilisation programmes.

The first robust econometric study of inflation, related to the period 1935–1962 was *Diz (1970)*, who applied the methodology of *Cagan (1956)* to test the Quantitative Theory of Money. He found that monetary expansion was the principal driver of inflation for that period, with expectations playing a critical role. There were attempts to replicate these results for other periods, but the results were not always robust due perhaps to high volatility of inflation and the massive structural shocks that hit the economy in the post-war period.²

The second notable marker of high and persistent inflation is the number of monetary reforms that took place over the period, usually as part of a stabilisation programme. Between 1945 and 1992 the Argentine peso was substituted five times by a newly denominated currency and, in total, 13 zeros were dropped. As an illustration of the currency loss of value due to inflation, consider that if you were holding 1,000 pesos in 1945, your holdings would be worth 0.000000001 pesos by 1992.

While high and variable inflation occurs in many countries and monetary reforms are occasionally implemented, the degree of time persistence seen in Argentina is not common. What accounts for such divergency?³

² Some of the most widely quoted econometric studies on Argentina's inflation are by *Diz (1970)*, *Damill and Fanelli (1992)*, *Kiguel and Liviatan (1992)*, *Damill and Frenkel (2003)*, *Basco et al. (2009)*, *D'Amato and Garegnani (2013)* and *Cavallo (2013)*.

³ Relevant readings to learn about the longer-run trends in the Argentina economy with a particular emphasis on the inflation problem include *Fanelli and Frenkel (1999)*, *Canavese and Gerchunoff (1996)*, *Calvo and Murillo (2012)*, *Ocampo (2021)*, *Rodríguez (1982)*, *Sturzenegger and Werneck (2006)*, and *Marzetti and Spruk (2023)*.

3. An explanation – Perón and his legacy

“There is only one thing more permanent than a Peronist policy – its unintended consequences.”

One likely reason to Argentina’s exceptional trajectory lies in the overwhelming and determining political, institutional, and economic role played over the last 80 years by Juan Domingo Perón and the Peronist movement that he found.

Juan Domingo Perón was a central and the most influential figure in Argentine politics and economics during the twentieth century. He was President in 1945–1955 and then again in 1973–1974, but he conserved maximum power during his 18 years of exile in Madrid, and after his death in 1974 his party continued to have decisive influence in Argentina, whether it was in power or in opposition. His political and economic ideology, shaped by personal experiences, ideological influences, and the historical context of his time, left a lasting structural imprint on Argentina’s economy and on its society.

Reviewing the intellectual roots of Perón’s political doctrines and economic thought, one can trace the path of the structural and macroeconomic policies that were followed in Argentina since the 1950s. A central claim of this paper is that the policies emanating from the Peronist doctrine are intrinsically inflationary and/or competitiveness-eroding. Therefore, only by dealing with these structural and political dimensions of Peronism alongside the macroeconomic variables in the design of stabilisation programmes one can deal successfully with Argentina’s chronic inflation.

4. Ideology and implementation

“Peronism is the only ideology that can turn a fiscal deficit into a glorious national achievement.”

Perón’s tenure as military attaché in Rome between 1939 and 1941 played a decisive role in shaping his economic worldview. During this period, he closely observed Italian fascist corporatism, but despite admiring Mussolini he did not take Fascism at face value. He was also influenced by three other currents of the time: the American New Deal; the emerging European welfare state, that informed his vision of an active, regulatory, and redistributive state; and by the social doctrine of the church, from whose rhetoric of “social justice”, “labour dignity”, and organised labour he drew heavily.

Blending all these influences and adapting them to local realities, Perón developed and promoted his own movement, Justicialismo, a political-economic doctrine that amalgamated economic nationalism with social justice. Built upon the triad of social justice, economic independence, and political sovereignty, his model advocated a strong state, powerful trade unions, and public ownership of strategic sectors.

