



Written by [Steve Bonta](#) on January 18, 2024

“Collectivist Experiments Are Never the Solution”: Javier Milei’s Full Davos Speech

The following is a transcript of Argentinian President Javier Milei’s January 17 speech at the World Economic Forum’s annual meeting in Davos, Switzerland.

Good afternoon. Thank you very much. I am here today to tell you that the West is in peril. It’s in peril because those who supposedly ought to defend Western values are being co-opted by a world vision that leads inexorably to socialism, and thereby to poverty. Regrettably, in recent decades (some, motivated by high-minded ideas of wanting to help others, and others by the desire to belong to a privileged caste), the main leaders of the Western world have abandoned the model of liberty in exchange for various versions of what we call collectivism.



AP Images
Javier Milei

We are here to tell you that collectivist experiments are never the solution for the problems that beset the people of the world, but, to the contrary, they are the cause. Believe me: there is nobody better than us Argentines to bear testimony to these two points. When we adopted the model of liberty, around the year 1860, within 35 years we had become a leading world power, whereas once we embraced collectivism, over the last 100 years, we saw how our citizens began to be systematically impoverished, falling eventually to the 140th spot in the world.

But before being able to enter this discussion, it’s important to look at the data that demonstrate why the system of capitalism and free enterprise is not only the system that can end world poverty, but it is also the only morally desirable system for achieving this. If we consider the history of economic progress, we can see how, from the year 0 to the year 1800, approximately, the world GDP per capita stayed almost the same throughout that entire period. If one looks at a graph of economic growth during all of human history, one would be looking at a graph resembling a hockey stick, an exponential function that stayed constant during 90 percent of the time, and took off exponentially beginning in the 19th century. The only historical exception occurred at the end of the 15th century with the discovery of America. But save for this exception, during the entire period from the year 0 to the year 1800, the global GDP per capita remained stagnant. Well, not only did capitalism generate an explosion of wealth from the moment it was adopted as an economic system, but also, if one also analyzes the data, what one observes is that the growth is accelerating across that whole period. During the whole period covered from the year 0 to the year 1800, the rate of growth of GDP per capita remained stable at about 0.02 percent annually, that is to say, practically without growth. Starting with the 19th century and the Industrial Revolution, the compound annual rate of growth was 0.66 percent, and doubled the per capita GDP after 107 years. Now, if we look at the period from 1900 to 1950, the rate of growth



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accelerates to 1.36 percent annually. Now we don't need 107 years to double the GDP per capita, but only 66 years. And if we take the period from 1950 to 2000, we see that the rate of growth was 2.1 percent annually, from which we can infer that only 33 years are necessary to double the world GDP per capita. This trend, far from stopping, continues even today. If we take the period from 2000 to 2023, the rate of growth reached three percent annually, which implies that we can double the world GDP per capita in only 23 years. If we study the GDP per capita from the year 1800 until now, what is observed is that, after the Industrial Revolution, the GDP per capita increased more than fifteenfold, generating an explosion of wealth that lifted 90 percent of the world population out of poverty. We should never forget that, in the year 1800, around 95 percent of the world population lived in extreme poverty, while that figure fell to five percent by the year 2020, prior to the pandemic.

The conclusion is obvious: far from being the cause of our problems, capitalism and free enterprise as an economic system is the only tool that we have to end hunger, poverty, and indigence all across the planet. The empirical evidence is unquestionable. That's why, since there's no doubt that capitalism and the free market are superior in productive terms, the Leftist creed attacks capitalism on moral grounds, saying — according to its detractors — that it's unjust. They say that capitalism is evil because it's individualistic, and that collectivism is good because it's altruistic (of course, with the money of others!). So they advocate for "social justice." But this concept, which has become fashionable in the developed world in recent times, in my country it's been a constant in political discussions for more than 80 years. The problem is that social justice is *not* just, nor does it improve the general well-being. Very much to the contrary, it is an intrinsically unjust idea, because it's violent. It's unjust because the state is funded by taxes, and taxes are levied in a coercive manner — or perhaps some of us can say that we pay our taxes voluntarily? This means that the state is funded coercively, and that, the greater the tax burden, the greater the coercion, and the lesser the freedom.

Those who promote social justice begin with the idea that the economy is like a pie that can be divided up in different ways. But that pie is not a given; the wealth that is produced is more like what Israel Kirzner calls a process of discovery by the market. If a good or service offered by an enterprise is not wanted, that enterprise fails unless it adapts to what the market is demanding. If it produces a high quality product at a good or attractive price, it will do well and will produce more. In this way, capitalism is a process of discovery in which the capitalist finds along the way the correct route.

