

Inside Argentina's Deregulation Revolution with Federico Sturzenegger

By Marcos Falcone

As Argentina's Minister of Deregulation and State Transformation under President Javier Milei, Federico Sturzenegger is the architect of the most ambitious deregulation effort in the country's history. His work started years before Milei came to office and was shaped by his firsthand experience with Argentina's bureaucracy under two previous administrations, including a three-year stint as president of the country's central bank.

In this Q&A with the Cato Institute's Marcos Falcone in Buenos Aires, Sturzenegger discusses the motivations that led him toward deregulation even before Milei was elected president; details the process of overcoming powerful interests that long relied on Argentina's corporatist economic system; and explains why the case of Argentina—originally founded on the same classical liberal principles as the United States—offers lessons that travel well beyond its borders. The following transcript of the interview, which was conducted in April, has been lightly edited for clarity and length.



Federico Sturzenegger (left), Argentina's Minister of Deregulation and State Transformation under President Javier Milei, details the government's deregulation push in an interview with Marcos Falcone (right), a policy analyst at Cato's Center for Global Liberty and Prosperity. (Photo by Mule Agency)

MARCOS FALCONE: Years ago, you went viral in Argentina while posing alongside piles of regulations that you proposed to eliminate or modify. What inspired you to map every single federal regulation in Argentina, even before joining Milei's team?

FEDERICO STURZENEGGER: I participated in two previous governments in Argentina, the de la Rúa administration and the Macri administration, which were attempts to reform a country that had been stagnating for about 50 years. These governments were full of very capable, honest people who really were trying to make a change for their country. How is it possible that they failed? I came to the conclusion that the reason those governments failed is that Argentina was living in its own self-made Bermuda

Triangle. This Bermuda Triangle is the work of interest groups within the country that basically had used the legal architecture to build up privileges for themselves.

There are three players in this triangle: the unions, the crony capitalists, and the Peronist Party. If we were to use the wording of economists Daron Acemoglu and James Robinson, Argentina had established a number of non-inclusive economic institutions and a vicious circle: You create privileges, those privileges create regulatory rents, and those rents are then used to buy out the willingness to preserve the privileges. Once you create these privileges, it's very difficult to dismantle them. I came to the conclusion that if we were going to dismantle that, we needed to dismantle the legal architecture, and we needed to

dismantle it fast and furious. I wanted whoever was going to be president at the end of 2023 to have all the laws that had to be changed in Argentina so that if they wanted to undo this legal architecture, it could be done.

That's why I started working two years before the new government would come in. We read all the laws of Argentina and classified them as laws that had to be repealed, laws that had to be kept, and laws that had to be changed. We actually drafted modifications to the laws. I think we were fortunate to have Milei, a true believer in freedom and a true believer in undoing all this regulation that had piled up as geological

layers over the last decades. It was a lucky coincidence that he basically had the political capital and the willingness to execute it.

It's a project that, I think, is very, very liberal. It's pretty unique. We've done 15,000 deregulations in the first two years of the Milei administration. It's a dream come true, honestly.

FALCONE: The Milei administration has stated that its goals are explicitly libertarian. How does that work in practice for you as a minister in this administration, and how does that differ from the other two administrations you were part of?

STURZENEGGER: I sometimes illustrate it with the following: The Macri administration had a Ministry of Modernization, but the state never modernizes. What we think modernizes is allowing people to be free, getting the government out of the way. The government is particularly devastating for small and medium-sized enterprises, because it's like a fixed cost. In order to have an economy that is vibrant and growing, the conventional wisdom needs to be challenged all the time, and for that you need to have all this creativity, to be able to operate unbounded. So I think for us, the objectives of the deregulation program were very clear from the start.

FALCONE: Which sectors of the Argentine economy have you had the most success in deregulating? How do you overcome regulatory capture and deal with those vested interests that each regulation protects?

STURZENEGGER: I think Argentina is a country where we had basically blocked all

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the things we were good at. For example, we had a glacier law that basically made it impossible to mine. You have Chile on the other side of the Andes, which exports \$60 billion per year, and we basically had no mining exports, but that was out of our own making. We have the mountains, we have the copper, we have the gold, we have the silver, we have everything. Imagine if this country would have exported \$60 billion of mining products over the last 40 years—this would be a completely different scenario. We just punished ourselves. Another example: We have also forbidden foreign direct investment in the agricultural sector, in regional economies, in the forestry industry. *Kirchneristas* had passed a law that we're in the process of repealing—this change in the Land Law is going to bring about \$15 billion of investment across the country. It's going to change the landscape completely. Before this, if you wanted to farm salmon, you couldn't, because we forbade farming salmon in the ocean. If you wanted to harvest, you needed authorization from the Agricultural Agency. If you wanted to import used capital goods, you couldn't do it, because of lobbying by a particular sector. I could go on and on with all the restrictions we have self-imposed on ourselves. So we see our task as removing all those constraints, and I think the results are pretty impressive.

