

POVERTY IN ARGENTINA: MEASURING IT, ITS CAUSES, AND HOW TO REDUCE IT

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We agree with the Washington editorial of April 3 ("[New data from Argentina reveal the true answer to poverty](#)"), as do most Argentinians, in celebrating the decrease in poverty in our country. However, the editorial misinterprets the data and policies followed, and, therefore, the remedies proposed to continue reducing poverty are an ideological confusion.

First, the data. We must remember that poverty is estimated by comparing a) the cost of the basic basket of goods and services that people must consume in that country to avoid poverty; with b) the actual income that people have. If b) is below a) people are considered poor. The editorial notes, citing official data, that poverty decreased from 53 percent to 28 percent in two years. This decrease reflects, in part, a genuine component caused by lower inflation (which reduces the cost of component a), and an increase in transfers from social protection programs for the poor (which increases component b). But it also reflects, as the analysis by the Social Debt Observatory of the Catholic University of Argentina indicates, an improvement in capturing income sources. This increases the recorded income (point b), thus reducing the estimated number of people living in poverty.

Also, following the liberalization of prices for public utility rates and services (electricity, water, gas, transportation, etc.) introduced by the Milei government, the value of them in the actual consumption basket increased significantly. But this change in the composition of component (a), which affected consumption of food, education, housing, and health, is still not reflected in the calculations. Therefore, the previous underestimation of incomes and the current underestimation of the cost of public services, make the last reported figures not comparable with previous estimates: using similar methodologies, poverty remains above 2018 levels and closer to the 2021-2022 figures (about 35-38 percent).

Furthermore, the editorial fails to mention that the high poverty rate of 53 percent was largely a result of the extraordinary peso devaluation that President Milei implemented after taking office in December 2023 (comparable to the explosion of the 2002 crisis): monthly inflation soared to 27 percent in December 2023 alone and a further 20 percent in January 2024, which increased the cost of the basic basket of goods and services and the number of poor. In comparison, during the last four to five months of the previous administration, inflation hovered around 12 percent per month, still a high figure, but lower than the increase in inflation (and poverty) generated by the initial policies of the Milei government.

In summary, the reduction in poverty, while having a real component that should be celebrated, is less than the government's estimates (when using equivalent methodologies) and is compared to a level that was in part initially generated by the current government.

What to do next? The editorial correctly highlights the relevance of economic growth and the crucial role of the private sector; the potential contribution of the government's deregulatory initiatives; and the importance of improving fiscal accounts (although on the latter, the editorial says that Argentina did not have a fiscal surplus in 123 years; in fact, according to the IMF, the country had annual surpluses of about 1.9 percent of the GDP from 2003-2008, when the average 2024-2026 has been about 0.9 percent). The editorial also mentions that unemployment is increasing to 7.5 percent (the average for the 2 years before the current government was 6.5 percent). But it wrongly attributes that to declines in public sector jobs, when data from the government shows that the almost 400,000 jobs lost since Milei started are basically all in the private sector.

Rather, the reason for increases in unemployment is an inconsistent macroeconomic policy: very high interest rates to support an out-of-equilibrium exchange rate, and trade liberalization without considering WTO-illegal trade practices by other countries—all aimed at decreasing inflation but also bankrupting important productive activities. Official data shows that the GDP growth for the full year 2025 (and not the mid-year growth quoted by the editorial) was 1.3 percent (and only 0.6 percent if the financial sector is excluded). The slowdown in growth and losses of jobs is beginning to reverse the previous declines in poverty, as shown in the small increase towards the end of 2025.

Inconsistent macroeconomic policies (exchange rate, monetary, fiscal, and trade), and not an abstract debate about socialism versus capitalism, have been the cause of the recurrent economic crises in Argentina. While the current government has made advances in some of those dimensions, macroeconomic policies are still at least sub-optimal to allow the private sector to grow the economy, create jobs, and, thus, continue reducing poverty. Hopefully, the editorialists of the Washington Post can focus next time, with better information and analysis, on the crucial topic of implementing adequate macroeconomic policies.