



Deregulation in Argentina: Milei Takes “Deep Chainsaw” to Bureaucracy and Red Tape

By Ian Vásquez

Argentine President Javier Milei has lowered inflation, drastically reduced government spending, and dismantled large parts of the federal bureaucracy. But one of the most far-reaching efforts by his administration has been its deregulation push, with officials implementing about two deregulations per day on average since he took office.

ILLUSTRATION BY KEITH NEGLEY

At the heart of Argentina's chronically crisis-prone economy is a political system that encourages unconstrained public spending and overregulation in the extreme. It is the system set up by Juan Domingo Perón in the 1940s that strengthened in subsequent decades, and that President Javier Milei promised to cut down with a chainsaw and replace with classical-liberal policies of the kind that made his country one of the most prosperous in the world a century ago.

Since assuming power in December 2023, Milei has been slashing government to that end. His priorities have been to get spending under control and to deregulate. Milei cut the budget by about 30 percent and balanced it one month into his term. That facilitated more disciplined monetary policy and the reduction of inflation from 25 percent per

month when the president came to office to 2.2 percent in January 2025.

The success that Milei's economic stabilization has had so far is now widely acknowledged. The president took an economy from crisis to recovery much faster than most people expected: Growth returned in the second half of 2024, wages have increased, and the poverty rate, after having initially risen, has fallen below the 40 percent range that the previous government left as part of its legacy.

How much Milei has been deregulating, however, and the role that deregulation plays in Argentina's success, is less widely appreciated—yet it is every bit as important as cutting spending. To understand why, it helps to know something about what makes Argentina's politics different from that of most countries.

Argentina's Peronist System

For more than seven decades, Argentina has had a corporatist system that Perón set up using Mussolini's fascist Italy as a model. Under that system, the state organizes society into groups—trade unions, business guilds, public employees, and so on—with which it negotiates to set national policies and balance interests. It's a kind of collectivism that erases the individual, centralizes power in the state, and incentivizes interest groups to compete for government favoritism through public spending and regulation.

This system gave rise to a proliferation of rules intended to protect and promote particular sectors through price controls, licensing schemes, differential exchange rates depending on type of economic activity, capital controls, preferential borrowing rates, compulsory membership in (and support of) guilds, and other interventions.

The system that the Peronist party set up discouraged free exchange, competition, and

productivity but became deeply entrenched. Privileges accorded by regulation were politically difficult to lift. Legal scholar Jorge Bustamante, moreover, notes that regulation plays a more significant role in redistributing wealth in Argentina than fiscal policy does. He adds that “the waste of scarce resources caused by regulations is more serious than the direct activity of the state in the economy itself [fiscal policy], which is known to be in deficit.”

Unions in particular gained immense political power. Such was the case that Bustamante describes the Argentine system as one that “converts the unions into organs of the state when the party to which they belong [the Peronist party] is in power or converts the state into a prisoner of the unions when the party is in the opposition.”

Federico Sturzenegger, Argentina's minister of deregulation and state transformation, made a similar point at the Cato conference we held in Buenos Aires in June 2024 with President Milei and other

“Milei's deregulations are cutting costs, increasing economic freedom, reducing opportunities for corruption, stimulating growth, and helping to overturn a failed and corrupt political system.”



Argentine President Javier Milei, pictured here wielding a chainsaw on the campaign trail in September 2023, was elected on the promise of slashing regulations and cutting government spending. (Photo by Tomas Cuesta/Getty Images)

leading classical liberals. “The Peronist party,” Sturzenegger said, “is the manager of the status quo. . . . It is the manager of the vested interests; it is the conservative party of Argentina.”

The Peronists may want to conserve the system, but Milei is right in cutting it down. According to the *Human Freedom Index*, the Argentina that the president inherited is one of the most regulated countries in the world. It ranks 146 out of 165 countries in terms of the regulatory burden.

Milei's Cuts in One Year

Since coming to power, Milei has made wide-ranging cuts to Argentina's bureaucracy. In his first year, he reduced the number of ministries from 18 to 8 (eliminating some and merging others), fired 37,000 public employees, and abolished about 100 secretariats and subsecretariats in addition to more than

200 lower-level bureaucratic departments.

The president has also aggressively pursued deregulation. Using a conservative methodology, my colleague Guillermina Sutter Schneider and I calculated that during Milei's first year in office, he implemented about two deregulations per day. Roughly half of the measures eliminated regulations altogether, while the rest modified existing regulations in a generally market-oriented direction.

Milei has implemented these reforms legally and constitutionally, and they have resulted mainly from two broad measures. First, Milei began his administration by issuing an emergency “megadecree” that consisted of 366 articles. Emergency decrees are consistent with Argentine law if they meet certain conditions. They are also reviewable by Congress, which has the right to reject the orders within a specified period of time. Since the legislature did not



Federico Sturzenegger, who is now Argentina's minister of deregulation and state transformation, spoke at a conference hosted by the Cato Institute and Libertad y Progreso in Buenos Aires last year.

object, most of the deregulations in the megadecree went into effect.

Second, Congress approved a massive bill (“Ley Bases”) last June that allows the government to issue further deregulatory decrees for one year. Most of Argentina’s deregulations are taking place under that authority and have been led by the new Ministry of Deregulation that began operating the following month.

The ministry is literally in a race against time, and its sense of urgency is palpable. When I visited Minister Sturzenegger and his team in November, they showed me a countdown sign outside his office that read “237 days left,” indicating the time remaining for the government to continue issuing

deregulatory decrees. Sturzenegger’s team—made up of legal experts and accomplished economists—also has a clear sense of mission: to increase freedom rather than make the government more efficient. When reviewing a regulation, therefore, they first question whether the government should be involved in that area at all.

