Speech by Javier Milei

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ENGLISH TRANSLATION · DELIVERED IN SPANISH

Good afternoon, everyone.

First of all, I would like to thank you for this prize. I would also like to express my gratitude for the privilege of the meeting that preceded this ceremony. To truly have the opportunity to speak with an intellectual giant, a great master like Philippe Aghion, is an enormous privilege. But it is an additional source of joy when that person also belongs to the very field in which one has worked and specialised, from a far more modest position. In my case, I chose to study economics and, over the years, decided to specialise in economic growth.

One of the most wonderful things that happened to me just now, while talking with Professor Aghion, was learning that the reason he devoted himself to economic growth was precisely his concern about poverty and about how to lift people out of it.

At that very moment, a sentence came to mind that appears in many economic growth textbooks, a sentence by Robert Lucas Jr. that is truly striking. It says: "The consequences for human welfare of questions like these are truly staggering — so much so that once one starts to think about them, one can never think about anything else again."

When you read that sentence, it is truly powerful. But once you start studying economic growth, you can no longer stop thinking in those terms. And as I talked with Professor Aghion, that is what hung in the air throughout our meeting.

There are, moreover, different explanations of economic growth. In my case, as someone who has merely studied it, I was faced with a menu of options, and there is one school of thought that I found most compelling: precisely the Schumpeterian, or neo-Schumpeterian, approach championed by Professor Aghion. I also told him about the wonderful experience of reading the books he wrote with Howitt.

So this first part of my remarks is to say thank you for the prize, thank you for allowing me to be here, and thank you for the privilege of sharing a conversation with Professor Aghion. In fact, I seem to be on a lucky streak these weeks, because a few days ago I also had the privilege of meeting Xavier Sala i Martín.

So the first thing I want to express is my deep gratitude for this wonderful moment you are giving me, in a task that is rather thankless, in which one must face all kinds of circumstances and bear a great many costs. One has to endure lies, slander and insults that tarnish one's good name and honour, and those of one's own family. But there is also something that makes it worthwhile: one is writing a page of history. And when moments like this come along, the reward increases substantially.

That said, one of the things I want to share is how this approach to economic growth is the determining factor in the way we design public policy, and economic policy in particular.

We basically have to deal with two things: one is the short-term situation, and the other is how to link that short term to the long run, which is what economic growth is about.

When we took over the Argentine economy, we had the worst of Argentina's three great crises. We had a monetary imbalance twice as large as the one we had in 1975, which ended in an inflationary explosion that multiplied the inflation rate sixfold. Imagine: it was double that. The clearest sign was the exchange-rate gap — the difference between the official and the parallel exchange rate — which stood at three times, that is, 200%.

We were also facing a bankrupt Central Bank, a very large fiscal imbalance, and social indicators worse than those we had on the eve of the 2001 crisis. At the same time, inflation was running at 1.5% a day. We had four monetary bases maturing day by day at the Central Bank in interest-bearing liabilities, generating a quasi-fiscal deficit of 10 points of GDP, and the equivalent of ten monetary bases maturing day by day in National Treasury debt. In other words, in a single day we could have multiplied the money supply fifteenfold. We were literally in hyperinflation.

We therefore had to tackle a Treasury fiscal imbalance of five points of GDP and ten points at the Central Bank: 15 points of GDP in total.

In that context, during the campaign, I carried a chainsaw and said I would close the fiscal gap in the first year — and people said it would be impossible to do it even in four. Well, thanks to the talent, the boldness and the courage of my Minister of Economy, the architect of the miracle, Luis "Toto" Caputo, we achieved a fiscal balance in our first month in office. In other words, in the first month we cut public spending by 30% and put the public accounts in order from day one.

However, in light of what I have just told you, that was only one third of the problem: we still had to fix the Central Bank and the debt. Historically, the solution Argentina has always resorted to is expropriation. As libertarian liberals, we could not allow ourselves the heresy of violating private property and breaching contracts. And alongside the tremendous work of Minister Caputo, the President of the Central Bank — whom I have the honour of having here with us today — Santiago Bausili, and Pablo Quirno, today our Foreign Minister and at the time Secretary of Finance, accomplished the incredible feat of closing the quasi-fiscal deficit — 10 points of GDP — in six months.

