Promise versus Delivery: The Fiscal Anchoring of Argentina's Disinflation under Milei, 2023–2026

Working Paper

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Abstract

Javier Milei won the 2023 Argentine presidency promising to abolish monetary discretion by dollarizing the economy and shutting the central bank. It stayed open. Instead, the government ran it through four successive peso regimes, and monthly inflation fell from 25.5% in December 2023 to 2.1% in May 2026. Disinflation arrived without the promised institutions. Frozen at the May 2026 price print, the evidence credits the fiscal surplus and its electoral ratification rather than any peso regime. Demand for pesos had broken inside the December 2023 stabilization, before the first band, and the monetary contribution proved a one-off seigniorage adjustment the 2026 program cannot repeat. A placebo study of the October 2025 elections corroborates this, sovereign risk repricing around the vote while the currency held. Neither the surplus, held by mandate, nor the reserves that defend the peso, negative on net, rests on a statute. Disinflation now stalls at a 2% monthly floor while the exchange-rate band ties its ceiling to lagged inflation, loosening as prices fall. A stated condition on what lets an anchor bind classifies the band as no anchor: its ceiling is measurable against the inflation it should discipline, so the price level holds, if at all, on the fiscal block. That achievement is genuine. The institution that would lock it in was not built.

JEL classification: E52, E58, E31, E63, F31

Keywords: Argentina; disinflation; nominal anchor; fiscal dominance; exchange-rate band; central bank credibility; Austrian monetary theory

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1 Introduction

Argentina's incoming president promised to abolish the central bank. His government now operates one of the most actively managed monetary regimes in the region. Monthly inflation ran at 25.5% in December 2023 and printed 2.1% in May 2026, and the parallel-market premium that averaged above 100% across 2022 and 2023 has averaged 1.4% under the regime in force since January 2026. Disinflation is real and large. The instrument that abolition was meant to install never came, and four exchange-rate regimes arrived in its place.

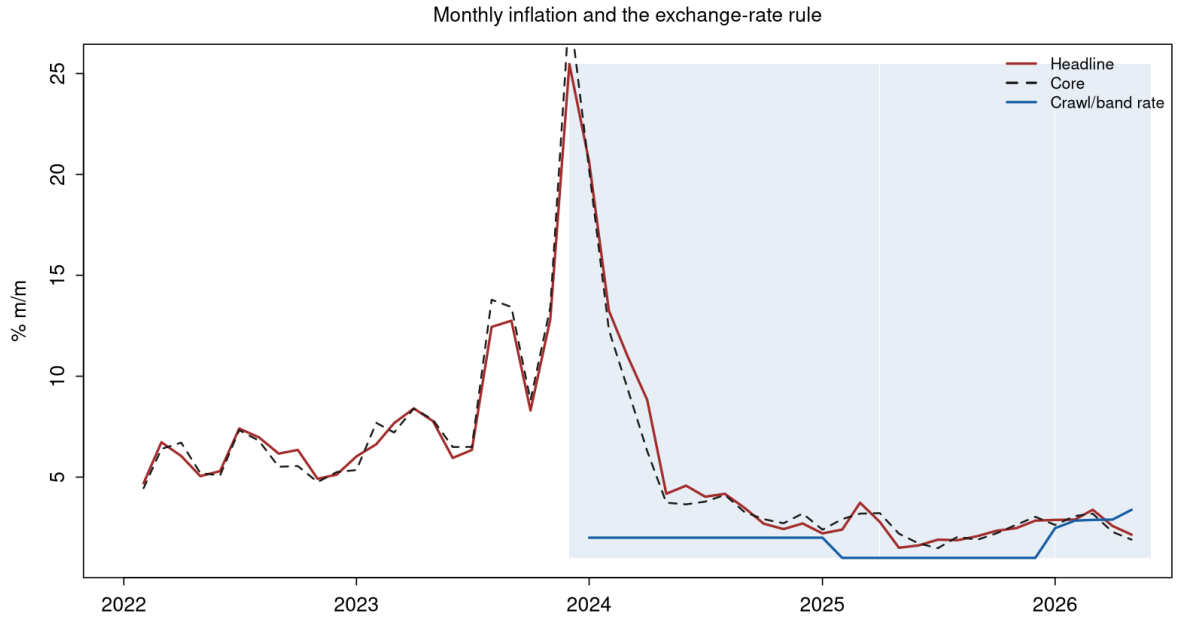

Figure 1: *Monthly inflation with regime phases and the band's depreciation allowance.*

The gap between promise and delivery resolves into one finding: a monetary revolution's result was delivered by the opposite means. Milei campaigned to abolish monetary discretion; the program kept the central bank, ran it hard through four successive peso regimes, lifted capital controls only halfway, and never dollarized. Disinflation came anyway. What carried it was a fiscal surplus guaranteed by no statute and ratified at the ballot box, financed in part by borrowed reserves, with the zero-deficit rule still a benchmark rather than a law. That achievement is genuine. No institution to lock it in was built.

A residue sits underneath the headline. It shows in the last nine consumer-price prints, each at or above 2% per month, and in real transactional balances still below where they stood at the start of the program. The band behind those prints indexes its ceiling to the inflation it was built to contain; in May it permitted a monthly depreciation of 3.4%. Disinflation that stalls at a 2% floor while the nominal anchor moves with lagged prices is a different object from disinflation that converges, and the difference is the regime's open problem.

This paper evaluates the program against its own promises, and it makes three contributions to how the episode is read. It promotes the empirical machinery buried in a policy narrative into a standing methodology that other stabilization episodes can be put through: the structural-break dating, the placebo event study, and the money-demand estimates. It states a condition under which an exchange-rate anchor binds. The nominal quantity the anchor fixes must be measurable with respect to information the issuing authority cannot itself move. It shows that the indexed band fails

the condition in the sharpest available way, since the rule that sets its ceiling reads the authority's own price index back into itself. The third contribution reads the disinflation through Austrian monetary theory, in named readings tied to Mises, Hayek, and Buchanan, each keyed to a magnitude already on the table. Those promises set the standard of evaluation, and three questions structure it: whether confidence in the peso returned, what anchored it, and whether the arrangement can keep holding it.

1.1 Related literature

That the disinflation rests on a fiscal anchor places the paper in the lineage of Sargent and Wallace's unpleasant monetarist arithmetic and the fiscal theory of the price level, in which the price level is pinned by the government's intertemporal budget constraint rather than by a monetary rule (Sargent and Wallace 1981; Leeper 1991; Sims 1994; Woodford 2001; Cochrane 2023). Sargent's account of the ends of the four big inflations supplies the template the program followed, a regime change in the fiscal process credible enough to reset expectations at low output cost (Sargent 1982). A fiscal precondition for durable stabilization is established; the contribution here is to show that in this episode the fiscal precondition is what made each of four successive exchange-rate regimes credible, while none of the four supplied an anchor of its own. A continuous-exchange-rate-anchor reading fills that gap, treating a managed peg as the source of coordination and the budget as mere support; the reading is observationally close at the December 2023 front end, where the fiscal and monetary turns are collinear. Across the four regimes, the paper separates the two through persistence and through the non-repeatable form of the monetary contribution, conceding that the cleanest test is the pre-registered expectations-anchoring exercise held for the December 2026 print.

The durability section documents real appreciation under a slowing nominal anchor and a current account turning on it, the boom-and-real-appreciation pattern of the exchange-rate-based-stabilization literature (Kiguel and Liviatan 1992; Calvo and Végh 1999). At its interpretive core, a condition under which an anchor binds draws on the credibility and time-inconsistency tradition, in which an anchor is worth more the costlier it is to abandon (Kydland and Prescott 1977; Barro and Gordon 1983), and on the inertial-inflation literature, in which indexing a target to lagged inflation reintroduces a unit root and removes the anchor (Dornbusch and Simonsen 1983). The theoretical section states a condition organizing these results around the measurability of the anchor's own reference series, locating the Argentine indexed band as the cleanest failing case.

2 Institutional Background

2.1 The promises

Milei campaigned on three monetary commitments. Two were institutional, the dollarization of the economy and the closure of the Banco Central de la República Argentina, and the third was fiscal, a deficit of zero. Each was stated without qualification. Days after the November 2023 runoff the office of the president-elect reaffirmed that "el cierre del Banco Central de la República Argentina no es un asunto negociable," the closure of the central bank is not a negotiable matter (Oficina del Presidente Electo 2023). During the campaign, Milei had called the institution itself "la peor basura que existe en esta Tierra," the worst filth that exists on this Earth (Milei 2023b). His fiscal pledge carried into the inaugural address in three words, "no hay plata," there is no money (Milei 2023a).

An economic argument sat beneath the rhetoric. Argentina removed thirteen zeros from its currency across four reforms between 1969 and 1992 and has defaulted on sovereign debt nine times since independence, and it entered 2023 with annual inflation above 200% and a central bank financing the Treasury directly (della Paolera and Taylor 2003). In that setting the promise amounted to credibility imported wholesale. Dollarization is the limiting case of anchor outsourcing: the country stops asking markets to trust its monetary institutions and adopts a unit those institutions cannot print. A serious academic case, developed by Ocampo and Cachanosky before the election, rests on that premise: after seven decades of failed domestic anchors the cheapest remaining source of monetary credibility was somebody else's (Ocampo and Cachanosky 2022; Cachanosky et al. 2023). Abolishing the central bank was the institutional complement, because a dollarized economy that keeps its central bank leaves the machinery of re-pesification on the shelf for the next government. The zero-deficit commitment completed the design, since every prior Argentine reform had eventually been undone by a fiscal authority returning for financing.

These promises form one list. The arrangements that arrived form another: a crawling peg run by the central bank, a band negotiated with the IMF, a band indexed to the inflation it was meant to contain, and a program under which the institution slated for closure buys up to USD 10bn of reserves in a single year. Every entry on the second list became policy between December 2023 and January 2026. Those promises therefore became the standard against which the delivered arrangements are judged. Programs change shape on contact with constraints, and the question is what the changes did to the anchor. Slogans are evidence of intent, and they establish the kind of credibility the program needed to import once dollarization was shelved.

2.2 The statutes and the delivery

Argentina's monetary program began two days after the inauguration. On 12 December 2023 the economy ministry under Luis Caputo moved the official exchange rate from 366 to 800 pesos per dollar, a step of 118%, and committed the central bank to a crawling peg of 2% per month from the new level (Banco Central de la República Argentina 2023a). That same announcement carried the commitment that defined the program's fiscal architecture: the central bank would extend no new financing to the Treasury. Both held. The crawl ran unbroken at 2% through January 2025, and the zero-financing pledge is visible in the monetary decomposition of the results section.

Eight days later came the legal cornerstone. Decree of Necessity and Urgency 70/2023, signed on 20 December 2023, declared a public emergency across economic, financial, fiscal, social, and energy matters, repealed the rental and supply laws, converted state enterprises into corporations eligible for privatization, and rewrote substantial parts of labor law (Poder Ejecutivo Nacional 2023). Its survival has been partial. Its labor chapter was suspended by the national labor appeals court in

January 2024, and the Senate voted to reject the decree in March 2024; under the statute governing emergency decrees a DNU falls only when both chambers reject it, so the remainder stands in force at writing.

Through 2024 the central bank dismantled the quasi-fiscal complex it had inherited, the part of the story least visible in headlines and most visible in the decomposition below. At the change of government the stock of remunerated liabilities, LELIQ and pases, stood at about two and a half times the monetary base, and the interest paid on them was itself a running source of money creation. That unwinding proceeded in sequence. BOPREAL bonds issued from December 2023 absorbed the stock of importer arrears (Banco Central de la República Argentina 2023b). Exchange-rate puts sold to banks under the previous administration were repurchased in mid-2024. In July 2024 the remunerated liabilities migrated into LEFI, liquidity letters issued by the Treasury in place of the central bank, and on 23 July 2024 the central bank fixed a ceiling on the broad monetary base at its 30 April level of 47.7 trillion pesos, 9.1% of GDP (Banco Central de la República Argentina 2024; Poder Ejecutivo Nacional 2024).[1] The unwind reached its end in 2025, when the LEFI stock matured and the instrument was retired in July (Poder Ejecutivo Nacional 2025). That retirement registered as a one-off expansion of the base, about 8.8 trillion pesos in the residual factor of the decomposition, and the quasi-fiscal cost of the central bank moved from 1.6% of GDP in 2024 to −0.5% in 2025. A machine that had created money to pay the interest on its own debt was switched off by decision, with no statute to compel it.

Congress delivered its part six months behind the executive and at a fraction of the original ambition. An omnibus bill submitted in December 2023 ran to 664 articles, and the law passed on 27 June 2024, Ley 27.742, retained 238 (Congreso de la Nación Argentina 2024a). The large-investment incentive regime survived, along with one year of delegated emergency powers and a reduced privatization list, and the labor reform returned in moderated form after its decree version was enjoined. Alongside it passed Ley 27.743, the fiscal package, restoring the income-tax cut and opening an asset regularization (Congreso de la Nación Argentina 2024b).

Argentina's exchange-rate regime then entered its second revision. From 1 February 2025 the crawl slowed to 1% per month (Banco Central de la República Argentina 2025c). On 11 April 2025 the IMF Executive Board approved a 48-month Extended Fund Facility of SDR 15.267bn, about USD 20bn, with some USD 12bn disbursed at once (International Monetary Fund 2025b). That same day, the central bank replaced the crawl with a band of 1,000 to 1,400 pesos per dollar whose edges widen 1% per month in each direction, eliminated the exporter blend rate, and lifted the cepo for individuals (Banco Central de la República Argentina 2025a). Reserve-accumulation targets were missed, a fact recorded in the Fund's own review documents (International Monetary Fund 2025a).

