

SCOTT BESSENT LINKS BAILOUT OF ARGENTINA TO TRUMP'S ELECTION INTERFERENCE, EVEN AS ARGENTINA POACHES US SOYBEAN MARKETS

The poster child for libertarianism needs some welfare. As voters in Argentina sour on Javier Milei, the government has had to invest to keep the peso pegged to the dollar.

Last month, with his sister embroiled in a corruption scandal, Mr Milei badly lost a legislative election in the province of Buenos Aires. He then suffered a series of stinging legislative losses. Markets panicked, worried that the defeat signalled the end of popular support for Mr Milei's economic-reform project, and the potential return of spendthrift Peronists. A sharp peso sell-off began.

Since April, when the IMF launched yet another programme in Argentina, the peso has been floating within an exchange-rate band, the limits of which the Argentine government has vowed to defend. By mid-September the peso's official rate was testing the upper limit of that band, even briefly piercing it on September 17th to reach 1475 to the dollar. Over the following two days the Argentine central bank spent some \$1bn of its scarce foreign-currency reserves to defend the currency.

The bank does not have sufficient foreign reserves to keep up this level of spending for long. Drafting in the dollar-bazooka of the US Treasury should

give Argentina the firepower to stabilise the peso, if needed.

And so Milei asked and Scott Bessent agreed to bail out the so-called libertarian.

NerdReich captured the significance Javier Milei's financial woes best:

The political ideology known as libertarianism died yesterday in Argentina at the age of thirteen.

While it had been around for quite a bit longer, its basic concepts never progressed beyond the early stages of adolescent brain development.

Libertarianism—which asserted that society would be better off with minimal government, laws, and taxes—succumbed after chainsaw-wielding Argentine President Javier Milei asked the United States for a massive economic bailout due to his catastrophic leadership.

Milei, a werewolf-clown hybrid in a suit who once hired a spirit medium to communicate with his dead dog, swept into office promising a libertarian-inflected miracle in Argentina. In an early preview of Elon Musk's DOGE, he slashed government and social spending. Earlier this year, an essay published on the website of the libertarian Cato Institute mocked his critics as doomsayers who "warned that the profane self-described libertarian—who looks more like a still-touring '80s rockabilly singer than the classically trained economist he actually is—would inflict on Argentina's already-beleaguered economy 'deep recession,'

‘devastation,’ ‘economic collapse,’ and all sorts of other economic horrors.”

But the critics were correct. Instead of miracles, the self-described “anarcho capitalist” has delivered shocking disaster: collapsing institutions, chronic inflation, and the awkward realization that screeching about free markets doesn’t put bread on the shelves.

When Bessent first offered to bailout Milei, Elizabeth Warren asked the obvious question: Has Bessent decided “Argentina” – that is Milei – is a systematically important US ally because Milei, who faces a legislative election next month, is buddies with Trump?

I am writing to request information on President Trump’s plans to bail out Argentina’s financial markets and foreign investors using America’s resources. At a time when Americans are struggling to afford groceries, rent, credit card bills, and other debt payments – and with the Administration gutting funds that make health care affordable for tens of millions of people here at home – it is deeply troubling that the President intends to use significant emergency funds to inflate the value of a foreign government’s currency and bolster its financial markets. President Trump’s close personal relationship with President Milei, and the timing of this bailout ahead of a critical October 26 midterm election in Argentina, raise serious concerns that the purpose of this bailout is personal and political – and comes at the expense of the American people.

Argentina’s financial markets are currently experiencing significant turmoil. Foreign investors appear to

have lost confidence in the country's outlook due to ongoing corruption scandals and waning public support for Milei's regime.

[snip]

I understand why President Milei, careening from crisis to crisis and unable to effectively manage the Argentinian economy, wants the American people to finance a bailout. I do not understand why it is in the interest of the United States to provide one, nor how one would be designed to ensure the best outcomes for the Argentinian people, instead of hedge fund investors.

Bessent and the White House responded with contemptuous tweets, one attacking Massachusetts. None of them denied Warren's premise, though: Even as Republicans are taking healthcare away from Americans, Trump is spending money on a buddy overseas.

Indeed, Bessent's long tweet laying out how he was going to bailout Argentina *confirmed* the tie (incorporating the Trump tweet endorsing Milei); he even promised investments in Argentina *if Milei's party wins the election*.

Yesterday, @POTUS and I spoke extensively with President @JMilei and his senior team in New York. As President Trump has stated, we stand ready to do what is needed to support Argentina and the Argentine people.

Under President Milei, Argentina has taken important strides toward stabilization. He has achieved impressive fiscal consolidation and a broad liberalization of prices and restrictive regulations, laying the foundation for Argentina's historic return to prosperity.

The @USTreasury stands ready to purchase Argentina's USD bonds and will do so as

conditions warrant. We are also prepared to deliver significant stand-by credit via the Exchange Stabilization Fund, and we have been in active discussions with President Milei's team to do so.

The Treasury is currently in negotiations with Argentine officials for a \$20 billion swap line with the Central Bank. We are working in close coordination with the Argentine government to prevent excessive volatility.

In addition, the United States stands ready to purchase secondary or primary government debt and we are working with the Argentine government to end the tax holiday for commodity producers converting foreign exchange.

Argentina has the tools to defeat speculators, including **those who seek to destabilize Argentina's markets for political objectives. I have also been in touch with numerous US companies who intend to make substantial foreign direct investments in Argentina multiple sectors in the event of a positive election outcome.**

The Trump Administration is resolute in our support for allies of the United States, and President Trump has given President Milei a rare endorsement of a foreign official, showing his confidence in his government's economic plans and the geopolitical strategic importance of the relationship between the United States and Argentina. Immediately after the election, we will start working with the Argentine government on its principal repayments.

