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Original Article

Transformation from Neoclassicism to Austrian School: Javier Mileis Economic Evolution

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ABSTRACT

Under President Javier Milei, Argentina's economic policies have drastically changed, shifting from neoclassical concepts to an Austrian School-inspired libertarian framework. His administration has placed a high priority on deregulation, fiscal restraint, and monetary stability in an effort to reduce government intervention and combat inflation. The economic, social, and political effects of Milei's actions during his first one-and-a-half years in power are evaluated in this paper, along with views from across the world and the viability of implementing his strategy in Germany. This study uses a mixed-methods approach, using quantitative data (inflation, GDP, unemployment rates, and fiscal balances), secondary literature (economic analysis, political commentary), and primary sources (government programs, Milei's speeches). According to the results, Milei's measures have been effective in lowering inflation, which by October 2024 had dropped from 211% in 2023 to a monthly rate of 2.7%. The social consequences of quick fiscal consolidation are reflected in the fact that these changes have also resulted in an economic recession (GDP -4%), increased unemployment (8%), and a rise in poverty (53%). Reactions to Milei's policies have been divided on a global scale. Keynesian critics warn of economic stagnation and growing inequality, while Austrian and libertarian economists praise his deregulation and fiscal restraint. In terms of transferability, Germany's robust social market economy and institutional protections make full-scale adoption of free-market ideas impossible, even though some of them may be modified there. Future research should look at the long-term impact of Milei's changes and their applicability in various economic circumstances since the study concludes that his initiatives provide both potential and risks and serve as a test case for extreme fiscal conservatism.

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INTRODUCTION

Under Javier Milei's leadership, Argentina's economic policies underwent a dramatic change from Peronist interventionism to a strong embrace of Austrian economic concepts (Moch, 2024). Strong support for free-market capitalism, less government involvement, and a focus on personal economic independence are characteristics of his governance (Heinisch et al., 2024). In line with Austrian economists Friedrich Hayek and Ludwig von Mises, Milei has positioned himself as a libertarian reformer who wants to abolish Argentina's Central Bank, privatize state businesses, and remove government bureaucracy (Boettke & Piano, 2019; Moreno-Casas, 2022). Controversial policies like dollarization, which substitutes the US dollar for the Argentine peso in an effort to reduce inflation, are part of Milei's economic plan (Znojek, 2024). His deregulation and fiscal austerity-focused policies have drawn both international acclaim and criticism. Critics caution about possible social instability and economic contraction concerns, while supporters see his changes as essential to Argentina's economic stabilization (Boettke & Piano, 2019).

His ideological shift from Austrian economics to neoclassicism marks a significant departure from accepted economic theory. Global discussions on the feasibility of radical market liberalization have been triggered by his leadership. Milei's president is changing the conversation about economics in Argentina and elsewhere, however, the long-term repercussions are still unknown (Heinisch et al., 2024). Therefore, Milei's policies are significant on a worldwide scale since they have the ability to change economic discussions and have an impact on reforms outside of Argentina, such as in Germany. The purpose of this study is to look at Milei's economic policies during the first 1 ½ years of his term, assess how well they were received both at home and abroad, and find out if his economic ideas could work in Germany.

This study examines the changes that Javier Milei implemented in Argentina's business and society during his first 13 months in office and evaluates their economic, social, and political implications. It assesses both the immediate and longer-term effects of his policies. It also looks at how politicians and economists around the world have seen and assessed Milei's methodology, highlighting both its main points of support and criticism. Additionally, given the structural, social, and economic distinctions between the two nations, the study seeks to ascertain what may be learned from Milei's governance and whether his economic theories could be modified and applied in Germany.

To guide this analysis, the following research questions are posed:

- During Milei's first 1 ½ years in office, what effects have his ideas and reforms had on Argentine society and economy?
- What opinions of Milei's strategy hold among other politicians and economists?
- What insights does this offer, and could Milei's strategies be implemented in Germany?

Based on existing literature, the study formulates the following hypotheses:

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- Milei's initiatives, particularly lowering government expenditure and deregulation, helped to momentarily stabilize the Argentine economy.
- Milei's methods have received both praise and criticism internationally, especially for his extreme rejection of central banks.
- Milei's theories could only be applied in Germany under specific social and economic conditions.

THEORETICAL BACKGROUND

Brief overview of the Neoclassical School and the Austrian School of Economics

The Economics of Neoclassicism

One of the most prevalent schools of thinking in contemporary economic theory is neoclassical economics. Assuming that people behave rationally to maximize utility and businesses want to maximize profits, it highlights how supply and demand affect pricing and economic results. The idea of market equilibrium, where supply naturally meets demand in a competitive system, is a fundamental tenet of neoclassical economics (Dolderer et al., 2021).

Neoclassical economics recognizes the need for mild government intervention to address market failures including monopolies, externalities, and information asymmetries, even though it typically supports free markets. In order to foster efficiency and stability, this viewpoint permits the implementation of state policies like taxes, monetary regulation, and restricted welfare programs (Mhella, 2023; Brand-Correa et al., 2022). Neoclassical-Keynesian synthesis, which blends free-market principles with targeted intervention to address economic downturns and social inequities, is frequently the foundation of economic policies implemented by governments in developed economies, such as the US and Germany (Bortis, 2022; Elsner et al., 2014).