Its first major stress test arrived in the austral spring of 2025. On 7 September the government lost the Buenos Aires provincial election by fourteen points, and sovereign risk repriced within days. On 9 October the United States Treasury Secretary announced, in a post on X in place of a press release, a USD 20bn swap framework financed through the Exchange Stabilization Fund (Bessent 2025). Within the week the Treasury also bought pesos in the open market, with USD 2.5bn of the facility drawn by the end of the month (Congressional Research Service 2025). On 26 October the government won the midterm elections decisively. Inside seven weeks the program absorbed a provincial-election repudiation and a midterm ratification, with the most direct United States intervention in a Latin American currency market since the 1995 Mexican rescue falling between

[1] The 9.1%-of-GDP figure measures the broad monetary base ceiling against contemporaneous 2024 nominal GDP, a different aggregate and denominator from the base-money corridor of the durability section, and the two are not directly comparable.

them.

A new regime was announced on 15 December 2025 and entered force on 1 January 2026 (Banco Central de la República Argentina 2025b). Its defining feature is indexation: the band's maximal monthly depreciation at month T equals headline CPI inflation at month T−2. Around it sits a remonetization program of reserve purchases, USD 10bn as a 2026 baseline, extendable to USD 17bn if money demand rises by a further 1% of GDP, executed daily at no more than 5% of foreign-exchange market volume. It states its own success criterion, a base-money corridor rising from 4.2% to 4.8% of GDP by December 2026.

Table 1: *Promises and delivery, December 2023 to May 2026.*

Promise	State	Delivered at writing
Dollarization	Reversed	Four successive peso regimes in twenty-six months: crawling peg, slower crawl, IMF band, inflation-indexed band
Abolition of the central bank	Reversed	The BCRA operating actively, with a mandate to buy up to USD 10bn of reserves in 2026
Zero fiscal deficit	Delivered, not institutionalized	Financial surplus every month since January 2024, confirmed through February 2026; the statutory deficit rule remains a pending end-2026 IMF benchmark
Removal of the quasi-fiscal overhang	Delivered by discretion	Remunerated-liability complex eliminated by July 2025; quasi-fiscal cost moved from 1.6% to −0.5% of GDP, by decision, not statute
Removal of capital controls	Partial	Lifted for individuals in April 2025; corporate restrictions remain, including the 90-day cross-restriction between the official and financial markets

Table 1 sets the promise record against the documentary record, sorted into the four states the ledger distinguishes. The record is fixed. What it achieved is a question for the data.

3 Data

At the May 2026 consumer-price print, the analysis freezes, and the freeze is a substantive fact about the regime rather than a convenience of collection. The exchange-rate band, in force since January 2026, indexes its ceiling to headline CPI inflation at a two-month lag, and the index it points to is under political dispute. INDEC still computes the CPI with expenditure weights from the 2004–05 household survey on a December 2016 base; the rebasing to the 2017–18 survey, scheduled for the January 2026 release, was shelved after the resignation of the institute's director in February 2026 (Chequeado 2026). A paper about a regime anchored to that number has to state which vintage of it the analysis uses. All raw downloads freeze at the lock, retrieval dates are recorded with each series, and the full pipeline from download to chart rebuilds with one command from a public repository.

All series come from the official statistical and monetary authorities, INDEC for prices and the BCRA Estadísticas API for the monetary aggregates, reserves, and exchange rates, with the full catalog and its identifiers deferred to Table 2. Three source choices are not mechanical. The durability evidence of the later section is documentary, read from the IMF's May 2026 Article IV and second-review report (International Monetary Fund 2026) rather than recomputed, because the net-reserve, maturity-wall, and Fund-credit figures it carries cannot be reconstructed from public series. Comparator inflation paths for Israel 1985 and Brazil 1994 come from FRED and the Banco Central do Brasil, the IMF's IFS endpoint having been retired in 2025. The parallel exchange rate is the Bluelytics blue rate, with the Ámbito MEP and CCL series kept only as robustness, since the blue rate runs continuously while the Ámbito endpoints carry a gap in August 2025.

Table 2: *Data sources and vintage. All series freeze at the May 2026 CPI print (`vintage_locked: true`); raw downloads are stored with retrieval dates under `data-raw/{source}/{YYYY-MM-DD}/`.*

Series	Source	Access	Freq.
CPI: headline, core, regulated, seasonal, 12 divisions	INDEC	monthly cuadros, index-level sheet	M
Monetary base and 13 factors of explanation	BCRA Estadísticas API v4.0	`/monetarias`, catalog-resolved IDs	D
Private transactional M2; gross reserves; A3500; private USD deposits	BCRA API v4.0	catalog-resolved (ids 197, 74, 5, 108)	D
REM expected inflation (median 12m)	BCRA	"Base de Datos Completa" sheet	M
Blue rate	Bluelytics	`evolution.json`	D
MEP/CCL (robustness)	Ámbito	scrape	D
EMBI Argentina	Ámbito	riesgopais endpoint	D
ITCRM real multilateral rate	BCRA	`ITCRMSerie.xlsx`	D
Fiscal result (primary, financial)	Hacienda / datos.gob.ar	through Feb 2026	M

Series	Source	Access	Freq.
Nominal GDP (annualized levels)	INDEC / datos.gob.ar	Q4 2025	Q
US CPI; Israel CPI; Brazil IPCA	FRED; FRED; BCB SGS 433	comparators	M
NIR, gross reserves, maturity schedule, Fund credit, quasi-fiscal cost	IMF CR 2026/105 (documentary)	Tables 1, 2, 7, 9, 12	annual

The sample runs monthly from January 2022 to May 2026. It opens in January 2022 to set nearly two years of the Peronist baseline ahead of the December 2023 regime change, so the break tests have a pre-period to date against. It closes at the May 2026 print because the band indexes to that index and the freeze fixes the vintage the analysis is about, with later observations held out. Two gaps sit inside the window and neither is load-bearing. Between 1 and 13 August 2025, the Ámbito MEP and CCL endpoints are missing, with the Bluelytics blue rate carrying the parallel premium throughout. The INDEC quarterly nominal GDP series is published at annualized levels and is never multiplied by four, and ratios for 2026 hold GDP at its Q4-2025 annual rate, which overstates them as nominal GDP grows through the year. The direction of the bias is disclosed wherever those ratios appear.

A handful of constructed series carry the analysis. The real monetary base is the narrow base M0 deflated by the headline CPI and indexed to 100 at December 2023, and real transactional M2 is private transactional M2 deflated the same way. That distinction is load-bearing throughout, because the narrow base absorbs the July 2024 LEFI migration that shifted sterilized bank liquidity into M0, an accounting step no change in money demand produced, while real transactional M2 does not carry the migration and is the uncontaminated series. Net international reserves follow the IMF definition, which subtracts activated swap lines, foreign-currency reserve requirements on dollar deposits, deposit insurance, and frozen net Fund credit from the gross headline, and the distance between gross and net is the durability problem taken up below. The parallel premium is the blue rate over the BCRA A3500 wholesale rate, and reserve cover is gross reserves against the IMF reserve-adequacy metric under the fixed-exchange-rate definition.

Four regimes define the periodization: the Peronist baseline through November 2023, the crawling peg from December 2023, the IMF band from April 2025, and the indexed band from January 2026. Table 3 summarizes each. Phase means compress very different paths, and the crawling-peg mean of 7.2% per month is dominated by the December 2023 devaluation print of 25.5%, the sample peak, with the within-phase path falling from 25.5% to 2.7%. Two figures in the table carry weight. Mean expected inflation stopped falling between the IMF band and the indexed band, rising from 21.2% to 22.6%, and the indexed band's mean headline inflation of 2.8% sits above the IMF band's 2.2%.

Table 3: *Phase summary, monthly means at the locked May 2026 vintage.*

Phase	Window	Months	Headline m/m %	Core m/m %	Parallel gap %	REM 12m %
0 Peronist baseline	2022-01 to 2023-11	22	7.3	7.4	100.9	117.5
1 Crawling peg	2023-12 to 2025-03	16	7.2	7.0	27.6	73.3
2 IMF band	2025-04 to 2025-12	9	2.2	2.3	2.1	21.2
3 Indexed band	2026-01 onward	5	2.8	2.6	1.4	22.6

4 Methodology

The empirical work answers three questions in order, fixed before estimation and reported regardless of outcome. The first is whether confidence in the peso returned, and when; the second, what anchored the disinflation; the third, whether the current arrangement can hold what the program won. Estimation settles the first two; the third is a financing question that five post-regime observations cannot carry, and the formal persistence-break test that would close it is pre-registered in the repository and committed to the December 2026 print.

4.1 Identification

On the second question, the design cannot settle the matter by estimation, and the paper treats it accordingly. Fiscal consolidation and the first exchange-rate regime arrived together in December 2023, so no regression separates the contribution of the crawling peg from that of the budget, and no synthetic control of a comparable disinflation achieved without the fiscal adjustment exists at this vintage. The durable-anchor reading is identified by two features the estimates do support, persistence and non-repeatability, instead of by a treatment-control contrast. Persistence: the anchor still binds after the exchange-rate regime has been changed four times, so no single peso regime is individually load-bearing. Non-repeatability: the monetary contribution took the form of a one-off remonetization seigniorage that the 2026 program cannot reproduce. A continuous managed peg coordinating expectations with the budget in a supporting role is the natural rival, which is observationally close at the collinear front end, and the cleanest adjudication is the pre-registered expectations-anchoring test held for the December 2026 print. This reading is advanced as the one most consistent with the identified evidence, not as an estimated effect, and the prose marks the distinction wherever the claim appears.

4.2 Money demand and the recovery of confidence

Replicating and extending Obstfeld's money-demand regression for Argentina (Obstfeld 2026) is the core of the first question. Obstfeld regresses the log real monetary base on log expected inflation over monthly data and reports a semi-elasticity near -0.12. His window, January 2022 to December 2025, is the replication window, and the extension carries the same specification to the locked May 2026 vintage. A Cagan semi-log form, with the level of expected inflation in place of its log, is estimated alongside as a functional-form check, and the same specification is run on real transactional M2. Transactional-M2 results are reported as a finding and kept in the table: a single-regressor money-demand equation on monthly data is expected to explain little, and the fit is presented without apology. These regressions share two properties. Both are levels regressions whose deflator is the disputed CPI of the data section, so the estimates inherit that dispute, and the series are individually integrated of order one, so the levels fit is checked against an Engle–Granger cointegration test and a first-differenced specification. Base-versus-M2 asymmetry is tested directly, in a stacked specification that interacts the inflation regressor with a series indicator, so the contrast is reported as a single estimated difference.

The timing of any shift is dated separately from the level. A Bai–Perron procedure locates breaks in the money-demand relation on two regressands, the narrow real base and real transactional M2. Real M2 leads, because it does not carry the July 2024 LEFI migration that mechanically shifts the narrow base, and the narrow-base break is reported as a robustness reading. A mean break cannot by itself establish that the demand function shifted, since the December 2023 devaluation moves the mean mechanically through the price level. A parameter-constancy test settles that question and

is the primary dating instrument. Quandt–Andrews sup-F and Nyblom–Hansen L_c statistics test the constancy of the regression directly, and the inflation semi-elasticity is then re-estimated with a dummy absorbing the December 2023 to March 2024 devaluation window, so that a surviving shift cannot be the devaluation showing up in the slope. A sensitivity grid over sample-end trims and minimum-segment fractions accompanies both, and a recursive and rolling estimate of the elasticity traces its movement through the sample instead of fixing it at a single break.

4.3 The October 2025 window as a within-regime experiment

Two pillars carry the second question. The first is the decomposition of base-money creation; the second, the September–October 2025 stress sequence read as a within-regime experiment. Across the window, the IMF band held fixed, so any repricing inside it cannot be attributed to a change in the exchange-rate rule. An event study measures a post-window abnormal mean against the mean of the t−30 to t−11 baseline, and inference rests on a placebo distribution. That same post-window abnormal mean is recomputed on every non-event trading day outside a guard band around the real events, and the empirical rank of the actual abnormal in that null is the placebo p. A moving-block bootstrap standard error, block of five trading days and 2,000 replications, accompanies it, and a Newey–West t is reported as a secondary statistic for continuity with the prior draft.

Two placebo pools are reported. The full pool draws pseudo-events from the whole sample; the narrow pool is restricted to the post-December-2023 regime of comparable volatility. Because the full pool spans the 2022 hyperinflation, it widens the null and biases the placebo p upward, toward non-significance; a result that survives both pools is therefore the robust one, and a washed-out result is a null, not a suppressed positive. The window's reading is corroborating rather than primary. A significant election-date response shows the market priced the political outcome, which supports the fiscal-political anchor without proving it alone. The United States swap of 9 October is the one event the design cannot settle. Its baseline opens inside the EMBI repricing the 7 September election had already set off, so its placebo p near 0.990 cannot separate a true null from a signal swamped by that ongoing move. A baseline-overlap rule fixed before estimation flags such an event as contaminated, and the swap trips it, so the event is recorded as uninformative under contamination. Placebo p-values are reported per event and are not corrected for the family of tests across events, series, and pools, a qualification the results carry where the marginal cases appear.