Following that approach, the government implemented deregulations in sectors of the economy ranging from agriculture and energy to transportation and housing. To help prioritize those reforms, the ministry looks at prices. If the cost of a good or service is significantly higher in Argentina than internationally, the regulatory burden often explains the price differential.

Sturzenegger reports that deregulation in Argentina has tended to make prices fall by about 30 percent. The ministry has also set up a web portal called Report the Bureaucracy that takes recommendations from businesses and the public, resulting in numerous reforms.

Some of the reforms have been procedural. For example, government inspections are now sometimes conducted after a firm begins engaging in business (on the assumption that it is following the law and may be subject to inspection), rather than before any business is allowed to even go forward. This “ex-post” inspection of the labeling of imported textiles, for instance, led the price of textiles to fall by 29 percent. The government has also instituted a “positive administrative silence” rule affecting several activities by which requested permission is considered approved if the government bureaucracy does not respond within a fixed period of time. In yet another example, Milei prohibited legally sanctioned hereditary positions that had become normal practice at numerous government agencies.

Much of the impact of the deregulations has not yet been measured, but the hard or anecdotal evidence that does exist suggests that the reforms are making a significant difference. The following are some accomplishments from Milei’s first year:

- The end of Argentina’s extensive rent controls has resulted in a tripling of the supply of rental apartments in Buenos Aires and a 30 percent drop in price.
- The new open-skies policy and the permission for small airplane

owners to provide transportation services within Argentina has led to an increase in the number of airline services and routes operating within (and to and from) the country.

- Permitting Starlink and other companies to provide satellite internet services has given connectivity to large swaths of Argentina that had no such connection previously. Anecdotal evidence from a town in the remote northwestern province of Jujuy implies a 90 percent drop in the price of connectivity.
- The government repealed the “Buy Argentina” law similar to “Buy American” laws, and it repealed laws that required stores to stock their shelves according to specific rules governing which products, by which companies and which nationalities, could be displayed in which order and in which proportions.
- Over-the-counter medicines can now be sold not just by pharmacies but by other businesses as well. This has resulted in online sales and price drops.
- The elimination of an import-licensing scheme has led to a 20 percent drop in the price of clothing items and a 35 percent drop in the price of home appliances.
- The government ended the requirement that public employees purchase flights on the more expensive state airline and that other airlines cannot park their airplanes overnight at one of the main airports in Buenos Aires.

Many more examples could be given, but there's no doubt that Argentines are beginning to feel the results of the reforms. Those results also help explain Milei's approval rating of 50 to 55 percent, according to recent polls.

Year Two of Milei: The "Deep Chainsaw" Begins

In his address to the nation on his one-year anniversary as president, Milei explained that the cuts he's made so far are only a beginning. "We will continue to eliminate agencies, secretariats, subsecretariats, public companies and any other State entity that should not exist," he promised, and then went further: "Every attribution or task that does not correspond to what the federal state is supposed to do will be eliminated. Because as the state gets smaller, liberty grows larger." Milei declared that he would now begin applying the "deep chainsaw."

Minister Sturzenegger is leading the charge. A decree in February instructed all ministers to review all laws and regulations under their purview and recommend comprehensive deregulations within 30 days. In a country with nearly 300,000 laws, decrees, or resolutions, that is no small task. But according to Sturzenegger, the government has cut or modified 20 percent of the country's laws; his goal is to reach 70 percent. He adds that the pace of firing public employees will increase.

Regulatory reforms have already picked up pace. In January, Sturzenegger announced a "revolutionary deregulation"

of the export and import of food. All food that has been certified by countries with high sanitary standards can now be imported without further approval from, or registration with, the Argentine state. Food exports must now comply only with the regulations of the destination country and are unencumbered by domestic regulations.

That innovative reform, which outsources regulation, is intended to generate "cheaper food for Argentines and more Argentine food for the world." But it is also an example of how the ministry takes input from Argentine citizens about the need to change nonsensical regulations. As Sturzenegger explained: "Countless companies have told us of the incredible hardships they had to go through to meet local requirements that were not required by the destination market. A producer who needed to certify a sample to see if he could enter the US market was asked to set up a factory first."

In another case, Argentina required a watermelon exporter to package his product in a way that was different from what the recipient country required. So, in practice, the exporter would load the ship in compliance with Argentine law and, once the cargo left port, the watermelons would immediately be repacked.

Other examples abound. A decree in February facilitated farmers' use of new seeds by eliminating the requirement to conduct extensive testing of those seeds. As Sturzenegger observed, in a country where agriculture plays a significant economic role, those restrictions were

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especially perverse: "Brazil has tripled its soybean production, largely with seeds made by Argentine researchers, working in Argentine companies but based in Brazil. The dramatic thing is that the increase in production in Brazil sinks the price of the grain while we are relatively stagnant because we cannot access our own technology!"

Another decree reduces the cost of warehousing imported containers awaiting customs inspections by an estimated 80 percent because it allows importers to keep their goods in competing locations during that time rather than solely in places run by the customs service. That cost reduction, like countless others that result from accelerated regulatory reforms, will be passed on to Argentine consumers. And to the extent that the chainsaw really does go deeper and faster in year two, the benefits will be even more pronounced.

An Example for the World

Milei's task of turning Argentina once again into one of the freest and most prosperous countries in the world is herculean. But deregulation plays a key role in achieving that goal, and despite the reform agenda being far from complete, Milei has already exceeded most people's expectations. His deregulations are cutting costs, increasing economic freedom, reducing opportunities for corruption, stimulating growth, and helping to overturn a failed and corrupt political system. Because of the scope, method, and extent of its deregulations, Argentina is setting an example for an overregulated world. ♦

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