The Austrian School of Economics

In particular, the Austrian School of Economics rejects both mathematical economic modelling and government involvement, which is a sharp contrast to the neoclassical approach. The Austrian School, founded by Carl Menger in the late 19th century, places a high priority on subjective value theory, which contends that personal preferences, not inherent costs, define economic value (Sanz-Bas et al., 2020). The writings of Friedrich Hayek and Ludwig von Mises, who developed theories on business cycles, spontaneous order, and the perils of central planning, helped this school become well-known (Peters, 2019; Witt, 1997).

Austrian economics highlights the drawbacks of central planning, contending that government intervention skews markets and results in ineffective resource distribution. They support monetary stability and frequently oppose fiat currency and central banking in favour of decentralized currency systems or money backed by commodities. The Austrian School takes a qualitative, theoretical approach, emphasizing historical study and deductive reasoning, in contrast to neoclassical economics, which uses mathematical models to forecast economic behaviour (Boettke & Lopez, 2002; Block, 1999).

MILEI'S IDEOLOGICAL TRANSFORMATION FROM NEOCLASSICISM TO THE AUSTRIAN SCHOOL

Austrian Economic Impact and Libertarian Ideals

Because of his strong adherence to Austrian economic theory, Javier Milei is one of the few modern political figures who has adopted radical libertarian views. He argues that Argentina's economic collapse is the result of excessive government control and supports free-market capitalism, deregulation, and less state intervention. Milei's plan calls for the Central Bank of Argentina to be abolished because he believes it is the primary cause of inflation through monetary expansion and reckless fiscal policies (Moch, 2024).

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His most contentious economic plan is dollarization, which would substitute the US dollar for the Argentine peso. This policy, which was motivated by Austria's mistrust of fiat money, attempts to prevent hyperinflation by removing the government's power to control the money supply. Significant cuts to government spending are also part of Milei's economic program, which includes dismantling ministries, reducing subsidies, and privatizing state-owned businesses. According to Fernandez Pereira (2024), his strategy is in line with the Misesian and Hayekian criticisms of the welfare state, which contend that social programs lead to inefficiency and dependency.

Focus on the Economic Crisis and Inflation

Controlling inflation is one of Milei's top policy goals and a fundamental principle of Austrian economics. In light of Argentina's hyperinflation, which reached 211% in late 2023, Milei contends that stringent budgetary restraint and the implementation of a hard currency system are necessary to stop monetary expansion (Heinisch et al., 2024). Austrian economists, who Milei strongly supports, argue that government mismanagement, not innate market faults, is the cause of inflation. His policies, which place a high priority on debt reduction, monetary stability, and the elimination of interventionist measures that drive inflation, are a reflection of this mindset. Although free-market adjustments are encouraged by Austrian principles, there are hazards associated with their practical use in a weak economy like Argentina's, such as social upheaval and temporary economic downturn (Moch, 2024).

Criticism and differentiation: What distinguishes Milei's method?

Javier Milei's economic philosophy is notable for its extreme libertarianism and unwavering adherence to Austrian economics. Milei opposes central banking, supports dollarization, and vigorously promotes deregulation and privatization in contrast to conventional economic reforms that strike a balance between state involvement and market mechanisms (Heinisch et al., 2024). He sets himself apart from other proponents of free markets with his populist rhetoric against "la casta" (political elites). His quick implementation, according to critics, could cause social instability and unfairly harm those with lesser incomes. Furthermore, although Austrian economics opposes government involvement, practicality and long-term economic viability are called into doubt when applied in a nation experiencing poverty and hyperinflation (Moch, 2024).

METHODS

To evaluate the effects of Javier Milei's economic policies, this study uses a mixed-methods methodology that combines qualitative and quantitative analysis (Foroudi & Foroudi, 2024). Milei's economic thought and governance approach may be directly understood from primary sources, such as his speeches, policy recommendations, and official government documents. Peer-reviewed papers, economic reports, and international studies are examples of secondary material that aid in placing his ideas in the context of international economic discussions and criticisms. Furthermore, quantitative data—such as GDP growth, unemployment rates, inflation rates, and fiscal indicators—provides an empirical foundation for assessing how well Milei's policies are working.

The selection of methodologies guarantees a thorough analysis of Milei's policies. His ideological position can be thoroughly understood from primary sources, and policymakers' and economists' critical viewpoints can be found in secondary literature. An objective evaluation of economic results is made possible by quantitative data, guaranteeing a fair analysis that incorporates theoretical debates with actual economic success.

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RESULTS

The Economic and Social Effects of Milei's Reforms

In December 2023, Javier Milei was elected president, taking over an economy plagued by a high rate of poverty (45%), hyperinflation (21%), and recession (-1.6%) (Paqué & Holtzmann, 2024). His government gave market reform, fiscal prudence, and inflation control top priority. Examining macroeconomic data such as inflation rates, GDP growth, government expenditure cuts, and labour market fluctuations—derived from official Argentine economic reports, IMF databases, and financial market trends helps one evaluate these outcomes. Using content analysis of policy texts, parliamentary debates, and public responses to grasp the larger social and political ramifications of these reforms, qualitative insights were derived from political pronouncements, media coverage, and expert analysis.