4.4 Passthrough, expectations, and standard errors

Pass-through of the administered depreciation to inflation is estimated by Jordà local projections of cumulative headline inflation on official depreciation, with one lag each of inflation and depreciation as controls. Results are reported as co-movement rather than identified pass-through, since the depreciation is administered, and the design does not recover a causal coefficient. Expected inflation is examined through the same Obstfeld mechanism read in the expectations data: the REM twelve-month forecast on lagged headline inflation interacted with the regime phase, a specification pre-registered for the December 2026 print, where a rising phase-3 coefficient would be the anchoring mechanism showing up in expectations. Standard errors are Newey–West throughout, with lag $\lfloor 0.75\, n^{1/3} \rfloor$ and no prewhitening. Formal specifications and the pre-registered test code are set out in the methods appendix. One identity disciplines the decomposition. The thirteen BCRA factors of explanation sum to the monthly change in base money exactly, a correlation of 1.0000 over 53 months at the locked vintage, so the decomposition carries no approximation error.

4.5 An empirical paper in the Austrian tradition

A paper that runs Austrian analysis through regressions owes the reader an account of itself. A familiar caricature holds that Austrian economics rejects empirical methods, so an Austrian empirical paper contradicts its own framework. It misreads the methodology it attacks. Praxeology names a field of inquiry, and no single method of research follows from it. The a priori core of the theory is small, so applied Austrian work is institutionally contingent and evidence-hungry (Horwitz 2012). Statistics are one form of historical evidence; theory supplies the causal reading no correlation carries on its own.

Nor is the exercise novel. Austrian propositions have been estimated econometrically before this paper, across business cycles (Bismans and Mougeot 2009; Keeler 2001), firm-level EVA data (Cachanosky and Lewin 2016), and the cross-country transmission of United States policy (Cachanosky 2014), and Young argues that the theory requires quantitative study of exactly this kind (Young 2011). That literature carries its own internal critics. Luther and Cohen warn that empirical Austrian work tends to claim more than its instruments can show (Luther and Cohen 2016). Their warning is adopted here as a design constraint, and where the instruments of this paper cannot identify a mechanism, the prose says so.

Austrian content is organized as named readings, each tied to a magnitude established in the results. Dissenters to this position belong on the record. Caplan replies that the a priori defense insulates the theory from evidence it should face (Caplan 2012), and Selgin that what is sound in applied Austrian work is sound economics with no distinctively Austrian method left over (G. Selgin 2012). The theoretical section answers Selgin on the prescription, and concedes him the diagnosis. One scoping choice governs the rest: Argentina 2023 to 2026 is a stabilization episode, so the theory applied below is Misesian monetary theory, concerned with the demand to hold the monetary unit and with the distortion worked by remunerated liabilities, and no Hayekian capital structure is forced onto a disinflation. This reading also owns a falsification it cannot dodge. A corridor that held through a genuine political shock, with the budget loosening and the disinflation surviving anyway, would weaken the claim that the anchor is borrowed, and the pre-registered December 2026 print carries its scheduled test.

5 Results

Two of the three questions are answered here, on the strongest evidence the program has produced: confidence in the peso returned, and the anchor that restored it was fiscal and political. Durability is held for the next section.

5.1 Confidence returned

Among the program's confidence statistics, the parallel-market premium is the most legible. A currency whose blue-market price exceeded its official price by more than 100% on average across 2022 and 2023 now trades within about 1% of it, and across the four phases the gap means run 100.9%, 27.6%, 2.1%, and 1.4%.

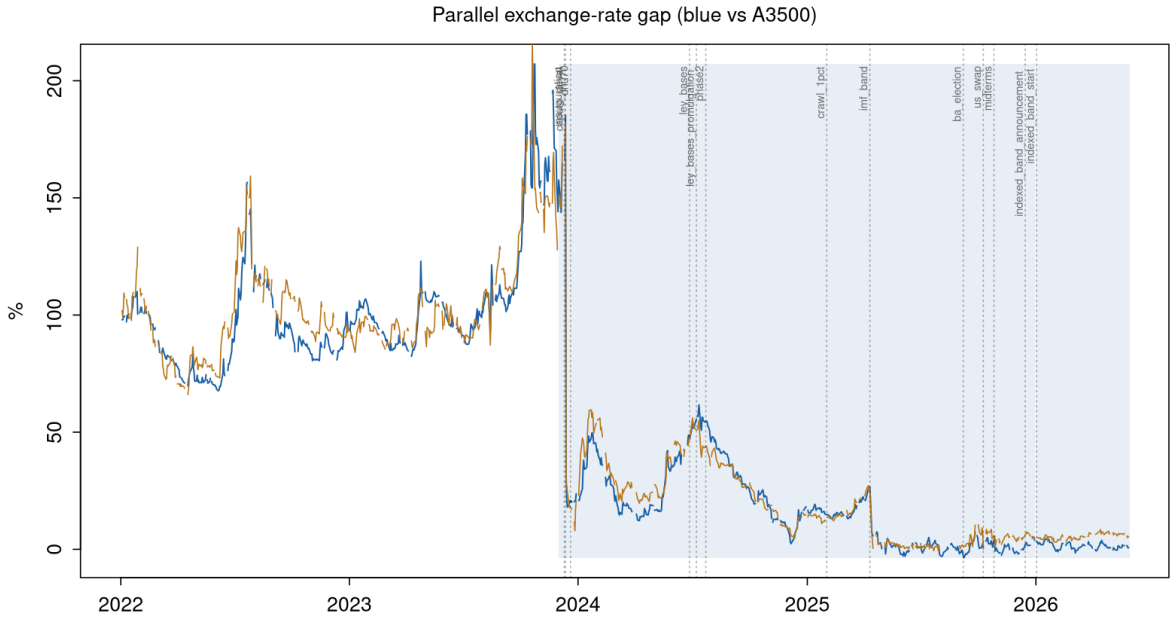

Figure 2: *Parallel-market premium with policy events.*

The premium is the price of evading the currency. Its collapse from triple digits to near parity is the market's verdict that holding pesos no longer carries a confiscation discount, and the event flags in Figure 2 locate the compression at the December 2023 package and the 2024 cleanup, ahead of the band regimes. That compression admits a second reading the event study sharpens without fully resolving. Every parallel-gap response in the October 2025 window is statistically indistinguishable from noise, with placebo p-values above 0.59, so the premium moved on a secular schedule and not around discrete events. Corporate capital controls were still partly in force at the vintage, so some of the secular narrowing is the tightening enforcement of a shrinking arbitrage window rather than a fall in the demand for dollars, and the published series cannot separate the two.

Money balances divide. Indexed to 100 at December 2023, the real monetary base fell to a trough of 78.7 in March 2024 and climbed to a high of 183.2 in August 2025, and it stands at 137.7 in May 2026, roughly three-quarters above the trough. Part of that expansion is mechanical, since the July 2024 LEFI migration shifted sterilized bank liquidity into the base and the raw index overstates the behavioral recovery. Real transactional M2 remains below its starting level, at 95.3 in May. The narrow base recovered and the broad aggregate did not, and the asymmetry is the hinge of the reading.

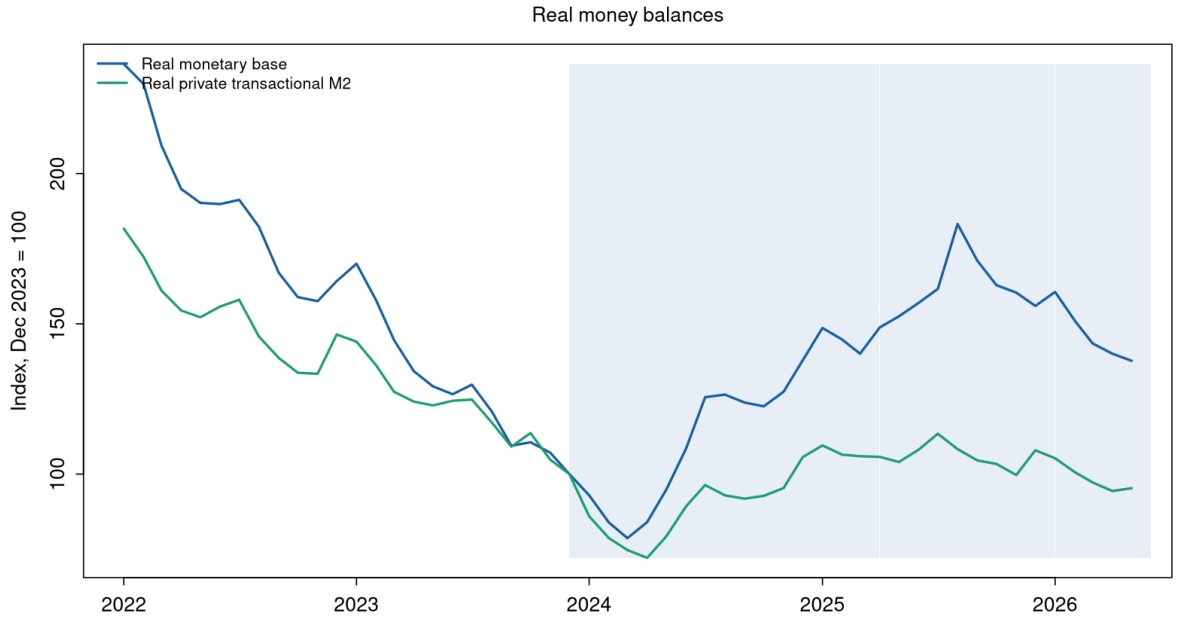

Figure 3: *Real monetary base and real transactional M2, December 2023 = 100.*

Table 4: *Money demand, Obstfeld replication and extensions. Newey–West standard errors in parentheses; *** denotes significance at 1%.*

	Obstfeld replication (to 2025-12)	Extended (to vintage)	Cagan semi-log	M2 transaccional
(Intercept)	8.721*** (0.166)	8.666*** (0.148)	8.349*** (0.059)	8.491*** (0.137)
$\ln \pi_e$	−0.125*** (0.044)	−0.113*** (0.042)		0.050 (0.040)
π_e			−0.002*** (0.000)	
Num. obs.	48	53	53	53
R^2	0.155	0.146	0.213	0.037

Obstfeld regresses the log real monetary base on log expected inflation and reports a semi-elasticity near −0.12 (Obstfeld 2026). Replication on his window lands at −0.125, and extension to the locked vintage holds at −0.113, with the Cagan semi-log form agreeing in sign and significance (Table 4). The same specification on transactional M2 returns an insignificant +0.050. Tested jointly, the gap is an estimated difference: a stacked specification interacting expected inflation with a base-versus-M2 indicator puts the difference in semi-elasticities at +0.163 with a Newey–West standard error of 0.064 ($p = 0.013$), so the elasticity is a property of the narrow base and not of the broad aggregate.

Two cautions attach to the levels estimates. First, the deflator is the disputed CPI. Second, the series are integrated of order one. That money-demand relation does not pass an Engle–Granger cointegration test, with a residual augmented Dickey–Fuller statistic of −2.33 for the base against a five-percent critical value near −3.34, so the levels elasticity is a conditional correlation rather than a long-run relationship. In first differences the base elasticity keeps its sign at −0.18 while reaching only the ten-percent level ($p = 0.073$). At fifty-three observations with an in-sample break these unit-root and cointegration tests carry little power, and a break biases the augmented Dickey–

Fuller statistic toward non-rejection, so the cointegration failure is close to uninformative in either direction and is reported to fix the status of the levels estimate, not as evidence against a long-run relation.

What collapses in a confidence crisis and returns in a stabilization is the demand to hold the monetary unit itself, cash balances proper, while broad aggregates track payments activity and bank intermediation. Real narrow balances recovering ahead of real broad balances is confidence in the unit returning ahead of confidence in the financial system that lends it on. Private dollar deposits stand near USD 39bn in May 2026, and the deposit data carry the same reading from the other side, since a public that rebuilds peso cash while keeping dollar savings is holding two monies by choice.

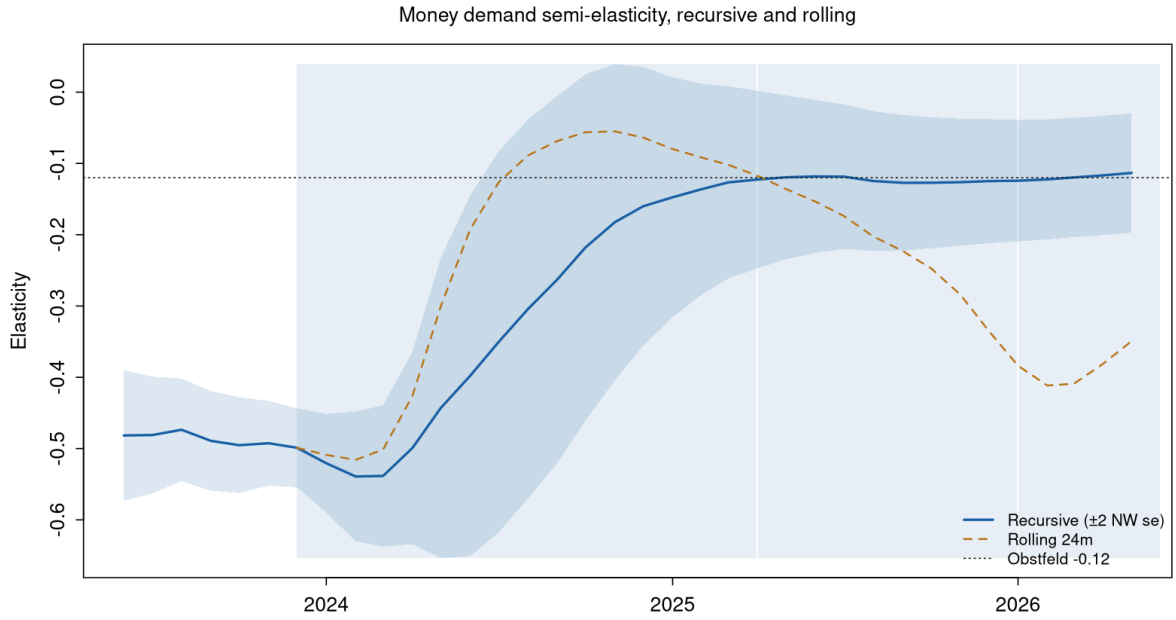

Figure 4: *Recursive and rolling money-demand elasticity.*

Dating settles the recovery to the start of the program. Bai–Perron runs on two regressands, and the uncontaminated one decides it. On real transactional M2, the series free of the LEFI migration, the single break dates to December 2023 and holds there across every sample-end trim and minimum-segment fraction in the sensitivity grid. That dating locates a shift in the level of real balances, and whether the demand relationship itself moved is a separate question a mean break cannot answer, because the December 2023 devaluation shifts that mean mechanically through the price level. A parameter-constancy test addresses it. Quandt–Andrews sup-F of 712.6 and Nyblom–Hansen L_c of 3.88 reject constancy, but a rejection of that magnitude largely registers the mechanical mean shift the December 2023 devaluation forces through the price level and is not, on its own, evidence of a slope break. Discriminating evidence comes from the inflation semi-elasticity re-estimated with a dummy absorbing the December 2023 to March 2024 window. Its slope shifts by +0.12 with a Newey–West standard error of 0.05 ($p = 0.02$), so the change holds once the devaluation is partialled out, and the semi-elasticity moves from −0.31 before the break to −0.16 after, as Figure 4 traces recursively.