One area where Perón went beyond his intellectual influences is in the role of the trade unions. Peron saw trade unions as pillars of the political system much as Mussolini's syndicates inside the corporatist state. In all social conflicts, Perón tilted strongly towards labour granting unions real benefits, wage gains, paid vacations, social services and political clout. In exchange, the unions acted as the trustable regime's electoral and street muscle. The incorporation of these principles into state doctrine is a central element to understand the endurance of Peronism and its ability to exercise power effectively even years after the disappearance of its leader.

When Perón came to power in 1945, he moved energetically to implement his sweeping reforms that were largely based on this ideology. The period 1947–1952 was the most transformative period of his leadership. During that period the state assumed a dominant role in the economy: it created numerous state-owned enterprises, imposed price and exchange controls, employed public spending as a redistributive tool, and subordinated the Central Bank to executive power. While these measures expanded state influence, they also undermined economic efficiency, discouraged private investment, and fostered a culture of state dependency. They eroded competitiveness and disregarded budget constraints and were intrinsically inflationary.

Perón embarked on an ambitious model of import-substitution industrialisation (ISI) policy to reduce dependence on imports and encourage domestic industry. The widespread use of subsidies, tariffs, and state control over everything that could be considered strategic was established. Industry was promoted but, for budgetary and distributional reasons, exports were, at best, neglected. Agricultural prices were fixed, an export tax on agricultural commodities was introduced, and the government created the IAPI (Instituto Argentino de Promoción del Intercambio) that monopolised foreign trade. Farmers were severely underpaid leading to stagnation in agriculture, traditionally Argentina's key export sector.

One of the most thorough, enduring, and probably most damaging structural consequences of Peronism was the *empowerment of labour unions* as central political actors. The unions became pillars of the regime. Their main platform, the Confederación General del Trabajo (CGT), became a political arm of the

Peronist movement and served the interests of the party as much as those of the workers.

Perón restructured labour laws to guarantee “appropriate outcomes” in collective bargaining and limited dismissals, and created a web of social protections that was unprecedented, as was the amount of power accumulated by the trade unions and its leaders. By 1949, the CGT had become not only the largest trade union in Latin America, but also the politically most influential. The power of trade unions in Argentina has persisted beyond Peronist administrations.

As is well known, in the short run these interventionist policies may work, particularly before inflationary expectations become entrenched. In Argentina, real wages rose, employment expanded, and domestic demand surged. These outcomes fuelled initial growth and popular support. However, this success was achieved by expansionary fiscal policies financed by the Central Bank, strict price controls, and real wage increases not matched by gains in productivity, adversely affecting the competitiveness of the country.

During the early years of programme implementation, Argentina benefited from the fact that the country emerged from World War II with a large stock of foreign currency and gold, thanks to food exports to war-stricken areas of the world. Perón used these reserves to finance his public works, industry, and social programmes. However, by the early 1950s the reserves had been depleted, initial prosperity turned into stagnation, and inflation rose further. Austerity measures were introduced, including wage freezes and fiscal tightening. This was the first of a total of eight well-defined macro cycles that have affected the country in the last 70 years.

Foreign exchange shortages and a drop in productivity and real wages eroded Perón’s support and in 1955 he was ousted by a military coup. After his removal, Perón spent 18 years in exile. However, by then his imprint had already been established and the Peronist ideology remained central in Argentinian politics and economics. The country continued to experience periodic balance of payments crises, chronic inflation, and a steady erosion of competitiveness. It is during this period when it became evident that these dynamics were not merely the results of short-term mismanagement, but were rather rooted in the very institutional architecture constructed during the formative years under Perón.

5. Post-Perón evolution from 1973 to present

“45% of Argentini-ans are centrists (radicals or social democrats), 30% are socialists, and 25% are right leaners. All the 100% are Peronists.”

Perón returned to power in 1973 with massive popular support, but received an economy already destabilised by inflation and political violence. He tried to implement a “social pact” seeking to control prices and wages through a pact between labour, government and employers. His “magic” did not play this time, and the pact unravelled quickly. Inflation continued to climb, going over 60 per cent in 1974.

