

# Argentina's Economic Crisis Has Become a Political Crisis

AN INTERVIEW WITH

[CLAUDIO KATZ](#)

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The unexpected victory of far-right libertarian Javier Milei in Argentina's primaries marks a crisis for both Peronism and its traditional conservative antagonists. No one knows exactly what will happen next.

| INTERVIEW BY

[EDITORS](#)

Argentina's [primary elections](#) of August 13 didn't just trigger a crisis in the governing coalition, with [Peronism](#) recording its worst election in history, but also in the conservative coalition Juntos por el Cambio, which didn't achieve its expected results. In the context of profound economic crisis, exacerbated by the devaluation of the Argentine peso earlier that week, the surprising victory of far-right candidate Javier Milei, of La Libertad Avanza, broke all predictions and created a new political situation for October's general elections.

To analyze the situation created by the blanket primary, the motives that drove seven million people to support the aforementioned libertarian,

and the election's possible consequences, *Jacobin* spoke with economist and professor Claudio Katz.

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## EDITORS

How can we explain what happened with Javier Milei?

## CLAUDIO KATZ

He used the messaging of the ultraright to channel the exasperation and frustration with the disaster facing the country. The same trend has taken place in numerous countries, but Milei was less predictable. He was created by the media and came to politics without previous experience. He's not situated in a traditional party like Donald Trump, a social-ideological base like José Antonio Kast [in Chile], or the military-evangelical constituency of Jair Bolsonaro [in Brazil]. That eccentricity could damage him or catapult him. We still don't know.

He has an ultraright discourse, but he found other followers through his posturing and various broadsides. Many of his own voters, responding to surveys, approved of public education and rejected airline privatization. He has created an illusion of recouping high wages through dollarization. He's a character potentially more fragile or more dangerous than his counterparts abroad. These are open questions.

## EDITORS

Many explanations of what Milei represents are making the rounds.

## CLAUDIO KATZ

Yes, it's true. Some interpretations emphasize the basis of success in significant changes in subjectivity, communication, and youth behavior. They're interesting considerations, as long as we don't forget that they emerge principally from the monumental decline in the standard of living. The government — which oversaw the fall in wages, labor

precarization, and growing inequality — is responsible. Milei tapped into the malaise produced by material degradation.

EDITORS

And what about the traditional right?

CLAUDIO KATZ

The victory of Patricia Bullrich [over the more moderate Horacio Rodríguez Larreta] confirms the rightward turn of their coalition. That coalition traded [former president] Mauricio Macri's false promises of prosperity for fiscal adjustment. The failure of Rodríguez Larreta shows that the center-right current has lost influence. It's the same attrition that affected Fernando Henrique Cardoso's party in Brazil in the age of Jair Bolsonaro.

Milei's surge has created a more contradictory situation for the establishment. On the one hand, those in power celebrate the additional congresspeople they'd have to pass their agenda. On the other, the current path leads toward dangerous clashes that they'd prefer to avoid with the structural adjustment offered by "viceroy" [US ambassador] Marc Stanley. They're also uncomfortable with the competition between Bullrich and Milei over the same conservative constituency.

EDITORS

What has happened to Peronism?

CLAUDIO KATZ

It suffered a more significant collapse than expected, coming in third place, the worst in its history, and even lost the historic governorship of Santa Cruz. Two possibilities could unfold in the coming months. If [current economic minister and Peronist "unity" candidate] Sergio Massa doubles down on the fiscal adjustment that the International Monetary Fund (IMF) demands, he'll dig his own grave as the ruling party candidate. His burial already began with the currency devaluation he promised to sidestep but ended up accepting. He validated Washington's blackmail to obtain the credit that the IMF uses to pay

itself. Argentina will be subject to endless punishment for legitimating the fraud of national debt.

Massa's image as a shrewd negotiator is prone to evaporate amid skyrocketing inflation, expected to pass double digits just this month. The government lost its authority to negotiate price controls, and the value of the dollar seemingly has no ceiling. Between a rock and a hard place, Massa returns to his so-called fiscal adjustment "nonprogram." He devalues the peso without reserves while improvising measures that aggravate the economic crisis and the consequent government paralysis.

#### EDITORS

Could a worsening situation lead to an early transfer of power like former president Raúl Alfonsín (1983–89) confronted?

#### CLAUDIO KATZ

We're witnessing a double tension. There are sectors that have encouraged a debacle of this kind. But at the same time, a large part of the economic elite wants to protect the big businesses of gas, lithium, and food that they look after. That's why they supported the predictable fiscal adjustment of Larreta and Massa.

This contradiction has surfaced following the primaries. The rightward electoral lurch that should have delighted capitalists produced the opposite effect, with a sharp fall in Argentine bonds. There's a climate of extreme tension, and if the bout of hyperinflation extends into the coming weeks, October's outcome will be even more unpredictable.