You asked me about how to deal with a vested interest and how to make this reform sustainable. You should interpret all our economic reforms as having two layers. One layer is the economics layer. To give you an example: trade openness. We want to do that because we think that's good, right? The economy is going to work better. But then

there's a deeper and perhaps more important layer, which is the political economy layer: When you open up the economy, you dilute the rents of firms that were using those rents to influence the political system so that Argentina remained closed.

Take labor reform: The bill we promoted aimed to make the labor market more flexible, better at adjusting to regional conditions and reducing litigation, all the things that economists know work. But I think there's a much more important dimension of the labor reforms in that we changed the way labor negotiations are implemented. Today in Argentina you have national negotiations by sector, so the truck drivers' union is the same for the whole country. But now we're going to allow negotiations at the firm level, which is going to prevail over the national agreement, and I think this is very important for the labor market to work better, because you may have places where you need a different agreement, and if you put in place a one-size-fits-all model, it's not going to work. But most importantly, it breaks the power of the unions. The unions are no longer this monolithic national power: People can now splinter apart, and they can just make their own decisions and their own agreements. So you always want to think of the regulations as having these two layers: One we deal with as economists, because we want the system to work better, and the other we deal with as politicians, or as political scientists, by weakening the economic might of what I call these blocking agents—the guys who were responsible for this architecture of privileges. If we weaken them economically, we weaken their ability to defend that system, and I think that's the best way to



Federico Sturzenegger leans on stacks of laws that the Ministry of Deregulation and State Transformation has deregulated. (Photo by Mule Agency)

deal with the problem. If you don't reduce the economic power of the blocking agent, sooner or later they're going to drift back to the ancien régime.

FALCONE: I've heard you stress that it's not just important to deregulate, but also to follow up on deregulation. Could you tell us about a deregulation that has been especially complex to disentangle?

STURZENEGGER: There is resistance from two sources. You can have resistance from the vested interest, or you can have resistance from the bureaucracy. The vested interest has turned out to be much easier for me than, I think, for any other reformer in the world. Why? Because I have President Milei. Remember that you have to think of regulations not as the result of some central planner thinking how to do good, but as a result of special interests using the state to generate regulation to benefit themselves.

So for us, the benchmark is that regulation is bad, not that regulation is good. The burden of proof to keep a regulation is very much on the one who wants to keep the regulation, not on the ones who want to eliminate it. Behind the regulation there's an owner, someone who was benefiting from this regulation. So when I announce a deregulation, President Milei immediately goes on social media and supports it, and this is critical because whoever was thinking about lobbying against the deregulation cannot do it, because the president has already supported this. I tell Javier that it's a little bit like he's walking ahead of me with his machete and he's clearing the path, so that then the ministers and myself can walk and make a lot of progress.

Then there's the resistance of the bureaucracy, which doesn't want to lose power. Remember that every regulation is an opportunity for corruption. So, when you undo this system, there are a lot of people within the bureaucracy who don't want this to go along, and the bureaucracy is like a monster with many heads, you don't know how to get to it, you get it somewhere and then it goes out in some other way. I've had cases of doing a deregulation at a lower level of resolution, and the bureaucracy reestablishes what we had eliminated at a higher level. So you have to be very careful; you have to be vigilant all the time.

I have very fluid conversations with who I call the "victims of the state," and they say, "Oh, Federico, you deregulated this, but you forgot this other provision." So I go at it again and they say, "No, you forgot this other one." In the same way that data centers have these redundancies, these guys that built the legal architecture also built redundancies, thus making sure that there are three or four

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protections on each one of their privileges, so it takes some time.

Social media is great because it is a place where everybody speaks to everybody. I’ve established a way of communicating, which has turned out very helpful for me: Every morning I send a tweet on X—I explain a deregulation, I try to put some humor into it and make it accessible, and then that creates attention. If something is not working, people are going to say it out loud, because people celebrate deregulation, people celebrate their freedom, but if it doesn’t work, they’ll make it clear and noticeable. So, for us, just tracking social media is like an audit of what we’re doing, and it helps us correct along the way. Society as a whole is actually helping us do our job. Even Milei publicly supporting the reforms is also something that could not have been possible perhaps 15 or 20 years ago, because it would have been intermediated by the media, but now you can just say what you are doing and everybody’s listening. The game has changed quite a bit.

FALCONE: You used to have a countdown showing the number of days left until the expiration of delegated powers granted by Congress in 2024 to deregulate the economy. That occurred in July 2025, but I see that the countdown is still here and now reflects the number of days left in office. How has your work changed compared to the time when you had these delegated powers?