Milei's policies have created social and economic problems even if they have had a major impact. Particularly in the public sector, privatization and deregulation have driven unemployment up. Mass demonstrations and worker strikes follow from austerity policies and subsidy cuts. Eliminating pricing restrictions has set off currency volatility and inflationary pressures. Furthermore mainly affecting low-income groups, state expenditure cuts have raised poverty and income disparity, therefore widening economic inequalities across Argentine society.

Macroeconomic Indicators

Monetary policy and inflation control:

Under Milei's leadership, Argentina's inflation situation, which peaked in 2023 at 211%, has begun to ease. While annual inflation is still high at 200%, monthly inflation decreased to 2.7% by October 2024 (Paqué & Holtzmann, 2024). The government's strict fiscal austerity measures, such as cutting back on public spending and eliminating central bank funding of the deficit, have greatly lowered inflation (Garcia & Venturi, 2024). The peso was also depressed by 54% against the US dollar in order to stabilize currency markets. Its overvaluation and possible detrimental impact on exports, however, continue to raise worries (FocusEconomics, 2024). Hypothesis H1: Milei's programs, especially cutting government spending and deregulating, aid to momentarily stabilize the Argentinean economy are verified in terms of transient stability.

Monetary Contraction Under Milei's Economic Policies

Figure 1 illustrates the effects of Milei's economic policies by comparing the Central Bank of Argentina's (BCRA) assets, liabilities, and equity from December 7, 2023, to April 15, 2024. The central bank's balance sheet shrank as both assets and liabilities fell, which is in line with initiatives to limit government involvement and constrain monetary expansion. On the asset side, government bonds and credit to the financial sector fell, indicating less central bank intervention, but gross international reserves stayed steady. Additionally, government advances declined, reaffirming Milei's resolve to reduce budget deficits. A decline in the monetary base and BCRA securities on the liabilities side demonstrates attempts to contain inflation through tight monetary policy (Ravier, 2024). Concerns over government liquidity are raised by the drop in public sector deposits, though. Although the contractionary monetary policy generally supports Milei's Austrian economic theory, it could make Argentina's recessionary pressures worse.

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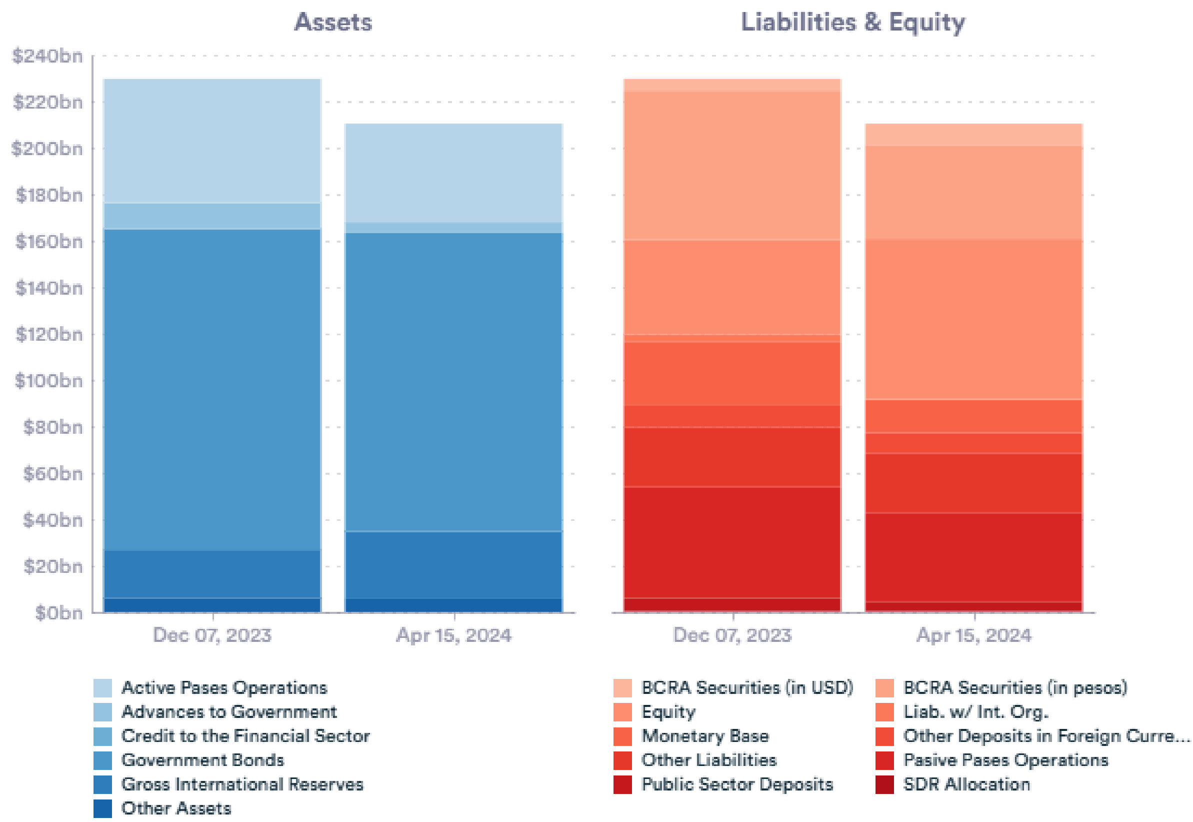
Figure 1: The central bank's balance sheet from December 7, 2023, to April 15, 2024