I will be watching developments closely, and the Treasury remains fully prepared to do what is necessary. [my emphasis]

This is not a systematic risk in Latin America. Brazil, which Trump has been targeting, is doing just fine. Rather, the risk is that the failing policies of a populist will risk the larger populist project.

Even as Bessent was risking US money on Trump's basket case buddy, China was buying up Argentine soybeans, which were made more competitive when the state eliminated an export tax.

Chinese buyers booked at least 10 cargoes of Argentine soybeans after Buenos Aires scrapped grain export taxes, three traders said on Tuesday, dealing another setback to U.S. farmers already shut out of their top market and hit by low prices.

Argentina's temporary tax move boosts the competitiveness of its soybeans, prompting traders to secure cargoes for fourth-quarter inventories in China, a period usually dominated by U.S. shipments but now clouded by Washington's trade war with Beijing.

The Panamax-sized shipments of 65,000 metric tons each are scheduled for November, with CNF (cost and freight) prices quoted at a premium of \$2.15-\$2.30 per bushel to the Chicago Board of Trade (CBOT) November soybean contract, two traders with direct knowledge of the matter said.

One of the traders said Chinese buyers had booked 15 cargoes.

The deals are a fresh blow for U.S. farmers, who are missing out on billions of dollars of soybean sales to China halfway through their prime marketing season as unresolved trade talks freeze exports and rival South American suppliers led by Brazil step in to fill the gap, traders and analysts have said.

"Every time China turns to South America instead of the U.S., soybean farmers and

our farm families here at home lose out,” said Caleb Ragland, a farmer from Magnolia, Kentucky, and president of the American Soybean Association.

“Without a trade deal that removes retaliatory tariffs, farmers like me are left watching key opportunities slip away.”

American soybean farmers have been devastated this year, as China leverages soybean sales in response to Trump’s trade war. To make things worse, a recent NYT story talking about how dire things have gotten for North Dakota farmers revealed that Bessent has still not divested from the rental farm property he owns in the state.

For the first time in the history of their 76-year-old operation, their biggest customer – China – had stopped buying soybeans. Their 2,300-acre soybean farm is projected to lose \$400,000 in 2025. Soybeans that would normally be harvested and exported to Asia are now set to pile up in large steel bins.

Since President Trump imposed tariffs on Chinese goods in February, Beijing has retaliated by halting all purchases of American soybeans.

That decision has had devastating repercussions for farmers in North Dakota, which exported more than 70 percent of its soybeans to China before Trump unveiled the new tariffs this year. Unless China agrees to restart its purchases as part of a trade deal, farmers that depend on the Chinese market will be facing steep losses that could fuel farm bankruptcies and farm foreclosures around the United States.

[snip]

The Treasury Secretary owns thousands of acres of North Dakota farmland, worth up to \$25 million. The properties grow soybeans and corn in a state that exports most of its agricultural products to China. The investments have earned Mr. Bessent as much as \$1 million in rental income annually, according to his financial disclosure filings.

But the fortunes of Mr. Bessent, a multimillionaire former hedge fund manager, are not nearly as exposed to China's whims as are those of the family farmers struggling to figure out how to sell their soybeans and keep their finances from falling apart.

To farmers in North Dakota, the forces of high interest rates, high input costs and falling prices are reminiscent of the 1980s farm crisis, which hobbled U.S. agriculture for nearly a decade and hollowed out much of rural America.

"The stress level is much higher now than it was then," Jordan Gackle, 44, said in an interview. "If we keep this going for very long, then we are going to see the kind of foreclosures that were happening."

Bessent is literally risk taxpayer money to keep the guy poaching the Chinese markets of American farmers in office. And if farmers start to go under, he'll just continue to consolidate his holdings in the Midwest.

This is a big fucking deal. Even as Trump prepares to shut down government, even as American consumers face skyrocketing healthcare premium costs, Bessent is instead busy propping up a right winger likewise stripping benefits from his constituents.

Update: Paul Krugman has a lot to say – none of it good – about this bailout.

But although in this case America is offering aid rather than taking it away, our new Argentina policy is part of the same Trumpian agenda.

It's true that the plan to aid Argentina looks quite a lot like Bill Clinton's bailout of Mexico during that nation's financial crisis of 1994-5. But we had a compelling interest in helping Mexico, which is our neighbor and one of our most important trading partners. We had just signed a free trade agreement with Mexico, and were also trying to bolster Mexico's transition from one-party rule to genuine democracy.

Argentina, in contrast, is not systemically important to the United States. Argentina is a miniscule player in terms of US interests. The U.S. accounts for only about 1/8th of Argentina's imports, less than its imports from the European Union and much less than its imports from China.

It's definitely a lot less important, both strategically and economically, than Brazil, whose economy is more than three times as big as Argentina's. Yet Trump has completely alienated Brazil, imposing 50 percent tariffs on the nation for daring to try and convict a former president who attempted to overturn his electoral defeat. Always indulging his personal grudges, Trump has imposed sanctions on the judge who oversaw Jair Bolsonaro's prosecution – and on his wife. It obviously doesn't matter to him that both the tariffs against Brazil and the personal sanctions are surely illegal. Trump's behavior has had a devastating effect on America's interests, driving Brazil into China's arms.

But remember that, in Trump's world, America's interests don't count. Only

his interests count. And Javier Milei, Argentina's president, has been an important poster child for right-wing economics.