This dummy-conditioned shift is the weaker of the two results, and the claim of a break in the demand function, rather than only in its level, rests on it. It is robust to nuisance choices: across Newey–West lags of one to six and three definitions of the devaluation window, the shift ranges from +0.10 to +0.20 and clears five-percent significance in all eighteen cells. Finite-sample inference is

weaker than the asymptotic statistic suggests, however. Under a moving-block bootstrap matched to the sample the shift carries a two-sided p of 0.089 with a ninety-five-percent interval that includes zero, so the evidence that the demand function moved, as against its level, is suggestive rather than conclusive.

Demand for real balances returned with the regime change, before the band arrived. Whether the confidence is in the peso or in the fiscal regime standing behind it, an elasticity cannot say, and the decomposition takes up the question next.

5.2 The durable anchor was fiscal and political

At the front end of the program, the regimes and the fiscal turn moved together, so no estimate can separate the contribution of the crawling peg from that of the budget in December 2023. The claim defended here is narrower and survives the collinearity: the durable anchor, the one still holding after the exchange-rate regime had been changed four times, is fiscal and political. This is an argument from persistence and from the non-repeatable form of the monetary contribution, not from a constructed counterfactual, since no synthetic control of a comparable disinflation achieved without the fiscal adjustment is available at this vintage. The reading is the one the identified evidence best supports.

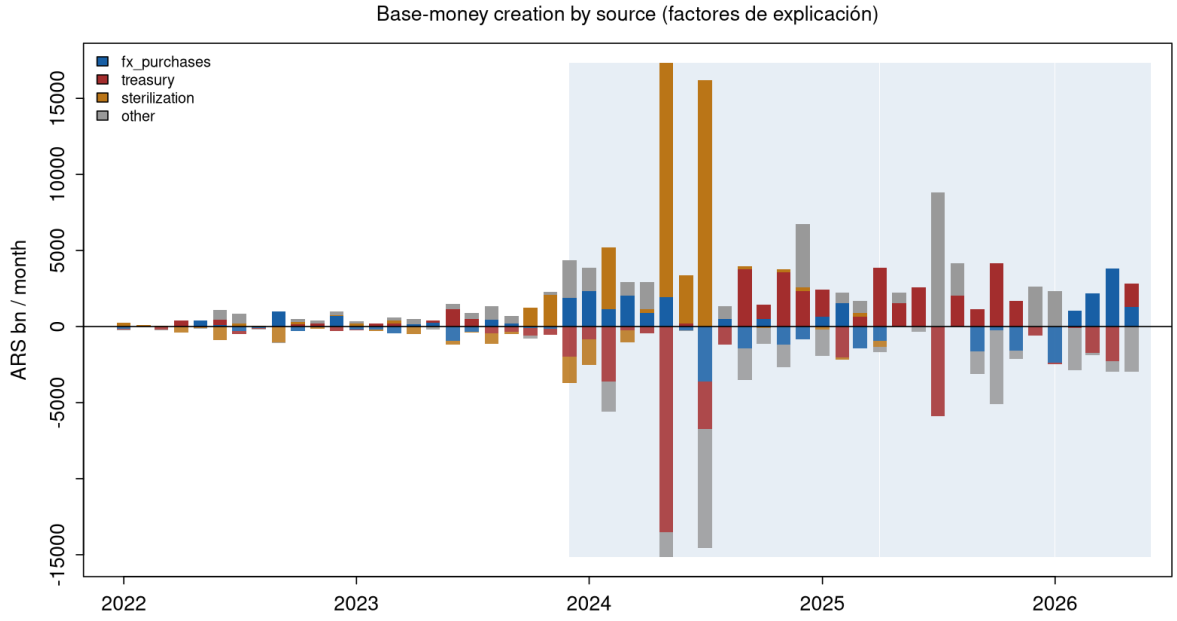

Figure 5: *Base-money creation decomposed by BCRA factor of explanation.*

Because the decomposition holds to the base-money identity the methodology states, Figure 5 is an exact accounting of where the money came from with no residual to estimate. Treasury financing goes to zero after December 2023. Sterilization and the interest complex wind down through the 2024 cleanup, and by 2025 creation comes from foreign-exchange purchases offset by sterilization. The composition shifted as the program claimed it would.

The unwind of the remunerated-liability complex is the clearest single act in the series. Sterilization fell toward zero through 2024 and reached it by mid-2025, and the July 2025 retirement of LEFI registered in Figure 6 as a one-off base expansion that did not persist. Seigniorage puts a number on the monetary contribution. Measured as the monthly change in the base over annual-rate GDP and summed by year, it runs 1.13% of GDP in 2022, 1.73% in 2023, 2.98% in 2024, 1.61% in 2025,

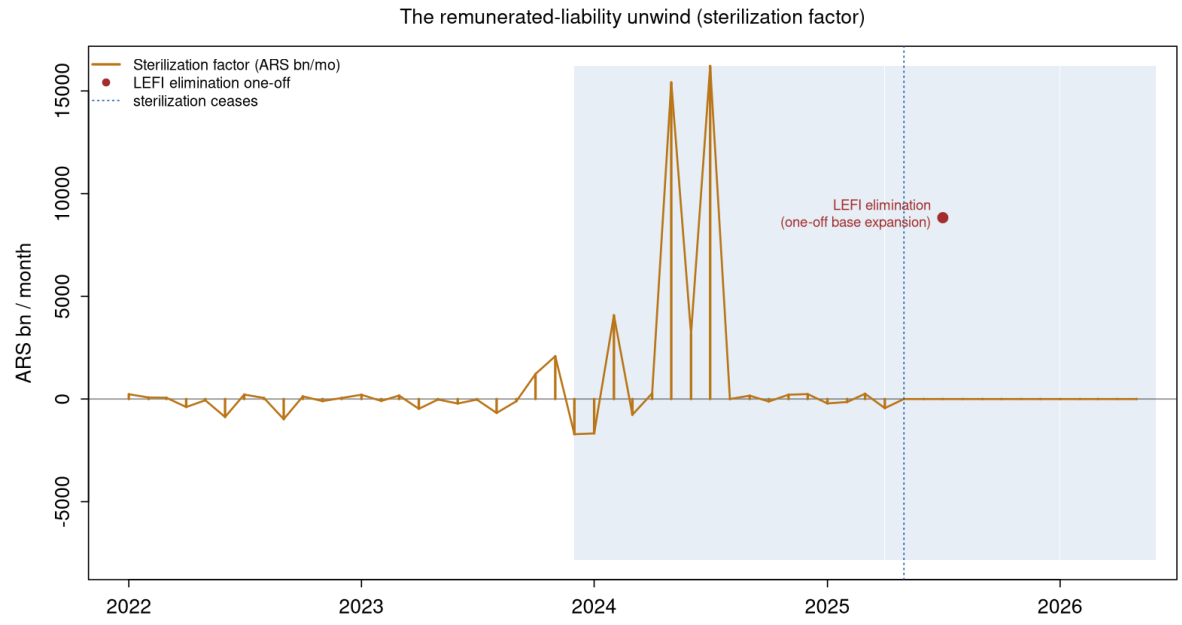

Figure 6: *The remunerated-liability unwind: monthly sterilization factor.*

and 0.05% through May 2026. That 2024 peak reads as remonetization seigniorage, a one-off stock adjustment collected while real balances were rebuilding during disinflation, and the 2026 program cannot repeat it. Three alternative denominators, an interpolated path, GDP held flat at its Q4-2025 rate, and a 2026 nominal-growth path, leave the 2024 peak at 2.98% and the 2026 figure at 0.05%, so the gap is robust to the denominator. It also survives the numerator. On the narrow base, the 2024 figure partly reflects the July 2024 LEFI migration, which mechanically lifted it; excluding that one-off, the 2024 figure is 2.41% of GDP against 0.05% in 2026. On the broad transactional aggregate, the 2024 figure is 3.87% of GDP against 0.08% in 2026. Fiscal work was done as the public rebuilt cash balances, and that work is largely complete.

Table 5: *Event study, September–October 2025, placebo and block-bootstrap inference.*

Event	Series	Baseline	Abnormal (post)	Boot SE	Placebo p (full)	Placebo p (narrow)
BA election (9-07)	EMBI	731	+454 bp	56.4	0.065	0.022
BA election	gap	0.1	−0.9 pp	0.86	0.899	0.852
US swap (10-09)	EMBI	1,053	−2.5 bp	18.2	0.990	0.988
US swap	gap	−0.3	+3.2 pp	0.33	0.716	0.596
Midterms (10-26)	EMBI	1,150	−497 bp	11.1	0.041	0.020
Midterms	gap	2.2	−2.4 pp	0.54	0.770	0.660

October 2025 provides a within-regime experiment, and that is what makes the sequence useful. The IMF band held fixed across the window, so any repricing inside it cannot be attributed to a change in the exchange-rate rule. Under placebo inference the sequence yields one robust re-

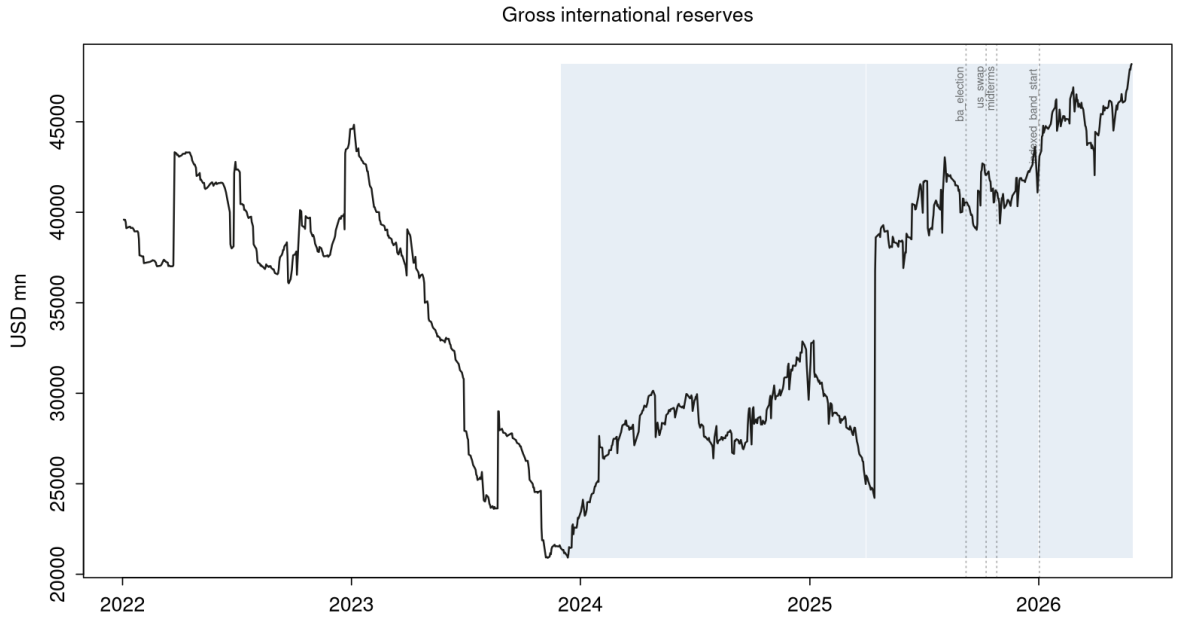

Figure 7: *Gross international reserves with crisis and 2026-purchase annotations.*

