Argentina’s President Seeks to Build Momentum for Policy Changes

Mauricio Macri says overhauls to tax and social security systems are necessary to attract investment, boost economy

By Tao Turner
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BUENOS AIRES—President Mauricio Macri asked Argentines to back a broad array of new policies aimed at overhauling the country’s tax code, social-security system and public institutions to attract investment and make the economy more competitive.

Mr. Macri, in a speech to governors, business leaders and top legislators on Monday, said Argentina needs to enact policy changes throughout the federal government and provinces.

Buoyed by an unexpectedly strong performance in midterm elections last week, Mr. Macri said he would ask Congress to lower taxes and cut the federal deficit. He also said he would ask legislators to make it easier for companies to create jobs and employ workers.

“If we don’t have a basic consensus on the path forward for our country’s development, our plans for public institutions will not be sustainable and there will be no investment,” Mr. Macri said.

Trimming the Fat
Argentine President Mauricio Macri has proposed measures to attract investment and make the economy more competitive.

Budget deficit
Percentage of GDP

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<tr>
<th>Year</th>
<th>GDP</th>
<th>Projected</th>
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<tbody>
<tr>
<td>2014</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>2015</td>
<td>4%</td>
<td>3%</td>
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<td>2016</td>
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<td>2017</td>
<td>2%</td>
<td>1%</td>
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<tr>
<td>2018</td>
<td>1%</td>
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<td>2019</td>
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Source: Argentina’s government

Although he offered broad policy outlines, he gave few details, saying he wants other leaders to forge a consensus on the finer policy points. He proposed...
creating a committee of experts to find ways to overhaul the social security system. His cabinet chief, Marcos Peña, later said at a press conference that it could take several years for the committee to offer policy recommendations.

Meanwhile, Mr. Peña said, the administration will move to crack down on abuse of the retirement system and ensure benefits are adjusted in line with inflation.

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Mr. Macri criticized provincial governments and his predecessor, Cristina Kirchner, who oversaw a large expansion of the federal workforce. He said Argentina has been hiring far too many state workers and that the public sector needs to go on a diet.

“We need to begin walking an austere line,” Mr. Macri said, pledging to slash red tape and cut spending.

The president didn’t say how he would cut spending, but Treasury Minister Nicolas Dujovne is expected to discuss tax measures on Tuesday.

Mr. Macri also excoriated Congress for wasting taxpayer money. As an example, he said Argentina’s congressional library has more than 1,700 employees, more, he claimed, than most of the world’s great libraries. Chile’s congressional library has fewer than 250 employees, he said.

“We have to balance spending at all levels of government. This is non-negotiable,” Mr. Macri said.

Such talk of austerity measures could spark opposition from critics and average Argentines, many of whom support an expansive role for the state. Mr. Peña sought to play down concerns that the government will slash popular social programs.

“Next year, social spending will reach a historic record,” Mr. Peña said. “There’s no reason to go around stirring up the ghosts of fear.”

A member of the president’s cabinet said Mr. Macri will call on Congress to work over the holiday break in December to pass key legislative initiatives.

“We are looking to achieve macroeconomic balance, develop the manufacturing sector, help companies become more productive and improve our institutions,” the official said. “If we get half of what we’re proposing done we will have turned Argentina around 180 degrees.”

Mr. Macri could run into opposition from governors who may not be eager to cut taxes and give up revenue. Still, officials say governors may feel forced to lower taxes to compete with the province of Buenos Aires, and Argentina’s capital, which already are moving to cut so-called gross income taxes, which are placed on products at every stage of production.

Such taxes, which are in addition to a 21% national value-added tax, can increase the cost of goods here by 30%, said Alfredo Lamagrande, a tax professor at the University of Buenos Aires.

For Argentina’s economy to become more competitive globally, governors need to lower the tax burden, Mr. Lamagrande said. “It looks like the U.S. will cut corporate income taxes. If it does, that will put pressure on all countries, including Argentina, to do the same to remain competitive.”

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