Perón died in 1974, but successive governments – Peronist and non-Peronist alike – struggled, to no avail, to dismantle the institutional legacy he left behind. A combination of entrenched union power, powerful vested interests, high distributional expectations, and resistance to reform prevented the emergence of a sustained, competitiveness-driven growth model.⁴ The military dictatorship that took over in 1976 sought to dismantle Peronist institutions, but not its deeper economic logic. The Junta implemented a neoliberal policy framework under Economic Minister Jose Alfredo Martinez de Hoz. It comprised trade liberalisation, financial deregulation, and a fixed exchange rate. Yet the reform effort collapsed in 1981 under the burden of growing foreign debt and rising inflation. Ultimately, the dictatorship did not improve the structural imbalances.

The return to democracy in 1983 did not reverse the corporatist logic or reduce the state centrality of Peronism. President Alfonsín, from the Radical Party, had the credentials to confront Peronism, but he also failed to overcome Argentine economic malaise. He attempted to combine fiscal reform with wage-led growth. But the programme rapidly crumbled given the hostile reaction of organised labour. Again, the loop was at work, with prices rising to reach hyperinflation rates in 1989 (peaking at 3,000 per cent when annualising weekly rates). Alfonsín’s weak political mandate and his major concessions to the trade unions prevented a stabilisation programme and provoked his early resignation, paving the way for a new phase of Peronist rule.

In 1989, Carlos Menem – a Peronist – was elected president. But in a sharp ideological and political pivot, he launched sweeping liberal reforms, including large-scale privatisations, trade liberalisation, and some labour market reforms. Most noticeable, he introduced the “Convertibility Plan” under Economics Minister

⁴ On the enduring effects of labour-based populist incorporation and its institutional legacy in Argentina, see Collier (1999).

Domingo Cavallo which pegged the peso 1–1 to the US dollar and eliminated all exchange controls. These policies temporarily stabilised inflation and attracted capital inflows, but substantial fiscal deficits and important imbalances in external accounts persisted and made the programme unsustainable. Once again, the competitiveness trap was at work, as competitiveness was eroded due to the fixed exchange rate in the presence of rising wages and costs. While the early 1990s saw growth, the second half of the decade witnessed rising unemployment, stagnation and growing social unrest.⁵

By the end of the decade, public debt had become unsustainable and in 2001 Argentina defaulted and abandoned the convertibility regime. The ensuing crisis led to mass protests, a run on banks, a collapse in GDP, and a profound political vacuum. The country was again on the brink of hyperinflation (*Blejer 2005*).

From the chaos emerged still another brand of Peronism—Kirchnerism. Nestor Kirchner (2003–2007) and Cristina Fernandez de Kirchner (2007–2015) – acting more with political expediency than with ideological conviction – used the discrediting of neoliberalism to reinstate with force many of the symbols and rituals of hard Peronism with its populist and nationalistic economic rhetoric. But it was not only rhetoric. Argentina increased market intervention and renewed many inflationary measures by embracing price and capital controls, export taxes, and more nationalisations, including re-nationalisation of enterprises previously privatised by the Menem government.

5.1. Why Peronist policies can be considered intrinsically inflationary?

The dynamics at play in Argentina are best understood by examining the intrinsic inflationary bias of Peronist economic policy instruments.

Even a casual review of the main instruments that constitute the core of “Peronist Economic policies” reveal that they are incompatible with long-term price stability. The main policies include:

a) Structural wage-price dynamics: Peronism institutionalised centralised, politicised wage bargaining through powerful trade unions. Wages become not just a cost variable, but a political entitlement. This resulted in a cost-push inflationary bias. Any attempt to stabilise through wage restraint faced immediate resistance and erosion through periodic catch-up rounds.

⁵ See *McGuire (1997)* and *Levitsky (2003)*.

- b) *Fiscal populism*: Peronist administrations tended to prioritise distributive objectives and full employment over fiscal balance. Recurrent fiscal deficits frequently financed by monetary expansion became an enduring feature, although later on this was supplemented by public debt. As most of the fiscal deficits were structurally linked to transfers, subsidies, and over-employment in the public sector finance became a quasi-permanent mechanism.
- c) *Indexation and expectations*: The historical frequency of information under Peronist Governments led to backward looking indexation of wages and contracts embedding inflation into the economic structure. This created inertial inflation where price dynamics persist independently of demand shocks.