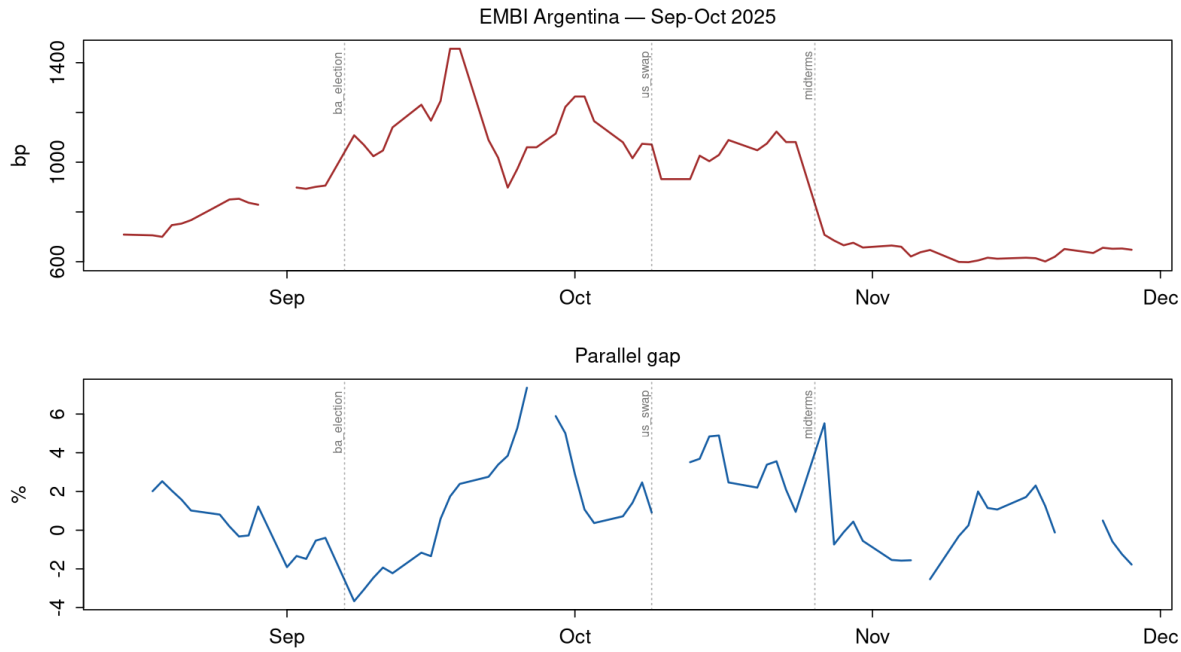

Figure 8: *EMBI spread and parallel premium through the September–October 2025 window.*

sult: sovereign risk repriced around the two electoral events (Table 5, Figure 8). The Buenos Aires provincial loss on 7 September widened the EMBI by 454 basis points, marginal in the full pool at a placebo p of 0.065 and clearing conventional significance in the comparable-volatility pool at 0.022. The midterm result on 26 October compressed the EMBI by 497 basis points, at 0.041 in the full pool and 0.020 in the narrow.

Both election responses survive both pools. That is the within-design robustness bar. Placebo p-values are per-event, however, and once corrected for the family of tests by Holm's step-down, neither election result clears five percent: in the comparable-volatility pool the midterm and Buenos Aires EMBI responses carry adjusted p-values near 0.12, and in the full pool near 0.25 and 0.32. That event study therefore corroborates the fiscal-political reading at suggestive rather than conventional significance, which is consistent with the secondary role assigned to it. Currency demand does not move at all, since every parallel-gap effect is indistinguishable from noise in both pools.

The United States swap of 9 October is the one event the design cannot decide. Its baseline window opens inside the EMBI repricing the 7 September election had already set off, so its placebo p of 0.990 cannot separate a true null from a signal swamped by that ongoing move. It is recorded as uninformative under contamination rather than as evidence of no effect.

The design caps what the window can show. A single significant election-date response shows that the market priced the political outcome, and it corroborates the fiscal-political anchor without proving it alone. The case rests on two facts the placebo distribution does not touch: the demand for real balances broke inside the December 2023 stabilization package, on the uncontaminated series, and the monetary contribution to the disinflation was a one-off seigniorage stock adjustment that the 2026 program cannot repeat. The anchor that survived October 2025 was a fiscal surplus delivered each month by a government and ratified at an election, guaranteed by no statute. That anchor's fate when the politics turn is the durability question, and the external position is where it is answered.

6 Durability

The disinflation is delivered. Underneath it sits a borrowed balance sheet. Durability of the program is a financing question before it is a monetary one, and it turns on reserves the central bank does not net own and a maturity wall it has to roll, against a corridor it certifies for itself.

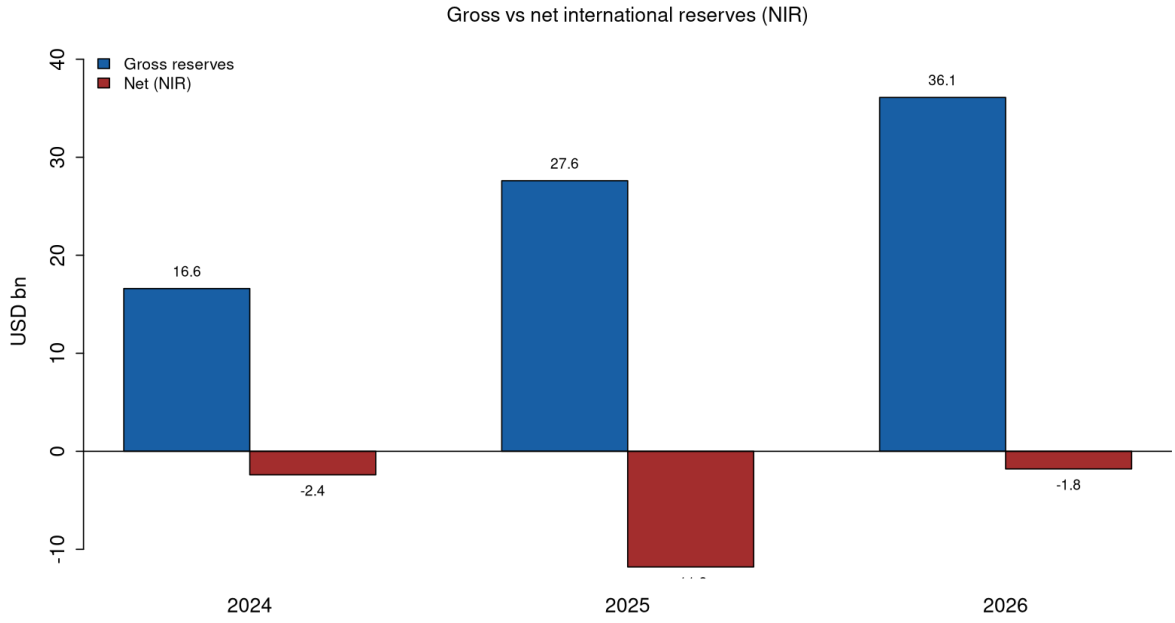

Figure 9: *Gross versus net international reserves, end-year.*

Gross international reserves ended 2025 at USD 27.6bn, up from USD 16.6bn a year earlier, and the Fund projects USD 36.1bn for the end of 2026 (International Monetary Fund 2026). BCRA's own headline gross figure at the May 2026 vintage runs higher, near USD 48bn, and that headline and the Fund's end-2026 projection differ by about USD 12bn, the borrowed wedge plus roughly USD 1.5bn of outperformance against the Second Review path. At end-2025, the net international reserve position was −USD 11.8bn. Gross reserves cover about 37% of the IMF's reserve-adequacy metric under the fixed-exchange-rate definition, against a program target of 100% by 2030, and the end-2025 net reserve criterion was missed by a large margin and waived. That distance between the gross headline and the net position is the durability problem stated in one line.

From gross reserves of USD 27.6bn the Fund's definition nets out the activated swap lines, the People's Bank of China swap at USD 5.1bn, the Bank for International Settlements line at USD 2.5bn, and BCRA repo agreements at USD 3.0bn, together about USD 10.6bn. It then nets out foreign-currency reserve requirements on dollar deposits and deposit insurance, the largest single component, and frozen net Fund credit, arriving at −USD 11.8bn. These named swaps are illustrative components of an encumbrance near USD 39bn, and the buffer that defends the band is in large part claims that other parties hold against it.

The United States swap shows how durable the encumbrance is even when a headline reports its removal. A Treasury line drawn at USD 2.5bn in October 2025 and repaid in December was financed by drawing an equal BIS line that still sits inside the end-2025 reserve wedge, so the borrowing changed counterparty without leaving the balance sheet (International Monetary Fund 2026). The recovery since is real. The same Article IV records net reserves up by about USD 4.8bn over the year to the review and gross reserves rising on record agricultural exports. That recovery does not

retire the durability risk. Net reserves remain negative, the financing wall is still ahead, and the improvement is contingent on an export windfall and on continued daily purchases into a managed band.

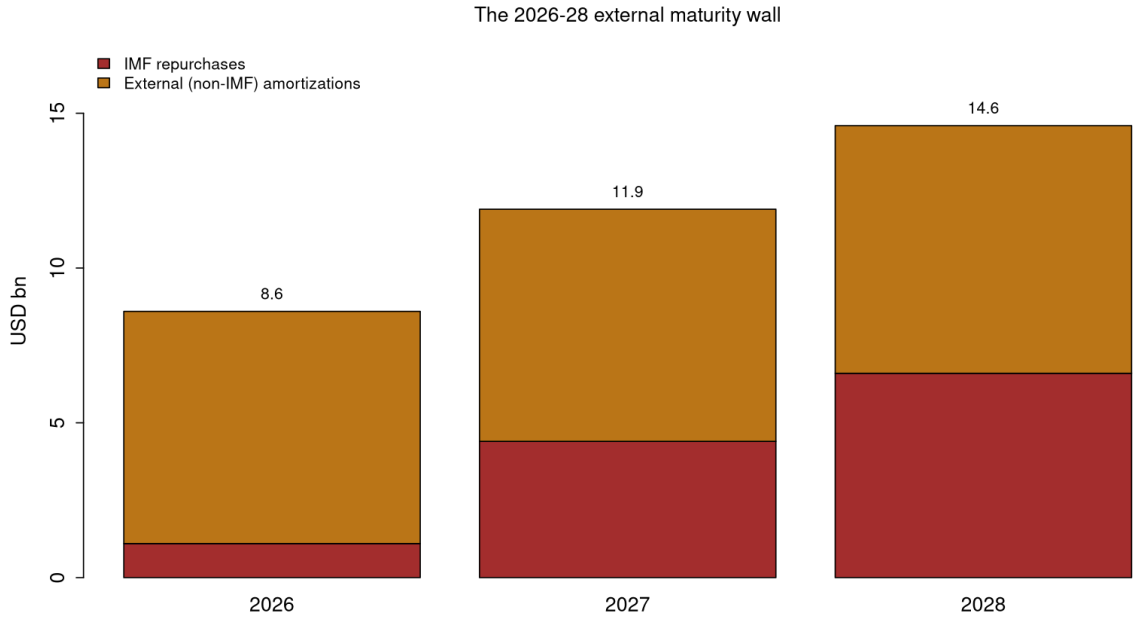

Figure 10: *The 2026–28 external maturity wall.*

Table 6: *Durability ledger, documentary, IMF CR 2026/105.*

Item	2025	2026	2027	2028
Gross reserves (USD bn)	27.6	36.1 (proj)		
Net international reserves (USD bn)	−11.8	−1.8 (proj)		
Gross reserves / ARA (%)	37			
IMF repurchases (USD bn)		1.1	4.4	6.6
External non-IMF amortizations (USD bn)		7.5	7.5	8.0
External maturity wall (USD bn)		8.6	11.9	14.6
Fund credit (% of quota)		1,329		

Argentina's maturity wall is the financing need the anchor has to roll. External amortizations falling due run USD 8.6bn in 2026, near USD 11.9bn in 2027, and a peak USD 14.6bn in 2028 (Table 6, Figure 10). Each total stacks two distinct, non-overlapping lines of the Fund's gross-financing-needs table, IMF repurchases against non-IMF external amortizations (Table 6), so the sum double-counts nothing. Fund credit itself peaks at SDR 42.4bn in 2026, 1,329% of Argentina's quota. That is the largest exposure in the institution's history. Fund credit then declines on the program's own projections from 207% of gross reserves in 2025 to 90% by 2028. That wall is rolled against a net reserve position still negative.

Whether that wall can be rolled is a question the maturity table alone does not answer. The rollover rate the program implicitly requires comes from netting the gross financing need against the reserve accumulation the program itself targets, at least USD 8bn in 2026, and Figure 11 traces it across scenarios. On the full reserve path the wall is rollable, the required rollover rate rising

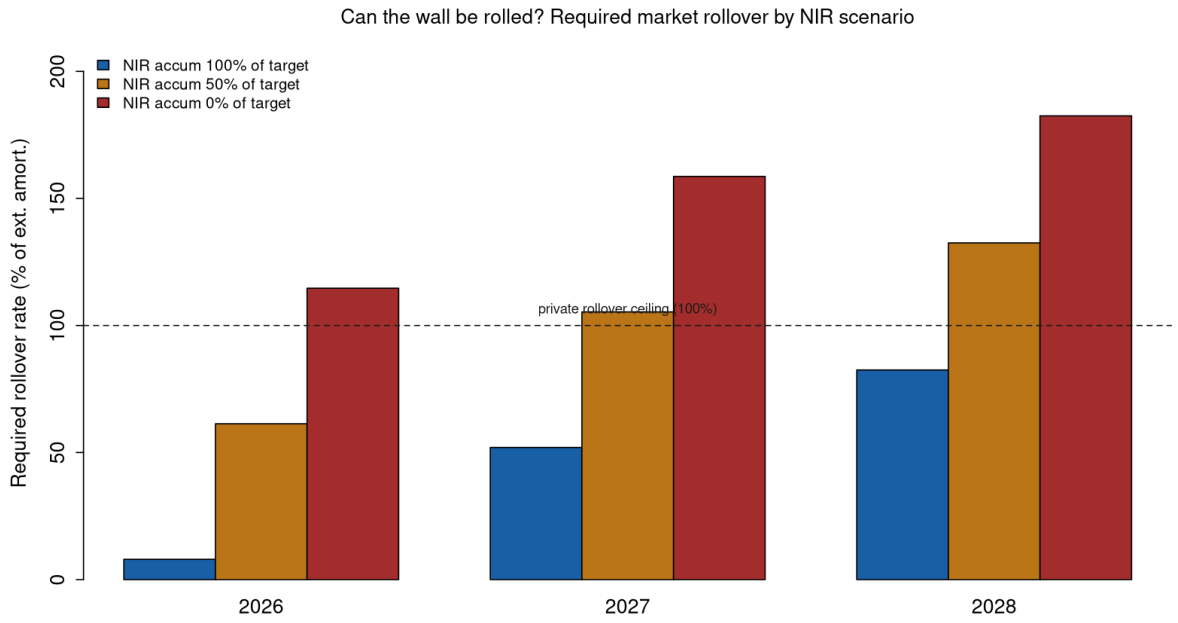

Figure 11: *Can the wall be rolled? Required market rollover by NIR-accumulation scenario.*

from a trivial 8% in 2026 to 82% in 2028 as the Fund repurchases come due. Halve the reserve accumulation and the 2027 and 2028 walls demand rollover above 100%, above the entire stock of maturing external debt, so the gap can close only through new official money or a deeper draw on the reserves the net position cannot spare. With no accumulation the program is unfinanceable from rollover at all. A stochastic version sharpens the conditionality. A stochastic draw of the reserve accumulation around the program target, with export-price variability and an added interest-rate shock, puts the probability that the wall requires rollover above the hundred-percent private ceiling at near zero in 2026, about 22% in 2027, and about 47% in 2028, with the median required rollover reaching 96% in 2028. That tail is robust to letting the export-price and financing-cost shocks co-move: at correlations up to 0.6 the 2028 probability holds near 47%. The deterministic verdict stands as the central case: the wall is rollable on the program's own reserve path; that path is the one the missed reserve targets show is hard to hold; and the tail in which it cannot be rolled is material by 2028.