But if the state punishes the capitalist for being successful, and blocks him in this process of discovery and destroys his incentives, the consequence will be that he produces less and the pie will be smaller, doing damage to society in general. Collectivism, by inhibiting this process of discovery and making acquisition more difficult, ties the hands of the entrepreneur, and makes it impossible for him to produce better goods or offer better services at a better price

How then can it be that, in the academy, international organizations, politics, and economic theory, they demonize an economic system that not only has lifted 95 percent of the world population out of extreme poverty (and does it more and more quickly!), but is also just and morally superior? Thanks to capitalism and free enterprise, the world is in its best moment. In all of human history, there has never been a moment of greater prosperity than that which we are living in today. The world of today is freer, richer, more peaceful, and more prosperous than in any other moment in our history. This is true for all, but in particular for those countries that are free, where they respect economic freedom and individual property rights, because those countries that are free are 12 times wealthier than those that are repressed. That is to say, the lowest tenth living in free countries are 12 times better off than 90



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percent of the population in repressive countries. Poverty is 25 times lower, extreme poverty is 50 times lower. And if that were not enough, the citizens of free countries live an average of 25 percent longer than those of repressive countries.

Now, to understand what we came to defend, it's important to define here what we mean when we speak of libertarianism. In order to define it, let's take the words of the greatest authority on freedom in Argentina. Professor Alberto Benegas Lynch, Jr., who says that libertarianism is the restricted respect for the life-project of others, based on the non-aggression principle, in defense of the rights of life, liberty, and property, whose fundamental institutions are private property, markets free of state intervention, free competition, the division of labor, and social cooperation, where one can only be successful by serving others by providing goods of better quality or better price. Otherwise put, the capitalist, the successful entrepreneur, is a social benefactor who, far from expropriating the riches of others, contributes to the general well-being. Definitively, a successful entrepreneur is a hero.

This is the model that we are proposing for the Argentina of the future, a model based on the fundamental principles of libertarianism: the defense of life, liberty, and property.

Now, if capitalism, free enterprise, and economic freedom have been extraordinary tools in ending poverty in the world, and we now find ourselves in humanity's best moment, it's worth asking, then, why do I say that the West is in peril? I say that the West is in peril just because in those countries which ought to be defending the free market, private property, and the other institutions of libertarianism, sectors of the political and economic establishment — some, because of errors in theoretical orientation, and others, because of ambitions for power — are undermining the fundamentals of libertarianism, opening the doors to socialism, and potentially condemning us to poverty, misery, and stagnation. Because we should never overlook that socialism is always and everywhere a phenomenon of impoverishment, which failed in every country where it has been tried. It was an economic failure. It was a social failure. It was a cultural failure. And moreover, it murdered more than 100,000,000 human beings.

The essential problem in the West today is that not only must we confront those who, even long after the fall of the [Berlin] Wall and overwhelming empirical evidence, continue agitating for impoverishing socialism, but also our own leaders, thinkers, and academics, who remain stuck in a mistaken framework, who undermine the foundations of the system that has given us the greatest expansion of wealth and prosperity in history. The theoretical framework to which I refer is neoclassical [economic theory], which has designed a framework that, unwittingly, ends up enabling the implementation of statism, socialism, and the degradation of society. The problem with the neoclassicists is that, like the model they are enamored of, which does not correspond to reality, they attribute errors to supposed failures of the market instead of revising the premises of their model. Under the pretext of supposed market failures, they introduce regulations, whose only effect is to introduce distortions in the pricing system, to impede economic calculation, and, as a consequence, savings, investment, and growth.

This problem is essentially rooted in the fact that supposedly libertarian economists do not even comprehend what the market really is. In other words, if they did understand, they would quickly see that it would be impossible for something like that (i.e., errors) to be market failures. The market is not a mere graphic depiction of curves of supply and demand. The market is a mechanism of social cooperation, where claims on property are exchanged voluntarily. Therefore, given this definition, speaking of "market failures" is an oxymoron. Market failures don't exist. If transactions are voluntary, the only context in which there can be a market failure is if there is coercion. And the only thing with



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the ability to coerce on a general scale is the state, which has a monopoly on violence. Consequently, if anyone considers there to be a market failure, I recommend that he check for the involvement of government interference. And if they find that there is no government interference, I suggest they do their analysis again, because I guarantee that it was done wrong; market failures do not exist.

One example of supposed market failures that the neoclassicists describe are concentrated economic structures. However, without functions that present growing yields on that scale [inaudible], we can't explain the large-scale economic growth from 1800 until today. From the year 1800 forwards, with the population increasing by more than eight or nine times, the GDP per capita increased by more than 15 times. In other words, there are increasing returns. This took extreme poverty from 95 percent to five percent. Nevertheless, these increasing yields somehow imply concentrated structures—what might be called, for example, a “monopoly.” How can it be that something that has generated so much well-being, for neoclassical theory, be a “market failure”?