Initially supported by a favourable global commodities boom, these policies allowed for strong GDP growth and poverty reduction. But as the terms of trade turned around by the early 2010s, fiscal sustainability rapidly eroded, reserves declined, and inflation resurfaced in earnest, increasing social pressures and the return to state-led redistribution, reviving key elements of classical Peronism, including the strategic alliance with organised labour. Competitiveness has lost another round.

6. Between Kirchnerism and Milei: The Macri interlude

“You can win elections without Peronism, but you cannot govern Argentina without it.”

Following a prolonged period of Kirchnerist rule, Mauricio Macri was elected President in 2015 with a centre-right, pro-market platform that promised to restore macroeconomic stability, liberalise the economy, and reduce the pervasive influence of Peronist corporatism. It was the first time since the return to democracy in 1983 that a non-Peronist coalition had won the presidency in a free and fair election and completed its term.

Macri inherited a heavily distorted economy: capital controls, export taxes, a bloated public sector, high inflation, and fiscal imbalances. His administration initially enjoyed strong political support and external goodwill. Early measures included the removal of currency controls, elimination of agricultural export taxes, and a resolution of Argentina’s long-standing dispute with foreign creditors – steps that restored market access.

However, Macri adopted a gradualist approach to structural reforms, prioritising social and political stability over rapid fiscal adjustment. Public spending remained high, and the government financed deficits through debt issuance rather than politically costly austerity. When global financial conditions tightened in 2018, investor confidence waned, leading to a currency crisis, a return to IMF support, and deepening economic instability.

The Macri administration's failure to deliver sustained growth or reduce inflation – combined with rising poverty and unemployment – undermined its reformist credibility. In 2019, Macri lost the election to Alberto Fernández, a proxy for Cristina Kirchner who was returning as Vice President. This defeat marked the reassertion of traditional Peronism and illustrated the difficulty of implementing non-Peronist reforms within Argentina's entrenched institutional framework.

The Fernandez administration re-emphasised traditional Peronist themes of social protection, public spending and social justice, but the quality of public services, infrastructure and education kept deteriorating. At the same time, inflation soared above 94 per cent in 2022 and real incomes stagnated. Efforts to stabilise the currency through multiple exchange rates and interventions further distorted incentives. By 2023 the country faced another major inflationary crisis and political fragmentation.

6.1. Why Peronist policies can be seen as anti-competitiveness?

The persistence of low competitiveness and recurrent macroeconomic crises in Argentina can be traced to institutional and policy features embedded in the Peronist framework:

- a) Labour market rigidities:* Peronism protection of somewhat-arbitrarily-defined workers' rights created a dual labour market. A formal sector with rigid costs and an informal sector absorbing flexibility. This rigidity reduced productivity growth and discouraged investment in tradable sectors.⁶
- b) Overvalued exchange rates and import substitution:* The Peronist model favoured import-substituting industrialisation and undervalued the role of export competitiveness. Recurrent use of the exchange rate as a nominal anchor (to contain prices) eroded external competitiveness and led to recurrent balance of payment crises.
- c) Protectionism and rent seeking:* High tariff walls and discretionary subsidies protected inefficient industries generating a rent sharing equilibrium between capital and labour under state arbitration – an arrangement incompatible with global competitiveness.

⁶ As documented by ECLAC-ILO (2019:44, Graph II.11) real wages in Argentina have often outpaced productivity, reinforcing cost-push inflation and eroding external competitiveness.

7. Javier Milei: break from the past and why this time it may be different

“Milei is not just anti-Peronist—he is anti-statist, anti-collectivist, and anti-system.”