So, deep down, I am simply privileged to have the good fortune of leading a group of giants. The other day I was with one of President Macron's ministers and I introduced my ministers to him. I introduced Minister Caputo as the architect of the miracle. Then I introduced Federico Sturzenegger, our Minister of Deregulation, with whom we have carried out 18,000 deregulations, something like 17 or 18 a day. And he said to me: "Well, you don't just have one genius, you have two." And I told him: "No, make no mistake. In fact, my whole team is made up of geniuses." In other words, if I have had

any talent, it is that I clearly chose truly extraordinary people, who are making it possible for us to run the best government in our history.

Now, how do all these pieces of macroeconomic architecture fit into economic growth? What is our growth strategy?

The first point is inflation. It was running at 1.5% a day and could have ended up somewhere between 15,000% and 17,000% a year. Because we cut the fiscal deficit and money printing at the root, consumer price inflation for 2023 ended at around 200%, and wholesale inflation at around 300%. Today consumer inflation is running at around 30% and wholesale inflation at around 20%. Eliminating inflation eliminates the distortion of relative prices and extends the planning horizon of the private sector. As a result, resources are no longer misallocated because of distorted prices; this produces a macroeconomic realignment, generates more efficient allocations and, with that, a gain in welfare. That gain happens once and for all because, basically, once inflation is gone, the effect is exhausted.

The second, extremely important point is that restoring fiscal balance meant rebuilding savings, and savings become a cornerstone for financing investment. This is where private property plays a fundamental role, because the whole engineering of growth — I will go through each of its parts in a moment — is, at its core, about how to generate savings and turn those savings into investment. That is why respect for property rights was so important from the very first moment, especially in a country that had endured massive expropriations over the past 50 years. It was essential to respect property rights in order to protect savings, which we further encouraged by reducing the fiscal imbalance, thereby freeing up resources so that the private sector could invest.

There is also a positive side effect. When we arrived, Argentina's consolidated debt-to-GDP ratio stood at 100% and the country risk premium was at 3,000 basis points. We achieved fiscal balance and have persisted with that policy throughout our term so far, and I give you my word that, as long as I occupy the electric chair that is the Argentine presidency, fiscal balance will remain.

The counterpart is that the debt-to-GDP ratio now stands at 39%. In other words, Argentina is one of only five countries in the world with a balanced budget after interest payments and a debt-to-GDP ratio of 39%. The flip side is that country risk fell, dropping below 500 basis points. However, recent world events — Argentina being an aggressive high-beta asset — have pushed country risk back up. But once all this international turmoil subsides, country risk will come down again. In fact, we believe the risk specific to our administration, through 2027, is below 100 basis points. Therefore, should we be re-elected, country risk will plummet and we will accelerate our growth rate, surely to 7 or 8% per capita, without any doubt.

That said, what really are the engines of growth we are working with? One could say there are basically three pillars.

The first relates to respect for private property and the fundamental role it plays. Private property can be attacked in two ways. One is through taxation — and we have things to report on that front too. Yesterday, during an outstanding talk given by Minister Sturzenegger, one of the things he said was: "Under no circumstances should you even think of bringing the President a project that would create a fiscal deficit." That is wonderful. "And under no circumstances should you even think of bringing him the idea of raising taxes."

In fact, we carried out the fiscal adjustment by cutting public spending, and we have cut it so much that it has also allowed us to lower the tax burden by three points of GDP. In other words, we have started to give money back to Argentines. And according to simulations by Minister Caputo's team, if Argentina sustained a growth rate of around 5%, we could be returning close to 500 billion dollars to Argentines between now and 2031 — an amount equivalent to our debt. That would mean returning an enormous amount of resources to Argentines. What's more, eliminating the inflation tax — in the year before we came to power, up to 13 points of GDP were being printed — meant giving 100 billion dollars back to Argentines. That is why, when you then look at the fall in poverty, it is so impressive.

The other way of attacking private property is regulation. And there are two kinds of regulation.

There is a kind of regulation that causes a great deal of discontent when you try to eliminate it, which is why Minister Sturzenegger often comes under attack. If they attacked him head-on, it would not be a problem, because someone as talented as Federico could take them apart instantly. Instead, they do it in a cowardly way, by writing and sending messages to me. At one point, Federico had sent out a few measures. As you can imagine, I set the guidelines, but I cannot be across every detail. Suddenly messages started pouring into my phone, my phone was blowing up, and everyone was complaining about Federico. And I said: "What a wonderful job Federico is doing!" In other words, he was putting an end to a whole lot of rackets.