Source: Garcia and Venturi (2024)

Spending by the Government and Fiscal Balance

A number of ministries were shut down, subsidies were curtailed, and public sector employment was drastically reduced during Milei's administration. Due to these actions, Argentina had its first monthly budget surpluses in early 2024, which was the first for the country's finances since 2008. However, seasonal debt interest payments caused a small deficit to resurface in July, underscoring the continuous difficulty of striking a balance between financial commitments and fiscal restraint (Paqué & Holtzmann, 2024). Furthermore, the government transferred responsibility for investment and development to the private sector, thereby stopping public infrastructure initiatives (Garcia & Venturi, 2024). These budgetary changes show that Milei's initiatives have succeeded in attaining temporary stabilization by lowering deficits and restoring fiscal balance. The extreme budget cuts (-35% overall expenditures, -46% subsidies, and -84% discretionary spending) run the danger of aggravating long-term social and economic instability, nevertheless, (Table 1).

A Comparative Analysis of Fiscal Adjustment and Spending Cuts in Q1 2023 and Q1 2024

The impact of Milei's austerity-driven fiscal policy is highlighted in Table 1, which presents a comparative financial overview of Argentina's income, expenditures, and fiscal balances from January to March 2023 and January to March 2024. Despite an 8% increase in tax receipts, revenues fell 4%, mostly as a result of a 23% dip in social security contributions and a 7% decrease in non-tax revenues. The biggest shift, though, was in spending, which decreased by 35%, with economic subsidies falling by 46% and discretionary spending falling by 84%. A $5.9 billion deficit in Q1 2023 was reduced by these drastic measures, resulting in

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a $1.3 billion balance in Q1 2024. Argentina's persistent debt load was reflected in the 5% increase in interest payments, even if fiscal tightening was successful in creating a primary surplus. Although Milei's budgetary restraint is supported by the data, the severe spending cuts may make social and economic problems worse.

Table 1: National Public Sector Fiscal Accounts

Category	Jan-Mar 2023 (Billion Pesos)	Jan-Mar 2024 (Billion Pesos)	Percentage Change	Percentage of Overall Adjustment
Total Revenues	20,930	19,994	-4%	-13%
Tax Revenues	11,620	12,500	8%	12%
Social Security Contributions	7,392	5,713	-23%	-23%
Non-Tax Revenues	1,917	1,782	-7%	-2%
Total Expenditures	23,791	15,473	-35%	115%
Non-Discretionary Spending	18,805	13,832	-26%	69%
- Pensions	8,845	5,702	-36%	43%
- Social Programs	4,759	4,259	-11%	7%
- Operating Expenses (Wages)	3,986	3,105	-22%	12%
- Current Transfers to Univ.	730	545	-25%	3%
- Other Current Expenditures	485	221	-54%	4%
Discretionary Spending	2,761	435	-84%	32%
- Capital Spending	2,082	274	-87%	25%
- Current Transfers to Provinces	679	161	-76%	7%
D/ND Spending	2,225	1,206	-46%	14%
- Economic Subsidies	2,225	1,206	-46%	14%
Primary Balance	-2,861	4,521	Surplus from deficit	-
Interest Payments	3,068	3,217	5%	-2%
Overall Balance	-5,929	1,304	Surplus from deficit	100%

Source: Garcia and Venturi (2024)

Economic Growth and Employment:

In 2024, Argentina became the only G20 nation in recession as its economy shrank sharply, with GDP falling by 4% (Paqué & Holtzmann, 2024). Severe austerity measures and decreased government spending caused the downturn, which resulted in extensive layoffs in the public sector. Job uncertainty was made worse by the elimination of 30,000 government jobs out of a planned 70,000, which caused unemployment to increase to 8% (FocusEconomics, 2024). In the informal labour sector, which employs 45% of the workers, the situation is especially severe. Due to their restricted access to necessary social safeguards and job benefits, these workers continue to be extremely vulnerable (Garcia & Venturi, 2024).

Social Views and Responses

The public's reaction to Milei's economic reforms has been divided; while free-market proponents and

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investors have largely supported them, labour unions and vulnerable socioeconomic groups have largely opposed them. Even while his fiscal stabilization policies have increased market confidence, major protests, and labour unrest have been triggered by austerity-driven cuts to subsidies and layoffs in the public sector. As income gaps grew and formal-sector earnings increased more quickly than those in the informal sector, the poverty rate rose from 42% to 53% (FocusEconomics, 2024). Concerns regarding housing affordability were also raised by tenancy legislation revisions that increased the availability of rental properties while tripling rent prices for current renters (Paqué & Holtzmann, 2024).

