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Argentina: Policy & Governance

## **Policy and Governance as a Key to Limiting Food Insecurity in Argentina**

### Introduction and Brief History of Argentine Politics

Argentina is a beautiful land in the southern part of South America. It is the eighth largest country in the world by land mass, and has a rich history. Unfortunately, Argentina has been facing political and economic instability for many years. The most recent of these challenges is an inflation crisis. Because of this inflation, many Argentines who usually have enough food to eat have struggled to meet basic food needs. A new president is trying his own way to solve this issue, but it remains to be seen whether his leadership can decrease food insecurity. This paper will explore Argentina's unique political and economic history, the current inflation crisis, and a personal case study, with solutions to put Argentina in a much better place, such as changing its currency, raising and lowering certain tariffs, and using the nation's own natural resources.

Argentina declared its independence from Spain in 1816. Its Constitution, first drafted in 1853, was modeled after the United States Constitution. The government in Argentina is a Federal Presidential Representative Democratic Republic, which is now run by President Javier Milei. While Milei is a political and economic conservative, Argentina has historically been governed for longer periods of time by political leaders who have been left of center, some of them holding to forms of socialism and communism (Britannica).

Geographically, Argentina sits at the southernmost point of South America. It borders five different South American countries, including Brazil, Uruguay, Paraguay, Bolivia, and Chile. Argentina has many indigenous populations, stretching from the areas in the north adjacent to the Amazon and extending to its southern tip. Many Argentines trace their family origins from immigration patterns in Europe, including the Spanish colonization period through the present, many of which are Germans, Italians, Spaniards and other Europeans who fled Europe during World War II. As a result, Argentina has at various times contemplated which language to make its national language. Its version of Spanish is called Castellano and includes significant Italian influences. Currently, the total population of Argentina is approximately 47 million, with 92% living in urban cities. Only 8% of the population live in rural areas (The Global Economy). Argentina's capital, Buenos Aires, is both the political and economic center of the country, and is home to nearly one third of the total Argentine population. Argentina has vast natural resources, including an enviable agricultural base. The climate is very different in different parts of Argentina. In the north, there are tropical rainforests and the middle section of the Andes that dominate the region. The freezing Patagonia region lies in the south at the end of the Andes, and in the middle, the arid Pampas (Plains) stretch across the land. Its main agricultural exports are corn, soybeans (meal and oil), and meat (OECD World). Argentines eat more meat than any other country in the world. They eat lots of beef, but also eat pork, chicken, turkey, and other meats. The most common jobs in Argentina are in education, hospitality, engineering, healthcare, marketing and sales, and tourism (One World 365). Education and healthcare have traditionally been run by the government, but that is starting to shift. The healthcare system in Argentina is technically a public healthcare system that is open to everyone in the country, but it has gradually transformed into a 70% private healthcare system (Wikipedia).

### Description of the Problem

Argentina has been facing economic problems since the early 2000s when its currency, the peso (or ARS) was linked to the US dollar. At that time, Argentina's money was worth about 3 pesos to 1 USD. Fast

forward to the spring of 2023, and the exchange rate was 236 pesos to 1 USD. Now, just a year later, the exchange rate is a shocking 840 pesos to 1 USD. In previous years, the Argentine government has hidden how bad the inflation is there (Wiseman). Inflation has a big impact on a country's ability to pay its debts with other nations and international lenders such as the International Monetary Fund (de Bolle). This impacts the government's ability to help its citizens in both rural and urban areas. 27 million out of 47 million people in Argentina are considered 'poor', which is nearly 50% of the total Argentine population (Agencia EFE). Because food prices have also risen well over 100% in the last year and a half, combined with one of the worst droughts in the last 60 years, many Argentines are struggling to meet their general food needs (Wiseman).

#### Case Study: The Inflation Problem for a Typical Small Business Owner in Argentina

Small business owners are vital to any economy, including Argentina's. Alex and Fernanda Savarino<sup>1</sup>, a husband and wife team, own a factory, or *fabrica*, in Buenos Aires that produces metal and plastic parts for several industries. The last two years have increased the price of materials and decreased the amount of contracts their vendors can afford. They face costs in shipping finished products both inside and outside the country. They are taxed heavily. Their business, like many other Argentine owners, has suffered because of the inflation crisis, and now has almost no clients. As a result, they have temporarily moved the business to nearby Paraguay, where the economy is much better. Now, their business is spending money in Paraguay instead of Argentina. This issue is not something that is just happening to this particular family; many others are experiencing similar things.

#### Solutions: Looking at the Role of the National Government and Economic Policies

President Milei is looking to turn more and more government-owned institutions and services into privately owned and managed ones. This process is called privatization. This privatization, Milei claims, may help the government pay its debts while also creating opportunities for Argentina's industry to grow by helping more business owners nationally to enjoy the profits of their labor. The other reduction means Argentina as a whole is not spending loads of money on sustaining government operations and services and can then use the extra money to pay back its national debt, which has grown to about 800 billion USD in 2024. Paying off national debt would likely bring inflation down, but it does raise some concerns about impacts on everyday families whose employment is in these parts of the Argentina economy.

