



So you think our inflation was a problem?

Inflation is a wrecking ball. It wipes out the value of people's savings, which of course makes them angry. In the U.S., this anger led many people to want to punish those responsible. Voters blamed the Democrats and this blame probably caused the Democrats to lose the Presidential and several Congressional elections. But how bad was our inflation? Since 2021, our 12-month inflation rate, at its worst, in June 2022, was 9.14 percent.

While a 9.14 percent inflation rate sounds horrible to most of us, it would sound fantastic to an Argentinian. In Argentina, since 2021, at its worst, in April 2024, its 12-month inflation rate was 289.4 percent. Consider for a minute, how these inflation rates affected the purchasing power of money. In the U.S., in June 2022, it took, on average, \$109.14 to buy a basket of goods that would have cost \$100 a year earlier. In Argentina, their money lost much more of its value. In Argentina, in April 2024, it took 389.40 pesos to buy what 100 pesos, on average, would have purchased a year earlier. That is a lot more pesos and you can easily visualize how the value of people's lifetime savings lost much of their value as prices increased by so much.

Much like high inflation hurt the electoral fortunes of candidates in the

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in Argentina was shooting upward at an alarming rate before the election. The Argentine voters elected a president that would make Donald Trump look like a traditional politician. Milei describes himself as an anarcho-capitalist. As the Wall Street Journal reports, Milei views the state as a criminal organization and he hates taxes, viewing them as theft – since people do not voluntarily agree to pay them.

Milei, the extremist politician, took radical steps. According to the Wall Street Journal, he fired 33,000 public employees and slashed government spending by 30 percent. As a result, Argentina's government ran a surplus for the first time in a very long time. Now that the government stopped its deficit spending, it had enough money to pay its obligations. As a result, the government did not need to print money to pay its bills. With less money being printed, the inflation

incumbent president's party in the U.S., high inflation helped bring a new president to power in Argentina. Javier Milei won the presidential election on Dec. 10, 2023. You can see in the graph that the inflation rate

rate began to quickly drop (as you can see in the graph). November's 12-month inflation rate was 166 percent, which – while high – is more than 120 percentage points lower than it was in April. I have seen recent estimates of the month-to-month inflation rate in Argentina. These estimates range from 2.4 percent per month to a negative inflation rate – which means that prices are falling. Given the recent data, we can expect to see Argentina's inflation rate to continue to decrease quickly.

Going forward, it will be interesting to see if the Trump administration tries to copy some of the policies that led to Argentina's improved economic performance. Certainly, Elon Musk and Vivek Ramaswamy's Department of Government Efficiency wants to massively cut back on government spending the way Milei did in Argentina. But just as certainly, the U.S.'s cuts won't be as large (in percentage terms) as the cuts were in Argentina. That is mostly because the economic problems in the U.S. are not as large as the economic problems are in Argentina. Going forward, it will also be interesting to see if Milei continues to adopt policies that improve Argentina's economy.

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