Views of Politicians and Economists

Milei's economic strategy has generated fierce worldwide discussion. Although libertarian legislators and Austrian economists applaud his extreme free-market approach, Keynesian and developmental economists object to his programs' social and financial implications. Hypothesis H2: Milei's approaches have drawn compliments as well as criticism abroad, particularly for his strong opposition to central banks is verified. Milei's opposition to central banks has generated international discussion and attracted compliments from free-market analysts seeing Argentina as a model for minimal-state government. Proponents of monetarist ideas contend that his measures have reinforced financial discipline and lowered inflation, therefore restoring budgetary restraint. Critics of Keynesian theory, however, warn that too austere policies can aggravate inequality and economic stagnation. While the IMF advises against unbridled fiscal tightening, his populist rhetoric has sourmed Argentina's diplomatic relations with Spain and Brazil. Policymakers from Europe and Latin America remain split, validating Globally that Milei's radical free-market approach has drawn both great praise and condemnation.

Favorable Evaluations

Success in Fighting Inflation:

The IMF and free-market experts generally agree that Milei's inflation-control policies are a good way to stabilize Argentina's economy. His spending cuts and fiscal restraint initiatives have contributed to the reduction of fiscal deficits and the restoration of trust in the national currency (Garcia & Venturi, 2024). Proponents contend that following years of economic mismanagement, during which time excessive government expenditure exacerbated inflationary pressures, these actions were essential corrective actions. Milei has made great strides toward long-term fiscal sustainability by emphasizing monetary stability and minimizing state interference; yet, worries about the social implications of these austerity-driven reforms still exist (FocusEconomics, 2024).

Investor Confidence and Market Liberalization:

Market liberalization and investor confidence have increased as a result of Milei's policies, which have also significantly decreased Argentina's national risk and drawn in foreign investment in vital industries like infrastructure, mining, and energy (Paqué & Holtzmann, 2024). The Régimen de Incentivo para Grandes Inversiones (RIGI), a new investment promotion package created by his government, provides tax breaks and international trade incentives to entice significant investments in key industries (FocusEconomics, 2024). Despite persistent economic difficulties and popular opposition to deregulation, these policies seek to improve the business climate and establish Argentina as a competitive location for global investment.

International Support from Libertarian Economists:

Austrian economists and libertarian think tanks, who see Argentina as a test case for minimal-state economic governance, have strongly backed Mili's drastic economic changes. His dedication to fiscal

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restraint, free-market principles, and less government involvement is in line with the fundamental ideas of Austrian economics, especially those found in Mises and Hayek's writings (Garcia & Venturi, 2024). Despite the immediate social and political difficulties, supporters contend that his policies offer a practical illustration of how deregulation, monetary restraint, and the dissolution of central banking may result in economic stability and long-term growth.

Negative Assessments and Criticisms

Economic contraction and recession:

Keynesian analysts stress the intrinsic trade-off between economic expansion and inflation control, contending that Milei's stringent fiscal policies have made Argentina's recession worse. Critics argue that harsh austerity policies have lowered aggregate demand, resulting in a slower economic recovery, as seen by the continuing contraction of GDP (Garcia & Venturi, 2024). The IMF has also issued a warning that, while strict fiscal restraint might effectively reduce inflation, it may impede long-term recovery if private investment and consumption are kept at bay. Concerns regarding Argentina's capacity to go from stabilization to sustainable growth are raised by the country's ongoing economic downturn and high unemployment rate (FocusEconomics, 2024).

Rising Inequality and Social Costs:

Milei's harsh austerity policies have resulted in substantial social costs, as seen by the fact that unemployment has reached 8% and poverty has increased to 53%, underscoring the short-term difficulties of his economic reforms (Paqué & Holtzmann, 2024). Critics contend that by decreasing social welfare programs and necessary subsidies, his policies disproportionately affect lower-income groups, even though their goal is to restore fiscal stability. Economic inequities have gotten worse due to inadequate safety nets, leaving vulnerable people at risk of financial instability. Critics caution that in the absence of specific social safeguards, Milei's free-market strategy may encounter increasing opposition in the long run (Garcia & Venturi, 2024).

Diplomatic tensions and political risks:

Tensions with regional and international partners have increased as a result of Milei's populist rhetoric and combative diplomatic approach. Concerns regarding Argentina's possible diplomatic and commercial isolation have been raised by his vocal criticism of established political elites, direct verbal attacks on Spain's prime minister, and his lack of interaction with Brazil's President Lula da Silva (Paqué & Holtzmann, 2024). Since Milei's foreign policy position favours unilateral economic liberalization above regional collaboration, these conflicts have also affected the discussions for a free trade agreement between MERCOSUR and the EU. Critics caution that this strategy would make Argentina less strong in international trade agreements (FocusEconomics, 2024).

Theoretical and Practical Criticisms

Overly Strict Austrian Economics in a Fragile Economy

According to critics, Argentina's severe structural inequality and financial instability are ignored when pure Austrian economic concepts are applied there (Garcia & Venturi, 2024). Monetary policy changes have successfully lowered inflation, but they have also stifled consumer demand and caused economic stagnation, which raises questions about the prospects for long-term growth (FocusEconomics, 2024).

Challenges to Dollarization and Exchange Rate Policy

Full currency substitution might severely limit Argentina's monetary sovereignty and its capacity to react to economic shocks, making Milei's commitment to dollarization still quite contentious

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(Garcia & Venturi, 2024). Furthermore, persistent foreign exchange restrictions and the peso's overvaluation continue to be problems, causing uncertainty for importers and exporters alike (Paqué & Holtzmann, 2024).

