The Daily Dish

The Curious Case of Argentina

DOUGLAS HOLTZ-EAKIN | OCTOBER 20, 2025

The Trump Administration is intervening in currency markets to prop up the Argentine peso. As reported by *The New York Times*:

> *Mr. Bessent, a former hedge fund manager, is orchestrating a $20 billion lifeline to prop up the Argentine peso, which has been declining in value. The backstop is intended to support Argentina's economy and its president, Javier Milei.*

> *On Friday, Mr. Bessent said the Treasury Department had intervened for at least a second time to buy pesos.*

The mechanics are what is known as a currency swap. The Treasury is using the Exchange Stabilization Fund to provide the Argentine central bank with $20 billion that it can use to buy pesos, raising the value of the peso.

It is a risky move. Argentina has received more than 20 economic support packages, largely from the International Monetary Fund, over the years. Nevertheless, it has defaulted on numerous occasions. Secretary Bessent argues that this is a crucial moment for U.S. policy toward South America. Per *The Washington Post*:

> *[O]n Wednesday he classified the bailout as part of an "economic Monroe Doctrine," alluding to the foreign policy of the fifth U.S. president, James Monroe, who claimed a broad U.S. sphere of influence in North and South America in the 1820s.Bessent said propping up Argentina would influence coming elections in Colombia and Chile as well as domestic politics elsewhere in the region — and help counter China's attempts to build deeper economic ties on the continent.*

> *"I thought the Obama administration squandered a very prominent opportunity to bring in and move Latin American countries into the U.S. sphere of influence," he said at a roundtable event with reporters at the Treasury building in Washington. "Governments had swung from left to right and then, through neglect, they swung back hard left again, where many of them are now, but now they're coming back the other way."*

Here's the curious part. Secretary Bessent also announced that the Trump Administration was orchestrating another $20 billion of support for Argentina from the private sector. Also per the *Post*: "Bessent said Wednesday that the administration was marshaling an additional $20 billion from banks and sovereign wealth funds to help Argentina make its foreign debt payments."

From the perspective of the federal budget, $20 billion is nothing – the federal government spends $7 trillion every year. If supporting Argentina is so important to the administration, why not simply provide more aid to Argentina? Why privatize foreign policy objectives?

When the issue of $20 billion in aid first arose, Secretary Bessent argued that Argentina was "systemically important," which is hard to take seriously when its serial crises have had no impact on the United States. Now Argentina is somehow geopolitically vital. But not vital enough for the administration to do the job itself.

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