In spring 2023, the average wage in Argentina was 45,200 pesos per month, or 199 USD per month (Time Doctor). Many average Argentines like Fernanda and Alex may be forced to find near-term solutions or face real economic hardship. It is possible to argue that one solution for the hunger crisis is to work with the new president's privatization plan. Milei has also begun to reduce the size of government, for example, by decreasing aid to the provincial governments (Winter). Also, a lot of government workers were fired less than two weeks after Milei was sworn into office. He began to sell parts of the government into the private sector as well (Weissmueller). Reducing the size of the government has real human costs, and some families like Alex and Fernanda may not benefit right now. Yet, Argentines elected Milei president because they believe the steep increase in inflation has left so many people deeper in poverty (Winter). The choices are severe either way. It seems Milei has support from enough of the citizens to act on a plan that could eventually help position the country for more economic success. If his plan succeeds, it could help families like Fernanda and Alex have more choices in the future.

Milei is not just looking to reduce the size of the government. He also is looking at economic policy. One of the strategies that he has is cutting the ARS's value in half (Wiseman). In doing this, the country's exports will be much more expensive for all of the other countries purchasing these products. There is also the option of changing the currency from the peso. That is a drastic measure, but it has been done before in South American Brazil (Wiseman). The end result for Brazil was the change in currency slowed

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<sup>1</sup> The Savarino Family is biologically related to the author.

and reduced about 20 years of hyperinflation (which is inflation that is way out of control). In the 1980s Argentina attempted twice to do the same when their economy was not doing very well, but did not succeed. This is the time to try again. It is a plan that will require a lot of political collaboration to pull off, but it could be that Milei would have to convince many people that are not for his plan that this is the right decision (de Bolle). But if he did convince them, then food would likely become way cheaper to buy for the Argentine people.

#### Solutions: Looking at the Role of Government Policy for Small-to-Medium-Sized Business Owners

One solution that can help small business owners succeed is to decrease tariffs on other countries that have goods that Argentina does not have a surplus of. A good balance of tariffs might improve business opportunities. With these new cheaper resources, the Argentine small business owners could produce more and more of their products for less money. Similarly, Argentina can help small business owners by increasing tariffs on some goods. For example, vegetable and food products (like soybeans and corn) are the top export in Argentina by far, but are a distant seventh in imports (OEC World). This may reflect higher tariffs on those products from other countries.

Another solution to help small businesses thrive in Argentina amidst the inflation is to protect the farmers of Argentina. Argentina is well-known for its delicious beef and quality wine, which are produced by farmers. Protecting farmers from international companies that could easily outcompete them will mean that they will get the money that they should be getting from their products. In doing this, Argentine farmers do not flee the country like Fernanda and Alex to other nations in South America to find higher paying work. A different way to benefit small business owners and farmers is to give them tax benefits, taxing them less than the general population. The idea would be to create reasons for business owners and farmers like Alex and Fernanda to stay in the country.

A final solution to the hunger crisis in Argentina is to promote the country's own natural mineral and food resources. Argentina is the world's fourth largest producer of lithium (main ingredient in rechargeable batteries) in the world, and has the second most lithium reserves, second only to Bolivia (OEC World). Additionally, the Argentine government could consider ways to steward this natural resource to help encourage individual partnerships with battery makers in the United States and other countries. If Argentina promoted local farms by decreasing taxes for the farmers and increasing tariffs for international food suppliers instead of receiving food from further away, then Argentina could support local farmers by putting more money in their pockets and other people have cheaper food because it is grown locally. The Argentine government could put articles in the newspaper about how to make your own garden and basic gardening tips; how and when to plant, water, and harvest. The government could even send seed packets to everyone to help start their garden. At the local level, towns could have regular meetings to plant a community garden with everyone helping plant, water, and harvest. During this time President Milei would be fighting the inflation issue and help get Argentina through this hard period. In addition, the Argentine government could also have online suggestion boxes where citizens could express their concerns to the state. The state could look at the top 3-5 major concerns, and take a poll in different areas to see which areas would want this change to occur. Argentina, as stated earlier, has very different climates and population density, so different solutions might be better in one area instead of another. In many parts of the world, unfair polls and elections are a concern for a lot of people. To make sure that these polls are fair, a third-party organization could come in and run the poll for the government. This poll could occur about once a year. Voting is the most important thing that the Argentine citizens can do to save their economy.

#### Conclusion

Argentina is facing an intense inflation crisis that is affecting how a lot of Argentine citizens receive their food. Its currency, the peso, plummeted in value from 170 ARS to \$1 in 2022 to closer to 1,000 ARS to \$1 in 2024. Because of this, many people are struggling to meet standard food needs and businesses are

failing because there is no work. The new president, Javier Milei, elected at the end of 2023, has pursued government policies and practices that promote privatization. The goal is to decrease the government's national debts and to encourage business. These strategies have the goal of bringing more people out of poverty and helping them not go hungry. Argentina is a country with a rich heritage and incredible resources, especially its people. It is important for the entire international community that this inflation crisis is fixed as soon as possible to prevent further damage to its citizens and other partners.

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