Program conditionality makes the gap between delivery and institution explicit. Both binding quantitative criteria are monetary, and both were missed. A cumulative floor on net international reserves and the ceiling on the central bank's net domestic assets were each breached at the end-2025 test date, the reserve criterion by a wide margin, and both were waived. The program's structural condition that would lock in the fiscal anchor has fared no better because the benchmark to embed the zero-deficit rule in the Fiscal Responsibility Law was set, missed at its end-2025 date, and carried forward. Fiscal discipline is being delivered by the budget the administration runs, not yet by the statute the program asks it to enact (International Monetary Fund 2026).

Table 7: *IMF program conditions at the end-2025 test date.*

Program condition	Type	Status at the end-2025 test date
Cumulative floor on net international reserves	Quantitative performance criterion	Missed by a wide margin, waived; June-2026 target modified
Ceiling on BCRA net domestic assets	Quantitative performance criterion	Missed, waived; June-2026 target modified
Zero-deficit rule embedded in the Fiscal Responsibility Law	Structural benchmark	Not met; carried forward

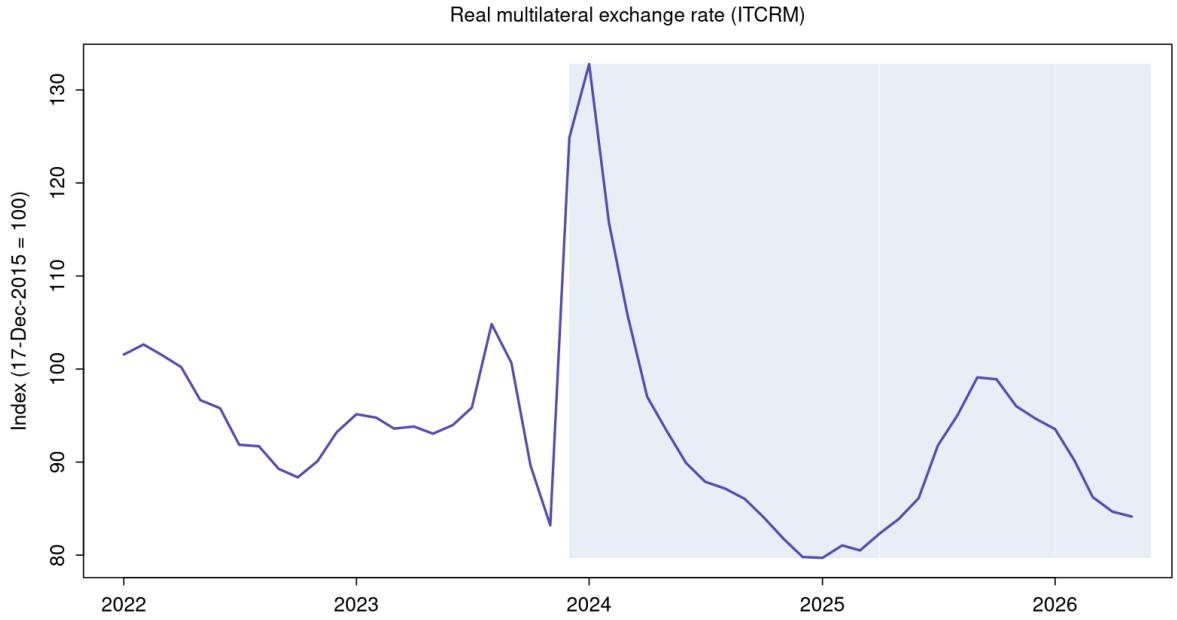

Figure 12: *ITCRM real multilateral exchange rate with regime phases.*

Real appreciation is the durability risk the exchange-rate rule itself generates. Argentina's ITCRM real multilateral index fell from a phase mean near 92 under the IMF band to 87.7 under the indexed band and 84.1 in May, a steady real appreciation that leaves the peso expensive in real terms (Figure 12). A band that holds the nominal rate while domestic prices drift presses on the weak side of its own ceiling, and a peso trading near the top of the band is a peso whose defense costs reserves the net position does not have. Corporate cepo compounds the risk because capital controls were lifted for individuals in April 2025 but the corporate restrictions remain, so a live stock of FX demand sits behind the controls waiting on their removal, and the sequencing of that removal is the next pressure on reserves.

Base money over GDP rose from 2.42% in January 2024 to 4.35% in December 2025 and stands at 4.40% in May 2026, inside the BCRA's stated 4.2% to 4.8% corridor for December 2026, with cumulative emission from 2026 reserve purchases turning from −0.25% of GDP in January to +0.63% by May (Figure 13). Emission has so far been absorbed within the corridor on the central bank's own accounting. That accounting is self-certified, since the corridor is the bank's own forecast of money demand, so the absorption is a claim the emitter validates against its own projection rather than an independently verified result. Across every item, the durability verdict is the same: delivered, and

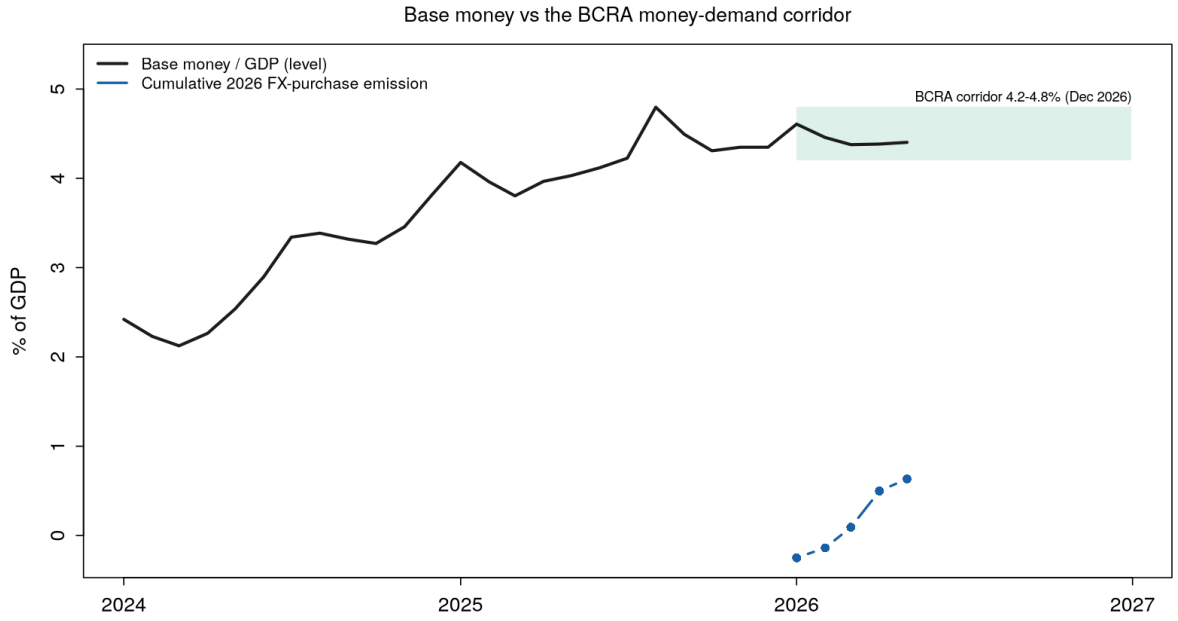

Figure 13: *Base money over GDP against the BCRA corridor, with cumulative 2026 FX-purchase emission.*

financed by borrowed buffers and an electoral mandate, with the statute that would institutionalize it still pending.

7 Theoretical Interpretation

The diagnosis advanced here is the one the evidence best supports. Disinflation is real and its durable anchor is fiscal and political. Its monetary framework borrowed credibility from that anchor. The question is what the diagnosis means, and the answer turns on a single property of the arrangement now in force. The mainstream shares the diagnosis. Distinctively Austrian content arrives at two points the mainstream account has no reason to make: a condition on what lets an anchor bind, and a reading of the central bank's own aggregate as a quantity it could not calculate.

7.1 Where confidence comes from

A discretionary monetary authority borrows confidence in its unit from something the public already trusts; announcement alone supplies none. The mainstream states this credibility point through time-inconsistency, where an anchor is worth more the costlier it is to abandon (Kydland and Prescott 1977; Barro and Gordon 1983), and it is why the anchor of the results turned out fiscal and political and the reserves of the durability section turned out borrowed.

Mises's regression theorem enters here in its own register, as an account of continuity rather than credibility. Today's purchasing power regresses to yesterday's and ultimately to the commodity value the unit carried when it first became a medium of exchange (Mises 1953). The peso satisfies the theorem trivially; its purchasing-power history is unbroken. The theorem makes the program's own logic intelligible. An established unit can be imported wholesale, which is dollarization's move, whereas a discretionary domestic unit must source its confidence outside its own promises. Division from the mainstream arrives at the prescription, and the prescription follows from a condition on what makes an anchor bind.

7.2 The nominal-anchor condition

> **The nominal-anchor condition.** Let a monetary or exchange-rate rule fix a nominal quantity A_{t+1} one period ahead. The rule provides a nominal anchor when two conditions hold jointly. The first is **exogeneity of the reference series**: A_{t+1} is measurable with respect to an information set $\mathcal{F}_t$ that excludes the issuing authority's own realized prices, so the authority cannot move A_{t+1} by moving its own outcomes. The second is **costly reversal**: abandoning the rule requires an act whose discounted cost exceeds the value of reneging.

A minimal model fixes the first component, which the verbal credibility account does not isolate. Let the log price level track the nominal exchange rate, the anchor instrument, with pass-through θ and a stationary real wedge,

$$p_t = \theta\, e_t + u_t, \qquad 0 < \theta \leq 1,$$

the foreign price normalized to zero and u_t integrated of order zero. Pass-through is assumed operative, θ bounded away from zero, which the methodology's program-window estimates license. Three results follow, stated for this block and read against the standard determinacy apparatus (Blanchard and Kahn 1980; Leeper 1991).

First, under a foreign-unit or fixed anchor $e_t = \bar{e}$, the price level is $p_t = \theta\bar{e} + u_t$, stationary around a level fixed outside the system. That anchor pins the price level for any θ and independent of the fiscal regime.

Second, under the indexed band binding at its ceiling, $e_t = e_{t-1} + \pi_{t-2}$ with $\pi_{t-2} = p_{t-2} -$

p_{t-3}, substitution gives

$$\pi_t = \theta\, \pi_{t-2} + \Delta u_t.$$

Price-level behavior then carries a stochastic trend. It is integrated of order one for $\theta < 1$ and of order two at full pass-through $\theta = 1$, where inflation itself inherits a unit root. No nominal anchor is supplied by the exchange-rate rule at any admissible θ, because the quantity it fixes is a function of the authority's own lagged prices, and at no admissible θ does the indexed band constitute a commitment whose breach is costly. It is no commitment.

Third, the condition complements the fiscal theory of the price level. When the band supplies no monetary anchor, determinacy of the price level requires that the fiscal block pin it. The primary surplus fixes the level through the government's intertemporal budget constraint, in the active-fiscal sense (Leeper 1991; Sims 1994; Woodford 2001; Cochrane 2023). That is the paper's own thesis stated as theory: the exchange-rate rule anchors nothing, so the anchor that remains is the fiscal one. Both components are separable because the first concerns the measurability of the anchor's reference series, while the determinacy that survives is supplied by the budget constraint.

The block also yields a prediction the inertial-inflation reduced form does not (Dornbusch and Simonsen 1983). Real permitted depreciation under the band is $\Delta e_t - \pi_t = \pi_{t-2} - \pi_t$, which is positive whenever inflation is falling. Its permitted nominal range widens precisely during disinflation, a procyclical loosening that the two-month timing of the endogeneity drives, independent of inflation persistence as such. Empirically, the permitted monthly depreciation widened from 2.5% in January 2026 to 3.4% in May while headline inflation fell from 2.9% to 2.1%. The block does not endogenize the 2% floor; administered-price catch-up and contract inertia drive it, and it enters the paper as an empirical regularity.