STURZENEGGER: When we passed that bill in Congress with very significant reforms, one of the articles basically gave the government what’s called delegated powers, which are in our Constitution, which means that on a specific matter for a specific time you can make some changes. In our case, Congress delegated powers to us to transform the state, but they didn’t give us delegated powers for deregulation, just for closing units, and having some flexibility in what we could do there. So I had a counter of the days we had left with those delegated powers because I wanted the whole team to be on its toes and make sure that we didn’t lose the opportunity. That’s why on top of the counter, we have this quote from Gandalf when he’s talking to Frodo and says that it doesn’t matter how much time we have, but what we decide to do in the time we have been given. We issued 72 delegated decrees in the limited time that Congress gave us.

Now, as you said, it has the number of days left in the administration, because I also want my team to cherish this time that we’ve been given. We have a unique president who believes in the idea of freedom as no other leader I’ve seen in the world, who has the guts and the courage to move ahead. We want to be very aware of that, and that’s why we have the counter, but the job hasn’t

changed much. When we had the delegated powers, we could, through a delegated degree, change some things at the level of laws. But this year, given the good showing we had in our midterm election, we have the ability to go to Congress, and I think we can be quite optimistic with regard to most of the laws we're interested in passing. Of course, there's always a discussion, but that's the nature of democracy.

FALCONE: In your paper "Deregulation: From Theory to Practice," you talk about how regulators are often disproportionately risk-averse, implementing rules that cost too much for the unlikely risk they're trying to avert. Is this part of a mindset that needs to change for a deregulation to work?

STURZENEGGER: I don't know if it's the mindset or the incentive structure, because, for example, if you read Milton Friedman's *Free to Choose*, he discusses the issue of approval of medicines—if an authority approves a medicine and then a person dies from the approved medicine, certainly that regulator will be in trouble, correct? Now, if you don't approve the medicine, and then there are a lot of drugs that don't make it to the market, and thousands of people die because the product didn't make it to the market, what happens to the regulator? Nothing, because nobody even knew about it. Friedman says the incentive structure of the regulator is totally biased toward being conservative and overly cautious, and I think that's very problematic. People die crossing the street and that's terrible, but we wouldn't go to the point that we forbid people crossing the street. That would just make no sense. In our discussions, I see the regulator

being overly conservative, and part of my job is convincing them to take more risks.

But when you say "let people be free," the bureaucrat's imagination blossoms, it becomes better than Jorge Luis Borges's or Julio Cortázar's—they come up with stories of all the terrible things that will happen if people are free. I say: "Now give me the same stories of all the things that will not happen because of this regulation," and there's nothing there. So I think there's very strong tendency to overregulation, and I think part of my job is to try to get people to take risks.

Let me go back to what I was telling you before, about an example of things that are unbelievable: In Argentina it was forbidden to use satellite internet (I think people at Cato have written about this). For those who don't know much about Argentina, if you place it over Europe, it'll extend from Portugal to Estonia, so it encompasses the whole of the European continent. But we have only 47 million people here, so we are very dispersed. You're never going to get a fiber optic cable to everybody. It doesn't make any sense and it never will. Yet we could not buy satellite internet—that was forbidden because the largest media conglomerate in Argentina is a big provider of internet and it was very easy for them to lobby some guy who was earning \$1,000 per month at ENACOM, which is the regulatory agency, and try to convince that guy one way or the other to issue a regulation that you can't have satellite. That was much cheaper than competing. Milei, on his 10th day in office, eliminated that rule, and several companies started operating, of which the most well known is Starlink. And today three million more Argentines, which is close to 10 percent of the population, have



Federico Sturzenegger (right), who served in two previous administrations, greets Argentine President Javier Milei (left) on the floor of Congress after submitting a budget proposal in September 2024. (Photo by Alejandro Pagni/AFP via Getty Images)

access to high-quality internet just because of freedom, without the government spending a penny today.

FALCONE: What's next for deregulation in Argentina? What do you hope to achieve in the remainder of your time as minister?

STURZENEGGER: I have several projects sent to Congress. One project is going to eliminate something like 100 laws, legal structures that get obsolete with time, and I think it'd be interesting to have this process as a regular thing. For example, Texas has a sunset clause where after a state agency has existed for a number of years, the state legislature has to renew the law authorizing the agency. If not, the law stops, so I think this is part of this process of clearing out the dead wood in our legislative system. There is also a bill in the Senate that is going to repeal the Land Law of the *Kirchneristas* and allow foreign direct investment in the agricultural sector, which is critical. I'm also going to be sending to Congress a bill to deregulate capital markets and the insurance market, among others. Another is the navigation market.