An important change took place in Argentina in 2023. Once again, the economic results of the Peronist administration were disappointing, but this time there was an additional factor eroding people's confidence in the government and in the Peronist administration – widespread and pervasive corruption reaching the highest echelons of government, including former President Cristina Kirchner. It seems that people were tired of politicians and were demanding a radical change. In this environment, a professionally trained economist, a political outsider, Javier Milei, unexpectedly won the presidency on an ultra-liberal, anti-Peronist platform. The election of Javier Milei in 2023 marked an unprecedented shift in Argentine politics. A libertarian economist with no prior executive experience, Milei rose to prominence through his fiery media presence and radical discourse. Rejecting not only Peronism but also the traditional party system, Milei ran on a platform of “chainsaw economics,” pledging to dismantle the “caste” of political privilege and to drastically shrink the state. The main components of Milei's economic programme include:

- Eliminating the fiscal deficit through drastic cuts to public spending, subsidies, and public-sector employment.
- Privatising state-owned enterprises and liberalising trade and capital flows. Liberalising and de-regularising the economy as much as possible.
- Restoring solvency to the Central Bank.
- Liberalising and deregulating labour markets, particularly cutting the power of labour unions in collective bargaining and the ability of trade unions to blackmail firms to alter production patterns for political objectives.
- Reorienting the international alignment of Argentina towards advanced Western economies, strengthening Argentina's presence in the OECD, the BIS, and the G20 rather than in the BRICS.

But Milei's highest priority has been to reduce inflation to arrest the dangerous slide towards hyperinflation that he inherited. During his first year, Milei moved quickly. He eliminated the fiscal deficit during the first year in office through severe expenditure cuts, removed price controls and subsidies, reduced export charges, and stopped monetary financing of the Treasury.

Inflation started to decelerate, to 2.5 per cent monthly in May 2025 from 15.6 per cent a month in May 2023. It is expected not to exceed an annual rate of 35 per cent for 2025. The risk of default has receded, but country risk is still high, although it almost entirely reflects a “risk of return”, i.e. the fear lingering in some circles of the establishment that Peronism may still pull off a political comeback.

However, as the mid-term congressional elections in the autumn of 2025 approached, political uncertainty increased and an unexpected electoral loss in by-elections in Buenos Aires in September created an environment of uncertainty, stimulating capital flight. Deciding to protect his disinflationary success, Milei intervened heavily in the foreign exchange market, keeping the value of the peso excessively strong, which hurt the incipient recovery and raised country risk, provoking a run in the US dollar market. Overvaluation of the peso sucked in imports and prevented Argentina from increasing international reserves, as agreed with the IMF, and from building the stock of US dollars it needs to repay a mountain of foreign debt.

Such use of the exchange rate for stabilisation purposes was considered by most observers as a mistake. The government emphasised too much the inflation side and did not cover itself enough on the reserve side. This left it vulnerable to political and external shocks.

These revived the lingering doubts of whether the vicious inflationary cycle would be indeed broken this time, or the Peronists would once again return to power with their old model. In a last moment attempt to halt the sell-off of Argentine assets, the United States Treasury announced that the Trump administration “stands ready to do what is needed” to support Argentina and that “all options for stabilisation are on the table”.⁷

The support package has two main elements: (1) a currency swap facility of USD 20 billion between the US Treasury and the Argentine Central Bank BCRA that gives access to US dollars via the Treasury’s Exchange Stabilisation Fund (ESF); and (2) an additional USD 20 billion mobilisation of credit lines via private/sovereign funds.

The measures greatly helped to calm the market and played a role in the decisive results of the October 2025 congressional elections. These results show strong public support for the government reform effort and, depending on the political abilities of Milei, the new composition of Argentina’s Congress may open the door for negotiating and compromising.

⁷ @SecScottBessent on X, September 22 2025. <https://x.com/SecScottBessent/status/1970108242522251304>

Milei's presidency represents something genuinely new: a frontal assault on the economic structures built since the first Perón presidency. His diagnosis is that Argentina's crisis is institutional – not just economic – and his strategy reflects this. He created the Ministry for Structural Reforms and entrusted it to a renowned Argentinian economist, former president of the Central Bank Federico Sturzenegger, who is doing an excellent job in cutting the size and increasing the rationality of the public sector. Nevertheless, whether Milei's radical approach can be politically sustained and institutionally consolidated remains the defining question for Argentina's future.