7.3 The aggregate the authority could not read

The monetary-calculation reading, applied to the central bank's own balance sheet, grounds the prescription and is the distinctively Austrian remainder. For years the central bank created base money to service the interest on its remunerated liabilities, LELIQ, then pases, then LEFI, each carrying a yield paid in newly issued pesos, so the stock of money grew by the arithmetic of its own debt, not by any decision about the stance of policy. A monetary aggregate produced this way cannot be read from its published total alone, because its rate of growth carries the deliberate emission of a policy choice and the mechanical compounding of a balance sheet at once, and nothing in the number separates them.

Mises's calculation argument names the defect: an authority unable to distinguish its own action from the automatic consequences of its past commitments has lost the ability to reason from the aggregate it controls (Mises 1920). His 1920 essay argues the impossibility of calculation in a socialist commonwealth absent market prices for producer goods; the application here proceeds by analogy.

That analogy is bounded. Illegibility was contingent and was removed, by discretion, when the sterilization complex wound down through 2024, the LEFI stock matured in July 2025, and the quasi-fiscal cost of the central bank moved from 1.6% of GDP in 2024 to −0.5% in 2025 and 2026. Base-money growth once again reports what the central bank decides. Its balance sheet no longer dictates the number to it. This is the claim the mainstream does not make and the one that answers Selgin. Discretion as such can render the aggregate calculationally illegible, and only a unit the authority does not issue removes the discretion that produces the illegibility. Yet nothing in statute prevents a later central bank from rebuilding a remunerated-liability stock and reintroducing the defect.

7.4 The institution forecasting its own discovery

Hayek's knowledge problem applies to the corridor. At 4.2 to 4.8% for December 2026, the base-money corridor is the central bank's own forecast of money demand, produced by the institution doing the emitting, so the quantity the price system is meant to discover is replaced by the institution's projection of it (Hayek 1945, 1974). The corridor is a knowledge-problem case, distinct from the self-reference defect of the indexed band. It substitutes a forecast for a discovery, while the band indexes the instrument to the authority's own output. The two failures are cousins; the paper's condition names the second, the knowledge problem the first.

7.5 Two adjacent readings

Two further readings belong on the record as adjacent, not distinctively Austrian. The first is the deficit-bias argument of Virginia public choice (Buchanan and Wagner 1977). The surplus is real and held by choice: the Treasury has run it every month since January 2024, while the zero-deficit rule meant to bind it remains an IMF benchmark for the end of 2026, still short of a law. Public spending concentrates its benefits and disperses its costs, so the political return to spending exceeds the political return to restraint at nearly every margin, and the standing result is a bias toward deficit present in any government that finances itself by discretion. A balanced budget under these conditions is a position held against that current, and it survives only as long as the office-holder chooses to hold it. A statutory rule raises the cost of reversal above the political return to any single spending decision. Argentina has the position without the rule. The surplus overrode deficit bias rather than removing it, and an override is not a constraint.

The second is Cantillon on the incidence of the 2024 emission. The 2.98% of GDP emitted in 2024 entered through the central bank's foreign-exchange purchases, paid to the first holders of dollars at the official window, and new money spent into one point of the system lifts the prices that point faces first. Cross-division dispersion is consistent with the mechanism, widest in the crawl phase at 3.33pp when the foreign-exchange emission was largest. That evidence does not discriminate, because the December 2023 devaluation passing through tradables first, the repeal of price controls, and regulated-price catch-up would each produce the same dispersion, and the published indices cannot separate a first-recipient premium from any of them. Cantillon's mechanism is therefore a hypothesis the regime makes uniquely testable rather than a finding of this paper, and its pre-registered test against the central bank's non-public counterparty records is recorded in the appendix.

7.6 Diagnosis, prescription, and the comparative record

Table 8: *Program features compared, Israel 1985, Brazil 1994, Argentina 2023–2026.*

Feature	Israel 1985	Brazil 1994	Argentina 2023–2026
Fiscal consolidation	Immediate and deep, anchored in the July 1985 plan	Gradual, beginning with the Fundo Social de Emergência	Immediate; financial surplus from the second month
Nominal anchor	Multiple at once: fixed shekel, wage and price freeze	New currency after the URV transition unit	Four successive exchange-rate regimes, ending in an indexed band

Feature	Israel 1985	Brazil 1994	Argentina 2023–2026
Treatment of indexation	Suspended by negotiated agreement	Erased before the switch via the URV, itself a transitional indexed unit later frozen	Written into the exchange-rate rule itself (band edges move at CPI t−2)
External support	US emergency aid of about USD 1.5bn	None at launch	IMF EFF of about USD 20bn; US swap framework of USD 20bn

On diagnosis, these readings converge with the mainstream; on prescription, they divide, and the division is the distinctively Austrian content of the paper. Mainstream completion of the program is an independent central bank with an inflation target and a float once reserves allow. Austrian completion removes the discretion the calculation reading identifies, and here the Austrian tradition itself divides. One limb, dollarization, imports an established unit outright and is the case Ocampo and Cachanosky advance on credibility grounds (Ocampo and Cachanosky 2022); the other, currency competition, would let private units compete and is Hayek's own proposal (Hayek 1976). The hard-money view wants a single non-discretionary standard (Rothbard 1983), opposed within that second limb by free banking (G. A. Selgin and White 1994). This paper takes the dollarization position, on the narrow ground that it most directly satisfies both components of the condition and removes the calculational discretion at issue; the claim is narrowly the credibility-import case, and it does not take a stance on the optimal competitive monetary order. Selgin holds that sound applied Austrian work is sound economics with no distinctive remainder. The objection holds against the diagnosis and against the nominal-anchor condition, which is mainstream-derivable, and it fails against the calculation reading, which the mainstream does not make (G. Selgin 2012).

Brazil's Real Plan sharpens the cost of the choice in the comparative record. It engineered the collapse of inflation by erasing indexation memory before the currency switch, through the URV, a transitional indexed unit of account that was then frozen, so indexation served as the bridge to its own removal, a temporary role it was built to shed (Bacha 1995; Franco 1995). Argentina wrote indexation into the exchange-rate rule instead. In the data, the condition leaves its signature. Post-stabilization inflation persistence, measured as the summed autoregressive coefficient of monthly inflation, is 0.26 for de-indexed Israel against 0.60 for Argentina under the indexed band. The higher persistence is what the condition predicts when the anchor is fed its own lagged prices. Brazil's monthly comparator does not support a clean post-window estimate at this vintage and is reported only at the feature level.

Convertibility was a currency board, a one-to-one peg held by statute, and by the condition's second component a board does not bind. 2001 is the obvious objection: Argentina tried maximal irreversibility, and it broke. Yet the objection cuts the other way once the two components are separated. Its parity was exogenous to current prices, satisfying the first component, but the law fixing it was repealable, so reversal was cheap once real overvaluation and fiscal strain made breaking it attractive, and the 2002 pesification exercised exactly that option (de la Torre et al. 2003). Overdetermination drove the collapse, through fiscal dominance, real appreciation, and a banking freeze, and some read it as the failure of a board never fully constituted, a critique of execution more than

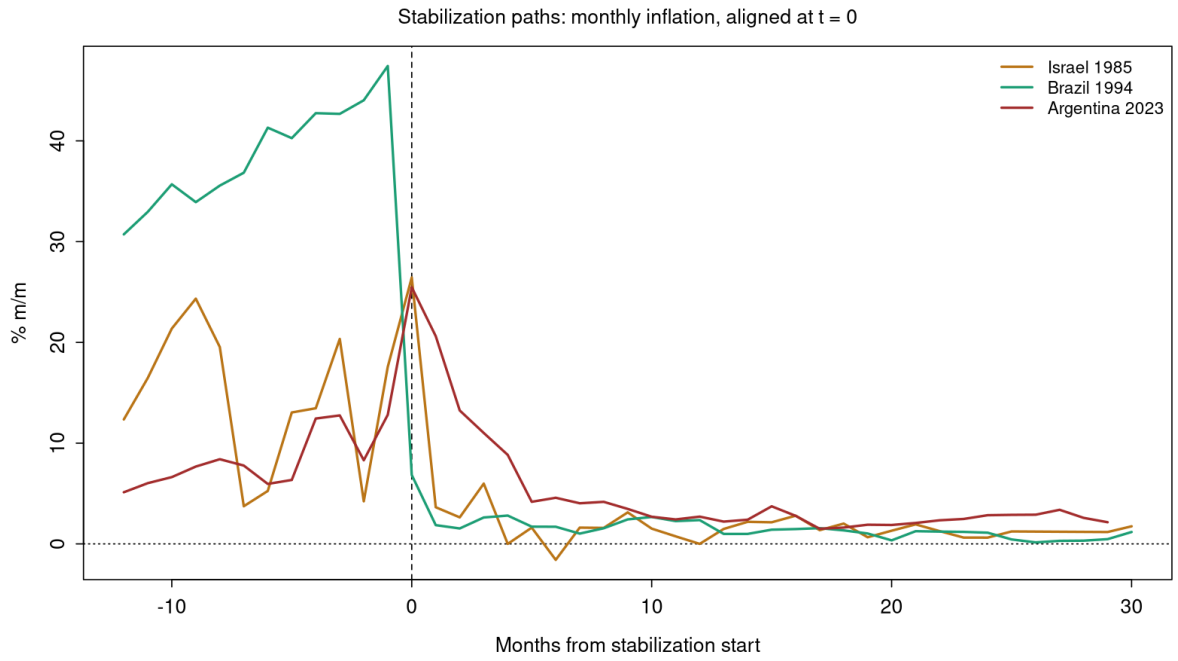

Figure 14: *Aligned monthly inflation paths: Israel 1985, Brazil 1994, Argentina 2023–2026.*

of doctrine. Dollarization differs in the second component, not the first. Removing the domestic unit raises the cost of reversal from a statute to a re-monetization, so the re-pesification option is removed instead of merely made expensive, and the anchor is fixed outside the authority in the strong sense the condition requires. 2001 teaches that a reversible anchor dressed as a hard one fails exactly as the condition's second component says it must.

8 Discussion

The program's record reads in four states. Delivered: the disinflation from 25.5% to 2.1% per month, the parallel premium from triple digits to near parity, a fiscal surplus held every month since January 2024, and the legibility of the monetary aggregate restored by the elimination of the quasi-fiscal complex. Reversed: dollarization and the closure of the central bank, replaced by an actively managed peso regime. Partial: the cepo, lifted for individuals and still binding on corporates. Held by discretion without the statute that would institutionalize it: the surplus, whose deficit rule remains a benchmark, and the reserve position, which is negative on net and financed by borrowed buffers. Nothing locks the achievement in.

On its own terms, the indexed band anchors nothing. Its ceiling tracks lagged inflation in both directions, self-loosening from a 2.5% monthly allowance in January 2026 to 3.4% in May as it absorbed the March headline two months on, and the same arithmetic will unwind it as the softer prints feed through. A rule that moves with the inflation it is meant to contain is a rule in form and discretion in substance.

Three limitations in the evidence bound the verdict. Within the October 2025 regime experiment, one channel is identified cleanly while another is left silent: the swap of 9 October opens its baseline inside an active repricing, so its placebo p of 0.990 is uninformative rather than a measured null, and the event study corroborates the fiscal-political anchor without establishing it alone. Fiscal and monetary turns are collinear at the December 2023 front end, and no synthetic control of a comparable disinflation achieved without the fiscal adjustment is available at this vintage, so the anchor reading is the best-supported of the candidates, short of an estimated treatment effect. And the index the band tracks is itself disputed, since the CPI still carries 2004–05 expenditure weights and its scheduled rebasing was shelved in February 2026, so the anchor and the measure of the inflation it indexes to share a single contested series.

Open risks sit nearer the surface than the disinflation suggests. Headline inflation has printed at or above 2% in every month since September 2025, and regulated prices ran well above core through the first quarter of 2026, so part of the plateau is administered-price catch-up and part may be indexation inertia, which five post-regime observations cannot separate. At the top of its band, the peso requires reserve outlays the net position does not have. United States support is conditional and political on both sides of the relationship, and the statutory deficit rule remains a benchmark rather than a law at writing.

Table 9: *Plateau decomposition, last pre-regime months and the post-regime prints.*

Month	Headline	Core	Regulated	Band rate (CPI t−2)
2025-09	2.1	1.9	2.6	1.0
2025-12	2.8	3.0	3.3	1.0
2026-01	2.9	2.6	2.4	2.5
2026-02	2.9	3.1	4.3	2.8
2026-03	3.4	3.2	5.1	2.9
2026-04	2.6	2.3	4.7	2.9
2026-05	2.1	1.9	2.4	3.4

Falsifiable by design, this reading may already be meeting its falsifier (Table 9). A corridor that held through a genuine political shock, with the budget loosening and the disinflation surviving, would weaken the claim that the anchor is borrowed. Core inflation breaking decisively below 2%

under the band would weaken the inertia mechanism, and the May core print of 1.9%, the first below that line, is the paper's own falsifier beginning to show. The pre-registered persistence-break test covers both and is settled after the December 2026 print.

9 Conclusion

A monetary revolution's result was delivered by the opposite means. Milei promised to abolish monetary discretion and instead ran an aggressively managed central bank through four peso regimes, and the disinflation arrived anyway, carried by a fiscal surplus held by electoral mandate and reserves borrowed from foreign balance sheets. Nothing was built to make it durable.