In the US, you have the Jones Act, which protects local ships but has dramatically increased the cost of shipping. President Trump has suspended it—I don't know if it will be just temporary, but I would certainly recommend making it permanent. We have our equivalent to the Jones Act in Argentina, which has made transporting merchandise through rivers very expensive, so we're going to deregulate that completely. In some cases, that will imply reductions in the cost of production of between 20 and 50 percent. Imagine people who are isolated who have to put merchandise in trucks and then burn diesel to make it to a port that is maybe 1,000 kilometers away, instead of just using the river one kilometer from where you're producing. The reduction in costs will be dramatic.

We're also going to change the competition law because the most dangerous player for competition is not private companies, but the state. Every regulation is a way of attacking competition, because it's an entry barrier—it's a way of diminishing the amount of competition in the economy. We want to give our antitrust agency the power to go

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against government policy, which affects competition. It's a completely different change in focus.

The other thing I want to mention is the legal structure for artificial intelligence. The Dutch allowed capitalism to flourish when they invented the limited liability company 400 years ago in Amsterdam. You needed to somehow distinguish between the risk of the activity in which the company is engaged and the wealth of the individuals who are participating there, and that's the limited liability concept. I think with AI,

you very much have this issue, because you don't have full control of what AI agents are going to do, and if you don't have strong limited liability for the deployment of artificial intelligence, it's not going to work. There was a recent ruling in California that transferred the risk of what the AI agent was doing to the developers, and then people started to say, “Well, California is not a place where we can deploy AI agents.” So we want to introduce a chapter in our corporate law where we're going to have very clear rules and very clear limited liability for AI agents and corporations, with the hope of providing the framework of freedom and property rights that the rest of the world is not providing for AI.

FALCONE: Besides these examples of the Jones Act and AI, what lessons could the US draw more generally from the Argentine experience in deregulation?

STURZENEGGER: I think there are two main lessons. The first lesson is that if you're in political trouble, the best thing you can do is reduce government expenditure, and there I'm turning Keynesianism on its head, because people tend to say, “Oh, spend to gain political power,” but Milei and I say, “Who on earth convinced us that taking people's money from them and giving it to a politician so that the politician spends it on behalf of the people is going to be more popular than handing back that money to the people?” Javier Milei reduced government expenditure by 5 percent of GDP, the economy grew 6 percent, and he won the elections by a landslide, because that money has to come from somewhere. How can that not be popular? So I think the first lesson is reducing

government expenditure and therefore reducing taxes.

The other lesson is that reform is popular. If someone opposes the deregulation agenda, it's the vested interests—it's not the people. We deregulated satellite internet, and people cherish that, they cherish that freedom, they cherish that service. Of course, that large media conglomerate is still angry about it, but the 47 million people in Argentina are exhilarated. I think the deregulation agenda and the freedom agenda reinforce themselves, because on the one hand it weakens the economic power of the blocking agents, but it also creates political support, since the beneficiaries of the deregulation program are the public at large. So to do this, you need to prepare yourself, because reform is like David versus Goliath: The reformer is David and the vested interests are Goliath, because they have the power, they have the money, they can buy out the press, and they can get votes in Congress. So how did David beat Goliath? With a surprise factor, correct? David basically threw a stone when this guy wasn't expecting the stone, knocked him down in the first blow, and then cut his head off. You need to move fast, but you need to be prepared for that.

FALCONE: Is this why the case of Argentina is relevant to the rest of the world? Because this is clearly not just about deregulation, as you said. Is this about reforming a failed country? Is it about going back to the ideas of Juan Bautista Alberdi, the founding principles that once made Argentina and also the United States free and prosperous?

STURZENEGGER: I think it's certainly about turning around the history of Argentina,

but when we go abroad and people hear the name of Javier Milei and listen to what we're doing, it becomes aspirational for them. They say, "This is the politician I want, a politician that doesn't believe in the government, a politician that actually despises the government and believes in freedom, who believes that the good things in the society are built by the private sector and not by government." In Europe, people go mad about this because they're really fed up, they have layers of regulations—it's impossible to do anything there. But I would say, even in the US, they look at Milei aspirationally. People see that this is a pretty extreme experiment in freedom, and if it works in Argentina, that says a lot. If it allows Argentines to turn around a history of 50 years of stagnation and government intervention that left 70 percent of our kids in poverty, then that's a case to be noted and taken into account. I think everybody's watching because of the boldness of the president, his conviction and his love for freedom. The economy has grown significantly in the first two years, inflation has come down, poverty rates have come down, we're in the middle of an export-led boom. Amazing things are happening in Argentina that had never happened before. We're very, very optimistic. ♦

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Marcos Falcone is a policy analyst focusing on Latin America at the Cato Institute's Center for Global Liberty and Prosperity. His research interests range from contemporary public policy in his home country of Argentina to the history, theory, and language of classical liberalism.