8. Conclusions and policy implications

Despite numerous and often well-designed stabilisation attempts, Argentina consistently failed, over a long period of time, to control inflation in a sustainable way. These failures took place under a variety of political and economic systems. From democratic regimes to military dictatorships, from populists to right-wing governments, from heterodox plans to traditional currency and fiscal rules and so on, each and every stabilisation programme collapsed under the weight of deeper, unheeded and unaddressed distortions. This long succession of debacles did not merely reflect a string of technical errors or analytical blunders, it is rather testimony to a persistent unwillingness and an objective inability of society to confront the true roots of the problem.

Chief among these distortions is the structural inflexibility imposed on the overall economy by the deep politicisation of trade unions. This inflexibility – embedded in innumerable labour-market rules and labour legal practices, strong union power and validating public sector practices – has severely hindered domestic and foreign investment, reduced Argentina's productivity gains, enfeebled external competitiveness, and created a feedback loop in which inflation becomes self-reinforcing. On top of this economic constraint plays the strong political interaction between Perón's ideology, Peronist political activism, and organised labour that established an iron-clad corporatist system, in which wage negotiations, labour protections, and strike powers are politically mediated rather than economically justified. In these circumstances, it was difficult to make real wage adjustments, and the result was a persistent imbalance between real wages and productivity, leading to rising unit labour costs and a loss of external competitiveness, resulting in recurring devaluations and more followed by additional inflationary pressures.

It is therefore not surprising that, despite multiple economic reforms and stabilisation programmes, inflation continues to reemerge in Argentina. Without addressing the political economy of labour-market rigidities and the institutional legacy of Perón and Peronism, reforms are unlikely to achieve lasting stabilisation. The system created a “trap” in which any credible reform effort is either blocked by entrenched political and corporatist interests or undermined by weak or inconsistent implementation.

President Milei has scored significant success at the macro level. His drastic austerity programme slashed the fiscal deficit and, most notably, controlled inflation that was approaching hyperinflation levels as he took over in December 2023. Also, albeit at a slower pace, a significant number of structural reforms were implemented.

With support from the US government, market volatility was also successfully managed around the mid-term congressional elections in the autumn of 2025, where the October results showed strong public support for the government’s reform effort. The new composition of Argentina’s Congress may open the door for negotiating and compromising. Despite Milei’s weak record as a domestic negotiator, he may have no choice. He must succeed in forming a coalition for reform because this may be the last chance for Argentina to shatter Peronism and escape the inflationary trap that has defined its economic trajectory for the past eighty years.

References

- Basco, E. – D’Amato, L. – Garegnani, L. (2009): *Understanding the money–prices relationship under low and high inflation regimes: Argentina 1977–2006*. *Journal of International Money and Finance*, 28(7): 1182–1203. <https://doi.org/10.1016/j.jimonfin.2009.06.008>
- Blejer, M.I. (2005): *Managing Argentina’s 2002 Financial Crisis*. In: Besley, T. – Zagha, R. (eds.): *Development Challenges in the 1990s. Leading Policymakers Speak from Experience*. World Bank and Oxford University Press, pp. 167–177. <https://documents1.worldbank.org/curated/en/545901468135587936/pdf/329210Developmental0Challenges01public1.pdf>
- Cagan, P. (1956): *The Monetary Dynamics of Hyperinflation*. In: Friedman, M. (ed.): *Studies in the Quantity Theory of Money*. University of Chicago Press, pp. 25–117.
- Calvo, E. – Murillo, M.V. (2012): *Argentina: The Persistence of Peronism*. *Journal of Democracy*, 23(2): 148–161. <https://doi.org/10.1353/jod.2012.0029>
- Cavallo, A. (2013): *Online and Official Price Indexes: Measuring Argentina’s Inflation*. *Journal of Monetary Economics*, 60(2): 152–165. <https://doi.org/10.1016/j.jmoneco.2012.10.002>