What remains is an anchor that fixes nothing of its own. Under the indexed band, its ceiling ties to lagged inflation, so it loosens as prices fall and the nominal path it permits is measurable against the very series it is meant to discipline. The surplus that does the real work is a position held against the standing bias toward deficit, sustained by the office-holder who chooses to maintain it and withdrawable at the next election. Neither the band nor the budget rests on a statute, and the reserves that defend the peso are negative on net against a maturity wall that climbs through 2028.

A central bank that abandoned its rule and a country trying to build a rule out of its own inflation are the same study read from opposite ends, and both ask what anchors money. The persistence-break test, pre-registered for the December 2026 print, is the sequel: a disinflation that holds through a political shock with the budget loosening would show the anchor was more than borrowed, and core inflation settling below 2% would confirm the plateau was not indexation inertia. Until those prints exist, the verdict stands as the evidence leaves it. The disinflation is real, and the institution that would make it last is still the one promise the program has not kept.

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A Methods and Robustness

This appendix sets out the formal specifications summarized in the methodology section and the robustness checks held out of the main text. The full pipeline from raw download to estimate is public and rebuilds with one command; the locked May 2026 vintage is inherited throughout, and no estimate is re-run to refresh a number.

A.1 Inference and the decomposition identity

Standard errors are Newey–West throughout, with lag $\lfloor 0.75\, n^{1/3} \rfloor$ and no prewhitening. Base-money decomposition rests on an exact identity: the thirteen BCRA factors of explanation sum to the monthly change in the base, with a correlation of 1.0000 across the 53 months of the sample, so the decomposition carries a residual of zero by construction.

A.2 Money-demand break dating and sensitivity

Bai–Perron dating locates the money-demand break on two regressands, the narrow real base $\ln(M0/P)$ and real transactional M2 $\ln(M2_{tx}/P)$, the latter leading because it does not carry the July 2024 LEFI migration that mechanically shifts the narrow base. Parameter-constancy testing is the primary dating instrument, a Quandt–Andrews sup-F and a Nyblom–Hansen L_c on the regression, with the inflation semi-elasticity re-estimated under a dummy absorbing the December 2023 to March 2024 devaluation window to separate a slope shift from the devaluation print.

Across the grid, sensitivity runs over sample-end trims, February through May 2026, and minimum-segment fractions of 0.15, 0.20, and 0.25. Real M2 holds at a December 2023 break across the grid. At fractions of 0.20 and above, the narrow base dates to January 2024 and to August 2023 at 0.15, the August date coinciding with the PASO primary and read in the results as the anticipation of the regime, not a short-segment artifact. Transactional-M2 results appear in the money-demand table with its insignificant +0.050 coefficient, kept as a finding.

A.3 Event study

September–October 2025 event study measures a post-window abnormal mean against the mean of the t−30 to t−11 baseline. Inference rests on a placebo distribution: the same post-window abnormal mean is recomputed on every non-event trading day outside a guard band around the real events, and the empirical rank of the actual abnormal in that null is the placebo p. A moving-block bootstrap standard error uses a block of five trading days and 2,000 replications, with a Newey–West t reported as a secondary statistic. Two pools are reported, a full pool drawing pseudo-events from the whole sample and a narrow post-December-2023 pool of comparable volatility. The full pool spans the 2022 hyperinflation, which widens the null and biases the placebo p toward non-significance, so a result surviving both pools is the robust one and a washed-out result is a null, not a suppressed positive.

A.4 Pass-through and local projections

Pass-through estimates are Jordà local projections of cumulative headline inflation on official depreciation, with one lag each of inflation and depreciation as controls and Newey–West errors, reported as co-movement because the depreciation is administered and the design does not identify a causal shock (Figure 15). Full-sample response rises from 0.265 at the depreciation month to 0.734 by the sixth horizon, the standard error of 0.589 swamping the point estimate, which is dominated by the December 2023 devaluation. Under the band regime, a pooled interaction over the program win-

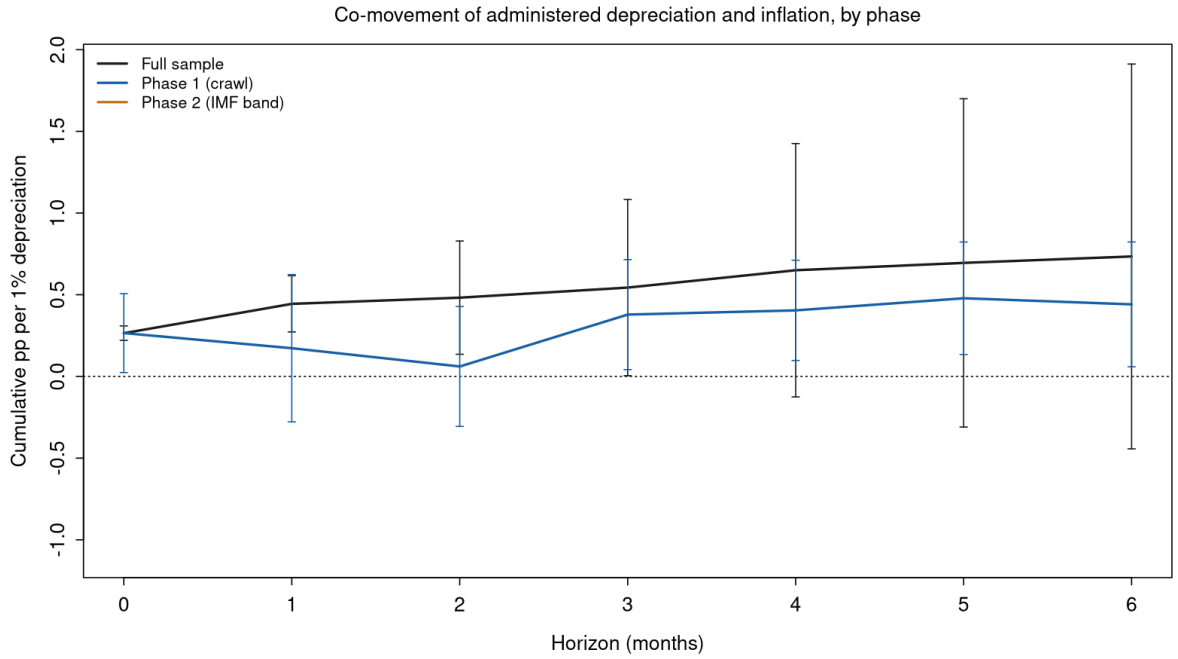

Figure 15: *Local projections of cumulative headline inflation on official depreciation.*

dow returns a pass-through near zero at impact, −0.012 with a standard error of 0.055, and negative and imprecise at longer horizons. No positive pass-through anchor appears in the band.

A.5 Persistence and the pre-registered follow-up tests

Persistence is descriptive at this vintage (Figure 16); the formal break test is pre-registered and committed to the December 2026 print, when at least twelve post-regime observations will exist. Three tests are fixed in advance and are not to be modified before their data exist. The first two are quoted from the analysis repository.

```
# (1) Chow-type break in core-inflation persistence at 2026-01:
full <- m |> filter(!is.na(infl_core))
X    <- stats::embed(full$infl_core, p_bic + 1)   # p_bic from full-sample BIC
dat  <- data.frame(y = X[, 1], X[, -1, drop = FALSE],
                   date = full$date[-seq_len(p_bic)])
strucchange::sctest(y ~ ., data = dat[, -ncol(dat)], type = "Chow",
                    point = which(dat$date == as.Date("2026-01-01")))

# (2) Expectations anchoring by phase (the Obstfeld mechanism in expectations):
lm(rem_infl_12m ~ lag(infl_headline) * factor(phase), data = m)
# Newey-West errors via nw_test(); a rising phase-3 coefficient is the
# anchoring mechanism showing up in expectations.
```

The third test, the Cantillon incidence of the 2024 foreign-exchange emission, requires the central bank's counterparty-level purchase records, which are not public. For first-recipient sector s in month t with emission E_t injected at the official window, the pre-registered specification regresses the relative sectoral price change on a first-recipient indicator interacted with the lagged emission, $\Delta \ln p_{s,t} \sim \text{first\_recipient}_s \times E_{t-1} + \text{controls}$, under the null of no first-recipient premium. Financial and tradables sectors nearest the window are predicted to lead, with cross-division dispersion tracking the monthly emission and the ITCRM real appreciation.

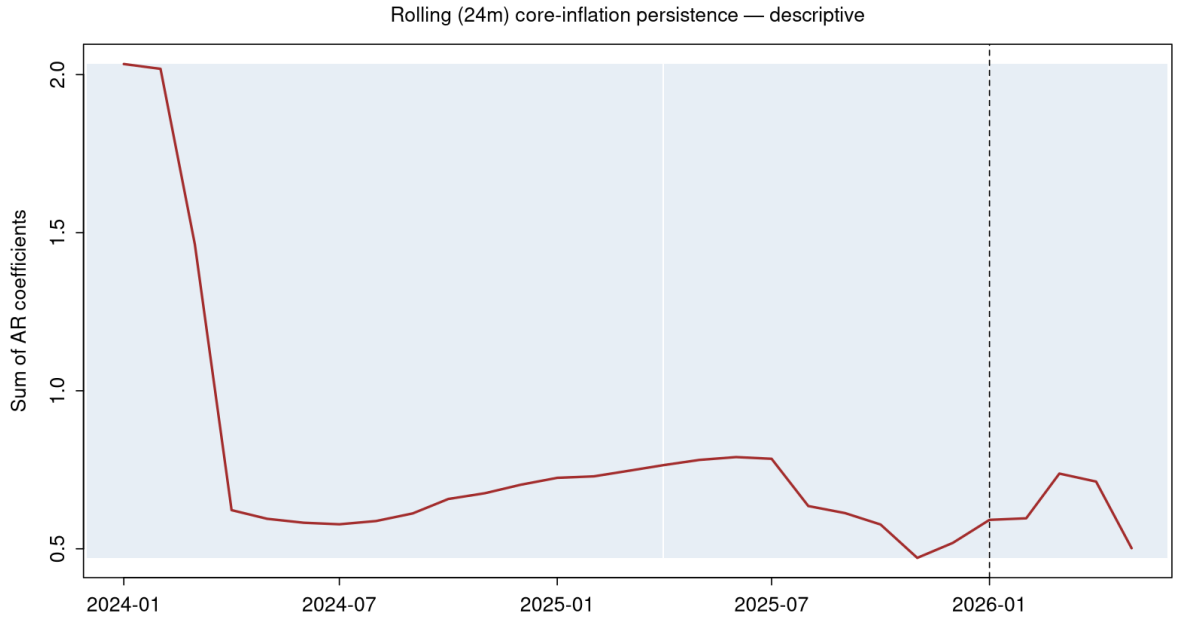

Figure 16: *Inflation persistence by phase.*

A.6 Robustness on the locked vintage

A set of confirmatory tests, all recomputed on the locked panel without re-ingesting data, supports the readings in the main text and tempers two of them. Base-versus-M2 asymmetry is estimated as a difference in a stacked specification that interacts expected inflation with a series indicator: the gap is +0.163 with a Newey–West standard error of 0.064 ($p = 0.013$). This dummy-conditioned slope shift is robust across Newey–West lags one through six and three devaluation-window definitions, ranging from +0.10 to +0.20 and clearing five-percent significance in all eighteen cells. Two tests cut the other way and are reported as such. All three series are integrated of order one, and the levels money-demand relation fails an Engle–Granger cointegration test (residual augmented Dickey–Fuller statistics of −2.33 for the base and −2.17 for real M2 against a five-percent critical value near −3.34), so the levels elasticity is a conditional correlation; the first-differenced base elasticity is −0.18 and significant only at the ten-percent level ($p = 0.073$). Holm's step-down correction over the event-study family leaves neither election response below five percent, with adjusted p-values near 0.12 in the comparable-volatility pool, so the event study is corroborating rather than primary. Seigniorage by year is unchanged across interpolated, held-flat, and nominal-growth denominators, holding the 2024 peak at 2.98% of GDP against 0.05% through May 2026. Extending the debt-sustainability exercise to a Monte Carlo over the reserve path puts the probability that the maturity wall requires rollover above the hundred-percent private ceiling at near zero in 2026, about 22% in 2027, and about 47% in 2028. A second set of checks bears on inference and external validity. A moving-block bootstrap of the dummy-conditioned money-demand slope shift returns a two-sided p of 0.089 with a ninety-five-percent interval that includes zero, so the finite-sample evidence for a break in the demand function is suggestive rather than conclusive and the main text says so. Post-stabilization inflation persistence, the summed autoregressive coefficient of monthly inflation, is 0.26 for de-indexed Israel against 0.60 for Argentina under the indexed band, the discriminating contrast the nominal-anchor condition predicts; the Brazilian monthly comparator does not support a clean post-window estimate at this vintage. These stochas-

tic debt-sustainability probabilities are robust to a Gaussian copula linking the export-price and financing-cost shocks, the 2028 tail holding near 47% at correlations up to 0.6. Seigniorage survives the numerator as well as the denominator: excluding the July 2024 LEFI migration the 2024 figure is 2.41% of GDP and on the broad transactional aggregate 3.87%, against 0.05% and 0.08% in 2026. Code is in `R/12_referee_strengthening.R` and `R/13_tribunal2.R`, with outputs in `output/tables/referee_strengthening.md` and `output/tables/tribunal2.md`.

A.7 Reproducibility

Rebuilding from raw downloads requires `make deps`, a one-time `make bcra-cert`, and `make all`. Documentary durability figures, the net and gross reserves, the maturity wall, Fund credit, and the quasi-fiscal cost, are sourced from IMF Country Report CR 2026/105 and Congressional Research Service Report R48780 through `config/durability_documentary.csv`, with each row cited and marked "not pipeline-derived." Repository: https://github.com/nik110403/argentina-monetary-deepdive.