

Dollarization of Argentina - Or Not? Peter Koenig

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Just ten days after Argentina's run-off presidential elections and way before his inauguration on 10 December 2024, President-elect Javier Milei, has already chosen the Minister of Economy and Finance, whom he will entrust with ditching the Peso for the US dollar and dismantling the Argentine Central Bank. Or so the story goes.

After a two-day trip to Washington DC, where Milei met with officials from the IMF and the US Treasury, Milei announced that he chose Luis Caputo, a former Wall Street trader, to become his new Minister of Economy.

Caputo previously worked for JP Morgan and Deutsche Bank and was Minister of Finance from 2017 to 2018 under former Argentine President Mauricio Macri (2015-2019).

The Wall Street banker, not new to Argentina, will, according to Milei, oversee dollarizing the country, ditching the Peso for the dollar and dismantling Argentina's Central Bank. See [this](#).

However, while during his election campaign, Milei said "blowing up" the Central Bank and replacing the Peso which was like "excrement" against the US dollar was not negotiable, he is now apparently distancing himself from this immediate decision.

The chief reason for dollarizing the Argentine economy was, so Milei and his chief advisor during the election campaign, Emilio Ocampo, an economic history professor and former investment banker, the high inflation which is more than 140% and is, as in many cases closely linked to the high national debt. This was already the case - and pretext - for the earlier Argentinian dollarization from 1991 to 2000.

Ocampo was ready to implement the plan soon after Milei takes office on 10 December 2023. For that he was to be made Chief of the Argentine Central Bank to dollarize the country and to abolish the Central Bank.

However, in an interview on 29 November 2023, while Milei still liked Ocampo's plan, he said

“We need to see whether the market situation allows a solution like the one Emilio proposes, and whether he is prepared to implement a plan which is not the one he had originally planned”.

After this wishy-washi split tongue wording, Ocampo, who was without compromise committed to his plan of dollarization, immediately declined to take over the Central Bank job. He said he would be willing to head the Central Bank only to dismantle it, and not to implement somebody else’s policies. See [this on the Financial Times](#).

It is likely that Javier Milei is under pressure from experienced economists in his own country, who remember the financial disaster Argentina went through only about two decades ago when her economy literally imploded from 2000 to 2002 – due to the earlier dollarization.

In 1991 then-President Carlos Menem dollarized Argentina’s economy by pegging the Peso to the US- dollar on a 1:1 rate. Then as today, under pressure of the US Treasury, as well as the IMF. They usually go hand-in-hand on such decisions.

Argentina is rich in natural resources, from petrol to minerals and controlling them from abroad, i.e., Washinton, is much easier if a country is run in the currency of the “controller”. A good example is Ecuador which in January 2000 abandoned her currency, the Sucre, and converted to the US dollar.

Then Ecuadorian President Jamil Mahuad was pressured by Washington and the IMF to do so under the pretext to come to grips with Ecuador’s high debt. Analyzing this debt, however, any serious economist would have shown that most of the debt was internal debt, that could have been dealt with internally, without outside interference.

Ecuador is rich in hydrocarbon, mostly Petrol, accounting for more than 50% of Ecuador’s exports.

A similar picture evolved in Argentina in 1991 – high debt can bring about high inflation – risk of default due to high interest rates but wise internal policies could have dealt with the internal debt then as today.

Unfortunately, South America is not free. The Monroe Doctrine is alive and well. Rather than being sovereign countries being able to trade and negotiate with whom they want, Argentina has close trading relations with China and India, the US finds ways of keeping a strangle-hold on a country.

The Monroe Doctrine is a United States foreign policy position that opposes European colonialism in the Western Hemisphere. It holds that any intervention in the political affairs of the Americas by foreign powers is a potentially hostile act against the United States.

James Monroe was the 5th President of the United States. See [this](#).

Argentina is also one of the six new BRICS members (Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates – UAE), joining the association officially on 1 January 2024.

One of the New BRICS top priorities is dedollarization.

Brazil, one of the original BRICS members, is, with Lula having been reelected in 2022, firmly under control of Wall Street. To keep it that way, following the Monroe Doctrine was a main reason for his reelection with the tiniest of margins against his right-wing opponent, Jair Bolsonaro, who vouched for an independent, sovereign Brazil.

Already during his two earlier terms as President of Brazil (2003-2006), Lula made sure Brazil's economy was closely linked to Wall Street, to the point where the IMF called him a "good scholar".

A defection of Argentina is not "allowed" under the Monroe Doctrine. Therefore, the controversial "dollarizing" Javier Milei was "elected" against all odds, on 19 November, after having trailed his opponent, current and experienced Minister of Finance, Sergio Massa (Peronist), 30% to 36% in the first round of elections, on 22 October 2023. The turn-around of 56% to 44% for Milei, is more than surprising.

Looks like not all is "lost" for Argentina, though. Outside manipulating of Argentina through an unexperienced maverick, like Milei, may not be so easy. Argentina, as a new BRICS member may already have BRICS protection - which is another dimension of dynamics that may surpass Washington's strategies of deceit.

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