Assessing Milei's Economic Policies' Feasibility in Germany: Structural, Political, and Financial Aspects

Reversibility of Milei's Economic Policies in Germany

Under Milei's direction, Argentina has followed neoliberal, market-oriented policies, cutting government interference and social expenditure and emphasising economic deregulation and privatisation (Paqué & Holtzmann, 2024). Germany, on the other hand, runs under a continental European welfare state paradigm that stresses robust social safety nets, corporatist labour relations, and financial discipline (McManus, 2022).

Hypothesis H3: Milei's theories could only be applied in Germany under specific social and economic conditions—Partially Confirmed. In fact, while some of Milei's market-oriented reforms align with Germany's pro-business economic groups, full implementation is highly impractical due to the country's strong welfare state and structured labour protections (Scholz, 2024). Unlike Argentina, Germany's corporatist system ensures employment stability through social insurance mechanisms and state-supported job protection programs, making aggressive privatization and austerity-driven deregulation politically unfeasible (Wandel et al., 2024).

Change and Use of Milei's Economic Policies in Germany

Deeply ingrained in tripartite labour agreements, employer-employee co-determination, and organized welfare programs, Germany's economic model stands quite apart from Milei's market-liberal policies. Germany's strategy during economic crises, for example, has been based on state-supported short-term work programs instead of mass layoffs, therefore guaranteeing employment stability even in recessionary times (McManus, 2022; Pancaldi, 2011). Historically, rather than free-market flexibility, this corporatist approach has shielded core workers under social insurance systems. Milei's focus on fiscal austerity and deregulation would probably run against great opposition inside Germany's current political and institutional system.

Moreover, Germany's social expenditure programs show a dedication to preserving economic stability by means of welfare safeguards instead of austerity-driven deregulation (Blank, 2019). For example, Angela Merkel's government underlined Germany's commitment to financial discipline while preserving high degrees of social spending and policies for job protection (McManus, 2022). Germany did execute neoliberal labour market reforms in the early 2000s (e.g., Hartz IV), but they did not essentially destroy the welfare state but rather fit it to contemporary economic conditions (Kemmerling & Bruttel, 2005).

Milei's governance approach would run into major political and institutional obstacles in Germany. First, historically German voters have supported policies that strike a compromise between social cohesiveness and fiscal restraint (Zacher, 2011). Political differences inside Germany on austerity policies against social spending have widened; nevertheless, the mostly CDU-led government has kept a methodical approach, guaranteeing slow benefit declines instead of sudden neoliberal changes (McManus, 2022). Milei's plans are even less politically feasible in the German setting since the SPD, in contrast, has moved further left, calling for increased social protections, advocates of which are hence less politically relevant.

Feasibility Data and Expert Views

Empirical studies indicate that applying Milei's economic theories in Germany would call for

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significant changes to meet Germany's coordinated market economy (Scholz, 2024). Although some deregulating policies may appeal to pro-market groups, Germany's welfare state policies and the social-market economy system would directly translate Milei's concept as impractical (Wandel et al., 2024). McManus (2022) claims that a high degree of institutional coordination among businesses, employees, and the government determines the economic stability of Germany. Low unemployment, strong economic growth, and wage stability have all been maintained in great part by depending on non-market coordinating mechanisms. Milei's policies, which give market deregulation and lower government intrusion top priority, would need basic changes to fit these systems.

DISCUSSION

Evaluation of Results in the Context of the Research Questions

Impact of Milei's Reforms on the Argentine Economy and Society

The results show that Milei's reforms have had a short-term stabilizing effect on the Argentine economy and society, especially in terms of fiscal restraint and inflation control. By October 2024, inflation had drastically decreased to a monthly rate of 2.7% from 211% in 2023, mostly as a result of monetary tightening and lower government spending (Paqué & Holtzmann, 2024). But this stabilization had a price. The economy saw a 4% decline, unemployment rose by 8%, and poverty increased by 53% as a result of strict fiscal adjustments (FocusEconomics, 2024). Despite the programs' short-term success in lowering inflation, their long-term sustainability remains uncertain. This is because a downturn in the economy could further reduce investment and consumer demand.

Perception of Milei's Approach by Economists and Politicians

Economists and political experts have expressed differing opinions about Milei's economic policies. Libertarian and Austrian economists contend that his dedication to market deregulation and fiscal restraint is a required remedy for Argentina's past economic mismanagement (Garcia & Venturi, 2024). They stress that letting market forces function freely and minimizing government intervention will finally promote long-term growth. Keynesian and developmental economists warn, however, that Milei's strict fiscal measures have made the nation's slump worse by decreasing aggregate demand and escalating income inequality (FocusEconomics, 2024). A more gradual approach to economic transformation, with targeted social protections, these critics argue, could lessen the negative consequences of austerity.

Milei's policies have generated both praise and criticism on the political front. While his administration's detractors point out the dangers of overly lax regulations and diminished social safeguards, supporters see it as a daring experiment in libertarian governance. Some perceive him as an essential disruptor, while others believe his aggressive attitude and strong position against political elites are unsustainable in a democratic setting (Buschschlüter, 2024).