Neoclassical economists, think outside the box! When the model fails, you shouldn't get angry with reality. You must get angry with the model and change it. The dilemma that confronts the neoclassicist is that they say that you have to have perfection in the functioning of the market, and attack what they consider to be failures. But when they do it, they not only open the doors to socialism, they also attack economic growth. For example: Regulating “monopolies,” destroying their profits, and destroying increasing returns, will automatically destroy economic growth. Otherwise put, every time you want to make a correction to a supposed market failure, inexorably, by not knowing what a market is, or by having become enamored of a fallacious model, are opening the doors to socialism. They are condemning people to poverty.

Nevertheless, despite the theoretical demonstration that state intervention is harmful, the empirical evidence of its failure — because it could not have been otherwise — the solution that collectivists will propose is not more freedom, but rather more regulation, generating a descending spiral of regulations, until we all end up poorer, and the everyone's lives depend upon some bureaucrat seated in a luxurious office.

Given the resounding failure of collectivist models, and the undeniable advancements of the free world, the socialists found themselves forced to change their agenda. They left behind the “class struggle” based on the economic system and replaced it with other supposed social conflicts, equally harmful for the life of the community and for economic growth. The first of these new battles was the ridiculous and unnatural conflict between man and woman. Libertarianism already established equality between the sexes. The corner stone of our creed says that all men are created equal, that we all have the same unalienable rights, granted by the Creator, among which are included life, liberty, and property. The only thing that the agenda of radical feminism has brought about is greater state intervention to hinder economic processes and give work to bureaucrats who haven't contributed anything to society, whether it be the format of the Ministry of Women [a reference to an Argentine government ministry], or international organizations dedicated to promoting this agenda.

Another of the conflicts that the socialists have brought about is that of man against nature. They maintain that we human beings harm the planet, and that it must be protected at all cost, including going as far as advocating for population control, or the bloody agenda of abortion.

Unfortunately, these harmful ideas have deeply penetrated our society. The neo-Marxists have figured out how to co-opt popular sentiment in the West. They have achieved this thanks to the appropriation of the mediums of communication, the culture, the universities, and, yes, also the international



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organizations. This last case is perhaps the most serious, because it has to do with institutions that have enormous influence over the political and economic decisions of the countries that make up these multilateral organizations. Fortunately, we who dare to raise our voices are increasing more and more, because we see that if we do not combat these ideas head-on, the only possible fate is that we are going to have more and more government, more regulation, more socialism, more poverty, less liberty, and as a consequence, a worse standard of living.

The West, unfortunately, has already begun following this road. I know that to many, it sounds ridiculous to claim that the West has turned to socialism. But what is ridiculous is that one restricts the meaning of socialism to the traditional economic sense, which claims that the state is the owner of all of the means of production. This definition, in my view, should be adjusted to present circumstances. Today, states don't need to control the means of production directly, in order to control every aspect of individual life. With tools like printing money, indebtedness, subsidies, the control of interest rates, price controls, and regulations to correct supposed market failures, they can control the destinies of millions of human beings.

Thus, we have arrived at the point where, under different names or forms, a good part of the political offerings generally accepted in Western countries are variants of collectivism, whether they openly profess to be communists, fascists, Nazis, socialists, social democrats, national socialists, Christian democrats, Keynesians, neo-Keynesians, progressives, populists, nationalists, or globalists. At heart, there are no substantive differences. All of them maintain that the state ought to direct every aspect of individual life. All of them defend a model contrary to that which brought humanity the most spectacular progress in its history.

We come here today to invite the rest of the Western countries to get back on the road to prosperity, economic freedom, limited government, and the respect of private property. They are indispensable elements of economic growth. This phenomenon of impoverishment that collectivism produces is neither fantasy nor inescapable fate. It's a reality that we Argentines have known very well for at least 100 years. Because we have already lived it. We've already passed through this. Because, as I said earlier, ever since we decided to abandon the model of liberty that had made us rich, we have been trapped in a descending spiral, in which we are poorer each day. We've already lived it. And we are here to warn you about what can happen if Western countries, who became rich with the model of liberty, continue along this road to serfdom. The case of Argentina is an empirical demonstration that it doesn't matter how rich you may be, how many natural resources you may have. It doesn't matter how skilled or educated the population may be, and how many gold ingots there may be in the vaults of the central bank. If measures are adopted that hinder the functions of the free market, free competition, the systems of free pricing, if commerce is hindered, if private property is attacked, the only possible outcome is poverty.

Therefore, in closing, I want to give a message to all the businessmen present here and to those who are not here, but who are following us from every part of the planet: don't let yourselves be intimidated, either by the political caste or by the parasites who live off the state. Don't give yourselves over to a political class that wants only to perpetuate itself in power and maintain its privileges. You are social benefactors. You are heroes. You are the creators of the most extraordinary period of prosperity that anyone has ever lived. Let no one tell you that your ambition is immoral. If you earn money, it's because you offer a better product at a better price, in this way improving the general well-being. Do not yield to the advance of the state. The state is not the solution. The state itself is the problem. You are the real



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protagonists of this story, and rest assured that, from today onwards, you can count on Argentina as an unconditional ally.

Thank you very much, and long live liberty!



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