So, Federico, keep it up, please — I love it when that happens. It would be more honest to attack him directly, but they cannot, because he is eliminating corruption.

So part of regulation is designed to create private hunting grounds — is "hunting grounds" the right term? — where business people hunt in a zoo. These are regulations designed to lock Argentines in.

The other kind of regulation is more complex. With taxes, you affect property rights, but you do not affect the growth rate, unless they are extremely heavy. What they do is change the level: they can lead to a higher or lower GDP per capita, but they do not substantially alter the trajectory. But there is something more complex: regulating in order to make a market resemble a competitive one. That case is far more serious, and it is very typical of the neoclassical approach and the idea of market failure. When you see a concentrated market structure — the counterpart of which is the existence of increasing returns — policymakers are tempted to regulate it and make it look like a competitive firm. The moment you make it resemble a competitive firm, that is equivalent to imposing constant returns to scale. And when you have constant returns to scale, there is no growth. In other words, that kind of regulation kills growth.

As I mentioned, since we came into office Federico has carried out 18,000 deregulations. Many of them have swept away the corrupt, and others have stimulated increasing returns — that is, something that generates economic growth.

Our second pillar of economic growth is the idea behind our Ministry of Human Capital. Basically, the idea of social support and social assistance has always been tied to handing people a fish.

There is a beautiful phrase by Milton Friedman, inspired by the Torah — by the Book of Shemot, which describes the exodus of the Hebrew people from Egypt: "There's no such thing as a free lunch." The Hebrew people who left Egypt understood that very well: the free fish was Egypt. The free fish was slavery.

Well, we do not want slaves; we want free Argentines. That is why we changed social policy, to the point that we changed the name of the ministry: it is not called Social Development or anything of the sort; it is called the Ministry of Human Capital. And if I could, I would hang a giant portrait of Gary Becker in that ministry.

A few days ago, I also had the immense privilege of speaking with James Heckman, and it was wonderful, because the way we built the Ministry of Human Capital was perfectly aligned with Heckman's findings.

Our first focus is on everything related to children and families. We do not want to hand out fish: we want people to learn how to fish and, if they can, to start a business. Within that concept, the first link in the chain is children and families. When we arrived, the Universal Child Allowance together with what was then the Plan Alimentar food programme or the 1,000 Days Plan covered only 40% of the basic basket of goods. Today, under the "heartless" liberals, those two benefits cover 100% of the basket.

What's more, it is interesting how we managed to double the benefit reaching people without spending a single additional peso. The so-called caring Peronists — so sentimental and so committed to the vulnerable — had some gentlemen known as "poverty managers", who kept half of the money intended for the vulnerable. When we eliminated the compulsory counterpart requirements, people no longer had to go through that toll booth and, automatically, vulnerable people doubled the resources they received, because they no longer had to pay the poverty managers.

Not only that: the other pillar concerns health. Although it was originally part of the Ministry of Human Capital, its difficulties required it to become a ministry in its own right, but it works hand in hand with the Ministry of Human Capital. Because if you have people who are well fed, well educated and in good health, that allows them to enter education and get trained.

The next link is the labour market, whether so that young people can enter it or so that those who have fallen out of the system can get back in. That, too, has been tackled in different ways. The first has to do with retraining those who have fallen out of the system so that they can return. Our Minister of Human Capital regularly tells this story: people used to ask her for welfare plans; now they ask her for jobs. That is great progress.

But that is not all. Thanks to the enormous work of our political team, and especially of our political allies who are not from our party — many of whom are here today and took part in Argentina Week — we have been able to pass a large number of reforms, including labour modernisation, so that people can enter a more flexible labour market. As long as we can keep moving forward with reforms and consolidate them at the ballot box — that is, as long as Argentines decide to stay on this path — this will make it possible to increase formal employment, and with that we will be able to fix the last link in the chain: the pension system.

So, on the one hand, we generate increasing returns and, on the other, we foster the accumulation of human capital and integration into the labour market.

And the third pillar is opening up the economy. Increasing returns are what Adam Smith called the pin factory. That division of labour had a limit, and that limit was basically the size of the market. Well, if we are aiming at a market of 48 million people, it is a tiny market. So we decided to start opening up the economy.