#### EDITORS

Could the governing party rally before October?

#### CLAUDIO KATZ

It will depend above all on its ability to curb the derailment of the economy. That's the requirement if they're going to turn around the results of the primaries. They would need to win over those who didn't vote and those who fear Milei and Bullrich. Additionally, they should

mount a defensive resistance to the looming right-wing threat. That's what happened recently in Spain, where Vox's potential ascent was [contained](#) at the ballot box.

#### EDITORS

The respectable election of [Peronist governor of Buenos Aires Province] Axel Kicillof indeed put a brake on Milei's surge.

#### CLAUDIO KATZ

Yes, but it was the only significant exception to the "violet wave." It indicates that, in contrast to 2015, a right-wing president will have to wrestle with a bastion of opposition in Buenos Aires Province. That result also illustrates the paradoxical setback that Milei presents to the traditional conservative project.

#### EDITORS

In any case, Argentina now faces an unprecedented transformation.

#### CLAUDIO KATZ

It's worth noting that there are two readings of what is happening. In the first, the situation has to do with the swinging of the political pendulum. There was a vote of thirds in the primaries, preceded by various provincial elections, during the course of which many voters seem to have changed their preferences. From this perspective, the ultraright vote was just a warning and could weaken come October.

The other view suggests that the political cycle of recent decades is ending, with the resulting exhaustion of its protagonists: Kirchnerism and Macrism. The decline of pairing, triggered by the ultraright, would spark a profound crisis for Peronism as much as its traditional antagonists.

This view is backed by the sudden resurgence of the cry that inaugurated our current period. Milei has adapted the call "Out with them all" into a

furious challenge to “caste.” He’s transformed the galvanizing and hopeful slogan of 2001 into a thoroughly regressive motto.

EDITORS

Is the electoral victory of the Right enough to impose the fiscal adjustment that economic elites want?

CLAUDIO KATZ

No, it’s just the first step. The battle will be settled according to the dynamic of the resistance. The result will emerge from the confrontation between those who impose austerity and those who live under it. The popular reaction against this abuse is a serious concern on the Right. They’ve long questioned how to overcome pickets, break strikes, and prevent mobilizations. They’re obsessed with our people’s historical ability to resist.

Argentina has the largest labor movement and the highest rate of unionization on the continent. It has the largest organized group of the unemployed, and democratic forces have kept those guilty of genocide in prison. The Right will have to contend with this social resistance. This time they’re coming for everything, and they will try to eliminate our collective bargaining agreements and our compensation, pardon military criminals, and restrict abortion. They already practiced the criminalization of protest in [Jujuy](#).

It’s clear that, under President Alberto Fernández, popular resistance has been limited. But unlike in Brazil, the Right would not come to power here in a state of descent and popular disintegration. In addition, for the time being, Milei and Bullrich have significant electoral support but not in the streets. They’re not accompanied by the pot-banging of the pandemic or the marches of the Alberto Nisman era.

EDITORS

How do you view the Left’s situation?

CLAUDIO KATZ

The Workers' Left Front–Unity (FIT-U) obtained a similar percentage to those of recent elections. Its figures were low, but it stayed on the ballot for October's races. Other groupings didn't pass through the filter. With its small but solid base, FIT-U withstood the electoral whirlwind. Yet it will face difficulty given the ultraright's capture of the protest vote. In addition, Peronism's discontents were deferred by an alternative option to Massa [the challenge of left Peronist Juan Grabois], and the unfortunate internal situation of FIT-U was incomprehensible even to its own followers.

## EDITORS

What kind of options exist for militancy right now?

## CLAUDIO KATZ

For critical Peronism, the Left, and progressive forces, there are various issues at stake. The first is turnout on election day. Some currents favor casting blank votes, without considering the volatile meaning of that option. While in 2001 it formed part of the popular rebellion, it now expresses apathy and depoliticization. It's a passive response to structural adjustment that doesn't lay the ground for resistance. To the contrary, it reinforces hopelessness and boosts the misguided message that "all politicians are the same."

The second issue is the congresspeople on the line. I think an expansion in the number of left-wing legislators would be very positive. Since fiscal adjustment is coming and we'll have to resist it, that legislative support would be very advantageous. The same can't be said of the candidates offered by Peronism, with numerous conservative figures and their suspect behavior in the face of protest. The strategic problems of FIT-U will remain, but its strength would provide support for the difficult struggle ahead.

Finally, the campaign to vote for Massa, as Grabois committed to when he announced his own candidacy, is a difficult pill to swallow. The day after Grabois presented to him a proposal to cancel the agreement with the IMF, the minister devalued the peso at the behest of the IMF.

Grabois will have to decide whether to keep silent or denounce such moves.

The way to contain the Right electorally is through nuanced open debate, especially in the face of a runoff election. But the necessity of electing leftists to congress is an urgent priority.