Milei's policies' applicability to Germany

The viability of implementing Milei's free-market principles in Germany is contingent upon significant fundamental distinctions between the two economies. Germany's social market economy, which strikes a balance between social protections and free-market principles, ensures both economic stability and workforce security, in contrast to Argentina's (Paqué & Holtzmann, 2024). Since social cohesion and state-sponsored economic adaptations are given priority in the German economic model, there would probably be strong political and social opposition to implementing

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Milei's drastic spending cutbacks and deregulation proposals there.

Although some of Milei's initiatives, including cutting down on government inefficiencies and encouraging growth driven by the private sector, may be modified for Germany, comprehensive implementation of his austerity-driven reforms would necessitate structural changes. Argentina's economy, for example, needed a rapid fiscal correction, whereas Germany's system benefits from stable financial markets and robust institutional frameworks, which lessen the need for drastic fiscal intervention (Sobel, 2023). The implementation of a more balanced model that combines economic liberalization with specific social safety measures would be required in Germany, even though some elements of Milei's market-driven approach could be investigated (Scholz, 2024).

Comparison with Existing Studies and Alternative Economic Policies

Contrast Between Milei’s Policies and Keynesian Approaches

Keynesian and interventionist economic models, which are frequently used during times of economic hardship, are markedly different from Milei's economic changes. Keynesian economists stress that in order to boost demand, support employment, and propel economic recovery, public investment and government involvement are essential (Garcia & Venturi, 2024). However, Milei's strategy is consistent with Friedrich Hayek's free-market theory, which places a higher priority on fiscal restraint, monetary stability, and little government intervention in the economy (FocusEconomics, 2024). Keynesian policies support countercyclical government expenditure to stimulate economic growth, but Milei's approach emphasizes deregulating markets and cutting fiscal deficits to support growth driven by the private sector.

This contrast raises questions about the effectiveness of extreme fiscal austerity versus strategic state intervention. Keynesian critics argue that Milei’s rapid expenditure cuts risk deepening the recession, whereas free-market proponents see short-term economic pain as a necessary correction for long-term stability. The debate over these competing models is central to evaluating Milei’s economic governance.

Lessons from Other Countries with Similar Reforms

The examination of other nations that have undertaken radical economic reforms reveals both potential long-term benefits and risks associated with Milei’s policies. A comparison with historical cases offers insight into how extreme free-market policies impact economic recovery.

- Chile (1980s): Under the guidance of Chicago School economists, Chile adopted aggressive market liberalization, privatization, and fiscal austerity. The initial economic shock was severe, leading to unemployment and increased inequality. However, long-term growth and economic stability followed, making Chile a model for successful free-market reforms in Latin America (Haggerty, 2024).
- Greece (Post-2008): Greece’s economic crisis led to strict austerity measures imposed by international creditors. While these policies reduced fiscal deficits, they prolonged economic stagnation, increased unemployment, and triggered social unrest. The Greek case demonstrates the risks of extreme fiscal tightening without economic growth mechanisms, suggesting that Argentina could face similar long-term stagnation if investment growth does not follow fiscal consolidation (Papadavid, 2024).

These cases illustrate that while free-market policies can foster economic recovery, the pace and structure of implementation are critical. Argentina’s success

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under Milei's leadership will largely depend on whether his policies attract sustained private investment and economic diversification.

Alternative Economic Strategies and a Balanced Approach

In contrast to Argentina's rapid fiscal contraction, some countries have successfully implemented a gradualist approach that balances fiscal discipline with social protections.

- Germany and Sweden: These economies maintain strict fiscal responsibility while prioritizing education, infrastructure, and welfare programs. Their approach reflects a hybrid economic model, where market efficiency is complemented by state intervention in key areas to ensure economic resilience and social stability (Sansour & Bernhard, 2018).
- Gradual Market Liberalization: Instead of abrupt spending cuts, some economies introduce pro-market reforms alongside targeted safety nets to mitigate short-term social hardships (Gomado, 2024; Adăscăliței & Heyes, 2021). This strategy preserves consumer demand and workforce stability while fostering long-term private sector expansion.

Applying such gradualist economic reforms in Argentina could reduce the immediate social disruptions caused by Milei's policies while still achieving fiscal stability and economic growth. While Milei's reforms may offer a blueprint for fiscal correction, integrating measured state intervention and gradual deregulation may enhance the sustainability of Argentina's economic transformation.

Critical Reflection on Strengths, Weaknesses, and Transferability to Germany

Parallels and Differences

Milei's approach shares similarities with Germany's ordoliberalism, which emphasizes monetary stability, deregulation, and competitive markets. However, Germany's social market economy ensures that market freedom is counterbalanced by social protections, a stark contrast to Argentina's aggressive public spending cuts (Paqué & Holtzmann, 2024).

Another key difference is in monetary policy. While Argentina is debating dollarization, Germany benefits from Eurozone monetary stability, reducing the need for extreme currency reforms (Garcia & Venturi, 2024). Additionally, Germany's well-established financial institutions and labour protections provide a safety net that Argentina lacks, making Milei's reforms less applicable in the German context.