Given its GDP per capita, Argentina should have a trade openness ratio of 90%, yet it has one of 30%. In other words, Argentina needs to triple the openness of its economy. Naturally, we are doing a great deal on that front. We have secured the agreement with the European Union, we have secured an agreement with the United States, we have the agreement with EFTA, we are negotiating bilateral agreements with Asian countries and we are aiming for the Trans-Pacific Partnership, so that we can triple Argentina's trade volume. That will generate a great deal of economic growth: it will enlarge the size of the market and unlock even more increasing returns.

We also have an industrial promotion regime, the RIGI, through which we have already secured close to 50 billion dollars in approved investments, with more than 150 billion dollars still pending approval — something truly impressive, since it represents roughly a third of GDP.

Obviously, we are calibrating the opening as we continue to bring country risk down. Because if we aim at a market of 8 billion people, that means enormous economies of scale, and the counterpart is tremendous investment. We have to be quite careful, because a lot of capital means very low interest rates, while our country risk is still very high. That transition must be managed carefully.

But we have truly thriving sectors, which are the ones driving growth right now: oil, gas, mining and our agriculture. Add to that what we are achieving in the knowledge economy and the opening we are pursuing so that Argentina can become an artificial intelligence hub — because Argentina, with its vast, inhospitable and cold lands, is very well suited to hosting data centres. So we are also betting on artificial intelligence as a mechanism to accelerate economic growth.

That is what our growth strategy consists of.

So the question is: does it work? Well, the answer is yes.

Another phrase of Friedman's that I loved — not as much as the first, but one I also like very much: he used to badger his students with questions about their countries, and the point was always: data first.

When we arrived, Argentina had had twelve years of stagnant GDP. Moreover, after Argentina's glorious moment at the beginning of the twentieth century, the country chose to abandon the liberal model and take a fascist line — that is, a socialist line — which then ended in catastrophe. Because the truth is that being the first libertarian liberal president, not only of Argentina but of the world, is not something normal. Conditions were far from normal temperature and pressure: it was chaos. That is why I was elected; under normal conditions, it would never have happened.

In that context, moreover, over the hundred years before we arrived, Argentina's average growth rate was 1% — truly dismal. And worst of all, that happened with the demographic transition in our favour.

That said, in our first year in office — measured with the Monthly Economic Activity Estimator, so as not to bear the statistical carry-over effect of the legacy we inherited — GDP grew by more than 6.5%. In the second year it grew by around 4%. And if we take market analysts' estimates, that figure could range between 18% and 20% over four years.

Does that figure matter? Yes. Because during Cristina Fernández de Kirchner's second term, growth was 1.5% over those four years, while the OECD grew by around 6%. Under Mauricio Macri, the economy shrank by 3.8%, while the OECD grew by around 7%. Under my predecessor, the economy basically recovered what it had lost under Macri, in a world that grew by 5%. Well, if we take the middle

scenario of 18%, that means we would be tripling the OECD's growth. And not only that: growth would be four and a half times higher than what Argentina has achieved over the past hundred years.

And it is working. Not only because the growth rate is interesting, but because what is truly interesting is the other side of what drove Professor Aghion to devote himself to economic growth, and of that staggering phrase by Robert Lucas Jr.: poverty, once honestly measured, stood at 57%; today it is around 30-32%. In other words, we have lifted a quarter of the Argentine population out of poverty. We have lifted 12 million human beings out of poverty.

Twenty percent of Argentines were destitute — yes, you heard that right — in the land of food, a country that can feed 500 million human beings. The political system had left 20% of Argentines without enough to eat. We have brought that 20% down to 6%.

And children, who are our future: when we arrived, child poverty stood at 70%; today it is 42%.

I am not saying the snapshot is good. The snapshot is still appalling; the snapshot is still terrible. But without a doubt, it is the best movie in Argentine history.

And to close, I need to say thank you. Thank you to my teachers: to masters such as Philippe Aghion, Xavier Sala i Martín or Robert Lucas Jr., who educated me in economic growth, and to the Austrians who inspire me every day, such as Mises, Rothbard and Hayek, who inspired the construction of this vision I have for making Argentina great again.

But vision is not enough. Vision alone is not enough. That is why my greatest gratitude also goes to those giants I have as ministers, as my cabinet, who are making it possible for that idea to become reality.

And finally, my greatest gratitude goes to my loved ones, because they are the ones who bear the side effects of one having found the courage to change the decadent history of a country in order to make it great again.

Thank you very much.