

Is Reform Possible?



by Theodore Dalrymple

President Javier Milei of Argentina has had a certain degree of success already with his radical economic policies: That is, if certain macroeconomic statistics are a sign of success. Inflation, though still very high, has declined somewhat. The budget has been in surplus for the last two months. The official exchange rate for the peso is beginning to approximate its rate on the open market, something that has not happened for a long time.

But for how long? It remains to be seen whether these successes can be maintained, for there are problems ahead both economic and political. Argentina has for decades stubbornly pursued such disastrous economic policies that any rectification is now bound to be painful and to result in at least temporary hardship for many. People who are already hard

up will not take kindly to sacrifices for the sake of a supposed and still uncertain long-term advantage (no one can eat a balanced budget), and when people are living precariously, they cling to any tiny privileges or subsidies as the shipwrecked cling to whatever floating object they can find, and never mind that the grant of those privileges or subsidies caused the problem in the first place.

Those who organized the disaster will take advantage of the inevitable discontent arising from efforts to overcome it, for if there is one thing that they are skilled in, it is demagoguery. Everything about them is demagogic, from their reading of history to their opposition to any kind of real change. Their aim is the preservation of their power and their hold over the people at all costs; Mr. Milei is a real threat to them and they are not going to surrender easily. Moreover, it is likely that Mr. Milei will himself make terrible mistakes, because all powerful people do so before long. His decision, albeit quickly reversed, to accept a huge augmentation in his pay while so many Argentinians are growing poorer was a very foolish error.

But Argentina is far from the only country in dire straits. The problems both of Britain and France strongly resemble those of Argentina, though perhaps they are not (yet) so dramatic. But they too find themselves in a situation in which reform is desperately needed. Indeed, they are in Argentina's bind: Reform is imperative; reform is impossible.

Reform is imperative for economic reasons. The governments of both countries have undertaken obligations that they cannot meet out of their own resources and increasingly must resort to borrowing to meet some other way. In a recent article in the newspaper Le Figaro, the former candidate for the French presidency, Eric Zemmour, pointed out that the French budget for the police, armed forces, and administration of justice combined now constitutes between them only a very small proportion of the whole state budget, as if the maintenance of

the country's peace, internal and external, were but some kind of minor task for the state, an afterthought, something that it can afford to attend to only once the demand for children's creches or free abortions has been met. And unfortunately, servicing the debt that has been contracted in the meantime largely to pay for all the creches, abortions, etcetera, is likely to become the single largest call on government expenditure.

The situation in Britain is even worse, because of the greater incompetence and corruption of its public service than that of France, combined latterly with increasing costs and inefficiencies imposed by obedience to politically correct goals.

But reform is impossible because so many people have now become dependent on the state, either directly because the state pays them to do nothing, or because they are employed by the state, or because the enterprise or business for which they work is employed by the state, such that the difference between the public and the private sector is increasingly blurred. When I look around me, for example, I see a neighbor, the owner of a prosperous private consultancy whose business is helping people to obtain subsidies from various levels of government. I came across another consultancy whose business was to assist local government in reducing their payment of taxes that the central government imposes on their suppliers.

It follows that attempts to reduce government expenditure, imperatively necessary for financial reasons, would, if carried out, cause genuine hardship or discomfort to many. And if there is one thing that a modern democracy promises its members, it is increasing comfort, or at the very least the avoidance of discomfort. It would not be very difficult to trigger social discontent and violence on a large scale.

There is a kind of dialectic at work here: First, the government makes people dependent on it; then the government

becomes dependent on the people whom it has made dependent on it. From this infernal cycle, it is not easy to escape. The former head of the European Commission, Mr. Jean-Claude Juncker, once said, of European politicians, "We all know what to do, but we don't know how to get re-elected once we have done it."

Mr. Milei came to power with a clear majority because the situation in Argentina was so bad that it was obvious to a large proportion of the population that something in the country had to change, and change drastically. But if 55 percent of Argentinians voted for him, 45 percent did not; and while psephologists might consider this a very large difference, I do not think it would take very much for it to melt away and reverse. After all, euphoria has more in common with despair and anger than with good sense. Most of us live in the short term and are reluctant enough to make sacrifices for our own good, let alone for the good of others.

People in Britain and France should pay close attention to what is happening in Argentina, for it is a laboratory for their own future. There are differences of course; the French economy, for example, has already in effect been dollarized by its adherence to a currency that it does not control, the euro.

Incidentally, I saw an unintentionally funny line in an article about Argentina's proposed dollarization. It would, it said, halt Argentina's addiction to the money printing machine. Ha! Try telling that to an American monetarist!

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