Necessary Framework Conditions for Transferability

For Milei's policies to be adopted in Germany, a gradual rather than shock-based implementation would be necessary to prevent employment and social disruptions. Unlike Argentina's rapid austerity, Germany would require phased economic reforms to ensure stability. Additionally, retaining social welfare programs is crucial, as Germany's economy depends on workforce security, necessitating targeted social policies within a free-market framework. Lastly, monetary stability and financial safeguards must be prioritized, with a focus on productivity growth rather than currency substitution, given Germany's Eurozone membership (Sobel, 2023).

LIMITATIONS OF THE STUDY

This study provides an in-depth analysis of Javier Milei's economic policies during the first 1 ½ years of his presidency, yet several limitations must be acknowledged.

Limited Time Frame and Long-Term Uncertainty

The research primarily focuses on the short-term economic and social effects of Milei's policies.

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While inflation control and fiscal stabilization have been observed, the long-term economic consequences remain uncertain. Structural shifts, investment growth, and potential socio-political ramifications beyond the study period could significantly influence the effectiveness of Milei's reforms. Future research should assess the long-term economic trajectory of Argentina under his governance.

Potential Biases in Secondary Reporting

The study relies on a combination of primary sources (policy documents and government statements) and secondary sources (economic reports, expert opinions and media analyses). However, media narratives and expert assessments (Buschschlüter, 2024; Sobel, 2023) often reflect ideological biases, particularly in politically charged topics such as Milei's economic approach. While efforts were made to incorporate diverse perspectives, potential biases in economic analyses and political commentaries must be considered.

Transferability Challenges: Argentina vs. Germany

A key component of this study is the examination of Milei's economic policies within the context of Germany's economic framework. While some principles of fiscal discipline and market deregulation may be adaptable, structural, social, and institutional differences significantly limit the direct transferability of Milei's policies. Germany's strong welfare state, stable financial markets, and established labour protections (Mcmanus, 2022) contrast sharply with Argentina's historically volatile economy and crisis-prone financial system. The analysis highlights key parallels and divergences, but further research is required to evaluate the feasibility of adapting Milei's policies within the European economic and political landscape.

The Role of External Economic Conditions

Argentina's economic recovery depends not only on domestic policies but also on global economic conditions, trade relations, and investor confidence. External factors, such as commodity prices, global inflation trends, and international financial policies, could either enhance or hinder the impact of Milei's reforms (Merke & Doval, 2022). Future studies should integrate a broader macroeconomic perspective to account for external dependencies and geopolitical influences on Argentina's economy.

CONCLUSION

Summary of Key Findings and Answers to the Research Questions

This study examined Javier Milei's economic policies during his first 1 ½ years in office, assessing their economic, social, and political impact, global perception, and transferability to Germany. The findings show that while Milei's reforms achieved short-term fiscal stabilization and inflation control, they also led to economic contraction, rising unemployment (8%), and increased poverty (53%) (Paqué & Holtzmann, 2024). His monetary tightening and drastic spending cuts lowered inflation from 211% in 2023 to 2.7% monthly by October 2024 but at the cost of social hardships and reduced consumer demand (FocusEconomics, 2024).

Milei's approach received mixed international reactions. Austrian and libertarian economists praise his commitment to fiscal discipline, while Keynesian critics warn of deepening inequality (Garcia & Venturi, 2024). The study finds that while some free-market principles could be adapted in Germany, a full-scale implementation of Milei's austerity measures would be impractical, given Germany's social market economy (Paqué & Holtzmann, 2024).

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Reflection on the Significance of the Results for Economic Policy

Milei’s economic experiment represents a radical shift toward Austrian economic principles, positioning Argentina as a key case study for extreme fiscal conservatism. The findings suggest that while strict austerity can reduce inflation and deficits, its social and economic costs must be carefully managed. Argentina’s experience highlights the risks of rapid public sector contraction and the need to balance fiscal discipline with economic growth strategies. For nations considering market-oriented reforms, a gradual approach, targeted social policies, and institutional stability are essential to ensure long-term resilience, preventing prolonged recessions and worsening social inequality.

OUTLOOK

Suggestions for Upcoming Studies

Future studies should evaluate whether Milei's economic policies are sustainable over the long run, with an emphasis on whether deregulation and fiscal restraint result in a recovery or protracted stagnation. An improved understanding of Argentina's trajectory can be obtained by monitoring GDP growth, investment, employment, and poverty rates. Comparative analyses of Greece's austerity after 2008, Chile's liberalization in the 1980s, and Eastern Europe's shift to open markets may provide insightful information. Policymakers would be better equipped to adjust economic strategies and policies to various national settings, guaranteeing stability and sustainable growth, if they had a better understanding of the factors that determine whether severe free-market reforms succeed or fail.

Transferring Milei’s Ideas to European Countries, Especially Germany

The feasibility of applying Milei’s free-market principles in Europe, particularly Germany, depends on institutional, political, and economic factors. While deregulation and fiscal responsibility could enhance efficiency, full-scale austerity faces obstacles in welfare-oriented economies. A gradual approach would be necessary, balancing fiscal prudence with social stability. Germany’s Eurozone membership provides monetary stability, eliminating the need for extreme currency reforms. Other nations like Italy, Spain, or Greece might explore aspects of Milei’s policies, but strong political resistance to deregulation suggests that hybrid models combining market liberalization with social protections would be more realistic and viable.

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