- Canavese, A.J. – Gerchunoff, P. (1996): *Reformas Estructurales, Productividad y Tipo de Cambio*. Desarrollo Económico, 36: 7–22. <https://doi.org/10.2307/3467097>
- Collier, R.B. (1999): *Paths Toward Democracy: The Working Class and Elites in Europe and South America*. Cambridge University Press. <https://doi.org/10.1017/CBO9780511625626>
- D'Amato, L.I. – Garegnani, M. (2013): *How Persistent is Inflation in Argentina?: Inflation Regimes and Price Dynamics in the Last 50 Years*. In: D'Amato, L.I. – Enciso, E.L. – Giraldo, M.T.R.: *Inflationary Dynamics, Persistence, and Prices and Wages Formation*. Centro de Estudios Monetarios Latinoamericanos, CEMLA, pp. 81–104. <https://EconPapers.repec.org/RePEc:cml:incocp:2en-4>
- Damill, M. – Fanelli, J.M. (1992): *Presupuesto, inflación e indexación*. Documentos Cedes 74. <https://repositorio.cedes.org/handle/123456789/3377>
- Damill, M. – Frenkel, R. (2013): *Argentina: macroeconomic performance and crisis*. IPD Working Paper. <https://repositorio.cedes.org/bitstream/123456789/3906/1/5002.pdf>
- Diz, A.C. (1970): *Money and Prices in Argentina, 1935–1962*. In: Meiselman, D.I. (ed.): *Varieties of Monetary Experiences*. University of Chicago Press, pp. 71–162.
- ECLAC-ILO (2019): *Productivity and Wages: A Long-Term Look*. Bulletin, Employment situation in Argentina. Geneva: ILO. <https://www.ilo.org/media/359006/download>
- Fanelli, J.M. (1997): *The Argentine experience with stabilization and structural change*. Working Paper. <https://repositorio.cedes.org/bitstream/123456789/3426/1/se199704.pdf>
- Fanelli, J.M. – Frenkel, R. (1999): *The Argentine Experience with Stabilization and Structural Reform*. In: Taylor, L. (ed.): *After Neoliberalism: What Next for Latin America*. Ann Arbor, MI: University of Michigan Press, pp. 53–80.
- Kiguel, M.A. – Liviatan, N. (1992): *The Business Cycle Associated with Exchange-Rate-Based Stabilizations*, The World Bank Economic Review, 6(2): 279–305. <https://doi.org/10.1093/wber/6.2.279>
- Levitsky, S. (2003): *Transforming Labor-Based Parties in Latin America: Argentine Peronism in Comparative Perspective*. Cambridge University Press. <https://doi.org/10.1017/CBO9780511615641>
- Marzetti, M. – Spruk, R. (2023): *Long-term economic effects of populist legal reforms: Evidence from Argentina*. Comparative Economic Studies, 65(1): 60–95. <https://doi.org/10.1057/s41294-022-00193-4>
- McGuire, J.W. (1997): *Peronism Without Perón: Unions, Parties, and Democracy in Argentina*. Stanford University Press.

- Ocampo, E. (2021): *A Brief History of Hyperinflation in Argentina*. Serie Documentos de Trabajo, No. 787, Universidad del Centro de Estudios Macroeconómicos de Argentina (UCEMA), Buenos Aires. <https://www.econstor.eu/bitstream/10419/238412/1/787.pdf>
- Rodríguez, C.A. (1982): *The Argentine Stabilization Plan of December 20th*. World Development, 10(9): 801–811. [https://doi.org/10.1016/0305-750X\(82\)90031-6](https://doi.org/10.1016/0305-750X(82)90031-6)
- Sturzenegger, F. – Werneck, R. (2006): *Fiscal Federalism and Procyclical Spending: The Cases of Argentina and Brazil*. *Económica*, Departamento de Economía, Facultad de Ciencias Económicas, Universidad Nacional de La Plata, 52(1–2): 151–194. <https://ideas.repec.org/a/lap/journal/551.html>